

Annual Report 2021



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The directors' report as referred to in Part 9 of Book 2 of the Dutch Civil Code consists of the following: Profile, Activities, Objectives and Strategy, Value Creation, Developments 2021 and Corporate Governance.

This version of the annual financial reporting of Hydratec Industries N.V. for the financial year ending on 31 December 2021 is not presented in the ESEF format as specified in the regulatory technical standards for ESEF (Delegated Regulation (EU) 2019/815). The set of ESEF reports can be downloaded at: <https://jaarverslag.hydratec.nl/downloads/>



Foreword

“Our employees have shown themselves to be flexible and agile amidst all the market dynamics”



Dear shareholders, employees, customers and partners,

In 1997, Hydratec Industries went public in Amsterdam. In 2022, we celebrate our 25th anniversary. We can look back on a successful 2021, as we achieved record revenue and record results.

We had already seen an upward trend at the beginning of the year, but because of the ongoing Covid-19 pandemic, it remained unclear how the markets would develop and what the effect would be on the willingness to invest in the various markets.

Our employees have shown themselves to be very flexible and agile amidst all these dynamics. The favourable revenue developments led to growing confidence that it would be a good year, despite Covid-19. We have made good use of the resilience of the markets in which we operate. The demand for modernisation, automation and capacity expansion of production processes was clearly apparent in 2021. Some of these investments were in response to catch-up demand, but Covid-19 developments have led to a sustained upturn in some markets, such as Health. Only in the Mobility market was there a fall in revenue due to a lack of microelectronics.

At the same time, we put various measures in place to improve the result. Successful savings operations were carried out at Rollepaal Pipe Extrusion Technology, which returned to profitability in 2021. Astute choices were also made at other companies, leading (among other things) to production being scaled down at Polmer.

Despite these positive developments, we continue to face external challenges. The situation in Ukraine recently caused uncertainty. The sudden drop in demand in 2020, followed by a rapid recovery also led to unrest in the supply chain. Delivery times of materials and raw materials rose significantly and became less reliable. Prices rose, transport costs increased, and margins came under pressure. The supply problems led to a slowdown in revenue, particularly in the year's second half. That, too, made pressing demands on our flexibility and ability to anticipate. We need to quickly analyse and assess situations based on available data more than ever before. There is still room for improvement there.

Another reality in 2021 was the labour market shortage, both nationally and internationally. It is taking more effort to recruit, keep and retain employees. This has been the case for a long time for technical staff, but we are now also seeing shortages in other job categories. Despite that, we are still managing to recruit and retain good employees. We are convinced that our organisational set-up, with independent operating companies that work close to the market, shows employees they have a direct, valuable impact on the result. This has shown itself to be a good structure in

“Our focus on innovations encourages customers to choose our solutions”

the current dynamics. We will continue our efforts to be and remain an attractive employer, not least by offering development and training opportunities. We invest in young talent with instructive and exciting traineeships and internships that offer job prospects.

These challenges also offer opportunities: the increasing shortages of materials and labour lead to a growing need for raw material savings and automation. Our focus on innovations to reduce waste encourages customers to choose our solutions. Together with knowledge centres, universities and suppliers, we collaborate intensively and are constantly looking for ways to improve our products and production processes.

At the end of 2021, we can safely say that we have emerged stronger from the crisis and propose a dividend of €6.75 per share for 2021. Although 2022 remains uncertain, we look to the future with confidence.

Uncertainties such as the effect of the omicron variant of Covid-19 and the situation in Ukraine will of course remain. And we expect the supply chain problems to persist well into 2022. We have prepared for that as best we can. The order book is well filled.

Last year, the Supervisory Board bade farewell to Jan Vaandrager. We have counted on his support and expertise for many years and would like to offer him our warmest thanks. The board continued to operate at full

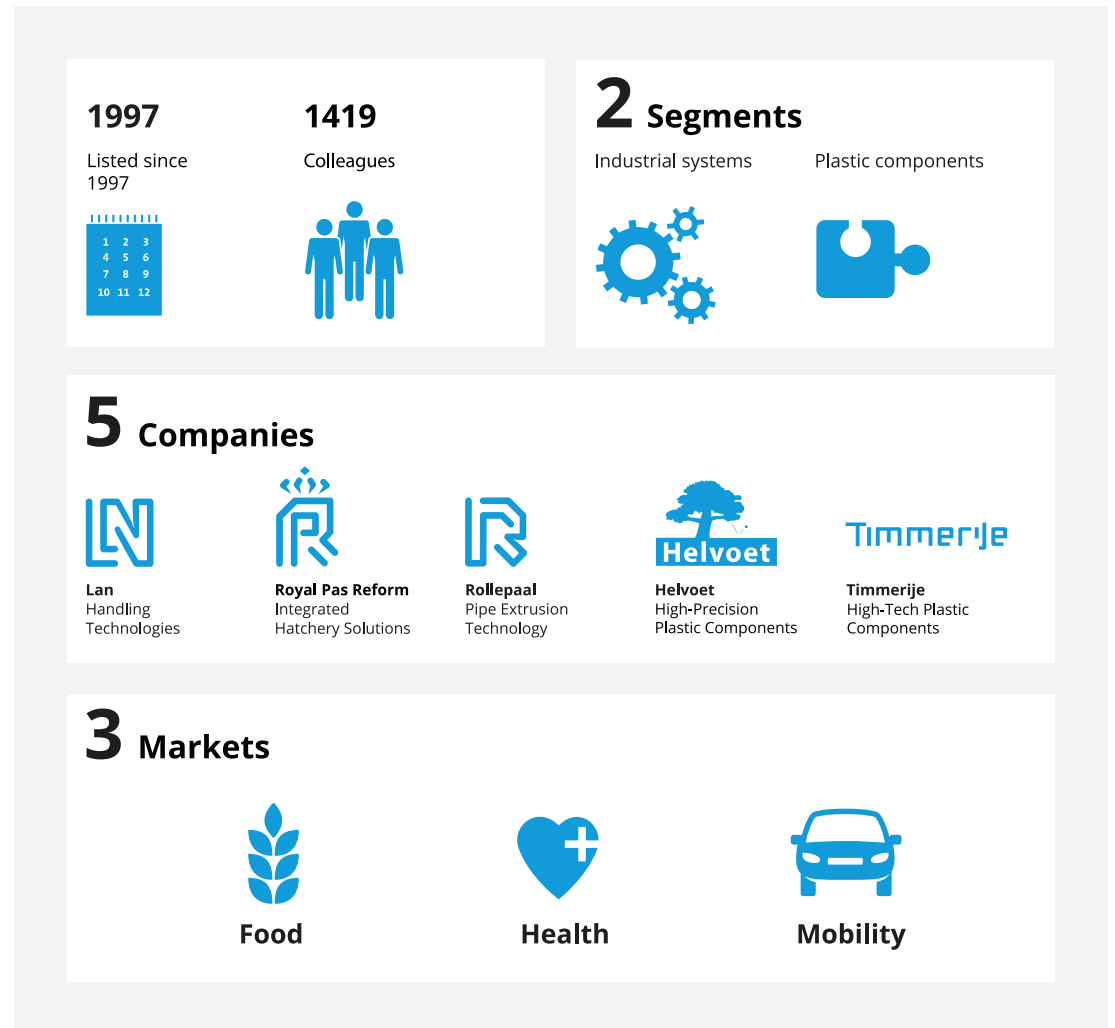
strength with the arrival of Piet Veenema in May 2021. We are looking forward to working with him and expect to put his many years of experience in the industry to good use.

We would like to take this opportunity to thank all our colleagues for their sterling efforts, flexibility, passion and dedication. We are grateful to our customers, partners, Supervisory Board members and shareholders for their confidence and support as we continue to develop Hydratec Industries.

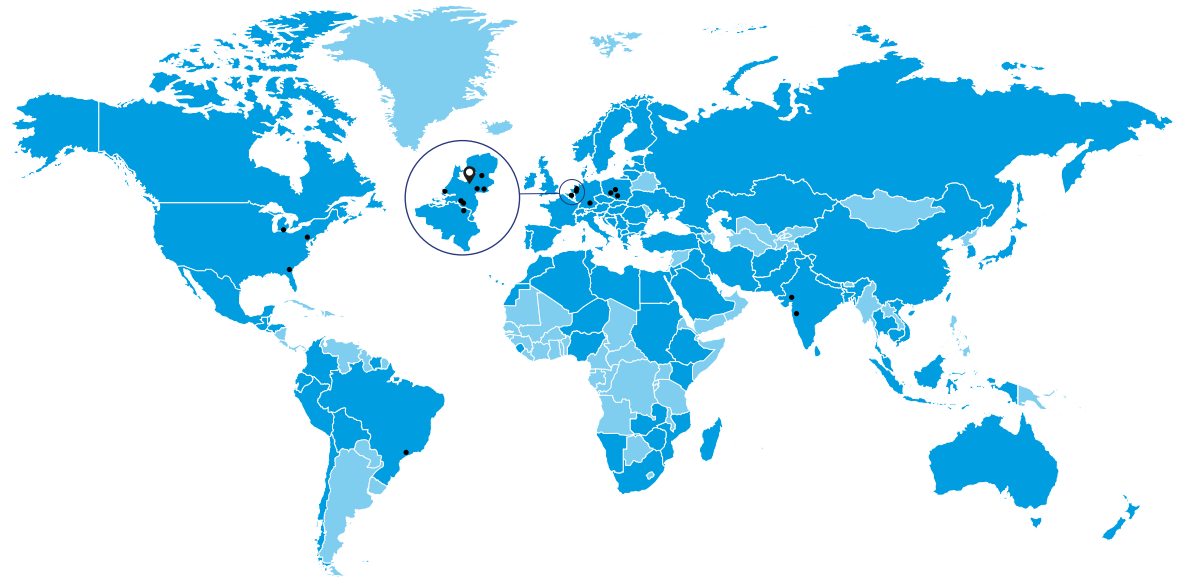
Bart Aangenendt
CEO

Company profile

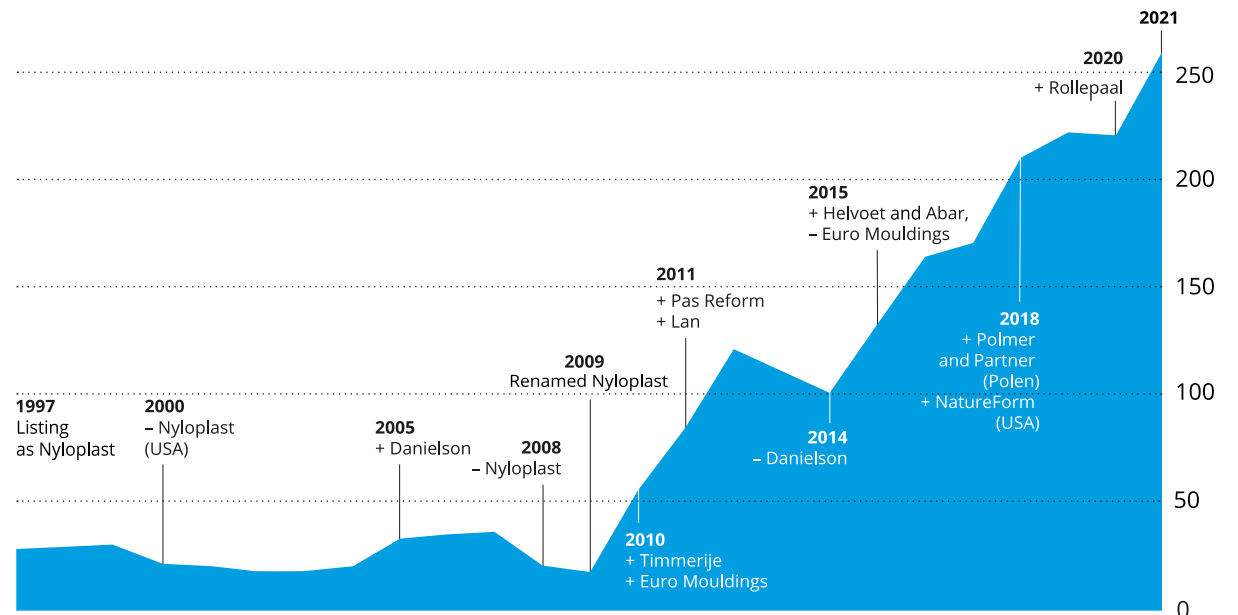
Hydratec Industries supplies Industrial Systems and Plastic Components to sustainably meet the growing need for food, health and mobility. Hydratec Industries has been listed at Euronext Amsterdam since 1997 and employs some 1,419 people worldwide. All its companies have a principal place of business in the Netherlands, but some of their production plants are outside the Netherlands, including in Belgium, Brazil, Germany, India, Poland and the US. About 50% of our staff live and work in the Netherlands.



Global presence



Milestones (Net revenue (x €1 mln))



Shareholders' information

Stock market listing

Hydratec shares are listed on Euronext Amsterdam (ISIN NL 000 939 1242). The total number of ordinary shares issued as at 31 December 2021 was 1,292,805 shares.

2022 financial calendar



Reports on shareholdings

The following shareholdings greater than 3%, disclosed in the context of the Dutch Financial Supervision Act, were known at 31 December 2021:

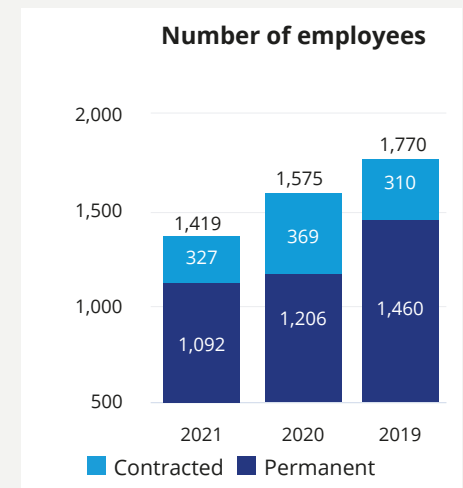
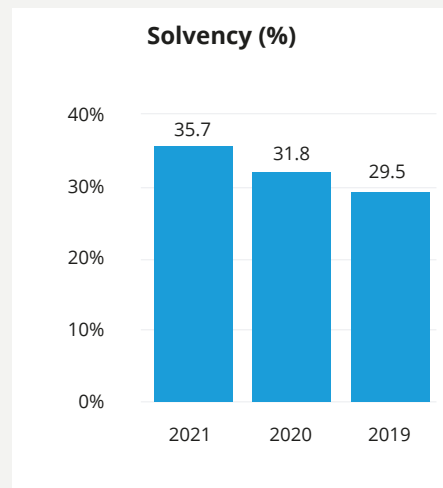
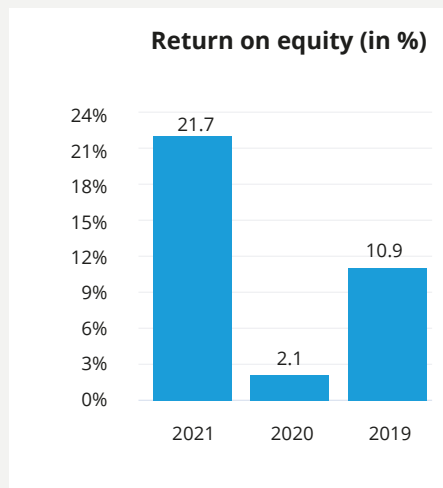
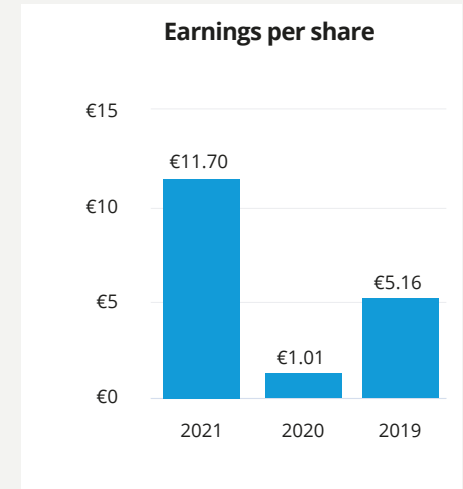
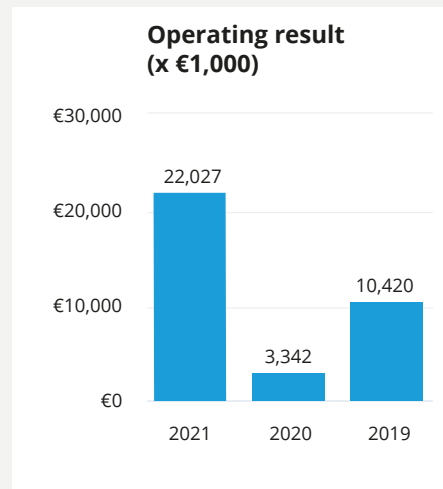
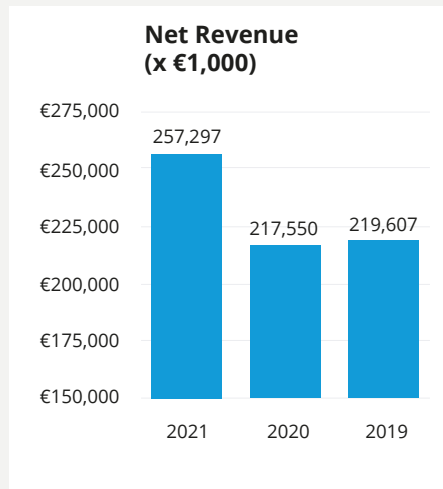
Shareholder	Interest	Date of notification
F. ten Cate	23.3%	21 March 2017
A.C. ten Cate	23.3%	21 March 2017
J. ten Cate	23.3%	21 March 2017
P. Chr. Van Leeuwen Beheer B.V.	6.0%	9 May 2014
B.F. Aangenendt	5.5%	28 June 2016
M. Spiersma	3.2%	2 December 2014

Financial data per ordinary share

Amounts in euros, unless stated otherwise	2021	2020
Number of outstanding shares	1,292,805	1,290,944
Weighted average number of shares	1,291,875	1,289,557
Operating result	17.05	2.59
Profit	11.71	1.01
Shareholders' equity attributable to Hydratec shareholders	58.89	48.92
Available cash flow ¹	20.90	14.25
Dividend	6.75	-
Price at year-end	74.5	54.0
Lowest price	54.0	41.2
Highest price	79.0	70.0

¹ Sum of operating and investment cash flows

Key figures



Highlights 2021

Countries with revenue

95

2020: 97

Colleagues

1,419

2020: 1,575

Nationalities

21

Dividend proposal

€6.75

2020: €0.00

Ebit % Industrial Systems

13.2%

2020: 2.6%

Ebit % Plastic Components *

7.2%

2020: 2.4%

** 2021 Ebit is exclusive Polmer*

Record revenue and record result

Personal details

Supervisory Board



The Supervisory Board of Hydratec Industries NV comprises E. ten Cate (Chair), M. E. P. Sanders and P. Veenema.

Mr E. ten Cate (1945), Chair of the Supervisory Board

- ▶ Year appointed: 2000
- ▶ End of current term of office: 2024
- ▶ Current position: Director, Bank ten Cate & Cie N.V.

Supervisory Board memberships/relevant other positions:

- ▶ Member of the Supervisory Board, Hendrick de Keyser
- ▶ Member of the Board, Stichting Kasteel Rechteren

Ms M. Sanders (1953), Vice-chair of the Supervisory Board and Chair of the Audit Committee

- ▶ Year appointed: 2017
- ▶ End of current term of office: 2025

Supervisory Board memberships/relevant other positions:

- ▶ Member of the Supervisory Board, Stern Groep
- ▶ Chair of the Supervisory Board, Hoens Broadcast Facilities B.V.
- ▶ Chair of the Supervisory Board, Meilink N.V.
- ▶ Member of the Board, Stichting Tivoli/Vredenburg Fonds

Mr P. Veenema (1955), member of the Supervisory Board and Audit Committee

- ▶ Year appointed: 2021
- ▶ End of current term of office: 2025
- ▶ Last position held: member of the Board and CEO of Kendrion N.V.

Supervisory Board memberships/relevant other positions:

- ▶ Member of the Supervisory Board of Aalberts Industries N.V.

All the Supervisory Board and Management Board members are Dutch nationals.

Management Board



The Management Board of Hydratec Industries N.V.: Mr B.F. Aangenendt and Ms E.H. Slijkhuis RA.

Mr B.F. Aangenendt (1964), CEO

- ▶ Year appointed: 2012
- ▶ End of current term of office: 2024

Bart Aangenendt was appointed Managing Director under the articles of association of Hydratec Industries in 2012 and CEO in 2015. He is a former director of Pas Reform, a subsidiary of Hydratec Industries.

Ms E.H. Slijkhuis RA (1968), CFO

- ▶ Year appointed: 2018
- ▶ End of current term of office: 2022

Everien Slijkhuis was appointed CFO under the articles of association of Hydratec Industries in 2018. Prior to that, she held various financial positions and those in which she had ultimate responsibility for IT, a large number of which were at international production companies and in manufacturing. In addition to her position at Hydratec, she is a member of the Supervisory Board and of the Audit Committee at the Veluwe Onderwijs Groep and Deventer Ziekenhuis.

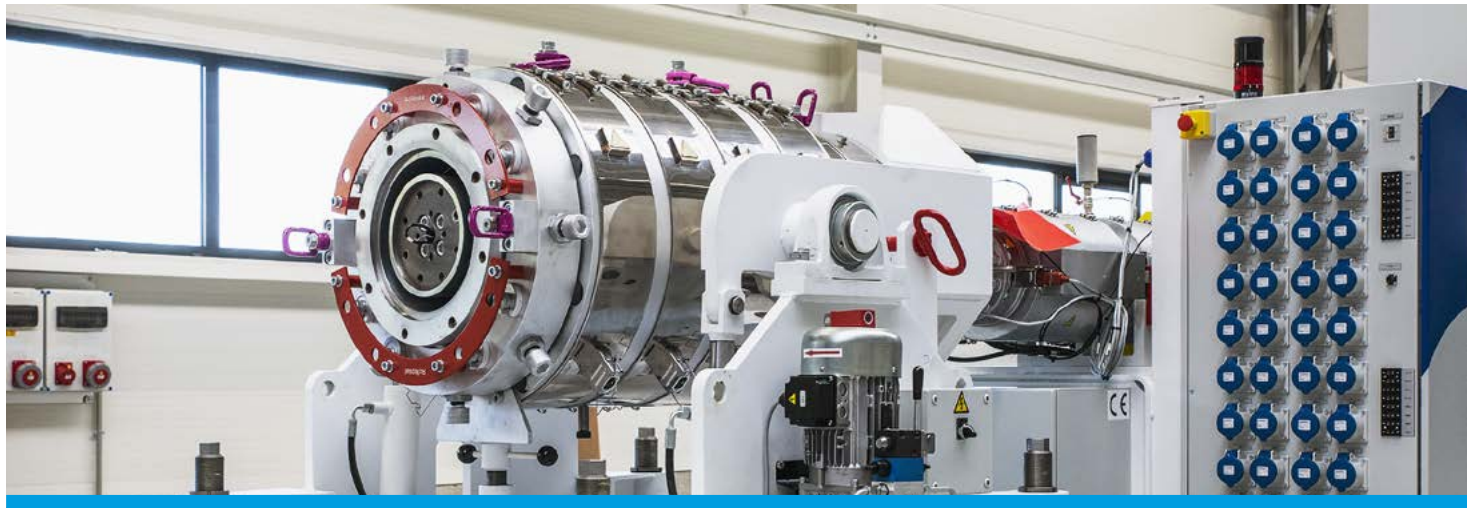
Activities



Industrial Systems

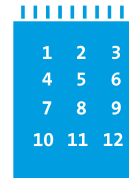
Our Industrial Systems segment includes our Original Equipment Manufacturers (OEM) that market complete machines under their own brand name. These sustainable production systems respond to the growing global demand for food and clean drinking water. Our companies' innovative and integrated solutions help to minimise wastage in our customers' production processes. Industrial Systems' major market segments are the global poultry, convenience food and pet food sectors and the construction of water supply lines for sanitation and clean water.

Industrial Systems enables us to offer a broad range of products and to achieve a good spread across a variety of countries and customers. At the same time, our focus is on specialisation and standardisation to remain cost effective. Smart standardisation enables us to reuse good solutions, thus lowering costs and risks. As a systems supplier, we go further than simply building machines. We study our customers' operations in depth. In close collaboration with customers, suppliers and universities, we continually develop and introduce new products – for existing customers too – which perform more functions and generate added value.





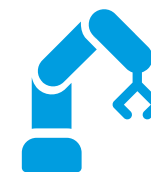
Lan Handling Technologies



50+
years



120+
colleagues



500+
systems



Lan Handling Technologies has specialised in developing and producing sterilised product handling systems and end-of-line automation for the global food and packaging market for over 50 years. That includes multinationals and fast-growing start-ups. The company is responsible for the entire process from draft to commissioning: design, construction, assembly and installation are all handled in-house.

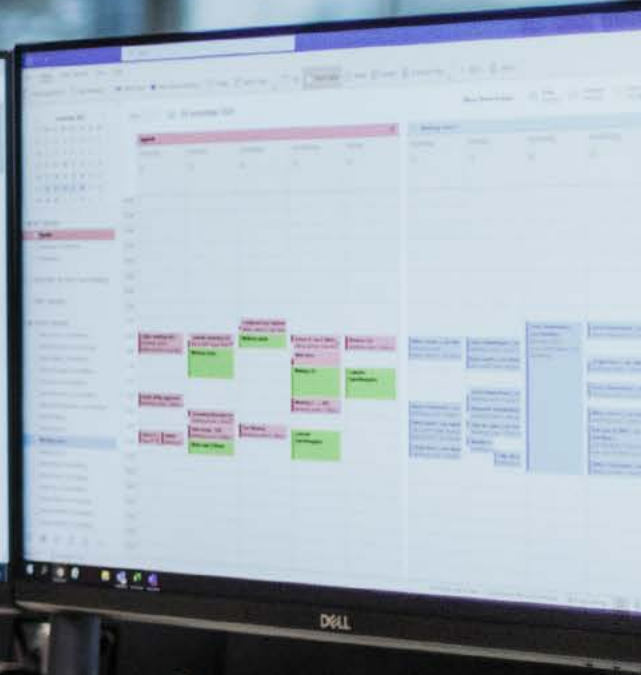
The smart use of modularisation in the product portfolio enables us to offer an extensive range of customer-specific solutions on the basis of the latest technology. More than 500 high-quality systems have already been installed worldwide. Lan develops its automated packaging solutions at its plants in Tilburg and Halfweg in the Netherlands. These solutions range from packaging for sterilised food in pouches, tins and jars to main-meal salads and agri-food in bags, nets, boxes and crates.

