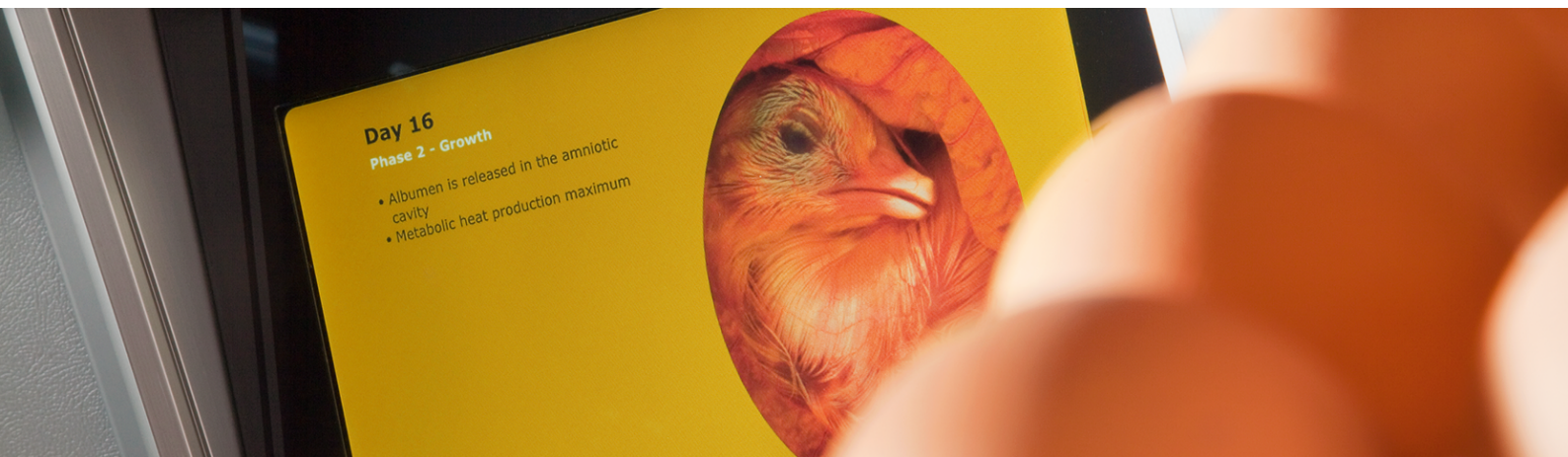


Annual Report 2020





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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: Highlights, Operations, Developments in 2020 and Corporate Governance.

Foreword



2020 was an extraordinary year. The Covid-19 outbreak turned our world upside down. We immediately took the necessary measures, primarily to ensure the safety of our employees. Working digitally was something we soon learned a lot about and not only for online meetings: service and installation are now being done more remotely and this experience should serve us well in the future.

Another ramification of the Covid-19 outbreak was the sudden drop in demand from the market, at least for some of our products. A number of substantial cost-saving operations were put in place and we took advantage of the Dutch government's wage subsidy scheme, NOW, to be able to retain jobs, at least in the short term.

An exchange of shares with Wadinko halfway through the year meant that we have now become the sole owner of Rollepaal Pipe Extrusion Technology. The consequences of Covid-19 affected Rollepaal badly, forcing us to implement major restructuring at this company. That does not detract from the fact that we also had to make astute choices at our other companies too over the past year.

"Emerging stronger from the crisis through decisive choices"

All of the developments in 2020 have affected our financial results for the year, but given the circumstances, we have actually managed to generate a reasonable operating result. We are convinced that we will emerge from the crisis stronger. Strategic agility is crucial in this hectic period. Our organisational set-up with independent operating companies close to the market has proved itself to be well suited for these dynamics.

Hydratec Industries intends to make a sustainable contribution worldwide to the demand for food, health and mobility. The world's population will continue to grow significantly in the coming years, increasing demand for these basic needs. Hydratec Industries wants to meet these needs and, by providing smart, sustainable solutions, contribute to a world without waste. All our companies are working to achieve that ultimate goal.

We collaborate intensively with knowledge centres and universities and our search for improvements to products and production processes is unrelentless. Even in times like these, we are actively making internship and graduation places available and our staff keep on learning. Our focus on innovations to combat waste is a major success factor for Hydratec Industries. It produces concrete results which benefit our customers. Although 2021 is still uncertain due to Covid-19, we are looking to the future with confidence.

We have made adjustments to our annual report and the website. Paying more attention to content and design has made the presentation of our results more accessible.

We would like to thank all our colleagues for their sterling efforts, flexibility, passion and dedication, particularly in this extraordinary year. We are grateful to our customers, partners, Supervisory Boards and shareholders for their confidence and support which enable us to continue developing Hydratec Industries.

Bart Aangenendt
CEO

Profile



Profile

Hydratec Industries supplies Industrial Systems and Plastic Components to sustainably meet the growing need for Food, Health and Mobility.

1997

Listed on the stock exchange since 1997



1575

1575 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

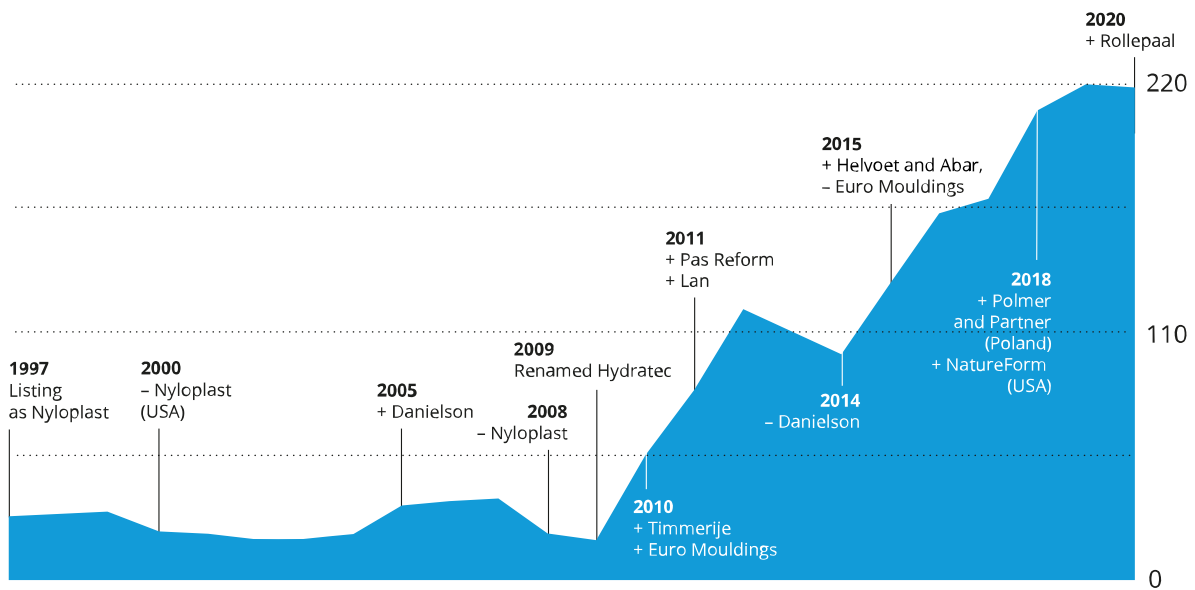


Health



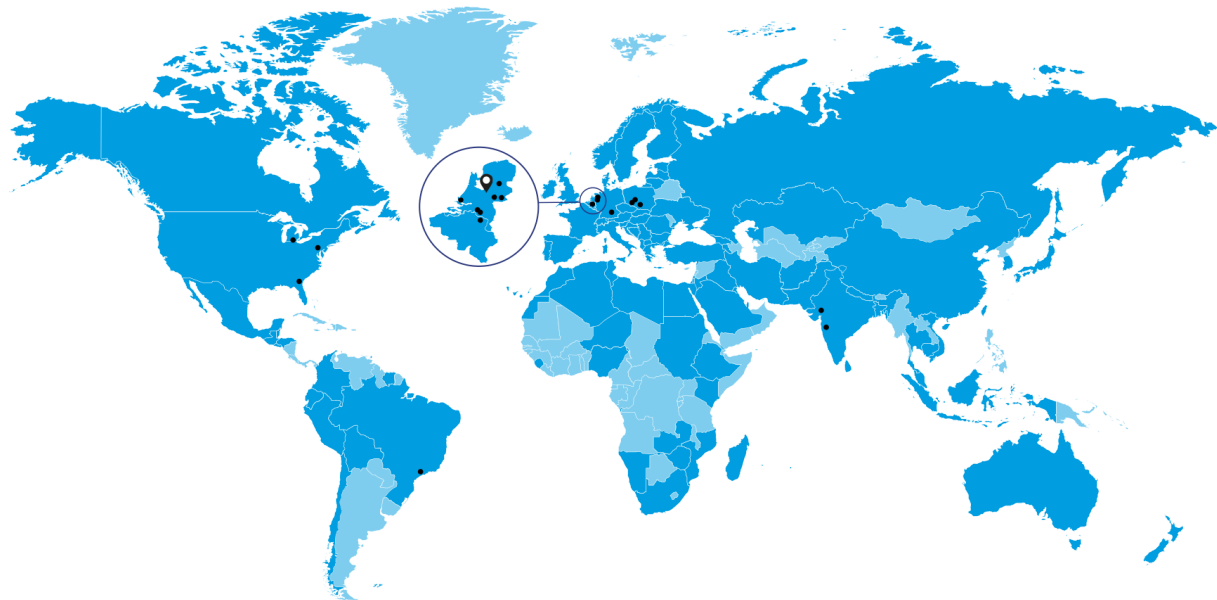
Mobility

Milestones (revenue x €1M)



Global operations

Hydratec Industries has been a Euronext Amsterdam listed company since 1997 and has 1,575 employees worldwide. All its companies have their 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. Over 80% of our revenue is generated outside the Netherlands, 40% of which outside Europe.



Highlights

Revenue

€218 million

2019: €220 million

Operating result

€3.3 million

2019: €10.2 million

Net profit for shareholders

€1.3 million

2019: €6.6 million

Earnings per share

€1.01

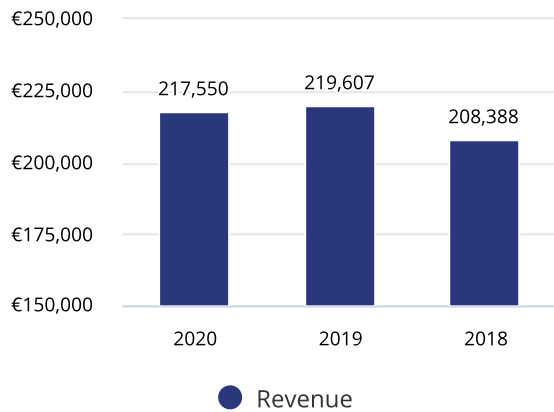
2019: €5.16

Special events

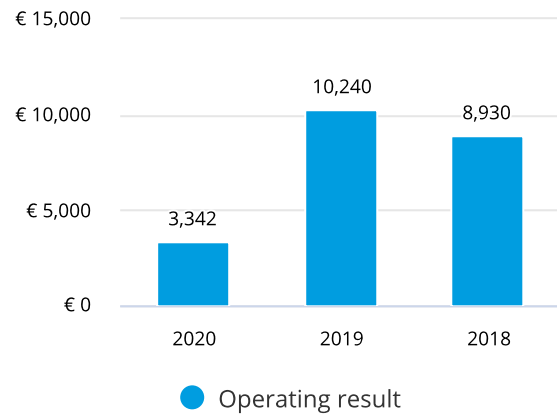
100% ownership of Rollepaal

Key figures

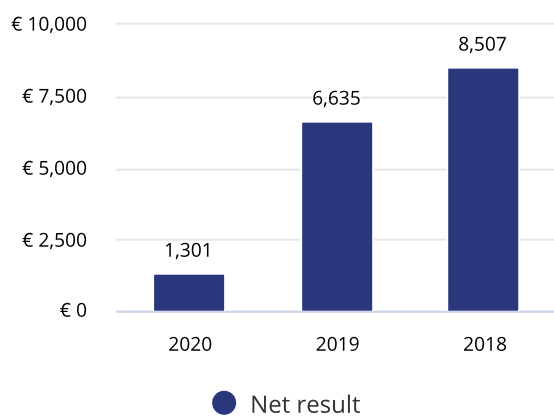
Net result



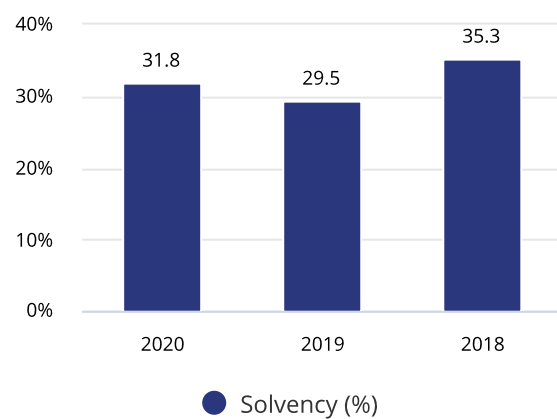
Operating result (x €1,000)



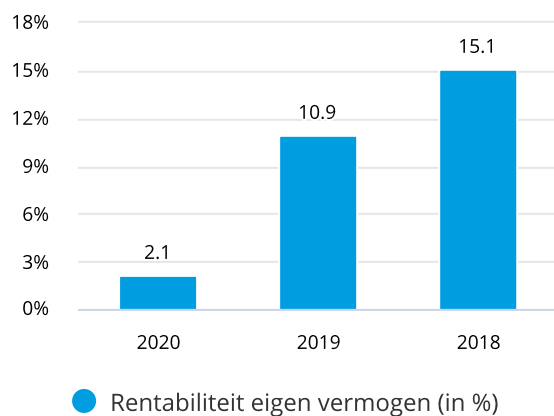
Net result for shareholders



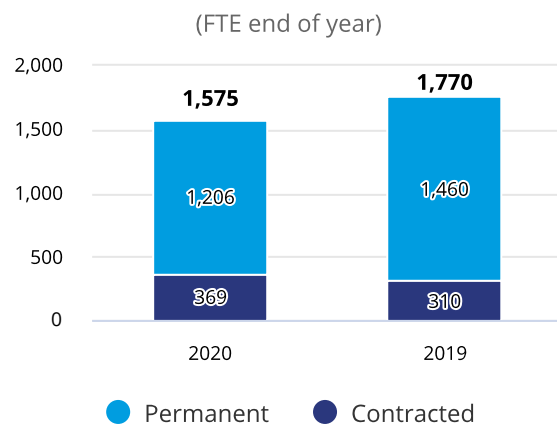
Solvency (%)



Return on equity (in %)



Number of employees



Financial overview

	2020	2019
Statement of profit or loss		
Net revenue	217,550	219,607
Operating result	6,176	10,240
Net result	2,155	6,635
Cash flow		
From operating activities	25,054	7,170
From investing activities	-5,917	-31,695
From financing activities	-6,622	-4,979
Net cash flow	12,515	-29,504
Balance sheet		
Shareholders' equity attributable to shareholders	63,934	62,700
Shareholders' equity	64,095	63,200
Balance sheet total	199,178	214,268
Key ratios		
Operating result as % of revenue	2.8%	4.7%
Profitability of capital invested	2.9%	6.9%
Profitability of shareholders' equity	3.4%	10.9%
Solvency ratio	32.2%	29.5%
Number of outstanding shares	1,290,944	1,288,178
Earnings per share (in euros)	1.26	5.16
Number of employees	1,206	1,460

Shareholders' information

Stock market listing

Hydratec shares are listed on Euronext Amsterdam (ISIN NL 000 939 1242). The total number of issued shares as at 31 December 2020 was 1,290,944 shares.

