

Annual Report 2022





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The directors' report as referred to in Part 9 of Book 2 of the Dutch Civil Code consists of the following: Profile, Shareholders' information, Personal details Supervisory Board and Management Board, Activities, Objectives and strategy, Value creation, Developments 2022, Corporate Governance and Report of the Supervisory Board.

This version of the annual financial reporting of Hydratec Industries N.V. for the financial year ending on 31 December 2022 is not presented in the ESEF format as specified in the regulatory technical standards for ESEF (Delegated Regulation (EU) 2019/815). The set of ESEF reports can be downloaded at: [Downloads](#)

Foreword



Dear shareholders, customers, employees and partners,

2022 saw the 25th anniversary of Hydratec Industries going public: a special milestone that we celebrated to the full. In September, for instance, we marked our anniversary with a well-attended family day for our employees and their families. We gave our loyal shareholders an inside look at two of our companies in November, and on 10 November, we had the honour of opening trading on the Amsterdam Stock Exchange with a gong strike. Looking back, we see that thanks to the commitment of our employees and the trust of shareholders and customers, Hydratec has enjoyed solid, consistent development over the past 25 years. It gives us reason to be proud of what we have achieved while offering confidence in the future.

A turbulent year

Our society is going through a turbulent period. In January, we left the last Covid-19 lockdown behind us and started out with renewed enthusiasm and ambition. But Russia unexpectedly invaded Ukraine in February, which plunged Europe into an international energy crisis, resulting in soaring gas and electricity prices. Supply chain issues arose again, which we had expected to be largely resolved. Inflation soared during the year to its highest point in decades. Wage costs rose, and fears of a recession grew.

“We again achieved higher revenue in 2022, which produced a record net result.”

All these developments directly or indirectly affected our performance. Our revenue in Russia and Ukraine understandably collapsed, but our order books were well filled, which enabled us to compensate for this minor loss in other regions. However, orders were distributed differently across our markets compared to previous years. For instance, Mobility got off to a promising start in 2022, but the market suffered another global chip shortage later in the year. The Food market grew significantly due to the importance of chicken as a foodstuff and the need for the availability of water. The future still looks promising for Health, although we have noticed that the speed of developments is determined by technical challenges to a significant extent. We are in a promising position to find solutions to those challenges in partnership with our customers. All in all, our revenue increased over the whole year, once again resulting in record revenue. Problems in the global supply chain again led to rising prices, which were difficult to pass on under existing agreements. Long and above all unreliable delivery times led to disruptions, higher inventory levels and shrinking margins. This culminated in a final result similar to 2021, despite the increased revenue. Given all the circumstances, this was a satisfactory result, even though we fell short of our target.

Opportunities for innovation

Current societal and economic challenges also present opportunities: rising energy prices and increasing shortages of materials and labour lead to a growing need for raw material savings and automation. Our focus on innovations to reduce waste encourages customers to choose our solutions. We collaborate intensively with knowledge centres, universities and suppliers, and continuously look for ways to improve our products and production processes.

"We continuously look for ways to improve our products and production processes"

Tight labour market

Our work relies strongly on the expertise and employability of our employees. We have a clear interest in retaining and attracting employees for our organisation. Although we were still always able to find new colleagues last year, it took noticeably longer than in previous years. We used every conceivable channel to attract potential talent in 2022, such as an open day in Dedemsvaart, a challenge among technical students in Tilburg and a 'Kies Techniek' (Choose Technology) day in Doetinchem. As a result of these efforts, the labour market issues did not cause any problems, although work pressure was high at times. We are convinced that the tangible engagement of employees and their valuable influence on the organisation's results is essential in today's dynamic situation. The decentralised organisation has shown itself to be a good structure in the current market conditions. We are therefore continuing our efforts to further increase employee engagement. We also continue to invest in young talent with instructive and exciting traineeships and internships that offer job prospects.

Dividend

We are pleased to have seen an increase in the net result despite exceptional macroeconomic conditions and propose a dividend of €6.00 per share for 2022. We expect many of the turbulent developments from last year - the war, inflation, and problems in the supply chain - to continue into 2023, but for the shock effect to reduce. The order book is well filled.

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

Bart Aangenendt, CEO

Profil



Company profile

Technology company Hydratec Industries supplies industrial systems and high-tech components to sustainably meet the growing need for food, health and mobility. Hydratec Industries has been listed on Euronext Amsterdam since 1997 and employs some 1,374 people worldwide. All its companies have a principal place of business in the Netherlands, but some of their production plants are outside the Netherlands, including in Belgium, Brazil, Germany, India, Poland and the US. About 50% of our staff live and work in the Netherlands.

1997

Listed since 1997



1,374

Colleagues



2 Segments

Industrial Systems



Hightech Components



5 Companies



Lan
Handling
Technologies



Royal Pas Reform
Integrated
Hatchery Solutions



Rollepaal
Pipe Extrusion
Technology



Helvoet
High Precision
Components



Timmerije
Hightech Plastic
Components

3 Markets



Food

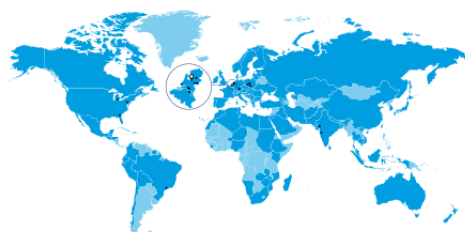


Health

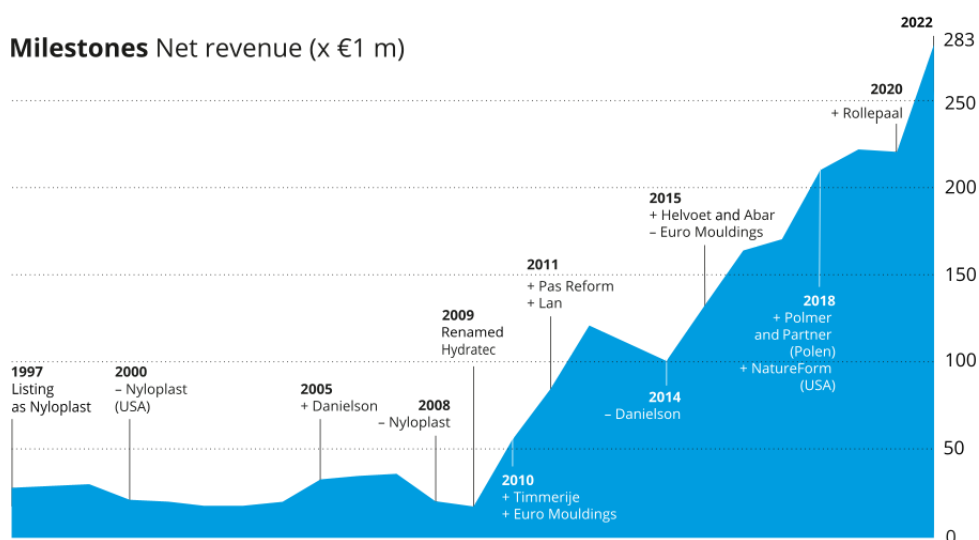


Mobility

Global presence



Milestones Net revenue (x €1 m)

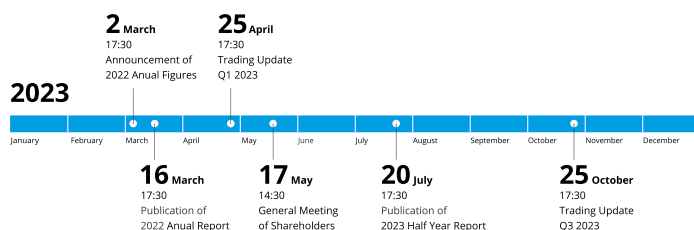


Shareholders' information

Stock market listing

Hydratec shares are listed on Euronext Amsterdam (ISIN NL 000 939 1242). The total number of ordinary shares issued as at 31 December 2022 was 1,294,876 shares.

2023 financial calendar



Reports on shareholdings

The following shareholdings greater than 3%, disclosed in the context of the Dutch Financial Supervision Act, were known at 31 December 2022:

Shareholder	Interest	Date of notification
A. C. ten Cate	23.3%	21 maart 2017
F. ten Cate	23.3%	21 maart 2017
J. ten Cate	23.3%	21 maart 2017
B. F. Aangenendt	5.5%	28 juni 2016
P. C. Van Leeuwen Beheer B.V.	4.5%	27 juni 2022
M. Spiersma	3.2%	2 december 2014

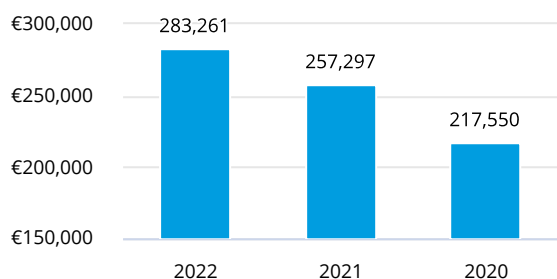
Financial data per ordinary share

Amounts in euros, unless stated otherwise	2022	2021
Number of outstanding shares	1,294,876	1,292,805
Weighted average number of shares	1,293,841	1,291,875
Operating result	16.84	17.05
Profit	12.31	11.70
Shareholders' equity attributable to Hydratec shareholders	66.46	58.89
Available cash flow ¹	26.88	20.90
Proposed dividend	6.00	6.75
Price at year-end	73.0	74.5
Lowest price	68.0	54.0
Highest price	94.0	79.0

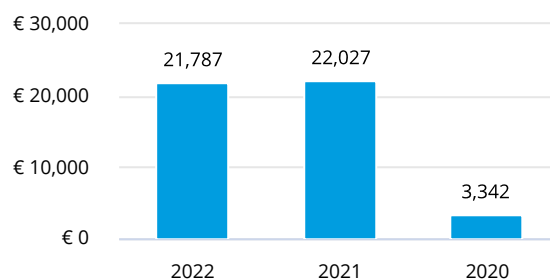
¹ Sum of operating and investment cash flows

Key figures

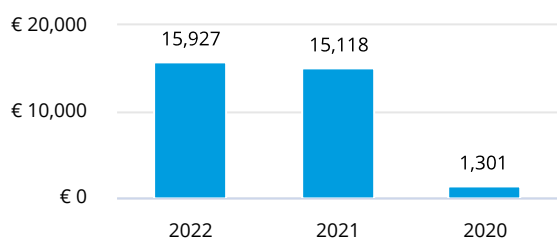
Net Revenue (x € 1,000)



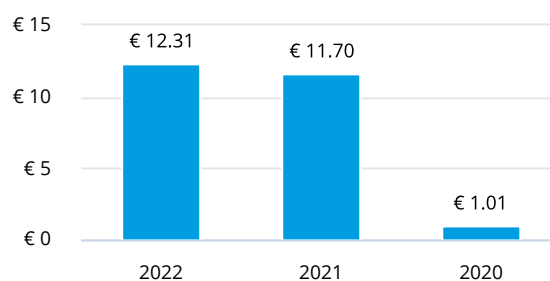
Operating result (x € 1,000)



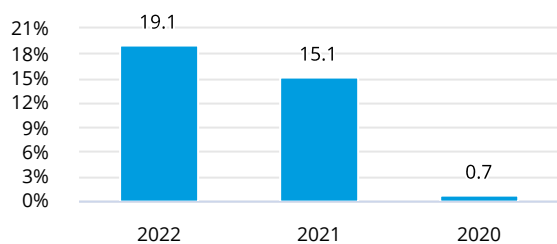
Net result for shareholders (x € 1,000)



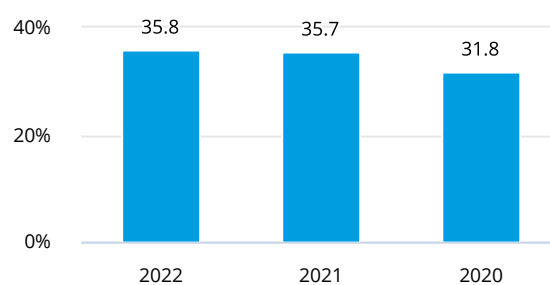
Earnings per share



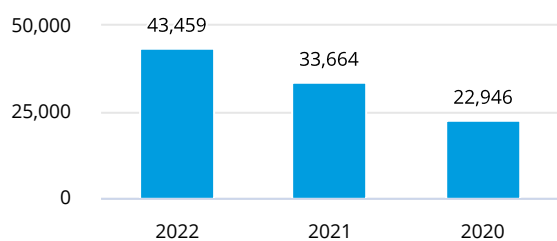
Profitability of capital invested



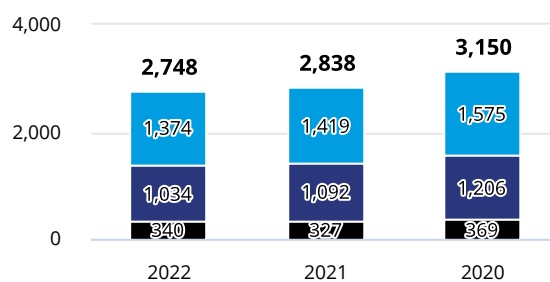
Solvency



Operational cashflow (x € 1.000)



Number of employees



2022 highlights

Ebit % Industrial Systems

10.9%

2021: 13.2%

Ebit % Hightech Components

6.1%

2021: 5.5%

Dividend proposal

€6.00

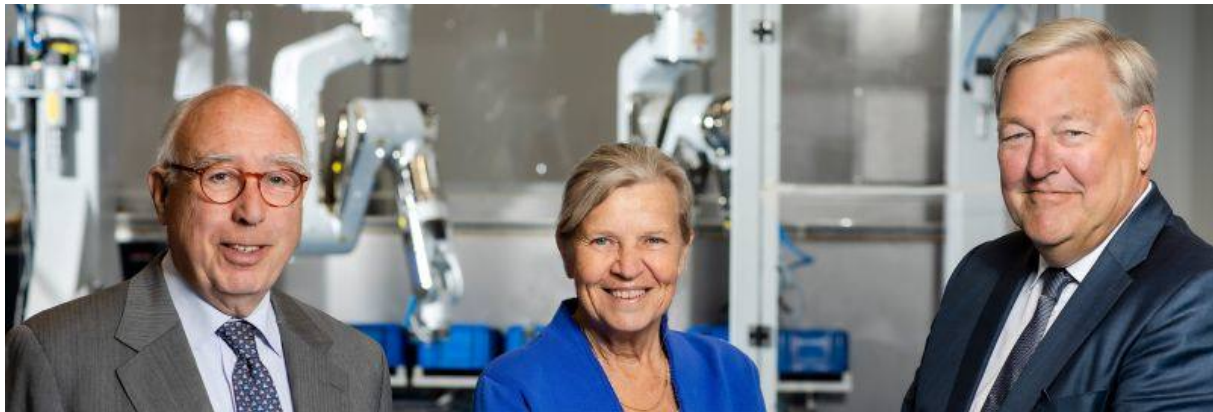
2021: €6.75

Record result €283 million
Record revenue per share €12.31
25 years stock exchange listing Hydratec

Personal details

Supervisory Board

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



From left to right: Mr E. ten Cate, Ms M. Sanders, Mr P. Veenema.

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

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

Supervisory Board memberships/relevant other positions

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

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

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

Supervisory Board memberships/relevant other positions

- ▶ Member of the supervisory board, PB Holding
- ▶ Chair of the Supervisory Board, Hoens Broadcast Facilities B.V.
- ▶ Chair of the Supervisory Board, Meilink N.V.
- ▶ Member of the Board, Stichting Tivoli/VredenburgFonds

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

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

Supervisory Board memberships/relevant other positions

Member of the Supervisory Board of Aalberts N.V.

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

Management Board



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

Mr B. F. Aangenendt (1964), CEO

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

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

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

- Year appointed: 2018
- End of current term of office: 2026

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



Activities

Industrial Systems

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

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





Good and healthy collaboration

Hydratec attaches great importance to a pleasant and healthy working environment. This improves collaboration and job satisfaction, increases innovativeness and boosts productivity.

Lan | Handling Technologies



50+
years



120+
colleagues



500+
systems

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



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

Greater efficiency, increased product diversity, attention to traceability, energy consumption 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.



Leading in knowledge and skills

Innovating takes us further. Hydratec's research and training academies work closely with customers and universities on new knowledge that we use to develop and improve our products and services. We train our end users for optimum results.

Royal Pas Reform | Integrated Hatchery Solutions



100+
years



130+
colleagues



1000+
single-stage hatcheries

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



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

- ▶ industrial incubators for the production of uniform, robust day-old chicks;
- ▶ hatchery automation systems for the efficient processing of hatching eggs and day-old chicks;
- ▶ climate control equipment for sustainable and hygienic air and water treatment;
- ▶ hatchery management software for monitoring, analysing and optimising the hatching process;
- ▶ service and support to ensure the efficient and reliable operation of integrated hatchery systems.

