



Koninklijke Smals NV
Annual Report 2017

Foreword.

2017 was an eventful year during which many proactive changes were made at our company. In the course of the year, we prepared a new strategic vision regarding our dredging operations.

In order to get closer to the market and have a clear focus on profitable and challenging projects, we decided to (re)place our commercial focus on (sub) contracting projects in Western Europe, the cradle of our dredging activities from the start. As a result of this strategic repositioning, we terminated the contracts with our foreign agents in various countries outside Europe. More importantly, we brought our organisational structure into line with the new strategic focus, for which we unfortunately had to part with a number of direct and indirect employees. Although results from our dredging operations were under pressure during 2017, we are already encountering the benefits from our organisational and regional focus, which we believe will continue in 2018. In our Building Materials and Rental divisions we were able to increase the operational results due to a good focus on costs and efficiency, positive market developments and contributions of special projects. The decision to refocus the dredging activities also influenced the rental activities in a positive way.

During 2017 we finalised our process of our divestment programme and we successfully implemented a new integrated IT system, which is contributing significantly to a company that is fit to face future challenges. In 2018 we will continue to build on the foundations laid last year.

We will be focusing in particular on building and growing our dredging position through a market focus on customer relationships. We will continue to build our Building Materials division, through existing and new concessions in the Netherlands and Germany. By investing in our employees, we are working daily on using our high-standard technical knowledge to build a customer-oriented organisation. We are grateful to our customers and employees for the commitment and dedication they showed last year and are looking forward to 2018 with a clear focus and full of confidence.

Resie Reijnders
Chairman of the Board



**René van der Zweep, Director Dredging.
Resie Reijnders, Chairman of the Board.**

We are a valuable specialist in dredging, dredging equipment, sand extraction and water management.

Our organisation is active in 3 businesses.

Smals Dredging.

Integrated solutions for large scale and small scale hydraulic engineering and dredging projects.



Smals Rental.

Rental of an extensive range of equipment for mechanical/hydraulic dredging and transport by water.



Smals Building Materials.

Extraction and production of high-quality construction materials such as sand, gravel and fill sand.