Greater efficiency, increased product diversity, attention to traceability and zero waste have an impact on the production environment. We are responding to these trends by working intensively with universities, prominent multinationals and innovative business start-ups in the food industry and on topics such as Industry 4.0, Digital Twins and Big Data. In doing so, Lan Handling Technologies is making a significant contribution to the growing need for safe food products.

Growth

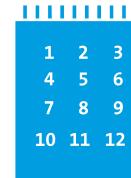
'The reliability of our systems has been an important flywheel in the growth of our company. For Lan, customer satisfaction forms the basis for customer loyalty and attracts new customers.'

Milou Jansen, Marketing & Communication Manager, Lan | Handling Technologies





Royal Pas Reform Integrated Hatchery Solutions



100+
years



130+
colleagues



1000+
single-stage hatcheries



Royal Pas Reform is the world's only single-source supplier of smart, integrated and sustainable solutions for hatcheries. The company is one of the largest producers of chick incubators in the world and operates in over 100 countries.

Since its foundation, Royal Pas Reform has been at the forefront of developing smart, integrated and sustainable hatchery solutions. The company supplies:

- ▶ 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 to ensure the efficient and reliable operation of integrated hatchery systems.

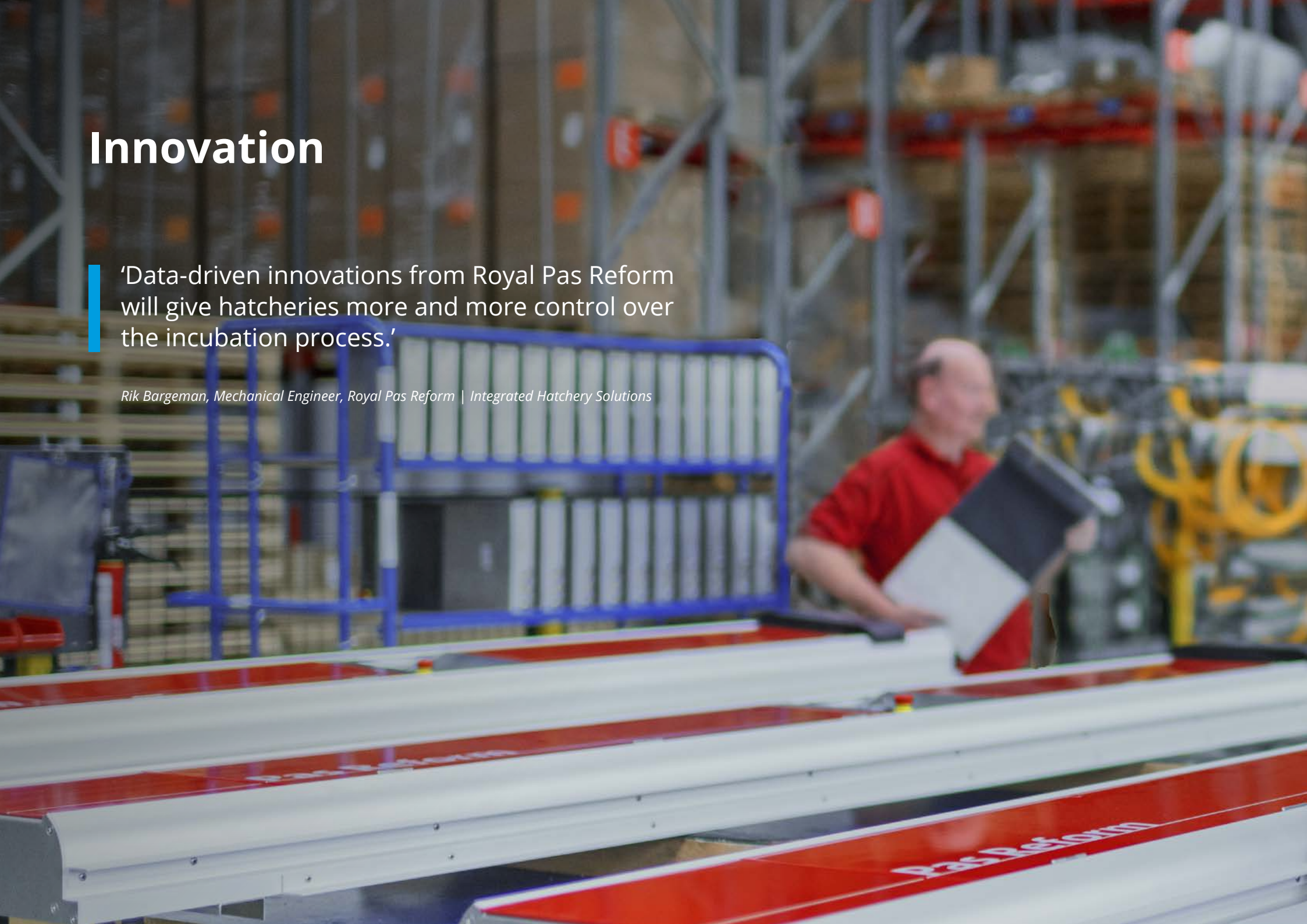
At the heart of the company is the Pas Reform Academy, which, in close collaboration with customers and universities, conducts research into the effect of the incubation process on chick embryo development. This specialist expertise is used to develop new, innovative products and services for the hatchery industry and to train and coach hatchery managers. Over the years, Royal Pas Reform has developed dozens of innovative solutions for hatcheries, such as SmartStart™ Early Feeding, a practical feeding solution which provides chicks with food and water as soon as they hatch. Early Feeding is conducive to the development of robust day-old chicks and helps to limit the use of antibiotics.

Royal Pas Reform's sales and service operations are conducted from three offices: Royal Pas Reform in the Netherlands, Pas Reform do Brasil in Brazil and Pas Reform North America in the United States. Royal Pas Reform also has its own sales offices in Africa, Asia, Europe, the Middle East and South America, and an extensive network of agents in more than 60 countries.

Innovation

'Data-driven innovations from Royal Pas Reform will give hatcheries more and more control over the incubation process.'

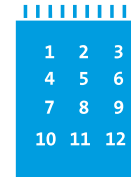
Rik Bargeman, Mechanical Engineer, Royal Pas Reform | Integrated Hatchery Solutions







Rollepaal Pipe Extrusion Technology



50+
years



110+
colleagues



5000+
units



Rollepaal is a cutting-edge manufacturer of extrusion machines for PVC, PVC-O and PO pipes. Our high-tech machines are renowned for their high quality in which the focus is on durability, service and support. Rollepaal's mission is to actively contribute to its customers' success by developing sustainable, cost-saving solutions.

The raw materials are by far the biggest cost component in the manufacture of plastic pipes. It is therefore important to reduce their weight to a minimum while adhering to the required specifications for the pipes. Rollepaal offers various solutions for managing the quality of the pipe during production. Rollepaal machines enable customers to both minimise excess weight and control the thickness of the walls, thus reducing the cost of their products.

Rollepaal has customers all over the world. We export our products to more than 100 countries. Advice and services are readily available in many countries through our offices in the Netherlands (Dedemsvaart), the US (Baltimore) and India (Ahmedabad) as well as from agents all over the world.



Sharing knowledge

'Sharing knowledge of pipe extrusion technology is an important success factor for Rollepaal. We provide training and knowledge transfer for customers from all over the world.'

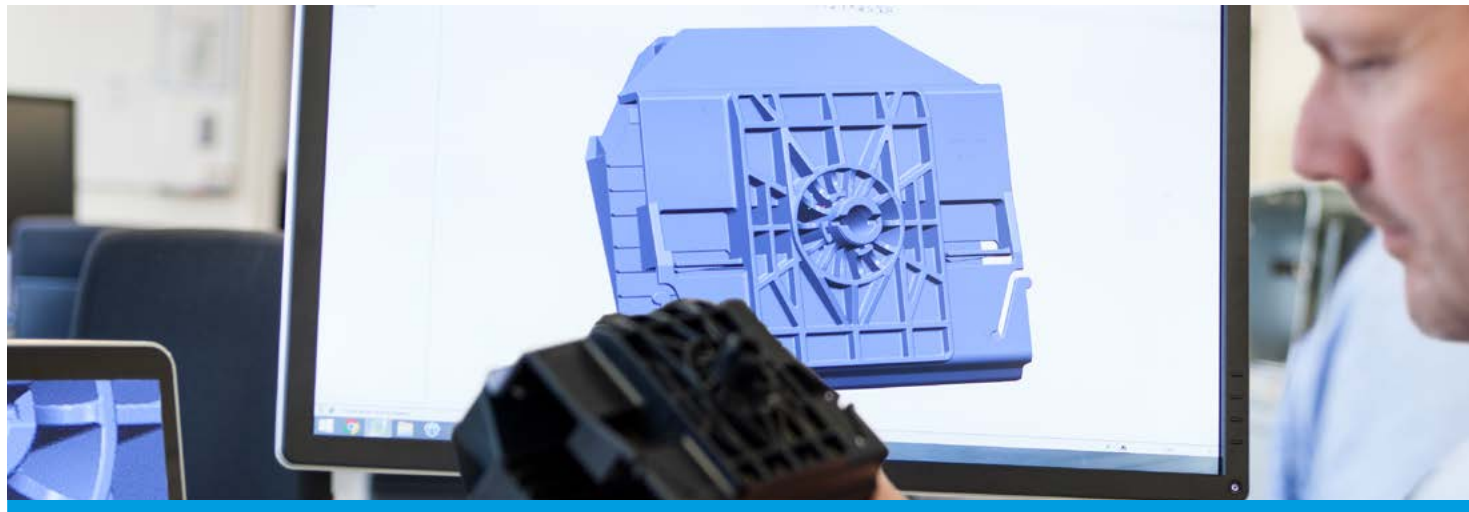
Joe Venagas, R&D Manager, Rollepaal | Pipe Extrusion Technology



Plastic Components

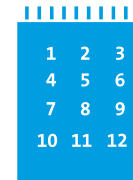
Plastic is a relatively new raw material, and demand for it continues to rise. This material's unique properties mean that it will play a crucial part – as a replacement for metal, for instance – in a more sustainable and raw material-efficient future. Our Plastic Components segment develops and produces constructive plastic components for OEMs. Our customers mainly operate in the Food, Mobility and Health markets. Quality and hygiene requirements are particularly strict in the Health market. For example, point-of-care diagnostics are assembled under cleanroom conditions.

Our Plastic Components segment has high-quality production technologies, such as injection moulding for thermoplastic and thermoset products. Another significant technology is the fully-automated assembly of components into functional modules by means of robot and vision technology. Since Plastic Components operates in competitive markets, cost reduction and sustainability are prioritised, which means that we focus on lowering the weight of components, reducing material consumption and reusing residues. Limiting energy consumption and transport costs is also becoming important. This helps customers to attain their sustainability goals. Because the Plastic Components segment is process-oriented, fluctuations are less extreme than in the Industrial Systems' operations.



Timmerije

Timmerije High-Tech Plastic Components



85+
years



120+
colleagues



50+
injection moulding machines



Over the space of 85 years, Timmerije has grown to become a specialist in plastic injection moulding products in the Benelux. As a designer and manufacturer of high-quality plastic products for renowned European top-brand OEMs, the company uses serial production for just-in-time supply for the food & agri industry, the mobility industry and various other industries.

The high-quality plastic products and assembly of components find their way to a wide range of applications, from climate control systems to lorries, and from bicycle parts to coffee machines. The company controls the entire process and has its own engineering department, toolmaking facility and assembly department.

Project management, mould construction, maintenance & repairs and the assembly of components is all done under one roof. Closely coordinated design, production and logistics processes guarantee a short time-to-market and provide continuity. Timmerije has also invested considerably in the production of injection moulding products over the last few years. We have more than 50 modern injection moulding machines with between 25 and 1,400 tonnes of clamping force. This modern machinery, our team of specialists and our effective quality systems are symbols of Timmerije's innovation, reliable processes and focus on service.

Sustainability



'Timmerije's customers increasingly want a circular design for the plastic components in their new products. There are many opportunities for our future-proof solutions.'

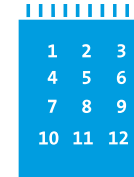
Frank Bruins, Account Manager, Timmerije | High-Tech Plastic Components





Helvoet

Helvoet High Precision Plastic Components



80+
years



800+
colleagues



170+
injection moulding machines



Helvoet has been a global supplier of precision components made from rubber and plastic for more than 80 years and specialises in complex assemblies. Helvoet develops products made from plastic (thermoplastic and thermoset), rubber, or a combination of the two, in conjunction with its customers. The company then assembles them into semi-manufactured products or a complete functional module. This combination of knowledge-intensive and cost-efficient development gives Helvoet a unique position in the world of precision components. Helvoet's products are used in fuel systems, braking and drive systems, dosing systems for beer, coffee and milk, medical cartridges, point-of-care instruments and diagnosis equipment. Production volumes vary from medium to very large.

More and more possibilities for technology based on plastic and rubber are emerging to rival conventional materials. For example, plastic components are increasingly being used as replacements for metal parts in the automotive sector, reducing weight and reducing the environmental burden. Helvoet is continuously working to improve the quality of its products and processes. 'Zero defects' is currently the standard. Helvoet's production sites have all the quality systems and certificates necessary for its specific markets. To continue to meet this high quality level, Helvoet invests in its people, processes and machines on an ongoing basis.

Collaboration

'Collaboration with companies that have complementary technologies enables Helvoet to meet the growing demand for high-quality consumables in the Health Tech market.'

Herman Koks, Business Development Manager, Helvoet | High Precision Plastic Components



Objectives and strategy

Hydratec Industries intends to make a sustainable contribution worldwide to the demand for food, health and mobility. This demand is growing rapidly in response to global population growth and rising prosperity. Diversifying into Industrial Systems and Plastic Components makes Hydratec Industries more agile and resilient to market fluctuations.

Innovation is the key

Hydratec Industries' independent, versatile companies develop smart products and functions which contribute to customers' success. We not only improve primary functions, but also logistics, maintenance, design and consultancy. The focus on innovation is an important factor in our success. Our employees collaborate closely with customers and continually look for ways of improving products and production processes.



Food

Our companies deliver industrial solutions which help to efficiently provide food and water to increasing numbers of people and animals.



Health

By producing components for medical applications, our companies contribute towards improving our health.



Mobility

Our companies produce plastic components for cars, lorries and two-wheeled vehicles, among other things. They reduce the weight, leading to lower fuel consumption and fewer emissions.

Leading positions

Our long-term strategy is for all our activities to contribute to generating consistent growth in terms of revenue and result at least in line with the market. We therefore aim to occupy leading positions in the various niche markets, which will enable us to generate considerable added value for the end user.

Our far-reaching services lead to substantial customer loyalty. We make the difference for our customers by making use of smart technologies and we are expanding our product range at existing customers. We invest a lot of energy in various Operational Excellence programmes to prevent wastage in our customers' production processes. The consequences for the environment and public acceptance of our activities

and products play an increasingly important part in everything we and our customers do.

Industrial Systems' products are sold on a project-by-project basis and worldwide, which means results may fluctuate. This makes their dependency on macro-economic factors considerable, but also spreads the risks. The activities at Plastic Components are process-oriented, which means that the fluctuations are less significant than in Industrial Systems.

Independent and agile

The management boards of the companies are responsible for their own operating activities within the agreed framework, and concentrate on their own specific markets. This independence makes the organisation agile and innovative. This organisational set-up once again proved its worth in 2021. All operations were able to adapt quickly and in their own way to the circumstances, such as when it came to problems in the supply chain and the labour market. Furthermore, our structure is cost-effective; there are no central corporate departments, which limits overheads.

The Management Board of Hydratec Industries has regular consultations with the management of the companies to discuss all aspects of the business and periodic developments of results. These consultations are based on a fixed framework of regular reports including analyses of the key performance indicators. Frequent informal meetings are also held. All this takes place on the basis of ambitious, but realistic targets, derived from scenarios which serve as guidelines for all those involved. Strategic market positions and market options are evaluated annually for each segment and a SWOT analysis is performed. We take decisions about long-term investments on this basis and set priorities for product market developments. One of our guidelines is a consistent and appropriate return for our shareholders.

Entrepreneurship and ambition

To respond actively to every change and opportunity in the market, it is essential that each of the activities has effective, highly motivated management and employees. 'The war for talent' is in full swing and, to meet our growth target, we are paying added attention to finding and keeping good employees, such as by offering internships and graduation placements on an ongoing basis. We furthermore continually promote employee development, which includes offering education and training.

Financial targets

We aim for sufficient profitability for all the companies within Hydratec Industries. This creates scope for investments and for cushioning setbacks. Each segment has a longer-term operating result target unless special economic circumstances arise or adjustments are needed in the organisation. For Industrial Systems this is at least 10%, and for Plastic Components 8%. In conjunction with the targeted growth for Hydratec Industries and preferred solvency target of at least 30%, we aim for a dividend distribution of at least 40% of the result after tax (excluding any non-recurring income).

Growth

It is our ambition to continue to grow in terms of quality with the activities we pursue at present. The key drivers for this are world population growth and the innovative power of Hydratec. Our segments operate in specialist niche markets, are close to the market and respond quickly to changes. In addition, we want to expand and broaden our existing activities through acquisitions and joint operations. Our acquisition strategy on the basis of current activities is that of 'buy and build'. We will dispose of operations which would consistently develop better in other business organisations and therefore have insufficient long-term potential for Hydratec Industries.

Coroos, Kapelle

Lan specialises in sterilised product handling and end-of-line automation. Their fully automated handling systems are also used at Coroos, an innovative food producer that makes fruit, vegetables and pulses accessible to all: in pots, tins, pouches and cups.





Value creation

We aim to add value to society based on our strategy, both in the Netherlands and internationally. We have depicted our value creation model in a diagram to make our positive impact clear. In this annual report, we have aligned the value creation model and the report in terms of content. Developments in 2021 are described using the value creation model.

Inputs, outputs and outcome

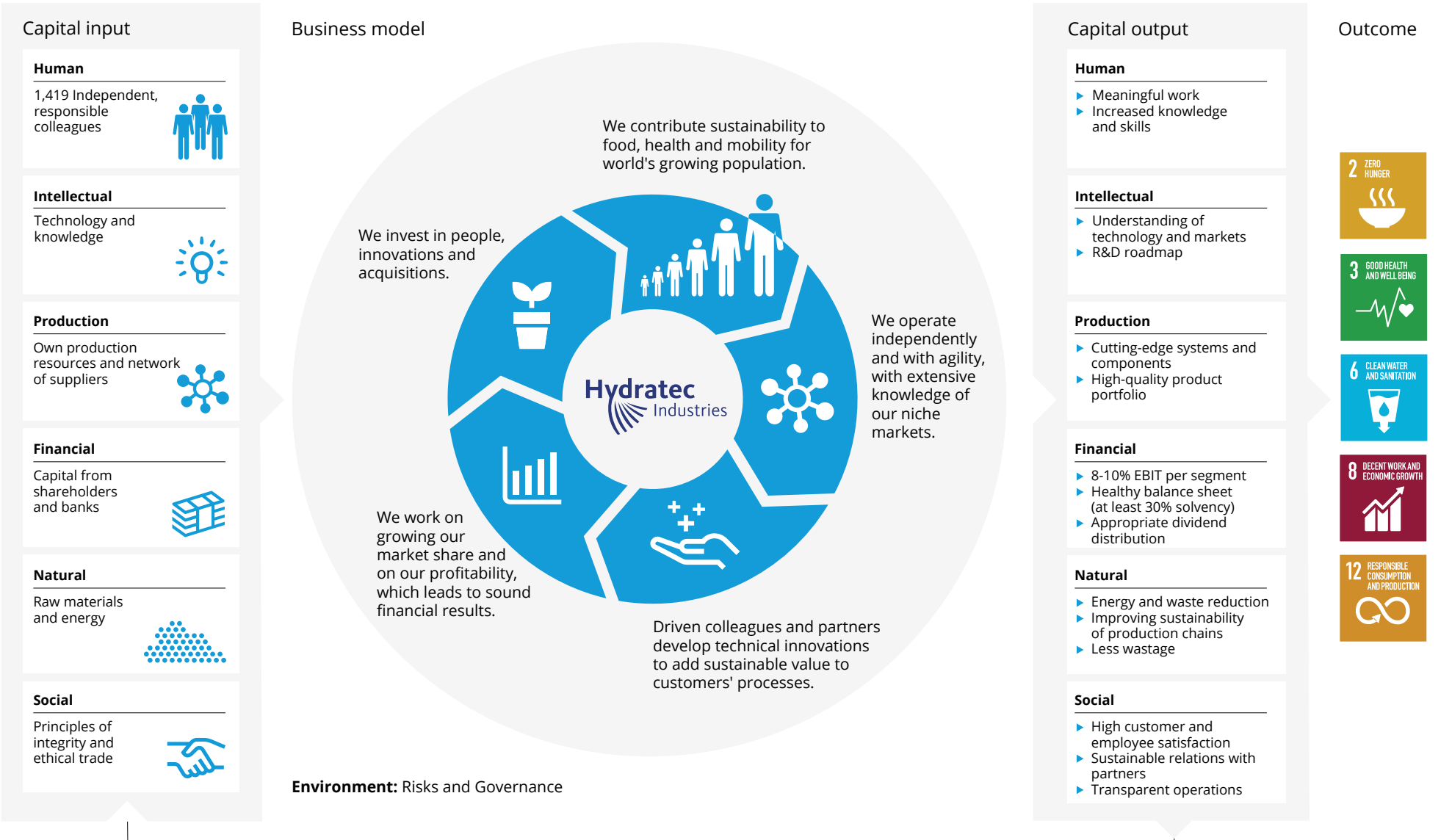
In 2021, we defined KPIs for the capital. With these KPIs, we give further substance to our activities and show how we are performing transparently. The chapters describing the developments in 2021, for example, discuss the KPIs in more detail. Our ambition is to improve and expand the dataset in the coming years.

Business model

Our business model is the central focus of our value creation model and it starts with our aim of using industrial systems and plastic components to sustainably meet the need for food, health and mobility for the growing global population. This is something we work on together: agile, close to the market and with plenty of knowledge of niche markets. With driven employees and technical innovations, we add sustainable value to customers' processes. Customers appreciate our efforts and, as a result, our market share and profitability are growing. This leads to healthy financial results which enable us to invest in training and development for our employees, in innovations and in acquisitions. In our business model, we also deal with (external) factors such as governance and risks.

Contributing to the SDGs

At Hydratec Industries we also aim to have a long-term impact on society. That is why we contribute to the United Nations Sustainable Development Goals (SDG). Our focus is mainly on the five SDGs that most affect our activities in relation to a more sustainable society.



Capital input

Human

1,419 Independent, responsible colleagues



Intellectual

Technology and knowledge



Production

Own production resources and network of suppliers



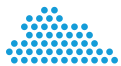
Financial

Capital from shareholders and banks



Natural

Raw materials and energy



Social

Principles of integrity and ethical trade



Business model

We contribute sustainability to food, health and mobility for world's growing population.

We invest in people, innovations and acquisitions.

We operate independently and with agility, with extensive knowledge of our niche markets.

We work on growing our market share and on our profitability, which leads to sound financial results.

Driven colleagues and partners develop technical innovations to add sustainable value to customers' processes.

Environment: Risks and Governance

Capital output

Human

- ▶ Meaningful work
- ▶ Increased knowledge and skills

Intellectual

- ▶ Understanding of technology and markets
- ▶ R&D roadmap

Production

- ▶ Cutting-edge systems and components
- ▶ High-quality product portfolio

Financial

- ▶ 8-10% EBIT per segment
- ▶ Healthy balance sheet (at least 30% solvency)
- ▶ Appropriate dividend distribution

Natural

- ▶ Energy and waste reduction
- ▶ Improving sustainability of production chains
- ▶ Less wastage

Social

- ▶ High customer and employee satisfaction
- ▶ Sustainable relations with partners
- ▶ Transparent operations

Outcome



Developments 2021



Employees

Our 1,400+ people are our most important capital and the driving force behind our success. We endeavour to have strong local organisations with a high degree of entrepreneurship and sense of responsibility for all business processes. Communication lines are short in these organisations and authority is delegated. Each operating company implements its own personnel policy, in line with the wishes and circumstances at each site, but always consistent with Hydratec Industries' guidelines and values. HR managers meet each other on a regular basis to coordinate this policy.

The workforce has shrunk largely due to the discontinuation of activities at Polmer and the reorganisation at Rollepaal in late 2020.

Employees

1,419 

2020: 1,575

Diversity

Hydratec Industries strives for a diverse and inclusive workforce that reflects society. We steer towards this in our recruitment policy: we make no distinction between age, gender and ethnicity. We offer everyone with the



right skills, education and drive equal opportunities for development and advancement. Hydratec Industries promotes gender equality nationally and internationally. Men and women who do the same work in the same situation receive equal pay.

Nationalities

21 

4 continents

Male/female ratio

79% 
21% 

2020: 78/22

Hydratec Industries greatly values diversity in its workforce, because we are convinced that it encourages innovation and because different perceptions lead to different approaches and better decisions. Among other things, diversity stems from differences in education, background, age, gender and ethnicity. Partly for this reason, we strive for a balanced ratio of young and older talent and a good gender ratio, also in management positions. This is not always easy for an organisation with a clear technical orientation. The percentage of female employees in the group is 21% (2020: 22%). We also strive for diversity in the composition of the Management and Supervisory Boards. There are 50% women on the Management Board and 33.3% on the Supervisory Board.