2021 financial calendar

- ▶ First quarter trading update 30 April
- ▶ General Meeting of Shareholders 26 May
- ▶ Publication of half-yearly figures 22 July
- ▶ Third quarter trading update 29 September

Reports on shareholdings

The following shareholdings greater than 3%, disclosed in the context of the Dutch Financial Supervision Act, were known at 31 December 2020:

Shareholder	Interest	Date of notification
A. C. ten Cate	23.1%	21 March 2017
F. ten Cate	23.1%	21 March 2017
J. ten Cate	23.1%	21 March 2017
P. C. Van Leeuwen Beheer B.V.	5.7%	9 May 2014
B. F. Aangenendt	5.5%	30 June 2017
M. Spiersma	3.1%	2 December 2014

Financial data per ordinary share

Bedragen in euro's, tenzij anders vermeld	2020	2019
Aantal uitstaande aandelen	1.290.944	1.288.178
Gewogen gemiddeld aantal aandelen	1.289.557	1.286.654
Bedrijfsresultaat	2,59	7,96
Winst	1,01	5,16
Eigen vermogen toe te rekenen aan aandeelhouders Hydratec	48,92	48,73
Beschikbare kasstroom ¹	14,82	-19,06
Dividend	-	-
Koers ultimo	54,0	68,5
Laagste koers	41,2	64,5
Hoogste koers	70,0	78,0

¹ Sum of operational and investment cashflow

Activities

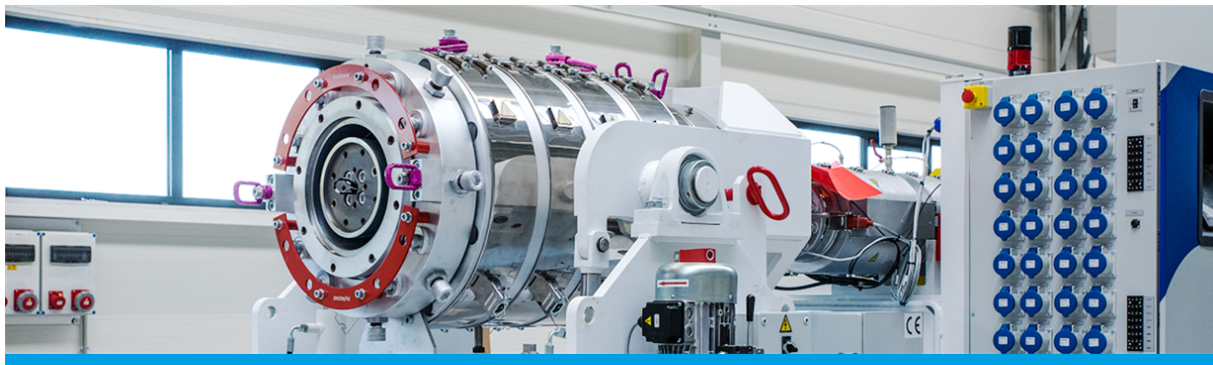


Industrial Systems

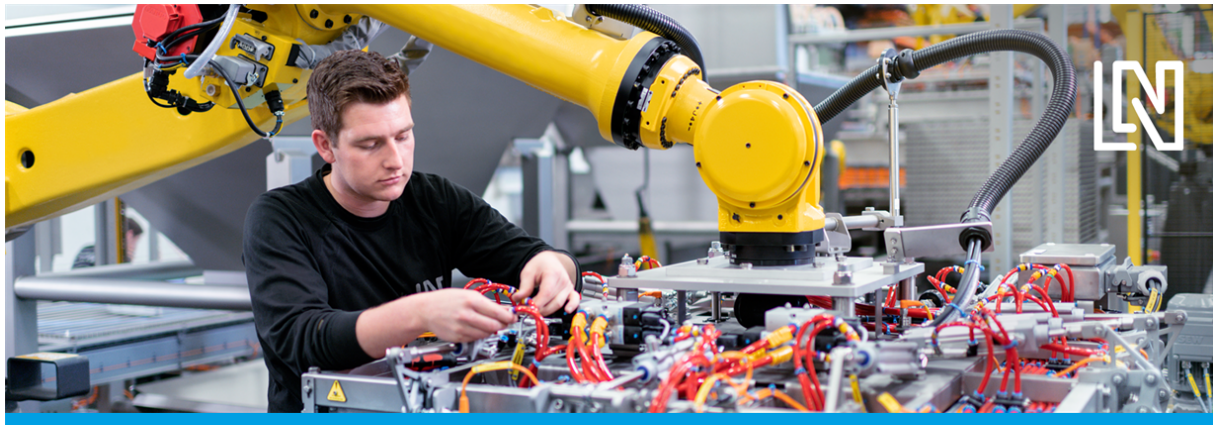
Our Industrial Systems companies are Original Equipment Manufacturers (OEM) that market complete machines under their own brand name. These sustainable production systems are a response to growing global demand for food and clean drinking water. Our companies' innovative and integrated solutions help 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 our costs and risks.

As a systems supplier, we go further than simply building machines. We study our customers' operations in depth. In close cooperation 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
employees



500+
systems

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.

Lan's innovative and efficient turnkey handling systems can be found in the global food and packaging industries, at multinationals and fast-growing business start-ups. The smart use of modularisation in our product portfolio enables us to offer an extensive range of customer-specific solutions, customised on the basis of the latest technology. Over the years, this has led to the installation of more than 500 high-quality product handling systems worldwide.

Lan develops its high-quality automated packaging solutions in 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.

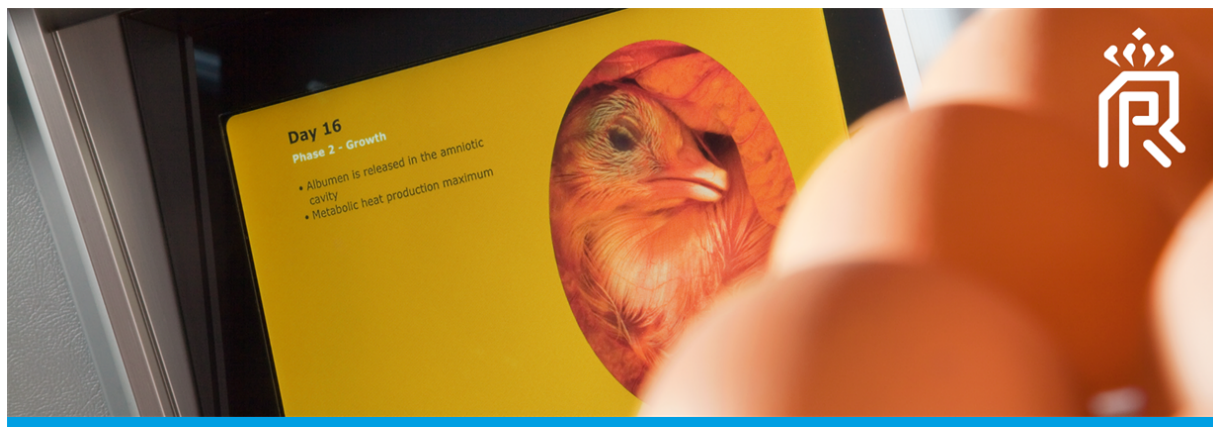
HAK, Netherlands

“The collaboration with Lan has brought us the product handling knowledge and skills we needed. Until a few years ago, HAK’s expertise lay in the production of conserves in glass jars. Even producing stand-up pouches was completely new to us. Lan’s project leaders and engineers took us through the hows and the whys of certain pouch-handling choices step by step. That was important to us, because the automated procedures before and after the autoclaves are crucial in the process. We are now working with different variants of dozens of recipes and there’s no sign of that ending soon.”

Ronald van Helfteren, technical project leader



Royal Pas Reform | Integrated Hatchery Solutions



100+
years



150+
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. Pas Reform celebrated its centenary in 2019 and received the designation 'Royal'.

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 cooperation 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.

House of Raeford, VS

"Royal Pas Reform's complete, sustainable and integrated package of products and services gives us more control of operations. We can see the whole hatchery from a tablet or PC and zoom in on a range of the machine's parameters. By analysing this data, we can continue to improve the incubation process and take considered decisions about incubation programmes and maintenance schedules. We are shifting from curative to proactive to get the most and best chicks."

Gayle Sharpe, Hatchery Manager



Rollepaal | Pipe Extrusion Technology



50+
years



200+
employees



100+
units

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

Founded in the 1960s, Rollepaal was part of Europe's largest pipe producer for many years. This gave Rollepaal the chance to learn all about pipe manufacturing from the customer's point of view. 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. Some 80% of manufacturing costs comprise raw materials and consumables. 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.

JM Eagle, VS

“Rollepaal produces top-quality systems. Their employees and the knowledge they have about extrusion make all the difference. What sets the company apart is its understanding of end use. We collaborate closely with the technical support team and jointly create top-quality machines, built to last and to perform.”

Chuck Clark, VP of production



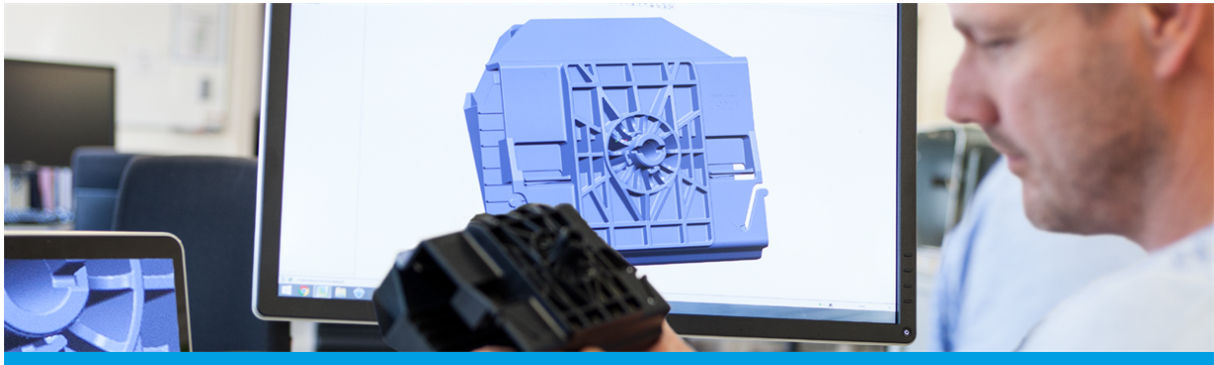
Our companies deliver industrial solutions which help to efficiently provide food and water to increasing numbers of people and animals.



Plastic Components

Plastic is a relatively new raw material and its possibilities multiply day by day. The demand for plastic products continues to increase. Because of their unique characteristics, they can play a crucial part in a more sustainable, raw material-efficient future. Our Plastic Components companies develop and produce constructive plastic components for OEMs. Their customers mainly operate in Food, Mobility and Health. 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 companies have 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. Because Plastic Components operates as a supplier in competitive markets, cost reduction has high priority, with the prevention of waste being an important focal point. We are seeing increased interest in sustainability in all these markets, 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 increasingly important.



Helvoet | High Precision Plastic Components



80+
years



800+
employees



200+
production lines

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.

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 into 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.



Plastic and rubber-based technology is continually evolving. More and more possibilities 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 therefore causing less of an 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.

Helvoet has sales offices and production sites in the Netherlands (Tilburg and Hellevoetsluis), Belgium (Lommel), Germany (Munich), India (Pune) and Poland (Kaniow and Wroclaw). It also has a sales office in the US (Detroit).

Qiagen N.V. Netherlands

"Qiagen supplies sampling and testing technologies for molecular diagnostics, testing in practice and academic and pharmaceutical research. We worked closely with Helvoet in 2020 on the production of an advanced polymer-based consumable. We were impressed by their dynamic approach and dedication, and also by the transparency of communication in a high-calibre, advanced technology setting. Working together has made us successful."

Serge Van Vooren, Vice President Purchasing, Head of global procurement



Timmerije | High-Tech Plastic Components



85+
years



100+
employees



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 such as electrical installations, domestic appliances, central heating boilers and the furniture industry.

Timmerije's high-quality plastic products and assembly of its 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 furthermore invested considerably in producing plastic 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 our innovation, reliable processes and focus on service.

Zehnder

“Timmerije is proactive when it comes to developing our plastic injection moulding components right through to just-in-time delivery to the belt and everything in between. ‘Communication’ is the magic word.”

Gert Wiersema, Procurement Manager



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



Objectives and 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 worldwide to the demand for food, health and mobility. This demand is growing rapidly due to global population growth and rising prosperity. Original Equipment Manufacturers in our Systems operations market complete project-based machines under their own brand. Our companies in Plastic Components are suppliers that develop and produce constructive plastic components for Original Equipment Manufacturers. This diversification makes Hydratec Industries agile and able to withstand market fluctuations.



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 and two-wheeled vehicles, among other things. They reduce the weight, leading to lower fuel consumption and fewer emissions.

Industrial Systems is responding to growing global demand for food and clean drinking water by supplying systems for the poultry, convenience food and pet food sectors and for the production of water supply lines for sanitation and clean water. Because these production systems are innovative, efficient and sustainable, they minimise wastage in production processes. The systems are sold on a project basis worldwide, which means results can fluctuate. This makes their dependency on macroeconomic factors considerable, but also means the risks are well spread.

"We invest a lot of energy in various Operational Excellence programmes to prevent wastage in our customers' production processes."

