



Annual Report 2023



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The management report as referred to in Part 9 of Book 2 of the Dutch Civil Code monitors the elements from the foreword to the historical summary inclusive.

This version of the annual financial reporting of Hydratec Industries N.V. for the financial year ending on 31 December 2023 is not presented in the ESEF format as specified in the regulatory technical standards for ESEF (Delegated Regulation (EU) 2019/815). The set of ESEF reports can be downloaded at: <https://annualreport.hydratec.nl/downloads/>

Foreword

“The quality of our result increased in 2023.
We are happy with that.”



Dear shareholders, customers, employees and partners,

Hydratec has enjoyed wonderful, stable development over the past few years. We have achieved a great deal, and that provides a firm foundation in the changing world around us. Last year, we again saw social and economic developments that affected our company, both directly and indirectly. These included wars, armed conflicts and international tensions on Europe's doorstep. On the other hand, we finally saw supply chain problems ease over the year. Inflation has also fallen, but has not disappeared. Interest soared during the year to its highest point in decades. Wage costs rose and the industry gradually entered a recession.

Market developments

Amid these challenging circumstances, we managed to achieve a good result with our operating companies in 2023. The recovering supply chain brought more stability to our operations, allowing us to work more efficiently and increase margins. We took action in time by adjusting prices where possible. This increased our operating result (excluding non-recurring items) by more than 25%, while the revenue remained similar to the previous year. This means that the quality of our result increased last year – we're happy with that. We invested €11.6 million to increase our production capacity, among other things.

After a good start to 2023, the order intake fell over the course of the year. Unfortunately, after the difficult decision we had to make in April to close our Hellevoetsluis site, we were also forced to stop financing our site in Germany after the summer due to a sharp drop in revenue there. As a result, we had to file for bankruptcy there. All in all, the decision to close two Hightech Components sites had a one-off impact of €6.2 million on our operating result in 2023.

Even when we look at our sub-markets, 2023 was a year of contrasts. We saw a tentative recovery in Mobility, and revenue in this market increased slightly. The Food market remained stable after significant growth in the previous year, but the market was still reluctant to make investment decisions due to rising interest rates. The Health market showed limited growth in 2023. The speed of further growth here is strongly influenced by promising technical developments. The remaining markets saw a significant drop in revenue.

Focus on innovation

To stay competitive in the long run, we need to remain at the forefront. That's why we strongly believe in our innovative power as an accelerator for further growth. Innovations that reduce waste provide yet another incentive for a lot of our customers to choose our solutions. In addition, our social and sustainability agenda is inextricably linked to the future of our company and these aspects influence the innovation roadmap. We are convinced that Environment, Social and Governance (ESG) aspects align with our ambitions and objectives as a company. We are continuing to scout for opportunities to improve our products and production processes across the board, and we are working intensively with knowledge centres, universities and suppliers. We did more work in 2023 to prepare for the implementation of the new EU Corporate Sustainability Reporting Directive (CSRD). We want to ensure our reporting on ESG sustainability performance is compliant with this directive by 2024.

Passionate, dedicated employees

Dedicated employees are the beating heart of Hydratec Industries. We rely heavily on their expertise and employability. That is why it is of the utmost importance to attract new talent, but also to keep them on board once they have joined us. The shortage of technicians on the labour market continued in 2023, but did not lead to major problems for Hydratec. However, the workload has been high at times. So,

we have focused heavily on our employees' health and job satisfaction. Diversity in the workforce is also becoming increasingly important. In 2023, we produced a diversity policy and launched further initiatives to make diversity and inclusion even more visible within our company. We are convinced that this will drive innovation and that different perspectives lead to better decisions. We will, however, need to focus firmly on attracting enough female employees at a clearly technically-oriented organisation. However, we do see great potential here.

“We firmly believe that diversity drives innovation.”

Stock market listing

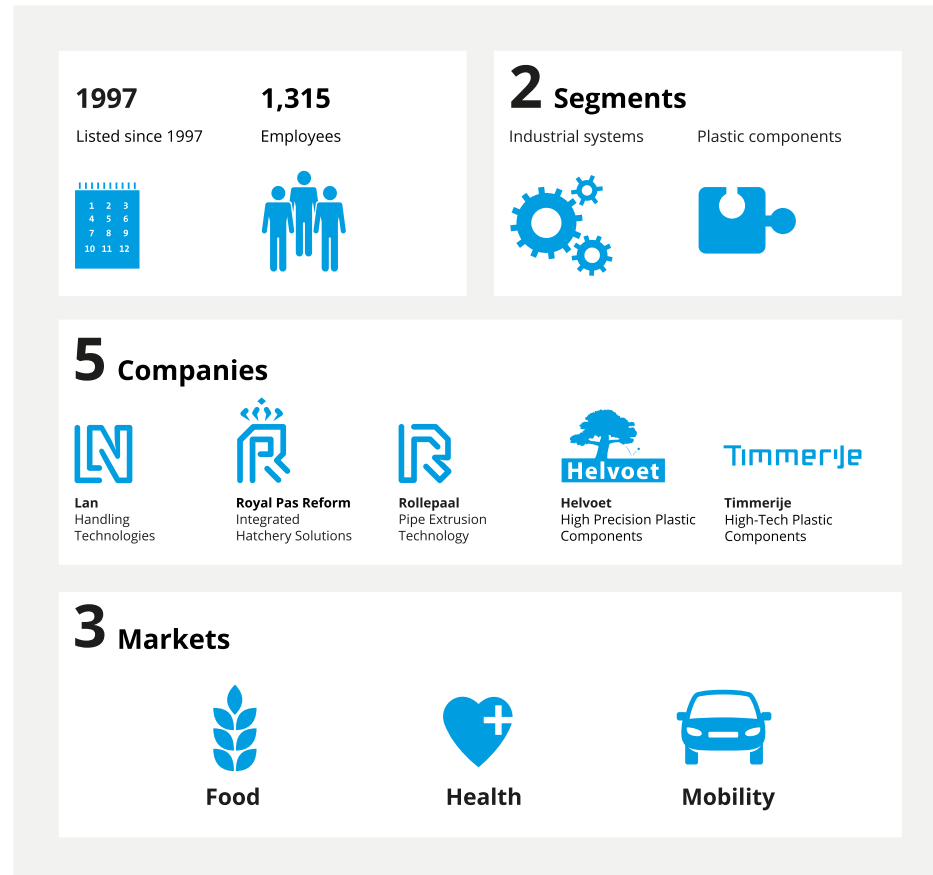
Hydratec Industries has developed well on the stock market. We have achieved a great deal, and that provides us with a firm foundation for the future. Our stock market listing has done a lot for us, but in recent years, the drawbacks as well as the costs have started to outweigh the benefits. An agreement was therefore reached with Ten Cate Investeringsmaatschappij on 18 January 2024 on a recommended public bid, with the aim of delisting the company. The intention is to end the stock exchange listing after 27 years this year.