Training and development

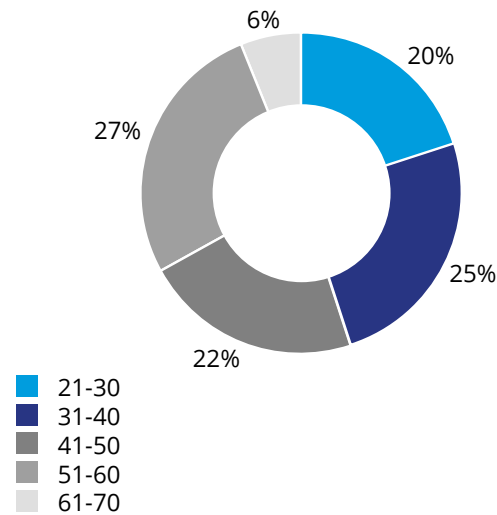
We consider the development of employees to be of great importance for them to remain permanently employable. A range of means are used for this, including onboarding courses for new employees, job rotation, internal courses given by colleagues, watching webinars, taking external courses and follow-up programmes. Our employees underwent 20,218 training hours last year. That is more than in 2020, when education and training were hardly possible due to the Covid-19 pandemic. However, it is less than planned due to the rapidly recovering markets and corresponding increased activity at our companies in 2021. In 2021, we developed young talent by offering a total of 40 traineeships among the companies. For 2022, the training budgets have been increased.

Hours of training

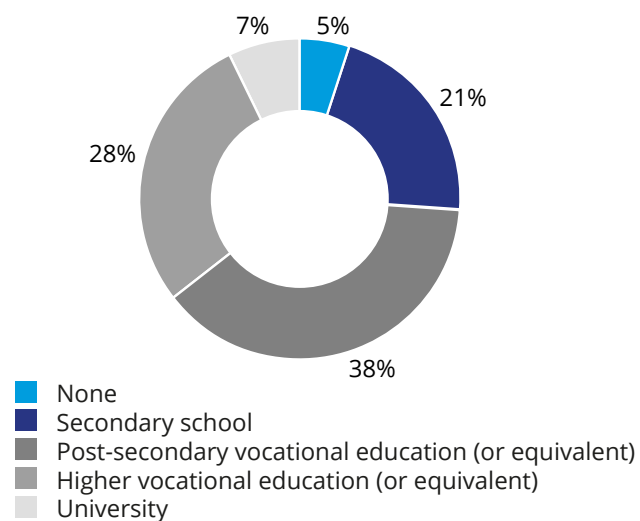
20,218 hours 

Intern: 15,658

Age distribution of our own employees



Level of education of our own employees



Safety, health and well-being

Our employees work with large pieces of equipment and, in some cases, with hazardous substances. This can lead to potentially dangerous situations. 2021 saw relatively few serious accidents: 11 (2020: 17). Nevertheless, we believe that every incident is one too many, so we pay close attention to safety and accident prevention through monitoring, training and awareness. This is not simply a matter of rules and agreements, but primarily also of awareness and behaviour. Mental safety is also addressed: it is important to us that every colleague feels safe and is not afraid to speak up. This will enable us to jointly create a loyal organisation with flexibility and ambition.

The well-being and employability of our people was again a top priority in 2021. Colleagues are given the tools they need to work well at home. We have also provided opportunities to work on-site, subject to the applicable rules. A lot of time was spent actively addressing topics such as (social) connectedness, work-life balance and staying in touch with our customers. Some examples of initiatives are installing remote machines, organising events on a small scale, and organising webinars for employees. In 2022, we will continue to focus on our employees' vitality, well-being and employability.

Overall absenteeism at Hydratec Industries was relatively high compared to previous years: 5.6% (2020: 3.7%). Absenteeism includes Covid-19-related absenteeism.

Absenteeism has our ongoing attention. Companies are locally responsible for their own health and absenteeism policy, but they do mutually coordinate it.

Recruitment

Our consistent and clear personnel policy means we have relatively little employee turnover and we were able to successfully fill the vacancies that did occur in 2021. In 2021, however, we noted growing scarcity on the labour market. That is why we continue to look for creative ways to engage our employees and keep them attached to Hydratec. Where possible, we offer marginalised people with poor job prospects opportunities to develop skills, sometimes through a sheltered workshop. We conduct extensive introductory talks with new colleagues, not only about working arrangements and rules, but also about Hydratec Industries' standards and values. It is important to us that all new colleagues feel at home. Regular, constructive meetings are held with works councils in each operating company to discuss employees' interests. Central management takes part in such consultations once a year.

Intellect and innovation



Innovation is key for Hydratec Industries to gain and maintain a leading position in the Food, Health and Mobility markets. Innovation enables us to add value to our customers' processes and stand out from the crowd. Most of our innovations are aimed at eliminating waste in processes and products.

Our customers are our greatest source of inspiration: by understanding customer processes - sometimes better than the customer itself - we identify opportunities to improve them. We seek collaboration wherever possible, not only with our customers but also with suppliers and knowledge institutes such as universities and colleges. Together, we have more knowledge and innovative strength.

Project engineering
Plastic Components

57,594
hours 

2020: **30,088**

For example, product innovation within Plastic Components takes place in early supplier involvement projects, in which we develop new applications together with the customer. These are often projects in which valuable, natural or scarce materials such as wood, glass or metal are replaced by a constructive, preferably

recyclable plastic. In 2021, we spent more than 57 thousand hours on such projects, significantly more than in 2020.

In terms of innovation, the more intensive use of sensors is a general trend at Industrial Systems. We use the data from these sensors to make equipment operate even more efficiently and control processes more accurately. We increasingly use simulation, which allows us to model and analyse the effects of certain product developments and innovations in advance. This data-oriented approach will speed up product development.

Scotman, Lichtenvoorde

Royal Pas Reform is at the forefront of developing smart, integrated and sustainable hatchery solutions. Take for example SmartStart™ Early Feeding, a practical feeding solution that provides chicks with feed and water immediately after hatching. The system is used at the Scotman hatchery and promotes the development of robust day-old chicks.



Markets and production

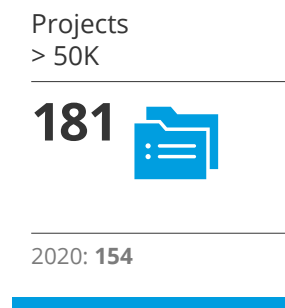
Industrial Systems



Key market developments

The Food market is the most important market within Industrial Systems. The most important submarkets are served with seven production plants in four countries. These are the global poultry, convenience food and pet food sectors and the construction of water supply lines for sanitation and clean water. We achieve a good spread of products across different countries and customers in these markets. In 2021 we generated revenue in 90 countries (2020: 93) with a revenue of €132.3 million (+28%). The vast majority of revenue (94%) was generated outside the Netherlands (2020: 95%). Revenue rose sharply in Europe in particular (from 41% to 56%). Outside Europe, revenue decreased slightly, especially in Oceania. Notably, Lan Handling Technologies had completed a major project in Australia in 2019. We are noting that specialisation and standardisation are necessary to remain cost-effective in our niche markets. Standardisation will enable us to reuse good solutions, thus lowering our costs and risks. We made great strides in this respect in 2021.

The current scarcity of materials and labour leads customers to invest more in automation and material-saving solutions. This led to an increased order intake last year. The number of projects larger than €50 thousand increased significantly in 2021, from 154 to 181 projects. The pet food sector in particular once again experienced strong growth in 2021. The willingness to invest in extrusion machines and hatcheries also increased again. On the other hand, some expansion and replacement investments in North America are being postponed, partly due to the lack of sufficiently qualified personnel. Demographic developments support long-term demand in Africa and Asia. Maintaining a strong market position with high-profile customers remains crucial in every region.



Main production developments

Lan Handling Technologies achieved excellent revenue in 2021. In Tilburg, volume flexibility for production has been greatly increased over the past year. This was made possible by outsourcing not only the manufacture of components to suppliers, but also the pre-assembly of

complete submodules. As a result, Lan Handling Technologies achieved much higher revenue with a similar production capacity to in 2020. The company successfully acquired new customers in convenience food in its end-of-line business. In 2021, it was decided to move into larger premises on Halfweg to allow for efficient future production growth at a single location.

The global poultry industry is recovering from the Covid-19 crisis. In Europe, this improvement was already visible last year, but it seems to have been particularly delayed in Asia. At Pas Reform Integrated Hatchery Solutions, revenue was similar to last year. The positioning as a 'total solutions provider' is increasingly clear, with the expansion of the product range to include equipment that improves logistics around hatchery systems. A product has also been developed for vaccinating embryos in eggs. Pas Reform Hatchery Solutions invested in an ERP system in 2021, which is expected to further increase internal efficiency.

At Rollepaal Pipe Extrusion Technology, a painful reorganisation has produced the desired results. The organisation has been simplified, and more focus has been applied to the market approach: there is a farreaching focus on sustainable and cost-saving solutions for customers, who can therefore make better water pipes with less (virgin) material. The revenue increased strongly, and Rollepaal Extrusion Technology finished 2021 with a reasonable result.

Plastic Components

Production facilities



2020: 8

Countries with revenue



2020: 36

Key market developments

Plastic Components' most important markets are Mobility, Food and Health. These markets are served by eight production plants in five countries. The components were exported to 38 countries in 2021 (2020: 36) with a revenue of €127.4 million (+10%).

Our aim in the Mobility market is to diversify. We have reduced our dependence on the automotive market by developing new parts for trucks, mopeds and bicycles. The innovative strength mainly focuses on autonomous driving and electrification within the automotive market. Whereas demand was still picking up at the beginning of 2021, it dropped again in the second half of the year due to an unstable supply chain. A shortage of chips led to car factories being shut down and being unable to produce enough to meet demand. It is not clear when this situation can be resolved. Partly due to growth in the two-wheeled vehicle market, revenue in the Mobility market nevertheless increased significantly in 2021 and exceeded the level of 2019.

The production of dispensing systems for out-of-home products, such as coffee and beer, got off to a bad start in 2021. Revenue increased sharply when the Covid-19 restrictions were lifted and out-of-home consumption picked up in the second half of the year. However, the shortfall in revenue could not be made up, but revenue from the other components in this market did grow.

Revenue within Health increased. We have taken important steps in our development as a supplier of complete cartridge applications for MicroFluidics. Strategic collaboration with external partners allows us to offer solutions that our customers find difficult to obtain elsewhere. Regular high-volume production also picked up after a slight delay in 2021, and we have started to scale up further. These developments have in turn resulted in other engineering assignments from renowned customers in the medical sector. We are now operating in the field of blood tests and other tests, and can respond well to demand in that area. More and more testing is expected to take place in the future. This market continued to grow in 2021. We anticipate more permanent opportunities for the health market now that there is more awareness of and attention being paid to prevention.

Production developments

In 2021, Helvoet's Dutch production sites focused expressly on MicroFluidics, enabling the medical sector to make faster point-of-care diagnoses. Helvoet supplies nanoplates, small plastic plates with precision channels. Last year, a new, large ISO class 7 cleanroom was put

into use in Tilburg to produce these components. The manufacturing companies in India and Germany also had a good year. Due to chip shortages in the automotive industry, revenue fell in the second half of 2021, particularly in Belgium. In view of the results at Polmer, it was decided to phase out the injection moulding activities in Poland.

At Timmerije, revenue increased significantly. This result is partly due to passing on higher raw material prices, but is mostly due to an increase in demand. The improved information provided by the MES system has led to a 10% reduction in waste. In Neede, new projects have been launched to manufacture complex, often composite parts, which enable us to offer our customers more added value. Both Timmerije and Helvoet saw an increase in production for the two-wheeled vehicle market in 2021.

In total, the Plastic Components segment had 225 injection moulding machines in 2021, compared to 216 in 2020.

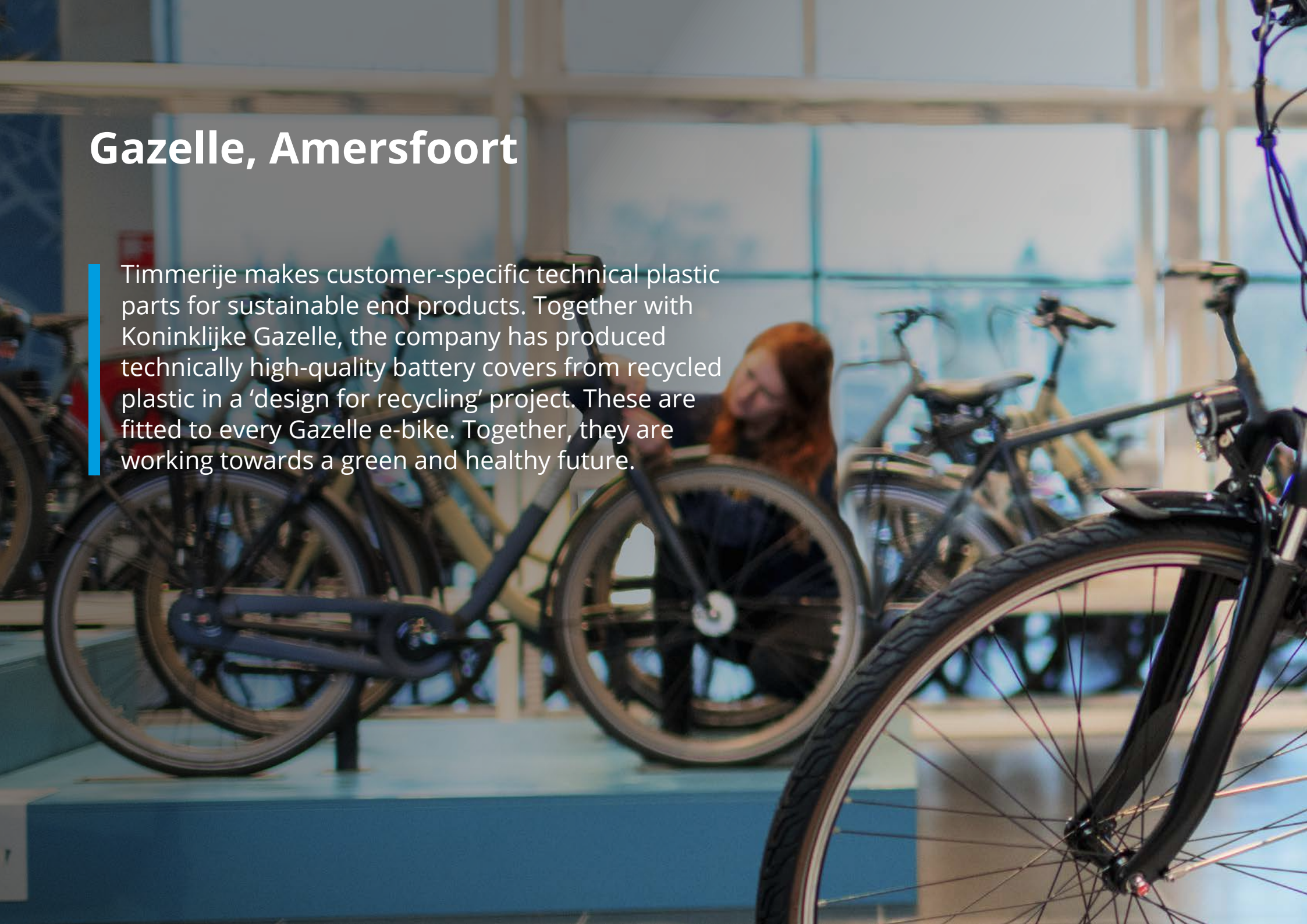
Number of injection moulding machines

225 

2020: 216

Gazelle, Amersfoort

Timmerije makes customer-specific technical plastic parts for sustainable end products. Together with Koninklijke Gazelle, the company has produced technically high-quality battery covers from recycled plastic in a 'design for recycling' project. These are fitted to every Gazelle e-bike. Together, they are working towards a green and healthy future.



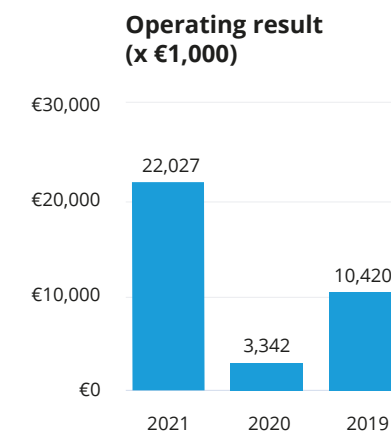


2021 financial developments



Result for 2021

Revenue for the year 2021 amounted to €257 million and thus increased by 18% compared to 2020 (€218 million). Revenue was 17% higher than in 2019, the year prior to Covid-19. In the first quarter of 2021, revenue was lower than in the other quarters. At 52.1%, the margin for 2021 is lower than for 2020 (53.0%). This was caused by rising material prices in 2021, followed by rising energy prices at the end of the year. However, price increases of this nature can generally only be passed on with some delay.



At €112 million, operating costs in 2021 remained at the same level as in 2020. The higher revenue level combined with a constant cost level has led to a significantly higher result in 2021 compared to 2020: €22.0 million compared to €3.3 million in 2020. Due to a lower debt position during 2021, the financial burden decreased from €1.8 million in 2020 to €1.5 million in

	2021	2020
Statement of profit or loss		
Net revenue	257,297	217,550
Operating result	22,027	3,342
Net result	15,133	771
Cash flow		
From operating activities	33,664	22,946
From investing activities	-6,661	-4,576
From financing activities	-26,568	-16,031
Net cash flow	435	2,339
Balance sheet		
Shareholders' equity attributable to shareholders	76,082	63,079
Shareholders' equity	76,261	63,240
Balance sheet total	213,591	198,607
Key ratios		
Operating result as % of revenue	8.6%	1.5%
Profitability of capital invested ¹	15.1%	0.7%
Profitability of shareholders' equity ²	21.7%	2.1%
Solvency ³	35.7%	31.8%
Number of outstanding shares	1,292,805	1,290,944
Earnings per share (in euros)	11.70	1.01
Number of own employees ⁴	1,092	1,206

¹ Net result and interest expenses as a percentage of capital invested (total assets less cash and cash equivalents, less current, non-interest-bearing debts).

² Net result as a percentage of the average shareholders' equity attributable to Hydratec shareholders.

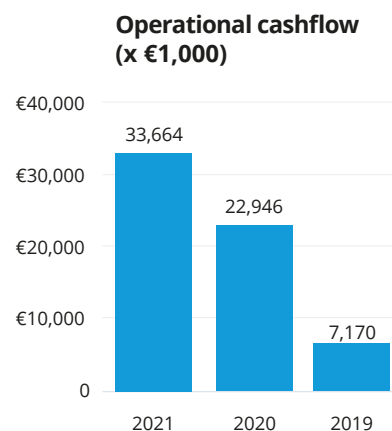
³ Shareholders' equity as a percentage of the balance sheet total.

⁴ Own employee FTEs at year-end.

2021. In 2020, there was still a one-off financial gain of €1.7 million. Taxes for 2021 amounted to €5.5 million. The effective tax rate was 26.6%. The net result (after tax) for 2021 was €15.1 million.

Cash flow

The operating cash flow in 2021 was €33.7 million (2020: €22.9 million). In total, we invested €6.7 million last year.

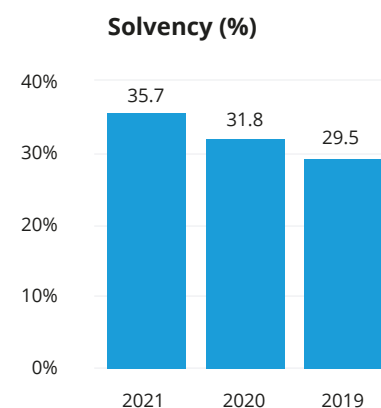


This is an increase after 2020, when we deliberately kept the investment level low due to the uncertainties surrounding the Covid-19 pandemic. We also made repayments, and the current account position was reduced, resulting in a total cash flow from financing activities of €26.6 million.

Financial position

The balance sheet total rose from €199 million to €214 million. The higher balance sheet total was caused by the increase in inventories in 2021 due to higher prices and strategic choices. Work in progress has also increased due to a higher level of activity. The bank debt position has been further reduced.

As at the balance sheet date, Hydratec Industries N.V. has not drawn on the credit facility available as at 31 December 2021 with a total amount of €45.5 million.



The debt/EBITDA ratio was 0.9 as at 31 December 2021. The positive cash flow in 2021 improved the current account position, thus reducing the debt. The increased EBITDA of €32.5 million also improves the debt/EBITDA ratio.

Solvency at the end of 2021 was 35.5% compared to 31.8% in 2020 and has thus significantly improved.

Financial result for Industrial Systems

x € 1,000	2021	2020
Revenue	132,346	103,416
Gross margin	60,086	49,167
Depreciation	3,926	6,463
Investments	2,014	1,528
Operating result	17,477	2,736
Operating result (%)	13.2%	2.6%
EBITDA	21,403	9,199
Average number of FTEs	366	436

Revenue at Industrial Systems worked out 28% higher in 2021 than 2020. LAN Handling Technologies in particular saw a sharp increase in revenue. At Rollepaal Pipe Extrusion Technology, revenue increased significantly; at Pas Reform Hatchery Solutions it remained more or less unchanged. The revenue was achieved with fewer FTEs than in 2020. Revenue per FTE averaged €362 thousand, an increase of 52% compared to 2020 (€237 thousand). This results from a more efficient approach and more outsourcing to partners. Travel restrictions due to the Covid-19 pandemic slowed down sales for all activities, especially outside Europe. Without the challenges in the supply chain, revenue would have been even higher. The

higher revenue also increased the absolute margin. The relative margin came under pressure (temporarily) from higher material and transport prices, which could not be passed on to the customers on current projects or only with a delay. In new projects, these price rises are of course passed on.

The depreciation level for Industrial Systems in 2021 was lower due to one-off depreciation in 2020 and fewer investments last year. The absolute costs were lower in 2021, which, together with the high revenue, led to an EBIT of €17.5 million, considerably higher than in 2020. The EBIT margin of 13.2% is also considerably higher than last year. EBITDA more than doubled. At Industrial Systems, we invested more than in 2020, especially in IT.

Financial result for Plastic Components

x € 1,000	2021	2020
Revenue	127,435	115,639
Gross margin	73,938	66,027
Depreciation	8,192	7,819
Investments	4,605	4,831
Operating result	7,031	2,747
Operating result (%)	5.5%	2.4%
EBITDA	15,223	10,566
Average number of FTEs	782	816

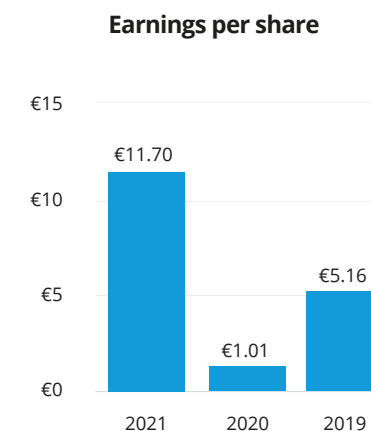
At €127 million, Plastic Components revenue in 2021 was 10% higher than in 2020, despite chip problems. The decision to discontinue Polmer's operations in 2021 reduced turnover there by €3 million. Adjusted for this, revenue would have increased by 12.6%. The Mobility market, in particular, has shown strong recovery. Revenue per FTE increased by 15%, from €142 thousand to €163 thousand per FTE.

Despite higher raw material prices, the margin rose from 57.1% to 58% due to a better product mix.

As a result of higher revenue, a better margin and lower general costs as a percentage of revenue, the operating result amounts to €7.0 million, or 5.5% of revenue and €4.3 million higher than in 2020. At Polmer, a negative operating result of EUR 1.6 million was incurred, including non-recurring costs relating to the discontinuation of activities. Excluding the Polmer business, the operating result would have been 7.2% of revenue. Because of the uncertainty surrounding the Covid-19 pandemic, Plastic Components companies are still investing cautiously. However, a new ERP system was taken into use at Helvoet Nederland. The number of FTEs fell in 2021.

Proposed dividend

Earnings per share in 2021 amounted to €11.70 (2020: €1.01). The proposal to the General Meeting of Shareholders is to set the dividend for the 2021 financial year at €6.75 per share. This dividend payment is in line with the policy of paying out at least 40% of the result after tax, excluding non-recurring income. An interim dividend of €2.10 for 2021 was paid in August 2021. The remainder of €4.65 will also be paid out in cash. The net result after the dividend for 2021 will be added to the other reserves.



Outlook and expectations


Hydratec got off to a good start in 2022. The companies' market position remains strong, each in its own niche. As a result, we expect to pass on any continuing inflation, perhaps with a delay. The situation in Ukraine causes uncertainty. We do not expect any changes in our personnel, investment and financing policies in 2022. The order book is well-filled. In view of macroeconomic developments such as volatile exchange rates, trade restrictions, supply chain uncertainties, rising inflation and exceptional circumstances due to Covid-19, we do not consider it possible to make more concrete pronouncements about 2022.

Environment



Hydratec Industries' policy is to reduce our overall environmental impact by reducing, reusing and recycling raw materials and products along the Reduce - Reuse - Recycle axis. We actively seek opportunities to reduce our carbon footprint. This aspect will continue to increase in importance because our customers are imposing more stringent requirements in this regard. We intend to make our CO₂ emissions transparent and report on it in due course.

Electricity consumption
per €1,000 of revenue

143.79
kWh 

2020: 167.5

Gas consumption
per €1,000 of revenue

3.14
m³ 

2020: 3.68

Hydratec strives to minimise, and where possible prevent, any adverse environmental effects of its operations through preventive measures. We look at every stage of our production processes and the life cycle of our products. Some of our activities monitor the reuse of raw materials in the production process. We also offer solutions that lead to a more efficient production process or are less harmful to the environment. The risk we recognise in relation to the environment, environmental legislation and mitigating measures is shown in our risk matrix. In our customers' production chain, we are required to comply with environmental certifications.

Hydratec has set out the policy for energy and waste reduction and the transition towards sustainability in our code of conduct. Our policy is geared towards minimising our carbon footprint. When it comes to our partner relationships, we pursue a customer policy and an agent policy. Our companies individually take care of any aspects for which the group has not defined a formal policy. The group has not set any KPIs to measure these topics.

