



ANNUAL REPORT 2019





Hydratec Industries NV

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Disclaimer

This international Annual Report 2019 serves as an indicative and shortened version of the official Dutch Annual Report 2019, which is published on the Company's website www.hydratec.nl. In the case of contradictions, the Dutch version shall prevail.

CONTENTS

Foreword from the CEO	2	Report of the Management Board	
Profile and organisation	3	General	31
Food & Industrial Systems		Financial developments	31
Royal Pas Reform Hatchery Technologies	4	Development Food & Industrial Systems	32
Lan Handling Technologies	6	Development Plastic Components	34
Rollepaal Holding	8	Personnel and organisation	36
Stork Plastics Machinery	10	Risk management	38
		Corporate Governance statement	40
		In conclusion	41
Plastic Components		Summarised annual accounts 2019	
Timmerije	12	Consolidated profit and loss account	44
Helvoet Rubber & Plastic Technologies	14	Consolidated summary of comprehensive income	45
		Consolidated balance sheet as at 31 December	
Highlights	17	before appropriation of result	46
Key figures	18	Consolidated statement of changes in equity	48
		Consolidated cash flow statement	49
Strategy and financial targets	20	Independent Auditor's report	51
Information for shareholders	22	Five-year summary	52
Members of the Supervisory Board	24	Contact details	54
Report of the Supervisory Board	25		
Remuneration report	27		
Members of the Management Board	30		



FOREWORD FROM THE CEO

Dear shareholders, employees, clients and partners.

With trade negotiations going on somewhere in the world at almost any given moment and a number of industries, including the automotive industry, facing problems, 2019 was not an easy year for many companies including Hydratec Industries. But, although revenue growth was lower than forecast it did amount to 5.4% of which 2.1% was organic. Towards the end of the year many clients were reluctant to order components and systems. The Food & Industrial Systems core activity achieved organic growth of 3.5%.

The Plastic Components companies achieved a 7.9% revenue increase of which 2.5% was organic. Due to a net drop in one-time costs Hydratec Industries' operating result rose from € 8.9 to € 10.2 million. Unlike in 2018 there were no one-time tax gains and, as a result, net profit decreased to € 6.6 million.

2019 was also dominated by our acquisition of a 75% majority interest in Rollepaal Holding BV and Stork Plastics Machinery BV. These two companies, each with its own niche, dovetail perfectly with Hydratec Industries' Food & Industrial Systems activities.

Strategic flexibility is crucial for Hydratec Industries. Our organisational structure with relatively-independent operating companies that are close to the market offers a good framework for this dynamism. We are very aware that our company's long-term success depends first and foremost on the dedicated efforts of our employees and our clients' appreciation of these efforts. This means we will only be successful if within our Corporate Social Responsibility we simultaneously serve the short and long-term interests of our employees, our clients and our shareholders.

CSR, and in particular sustainability, have become key prerequisites for success in our various markets. In this context reduced raw material usage, lower product weights, reduced energy consumption, lower feed conversion, animal welfare and more (chain) transparency are playing an increasingly important role. Innovations in these areas have proven their worth and are leading to future growth.

In this Annual Report we look at several examples of innovations and how they are being positioned successfully positioned in our market segments.

Well trained and qualified technical people are becoming increasingly scarce. Which is why we must focus on making sure we are an attractive employer and in a good position to recruit and retain the right people to fill our vacancies when we need them. As this will become an even greater challenge in the coming years as the scarcity increases, being prepared must become an even higher priority. The innovation and entrepreneurial culture of the Hydratec companies gives us a good foundation to work from.

We would like to thank all our colleagues for their hard work, passion and dedication to the development of Hydratec Industries. We also thank our clients, partners, Supervisory Board and shareholders for the trust and support that is allowing Hydratec Industries to continue developing.

Bart Aangenendt
CEO

“ 2019 was dominated by the acquisition of a 75% majority interest in Rollepaal Holding BV and Stork Plastics Machinery BV ”



PROFILE AND ORGANISATION

BUSINESS BACKGROUND

Hydratec Industries NV is a globally-active technology company specialised in industrial systems and components.



Stock exchange listed since 1997



Around 1,800 employees (FTEs)

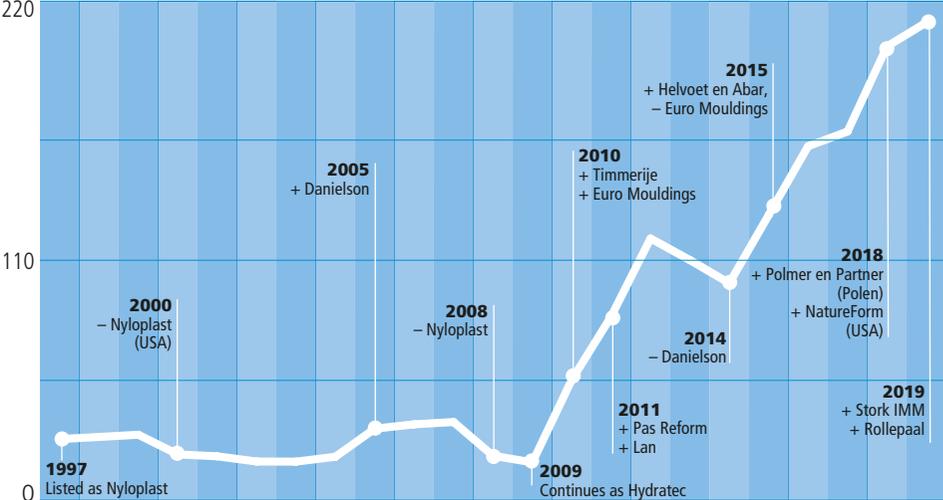
CORE ACTIVITIES

Food & Industrial Systems

Plastic Components

COMPANIES

MILESTONES NET REVENUE (X 1 MLN.)



WORLDWIDE PRESENCE

Manufacturing and service centres





Chicken is considered a healthy food, has a relatively-low CO₂ footprint and is religiously neutral.



Royal Pas Reform is a single-source supplier of integrated hatchery solutions with a presence in more than one hundred countries.

The infographic bar is dark blue with white icons and text. It is divided into four sections by vertical dotted lines. The first section shows a calendar icon, the number '101', and the text 'Active in the hatchery industry for over 100 years'. The second section shows an icon of three people, the number '150', and the text 'Around 150 employees'. The third section shows a globe icon, the text '>100', and 'Exports to >100 countries'. The fourth section shows a globe with a circular arrow icon, the number '3', and 'A worldwide presence from 3 main offices'.

Since it was founded in the East of the Netherlands in 1919 this family business has evolved from an incubator manufacturer to an integrated hatchery solutions supplier. Pas Reform is active in the following product groups:

- Industrial incubators for the production of uniform, robust day-old chicks;
- Hatchery automation systems for the efficient processing of hatching eggs and day-old chicks;
- Climate control equipment for sustainable and hygienic air and water treatment;
- Hatchery management software for monitoring, analysing and optimising the hatching process;
- Service and support for an efficient and reliable operation of integrated hatchery systems.

Pas Reform has extensive experience with the provision of advice regarding the design, installation and servicing of these product groups.

At the heart of the Company is the Pas Reform Academy which, in close co-operation with clients and universities,

carries out research into the effect of the incubation process on chick embryo development. This specialist expertise is used to develop new, innovative products and services for the hatchery industry and to train and coach hatchery managers.

Pas Reform exports to more than 100 countries. Sales and service activities are carried out via three main offices: Pas Reform in the Netherlands, Pas Reform do Brasil in Brazil and Pas Reform North America in the USA. The Company also has eight sales offices in Africa, Asia, Europe, the Middle East and South America and an extensive network of local partners and agents. The products are distributed all over the world from the logistics centres in Doetinchem (NL), Jacksonville (USA) and Rio Claro (BR). Pas Reform's around 150 employees (FTEs) focus primarily on the development, sale, final assembly and service of the hatchery systems.

www.pasreform.com



Lan
Handling Technologies



Skilled people are an
essential success factor.

Lan Handling Technologies manufactures top-of-the-range handling systems for the global food industry.

The infographic bar is dark blue with white icons and text. It is divided into four sections by vertical dotted lines. Each section contains an icon, a large number, and a descriptive sentence.

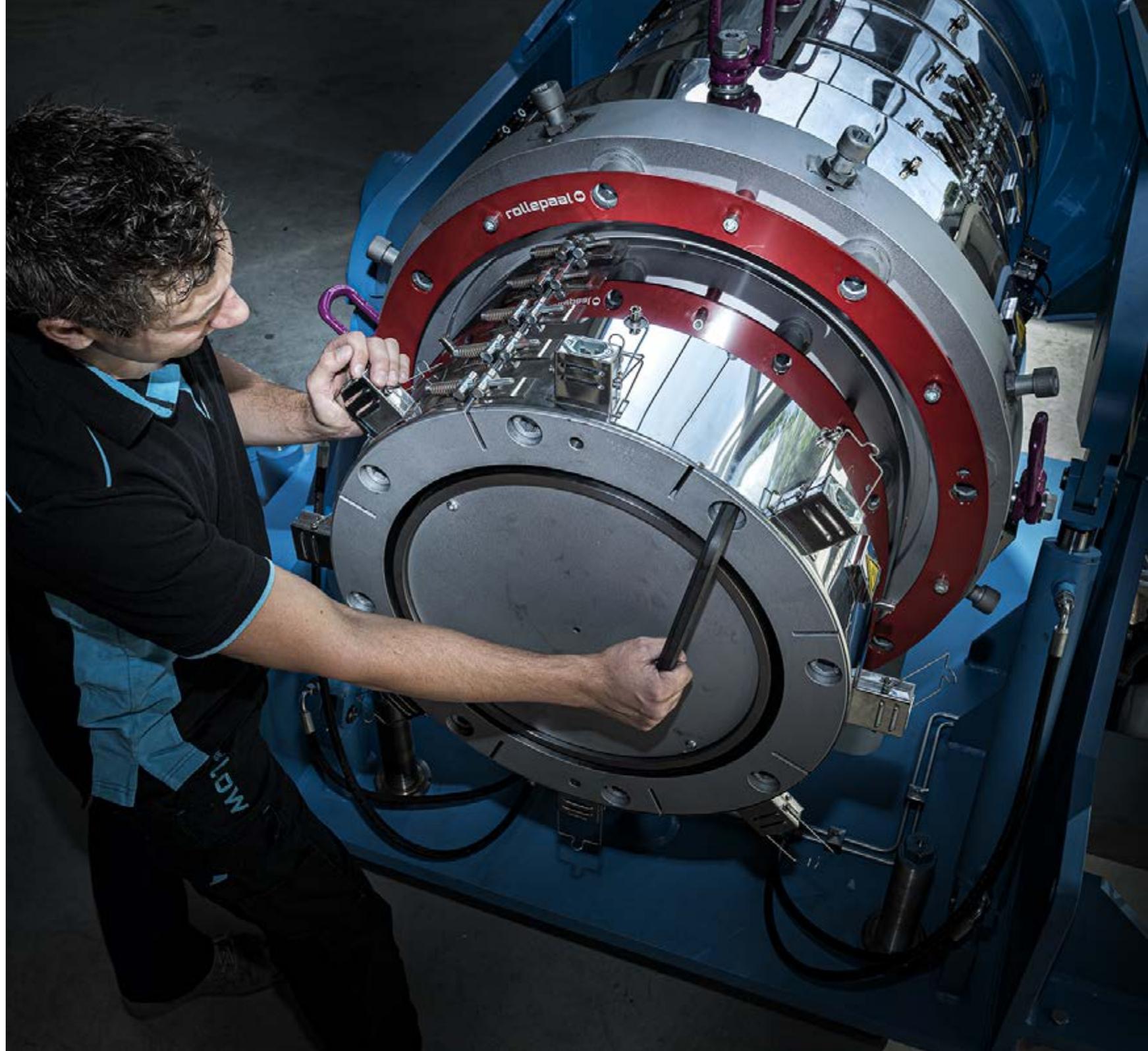
Icon	Value	Description
Robot arm	50	Active in handling systems for 50 years
Three people	120	Around 120 employees
Globe	35	Exports to around 35 countries
Robot arm	500+	+500 systems installed worldwide

These are dynamic times for the agri & food industry. Higher efficiency, sustainability issues and consumer trends are having an impact on the manufacturing environment. Lan Handling Technologies' (technical) specialists keep a close watch on the market, which means international clients can depend on Lan's state-of-the-art handling systems.