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

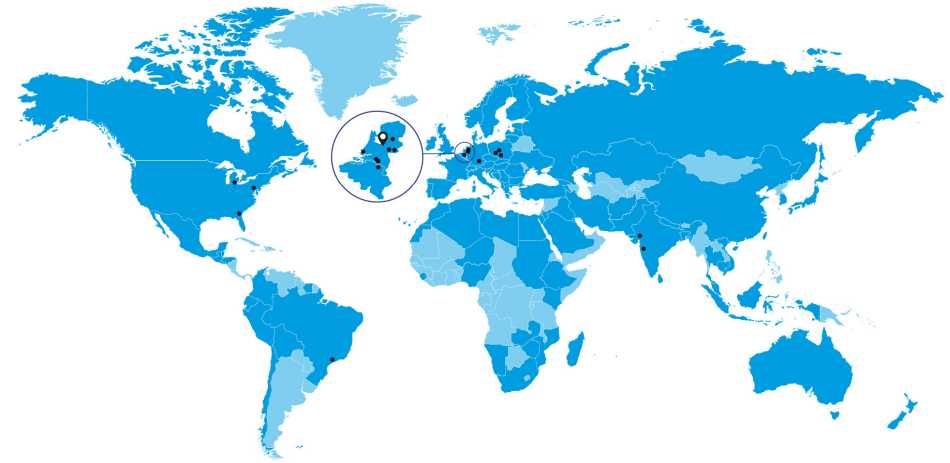
Bart Aangenendt, CEO

Company profile

Technology company Hydratec Industries supplies Industrial Systems and Hightech 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 1,315 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, India, Poland and the US. About 50% of our staff live and work in the Netherlands.

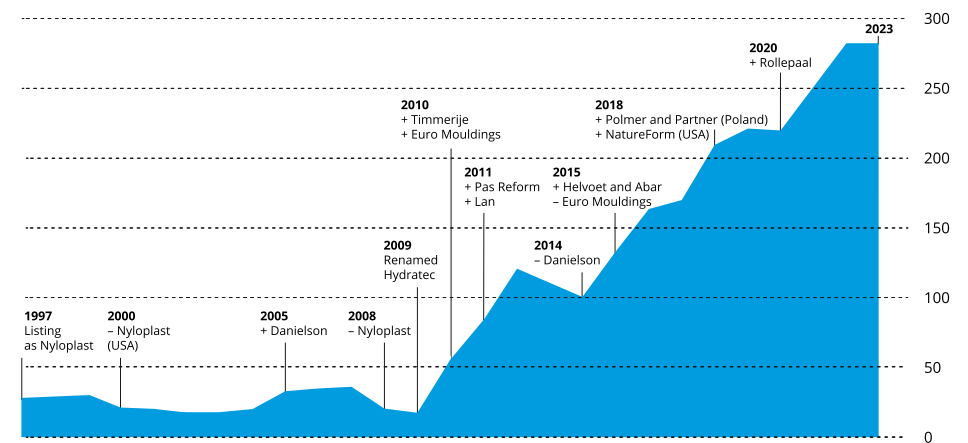


Global operations



Milestones

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 2023 was 1,297,212 shares.

Reports on shareholdings

The following shareholdings greater than 3%, disclosed in the context of the Dutch Financial Supervision Act, were known at 31 December 2023:

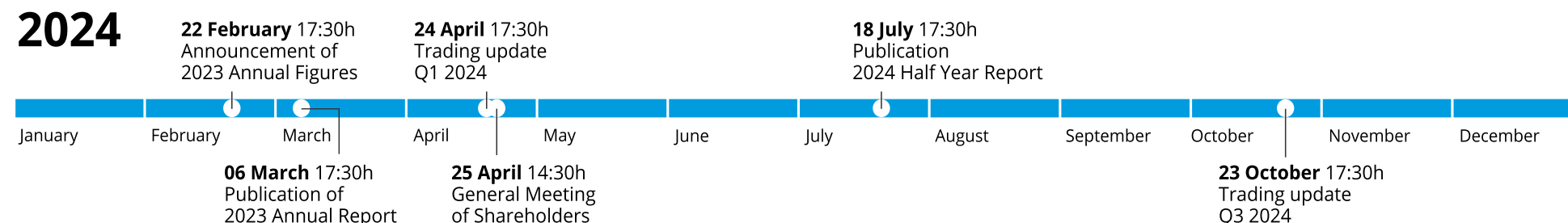
Shareholder	Interest	Date of notification
A. C. ten Cate	23.3%	21 March 2017
F. ten Cate	23.3%	21 March 2017
J. ten Cate	23.3%	21 March 2017
B. F. Aangenendt	5.5%	28 June 2016
P. C. Van Leeuwen Beheer B.V.	4.5%	27 June 2022
M. Spiersma	3.2%	2 December 2014

