



Annual Report 2015
Koninklijke Smals NV.

Foreword.

2015 was a year that saw the continued implementation of the corporate strategy we had updated in 2013 and 2014 – a strategy that was formulated for the entire Royal Smals Group after we had reassessed our mission and updated our vision.

The starting point for this strategy is the merging of the various divisions within the organisation to form a single company in which we can work together as effectively as possible and bundle all available knowledge and expertise. This will create a unique hydraulic engineering company capable of tackling our customers' problems in an integrated way.

Thanks to the dedication and commitment shown by our employees, we have managed to create such a company. Since 2015 Royal Smals has been presenting itself globally under a single brand name: Royal Smals. However, not only are we now using one name, we are also actually operating as one company and one team.

Projects such as that in Leopoldshafen, which involves every discipline within Royal Smals (dredging of gravel, transport of gravel on site and to customers and trade in gravel, and dredging of contaminated sludge), demonstrate that we have bundled and effectively coordinated our various areas of expertise.

Over the past year the team has also worked hard to achieve further international growth. The network required to make this possible has been expanded significantly. New territories in which Smals has been active since 2015 include the United Kingdom, the Balkans, India and Brazil. However, we will continue our efforts to tap into new markets, such as Sweden, France and Africa. International growth is crucial if our strategy is to become a reality.

2015 was also a difficult year in where all kinds of internal changes were implemented to allow us to operate as one company. Changes to our structure, the closure of our gravel processing plant (which involved compulsory redundancies), the transition to a single collective labour agreement, the introduction of lean work processes and the continued centralisation of the organisation placed considerable demands on our employees. Thanks to their dedication, flexibility and commitment, however, all these projects were successfully completed and implemented in 2015.



Frans van der Linden
Chief Executive Officer

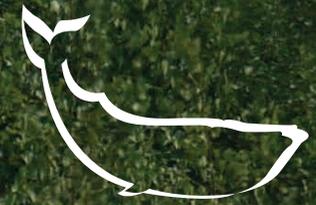
The market was once again under pressure last year. This not only affected our Construction Materials division, which felt the impact of pressure from the construction sector, but our Dredging division too. In both these markets we were faced with a drop in sales, a decline in the number of projects and pressure on prices.

Due to the additional internal costs we incurred as a result of the ongoing centralisation process and restructuring operations, disappointing market conditions and other one-off write-downs, we ended the year with a limited profit, although we managed to avoid posting a loss.

We are looking to the future with confidence. In 2015 strong foundations were laid within the organisation, there are signs that the dredging market is picking up, our international growth strategy will deliver the first orders in new markets in 2016 and the construction materials market is stabilising. We therefore expect to post a profit and achieve growth in 2016.

Frans van der Linden
Chief Executive Officer, Koninklijke Smals NV

Cleaning of Afrikasee at ZOOM, Gelsenkirchen, Germany.



BALEEN

RAPID DEWATERING SYSTEM

The 'Afrikasee' is an artificial lake that recreates savannah and rainforest environments. Every half an hour a replica of the steam boat 'African Queen' took visitors on a tour of the lake to see the many exotic animals on display.

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'Space for the River' Scheller and Oldener Buitenwaarden, Zwolle, the Netherlands.



Two new secondary channels have been constructed alongside the River IJssel at the Scheller and Oldener Buitenwaarden river foreland areas. The low (insufficient draught in summer) and high water levels have made this project particularly challenging.

Key figures.

Our result came under pressure in 2015 as a result of the following developments:

- Disappointing dredging market, resulting in underutilisation of equipment.
- Reorganisation costs incurred due to the closure of the gravel processing plant and an additional reduction in the number of FTEs.
- Write-down on a gravel purchase contract that has been loss-making for some time; this was necessary in part due to the closure of the gravel processing plant.

By responding appropriately to these developments, we managed to prevent a loss being posted in 2015.

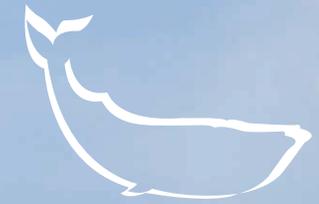
€ 1,000 x	2015	2014
Turnover	25,766	28,976
Operating result	5	532
Result before corporation tax	-202	278
Net profit	3	93
Equity capital	13,254	13,251
Provisions	2,756	5,345
Other borrowed capital	21,693	27,295
(of which KBP equalisation reserve)	3,008	5,083
Operating cash flow (profit+amortisation+impairment)	3,246	3,175
Equity capital/Total assets	35%	30%
Net profit/Equity capital	0%	0%



Smals Bouwgrondstoffen BV
Smals Dredging GmbH
Smals Dredging BV
Smals Dredging UK Ltd.
Smals Verhuur BV
Smals Berkendonk BV
Smals IKW BV
Smals IJsselmeer BV

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Annual Report 2015.
Growth through partnerships.

Flood risk
significantly reduced,
Slochteren, the Netherlands.



