

## Message from CEO



For the Van Aalst Group we can report that 2019 has been a very successful year in many aspects. From the transition year 2018 we managed to implement our new vision and strategy from 2017 with big success due to fantastic team efforts. We managed to succeed in making the turnaround from our Group's first ever loss making year 2018 into sound profits in 2019. The

revenues have been increased in excess of 50% in combination with a good operating result. We increased our Safeway rental fleet with 150% which will ensure sound income for many years to come. The Safeway rental business, the Cement Carrier business and our Norwegian subsidiary Techano were all adding significantly to these positive results.

Challenges arisen due to Netherlands PFAS and Stikstof (nitrogen) rules prohibiting and halting construction works affected truck mixer producing company Mulder. Further the offshore Oil & Gas market remained challenging throughout the year resulting into weak order intake in this sector for VAMO and CargoMaxx companies. Focus will be on further streamlining the organization in 2020 with regards to these activities. Challenges are further ahead on poor visibility on 2020 with regards to effects of Brexit and trade disputes between USA and P.R. China.

### Highlights of 2019:

- Cement carriers for CSL discharged at fastest ever speeds of up to 1.200 ton per hour which is unprecedented in the market of cement carriers.
- The performance of the Safeway Seagull type remains to positively surprise our customers. This resulted into the award of a 'Certificate of 10.000 safe transfers on the technically challenging project for Shell Nigeria.
- Establishing a foothold of Safeway in Asia by locking in new contract. Safeway is destined to remain here and expand in this important strategic geographic area for more jobs in the region.
- Safeway managed to secure a highly prestigious contract in Australia with the vessel owner MMA, resulting in a first of its kind W2W (Walk to work) operations in Australia according to the client Woodside. Operating at heights of 30 meters above the water, whilst maintaining workability and shaving off 30% of anticipated time needed, proved the outstanding performance of Safeway gangways in the market.
- Achieved ISO certification 45001 (Health & Safety) together with ISO 14001 (Environment) now together with our already existing ISO 9001 (Quality)

- Construction progress of custom-made load handling equipment on world's largest offshore fish farm project, the Havfarm1, under construction in the Yantai yard, P.R. China for operations in Lofoten in Northern Norway.
- Two (2) important contracts received for custom built Safeway gangway of Osprey type for a permanent installation on windfarm installation vessels.
- NPEX bond listing successfully concluded, which was oversubscribed, securing sound financial profile and liquidity position year end 2019.

Wijnand van Aalst

## Executive Board Report 2019

### General



Van Aalst Group B.V. ("Group") is a holding company with a number of subsidiaries in The Netherlands and Norway. These group companies have various activities in the oil & gas industry, construction industry and in the renewables market. With various companies the Group services shipyards and shipping companies all over the world in the field of bulk handling equipment and W2W solutions.

The staff in Dordrecht is organized in a structural way, identifying project management, engineering, planning, assembly, and operations and the traditional staff functions like purchasing, finance and control, HR. The staff work for all the relevant subsidiaries.

The main focus for the Board in 2019 was related to the Safeway organization. Within this legal entity, the group is establishing a rental fleet of motion compensated gangway systems, which differs (organization wise) from the structure of the other group companies. Within Safeway B.V. the organization shifts from a project related organization to a rental company, with a specialized assembly crew. During 2019 we have further developed the Safeway organization. Major steps were taken to further improve the Safeway Operations department. We invested and completed the Safeway Academy to train operators, using technologies like Virtual-Reality and using independent auditors for examination and certification.

A milestone for our young team and the objective proof that we are on track is the successful certification by Bureau Veritas for ISO 14001 and ISO 45001, both highly valued quality certificates. It is clear that realizing this certification took a lot of effort of management and staff but it is very helpful, both for the organization as for prospective clients.

And finally, organization wise, the maintenance program of the various Safeway gangways has been intensified, where as a consequence each individual Safeway has its own fundamental maintenance program.



During 2019 we have succeeded in delivering three Safeways for Rental (#3, #4 and #5). Furthermore, we closed two contracts for end users for the building of a new type of gangway, which goes under the name of 'Osprey'. These Osprey-types are not intended for the Rental-market, but used as mission equipment for their owners. Their expected delivery will be around the end of 2020. This accomplishment leads us to penetrate further into the market of offshore wind energy. This market is very promising and suitable for the use of our various types of gangways.

Expanding our fleet of rental gangways (Seagulls) and the new Osprey-type meant a further use of capital during 2019. To succeed in further extending the building program, we targeted to obtain further financing, using a mix of leasing contracts and subordinated loans. We successfully launched a listed bond issuance using the NPEX Exchange. With these additional funds we have tried to get a stronger foothold in the dynamic market of W2W.