The design, construction, assembly and installation of handling systems for both the sterilisation process and end-of-line machines is carried out by Lan's own specialists. Lan's systems are based on a modular system, which makes an extensive pallet of client-specific solutions possible.

During the past 50 years Lan has built up intensive partnerships with leading multinationals in the food industry. Innovation is essential to ensure the Company remains successful, which is why it is a priority for Lan and why Lan utilises Smart Industry applications and technologies such as Big Data, smart robotics and real-time simulation.

www.lanhandling.com



The driven corporate culture generates innovative ideas and successful products.

FOOD & INDUSTRIAL SYSTEMS **ROLLEPAAL**

Rollepaal designs and manufactures high-quality systems for plastic pipe fabrication.

58
Nearly 60 years experience in high-tech equipment

240
Around 240 employees

3
A worldwide presence from 3 offices

>100
Exports to more than >100 countries

Rollepaal is an internationally-active group of three specialist companies – Rollepaal, Ramix and Romit – that operate in different markets but also often work together. Clients around the world are supplied cost-saving solutions from the offices in the Netherlands, the United States and India. The Group also has a global network of agents who provide reliable and dedicated service.

Rollepaal is a leading manufacturer of extrusion machines for PVC, PVC-O and PO pipes. Rollepaal’s strength is its innovative capability. The driven corporate culture generates innovative ideas and successful products. The high-tech machines are renowned for their high quality with the focus on durability, service and support. Rollepaal focuses on supplying innovative and cost-saving solutions to plastic pipe manufacturers.

Ramix supplies injection moulds for the manufacture of pipe fittings, such as couplings to join two PVC pipes together or to allow a bend in a PVC pipe. Ramix is renowned for supplying high-quality moulds that are long-lasting and low-maintenance.

Romit is a full-service international supplier of machined components to OEM clients in the screws, ovens, plastic machines, compressors and pump components industry segments.

www.rollepaal.com



STORK[®] IMM

INJECTION
MOULDING
MACHINES

RELIABLE INJECTION MOULDING



Stork is a specialist in thin-walled product manufacture.

Stork IMM manufactures injection moulding machines for the fast and accurate production of thin-walled products.



52
Active in injection moulding machine manufacture and sales for 52 years

120
Around 120 employees

A leading position in the Benelux, Germany and Eastern Europe

4
4 product lines

Since it was founded in Hengelo in 1968 Stork has grown and evolved from a manufacturer of injection moulding machines into a supplier of total solutions for thin-walled product packaging. Stork solutions are renowned for their production speed, reliability and easy operation. IMM stands for Injection Moulding Machines. Stork's machines have closing forces ranging from 150 to 2000 ton and the Company's product lines are focused on four niche markets: buckets, pots, food packaging and crates. Stork supplies clients worldwide although the Company's primary market focus is Europe.

Stork translates passion, craftsmanship, experience and the needs of clients into targeted solutions. Stork listens to its clients, combines the insights gained from these discussions with its own expertise and seeks an effective implementation in its products. It's a dynamic process: Stork never stops innovating, which is why a Stork injection moulding machine is always the best, the fastest and the most reliable for the production of thin-walled packaging.

Stork stands for maximum reliability resulting in a fast up-time. That is not just a question of supplying good injection moulding machines but also perfect service – the level of service that enables Stork's clients to guarantee optimum supply performance to their customers. Service orientation is in the DNA of Stork employees and Stork demands the same mentality from its suppliers. This means Stork clients around the world are assured of the required support.

www.storkimm.com



The wide range of injection moulding machines enables client-specific plastic components to be manufactured.

PLASTIC COMPONENTS **TIMMERIJE**

Timmerije is a leading designer and manufacturer of high-quality plastic products.



88

Active as a manufacturing company for 88 years and in plastic injection moulding for 60 years



140

Around 140 employees



A leader in the Benelux



50

50 modern injection moulding machines

Timmerije specialises in plastic injection moulding and has been operating in Neede for over 85 years. Timmerije commands the entire process and its over 140 dedicated and flexible RAQ employees guarantee Responsibility, Ambition and Quality. Timmerije achieves smart and sustainable solutions by deploying its extensive expertise and experience on the basis of a professional approach and intensive co-operation between the client and the product and process development.

Service is offered by Timmerije's own engineering, tool making, assembly and warehouse departments. Project Management, mould construction, maintenance & repair and the compiling of components are carried out under one roof. Timmerije is a leading designer and manufacturer of high-quality plastic products in the Benelux.

Design, production and logistics processes that are finely tuned to each other ensure a planned time-to-market and continuity. Extensive knowledge of materials, moulds and innovative processing techniques give clients an advantage in the market.

Timmerije's machine park is equipped with 50 modern injection moulding machines with closing forces ranging from 25 ton to 1,400 ton and state-of-the-art processes. Series of client-specific components for the food & agriculture industry, the mobility industry, electrical engineering installations, household equipment, central heating boilers and the furniture industry are manufactured for just-in-time delivery.

www.timmerije.com



Point of care
diagnostics are
assembled in clean
rooms.

Helvoet develops and manufactures high precision rubber & plastic components and assemblies.



Most of Helvoet's clients are internationally-operating companies in the automotive, food tech, health tech and industrial control sectors. Components made of plastic (thermoplastic and thermoset), rubber, or a combination of these materials are developed in co-operation with the client. Thanks to its ability to also assemble the components into a half-finished product or a completely functional model in a cost-effective way, Helvoet occupies a unique position in the precision component world.

Helvoet's products are used in a wide range of applications including fuel, brake and drive systems, motor management, dosing systems for beer, coffee and milk, medical cartridges and diagnostic equipment. Series vary in size from medium to very large.

Technology based on plastic and rubber is developing continuously and new possibilities that can rival accepted materials are constantly being announced. The properties of thermoset plastics in particular mean they are increasingly replacing metal components in the automotive industry to reduce weight and, therefore, environmental-

impact. Helvoet's own rubber mixtures, alone or in combination with plastic or metal, are also providing solutions that previously were only possible with traditional materials.

Helvoet strives for the continuous improvement of product and process quality. Today's demands are extremely high and 'zero defects' is now the standard. The Helvoet companies possess all the quality systems and certification needed for their specific markets. To enable it to maintain this high level of quality Helvoet invests continuously in people, processes and machines.

Helvoet has sales & manufacturing facilities in the Netherlands (Tilburg and Hellevoetsluis), Belgium (Lommel), Germany (Munich), India (Pune) and Poland (Kaniow and Wroclaw), and a sales office in the USA (Detroit).

www.helvoet.com

Pas Reform has been awarded the Royal designation.

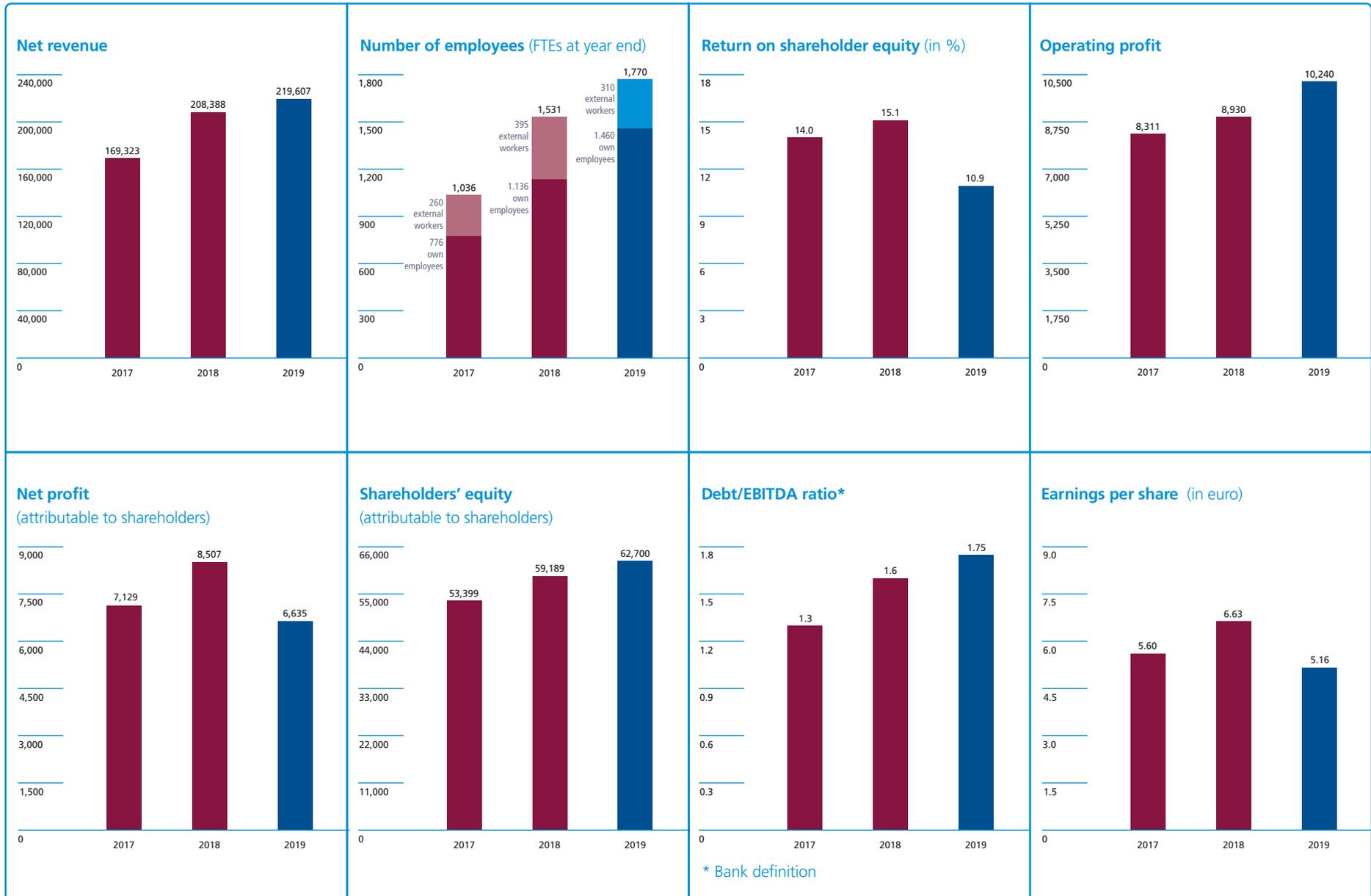


HIGHLIGHTS

<p>Higher revenue</p> <p> € 220 million +5% of which 2% organic 2018: € 208 million</p>	<p>Higher operating profit</p> <p> € 10.2 million +15% 2018: € 8.9 million</p>	<p>Two acquisitions Food & Industrial Systems</p> <p>Stork Plastics Machinery (Hengelo, NL)</p> <p>Rollepaal Holding (Dedemsvaart, NL)</p>
<p>Lower net profit</p> <p> € 6.6 million -22% 2018: € 8.5 million</p>	<p>Earnings per share</p> <p> € 5.16 2018: € 6.63</p>	<p>Special events</p> <ul style="list-style-type: none">• Royal Pas Reform Royal designation for 100 year old company• Lan Handling Technologies Opening of new manufacturing facility