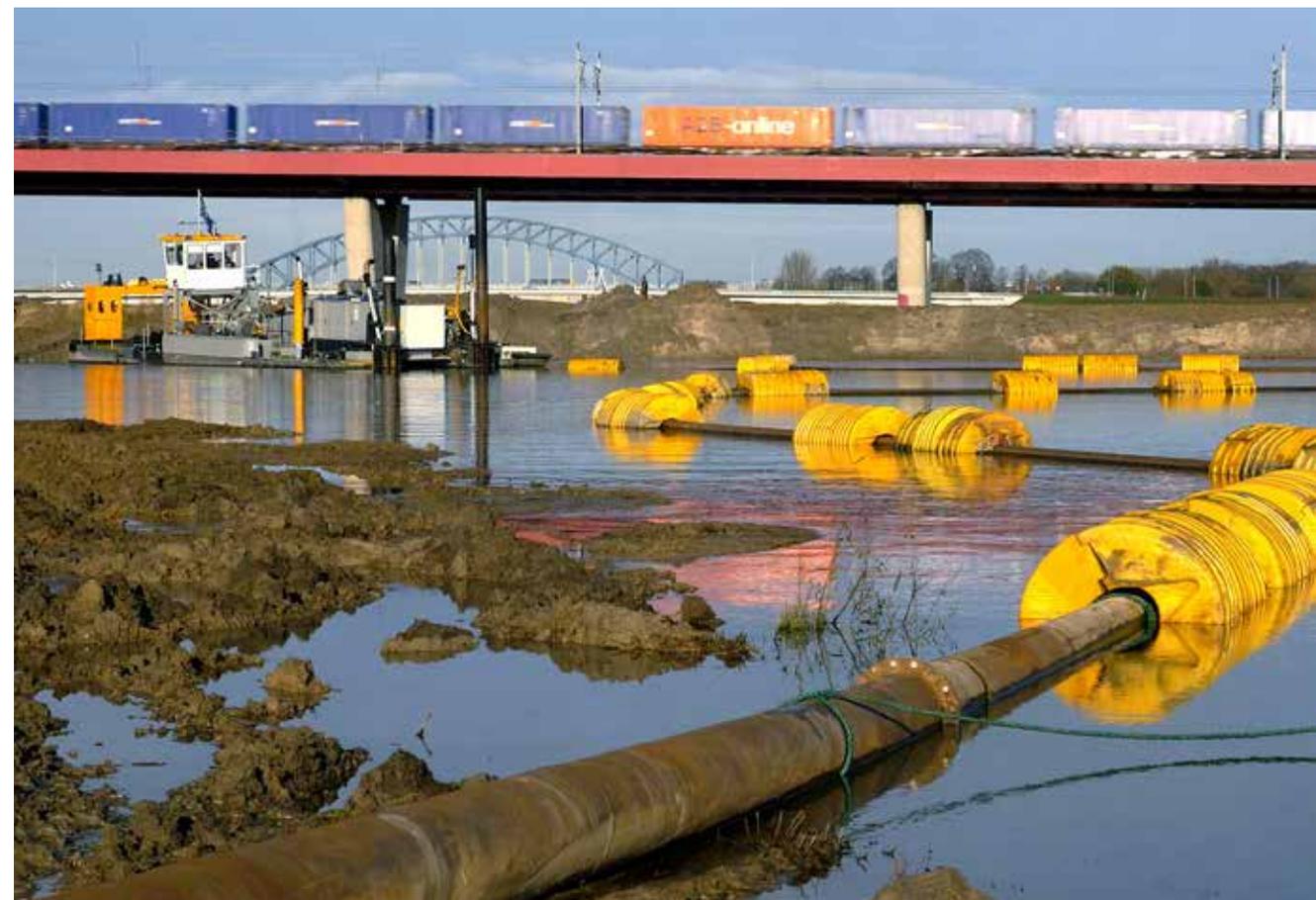


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Key figures.

The result for 2017 was influenced by the following key factors:

- Positive market developments on the construction materials market, good site yields for the Vierlingsbeek and our sites in Germany, a stable cost of production due to technical improvements and cost monitoring.
- A disappointing dredging market, putting pressure on both turnover and margins, especially for 2 major dredging projects.
- Slight growth in external equipment utilisation at our Rental division, which is fully offset by the lower internal turnover due to volume decrease at Dredging.
- One-off net income resulting from, amongst other things, proceeds from the sale of activities or positions.

€ 1,000 x	2017	2016
Turnover	25,293	23,311
Operating result	6,072	6,444
Result before corporation tax	6,015	6,282
Net profit	4,771	4,758
Equity capital	17,377	18,012
Provisions	1,870	1,694
Other borrowed capital	10,900	13,807
(of which KBP equalisation reserve)	0	1,095
Operating cash flow (profit+amortisation+impairment)	6,307	7,898
Equity capital/Total assets	58%	54%
Net profit/Equity capital	27%	26%

Operating cash flow
€6,307,000.



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

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oriented organisation.

Dredging work in Jard sur Mer, France.



Trucks were used to transport the equipment needed for this project to France. The sediment dredged up by the cutter-suction dredger was pumped to a disposal site outside the access channel. This dredging work was necessary to make the harbour more accessible for sailing vessels.

The group's mission and vision.

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

Royal Smals is a family business that operates internationally (Western Europe). 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 dredging work. 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.

During 2017, developments on the (international) market, socially or geographically, or changes relating to the knowledge, expertise and specialisms of our company did not make it necessary to adapt our mission or vision.

We are taking responsibility for a safe and comfortable living environment for today and tomorrow.



An aerial photograph of Brightlingsea Harbour in the UK. The water is a deep blue-green. In the foreground, a large green and yellow dredging vessel is positioned near a dark, rocky shoreline. A long, dark pipe or conveyor system extends from the vessel across the water towards the right. Several white sailboats with blue accents are moored at a long wooden pier that runs horizontally across the middle of the image. Another smaller boat is docked at a separate pier on the left. The overall scene depicts a busy harbor area undergoing maintenance or dredging work.

Brightlingsea Harbour (UK)
is subject to the natural
deposition of sediment.

This accumulation of sediment is causing significant concerns about the safe and efficient operation of the harbour. The sediment arising from the dredging works is beneficially reused to restore and maintain local intertidal mudflat and saltmarsh habitats, in order to address the ongoing habitat degradation as a result of long-term erosion.

Development of the company.

To ensure we can put our mission, vision and strategy into practice effectively on an ongoing basis, it is important that our internal organisation develops accordingly.

