

Half-year Report 2021



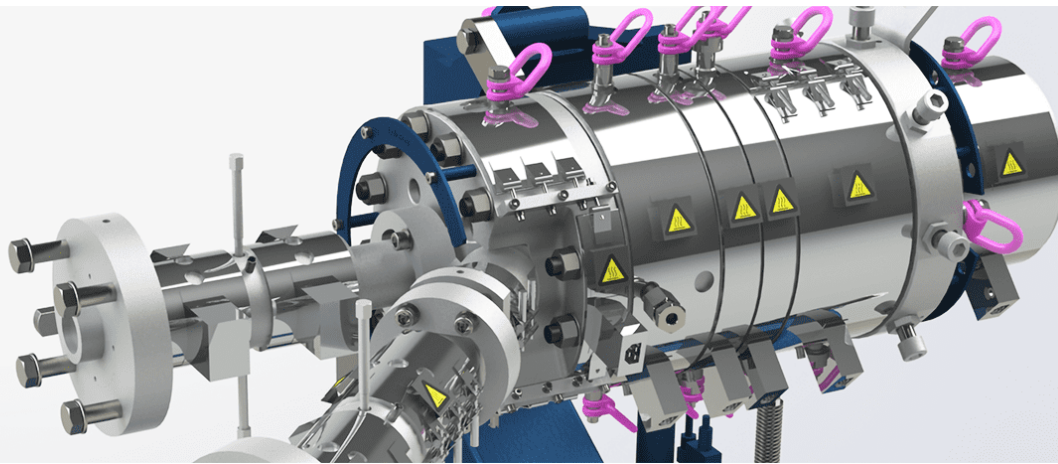


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Profile and organisation

1997

Listed on the stock exchange since 1997



1505

1,505 employees



2 Core activities

Industrial systems

Plastic components



5 Companies



Lan
Handling
Technologies



Royal Pas Reform
Integrated
Hatchery Solutions



Rollepaal
Pipe Extrusion
Technology



Helvoet
Hightech Injection
Moulding

Timmerije

Timmerije
High-level Injection
Moulding

3 our markets



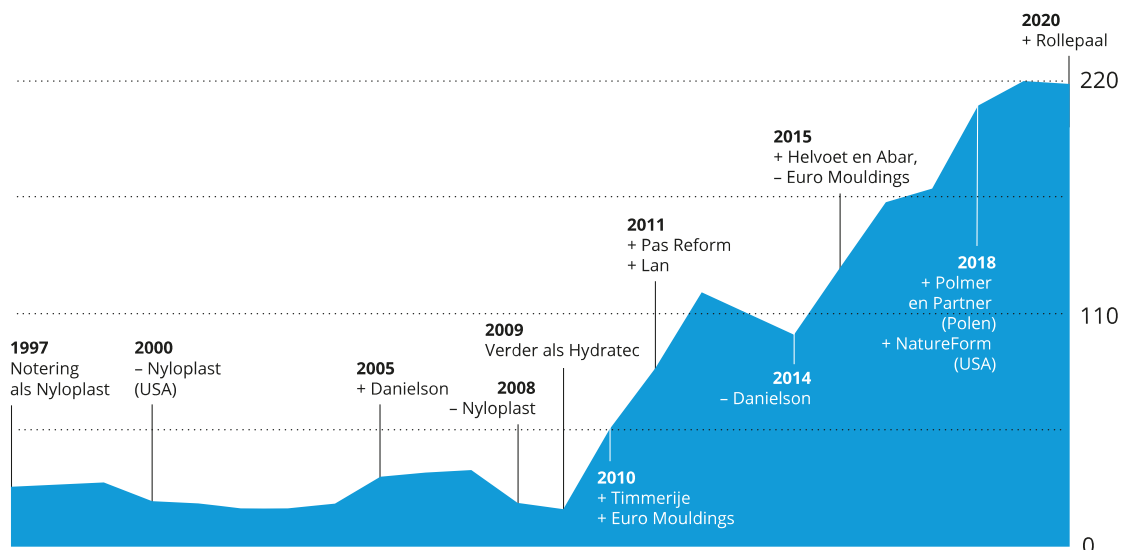
Food



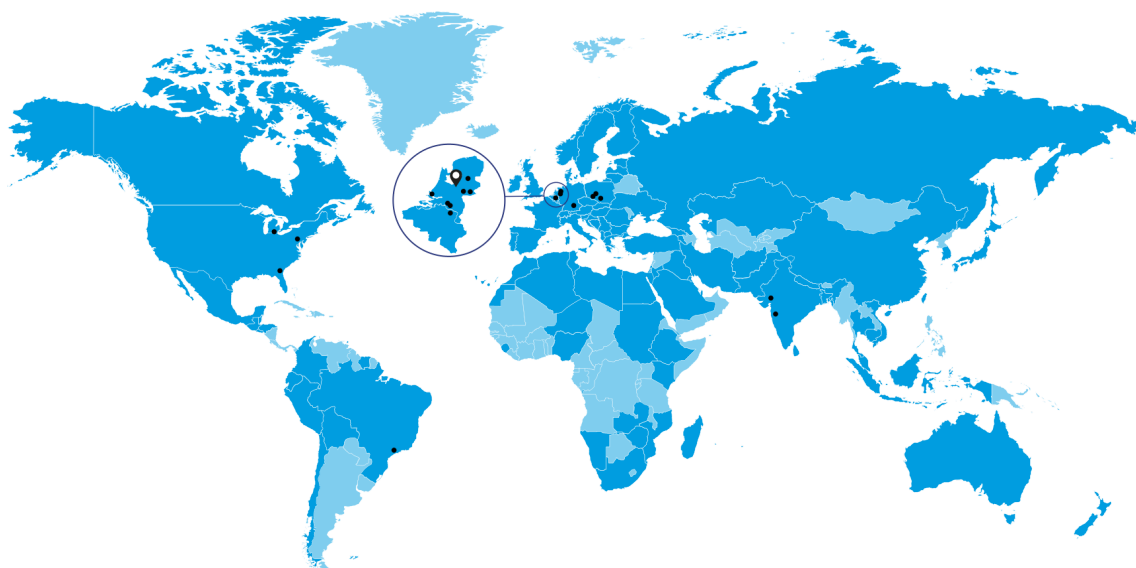
Health



Mobility



Global presence



Highlights of the first half of 2021

Revenue

€120 million

2020: €101 million

Operating result

€9.6 million

2020: €3.3 million

Net profit for shareholders

€6.7 million

2020: €1.9 million

Earnings per share

€5.16

2020: €-0.43

Solvency ratio

35.3%

2020: 30.9%

Number of employees

1,505

2020: 1,465

Key figures

	First half of 2021	First half of 2020
Statement of profit or loss		
Net revenue	119,772	100,588
Gross margin	65,014	55,944
<i>As % of net revenue</i>	54.3%	55.6%
Operating result	9,560	3,255
<i>As % of net revenue</i>	8.0%	3.2%
Net result attributable to shareholders	6,674	-550
Net result attributable to shareholders excluding discontinued operations	6,674	1,930
Cash flow		
Operating cash flow	15,812	13,223
Investment cash flow	-2,902	-2,791
Financing cash flow	-12,326	-7,448
Net cash flow	584	2,984
Currency translation differences	21	-358
Movements in cash and cash equivalents	605	2,627
Earnings per share		
Earnings per share from continuing operations in euros	5.16	1.30
Earnings per share in euros	5.16	-0.43
Number of outstanding shares	1,292,791	1,289,435
	30 June 2021	31 December 2020
Balance sheet		
Shareholders' equity attributable to shareholders	69,916	61,473
Shareholders' equity	70,061	61,638
Balance sheet total	198,286	199,695
Key ratios*		
Profitability of capital invested ¹	13.0%	0.7%
Profitability of shareholders' equity ²	20.0%	2.1%
Solvency ³	35.3%	30.9%

* Recalculated on the basis of a full year (first half of the financial year x 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 as a percentage of average shareholders' equity, excluding non-recurring income.

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

Report of the board of directors



Strategy

Hydratec Industries NV is a globally operating, listed technology specialist with two core activities: Industrial Systems and Plastic Components. Hydratec Industries intends to make a sustainable contribution to the demand for food, health and mobility. This demand is growing rapidly due to population growth and rising prosperity.

Our long-term strategy is for all our companies 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 markets, which will enable us to generate considerable added value for the end user.

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 companies agile and innovative.

The focus on innovation is an important factor in the success of our companies. Our employees collaborate closely with customers and continually look for ways of improving products and production processes.

For a more detailed description of Hydratec's strategy, please refer to [the 2020 annual report](#).