KEY FIGURES

Amounts in thousands of euro unless stated otherwise



KEY FIGURES

Amounts in thousands of euro unless stated otherwise

	2019	2018
Profit and loss account		
Net revenue	219,607	208,388
Operating profit	10,240	8,930
Net profit	6,635	8,507
Cash flow		
From operating activities	7,170	9,510
From investing activities	- 31,695	- 15,010
From financing activities	- 4,979	2,063
Net cash flow	- 29,504	- 3,437
Balance sheet		
Equity attributable to shareholders	62,700	59,189
Shareholders' equity	63,200	59,189
Balance sheet total	214,268	162,953

Key ratios

	2019	2018
Operating profit as a % of revenue	4.7%	4.3%
Return on invested capital ¹	6.9%	9.6%
Return on shareholders' equity ²	10.9%	15.1%
Solvency ³	29.5%	35.3%
Number of issued shares	1,288,178	1,284,816
Earnings per share (in euro)	5.16	6.63
Number of own employees ⁴	1,460	1,136

¹ Net result excluding one-time income + interest expense as a % of the invested capital (total assets minus cash and cash equivalents minus current non-interest-bearing liabilities).

² Net result excluding one-time income as a % of the average shareholders' equity attributable to Hydratec's shareholders.

³ Total equity as a % of the balance sheet total.

⁴ FTEs at year end.

STRATEGY AND FINANCIAL TARGETS

STRATEGY

Hydratec Industries N.V. is a globally-active technology company specialised in industrial systems and components. Hydratec Industries has two core activities: Food & Industrial Systems and Plastic Components.

FOOD & INDUSTRIAL SYSTEMS

Food & Industrial Systems supplies manufacturing systems on a project basis around the world. This makes this market, and the spreading of the risks, heavily dependent on macro-economic factors. Food is an important market for the Systems activities. To enable the world's growing population to continue being fed, the food market is expected to continue growing. Despite the drop in meat consumption in general, the consumption of chicken is expected to continue rising because chicken has a healthy image, a relatively low CO₂ footprint and is religiously-neutral. Due to rising standards of living the manufacture of convenience food and pet food will also increase and food safety and animal welfare will play an increasingly important role.

PLASTIC COMPONENTS

Experts forecast that the global use of plastic applications will continue to rise. The Plastic Components activities related to industrial supply are responding to this and manufacturing plastic construction components. The Plastic activities have a more capital-intensive and process-related character which makes them less volatile than the Systems activities. The use of plastic for construction purposes gives more design freedom and often leads to weight reductions and, therefore, cost reductions.

The clients of Hydratec's Plastic Components companies are active primarily in the following market segments: Food, Mobility, Health and Industry. More stringent sustainability demands are leading to the development of alternative concepts, but also to requirements in respect of weight reduction. Quality and hygiene stipulations are extremely stringent, especially in the Health market. For example, point-of-care diagnostics are assembled in clean-room conditions.

CSR in general and sustainability in particular have become major prerequisites in all our activities. This not only means achieving more with less raw materials, but also that environmental-impact and society's acceptance of issues will play an increasingly important role in everything we and our clients do.

The aim of the strategy is for every Group company to achieve consistent, long-term revenue and result growth that as a minimum conforms to the market. Toward this end we strive for leading positions in the various markets that make achieving high added-value for the end users possible. Functions that contribute towards the client's success and, therefore, for which means are available are continuously being developed. It is not only the primary functions that are being improved, so too are the functions that take the worries off the client's shoulders, such as logistics functions, maintenance, design and advice. This servitization leads to closer ties to the client and, therefore higher margins. The smart application of new technologies will enable us to make a difference for our clients and will broaden our product package with existing purchasers. Because the price of our products and services will remain a powerful competitive weapon for healthy growth, considerable energy is being put into various Operational Excellence programmes.

The strategic market positions and options of each Hydratec company are evaluated annually and a so-called SWOT analysis is compiled. This evaluation forms the basis for decisions regarding long-term investments and priorities in respect of product-market developments. This must offer our shareholders the prospect of a consistent and good return.

We strive to expand our existing activities and where possible broaden our industrial activities through acquisitions and collaborations. The current activities provide a basis for a so-called 'buy and build' acquisition strategy. At the same time, activities can be divested if we are convinced they will achieve better structural development within other business organisations, so offer insufficient longer-term potential for Hydratec.

ENTERPRISING MANAGEMENT AND EMPLOYEES

It is essential that every one of the companies has good and motivated management and employees. Only then can they be deemed manoeuvrable organisations that can react quickly to changing conditions.

The 'battle for talent' is in full flood and extra attention is being paid to finding and retaining good employees, for example through the structural offering of work placement and trainee opportunities in our companies. The management must be capable of identifying market opportunities, developing innovative products and steering their own organisations in a practical and stimulating manner. All these developments also lead to changing demands on the organisation. This is why the employees' personal development is promoted continuously, including through training, on the basis of ambitious, but realistic, targets derived from scenarios that form a guideline for everyone involved.

STRATEGY AND FINANCIAL TARGETS

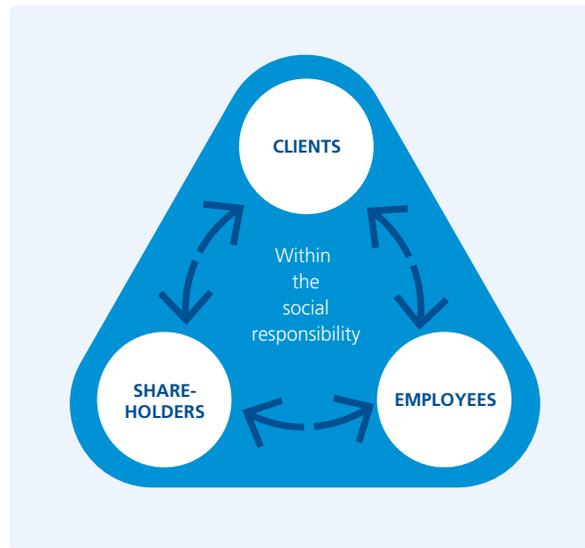
The Management Boards of Hydratec's operating companies are responsible for carrying out their own operating activities within a clear framework of decisions that require the approval of the Hydratec Management Board. These decisions relate primarily to budgeted investments, major organisational changes and fundamental amendments to business operations. All business aspects, including the development of the results, are discussed during the regular consultation meetings between Hydratec's Management Board and the Management Boards of the operating companies. These discussions are based on a clear framework of regular reports, including analyses of the most important performance indicators. Many additional informal consultations and discussions also take place.

Because manoeuvrability and entrepreneurship take centre stage within the different Group companies there is no basis for central staff departments. This enables overhead costs to be limited to the minimum.

FINANCIAL TARGETS

It is important that the Hydratec companies achieve healthy profitability. Only then can continuous investment take place and a buffer against setbacks be built-up. In concrete terms this means that the target for every company is an operating profit of at least 8% to 10% of revenue. This target may, however, be temporarily unachievable primarily as a result of economic conditions or organisational adjustments that are deemed necessary.

Together with the envisioned growth and a solvency of at least 30%, Hydratec strives for a dividend distribution of at least 40% of the profit after taxes (excluding any one-time income).



A company's long-term financial success depends on the dedicated efforts of its employees and its clients' appreciation of these efforts.

INFORMATION FOR SHAREHOLDERS

STOCK MARKET LISTING

Hydratec's shares are listed on Euronext Amsterdam (ISIN NL 000 939 1242). The total number of issued shares as at 31 December 2019 was 1,288,178.

FINANCIAL CALENDAR 2020

Trading update first quarter	6 May
General Meeting of Shareholders	26 June
Publication of half-year figures	23 July
Trading update third quarter	6 November

DISCLOSURE OF MAJOR HOLDINGS ACT

In the context of the Major Holdings Act, as at 30 March 2020 the following holdings of more than 3% were known:

Shareholder	Interest	Date of disclosure
A.C. ten Cate	23.1%	21 March 2017
F. ten Cate	23.1%	21 March 2017
J. ten Cate	23.1%	21 March 2017
P. Chr. van Leeuwen Beheer B.V.	5.7%	9 May 2014
B.F. Aangenendt	5.5%	30 June 2017
M. Spiensma	3,1%	2 December 2014

FINANCIAL DATA PER ORDINARY SHARE

Amounts in euro unless stated otherwise

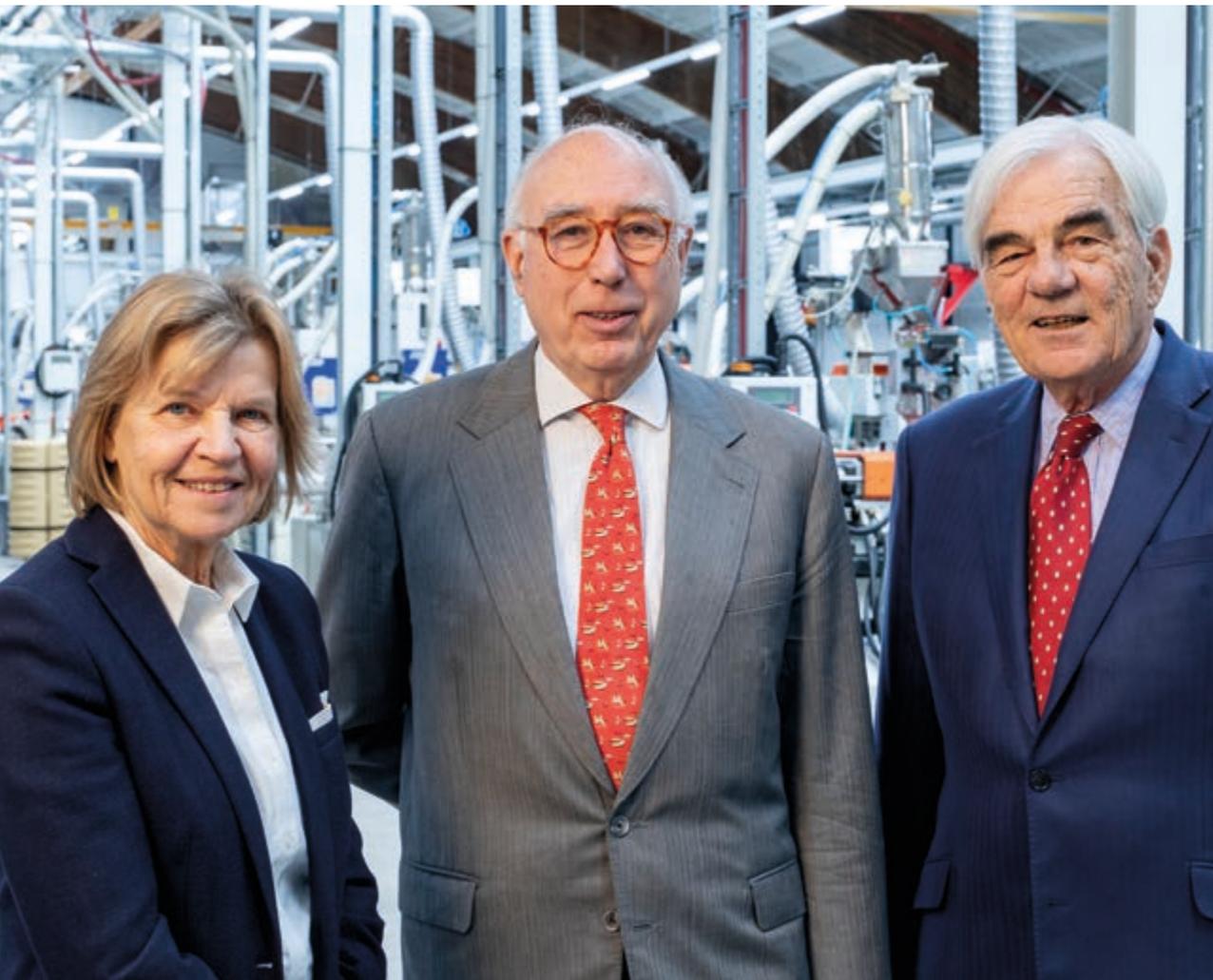
	2019	2018
Number of issued shares	1,288,178	1,284,816
Weighted average number of shares	1,286,654	1,283,186
Operating profit	7.96	6.96
Profit	5.16	6.63
Shareholders' equity attributable to Hydratec's shareholders	48.73	46.13
Available cash flow ¹	- 19.06	- 4.29
Dividend	-	2.70
Price at year end	68.50	63.00
Lowest price	64.50	54.00
Highest price	78.00	74.00