Financial data per ordinary share

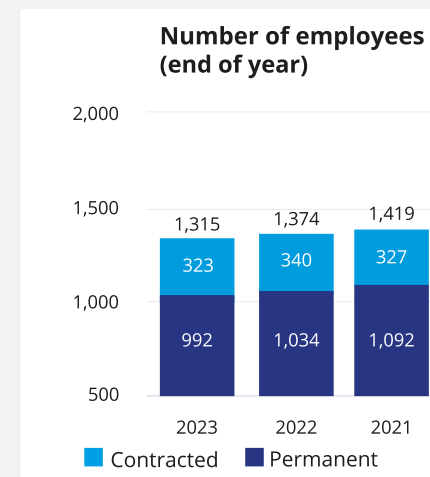
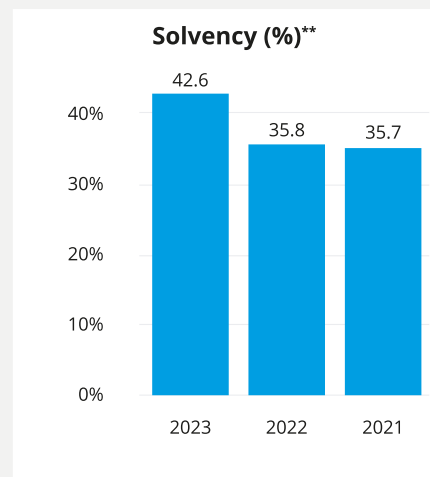
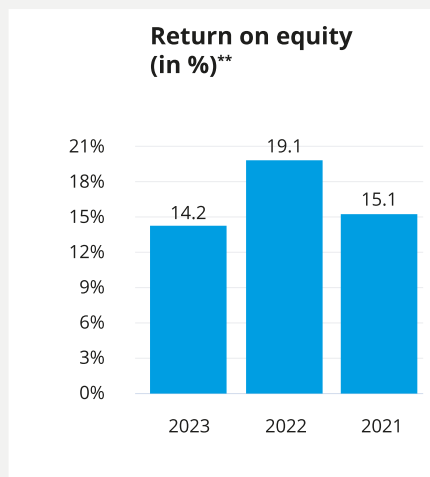
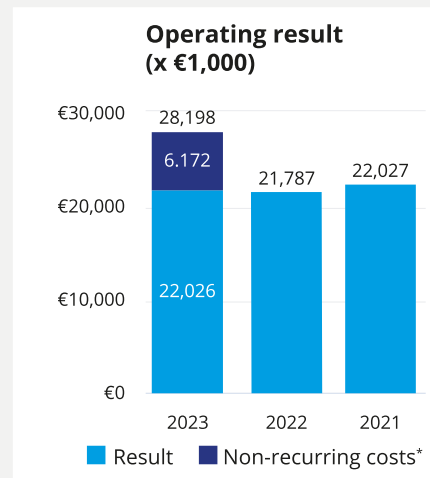
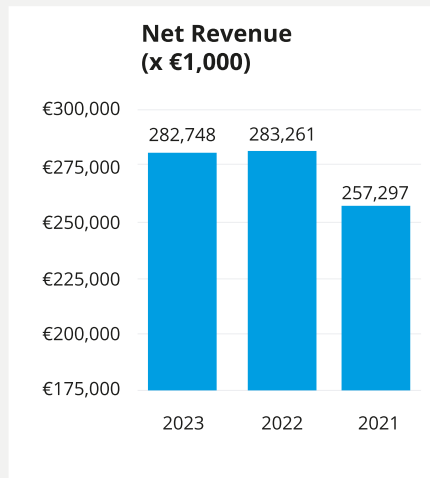
Amounts in euros, unless stated otherwise	2023	2022
Number of outstanding shares	1,297,212	1,294,976
Weighted average number of shares	1,296,094	1,293,841
Operating result	16.99	16.84
Profit	12.11	12.31
Shareholders' equity attributable to Hydratec shareholders	72.38	66.46
Available cash flow ¹	-5.05	26.88
Proposed dividend	0.00	6.00
Price at year-end	90.0	73.0
Lowest price	73.0	68.0
Highest price	94.0	94.0

¹ Sum of operating and investment cash flows

2024 financial calendar



Key figures



* One-off costs of €6.2 million relating to the closure of Hellevoetsluis and insolvency of Helvoet Germany

** For the method of calculation, see the multi-year overview

Highlights

Ebit % Hydratec Industries

10,0%*

2022: 7,70%

Ebit % Industrial Systems

15,20%

2022: 10,9%

Ebit % Hightech Components

4,6%*

2022: 6,1%

Hydratec: on 18 January 2024, a recommended public bid was agreed between Hydratec and Ten Cate Investeringsmaatschappij.

Industrial Systems: record EBIT through markedly improved margins.

Hightech Componenten: closure of operations in Hellevoetsluis and Germany, and investment in expanding capacity in Neede.