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RAPID DEWATERING SYSTEM

We were commissioned by Arcadis Nederland to carry out this attractive project in North-East Groningen. This was a Best Value Procurement contract and Royal Smals was selected as the best party. The inside of the embankment has been reinforced and the flood risk has been reduced from a 1-in-50 to a 1-in-100-year event.

The group's mission and vision.

The mission we set out in 2014 continues to apply in full. There have been no developments or changes on the market, socially or geographically, or changes relating to the knowledge, expertise and specialisms of our company that make it necessary to change or adjust our mission.

Our company's mission is defined as follows: Together, we will build a safe and pleasant living environment, for today and tomorrow.

We also see no need to make any changes to our vision, which we have defined as: a living environment for today and tomorrow. Royal Smals is a family business that operates internationally. Our ambition is to remain a leading and unique provider of integrated solutions for water-related projects and for optimising use of the resulting raw material flows.

We devise, develop, construct, manage and maintain earthworks and hydraulic engineering works. During this work we aim to minimise the environmental impact, with a focus on ensuring the long-term safety of the society in which we live. To ensure we can provide our customers with the best possible service, we regularly enter into partnerships.

Smals aims to grow responsibly on a sound financial basis, while retaining its independence. This growth will be realised by diversifying and scaling up our activities. Motivated and highly skilled employees will help our continuously improving organisation to achieve this aim.

Together, we will build a safe and pleasant living environment, for today and tomorrow.

Koninklijke Smals NV.
Annual Report 2015.
Growth through partnerships.



Improving the water quality of two large lakes at the Olympic Village in Brazil.



These lakes are open to the Atlantic Ocean. The existing channel has been reopened using dredging, allowing clean sea water back in to replace the brackish water within the nature reserve. This has greatly improved the water quality and is allowing rare flora and fauna to recover.

Growth through internal/external partnerships.

Taking our mission and vision as a starting point, we have formulated a strategy geared towards international growth based on external and internal partnerships. It is our firm belief that healthy, stable growth can only be achieved if you enter into long-term, sustainable partnerships with external parties, but also endeavour to optimise partnerships within your organisation.

In 2015 we significantly increased the number of partners with whom we will be building long-term relationships. Such a network is crucial to help us realise the international growth we are targeting. These partners are located in all corners of the globe. We are working together closely, for example, with manufacturers of the products and equipment we need to implement our projects, as well as local contractors, public authorities and embassies, and we aim to have an agent dedicated entirely to Smals in every country/region.

Partnership agreements have been concluded with many of these partners and we have also recorded our first successes in the form of concrete projects that can be demonstrably traced back to these alliances.

Internal partnerships are every bit as important as external ones. To carry out larger, complex projects abroad in an efficient way, we need to operate as one company and one team.

In 2015 we strengthened these internal partnerships and can now confidently say that we are operating as one team, having bundled all our strengths, knowledge, expertise and know-how. This means we can offer our customers an integrated approach and can come up with the best possible solution for every project.

Cooperation between the external network and the internal team has been embedded in parallel with the above developments to optimise the exchange of information between these two networks.

We have therefore laid solid foundations for further international growth over the coming years.





Forebay for drinking
water reservoir,
Solingen, Germany.

The Sengbachtalsperre is located in the Wupper basin and is a reservoir used to supply drinking water to the city of Solingen. To prevent sediment from tributaries ending up in the reservoir, a so-called forebay was created.

Strategy and focus areas.