¹ Sum of operating and investment cash flows.

Lan Handling Technologies' new manufacturing hall offers sufficient space for the growing number of projects.



MEMBERS OF THE SUPERVISORY BOARD



From left to right: Ms M.E.P. Sanders and Messrs E. ten Cate and J.E. Vaandrager.

E. ten Cate (1945) — Chairman

First appointed: 2000

Current term ends: 2020

Current position: Director Bank ten Cate & Cie N.V.

Supervisory Board memberships/other positions held

Member of the Supervisory Board, Hendrick de Keyser

Member of the Board, Stichting Kasteel Rechteren

J.E. Vaandrager (1943) — Vice-chairman

First appointed: 2011

Current term ends: 2024

Last position held: member of the Board and CFO, TKH Group NV

M.E.P. Sanders (1953)

First appointed: 2017

Current term ends: 2021

Last position held: member of the Supervisory Board, Kendrion N.V.

Supervisory Board memberships/other positions held

Member of the Supervisory Board, Stern Groep

Member of the Supervisory Board, Hoens Broadcast Facilities B.V.

Chairman of the Supervisory Board, Meilink B.V.

Chairman of the Investment Committee, SI2 Fund

Chairman of the Advisory Board, Difrax Beheer B.V.

Member of the Board, Stichting TivoliVredenburgfonds

All the Supervisory Board members are Dutch nationals.

REPORT OF THE SUPERVISORY BOARD

Last year was a disappointing year for Hydratec Industries N.V. Revenue rose to over € 220 million, but due to higher costs the Food & Industrial companies saw their net profit decrease compared to 2018. In 2018 Plastic Components' results were put under pressure by a one-time reorganisation expense. In 2019 their results improved significantly, but is not yet on the desired level.

The operating profit in 2019 was higher than in 2018, but not to the extent that had been forecast due to large engineering orders with very low margins at Plastic Components and the losses of the Polish company. The result was a net profit for shareholders of € 6.6 million compared to € 8.5 million in 2018. In contrast to the previous year, taxation was once again at a normal level in 2019.

ANNUAL REPORT

We hereby submit the 2019 Annual Report of Hydratec Industries N.V., including the annual accounts, as prepared by the Management Board. These annual accounts have been audited by KPMG accountants and were discussed by us and the Management Board on 19 March 2020 in the presence of the Auditor. The Auditor's report is included on pages 90 to 96 of the official Dutch 2019 Annual Report, which can be found on www.hydratec.nl. On these grounds we are of the opinion that the Annual Report meets the specifications for transparency and forms a good basis for the Supervisory Board's accountability in respect of its supervision. We recommend that the shareholders adopt the annual accounts, approve the dividend proposal and discharge the Management Board for its management and the Supervisory Board for its supervision during 2019.

COMPOSITION OF THE SUPERVISORY BOARD

The members of the Supervisory Board are listed on page 24. The profile sketch of the Supervisory Board is published on the Company's website. The background and experience of the Supervisory Board members is diverse. One Supervisory Board member has spent his entire career working in a variety of functions in different companies and ended his career as a member of the Board and the CFO of a stock exchange listed concern. The Second Supervisory Board member has extensive experience as an entrepreneur and as a member of various Supervisory Boards. The third Supervisory Board member is an experienced entrepreneur who, for many years, has also been involved with Hydratec Industries' development into the company it is today.

The Supervisory Board is of the opinion that this variety of experience and background provides a good diversity. The composition of the Supervisory Board is such that the members can act independently and critically towards each other and the members of the Management Board.

During the Annual General Meeting of Shareholders on 29 May 2019 Mr Vaandrager was reappointed for a term of four years. Mr Ten Cate's current term ends in 2020. The Supervisory Board recommends that Mr Ten Cate is reappointed for one term.

SUPERVISION

Hydratec's targets for 2019 were ambitious, but unfortunately were not achieved. The Supervisory Board endorses the Management Board's policy of investing in product development, strengthening technical know-how, upgrading the manufacturing capacities and reinforcing the market position. The investments in tangible non-current assets were, once again, higher than the depreciation. A circumspect approach was taken in respect of changes in

the workforce. The reorganisation at Helvoet's Belgian facility led to a significant improvement of the results. The focus at all the companies was on cost control and margin improvement. These topics are dealt with in detail in the Management Board's report.

In the Supervisory Board's opinion Hydratec's risk profile has not changed. Attention was paid to the risk management system and this did not produce any singularities. This evaluation also showed that Hydratec is not large enough to warrant it having its own internal audit function.

During 2019 the Supervisory Board held six scheduled meetings with the Management Board. All the Supervisory Board members attended these meetings. Prior to the General Meeting of Shareholders on 29 May 2019 the Supervisory Board evaluated the functioning of the Management Board and its own Board in the absence of the Management Board. Nothing of note emerged. During its meetings the Supervisory Board discussed the Group's strategy, acquisition policy, risk management, personnel policy, quarterly and half-yearly results, 2019 annual figures and the budget for 2020. The remuneration policy was also discussed as was the effects of the economic situation on the markets in which Hydratec companies are active and the measures needed to mitigate these effects and ensure the results remain at a satisfactory level. Attention was also paid to amendments to legislation.

One important event in 2019 was the acquisition of 75% of the shares in Stork Plastics Machinery and Rollepaal. The activities of these companies dovetail well with those of the Food & Industrial Systems companies. This acquisition was dealt with in depth during the Extraordinary Meeting of Shareholders on 21 November 2019, during which the shareholders unanimously approved the acquisitions.

REPORT OF THE SUPERVISORY BOARD



Further information regarding the transactions is included in the Management Board's report.

In 2019 the Supervisory Board met twice with the external Auditor, on one occasion in the absence of the Management Board. The tasks of the external Auditor were evaluated and the audit plan approved. In May 2019 the Supervisory Board was surprised by Baker Tilly's decision to immediately terminate their audit tasks for public interest entities. The Supervisory Board looked for a new external Auditor and, after a careful selection process, during the meeting of 23 July 2019 KPMG was appointed for the audit of the annual accounts for 2019 and 2020.

COMPOSITION OF THE MANAGEMENT BOARD

The composition of the Management Board of Hydratec Industries N.V. did not change during 2019. Mr B.F. Aangenendt was CEO, Mrs E.H. Slijkhuis was CFO. The current term of Mr Aangenendt will end in 2020. The Supervisory Board intends reappointing Mr Aangenendt during the Supervisory Board meeting on 26 June 2020.

The Supervisory Board is grateful to the Management Board, the management teams and all the employees for their efforts, dedication and ambition during 2019.

Amersfoort, 8 May 2020

Supervisory Board

E. ten Cate Chairman

J.E. Vaandrager Vice-chairman

M.E.P. Sanders

REMUNERATION REPORT

The Supervisory Board of Hydratec Industries N.V. applies a remuneration policy for the Group's Management Board that is based on the following principles:

- The Management Board remuneration policy must enable good Managers to be recruited and retained.
- The remuneration policy must be in accordance with Hydratec Industries' Corporate Governance policy.
- The remuneration must reflect the strategic and financial targets and be performance-oriented, whereby there should be a good balance between short-term and long-term results and/or targets.
- The remuneration may not include any incentives that are aimed at the recipients own interests and conflict with the interests of the Group.

The remuneration policy for Hydratec's Management Board is approved by the General Meeting of Shareholders. The actual remuneration of the Management Board is decided by the Supervisory Board. The salaries of the Management Board members depend partly on the results and are awarded via a bonus scheme that is compiled as follows:

- the decision to award the bonus is made in March during the discussion of the annual figures;
- the bonus may be a maximum of 50% of the fixed salary;
- 30% of the maximum bonus is dependent on the achievement of personal targets aimed at the Company's long term development and its awarding is at the discretion of the Supervisory Board;
- 70% of the maximum bonus is dependent on the operating profit, with a threshold.
- After the bonus is awarded the Management Board member may opt to convert half the awarded bonus into Hydratec shares. If this option is taken the bonus is raised by 25%. The shares will then be issued at the average price during January and February and may not be traded for three years.

Any termination recompense will comply with the stipulations of the Dutch Corporate Governance Code and will not, therefore, amount to more than one year's salary. There is a pension plan for Management Board members, whereby above a threshold amount the member is expected to make a personal contribution. The Supervisory Board assesses the actual salary of the Management Board members in respect of the remuneration policy on a regular basis and, if necessary, makes an adjustment. Changes to the remuneration policy are put before the General Meeting of Shareholders.

The annual fixed salary of the Management Board members was determined by the Supervisory Board on the basis of the stipulations listed above in mid 2015. The fixed salaries are indexed for inflation on a regular basis. No loans were granted or termination recompense paid in 2019 and during the year no previously awarded bonus was recovered.

The remuneration of the Management Board members, and the bonuses awarded for the 2019 and 2018 financial years, are specified on the following page. The Supervisory Board has decided to award the members of the Management Board a bonus in respect of the 2019 financial year. The members of the Management Board have decided to convert part of their bonus for 2018 into shares and have indicated that this is also their intention in respect of the 2019 bonus.

The ratio between the average remuneration for the management on a full-time basis relative to the Hydratec employees working in the Netherlands is 4.1 (2018: 4.4).

“ The remuneration must reflect the strategic and financial targets and be performance-oriented ”

REMUNERATION REPORT

Remuneration of the Management Board members

x € 1,000	Fixed basis salary		Pension-contribution		Performance bonus		Total remuneration fixed + performance		Variable as % of fixed salary	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
B. Aangenendt	265	260	26	26	50	106	341	392	18.9%	40.8%
E. Slijkhuis	160	26	22	22	30	6	212	54	18.9%	23.1%
M. van den Burg	–	78	–	11	–	–	–	89	–	0.0%
Total	425	364	48	59	80	112	553	535		

On the balance sheet date Mr Aangenendt held 71,034 shares and Mrs Slijkhuis held 23 shares.