** Corrected for non-recurring costs of €6.2 million for the closure of Hellevoetsluis and Helvoet Germany*

Personal details

Supervisory Board

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.

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

- ▶ Chair 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

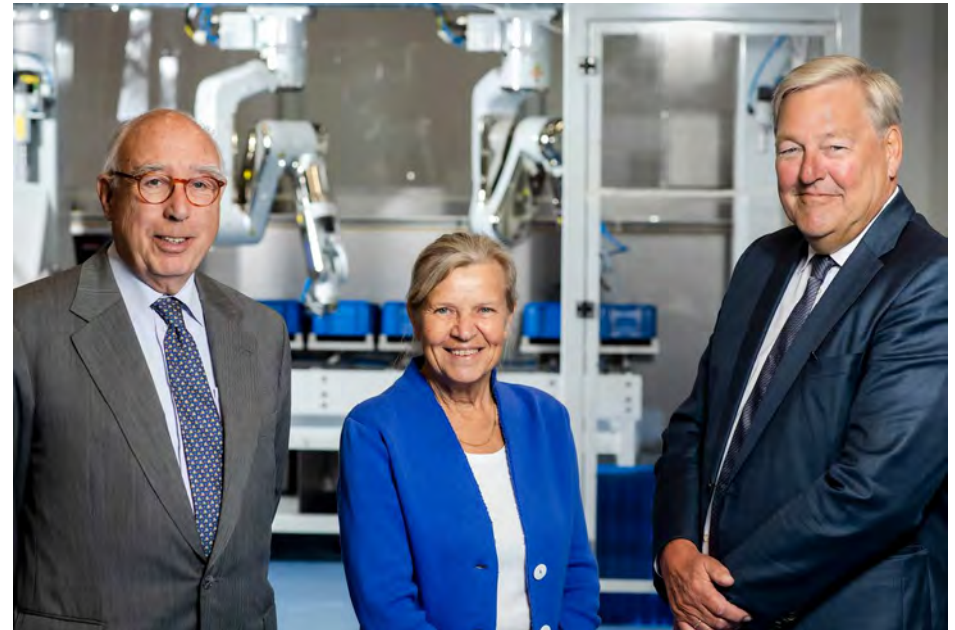
Ms Mr P. Veenema (1955), member of the Supervisory Board and Audit Committee

- ▶ 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.



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

Management Board

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 holds supervisory positions at Kendrion N.V. and Deventer Ziekenhuis.



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

Industrial Systems

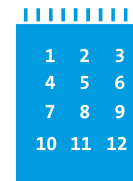
The Industrial Systems segment includes Original Equipment Manufacturers (OEM) that market complete systems under their own brand name. These sustainable production systems respond to the growing global demand for food and clean drinking water. Our companies' innovative and integrated solutions help to minimise wastage in customers' production processes. Industrial Systems' major market segments are the global poultry, convenience food and animal feed 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 smart specialisation and standardisation to remain cost-effective and reduce the 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 develop and launch new products – for existing customers too – which perform more functions and generate added value.





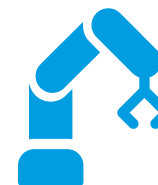
Lan Handling Technologies



50+
years



120+
colleagues



500+
systems



Lan Handling Technologies has specialised in developing and producing sterilised product handling systems and end-of-line automation for the global food and packaging industries for over 50 years. Lan supplies both multinationals and fast-growing startups, covering the whole process from concept to commissioning. Design, construction, assembly and installation are all handled in-house.

Smart modularisation

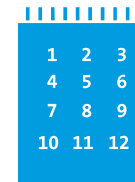
Thanks to its smart use of modularisation in the product portfolio, Lan offers a comprehensive range of customer-specific solutions based on the latest technology. More than 500 high-quality systems have already been installed worldwide. Lan develops its automated packaging solutions at its plants in Tilburg and Halfweg in the Netherlands and Jacksonville, USA. 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. One example is the new automatic crate unfolding machine.

Close collaboration

Greater efficiency, increased product diversity, attention to traceability, energy consumption and zero waste have an impact on the sustainable 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.



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 it was founded, 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.

Incubation process research

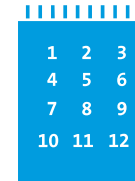
The Pas Reform Academy is at the heart of the company. In close collaboration with customers and universities, it conducts research into the effect of the incubation process on chick embryo development. Royal Pas Reform uses this specialist expertise to develop new, innovative products and services for 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 SmartVac, a new technology for safe in-ovo vaccination.

International service

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.



Rollepaal Pipe Extrusion Technologies



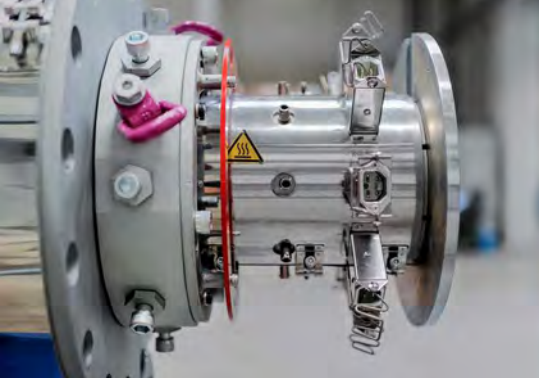
50+
years



130+
colleagues



5000+
units



Rollepaal is a cutting-edge manufacturer of extrusion machines for PVC, PVC-O, multilayer and PO pipes. These high-tech systems 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.