Segments

Industrial Systems

Design, production and installation of machinery and systems by:

Royal Pas Reform | Integrated Hatchery Solutions

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.

Lan | Handling Technologies

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

Rollepaal | Pipe Extrusion Technology

Rollepaal is a cutting-edge manufacturer of extrusion machines for PVC, PVC-O and PO pipes. The company's strength is its innovative nature. Its high-tech machines are renowned for their high quality in which the focus is on durability.

Plastic Components

Plastic Components develops and produces plastic components for OEMs:

Timmerije | High-Tech Plastic Components

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.

Helvoet | High Precision Plastic Components

Helvoet has been a global supplier of precision components made from rubber and plastic for more than 80 years. The company specialises in complex assembly for the Food, Health and Mobility markets.

Performance in the first half of 2021

Hydratec Industries NV started 2021 well. Revenue was 19.1% higher in the first half of the year than in the same period in 2020, leading to a substantial improvement in the operating result and net profit at both Industrial Systems and Plastic Components.

- ▶ Consolidated revenue totalled €120 million (+19% compared to 2020).
- ▶ The gross margin was higher (€65.0 million versus €55.9 million).
- ▶ The operating result (EBIT) was considerably higher, totalling €9.6 million (8.0%) (€3.3 million (3.2%) in 2020).
- ▶ Net result attributable to shareholders came to €6.7 million (2020: €550 thousand negative).
- ▶ Investments in tangible and intangible fixed assets totalled €2.9 million, comparable to the first half of 2020.
- ▶ As at 30 June 2021, the solvency ratio had risen to 35.3% compared to 31.8% as at 31 December 2020.

Performance

In the first half of 2021, the world was still contending with Covid-19 and the uncertainties accompanying the pandemic. Nonetheless, Hydratec was able to continue the upward trend visible at the end of 2020. There were two reasons for this. Firstly, the various markets in which we operate – with the exception of India – demonstrated their resilience. The markets recovered and the Hydratec Industries companies were able to benefit from this. Secondly, we put various measures in place in 2020 to improve the result. We also continued innovating products and processes. Both of these things had a beneficial impact on results in the first half of 2021. Furthermore, our caution in terms of investments meant that the investment level remained almost the same as in the first half of 2020.

Plastic Components

Plastic Components' revenue, totalling €66.6 million, was 20.8% higher than in the same period last year. The operating result worked out at €4.6 million (7.0% of revenue): a considerable increase compared to the first six months of 2020 and 2019. The various markets recovered well, although there were occasionally some fluctuations in prices and availability of raw materials. The mobility market has picked up again, after coming to a halt due to Covid-19 restrictions, but it is now suffering from the lack of chips which is preventing vehicles from being produced. Food and drink in the out-of-home segment is expected to pick up again in the second half of this year. A start has now been made on batch production of nanoplates for point-of-care diagnostic solutions for the medical market. Given the results at Polmer, a decision has been made to investigate the long-term perspective for these injection moulding activities in Poland. No conclusions can yet be drawn.

Industrial Systems

Revenue at Industrial Systems totalled €54.5 million. This 18.2% increase in revenue resulted in a considerable increase in the operating result to €6.2 million (11.4% of revenue) in the first half of the year. Although revenue at Industrial Systems was visibly lower in the first quarter, the second quarter compensated for this. Pet food is an example of a market that flourished during the past period. The project-based nature of the activities can lead to significant fluctuations in revenue. Despite the measures taken worldwide to combat Covid-19, the order intake at all the companies remained at a respectable level.

General meeting of shareholders

The annual general meeting of shareholders took place on 26 May 2021. Mr Jan Vaandrager officially stepped down from the Hydratec Supervisory Board at this meeting. Hydratec is greatly indebted to him for his stimulating contribution during the past years. Mr Piet Veenema was appointed as a member of the Supervisory Board. Mr Veenema has considerable experience as the CEO of a listed company, and broad international experience in manufacturing. EY was also appointed as the auditor during the AGM.

Dividend

Given the current strong financial position, improved liquidity, the encouraging result for the first half-year, the good operating cash flow and the favourable outlook, the company has decided to distribute an interim dividend. A cash dividend worth €2.7 million will be distributed to shareholders in August 2021, which works out at €2.10 per share. This is in line with the dividend policy to distribute at least 40% of revenue.