Plastic Components is responding to growing demand for plastic products. Plastic is a relatively new raw material and its uses are developing all the time. These materials' unique properties mean that they will play a crucial part – as a replacement for metal, for instance – in a more sustainable and raw material-efficient future. The Plastic Components companies are responding to this by producing construction components from plastic for the Food, Mobility and Health markets. Apart from often being weight-saving, the use of plastic also reduces the cost. This helps our company's customers to attain their sustainability goals. Because the companies are process-oriented, fluctuations are less extreme than in the Industrial Systems' operations.

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 the success of our companies. Our employees collaborate closely with customers and continually look for ways of improving products and production processes.

Leading positions

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.

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 increased importance of sustainability is a focal point. 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. We are responding actively to this.

“Our independent, versatile companies develop smart products and functions which contribute to customers' success”

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 companies agile and innovative. This organisational set-up proved its worth during the Covid-19 pandemic in 2020. Each of our companies was able to adapt to circumstances quickly and in their own way. Furthermore, our structure is cost-effective; there are no central corporate departments, meaning overheads are limited.

The Management Board of Hydratec Industries has regular consultations with the management boards of the operating 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. Strategic market positions and market options are evaluated annually for each company 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 companies 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 in our companies on an ongoing basis. We furthermore continually promote employee development, which includes offering education and training. All this takes place on the basis of ambitious, but realistic targets, derived from scenarios which serve as guidelines for all those involved.



Financial targets

We aim for sufficient profitability for all the companies which make up Hydratec Industries. This creates scope for investments and for cushioning setbacks. Unless extraordinary economic conditions occur or organisational adjustments are needed, the target for each company's operating result is at least 8% to 10% of revenue. 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 companies we have at present. The key drivers for this are world population growth and the innovative power of the operating companies. Our companies operate in small, specialist 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.

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









Value creation

To highlight our positive impact on society, we have captured our value creation model in a diagram. This model is published in our annual report for the first time this year.

Waardecreatiemodel

Capital input

Human	Intellectual	Production	Financial	Natural	Social
1.575 independent, responsible employees	Technology and knowledge	Own production resources and network of suppliers	Capital from shareholders and banks	Raw materials and energy	Principles of integrity and ethical trade
					

Business model



Capital output

Human	Intellectual	Production	Financial	Natural	Social
<ul style="list-style-type: none"> ▶ Meaningful work ▶ Increased knowledge and skills 	<ul style="list-style-type: none"> ▶ Understanding of technology and markets ▶ R&D roadmap 	<ul style="list-style-type: none"> ▶ Cutting-edge systems and components ▶ High-quality product portfolio 	<ul style="list-style-type: none"> ▶ 8-10% EBIT per activity ▶ Healthy balance sheet (at least 30% solvency) ▶ Appropriate dividend distribution 	<ul style="list-style-type: none"> ▶ Energy and waste reduction ▶ Improving sustainability of production chains ▶ Less wastage 	<ul style="list-style-type: none"> ▶ High customer and employee satisfaction ▶ Sustainable relationships with partners ▶ Transparent operations

Outcome



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. Our five companies work on this in an organisational structure by being agile, close to the market and having in-depth knowledge of their niche markets. With driven employees and technical innovations, they 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.

Outcome

Our contribution to the UN sustainability goals primarily has an impact on:

SDG 2: Zero hunger

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

SDG 3: Good health and well-being

More attention needs to be paid to research into vaccines and medicines. Our Plastic Components companies collaborate 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. Part of our Industrial Systems core activity is devoted to developing and supplying 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 combat 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. Our innovations and continuous improvement programmes enable our companies and their customers to be more efficient by producing more with less.



Developments 2020

Developments in 2020

The Covid-19 outbreak shocked everyone. Our primary concern was our employees' safety and so we recalled all our colleagues who had been posted abroad. We took appropriate measures in our companies to prevent the spread of Covid-19 and create a safe workplace.

The creation of safe working conditions was customised and took place locally. Each site took measures appropriate to their own circumstances. Examples included drawing up schedules for employees to work from home and rotating the staffing levels for each department, capping the number of employees permitted in each area, introducing signage to constantly remind employees to keep their distance, and many more: all designed to create safe conditions for everyone. Out of sheer necessity, the situation provided a huge impetus for working from home. We acquired a lot of experience in online meetings within a short time, but also in installing products remotely. To do so, we made use of innovative techniques such as Virtual Reality, which will continue to serve us well in the future.

Markets

Covid-19 hit the automotive sector of the mobility market hard in the second quarter. Worldwide, almost all plants were suddenly closed. Thankfully, we were able to reopen again after a while and demand caught up again by the end of the year. The drop in sales in the lorry market in the automotive sector was much less severe and there was a rise in the number of two-wheeled vehicles sold.

The health market attracted additional interest. We were already active in matters relating to vaccinations and blood tests, and were able to react quickly when demand in that area was given greater priority. Helvoet, for instance, helped to increase and ensure test capacity in the Netherlands by producing cartridges for PCR tests. We expect this market to grow further in the future.

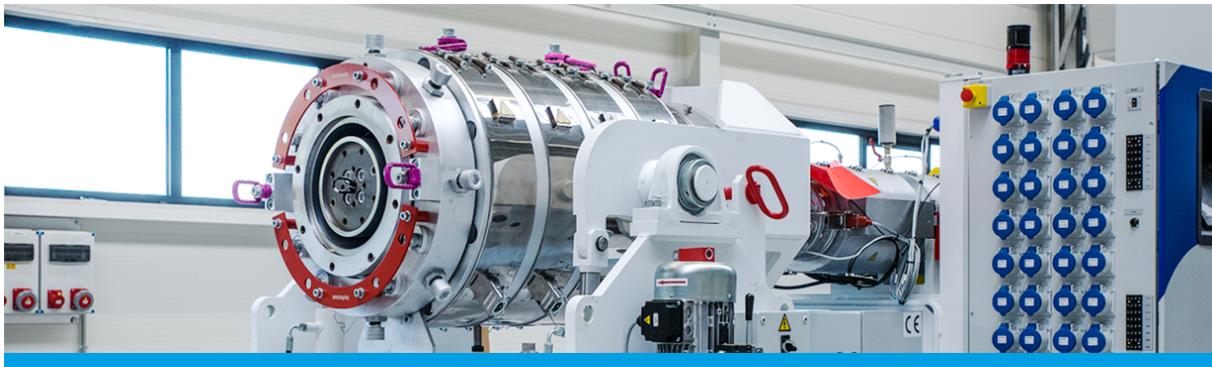
Out-of-home consumption was severely hit this year, but in contrast, the pet food sector experienced strong growth. We saw a hesitant appetite for making major replacement investments, for example in extrusion machines and hatcheries, but investments to expand capacity, certainly in pet food, continued unabated.

“The health market attracted additional interest; we expect further growth”

We recovered well from the first shock of the pandemic and by forcing us to make astute choices, the crisis has actually made us stronger in certain areas. We were helped by our diversification strategy and decentralised organisation. We do not envisage any fundamental changes to our markets in the longer term as a result of this pandemic and we expect some areas to see demand pick up once Covid-19 is under control. We even anticipate more permanent opportunities for the health sector now that there is more awareness of and attention being paid to prevention. The expectation is that from now on, more testing will be carried out on an ongoing basis.

Exchange of shares

We acquired 75% of Stork Plastics Machinery and Rollepaal in December 2019. These companies were hit hard by Covid-19 at the end of the first quarter. Hydratec and Wadinko therefore concluded, in the 2nd quarter of 2020, that Rollepaal and Stork will be able to operate more effectively in current market conditions if each has a single shareholder. In an exchange of shares, Hydratec acquired the remaining 25% interest in Rollepaal in exchange for the 75% stake in Stork and payment of €1.0 million. The impact for shareholders of the deconsolidation of Stork was a net result of €2.3 million negative. The barter transaction made Hydratec Industries the sole shareholder of Rollepaal, a strategic addition to our Systems activities. The company will be able to develop further and standardise its business processes as part of Hydratec Industries in order to respond more effectively to the wishes of the market.



Results

The Covid-19 situation had a substantial impact on revenue levels in 2020. Revenue fell organically by 9.2%. There was a clear decline in the second quarter in particular. After recovery in the third quarter, the group reached a pre-Covid 19 revenue level again in the fourth quarter. There were major differences between the companies. Due to the acquisition of Rollepaal, total revenue worked out at approximately the same level as in 2019. We achieved a higher margin with this stable revenue. We were able to profit from the efficiency measures implemented, a better mix of products and procurement benefits.

We reduced costs at all the companies in 2020 and took a critical look at planned investments. We made astute choices which led to restructuring at Rollepaal and Helvoet. Costs of €2.8 million were recognised as a consequence of this restructuring. Operating costs rose as a consequence of Rollepaal joining the group. Furthermore, the grants provided by the Dutch government as compensation for Covid-19 (€3.6 million) have been recognised as income. The operating result was €3.3 million (2019: €10.2 million). Both segments, Industrial Systems and Plastic Components, contributed almost equally to positive EBITDA, at 8.9% and 9.1% respectively.

The balance of financial income and expenses is zero, due to non-recurring financial income in the form of the gain from options on the acquisition of the 25% interest in Rollepaal. The financial expense was €1.8 million this year, putting it higher than last year's (€1.4 million). This was due to a higher overdraft facility at the bank during the year. Helvoet USA was liquidated in 2020. This produced offsettable losses, with the net effect of a tax gain of €0.3 million being recognised.

Cash flow

Our cash flow forecast at the outbreak of the Covid-19 pandemic quickly revealed that the financial scope available in our credit facility would be sufficient in all scenarios involving a decline in revenue due to Covid-19. Because we were not always able to meet the conditions in the bank covenant, new arrangements were made with the bank. We were able to amply meet these agreements throughout the year.

Operating cash flow in 2020 was €24.6 million (2019: €7.2 million). Apart from operating profit and the higher depreciation level, movements in working capital were a major factor in this. Immediately after the start of the Covid-19 outbreak, the decision was taken to ease up on investments. That brought the cash flow from investment activities to a much lower level than in the previous year: €5.6 million compared to €31.7 million in 2019.

Balance sheet

The balance sheet total of €198.6 million is lower than last year (€214.3 million), mainly due to the deconsolidation of Stork. Solvency returned to a level above 30%, namely 31.8%.

Proposed dividend

No dividend will be distributed for 2020. Applications were made under the Dutch government's wage subsidy schemes NOW 2 and 3.1 for Rollepaal and Royal Pas Reform. The condition of this NOW scheme is that no dividends may be paid to shareholders.

Outlook and expectations

Hydratec enjoyed a good start to 2021 and, partly due to cost savings, intensified focus and the effect of reorganisations, it expects a better result in 2021. Industrial Systems has a well-filled order book. There are, however, major differences between companies. The Covid-19 pandemic has caused uncertainty, especially in the food and mobility markets at Plastic Components, but the recovery in the second half of 2020 gives us confidence for 2021.

Due to the exceptional circumstances caused by the coronavirus crisis, we feel unable to make concrete statements about 2021. As always, macroeconomic developments such as volatile exchange rates, trade barriers, and now the coronavirus pandemic, have an effect on our customers' willingness to invest. The companies' market position remains strong, however, each in its own niche.

Industrial Systems



In general, the coronavirus crisis made investors cautious about making major replacement investments. After brief hesitation however, expansion investments in the convenience food and pet food sector went ahead at an accelerated pace. The bulk of the revenue (95%) was generated outside the Netherlands and 59% of revenue came from outside Europe. Revenue rose in Europe, Asia, Oceania and Africa, but fell substantially in North America. Demographic developments support long-term demand in Africa and Asia. In the short term, there seems to be caution when it comes to replacement investments in North America. Obviously, a strong market position at high-profile customers remains crucial in every region. Because of this, we critically evaluated our presence in the various markets in 2020.

We are able to achieve good diversification at Industrial Systems with a broad range of products across a variety of countries and customers. At the same time, specialisation and standardisation are needed to remain cost effective. Standardisation will enable us to reuse good solutions, thus lowering our costs and risks. We were able to make good strides this year.

Increasing attention is being paid to sustainability in our Systems companies' markets. That ranges from our systems' energy consumption to animal welfare, and from reducing material consumption to the efficiency of food production. Our innovations also increasingly focus on these sustainability aspects. For example, in 2020 we continued to develop a system to make PVC pipes for water supply lines. This application brings material consumption down to 60%.

Revenue at Rollepaal declined considerably, making restructuring a necessity. We simplified the organisation and put more focus on marketing. The company is now ready for the future and is promoting cost-saving solutions for customers, so that they can make better water pipes with less material.

Lan had an excellent order intake this year. The volume of work gave standardisation a new impetus and the Lean method was adopted even more emphatically. The company was moreover successful in gaining new customers in the Convenience Food sector where automated solutions are becoming even more relevant.

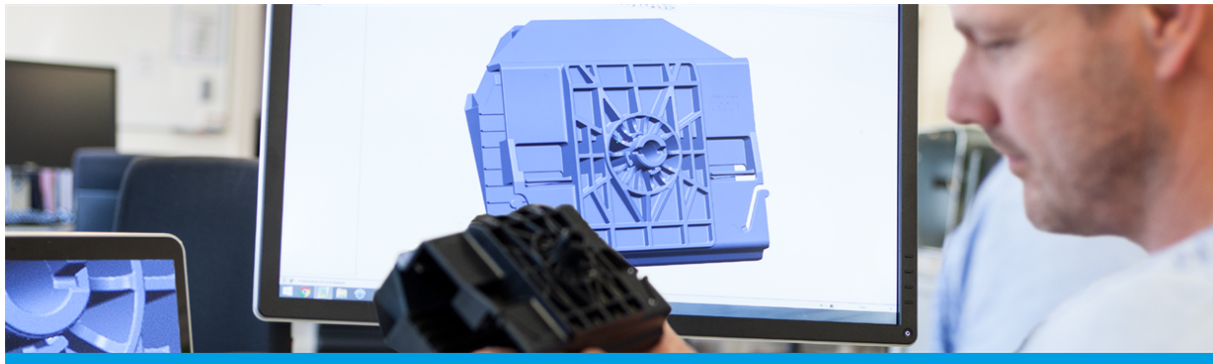
The Covid-19 pandemic hit the poultry industry hard. Replacement investments were postponed in this uncertain time. As a result, revenue at Royal Pas Reform fell substantially in 2020. Its positioning as 'total solutions provider' has however become more explicit with the expansion of its range of products. The company has decided to update its ERP system in 2021.