Our HRM policy places a particular emphasis on both group and individual development. We are convinced that a strategy can only be implemented successfully if the company invests sufficiently in all the employees who will ultimately have to put it into practice.

In 2017, during the refocus of our activities, we paid special attention to developing the employees of Smals through personal training schemes and management focus. Our aim here is not only to enhance our employees' knowledge, but also, in particular, to develop their skills in areas such as communication, work processes, lean working and teamwork. In the end, our goal is to put our employees in the position to be technically outspoken with a high customer-oriented view. Listening to customers' questions and finding the optimal technical solution for customers' challenges is what the focus of our employees will be.

Our research and development activities focus on knowledge and expertise that will support our core competences, in the areas of both sand production and dredging. We examine the potential of further developing production techniques, processes such as silt dewatering and the constructive/sustainable use of silt.

Smals boasts an excellent engineering department and workshop, enabling us to maintain, develop and build new equipment ourselves. That gives us an edge on the market and means that in-house solutions can always be devised and constructed to meet the demands of customers and projects.



Modification of the Maas deep suction dredger.



The Maas deep suction dredger has been equipped with a new jet pontoon and a more powerful jet pump. As a result, this dredger can now be used to break into harder and thicker layers of sediment. All the modifications were carried out in-house by our own employees.

Strategy and focus areas.

Our strategy is to operate as a specialised, reliable and excellent sand and gravel producer in the Netherlands and Germany, and as a unique, well-equipped, international dredging contractor. We aim at high-standard technical solutions, combined with a customer-oriented view. Our 3 divisions are complementary and give us an excellent and unique position in the market, which results in a positive contribution of all divisions to our group result.

In 2017 particular attention was paid to the following focus areas when implementing our strategy:

- For Dredging, a commercial focus on (sub)contracting projects on the Western European market.
- Adaptation of our organisational structure to the strategic vision, enabling us to provide maximum support to our strategy.
- Strong risk management during dredging project contracting and implementation.
- Ongoing focus on efficient and effective cost management, by focusing on our core processes.
- Preparation for granting of IJsselmeer permit and expansion of our concessions in Germany to ensure future production.
- Continuous investment in market orientation, knowledge development, communication and cooperation.

Strong focus on (sub)contracting projects on the Western European market.





Smart solution involving
geotextile containers offers
major environmental benefits.

Thanks to our expertise, we are able to come up with smart solutions that deliver significant benefits for the environment. Dewatering silt reduces volumes. This innovative system is more efficient than all other traditional forms of silt processing and is cheaper than mechanical dewatering.

Report of the Supervisory Board.



We are pleased to present the 2017 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 Board of Directors and the company's auditor on 24 May 2018.

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.

Since 15 July 2017 the Board of Directors has comprised Ms R.M.L. Reijnders (who, as Chairman of the Board, is responsible for the day-to-day management of the company and, in particular, for Smals Building Materials division and staff departments) and Mr R. van der Zweep (who is responsible for Smals Dredging and Smals Rental), as well as Mr M.R. Smals (on behalf of Flottille BV) as director under the articles of association.

2017 was a year dominated by the change of course undertaken by the company in general and by Smals Dredging in particular. In July 2017 the new management team presented a new strategic plan for Smals Dredging.

This plan sets out a new strategy for the division in terms of how it will approach the market:

- Focus on Western Europe and discontinue activities in more distant markets.
- Follow a rigorous 'bid/no-bid procedure'.
- Operate in the role of subcontractor.
- Carry out work using own equipment.

In addition, a cost-cutting and optimisation plan has been implemented, as part of which changes have been made to the workforce and purchasing processes have been improved. The results of some of the measures taken on the basis of the new strategic plan and the focus it has introduced have already had a positive impact on the 2017 figures.

In 2017 a net profit of € 4,711,800 was achieved. However, the result was negatively affected by the turnover and margins realised within Smals Dredging, which fell short of expectations, partly because of two loss-making projects. Smals Building Materials and Smals Rental made significant contributions to both turnover and net profit, in line with the budget.

In 2017 the Supervisory Board held six scheduled meetings with the Board of Directors, during which the shareholders were also present. As part of the implementation of the strategic plan a number of additional Supervisory Board meetings were held, with and without the Board of Directors. All these meetings took the strategic plan as a basis and the decisions taken have undoubtedly improved our organisational structure, as well as reinforced the solid foundations that will guarantee our company's continuity as we move forward on a smaller scale.