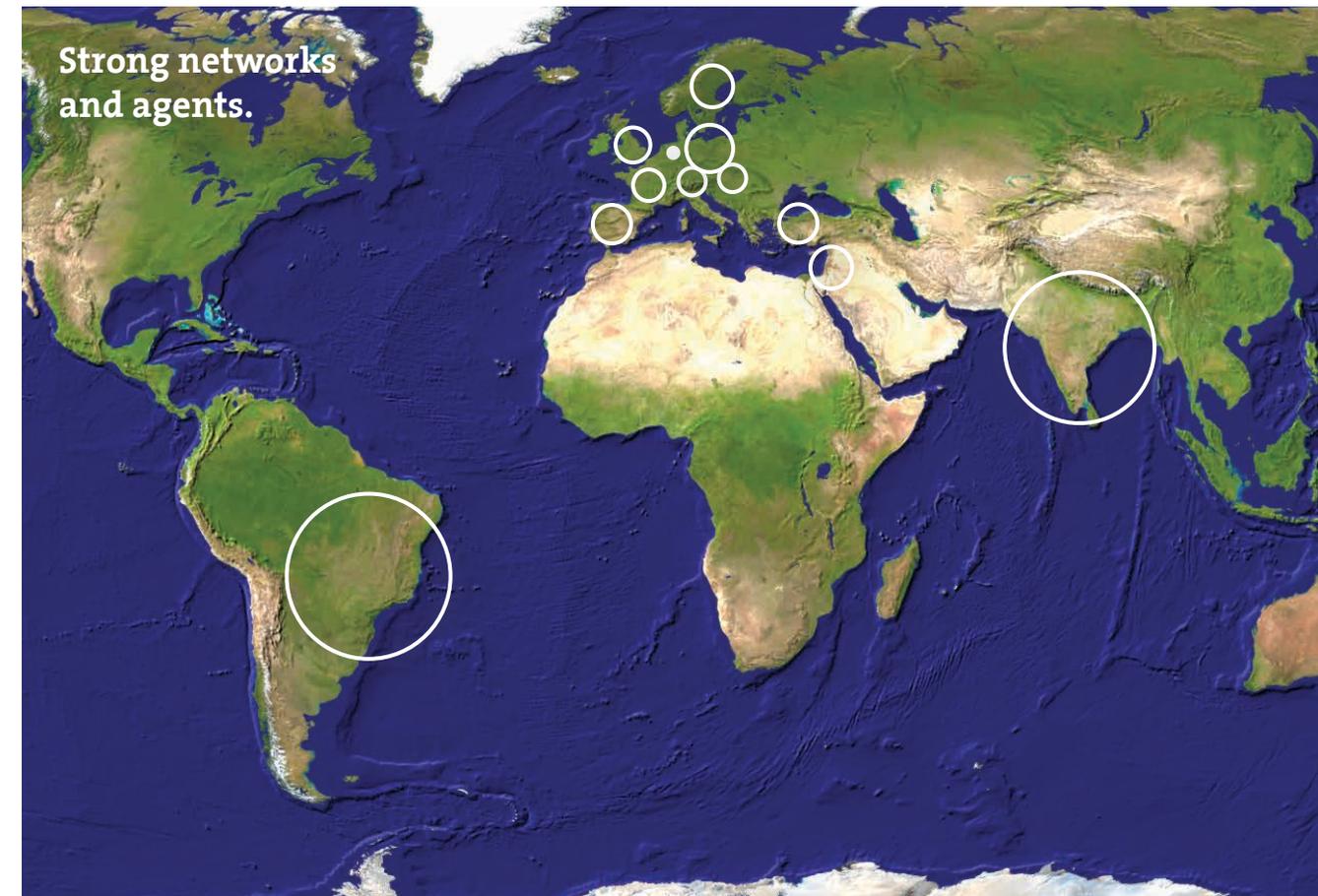
Our strategy supports our mission and vision and lays the foundations that will help us achieve a sound financial basis for the long term. Based on this mission and vision, our strategy is for Royal Smals to operate as a unique hydraulic engineering contractor within which all divisions must make a positive contribution to the group's result.

Optimising the use of the raw material flows resulting from our activities is an essential area of expertise. This knowledge is embedded within our Construction Materials division, which means this division is key to the implementation of our strategy. To realise this strategy, we need to achieve international growth. We understand growth to mean not only an increase in turnover, but also, in particular, an improvement in profitability.

To operate internationally, we need to be extremely flexible as an organisation. This will allow us to respond to internal and external developments. The growth of our company may be achieved organically or via acquisitions.

To help us achieve growth, in 2015 particular attention was paid to the following focus areas when implementing our strategy:

- Growth by working together with partners. We have now built up a network comprising more than 20 strong international partners who will help Smals realise its growth ambitions.
- Bundling of knowledge and expertise.
- Expansion of equipment and our own engineering and construction capabilities to allow us to offer the right solution for every project.
- Market research in countries and regions where Smals has identified growth opportunities.
- Active development of networks and establishment of agents in countries where Smals wants to achieve growth.
- Focus over the coming period on countries and regions including the United Kingdom, the Balkans, India, Brazil, Sweden, Africa, France, Turkey and Spain, in addition to the countries in which Smals has already been operating for some time within Western Europe and where optimum use is already being made of the network and agency structure.



A unique project: dredging sludge from a silted-up lagoon in Oldham, UK.



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RAPID DEWATERING SYSTEM

Sludge is the name of the substance produced as a by-product by water treatment plants. In itself it presents no problems for humans or the environment. However, there are now plans to build a new plant on this site.

Preliminary report of the Supervisory Board.

In accordance with the provisions of Article 19 of the company's articles of association, we hereby present the 2015 financial statements of Koninklijke Smals NV, as prepared by the management. These financial statements have been audited by Ernst & Young Accountants LLP, which has issued an unqualified audit opinion.

The Supervisory Board has discussed the financial statements and the audit opinion with the auditor. Partly on the basis of this audit opinion, we propose that these financial statements be adopted and that the Board of Directors be discharged from liability in respect of the management it has conducted during this financial year.

The Board of Directors comprises the Chief Executive Officer Mr F. van der Linden, who is responsible for the company's management, and Mr M.R. Smals in the capacity of joint director under the articles of association.

2015 was once again a difficult year for the hydraulic engineering and construction sectors. The supply of and trade in sand and gravel remained at the same low level as last year, with volumes and margins continuing to come under pressure. The Board of Directors and Supervisory Board focused unwaveringly on achieving a sustained improvement in results through measures such as cutting costs and improving efficiency, as well as further strengthening and diversifying the company's activities. Attention was paid to the company's cash flow and balance sheet on an ongoing basis.