Reducing material usage to a minimum

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 minimise unnecessary weight and control the thickness of the walls, thus reducing the cost of their products and contribute to a better environment. The Rollepaal PVC-O pipes have the lowest carbon footprint of all pressure pipes.

Global service and maintenance

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 offices in the Netherlands (Dedemsvaart), the US (Baltimore) and India (Ahmedabad) as well as from agents all over the world.



Hightech Components

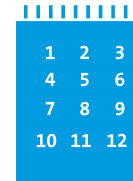
Companies in the Hightech Components segment focus on manufacturing complex parts or plastic assemblies. Plastic is a relatively new raw material, and demand for it continues to rise. This material's unique properties mean that it will play a crucial part – as a replacement for metal, for instance –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

The Hightech 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 Hightech 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 recycling raw materials. Limiting energy consumption and transport costs is also becoming more important. This helps customers to attain their sustainability goals.



Timmerije

Timmerije Hightech Plastic Components



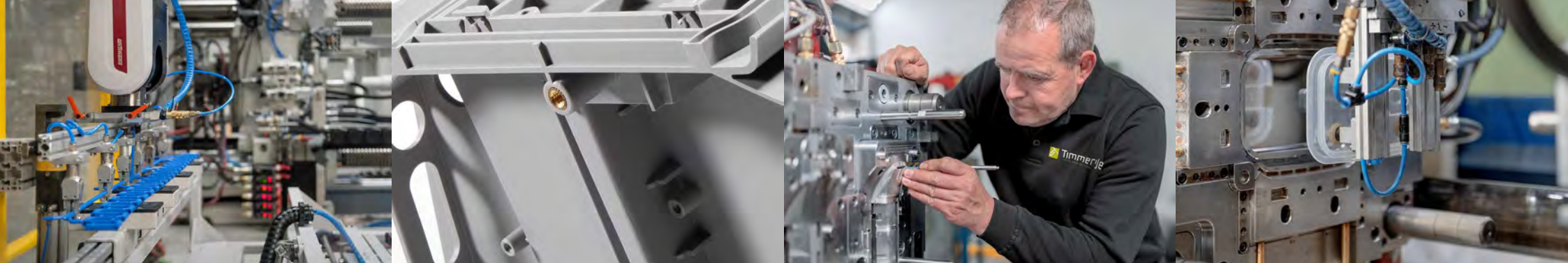
90+
years



130+
colleagues



50+
injection moulding
machines



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

Variety of applications

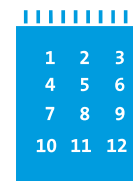
The high-quality plastic products and assembly of components find their way to a wide range of applications, from climate control systems to lorries, and from bicycle parts to coffee machines. The company controls the entire process and has its own engineering department, toolmaking facility and assembly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

Machines, specialists and quality

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.



Helvoet High Precision Components



80+
years



750+
colleagues



140+
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.

Unique position in precision parts

Helvoet develops products made from plastic (thermoplastic and thermoset), silicone casting 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. Take new technology for cardiac test assessments for example. 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 improvement

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.

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 Hightech Components makes Hydratec Industries more agile and resilient to market fluctuations.

Innovation is the key

Hydratec Industries' independent, versatile companies develop smart products and functions which contribute to customers' success. 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 and design. We equally provide consultation, paying special attention to improving sustainability and preventing waste in particular.

Leading positions

We aim for leading positions in the various niche 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 the product range at existing customers. We invest a lot of effort in various Operational Excellence programmes to prevent wastage in our own and 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. CSRD legislation also encourages us to make this more transparent.

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. Our operations at Hightech Components are process-oriented, which means that the fluctuations are generally less significant than at 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 2023. All operations were able to adapt quickly and as they saw fit to the circumstances, such as the sharp rise in the interest rate and developments in the supply chain and the labour market. In addition, we have a cost-efficient structure, with limited central staffing, which reduces 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. We evaluate strategic market positions and market options for each segment and perform a SWOT analysis annually. This leads to decisions on long-term investments and 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 for each business to have 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 will create room for investment in people, innovation and growth, and space to handle setbacks. We set a longer-term operating result target for each segment unless special economic circumstances arise or adjustments are needed in the organisation.

For Industrial Systems this is at least 10%, and for Hightech Components at least 8%, which is consistent with the Hydratec Industries growth target and a minimum solvency target of 30%.

Growth

It is our ambition to continue to grow in terms of both quality and quantity with the activities we pursue at present. The key drivers for this are world population increase 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 'buy and build'. In 2023, some acquisition opportunities arose in the Systems segment, but have not yet led to a result. We will dispose of operations that have insufficient long-term potential for Hydratec Industries and can develop better structurally within other organisations.