We would like to thank our customers for the confidence they have shown in Koninklijke Smals NV, the Works Council for its critical and constructive approach, especially when we were forced to make decisions on scaling back our workforce, and the Board of Directors and all our employees for their dedication, creativity and loyalty over the past year.

Thanks in part to the radical change of course undertaken in 2017 at the management's initiative, we are looking to the future with a great deal of confidence.

Cuijk, 24 May 2018

P.M.J. Op Heij RA

J. van 't Hoff M.Sc.Eng

P.M.J. Thissen



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

P.M.J. Thissen has been a supervisory director of Koninklijke Smals NV since 1 January 2016.



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.



J. van 't Hoff MSc. Eng.

J. van 't Hoff has been a supervisory director of Koninklijke Smals NV since 24 September 2015.

Record level of sand extracted in Hoogersmilde.



In Hoogersmilde hundreds of thousands of cubic metres of sand are needed every year for production. For over 100 years now this sand has been extracted from a lake known as the Achterste Plas. In 2017 Royal Smals extracted over 200,000 m³ of sand, which was sprayed into a sand depot.

Review of 2017.

We ended 2017 with a net profit of around € 4.8 million, in line with 2016. Excluding one-off income and expenses, the company showed an improvement in net profit of around € 2 million.

This result was mainly influenced by the following factors:

- Positive results for Smals Building Materials due to positive market developments, increased production volumes and an improvement in yields and cost prices.
- Disappointing turnover and margins for Dredging, slightly offset by the reorganisation measures as of the fourth quarter of 2017.
- Good equipment utilisation at Rental.
- One-off income/conclusion of projects.

In 2017 our result was impacted to a large extent by the disappointing turnover and margins achieved by Smals Dredging. The preparations and investments made to expand the international scope of our activities have unfortunately not generated the targeted turnover growth outside Europe. This prompted us to take the strategic decision to discontinue our activities in distant markets like India and Brazil and place our commercial focus on (sub)contracting projects in Western Europe. As a result, we were also forced to end the contracts with our foreign agents and to terminate the employment agreements with a number of direct and indirect employees.

At Smals Building Materials we expect production as part of the Over de Maas project to continue for approximately 2.5 years. 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 the mid-to-long term. The files required as part of the IJsselmeer project permit application (sand extraction project) have been submitted for inspection. We hope the permit will be granted by the end of this year.

This project will safeguard continuity of production for decades to come. Production at the Kalle and Wippenen sand extraction sites was in line with expectations and these sites closed the year with a profit.

The excellent margins achieved by Smals Building Materials in 2017 were also boosted by the Oolderveste project.

Smals Rental has an extensive fleet of dredging and transport equipment for the (inter)national dredging and rentals market. Despite the lower utilisation of the dredging equipment for dredging projects in 2017, the turnover of Smals Rental remained stable. Our approach of actively renting out available equipment to external parties therefore proved successful once again in 2017.

Supply of sand and clean-up of landfill site for Oolderveste project.



In 2002 Smals Building Materials division already supplied around 800,000 m³ of fill sand for the Oolderveste residential construction project in Herten. Following intensive discussions with site developer, we have been awarded the contract to supply and process fill sand for the final phase of the project and to raise the level of the Drusushoeve site within the plan area.

Outlook.

In 2018 we expect to achieve a marked improvement in our operating result, due to turnover and margin growth at our Dredging division and an associated improvement in profitability at Rental, but also thanks to the impact that our reorganisation will have on direct and indirect costs.

Within Smals Building Materials we are expecting the construction market to continue to recover in 2018. Thanks to our good customer portfolio and efficient production process, utilisation of our sand processing plant will increase once again in 2018. In the year 2018, we will have to put effort into fine-tuning the plans regarding the relocation of the Vierlingsbeek to Geertjesgolf. As part of its long-term strategy Smals has developed its own sand extraction project on the IJsselmeer. We hope to finalise the permits for this project by the end of 2018, for which we will prepare a production plan during 2018. This project will provide stocks that will last for around 30 years. Sufficient stocks are available at our sand production sites in Germany (Kalle and Wipplingen), and where needed we will expand our position in the area.