At the heart of the company is the Pas Reform Academy, which, in close collaboration with customers and universities, conducts research into the effect of the incubation process on chick embryo development. Royal Pas Reform uses this specialist expertise 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 40 countries.



Operating visibly

Hydratec attends trade shows every year. We present our products and innovations worldwide. We are visible to customers and partners and stay abreast of their wishes and requirements. That enables us to make a targeted contribution to their challenges with our solutions.

Rollepaal | Pipe Extrusion Technology



50+
years



110+
colleagues



5000+
units

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



The raw materials are by far the biggest cost component in the manufacture of plastic pipes. It is therefore important to reduce material consumption 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 unnecessary weight and control the thickness of the walls, thus reducing the cost of their products.

Rollepaal has customers all over the world and exports its products to more than 100 countries. Advice and services are readily available from Rollepaal 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.

High-Tech Components

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

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





Every opinion counts

Hydratec has a decentralised organisational structure. Responsibility for processes and products is placed low in the organisation. Our colleagues have a say and are encouraged to speak out. Every opinion and every experience counts.

Timmerije | High-Tech Plastic Components



90+
years

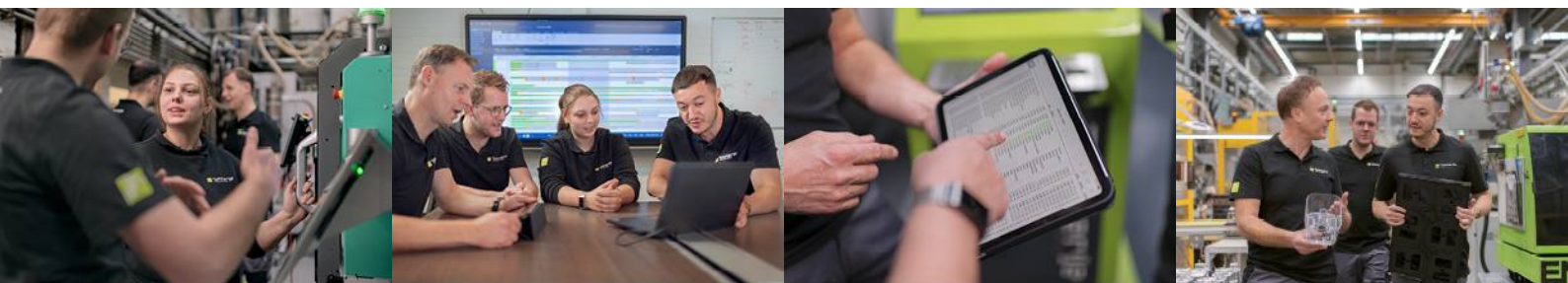


120+
colleagues



50+
injection moulding machines

Over the space of 90 years, Timmerije has grown to become a specialist in plastic injection moulding products in the Benelux. As a designer and manufacturer of high-quality plastic products for renowned European top-brand OEMs, the company uses serial production for just-in-time supply for the food & agri industry, the mobility industry and various other industries.



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

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



Personal development

Hydratec offers room for talent. We offer trainees and recent graduates the chance to gain experience in our high-tech production environments. Some of them then go on to join us as new colleagues. We work closely with educational institutions for the best match between student and company.

Helvoet | High Precision Components



80+
years



800+
colleagues



170+
injection moulding machines

Helvoet has been a global supplier of precision components made from technical polymers for more than 80 years. The company specialises in the development and batch production of complex assemblies for specialist markets. Helvoet develops products made from plastic (thermoplastic and thermoset), silicone casting rubber, rubber, or a combination of these, in conjunction with its customers. The company then assembles them into semi-manufactured products or a complete functional module. This combination of knowledge-intensive and cost-efficient development gives Helvoet a unique position in the world of precision components.



The rising demand for smart sampling methods with ‘smart consumables’ ideally positions Helvoet for various health-tech applications, such as medical cartridges, point-of-care instruments and diagnostic devices. Essential components for the Life Sciences market are produced in cleanrooms (areas with very low levels of airborne particulates) that support the development of personalised medicine. Helvoet’s innovative plastic process technology creates new opportunities for things like DNA analysis using PCR techniques.

Helvoet’s technology is also used in fuel, braking and drive systems, fuel cells, beverage dispensing systems and sensor technology for autonomous driving. Production volumes vary from medium to very large.

Continuous product and process quality improvement and ‘zero defects manufacturing’ are standard Helvoet tools. 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.



25 years of Hydratec Industries

In 1997, Hydratec Industries went public in Amsterdam. Last year, we celebrated this 25th anniversary at Burgers' Zoo in Arnhem with our colleagues and their families.

Objectives and strategy

Hydratec Industries intends to make a sustainable contribution worldwide to the demand for food, health and mobility. This demand is growing strongly in response to global population growth and rising prosperity. Diversifying into Industrial Systems and High-Tech Components makes Hydratec Industries more agile and resilient to 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, lorries and two-wheeled vehicles, among other things. They reduce the weight, leading to lower fuel consumption and reduced emissions.

Innovation is the key

Hydratec Industries' independent, versatile companies develop smart products and functions which contribute to customers' success. Our employees collaborate closely with customers and continually look for ways of improving products and production processes. We not only improve primary functions, but also logistics, maintenance, design and consultancy. We pay special attention to improving sustainability and preventing waste in particular.



Leading positions

We aim for leading positions in the various niche markets, are close to those markets and respond quickly to changes. Our long-term strategy is for all our activities to contribute to generating consistent growth in terms of revenue and result at least in line with the market. This is how we make it possible to create high added value for the end user.

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

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

Independent and agile

The management boards of the companies are responsible for their own operating activities within the agreed framework, and concentrate on their own specific markets. This independence makes the organisation agile and innovative. This organisational set-up once again proved its worth in 2022. All operations were able to adapt quickly and in their own way to the circumstances, such as when it came to suddenly rising inflation, problems in the supply chain and the labour market. Furthermore, our structure is cost-effective; there are no central corporate departments, which limits overheads.

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

Entrepreneurship and ambition

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

Financial targets

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

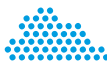
Growth

It is our ambition to continue to grow in terms of quality with the activities we pursue at present. The key drivers for this are world population growth and the innovative power of Hydratec Industries. 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'. In 2022, some acquisition opportunities arose in the Systems segment, but have not yet led to a result. We will dispose of operations that offer insufficient long-term potential for Hydratec Industries and can develop better structurally within other organisations.

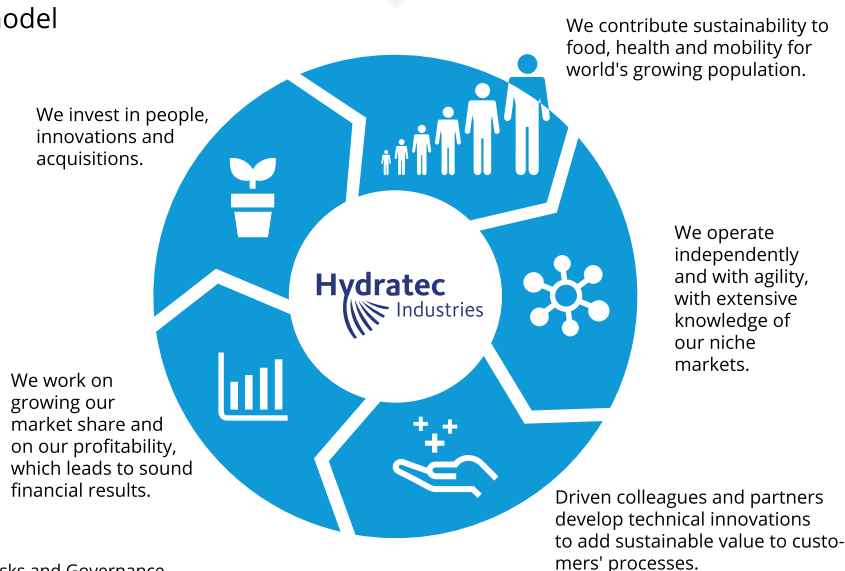
Value creation

We aim to add value to society based on our strategy, both in the Netherlands and internationally. We have depicted our value creation model in a diagram to make our positive impact clear. In this annual report, we have aligned the value creation model and the report in terms of content. We are preparing for the impact of the EU's Corporate Sustainability Reporting Directive and what it will mean for our value creation and reporting obligations in the medium and long term.

Capital input

Production	Intellectual	Financial	Human	Natural	Social
Own production resources and network of suppliers	Technology and knowledge	Capital from shareholders and banks	1,374 Independent, responsible colleagues	Raw materials and energy	Principles of integrity and ethical trade
					

Business model



Environment: Risks and Governance

Capital output

Production	Intellectual	Financial	Human	Natural	Social
▶ Cutting-edge systems and component ▶ High-quality product portfolio	▶ Understanding of technology and markets ▶ R&D roadmap	▶ 8-10% EBIT per segment ▶ Healthy balance sheet (at least 30% solvency) ▶ Appropriate dividend distribution	▶ Meaningful work ▶ Increased knowledge and skills	▶ Energy and waste reduction ▶ Improving sustainability of production chains ▶ Less wastage	▶ High customer and employee satisfaction ▶ Sustainable relations with partners ▶ Transparent operations

Outcome



Inputs, outputs and outcome

We have defined KPIs for the capital. With these KPIs, we give further substance to our activities and show how we are performing transparently. The chapters describing the developments in 2022, for example, discuss the KPIs in more detail. Our ambition is to improve and expand the dataset in the coming years.

Business model

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

Our contribution to society

At Hydratec Industries we aim to have a long-term impact on society. We have taken stock of how Hydratec can contribute to the United Nations Sustainable Development Goals (SDGs) for our own organisation. To do this, we compared the SDGs with our business operations, core business and our entire value creation process. We looked at which goals best align with our initiatives, objectives and strategy on the one hand, and the expectations of our stakeholders on the other. We used this method to identify five development goals that we focus on:



SDG 2: Zero hunger

The global population continues to grow. The more people there are, the greater the challenge of providing enough food for everyone, certainly through traditional production methods. Hydratec's products help achieve more output in the food production process. Our companies make the production of uniform, robust day-old chicks efficient, which means that fewer raw materials are needed for food production.



SDG 3: Good health and well-being

Everyone has the right to effective medication that is available and affordable to all. The cost of diagnostics and vaccines must decrease; mass production must increase. Our High-Tech Components segment works intensively with customers on technology applications for diagnostic equipment, point-of-care instruments and medical components. In so doing, our companies make a tangible contribution to quality global care.



SDG 6: Clean water and sanitation

Clean drinking water and sanitation are essential for our health and food safety. In our Industrial Systems segment we develop and supply systems for producing water supply lines. By using them in water supply systems, we make clean drinking water available everywhere, even in remote places, and we help improve hygienic conditions.



SDG 8: Decent work and economic growth

Economic growth is sustainable only when capital, labour and resources are used responsibly, and if profits are shared and work is rewarded fairly. We pay close attention to being good entrepreneurs and employers. With operations in Brazil and India, we also feel it is our special responsibility to ensure decent work and economic growth. By observing our Code of Conduct, we oppose modern slavery, people trafficking and forced labour (including child labour).



SDG 12: Responsible consumption and production

Sustainable production and consumption reduce environmental pressure and dependence on scarce resources. This is why we do everything possible to make production processes cleaner and more efficient and to prevent, reduce and reuse waste. Timmerije worked with Swapfiets, the Dutch supplier of bicycle mobility, on a fully circular bicycle, all parts of which are made of recyclable plastic. Innovation and improvement programmes make our processes future-proof: we produce more with less.

Developments



Markets and production

Industrial Systems

Production facilities



7

2021: 7

Countries with revenues



96

2021: 90

Key market developments

Food is the most important market within Industrial Systems. The most important submarkets are served with seven production plants in four countries. These are the global poultry, convenience food and pet food sectors and the construction of water supply lines for sanitation and clean water. We achieve a good spread of products across different countries and customers in these markets. In 2022, we generated revenue in 96 countries (2021: 90) with a revenue of €157 million (+19%). The fall in revenue in Russia and Ukraine caused by the war was more than compensated for in other regions. The vast majority of revenue (97%) was generated outside the Netherlands (2021: 94%). Revenue fell in Europe, but increased in North and South America, Asia and Africa. Specialisation and standardisation remain necessary to stay cost-effective in our niche markets. Standardisation has allowed us to reuse good solutions, thus lowering our costs and risks. We will continue with this in the coming years.

The continuing scarcity of materials and labour leads customers to invest more in automation and material-saving solutions. The order book position at the end of 2022 rose again compared to the position at year-end 2021. The number of projects larger than €50 thousand decreased in 2022, from 181 to 139 projects. This shows that projects got bigger on average. There was an increased investment appetite among extrusion machine customers and hatcheries. On the other hand, some expansion and replacement investments were postponed, especially in Europe. This was compounded by uncertainty due to inflation, rising interest rates and energy costs in particular.

Demographic developments support long-term demand in Africa and Asia. Maintaining a strong market position with high-profile customers remains crucial in every region.

Projects
> 50K



139

2021: 181

Main production developments

Ongoing turmoil in the supply chain has created challenges in the production of our systems. Some materials were difficult to obtain or had very long and unreliable delivery times, while for other materials, we faced unexpected price increases. Nevertheless, the production backlog was generally limited, although inventory levels rose.

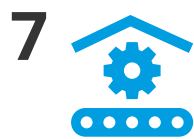
Lan's production of handling systems showed a marked increase in 2022, achieving a good result. Tilburg took full advantage of increased volume flexibility for production in 2022 due to the successful outsourcing of the pre-assembly of complete submodules in the previous year. Lan also acquired some more new customers in 2022.

At Royal Pas Reform, production of hatchery systems rose considerably in 2022. The global poultry industry has recovered from the Covid-19 crisis. Royal Pas Reform is a 'total solutions provider', a positioning that has caught on particularly well in the US. Revenue in the US was considerably higher, but operations in South America and Africa in particular also contributed to the increased revenue. Revenue in Russia and Ukraine showed a sharp decrease due to the war. We started sales and production of the patented in-ovo vaccination system in 2022, which we introduced in 2021.

Rollepaal's production of pipe extrusion systems increased strongly in 2022 compared to the previous year. The increase was present in Europe, North America and Asia, and was experienced across all product groups, but particularly in the PVC-O product group, where another new machinery line for pipe production was delivered in 2022. It consumes up to 60% less material than conventional machinery lines. The focus that was applied in the market approach has paid off, with extensive attention paid to sustainable and cost-saving solutions for customers.

High-Tech Components

Production facilities



2021: 8

Countries with revenues



2021: 38

Key market developments

High-Tech Components' most important markets are Mobility, Food and Health. These markets are served by seven production plants in five countries. The components were exported to 38 countries in 2022 (2021: 38) with revenue of €128 million, unchanged from 2021. In the Mobility market, our technology is applied in fuel, braking and drive systems, dispensing systems and sensor technology for autonomous driving. We have further reduced our dependence on the automotive market by developing new parts for lorries, mopeds, and bicycles. The innovative strength mainly focuses on autonomous driving and electrification within the automotive market. Whereas demand was still picking up at the beginning of 2022, it once again dropped in the second half of the year due to an unstable supply chain. A shortage of chips again led to car factories being shut down and being unable to produce enough to meet demand. It seems that these shortages can be made up during 2023. All in all, revenue levels in 2022 kept pace with those in 2021.

The Food market picked up well in 2022. In particular, we saw demand for dispensing systems for out-of-home products, such as coffee and beer, rebound to pre-Covid-19 levels last year. Revenue increased strongly in these product groups.

Revenue in the Health market also increased significantly. In particular, regular high-volume production for new MicroFluidics cartridge applications picked up in 2022, albeit with a delay. This development resulted in other engineering assignments from renowned customers in the medical sector. The rising demand for smart sampling methods with 'smart consumables' ideally positions Helvoet for various health-tech applications, such as medical cartridges, point-of-care instruments and diagnostic devices.

Production developments

Revenue was unchanged from 2021 with fewer injection-moulding machines (213 instead of 225) due to the phase-out of production in Poland. In the Netherlands, we focused explicitly on scaling up MicroFluidics projects in cleanroom conditions. Helvoet supplies nanoplates: small plastic plates with precision channels. Several injection moulding machines, vision equipment, an assembly line and a cleanroom were commissioned to produce these components in Tilburg last year. Due to supply chain issues with our customers, the activity level at the site in Germany was markedly lower than in 2021. Chip shortages in the automotive industry caused a significant decline in revenue in Belgium, while the production company in India experienced strong and healthy growth. To facilitate further growth in India, it was decided to buy the real estate and stop renting it.