The table below shows the salaries of the Management Board members during the past five years in relation to the revenue, operating profit, number of FTEs and average salaries of all employees within the Group:

x € 1,000	2019	2018	2017	2016	2015
Management Board salaries					
B. Aangenendt	341	392	355	375	367
E. Slijkhuis	212	54	–	–	–
M. van den Burg	–	89	219	230	224
Company data					
Revenue	219,607	208,388	169,323	162,374	130,787
Operating profit	10,240	8,930	8,311	8,171	7,830
FTEs at year end	1,770	1,531	1,036	797	777
Average salary of employees					
Employees	46	48	56	56	57

The average salary of employees had decreased due to an increase in the number of employees outside Western Europe.

REMUNERATION REPORT

The remuneration of the Supervisory Board is determined by the General Meeting of Shareholders.

The remuneration of the Supervisory Board is not dependent on the results achieved by the Group and the members of the Supervisory Board are not paid any remuneration in the form of shares or share options. During the General Meeting of Shareholders on 20 May 2010 the remuneration of the Supervisory Board was fixed at € 19,000 per annum per member. This is in line with the Supervisory Board remuneration of comparable stock exchange listed companies. The remuneration of the Supervisory Board was as follows.

Remuneration of the Supervisory Board members

x € 1,000	2019	2018
E. ten Cate	19	19
J.E. Vaandrager	19	19
M.E.P. Sanders	19	19
Total	57	57



MEMBERS OF THE MANAGEMENT BOARD



From left to right: Bart Aangenendt and Everien Slijkhuis.

B. (Bart) F. Aangenendt (1964)

Statutory Director

CEO

First appointed: 2012 (Board member)

Year appointed (CEO): 2015

Current term ends: 2020

E. (Everien) H. Slijkhuis RA (1968)

Statutory Director

CFO

First appointed: 2018

Current term ends: 2022

Supervisory Board memberships/other positions held

Member of the Supervisory Board, Veluwe Onderwijsgroep

Member of the Supervisory Board, Deventer Ziekenhuis

Both members of the Management Board are Dutch nationals.

REPORT OF THE MANAGEMENT BOARD

GENERAL

Hydratec Industries' revenue for 2019 amounted to € 220 million – an increase of 5.4% of which 2.1% was organic. The Food & Industrial Systems activity achieved revenue growth of 3.5% all of which was organic. Plastic Components' achieved clear revenue growth of 7.9 % of which 2.5% was organic. The financial year started well, but the results in the second half of the year were disappointing due to a relatively-high portion of the revenue being engineering revenue. Investments in 2019 amounted to a substantial € 13 million compared with € 9.3 million in write-offs in 2018.

The acquisition of a 75% participation in Rollepaal Holding BV and Stork Plastics Machinery BV went into effect at the end of 2019. Both companies have their own niches that dovetail very well with the Food & Industrial Systems activities. The acquisition has meant an important expansion of Hydratec Industries' Systems activities. In 2019 Rollepaal Holding BV (see page 8 for the company profile) achieved revenue of € 30.6 million (2018: € 33.6 million). In the coming years this innovative company that employs 240 people can develop further within Hydratec Industries by standardising its operating processes and responding to market demands. Stork Plastics Machinery BV (see page 10 for the company profile) employs 120 people and achieved revenue of € 30.9 million in 2019 (2018: € 42.9 million). The expectation is that by combining being 'best-in-class' and making its business operations more standardised this company will be able to develop further within Hydratec in the coming years. Rollepaal and Stork are not included in the 2019 figures.

FINANCIAL DEVELOPMENTS

At € 10.2 million Hydratec's operating profit for 2019 was higher than for the previous year (€ 8.9 million). The increase in operating profit was due to higher revenue,

fractionally lower margins and virtually the same operating costs. Food & Industrial Systems operating profit of € 7.6 million was lower than for the previous year (€ 8.3 million). Higher operating costs meant the higher revenue did not translate into a higher operating profit. Plastic Components' revenue growth of € 8.9 million led to an operating profit of € 3.8 million – an increase of € 2.9 million. Despite the higher operating profit, a higher normal tax burden meant net profit was down from € 8.5 million in 2018 to € 6.6 million. A one-time income from badwill had also had a positive effect on net profit in 2018.

Financial income and expenses

Financial expenses for 2019 amounted to € 1.4 million (2018: € 1.2 million). The higher interest-rate expense was due to IFRS 16 and an increase in interest-bearing liabilities.

Fiscal effects

The effective tax rate in 2019 was 25.3% compared to a tax income in 2018 and the amount of capitalised deferred tax receivables was far lower than in 2018.

Cash flow

Operational cash flow in 2019 amounted to € 7.2 million (2018: € 9.5 million). The decrease compared to the previous year was due primarily to the payment of reorganisation costs. At € 31.7 million negative, cash flow from investing activities was substantially higher than in 2018 (€ 15.0 million negative). The increase was mainly the result of the acquisition of Stork Plastics Machinery and Rollepaal Holding, which cost € 12.8 million, and the € 8.5 million negative cash position that was acquired along with these companies. The most important investments during the year were the construction of a new manufacturing building for Lan Handling Technologies and machines for Plastic Components.

Net cash flow from financing activities amounted to € 5.0 million negative (2018: 2.1 million positive) due to a dividend distribution of € 3.5 million and a lower inflow from loans than in 2018.

Balance sheet

At € 214 million the balance sheet total was much higher than in 2018. The acquisition of a 75% interest in Stork Plastics Machinery and Rollepaal led to a rise in balance sheet total and a drop in solvency from 35.3% in 2018 to 29.5% in 2019. The increase in the amount owed to credit institutions was due to a decrease in down-payments on projects and the acquisition of Rollepaal and Stork Plastics Machinery.

Dividend proposal

Earnings per share amounted to € 5.16 compared to € 6.63 in 2018. In view of the uncertainty caused by the corona-crisis it will be proposed to the General Meeting of Shareholders that no dividend will be paid out for the 2019 financial year. The net result for 2019 will be added to the other reserves.

Outlook and forecast for 2020

As always macro-economic developments such as volatile currency exchange rates, trade restrictions will influence our clients' willingness to invest. This year not only these developments but also COVID-19 will be a determining factor. The COVID-19 pandemic is causing additional uncertainties and will have negative effects on Hydratec Industries' revenue, activities, profit and cash flow in 2020. In the Plastic Components activity we are already seeing a reduction in the revenue from the Automotive Sector, and global restrictions are making it difficult for the Food & Industrial Systems companies to complete projects.

Food & Industrial Systems

DEVELOPMENT

Pas Reform Hatchery Technologies B.V.

Lan Handling Technologies B.V.

The most important markets for Food & Industrial Systems are the global poultry, convenience food and pet food markets. In 2018 we achieved a substantial increase in revenue. In 2019 we were able to maintain this higher level of revenue in all three markets despite a drop in order intake during the second half of the year. Most of the revenue (96%) was generated outside the Netherlands and two-thirds was generated outside Europe. Revenue in Europe remained stable. Revenue from North America and Africa rose, but revenue from South America and Asia decreased. Our position in Europe has always been strong. In 2019 our position in North America was reinforced further by the integration of NatureForm (USA). NatureForm has now changed its name to Pas Reform North America to communicate brand unity better. In the long-term the

demographic developments in Africa will support the demand. On the other hand, in the short-term the economic developments in Asia and South America will curb investments. Having a strong market position with attractive clients in every region remains extremely important, which is why we are increasingly implementing the key-account management approach. We have also improved our global presence in the various markets even more by further reinforcing our international sales/service organisation in the regions.

Food & Industrial Systems has a broad range of products spread across different countries and clients. At the same time, specialisation and standardisation are necessary in order to remain cost effective. Standardisation means good solutions can be re-used, which reduces both costs and risks. In 2019 we took further major steps in this area with the introduction of software with Product Data Management solutions specifically aimed at standardisation.

The markets in which our Systems companies operate are also paying more and more attention to sustainability in the broadest sense – from the energy usage of our systems and animal welfare to the efficiency and transparency of food production. These aspects are, therefore, the focus of our product developments. In 2019 this led to the development of a system whereby clients can make data available for analyses. This not only enables deviations to be noticed sooner so problems in the production process can be dealt with more rapidly, it will also help the development of better working methods.

We have also focused on speeding-up product development, by re-using existing solutions, by improving product and project management and also by using specific simulation software. We have, for example, used Computational Fluid Dynamics to simulate the air-flow in an incubator so different designs can be compared. We are also investigating the possibilities of Digital Twinning – linking physical objects to digital models to create a



Marc de Vries, Product Line Manager
Lan Handling Technologies

‘Lan has been building complex handling systems and sterilisation processes for the food industry for 50 years. In the near future we will be launching our so-called Digital Twin: in a nutshell, a real-time 3D-simulation of the entire system. The first step will be to use it during the sales process. What effect does increasing the capacity have on robot efficiency and line layout? Should there be buffer capacity, for example? We can map out these scenarios very clearly. That will help the client make the right decision. The second step is an internal application: having the ability to digitally test the system components indefinitely will reduce on-site installation time. The third step will be training applications, such as augmented reality and virtual reality technologies. The last step will be the real-time visualisation of machine status in the Digital Twin with the help of OEE (Overall Equipment Effectiveness) and TPM (Trusted Platform Module) data, which will increase production line reliability and predictability.’



Sander Jansen, Service & Sales Manager
Royal Pas Reform Hatchery Technologies

'Big Data, IoT (Internet of Things): these are current developments in our branch as well. But how do you make the best use of that flood of information? In 2019 we took the first step towards using Big Data to help us optimise our hatchery systems. We have developed a model in which we combine data generated in the machine with performance indicators provided by the client. These indicators could be hatching percentages and chick quality, but could also be climate information. Clients can then compile targeted reports via a web portal. We can use these reports to optimise the process, but they also form the basis for the next step - machine learning. Benchmarking between clients, regions, etc. is also possible, which is why we have created a test environment in the cloud for three clients – one in the Netherlands, one in the United States and one in Spain. Hatched chicks go to farms for meat and egg production. There too the process with accompanying data is an important factor for costs and result. Together with a partner we are investigating how we can combine data from the hatchery with data from the farm so we can improve the entire chain.'

so-called 'doppelganger'. This enables events and situations such as the movement of a robot or a bottleneck in a production line to be recreated.

Information about clients' operations is essential for our development from machine builder to supplier of systems offering total solutions. Developments that form the basis for the introduction of new products and offering existing clients more functions are taking place in collaboration with clients, suppliers and universities.

During the celebration of Pas Reform's 100th birthday the company was granted the Royal designation and will now be known internationally as Royal Pas Reform.

	2019	2018
	x € 1,000	
Revenue	99,849	96,440
Gross margin	41,711	40,331
Depreciation and amortisation	2,180	1,085
Investments	4,849	7,209
Operating profit	7,580	8,288
Operating profit (%)	7.6%	8.6%
Average number of FTEs	301	301

After achieving growth of 45% in 2018, Food & Industrial Systems' revenue growth in 2019 was a very modest 3.5%. Gross margin remained the same as the previous year at 41.8%.