Reduce

There are several ways to prevent waste. One of them is to reduce the energy needed to manufacture products. For example, in 2021 Hydratec's gas and electricity consumption per euro of revenue fell. In 2020, we identified opportunities to reduce carbon emissions at our production sites in the Netherlands and largely implemented them in 2021. Examples include the use of LED lighting, improved controls and time clocks on heating and lighting, use of solar boilers and better insulation. We are cutting back on the use of materials and resources, also among our customers. For example, at Lan Handling Technologies, we developed a system in 2021 that allows our customers to dry packaging materials 'inline', as soon as they come out of the sterilisation boiler. This solution reduces energy consumption by 60% and has a 50% smaller footprint as the machine takes up less space.

Weight reduction is often a key design requirement, which significantly reduces the application's material and, in many cases, energy consumption. For example, Rollepaa Pipe Extrusion Technology supplies PVC-O systems to manufacture water pipes, which require up to 60% less PVC than traditional production systems. Pas Reform Hatchery Solutions reduces feed wastage by providing day-old chicks with food right from birth, allowing them to grow better on less feed. Helvoet and Timmerije pay ample attention to reducing waste flows during injection moulding. Better quality procedures and information use reduced the amount of waste by 10% in 2021 compared to 2020.

Reuse

In addition to reduction, we also focus on the more prolonged use of our products. We do this first and foremost by improving the quality of products to make them last longer than alternative systems and components. Furthermore, the Hydratec Industries companies do not produce disposable products. There is an exception for applications for the Health market, which are subject to strict rules on production and use. Where possible, we upgrade existing equipment so that it can be used for longer. For instance, new controls are delivered on older machine versions.

Recycle

One way of recycling is to feed waste in-house directly back into the production process so that fewer (virgin) materials need to be purchased. Wherever possible, we purchase recycled materials as raw materials for our products. To increase product recyclability knowledge, we aim to participate in the National Plastic Recycling Programme together with other innovative SMEs, industry and knowledge institutions. In collaboration with Swapfiets, the Dutch supplier of bicycle mobility, Timmerije worked in 2021 on a fully circular bicycle, of which all parts are made of recyclable plastic. Rollepaal supplies multilayer solutions where only the outer layer of the water pipe is made from virgin material and the inner layer from recycled material.

EU taxonomy

The first part of the EU taxonomy for environmentally sustainable activities came into force on 1 January 2022. Regulations require Hydratec's operations to be classified in the 2021 report. Eligibility in relation to the EU Taxonomy legislation was determined in 2021. With regard to revenues, we have determined the NACE codes for the operating companies and the extent to which the codes are included in Annex I and Annex II of the legislation. Based on the current legislation, none of the NACE codes of the operating companies are eligible.

The eligibility of Capex and Opex has also been determined. For Capex, eligibility is determined by dividing the investments into economic activities from Annex I and II (numerator) by the total investments in 2021 from Notes 1.29, 1.30 and 1.31 (denominator). For 2021 only the investments in solar panels for LAN Handling are eligible (8%). For the Opex, eligibility has been determined by dividing the cost of economic activities from Annex I and II (numerator) by the total operating costs from Note 1.27, including freight costs included in the consumption of materials and consumables (denominator). The transport costs (freight) are eligible for all operating companies. The degree of eligibility is shown in the table below:

		NACE Code	Revenue	Capex	Opex
Industrial Systems	Lan	28.22	0%	8%	21%
	Pas Reform	28.99	0%	0%	25%
	Rollepaal	28.86	0%	0%	2%
Plastic Components	Helvoet	22.29/22.19	0%	0%	7%
	Timmerije	22.29	0%	0%	17%

Social

Code of Conduct

Each operating company has a Code of Conduct, which employees and management undertake to uphold. These codes relate to health, safety, the environment, human rights, bribery and compliance with legislation and regulations. Hydratec Industries' core values form the guiding principle in all these Codes of Conduct.

Hydratec's human rights policy is to minimise the risk of any direct or indirect negative impact on the community. As laid down in the Universal Declaration of Human Rights, we respect human rights and strive to ensure that they are not violated. Human rights violations impact on an individual's privacy and also have consequences for Hydratec's reputation with customers, suppliers, or (new) employees. Given its risk profile, Hydratec does not have generic indicators in this area. The same human rights standards apply to our foreign branches and our agents. No reports of human rights violations have been made or are known about at Hydratec.

Hydratec's policy on the topics of customer satisfaction, employee engagement, meaningful work, and transparent operations has been laid down in the Hydratec code of conduct. This code of conduct is available on the Hydratec website. When it comes to our partner relationships, we pursue a customer policy and an agent policy. Codes of conduct are signed by our employees and agents. Our companies individually take care of any aspects for which the group has not defined a formal policy. The group has not set any KPIs to measure these

topics. Our whistleblower scheme offers customers, employees and other stakeholders a way to report any abuses. Details of this scheme are available on our website.

Mitigating measures taken under the anti-corruption and anti-bribery policy are explained in the section on the 'legal' risk.

Our contribution to society

We have taken stock of how Hydratec Industries can contribute to the United Nations development goals for our own organisation. To do this, we compared the SDGs with our business operations, core business and our entire value creation process. We looked at which goals best align with our initiatives, objectives and strategy on the one hand, and the expectations of our stakeholders on the other. We used this method to identify four development goals that Hydratec focuses on.



SDG 2: Zero hunger

Food production must increase without damaging ecosystems. Innovations and standardisation furthermore enable us to generate more output in the food production process. Our companies enable the efficient production of uniform, robust day-old chicks, which means that fewer raw materials are needed for food production.



SDG 3: Good health and well-being

More attention needs to be paid to research into vaccines and medicines. Our Plastic Components segment collaborates intensively with customers to develop efficient applications in diagnoses and vaccines.



SDG 6: Clean water and sanitation

Clean drinking water and clean sanitary facilities have a positive effect on other Global Goals, such as food safety, education and health. In our Industrial Systems segment we develop and supply systems for producing water supply lines. Better infrastructure ensures that clean drinking water can reach remote places and improve hygiene.



SDG 8: Decent work and economic growth

We focus a lot of attention on entrepreneurship, creativity and innovation at all our offices worldwide. We oppose modern slavery, people trafficking and forced labour, including child labour and child soldiers, by observing our Code of Conduct.



SDG 12: Responsible consumption and production

We promote the clean and efficient production of goods by substantially limiting waste production through prevention, reduction and reuse. For instance, sterilisation gives food a longer shelf life, thereby preventing waste. Our innovations and continuous improvement programmes enable our companies and their customers to be more efficient by producing more with less.

Vitrex, Vierpolders

Helvoet manufactures precision injection moulded components and assemblies in plastic and rubber for a global customer base. One of its customers in the medical market is Vitrex, part of BVI Medical. Following intensive collaboration in the development phase, Helvoet supplies various products for eye surgery instruments.



Corporate Governance



Meeting of Shareholders

Hydratec Industries NV is a two-tier company and has only issued ordinary shares. No special control rights are linked to the shares and Hydratec Industries has taken no special protection measures against hostile take-overs. A General Meeting of Shareholders is held at least once a year at which all 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 share capital are entitled to ask the Management Board or the Supervisory Board to add particular items to the agenda. Important Board resolutions which could change the company's identity or nature must be approved by the General Meeting of Shareholders. The company's articles of association are published on the Hydratec Industries website, as are the main tasks and authorities assigned to the General Meeting of Shareholders, the Supervisory Board and the Management Board.

The articles of association (available on the website) also contain the regulations regarding the appointment and dismissal of members of the Management Board and the Supervisory Board and amendments to the articles of association. The Shareholders' information article provides a list of shareholders who hold over 3% of shares, which must be disclosed to comply with the Dutch Financial Supervision Act.

Purchase and issue of company shares

Under the provisions of the Articles of Association, the Management Board is only authorised to purchase and issue shares if the General Meeting of Shareholders designates it as the body authorised to do so. This designation took place at the General Meeting of Shareholders on 26 May 2021. The Management Board is designated as the body authorised to issue ordinary shares in the capital of Hydratec Industries NV and grant rights to subscribe to shares in said capital. The authority of the Management Board is limited to the issue of ordinary shares up to a maximum of 10% of the issued share capital at the time of issue. The duration of the requested authorisation is for 18 months, starting on 26 May 2021. A resolution of the General Meeting of Shareholders to issue shares, to designate another body authorised to issue shares or to revoke a designation resolution can only be adopted on the joint proposal of the Supervisory Board and the Management Board. The General Meeting of Shareholders has not authorised any parties to repurchase shares.

Corporate governance statement

The Supervisory Board and the Management Board endorse the principles of good corporate governance and Hydratec Industries complies with the provisions set out in the Dutch Corporate Governance Code. Key concepts such as transparency and accountability to shareholders form the basis for our policy. There were no conflicting interests during the financial year. The points on which the company deviates from the code:

- ▶ Due to its size, the company does not have an internal audit function (§ 1.3).
- ▶ Mr E. ten Cate (Chair of the Supervisory Board) does not meet the independence criteria as defined in the code, as members of his immediate family hold over 10% of the shares (§2.1.) and, in the past, Mr E. ten Cate was a member of the Management Board of the company (§2.1.9).
- ▶ Hydratec Industries' opinion is that its Supervisory Board members' experience and knowledge of the company are an important basis for their performance and should be the deciding factor in determining the length of their term of office. No maximum term of office applies to Supervisory 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.i).
- ▶ Webcasting of presentations to investors and analysts is not provided as Hydratec Industries is an AuctionFund (§ 4.2.3).

Composition of the Management Board and Supervisory Board

Our aim is to achieve a balance in all managerial positions and Management Board positions. This means that at least 30% women are appointed to the Management and Supervisory Boards. During the year, the Management Board of Hydratec Industries comprised one woman and one man. The Supervisory Board comprises one woman and two men. The personal information of Management Board and Supervisory Board members is provided in the Personal details article.

Remuneration

Remuneration policy

The Supervisory Board of Hydratec Industries NV applies a remuneration policy to the Management Board of the company that is based on the following:

- ▶ Remuneration of the Management Board must enable good managers to be recruited and retained.
- ▶ The remuneration policy must be consistent with the company's corporate governance policy.
- ▶ Remuneration may not contain any incentives that serve the recipient's own interests and which conflict with the company's interests.
- ▶ Remuneration must reflect the strategic and financial targets and must be performance-based, with a good balance between short and long-term results and targets.

The remuneration policy for Hydratec Industries' Management Board was approved by the General Meeting of Shareholders held on 26 June 2020. The actual remuneration of the Management Board is determined by the Supervisory Board. Management Board salaries depend partly on the operating result, by means of a variable remuneration scheme compiled as follows:

- ▶ the decision to award the variable remuneration is taken in March when the annual figures are discussed;
- ▶ the variable remuneration is capped at 50% of the fixed salary and calculated as follows:
 - ▶ 50% of variable remuneration is dependent on personal targets. The targets are focused on both the company's and the relevant board member's long-term development, as well as on increasing contract quality and added value and raising awareness across the segments. No predefined KPIs have been adopted. KPIs for the awarding of variable remuneration are adopted at the discretion of the Supervisory Board;
 - ▶ 50% of variable remuneration is dependent on the consolidated operating result (EBIT). The following ranges apply here:
 - ▶ In case of an EBIT <5% there is no bonus payment.
 - ▶ In case of an EBIT of more than 7%, the maximum variable bonus is paid.
 - ▶ In the case of an EBIT between 5% and 7%, this is determined proportionally.

After the bonus is awarded, the Management Board has the option of converting half of the variable remuneration into Hydratec Industries shares as part of the shareholding programme. If the Management Board decides to do so, the variable remuneration is increased by 25% as an incentive to bind the Management Board to the company for the longer term. The shares are then issued on conversion at the average price during January and February and may not be sold for a period of three years.

Any severance payments comply with the requirements of the Dutch Corporate Governance Code and will therefore not amount to more than one year's salary. The pension plan for the Management Board includes a threshold amount above which members are required to make a personal contribution. The Supervisory Board regularly assesses the Management Board's actual salaries against the remuneration policy and makes adjustments where necessary. The 2021 remuneration policy will be submitted for adoption to the shareholders' meeting in 2022.

Remuneration report for 2021

The objective of the total remuneration package is that the total remuneration is commensurate with the level and complexity of the responsibilities. It must also be sufficiently competitive. The remuneration package should be based on the duties and responsibilities that the board under the articles of association and

its members have towards the company. The internal wage structure is used as a reference and the outcome is compared with the external market. For this purpose, the Supervisory Board compared the remuneration with that of Dutch listed companies of a similar size and complexity. Given the differences between companies, the Supervisory Board determined the remuneration autonomously.

The Management Board members' annual fixed salary in 2021 was based on the principles above. The fixed salaries are periodically index-linked to inflation. No loans were issued or severance payments made in 2021, nor were there any clawbacks of previously awarded variable remuneration.

The 2020 remuneration report was approved by a majority of votes at the General Meeting of Shareholders on 26 May 2021.

This 2021 remuneration report will be submitted to the 2022 General Meeting of Shareholders for an advisory vote. This will provide accountability for the implementation of the remuneration policy in the 2021 financial year. The Supervisory Board will take this advisory vote into account and will make an announcement in the 2022 remuneration report.

Remuneration of the Management Board and the variable remuneration awarded for the 2021 and 2020 financial years are specified on the following page. The Supervisory Board expressed its view that the

Management Board achieved positive results in 2021 and successfully guided the company through the further course of the Covid-19 crisis. The Management Board has stated an intention to join the share participation plan.

In determining the variable income for 2021, the Supervisory Board considered the following:

- ▶ Despite the ongoing Covid-19 pandemic, Hydratec performed well and showed good growth.
- ▶ The companies' supply chain has been further improved, resulting in higher added value.
- ▶ Economic and strategic challenges have been appropriately mitigated to strengthen margins in 2021 and the coming years and increase awareness within the segments.

The remuneration of the Management Board increased substantially in 2021 because no variable remuneration was granted in 2020 in connection with NOW.

The ratio of the average full-time salary for management relative to that for Hydratec Industries employees working in the Netherlands is 8.4 (2020: 4.8).

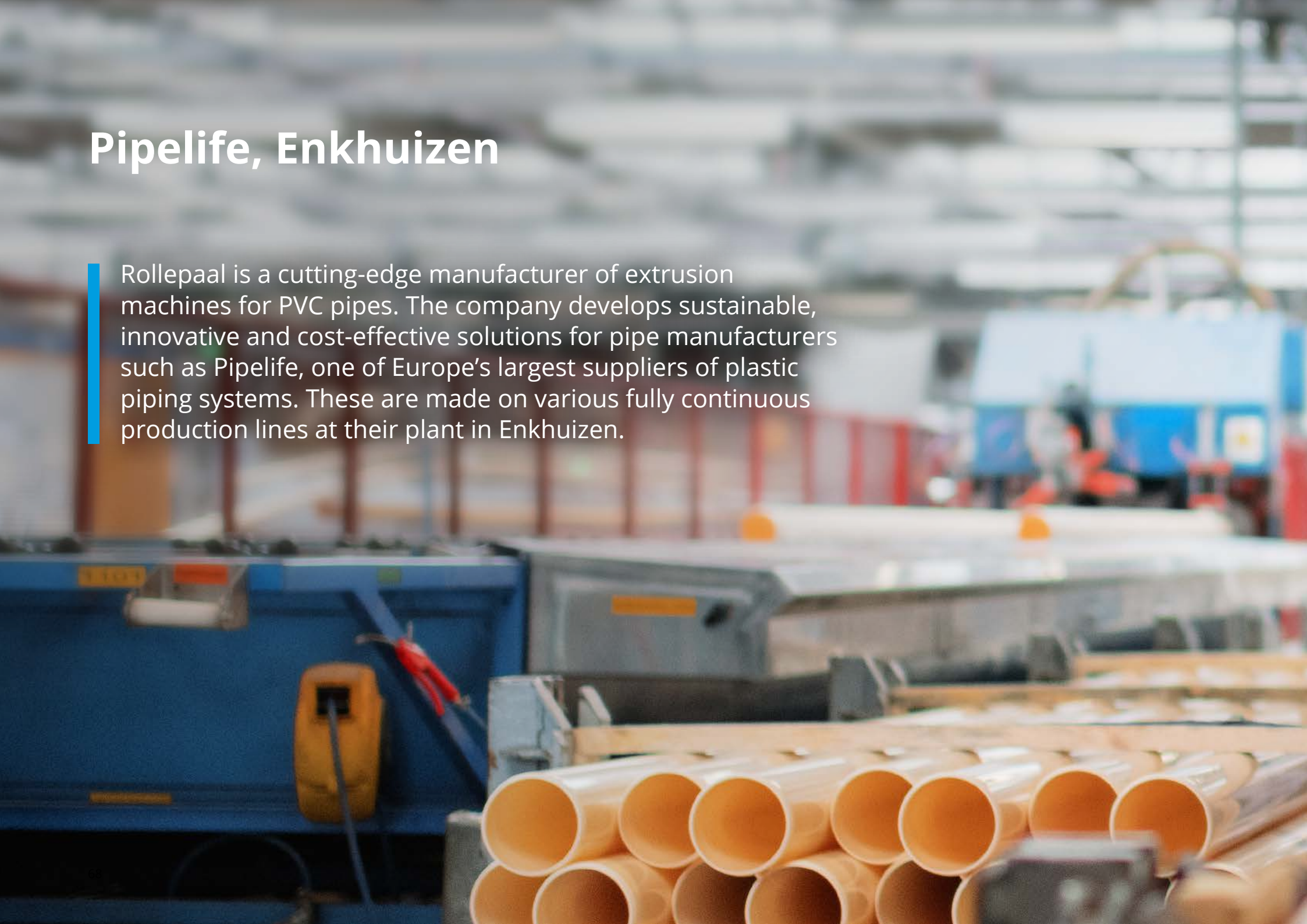
Remuneration of members of the Management Board

x € 1,000	Fixed basic remuneration		Pension contribution		Performance remuneration		Other remuneration*		Total remuneration		Variable as % of fixed remuneration	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
B. Aangenendt	304	272	26	26	191	-	3	2	524	300	36.45%	0.00%
E. Slijkhuis	207	164	22	22	129	-	4	4	362	190	35.64%	0.00%
Total	511	436	48	48	320	-	7	6	886	490		

* Concerns the tax expense for private use of a lease car and an expense allowance because this can be seen as (indirect) remuneration.

Pipelife, Enkhuizen

Rollepaal is a cutting-edge manufacturer of extrusion machines for PVC pipes. The company develops sustainable, innovative and cost-effective solutions for pipe manufacturers such as Pipelife, one of Europe's largest suppliers of plastic piping systems. These are made on various fully continuous production lines at their plant in Enkhuizen.





The Management Board under the articles of association receives employment terms appropriate to the position and responsibilities. In general, the other terms of employment of the Management Board are in the same range as those of other employees, such as the company car scheme. The entire remuneration policy was discussed and considered when the remuneration was being set.

As at the balance sheet date, Mr Aangenendt held 71,225 shares and Ms Slijkhuis held 138 shares. This number includes shares subject to a 3-year lock-up period.

The table below shows the salaries of the Management Board in the last five years in relation to the revenue, the operating result, the number of FTEs and the average salary of all employees in the group:

x € 1,000	2021	2020	2019	2018	2017
Remuneration management board					
B. Aangenendt	524	300	341	392	355
E. Slijkhuis	362	190	212	54	-
M. van den Burg	-	-	-	89	219
Corporate results					
Revenue	257,297	217,550	219,607	208,388	169,323
Operating result	22,027	3,342	10,240	8,930	8,311
Fte per year end	1,419	1,575	1,770	1,531	1,036
Average remuneration employees					
Employees	52	51	46	48	56
Remuneration ratio management/ employees	8.4	4.8	6.0	3.7	5.1

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is approved by the General Meeting of Shareholders. The remuneration is not dependent on the company's results and the members of the Supervisory Board are not paid in shares or share options. The General Meeting of Shareholders set this remuneration at €30 thousand a year for each member of the Supervisory Board on 26 May 2021. The change in remuneration took effect from July 2021.

The remuneration of the Supervisory Board in the last 5 years was as follows:

x € 1,000	2021	2020	2019	2018	2017
E. ten Cate	25	19	19	19	19
M.E.P Sanders	25	19	19	19	19
P. Veenema	15	-	-	-	-
J.E. Vaandrager	10	19	19	19	19
H.A.A. Kienhuis	-	-	-	-	10
Total	74	57	57	57	67

As at the balance sheet date, Mr Ten Cate held 7,130 shares. The other members did not hold any shares at the balance sheet date.

Risk management

Risk management is an essential part of Hydratec Industries' business strategy. The overriding objective is to identify and mitigate risks with a potential major impact on our achieving our strategic and financial goals, and therefore on the overall value of our business. Hydratec Industries has a culture of entrepreneurship where employees' personal responsibility, independence and ownership come first. We are always seeking a balance between our entrepreneurial spirit and risk-taking. An effective risk management system is crucial in this regard. Final responsibility for risk management lies with the Management Board. By making risks visible, measures can be taken to manage them. The Management Board, management, Audit Committee and Supervisory Board ensure a culture in which everyone feels free to deal with risks responsibly.

Strategic and operational decisions are targeted at creating sustainable value. This prevents decisions being made that serve only short-term gains and destroy value in the longer term. The benefit of this approach is that it ensures that risk management is solidly integrated into and inextricably linked to operations. The risk assessment system is evaluated every year during the strategic evaluation with the Supervisory Board to check that the system continues to perform adequately or whether it requires adjustments.

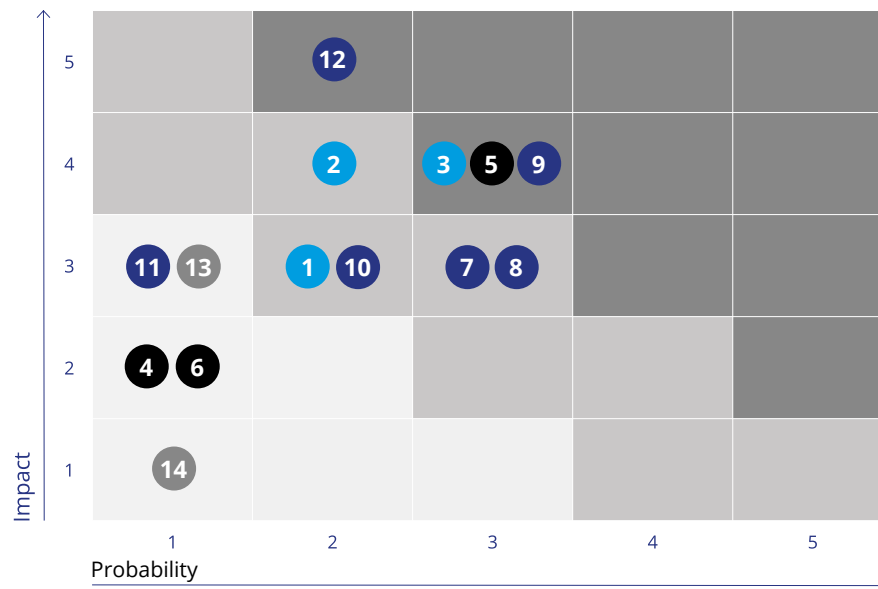
The main risks are identified and placed in four categories: strategic, operational, financial and compliance.

- ▶ We have estimated the possible impact of each risk or risk area on the organisation and the likelihood of the risk occurring. The impact involves financial and non-financial factors. It is the Management Board's job to balance business opportunities against the expectations and interests of shareholders, employees, finance providers, regulators and other stakeholders.
- ▶ Our risk appetite is subsequently disclosed for each category. We explicitly look for a balance between acceptable risk and entrepreneurship in the context of long-term value creation.

- ▶ And finally, we have indicated the measures we take for each risk to arrive at the acceptable risk. These measures have been further improved to mitigate risks to an acceptable level.

Risk assessment

To provide a schematic overview of our risks, an estimate of the impact and likelihood of each risk or risk area is provided in the graph below. The risks have both a financial and a non-financial impact.



Strategy

- 1 Markets & geopolitics
- 2 Technology & innovation
- 3 M&S agenda

Financial

- 4 Currency
- 5 Resources
- 6 Reporting

Operational

- 7 Project management
- 8 IT & security
- 9 Personnel
- 10 Economic crisis/pandemic
- 11 Environmental legislation
- 12 Product liability

Compliance

- 13 Legislation
- 14 Fiscal matters

Risk appetite

Hydratec specifically tries to strike a balance between acceptable risk on the one hand and entrepreneurship and long-term value creation on the other. Hydratec Industries' risk appetite in terms of product development and commercial initiatives is moderate to high, but when it comes to compliance with legislation and regulations, its risk appetite is low. Our risk appetite for each risk category:

Category	Risk appetite
Strategic	High
Financial	Low
Operational	Average
Compliance	Low

Measures to mitigate risks

To align the risks to be run by Hydratec with the risk appetite, the following measures have been taken per risk. The risks are grouped into the four categories mentioned above.

Strategy

Risk	Name	Description	Mitigating measures
1	Market & geopolitics	Economic and geopolitical developments affect the implementation of the strategy, financial position and the results.	<ul style="list-style-type: none"> • Spread operations across several companies, products and countries. • Flexible cost structure. • Maintain a strong financial balance sheet.
2	Technology & innovation	Insufficient technological development and innovation.	<ul style="list-style-type: none"> • Ongoing attention to and resources for innovating and implementing the R&D roadmap. • Focus on food, health and mobility.
3	M&A agenda	Unsuccessful integration and/or operation of businesses acquired.	<ul style="list-style-type: none"> • Procedures and guidelines for implementing the due diligence process. • Fast integration and harmonisation in the reporting and management systems and of business processes. • Exchange of knowledge.

Financial

Risk	Name	Description	Mitigating measures
4	Currency	Volatility of currencies putting profit margins under pressure.	<ul style="list-style-type: none"> • Hedging currency risks by means of forward exchange contracts.
5	Raw materials	Limited availability of raw materials and volatility of raw material prices.	<ul style="list-style-type: none"> • Offset price movements in selling price as much as possible. • Strategic procurement from several suppliers.
6	Reporting	Risk that financial reporting contains material misstatements.	<ul style="list-style-type: none"> • Internal procedures and guidelines for internal and external financial reporting. • Education and training.