Timmerije saw a marked increase in production in 2022. This is partly due to passing on higher raw material prices but largely in response to the increased demand. The improved feedback of information from the Manufacturing Execution System, which monitors production processes, has resulted, among other things, in an 8.5% reduction in waste. In Neede, new customer projects have been launched to manufacture complex, often composite parts. To absorb the growth in our activities, we decided to expand capacity in Neede. More injection moulding machines will be installed by organising finished product storage elsewhere.

Number of injection moulding machines

213 

2021: **225**

Intellect and innovation

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

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

Project engineering Hightech Components

54,141
hours 

2021: **57,594**

For example, product innovation within High-Tech Components takes place in projects where we work with the customer at an early stage to develop new applications. These are often projects in which valuable, natural or scarce materials such as wood, glass or metal are replaced by a constructive, preferably recyclable plastic. A lot of attention is paid to the future-proofing of plastic solutions. In the Health market in particular, we are seeing developments to support the increasing demand for intelligent sampling methods with nanoplates, which are used in diagnostic devices or point-of-care instruments

Wherever possible, we encourage the use of recycle and employ design-for-recycling techniques. This was done in 2022 in the production of bicycle and lorry parts, among other things. In 2022, we spent more than 54,100 hours on such projects. This was comparable to 2021 (57,600 hours).

One innovation within Industrial Systems concerns the more intensive use of sensors. We use the data generated by sensors to operate equipment more efficiently and control processes more accurately. This allows us to reduce waste at our customers' premises. Examples include sensors in the motors of drive systems that facilitate preventive maintenance of these transport systems. We increasingly use simulation, which allows us to model and analyse the effects of certain product developments and innovations in advance. This data-driven approach will accelerate product development and possibly result in new business models with not only one-off equipment sales, but also maintenance or leasing. One example is the recently developed vaccination system for hatching eggs in the poultry industry, which is offered as a lease product.

Financial developments

x €1,000	2022	2021
Statement of profit or loss		
Net revenue	283,261	257,297
Operating result	21,787	22,027
Net result	15,820	15,133
Cash flow		
From operating activities	43,459	33,664
From investing activities	-8,681	-6,661
From financing activities	-14,577	-26,568
Net cash flow	20,201	435
Balance sheet		
Shareholders' equity attributable to shareholders	85,990	76,082
Shareholders' equity	86,089	76,261
Balance sheet total	240,319	213,591
Key ratios		
Operating result as % of revenue	7.7%	8.6%
Profitability of capital invested ¹	19.1%	15.1%
Profitability of shareholders' equity ²	19.7%	21.7%
Solvency ³	35.8%	35.7%
Number of outstanding shares	1,294,876	1,292,805
Earnings per share (in euros)	12.31	11.70
Number of own employees ⁴	1,032	1,092

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

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

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

⁴ Own employee FTEs at year-end.

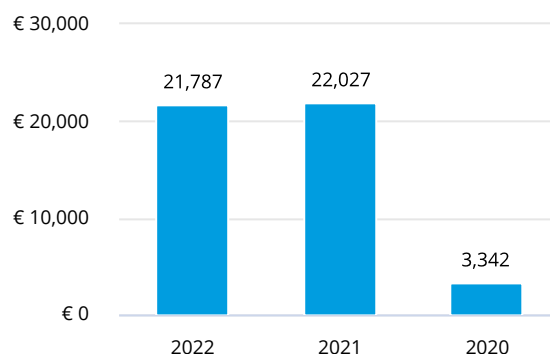
Result for 2022

Revenue in the year 2022 totalled €283 million. This is a 10% increase compared to 2021 (€257 million). The increase in revenue was achieved within Industrial Systems. As a result of the phasing out of production at Polmer, High-Tech Components' revenue remained at the same level as the previous year. The fourth quarter saw record revenue, just like the third quarter. At 49.5%, the margin for 2022 is lower than for 2021 (52.1%). This was due to rising material prices in 2022, combined with the well-filled order book at the end of 2021. Price increases can generally only be passed on with some delay.

Operating costs came to €118 million in 2022 (2021: €112 million). There are several reasons for the increase. Higher remuneration and more insourcing have increased total salary costs. Sales costs also increased due to increased travel again after Covid-19 and more frequent participation in trade shows. Another major cause is increased production-related costs for energy and maintenance. More has also been invested in product development and development costs.

The higher level of revenue combined with higher costs resulted in an operating result comparable to 2021. Due to a lower debt position during 2022, the financial burden decreased from €1.4 million in 2021 to €0.9 million in 2022. The 2022 tax rate was 24.2% and lower than in 2021. Due to these effects, the net result (after tax) for 2022 was higher than in 2021: €15.8 million.

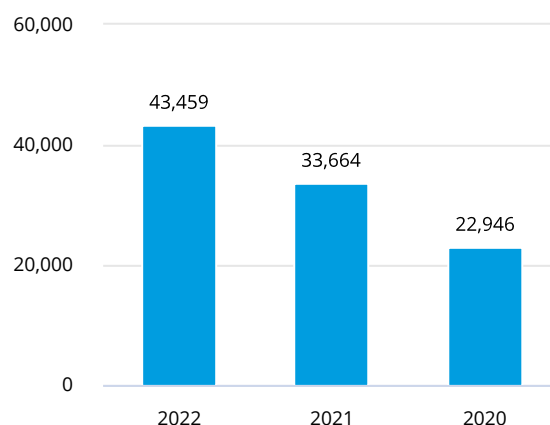
Operating result (x € 1,000)



Cash flow

The operating cash flow in 2022 was €43.3 million (2021: €33.7 million). In total, we invested €11.3 million last year. We invested a large proportion of this in Helvoet India's premises. Furthermore, we disposed of Polmer machinery and a Rollepaal building. Payment of dividends, repayment on and of non-current borrowings and lease liabilities resulted in a cash outflow of €13.9 million. On balance, the net cash flow was €20 million.

Operational cashflow (x € 1.000)

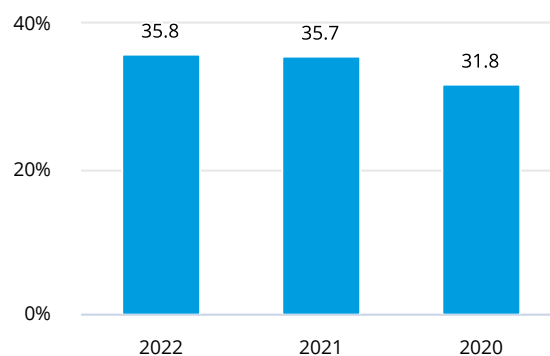


Financial position

The balance sheet total increased from €214 million in 2021 to €240 million for the past year. Inventory levels increased due to higher volumes at higher price levels. The positive bank balance continued to increase while the bank debt position fell further. Advance payments on projects by debtors also increased.

As at the balance sheet date, Hydratec Industries N.V. has not drawn on the overdraft under the credit facility available as at 31 December 2022 with a total amount of €44 million. However, there are bank guarantees as at the balance sheet date.

Solvency



Solvency at the end of 2022 was 35.8% compared to 35.7% in 2021 and has thus improved.

Financial result for Industrial Systems

x €1,000	2022	2021
Revenue	157,148	132,346
Gross margin	65,323	60,086
Depreciation	3,692	3,926
Investments	1,076	2,014
Operating result	17,152	17,477
Operating result (%)	10.9%	13.2%
EBITDA	20,844	21,403
Average number of FTEs	348	366

Revenue at Industrial Systems worked out 19% higher in 2022 than 2021. A well-filled order book at the beginning of the year and a good intake during the year resulted in increased revenue. All markets within Industrial Systems contributed to the increased revenue: Royal Pas Reform considerably, Rollepaal strongly and Lan markedly. Supply chain problems had a negative impact on revenue. The gross margin increased, but was lower in percentage terms due to higher material and transport prices combined with an order book that was well-filled at the beginning of the year. This means that a relatively large amount of revenue was achieved on past orders. Cost increases on these projects could only be partially passed on to customers. In new projects, higher material costs are of course factored in. The different distribution of revenue across markets also lowers the margin.

Costs increased in 2022. Personnel costs rose due to further non-recurring income under the NOW wage subsidy scheme being recognised in 2021. Salary and insourcing costs were also higher. The number of FTEs remained roughly the same. In the first year after Covid-19, more was spent on sales costs (travel and trade shows), and product development.

The combination of higher revenue with a lower margin and higher costs led to an operating result similar to 2021: €17.2 million.

Revenue per FTE increased to €451 thousand, up 25% from 2021 (€362 thousand). This results from a more efficient approach and more outsourcing to partners.

Financial result of High-Tech Components

x €1,000	2022	2021
Revenue	127,617	127,435
Gross margin	74,901	73,938
Depreciation	7,357	8,192
Investments	10,193	4,605
Operating result	7,777	7,031
Operating result (%)	6.1%	5.5%
EBITDA	15,134	15,223
Average number of FTEs	680	782

At €128 million, revenue for High-Tech Components in 2022 was unchanged compared to the previous year. Not including the phased-out Polmer activities, revenue within High-Tech Components increased by 5.9% in 2022.

Despite higher raw material prices, the margin increased from 58.0% to 58.7% due to a better product mix. Since most of the costs at Polmer no longer applied, costs within this segment remained at the same level. Within High-Tech Components' active markets, production-related energy and maintenance costs increased, as did other general costs. Despite the increase in energy costs, the fixed cost rate for active markets remained stable.

Due to the higher gross margin, the operating result rose from €7 million to €7.8 million.

More was invested in 2022 than in 2021. The largest investment was for the production site in India, which was previously leased. Investments were also made in injection moulding machines.

Revenue per FTE increased by 15%, from €163 thousand to €187 thousand per FTE.

Proposed dividend

Earnings per share in 2022 amounted to €12.31 (2021: €11.70). The proposal to the General Meeting of Shareholders is to set the dividend for the 2022 financial year at €6 per share. This dividend payment is in line with the policy of paying out at least 40% of the result after tax, excluding non-recurring income. The net result after the dividend for 2022 will be added to the other reserves.



Outlook and expectations

Hydratec got off to a good start in 2023. The companies' market position remains strong, each in its own niche. As a result, we expect to pass on any continuing inflation, perhaps with a delay. The situation in Ukraine causes uncertainty. We do not expect any changes in our personnel, investment and financing policies in 2023. However, we will continue to critically examine activities that do not contribute enough. For instance, we plan to close the Hellevoetsluis site and relocate profitable operations to other locations. The order book is well-filled. In view of macroeconomic developments such as volatile exchange rates, trade restrictions, supply chain uncertainties and rising inflation, we do not consider it possible to make more concrete pronouncements about 2023.

Employees

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

Employees

1,374



2021: **1,419**

Recruitment

By 2022, we faced a further tightening of the labour market, not only for technical positions, but also across the full breadth of jobs and profiles. Our decentralised organisation and the associated high level of commitment and responsibility among our employees gives us a relatively low staff turnover. We also managed to fill vacancies in 2022 by making smart use of various communications channels. Consequently, the labour market situation did not cause any significant problems at Hydratec companies last year, although work pressure sometimes increased.

That is why we continue to look for creative ways to engage our employees and keep them attached to Hydratec. Where possible, we offer marginalised people with poor job prospects opportunities to develop skills, sometimes through a sheltered workshop. New colleagues go through an extensive onboarding process, covering not only working arrangements and rules, but also Hydratec Industries' standards and values. It is important to us that all new colleagues feel at home. Regular, constructive meetings are held with works councils in each operating company to discuss employees' interests. Central management takes part in such consultations once a year.

Diversity

Nationalities

24



4 continents

Male/female ratio

81%



19%

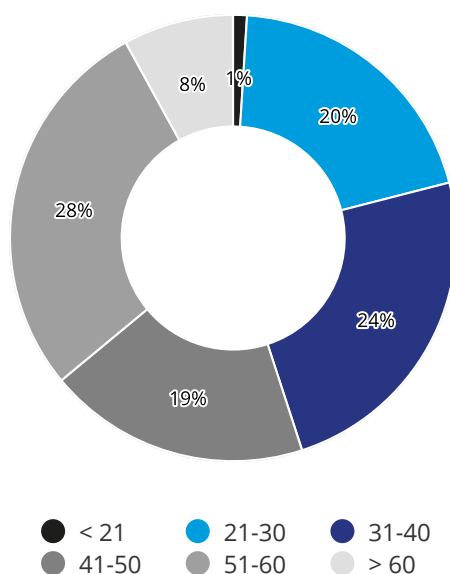


2021: **79/21**

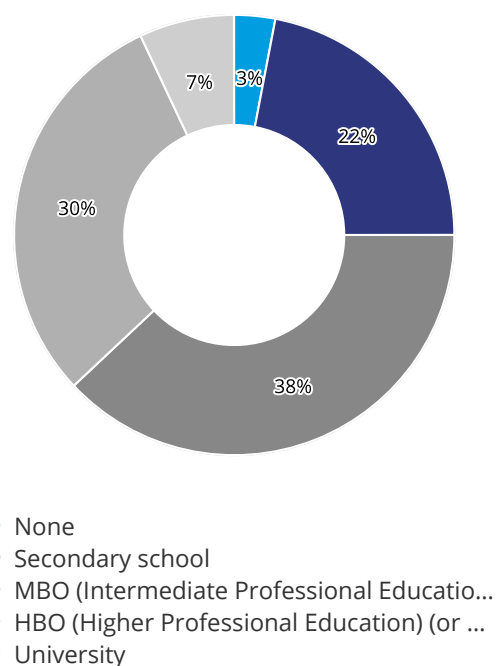
Hydratec Industries strives for a diverse and inclusive workforce that reflects society. We steer towards this in our recruitment policy: we make no distinction between age, gender and ethnicity. We offer everyone with the right skills, education and drive equal opportunities for development and advancement. Hydratec Industries promotes gender equality nationally and internationally. Men and women who do the same work in the same situation receive equal pay.

Hydratec Industries greatly values diversity in its workforce, because we are convinced that it encourages innovation and because different perceptions lead to different approaches and better decisions. Among other things, diversity stems from differences in education, background, age, gender and ethnicity. Partly for this reason, we strive for a balanced ratio of young and older talent and a good gender ratio, also in management positions. The company employed people of 24 different nationalities in 2022 (2021: 21). The percentage of female employees in the group was 19% at the end of 2022 (2021: 21%). It will take extra attention to attract enough suitable female employees at a clearly technically-oriented organisation. We also strive for diversity in the composition of the Management and Supervisory Boards. The Management Board comprises 50% women (1), the Supervisory Board 33.3% women (1) and personnel in managerial positions are 20% women (1). Hydratec has not yet set a firm target for the proportion of women in managerial positions. This will be addressed as part of the CSRD implementation.

Age distribution staff



Education



Training and development

Our employees underwent 31,297 training hours last year (2021: 20,218). Both internal and external training hours rose sharply compared to 2021. We consider the development of employees to be of great importance for them to remain permanently employable. A range of means are used for this, including onboarding courses for new employees, job rotation, internal courses given by colleagues, watching webinars, taking external courses and follow-up programmes. In 2022, we developed young talent by offering a total of 40 traineeships among the companies. We also focused on improving leadership within our organisation, and offered middle managers management training for this purpose.

Hours of training

31,297 hours



Intern: **20,218**

Safety at work

Our employees work with large pieces of equipment and, in some cases, with hazardous substances. This can lead to potentially dangerous situations. In 2022, there were relatively few serious accidents 13 (2021: 11). We believe it is important to ensure that all incidents are reported. We believe that every incident is one too many, so we pay close attention to safety and accident prevention through monitoring, training and awareness. This is not simply a matter of rules and agreements, but primarily also of awareness and behaviour.

Mental safety was also addressed in 2022, partly in response to reports of unacceptable behaviour in other sectors. We believe it is important that every colleague feels safe in their working environment and feels able to speak up. We received no reports of inappropriate behaviour or signs that this is an issue at Hydratec in 2022. We are aware that this does not mean that unacceptable behaviour does not occur at our premises, so we need to continue to actively investigate whether this is the case at Hydratec. We encourage our managers to adopt such a proactive, inquisitive attitude and keep the topic open for discussion with employees.