Food

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



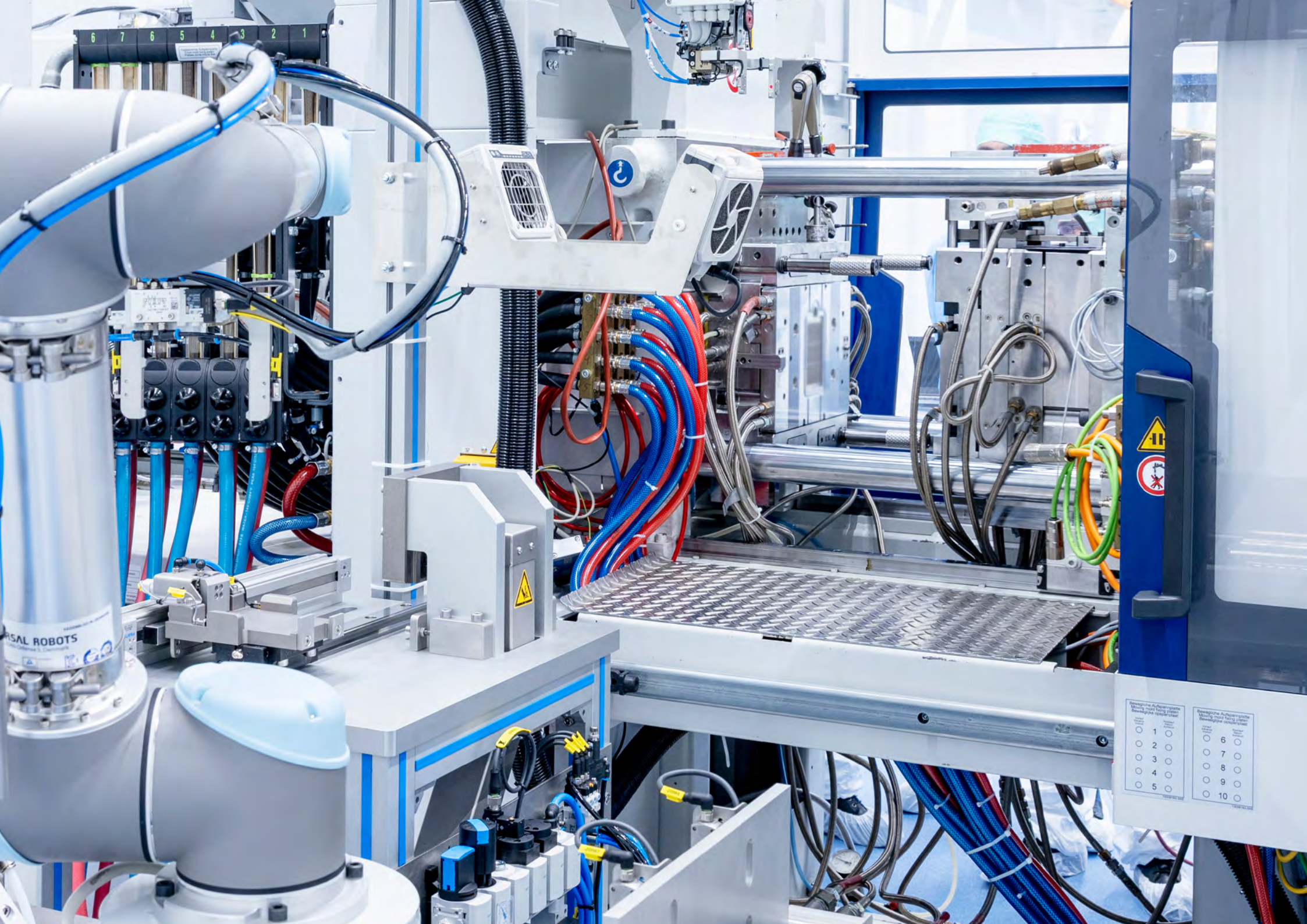
Health

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. These reduce weight, which in turn reduces fuel consumption and emissions.



KUKA ROBOTS



Benötigte Aufreißerplatte Menge: 1000 Stück Bestellnummer: 123456789		Benötigte Aufreißerplatte Menge: 500 Stück Bestellnummer: 987654321	
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<input type="radio"/>	2	<input type="radio"/>	7
<input type="radio"/>	3	<input type="radio"/>	8
<input type="radio"/>	4	<input type="radio"/>	9
<input type="radio"/>	5	<input type="radio"/>	10



Lan
Crate erector



Unfold foldable crates automatically

“Lan’s compact, automatic crate erector is suitable for unfolding all types of crates. This allows manufacturers and retailers to reduce the number of empty crates dispatched and ergonomically improve physically demanding and repetitive tasks in the production process.”



Hydratec helps prevent waste from secondary packaging materials.



Want to learn more?

Watch the video about this innovation.

Sustainable long-term value creation

We aim to add value to society based on our strategy, both in the Netherlands and internationally. We have depicted the value creation model in a diagram to highlight the positive impact.

An eye for sustainability

The social and sustainability agenda is an intrinsic part of our company's future. It also has a bearing on the value creation model. We are convinced that the interests of Environment, Social, Governance (ESG) aspects align with our interests as a company. We are preparing for the impact of the EU's Corporate Sustainability Reporting Directive (CSRD) and analysing what it will mean for our value creation and reporting obligations in the medium and long term. In 2023, we commissioned a double materiality analysis, which covered the ESG focal points:

Environment

- ▶ GHG emissions – reducing our own emissions and those in the value chain
- ▶ Circularity – optimising the use of raw materials by applying circular principles

Social

- ▶ Safety – ensuring safe cultural, physical and social working conditions
- ▶ Employee development – providing continuous learning and growth opportunities
- ▶ Diversity, fairness and inclusion – creating a diverse and inclusive workforce as well as diverse and inclusive working conditions

Good governance

Responsible operations - promoting ethical behaviour by our employees and also in the supply chain.