Within the Dredging division we also had to contend with a stagnating European market in 2015. The international growth the company is targeting did not yet lead to any orders during the year. In 2015 efforts were mainly focused on setting up the network and identifying countries with growth potential. As a result, the Dredging division posted its lowest level of turnover for many years and consequently ended the year with a loss.

Additional costs and write-downs also had to be recognised in 2015 due to the centralisation process, the closure of the gravel processing plant and a write-down on a contract that has been loss-making for some time. This resulted in a balance sheet position that, as at the end of 2015, complies with the agreements

concluded with the banks. In the third quarter of 2015, however, this was not the case and a waiver was therefore requested in respect of this quarter, which was granted by the bank. There is continued pressure to exercise restraint in the area of investments with the aim of improving our liquidity position.

The construction market is showing signs of picking up slightly in 2016. However, this recovery will be limited and cost management and efficiency will be crucial factors once again during the current year. A recovery is expected within the Dredging division, as there has been a clear increase in the number of enquiries year on year and the international network has generated the first enquiries and orders.

In 2015 the Supervisory Board met with the Board of Directors on four occasions. The shareholders also attended and contributed to these meetings. In addition, consultation took place outside the meetings on a regular basis. The Supervisory Board attended a meeting between the Board of Directors and the departmental heads during which light was shed on the company's future strategy.

There was frequent consultation between the Board of Directors and the Chairman of the Supervisory Board outside of the regular meetings and the Chairman also attended a meeting of the Works Council.

The Supervisory Board conducted an assessment of its composition and performance, during which it also considered its relationship with and the performance of the Board of Directors. With the age limit of 72 in mind, at the beginning of 2015 the decision was taken to recruit new members to the Supervisory Board.

Sadly, in July 2015 the Chairman of the Supervisory Board, Mr J. Franssen van de Putte, suddenly passed away. Just Franssen van de Putte assumed this office in 2007. He took a great deal of interest in his role and worked with considerable expertise and dedication, for which we are extremely grateful. His sad passing left its mark on those of us who had come to know him as a warm and friendly member of our team.

The shareholders have since recruited three new supervisory directors: Mr P. Op Heij, who has a wealth of accountancy experience, Mr J. van 't Hoff, who boasts specific international experience within the dredging sector, and Mr P. Thissen, who, as the owner of a family company, has vast experience of managing a medium-sized family business. Mr C. Halkes was willing to assume the role of Chairman of the Supervisory Board for a transitional period in 2016. Through these appointments the ongoing supervision of the company and its directors has been guaranteed.

We would like to conclude by thanking the Board of Directors and the company's employees for their positive contribution against the background of the dynamic and challenging conditions on the current market.

Cuijk, 24 March 2016

Drs. C.J.J. Halkes

J. van 't Hoff MSc. Eng.

P.M.J. Op Heij RA

P.M.J. Thissen





P.M.J. Op Heij RA

P.M.J. Op Heij RA has been a supervisory director of Koninklijke Smals NV since 24 September 2015. Until 1 June 2015 he was employed as a partner with Deloitte. In this role he carried out much of his work for family companies and acquired knowledge and experience in the areas of governance and strategic development.



Drs. C.J.J. Halkes

C.J.J. Halkes has been a supervisory director of Koninklijke Smals NV since 1 July 2004. As director/owner of Te Strake BV, which has interests in the high-tech sector, he has many years of experience of managing and developing an innovative family company with branches in various countries across the globe.



P.M.J. Thissen

P.M.J. Thissen has been a supervisory director of Koninklijke Smals NV since 1 January 2016. As director and principal shareholder of the family company Thissen Installatietechnik BV, which has branches in Venlo and Geleen, and in recent years as director of Unica Installatietechnik BV, he has built up 30 years of experience in the construction and technical installation sector. He has spent many years at the head of a company that has managed to set itself apart by implementing sustainable and innovative installation concepts.



J. van 't Hoff MSc. Eng.

J. van 't Hoff has been a supervisory director of Koninklijke Smals NV since 24 September 2015. Having previously worked for a consultancy firm in the hydraulic engineering sector and for a number of dredging companies, he has now spent over 25 years as a freelance consultant hydraulic engineer, focusing in particular on dredging applications. His consultancy operates nationally and internationally and is involved in both large and small dredging projects. He is also involved in training young professionals in the dredging industry.

Final phase of 40-year sand extraction project, Kraaijenbergse Plassen, Cuijk, the Netherlands.



In mid-2014 Royal Smals brought the extraction of industrial sand at the Kraaijenbergse Plassen to an end. The redevelopment of the final section of the site will be completed early in 2016. Production of fill sand at this location will continue until the end of 2017.

Review of 2015.

We ended 2015 with a small profit. This result was mainly influenced by the following factors:

- One-off income/release of provisions.
- Disappointing market and results for the Dredging division, underutilisation of equipment.
- Reorganisation costs, closure of gravel processing plant and reduction in the number of FTEs/changes to roles.
- Changes to organisational structure.
- Positive results posted by Smals Bouwgrondstoffen BV due to increase in sales of fill sand and processing of own gravel stocks.
- Write-down on a raw materials purchase contract that has been loss-making for some time; this was necessary in part due to the closure of the gravel processing plant.
- Costs of ongoing centralisation process.