Operational

Risk	Name	Description	Mitigating measures
7	Project management	Risk that projects are not delivered consistent with specifications, agreements and planned margins.	<ul style="list-style-type: none"> • Invest in qualified staff. • Educate and train staff. • Guidelines and procedures for project management and project accounting.
8	IT & Security	Risk of breaching availability, confidentiality and integrity of data (including IP).	<ul style="list-style-type: none"> • IT control framework. • Exchange of knowledge between various IT managers. • Strict procedures when systems fail or malfunction. • Ongoing attention to cybersecurity and awareness among employees.
9	Personnel	Shortage of well-qualified staff, inability to retain qualified staff and high absenteeism.	<ul style="list-style-type: none"> • Talent management programme and personnel management. • Educate and train staff. • Use good reputation to recruit talent. • Partnership programmes with educational institutes.
10	Economic crisis/ pandemic	The global pandemic may lead to governments imposing new/more restrictions and to less willingness to invest.	<ul style="list-style-type: none"> • Flexible cost structure. • Internal efficiency and cost-saving programmes. • Product development to make replacement investments more attractive to customers.
11	Environmental legislation	Producing and processing plastic products entails risks to the environment.	<ul style="list-style-type: none"> • Concrete plans of action pertaining to preventive measures. • Internal guidelines pertaining to complying with environmental legislation.
12	Product liability	Faults in the production process or technology which may lead to a loss of quality and discontinuity.	<ul style="list-style-type: none"> • Strict quality standards and certification. • Risk Identification and Assessment. • Fire insurance.

Compliance

Risk	Name	Description	Mitigating measures
13	Legal	Loss or damage (including reputational) due to being in breach of the law and regulations, including in matters relating to export and sanction regulations, unfair competition, fraud, agents' guidelines, bribery and corruption.	<ul style="list-style-type: none">• Internal compliance guidelines (e.g. agents).• UBO and background checks.• Agreements with agents.• Code of conduct for agents.• Audit of beneficiaries of fees for agents.• Regular workshops on the risk of fraud.• Code of conduct for all personnel.
14	Taxation	Loss or damage (including reputational) due to being in breach of tax laws and regulations.	<ul style="list-style-type: none">• Monitoring compliance and development of tax laws and regulations.• Making use of external tax consultants.• Tax Control Framework.

In control statement

In line with the best practice provision 1.4.3. of the Code, the Management Board declares to the best of its knowledge that:

- ▶ the management report provides sufficient insight into the operation of the internal risk management and control systems, see the risk management section on pages 56-60;
- ▶ these systems provide reasonable assurance that the financial reporting is free from material misstatement, see the risk management section on pages 56-60;
- ▶ it is justified that the financial reporting is prepared on a going concern basis, see section 1.1.3 on page 77; and
- ▶ the management report contains material risks and uncertainties that are relevant to the going concern assumption for a period of 12 months after the management report was prepared, see section 1.1.3 on page 77.

Material inaccuracies, fraud, or unlawful acts can occur despite the internal risk management and control systems. The systems therefore do not provide absolute certainty that objectives will be achieved, but are designed so that financial reporting is free from material misstatement.

In addition, in line with Article 5:25c of the Dutch Financial Supervision Act and to the best of their knowledge, the Management Board declares that:

- ▶ the financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the company and of its consolidated companies;
- ▶ the report of the Management Board provides a true and fair view of the situation as at the balance sheet date, the company's progress during the financial year and that of its associated companies, the results of which are included in the financial statements. The report of the Management Board describes the actual risks the company faces.

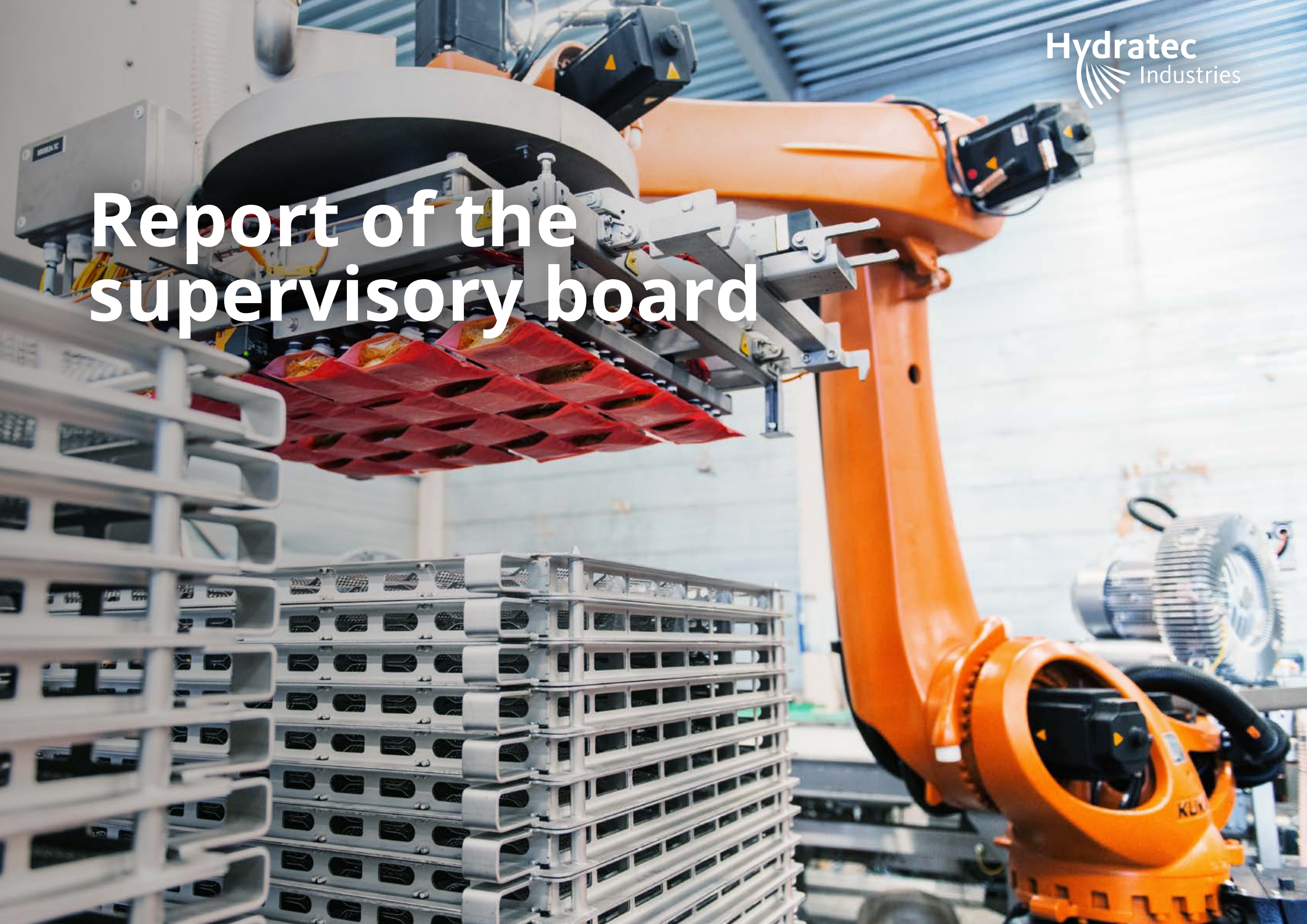
Amersfoort, 17 March 2022

Management Board

B.F. Aangenendt, CEO

E.H. Slijkhuis, CFO

Report of the supervisory board



The past year

2021 was a good year for Hydratec Industries NV. However, the Covid-19 crisis created uncertainties for our operations. Consolidated revenue increased organically by 18%. Both segments significantly improved their results and achieved positive operating results, but at both Industrial Systems and Plastic Components they were affected by rising procurement and raw material prices over the course of the year. Despite the challenges in 2021, Hydratec Industries NV achieved a positive result, the best in the company's history. The consolidated operating result in 2021 was €22.0 million, with a net profit of €15.1 million compared to €1.3 million in 2020.

Annual report

We are pleased to present the 2021 annual report of Hydratec Industries NV prepared by the Management Board, which includes the financial statements. These financial statements were audited by Ernst & Young Accountants LLP and were discussed with the Management Board on 3 March 2022 in the presence of the auditor. The unqualified audit report can be found here. We therefore believe that the annual report meets the requirements of transparency and constitutes an adequate basis on which the Supervisory Board can account for its supervision. We propose that the financial statements should be adopted, the dividend proposal

accepted and that discharge should be granted to the Management Board in respect of its management and to the Supervisory Board in respect of its supervision.

Composition of the Supervisory Board

The personal information about the Supervisory Board can be found here. The Supervisory Board's profile is published on the company's website. Ms Sanders was reappointed for a four-year period at the General Meeting of Shareholders on 26 May 2021. Mr Veenema was appointed for a four-year period at that meeting. We welcome the arrival of an experienced Supervisory Board member with extensive experience in the manufacturing industry.

The members of the Supervisory Board have varied backgrounds and experience. One Supervisory Board member has held various positions in business during his career, finishing his active career as a member of the Management Board and CEO of a listed group of companies in the manufacturing and production industry. The second member of the Supervisory Board has extensive experience as an entrepreneur and as a member of various companies' supervisory boards. The third member of the Supervisory Board is an experienced entrepreneur who was furthermore closely involved for many years in the development of Hydratec Industries into its current proportions.

The Supervisory Board considers that this variety in terms of experience and background produces sufficient diversity. The current composition is a good balance between the required skills, relevant knowledge and experience, allowing the Board to operate critically. The composition of the Board meets the legal requirements on gender diversity. Mr E. ten Cate does not meet the independence requirements as described in the Corporate Governance Code. The board as a whole does meet the requirements for independence. This enables us to properly perform our statutory duty of supervising and advising the management.

Supervision

Each month, the Board is informed of the operational course of business within the company by means of a financial report with explanatory notes from the Management Board. We also receive a quarterly comprehensive report on the developments of the previous three months and on the progress and achievements in relation to the annual budget and goals. Conclusions and action points are formulated and addressed at the next meeting. Each year, we discuss the strategy for the coming years with the company managements during a strategy day. The Supervisory Board met the Management Board six times in 2021 according to a fixed schedule, and all members of the Supervisory Board were present at each meeting.

The risk profile, risk management system, strategy, activities and measures taken to mitigate these risks were reviewed during the year. Finally, the effectiveness of the design and the operation of the internal risk management and control systems were evaluated.

The Supervisory Board is of the opinion that Hydratec's risk profile has declined. Liquidity risk was reduced in 2021, after a challenging 2020. This is demonstrated by the fact that bank covenants have been changed to the pre-2020 situation.

Prior to the General Meeting of Shareholders on 26 May 2021, the Supervisory Board discussed, without the presence of the Management Board, its own performance, the performance of the Management Board (both as a whole and of the individual members) and the remuneration of the Management Board. In evaluating their own performance, various subjects were addressed, including the time and attention devoted by all members, how the supervisory function is carried out, the division of roles and the composition of the Supervisory Board in terms of independence, expertise, competences and experience. The Management Board was evaluated in a meeting between the Supervisory Board and the Management Board. As a result of the evaluation, the Audit Committee's supervisory role was changed in 2021, and it meets independently. If required, the Board will meet before the start of the meeting when the Management Board is not present.

Audit Committee

The Audit Committee consists of Ms Sanders and Mr Veenema. It monitors annual figures, the statutory audit of annual figures, the administrative organisation and reporting process, the results of internal control and risk management systems, auditor independence and the auditor selection process, and periodically holds talks with managers and other employees of companies to gain a clear image of the developments in the market and in the companies and segments. Hydratec does not have an internal audit department or function, which has to do with its size and approach. The committee met on five occasions in 2021 according to a fixed schedule, and all members were present at each meeting.

Hydratec has a culture of entrepreneurship where employees' personal responsibility, independence and ownership come first. It is a widely held belief within the organisation that this ensures optimum risk management.

However, opportunities have been identified to apply the knowledge and experience available within the organisation more broadly to the effectiveness and efficiency of the established control processes. Audits of the segments are carried out periodically by the Group. They address identified vulnerabilities in risk management. The results are reported to the Supervisory Board and the Audit Committee. The Supervisory Board, Audit Committee and Management Board check annually whether adequate alternative measures have been taken.

At the meeting held on 26 May 2021, EY was appointed to audit the financial statements for 2021, 2022 and 2023. The Supervisory Board held consultations with the external auditor twice in 2021, once without the entire Management Board. The external auditor's work was assessed and the audit plan approved.

Composition of the Board of Directors

No changes took place in the Management Board of Hydratec Industries NV in 2021. Mr B.F. Aangenendt is CEO, Ms E.H. Slijkhuis RA is CFO.

The Supervisory Board compliments the Management Board, the management teams and all employees for the outstanding results and is grateful for their commitment, motivation and ambition in 2021.

Amersfoort, 17 March 2022

Raad van commissarissen

E. ten Cate (Chair))

M.E.P. Sanders (Vice-Chair)

P. Veenema

Historical summary

Amounts in thousands of euros,
unless stated otherwise

	2021	2020	2019	2018	2017
Statement of profit or loss					
Net revenue	257,297	217,550	219,607	208,388	169,323
Operating result	22,027	3,342	10,240	8,930	8,311
Net result	15,133	771	6,635	8,507	7,129
Net result for shareholders	15,118	1,301	6,635	8,507	7,129
Cash flow					
Cash flow from operating activities	33,664	22,946	7,170	9,510	13,962
Cash flow from investing activities	-6,661	-4,576	-31,695	-15,010	-8,000
Cash flow from financing activities	-26,568	-16,031	-4,979	2,063	-334
Net cash flow	435	2,339	-29,504	-3,437	5,628
Balance sheet					
Shareholders' equity attributable to Hydratec shareholders	76,082	63,079	62,700	59,189	53,399
Shareholders' equity	76,261	63,240	63,200	59,189	53,399

Amounts in thousands of euros,
unless stated otherwise

	2021	2020	2019	2018	2017
Key ratios					
Operating result as % of revenue	8.6%	1.5%	4.7%	4.3%	4.9%
Profitability of capital invested ¹	15.1%	0.7%	6.9%	9.6%	11.8%
Profitability of shareholders' equity ²	21.7%	2.1%	10.9%	15.1%	14.0%
Solvency ³	35.7%	31.8%	29.5%	35.3%	38.6%
Information per ordinary share (in euros)					
Operating result ⁴	17.05	2.59	7.96	6.96	6.52
Shareholders' equity attributable to Hydratec shareholders	58.89	48.92	48.73	46.13	41.92
Earnings per share from continuing operations	11.71	2.74	5.16	6.63	5.60
Earnings per share including discontinued operations, excluding third parties	11.70	1.01	5.16	6.63	5.60
Earnings per share including discontinued operations of third parties		-0.41			
Earnings per share including discontinued operations	11.71	0.60	5.16	6.63	5.60
Dividend per share	6.75			2.70	2.25
Price at year-end	74.5	54.0	68.5	63.0	55.0
Lowest price	54.0	41.2	64.5	54.0	44.1
Highest price	79.0	70.0	78.0	74.0	64.0
Other information					
Average number of employees	1,151	1,255	1,147	956	787
Net revenue per employee	223.5	173.3	191.5	218.1	215.1
Wage costs per employee (not including temps and NOW scheme)	52.5	51.6	48.3	52.5	56.2

¹ Net result excluding non-recurring income and interest expenses as a percentage of capital invested (total assets less cash and cash equivalents less current, non-interest-bearing debts).

² Net result excluding non-recurring income as a percentage of the average shareholders' equity attributable to Hydratec shareholders.

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

⁴ Continuing operations.

Financial report



Consolidated statement of profit or loss

x € 1,000	Note	2021	2020
Net revenue	1.23	257,297	217,550
Material usage and consumables *		-123,273	-102,356
Wages, salaries and temporary staff	1.25.1	-56,635	-56,274
Social security contributions and pensions	1.25.2 / 1.29 / 1.30	-13,108	-12,436
Depreciation of non-current assets	1.31 / 1.29 / 1.30	-11,606	-12,052
Impairment	1.31	-569	-2,286
Other operating costs	1.27	-30,079	-28,804
Total operating costs		-235,270	-214,208
Operating result		22,027	3,342
Financial income	1.24.1	76	1,701
Financial expenses		-1,479	-1,774
Result before tax		20,624	3,269
Taxes	1.28	-5,491	265
Net result from continuing operations		15,133	3,534
Net result from discontinued operations		-	-2,763
Net result		15,133	771
Net result attributable to:			
Shareholders		15,118	1,301
Third parties		15	-530
Weighted average number of shares attributable to shareholders		1,291,875	1,289,557
Earnings per share attributable to shareholders:			
Earnings per ordinary share (in euros)		11.70	1.01
Diluted earnings per ordinary share (in euros)		11.72	1.01
Earnings per share from continuing operations:			
Earnings per ordinary share (in euros)		11.70	2.74
Diluted earnings per ordinary share (in euros)		11.72	2.74

* In the comparative figures, the changes in inventories of finished goods and contract assets/liabilities are classified under Material usage and consumables.

Consolidated statement of comprehensive income

x € 1,000	2021	2020
Net result	15,133	771
Elements which may be recognised in the statement of profit or loss in future		
Cash flow hedges – adjustment to fair value (incl. taxation)	133	62
Foreign activities – currency translation differences	220	-1,168
	353	-1,106
Elements which will not be recognised in the statement of profit or loss in future		
Pension	-1	-5
	-1	-5
Total unrealised results	352	-1,111
Comprehensive income after tax	15,485	-340
Comprehensive income attributable to:		
Shareholders	15,467	196
Third parties	18	-536

Consolidated balance sheet as at 31 December

Before appropriation of result

x € 1,000	Note	2021	2020	x € 1,000	Note	2021	2020
ASSETS				LIABILITIES			
Intangible fixed assets	1.29	27,967	27,544	Shareholders' equity attributable to Hydratec shareholders	1.38	76,082	63,079
Tangible fixed assets	1.30	61,033	64,279	Minority share		179	161
Lease assets	1.31	11,817	11,680	Total equity	1.38	76,261	63,240
Deferred tax assets	1.32	5,090	5,621	Personnel-related provisions	1.40	2,507	3,253
Financial fixed assets		24	172	Other provisions	1.40	2,448	2,314
Total fixed assets		105,931	109,296	Deferred tax liabilities	1.40.5	1,255	1,390
Contract assets	1.23.6	16,338	7,563	Borrowings and lease obligations	1.41.1	22,483	27,337
Inventories	1.33	32,871	26,211	Other financial instruments	1.41.2	610	889
Trade receivables	1.34	46,584	45,287	Total provisions and non-current liabilities		29,303	35,183
Corporate tax		446	613	Contract liabilities	1.23.6	41,748	28,736
Other taxes and social security contributions	1.35	1,916	1,560	Trade payables		20,306	17,154
Other receivables		2,138	1,975	Corporate tax		3,863	2,284
Accrued assets		1,327	1,473	Other taxes and social security contributions	1.42	2,045	3,001
Cash and equivalents	1.36	5,199	4,629	Borrowings and lease obligations	1.41.1	8,168	5,713
Total current assets		106,819	89,311	Bank current account	1.41.1 / 1.43	722	18,069
Assets held for sale	1.37	841	-	Other liabilities, accruals and deferred income	1.44	31,175	25,227
Total assets		213,591	198,607	Total current liabilities		108,027	100,184
				Total liabilities		213,591	198,607

Consolidated statement of changes in equity

x € 1,000	Note	Issued capital 1.38.1	Share premium 1.38.2	Translation reserve 1.38.3	Hedge reserve 1.38.4	Other statutory reserve 1.38.5	Other reserves 1.38.6	Unappropriated result 1.38.7	Attributable to Hydratec shareholders	Attributable to third parties	Shareholders' equity
Carrying amount as at 1 January 2020		580	6,041	-696	-384	299	50,225	6,635	62,700	500	63,200
Shareholder-related changes:											
• 2019 dividend distribution									-		-
• Participation plan share issue	1.25.3	1	99						100		100
• Share issue for acquisition of Pas Reform USA		1	88						89		89
Other changes:											
2019 result appropriation							6,635	-6,635	-		-
Capital contribution									-	191	191
Unrealised results											
Hedge reserve					62				62		62
Translation reserve				-1,168					-1,168		-1,168
Pension							-5		-5		-5
Realised results											
2020 net result								1,301	1,301	-530	771
Increase (decrease) in equity		2	187	-1,168	62	-	6,630	-5,334	379	-339	40
Carrying amount as at 31 December 2020		582	6,228	-1,864	-322	299	56,855	1,301	63,079	161	63,240
Shareholder-related changes:											
• 2020 dividend distribution									-		-
• 2021 dividend distribution							-2,715		-2,715		-2,715
• Participation plan share issue	1.25.3	1	43				150		194		194
• Share issue for acquisition of Pas Reform USA			57						57		57

	Note	Issued capital 1.38.1	Share premium 1.38.2	Translation reserve 1.38.3	Hedge reserve 1.38.4	Other statutory reserve 1.38.5	Other reserves 1.38.6	Unappropriated result 1.38.7	Attributable to Hydratec shareholders	Attributable to third parties	Shareholders' equity
x € 1,000											
Other changes:											
2020 result appropriation							1,301	-1,301	-		-
Capital contribution									-		-
Unrealised results											
Hedge reserve					133				133		133
Translation reserve				217					217	3	220
Pension							-1		-1		-1
Realised results								15,118	15,118	15	15,133
2021 net result											
Increase (decrease) in equity		1	100	217	133	-	-1,265	13,817	13,003	18	13,021
Carrying amount as at 31 December 2021		583	6,328	-1,647	-189	299	55,590	15,118	76,082	179	76,261

Consolidated cash flow statement

x € 1,000	Note	2021	2020	x € 1,000	Note	2021	2020
Result before tax		20,624	3,269	Dividend paid to Hydratec shareholders		-2,610	-
Adjustment for:				Repayment of non-current liabilities		-2,907	-3,311
• Depreciation		11,594	12,094	Repayment of lease liabilities		-3,777	-3,202
• Impairment		569	2,244	Long-term borrowings drawn		73	-
• Profit from sale (previously assets available for sale)		297	-290	Repayment/withdrawal from bank overdraft		-17,347	-8,197
Financial income and expenses		1,375	74	Acquisition of participating interests	1.24.1	-	-1,000
Movements in provisions		-474	2,009	Cash flow from discontinued operations*		-	-321
Changes in working capital:				Cash flow from financing activities		-26,568	-16,031
• Inventories		-6,306	2,915	Net cash flow		435	2,339
• Current receivables		-10,291	-16,284	Translation differences in cash balances		135	-655
• Current liabilities (excluding corp. tax liability and lease liabilities)		20,556	20,039	Movements in cash and cash equivalents		570	1,684
Total changes in working capital		3,959	6,670	Cash and cash equivalents as at 1 January		4,629	2,945
Financial expenses paid		-972	-1,202	Cash and cash equivalents as at 31 December		5,199	4,629
Income tax paid		-3,308	-313				
Cash flow from discontinued operations*		-	-1,609				
Cash flow from operating activities		33,664	22,946				
Investments in intangible fixed assets		-970	-1,635				
Investments in tangible fixed assets		-5,735	-3,632				
Investments in financial fixed assets		-40	-170				
Disposal of tangible fixed assets and assets available for sale		84	883				
Cash flow from discontinued operations*		-	-22				
Cash flow from investing activities		-6,661	-4,576				

* Cash flows from discontinued operations in the comparative figures are broken down into operating, investment and financing activities.

1.1 General

1.1.1 Introduction

Hydratec Industries N.V. (hereinafter referred to as Hydratec) has its registered office and principal place of business in Amersfoort, the Netherlands, and is registered with the Chamber of Commerce under number 23073095. The company's consolidated financial statements for the year ending 31 December 2021 comprise the financial statements of the company and all its subsidiaries (referred to jointly as 'the Group').

The Group comprised the following subsidiaries as at 31 December 2021:

Name	Business location
Timmerije B.V.	Neede, Netherlands
Lias Industries B.V.	Zeddam, Netherlands
Pas Reform B.V.	Zeddam, Netherlands
Pas Reform Participações LTDA	São Paulo, Brazil
Pas Reform do Brasil LTDA	São Paulo, Brazil
Windmolen Holding LTDA	São Paulo, Brazil
ION (54,5%)	São Paulo, Brazil
Pas Reform North America LLC	Jacksonville, US
Lias Vastgoed B.V.	Zeddam, Netherlands
Lan Handling Technologies B.V.	Tilburg, Netherlands
Lan Vastgoed B.V.	Tilburg, Netherlands
ABAR Automation B.V.	Halfweg, Netherlands
Lan Handling Solutions B.V.	Tilburg, Netherlands
Lan Robotics B.V.	Tilburg, Netherlands
Lan Services International B.V.	Tilburg, Netherlands
Polmer Sp. z o.o.	Wroclaw, Poland
Helvoet Rubber & Plastic Technologies B.V.	Tilburg, Netherlands
Helvoet Rubber & Plastic Technologies N.V.	Lommel, Belgium
Helvoet Services BVBA	Lommel, Belgium
High Technology Plastics (India) Pvt. Ltd.	Loni, India
Helvoet Rubber & Plastic Technologies GmbH	Gilching, Germany
Schwarzpunkt Schwarz GmbH & Co. KG	Gilching, Germany
Helvoet Polska Sp. z.o.o.	Kaniów, Poland
Rollepaal Pipe Extrusion Technology B.V.	Dedemsvaart, Netherlands
Rollepaal Inc.	Baltimore, US
Rollepaal Engineering India Pvt. Ltd.	Ahmedabad, India

Unless otherwise specified, the Group is the sole shareholder of these companies. All subsidiaries have the same reporting date as Hydratec and their financial year also ends on 31 December.

Please refer to the Profile section where Hydratec's company profile is given for a summary of the Group's activities.