Once again investments were substantial. In 2019 Lan Handling Technologies' new manufacturing and office building in Tilburg was completed and Pas Reform signed a long-term licensing agreement related to the feeding of one-day-old chicks. Pas Reform also developed an animal-friendly and flexible solution that will also lead to more robust one-day-old chicks. Depreciation rose substantially due to the higher investment in recent years and the application of IFRS16.

Due to higher indirect costs in the first half of 2019 the operating profit for the whole of 2019 decreased from 8.6% to 7.6%.

Plastic Components

DEVELOPMENT

Helvoet Rubber & Plastic Technologies B.V.
Timmerije B.V.

The most important markets for Plastic Components are Mobility, Health, Food and Industry. Despite the unfavourable market conditions in the automotive sector, in 2019 revenue in the Mobility market held its level. The reorganisation carried out in Belgium in 2018 led to a positive result in 2019. Efforts were made to diversify within the Mobility market, for example with components for lorries, scooters and bicycles. Helvoet also began manufacturing components for AdBlue applications. AdBlue is used to make modern diesel engines run cleaner by scrubbing the exhaust gases. We also strove to reduce the dependence on the automotive sector through growth in our other markets. Major steps were taken in the Health market with the development of the MicroFluidics application which will enable faster point-of-care diagnosis

in the medical sector. MicroFluidics involves manipulating and controlling the behaviour of a drop of fluid using the capillary action in narrow channels formed by Plastic Components. These developments have already led to relatively large engineering orders from attractive clients for which, in general, a lower margin is achieved than for Plastic Components' 'regular' activities. If these developments are successful they are expected to lead to orders for the production of large quantities and additional applications.

At Polmer (Wroclaw) that was acquired in 2018, revenue was disappointing and in 2019 the company made a loss. Polmer has now been reorganised, the management replaced, the operating processes changed and the number of employees reduced considerably. In 2018 Helvoet Polska (Kaniow) acquired the activities of a former supplier (Partner). Helvoet Polska achieved good results.

In general the size, professionalism and demands of clients are increasing, which can lead to volume growth but, at the same time, can put pressure on prices. We will continue to

focus on complex, often composite components, through which we can provide more added-value to our clients. We are seeing an increased focus on sustainability in the projects on which we are working. This means that, in addition to the cost price, aspects such as reducing the weight of components, reducing material usage, re-using residual material and limiting energy consumption and transport costs are becoming increasingly important. The companies within Plastic Components have a number of high-quality manufacturing technologies at their command, such as injection moulding of thermoplastic and thermoset products. One key technology is the assembly of these components into functional modules. This often takes place completely automatically with the help of robots and vision technology. Because Plastic Components operates in competitive markets, cost reduction has a high priority. This makes production efficiency increasingly important.



Jeroen Molenschot, Development Manager
Helvoet Rubber & Plastics Technologies



Innovation

'For Helvoet innovation is a prerequisite for existence. One new technology developed in recent years is putting us firmly on the map within the medical industry. Towards this end we are working with two partners in a cooperation called Flow Alliance. Each partner has its own speciality: expertise in microfluidics (the manipulation of fluid streams and reagents), producing micro-channels in moulds and (high volume) manufacture. One market demand is for point-of-care tests for all kinds of fluids (blood, saliva, etc.): this means not having to wait a day for a result but instead getting a clear answer in 5 minutes from a minimum quantity of fluid. That's patient-friendly and it reduces health care costs. Producing microscopically-small channels in a plastic component for this sort of 'lab-on-a-chip' is a challenge. In 2019 our new, 350m2 clean room went into service so we will be able to meet the increasing demand from clients. I'm proud to be able to say that we have added a new technological pillar to our company.'

REPORT OF THE MANAGEMENT BOARD



Rogier van de Meerendonk, Account Manager
Timmerije

'Timmerije is always pro-actively looking for new possibilities. We innovate on three fronts: material, technology and the combination of our knowledge and expertise with the client's operating processes. A good example of this last is the cooperation with Gazelle. Gazelle wanted the (plastic) engine cover for their electrical bicycles to be exactly the same colour as the frame. We have developed a process whereby we can use a material that is electrically conductive. This electrical conductivity makes the colorant powder stick to the plastic, which means it can be used in a powder-coating line because it can also withstand the heat of the oven. The result is an exact colour-match and a significant shortening of the supply chain. In our view talking about sustainability and innovation won't get us any further – we just have to get on and do it.

	2019	2018
x € 1,000		
Revenue	121,959	113,024
Gross margin	66,768	65,497
Depreciation and amortisation	6,379	5,187
Investments	8,152	6,496
Operating profit	3,771	887
Operating profit (%)	3.1%	0.8%
Average number of FTEs	1,191	1,067

In 2019 Plastic Components' revenue rose by 7.9%, of which 2.5% was organic. The acquisition of Polmer in Poland contributed a disappointing 5.3% of the increase. A restructuring has now been implemented under new management. Due to the relatively high proportion of engineering revenue and disappointing results with the consolidation of Polmer, gross margin fell from 57.9% to 54.7%.

In 2019 we invested in new injection moulding machines both as replacements and for expansion. These new machines enable advanced injection moulding processes for complex products to be carried out in an energy-efficient way. Other investments were in automated handling systems for automating assembly and the adaption of buildings for both expansion purposes and to create more efficient or clean room production facilities.

Operating costs decreased despite the consolidation of Polmer. In 2018 there was a one-time reorganisation expense at Helvoet's Belgian facility. Plastic Components' operating profit amounted to € 3.8 million (3.1%). This is € 2.9 million higher than for 2018 (€ 0.9 million).

PERSONNEL AND ORGANISATION

Personnel policy per operating company

A company's long-term success depends primarily on its employees' motivated efforts and its clients' appreciation of these efforts. We strive for strong local organisations with a high degree of entrepreneurship and a sense of responsibility for all business processes. Short lines of communication, delegated authority and enterprise are hallmarks of the Hydratec Industries companies. Our people are our greatest capital and the driving force behind our success. Every operating company has implemented a Code of Conduct to which employees and management commit themselves. The Code of Conduct reflects and incorporates the Hydratec Industries corporate core values that relate to, among other things, health, safety, the environment, human rights, corruption and compliance with legislation and regulations.

The personnel policy is implemented at the operating company level. At this level attention is paid to safety, accident prevention and absenteeism through sickness, but above all to the creation and maintenance of a loyal, flexible and ambitious organisation. When possible, people with poor employment prospects are offered opportunities to develop themselves, sometimes via a sheltered workshop. Within every company there is regular and constructive consultation with the local Works Council. The central Management Board participates in this consultation once a year. Despite the difficult labour market, in 2019 we again succeeded in recruiting many new talented employees.

Health, safety and the environment

A focus on good, and above all safe, working conditions is vital for maintaining a consistently-controlled and high quality manufacturing process. Paying constant attention to employees, and in particular their working conditions, is a key factor for all the companies. This not only minimises sick leave, it also guarantees maximum safety within the manufacturing processes. Programmes aimed at introducing continuous improvement are in place at, and implemented by the employees of, every Hydratec company. Virtually every industrial process involves environmental risks. Limiting these risks is an extremely important area of attention for the management teams. The companies should remain constantly alert to environmental aspects relevant to their business operations and to the prevention of calamities. Environmental risk assessments are, therefore, carried out at the manufacturing facilities on a regular basis and, if necessary, lead to the immediate implementation of measures and procedures to reduce the risks still further. The investigation focuses not only on complying with environmental legislation, but also on assessing which preventative measures can be implemented. The effectiveness of the implemented measures is checked on an on-going basis in order to limit risks as far as possible. Increasingly the processes are also checked for possibilities to improve the sustainability of our products and/or manufacturing processes. In addition to preventive measures, Hydratec's policy also focuses on reducing its overall environmental-impact and seeking ways to reduce the CO₂ footprint of the operating companies. This aspect continues to increase in importance because our clients are also specifying increasingly stringent requirements in this context. We will continue keeping a sharp eye out for developments that could lead to further reductions in environmental impact.

Workforce

Hydratec Industries is committed to equality between men and women. Women and men who do the same work are therefore, if the situation is the same, paid the same salary by Hydratec Industries. Hydratec sets great store by having a diverse workforce because we are convinced this stimulates innovation and, in general, means decisions are based more on facts. Diversity is the result of various differences including in education, background, age, gender and ethnicity. It is one of the reasons why we strive for a balance between men and women within the companies, even though this isn't easy for an organisation with a clear technical orientation. Our aim is balance in all management functions and Board memberships. This means that at least 30% of the members of the Management Boards and the Supervisory Board must be female and that at least 30% of the management positions must be filled by a woman. At the end of 2019 Hydratec Industries' Management Board comprised two members – one male and one female. Its Supervisory Board comprised three members – one female and two male. At the end of the year the Group's workforce was 23% female (2018: 30%). Hydratec Industries will continue to strive for a balance between male and female employees and will incorporate this in its recruitment policy. The total number of employees was 1,770 (end of 2018: 1,531) of which 82% had a permanent contract. The increase in the number of employees was due to the acquisition of Stork Plastics Machinery and Rollepaaal. There are 655 FTEs (2018: 592 FTEs) with a permanent contract working outside the Netherlands.

Human rights, bribery and sanctions legislation

Hydratec Industries believes that international trade leads to stability and encourages peace through economic growth, opportunities and mutual understanding. We are aware of



the obligation to trade within the Laws and regulations of the countries in which we are active. Relations with employees, suppliers and clients are based on trust and integrity.

In countries in which human rights are not so firmly embedded in local legislation Hydratec is equally committed to respecting human rights and the same Code of Conduct adhered to within the Group companies is applicable. Employees are paid a fair salary, are provided a safe working environment and are offered a good balance between working and leisure time. Men and women are paid equally and employees have the right to join a trade union.

Hydratec's employees commit themselves to adhering to the Company's Code of Conduct and are aware that the giving or receiving of gifts that could influence decision-making is prohibited. The consequences of corruption and bribery could include damage to the reputation of the Group as a whole. In certain countries there is also a risk that a case of corruption or bribery would severely jeopardise the possibilities for doing business. Based on the

available information there were no accusations of corruption or bribery during the year.

Sustainable Development Goals

Hydratec endorses the importance of the United Nations' Sustainable Development Goals and the role companies must play in order for these goals to be achieved. These goals constitute an action plan for a sustainable world. The most important goals in which the Hydratec companies play a role are:

2 **Ending hunger and promoting sustainable agriculture**

In 2030 nobody anywhere in the world should be hungry. Everybody must have access to sufficient safe and nourishing food all year round. By 2050 the global population will have increased to over nine billion people. This goal, therefore, also focuses on food production. In 2030 there must be sustainable systems for food production. This means more food must be produced without eco systems being affected. All our companies in the Food & Industrial Systems core activity

are contributing towards this in their own way. On the one hand through the efficient production of uniform, robust one-day-old chicks, which means less raw materials are needed for food production, and on the other hand through food production process innovations and standardisations that will allow more output to be achieved. Our companies export to more than 100 countries around the world.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and dignified work for everyone

In many countries having a job doesn't automatically mean you can escape from poverty. This must change, which is why this goal focuses on decent work for all and sustainable and inclusive economic growth. This means that everyone who is capable of working must have the opportunity to work and to do it in good working conditions. These jobs must stimulate economic growth without adversely affecting the environment. We do this by formulating and following policies that pay considerable attention to entrepreneurship, creativity and innovation within all our facilities around the world. By complying with our Code of Conduct we are taking action to combat modern slavery, human trafficking and forced labour, including child labour and child soldiers.