Despite the fact that, from the market's perspective, 2015 was an extremely difficult year for Smals Dredging BV, the company's internal organisation was developed further to prepare it for the implementation of the chosen strategy. Foundations have been laid both internally and externally that will enable Smals Dredging BV to recover and grow.

The disappointing market resulted in the underutilisation of equipment within Dredging and this put pressure on the operating result. Smals Bouwgrondstoffen BV is also still faced with a disappointing market in which volumes and prices remain under pressure. By cutting the cost of production and other costs, increasing sales of fill sand obtained from the Over de Maas project and the Kraaijenbergse Plassen in Cuijk and processing its own gravel stocks at the gravel processing plant, Smals Bouwgrondstoffen BV managed to post a good result. Since the autumn of 2014 the "Vierlingsbeek" sand processing plant has been involved in the Over de Maas project.

As well as being deployed for our own projects, our extensive fleet of dredging and transport equipment is also used for the international dredging and rental market. Internal rentals came under pressure due to the disappointing market faced by Smals Dredging BV, although external rentals exceeded expectations in 2015.



Extensive fleet of dredging
and transport equipment.

Vierlingsbeek sand processing plant.



Over the next 3 to 4 years our Vierlingsbeek sand processing plant will be playing an active part in the Over de Maas project in Alphen (Noord-Brabant). In the autumn of 2016 this sand processing plant will be relocated to the West pool within the current project.

Outlook.

The outlook for 2016 is significantly better than that for 2015. Smals Dredging's order book is larger than last year and it has also started 2016 with more projects on its books than was the case in 2015. In view of the number of enquiries being received from the market and the initial results being generated by the newly established international network, we expect Smals Dredging to fare much better in 2016.

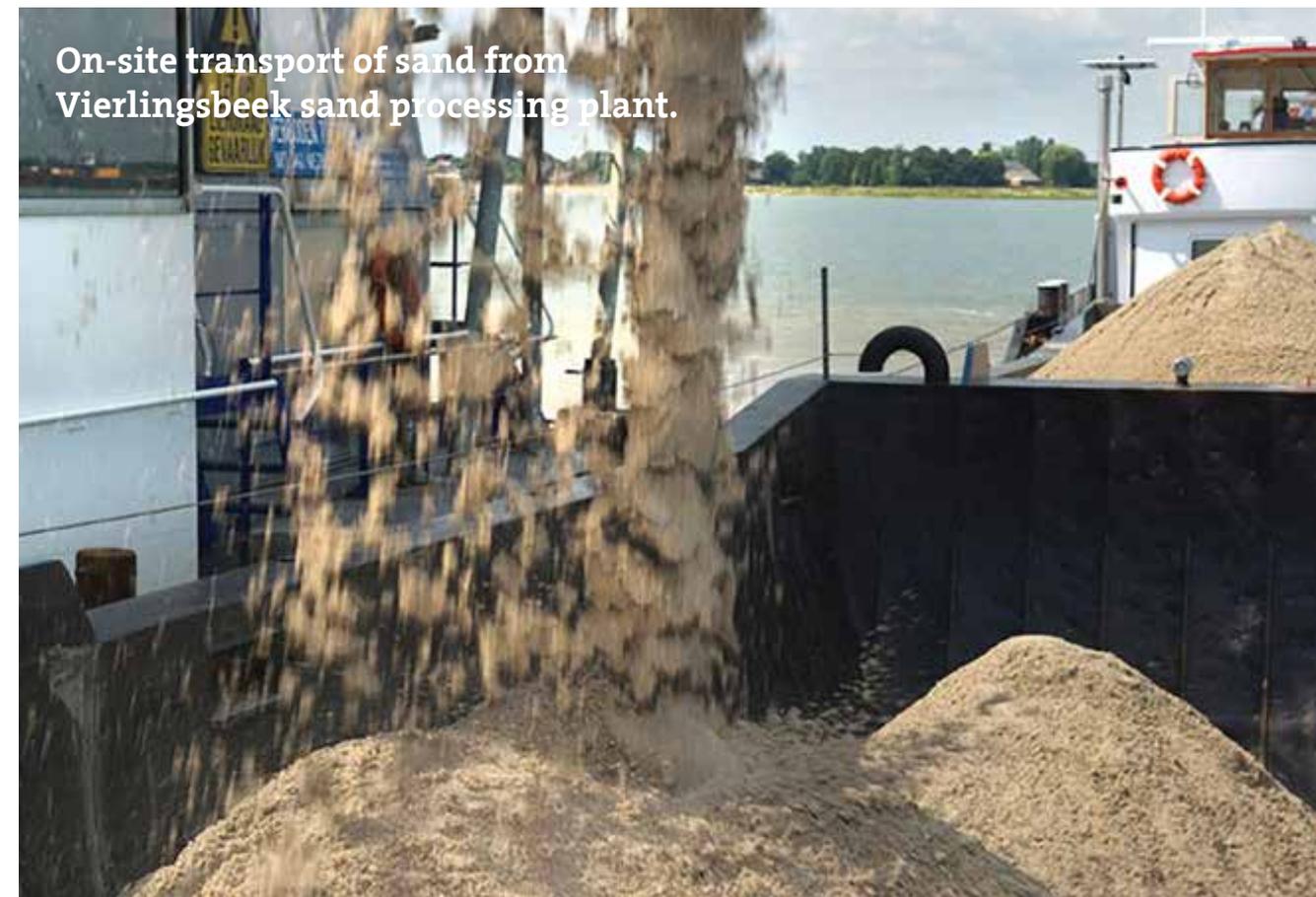
The current organisational structure supports the strategy that we are pursuing and no other far-reaching measures are expected that will “distract” the organisation from the market or result in high one-off costs.