Risks

Please refer to the section on risks in the 2020 annual report for a detailed description of the risk factors that apply to Hydratec and its subsidiaries. Apart from the uncertainties caused by the Covid-19 pandemic, no structural changes occurred in the risks that could affect the results during the rest of 2021.

Expectations for the 2021 financial year

On the basis of the good results for the first half of the year and the well-filled order book at Industrial Systems, we also expect good results for the second half of 2021. Plastic Components is still facing uncertainty in the market for out-of-home food, mainly due to the Covid-19 pandemic.

Events after the balance sheet date

No significant events took place after 30 June 2021.

Involvement of the auditor

The external auditor did not conduct an audit or review engagement with respect to this half-year report.

Statement of directors' responsibilities (statement pursuant to Article 5:25D (2c) of the Dutch Financial Supervision Act)

The Management Board of the company hereby declares that, as far as it is aware:

- ▶ the half-year financial statements for the first half of the 2021 financial year provide a true and fair view of the assets, liabilities, financial position and profit of the company and of its consolidated companies;
- ▶ the half-year report for the first half of the 2021 financial year contains a true and fair view of:
 - ▶ important events that occurred in the first six months of the corresponding financial year and of their effect on the half-year financial statements;
 - ▶ the most important transactions undertaken with related parties in this period;
 - ▶ the main risks and uncertainties for the other six months of the corresponding financial year.

Amersfoort, 22 July 2021

Management Board

Mr B. F. Aangenendt, CEO

Ms E. H. Slijkhuis, CFO

Financial overview



Abridged consolidated statement of profit or loss

1 January to 30 June

x €1,000 (unless stated otherwise)

	2021	2020
Net revenue	119,772	100,588
Material usage	54,758	44,644
Gross margin	65,014	55,944
Operating costs	-55,454	-52,689
Operating result	9,560	3,255
Interest charges	-760	-903
Result from ordinary activities before tax	8,800	2,352
Taxes	-2,151	-673
Result from ordinary activities after tax	6,649	1,679
Net result from continuing operations	6,649	1,679
Net result from discontinued operations	0	-2,763
Net result	6,649	-1,084
Net result (attributable to shareholders)	6,674	-550
Net result (attributable to third parties)	-25	-534
Earnings per share from discontinued operations(€ x 1)	0	-1.73
Earnings per share from continuing operations(€ x 1)	5.16	1.30
Earnings per share (€ x 1)	5.16	-0.43
Diluted earnings per share (€ x 1)	5.16	-0.43

Abridged consolidated statement of comprehensive income

1 January to 30 June

x €1,000	2021	2020
Net result from continuing operations	6,649	1,749
Elements which may be recognised in the statement of profit or loss in future		
Cash flow hedges – adjustment to fair value	73	38
Foreign activities – currency translation differences	-24	-646
Comprehensive income after tax	6,698	1,141
Comprehensive income after tax from discontinued operations	0	-2,833
Comprehensive income after tax	6,698	-1,692
Comprehensive income attributable to:		
Shareholders	6,712	-1,150
Third parties	-14	-542

Abridged consolidated balance sheet

Before profit appropriation

x €1,000	30 June 2021	31 December 2020
ASSETS		
Intangible fixed assets	27,513	27,544
Tangible fixed assets	62,905	64,279
Lease assets	12,705	11,680
Financial fixed assets/deferred tax assets	5,174	5,793
Total fixed assets	108,297	109,296
Contract assets	9,094	7,563
Inventories	29,001	26,211
Trade receivables	39,226	45,287
Other receivables, prepayments and accrued income	7,434	5,621
Cash and cash equivalents	5,234	4,629
Total current assets	89,989	89,311
Total assets	198,286	198,607

x €1,000	30 June 2021	31 December 2020
LIABILITIES		
Shareholders' equity attributable to shareholders	69,916	63,079
Minority share	145	161
Total shareholders' equity	70,061	63,240
Provisions/deferred tax liabilities	7,118	6,957
Financial instruments	798	889
Borrowings and lease obligations	27,553	27,337
Total provisions and non-current liabilities	35,469	35,183
Contract liabilities	25,158	26,425
Trade payables	18,062	17,154
Bank current account	8,813	18,069
Other liabilities, accruals and deferred income	40,723	38,536
Total current liabilities	92,756	100,184
Total liabilities	198,286	198,607