Net turnover of rental revenues increased significantly to nearly EUR 6 million. Occupancy rate of all Safeway Rental units totals 79%, which is significantly higher than the budgeted 60%.

Safeway #1 exceeded far above expectations during its assignment in the Australian oil fields of

Woodside, Pluto and North Rankin. Our client Woodside awarded us with a beautiful movie of our Safeway as part of their commercial campaign. Safeway #2 performed the whole year on the Bonga oil field, which is near the Nigerian coast line.

This project, with Royal Dutch Shell as the end-customer – has been a very important step in the further recognition of Safeway as a reliable business partner for gangway rental market. The gangway was operating in the technical challenging environment connecting a WTW vessel to a moving Floating Production Storage and Offloading vessel (“FPSO”).



During 2019 our subsidiary Techano AS outperformed her forecast and presented very positive results. The delivery of the Havfarm1 project, which is the biggest Fish Farm in the world, influenced these results substantially and proved the success of this acquisition. Furthermore, Techano AS further capitalized on this success with new contract being awarded in the market of slipways. Slipways are flexible systems for safe and easy access for fast crew boats and lifeboats. The outlook for Techano AS for 2020 looks very promising. In 2020 we have the goal to further integrate Techano into our Group, and we try to further intensify the cross-selling possibilities in the various markets in which we operate.



From the 2<sup>nd</sup> of January 2019, Mulder Europe B.V. has been fully incorporated into the Van Aalst Group. During the year several steps have been taken to integrate Mulder Europe on operational level and administrative level into the Group. Cross-selling opportunities were found and will be exploited during 2020. However, revenues of Mulder Europe B.V. have declined because of uncertainty surrounding PFAS and Nitrogen leading to a lower demand for concrete mixers. As a

result, Mulder Europe B.V. needs to adjust to its changing environment. Various options have been explored to further extend its offtake markets.

Unfortunately, market circumstances in the oil & gas are still challenging. We have seen very small signs of recovery, but unfortunately these signs did not result in new orders yet for the traditional cargo handling equipment. Adjustments in the organization are planned and will be executed.

The demand for cement carriers continues to be very promising, however investment trends are shifting negatively because of poor visibility on effects on Brexit and trade disputes between USA and P.R. China.

Intensified focus on lowering cost in both renewables and oil & gas, in which W2W solutions play an important role, translates in a very positive and promising outlook for both of these markets. We have grown our fleet to five units and will continue with construction of numbers six, seven and eight during 2020. All further project management focus will be related to completing the two aforementioned Osprey units.

#### Corona: a changing world

Due to the coronavirus outbreak and the corona crisis that has arisen, the results of VAG for early 2020 have decreased in comparison to the projections. This decrease in results became visible during April 2020. The corona crisis is expected to further negatively affect the result of our Group for the rest of 2020. When drawing up the annual accounts, the full impact of the coronavirus outbreak is not yet clear. This will depend in part on how the coronavirus outbreak can be managed. Due to the great uncertainty, it is difficult to map the different scenarios. The coronavirus outbreak is expected to have significant economic implications in a number of markets in which we operate. We do everything we can to organize the availability and distribution of products in the best possible way. We follow RIVM guidelines for our employees. In addition, if necessary, we will use the subsidies/tax reductions and other offers of the government. We continuously assess the liquidity position, partly in relation to the covenants set in the loan agreements. We estimate that we will be able to fully meet our financing needs in the coming period.

#### Sustainability strategy

The last few years we have developed a sustainability strategy in order to accelerate our actions across the topics most material to our business. This strategy has been formulated by our top management to ensure the ambition and action is closely aligned with our business strategy. As we move forward in our sustainability journey, we will continue to prioritize these ambitions and actions throughout our business, with clients, suppliers and involving our employees.

Our sustainability strategy is structured around three basic elements: shared value focus areas, sustainability focus areas and responsible business areas.

The shared value focus areas recognize Van Aalst's capability to create economic value while addressing societal needs and challenges. Our motion compensated gangway systems are playing a key role to advance the energy transition. By investing in innovative solutions, we advance our societal contribution to these shared value focus areas while at the same time strengthening our business.



The second element comprises two sustainable focus areas: climate change and safety. In these two areas we want to invest, innovate and collaborate to develop and apply new technologies and approaches that can help minimize the negative and enhance the positive impact of our business.

The final element and foundation of our strategy, like mentioned in our mission statement, is to keep managing our business and projects in a profitable and responsible manner.

### Performance and operational results

As mentioned earlier, the main focus of our management has been to build an organization for the rental activities of Safeway and executing the Road Map as presented in 2017. We are proud to mention that we made significant steps forward in creating a robust organization, ready to execute the planning we made and the strategy we presented to our shareholders.