The Managing Director, Harm Langen, decided in 2020 to pursue his career elsewhere. We would like to thank him for his efforts, first at Lan and since 2015 at Royal Pas Reform. As of 1 January 2021, Paul Smits has been appointed as the new Managing Director of the company. Smits is an experienced manager who knows the poultry industry well.

x €1,000	2020	2019
Revenue	103,418	99,849
Gross margin	49,169	41,711
Depreciation	5,928	2,180
Investments	2,698	4,849
Operating result	4,669	7,580
Operating result (%)	4.5%	7.6%
Average number of FTEs	436	301

Revenue at Industrial Systems worked out 3.6% higher in 2020 than 2019. Without the acquisition of Rollepaal, revenue would have fallen by 15%. Lan saw its revenue grow in the segment. The other companies in Industrial Systems experienced caution at customers when it came to investing. The travel restrictions were another limiting factor for sales. Not only did the absolute margin increase, but so did the percentage margin: from 41.8% in 2019 to 47.5% in 2020. This is due to a higher average gross margin at Rollepaal and more standardisation of processes, as a result of which gross margins at Royal Pas Reform and Lan also worked out higher than in 2019. Exceptionally, depreciation was higher in 2020 due to an extraordinary depreciation of €2.2 million at Rollepaal. The operating result dropped below that in 2019, mainly due to losses at Rollepaal. In contrast, Lan generated a considerably higher result. Investments were much lower in 2020. The last part of the Lan building was capitalised last year. In addition, the investment level was deliberately lowered due to the uncertainty caused by the Covid-19 pandemic. The number of FTEs rose due to the acquisition of Rollepaal.

Plastic Components



Plastic Components' most important markets are Mobility, Health and Food. Covid-19 had a major impact on these markets. There was an obvious reduction in revenue at Mobility and Food in 2020. Towards the end of the year, the previously deferred demand in the mobility market was largely achieved; the question remains of whether the previous revenue level will return. A second wave of coronavirus meant that Food customers dependent on out-of-home consumption continued to experience difficulties. At Health, we actually saw an increase in interest in our expertise, particularly in MicroFluidics. New requests were made and ongoing projects were accelerated.

Efforts had already been made to diversify in the Mobility market, partly by starting to develop new components for lorries, mopeds and bicycles. This will be a way of reducing dependence on the automotive market. Important steps have been taken in the Health market to further develop MicroFluidics uses. MicroFluidics will help the medical sector to use faster point of care diagnoses. To do so, the behaviour of a drop of liquid has to be manipulated and controlled in very narrow channels. We supply nanoplates to do this: tiny plastic plates with these precision channels. A few developments have now been successful and a start has been made on standard production orders for large batches. Scaling up is well under way. These developments have now also led to other engineering contracts from high-profile customers.

A great deal of energy has been invested in introducing a new ERP system at Helvoet in the Netherlands. Furthermore, the decision was taken to discontinue a consistently loss-making activity, for which a restructuring provision of €1.3 million was made. The production companies in India and Belgium had a difficult year due to their dependence on the automotive market, but they managed to close 2020 positively. The two operations in Poland (Wroclaw and Kaniow) are being looked at in terms of having them work more closely together and to see which products might be more cost-effective to make in Poland rather than in the Netherlands at Helvoet or Timmerije. The travel restrictions in 2020 meant that this project has been delayed.

During the fall in revenue in the first half of 2020, Timmerije went from working in a five-shift system to working with three shifts, which has led to greater efficiency. The level of material costs was also lower. A plan has been devised to increase margins on products where they are low. In Neede, we will continue to concentrate on complex, often composite parts, which enable us to give our customers more added value. The investment in a sprinkler installation brought the operation up to date in terms of fire safety too.

We are seeing more and more attention paid to sustainability in all the projects we are working on, with preventing waste as an important focal point. This means that apart from cost and reducing the weight of components, reducing material consumption, reuse of residues and limiting energy consumptions and transport costs are becoming increasingly important.

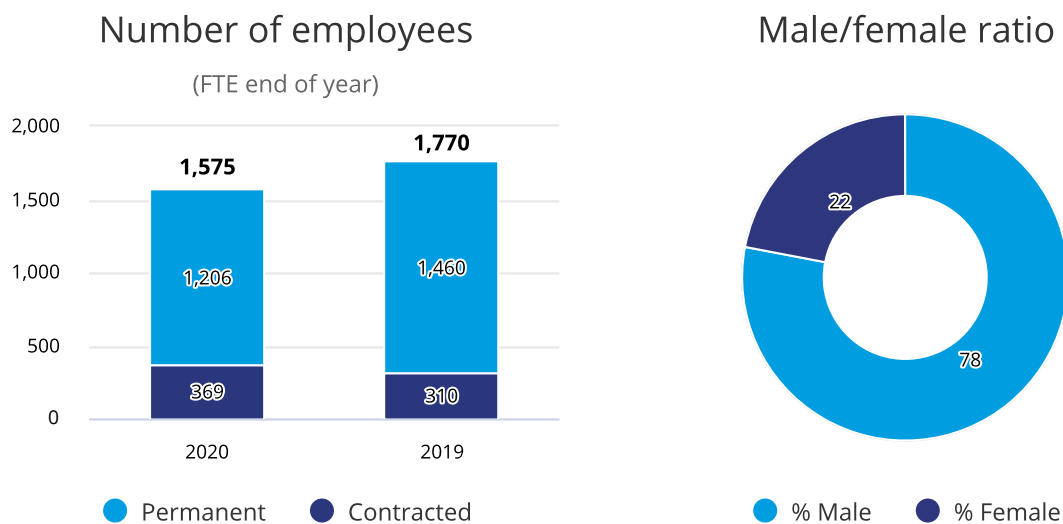
x €1,000	2020	2019
Revenue	115,639	121,959
Gross margin	65,196	66,768
Depreciation	7,641	6,379
Investments	0	8,152
Operating result	3,632	3,771
Operating result (%)	3.1%	3.1%
Average number of FTEs	816	884

At €115.6 million, Plastic Components' revenue in 2020 worked out 5.2% lower than in the previous year. The mobility market in particular performed less favourably in 2020. The margin rose from 54.7% to 57.1% due to increased efficiency, better procurement prices and a better product mix. The decline in revenue led to costs being monitored more closely. Furthermore, a restructuring provision of €1.3 million was made. On balance, costs in 2020 were lower than in 2019. Because revenue was down, operating profit worked out €1.0 million lower than in 2019. The uncertainty surrounding Covid-19 meant that investments were cautious, which resulted in a lower investment level. The number of FTEs fell in 2020. Revenue per employee grew by 2.7%.

Personnel

General

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



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. These regular meetings enable us to learn from and inspire each other.

Development

The development and advancement of employees is crucial to all the companies. External and internal education and training is a means of working on this and can include onboarding courses for new employees, job rotation, internal courses given by colleagues, watching webinars, taking external courses and follow-up programmes.



Lotte Hebbink, Incubation Specialist, Royal Pas Reform

“Over the years, Royal Pas Reform has given me plenty of opportunities. The company encouraged and supported my eagerness to learn right from my very first day by providing interesting and challenging projects, but also study programmes and training courses. All that helps me to keep developing and advancing, to be better in everything I do.”

Safety

We focus a great deal of attention on safety and on preventing accidents. 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.

Our consistent and clear personnel policy means we have relatively little employee turnover and when vacancies do occur, we are always able to fill them successfully. 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 quickly 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.

Diversity

Hydratec Industries promotes gender equality nationally and internationally. Men and women who do the same work in the same situation are rewarded equally. Hydratec Industries greatly values diversity in its workforce, because we are convinced that it encourages innovation and because different perceptions generally lead to different approaches and better decisions. Among other things, diversity stems from differences in education, background, age, gender and ethnicity. Partly because of this, we aim for a balanced ratio of men to women in the companies, albeit that this is not easy for an organisation with a decidedly technical profile. The percentage of female employees in the group is 22% (2019: 23%). Hydratec Industries continues to aim for a balanced ratio of men to women and includes this in its recruitment policy.

The total number of employees was 1,575, of which 69% had a permanent contract.



Caroline Bolder, HR-manager, Helvoet

"Our employees are our most important capital. Their efforts and added value are crucial for our company to perform. This requires a managerial style appropriate for our times: clear, appreciative and fair. As such, we continually work on building trust, which is a rigorous requirement for personal and collective growth."

Report of the Supervisory Board



Report of the Supervisory Board

2020 has unfortunately been a disappointing one for Hydratec Industries N.V. The Covid-19 crisis had an enormous impact: consolidated revenue decreased organically by 9.2%. Despite their efforts to reduce costs, most of the companies saw a substantial decline in their results. Nonetheless, apart from Rollepaal – which was hit harder by the Covid-19 crisis – and the company in Poland, all the companies managed to generate positive results. Results at both Industrial Systems and Plastic Components were affected by non-recurring restructuring expenses. Furthermore, the results at Industrial Systems was affected by the NOW schemes. The consolidated operating result in 2020 was much lower than in the previous year. The net result amounted to €1.3 million in 2020 compared with €6.6 million in 2019.

Annual report

We are pleased to present the 2020 annual report of Hydratec Industries N.V. prepared by the Management Board, which includes the financial statements. These financial statements have been audited by KPMG auditors and were discussed with the Management Board on 24 March 2021 in the presence of the auditor. The certified 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. 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 CFO of a listed group of companies. 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 composition of the Supervisory Board is such that its members can operate critically and independently of each other.

Mr Ten Cate was reappointed for a four-year period at the General Meeting of Shareholders on 26 June 2020. Ms Sanders' term of office expires in 2021. The Supervisory Board proposes extending Ms Sanders' appointment by a term.

Supervision

Although Hydratec had ambitious objectives for 2020, regrettably they could not be met. The Supervisory Board supports the Management Board's policy of investing in product development, strengthening technical know-how, upgrading production capacity and reinforcing its market position. All the companies concentrated on cost control and improving margins. The description of general developments in this annual report provides extensive details on these matters.

The Supervisory Board is of the opinion that Hydratec's risk profile has not changed. We scrutinised the risk management system. Our assessment did reveal that Hydratec is not big enough to have its own internal audit function.

The Supervisory Board met the Management Board six times in 2020 according to a fixed schedule, and all members of the Supervisory Board were present at each meeting.

Prior to the General Meeting of Shareholders on 26 June 2020, the Supervisory Board assessed its own performance, without the Management Board being present. The Board discussed the time and attention of all the board members, the methods of supervising, the role assignment and the composition of the Supervisory Board in terms of independency, expertise, competences and experience. The functioning of the Management Board has been assessed in a meeting with the Supervisory Board and the Management Board.

At its meetings, the Supervisory Board discussed the company's strategy, acquisition policy, risk management, personnel policy, quarterly and half-yearly results, the annual figures for 2020 and the budget for 2021. Particular attention was given to the impact of the Covid-19 crisis on Hydratec Industries and this was discussed many times during the year. The effects of the economic situation on the markets in which the Hydratec companies operate were also debated, as well as the concomitant measures needed to maintain results. Besides that, attention was given to changes to legislation. In the meeting of 23 September 2020 Mrs Sanders was appointed to chair the audit committee. In 2020, the audit committee discussed risk management and the financial situation of Hydratec Industries.

Particular consideration was given to movements in liquidity. Immediately after the outbreak of the Covid-19 crisis, the Management Board conducted a thorough analysis of possible liquidity developments and shared it with the bank. Good liquidity management meant that this remained a focal point, but was not a cause for concern.

At the meeting held on 23 July 2019, KPMG was appointed to audit the financial statements for 2019 and 2020. The Supervisory Board held consultations with the external auditor twice in 2020, once without the 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 N.V. in 2020. Mr B. F. Aangenendt is the CEO, Ms E. H. Slijkhuis is the CFO. Mr Aangenendt's term of office expired in 2020 but the Supervisory Board reappointed him at its meeting on 26 June 2020. The Supervisory Board compliments the Management Board on the way in which it led the company successfully through the Covid-19 crisis.

The Supervisory Board is grateful to the Management Board, the management teams and all employees for their efforts, motivation and ambitions in 2020.

Amersfoort, 26 March 2021

Supervisory Board

E. ten Cate (Chairman)

J. E. Vaandrager (Vice-Chairman)

M. E. P. Sanders

Corporate governance



Corporate governance

The Management Board and the Supervisory Board are strongly committed to complying with the principles of integrity, accountability and transparency when managing and supervising the company. Hydratec Industries' governance structure is based on Book 2 of the Dutch Civil Code, the articles of association, the Corporate Governance Code and the Code of Conduct based on ISO 26.000. This section contains the evidence base for the most relevant principles or provisions and an explanation of the topics in which Hydratec Industries departs from the Corporate Governance Code.

Composition of the Management Board and Supervisory Board

Our aim is to achieve a balance in all managerial positions and management board positions. That means that at least 30% of appointees to the Management Boards and the Supervisory Board are women and that at least 30% of management board positions are occupied by women. 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 about the Management Board and the Supervisory Board can be found on pages 55 and 56.

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. Page 11 provides a list of shareholders who hold over 3% of shares, which must be disclosed to comply with the Dutch Financial Supervision Act.

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. We deem some of the guidelines to be irrelevant for a small cap company. 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 (Chairman 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 Auction Fund (§ 4.2.3).

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. By making risks visible, measures can be taken to manage them. The Management Board, Management and the Supervisory Board guarantee a culture in which everyone feels free to deal responsibly with risks.

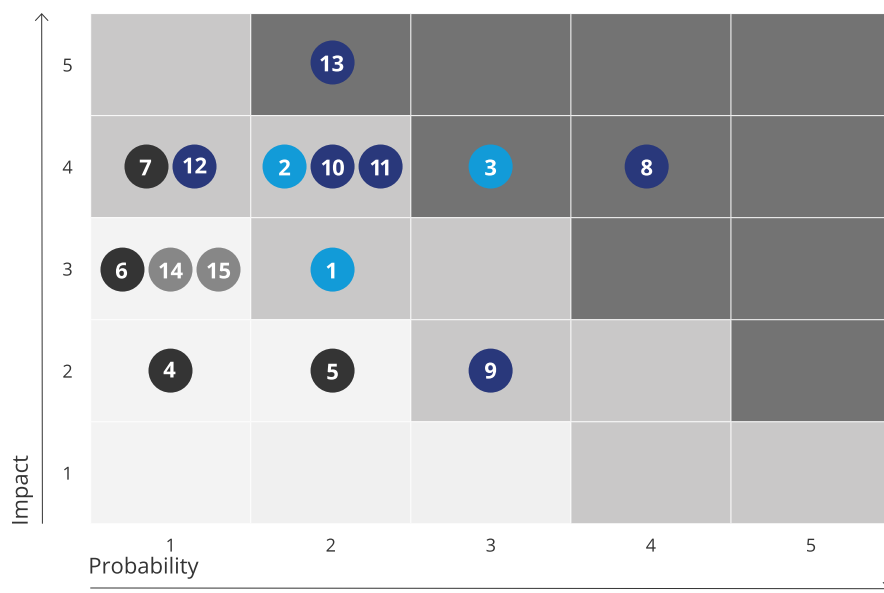
Strategic and operational decisions are targeted at creating sustainable value, which means that decisions take long-term effects into account. This prevents decisions being made that serve only short-term gains and destroy value in the longer term. The benefit of this approach is that it ensures that 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. This approach is aimed at preventing surprises.