Ensure good health and promote well-being for all ages

Health is essential for sustainable development. This goal is about health and well-being for everyone from young to old. By 2030 epidemics such as HIV/aids, tuberculosis, malaria and other tropical diseases must be a thing of the past. To achieve this more attention must be paid to research into vaccines and medicines and this

REPORT OF THE MANAGEMENT BOARD

must increase access to affordable essential medicines and vaccines. Health is an important market for the Plastic Components core activity. We are collaborating with clients to, among other things, develop efficient applications in diagnostics and vaccination.



Ensure sustainable consumption and production patterns

A rapidly-increasing world population means the way we produce our goods must be made far more efficient and cleaner – we must ‘make more with less’. For example, the use of polluting energy sources must be reduced – our production must be cleaner. The goal is to reduce the amount of chemicals and other waste in the air, water and soil. Within Hydratec we are doing this by significantly limiting the quantity of waste we produce through prevention, reduction and reuse. Innovations and continuous improvement programmes are also contributing towards more efficient production through which we are making more with less.

RISK MANAGEMENT

General

Hydratec stimulates local entrepreneurship within its companies and realises that, as a consequence, a balance must be found between this entrepreneurship and the management of risks. A good risk management system is, therefore, extremely important. Making risks visible enables measures to manage them to be implemented. The intention is not to avoid all risks - taking risks is an intrinsic aspect of doing business. Whether the risk assessment system is functioning adequately or requires amendment is assessed during the annual strategic evaluation with the Supervisory Board. The approach is aimed at preventing surprises. What is clear is that no risk management system,

however professional, can guarantee a company’s targets are achieved or totally prevent major mistakes being made, fraudulent activities being carried out or, for example, non-compliance with (local) legislation. Within Hydratec risks are categorised as strategic, operational or financial.

Strategic risks

Growth target

The steady growth of its revenue and results is at the core of Hydratec’s strategy. We endeavour to achieve this primarily through the organic growth of every one of the companies. This can be either through expanding market positions or by broadening the product offering. We believe that continuous growth is necessary for healthy business development and we stimulate our companies to improve their competitive positions by achieving product improvements and innovations. These developments go hand-in-hand with risks, which we accept. The product developments are based primarily on identified concrete requirements of clients and potential clients.

Hydratec also endeavours to strengthen its companies’ market positions, gain synergy advantages and gradually expand its revenue and geographical area of operations through acquisitions. Hydratec also remains alert for opportunities in industrial sectors in which it is not yet active. This can mean that Hydratec acquires activities in new markets in which it does not have a proven track record of experience and/or expertise. This growth strategy may require investments that cannot always be financed from the Company’s resources and available credit facilities and may necessitate calling on the capital market and/or shareholders. Maintaining a strong solvency and debt/EBITA ratio is, therefore, an important basis for Hydratec’s continuity.

Market positioning

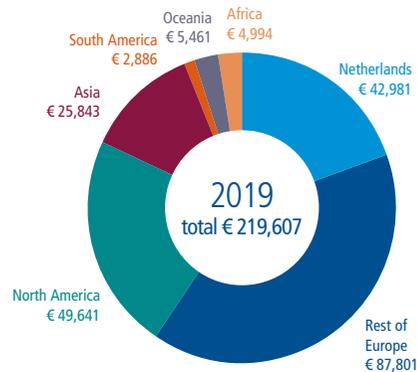
Food & Industrial Systems’ projects are located all over the world. The revenue from these projects can fluctuate significantly each year per client and per country. The top 10 countries account for around 70% of Food & Industrial Systems’ total revenue. The United States remains an important market for Food & Industrial Systems. In 2019 nine other countries generated more than 5% of the revenue. The share of revenue can fluctuate substantially per country per year. Large project orders can also create major fluctuations in the Food & Industrial Systems companies’ yearly revenue and results. Even after a contract for a project has been signed the client can postpone the actual delivery for a considerable length of time. Because the major portion of the production of the machine components is contracted-out to sub-contractors, this risk is, to a degree, shifted to these sub-contractors. Our companies are also capable of absorbing ups and downs due to a flexible shell and intervention in respect of a portion of the indirect costs.

In general Plastic Components’ relationships with its clients are long-term. Plastics Components’ top-10 clients account for around 45% of its total revenue. The largest client accounts for less than 10%. If a large client terminates its relationship with the company the loss of revenue cannot be offset immediately. But in view of the fact that such client relationships involve a wide range of products, should a client relationship be terminated the actual loss of revenue would also be gradual.

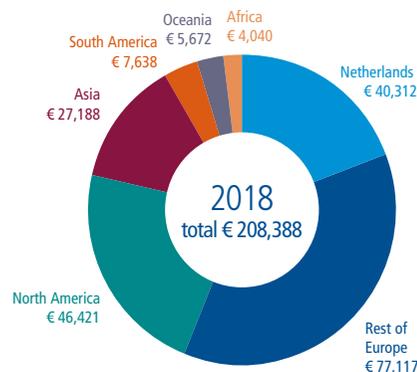
The Hydratec companies are active worldwide and recognise the risks that can be coupled with sanctioned countries, people and products. Changes to regulations are followed very closely and form a component of the sales process.

REPORT OF THE MANAGEMENT BOARD

Revenue per country/region 2019 (x 1.000 euro)



Revenue per country/region 2018 (x 1.000 euro)



Each year the strategic market positions and options are evaluated per company and a so-called SWOT analysis is carried out. This evaluation forms the basis for decisions regarding long-term investments and product-market development priorities.

Operational risks

Product liability and manufacturing risks

Many different manufacturing processes are carried out within the Hydratec companies. As a result there is a risk of human error and incidental manufacturing faults that could lead to a loss of product quality and the disruption of the manufacturing process. The Hydratec companies also carry out a considerable amount of product development, which means there is a risk of design faults. This can lead to relatively high costs for clients, who will endeavour to be recompensed by their supplier. All the companies implement strict quality standards and carry out Risk Inventories and Evaluations (RIE). All the companies are ISO certificated or comply with an ISO-based quality system. Although all the companies are insured against product liability and fire this does not guarantee cover in every case. As the manufacturing activities of all the companies sometimes involve the use of a specific machine, the breakdown of this machine would cause production risks.

Personnel

Employees have been, are and will be a determining factor in the success of Hydratec's companies. The availability of labour on today's labour market is scarce in general and extremely scarce when it comes to technically-trained people. This makes it very important that we not only recruit well-trained people but that we manage to retain them. The Hydratec companies offer an inspiring and educational working environment and strive for an open company culture in which employees are recognised and

“ 80% revenue within the Netherlands and 40% outside Europe ”

listened to. Inspiring leadership is one aspect of this. Employees can follow training courses and gain expertise in their specific professional area or can develop their general skills. Good primary and secondary employment conditions are a fact of Hydratec working life. As are safe and healthy working conditions.

Environmental risks

The manufacturing and processing of plastic products goes hand-in-hand with environmental risks. Limiting these risks is a key issue for the Hydratec companies which must, at all times, focus on the environmental aspects relevant to their operations and the prevention of calamities. The current situation and the related (financial) risks at the manufacturing facilities are evaluated and recorded on a regular basis. The aim of the evaluations is not only to ensure compliance with environmental legislation, but also to assess what preventative measures can be implemented. The recognised environmental risks are, when necessary, translated into concrete action plans. The effectiveness of the implemented measures is checked continuously in order to limit the risks as far as possible. In addition to the preventative measures, Hydratec's policy is also aimed at reducing the total environmental impact. Developments that can lead to improved environmental care will continue to be closely monitored in the future.

REPORT OF THE MANAGEMENT BOARD

Automation

Hydratec strives to achieve production efficiency and logistics advantages, for example through far-reaching automation. Its success is increasingly dependent on the timely and correct implementation, extension and proper functioning of automated systems. ICT systems that do not function properly, or do not function at all, could threaten the continuity of business operations within a relatively short space of time. All the companies follow stringent procedures that ensure that in the case of a system fault or failure they have back-up systems and can access the most recent data. Constant attention is paid to cyber-security and the mitigation of security risks not only by means of stringent preventative measure but also by creating employee awareness.

Financial risks

Hydratec's consolidated annual accounts have been prepared in accordance with IFRS-EU regulations. The Notes to the consolidated annual accounts on pages 51 to 82 of the official Dutch annual report describe a number of financial risks to which Hydratec is exposed. These risks include capital, market, raw materials prices, currency, interest rate, solvency and credit risks. The annual accounts section also includes a sensitivity analysis related to several of these risk factors. These risks are not exceptional and, in our opinion, go hand-in-hand with the nature of our business activities.

CORPORATE GOVERNANCE STATEMENT

An ISO 26.000-based Code of Conduct in respect of issues such as good management, human rights, working conditions, business integrity and environment protection has been implemented in the various Hydratec companies.

The Supervisory Board and Management Board endorse the principles of Corporate Governance and Hydratec complies with the provisions laid down in the Dutch Corporate Governance Code. Key concepts such as transparency and accountability to the shareholders form the basis of our policy. We do, however, deem some of the guidelines to be irrelevant for a SmallCap company.

There were no conflicting interests during the financial year. The points on which Hydratec deviates from the Code are as follows:

- Due to its size the Company does not have an internal audit function (§ 1.3).
- Mr. E. ten Cate (Chairman of the Supervisory Board) does not meet the independence criteria as defined in the Code because members of his immediate family hold over 10% of the shares (§2.1.9).
- No maximum term is applicable for Supervisory Board members because Hydratec believes that the experience and knowledge of the Company possessed by its Supervisory Board members forms an important basis for their functioning and should be decisive in respect of the length of time they remain Board members. At the end of each term of office a Supervisory Board member may, after careful consideration, be reappointed for a new term (§ 2.2.2).
- Webcasting of presentations to investors and analysts are not offered as Hydratec is an Auction Fund (§ 4.2.3).

The reporting systems used within the Hydratec companies and the regular reports to the Management Board are of major importance. A Planning & Control Cycle has been defined for these reports and an accounting manual produced.

Monthly reports include the most important financial and operational components, such as revenue, gross margins, operating costs, operating profits, orders received, working capital components, cash flow forecasts, personnel summaries and investments. These reports form the basis for monthly meetings between the Management Board and the operating company Management Boards as well as for the consolidated summaries that are also evaluated by the Supervisory Board. The different Management Boards also prepare quarterly reports which include an explanation of organisational developments as well as of market and product developments. The various strategic, operational and financial risks are identified and monitored every six months. A risk matrix that enables the impact and likelihood to be estimated gives a clear overview of which risks require the sharpest focus.

Any major shortcomings or changes in the internal risk management and control systems are discussed with the Supervisory Board. The external Auditor's findings regarding the internal management and administrative organisation form the basis of these discussions. Internal programmes are also implemented to enable an opinion to be formed in this respect.

Hydratec is a structural regime and has issued a number of ordinary shares. No special control rights are linked to shares and Hydratec does not implement any special hostile take-over protection measures. At least once a year a General Meeting of Shareholders is organised during which all the resolutions are approved on the basis of the 'one share, one vote' principle.

Shareholders who, either individually or jointly, hold at least 3% of the issued shares are entitled to ask the Management Board or Supervisory Board to add particular

REPORT OF THE MANAGEMENT BOARD

topics to the agenda. Important Board resolutions that could result in a change to the Company's identity or character must be approved by the General Meeting of Shareholders. The Company's Articles of Association are published on the Company's website as are the main tasks and authorities of the General Meeting of Shareholders as well as of the Supervisory Board and the Management Board.