For Smals Dredging we are starting the year with a reasonably full order book and a good number of enquiries are being received that could lead to promising projects. We are transforming from a more technically oriented organisation to a market- and customer-oriented player. Thanks to the strategic decision to place our commercial focus on the Western European market, as well as the importance we will attach to risk management during project contracting and implementation, we expect our 2018 result to be significantly higher than that achieved in 2017.

Within Western Europe we are receiving sufficient enquiries and have identified new opportunities. We therefore believe this region offers us scope to further internationalise our business.

External rental activities are expected to remain stable compared with 2017. We have an extra focus on external rental of unmanned cutter-suction dredgers. Equipment utilisation as a result of internal rentals is expected to improve in 2018 due to growth in turnover at Dredging.

The refocusing of the Dredging division, the cost-reduction measures implemented and the initiatives taken to increase turnover should deliver a significant improvement in our operating result in the coming year.

We expect the company to post a profit in 2018.

Sand extraction on the IJsselmeer for around 30 years.

As part of its long-term strategy Royal Smals is developing its own sand extraction project on the IJsselmeer. With this initiative we are taking on board the government's preference for future, large-scale sand extraction to be carried out in large bodies of open water rather than on land. The site in question lies 5.5 km off the coast of Friesland and 7 km outside the Noordoostpolder. This sand extraction project will provide stocks that will last for around 30 years.



Human resources.

As at 31 December 2017 Royal Smals had 80 employees (74.1 FTEs), of whom 83% were employed on a full-time and 17% on a part-time basis.

Health and safety.

Absenteeism.

Due to a number of cases of long-term sickness (largely unrelated to work), the absenteeism figure rose from 4.9% in 2016 to 6.5% in 2017.

Prevention.

Ensuring the health and safety of our employees in all work-related areas is a key concern for our company. It is important that our employees can carry out their work in a safe and pleasant working environment. One of the ways we realise such an environment is by creating a climate in which undesirable behaviour is prevented as far as possible and addressed in the most effective way if it is observed. With this in mind, in 2017 we drew up an 'Undesirable Behaviour Policy' for the company.

A safe working environment also implies that employees make use of safe, approved equipment (including machines, tools, apparatus and installations) for their work and conduct themselves in a safe manner.

Training new employees and temporary workers is therefore an important focus area within Royal Smals. This involves providing personal information to employees, issuing clear work instructions and explaining how to use equipment correctly.

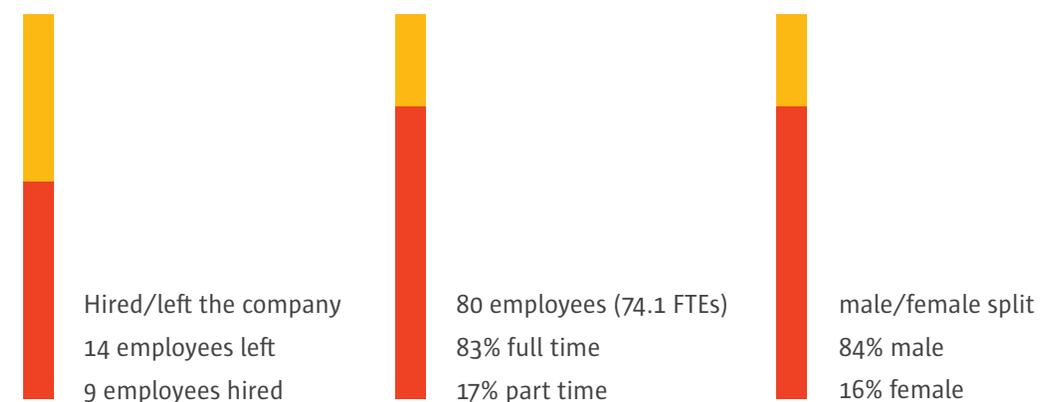
Safe working is also a topic on which we regularly focus attention during toolbox meetings.

To ensure our employees are also aware of their responsibilities when it comes to ensuring their own and other people's health and safety in the workplace, in 2017 our company drew up 'Health, Safety, Welfare and Environmental Sanction Regulations'.

Royal Smals has a workforce of 80 employees.

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If an employee's last working day was 31 December 2017, his/her departure has been included in 2018 and the employee in question has not been counted in the number of employees who left the company in 2017.

Accidents.

In spite of all the precautions/preventive measures taken, there were four incidents, without permanent injury, in 2017. 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.