Abridged consolidated statement of changes in equity

1 January to 30 June

x €1,000	Attributable to Hydratec shareholders	Attributable to third parties	2021 shareholders' equity	Attributable to Hydratec shareholders	Attributable to third parties	2020 shareholders' equity
Balance as at 1 January	63,079	161	63,240	62,700	500	63,200
Dividend distribution						
Share issue	101		101	89		89
Unappropriated result	6,674	-25	6,649	-550	-534	-1,084
Change in exchange rates	-33	9	-24	-655		-655
Movements in hedge reserve	73		73	38		38
Deconsolidation of Stork					-153	-153
Acquisition of Rollepaal's residual interests				-181	181	
ION capital contribution					171	171
Other changes	22		22	32		32
Balance as at 30 June	69,916	145	70,061	61,473	165	61,638

Abridged consolidated cash flow statement

1 January to 30 June

x €1,000	2021	2020
Cash flow from operating activities	15,812	13,223
<i>Cash flow from discontinued operations</i>	0	1,129
<i>Cash flow from regular continuing operations</i>	-2,902	-3,920
Cash flow from investing activities	-2,902	-2,791
Cash flow from financing activities	-12,326	-7,448
Net cash flow	584	2,984
Currency translation differences	21	-358
Movements in cash and cash equivalents	605	2,627
Cash and cash equivalents as at 1 January	4,629	2,945
Cash and cash equivalents as at 30 June	5,234	5,572

Selected notes

1. General

The half-year financial statements were prepared by the Management Board, discussed with the Supervisory Board and released for publication on 22 July 2021. The external auditor did not conduct an audit or review engagement with respect to this half-year report.

2. Accounting policies for the half-year financial statements

The half-year financial statements for the period from 1 January to 30 June 2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and contain more condensed information and notes than is required in the annual financial statements. The half-year financial statements have been prepared in accordance with the same accounting policies as those specified in the 2020 consolidated financial statements. Where necessary, comparable figures were adjusted for comparison purposes.

3. Seasonal influences

The Group's revenue and results are not structurally influenced by seasonal effects of sales, although project revenue may fluctuate at Industrial Systems.

4. Segment reporting

The table below shows the breakdown of a number of key figures between Industrial Systems and Plastic Components for the period from 1 January to 30 June of the year in question.

x €1,000	Industrial Systems		Plastic Components		Total segments		Holding company expenses and eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net revenue from third parties	54,460	46,074	65,312	54,514	119,772	100,588			119,772	100,588
Intersegment revenue			1,239	564	1,239	564	-1,239	-564		
Total revenue from segments	54,460	46,074	66,551	55,078	121,011	101,152	-1,239	-564	119,772	100,588
Operating result	6,193	2,220	4,630	1,841	10,823	4,061	-1,263	-806	9,560	3,255
Depreciation	2,103	2,238	3,850	3,742	5,953	5,980	15		5,968	5,980
Investments in tangible/ intangible fixed assets	1,132	1,291	1,687	1,700	2,819	2,991	83		2,902	2,991

5. Breakdown of revenue by type

The table below shows the breakdown of revenue by type for the period from 1 January to 30 June in the year in question.

x €1,000	2021	%	2020	%
Supply of goods	73,690	60.5	65,848	65.4
Projects	42,973	35.3	31,144	31.0
Other revenue	3,109	4.2	3,596	3.6
Total	119,772	100	100,588	100

6. Fair value of financial instruments

x €1,000	Total
Carrying amount as at 1 January 2021	429
Movements in fair value	-98
Carrying amount as at 30 June 2021	331

The financial instruments relate to:

- ▶ an interest rate swap to fix the variable interest rate component of a loan amounting to €2.9 million at 30 June 2021, which is due to mature on 1 October 2025;
- ▶ an interest rate swap to fix the variable interest rate component of a loan amounting to €1.3 million at 30 June 2021, which is due to mature on 1 July 2027;
- ▶ an interest rate swap to fix the variable interest rate component of a loan amounting to €2.9 million at 30 June 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 measurement as defined in IFRS 7. All these derivatives qualify as “cash flow hedges” which are 100% effective as at 30 June 2021. Movements in the value of these swaps are credited to or debited from shareholders' equity. A hedge reserve has been created in shareholders' equity for this.

7. Dividend distribution

No dividends were distributed to Hydratec shareholders.