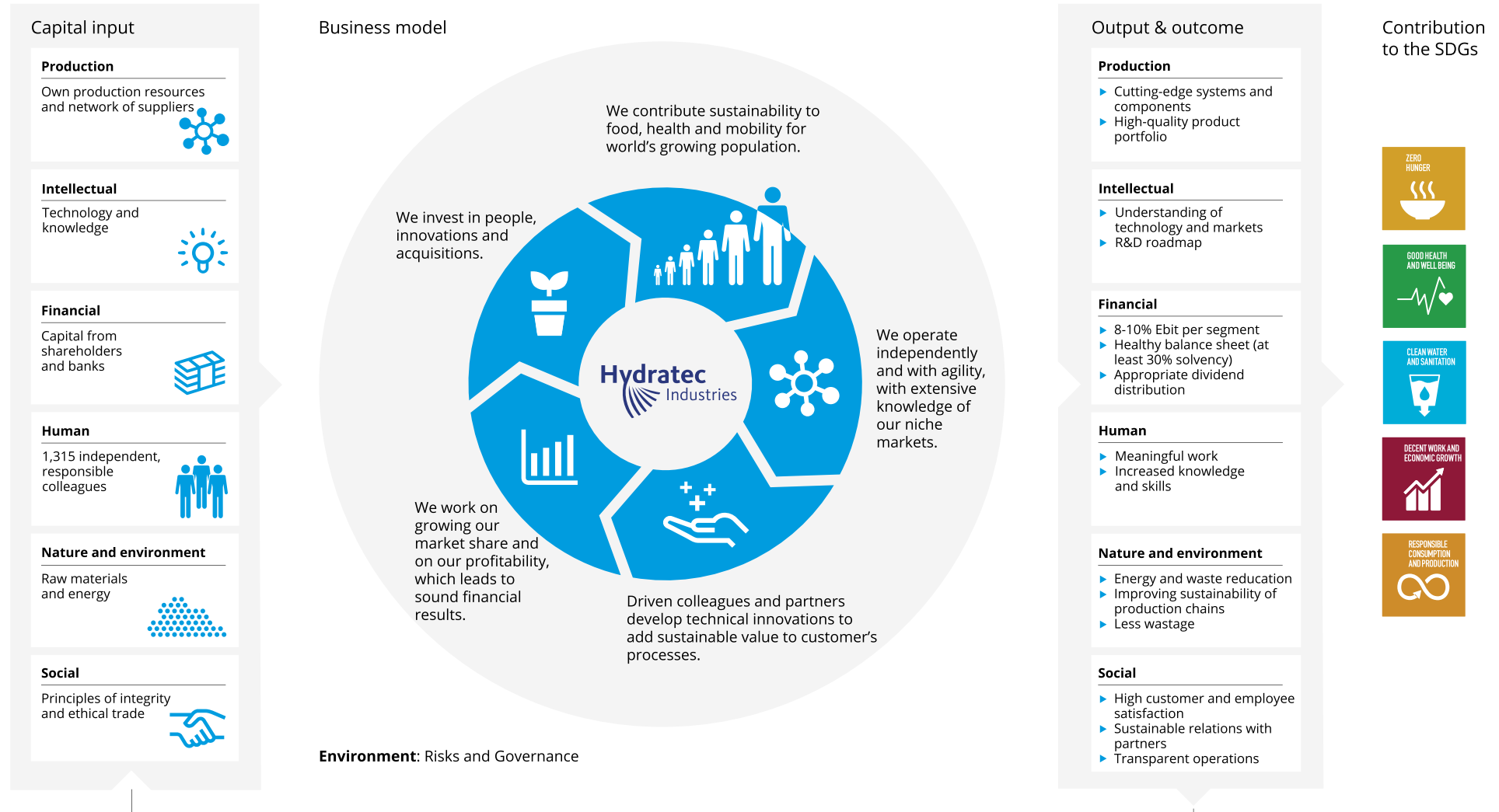
Inputs, outputs and outcome

Based on the six defined ESG focal points for CSRD, we have defined KPIs for our capital. Through these KPIs, we will be further implementing accountability on our activities over the 2024 reporting year and will be able to transparently demonstrate how we are performing on these focal points. For reasons of comparability, the annual report for 2023 is restricted to the KPIs that we can reliably present at this time. The chapters describing the developments in 2023, for example, discuss the KPIs in more detail.

Business model

Our business model is the central focus of our value creation model and it starts with the aim of using Industrial Systems and Hightech 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 to tackle waste. 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.

Value creation model



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 own initiatives, objectives and strategy on the one hand, and the expectations of our stakeholders on the other. Using this method, we selected five development goals:



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. We 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 Hightech 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 health and food safety. In our Industrial Systems segment, we develop and supply systems for producing sustainable 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 2023





Markets and production

Industrial Systems

Production facilities



2022: 7

Countries with revenues



2022: 96

Key market developments

Within Industrial Systems, Food is the most significant end market. We serve the key sub-markets through seven production sites in the Netherlands, the United States, India and Brazil. These are the global poultry, convenience food and animal feed 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 sub-markets. In 2023, we generated €162 million (+3%) of revenue in 105 countries (2022: 96). 98% of revenue was achieved outside the Netherlands (2022: 97%). The reluctance to invest has led to a significant drop in revenue in Europe, a strong drop in Asia and even a sharp drop in Africa. This was offset by a sharp increase in revenue in North America. The North American market is becoming increasingly important and local presence is crucial. That is why we opened a Lan Handling Technologies branch in Jacksonville in 2023. To do so, we used the existing structure of Pas Reform North America.

The rise in the interest rate during the year led to customers' reluctance to invest. We saw that decisions took longer to make, although the strategic need of investing in automation and materials-saving solutions did not decrease. Our order book, which was particularly full at the beginning of 2023, fell to a normal level over the course of 2023. At 128, the number of projects above €50,000 showed a limited decrease in 2023, compared to last year (139). Demographic developments increase long-term demand in Africa and Asia. Maintaining a strong market position with high-profile customers remains crucial in every region.