Internally, targets (QPIs) have been defined for areas such as absenteeism and accidents.

Training and development.

To ensure we can put our mission, vision and strategy into practice effectively on an ongoing basis, it is important that our employees develop accordingly. By offering training, we enable our employees to keep up to date with developments within the company and society and also continue their own development.

Furthermore, training and development have a motivating effect on employees and contribute to staff retention. In view of the tight labour market, we believe that continuing to offer opportunities and challenges to our employees is important if we are to retain their knowledge and experience within the company.

The performance and appraisal system gives us an insight into areas where training is considered desirable (by both the employer and employee).

Employment conditions policy.

Employment conditions for work outside the Netherlands.

As our employees are sometimes required to carry out work abroad, at the end of 2017, in consultation with the Works Council, we drew up 'regulations for work on projects outside the Netherlands' (secondary elements of remuneration). These regulations entered into force on 1 January 2018.

GDPR (General Data Protection Regulation).

On 25 May 2018 the GDPR (General Data Protection Regulation) enters into force. By the end of 2017 we already made some major important steps in becoming 'GDPR-proof'. All requested GDPR guidelines will be implemented in 2018 within the required timeframes.

Automation of HRM.

In 2017 we started testing the human resources planning system 'Mijn Rooster', enabling us to have an integrated time management registration tool for production employees. The benefits include a reduction in administrative burden (with a reduced likelihood of errors), one-off data entry directly at source, a reduction in paper flows, and a direct online insight into hours worked for both payroll and accounting purposes (lean system). We expect the system to be rolled out gradually and have it operational by the end of 2018.

Creative flood protection solutions in Brightlingsea.



Sometimes mobilising equipment calls for creative solutions. In Brightlingsea, for example, our employees worked hard, amidst great public interest, to ensure flood protection work could get under way.

Sustainability and CSR.

Royal Smals is aware that its activities have an impact on the environment and its stakeholders. For that reason we make every effort to prevent or mitigate the potential negative effects of our activities as far as we possibly can, as well as to maximise any positive impact.

Our policy therefore focuses in particular on:

- Preventing waste of natural resources.
- Limiting and, as far as possible, preventing contamination of water, soil and air.
- Creating conditions that encourage the development of flora and fauna.
- Ensuring the clean and efficient use of energy, including reducing CO₂ emissions.
- Reducing waste flows or exploiting them as a useful secondary product.

In addition, in all aspects of our work we strive to ensure the long-term safety of our society and to create a safe, healthy and pleasant working environment for our employees, one in which they can develop to their full potential within the scope of the opportunities available at our organisation.

As part of this policy Royal Smals and all its companies endeavour to reduce their carbon footprint and we regard the use of renewable energy as essential. In May 2017, solar panels were installed on the roof of our workshop. The solar panels have already generated over 15,000 kWh, which equates to around 15% of the workshop's total annual consumption.

At the end of 2017 Smals entered into a new energy contract and we are now using renewable energy generated entirely in the Netherlands.

CO₂-BEWUST CERTIFICAAT NIVEAU 3

Certificaat Nr.:
250700-2017-Q-NLD-RvA

Geldig:
22 februari 2018 - 22 februari 2021

Deze organisatie is gecertificeerd sinds:
22 februari 2012

Dit is ter bevestiging dat het managementsysteem voor het CO₂-bewust handelen van

Smals Dredging B.V.

Keersluisweg 9, 5433 NM Katwijk (Noord Brabant), Nederland (Hoofdlocatie)

(overige organisaties binnen de Organizational Boundary: zie appendix)

Als zijnde een middelgroot bedrijf met betrekking tot CO₂-emissie
Met KvK nummer 08124001

Voldoet aan de eisen van het bovengenoemde niveau, van handboek:

CO₂-Prestatieladder versie 3.0

NACE, Rev.1.1: 45.24 en 14.21/NACE, Rev.2:8.12, 42.91 en 42.21

voor de volgende scope:

Het aannemen en uitvoeren van grond-, weg- en waterbouwwerken met als hoofdactiviteit het aannemen en uitvoeren van baggerwerkzaamheden; het aannemen en uitvoeren van waterbodemsaneringen.