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 and supervisors.
- ▶ 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.

Risk assessment

To illustrate the identified risks, an assessment has been made in the graph below of the impact and chance of each of these risks. The risk appetite and the measures taken to reduce risks to a minimum are then shown in the table.



Strategy

- 1 Markets & geopolitics
- 2 Technology & innovation
- 3 Acquisition

Financial

- 4 Currency
- 5 Resources
- 6 Reporting
- 7 Sufficient liquidity

Operational

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

Compliance

- 14 Legislation
- 15 Fiscal matters

Risk appetite

Hydratec Industries NV 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 zero. Our risk appetite for each risk category:

Category	Risk appetite
Strategic	High
Financial	Low
Operational	Average
Compliance	Low

Measures to mitigate risks

The following measures have been taken to align the risk Hydratec Industries NV is exposed to with its risk appetite. The risks are grouped into the four categories mentioned above.

Strategic

Risk	Strategic objective	Description	Mitigating measures
1	Leading position in various markets	Economic and geopolitical developments affect the implementation of the strategy, the 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	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 growth markets.
3	Long-term value creation	Unsuccessful integration and/or operation of businesses acquired.	<ul style="list-style-type: none"> • Procedures and guidelines for implementing the due diligence process. • Integration and harmonisation in the reporting and management systems and of business processes. • Exchange of knowledge.

Financial

Risk	Strategic objective	Description	Mitigating measure
4	Long-term value creation	Volatility of currencies putting profit margins under pressure.	<ul style="list-style-type: none"> • Hedging currency risks by means of forward exchange contracts.
5	Long-term value creation	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	Long-term value creation	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.
7	Long-term value creation	Risk of being unable to meet short-term and long-term borrowing requirements.	<ul style="list-style-type: none"> • Prepare regular cash flow projections. • Management of working capital. • Minimum solvency. • Actively monitor bank covenants.

Operational

Risico	Strategisch doel	Omschrijving	Mitigerende maatregel
8	Winstgevendheid	Risico dat projecten niet conform specificatie, afspraken en geplande marges worden opgeleverd.	<ul style="list-style-type: none"> • Investeren in gekwalificeerd personeel. • Training en opleiding van personeel. • Richtlijnen en procedures ten aanzien van projectbeheersing en projectadministratie.
9	Winstgevendheid	Risico op schending van beschikbaarheid, vertrouwelijkheid en integriteit van data (inclusief IP).	<ul style="list-style-type: none"> • IT-control framework • Kennisuitwisseling tussen de verschillende IT-managers. • Strikte procedures bij uitval of storing van systemen. • Continue aandacht voor cybersecurity en Awareness bij medewerkers.

10	Medewerkers-tevredenheid	Schaarste aan goed gekwalificeerd personeel.	<ul style="list-style-type: none"> Talentmanagementprogramma Goede reputatie inzetten om talentvolle medewerkers te werven. Samenwerkingsprogramma's met opleidingsinstituten.
11	Winstgevendheid	De wereldwijde pandemie kan leiden tot nieuwe/meer restricties opgelegd door overheden en een lage investeringsbereidheid.	<ul style="list-style-type: none"> Flexibele kostenstructuur. Interne efficiency -en kostenbesparingsprogramma's. Productontwikkeling zodat vervangingsinvesteringen voor klanten attractiever worden.
12	Duurzaamheid	Het produceren en verwerken van kunststofproducten brengt milieurisico's met zich mee.	<ul style="list-style-type: none"> Concrete actieplannen inzake preventieve maatregelen. Interne richtlijnen inzake het voldoen aan milieuwetgeving.
13	Winstgevendheid	Fouten in het productieproces die kunnen leiden tot kwaliteitsverlies en discontinuïteit	<ul style="list-style-type: none"> Strikte kwaliteitsnormen en certificering. Risico Inventarisaties en Evaluaties. Brandverzekering.

Compliance

Risk	Strategic objective	Description	Mitigating measure
15	Long-term value creation	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, bribery and corruption.	<ul style="list-style-type: none"> Internal compliance guidelines. Regular workshops on the risk of fraud. Code of conduct for all personnel.
16	Long-term value creation	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.

Environment

For risks which directly affect our strategy, preventive measures have been taken. Hydratec Industries' policy aims to lower our total environmental impact. We actively look for ways of reducing our operating companies' carbon footprint. This aspect will continue to increase in importance, not least because our customers are imposing more stringent requirements in this regard. A survey was conducted in 2020 into potential ways of cutting carbon emissions at our production sites in the Netherlands. Specific measures for cutting emissions were identified and we will implement them in the next few years.

In control statement

The Management Board of Hydratec Industries is of the opinion that the risk management and control systems provide a reasonable degree of certainty that the financial reporting does not contain any material misstatements. The process of refining the management and control systems has been and will continue to be evaluated on a continuous basis.

With reference to Section 5.25c of the Dutch Financial Supervision Act, the Management Board declares that, to the best of its knowledge:

the financial statements provide a true and fair view of the assets, liabilities, financial position and profit of the company in 2020 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, 26 March 2021

Management Board

B.F. Aangenendt CEO

E.H. Slijkhuis CFO

Management Board and Supervisory Board member details

The Management Board of Hydratec Industries NV comprises:



B.F. Aangenendt (1964), CEO

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

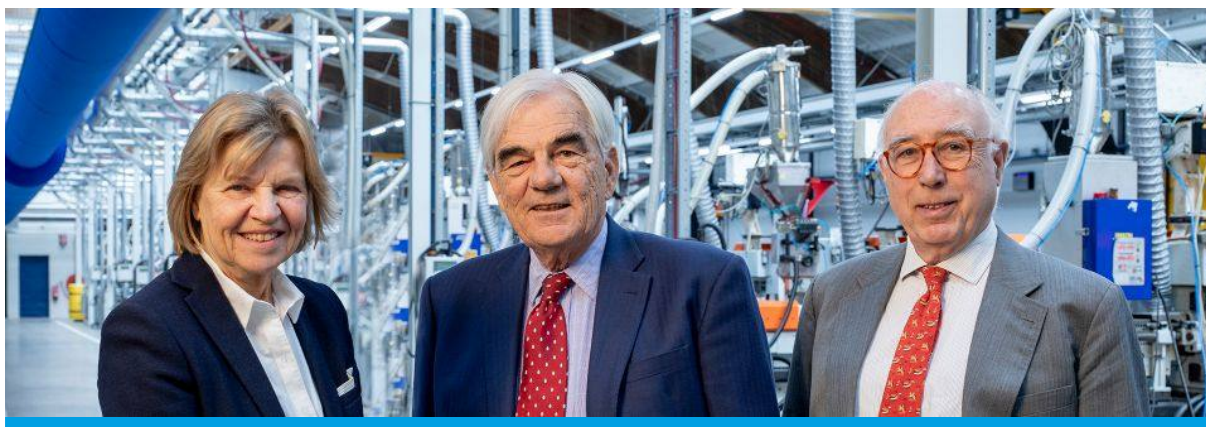
Bart Aangenendt was appointed under the articles of association as CEO of Hydratec Industries in 2012 and managing director in 2015. He is a former director of Pas Reform, a subsidiary of Hydratec Industries.

E.H. Slijkhuis (1968), CFO

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

Everien Slijkhuis was appointed CFO of Hydratec Industries in 2018. Prior to that, she held various financial roles 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.

The Supervisory Board of Hydratec Industries NV comprises E. ten Cate (Chairman), M. E. P. Sanders and J. E. Vaandrager.



From left to right: Ms M. Sanders, Mr J. Vaandrager, Mr E. Ten Cate

E. ten Cate (1945), Chairman

- ▶ 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

Jan Vaandrager (1943), Vice-Chairman

- ▶ Year appointed: 2011
- ▶ End of current term of office: 2023
- ▶ Last position held: member of the Board and CFO, TKH Group N.V.

Maja Sanders (1953), Chair of the Audit Committee

- ▶ Year appointed: 2017
- ▶ End of current term of office: 2021

Supervisory Board memberships/relevant other positions:

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

All the Supervisory Board members are Dutch nationals.

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;
- ▶ 50% of the maximum variable remuneration depends on personal targets aimed at the long-term development of the company, and whether it is awarded is at the discretion of the Supervisory Board;
- ▶ 50% of the maximum variable remuneration depends on the operating result, with a threshold which is determined on an annual basis.

After the variable remuneration is awarded, the Management Board may opt to convert half the awarded bonus into Hydratec Industries shares. If the Management Board so decides, the variable remuneration will be increased by 25%. The shares are then issued 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. Changes to the remuneration policy are presented to the General Meeting of Shareholders.

Remuneration report 2020

The Management Board members' annual fixed salary in 2020 was based on the principles above. The fixed salaries are periodically index-linked to inflation. No loans were issued or severance payments made in 2020, nor were there any clawbacks of previously awarded variable remunerations.

Remuneration of the Management Board and the variable remuneration awarded for the 2020 and 2019 financial years are specified on the following page. The Supervisory Board has let it be known that the Management Board led the Group successfully through the Covid-19 crisis in 2020. Because Rollepaal and Royal Pas Reform made use of the Dutch government's wage subsidy schemes NOW 2 and 3.1, no variable remuneration may be awarded to members of the Management Board for 2020. The Management Board has decided to convert part of the variable remuneration for 2019 into shares.

The ratio of the average full-time salary for management relative to that for Hydratec Industries employees working in the Netherlands is 3.7 (2019: 4.1).

Remuneration of members of the Management Board

	Fixed basic remuneration		Pension		Performance remuneration		Total remuneration fixed + performance		Variable as % fixed remuneration	
x €1,000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
B. Aangenendt	272	265	26	26	0	50	298	341	0.00%	18.90%
E. Slijkhuis	164	160	22	22	0	30	186	212	0.00%	18.90%
Total	436	425	48	48	0	80	484	553		

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

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	2020	2019	2018	2017	2016
Remuneration of Management Board					
B. Aangenendt	298	341	392	355	375
E. Slijkhuis	186	212	54	–	–
M. van den Burg	–	–	89	219	230
Company data					
Revenue	217,550	219,607	208,388	169,323	162,374
Operating result	6176	10,240	8,930	8,311	8,171
FTEs at year-end	1626	1,770	1,531	1,036	797
Average employee remuneration					
Employees	51	46	48	56	56

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 €19,000 a year for each member of the Supervisory Board on 26 June 2020.

Financial report



Consolidated statement of profit or loss

Amounts x €1,000	Note	2020	2019
Net revenue	1.23	217,550	219,607
Material usage/other external costs		-81,760	-97,491
Changes in inventories of finished goods and contract assets/liabilities		-20,596	-13,637
Gross margin		115,194	108,479
Wages and salaries	1.25.1	-56,274	-52,678
Social security contributions and pensions	1.25.2	-12,436	-11,428
Depreciation of non-current assets	1.29 / 1.30 / 1.31	-14,338	-8,588
Other operating expenses	1.27	-28,804	-25,545
		-111,852	-98,239
Operating result		3,342	10,240
Financial income	1.24.1	1,701	
Financial expenses		-1,774	-1,354
Result before tax		3,269	8,886
Taxes	1.28	265	-2,251
Net result from continuing operations		3,534	6,635
Net result from discontinued operations		-2,763	0
Net result		771	6,635
Net result attributable to:			
Shareholders		1,301	6,635
Minority share		-530	0
Weighted average number of shares		1,289,557	1,286,654
Earnings per ordinary share (in euros)		1.01	5.16
Diluted earnings per ordinary share (in euros)		1.01	5.15

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts x €1,000	2020	2019
Net result from continuing operations	3,534	6,635
Elements which may be recognised in the statement of profit or loss in future		
Cash flow hedges – adjustment to fair value (incl. taxes)	62	262
Foreign activities – currency translation differences	-1,168	-20
Elements which will not be recognised in the statement of profit or loss in future		
Pension	-5	-114
Comprehensive income after tax from continuing operations	2,423	6,763
Comprehensive income after tax from discontinued operations	-2,763	-
Comprehensive income after tax	-340	6,763
Comprehensive income attributable to:		
Shareholders	196	6,763
Third parties	-536	-

Consolidated balance sheet as at 31 December

Before appropriation of result

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER before appropriation of result

x €1,000	Note	2020	2019
ASSETS			
Intangible fixed assets	1.29	27,544	29,090
Tangible fixed assets	1.30	64,279	73,348
Lease assets	1.31	11,680	15,993
Deferred tax assets	1.33	5,621	3,708
Financial fixed assets	1.32	172	2,627
Total fixed assets		109,296	124,766
Contract assets	1.23.6	7,563	12,661
Inventories	1.34	26,211	34,325
Trade receivables	1.35	45,287	33,246
Corporate tax		613	963
Other taxes and social security contributions	1.36	1,560	1,691
Other receivables		1,975	2,484
Accrued assets		1,473	1,187
Cash and cash equivalents	1.37	4,629	2,945
Total current assets		89,311	89,502
Total assets		198,607	214,268

Consolidated balance sheet as at 31 December

x €1,000	Note	2020	2019
LIABILITIES			
Shareholders' equity attributable to Hydratec shareholders	1.38	63,079	62,700
Minority share		161	500
Total equity	1.38	63,240	63,200
Personnel-related provisions	1.40	3,253	4,050
Other provisions	1.40	2,314	2,759
Deferred tax liabilities	1.40.5	1,390	2,101
Borrowings and lease obligations	1.41.1	27,337	35,181
Other financial instruments	1.42.2	889	4,901
Total provisions and non-current liabilities		35,183	48,992
Contract liabilities	1.23.6	26,425	9,544
Trade payables		17,154	24,737
Corporate tax		2,284	843
Other taxes and social security contributions	1.42	3,001	3,951
Borrowings and lease obligations	1.41.1	5,713	6,672
Bank current account	1.41.1 / 1.43	18,069	29,347
Other liabilities, accruals and deferred income	1.44	27,538	26,982
Total current liabilities		100,184	102,076
Total liabilities		198,607	214,268