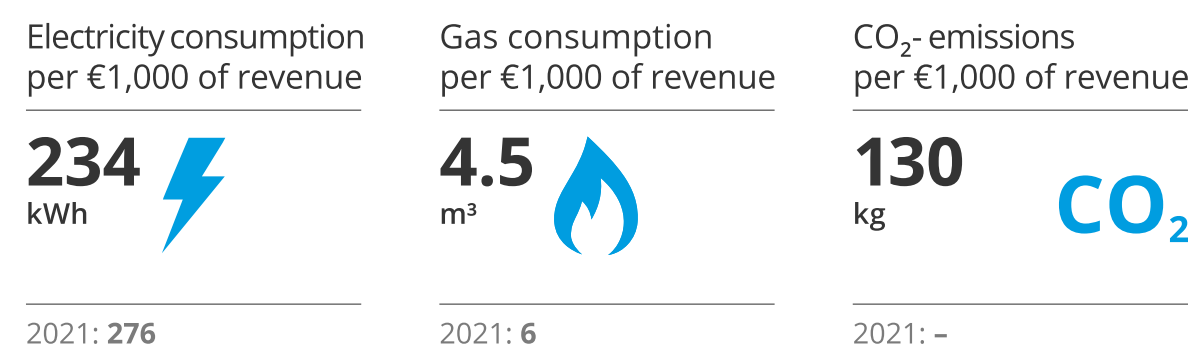
Health and employability

The well-being and employability of our people was again a top priority in 2022. We conducted an employee satisfaction survey at several sites. The results were discussed with the works council and shared with colleagues. One of the measures based on the study is to improve internal communications, both top-down and between departments or teams. We spent time actively addressing (social) connectedness, work-life balance and staying in touch with our customers. We organised events at several sites. During the well-attended celebration of our 25th anniversary as a listed company at Burgers' Zoo, employees had the opportunity to meet up in a relaxed setting. In 2023, we will continue to focus on our employees' vitality, well-being and employability.

Overall absenteeism at Hydratec Industries was relatively high compared to previous years: 5.7% (2021: 4.8%), the increase was partly due to some cases of long-term sickness absence. Due to minor Covid-19 effects, sickness absence had a fluctuating trend during the year. Absenteeism remains a subject that we continuously focus on. The organisations are locally responsible for their own health and absenteeism policy, but they do mutually coordinate it.

Environment

Hydratec Industries’ policy is to reduce our overall environmental impact by reducing, reusing and recycling raw materials and products along the Reduce - Reuse - Recycle axis. We actively seek opportunities to reduce our carbon footprint. This aspect will continue to increase in importance because our customers are imposing more stringent requirements in this regard. We calculated our carbon emissions for the first time for 2022 and they came to 130kg¹ per €1,000 of added value. This is a good starting point to further shape our carbon reduction policy in the coming years.



Hydratec strives to minimise, and where possible prevent, any adverse environmental effects of its operations through preventive measures. We look at every stage of our production processes and the life cycle of our products. Some of our activities monitor the reuse of raw materials in the production process. We also offer solutions that lead to a more efficient production process or are less harmful to the environment. The social agenda was set largely by climate change and the energy transition. These aspects can have an impact on financial reporting as they pose risks to operations, the measurement of assets and provisions and access to financial markets. We currently assess this risk as low. The risk we recognise in relation to the environment, environmental legislation and mitigating measures is shown in our [risk matrix](#). In our customers’ production chain, we are required to comply with environmental certifications.

Hydratec Industries' policy is to reduce our overall environmental impact by reducing, re-using and recycling raw materials and products along the Reduce - Re-use - Recycle axis. We actively seek opportunities to reduce our carbon footprint. This aspect will continue to increase in importance because our customers are imposing more stringent requirements in this regard. We calculated our carbon emissions for the first time for 2022 and they came to 130kg¹ per €1,000 of added value. This is a good starting point to further shape our carbon reduction policy in the coming years.

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

¹ Carbon emissions based on lease car fuel consumption and electricity and gas consumption. For each source, the following conversion factor was used for carbon emissions (in kg): m³ gas (natural gas) - 2.09 | kWh (green) - 0.00 | kWh (grey/unknown) - 0.52 | kWh (generated) - 0.00 | Litre of petrol - 2.78 | Litre of diesel - 3.26 | Litre of gas - 0.81 | kWh of electricity - 0.10

Energy consumption

In 2022, we faced a global energy crisis, with energy prices rising unprecedentedly. Our companies consume relatively little energy. At High-Tech Components, we generally consume more than at Industrial Systems. Costs of electricity consumption by machines amount to a few per cent of revenue at Components companies. For Industrial Systems companies, energy consumption mainly concerns the heating of premises.

Reduce

There are several ways to prevent waste. One of them is to reduce the energy needed to manufacture products. The rise in energy costs has naturally boosted various savings initiatives. For example, in 2022 there was a significant fall in Hydratec's gas and electricity consumption per €1,000 of added value. This is due, among other things, to the use of LED lighting, improved controls and time clocks on heating and lighting, the use of solar boilers and better insulation. We are cutting back on the use of materials and resources, also among our customers. At Lan, for example, we have launched a system that allows our customers to dry packaging materials 'inline' as soon as they come out of the sterilisation boiler. This solution reduces energy consumption by 60% and results in a 50% smaller footprint as the machine takes up less space.

Weight reduction is often a key design requirement, which significantly reduces the application's material and, in many cases, energy consumption. For example, Rollepaal supplies materials to manufacture water pipes, systems which require up to 60% less PVC than traditional production systems. Royal Pas Reform reduces feed wastage by providing day-old chicks with food right from hatching, allowing them to grow better on less feed.

Helvoet and Timmerije pay ample attention to reducing waste flows during injection moulding. Better quality procedures and information use reduced the amount of waste by 8% in 2022 compared to 2021.

Reuse

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

Recycle

One way of recycling is to feed waste in-house directly back into the production process so that fewer (virgin) materials need to be purchased. Wherever possible, we purchase recycled materials as raw materials for our products. We cooperate intensively within the industry to increase knowledge of how to recycle plastic products. Timmerije worked with Swapfiets, the Dutch supplier of bicycle mobility, on a fully circular bicycle, all parts of which are made of recyclable plastic. Rollepaal supplies multilayer solutions where only the outer layer of the water pipe is made from virgin material and the inner layer from recycled material.

EU taxonomy

The first part of the EU taxonomy for environmentally sustainable activities came into force on 1 January 2022. The EU taxonomy provides a standardised and mandatory classification model to determine which economic activities are classified as sustainable. Under the statutory regulations, Hydratec's economic activities must be classified with explanatory notes in the 2022 report. Hydratec annually determines which economic activities apply and whether they classify as eligible activities under EU taxonomy requirements.

For 2022, Annex I and II apply (climate change mitigation and adaptation). The remaining Annexes are still under development and were not declared applicable in 2022. To qualify for the EU taxonomy, the segments' economic activities must meet the technical screening criteria listed in the regulations in Annex I and Annex II.

With regard to revenues, we have determined the economic activities for the segments and the extent to which the codes are included in Annex I and Annex II of the legislation. Based on the current legislation, none of the economic activities of the segments are eligible. The economic activities were not eligible in 2021 either.

The eligibility of CapEx and OpEx has also been determined. For CapEx, eligibility is determined by dividing the investments into economic activities from Annex I and II (numerator) by the total investments in 2022 from Notes 1.29, 1.30 and 1.31 (denominator). This showed that an amount of €4.4 million was invested in land and buildings for a High-Tech Components company in India in 2022. This investment amounts to 33% of the total investment in 2022. It is an eligible activity (7.7), but is not taxonomy-aligned because it does not meet the technical criteria. Based on the business activities, location and surroundings, there is no investment plan to make the land and buildings taxonomy-aligned within 5 years. However, there are plans to make the property more sustainable in the coming period. In 2021, the investments in solar panels for LAN Handling were eligible (8%).

For the OpEx, eligibility has been determined by dividing the cost of economic activities from Annex I and II (numerator) by the total operating costs from Note 1.27 (denominator). Based on the current legislation, none of the economic activities of the operating companies are eligible. This also applies to the comparative figures.

Since only CapEx activities are eligible under the EU Taxonomy, an abbreviated table listing the relevant business activities is included below. The reported activities regarding freight costs in 2021 have been corrected since they do not form part of Hydratec Industries' core business. The regulations are expected to evolve significantly in the coming years. Hydratec will continue to monitor these developments and provide disclosures on their impact in future years in the annual report.

Share of capital expenditure on taxonomy economic activities

Economic activities	Code	Actual expenditure in 2022 (€)	Ratio versus total capital expenditure in 2022 (%)	Taxonomy-aligned percentage of capital expenditure in 2021
<i>1. Environmentally sustainable taxonomy-aligned activities</i>				
LAN - Electricity generated	4.1			8%
<i>2. Eligible but not taxonomy-aligned activities</i>				
Helvoet - Purchase of business premises	7.7	4.4m	33%	
Total		4.4m	33%	8%

Social

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

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

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

Mitigating measures taken under the anti-corruption and anti-bribery policy are explained in the section on the [legal risk](#).

Corporate Governance



Corporate governance

Meeting of Shareholders

Hydratec Industries N.V. a two-tier company and has only issued ordinary shares. No special control rights are linked to the shares and Hydratec Industries has taken no special protection measures against hostile take-overs. A General Meeting of Shareholders is held at least once a year at which all resolutions are approved on the basis of the 'one share, one vote' principle.

Shareholders who, either individually or jointly, hold at least 3% of the issued share capital are entitled to ask the Management Board or the Supervisory Board to add particular items to the agenda. Important Board resolutions which could change the company's identity or nature must be approved by the General Meeting of Shareholders. The company's articles of association are published on the Hydratec Industries website, as are the main tasks and authorities assigned to the General Meeting of Shareholders, the Supervisory Board and the Management Board.

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

Purchase and issue of company shares

Under the provisions of the Articles of Association, the Management Board is only authorised to purchase and issue shares if the General Meeting of Shareholders designates it as the body authorised to do so. This designation took place at the General Meeting of Shareholders on 25 May 2022. The Management Board is designated as the body authorised to issue ordinary shares in the capital of Hydratec Industries N.V. and grant rights to subscribe to shares in said capital. The authority of the Management Board is limited to the issue of ordinary shares up to a maximum of 10% of the issued share capital at the time of issue. The duration of the requested authorisation is for 18 months, starting on 25 May 2022. A resolution of the General Meeting of Shareholders to issue shares, to designate another body authorised to issue shares or to revoke a designation resolution can only be adopted on the joint proposal of the Supervisory Board and the Management Board. The General Meeting of Shareholders has not authorised any parties to repurchase shares.

Corporate governance statement

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

- ▶ Due to its size, the company does not have an internal audit function (§ 1.3).
- ▶ Mr E. ten Cate (Chair of the Supervisory Board) does not meet the independence criteria as defined in the code, as members of his immediate family hold over 10% of the shares (§2.1) and, in the past, Mr E. ten Cate was a member of the Management Board of the company (§2.1.9).

- ▶ Hydratec Industries' opinion is that its Supervisory Board members' experience and knowledge of the company are an important basis for their performance and should be the deciding factor in determining the length of their term of office. No maximum term of office applies to Supervisory Board members. At the end of each term of office, a Supervisory Board member may, after careful consideration, be reappointed for a new term (§ 2.2.2.i).
- ▶ Webcasting of presentations to investors and analysts is not provided as Hydratec Industries is an Auction Fund (§ 4.2.3).

The final version of the updated code was published on 20 December 2022. In 2023, Hydratec will amend its articles of association, regulations and procedures to comply with the updated code wherever possible and applicable. The 2022 management report is based on the code that was adopted in 2016. The 2023 management report will cover compliance with the updated code for the first time.

Composition of the Management Board and Supervisory Board

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

Remuneration

Remuneration policy

The Supervisory Board of Hydratec Industries N.V. 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, through a performance-based remuneration scheme payable in due course and compiled as follows:

Performance-based remuneration

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

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

Remuneration payable in due course:

The remuneration payable in due course is a Stock Appreciation Right (SAR) where the Management Board receives remuneration based on the increased value of Hydratec over a period of at least five years. The entry value is set at 5x EBIT 2021. Up to 0.5% of the company's value will be granted annually in the years 2022, 2023, 2024, 2025 and 2026. The value of the company is based on 5 times the average EBIT over the last 3 financial years. The amount of the annual allocation is based on performance criteria to be assessed by Hydratec's supervisory board. For 2022, 0.5% has been allocated. The SAR can only be exercised once within a period of one month after Hydratec's consolidated annual figures have been approved by the auditor, and no sooner than after the year 2026. The SAR is also exercised if more than 50% of Hydratec's shares are transferred to a third party. The exit value in that case is the higher of 5 times the average EBIT over the last 3 financial years and the value based on the sale price. The probability of this occurring is less than 50% and has therefore not been measured in accordance with IFRS 2. If significant acquisitions or sales are made during the term of the SAR, the SAR will be reasonably recalibrated to take this into account.

The SAR lapses if the employment relationship between Hydratec and a board member ends before exercise of the scheme, unless employment was terminated by death or pursuant to Article 7:669(3)(a) and (b). In that case, the board member is entitled to 33.3% of the amount.

Any severance payments comply with the requirements of the Dutch Corporate Governance Code and will therefore not amount to more than one year's salary. The pension plan for the Management Board includes a threshold amount above which members are required to make a personal contribution. The Supervisory Board regularly assesses the Management Board's actual salaries against the remuneration policy and makes adjustments where necessary. The 2022 remuneration policy will be submitted for adoption to the shareholders' meeting in 2023.

Remuneration report

The objective of the total remuneration package is that the total remuneration is commensurate with the level and complexity of the responsibilities. It must also be sufficiently competitive. The remuneration package should be based on the duties and responsibilities that the board under the articles of association and its members have towards the company. The internal wage structure is used as a reference and the outcome is compared with the external market. For this purpose, the Supervisory Board compared the remuneration with that of Dutch listed companies of a similar size and complexity. Given the differences between companies, the Supervisory Board determined the remuneration autonomously.

The Management Board members' annual fixed salary in 2022 was based on the principles above. The fixed salaries are periodically index-linked to inflation. No loans were issued or severance payments made in 2022, nor were there any clawbacks of previously awarded performance-based remuneration. The 2021 remuneration report was approved by a majority of votes at the General Meeting of Shareholders on 25 May 2022.

This 2022 remuneration report will be submitted to the 2023 General Meeting of Shareholders for an advisory vote. This will provide accountability for the implementation of the remuneration policy in the 2022 financial year. The Supervisory Board will take this advisory vote into account and will make an announcement in the 2023 remuneration report.

The Management Board's total remuneration is shown on the next page. The Supervisory Board expressed its view that the Management Board achieved positive results in 2022 and successfully guided the company through the further course of the crisis. The Management Board has stated an intention to join the share participation plan.

In determining the variable income for 2022, the Supervisory Board considered the following:

- ▶ Despite the challenging conditions in the year, Hydratec performed well and showed good growth.
- ▶ The companies' supply chain has been further improved, resulting in higher added value.
- ▶ Economic and strategic challenges have been appropriately mitigated to strengthen margins in 2022 and the coming years and increase awareness within the segments.

The ratio of the average full-time salary for management relative to that for Hydratec Industries employees is 12.4 (2021: 8.4).

Remuneration of members of the Management Board

	Fixed basic remuneration		Pension contribution		Performance-related remuneration		Remuneration payable in due course		Other remuneration*		Total remuneration		Variable as % of total remuneration	
x €1,000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
B. Aangenendt	318	304	27	26	179	191	254	-	3	3	781	524	55.44%	36.45%
E. Slijkhuis	235	207	25	22	132	129	254	-	4	4	650	362	59.38%	35.64%
Total	553	511	52	48	311	320	508	-	7	7	1,431	886		

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

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

As at the balance sheet date, Mr Aangenendt held 71,844 shares and Ms Slijkhuis held 560 shares. This number includes shares subject to a 3-year lock-up period.

Remuneration

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	2022	2021	2020	2019	2018
Remuneration of Management Board					
B. Aangenendt	781	524	300	341	392
E. Slikhuis	650	362	190	212	54
M. van den Burg	-	-	-	-	89
Company data					
Revenue	283,261	257,297	217,550	219,607	208,388
Operating result	21,787	22,027	3,342	10,240	8,930
FTEs at year-end	1,374	1,419	1,575	1,770	1,531
Average remuneration					
Employees	58	52	51	46	48
Ratio between average remuneration of Management Board and employees					
	12.4	8.4	4.8	6.0	3.7

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is approved by the General Meeting of Shareholders. The remuneration is not dependent on the company's results and the members of the Supervisory Board are not paid in shares or share options. The General Meeting of Shareholders set this remuneration at €30 thousand a year for each member of the Supervisory Board on 26 May 2021. The change in remuneration took effect from July 2021. The remuneration of the Supervisory Board in the last 5 years was as follows:

x €1,000	2022	2021	2020	2019	2018
E. ten Cate	30	25	19	19	19
M. E. P Sanders	30	25	19	19	19
P. Veenema	30	15	-	-	-
J. E. Vaandrager	-	10	19	19	19
Total	90	74	57	57	57

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

Risk management

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

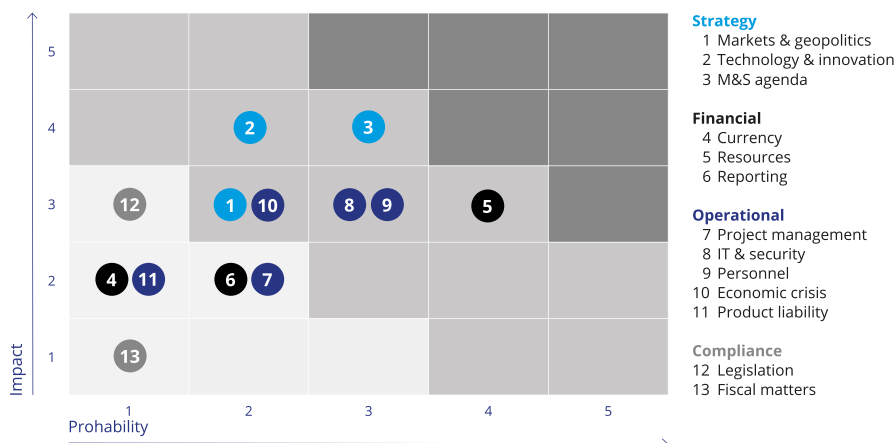
Strategic and operational decisions are targeted at creating sustainable value. This prevents decisions being made that serve only short-term gains and destroy value in the longer term. The benefit of this approach is that it ensures that risk management is solidly integrated into and inextricably linked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

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

- ▶ We have estimated the possible impact of each risk or risk area on the organisation and the likelihood of the risk occurring. The impact involves financial and non-financial factors. It is the Management Board's job to balance business opportunities against the expectations and interests of shareholders, employees, finance providers, regulators and other stakeholders.
- ▶ Our risk appetite is subsequently disclosed for each category. We explicitly look for a balance between acceptable risk and entrepreneurship in the context of long-term value creation.
- ▶ And finally, we have indicated the measures we take for each gross risk to arrive at the acceptable net risk. These measures have been further improved to mitigate risks to an acceptable level.