The annual figures have been prepared by the Management Board and, following the approval of the Supervisory Board, were released for publication on 17 March 2022. The 2021 annual report and financial statements were discussed in the Supervisory Board meeting held on 16 March 2022 and will be presented to the General Meeting of Shareholders on 25 May 2022 for its approval.

1.1.2 General accounting policies

The basis for preparation of the financial statements is historical cost, unless specified otherwise below. The financial statements are presented in euros (€). Amounts are in thousands of euros unless stated otherwise. The euro is Hydratec's functional and presentation currency. The financial statements have been prepared in accordance with IFRS-EU standards. This requires management to make judgements, estimates and assumptions that affect the application of guidelines and the reported value of assets, liabilities, income and expenditure. These estimates and underlying assumptions are based on past experience and various other factors which are considered fair under the

circumstances. The estimates and assumptions serve as the basis for judgements on the value of recognised assets and liabilities the scale of which cannot yet be derived from other sources. The actual results may differ from these estimates. The estimates and underlying assumptions are under constant review. Revisions to estimates and assumptions are recognised in the period in which the estimates are revised if the revision only relates to that period, or in the revision period and future periods if the revision has consequences for both the current period and future periods. The accounting policies are consistently applied by the companies in the Group for the periods presented in these consolidated financial statements.

1.1.3 Continuity

Thorough liquidity forecasts and expected revenue lead us to envisage no risks in terms of insufficient liquidity, failure to fulfil agreements under the credit agreement and continuity problems over the coming 12 months. Covid-19 had a limited impact on 2021. We expect the impact on 2022 to be limited but uncertain.

1.2 Statement of compliance

The Group's consolidated financial statements were prepared on the basis of the going-concern principle, in compliance with International Financial Reporting Standards (IFRS-EU) as accepted by the European Union, and with Title 9 of Book 2 of the Dutch Civil Code. Where necessary, comparable figures were adjusted for comparison purposes.

1.2.1 New standards and interpretations effective as of 1 January 2021

Where applicable, Hydratec applied new and amended IFRS standards and IFRIC interpretations relevant to the company during the financial year. The new standards and amendments to existing standards in 2021 do not directly affect the Group's equity and results and the notes to the financial statements.

1.2.2 New standards or interpretations which have not yet taken effect

At the end of 2021, several new and amended standards and interpretations were published, but were not yet effective at the time of publication of these financial statements. Hydratec will apply these new and amended standards and interpretations as soon as they become effective. The published new and amended IFRS standards and IFRIC interpretations that are not yet effective for reporting periods beginning on 1 January

2021 have not been prematurely adopted. New standards applicable after 2021 are not expected to have a material impact on the Group's equity, results and notes to the financial statements. More specifically, the published amendment to IAS 37 on onerous contracts, which is to be applied as of 1 January 2022, does not have a material impact on Hydratec because the accounting is already in line with the amended standard.

1.3 Estimates and judgments by management

Hydratec makes use of estimates and assumptions when preparing the financial statements and the measurement of items in the financial statements. These are mainly based on knowledge of the various business segments, past experience and Hydratec's management's best estimate of the specific circumstances that are, in the opinion of management, applicable in the given situation. The assumptions and estimates used in the financial statements often relate to future developments. Actual developments may differ from the assumptions made and therefore the actual outcome may differ significantly from the current measurement of a number of items in the financial statements. Consequently, the assumptions and estimates used may have a significant impact on equity and the results. The assumptions and estimates used are checked regularly and adjusted if necessary. The following items in Hydratec's financial statements are specifically subject to assumptions and estimates:

- ▶ the identification and measurement of intangible fixed assets on acquisitions and impairment tests;
- ▶ the measurement of tangible fixed assets and determination of economic life on acquisition;
- ▶ the measurement of inventories at various stages;
- ▶ the measurement of deductible losses for tax purposes;
- ▶ the determination of provisions;
- ▶ financial instruments;
- ▶ identification and determination of segments;
- ▶ determination of NOW;
- ▶ revenue recognised and measured for contract assets/liabilities.

Estimates and uncertainties relating to these items are described in the notes to the individual items in the financial statements. Apart from the elements set out in the notes to the financial statements, there are no other critical measurement estimates which required further explanation.

A change was made in an accounting estimate at one of the Industrial Systems companies in which the progress of projects is no longer measured on the basis of time tracking but on the basis of on the total cost. Due to modularisation, materials are also increasingly becoming better input for measuring projects' progress besides time tracking. Due to the change in the accounting estimate, the Group's revenue was €0.8 million lower in 2021 compared to the old system for determining progress.

1.4 Consolidation

1.4.1 Subsidiaries

Subsidiaries are companies in which Hydratec has or can exercise direct or indirect control. These participations are regarded as subsidiaries. Decisive control means that Hydratec is exposed to, or has rights to, variable income due to its involvement with the participation and can influence this income through its power over the participation. These subsidiaries' financial statements are included in the consolidated financial statements from the date on which control was acquired until the moment Hydratec loses control.

Profits, losses and each component of the unrealised results are attributed to Hydratec's shareholders and the third-party minority interest, even if this results in the minority share having a negative balance.

A change in the share of third parties without a loss of control is accounted for as a share transaction. If Hydratec ceases to have decisive control over a subsidiary, it no longer recognises the related assets, thirdparty minority interest liabilities and other components of shareholders' equity, while the resulting profit or loss is recognised in the statement of profit or loss.

1.4.2 Eliminated transactions in the consolidation

Balance sheet positions between companies in the Group, transactions between these companies and

unrealised profits on such transactions are eliminated when preparing the consolidated financial statements.

1.5 Foreign currency

1.5.1 Currency transactions and translation

Transactions in foreign currencies are translated into euros at the average monthly exchange rate for the month in which the transaction took place. Monetary assets and liabilities in foreign currencies on the balance sheet date are translated into euros at the exchange rate applicable on the balance sheet date. Currency translation differences are recognised in the statement of profit or loss.

1.5.2 Financial statements from participating interests abroad

Assets and liabilities from foreign activities are translated into euros at the exchange rates applicable on the balance sheet date. Income from and costs of foreign activities are translated into euros at exchange rates approaching the exchange rates which applied on the date of the transaction. Currency translation differences are recognised directly through the consolidated statement of comprehensive income and are presented as a separate component of shareholders' equity.

Exchange rates

Currency	€1 is converted at	2021	2020
USD	Closing price	1.13	1.23
	Average	1.18	1.14
INR	Closing price	84.13	89.64
	Average	87.40	84.50
BRL	Closing price	6.31	6.37
	Average	6.31	5.86
PLN	Closing price	4.60	4.56
	Average	4.56	4.44

1.6 Financial instruments

1.6.1 Non-derivative financial instruments

Non-derivative financial instruments are trade and other receivables, cash and cash equivalents, borrowings, trade and other payables and the category other under financial fixed assets. The Group classifies these non-derivative financial instruments under the category borrowings and receivables. On initial recognition (transaction date), non-derivative financial instruments are recognised at fair value, with directly attributable transaction costs included on initial recognition. Subsequent to the initial recognition, non-derivative financial instruments are carried at amortised cost, using the effective interest method, less impairment losses. These impairment losses are recognised in the statement of profit or loss.

1.6.2 Derivatives

Various Hydratec companies have concluded interest rate swaps (IRS) to lower the risk of interest rate fluctuations on corporate finance. This finance is provided at a variable interest rate and fixed by means of the interest rate swap. In addition, use is made of derivatives such as forward exchange contracts (Forwards) and foreign exchange swaps (FX Swaps) to hedge the risk of projects paid in foreign currency. All these derivatives are designated as 'cash flow hedge' and are measured initially at the fair value on the contract date and then at the fair value applicable on the following reporting dates.

The effective portion of movements is recognised directly in shareholders' equity in a separate shareholders' equity component: the hedge reserve. Any ineffective portion is recognised in the statement of profit or loss. Hydratec only designates the spot component of forward exchange contracts as hedging instruments.

Hydratec purchased call options and issued put options as part of the Stork/Rollepaal acquisition in 2019. The call options were initially recognised at fair value. The present value of the exercise price of the put options was recognised as a liability. The exchange of Stork and Rollepaal shares led to the winding up of both options in 2020. Movements in value in 2020 of both the call and the put options have been recognised as part of financial income and expenses, as has the result which emerged as a consequence of winding up the options at the time of the barter transaction relating to the Rollepaal and Stork entities as at 30 June 2020.

1.6.3 Maturity of assets/liabilities

Financial assets and liabilities are classified as current if the remaining term to maturity is less than 12 months at the balance sheet date. They are classified as non-current if the remaining term to maturity is longer than 12 months.

1.6.4 Measurement of fair value

Fair value is the price that would be received on the sale of an asset or that would be paid on transfer of a liability

in an orderly transaction between market parties. Please refer to other financial instruments for an explanation of how fair value is determined for derivatives used for hedge accounting. The fair value of all other financial instruments is determined using generally accepted measurement models (level 2 measurement). The fair values are only explained if they differ significantly from the carrying amount.

1.7 Intangible fixed assets

1.7.1 Acquisitions and goodwill

Acquired entities are consolidated from the date on which control is transferred. At initial recognition, acquired assets, liabilities and contingent liabilities are measured at fair value. This measurement is based on an assessment of the facts and circumstances on the acquisition date. All costs related to the acquisition are recognised directly in the statement of profit or loss.

The adjustment to minority interests arising from transactions that do not involve loss of control is based on a proportionate amount of the net assets in the subsidiary.

Goodwill is the difference between the acquisition price paid at the time of the purchase of a company and the fair value of the identifiable net assets of the acquired company. Goodwill on the acquisition of group companies is recognised under intangible fixed assets. After initial recognition, goodwill is measured

at acquisition price less any accumulated impairments. For the purpose of recognising impairments, goodwill is allocated to the cash flow generating entities which can be expected to benefit from the acquisition which led to the generation of goodwill.

The value of goodwill is tested for impairment at each reporting date and when there is a change in circumstances that indicates that the value no longer represents fair value. The carrying amount of the cash flow generating entity, including the allocated goodwill, is also verified against the recoverable amount. The recoverable amount of a cash flow generating entity is established as either the value in use or the fair value less selling costs, whichever is the higher. To calculate the value in use, use is made of cash flow projections based on the budgets and Long-Term Plans (LTP) presented to the Management Board and the Supervisory Board by the business segments. The estimated cash flows after tax are discounted at a discount rate after tax which reflects the time value of money and the risks related to the assets. The expected future cash flows relating to these assets are therefore not adjusted for these risks. An impairment – the difference between the carrying amount and the recoverable amount – is recognised in the statement of profit or loss as part of depreciation and impairment. Goodwill impairments are not reversed.

Badwill, or negative goodwill, occurs when an acquisition is made at less than the net fair value of the identifiable assets and liabilities. Badwill is taken directly to the statement of profit or loss.

1.7.2 Software

Software is measured at acquisition price less accumulated amortisation and cumulative impairments. Amortisation starts from the date that software is available for use. The amortisation period for software is five years.

1.7.3 Other intangible fixed assets

Other intangible fixed assets comprise identified fair values of customers (contacts), agents, brand names, rights and patents upon acquisition of participating interests or purchased rights. They are measured at fair value at initial recognition, as established on acquisition or purchase and amortised in accordance with paragraph 1.7.5.

1.7.4 Research and development

Expenditure in connection with research activities incurred in order to acquire new technical knowledge is taken to the statement of profit or loss when it occurs. Internal development expenditure for which future economic benefits can be reliably estimated is capitalised, assuming it can be unambiguously determined, the asset created is identifiable, the asset is usable or available for sale, costs can be reliably estimated during development and have not been incurred to maintain an existing product or adapt to new market conditions. All other development costs are taken to the statement of profit or loss at the time the expenditure occurs. The recognised value of capitalised

development costs consists of external and directly attributable internal costs and overheads.

1.7.5 Amortisation

Amortisation costs are taken to the statement of profit or loss using the straight-line method over the useful economic life of an intangible asset. Regular assessments are made to check that the amortisation period is consistent with the asset's economic life. The amortisation periods are:

Category	Depreciation in years
Customers	11 - 20
Agents	20
Brands	20
Rights	8
Patents	5 - 6
Software	5

1.8 Tangible fixed assets

1.8.1 Owned assets

Tangible fixed assets are recognised at acquisition cost less accumulated depreciation and impairment (see policy 1.13). The recognised value of assets manufactured in-house consists of the cost of material, the cost of direct man-hours and directly attributable costs. An asset manufactured or developed for future use is classified as a tangible fixed asset and measured at cost until the construction or development is complete. The cost of borrowings associated with the purchase of tangible fixed assets or assets under construction is capitalised insofar as it can be directly attributed to the acquisition, production or construction of a qualifying asset except if increased by an annual interest rate due to a measured provision being inseparably linked to the development of the asset. If an asset comprises several components with different economic lives, the components will be recognised separately. Down payments on tangible fixed assets are recognised as fixed assets under construction.

1.8.2 Expenditure after initial investment

Periodic replacement expenditure which is associated with tangible fixed asset components is capitalised in the measurement of the tangible fixed asset component, unless the future economic benefits of the asset will accrue to the Group and the cost of such periodic replacement expenditure can reliably be determined.

All other expenditure is recognised as an expense in the statement of profit or loss when incurred.

1.8.3 Disposals

Tangible fixed assets are no longer recognised on the balance sheet upon disposal (i.e. on the date when the recipient obtains control) or when no future economic benefits are expected from its use. Any profit or loss arising from not recognising the asset (calculated as the difference between the net sale income and the asset's carrying amount) is included in the statement of profit or loss when the asset is no longer shown on the balance sheet.

1.8.4 Depreciation

Depreciation costs are taken to the statement of profit or loss using the straight-line method up to the residual value based on the estimated useful economic life of the various components that make up the asset and in line with the expected pattern of future economic benefits that will accrue to the company. Land and assets under construction are not depreciated. The useful economic life of tangible fixed assets varies as follows for the various components:

Category	Depreciation in years
Buildings	33 - 40
Plant and equipment	5 - 10
Computers and office furniture	5
Building fixtures and fittings	5 - 10

1.9 Lease assets

The Group recognises lease assets on the commencement date of the lease (the date on which the underlying asset is available for use). Assets for use are measured at cost, less any accumulated depreciation and impairment losses and adjusted for possible revaluation of lease liabilities. The cost of lease assets comprises the amount of the recognised lease liabilities, initial direct costs incurred and lease payments made prior to the commencement date, less any incentives received. The lease assets are depreciated over the lease period or the expected useful life if this is shorter than the lease period or if a purchase option is exercised.

Hydratec has chosen to apply the exemption on short-term rentals and leases of low-value assets. Instead of recognising a right of use and lease liability, the related payments are recognised as an expense in the statement of profit or loss using the straight-line method over the lease period.

1.10 Inventories

Inventories purchased are recognised at either cost (on the basis of the latest procurement price) or net realisable value less selling costs, whichever is lower. The net realisable value is the estimated selling price in the context of normal operations less the estimated cost of completion. Internally produced inventories of semi-manufactured goods and finished goods, as well

as inventories in progress are recognised at cost of manufacture, which comprises the cost of acquisition of used raw materials and consumables, plus manhours at the hourly rate applicable at financial year-end. Indirect costs are included in the hourly rate. Calculation of the inventories takes account of the risk of obsolescence.

1.11 Other receivables

1.11.1 Trade and other receivables

At initial recognition, trade and other receivables are recognised in the financial statements at fair value and thereafter at amortised cost, using the effective interest method, less accumulated impairments. Hydratec applies the IFRS 9 simplified approach to the provision for expected credit losses on trade receivables. Changes in credit risk are therefore not taken into account. A credit provision is recognised based on an expected loss for the entire term of the receivable in question. The IFRS 9 simplified approach cannot be applied to the other receivables. This provision is based on historical credit losses adjusted for economic developments and future expectations relevant to the specific receivables.

The addition to the provision for expected credit losses is recognised in the statement of profit or loss under other operating costs. Receivables have a term of 12 months or less and therefore do not contain a significant financing component.

1.11.2 Contract assets

Various Hydratec companies carry out projects to manufacture customer-specific products on the basis of contracts entered into with third parties. If the performance obligation is carried out by handing over goods or services to a customer before the customer has made a payment or before the payment is due, the contract is presented as a contract asset, excluding amounts presented as a receivable. Please refer to the accounting policies under net revenue for how the scale of the performance obligation is determined. Assessments are made every year to check whether there are indications that contract assets have been impaired. In line with the application to trade receivables in section 1.11.1, the IFRS 9 simplified approach is also applied for the provision for expected credit losses.

1.11.3 Assets and liabilities held for sale and discontinued operations

Assets and liabilities are classified as 'held for sale' if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets and liabilities held for sale are measured at the lower of carrying amount and fair value less selling costs. Selling costs are the incremental cost directly attributable to the sale of an asset, not including any financing costs and income tax.

The criteria for classification as assets held for sale apply when a sale is highly probable, the asset is readily

available for immediate sale in its present condition, the sale is expected to be completed within one year, the plan to sell is unlikely to be changed or withdrawn, and management has committed to the plan to sell. Assets held for sale are not depreciated.

A disposal group qualifies as a 'discontinued operation' if it is entirely or partly an entity that has either been disposed of or classified as held for sale, and:

- ▶ represents an individually important business activity or geographical area;
- ▶ is part of a coordinated plan to dispose of a separate major line of business or geographical area; or
- ▶ is a subsidiary company acquired exclusively with a view to resale.

Discontinued operations are presented separately. Unless otherwise indicated, all other disclosures in the financial statements include amounts for continuing operations.

1.12 Cash and cash equivalents

Cash and cash equivalents, comprising bank balances, cash and deposits available on demand are measured at face value. Current account facilities at banks are presented under other liabilities. The cash flow statement uses the same concept as the balance sheet.

1.13 Impairment

Assessments are made every year to check whether there are indications that fixed assets have been impaired. If such an indication is found, the recoverable amount of the asset is calculated. An impairment loss occurs when the carrying amount of an asset or a cash flow generating entity exceeds the recoverable amount. Impairment losses are taken to the statement of profit or loss.

1.14 Shareholders' equity

1.14.1 Share capital

Share capital is designated as shareholders' equity. The Group has issued no preference shares. Transaction costs for issuing shares are taken to shareholders' equity. The issue of shares 'at a premium' raises the share premium reserve.

1.14.2 Dividends

Dividends are recognised as an obligation in the period in which they are set by the shareholders' meeting.

1.14.3 Statement of changes in shareholders' equity

For the statement of changes in shareholders' equity and notes to certain equity components, please refer to the consolidated statement of changes in shareholders' equity and section 1.38.

1.14.4 Earnings per share

Ordinary earnings per share (continued and/or discontinued operations) are based on the result after taxes to be allocated to holders of ordinary shares and depositary receipts for shares, and the weighted average of ordinary shares outstanding in 2021.

The diluted earnings per share are calculated by dividing the result after taxes by the average number of outstanding shares during the financial year, including all conditionally awarded shares in the context of share-related remuneration.

1.15 Provisions

A provision is recognised in the balance sheet when the Group has an obligation enforceable at law or a constructive obligation as a consequence of an event on or prior to the balance sheet date, and if it is likely that settlement of that obligation will require an outflow of resources which can be reliably estimated. If the time value of money is significant, provisions are measured at the present value of the expected cost of fulfilling the liability. The provision is discounted at a pre-tax rate, considering the time value of money in the current market and the risks specific to the liability. The increase in a provision due to the passage of time is recognised as a finance expense.

1.15.1 Defined contribution pension plans

Liabilities with respect to pension contributions and related defined contribution plans (based on the defined contribution system) are recognised as an expense in the statement of profit or loss in the period to which they relate.

1.15.2 Industry pension plans

The Group has a number of pension plans in which contributions are paid to a pension fund or an insurance company. The main pension plans, which are administered by industry pension funds, take the form of multi-employer plans. The pension plans offered by these arrangements are, in fact, defined benefit plans. Hydratec's contribution to all these industry pension plans is a very small percentage of the whole contribution. Because industry pension funds provide no information which can be used to calculate the pension liability, Hydratec's actuarial risks cannot be estimated. Hydratec therefore treats these plans as defined contribution plans and the pension contributions due throughout the financial year are recognised as pension expenses in the financial statements. The expected pension expense for the next financial year is €4 million.

A provision is made for liabilities other than the contribution to be paid to the pension administrator if there is a liability enforceable at law or an actual liability to the pension administrator and/or employees on the balance sheet date, if it is likely that an outflow of

resources will be necessary to settle the liability and if a reliable estimate can be made of the scale of the liability. The provision for additional liabilities to the pension administrator and/or employees is measured at the best estimate of the amounts necessary to settle the liabilities in question at the balance sheet date. The provision is measured at present value if the effect of the time value of money is material (in that the discount rate before tax reflects the current market rate).

A pension liability on account of surpluses at the pension administrators is recognised if the Group has the power to withdraw the surplus, if it is likely that it will lead to future economic benefits for the Group and if it can be reliably established. A pension surplus is measured in the same way as a provision. The resulting gains or losses are recognised in the statement of profit or loss.

1.15.3 Defined benefit pension plans

The net liability on account of defined benefit pension plans is calculated separately for each plan by estimating the pension entitlements employees have accrued in exchange for their services over the reporting period and preceding periods. These pension entitlements are discounted to determine the present value. The pension entitlements and the cost of the defined benefit pensions are based on the 'projected unit credit method', in which actuarial calculations are drawn up at the balance sheet date. This method takes account of future salary increases due to employees' career opportunities and overall increases in salaries including

cost-of-living adjustments. The discount rate is the return on investment grade corporate bonds at the balance sheet date whose maturity is close to the term of Hydratec's liabilities. Actuarial gains and losses are directly recognised through the consolidated statement of comprehensive income as unrealised results which will never be reclassified to the statement of profit or loss. Net interest expenses on the net balance of pension liabilities are recognised as interest expenses under financial expenses. When pension entitlements in a plan are changed, the part of the subsequent change in pension entitlements relating to past service or gains or losses from that change is taken directly to the result. Pension expenses, including past service pension expenses and the consequences of settlements and curtailments, are recognised as personnel costs. There were no pension provisions as at the balance sheet date.

1.15.4 Personnel-related benefits

This provision mainly relates to entitlements to anniversary bonuses accrued at the balance sheet date. Accrued anniversary bonuses are recognised on the basis of actuarial calculations, calculated by means of a discount rate before tax which reflects the market interest rate. The provision for anniversary bonuses has a predominantly non-current nature of more than 5 years.

1.15.5 Warranty provision

The company takes the actual warranty costs in the past year to make a best estimate of future warranty costs

for the products (mostly machines) which are still within their warranty period. Account is taken of the type of machine and type of customer as well as the number of machines. The warranty for most of the plant is 12-24 months. This warranty is not a separate performance obligation under IFRS 15.

1.15.6 Restructuring provision

A provision for restructuring is recognised if the following conditions are met at the balance sheet date:

- ▶ a detailed plan for the restructuring has been formalised indicating at least:
 - ▶ the activities, or parts of activities, involved;
 - ▶ the main sites;
 - ▶ the site, its function and the number of employees expected to receive severance pay when its activities cease;
 - ▶ the expenditure involved;
 - ▶ when the plan is to be implemented; and
- ▶ a valid expectation has been raised in those affected by the restructuring that the company will carry out the restructuring by starting to implement that plan or by announcing its main features to those affected by it.

If the effect of the time value of money is material, this provision will be discounted. This provision may lead to a cash outflow within one year.

1.15.7 Other provisions

Provisions are only recognised if a reliable estimate can be made of the amount of the expected costs. If the effect of the time value of money is material, this provision will be discounted. This provision is predominantly non-current.

1.16 Taxation

Income tax and other taxation comprise current and deferred taxation. Taxation is recognised in profit or loss unless it relates to a business combination or items taken directly to shareholders' equity or to the consolidated statement of comprehensive income. Current taxation comprises expected payable or receivable taxation on taxable income or losses in the current financial year and every adjustment of payable or receivable taxation concerning previous years. Payable or receivable taxation is the best estimate of the expected payable or receivable taxation. Current taxation also comprises any dividend withholding tax. Current tax assets and liabilities are only offset if Hydratec is entitled to, and intends to, settle them simultaneously.

Deferred taxation is recognised with respect to temporary differences between the carrying amounts of assets and liabilities in the financial statements and the carrying amounts for tax purposes. Deferred taxation is not recognised for:

- ▶ temporary differences at initial recognition of assets or liabilities in a transaction that do not relate to a business combination and that affect neither the accounting profit or loss or taxable profit or loss;
- ▶ temporary differences in connection with investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal for the temporary differences and it is likely that they will not reverse in the foreseeable future; and
- ▶ taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are calculated on the basis of tax rates set no later than on the balance sheet date (in substance) and apply at the time the related deferred tax liabilities are paid. Deferred tax assets relate to carry-over losses expected to be realised and temporary differences between the carrying amount of assets and liabilities and the carrying amounts of these items for tax purposes. Deferred tax assets are measured on each balance sheet date at tax rates adopted no later than the balance sheet date and at which they are expected to be realised and written down to the extent that it is no longer probable that they can be realised. Deferred tax assets and liabilities are offset if the conditions for offsetting have been met.

1.17 Borrowings and lease liabilities

The Group recognises lease liabilities on the commencement date of the lease. They are measured at the present value of the lease payments which are to be made throughout the period of the lease. If the implicit interest rate cannot be determined directly, the Group uses the incremental interest rate applicable on the commencement date of the lease when calculating the present value of lease payments. After the commencement date, lease liabilities are increased to reflect the interest accrual and lowered by the lease payments made. Furthermore, the carrying amount of lease liabilities and associated rights of use is remeasured if significant changes are made to the lease contract, the lease period changes, the lease payments change and the estimate of the exercise of a purchase option changes.

At initial recognition, borrowings are recognised in the financial statements at fair value (including directly attributable transaction costs) and thereafter at amortised cost, using the effective interest method.

1.18 Trade and other payables

At initial recognition, trade and other payables are recognised in the financial statements at fair value and thereafter at amortised cost. The amounts recognised have a term of shorter than one year.