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

x €1,000	Note	Issued capital 1.41.1	Share premium 1.41.2	Translation reserve 1.41.3	Hedge reserve 1.41.4	Other statutory reserve	Other reserves 1.41.5	Unappropriated result 1.41.6	Attributable to Hydratec shareholders	Minority share	Shareholders' equity
Carrying amount as at 1 January 2019		578	5,822	-676	-646	299	45,305	8,507	59,189		59,189
Shareholder-related changes:											
• Dividend distribution 2018							-3,473		-3,473		-3,473
• Participation plan share issue	1.25.3	1	133						134		134
• Share issue for acquisition of Pas Reform USA		1	86						87		87
Other changes:											
Result appropriation 2018							8,507	-8,507	-		-
Capital contribution										500	500
Unrealised results											
Hedge reserve					262				262		262
Translation reserve				-20					-20		-20
Pension							-114		-114		-114
Realised results											
Net result 2019								6,635	6,635		6,635
Carrying amount as at 31 December 2019		580	6,041	-696	-384	299	50,225	6,635	62,700	500	63,200

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share premium	Translation reserve	Hedge reserve	Other statutory reserve	Other reserves	Unappropriated result	Attributable to Hydratec shareholders	Minority share	Shareholders' equity
Shareholder-related changes:										
• Dividend distribution 2019										
• 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:										
Result appropriation 2019						6,635	-6,635	0	-	
Kapitaal starting								0	191	191
Unrealised results							0		191	191
Hedge reserve				62				62		62
Translation reserve			-1,168					-1,168		-1,168
Pension						-5		-5		-5
Realised results										
Net result 2020							1,301	1,301	-530	771
Carrying amount as at 31 December 2020	582	6,228	-1,864	-322	299	56,855	1,301	63,079	161	63,240

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

x €1,000

	2020	2019*
Result from ordinary activities before tax	3,269	8,886
Adjustment for:		
• Depreciation	12,094	9,278
• Bijzondere waardeveranderingen	2,244	-
• Profit from sale (previously assets available for sale)	-290	-550
Financial income and expenses	74	1,354
Movements in provisions	2,009	-7,429
Changes in working capital:		
• Inventories	2,915	5,426
• Current receivables	-16,284	15,496
• Current liabilities (excluding corp. tax liability and lease liabilities)	20,039	-22,427
Total changes in working capital	6,670	-1,505
Financial expenses paid	-1,202	-763
Income tax paid	-313	-2,101
Cash flow from operating activities	24,555	7,170
Investments in intangible fixed assets	-1,635	-763
Investments in tangible fixed assets	-3,632	-11,588
Investments in financial fixed assets	-170	-336
Acquisition of participating interests	-1,000	-12,750
Net liquidity position included in acquisition of participating interests	-	-8,491
Disposal of tangible fixed assets and assets available for sale	883	2,233
Cash flow from investing activities	-5,554	-31,695
Dividend paid to Hydratec shareholders	-	-3,473
Repayment of non-current liabilities	-3,311	-1,810
Repayment of lease liabilities	-3,202	-3,596
Long-term borrowings drawn	-	3,900
Cash and bank credit balances	-11,278	29,047
Cash flow from financing activities	-17,791	24,068
Net cash flow	1,210	-457
Translation differences in cash balances	-655	-102
Movements in cash and cash equivalents	555	-559
Cash flow from discontinued operations	1,129	-
Cash and cash equivalents as at 1 January	2,945	3,504
Cash and cash equivalents as at 31 December	4,629	2,945

* Comparatives have been restated. Please refer to note 1.2.

1.1 General

1.1.1 Introduction

Hydratec Industries NV (hereinafter referred to as Hydratec) has its registered office and principal place of business in Amersfoort, the Netherlands. The company's consolidated financial statements for the year ending 31 December 2020 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 2020:

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 B.V.	Dedemsvaart, Netherlands
Ramix Moulds 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 26 March 2021. The 2020 annual report and financial statements were discussed in the Supervisory Board meeting held on 24 March 2021 and will be presented to the General Meeting of Shareholders on 26 May 2021 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 preparation of the financial statements in compliance with IFRS-EU standards 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.

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.

1.1.3 Continuity

The global outbreak of Covid-19 brought added uncertainties in the past year. The impact of Covid-19 will also affect the economic climate in 2021. During the year, new credit agreements were made with the bank. Thorough liquidity forecasts and expected revenue lead us to envisage no risks in terms of insufficient liquidity, the credit agreements and continuity problems in the next 12 months.

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 2020

The following standards or interpretations became effective as of 1 January 2020 and have been applied by the Group. The effect of their application has no material impact on the Group.

- ▶ Amendment to IAS 1 and IAS 8: Definition of material
- ▶ Amendment to IFRS 3: Definition of a business
- ▶ Amendment to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- ▶ Amendment to IFRS 16: Covid-19-Related Rent Concessions

1.2.2 New standards or interpretations which have not yet taken effect

The following standards or interpretations will take effect as of 1 January 2021 or later. Their impact on Hydratec's financial position and results is estimated to be zero or limited.

- ▶ Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)
- ▶ Amendment to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- ▶ Amendments to IFRS 16: Property Plant and Equipment – Proceeds before intended use
- ▶ Amendments to IAS 1: Classifications of Liabilities as Current or Non-current

1.2.3 Error rectification

The 2019 financial statements presented bank overdrafts as part of cash and cash equivalents in the consolidated cash flow statement. Due to the continuing negative bank balance in 2020, the classification of this overdraft in the cash flow statement has been reassessed. The conclusion was that the current account balance and cash flows for 2019 ought to have been presented differently and should therefore be adjusted. It was decided that the negative bank balance is not part of and/or does not meet the IAS 7 definition of 'cash and cash equivalents'. In accordance with IAS 7, the cash flow associated with the current account is presented as part of the cash flow from financing activities in the cash flow statement. The cash flows for 2019 as presented in the 2019 financial statements and the adjusted cash flow statement for 2019 are shown below.

x € 1.000	2019 Hersteld in jaarrekening 2020	2019 Jaarrekening 2019
Kasstroom uit operationele activiteiten	7.170	7.170
Kasstroom uit investeringsactiviteiten	-31.695	-31.695
Betaald dividend	-3.473	-3.473
Aflossing langlopende schulden	-1.810	-1.810
Aflossing lease verplichtingen	-3.596	-3.596
Opname langlopende schulden	3.900	3.900
Opname/aflossing rekening courant bank	29.047	-
Kasstroom uit financieringsactiviteiten	24.068	-4.979
Netto kasstroom	-457	-29.504
Omrekenverschillen op geldmiddelen	-102	-102
Mutatie kas en kasequivalenten	-559	-29.606
Kas en kasequivalenten per 1 januari	3.504	3.204
Kas en kasequivalenten per 31 december	2.945	-26.402
Kas en banktegoeden	2.945	2.945
Rekening-courant bank	-	-29.347
Totaal 31 december	2.945	-26.402

1.3 Estimates and judgements 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;
- ▶ 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 Systems companies in which the progress of projects is no longer measured on the basis of time tracking but on the basis of 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 €4.1 million higher in 2020 compared to the old system for determining progress.

1.4 Consolidation

1.4.1 Subsidiaries

Subsidiaries are companies in which Hydratec has direct or indirect control. Control means that Hydratec directly or indirectly controls a company's financial and business operations with the aim of benefiting from that company's activities. 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.

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.

1.4.3. Associates

Associates are those companies in which Hydratec can exercise direct or indirect significant influence, but has no actual control. These associates are not consolidated but are recognised separately according to the equity method of accounting.

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 taken directly to shareholders' equity as part of the unrealised results in the translation reserve.

Exchange rates

Currency	€1 is converted at	2020	2019
USD	Closing price	1.23	1.12
	Average	1.14	1.11
INR	Closing price	89.64	79.88
	Average	84.50	79.05
BRL	Closing price	6.37	4.51
	Average	5.86	4.56
PLN	Closing price	4.56	4.26
	Average	4.44	4.27

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 cost and then at fair value.

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 expenditure, 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 3 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.

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 checked for impairments every year and to see whether there are circumstances that indicate that the recognised value no longer represents the 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 or extraordinary depreciation. 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. 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, brands, rights and patents when participating interests are acquired. They are measured at fair value at initial recognition, as established on acquisition.

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. Any development expenditure for which future economic benefits can be estimated is capitalised, assuming it can be reliably measured and was not incurred for the maintenance of an existing product or adaptation to suit new market circumstances. 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.

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 overheads. 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

1.9 Lease assets

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 and on order.

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. Depreciation

Depreciation costs are taken to the statement of profit or loss using the straight-line method on the basis of the estimated useful economic life of the various components which make up the asset and in line with the expected pattern of future economic benefits which will accrue to the company. Land and assets under construction and on order 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. Lease assets are depreciated 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, 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 man-hours 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.

Impairments are determined on the basis of expected credit losses. Write-down is done at individual level for trade and other receivables which have been outstanding for a long time or which carry a high credit risk for other reasons (for example due to the counterparty being in financial difficulties). Impairment for trade and other receivables which do not carry a high credit risk is assessed by estimating the risk of default and the impact of default. If there is no longer a reasonable expectation that receivables will be received, they are written down. Impairments are recognised in the statement of profit or loss.

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.

1.11.3 Assets held for sale

Assets held for sale are measured at either their carrying amount or fair value less selling costs, whichever is lower. Assets held for sale are not depreciated.

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.

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 equity

Please refer to pages 64 and 99 for the statement of changes in shareholders' equity and notes to a few equity components.

1.14.4 Earnings per share

Ordinary earnings per share 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 2020.

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 will be established by discounting expected future cash flows by means of a discount rate before tax which reflects the actual market valuations of the time value of money and, if necessary, of the specific risks of the obligation.

1.15.1 Defined contribution pension plan

Liabilities with respect to pension contributions and related defined contribution plans 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.

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 current market assessments of the time value of money. 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 Taxes

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 and are expected to 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 at each balance sheet date at the tax rates which are expected to apply when they are realised and are written down to the extent that it is no longer likely 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 are reassessed if significant changes are made to the lease.

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.

Projects in which the deferred invoice instalments (and possible provision for losses) exceed the capitalised costs and profit margin are presented as contract liabilities.

These amounts are only recognised as revenue when the performance has been delivered.

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

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 pertaining to the supply of goods is recognised if the entity has transferred actual possession of the goods, the associated benefits and significant risks to the buyer. The recognised revenue is not adjusted for expected returns because the expected returns are immaterial.

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 and costs are recognised in proportion to progress (percentage of completion). Progress is estimated on the basis of hours worked or costs incurred. 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. The liabilities which arise from this are recognised as contract liabilities and are not covered by the warranty provision.

1.20 Costs

1.20.1 Changes in inventories of finished goods and contract assets/liabilities

This relates to changes in the balance sheet position for inventories of finished goods and contract assets/liabilities which are part of the cost of goods sold.

1.20.2 Material consumption/other external costs

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

1.20.3 Other operating costs

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

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. Changes in value of the call and put options bought and issued as part of the Stork/Rollepaal acquisition are recognised in financial income and expenses.

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. The cash balances in these interests are presented separately in the cash flow statement. Distributed dividends are recognised under cash flow from financing activities. Transactions in which no inflow or outflow of cash takes place, including finance leasing and the deferred element ('earn-out') of the purchase price of participating interests, are not recognised in the cash flow statement. Cash flows pertaining to borrowings and liabilities as part of finance 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.

Given the size of the Group, these two segments are not managed by the Management Board of Hydratec Industries. 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 Segment reporting of continuing operations

1.23.1 Breakdown by business segment

	Industrial Systems		Plastic Components		Total segments		Holding company expenses and eliminations		Total continuing operations	
x €1,000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Supply of goods	39,226	52,141	103,823	108,967	143,049	161,108			143,049	161,108
Projects	55,839	35,406	10,311	12,992	66,150	48,398			66,150	48,398
Other revenue	8,351	12,302			8,351	12,302			8,351	12,302
Net revenue	103,416	99,849	114,134	121,959	217,550	219,607			217,550	219,607
Intersegment revenue			1,505	2,201	1,505	2,201	-1,505	-2,201		
Total segment revenue	103,416	99,849	115,639	121,959	219,055	221,808	-1,505	-2,201	217,550	219,607
Material usage, other external costs, changes in inventories of finished goods and work in progress	-54,249	-58,138	-49,612	-55,191	-103,861	-113,329	1,505	2,201	-102,356	-111,128
Gross margin	49,167	41,711	66,027	66,768	115,194	108,479			115,194	108,479
Depreciation	-6,463	-2,180	-7,819	-6,379	-14,282	-8,559	-56	-29	-14,338	-8,588
Personnel and other expenses	-39,968	-31,951	-55,461	-56,618	-95,429	-88,569	-2,085	-1,082	-97,514	-89,651
Operating result	2,736	7,580	2,747	3,771	5,483	11,351	-2,141	-1,111	3,342	10,240
Financial expenses	871	-265	-995	-1,141	-124	-1,406	51	52	-73	-1,354
Result before tax	3,607	7,315	1,752	2,630	5,359	9,945	-2,090	-1,059	3,269	8,886
Taxes	-1,341	-1,604	1,094	1,093	-247	-2,429	512	178	265	-2,251
Net result from continuing operations	2,266	5,711	2,846	1,805	5,112	7,518	-1,578	-881	3,534	6,635
Segment assets	118,783	116,200	90,699	93,491	209,482	209,691	-10,875	4,577	198,607	214,268
Segment liabilities	90,656	88,514	53,296	61,217	143,952	149,731	-8,583	1,337	135,369	151,068
Investments in tangible/ intangible fixed assets	1,528	4,849	4,831	8,152	6,359	13,001	26	-	6,385	13,001

1.23 Segment reporting of continuing operations

1.23.2 Breakdown by geographical origin of the segments

x €1,000	Netherlands		Outside the Netherlands		Total	
	2020	2019	2020	2019	2020	2019
Net revenue	156,744	158,570	60,806	61,037	217,550	219,607
Segment assets	146,518	164,914	52,412	49,354	198,930	214,268
Investments in tangible/intangible fixed assets	3,914	9,244	2,471	3,758	6,385	13,001

1.23.3 Breakdown by geographical revenue distribution by market

x €1,000	2020	%	2019	%
Netherlands	43,062	19.8	43,003	19.6
Rest of Europe	87,422	40.2	87,800	39.9
Asia	34,253	15.7	25,843	11.8
North America	28,664	13.2	49,620	22.6
South America	3,492	1.6	2,886	1.3
Africa	9,521	4.4	4,994	2.3
Oceania	11,136	5.1	5,461	2.5
Total	217,550	100.0	219,607	100

1.23.4 Breakdown of revenue by type

x €1,000	2020	%	2019	%
Supply of goods	143,049	65.8	158,908	72.4
Projects	66,150	30.4	48,397	22.0
Other revenue	8,351	3.8	12,302	5.6
Total	217,550	100	219,607	100

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

No customer was responsible for more than 5% of revenue in 2020.