8. Share issue

As part of the earn-out scheme in connection with the acquisition of the remaining 50% interest in Pas Reform North America with acquisition date 1 January 2018, 878 ordinary shares were issued with a nominal value of €0.45 per share at an issue price of €49.31 per share. In addition, 969 ordinary shares were issued with a nominal value of €0.45 per share at an issue price of €59.57 per share. The aim of this share issue was to issue shares for the participation plan for the Management Board and management of Hydratec and its operating companies. Together, these issues resulted in an expansion of the share capital by €1 and an addition to the share premium reserve of €100.

9. Capital investment commitments

The Group had entered into material capital investment commitments totalling €3.7 million as at 30 June 2021.

10. Bank guarantees issued

As at 30 June 2021, the Group had issued bank guarantees to customers for the delivery of plant and equipment to the value of €7.8 million.

11. Related party transactions

Transactions with related parties take place under commercial conditions.

12. Events after the balance sheet date

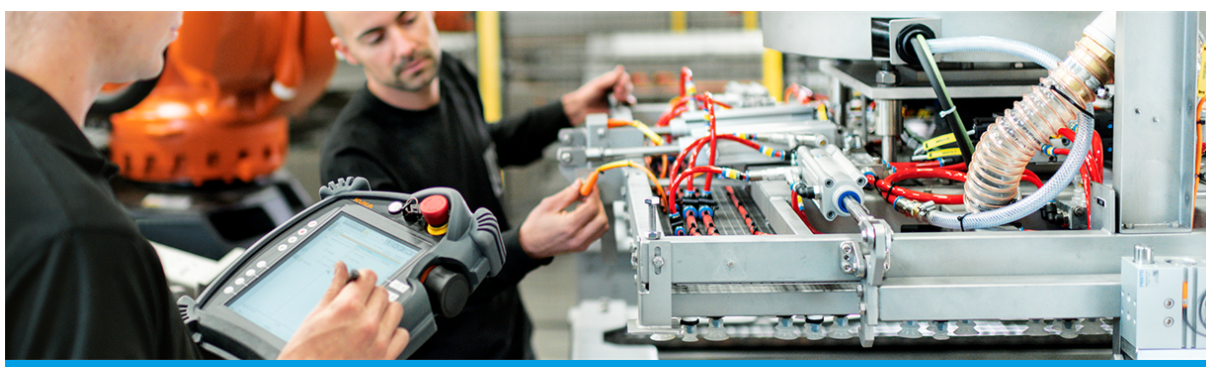
No events that are relevant to the half-year financial statements took place after the balance sheet date.

Contact details

Hydratec Industries NV

General details

Name of the company	Hydratec Industries N.V.
Registered office	Amersfoort
Legal form	Naamloze Vennootschap
Country of establishment	Nederland
Address of the entity	Spoetnik 20, 3824MG 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.



Contact details for each company

Hydratec Industries NV

CEO	Ir. B.F Aangenendt
CFO	Drs. E.H. Slijkhuis RA
Address	Spoetnik 20 3824MG Amersfoort
Telephone	+31 (0) 33 469 73 25
Email	info@hydratec.nl
Internet	www.hydratec.nl



Industrial Systems

Lan Handling Technologies BV

Managing Director
Address

Telephone
Email
Internet

Ing. K. van de Wiel
Nieuwe Atelierstraat 9
5056 DZ Berkel Enschoot
+31 (0) 13 - 532 25 25
info.tilburg@lanhandling.com
www.lanhandling.com



Pas Reform BV

Managing Director
Address

Telephone
Email
Internet

Ir. P. Smits
Bovendorpsstraat 11
Postbus 2
7038 ZG Zeddam
+31 (0) 314 - 65 91 11
info@pasreform.com
www.pasreform.com



Rollepaal Pipe Extrusion Technology B.V.

Managing Director
Address

Telephone
Email
Internet

H. Hoven MSc
Rollepaal 13
7701 BR Dedemsvaart
+31 (0) 52 - 362 45 99
info@rollepaal.com
www.rollepaal.com



Plastic Components

Helvoet Rubber & Plastic Technologies BV

Managing Director
Address

Telephone
Email
Internet

Ing. F. de Jonge
Centaurusweg 146
5015 TA Tilburg
+31 (0) 13 - 547 86 00
info.tilburg@helvoet.com
www.helvoet.com



Timmerije BV

Managing Director
Address

Telephone
Email
Internet

Dr. H. Kolnaar
Schoolweg 29
Postbus 3
7160 AA Neede
+31 (0) 545 - 28 38 00
info@timmerije.com
www.timmerije.com