1.18.1 Contract liabilities

Some contracts with customers contain agreements relating to payments in advance for goods to be delivered in the future. Amounts are also invoiced in advance which relate to future deliveries and services.

A contract liability is recognised if a customer pays a fee before Hydratec transfers products or services. Contract liabilities are recognised as income upon fulfilment of the contract.

1.19 Net revenue

A distinction can be made between two significant components of net revenue:

- ▶ supply of goods: a significant portion of Plastic Components companies' revenue and of one of the Industrial Systems companies;
- ▶ projects: a portion of Plastic Components companies' revenue and of the Industrial Systems companies.

Hydratec does not consider a financing element for payment terms of less than one year (practical expedient IFRS 15.63). Hydratec recognises incremental costs related to the acquisition of a contract directly as an expense in the statement of profit or loss if it expects the amortisation period for the asset to be otherwise recognised to be no more than one year (practical expedient IFRS 15.63)

1.19.1 Supply of goods

Revenue pertaining to the supply of goods refers to the contractual payment the entity expects to receive for transferring goods to customers. Apart from transferring the goods, there are no other separate performance obligations which can affect revenue from contracts with customers on account of the transfer of goods. Revenue on supply of goods is recognised when the power of disposal has been transferred. The recognised revenue is not adjusted for expected returns because the expected returns are immaterial.

1.19.2 Projects

Revenue from projects refers to the payment the entity expects to receive for transferring systems or services to customers. Hydratec has no alternative use for these projects if the customer cancels the project, but it does have an enforceable right to payment for the portion of the work performed. In practice, projects in progress are hardly ever cancelled. If the results of a project can be reliably estimated, project income is recognised based on the ratio of actual costs to budgeted costs. If the results of a project cannot be reliably estimated, income is recognised only up to the amount of the project costs incurred insofar as there is a sufficient degree of certainty that these costs can be covered by income from the project. If it is likely that total project costs will be greater than the total project income, a provision is made for the entire expected loss.

Projects are financed by down payments from customers which do not contain a significant financing component. The work is usually carried out shortly after these down payments are received. Given its short-term nature and that there are no qualifying assets related to the projects, interest is not added to down payments.

In addition to these two significant net revenue components, revenue is also generated from service, installation and other services. These are recognised when performed.

The Group's obligation to repair or replace products under the standard terms and conditions of the guarantee is recognised as a provision.

1.20 Costs

1.20.1 Material usage/other external costs

This relates to the cost of raw materials and consumables including the costs related to their procurement.

1.20.2 Other operating costs

Costs are recognised at historical cost in the same period as their related income/performance.

1.20.3 Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all conditions complied with. Government grants are recognised in the statement of profit or loss in the same period as the related costs.

1.20.4 Other financial income and expenses

Interest income and expenses are recognised in the financial year to which they relate on the basis of the effective interest method.

1.21 Taxation on profit

Taxation on profit for the financial year comprises taxes payable and receivable for the reporting period and deferred taxation. Taxation on profit is recognised in the statement of profit or loss. Payable and receivable taxes in the financial year comprise income tax on taxable profit, as calculated based on statutory tax rates and adjustments to taxation in previous financial years.

1.22 Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method. A distinction is made in the cash flow statement between cash flow from operating activities, investing activities and financing activities. Cash flow in foreign currencies is translated at the average monthly exchange rate throughout the financial year. Exchange differences for cash are shown separately in the cash flow statement. Receipts and expenditure for income tax and interest receipts and payments are recognised under cash flow from operating activities. Cash flow from acquisitions and disposal of financial interests (subsidiaries and participating interests) are recognised under cash flow from investing activities insofar as cash payments have taken place. Distributed dividends are recognised under cash flow from financing activities. Transactions involving no cash inflows or outflows, including finance leases and the deferred portion of the purchase price of participating interests ('earn

out') are not included in the cash flow statement. Cash flows pertaining to borrowings and liabilities as part of leases are presented as cash flow resulting from finance activities.

1.23 Segment reporting of continuing operations

Hydratec Industries is organised along the lines of the following two operations, which are identified as two reportable segments:

- ▶ **Industrial Systems:** taking a project-based approach, entire industrial systems are manufactured under their own brand names in the Industrial Systems segment.
- ▶ **Plastic Components:** structural plastic components are developed and produced in the Plastic Components segment.

The two segments' results are assessed at operating result level.

Besides the two segments, there are also head office activities and eliminations of intersegment positions and transactions. Head office activities relate to the operations listed below and head office-related projects.

Sales between segments take place at market prices. There is no asymmetric recharging of costs between individual group entities.

1.23.1 Breakdown by business segment

	Industrial Systems		Plastic Components		Total segments		Holding company expenses and eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
x € 1,000										
Supply of goods	36,055	39,226	109,342	103,823	145,397	143,049	-	-	145,397	143,049
Projects	87,826	55,839	15,609	10,311	103,435	66,150	-	-	103,435	66,150
Other revenue	8,465	8,351			8,465	8,351	-	-	8,465	8,351
Net revenue	132,346	103,416	124,951	114,134	257,297	217,550	-	-	257,297	217,550
Intersegment revenue			2,484	1,505	2,484	1,505	-2,484	-1,505	-	-
Total segment revenue	132,346	103,416	127,435	115,639	259,781	219,055	-2,484	-1,505	257,297	217,550
Material usage and consumables	-72,260	-54,249	-53,497	-49,612	-125,757	-103,861	2,484	1,505	-123,273	-102,356
Gross margin	60,086	49,167	73,938	66,027	134,024	115,194	-	-	134,024	115,194
Depreciation	-3,926	-6,463	-8,192	-7,819	-12,118	-14,282	-57	-56	-12,175	-14,338
Personnel and other expenses	-38,683	-39,968	-58,715	-55,461	-97,398	-95,429	-2,424	-2,085	-99,822	-97,514
Operating result	17,477	2,736	7,031	2,747	24,508	5,483	-2,481	-2,141	22,027	3,342
Financial income and expenses	-841	871	-544	-995	-1,385	-124	-17	51	-1,402	-73
Result before tax	16,636	3,607	6,487	1,752	23,123	5,359	-2,498	-2,090	20,625	3,269
Taxes	-4,308	-1,341	-1,809	1,094	-6,117	-247	625	512	-5,492	265
Net result from continuing operations	12,328	2,266	4,678	2,846	17,006	5,112	-1,873	-1,578	15,133	3,534
Segment assets	144,227	118,783	92,276	90,699	236,503	209,482	-22,912	-10,875	213,591	198,607
Segment liabilities	103,787	90,656	54,127	53,296	157,914	143,952	-20,584	-8,583	137,330	135,369
Investments in tangible/intangible fixed assets	2,014	1,528	4,605	4,831	6,619	6,359	86	26	6,705	6,385

1.23.2 Breakdown by geographical origin of the segments

x € 1,000	Netherlands		Outside the Netherlands		Total	
	2021	2020	2021	2020	2021	2020
Net revenue	199,894	156,744	57,403	60,806	257,297	217,550
Segment assets	164,674	146,195	48,917	52,412	213,591	198,607
Investments in tangible/intangible fixed assets	5,495	3,914	1,210	2,471	6,705	6,385

1.23.3 Breakdown by geographical revenue distribution by market

x € 1,000	2021	%	2020	%
Netherlands	48,499	18.8	43,062	19.8
Rest of Europe	121,407	47.2	87,422	40.2
Asia	37,304	14.5	34,253	15.7
North America	29,827	11.6	28,664	13.2
South America	7,267	2.8	3,492	1.6
Africa	7,946	3.1	9,521	4.4
Oceania	5,047	2.0	11,136	5.1
Total	257,297	100.0	217,550	100.0

1.23.4 Breakdown of revenue by type

x € 1,000	2021	%	2020	%
Supply of goods	145,398	56.5	143,049	65.8
Projects	103,435	40.2	66,150	30.4
Other revenue	8,464	3.3	8,351	3.8
Total	257,297	100.0	217,550	100.0

Other revenue relates to revenue from service, installation and other services.

No customer was responsible for more than 5% of revenue in 2021.

1.23.5 Breakdown of revenue by meeting performance obligations

x € 1,000	2021	%	2020	%
Performance obligations met over a period	111,899	43.5	74,501	34.2
Performance obligations met at a point in time	145,398	56.5	143,049	65.8
Total	257,297	100.0	217,550	100.0

1.23.6 Contract balances

The list of receivables, contract assets and contract liabilities arising from contracts with customers is shown below.

x € 1,000	Note	2021	2020
Accounts receivable	1.34	46,584	45,287
Amounts received in advance	1.44	12,743	7,965
Contract assets		16,338	7,563
Contract liabilities		41,748	28,736

The increase in contract liabilities and accounts receivable relates to instalments invoiced in advance for projects which are at an early stage of production. The vast majority of contract liabilities have terms of less than one year. The contractual obligations recognised at the end of 2020 fully led to revenue in 2021. Contract assets relate to projects on which more costs have been incurred than invoiced. Amounts received in advance relate to projects that have not yet started but for which an advance payment has been received.

The increase in contract assets relates to the increased revenue from projects compared to 2020.

The performance obligations on current contracts are expected to be fulfilled within one year (practical expedient IFRS 15.121).

In the comparative figures, other liabilities and accruals (deferred income) of €2.3 million have been reclassified to contract liabilities..

1.24 Discontinued operations

1.24.1 Barter transaction between Stork and Rollepaal

In 2021, there were no discontinued operations.

Accordingly, Stork and Rollepaal shares were exchanged between Hydratec and Wadinko in the second quarter of

2020. As part of the barter transaction, the put/call options recognised as a net liability of €2.7 million as at 31 December 2019 were wound up. The remaining 25% interest in Rollepaal was acquired in exchange for the 75% interest in Stork, the subordinated loan was cancelled and the options were wound up in exchange for payment of €1.0 million. As Stork was a significant business unit that was disposed of in this transaction, its disposal is classified as a discontinued operation. All presented results from discontinued operations relate to Stork. The losses comprise Stork's results in the first six months, a write-off of Stock's net assets and a write-off of the subordinated loan to Stork. The result of winding up the put/call options is recognised under financial income. The recognised result from options is €1.7 million.

1.24.2 Results of discontinued operations

x € 1,000	1-1-2020 t/m 30-06-2020
Revenue	12,740
Costs (including interest expenses)	-14,672
Operating result	-1,932
Taxes	47
Net result	-1,885
Result from barter transaction	-115
Net result of write-down of loan to Stork	-763
Result of discontinued operations	-2,763

Earnings per share for discontinued operations amounted to -€1.73.

1.24.3 Cash flow from discontinued operations

x € 1,000	1-1-2020 t/m 30-06- 2020
Net cash flow from operating activities	-1,609
Net cash flow from investment activities	-22
Net cash flow from financing activities	-321
Net cash flow	-1,952

1.25 Personnel

1.25.1 Wages, salaries and temporary staff

x € 1,000	2021	2020
Wages and salaries	46,690	49,595
Temporary workers	10,543	7,043
Cost of redundancy payment plans	578	2,785
NOW wage subsidy scheme	-1,176	-3,149
Total	56,635	56,274

The cost of share-based payments recognised under IFRS 2 amounts to €150 thousand and consists of the 25% increase in the variable bonus on conversion to shares that is charged in full to the result for the financial year. The total variable remuneration, including the share participation plan, amounts to €750 thousand.

The cost of converting variable remuneration in cash to shares is recognised as wages and salaries. The part of the remuneration relating to the share participation plan settled in the legal entity's equity instruments has been added to the other reserve. The shares are issued at the average share price of January and February and issued by Hydratec in the next financial year.

The Hydratec Group has applied for NOW 1, 2 and 3.1. The total NOW is recognised in 2020 and 2021. In 2021 and 2022, the applicant companies submitted a request for determination to the UWV Employee Insurance Agency. In 2021, dividends were paid by the non-applicant companies to Hydratec. Once the applications had been submitted, compensatory measures have been taken as if the payment had never taken place. This has been reported to the UWV in February 2022.

1.25.2 Social security contributions and pension

x € 1,000	2021	2020
Social insurance contributions	8,172	8,101
Pension contributions	4,936	4,335
Total	13,108	12,436

1.25.3 Remuneration of members of the Supervisory Board and the Management Board

x € 1,000	2021	2020
Supervisory Board		
E. ten Cate	25	19
M.E.P. Sanders	25	19
P. Veenema	15	-
J.E. Vaandrager	10	19
Total	74	57

As at the balance sheet date, Mr Ten Cate owned 7,130 shares.

Hydratec's key management comprises its directors, B.F. Aangenendt and E.H. Slijkhuis.

x € 1,000		2021	2020
B.F. Aangenendt	Base salary	304	272
	Variable remuneration in cash	96	-
	Variable remuneration in shares	96	-
	Pension costs	26	26
	Other remuneration	3	2
		524	300

x € 1,000		2021	2020
E.H. Slijkhuis	Base salary	207	164
	Variable remuneration in cash	65	-
	Variable remuneration in shares	65	-
	Pension costs	22	22
	Other remuneration	4	4
		362	190
Totaal		886	490

The Management Board did not convert any remuneration components into Hydratec Industries shares in 2021.

As at the balance sheet date, Mr Aangenendt held 71,225 shares and Ms Slijkhuis held 138 shares.

1.26 Average number of full-time employees

	2021	2020
Production direct	573	620
Production indirect	233	276
Engineering	158	154
Sales	74	81
Management & Finance	113	124
Total	1,151	1,255
Of which working abroad	502	535

1.27 Other operating costs

x € 1,000	2021	2020
Business accommodation	2,275	2,249
Sales	5,467	5,681
Production and maintenance	10,999	9,873
Research	254	773
Exchange differences	-6	452
General costs	11,090	9,776
Total	30,079	28,804

Royal Pas Reform and Rollepaal have an extensive network of agents. The cooperation procedure with agents is laid down in contracts that include specific provisions and requirements from our Code of Conduct. See also the 'Code of Conduct' section in the Management Report, which outlines the Code of Conduct. Working through agents in various countries carries the risk of the company inadvertently getting caught up in violations of local and international laws and regulations, which may have considerable (financial) consequences. Several internal control measures have been put in place (see also the 'Risk Management' section of the Management Report) to mitigate the non-compliance risk sufficiently.

The cost of sales includes €2.5 million (2020: €2.7 million) in agents' fees.

Independent auditor's fee

x € 1,000	2021	2020
Audit of financial statements by EY LLP	524	-
Other services of EY LLP	-	-
Audit of financial statements by KPMG	-	562
Other audit activities	45	257
Total costs	569	819

1.28 Taxation

x € 1,000	Note	2021	2020
Current taxation		-4,842	2,562
Correction for previous years and non-deductible expenses		-269	-173
Deferred taxation	1.32	-380	-2,124
Total tax on result		-5,491	265

The tax expense in the statement of profit or loss relates to income tax calculated on the income for financial reporting purposes from subsidiaries with offices in the Netherlands as well as those with offices outside the Netherlands.

Calculation of tax liability

x € 1,000	2021	%	2020	%
Result before tax	20,624		3,269	
Tax expense on the basis of nominal rate in the Netherlands	-5,156	25.0	-817	25.0
Rebates	123	-0.6	52	-1.6
Application of local nominal rates	-63	0.3	-108	3.3
Benefit from innovation box/RDA	114	-0.6	-	-
Non-taxable revenue	7	0.0	202	-6.2
Capitalisation or decapitalisation of deductible losses and valuation differences	-254	1.2	1,242	-38.0
Changes in local tax rates	7	0.0	-133	4.1
Non-deductible expenses and prior-year adjustments	-269	1.3	-173	5.3
Tax expense in line with statement of profit or loss	-5,491	26.6	265	-8.1

1.29 Intangible fixed assets

x € 1,000	Goodwill	Customers	Agents	Brands	Rights	Patents	Software	In progress	Total
Carrying amount as at 1 January 2020	21,802	1,816	437	719	912	1,263	2,141		29,090
Commissioning							183		183
Investments					366		214	910	1,490
Depreciation		-210	-39	-46	-113	-173	-573		-1,154
Impairments	-1,700								-1,700
Deconsolidation				-187			-147		-334
Effects of foreign currency translation				-1	-29		-1		-31
Purchase cost	20,102	2,726	747	907	1,961	1,263	6,197	910	34,813
Accumulated depreciation/impairment	-	-1,120	-349	-422	-825	-173	-4,380	-	-7,269
Carrying amount as at 31 December 2020	20,102	1,606	398	485	1,136	1,090	1,817	910	27,544
Commissioning					58		1,465	-860	663
Investments							275	697	972
Depreciation		-155	-37	-46	-115	-165	-707		-1,225
Impairments									-
Deconsolidation									-
Effects of foreign currency translation	1				16		-4		13
Purchase cost	20,102	2,726	747	907	2,035	1,263	7,933	747	36,460
Accumulated depreciation/impairment	-	-1,275	-386	-467	-940	-338	-5,087	-	-8,493
Carrying amount as at 31 December 2021	20,102	1,451	361	440	1,095	925	2,846	747	27,967

1.29.1 Impairment test

An impairment test was carried out in December 2021 on the goodwill of Pas Reform/Lan Handling Technologies, Pas Reform and Rollepaal. The value in use was determined on the basis of future cash flow projections over five years, with a different budgeting period of 10 years for Rollepaal. We opted for this different budgeting period because our projection shows that growth over the coming 10 years will exceed long-term growth. These cash flow projections were taken from the internal long-term plans which are drawn up annually and approved by management. These are based partly on available relevant market data regarding expectations for the short and medium term. The market data comes in the form of industry reports by market research firms, trade associations and financial institutions.

Future cash flows were discounted at the discount rate in the table below, which is based on the specific risk profile (risk-free interest rate, margin for specific countries and company-specific risk premium). The impairment test did not lead to impairment of goodwill at year-end 2021 on the basis of the chosen assumptions. Based on the substantial headroom in the model, we have established that no impairment will result from reasonable adjustments to the key assumptions, either individually or when combined. That is why there are no notes on the sensitivity analysis.

x € 1,000	Goodwill	Average growth rate forecast 1-5 years (Rollepaal 1-10 years)	Growth rate forecast after 5 years	Discount rate (before taxes)
Pas Reform/Lan Handling Technologies	13,487	5.5%	1.1%	11.7%
Lan Handling Technologies	1,565	6.0%	1.1%	11.7%
Pas Reform	2,832	5.0%	1.1%	11.6%
Rollepaal	2,218	5.2%	1.1%	11.0%
	20,102			

1.29.2 Other intangible fixed assets

Other intangible fixed assets (customers, agents and brands) relate to:

- ▶ Industrial Systems' operations which were identified on acquisition in 2011 and 2019.
- ▶ Rights relate to right-of-use of third-party patents.
- ▶ These patents are Rollepaal's own patents.

1.30 Tangible fixed assets

x € 1,000	Land and buildings	Plant and equipment	Other operating assets	In progress	Total
Purchase cost	59,428	74,177	20,890	2,771	157,266
Accumulated depreciation/impairment	-16,327	-52,874	-14,718		-83,919
Carrying amount as at 1 January 2020	43,101	21,304	6,172	2,771	73,348
Investments	1,140	596	575	2,497	4,808
Commissioning	1,487	1,281	560	-3,328	-
Transfer to software				-183	-183
Depreciation	-992	-4,320	-1,640		-6,952
Sales		-309	-19		-328
Effects of foreign currency translation	-263	-493	-50	-13	-819
Impairments	-290		-254		-544
Deconsolidation	-4,596	-411		-44	-5,051
Purchase cost	62,566	74,491	22,978	1,700	161,735
Accumulated depreciation/impairment	-22,979	-56,843	-17,634		-97,456
Carrying amount as at 31 December 2020	39,587	17,648	5,344	1,700	64,279
Investments	705	702	748	3,579	5,734
Commissioning	-606	2,252	642	-3,126	-838
Transfer to software					-
Depreciation	-1,464	-4,586	-1,645		-7,695
Sales	7	18	-3	-21	1
Assets held for sale					-
Effects of foreign currency translation	-25	119	23	4	121
Impairments	-50	-518	-1		-569
Deconsolidation					-
Purchase cost	62,736	67,384	21,912	2,136	154,168
Accumulated depreciation/impairment	-24,582	-51,749	-16,804	-	-93,135
Carrying amount as at 31 December 2021	38,154	15,635	5,108	2,136	61,033

1.30.1 Impairment loss and reversal of impairment loss

An impairment loss of €569 thousand was recognised in 2021 (2020: €544 thousand). No impairments of tangible fixed assets recognised in previous years were reversed in 2021 (2020: nil).

1.30.2 Plant and equipment

Plant and equipment includes assets which are still in use but which have been depreciated in full on the basis of earlier estimates.

1.30.3 Collateral

Tangible fixed assets have been partly provided as collateral for long-term financing of Plastic Components and Industrial Systems. More details about the collateral provided is given in 1.41.1.

1.31 Lease assets

x € 1,000	Land and buildings	Plant and equipment	Other operating assets	Total
Carrying amount as at 1 January 2020	8,074	5,819	2,100	15,993
Additions	135		1,238	1,373
Depreciation	-1,126	-1,623	-799	-3,548
Impairments	-42			-42
Exchange differences	-557	-28	-9	-594
Deconsolidation	-318	-623	-561	-1,502
Carrying amount as at 31 December 2020	6,166	3,545	1,969	11,680
Additions	2,703	144	677	3,524
Depreciation	-1,225	-726	-825	-2,776
Sale	-236	-649	-4	-889
Impairments				-
Exchange differences	288	-7	-3	278
Deconsolidation				-
Carrying amount as at 31 December 2021	7,696	2,307	1,814	11,817

No impairment was recognised in 2021 (2020: €42 thousand). No reversal of impairments took place (2020: nil) For lease liabilities, see note 1.41.

1.32 Deferred tax assets

For the most part, deferred tax assets at year-end 2021 fall due after more than one year (current portion amounts to €0.9 million). Tax losses worth €6.8 million at year-end 2021 (2020: €5.4 million) have not been recognised in the balance sheet. These are infinitely deductible.

Deferred tax assets can be broken down as follows:

x € 1,000	Intangible fixed assets	Tangible fixed assets	Leases	Working capital	Provisions	Derivatives	Losses carried forward	Total before offsetting	Offsetting deferred taxes	Total after offsetting
Carrying amount as at 1 January 2020	5	2,302	-	37	985	75	2,880	6,284	-2,576	3,708
Movements	157	93	117	1	-292	-2	3,429	3,503	-1,379	2,124
Deconsolidation					-161			-161		-161
Exchange differences		-9		-3	-7		-31	-50		-50
Carrying amount as at 31 December 2020	162	2,386	117	35	525	73	6,278	9,576	-3,955	5,621
Movements		36	19	22	-227	3	-714	-861	346	-515
Deconsolidation								-		-
Exchange differences		4	1	1	2		-24	-16		-16
Carrying amount as at 31 December 2021	162	2,426	137	58	300	76	5,540	8,699	-3,609	5,090

1.33 Inventories

x € 1,000	2021	2020
Raw materials and consumables	10,087	7,099
Semi-manufactured and work in progress	5,225	5,077
Finished goods	17,559	14,035
Total	32,871	26,211

The provision for obsolete inventories recognised in this measurement amounted to €2.6 million at year-end 2021 (2020: €3.0 million).

1.34 Accounts receivable

The accounts receivable position less the provision for expected credit losses can be analysed as follows:

Days	2021	%	2020	%
0-30	26,270	56.39	28,767	63.52
31-60	16,524	35.47	9,644	21.30
61-90	1,141	2.45	4,086	9.02
> 90	2,649	5.69	2,790	6.16
Total	46,584	100.00	45,287	100.00

x € 1,000	2021	2020
Gross accounts receivable	47,553	46,430
Of which within due date	37,199	38,482
Of which overdue	10,354	7,948
Provision for expected credit loss	-969	-1,143
Netto debiteurensaldo	46,584	45,287

Outstanding balances are analysed on a regular basis to determine the provision for expected credit losses. A credit provision is recognised based on an expected loss for the entire term of the receivable in question. The provision for expected credit losses refers to the total expected credit losses. A summary of changes in this provision is shown in the table below. Please refer to financial risk factors for more information about credit risk.

x € 1,000	2021	2020
Opening balance sheet at 1 January	1,143	880
Release	-174	-
Additions	-	339
Acquisitions	-	-
Deconsolidation	-	-76
Closing balance sheet at 31 December	969	1,143

1.35 Other taxes and social security contributions (assets)

x € 1,000	2021	2020
Turnover tax	1,788	1,486
Wage tax	32	21
Pensions and social security contributions	27	3
Other taxes	69	50
Total other taxes and social security contributions	1,916	1,560

1.36 Cash and cash equivalents

The company's cash and cash equivalents comprise cash, bank balances and short-term deposits, all of which are freely available to the company.

x € 1,000	2021	2020
Bank balances	4,735	4,468
Cash	67	11
Deposits	397	150
Total	5,199	4,629

1.37 Assets held for sale

The assets held for sale relate to company buildings within Industrial Systems that are offered for sale as at the balance sheet date and meet the conditions described in 1.11.3. The asset in question has become available for sale due to a different use of the available space. There are no indications for impairment. The sale is expected to be completed in the first half of 2022.

1.38 Shareholders' equity

Please refer to the primary statement for the statement of changes in shareholders' equity.

1.38.1 Paid-up and called-up capital

As at 31 December 2021 there were 1,292,805 shares outstanding each with a nominal value of €0.45. During the year, 1,861 (2020: 2,766) shares were issued for the participation plan and the earn out payment pertaining to the acquisition of Pas Reform North America (formerly: NatureForm) in 2018. The last transaction for the earn-out payment took place in 2021.

No rights were assigned to taking shares in the capital of the company. Holders of ordinary shares are entitled to dividend distribution as approved on a regular basis by the General Meeting of Shareholders. Shareholders are entitled to one vote per share at the company's general meeting of shareholders. The company's authorised

capital amounts to €2,250 thousand, divided into five million (5,000,000) shares of €0.45 each.

Hydratec has a share participation plan. If an employee chooses to join the plan after the end of the year, 50% of the variable remuneration is converted into shares. The shares are then issued on conversion at the average price during January and February and may not be sold for a period of three years. For a more detailed explanation on processing, see notes 1.25 and 1.38.6.