1.23.5 Breakdown of revenue by meeting performance obligations

x €1,000	2020	%	2019	%
Performance obligations met over a period	74,501	34.2	60,700	27.6
Performance obligations met at a point in time	143,049	65.8	158,907	72.4
Total	217,550	100	219,607	100

1.23.6 Receivables, contract assets and contract liabilities

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

1.24 Discontinued operations

x € 1,000	Note	2020	2019
Accounts receivable	1.35	45,287	33,246
Advance payments received and deferred revenue	1.44	10,276	9,819
Contract assets		7,563	12,661
Contract liabilities		26,425	9,544

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 amount of revenue included in the balance of contract liabilities recognised in the previous period is not material.

1.24 Discontinued operations

1.24.1 Barter transaction between Stork and Rollepaal

Hydratec and Wadinko believe that Rollepaal and Stork will be able to operate more effectively in current market conditions if each has a single shareholder. Accordingly, Stork and Rollepaal shares were exchanged 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 Stork'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 on account of options amounted to €0.4 million negative just prior to the barter transaction and €3.1 million as a consequence of the winding up as at 30 June 2020.

1.24.2 Results of discontinued operations

x €1,000	01/01/2020 to 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

1.24.3 Cash flow from discontinued operations

x €1,000

01/01/2020 to
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 contract staff

x €1,000	2020	2019
Wages and salaries	49,595	41,085
Contract staff	7,043	11,602
Cost of redundancy payment plans	2,785	
Temporary Emergency Bridging Measure for Sustained Employment	-3,149	
Total	56,274	52,687

1.25.2. Social security contributions and pension

x €1,000	2020	2019
Social security contributions	8,101	7,222
Pension contributions	4,335	4,206
Total	12,436	11,428

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

x €1,000	2020	2019
Supervisory Board		
E. ten Cate	19	19
J. E. Vaandrager	19	19
M. E. P. Sanders	19	19
Total	57	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.

1.26 Average number of full-time employees

x €1,000		2020	2019
B. F. Aangenendt	Base salary	272	265
	Variable remuneration in cash	-	25
	Variable remuneration in shares	-	25
	Pension costs	26	26
		298	341
E. H. Slijkhuis	Base salary	164	160
	Variable remuneration in cash	-	15
	Variable remuneration in shares	-	15
	Pension costs	22	22
		186	212
Total		484	553

In 2020, the Management Board made use of the option to convert part of its variable remuneration awarded for 2019 into shares in Hydratec Industries. To this end, 306 shares were issued on 30 June 2020 at the issue price of €66.33. Of these, 191 shares were allocated to Mr Aangenendt and 115 to Ms Slijkhuis.

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

No variable remuneration will be awarded to management for 2020 since a number of operating companies received wage subsidies from the Dutch government under the NOW 2 and 3.1 schemes.

1.26 Average number of full-time employees

	2020	2019
Production direct	620	515
Production indirect	276	288
Engineering	154	177
Sales	81	69
Management & Finance	124	100
Total	1255	1,149
Of which working abroad	535	612

1.27 Other operating costs

x €1,000	2020	2019
Business accommodation	2,249	1,778
Sales	5,681	5,930
Production and maintenance	9,873	10,823
Research	773	766
Exchange differences	452	132
General costs	9,776	6,116
Total	28,804	25,545

Subsidies worth €0.4 million received from the Polish and US governments on account of Covid-19-related government grants have been recognised under general costs.

Independent auditor's fee

x €1,000	2020	2019
Audit of financial statements by KPMG	562	574
Audit of financial statements not by KPMG		28
Other audit activities	257	-
Total costs	819	602

1.28 Taxation

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.

The variance between the nominal tax rate and the effective tax rate is mainly due to the liquidation loss for tax purposes from Helvoet Rubber & Plastic Technologies Inc. This resulted in the capitalisation of losses for tax purposes which can be settled in the future against profit for tax purposes from Helvoet Rubber & Plastic Technologies B.V.

Calculation of tax liability

x €1,000	2020	%	2019	%
Result before tax	3,269		8,886	
Tax expense on the basis of nominal rate in the Netherlands	-817	25.0	-2,222	25
Rebates	52	-1.6	48	-0.5
Application of local nominal rates	-108	3.3	-269	3
Benefit from innovation box/RDA		0.0	205	-2.3
Non-taxable revenue	202	-6.2	26	-0.3
Capitalisation or decapitalisation of deductible losses and valuation differences	1,242	-38.0	-67	0.8
Changes in local tax rates	-133	4.1	80	-0.9
Non-deductible expenses and prior-year adjustments	-173	5.3	-52	0.6
Tax expense in line with statement of profit or loss	265	-8.1	-2,251	25.3

1.29 Intangible fixed assets

x €1,000	Goodwill	Customers	Agents	Brands	Rights	Patents	Software	Under construction and on order	Total
Carrying amount 1 January 2018	17,884	852	474	577			990		20,777
Investments					962		604		1,566
Depreciation		-155	-37	-45	-46		-265		-548
Acquisitions	3,918	1,119		187		1,263	812		7,299
Effects of foreign currency translation					-4				-4
Purchase cost	21,802	2,726	748	1,096	958	1,263	5,960		34,553
Accumulated depreciation/impairment	-	-910	-311	-377	-46		-3,819		-5,463
Carrying amount as at 31 December 2019	21,802	1,816	437	719	912	1,263	2,141	0	29,090
Commissioning							183		183
Investments					366		214	910	1,490
Depreciation		-210	-39	-46	-113	-173	-573		-1,154
Extraordinary depreciation	-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	0	-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

The Stork and Rollepaal barter transaction produced a positive result of some €2.1 million from the winding up of the Rollepaal put and call options (see 1.24). Disappointing results and order intake at Rollepaal in the first six months of 2020 meant that the put and call options could be wound up for a price lower than the value of the options. These setbacks were however also the reason for carrying out an impairment test on the Rollepaal cash-generating entity from 30 June 2020, the outcome of which was a €1.7 million write-down of Rollepaal's goodwill.

1.29.1 Impairment test

An impairment test was carried out in December 2020 on the goodwill of Lias Industries, Lan Handling Technologies, Pas Reform and Rollepaal. The value in use was also determined on the basis of future cash flow projections. These cash flow projections were taken from the internal long-term plans which are drawn up annually and approved by management. A growth rate of 1.5% was applied for the period after five years, which is based on expected inflation. 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 2020 on the basis of the chosen assumptions.

Given the impairment of the Rollepaal cash-generating entity as at 30 June 2020, a sensitivity analysis of the impairment test was performed for the Rollepaal cash-generating entity at year-end 2020, in which:

- ▶ the discount rate rises by 1%, or
- ▶ the annual growth rate decreases by 1% each year.

This sensitivity analysis did not lead to an impairment of goodwill at Rollepaal.

	Goodwill	Average growth rate forecast 1-5 years	Growth rate forecast after 5 years	Discount rate
Pas Reform/Lan Handling Technologies	13,487	7.1%	1.5%	11.0%
Lan Handling Technologies	1,565	6.6%	1.5%	11.0%
Pas Reform	2,832	9.5%	1.5%	11.0%
Rollepaal	2,218	5.7%	1.5%	10.3%
	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. A royalty rate for each asset was calculated to determine the then fair values by taking a percentage of the revenue expected in the future attributable to customers and agents. The value of the brand name was determined at that time by means of marketing investments in previous years.
- ▶ 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	Under construction and on order	Total
Purchase cost	40,810	73,841	18,280	6,231	139,161
Accumulated depreciation/impairment	-15,381	-51,204	-13,958		-80,543
Carrying amount as at 1 January 2019	25,429	22,637	4,322	6,231	58,619
Reclassification of financial leases to lease assets		-5,180			-5,180
Investments	579	1,788	1,104	7,964	11,435
Commissioning	7,992	2,953	671	-11,616	
Depreciation	-1,121	-3,796	-1,244		-6,161
Effects of foreign currency translation	36	-9	-11	10	26
Acquisitions	10,186	2,911	1,330	182	14,609
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 31 December 2019	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

1.30.1 Impairment loss and reversal of impairment loss

An impairment of €544 thousand (2019: zero) occurred in 2020. No reversal of impairments took place (2019: zero).

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 2019	-	5,180	-	5,180
Initial recognition of IFRS 16	7,646		1,790	9,436
Additions	503	27	211	741
Depreciation	-1,218	-1,421	-651	-3,290
Reversal of impairments		689		689
Exchange differences	-37	5	-8	-40
Acquisitions	1,180	1,339	758	3,277
Carrying amount as at 1 December 2020	8,074	5,819	2,100	15,993
Additions	135	0	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

An impairment of €42 thousand (2019: zero) occurred in 2020. No reversal of impairments took place (2019: 689 thousand).

1.32 Financial fixed assets

x €1,000	2020	2019
Minority shareholder buy-out options	-	1,162
Reinsurance of pension liabilities	-	1,083
Other	172	382
Total	172	2,627

The options related to Stork's and Rollepaal's residual interests. These options were wound up in 2020. For more information, please see note 1.41.2. The reinsurance of pension liabilities related to the fair value of reinsured pension liabilities at Stork in Germany.

1.33 Deferred tax assets

For the most part, deferred tax assets at year-end 2020 fall due after more than one year (current portion amounts to €0.9 million). Tax losses worth €5.4 million at year-end 2020 (2019: €16.0 million) were not recognised in the balance sheet.

Deferred tax assets can be broken down as follows:

x €1,000	Intangible fixed assets	Tangible fixed assets	Lease assets	Working capital	Provisions	Derivatives	Losses carried forward	Total before offsetting	Offsetting deferred taxes	Total after offsetting
Carrying amount as at 1 January 2019	3	920		32	1,611	73	2,839	5,478	-1,735	3,743
Movements	2	1,094		5	-790	2	41	354	-841	-487
Acquisitions		284			161			445		445
Exchange differences		4			3			7		7
Carrying amount as at 31 December 2019	5	2,302	0	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

1.34 Inventories

x €1,000	2020	2019
Raw materials and consumables	7,099	13,058
Semi-manufactured and work in progress	5,077	5,483
Finished goods	14,035	15,784
Total	26,211	34,325

The provision for obsolete inventories recognised in this measurement amounted to €3.0 million at year-end 2020 (2019: €5.9 million). The decrease was mainly due to the deconsolidation of Stork. A sum of €0.3 million was added to the provision for obsolete inventories for continuing operations. Changes in inventories of finished goods and contract assets/liabilities in the statement of profit or loss amounting to €1.7 million were due to movements in inventories.

1.35 Accounts receivable

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

Days	2020	%	2019	%
0-30	28,767	63.52	21,979	66.1
31-60	9,644	21.30	6,034	18.1
61-90	4,086	9.02	1,699	5.1
> 90	2,790	6.16	3,534	10.6
Total	45,287	100.0	33,246	100.0

x €1,000	2020	2019
Gross accounts receivable	46,430	34,126
Of which within due date	38,482	25,427
Of which overdue	7,948	8,699
Provision for expected credit loss	-1,143	-880
Net accounts receivable	45,287	33,246

Outstanding balances are analysed on a regular basis to determine the provision for expected credit loss. A provision is created for doubtful debts. A summary of changes in this provision is shown in the table below. These relate almost entirely to individually determined provisions (stage 3). Please refer to financial risk factors for more information about credit risk.

1.36 Other taxes and social security contributions

x €1,000	2020	2019
Opening balance sheet 1 January	880	715
Release		-69
Additions	339	69
Acquisitions	-	165
Deconsolidation	-76	
Closing balance sheet 31 December	1143	880

1.36 Other taxes and social security contributions

x €1,000	2020	2019
Turnover tax	1,486	1,583
Wage tax	21	15
Pensions and social security contributions	3	
Other taxes	50	93
Total other taxes and social security contributions	1,560	1,691

1.37 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	2020	2019
Bank balances	4,468	2,763
Cash	11	14
Deposits	150	168
Total	4,629	2,945

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 2020 there were 1,290,944 shares outstanding each with a nominal value of €0.45.

During the year, 2,766 (2019: 3,362) 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.

1.39 Earnings per share

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.

1.38.2 Share premium reserve

The share premium reserve can be considered as paid-up capital. The share premium reserve increased by €187 thousand due to the share issue in 2020.

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 2020 amounted to €62 thousand positive (2019: €262 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.

1.38.7 Unappropriated result

Because a number of companies in the group received government wage subsidies under the Dutch NOW 2 and NOW 3.1 schemes, no dividend may be distributed over 2020 (2019: zero).

1.39 Earnings per share

	2020	2019
Earnings attributable to shareholders (x €1,000)	1,301	6,635
Weighted average number of shares (x 1)	1,289,557	1,286,654
Earnings per share (x €1)	1.01	5.16
Diluted earnings per share (x €1)	1.01	5.15

1.40 Provisions

x €1,000	Personnel-related benefits	Restructuring	Guarantees	Other	Total
Carrying amount as at 1 January 2020	4,050	105	1,504	1,150	6,809
Additions during the year	455	2,785	726	734	4,700
Withdrawals	-176		-78		-254
Transfer of current liabilities	-4	-1,469	-377	-390	-2,240
Released to the statement of profit or loss	-20		-192		-212
Exchange differences	-36		-18	-69	-123
Deconsolidation	-2,437		-651	-25	-3,113
Carrying amount as at 31 December 2020	1,832	1,421	914	1,400	5,567

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 0.87% on average (2019: 1.31%). For the most part, the term of the provision is longer than one year.