Risk assessment

To provide a schematic overview of our net risks, an estimate of the impact and likelihood of each risk or risk area is provided in the graph below. The risks have both a financial and a non-financial impact. For the financial instruments used, please refer to section 1.41 of the financial statements.



Risk appetite

Hydratec specifically tries to strike a balance between acceptable risk on the one hand and entrepreneurship and long-term value creation on the other. Risk appetite is related to probability and impact. Our risk appetite for each risk category:

Category	Category description	Risk appetite
Strategic	Risks affecting Hydratec's long-term positioning and performance	Medium - Hydratec is willing to take risks that allow us to responsibly pursue the interests of our stakeholders and our long-term goals. These should support our growth ambition, taking into account our financial position.
Financial	Risks affecting Hydratec's financial performance	Low - Hydratec has a low financial risk appetite. Hydratec aims to have a financial position that supports long-term goals and rewards our stakeholders.
Operational	Risks affecting internal processes, people, systems and/or external issues affecting strategic goals	Medium - Hydratec has an average risk appetite with regard to operational risks in order to pursue strategic goals that do not compromise operational efficiency.
Compliance	Risk of non-compliance with laws and regulations, internal processes and procedures in a broad sense.	Low - Hydratec and its employees strive to comply with laws and regulations at all times.

Measures to mitigate risks

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

Strategy

Risk	Name	Description	Mitigating measures
1	Market & geopolitics	Economic and geopolitical developments affect the implementation of the strategy, financial position and the results.	• Spread operations across several companies, products and countries. • Flexible cost structure. • Maintain a strong financial balance sheet.
2	Technology & innovation	Insufficient technological development and innovation.	• Ongoing attention to and resources for innovating and implementing the R&D roadmap. • Focus on food, health and mobility.
3	M&A agenda	Unsuccessful integration and/or operation of businesses acquired.	• Thorough multidisciplinary preliminary research. • Acquisition guidelines. • Procedures and guidelines for implementing the due diligence process. • Engaging external expert. • Fast integration and harmonisation in the reporting and management systems and of business processes.

Financial

Risk	Name	Description	Mitigating measure
4	Currency	Volatility of currencies putting profit margins under pressure.	• Hedging currency risks by means of forward exchange contracts.
5	Supply chain	Supply chain restrictions resulting in limited availability of materials and volatility of material prices exerting pressure on revenue and margins	• Price movements are set off in the selling price as much as possible. • Strategic procurement from several suppliers • Margin analyses. • Internal efficiency and cost-saving programmes.
6	Reporting	Risk that reporting contains material errors and does not comply with laws and regulations.	• Internal procedures and guidelines for internal and external financial reporting. • Education and training.

Operational

Risk	Name	Description	Mitigating measure
7	Project management	Risk that projects are not delivered consistent with specifications, agreements and planned margins.	• Invest in qualified staff. • Educate and train staff. • Guidelines and procedures for project management and project accounting.
8	IT & Security	Risk of breaching availability, confidentiality and integrity of data (including IP).	• IT control framework. • Exchange of knowledge between various IT managers. • Strict procedures when systems fail or malfunction. • Ongoing attention to cybersecurity and awareness among employees.
9	Personnel	Shortage of well-qualified staff, inability to retain qualified staff and high absenteeism.	• Talent management programme and personnel management. • Educate and train staff. • Use good reputation to recruit talent. • Partnership programmes with educational institutes.
10	Economic crisis	Declining consumer confidence and rising interest rates could lead to low investment appetite.	• Flexible cost structure. • Internal efficiency and cost-saving programmes. • Product development to make replacement investments more attractive to customers.

			• Operating capital management.
11	Product liability	Faults in the production process or technology which may lead to a loss of quality and discontinuity.	• Strict quality standards and certification. • Risk Identification and Assessment. • Fire and other insurance. • Standardisation of products and processes.

Compliance

Risk	Name	Description	Mitigating measure
12	Legal	Loss or damage (including reputational) due to being in breach of the law and regulations, including in matters relating to export and sanction regulations, unfair competition, fraud, bribery and corruption.	• Internal compliance guidelines. • UBO and background check. • Signed agreement with agents. • Signed code of conduct applicable to agents. • Control over beneficiary of compensation to agents. • Regular workshops on the risk of fraud. • Code of conduct for all personnel. • Internal guidelines pertaining to complying with environmental legislation.
13	Taxation	Loss or damage (including reputational) due to being in breach of tax laws and regulations.	• Monitoring compliance and development of tax laws and regulations. • Making use of external tax consultants • Tax Control Framework.

In control statement

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

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

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

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

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

Amersfoort, 16 March 2023

Management Board

B. F. Aangenendt, CEO

E. H. Slijkhuis, CFO

Report of the Supervisory Board



Report of the Supervisory Board

The past year

Last year marked Hydratec Industries N.V.'s 25th anniversary as a listed company. We celebrated this milestone with the Management Board, employees and their families. 2022 was also a year in which economic and social developments created uncertainties. The year was characterised by supply chain problems, limited availability of materials and rising procurement prices and wage costs that could not be directly reflected in sales prices. Despite these challenges, Hydratec Industries N.V. achieved the highest net profit in the company's history in 2022: €15.8 million, compared to €15.1 million in 2021. Consolidated operating profit in 2022 was €21.8 million, compared to €22.0 million in 2021.

Industrial Systems and High-Tech Components posted positive operating results. They were both impacted by the effects described above to a greater or lesser extent during the year. At Industrial Systems, it led to a limited decrease in the operating result. The operating result was higher at High-Tech Components.

Annual report

We are pleased to present the 2022 annual report of Hydratec Industries N.V. prepared by the Management Board, which includes the financial statements. These financial statements were audited by Ernst & Young Accountants and were discussed with the Management Board on 27 February 2023 in the presence of the auditor. 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 CEO of a listed group of companies in the manufacturing industry. The second member of the Supervisory Board has extensive experience as an entrepreneur and as a member of various companies' supervisory boards. The third member of the Supervisory Board is an experienced entrepreneur who was furthermore closely involved for many years in the development of Hydratec Industries in its current form.

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

Supervision

Each month, the Board is informed of the operational course of business within the company by means of a financial report with explanatory notes from the Management Board. We also receive a quarterly comprehensive report on the developments of the previous three months and on the progress and achievements in relation to the annual budget and goals. Conclusions and action points are formulated and addressed at the next Supervisory Board meeting. Every year, we discuss the strategy for the coming years with the management boards of each segment during a strategy day. The Supervisory Board met the Management Board six times in 2022 according to a fixed schedule, and all members of the Supervisory Board were present at each meeting.

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

In the Supervisory Board's opinion, Hydratec's overall risk profile has declined because the Management Board has been able to mitigate the negative consequences of developments in 2022 to an acceptable level, as described in the risk paragraph in the annual report.

Prior to the General Meeting of Shareholders on 26 May 2022, the Supervisory Board discussed, without the presence of the Management Board, its own performance, the performance of the Management Board (both as a whole and of the individual members) and the remuneration of the Management Board. In evaluating their own performance, various subjects were addressed, including the time and attention devoted by all members, how the supervisory function is carried out, the division of roles and the composition of the Supervisory Board in terms of independence, expertise, competences and experience. The Management Board was evaluated in a meeting between the Supervisory Board and the Management Board. Following the evaluation, the Supervisory Board concludes that the separate meetings of the Audit Committee led to the desired result. If required, the Board will meet before the start of the meeting when the Management Board is not present.

Audit Committee

The Audit Committee consists of Ms Sanders and Mr Veenema. Both committee members are experts in financial reporting or auditing of financial statements. The committee monitors annual figures, the statutory audit of annual figures, the administrative organisation and reporting process, fraud, cybersecurity, claims, the results of internal control and risk management systems, auditor independence and the auditor selection process, and periodically holds talks with managers and other employees of companies to gain a clear image of the developments in the market and in the companies and segments. Hydratec does not have an internal audit department or function, which has to do with its size and approach. The committee met on five occasions in 2022 according to a fixed schedule, and all members were present at each meeting.

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

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

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

Composition of the Board of Directors

No changes took place in the Management Board of Hydratec Industries N.V. in 2022. Mr B. F. Aangenendt is CEO, Ms E. H. Slijkhuis RA is CFO. Ms Slijkhuis' term of office expired in 2022. The Supervisory Board reappointed Ms Slijkhuis at its meeting on 29 September 2022.

The Supervisory Board compliments the Management Board, the management teams and all employees for the outstanding results and is grateful for their commitment, motivation and ambition in 2022.

Amersfoort, 16 March 2023

Supervisory Board

E. ten Cate (Chair)

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

P. Veenema

Historical summary

Amounts in thousands of euros, unless stated otherwise

	2022	2021	2020	2019	2018
Income statement					
Net revenue	283,261	257,297	217,550	219,607	208,388
Operating result	21,787	22,027	3,342	10,240	8,930
Net result	15,820	15,133	771	6,635	8,507
Net result for shareholders	15,927	15,118	1,301	6,635	8,507
Cash flow					
Cash flow from operating activities	43,459	33,664	22,946	7,170	9,510
Cash flow from investing activities	-8,681	-6,661	-4,576	-31,695	-15,010
Cash flow from financing activities	-14,577	-26,568	-16,031	-4,979	2063
Net cash flow	20,201	435	2,339	-29,504	-3,437
Balance sheet					
Shareholders' equity attributable to Hydratec shareholders	85,990	76,082	63,079	62,700	59,189
Shareholders' equity	86,089	76,261	63,240	63,200	59,189

Historical summary

Amounts in thousands of euros, unless stated otherwise	2022	2021	2020	2019	2018
Key ratios					
Operating result as % of revenue	7.7%	8.6%	1.5%	4.7%	4.3%
Profitability of capital invested ¹	19.1%	15.1%	0.7%	6.9%	9.6%
Profitability of shareholders' equity ²	19.7%	21.7%	2.1%	10.9%	15.1%
Solvency ³	35.8%	35.7%	31.8%	29.5%	35.3%
Information per ordinary share (in euros)					
Operating result ⁴	16.84	17.05	2.59	7.96	6.96
Shareholders' equity attributable to Hydratec shareholders	66.46	58.89	48.92	48.73	46.13
Earnings per share from continuing operations	12.23	11.71	2.74	5.16	6.63
Earnings per share including discontinued operations, excluding third parties	12.31	11.70	1.01	5.16	6.63
Earnings per share including discontinued operations of third parties			-0.41		
Earnings per share including discontinued operations	12.23	11.71	0.60	5.16	6.63
Dividend (proposal) per share	6.00	6.75			2.70
Price at year-end	73.0	74.5	54.0	68.5	63.0
Lowest price	68.0	54.0	41.2	64.5	54.0
Highest price	94.0	79.0	70.0	78.0	74.0
Other information					
Average number of employees	1,032	1,151	1,255	1,147	956
Net revenue per employee	274.5	223.5	173.3	191.5	218.1
Wage costs per employee (not including temps and NOW scheme)	57.8	52.5	51.6	48.3	52.5

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

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

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

⁴ Continuing operations.

Annual Accounts



Consolidated statement of profit or loss

x €1,000	Note	2022	2021
Net revenue	1.23	283,261	257,297
Consumption of materials and supplies		-143,037	-123,273
Wages, salaries and temporary staff	1.25.1	-60,387	-56,635
Social security contributions and pensions	1.25.2	-12,226	-13,108
Depreciation of non-current assets	1.29/1.30/1.31	-10,918	-11,606
Impairment	1.29/1.30/1.31	-218	-569
Other operating costs	1.27	-34,688	-30,079
Total operating costs		-261,474	-235,270
Operating result		21,787	22,027
Financial income		135	76
Financial expenses		-1,064	-1,479
Result before tax		20,858	20,624
Taxes	1.28	-5,038	-5,491
Net result from continuing operations		15,820	15,133
Net result from discontinued operations		0	0
Net result		15,820	15,133
Net result attributable to:			
Shareholders		15,927	15,118
Third parties		-107	15
Weighted average number of shares attributable to shareholders		1,293,841	1,291,875
Earnings per share attributable to shareholders:			
Earnings per ordinary share (in euros)		12.31	11.70
Diluted earnings per ordinary share (in euros)		12.29	11.68
Earnings per share from continuing operations:			
Earnings per ordinary share (in euros)		12.31	11.70
Diluted earnings per ordinary share (in euros)		12.29	11.68

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

x €1,000

2022

2021

Net result	15,820	15,133
Elements which may be recognised in the statement of profit or loss in the future		
Cash flow hedges – adjustment to fair value (incl. taxation)	291	133
Foreign activities – currency translation differences	-458	220
	-167	353
Elements which will not be recognised in the statement of profit or loss in future		
Pension	24	-1
	24	-1
Total unrealised results	-143	352
Comprehensive income after tax	15,677	15,485
Comprehensive income attributable to:		
Shareholders	15,784	15,467
Third parties	-107	18

Consolidated balance sheet as at 31 December

Before appropriation of result

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

x €1,000	Note	2022	2021
ASSETS			
Intangible fixed assets	1.29	27,109	27,967
Tangible fixed assets	1.30	63,731	61,033
Lease assets	1.31	8,864	11,817
Deferred tax assets	1.32	3,709	5,090
Financial fixed assets		300	24
Total fixed assets		103,713	105,931
Contract assets	1.23.6	14,539	16,338
Inventories	1.33	41,966	32,871
Trade receivables	1.34	47,365	46,584
Corporate tax		117	446
Other taxes and social security contributions	1.35	3,096	1,916
Other receivables		1,489	2,138
Accrued assets		2,832	1,327
Cash and equivalents	1.36	25,202	5,199
Total current assets		136,606	106,819
Assets held for sale	1.37	0	841
Total assets		240,319	213,591

x €1,000	Note	2022	2021
LIABILITIES			
Shareholders' equity attributable to Hydratec shareholders	1.38	85,990	76,082
Minority share		99	179
Total equity	1.38	86,089	76,261
Personnel-related provisions	1.40	1,865	2,507
Other provisions	1.40	1,492	2,448
Deferred tax liabilities	1.40.5	129	1,255
Borrowings and lease obligations	1.41.1	17,515	22,483
Other financial instruments	1.41.2	283	610
Total provisions and non-current liabilities		21,284	29,303
Contract liabilities	1.23.6	29,197	41,748
Trade payables		19,857	20,306
Corporate tax		2,531	3,863
Other taxes and social security contributions	1.42	4,086	2,045
Borrowings and lease obligations	1.41.1	3,897	8,168
Bank current account	1.43	1,505	722
Other liabilities, accruals and deferred income	1.44	71,873	31,175
Total current liabilities		132,946	108,027
Total liabilities		240,319	213,591