Financially we report a revenue of EUR 20,3 mln, which is an increase of more than 50% in comparison to 2018, caused mainly by the significant increase in revenues of the Safeway Rental and the increase in the results of our subsidiary Techano AS.

Costs of sales increased to EUR 11,3 mln from EUR 9,35 mln in 2018. The gross margin effectively increased from EUR 3,68 mln to EUR 8,79 mln (+139%). This increase is mainly due to higher attribution of the margin generated by the Safeway Rental business.

The presented gross margin of EUR 8.79 mln was enough to cover the operational costs, resulting in a positive operating result of more than EUR 1.1 million and a EBITDA of nearly EUR 3.2 million.

The total sum of expenses changed from 4.055 mln tot 7.027 (+73,3%).

This is mainly attributable to the following:

- Wages and salaries increased 85% to an amount of 2,32 mln in line with the growth of the organization.
- Social security charges increased due to lower levels of fiscal grants which were available for our initial innovations for the Safeway gangways.
- Pension contributions increased in line with higher number of employees.
- Amortization and depreciation costs doubled, mainly in line with the increase of the rental fleet being completed
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- Housing expenses increased due to the use of a extra warehouse on our terrain. Energy costs nearly doubled due to the extensive building program of the Safeway gangways and using the premises ourselves.
- Selling expenses more than doubled during 2019. We have visited more trade fairs, made more travelling costs and wrote-off doubtful debtors for 134k
- General expenses increased 212k due to incidental emission costs for entering the NPEX bond exchange.

### Financial position

As mentioned earlier, VAG was able to attract extra capital using ABN AMRO and NPEX. Taking senior debt into account, solvency equaled a healthy 33% as of year-end 2019. The financial position of the group remains robust.

The balance sheet will be discussed per section below:

### Intangible fixed assets

Total intangible assets increased with 55% to a total amount of EUR 5.051.318, in line with the capitalization of development costs related to Safeway Seagulls and Ospreys. Furthermore, goodwill from acquiring Mulder Europe for 100% has increased from EUR 224.247 to EUR 554.890

### Tangible fixed assets

Total tangible fixed assets have increased to 16.927.752 (+87,5%). This increase is in line with the continuing building program of the Safeway Rental Fleet. All other sections remained stable throughout 2019.

### Current assets

The section *inventories and work in progress* have increased the current assets with EUR 880.000,- to a total of EUR. 2.219.435 (+69%). This includes the two Osprey type orders.

The section *receivables* (+97%) increased in line with higher revenues to EUR. 9.117.908 from EUR. 4.627.167. Main drivers for this are *debtors* (+123%) and *accrued income and prepaid expenses* (+102%) reflecting the execution of the order backlog.

### Investments/capital expenditure

Like in previous years the Group invested substantially in Research & Development ("R&D") and the rental fleet. In 2019 the Group invested nearly EUR 9 mln in the newbuilding program of the Safeway fleet. Furthermore, it invested EUR 2.345 mln in the development in R&D.

### Cash flow and financing



The investments resulted in a cash outflow of EUR 11,03 mln. The investments were mainly financed by a combination of cash from operations, financial leases and emission of the subordinated NPEX bond.

Based on our current expectations and commitments the Group is able to meet their obligations to suppliers and external stake holders. We continue to evaluate various strategies and opportunities to further finance our growth.

### Outlook

Management expects that the market circumstances for the oil & gas market remain unchanged. We see moderate improvements of activities and some previously delayed and cancelled orders being restarted. For that reason, the focus remains on cement carriers and the W2W markets. In these markets management sees ample possibilities for both revenues and gain of market share.

### Summary

Management looks back on a successful 2019. The changes in the organization, initiated in 2018 and further implemented in 2019, resulted in gaining market share in new and existing markets leading to a successful turnaround of the results. We succeeded in increasing rental revenue contribution substantially, enabling us to invest in a further expansion of the fleet and developing a new type of gangway, the Osprey. This led to 2 orders to two different global players in the offshore wind market. Fish-farm and slipway markets remain interesting new offtake markets.

The short-term market outlook is challenging. The oil & gas market is in turmoil and oil prices are extremely volatile. The Covid-19 pandemic makes investors and vessel owners hesitant to invest, resulting in a delay in order intake at this moment. These circumstances force management to be cautious.

2020 will be a challenging year with opportunities and we remain confident about our product portfolio and the long-term market outlook. Our strategy of diversification and a technologically advanced product portfolio, together with a strict costs management, gives us confidence that we are going to be able to face the challenges.

Dordrecht, July 13th 2020