As far as construction materials are concerned, we expect sales and prices to stabilise for both industrial and fill sand. The gravel processing plant closed on 31 December 2015 and will no longer impact on the company's results.

In the autumn of 2016 the sand processing plant will be relocated to the West pool within the current Over de Maas project. Based on current volumes, we expect to be able to continue production within the Over de Maas project until the end of 2019. From 2019 onwards Smals will extract its sand as part of the Geertjesgolf project, where a sufficient stock is available to last for at least 10 years. The group therefore has ample stocks at its disposal to guarantee the continuity of its operations.

As part of its long-term strategy Smals is developing its own sand extraction project on the IJsselmeer. This project will provide stocks that will last for around 30 years. Smals also expects to conclude a number of old projects with a positive financial result, which means these will contribute to our 2016 result.

We anticipate that a profit will be posted by the company in 2016.



Human resources.

As at 31 December 2015 Royal Smals has 93 employees (87 FTEs). Four employees have been taken on, while six have left the company. By consistently focusing on reducing absences due to illness, we once again managed to keep the absenteeism percentage at a low level in 2015.

Safety/Accidents in 2015.

Safety is of the utmost importance to us and is an area to which we devote considerable attention within our organisation. To minimise accident rates, or eliminate accidents altogether, we regularly focus on safety during toolbox meetings (which cover aspects including the use of PPE, safe lifting/hoisting, etc.).

All operational employees are also required to hold a basic or VOL (Safety for Operational Supervisors)/VCA (Safety Checklist for Contractors) diploma and in 2015 we started providing company emergency response training for operational employees who had not yet obtained the company emergency response diploma.

In spite of the precautions/preventive measures outlined above, there were eight minor incidents, without permanent injury, in 2015.

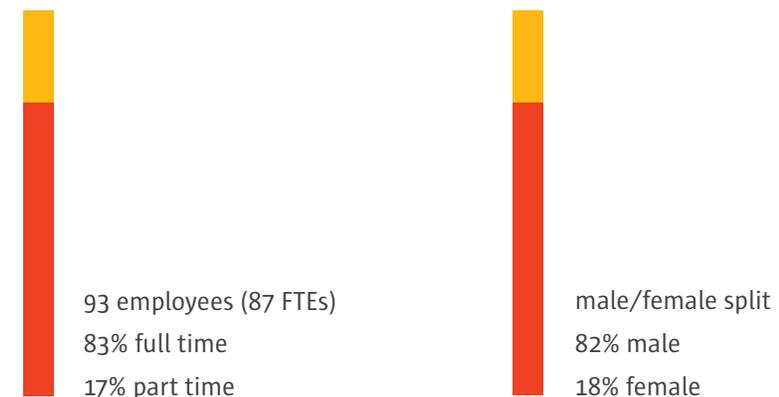
All accidents were investigated by the QHSE department and where necessary/possible changes were made or additional attention was focused on a particular issue during a toolbox meeting.

PME (Preventive Medical Examination).

At the end of 2015 we started the Preventive Medical Examination. This will be completed in 2016.

Employee development.

Our HRM policy aims to ensure that all employees and our structure are developed in such a way that they support the implementation of our vision and strategy as effectively as possible.



If an employee's last working day was 31 December 2015, his/her departure has been included in 2016 and the employee in question has not been counted in the number of employees who left the company in 2015

The proactive training policy introduced in 2014 was pursued further in 2015. Partly thanks to the newly introduced appraisal and performance system, the development goals of the employer and employee are now aligned more effectively.

Training costs.

2015: ± € 70,000

2014: ± € 70,000

Working abroad.

One of our ambitions is to achieve growth abroad. This means that our employees are also assigned to work in foreign countries, sometimes far from the Netherlands. Against this background, in 2015 we started developing secondary elements of remuneration for work abroad.

Standardisation of employment conditions.

The organisation's strategy is geared towards operation as one company. With this in mind, in 2015 we launched a process to harmonise/standardise the various collective labour agreements and employment conditions that are in force.