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

x €1,000	Note	Issued capital 1.38.1	Share premium 1.38.2	Translation reserve 1.38.3	Hedge reserve 1.38.4	Other statutory reserve 1.38.5	Other reserves 1.38.6	Unappropriated result 1.38.7	Attributable to Hydratec shareholders	Attributable to third parties	Shareholders' equity
Carrying amount as at 1 January 2021		582	6,228	-1,864	-322	299	56,855	1,301	63,079	161	63,240
Shareholder-related changes:											
• 2020 dividend distribution							-		-		-
• 2021 dividend distribution							-2,715		-2,715		-2,715
• Participation plan share issue	1.25	1	43				150		194		194
• Share issue for acquisition of Pas Reform USA			57						57		57
Other changes:											
2020 result appropriation							1,301	-1,301	-		-
Capital contribution									-		-
Unrealised results											
Hedge reserve					133				133		133
Translation reserve				217					217	3	220
Pension							-1		-1		-1
Realised results											
2021 net result								15,118	15,118	15	15,133
Increase (decrease) in equity		1	100	217	133	-	-1,265	13,817	13,003	18	13,021
Carrying amount as at 31 December 2021		583	6,328	-1,647	-189	299	55,590	15,118	76,082	179	76,261

Consolidated statement of changes in equity

Shareholder-related changes:											
• 2021 dividend distribution						-6,012		-6,012		-6,012	
• Participation plan share issue	1.25	1	171			-9		163		163	
Other changes:											
2021 result appropriation						15,118	-15,118	-		-	
Capital contribution								-		-	
Unrealised results											
Hedge reserve				291				291		291	
Translation reserve			-485					-485	27	-458	
Pension						24		24		24	
Realised results											
2022 net result					1,901	-1,901	15,927	15,927	-107	15,820	
Increase (decrease) in equity		1	171	-485	291	1,901	7,220	809	9,908	-80	9,828
Carrying amount as at 31 December 2022		584	6,499	-2,132	102	2,200	62,810	15,927	85,990	99	86,089

Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

x €1,000	Note	2022	2021
Result before tax		20,858	20,624
Adjustment for:			
• Depreciation		10,843	11,594
• Impairment		218	569
• Profit from sale (previously assets available for sale)		-515	297
Financial income and expenses		895	1,375
Movements in provisions		-1,563	-474
Changes in working capital:			
• Inventories		-8,984	-6,306
• Current receivables		-3,381	-10,291
• Current liabilities (excluding corp. tax liability and lease liabilities)		31,938	20,556
Total changes in working capital		19,573	3,959
Financial expenses paid		-890	-972
Income tax paid		-5,960	-3,308
Cash flow from operating activities		43,459	33,664
Investments in intangible fixed assets		-565	-970
Investments in tangible fixed assets		-10,260	-5,735
Investments in financial fixed assets		-18	-40
Disposal of tangible fixed assets		2,162	84
Cash flow from investing activities		-8,681	-6,661
Dividend paid to Hydratec shareholders		-5,843	-2,610
Repayment of non-current liabilities		-7,263	-2,907
Repayment of lease liabilities		-2,254	-3,777
Long-term borrowings drawn		-	73
Repayment/withdrawal from bank overdraft		783	-17,347
Acquisition of participating interests	1.24	-	-
Cash flow from financing activities		-14,577	-26,568
Net cash flow		20,201	435
Translation differences in cash balances		-198	135
Movements in cash and cash equivalents		20,003	570
Cash and cash equivalents as at 1 January		5,199	4,629
Cash and cash equivalents as at 31 December		25,202	5,199

1.1 General

1.1.1 Introduction

Hydratec Industries N.V. (hereinafter referred to as Hydratec) has its registered office and principal place of business in Amersfoort, the Netherlands, and is registered with the Chamber of Commerce under number 23073095. The company's consolidated financial statements for the year ending 31 December 2022 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 2022:

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.	Pune, India
Helvoet Rubber & Plastic Technologies GmbH	Gilching, Germany
Schwarzpunkt Schwarz GmbH & Co. KG	Gilching, Germany
Helvoet Polska Sp. z o.o.	Kaniów, Poland
Rollepaal Pipe Extrusion Technology B.V.	Dedemsvaart, Netherlands
Rollepaal Inc.	Baltimore, US
Rollepaal Engineering India Pvt. Ltd.	Ahmedabad, India

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

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

The annual figures have been prepared by the Management Board and, following the approval of the Supervisory Board, were released for publication on 16 March 2023. The 2022 annual report and financial statements were discussed in the Supervisory Board meeting held on 15 March 2023 and will be presented to the General Meeting of Shareholders on 17 May 2023 for its approval.

1.1.2 General accounting policies

The basis for preparation of the financial statements is historical cost, unless specified otherwise below. The financial statements are presented in euros (€). Amounts are in thousands of euros unless stated otherwise. The euro is Hydratec's functional and presentation currency. The financial statements have been prepared in accordance with IFRS-EU standards. This requires management to make judgements, estimates and assumptions that affect the application of guidelines and the reported value of assets, liabilities, income and expenditure. These estimates and underlying assumptions are based on past experience and various other factors which are considered fair under the circumstances. The estimates and assumptions serve as the basis for judgements on the value of recognised assets and liabilities the scale of which cannot yet be derived from other sources. The actual results may differ from these estimates. The estimates and underlying assumptions are under constant review. Revisions to estimates and assumptions are recognised in the period in which the estimates are revised if the revision only relates to that period, or in the revision period and future periods if the revision has consequences for both the current period and future periods. The accounting policies are consistently applied by the companies in the Group for the periods presented in these consolidated financial statements.

1.1.3 Continuity

Thorough liquidity forecasts and expected revenue lead us to envisage no risks in terms of insufficient liquidity, failure to fulfil agreements under the credit agreement and continuity problems over the coming 12 months. Covid-19 had a limited impact on 2022. We expect the impact on 2023 to be limited but uncertain.

1.2 Statement of compliance

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

1.2.1 New standards and interpretations effective as of 1 January 2022

Where applicable, Hydratec applied new and amended IFRS standards and IFRIC interpretations relevant to the company during the financial year. The new standards and amendments to existing standards in 2022 do not directly affect the Group's equity and results and the notes to the financial statements.

1.2.2 New standards or interpretations which have not yet taken effect

At the end of 2022, several new and amended standards and interpretations were published, but were not yet effective at the time of publication of these financial statements. Hydratec will apply these new and amended standards and interpretations as soon as they become effective. The published new and amended IFRS standards and IFRIC interpretations that are not yet effective for reporting periods beginning on 1 January 2022 have not been prematurely adopted. New standards applicable after 2022 are not expected to have a material impact on the Group's equity, results and notes to the financial statements.

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;
- ▶ identification and determination of segments;
- ▶ 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.

1.4 Consolidation

1.4.1 Subsidiaries

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

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

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

1.4.2 Eliminated transactions in the consolidation

Balance sheet positions between companies in the Group, transactions between these companies and unrealised profits on such transactions are eliminated when preparing the consolidated financial statements.

1.5 Foreign currency

1.5.1 Currency transactions and translation

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

1.5.2 Financial statements from participating interests abroad

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

Exchange rates

Currency	€1 is converted at	2022	2021
USD	Closing price	1.07	1.13
	Average	1.05	1.18
INR	Closing price	88.18	84.13
	Average	82.67	87.40
BRL	Closing price	5.64	6.31
	Average	5.54	6.31
PLN	Closing price	4.68	4.60
	Average	4.68	4.56

1.6 Financial instruments

1.6.1. Non-derivative financial instruments

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

1.6.2. Derivatives

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

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

1.6.3. Maturity of assets/liabilities

Financial assets and liabilities are classified as current if they are expected to be realised, sold, consumed or settled in the normal operating cycle, they are held primarily for trading purposes, their remaining term to maturity is expected to be less than 12 months, or there is no unconditional right to defer settlement of the liability for at least 12 months beyond the reporting period.

All other assets and liabilities are presented as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.6.4. Measurement of fair value

Fair value is the price that would be received on the sale of an asset or that would be paid on transfer of a liability in an orderly transaction between market parties. Please refer to other financial instruments for an explanation of how fair value is determined for derivatives used for hedge accounting. The fair value of all other financial instruments is determined using generally accepted measurement models (level 2 measurement). The fair values are only explained if they differ significantly from the carrying amount.

1.7 Intangible fixed assets

1.7.1. Acquisitions and goodwill

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

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

Goodwill is the difference between the acquisition price paid at the time of the purchase of a company and the fair value of the identifiable net assets of the acquired company. Goodwill on the acquisition of group companies is recognised under intangible fixed assets. After initial recognition, goodwill is measured at acquisition price less any accumulated impairments. For the purpose of recognising impairments, goodwill is allocated to the cash flow generating entities which can be expected to benefit from the acquisition which led to the generation of goodwill.

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

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

1.7.2. Software

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

1.7.3. Other intangible fixed assets

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

1.7.4. Research and development

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

1.7.5. Amortisation

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

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

1.8 Tangible fixed assets

1.8.1. Owned assets

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

1.8.2. Expenditure after initial investment

Periodic replacement expenditure which is associated with tangible fixed asset components is capitalised in the measurement of the tangible fixed asset component, unless the future economic benefits of the asset will accrue to the Group and the cost of such periodic replacement expenditure can reliably be determined. All other expenditure is recognised as an expense in the statement of profit or loss when incurred.

1.8.3. Disposals

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

1.8.4. Depreciation

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

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

1.9 Lease assets

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

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

1.10 Inventories

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

Hydratec applies the IFRS 9 simplified approach to the provision for expected credit losses on trade receivables. Changes in credit risk are therefore not taken into account. A credit provision is recognised based on an expected loss for the entire term of the receivable in question. The IFRS 9 simplified approach cannot be applied to the other receivables. This provision is based on historical credit losses adjusted for economic developments and future expectations relevant to the specific receivables.

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

1.11.2 Contract assets

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

1.11.3 Assets and liabilities held for sale and discontinued operations

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

The criteria for classification as assets held for sale apply when a sale is highly probable, the asset is readily available for immediate sale in its present condition, the sale is expected to be completed within one year, the plan to sell is unlikely to be changed or withdrawn, and management has committed to the plan to sell. Assets held for sale are not depreciated.

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

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

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

1.12 Cash and cash equivalents

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

1.13 Impairment

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

1.14 Shareholders' equity

1.14.1. Share capital

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

1.14.2 Dividends

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

1.14.3 Statement of changes in shareholders' equity

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

1.14.4 Earnings per share

Ordinary earnings per share (continued and/or discontinued operations) are based on the result after taxes to be allocated to holders of ordinary shares and depositary receipts for shares, and the weighted average of ordinary shares outstanding in 2022.

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

1.15 Provisions

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

1.15.1 Defined contribution pension plans

Obligations for contributions to pension 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. The expected pension expense for the next financial year is €4.6 million.

A provision is made for liabilities other than the contribution to be paid to the pension administrator if there is a liability enforceable at law or an actual liability to the pension administrator and/or employees on the balance sheet date, if it is likely that an outflow of resources will be necessary to settle the liability and if a reliable estimate can be made of the scale of the liability. The provision for additional liabilities to the pension administrator and/or employees is measured at the best estimate of the amounts necessary to settle the liabilities in question at the balance sheet date. The provision is measured at present value if the effect of the time value of money is material (in that the discount rate before tax reflects the current market rate).

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

The resulting gains or losses are recognised in the statement of profit or loss.

1.15.3 Defined benefit pension plans

The net liability on account of defined benefit pension plans is calculated separately for each plan by estimating the pension entitlements employees have accrued in exchange for their services over the reporting period and preceding periods. These pension entitlements are discounted to determine the present value. The pension entitlements and the cost of the defined benefit pensions are based on the 'projected unit credit method', in which actuarial calculations are drawn up at the balance sheet date. This method takes account of future salary increases due to employees' career opportunities and overall increases in salaries including cost-of-living adjustments. The discount rate is the return on investment grade corporate bonds at the balance sheet date whose maturity is close to the term of Hydratec's liabilities. Actuarial gains and losses are directly recognised through the consolidated statement of comprehensive income as unrealised results which will never be reclassified to the statement of profit or loss. Net interest expenses on the net balance of pension liabilities are recognised as interest expenses under financial expenses. When pension entitlements in a plan are changed, the part of the subsequent change in pension entitlements relating to past service or gains or losses from that change is taken directly to the result. Pension expenses, including past service pension expenses and the consequences of settlements and curtailments, are recognised as personnel costs. There were no pension provisions as at the balance sheet date.

1.15.4 Personnel-related benefits

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

1.15.5 Warranty provision

The company takes the actual warranty costs in the past year to make a best estimate of future warranty costs for the products (mostly machines) which are still within their warranty period. Account is taken of the type of machine and type of customer as well as the number of machines. The warranty for most of the plant is 12 to 24 months. This warranty is not a separate performance obligation under IFRS 15.

1.15.6 Restructuring provision

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

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

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

1.15.7 Other provisions

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

1.16 Taxation

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

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

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

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

1.17 Borrowings and lease liabilities

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

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

1.18 Trade and other payables

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

1.18.1 Contract liabilities

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

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

1.19 Net revenue

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

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

Hydratec does not consider a financing element for payment terms of less than one year (practical expedient IFRS 15.63). Hydratec recognises incremental costs related to the acquisition of a contract directly as an expense in the statement of profit or loss if it expects the amortisation period for the asset to be otherwise recognised to be no more than one year (practical expedient IFRS 15.94)

1.19.1 Supply of goods

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

1.19.2 Projects

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

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

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

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

1.20 Costs

1.20.1 Material usage/other external costs

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

1.20.2 Other operating costs

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

1.20.3 Grants

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

1.20.4 Other financial income and expenses

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

1.21 Taxation on profit

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

1.22 Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method. A distinction is made in the cash flow statement between cash flow from operating activities, investing activities and financing activities. Cash flow in foreign currencies is translated at the average monthly exchange rate throughout the financial year. Exchange differences for cash are shown separately in the cash flow statement. Receipts and expenditure for income tax and interest receipts and payments are recognised under cash flow from operating activities. Cash flow from acquisitions and disposal of financial interests (subsidiaries and participating interests) are recognised under cash flow from investing activities insofar as cash payments have taken place. Distributed dividends are recognised under cash flow from financing activities. Transactions involving no cash inflows or outflows, including leases and the deferred portion of the purchase price of participating interests ('earn out') are not included in the cash flow statement. Cash flows pertaining to borrowings and repayments as part of leases are presented as cash flow resulting from finance activities. Cash flows relating to lease interest are presented under financial expenses paid.

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.
- ▶ **High-Tech Components:** structural plastic components are developed and produced in the High-Tech Components segment.

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

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

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

1.23 Segment reporting of continuing operations

1.23.1 Breakdown by business segment

	Industrial Systems		High-Tech Components		Total segments		Holding company expenses and eliminations		Total	
x €1,000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Supply of goods	57,882	36,055	112,234	109,342	170,116	145,397			170,116	145,397
Projects	97,835	87,826	13,879	15,609	111,714	103,435			111,714	103,435
Other revenue	1,431	8,465			1,431	8,465			1,431	8,465
Net revenue	157,148	132,346	126,113	124,951	283,261	257,297			283,261	257,297
Intersegment revenue			1,504	2,484	1,504	2,484	-1,504	-2,484		
Total segment revenue	157,148	132,346	127,617	127,435	284,765	259,781	-1,504	-2,484	283,261	257,297
Consumption of materials and supplies	-91,825	-72,260	-52,716	-53,497	-144,541	-125,757	1,504	2,484	-143,037	-123,273
Gross margin	65,323	60,086	74,901	73,938	140,224	134,024			140,224	134,024
Depreciation	-3,692	-3,926	-7,357	-8,192	-11,049	-12,118	-88	-57	-11,137	-12,175
Personnel and other expenses	-44,479	-38,683	-59,767	-58,715	-104,246	-97,398	-3,054	-2,424	-107,300	-99,822
Operating result	17,152	17,477	7,777	7,031	24,929	24,508	-3,142	-2,481	21,787	22,027
Financial income and expenses	-768	-841	-36	-544	-804	-1,385	-125	-17	-929	-1,402
Result before tax	16,384	16,636	7,741	6,487	24,125	23,123	-3,267	-2,498	20,858	20,625
Taxes	-4,098	-4,308	-1,782	-1,809	-5,880	-6,117	842	625	-5,038	-5,492
Net result from continuing operations	12,286	12,328	5,959	4,678	18,245	17,006	-2,425	-1,873	15,820	15,133
Segment assets	161,492	144,227	99,893	92,276	261,385	236,503	-21,066	-22,912	240,319	213,591
Segment liabilities	115,314	103,787	56,067	54,127	171,381	157,914	-17,151	-20,584	154,230	137,330
Investments in tangible/intangible fixed assets	1,076	2,014	10,193	4,605	11,269	6,619	2	86	11,271	6,705

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	
	2022	2021	2022	2021	2022	2021
Net revenue	227,097	199,894	56,164	57,403	283,261	257,297
Segment assets	179,415	164,674	60,904	48,917	240,319	213,591
Investments in tangible/intangible fixed assets	4,874	5,495	6,397	1,210	11,271	6,705

1.23.3 Breakdown by geographical revenue distribution by market

x €1,000	2022	%	2021	%
Netherlands	55,749	19.7	48,499	18.8
Rest of Europe	110,609	39.0	121,407	47.2
Asia	45,996	16.2	37,304	14.5
North America	42,680	15.1	29,827	11.6
South America	13,723	4.8	7,267	2.8
Africa	12,662	4.5	7,946	3.1
Oceania	1,842	0.7	5,047	2.0
Total	283,261	100.0	257,297	100.0

1.23.4 Breakdown of revenue by type

x €1,000	2022	%	2021	%
Supply of goods	170,115	60.1	145,398	56.5
Projects	111,715	39.4	103,435	40.2
Other revenue	1,431	0.5	8,464	3.3
Total	283,261	100.0	257,297	100.0

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

Within Industrial Systems, there is a multi-entity customer that collectively represents revenue of €40.4 million and therefore had a revenue share of more than 10% in 2022 (2021: €34.5 million).