The Articles of Association (published on the website) also include the regulations in respect of the appointment and dismissal of Management Board and Supervisory Board members and changes to the Articles of Association. Shareholders who hold an interest of over 3%, and must therefore be disclosed to comply with the Disclosure of Major Holdings Act, are listed on page 22.

IN CONCLUSION

In control statement

Hydratec's Management Board is of the opinion that the risk management and control systems provide a reasonable level of assurance that the financial reporting does not contain any material misstatements. These risk management and control systems functioned properly during the year under review and there are no indications that they will not function properly during the current year. The process of refining the management and control systems has been, and will continue to be, evaluated on a continuous basis.

Hydratec's Management Board declares that, to the best of its knowledge, the annual accounts provide a fair and accurate picture of the assets, liabilities, financial position and profits of the Company during 2019 and the

companies jointly included in the consolidated annual accounts. The Management report provides a fair and accurate picture of the situation as at the balance sheet date and the business development during the financial year of the Company and the affiliated companies for which the data is included in the annual accounts. The Management report describes the actual risks with which the Company is confronted.

A word of thanks

We would like to thank all our colleagues for all their efforts, their passion and their commitment to the development of Hydratec Industries. We would also like to thank our clients, partners, the Supervisory Board and the shareholders for the trust and support that will enable Hydratec Industries to continue growing.

Amersfoort, 8 May 2020

Management Board
B.F. Aangenendt CEO
E.H. Slijkhuis CFO



SUMMARISED ANNUAL ACCOUNTS 2019

Consolidated profit and loss account	44
Consolidated summary of comprehensive income	45
Consolidated balance sheet as at 31 December before appropriation of result	46
Consolidated statement of changes in equity	48
Consolidated cash flow statement	49



CONSOLIDATED PROFIT AND LOSS ACCOUNT

x € 1,000

	2019	2018
Net revenue	219,607	208,388
Material usage/other external costs	– 97,491	– 111,041
Changes in stocks of finished goods and contract assets/liabilities	– 13,637	8,481
Gross margin	<u>108,479</u>	<u>105,828</u>
Wages and salaries	– 41,085	– 44,235
Social security premiums and pensions	– 11,428	– 10,180
Depreciation and amortisation of non-current assets	– 8,588	– 6,271
Other operating costs	<u>– 37,138</u>	<u>– 37,475</u>
	– 98,239	– 98,161
Badwill	–	1,263
Operating profit	10,240	8,930
Financial expenses	<u>– 1,354</u>	<u>– 1,165</u>
Result before taxes	8,886	7,765
Taxes	– 2,251	473
Result from investments in associates	–	269
Net result	<u>6,635</u>	<u>8,507</u>
Net result attributable to:		
Shareholders	6,635	8,507
Minority share	–	–
Weighted average number of shares	1,286,654	1,283,186
Earnings per ordinary share (in euro)	5.16	6.63
Diluted earnings per ordinary share (in euro)	<u>5.15</u>	<u>6.63</u>

CONSOLIDATED SUMMARY OF COMPREHENSIVE INCOME

x € 1,000	2019	2018
Net result	6,635	8,507
Components that may be recognised in the result in the future		
Cash flow hedges – adjustment in fair value	262	– 228
Foreign activities – currency translation differences	<u>– 20</u>	<u>– 46</u>
Components that will not be recognised in profit and loss in the future		
Pensions	<u>– 114</u>	
Total result after taxes	<u>6,763</u>	<u>8,233</u>
Total result attributable to:		
Shareholders	6,763	8,233
Third parties	<u>–</u>	<u>–</u>

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER before appropriation of result

x € 1,000	2019	2018
ASSETS		
Intangible non-current assets	29,090	20,777
Tangible non-current assets	75,429	58,619
Lease assets	13,912	–
Deferred tax assets	3,708	3,743
Financial non-current assets	2,627	90
Total non-current assets	<u>124,766</u>	<u>83,229</u>
Contract assets	12,661	7,378
Inventories	34,325	30,577
Trade receivables	33,246	30,487
Corporate tax	963	102
Other taxes and social security premiums	1,691	2,773
Other receivables	2,484	2,124
Prepayments and accrued income	1,187	1,135
Cash and cash equivalents	2,945	3,504
Assets held for sale	–	1,644
Total current assets	<u>89,502</u>	<u>79,724</u>
Total assets	<u>214,268</u>	<u>162,953</u>

x € 1.000

2019

2018

LIABILITIES

Shareholders' equity attributable to Hydratec shareholders	62,700	59,189
Minority share	500	–
Total equity	63,200	59,189
Personnel-related provisions	4,050	1,351
Other provisions	2,759	7,862
Deferred tax liabilities	2,101	1,568
Loans and lease obligations	35,031	18,725
Other financial instruments	4,901	719
Total provisions and non-current liabilities	48,842	30,225
Contract liabilities	9,544	6,400
Trade payables	24,737	25,132
Corporate tax	843	755
Other taxes and social security premiums	3,951	2,105
Owed to banks	32,571	4,303
Other debts and accrued expenses	30,580	34,844
Total current liabilities	102,226	73,539
Total liabilities	214,268	162,953

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

x € 1,000	Issued capital	Agio	Translation reserve	Hedge reserve	Other statutory reserves	Other reserves	Un-distributed result	Attributable to Hydratec shareholders	Minority share	Shareholder's equity
Book value as at 1 January 2018	574	5,300	- 630	- 418		41,444	7,129	53,399		53,399
Shareholder-related changes:										
• Dividend distribution 2017						- 2,886		- 2,886		- 2,886
• Share issue Participation Plan	1	119						120		120
• Share issue acquisition of NatureForm	3	403						406		406
Other changes:										
Result appropriation 2017						7,129	- 7,129			
Unrealised results										
Hedge reserve				- 228				- 228		
Translation reserve			- 46			- 83		- 129		
Realised results										
Result 2018							8,507	8,507		8,507
Book value as at 31 December 2018	578	5,822	- 676	- 646	299	45,305	8,507	59,189		59,189
Shareholder-related changes:										
• Dividend distribution 2018						- 3,473		- 3,473		- 3,473
• Share issue Participation Plan	1	133						134		134
• Share issue acquisition of NatureForm	1	86						87		87
Other changes:										
Result appropriation 2018						8,507	- 8,507			
Acquisition										
Capital deposit									500	500
Unrealised results										
Hedge reserve				262				262		262
Translation reserve			- 20					- 20		- 20
Pension						- 114		- 114		- 114
Realised results										
Result 2019							6,635	6,635		6,635
Book value as at 31 December 2019	580	6,041	- 696	- 384	299	50,225	6,635	62,700	500	63,200

CONSOLIDATED CASH FLOW STATEMENT

x € 1,000

	2019	2018
Result from normal business operations before taxes	8,886	7,765
Adjusted for:		
• Depreciation and amortisation	9,278	6,271
• Profit from sales (previously assets held for sale)	– 550	
• Badwill	–	– 1,263
Financial income and expenses	1,354	1,165
Changes in provisions	– 7,429	3,158
Changes in working capital:		
• Inventories	5,426	– 4,379
• Current receivables	15,496	715
• Current liabilities	– 22,427	– 755
Total changes in working capital	– 1,505	– 4,439
Financial expenses paid	– 763	– 1,291
Profit tax paid	– 2,101	– 1,856
Cash flow from operating activities	7,170	9,510
Investments in intangible non-current assets	– 763	– 476
Investments in tangible non-current assets	– 11,588	– 13,225
Investments in financial non-current assets	– 336	– 438
Acquisition of participations	– 12,750	– 1,851
Net cash included in acquisition of participations	– 8,491	980
Divestment of tangible non-current assets and assets held for sale	2,233	–
Cash flow from investment activities	– 31,695	– 15,010
Dividend paid to Hydratec shareholders	– 3,473	– 2,886
Repayment of long-term borrowings	– 1,810	– 1,146
Repayment of lease obligations	– 3,596	– 1,343
Proceeds from borrowings	3,900	7,438
Cash flow from financing activities	– 4,979	2,063

CONSOLIDATED CASH FLOW STATEMENT

x € 1,000

	2019	2018
Net cash flow	– 29,504	– 3,437
Currency translation differences	– 102	– 183
Changes in cash and cash equivalents	– 29,606	– 3,620
Cash and cash equivalents as at 1 January	3,204	6,823
Cash and cash equivalents as at 31 December	– 26,402	3,203
Cash and at bank	2,421	3,504
Current account bank	– 28,823	– 301
Total 31 December	– 26,402	3,203

INDEPENDENT AUDITOR'S REPORT

The independent Auditor's report is on pages 90 to 96 of the official Dutch 2019 Annual Report, which is available on www.hydratec.nl/investor-relations.

FIVE YEAR SUMMARY

Amounts in thousands of euro unless stated otherwise

	2019	2018	2017	2016	2015
Profit and loss account					
Net revenue	219,607	208,388	169,323	162,374	113,437
Operating profit	10,240	8,930	8,311	8,171	7,830
Net profit	6,635	8,507	7,129	5,882	6,876
Net profit to be allocated to shareholders	6,635	8,507	7,129	5,882	10,784
Cash flow					
Cash flow from operating activities	7,170	9,510	13,962	5,760	7,550
Cash flow from investing activities	- 31,695	- 15,010	- 8,000	- 8,085	- 3,743
Cash flow from financing activities	- 4,979	2,063	- 334	- 524	- 9,455
Net cash flow	- 29,504	- 3,437	5,628	- 2,849	- 5,648
Balance sheet					
Equity attributable to Hydratec's shareholders	62,700	59,189	53,399	48,390	42,791
Group equity	63,200	59,189	53,399	48,390	42,791

Amounts in thousands of euro unless stated otherwise

	2019	2018	2017	2016	2015
Key ratios					
Operating profit as a % of revenue	4.7%	4.3%	4.9%	5.0%	6.9%
Return on invested capital ¹	6.9%	9.6%	11.8%	9.5%	5.3%
Return on shareholders' equity ²	10.9%	15.1%	14.0%	11.7%	7.9%
Solvency ³	29.5%	35.3%	38.6%	40.8%	35.6%
Data per ordinary share (in euro)					
Operating profit ⁴	7.96	6.96	6.52	6.55	6.41
Shareholders' equity attributable to Hydratec's shareholders	48.73	46.13	41.92	38.81	35.01
Earnings per share continued activities	5.16	6.63	5.60	4.72	5.21
Earnings per share including terminated activities	5.16	6.63	5.60	4.72	8.82
Earnings per share excluding one-time income	5.16	6.63	5.60	4.27	2.52
Dividend	–	2.70	2.25	1.70	1.37
Price at year end	68.50	63.00	55.03	44.30	32.00
Lowest price	64.50	54.00	44.06	30.35	30.77
Highest price	78.00	74.00	64.00	48.00	36.60
Other information					
Average number of employees	1,147	956	787	788	519
Net revenue per employee	191.5	218.1	215.1	206.1	218.6
Personnel costs per employee	48.3	52.5	56.2	56.3	57.0

¹ Net profit excluding one-time income + interest expense as a % of the invested capital (total assets minus cash and cash equivalents minus current, non-interest-bearing liabilities).

² Net profit excluding one-time income as a % of the average shareholders' equity attributable to Hydratec's shareholders.

³ Shareholders' equity as a % of the balance sheet total.

⁴ Continued activities.

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