1.40.2 Restructuring

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

The other provisions predominantly relate to a provision pertaining to the earn-out scheme for the former shareholder of Pas Reform North America and a performance scheme. To determine the provisions, estimates have been made of future results and costs pertaining to severance pay. 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 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 2019	399	2,904	3,303	-1,735	1,568
Movements	-25	844	819	-841	-22
Acquisitions		555	555		555
Carrying amount as at 31 December 2019	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

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

1.41 Financial instruments

1.41.1 Borrowings and lease liabilities

Borrowings relate to the non-current part of:

- ▶ a mortgage loan for financing property in Industrial Systems with a non-current part of €1.8 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 €6.0 million due to mature in 2039 and an interest rate of 3.45% (fixed);
- ▶ a general loan for Industrial Systems with a non-current part of €3.5 million. The remaining term to maturity of the loan is two years. 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 €1.2 million. The remaining term to maturity of the loan is four 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 €2.8 million. The remaining term to maturity of the loan is five 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 €2.4 million. The remaining term to maturity of this loan is seven 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 €1.2 million. The remaining term to maturity of this loan is seven years. The variable interest component has been fixed at 2.35% by means of an interest rate swap for the term of the loan.

1.41 Financial instruments

x €1,000	Current account	Borrowings	Lease liabilities	Total
Carrying amount as at 31 December 2018	301	18,209	4,669	23,179
Implementation of IFRS 16			9,436	9,436
Borrowings drawn	29,046	3,900	714	33,660
Borrowings repaid		-1,811	-3,596	-5,407
Conversion into capital		-500	-	-500
Acquisitions		7,072	3,222	10,294
Interest			494	494
Exchange differences			44	44
Carrying amount as at 31 December 2019	29,347	26,870	14,983	71,200
Borrowings drawn			1,340	1,340
Borrowings repaid	-11,278	-2,644	-3,935	-17,857
Deconsolidation of Stork		-2,000	-1,501	-3,501
Interest			521	521
Exchange differences			-584	-584
Carrying amount as at 31 December 2020	18,069	22,226	10,824	51,119
Of which current:				
At 31 December 2020	18,069	2,857	2,856	23,782
at 31 December 2019	29,347	3,225	3,446	36,018
Of which non-current:				
At 31 December 2020		19,369	7,968	27,337
at 31 December 2019		23,644	11,537	35,181

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.

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 2018	267	452			719
Movements in fair value	-257	29		547	319
Acquisitions			3,863		3,863
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	0		-62
Barter transaction			-3,863		-3,863
Carrying amount as at 31 December 2020	0	429	0	460	889

Please refer to acquisitions of subsidiaries in 1.24.1 for an explanation of the put option.

The financial derivatives relate to:

- ▶ an interest rate swap to fix the variable interest rate component on the loan amounting to €3.3 million at year-end 2020, which is due to mature on 1 October 2025;
- ▶ an interest rate swap to fix the variable interest component of the loan amounting to €1.4 million at year-end 2020, 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 €3.0 million at year-end 2020, 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 7. All these derivatives qualify as 'cash flow hedges' which are 100% effective as at year-end (2019: 100%). The following sources of effectiveness have been identified for the interest rate derivatives: face value (including repayment schedule), the term and coupon due dates of the swap and the hedged position. The following sources of effectiveness have been identified for currency derivatives: the size of the hedged position (advance payment receivable), the contract currency, the advance payment and the date of receipt of the advance payment, and the end date of the forward exchange contract. Because all these sources matched at the inception of the hedge relationships, the effectiveness is 100% (2019: 100%). 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

x €1,000	2020	2019
Turnover tax	554	235
Wage tax	754	1,459
Pensions and social security contributions	1,693	2,257
Total other taxes and social security contributions	3,001	3,951

1.43 Current account at bank

x €1,000	2020
Carrying amount as at 1 January 2020	29,347
Withdrawals/redemption	-11,278
Current accounts at banks	18,069

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 2020 of up to a maximum of €41 million which will be lowered by €1.5 million on 1 January every year, ultimately arriving at €30 million; and
- ▶ a guarantee facility for providing advance payment guarantees and performance bonds of €6.0 million.

The mark-up for this 1-month average EURIBOR facility is 1.50% a year plus the applicable market premium (was 0.15% at the balance sheet date). A commitment fee of 0.5% also applies.

The current account changes day by day. The table above presents the net annual movements.

The credit agreement contains a condition that the EBITDA must be at least €6 million as at 31 December 2020. This condition was met as at 31 December 2020.

For 2021, the agreement has been reached that the 12-month EBITDA must at least be:

- ▶ as at 31 March 2021: €6 million
- ▶ as at 30 June 2021: €9 million
- ▶ as at 30 September 2021: €14 million

As of 31 December 2021, there is no minimum attached to EBITDA and the following agreements apply:

- ▶ the total debt/EBITDA ratio may never be greater than 2.5 as of 31 December 2021;
- ▶ the debt service coverage ratio must always be at least 1.0 as of 31 December 2021.

1.44 Other liabilities, accruals and deferred income

It has been agreed with the credit provider that dividend only may be distributed up to 30 September 2021 if:

- ▶ the total debt/EBITDA ratio is no greater than and remains at 3.0;
- ▶ the debt service coverage ratio is and remains at least 1.0; and
- ▶ all agreements reached under the credit agreement have been and will continue to be met.

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 (2019: the same).

1.44 Other liabilities, accruals and deferred income

x €1,000	2020	2019
Interest	141	120
Personnel-related expenses	7,392	8,222
Amounts received in advance	7,965	9,765
Deferred revenue	2,311	65
Commission due to agents	2,805	2,462
Accruals and deferred income	6,924	6,497
Total other liabilities, accruals and deferred income	27,538	27,131

1.45 Financial risk factors

The operations expose the Group to financial risks, such as capital, 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 management

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.

1.45 Financial risk factors

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 is not subject to externally imposed capital requirements.

1.45.2 Liquidity risk

Hydratec manages rolling forecasts of its liquidity position – comprising bank balances (€4.7 million) and the current account facilities at the bank (€18.1 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	Total	< 1 year	1-5 years	> 5 years
Debts to credit institutions	22,227	2,857	11,791	7,579
Lease liabilities	10,823	2,856	5,116	2,851
Other financial instruments	600	100	400	100
Trade payables	17,154	17,154		
Other liabilities and accruals and deferred income	22,550	22,911		
Interest on financial instruments	3,886	631	1,745	1,510

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 2020 was €25.8 million for Industrial Systems and €19.5 million for Plastic Components. Please refer to 1.35 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 has assets and liabilities outside the eurozone. 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 1.41.2 for more information.

On the basis of the shareholders' equity in these subsidiaries at year-end 2020, 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 €435 thousand;
- ▶ a 10% fluctuation in the Brazilian real to euro exchange rate would result in a movement of €115 thousand;
- ▶ a 10% fluctuation in the Polish zloty to euro exchange rate would result in a movement of €287 thousand;
- ▶ a 10% fluctuation in the US dollar to euro exchange rate would result in a movement of €39 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 2020. The carrying amount applied to these swaps does not deviate from their fair value. The change in value in 2020 was €62 thousand positive (2019: €262 thousand positive). Debts to credit institutions that are subject to an interest rate risk amounted to €18.1 million at year-end 2020. By contrast, the Group had cash and cash equivalents worth €4.7 million at the balance sheet date. If the interest rate rises by one percentage point, this will affect the result before tax by approximately €0.2 million negative.

1.46 Liabilities not shown on the balance sheet

1.46.1 Capital investment commitments

At year-end 2020, the Group had no commitments to procure plant (2019: €0.3 million).

1.46.2 Bank guarantees

The Group has provided bank guarantees to a total value of €3.5 million (2019: €4.1 million). These bank guarantees were mainly provided to customers for the successful completion of mechanical engineering projects.

1.47 Related party transactions

No transactions with related parties took place in 2020 other than:

- ▶ remuneration of Management Board and Supervisory Board;
- ▶ debts and receivables from group companies (eliminated in the consolidated financial statements).
Finance raised at group level is made available to the group companies on normal market terms;
- ▶ management fee charged to the group companies by the holding (eliminated in the consolidated financial statements).

1.48 Events after the balance sheet date

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

2020 company financial statements

Company financial statements as at 31 December before appropriation of result

x €1,000	Note	2020	2019
ASSETS			
Intangible fixed assets			
Goodwill	2.2	13,487	13,487
Software		10	
Tangible fixed assets			
Right-of-use assets		135	77
Tangible fixed assets		15	
Financial fixed assets			
Participations in group companies	2.3	65,350	59,960
Loans to group companies		13,459	15,250
Current assets			
Group companies		4,853	10,376
Other receivables, prepayments and accrued income		164	493
Cash and cash equivalents			
Bank			-
Total assets		97,473	99,643

x €1,000	Note	2020	2019
LIABILITIES			
Shareholders' equity	2.4		
Issued capital		581	580
Share premium reserve		6,230	6,041
Translation reserve		-1,829	-890
Hedge reserve		-322	-384
Other statutory reserve		299	299
Revaluation reserve		1,161	1,186
Reserve for capitalised development costs		1,087	1,357
Other reserve		54,571	47,876
Undistributed profit		1,301	6,635
		63,079	62,700
Provisions		869	577
Current liabilities			
Debts to credit institutions		12,698	23,419
Trade payables		91	82
Group companies		19,952	12,373
Other liabilities, accruals and deferred income		784	492
		33,525	36,366
Total liabilities		97,473	99,643

Company statement of profit or loss

x €1,000	Note	2020	2019
Operating costs			
Wages and salaries	2.7	-619	-639
Social security contributions and pensions		-118	-110
Other operating costs		<u>-1,386</u>	<u>-362</u>
Operating result		-2,123	-1,111
Financial income and expenses		<u>-966</u>	<u>52</u>
Result before tax		-3,089	-1,059
Tax		766	178
Result from participating interests		<u>3,624</u>	<u>7,516</u>
Net result		1,301	6,635
Elements which may be recognised in net result in future		-1,100	242
Elements which will not be recognised in net result in the future		<u>-5</u>	<u>-114</u>
Total profit		<u>196</u>	<u>6,763</u>

Company statement of profit or loss

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 company goodwill shown comprises the amounts related to Lias Industries B.V. (€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 2019	55,517
Result from participating interests	7,516
Group company dividends	-3,200
Translation reserve	-20
Movements in hedge reserve	261
Other statutory reserve	-114
Balance as at 31 December 2019	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

Borrowings which subsidiaries cannot repay are converted into share capital, which means that expected credit losses are never realised on loans to subsidiaries.

Unless otherwise specified, Hydratec owned direct and indirect shares in the following companies as at 31 December 2020 (where companies are not wholly owned, the equity stake is shown in brackets):

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 BV	Dedemsvaart, Netherlands
Rollepaal B.V.	Dedemsvaart, Netherlands
Ramix Moulds B.V.	Dedemsvaart, Netherlands
Rollepaal Inc.	Baltimore, US
Rollepaal Engineering India Pvt. Ltd.	Ahmedabad, India

2.4 Group companies

Receivables from and debts to group companies relate to current account positions associated with the bank facility and call money.

2.5. Shareholders' equity

Please refer to page 48 for the statement of changes in shareholders' equity. As at 31 December 2020 there were 1,290,944 shares outstanding each with a nominal value of €0.45. No rights have been assigned to taking shares in the capital of the company. Because a number of companies in the group received government wage subsidies under the Dutch NOW 2 and NOW 3.1 schemes, no dividend may be distributed over 2020.

2.6 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.

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 Holding B.V.	Rollepaal B.V.
Ramix Moulds 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 Holding B.V.
Rollepaal B.V.	Ramix Moulds B.V.

2.7 Personnel costs

The company had five employees in 2020 (2019: 3). Please refer to 1.25.3 for the remuneration of the Management Board.

Amersfoort, 26 March 2021

Management Board under the articles of association

B. F. Aangenendt
E. H. Slikhuis

Supervisory Board

E. ten Cate
J. E. Vaandrager
M. E. P. Sanders

Other information

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.

Historical summary

Amounts in thousands of euros, unless stated otherwise

	2020	2019	2018	2017	2016
Statement of profit or loss					
Net revenue	217,550	219,607	208,388	169,323	162,374
Operating result	3,342	10,240	8,930	8,311	8,171
Net result	771	6,635	8,507	7,129	5,882
Net result for shareholders	1,301	6,635	8,507	7,129	5,882
Cash flow					
Cash flow from operating activities	24,555	7,170	9,510	13,962	5,760
Cash flow from investing activities	-5,554	-31,695	-15,010	-8,000	-8,085
Cash flow from financing activities	-17,791	-4,979	2,063	-334	-524
Net cash flow	1,210	-29,504	-3,437	5,628	-2,849
Balance sheet					
Shareholders' equity attributable to Hydratec shareholders	63,079	62,700	59,189	53,399	48,390
Shareholders' equity	63,240	63,200	59,189	53,399	48,390

Historical summary

Amounts in thousands of euros, unless stated otherwise	2020	2019	2018	2017	2016
Key ratios					
Operating result in % of revenue	1.5%	4.7%	4.3%	4.9%	5.0%
Profitability of capital invested ¹	0.7%	6.9%	9.6%	11.8%	9.5%
Profitability of shareholders' equity ²	2.1%	10.9%	15.1%	14.0%	11.7%
Solvency ³	31.8%	29.5%	35.3%	38.6%	40.8%
Information per ordinary share (in euros)					
Operating result ⁴	2.59	7.96	6.96	6.52	6.55
Shareholders' equity attributable to Hydratec shareholders	48.92	48.73	46.13	41.92	38.81
Earnings per share from continuing operations	2.74	5.16	6.63	5.60	4.72
Earnings per share including discontinued operations excl third parties	1.01	5.16	6.63	5.60	4.72
Earnings per share including discontinued operations incl third parties	-0.41				
Earnings per share including discontinued operations	0.60	5.16	6.63	5.60	4.72
Dividend			2.70	2.25	1.70
Price at year-end	54.0	68.5	63.0	55.03	44.3
Lowest price	41.2	64.5	54.0	44.06	30.35
Highest price	70.0	78.0	74.0	64.0	48.0
Other information					
Average number of employees	1,255	1,147	956	787	788
Net revenue per employee	173.3	191.5	218.1	215.1	206.1
Wage costs per employee	51.6	48.3	52.5	56.2	56.3

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.

Contact details

Hydratec Industries NV

General details and contact details:

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CFO	E. H. Slijkhuis RA
Registered office of the entity	Amersfoort, Netherlands
Legal form of the entity	Public limited company
Country of establishment	Netherlands
Address of the entity's registered office	Spoetnik 20, 3824 MG Amersfoort, Netherlands
Principal place of business	Amersfoort, Netherlands
Description of the nature of the entity's operations and its principal activities	Hydratec Industries supplies Industrial Systems and Plastic Components to sustainably meet the growing need for Food, Health and Mobility.
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Contact details for each company

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