1.23.5 Breakdown of revenue by meeting performance obligations

x €1,000	2022	%	2021	%
Performance obligations met over a period	113,146	39.9	111,899	43.5
Performance obligations met at a point in time	170,115	60.1	145,398	56.5
Total	283,261	100.0	257,297	100.0

1.24 Discontinued operations

1.23.6 Contract balances

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

x €1,000	Note	2022	2021
Accounts receivable	1.34	47,365	46,584
Amounts received in advance	1.44	48,858	12,743
Contract assets		14,539	16,338
Contract liabilities		29,197	41,748

The decrease in contract liabilities was caused by having fewer projects in the early stages of production with advance billing, in contrast to 2021. The vast majority of contract liabilities have terms of less than one year. The contractual obligations recognised at the end of 2021 fully led to revenue in 2022. Contract assets relate to projects on which more costs have been incurred than invoiced. Amounts received in advance relate to projects that have not yet started but for which an advance payment has been received. Compared to 2021, there was a rise in customer prepayments on projects not yet started.

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

1.24 Discontinued operations

There were no discontinued operations in 2021 and 2022.

1.25 Personnel

1.25.1 Wages, salaries and temporary staff

x €1,000	2022	2021
Wages and salaries	47,224	46,690
Temporary workers	12,871	10,543
Cost of redundancy payment plans	185	578
NOW wage subsidy scheme	107	-1,176
Total	60,387	56,635

1.25 Personnel

The cost of share-based payments recognised under IFRS 2 amounts to €141 thousand (2021: €150 thousand) and consists of the 25% increase in the variable bonus on conversion to shares that is charged in full to the result for the financial year. The total variable remuneration, including the share participation plan, amounts to €703 thousand (2021: €750 thousand).

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

In 2022, the NOW wage subsidy scheme within the Hydratec group was almost complete.

1.25.2. Social security contributions and pension

x €1,000	2022	2021
Social insurance contributions	7,629	8,172
Pension contributions	4,597	4,936
Total	12,226	13,108

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

x €1,000	2022	2021
Supervisory Board		
E. ten Cate	30	25
M. E. P. Sanders	30	25
P. Veenema	30	15
J. E. Vaandrager	-	10
Total	90	74

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

1.26 Average number of full-time employees

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

x €1,000		2022	2021
B. F. Aangenendt	Base salary	318	304
	Variable remuneration in cash	90	96
	Variable remuneration in shares	90	96
	Pension costs	27	26
	Remuneration payable in due course	254	-
	Other remuneration	3	3
		<u>781</u>	<u>524</u>
E. H. Slijkhuis	Base salary	235	207
	Variable remuneration in cash	66	65
	Variable remuneration in shares	66	65
	Pension costs	25	22
	Remuneration payable in due course	254	-
	Other remuneration	4	4
		<u>650</u>	<u>362</u>
Total		<u>1,431</u>	<u>886</u>

The Management Board did not convert any remuneration components into Hydratec Industries shares in 2022. See note 1.40.4. for disclosures on remuneration payable in due course.

As at the balance sheet date, Mr Aangenendt held 71,844 shares (2021: 71,225 shares) and Ms Slijkhuis held 560 shares (2021: 138 shares).

1.26 Average number of full-time employees

	2022	2021
Production direct	491	573
Production indirect	213	233
Engineering	153	158
Sales	70	74
Management & Finance	105	113
Total	<u>1,032</u>	<u>1,151</u>
Of which working abroad	432	502

1.27 Other operating costs

x €1,000	2022	2021
Business accommodation	2,176	2,275
Sales	5,934	5,467
Production and maintenance	12,448	10,999
Research	1542	254
Exchange differences	272	-6
General costs	12,316	11,090
Total	34,688	30,079

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

The cost of sales includes €1.7 million (2021: €2.5 million) in agents' fees.

Independent auditor's fee

x €1,000	2022	2021
Audit of financial statements by EY LLP	663	524
Other services of EY LLP	-	-
Other audit engagements	-	45
Total costs	663	569

1.28 Taxation

x €1,000	Note	2022	2021
Current taxation		-4,760	-4,842
Adjustment for previous years		-35	-269
Deferred taxation	1.32	-243	-380
Total tax on result		-5,038	-5,491

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

Calculation of tax liability

x €1,000	2022	%	2021	%
Result before tax	20,858		20,624	
Tax expense on the basis of nominal rate in the Netherlands	-5,381	25.8	-5,156	25.0
Rebates	214	-1.0	123	-0.6
Application of local nominal rates	-62	0.3	-63	0.3
Benefit from innovation box	68	-0.3	114	-0.6
Tax and untaxed income	-182	0.9	7	0.0
Capitalisation or decapitalisation of deductible losses and valuation differences	406	-1.9	-254	1.2
Changes in local tax rates	-66	0.3	7	0.0
Non-deductible expenses and prior-year adjustments	-35	0.2	-269	1.3
Tax expense in line with statement of profit or loss	-5,038	24.2	-5,491	26.6

1.29 Intangible fixed assets

x €1,000	Goodwill	Customers	Agents	Brands	Rights	Patents	Software	In progress	Total
Carrying amount as at 1 January 2021	20,102	1,606	398	485	1,136	1,090	1,817	910	27,544
Commissioning					58		1,465	-860	663
Investments							275	697	972
Depreciation		-155	-37	-46	-115	-165	-707		-1,225
Impairments									-
Deconsolidation									-
Effects of foreign currency translation	1				16		-4		13
Purchase cost	20,102	2,726	747	907	2,035	1,263	7,933	747	36,460
Accumulated depreciation/impairment	-	-1,275	-386	-467	-940	-338	-5,087	-	-8,493
Carrying amount as at 31 December 2021	20,102	1,451	361	440	1,095	925	2,846	747	27,967
Commissioning							912	-914	-2
Investments						85	286	194	565
Depreciation		-157	-37	-45	-148	-143	-954		-1,484
Impairments							9		9
Deconsolidation									-
Effects of foreign currency translation					54				54
Purchase cost	20,102	2,726	747	907	2,110	2,463	8,637	27	37,719
Accumulated depreciation/impairment	-	-1,432	-423	-513	-1,108	-1,596	-5,538		-10,610
Carrying amount as at 31 December 2022	20,102	1,294	324	394	1,002	867	3,099	27	27,109

€2.2 million in R&D costs is posted under Software.

1.29 Intangible fixed assets

1.29.1 Impairment test

An impairment test was carried out in December 2022 on the goodwill of Pas Reform/Lan Handling Technologies, Pas Reform and Rollepaal. The value in use was determined on the basis of future cash flow projections over five years, with a different budgeting period of 10 years for Rollepaal. We opted for this different budgeting period because our projection shows that growth over the coming 10 years will exceed long-term growth. These cash flow projections were taken from the internal long-term plans which are drawn up annually and approved by management. These are based partly on available relevant market data regarding expectations for the short and medium term. The market data comes in the form of industry reports by market research firms, trade associations and financial institutions.

Future cash flows were discounted at the discount rate in the table below, which is based on the specific risk profile (risk-free interest rate, margin for specific countries and company-specific risk premium). The impairment test did not lead to impairment of goodwill at year-end 2022 on the basis of the chosen assumptions. Based on the substantial headroom in the model, we have established that no impairment will result from reasonable adjustments to the key assumptions, either individually or when combined. That is why there are no notes on the sensitivity analysis.

x €1,000	Goodwill	Average revenue growth forecast 1-5 years (Rollepaal 1-10 years)	Growth rate forecast after 5/10 years	Discount rate (before tax)
Lan Handling Technologies	7,095	-0.3%	2.0%	13.6%
Pas Reform	10,789	3.3%	2.0%	13.3%
Rollepaal	2,218	10.1%	2.0%	12.7%
	20,102			

1.29.2 Other intangible fixed assets

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

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

1.30 Tangible fixed assets

x €1,000	Land and buildings	Plant and equipment	Other operating assets	In progress	Total
Purchase cost	62,566	74,491	22,978	1,700	161,735
Accumulated depreciation/ impairment	-22,979	-57,193	-17,284		-97,456
Carrying amount as at 1 January 2021	39,587	17,298	5,694	1,700	64,279
Investments	705	702	748	3,579	5,734
Commissioning	-606	2,252	642	-3,126	-838
Transfer to software					-
Depreciation	-1,464	-4,968	-1,263		-7,695
Sales	7	18	-3	-21	1
Assets held for sale					-
Effects of foreign currency translation	-25	119	23	4	121
Impairments	-50	-518	-1		-569
Deconsolidation					-
Purchase cost	62,736	67,384	21,912	2,136	154,168
Accumulated depreciation/ impairment	-24,582	-52,131	-16,422	-	-93,135
Carrying amount as at 31 December 2021	38,154	15,253	5,490	2,136	61,033
Investments	147	1,896	1,144	7,519	10,706
Commissioning	4,699	2,272	1,130	-8,546	-445
Transfer to software					-
Depreciation	-1,536	-4,020	-1,516	2	-7,070
Sales		-37			-37
Assets held for sale					-
Effects of foreign currency translation	-104	-144	9	2	-237
Impairments	8	-127	-100	-	-219
Deconsolidation					-
Purchase cost	67,494	69,335	23,821	1,113	161,763
Accumulated depreciation/ impairment	-26,126	-54,242	-17,664	-	-98,032
Carrying amount as at 31 December 2022	41,368	15,093	6,157	1,113	63,731

1.30.1 Impairment loss and reversal of impairment loss

An impairment of €219 thousand was recognised in 2022 (2021: €569 thousand). No impairments of tangible fixed assets recognised in previous years were reversed in 2022 (2021: nil).

1.30.2 Plant and equipment

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

1.30.3 Collateral

Tangible fixed assets have been partly provided as collateral for long-term financing of High-Tech 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 2021	6,166	3,545	1,969	11,680
Additions	2,703	144	677	3,524
Depreciation	-1,225	-726	-825	-2,776
Decommissioning	-236	-649	-4	-889
Impairments				-
Exchange differences	288	-7	-3	278
Deconsolidation				-
Carrying amount as at 31 December 2021	7,696	2,307	1,814	11,817
Additions	1,311	240	696	2,247
Depreciation	-1,186	-487	-787	-2,460
Decommissioning	-1,961	-821	-4	-2,786
Impairments				-
Exchange differences	49		-3	46
Deconsolidation				-
Carrying amount as at 31 December 2022	5,909	1,239	1,716	8,864

No impairment was recognised in 2022 (2021: nil). No reversal of impairments took place (2021: nil) For lease liabilities, see note 1.41.

1.32 Deferred tax assets

For the most part, deferred tax assets at year-end 2022 fall due after more than one year (current portion amounts to €1 million). Tax losses worth €2.5 million at year-end 2022 (2021: €6.8 million) were not recognised in the balance sheet. These are infinitely deductible. The 2022 movement includes prior-year adjustments amounting to €130 thousand.

Deferred tax assets can be broken down as follows:

x €1,000	Intangible fixed assets	Tangible fixed assets	Leases	Working capital	Provisions	Derivatives	Losses carried forward	Total before offsetting	Offsetting deferred taxes	Total after offsetting
Carrying amount as at 1 January 2021	162	2,386	117	35	525	73	6,278	9,576	-3,955	5,621
Movements		36	19	22	-227	3	-714	-861	346	-515
Deconsolidation								-		-
Exchange differences		4	1	1	2		-24	-16		-16
Carrying amount as at 31 December 2021	162	2,426	137	58	300	76	5,540	8,699	-3,609	5,090
Movements	-	64	-68	-16	-248	-6	-392	-666	-703	-1,369
Deconsolidation								-		-
Exchange differences			-1	-2	-2	-1	-6	-12		-12
Carrying amount as at 31 December 2022	162	2,490	68	40	50	69	5,142	8,021	-4,312	3,709

1.33 Inventories

x €1,000	2022	2021
Raw materials and consumables	12,584	10,087
Semi-manufactured and work in progress	9,349	5,225
Finished goods	20,033	17,559
Total	41,966	32,871

The provision for obsolete inventories recognised in this measurement amounted to €2.9 million at year-end 2022 (2021: €2.6 million).

1.34 Accounts receivable

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

Days	2022	%	2021	%
0-30	33,764	71.3	26,270	56.4
31-60	5,570	11.8	16,524	35.5
61-90	3,290	6.9	1,141	2.4
> 90	4,741	10.0	2,649	5.7
Total	47,365	100.0	46,584	100.0

x €1,000	2022	2021
Gross accounts receivable	48,178	47,553
Of which within due date	30,821	37,199
Of which overdue	17,357	10,354
Provision for expected credit loss	-813	-969
Net accounts receivable	47,365	46,584

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

x €1,000	2022	2021
Opening balance sheet at 1 January	969	1,143
Release/use	-156	-174
Additions	-	-
Acquisitions	-	-
Deconsolidation	-	-
Closing balance sheet at 31 December	813	969

1.35 Other taxes and social security contributions (assets)

x €1,000	2022	2021
Turnover tax	2,997	1,788
Wage tax	43	32
Pensions and social security contributions	6	27
Other taxes	50	69
Total other taxes and social security contributions	3,096	1,916

1.36 Cash and cash equivalents

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

x €1,000	2022	2021
Bank balances	25,189	4,735
Cash	8	67
Deposits	5	397
Total	25,202	5,199

1.37 Assets held for sale

There were no assets held for sale on the balance sheet date. The sale of the industrial buildings within Industrial Systems held on the balance sheet date in 2021 was effected in 2022.

1.38 Shareholders' equity

Please refer to the [primary statement](#) for the statement of changes in shareholders' equity.

1.38.1 Paid-up and called-up capital

As at 31 December 2022 there were 1,294,976 shares outstanding each with a nominal value of €0.45. During the year, 2,171 (2021: 1,861) shares were issued for the participation plan. In 2021, the final earn-out payment transaction relating to the Pas Reform North America acquisition in 2018 was completed.

No rights were assigned to taking shares in the capital of the company. Holders of ordinary shares are entitled to dividend distribution as approved on a regular basis by the General Meeting of Shareholders. Shareholders are entitled to one vote per share at the company's general meeting of shareholders. The company's authorised capital amounts to €2,250 thousand, divided into five million (5,000,000) shares of €0.45 each.

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

1.38.2 Share premium reserve

The share premium reserve can be considered as paid-up capital. The share premium reserve increased by €171 thousand due to the share issue in 2022 (2021: €100 thousand).

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 2022 amounted to €291 thousand positive (2021: €133 thousand positive) and was taken directly to shareholders' equity. This reserve is not distributable.

1.38.5 Other statutory reserves

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

1.38.6 Other reserves

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

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

1.38.7 Unappropriated result

The unappropriated result is the result of the financial year.

1.39 Earnings per share

1.38.8 Proposed profit appropriation

The proposal to the General Meeting of Shareholders is to set the dividend for the 2022 financial year at €6.00 per share. This dividend payment is in line with the policy of paying out at least 40% of the result after tax. The dividend will be paid out in cash. The net result after the dividend for 2022 will be added to the other reserves.

1.38.9 Minority share

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

1.39 Earnings per share

	2022	2021
Earnings attributable to shareholders (x €1,000)	15,927	15,118
Weighted average number of shares (x 1)	1,293,841	1,291,875
Earnings per share (x €1)	12.31	11.70
Diluted earnings per share (x €1)	12.29	11.68

Diluted earnings per share was calculated by allocating 1,927 (2021: 2,013) conditionally awarded shares to the number of shares.

1.40 Provisions

x €1,000	Personnel-related provisions	Personnel-related provisions (reorganisation)	Guarantees	Other	Total
Carrying amount as at 1 January 2022	1,758	749	782	1,666	4,955
Additions during the year	302	310	265	1,668	2,545
Withdrawals	-287	-97	-185	-54	-623
Transfer of current liabilities		-749		-2,230	-2,979
Released to the statement of profit or loss	-109		-225	-188	-522
Exchange differences	-12		-4	-3	-19
Deconsolidation					-
Carrying amount as at 31 December 2022	1,652	213	633	859	3,357

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

1.40.1 Anniversary provision

The anniversary provision is determined according to the 'Projected Unit Credit Method'. This provision is calculated on the basis of actuarial principles, taking account of expected likelihood to stay, salary increases and a discount rate of 0.59% on average (2021: 0.59%). For the most part, the term of the provision is longer than one year.