Following various consultations, on 19 June 2015 agreement was reached with the trade unions and Works Council on the application, with effect from 1 August 2015, of the collective labour agreement for the hydraulic engineering sector (including specific amendments) to all employees of the Dutch companies.

This harmonisation process will be completed in 2016 by updating all job descriptions and drawing up the new wage scale system.

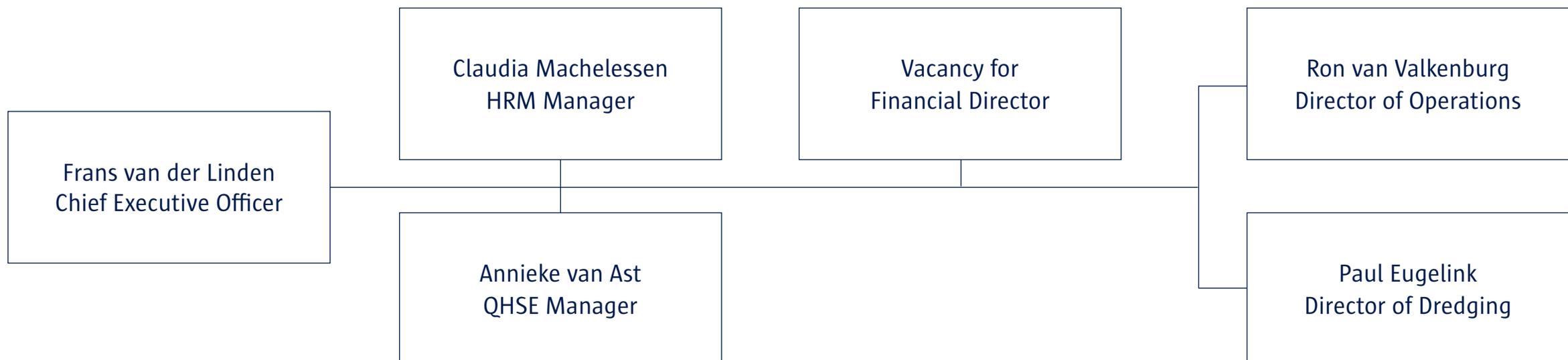
Automation of HRM.

In 2015 we launched a study into a new HRM system. The new package should cover the entire process from recording hours worked, through to paying wages/generating payslips. Absences and leave should also be recorded in the new system and all personnel files should be stored in it.

Integrating all HRM processes in this way will save time and money. The time saved by managing all this information in one place will be much more valuable.

Change to organisational structure.

In 2015 Smals changed its organisational structure to bring it more into line with its strategy. The new structure is more compact and has shorter lines, improving internal cooperation and communication. Decision-making is also more efficient as a result.



Employees have also been invited to take part in the Preventive Medical Examination (PME). In addition, an emergency/evacuation drill has been held that simulated a fire in the electrical area on board the Vierlingsbeek sand processing plant. To avoid noise pollution in the surrounding environment as much as possible, we constantly assess whether it is technically possible to minimise the noise generated by our plants.

Promoting a learning culture.

In 2015 we implemented two projects to promote a learning culture and the long-term employability of our employees. Enhancing our learning culture means our employees are more capable of operating independently as a team without the need for managers to intervene. Consequently, employees are able to organise their work (process) differently and more efficiently themselves, increasing employee involvement within the organisation. A better insight into and greater awareness of waste has been observed amongst employees. They are now more capable of identifying waste and can minimise or even eliminate it themselves, for example by avoiding the duplication of work and unnecessary bureaucracy.

We have helped our employees to understand the organisation's targets and KPIs and to gain a clear insight into the influence that they themselves have on these targets. The impact of their own efforts is presented to them in clear overviews (dashboards). This has increased employee responsibility, as well as the transparency of the organisation's targets. Better coordination has been achieved between departments and work processes and, as a result, employees from different departments are showing greater appreciation for each other.

Looking ahead to 2016.

Smals Bouwgrondstoffen BV's ISO 14001 certificate will be brought up to the level of Koninklijke Smals NV's certificate during the first quarter of 2016. During this period Smals Verhuur BV will also obtain the VCA* certificate.

Over the course of 2016 additional attention will be paid to raising employee awareness of energy consumption and the reduction of CO2 emissions. This will take place under the theme "energy within the company". Interactive measurements and assessments will be carried out with employees during the year.

Modifications will be made on board the Vierlingsbeek sand processing plant to allow it to process deliveries of 2-5 mm material. This will increase the site

Raising employee awareness of energy consumption and the reduction of CO2 emissions under the theme "energy within the company".

yield, resulting in more efficient sand extraction and a positive impact on energy consumption. The possibility of employing a "hybrid generator" for projects is being assessed. Over the course of 2016 we will be reassessing our energy contracts with the aim of significantly increasing the share of green electricity.

Lean work processes.

Three projects were carried out in 2015 using an approach based on lean principles. For these the organisation was supported by Pro Circle, an external company specialising in this process.