In 2017 we also took a number of (technical) measures with the aim of further cutting our CO₂ emissions. We installed more efficient engines to power the jets on the new jet pontoon for the Maas deep suction dredger. We invested in decreasing the energy consumption on board the Vierlingsbeek sand processing plant. We made a number of smart technical changes to the equipment and process (using time switches, switching off (parts of) machines, etc.). This resulted in a cut in fuel consumption on board the Vierlingsbeek of around 10%, enabling us to push down our energy consumption per tonne of sand produced to a record low level!

To share and enhance our knowledge of reducing CO₂ emissions, as well as to keep this knowledge up to date, Royal Smals actively participated in various consultation platforms. For example, we took part in the Sustainability working group of the Dutch Association of Hydraulic Engineers and set up a regular coordination meeting with various partners, the aim of which is to exchange knowledge and experience of measures that cut CO₂ emissions and to share information on initiatives in the area of CO₂ reduction.

In 2018 additional attention will be given to raising employee awareness of the issues of sustainability, energy saving and safety. Sustainability is also an aspect that will be incorporated into our new purchasing policy, which we expect to implement by the end of 2018.

With regard to our vehicle fleet, in 2018 we will have a strong focus on reducing the number of kilometres travelled and the associated fuel consumption. We will also investigate the potential of electrification of our fleet, dredgers and sand processing plants.



Working on sustainability
and cutting CO₂ emissions.



As a leading company we regard the use of renewable energy as essential. We therefore set ourselves the goal of installing solar panels on the roof of our workshop. In May 2017 we started using these new solar panels and they have generated around 10% of the workshop's total annual consumption.

Accounting policies.

The consolidated balance sheet as at 31 December 2017 and the consolidated income statement for 2017 have been derived from the 2017 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 2017.

	31-12-2017	31-12-2016
	€	€
Assets		
Fixed assets		
Intangible fixed assets	163,849	191,157
Tangible fixed assets	11,958,177	14,330,965
Financial fixed assets	6,035,293	7,091,555
	18,157,319	21,613,677
Work in progress		
Projects in progress	12,727	- 893,912
Current assets		
Stocks	2,776,324	4,205,241
Receivables	4,961,758	8,388,582
Liquid assets	4,237,899	218,973
	11,975,981	12,812,796
Total assets	30,146,026	33,532,561

	31-12-2017	31-12-2016
	€	€
Liabilities		
Group equity	17,376,599	18,011,924
Third-party interests	- 1,007	19,875
Provisions	1,870,431	1,693,875
Long-term liabilities	247,715	431,672
Current liabilities	10,652,289	13,375,215
Total liabilities	30,146,026	33,532,561

Consolidated income statement for 2017.

	2017	2016
	€	€
Net turnover	24,412,662	24,269,569
Movement in stocks of finished products and work in progress	879,700	- 958,901
Total operating income	25,292,362	23,310,668
Costs of raw materials and consumables	3,778,128	3,893,180
Costs of subcontracted work and other external costs	5,369,167	2,582,604
Wages and salaries	5,125,997	5,162,662
Social security contributions	982,653	1,312,136
Depreciation of tangible fixed assets	1,161,065	2,589,854
Amortisation of intangible fixed assets	27,308	27,308
Impairment of tangible fixed assets	347,689	523,186
Other operating expenses	6,431,874	7,502,865
One-off income and expenses	- 4,004,668	- 6,725,765
Total operating expenses	19,219,213	16,868,030
Operating result	6,072,919	6,442,638
Interest income and similar revenues	46,795	32,400
Interest expenses and similar costs	- 105,120	- 192,632
Result from ordinary operations before taxes	6,014,594	6,282,406
Taxes on result from ordinary operations	- 1,220,119	- 1,659,484
Result from ordinary operations after taxes	4,794,475	4,622,922
Third-party interests in result	- 19,759	22,520
Share in result of unconsolidated participations	- 3,545	112,357
Net profit	4,771,171	4,757,799

Waldsee Berlin,
'We love dredging'.



Independent auditor's report.

The summary financial statements included in this annual report, comprising the summary consolidated balance sheet as at 31 December 2017 and the summary consolidated income statement for 2017, have been derived from the audited financial statements of Koninklijke Smals NV.

In our auditor's report of 24 May 2018 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 May 2018.

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 NV.

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 NV and with the accounting policies set out in this summary of the audited financial statements.

Venlo, 24 May 2018

Ernst & Young Accountants LLP

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