1.40.2 Restructuring

A restructuring provision was created at High-Tech Components during the year. At year-end, the provision only related to High-Tech 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 mainly relate to the phasing out of production at Polmer and SAR schemes. To determine the provisions, estimates have been made of future results and severance probability. There may therefore be variances between the carrying amount of the provisions on the balance sheet date and the actual outflow of funds. For the most part, these are non-current provisions.

SAR scheme:

The group's Management Board and a number of operating company board members have a SAR scheme under which they receive remuneration based on the company's increase in value over a period of four or five years. Unless Hydratec is sold to third parties, this increase in value is based on a rate of 2.5%-5% of 5 times the average EBIT over three financial years. The expected final value is based on the expected EBIT from Hydratec's Long-Term Plans rather than the expected value on sale to third parties. The SAR provision without exit was determined under IAS 19 using the "Projected Unit Credit Method". The liability is discounted at an interest rate of 4%. The estimated likelihood of remaining ranges from 65% to 100% during the period until the first right of exercise. The SAR is exercised if more than 50% of the shares in the group entity or group are transferred to a third party. The exit value in that case is the higher of 5 times the average EBIT over the last 3 financial years and the value based on the sale price. The probability of this happening is low and has therefore not been measured in accordance with IFRS 2. The SAR lapses if the employment relationship between Hydratec and a board member ends before exercise of the scheme, unless employment was terminated by death or pursuant to Article 7:669(3)(a) and (b). In that case, the board member is entitled to 33.3% of the amount. The SAR can only be exercised once within a period of one month after Hydratec's consolidated annual figures have been approved by the auditor, and no sooner than the term of the scheme.

For the group's Management Board, a maximum of 0.5% of the value is granted annually by the Supervisory Board, up to a maximum of 2.5% over the five years. The annual allocation to the group's Management Board is made at the discretion of the Supervisory Board. Hydratec estimates that an average of 80% of this will be granted in the next 4 years. For 2022, 100% has been allocated.

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 2021	1,008	4,337	5,345	-3,955	1,390
Movements	-201	-280	-481	346	-135
Carrying amount as at 31 December 2021	807	4,057	4,864	-3,609	1,255
Movements	-50	-373	-423	-703	-1,126
Carrying amount as at 31 December 2022	757	3,684	4,441	-4,312	129

For the most part, this is a non-current provision. The 2022 movement includes prior-year adjustments amounting to €72 thousand.

1.41 Financial instruments

1.41.1 Borrowings and lease liabilities

The borrowings relate to:

- ▶ a mortgage loan for financing property in Industrial Systems with a non-current part of €1.5 million due to mature in 2034 and an average interest rate of 5.40% (fixed);
- ▶ a mortgage loan for financing property in Industrial Systems with a non-current part of €5.3 million due to mature in 2039 and an interest rate of 3.45% (fixed);
- ▶ a general loan for High-Tech Components with a non-current part of €1.6 million. The remaining term to maturity of this loan is 2 years and 9 months. The variable interest component has been fixed at 4.90% by means of an interest rate swap for the term of the loan;
- ▶ a general loan for High-Tech Components with a non-current part of €1.6 million. The remaining term to maturity of the loan is 5 years and 6 months. 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 High-Tech Components with a non-current part of €0.8 million. The remaining term to maturity of this loan is 4 years and 6 months. The variable interest component has been fixed at 2.35% by means of an interest rate swap for the term of the loan.

x €1,000	Borrowings	Lease liabilities	Total
Carrying amount as at 31 December 2020	22,226	10,824	33,050
Borrowings drawn	35	3,568	3,603
Borrowings repaid	-2,702	-3,777	-6,479
Interest		472	472
Exchange differences	5		5
Carrying amount as at 31 December 2021	19,564	11,087	30,651
Borrowings drawn	-	2,160	2,160
Borrowings repaid	-6,723	-4,648	-11,371
Interest		-28	-28
Exchange differences	-		-
Carrying amount as at 31 December 2022	12,841	8,571	21,412
Of which current:			
At 31 December 2022	1,964	1,933	3,897
At 31 December 2021	6,305	1,863	8,168
Of which non-current:			
At 31 December 2022	10,877	6,638	17,515
At 31 December 2021	13,259	9,224	22,483

For the leased assets, see note 1.31.

The interest on lease liabilities recognised in 2022 amounted to €25 thousand (2021: €472 thousand). Cash flows from lease obligations amounted to €2.2 million (2021: €3.8 million).

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

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

1.41 Financial instruments

- ▶ 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 (2021: €0.2 million).

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 2020		-	429	- 460	889
Movements in fair value			-192	-87	-279
Barter transaction					-
Carrying amount as at 31 December 2021		-	237	- 373	610
Movements in fair value			-237	-90	-327
Barter transaction					-
Carrying amount as at 31 December 2022		-	-	- 283	283

The financial derivatives relate to:

- ▶ an interest rate swap to fix the variable interest rate component on the loan amounting to €1.9 million at year-end 2022, which is due to mature on 1 October 2025;
- ▶ an interest rate swap to fix the variable interest component of the loan amounting to €1.0 million at year-end 2022, which is due to mature on 1 July 2027; and
- ▶ an interest rate swap to fix the variable interest component of the loan amounting to €2.3 million at year-end 2022, which is due to mature on 1 July 2028.

The fair value is based on future cash flows over the term and volume of the contracts. This calculation is based on prices other than their quoted prices which are directly or indirectly observable and therefore qualify as a Level 2 estimate as defined in IFRS 13. The derivatives qualify as 'cash flow hedges' which are 100% effective as at year-end (2021: 100%). There is a direct economic relationship between the hedge instrument and the hedged item, the credit risk of the hedge instrument and the hedged item are similar, and there is a 1:1 hedge ratio. A hedge reserve has been created in shareholders' equity. Movements in the value of these swaps are recognised in the statement of comprehensive income.

1.42 Other taxes and social security contributions (liabilities)

x €1,000	2022	2021
Turnover tax	1,233	293
Wage tax	1,234	594
Pensions and social security contributions	1,619	1,158
Total other taxes and social security contributions	4,086	2,045

1.43 Current account at bank

x €1,000	2022	2021
Carrying amount as at 1 January	722	18,069
Withdrawal/repayment	783	-17,347
Current account at bank	1,505	722

No use had been made of the maximum available current account facility as at the balance sheet date (2021: the same). For notes to the group facility, see section 1.46.3.

1.44 Other liabilities, accruals and deferred income

x €1,000	2022	2021
Interest	111	73
Personnel-related expenses	10,003	6,414
Amounts received in advance	48,858	12,743
Commission due to agents	3,279	3,655
Accruals and deferred income and other liabilities	9,622	8,290
Total other liabilities, accruals and deferred income	71,873	31,175

1.45 Financial risk factors

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

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

1.45.1 Capital risk

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

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

1.45.2 Liquidity risk

Hydratec manages rolling forecasts of its liquidity position – comprising bank balances of €25.2 million (2021: €5.2 million) and the current account facilities at the bank of €1.5 million (2021: €0.7 million) – on the basis of projected cash flows. This is generally done at local level by the operating companies, within the guidelines and limits set by the Group. The Group's liquidity management furthermore includes monitoring bank covenants to meet the banks' requirements, and keeping up with repayment schedules.

Contractual cash outflow for current financial instruments is as follows:

x €1,000	Total	< 1 year	1-5 years	> 5 years	2021
Debts to credit institutions	12,841	1,964	5,393	5,484	19,564
Lease liabilities	8,571	1,933	3,934	2,704	11,087
Other financial instruments	400	100	300		500
Trade payables	19,857	19,857			20,306
Other liabilities, accruals and deferred income ¹	29,632	29,632			24,340
Interest on financial instruments	2,422	420	1,077	925	2,958

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

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

1.45.3 Credit risk

Management applies internal policies to manage credit risk, which is kept under constant supervision. If relevant, the creditworthiness of all third-party receivables is assessed, taking into account their financial position, past experience, macroeconomic developments 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 2022 was €25.3 million for Industrial Systems (2021: €25.4 million) and €22.2 million for High-Tech Components (2021: €21.1 million). Please refer to 1.34 for an analysis of the age of debtors.

1.45.4 Market risk

Hydratec is exposed to the following potential market risks:

- ▶ commodity price risk: the risk that fluctuations in procurement prices for raw materials adversely affect the companies' profitability;
- ▶ currency risk: the risk that the value of a financial instrument will change as a result of exchange rate fluctuations;
- ▶ interest rate risk: the risk that interest expenses will rise due to changes in market interest rates.

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

These risks are described in more detail below.

1.45.5 Commodity price risk

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

1.45.6 Currency risk

The Group holds monetary items in currencies other than the euro. Those in the consolidation relate mainly to Helvoet and Rollepaal in India, Helvoet in Poland, Polmer in Poland, Pas Reform North America in the US, and Pas Reform do Brasil and ION in Brazil. Local assets and liabilities are predominantly measured in local currencies. Fluctuations in currency exchange rates between the opening balance sheet date and the closing balance sheet date lead to valuation differences of such assets and liabilities in euros during the consolidation process. Such differences are recognised in the unrealised translation results in the Group's shareholders' equity. Please refer to 1.38.3 for more information.

On the basis of the monetary items in these subsidiaries at year-end 2022, 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 €103 thousand;
- ▶ a 10% fluctuation in the Brazilian real to euro exchange rate would result in a movement of €54 thousand;
- ▶ a 10% fluctuation in the Polish zloty to euro exchange rate would result in a movement of €81 thousand;
- ▶ a 10% fluctuation in the US dollar to euro exchange rate would result in a movement of €1.5 million.

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 2022. The swaps are measured at fair value. The change in value in 2022 was €291 thousand positive (2021: €133 thousand positive). Debts to credit institutions that are subject to an interest rate risk amounted to €1.5 million at year-end 2022. By contrast, the Group had cash and cash equivalents worth €25.2 million at the balance sheet date. If the interest rate rises by one percentage point, this will affect the result before tax by approximately €0.2 million positive.

1.46 Liabilities not shown on the balance sheet

1.46.1 Capital investment commitments

At year-end 2022, the Group had commitments for €1.3 million to procure plant (2021: €0.3 million).

1.46.2 Bank guarantees

The Group has provided bank guarantees to a total value of €3.1 million (2021: €8.1 million). These bank guarantees were mainly provided to customers for the successful completion of mechanical engineering projects.

1.46.3 Group facility

A Euribor group facility has been arranged for Hydratec at ABN AMRO Bank with a cash pool facility and mutual joint and several liability comprising an overdraft facility as of 31 December 2022 with a maximum of €44.0 million, which will be lowered by €1.5 million on 1 January every year, ultimately arriving at €36.0 million.

The mark-up for this 1-month average EURIBOR facility is 1.50% a year plus the applicable market premium (was 0.30% at the balance sheet date). A commitment fee of 0.50% also applies.

The current account changes day by day.

Concerning the credit agreement, the following voluntary agreements have been made as at 31 December 2022:

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

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

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

No use had been made of the maximum available current account facility as at the balance sheet date (2021: the same).

1.47 Related party transactions

No transactions with related parties took place in 2022 other than:

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

1.48 Events after the balance sheet date

No events took place after the balance-sheet date which lead to material changes. For instance, Hydratec plans to close the Hellevoetsluis site and relocate profitable operations to other locations. It is not yet possible to estimate the financial impact of this. This intention does not affect the actual situation as at the balance sheet date.

2022 company financial statements

Company financial statements as at 31 December before appropriation of result

x €1,000	Note	2022	2021
ASSETS			
Intangible fixed assets			
Goodwill	2.2	13,487	13,487
Software		53	69
Tangible fixed assets			
Right-of-use assets		109	107
Tangible fixed assets		20	25
Financial fixed assets			
	2.3		
Participations in group companies		89,920	78,374
Loans to group companies		1,724	10,693
Current assets			
Receivables from group companies		14,415	8,970
Other receivables, prepayments and accrued income		27	40
Cash and cash equivalents			
Bank		5,673	1,325
Total assets		125,428	113,090

x €1,000	Note	2022	2021
LIABILITIES			
Shareholders' equity	2.5		
Issued capital		584	583
Share premium reserve		6,499	6,328
Translation reserve		-2,132	-1,647
Hedge reserve		119	-189
Other statutory reserve		2,200	299
Revaluation reserve		1,120	1,128
Reserve for capitalised development costs		1,054	1,063
Other reserve		60,619	53,399
Unappropriated result		15,927	15,118
		<u>85,990</u>	<u>76,082</u>
Provisions	2.6	785	1,399
Current liabilities			
Debts to credit institutions	2.7	-	-
Trade payables		145	53
Debts to group companies	2.4	36,089	35,159
Other liabilities, accruals and deferred income		2,419	397
		<u>38,653</u>	<u>35,609</u>
Total liabilities		<u>125,428</u>	<u>113,090</u>

Company statement of profit or loss

x €1,000	Note	2022	2021
Operating costs			
Wages, salaries and temporary staff	2.9	-1,563	-1,197
Social security contributions and pensions		-126	-126
Other operating costs		<u>-1,453</u>	<u>-1,157</u>
Operating result		-3,142	-2,480
Financial income and expenses		<u>-126</u>	<u>-20</u>
Result before tax		-3,268	-2,500
Taxes		842	625
Result from participating interests		<u>18,353</u>	<u>16,993</u>
Net result		15,927	15,118

Notes to the company financial statements

2.1 Accounting policies

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

2.2 Goodwill

The goodwill recognised by the company of €13,487 thousand consists of the amounts related to Pas Reform/Lan Handling Technologies (2021: €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 2021	65,350
Result from participating interests	16,993
Group company dividends	-4,300
Translation reserve	198
Movements in hedge reserve	133
Other statutory reserve	
Capital contributions	
Balance as at 31 December 2021	78,374
Result from participating interests	18,353
Group company dividends	-6,614
Translation reserve	-500
Movements in hedge reserve	307
Other statutory reserve	
Capital contributions	
Balance as at 31 December 2022	89,920

Unless otherwise specified, Hydratec owned direct and indirect shares in the following companies as at 31 December 2022 (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.	Pune, India
Helvoet Rubber & Plastic Technologies GmbH	Gilching, Germany
Schwarzpunkt Schwarz GmbH & Co. KG	Gilching, Germany
Helvoet Polska Sp. z.o.o.	Kaniów, Poland
Rollepaal Pipe Extrusion Technology B.V.	Dedemsvaart, Netherlands
Rollepaal Inc.	Baltimore, US
Rollepaal Engineering India Pvt. Ltd.	Ahmedabad, India

2.3.2 Loans to group companies

x €1,000	Loans to group companies
Carrying amount as at 1 January 2022	10,693
Borrowings repaid	-9,133
Interest	164
Carrying amount as at 31 December 2022	1,724

This relates to two group company loans. The first loan has a book value of €1.7 million and a maturity date of 31 December 2032. The interest rate is 5% per annum. The fair value is in line with the value as recognised in the balance sheet. The second loan of €8.5 million had an interest rate of 1-month Euribor +1.95%. It was repaid in 2022.

2.4 Group companies

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

2.5 Shareholders' equity

Please refer to note 1.38 for the statement of changes in shareholders' equity. As at 31 December 2022 there were 1,294,976 shares outstanding (2021: 1,292,805 shares), each with a nominal value of €0.45. No rights have been assigned to taking shares in the capital of the company.

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

2.6 Provisions

x €1,000	2022	2021
Carrying amount as at 1 January	1,399	869
Transfer current	-2,227	0
Additions during the year	1,613	530
Book value as at 31 December	785	1,399

The provisions relate to SAR schemes. For a further explanation, see section 1.40.4. The term is non-current.

2.7 Debts to credit institutions

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

2.8 Liabilities not shown on the balance sheet

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

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

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

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

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

2.9 Personnel costs

The company had six employees in 2022 (2021: 6). Please refer to 1.25.3 for the remuneration of the Management Board.

Amersfoort, 16 March 2023

Management Board under the articles of association

- ▶ B. F. Aangenendt
- ▶ E. H. Slijkhuis

Supervisory Board

- ▶ E. ten Cate
- ▶ M. E. P. Sanders
- ▶ P. Veenema

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.

Contact details

Hydratec Industries N.V.

General information

Name of the company	Hydratec Industries N.V.
Legal registered offices	Netherlands
Legal form	Public limited company
Country of establishment	Netherlands
Address under the articles of association	Spoetnik 20, 3824 MG Amersfoort, Netherlands
Principal place of business	Amersfoort, Netherlands
Description	Hydratec Industries supplies Industrial Systems and High-Tech Components to sustainably meet the growing need for Food, Health and Mobility.

Contact details for each company

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Backcover



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