These projects focused on fuel consumption, the overall equipment effectiveness (or actual capacity utilisation) of the Vierlingsbeek sand processing plant and the working method employed by the planning and control department. They resulted in an increase in the efficiency of internal processes and a reduction in costs and waste.

We will continue to implement the lean system in 2016. In addition, under Pro Circle's guidance, we will be developing a uniform risk management system. This will allow risks that could impact on the project result to be identified at an early stage, allowing them to be managed or even avoided at a lower cost.

New investment in impressive, fully dismantlable cutter-suction dredger.

For the 'Space for the River' project in Zwolle the 'Linge' has been transformed into a dismantlable cutter-suction dredger with spud poles. The engineering and construction work for this dredger was handled almost entirely in-house.



Accounting policies.

The consolidated balance sheet as at 31 December 2015 and the consolidated income statement for 2015 have been derived from the 2015 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 nominal value.

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.

Equalisation fund.

Within the context of the sale of extraction rights the company has received payments from third parties. The costs to be covered by these payments and the transfers to be effected are recognised under liabilities as a provision or deducted from the asset in question. The remainder is equalised in connection with the higher extraction costs expected in the future. Under the heading 'other long-term liabilities' an accrued liability has been included, representing the sums received less accrued income in respect of the above-mentioned equalisation.

Consolidated balance sheet as at 31 December 2015.

	31-12-2015	31-12-2014
	€	€
Assets		
Fixed assets		
Intangible fixed assets	218,465	245,773
Tangible fixed assets	16,566,718	17,747,721
Financial fixed assets	6,798,820	7,426,782
	23,584,003	25,420,276
Current assets		
Stocks	7,366,414	9.290,577
Receivables	6,684,192	9.183,386
Liquid assets	111,044	354,781
	14,161,650	18,828,744
Total assets	37,745,653	44,249,020

	31-12-2015	31-12-2014
	€	€
Liabilities		
Group equity	13,254,126	13,250,736
Third-party interests	42,128	-8,931
Provisions	2,755,707	5,344,551
Long-term liabilities	3,558,250	6,159,311
Current liabilities	18,135,442	19,503,353
Total liabilities	37,745,653	44,249,020

Consolidated income statement for 2015.

	2015	2014
	€	€
Net turnover	25,683,597	28,913,681
Movement in stocks of finished products and work in progress	82,726	62,305
Total operating income	25,766,323	28,975,986
Costs of raw materials and consumables	5,641,221	7,485,627
Costs of subcontracted work and other external costs	2,193,885	2,497,268
Wages and salaries	5,393,908	5,059,019
Social security contributions	1,192,929	1,284,729
Depreciation/amortisation of fixed assets	2,863,203	3,077,353
Impairment of tangible fixed assets	379,065	0
Other operating expenses	8,096,640	9,039,790
Total operating expenses	25,760,851	28,443,786
Operating result	5,472	532,200
Interest income and similar revenues	32,400	32,400
Interest expenses and similar costs	- 240,210	- 286,999
Result from ordinary operations before taxes	- 202,338	277,601
Taxes on result from ordinary operations	- 13,938	228,459
Result from ordinary operations after taxes	- 188,400	49,142
Third-party interests in result	17,059	8,793
Share in result of unconsolidated participations	174,731	34,603
Net profit	3,390	92,538

Closure of gravel processing plant after 40 years.



As a result of disappointing market conditions on the gravel market over a sustained period and the insufficient level of our own gravel stocks, in 2015 the decision was taken to close the gravel processing plant.

Independent auditor's report.

The summary financial statements included in this annual report, comprising the summary consolidated balance sheet as at 31 December 2015 and the summary consolidated income statement for 2015, have been derived from the audited financial statements of Koninklijke Smals N.V.

In our auditor's report of 24 March 2016 we issued an unqualified opinion in respect of these financial statements. The information presented in the financial statements and this summary thereof does not reflect any events that have taken place since our auditor's report was drawn up on 24 March 2016.

The summary financial statements do not contain all the disclosures required on the basis of Title 9, Book 2, of the Dutch Civil Code. Consequently, reading the summary financial statements cannot be regarded as a substitute for reading the audited financial statements of Koninklijke Smals N.V.

Management's responsibility.

The management is responsible for preparing a summary of the audited financial statements in accordance with the accounting policies set out in this summary of the audited financial statements.

Auditor's responsibility.

We are responsible for issuing an opinion on the summary financial statements on the basis of our activities, which we carried out in accordance with Dutch law, including Dutch Standard 810 'Engagements to report on summary financial statements'.

Opinion.

In our opinion the summary financial statements are consistent in all material respects with the audited financial statements of Koninklijke Smals N.V. and with the accounting policies set out in this summary of the audited financial statements.

Venlo, 8 April 2016

Ernst & Young Accountants LLP

sgd W.J.C.A. Weijers RA

Removal of sediment from hydroelectric power plant turbines, Austria.



In June 2015 Royal Smals completed a dredging project in the Austrian Alps. Sediment was removed from the water inlets to the turbines at Vorarlberger Illwerke AG's hydroelectric power plant in Partenen.



smals.com