

Central Works Council Smit International

Open letter

In February of this year Boskalis made an attempted take-over bid for the Terminals Division of Smit International. This attempt was almost immediately rigorously rejected by Smit. The bid was considered hostile and not in the least to Smit's advantage. As was expected Boskalis did not accept this rejection readily and on 15th September of this year announced a new take-over bid, this time for Smit International in its entirety and once again in a manner that can only be considered as hostile. Additionally with commendable straightforwardness Boskalis announced what her plans were for Smit: namely to split the company up. The Terminals Division to be merged with Lamnalco (terminal activities), Salvage and Transport & Heavy Lift to be integrated into the Boskalis organization and Harbour Towing to be sold to a third party. Furthermore in the press release dated 15th September an explanation was given for this course of action:

"...in this way we will create a maritime service provider of world class in which all operational activities have affinity with each other and for which there is ample opportunity for further growth and development. The competencies and the structure of both companies will be closely linked. In addition the integration of Terminals into Lamnalco will provide substantial synergetic advantages."

By means of this open letter addressed to the Executive Board, the Supervisory Board of Directors and the personnel of Boskalis as well as to politicians, government, authorities and the general public, Smit Netherlands Central Works Council (COR) and her supporters worldwide endeavour to make their point of view clear.

The Fable of Synergy

During the last twenty years Boskalis and Smit have discussed the possibility of a merger. After each and every discussion on this subject the same conclusion was made: namely that a merger between the two companies would not provide sufficient synergy and that the backgrounds of both companies strongly differ (according to Fred Busker, Chairman and later a member of the Supervisory Board of Smit, 1989-2005). The logical question to be asked would be 'what has changed in the last twenty years?' The only logical answer to this question is that both Smit and Boskalis have acquired a new division: Terminals. The prey which is being hunted by Boskalis!

A study which was very recently made by a renowned strategic consultant on what Smit's situation would be without the Terminals division, lead not only to the same conclusions which were previously made by Mr Busker, but emphatically argued that a merger between Terminals and Lamnalco would not be able to deliver the desired results because:

- the price/quality- ratio of the two companies differs. Smit clearly scores higher;
- Smit's strong networking qualities and approach towards the market cannot easily be adopted by Boskalis;
- Smit's customers will be hesitant in continuing long term relations. They will realize that due to above mentioned inconsistencies $1 + 1$ does not necessarily add up to 2 but possibly adds up to less than 1;

- the merger of Smit and Lamnalco will lessen chances of winning new projects
- momentarily there are 3 large players involved in tendering for large projects. The market will not accept a situation wherein there are only two players in the field and will seriously start looking for smaller local parties which in turn will grow and develop at the expense of Smit and Boskalis.;

The recent conclusion of a well known stock exchange specialist is that he does not see any added value in the takeover of Smit.

To sum this up: the integration of Salvage and Transport & Heavy Lift into Boskalis will not produce synergy and the positive effect of a merger between Terminals and Lamnalco will most certainly not satisfy the high expectations. To the contrary!

Conclusion: Based on the now known facts, the intended take-over is in no way advantageous to Boskalis.

Consequences for Smit

Consequences for Smit as a company

The take-over and the proposed split-up of divisions will have drastic consequences for Smit. Smit is a 166 year old, authentic Dutch company which belongs in the category 'Holland's Glory'. The company has been through several stormy periods and has experienced many ups and downs. Mr Ben Vree, the present Chairman of the Executive Board, took over at the helm from his predecessor eight years ago. He modified the company strategy and managed to rebuild and develop the company into what it is today: a modern and profitable enterprise which, thanks to creative organizational measures and clever investment maximum synergy between the divisions has been realized. The strongly coherent service package and the highly customer oriented approach is very much appreciated by the customers. Due to this Smit is of extremely great importance to the worldwide market where she operates, to the Dutch economy and to The Netherlands's image as a maritime nation. If the proposed take-over goes ahead, Smit, as a company, as generator of economic growth, as trade name and as symbol of 'Holland's Glory' will disappear. And to what purpose? Because based on a number of uncertain assumptions, Boskalis insists on taking over one sector of the company, Terminals, no matter what the consequences!

Consequences for Smit Personnel

The employees of Smit have no say in the matter of the merger campaign of Boskalis: they will simply be sold with the company as part of the furniture. The Smit Central Works Council has already invited both the Works Council and the Supervisory Board of Boskalis to exchange views on the subject. Unfortunately both bodies have declined this offer. The Supervisory Board has agreed to talk but only once the matter has been settled. Boskalis does not seem to realize that as well as being an economic entity the company is also a social community. They neither seem to realize that Smit's success is primarily due to human effort and dedication. To sell or split up the company will destroy the social system which is part and parcel of Smit. The employees themselves feel sold-off and cheated. They will lose their identity, sense of perspective, security and stability. They will above-all lose their drive, dedication and energy. This is already noticeable within the company. Applicants, even those at a higher level, whom Smit is in dire need of, are beginning to feel discouraged: they want some kind of assurance that they will be working for Smit and not for Boskalis.

Just the same as with any society, Smit is a way of life. This also applies to Boskalis. Boskalis however seems to assume that both cultures are quite similar: in fact even a narrow fit. After all, both companies work in water in boats! In reality, however, this does not automatically mean that both have the same background. A company's culture is among other things determined by the sense of values, the management style, the product and services, the daily routine and the market in which one operates. As far as this is concerned the differences are huge. Boskalis is originally a construction company managing water- related projects: shifting sand and earth. Smit on the other hand is a maritime service provider with very different services, in a completely different market and with different clients. The predecessors to the present Chairmen of the Board of Boskalis and Smit seem to have been able to recognize this!

How does Boskalis propose to deal problems such as loss of motivation, loss of dedication and loss of drive and with differences in culture and how do they intend to overcome these problems? Experts specialized in mergers foresee social, organizational and economic problems. Their message to us would clearly be: don't even contemplate it!

Ethics

The Boskalis take-over bid is considered **hostile** by the both Smit management and employees. Seemingly Boskalis considers this action as a purely economic enterprise. This impersonal approach towards organizations is however the reason that many mergers and the consequent merger process are a failure. This hostile action, whereby the human factor and the consequences of this action for each individual and for the company as a whole are almost completely ignored, is considered by us as unethical and indeed as criminal. You, Boskalis, want to destroy our fine company, to steal our identity, stability, security and sense of perspective. You want to kill the elephant only for its tusks!

The Roll of Government and Authorities.

The crisis in the financial sector and the world economy were caused by a weak and instable system, immoral trading at the top of the financial sector, inadequate management and insufficient supervision.

It is time for the governments to realize that unethical and irresponsible trading of hedge funds and the operations of other head-hunters in the financial world have to be restrained by adequate management and close supervision. How many of these authentic Dutch companies are left? We must take action now. With hind sight one can conclude that toleration of the neo-liberal trading by banks and financial entities has been an enormous blunder. Evidently we cannot leave this up to the free-market.

Let us not make this same mistake with unrestricted trading of companies and industrial sectors!

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Signature