1.38.2 Share premium reserve

The share premium reserve can be considered as paid-up capital. The share premium reserve increased by €100 thousand due to the share issue in 2021.

1.38.3 Translation reserve

The translation reserve contains all foreign exchange differences due to translating the financial statements for operations outside the Netherlands which are an integral part of the Group's operations. These reserves are not distributable.

1.38.4 Hedge reserve

Derivatives (interest rate swaps on financing) are shown in the companies. Because these derivatives are classified as a cash flow hedge, a hedge reserve was created in the consolidated shareholders' equity. The movement in 2021 amounted to €133 thousand positive

(2020: €62 thousand positive) and was taken directly to shareholders' equity. This reserve is not distributable.

1.38.5 Other statutory reserves

Other statutory reserves relate to statutory reserves held for capitalised proprietary intangible fixed assets.

1.38.6 Other reserves

Other reserves relate to retained earnings from previous years which are freely distributable.

The change in the share participation plan concerns the recognition of liabilities under IFRS 2 relating to this share participation plan. For a more detailed explanation and processing, please refer to note 1.25.

1.38.7 Unappropriated result

The unappropriated result is the result of the financial year.

1.38.8 Proposed profit appropriation

The proposal to the General Meeting of Shareholders is to set the dividend for the 2021 financial year at €6.75 per share. This dividend payment is in line with the policy of paying out at least 40% of the result after tax, excluding non-recurring income. An interim dividend of €2.10 for 2021 was paid in August 2021. The dividend of €4.65 will be paid out in cash. The net result after the dividend for 2021 will be added to the other reserves.

1.38.9 Minority share

A minority share exists in the subsidiaries that are not or were not wholly-owned at any time during the financial year.

1.39 Earnings per share

	2021	2020
Earnings attributable to shareholders (x €1,000)	15,118	1,301
Weighted average number of shares (x 1)	1,291,875	1,289,557
Earnings per share (x €1)	11.70	1.01
Diluted earnings per share (x €1)	11.72	1.01

1.40 Provisions

x € 1,000	Personnel-related provisions	Personnel-related provisions (reorganisation)	Guarantees	Other	Total
Carrying amount as at 1 January 2021	1,832	1,421	914	1,400	5,567
Additions during the year	772		663	832	2,267
Withdrawals	-337		-703	-108	-1,148
Transfer of current liabilities	169				169
Released to the statement of profit or loss	-693	-672	-94	-459	-1,918
Exchange differences	15		2	1	18
Deconsolidation					-
Carrying amount as at 31 December 2021	1,758	749	782	1,666	4,955

The provision for personnel-related benefits mainly relates to the liability for anniversary bonuses.

1.40.1 Anniversary provision

The anniversary provision is determined according to the 'Projected Unit Credit Method'. This provision is calculated on the basis of actuarial principles, taking account of expected likelihood to stay, salary increases and a discount rate of 0.59% on average (2020: 0.87%). For the most part, the term of the provision is longer than one year.

1.40.2 Restructuring

A restructuring provision was created at Plastic Components during the year. At year-end, the provision only related to Plastic Components.

1.40.3 Warranty obligations

The provision for warranty obligations is based on historical warranty costs for products still within their warranty period. Given its limited term, this provision is not discounted.

1.40.4 Other

Other provisions mainly relate to the phasing out of production at Polmer and a performance scheme. To determine the provisions, estimates have been made of future results and severance probability. There may therefore be variances between the carrying amount of the provisions on the balance sheet date and the actual outflow of funds. For the most part, these are non-current provisions.

1.40.5 Deferred tax liabilities

Deferred tax liabilities can be broken down as follows:

x € 1,000	Intangible fixed assets	Tangible fixed assets	Total before offsetting	Offsetting deferred taxes	Total after offsetting
Carrying amount as at 1 January 2020	374	4,303	4,677	-2,576	2,101
Movements	634	34	668	-1,379	-711
Carrying amount as at 31 December 2020	1,008	4,337	5,345	-3,955	1,390
Movements	-201	-280	-481	346	-135
Carrying amount as at 31 December 2021	807	4,057	4,864	-3,609	1,255

For the most part, this is a non-current provision.

1.41 Financial instruments

1.41.1 Borrowings and lease liabilities

Borrowings relate to:

- ▶ a mortgage loan for financing property in Industrial Systems with a non-current part of €1.6 million due to mature in 2034 and an average interest rate of 5.4% (fixed);
- ▶ a mortgage loan for financing property in Industrial Systems with a non-current part of €5.7 million due to mature in 2039 and an interest rate of 3.45% (fixed);

- ▶ a general loan for Industrial Systems with a current portion of €3.6 million. The remaining term to maturity of the loan is one year. The variable interest rate on the loan is the 3-month EURIBOR plus 1.25%;
- ▶ a general loan for Industrial Systems with a non-current part of €0.5 million. The remaining term to maturity of the loan is three years. The variable interest rate on the loan is the 3-month EURIBOR plus 2.50%;
- ▶ a general loan for Plastic Components with a non-current part of €2.2 million. The remaining term to maturity of this loan is four years. The variable interest component has been fixed at 4.9% by means of an interest rate swap for the term of the loan;
- ▶ a general loan for Plastic Components with a non-current part of €2.0 million. The remaining term to maturity of this loan is six years. The variable interest component has been fixed at 2.38% by means of an interest rate swap for the term of the loan; and
- ▶ a general loan for Plastic Components with a non-current part of €1.0 million. The remaining term to maturity of this loan is six years. The variable interest component has been fixed at 2.35% by means of an interest rate swap for the term of the loan.

x € 1,000	Borrowings	Lease liabilities	Total
Carrying amount as at 31 December 2019	26,870	14,983	41,853
Borrowings drawn		1,340	1,340
Borrowings repaid	-2,644	-3,935	-6,579
Conversion into capital			-
Deconsolidation of Stork	-2,000	-1,501	-3,501
Interest		521	521
Exchange differences		-584	-584
Carrying amount as at 31 December 2020	22,226	10,824	33,050
Borrowings drawn	35	3,568	3,603
Borrowings repaid	-2,702	-3,777	-6,479
Deconsolidation of Stork			-
Interest		472	472
Exchange differences	5		5
Carrying amount as at 31 December 2021	19,564	11,087	30,651
Of which current:			
At 31 December 2021	6,305	1,863	8,168
At 31 december 2020	2,857	2,856	5,713
Of which non-current:			
At 31 december 2021	13,259	9,224	22,483
At 31 december 2020	19,369	7,968	27,337

The interest on lease liabilities recognised in 2021 amounted to €472 thousand (2020: €521 thousand). Cash flows from lease obligations amounted to €3.8 million (2020: €3.2 million).

Collateral has been provided to the banks for both segments in connection with credit facilities relating to:

- ▶ a revolving mortgage loan for the properties in Noordijk, Doetinchem, Tilburg, Hellevoetsluis and Lommel;
- ▶ a pledge on inventories;
- ▶ a pledge on fixtures and fittings; and
- ▶ a pledge on receivables.

The fair value of the non-current borrowings is about €0.2 million higher than the carrying amount (2020: €0.2 million).

For the leased assets, see note 1.31.

1.41.2 Other financial instruments

Interest rate derivatives and forward exchange contracts

x € 1,000	Currency derivatives	Interest rate derivatives	Put option	Other	Total
Carrying amount as at 31 December 2019	10	481	3,863	547	4,901
Payments				-100	-100
Interest				13	13
Movements in fair value	-10	-52			-62
Barter transaction			-3,863		-3,863
Carrying amount as at 31 December 2020	-	429	-	460	889
Movements in fair value		-192		-87	-279
Barter transaction					-
Carrying amount as at 31 December 2021	-	237	-	373	610

For notes on the put option, see 1.24.1.

The financial derivatives relate to:

- ▶ an interest rate swap to fix the variable interest rate component on the loan amounting to €2.5 million at year-end 2021, which is due to mature on 1 October 2025;
- ▶ an interest rate swap to fix the variable interest component of the loan amounting to €1.2 million at year-end 2021, which is due to mature on 1 July 2027; and
- ▶ an interest rate swap to fix the variable interest component of the loan amounting to €2.7 million at year-end 2021, which is due to mature on 1 July 2028.

The fair value is based on future cash flows over the term and volume of the contracts. This calculation is based on prices other than their quoted prices which are directly or indirectly observable and therefore qualify as a Level 2 estimate as defined in IFRS 13. The value of the put option was measured based on a Level 3 estimation. All these derivatives qualify as 'cash flow hedges' which are 100% effective as at year-end (2020: 100%). There is a direct economic relationship between the hedge instrument and the hedged item, the credit risk of the hedge instrument and the hedged item are similar, and there is a 1:1 hedge ratio. A hedge reserve has been created in shareholders' equity. Movements in the value of these swaps are recognised in the statement of comprehensive income.

1.42 Other taxes and social security contributions (liabilities)

x € 1,000	2021	2020
Turnover tax	293	554
Wage tax	594	754
Pensions and social security contributions	1,158	1,693
Total other taxes and social security contributions	2,045	3,001

1.43 Current account at bank

x € 1,000	2021	2020
Carrying amount as at 1 January	18,069	29,347
Withdrawal/repayment	-17,347	-11,278
Current account at bank	722	18,069

No use had been made of the maximum available current account facility as at the balance sheet date (2020: the same). For notes to the group facility, see section 1.46.3.

1.44 Other liabilities, accruals and deferred income

x € 1,000	2021	2020
Interest	73	141
Personnel-related expenses	6,414	7,392
Amounts received in advance	12,743	7,965
Commission due to agents	3,655	2,805
Accruals and deferred income and other liabilities	8,290	6,924
Total other liabilities, accruals and deferred income	31,175	25,227

In the comparative figures, other liabilities and accruals (deferred income) of €2.3 million have been reclassified to contract liabilities.

1.45 Financial risk factors

The operations expose the Group to financial risks, such as capital, liquidity, market, credit, currency, raw material price and interest rate risks.

Risk management focuses on mitigating the negative effects of the Group's financial performance as much as possible. The Management Board manages risks on the basis of guidelines approved by the Supervisory Board. The Management Board identifies and assesses financial risks, and hedges them in conjunction with the Group's subsidiaries.

1.45.1 Capital risk

The objectives as described in Hydratec's strategy are as follows: The companies aim for revenue growth in line with or above the market, with an operating result (EBIT) of 8% to 10% of revenue. Besides this, the companies must be solidly financed with a solvency ratio of at least 25%. This focus helps the companies to seek continuity, which is an important instrument for Hydratec to protect its capital. Clear dialogue with the companies' management on performance is also crucial for monitoring the achievement of long-term objectives.

To this end, there is a clearly defined reporting and assessment cycle which forms the basis for dialogue between management of the companies, and Hydratec's Management Board and Supervisory Board. The company has covenants under the credit agreement.

1.45.2 Liquidity risk

Hydratec manages rolling forecasts of its liquidity position – comprising bank balances (€5.2 million) and the current account facilities at the bank (€0.7 million) – on the basis of projected cash flows. This is generally done at local level by the operating companies, within the guidelines and limits set by the Group. The Group's liquidity management furthermore includes monitoring bank covenants to meet the banks' requirements, and keeping up with repayment schedules.

Contractual cash outflow for current financial instruments is as follows:

x € 1,000	Totaal	< 1 jaar	1-5 jaar	> 5 jaar
Debts to credit institutions	19,564	6,305	6,728	6,532
Lease liabilities	11,087	1,863	5,452	3,772
Other financial instruments	500	100	400	–
Trade payables	20,306	20,306	–	–
Other liabilities, accruals and deferred income ¹	24,340	24,340	–	–
Interest on financial instruments	2,958	529	1,288	1,141

¹ Other liabilities, accruals and deferred income do not include amounts received in advance and do include liabilities for other taxes, social security contributions and corporate income tax.

The interest rate on financial instruments is based on the interest rates at the end of the current financial year. The actual outgoing cash outflow is not expected to take place much earlier than shown in the table above.

1.45.3 Credit risk

Management applies internal policies to manage credit risk, including the default risk, which is kept under constant supervision. If relevant, the creditworthiness of all debtors is assessed, taking into account their financial position, past experience and other factors. Credit insurance has been taken out to provide cover for outstanding receivables, with the maximum credit amount being determined for each individual customer. Only banks and financial institutions with an independent rating of 'A' or higher are accepted. The total debtor balance at year-end 2021 was €25.4 million for Industrial Systems and €21.1 million for Plastic Components. Please refer to 1.34 for an analysis of the age of debtors.

1.45.4 Market risk

Hydratec is exposed to the following potential market risks:

- ▶ commodity price risk: the risk that fluctuations in procurement prices for raw materials adversely affect the companies' profitability;
- ▶ currency risk: the risk that the value of a financial instrument will change as a result of exchange rate fluctuations;

- ▶ interest rate risk: the risk that interest expenses will rise due to changes in market interest rates.

Hydratec hedges currency and interest rate risks by buying and selling derivatives and attempts to mitigate volatility in the statement of profit or loss as much as possible by applying hedge accounting.

These risks are described in more detail below.

1.45.5 Commodity price risk

The Group procures raw materials for the companies in Plastic Components, which can be directly or indirectly designated as 'commodities'. The risk of price fluctuations is mitigated by making agreements with customers for partly passing on commodity price rises.

1.45.6 Currency risk

The Group holds monetary items in currencies other than the euro. Those in the consolidation relate mainly to Helvoet and Rollepaal in India, Helvoet in Poland, Polmer in Poland, Pas Reform North America in the US, and Pas Reform do Brasil and ION in Brazil. Local assets and liabilities are predominantly measured in local currencies. Fluctuations in currency exchange rates between the opening balance sheet date and the closing balance sheet date lead to valuation differences of such assets and liabilities in euros during the consolidation process. Such differences are recognised in the unrealised translation results in the Group's

shareholders' equity. Please refer to 1.38.3 for more information.

On the basis of the monetary items in these subsidiaries at year-end 2021, the impact of a fluctuation in local currency is as follows:

- ▶ a 10% fluctuation in the Indian rupee to euro exchange rate would result in a movement of €76 thousand;
- ▶ a 10% fluctuation in the Brazilian real to euro exchange rate would result in a movement of €30 thousand;
- ▶ a 10% fluctuation in the Polish zloty to euro exchange rate would result in a movement of €73 thousand;
- ▶ a 10% fluctuation in the US dollar to euro exchange rate would result in a movement of €51 thousand.

1.45.7 Interest rate risk

The Group has credit facilities at an interest rate which depends on the European Interbank Offered Rate (EURIBOR). The facilities, which are combined with fixed interest rate swaps, were completely hedged at year-end 2021. The swaps are measured at fair value. The change in value in 2021 was €133 thousand positive (2020: €62 thousand positive). Debts to credit institutions that are subject to an interest rate risk amounted to €0.7 million at year-end 2021. By contrast, the Group had cash and cash equivalents worth €5.2 million at the balance sheet date. If the interest rate rises by one percentage point, this will affect the result before tax by approximately €0.1 million positive.

1.46 Liabilities not shown on the balance sheet

1.46.1 Capital investment commitments

At year-end 2021, the Group had commitments for €0.3 million to procure plant (2020: nil).

1.46.2 Bank guarantees

The Group has provided bank guarantees to a total value of €8.1 million (2020: €3.5 million). These bank guarantees were mainly provided to customers for the successful completion of mechanical engineering projects.

1.46.3 Group facility

A EURIBOR group facility has been arranged for Hydratec at ABN AMRO Bank with a cash pool facility and mutual joint and several liability comprising an overdraft facility as of 31 December 2021 with a maximum of €45.5 million, which will be lowered by €1.5 million on 1 January every year, ultimately arriving at €36 million.

The mark-up for this 1-month average EURIBOR facility is 1.50% a year plus the applicable market premium (was 0.3% at the balance sheet date). A commitment fee of 0.5% also applies.

The current account changes day by day.

Concerning the credit agreement, the following voluntary agreements have been made as at 31 December 2021:

- ▶ the debt/EBITDA ratio must be less than 2.5;
- ▶ the debt coverage service ratio must be greater than 1.0.

As at the balance sheet date, Hydratec had met all the agreements in its covenants.

The credit provider defines debt as all interest-bearing debts.

No use had been made of the maximum available current account facility as at the balance sheet date (2020: the same).

1.47 Related party transactions

No transactions with related parties took place in 2021 other than:

- ▶ remuneration of Management Board and Supervisory Board, see note 1.25.3

1.48 Events after the balance sheet date

No events took place after the balance-sheet date which lead to material changes.

2021 company financial statements

Company financial statements as at 31 December before appropriation of result

x € 1,000	Note	2021	2020	x € 1,000	Note	2021	2020
ASSETS				LIABILITIES			
Intangible fixed assets				Shareholders' equity			
Goodwill	2.2	13,487	13,487	Issued capital	2.5	583	581
Software		69	10	Share premium reserve		6,328	6,230
Tangible fixed assets				Translation reserve		-1,647	-1,829
Right-of-use assets		107	135	Hedge reserve		-189	-322
Tangible fixed assets		25	15	Other statutory reserve		299	299
Financial fixed assets				Revaluation reserve		1,128	1,161
Participations in group companies	2.3	78,374	65,350	Reserve for capitalised development costs		1,063	1,087
Loans to group companies		10,693	13,459	Other reserve		53,399	54,571
Current assets				Unappropriated result		15,118	1,301
Receivables from group companies		8,970	4,853			76,082	63,079
Other receivables, prepayments and accrued income		40	164	Provisions			
Cash and cash equivalents					2.6	1,399	869
Bank		1,325	-	Current liabilities			
Total assets		113,090	97,473	Debts to credit institutions	2.7	-	12,698
				Trade payables		53	91
				Debts to group companies	2.4	35,159	19,952
				Other liabilities, accruals and deferred income		397	784
						35,609	33,525
				Total liabilities			
						113,090	97,473

Company statement of profit or loss

x € 1,000	Note	2021	2020
Operating costs			
Wages, salaries and temporary staff	2.9	-1,197	-694
Social security contributions and pensions		-126	-118
Other operating costs		-1,157	-1,329
Operating result		-2,480	-2,141
Financial income and expenses		-20	-948
Result before tax		-2,500	-3,089
Taxes		625	766
Result from participating interests		16,993	3,624
Net result		15,118	1,301

Notes to the company financial statements

2.1 Accounting policies

The company financial statements have been prepared according to the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code. To determine the accounting policies relating to valuation of assets and liabilities and the determination of the result for its company financial statements, Hydratec makes use of the option offered in Book 2 Section 362(8) of the Dutch Civil Code. This means that the accounting policies for Hydratec's company financial statements are the same as those used for the consolidated financial statements and thus participating interests over which there is significant influence are measured according to the net asset value method. The consolidated financial statements have been prepared according to the standards adopted by the International Accounting Standards Board and accepted by the European Union. Please refer to the accounting policies for the consolidated financial statements for a description of these accounting policies. The company financial statements are prepared on the basis of the going concern principle for which reference is made to section 1.1.3 of the consolidated financial statements. The share in the profits of participations comprises Hydratec's share in the results of these participating interests. Results of transactions in which assets and liabilities have been transferred between Hydratec and its participating interests are not recognised if they are considered not to have been realised.

Hydratec applies the option provided in statement 2018-1 from the Dutch Accounting Standards Board [Raad voor de Verslaggeving - RJ-Uiting 2018-1]: 'clarification of recognition of expected credit losses in company financial statements by applying combination 3' [ontwerp-Richtlijn 100.107a 'verduidelijking van de verwerking van te verwachten kredietverliezen in de enkelvoudige jaarrekening bij toepassing van combinatie 3']. The effect of expected credit losses on loans to and receivables from the participating interests are therefore eliminated in the company financial statements. The consequence of this is that there are no variances between shareholders' equity in Hydratec's company financial statements and shareholders' equity presented in the consolidated financial statements.

2.2 Goodwill

The goodwill recognised by the company of €13,487 thousand consists of the amounts related to Pas Reform/Lan Handling Technologies (2020: €13,487 thousand).

2.3 Statement of changes in financial fixed assets

2.3.1 Financial fixed assets

x € 1,000	Participating interests
Balance as at 1 January 2020	59,960
Result from participating interests	3,624
Group company dividends	-800
Translation reserve	-1,168
Movements in hedge reserve	62
Other statutory reserve	-5
Capital contributions	3,677
Balance as at 31 December 2020	65,350
Result from participating interests	16,993
Group company dividends	-4,300
Translation reserve	198
Movements in hedge reserve	133
Other statutory reserve	-
Capital contributions	-
Balance as at 31 December 2021	78,374

Unless otherwise specified, Hydratec owned direct and indirect shares in the following companies as at 31 December 2021 (where companies are not wholly owned, the equity stake is shown in brackets):

Name	Business location
Timmerrije B.V.	Neede, Netherlands
Lias Industries B.V.	Zeddam, Netherlands
Pas Reform B.V.	Zeddam, Netherlands
Pas Reform Participações LTDA	São Paulo, Brazil
Pas Reform do Brasil LTDA	São Paulo, Brazil
Windmolen Holding LTDA	São Paulo, Brazil
ION (54.5%)	São Paulo, Brazil
Pas Reform North America LLC	Jacksonville, US
Lias Vastgoed B.V.	Zeddam, Netherlands
Lan Handling Technologies B.V.	Tilburg, Netherlands
Lan Vastgoed B.V.	Tilburg, Netherlands
ABAR Automation B.V.	Halfweg, Netherlands
Lan Handling Solutions B.V.	Tilburg, Netherlands
Lan Robotics B.V.	Tilburg, Netherlands
Lan Services International B.V.	Tilburg, Netherlands
Polmer Sp. z o.o.	Wroclaw, Poland
Helvoet Rubber & Plastic Technologies B.V.	Tilburg, Netherlands
Helvoet Rubber & Plastic Technologies N.V.	Lommel, Belgium
Helvoet Services BVBA	Lommel, Belgium
High Technology Plastics (India) Pvt. Ltd	Loni, India
Helvoet Rubber & Plastic Technologies GmbH	Gilching, Germany
Schwarzpunkt Schwarz GmbH & Co. KG	Gilching, Germany
Helvoet Polska Sp. z.o.o.	Kaniów, Poland
Rollepaal Pipe Extrusion Technology B.V.	Dedemsvaart, Netherlands
Rollepaal Inc.	Baltimore, US
Rollepaal Engineering India Pvt. Ltd.	Ahmedabad, India

2.3.2 Loans to group companies

x € 1,000	Loans to group companies
Balance as at 1 January 2021	13,459
Repayments	-3,000
Interest	234
Balance as at 31 December 2021	10,693

This relates to two group company loans. The first loan has a book value of €2.1 million and a maturity date of 31 December 2032. The interest rate is 5% per annum. The fair value is in line with the value as recognised in the balance sheet. The second loan of €8.5 million is an open-ended loan with an interest rate of 1-month Euribor +1.95%.

2.4 Group companies

Receivables from and debts to group companies relate to current account positions associated with the bank facility and call money, for which market-rate interest is charged.

2.5 Shareholders' equity

Please refer to note 1.38 for the statement of changes in shareholders' equity. As at 31 December 2021 there were 1,292,805 shares outstanding each with a nominal value of €0.45. No rights have been assigned to taking shares in the capital of the company.

The revaluation reserve and reserve for capitalised development costs relate to a Systems company.

2.6 Provisions

x € 1,000	Provisions
Carrying amount as at 1 January 2021	869
Allocations during the year	530
Carrying amount as at 31 december 2021	1,399

The provisions relate to performance schemes and are long-term.

2.7 Debts to credit institutions

The debts to credit institutions concern the current account with the bank. See note 1.43.

2.8 Liabilities not shown on the balance sheet

The company has been part of a fiscal unity for corporate income tax purposes since 1 October 2015. Settlement takes place through the receivables from or debts to group companies.

Hydratec has issued a statement of joint and several liability to the following companies:

Timmerije B.V.	ABAR Automation B.V.
Lias Industries B.V.	LAN Handling Solutions B.V.
Pas Reform B.V.	LAN Robotics B.V.
Lias Vastgoed B.V.	LAN Services International B.V.
LAN Handling Technologies B.V.	LAN Vastgoed B.V.
Rollepaal Pipe Extrusion Technology B.V.	

In addition, Hydratec is jointly and severally liable for the bank facility as described in 1.43. This liability applies with respect to the companies listed below:

Timmerije B.V.	LAN Handling Solutions B.V.
Lias Industries B.V.	LAN Robotics B.V.
Pas Reform B.V.	LAN Services International B.V.
Lias Vastgoed B.V.	Helvoet Rubber & Plastic Technologies B.V.
LAN Handling Technologies B.V.	Helvoet Rubber & Plastic Technologies N.V.
ABAR Automation B.V.	Rollepaal Pipe Extrusion Technologie B.V.
Lan Vastgoed B.V.	

Other information

2.9 Personnel costs

The company had six employees in 2021 (2020: 5). Please refer to 1.25.3 for the remuneration of the Management Board.

Amersfoort, 17 maart 2022

Management Board under the articles of association

B.F. Aangenendt

E.H. Slijkhuis

Supervisory Board

E. ten Cate

M.E.P. Sanders

P. Veenema

Profit appropriation

Article 34 of the articles of association stipulates the following with regard to profit appropriation:

- ▶ The Management Board, with the approval of the Supervisory Board, shall determine which part of the profit, as shown in the financial statements adopted by the general meeting of shareholders, shall be allocated to the reserves.
- ▶ The remaining part of the profit is at the free disposal of the general meeting.

Independent auditor's report

For the Independent auditor's report we refer to page 126
in the Dutch version of the Annual report 2021.

Contact details

General details

Name of the reporting entity	Hydratec Industries N.V.
Registered office of the entity	Amersfoort, Nederland
Legal form of the entity	Public limited company
Country of establishment	Netherlands
Address of the entity's registered office	Spoetnik 20, 3824 MG Amersfoort
Principal place of business	Amersfoort
Description	Hydratec Industries supplies Industrial Systems and Plastic Components to sustainably meet the growing need for Food, Health and Mobility.

Hydratec Industries N.V.

Hydratec Industries N.V.

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Plastic Components

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