Projects > 50K



2022: 139

Main production developments

The turmoil we saw in the supply chain at Industrial Systems alleviated during the year, making production of our systems more efficient. Materials were more readily available and had shorter and more reliable delivery times. Prices were also more predictable than in the previous year. As a result, we were able to markedly increase margins. Standardisation and modularisation remain key projects to deliver cost-effective solutions for our customers through the reuse of solutions.

At Lan, after the production of handling systems for the animal feed industry peaked in previous years, production decreased sharply in 2023. However, the company benefited greatly from the increased volume flexibility in production, which still led to a good result. We added some appealing customers to the portfolio in 2023. Local service and sales activities are now in full swing from our new US site, and this has already led to concrete results.

At Royal Pas Reform, production of hatchery systems for chicks rose considerably in 2023. The position of the total solutions provider is particularly strong in the United States. Revenue in the United States again showed a sharp increase. The outsourcing model used for this in the Netherlands has now also been introduced at our US site. The first patented in-ovo vaccination systems were put into operation in 2023 and contributed to revenue through a leasing structure.

At Rollepaal, the production of pipe extrusion systems increased significantly again in 2023. The organisation has been able to scale up with increasing revenue. Much focus is on the smart use of modularisation in the product portfolio, so that Rollepaal can offer a comprehensive palette of customer-specific solutions based on the latest technology.

Hightech Components

Production facilities



2022: 7

Countries with revenues



2022: 38

Key market developments

Hightech Components' most important markets are Mobility, Food and Health. In 2023, we decided to close two sites and concentrate production on five locations in four countries (the Netherlands, Belgium, Poland and India). The components were exported to 35 countries in 2023 (2022: 38), resulting in revenue of €121 million. This is a limited decrease compared to 2022 (5%). Our innovative strength mainly focuses on autonomous driving and electrification within the automotive market, which comes under Mobility. In recent years, that market has experienced a particular dynamic, with the Covid-19 pandemic and the Ukraine war successively

leading to very high inflation and chip shortages. Over the course of 2023, supply chain shortages were reduced and the Mobility market returned to normal somewhat. Overall, revenue in the Mobility market showed a limited increase compared with 2022.

The Food market was stable for Hightech Components in 2023. 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. In the Food market, revenue was comparable with 2022.

Revenue in the Health market showed only a limited increase in 2023 after a significant increase in 2022. The reduction in inventories of existing products was compensated by stocking up on new products. In particular, regular high-volume production for new MicroFluidics cartridge applications picked up in 2023. This development also 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. The remaining markets saw a significant drop in revenue.

Production developments

Number of injection moulding machines



2022: 213

With 195 injection moulding machines, Hydratec had 18 fewer (-8.5%) machines in use at the end of 2023 than at the end of 2022.

For various reasons to do with our customers, operations on the German site dropped so much that it was no longer financially viable, and bankruptcy has been filed for. There was no prospect of recovery within a reasonable period of time, and losses were very rapid. This means that approximately 30 people are no longer employed at our company.

Another major decision for Helvoet was to concentrate production in the Netherlands at one site in Tilburg. A complex logistical operation was launched for this purpose, which began in 2023 and will continue in 2024, involving many parties. Operations in Hellevoetsluis are expected to come to an end in 2025. In the meantime, we are fully focusing on scaling up MicroFluidics projects in cleanroom conditions.

Standardisation in the Mobility market led to a marked increase in revenue in Belgium, which also created a sharp improvement in the results. The focus going forward will be on diversifying supply, including outside the Mobility market. The production company in India continued to experience significant and healthy growth. This too is serving more and more customers outside the Mobility market.

At Timmerije, production dropped significantly in 2023, due to a rather sudden fall in demand in the second half of the year. After the supply chain problems abated, our customers focused on reducing inventories in the distribution chains. This led to a decrease in revenue. As several new customer projects have been launched in Neede to manufacture complex, often composite parts, the planned investment to expand capacity and increase efficiency has gone ahead. New injection moulding machines were installed in 2023 and a docking station will be set up to make logistics operations more efficient and prepare us for future growth.



Royal Pas Reform
In-ovo vaccination system



SmartVac in-ovo vaccination

“In-ovo vaccination in poultry is made safe thanks to Royal Pas Reform’s SmartVac technology. Using smart sensor technology, the vaccine is only injected into the amniotic fluid of the hatching egg. This prevents injury to the embryo and boosts animal welfare.”



Hydratec helps improve the food production process.



Want to learn more?

Watch the video about this innovation.



Intellect and innovation

Intellectual capital and innovation are 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. Digitalisation is playing an increasingly important role in this.

Understanding processes

Project engineering
Hightech Components

69,651
uur 

2022: 54,141

In our drive for innovation and improvement, our customers are the biggest source of inspiration: if we understand their processes in depth – sometimes better than customers themselves – we can identify opportunities to improve them materially and effectively. We are looking for cooperation wherever possible, with our customers of course, but also with suppliers and knowledge institutes, such as universities and colleges. Together, we have more knowledge and innovative strength.

Innovation within Hightech Components

Within Hightech Components, innovation happens on projects where we work with the customer on new applications. In 2023, we spent almost 69,700 hours (29% higher than in 2022: 54,100) on these projects.

Many of these are projects in which valuable, natural or scarce materials such as wood, glass or metal are replaced by a constructive, preferably recyclable plastic.

As well as applying an innovative solution, we also pay a lot of attention to future-proofing it. Wherever possible, we encourage the use of recycle and employ design-for-recycling techniques. This often requires other techniques and designs than have been customary until now. One example of this is processing hospital waste into high-quality seats and seatbacks, which we developed in collaboration with the Fair Furniture Group.

Innovation in nanoplates

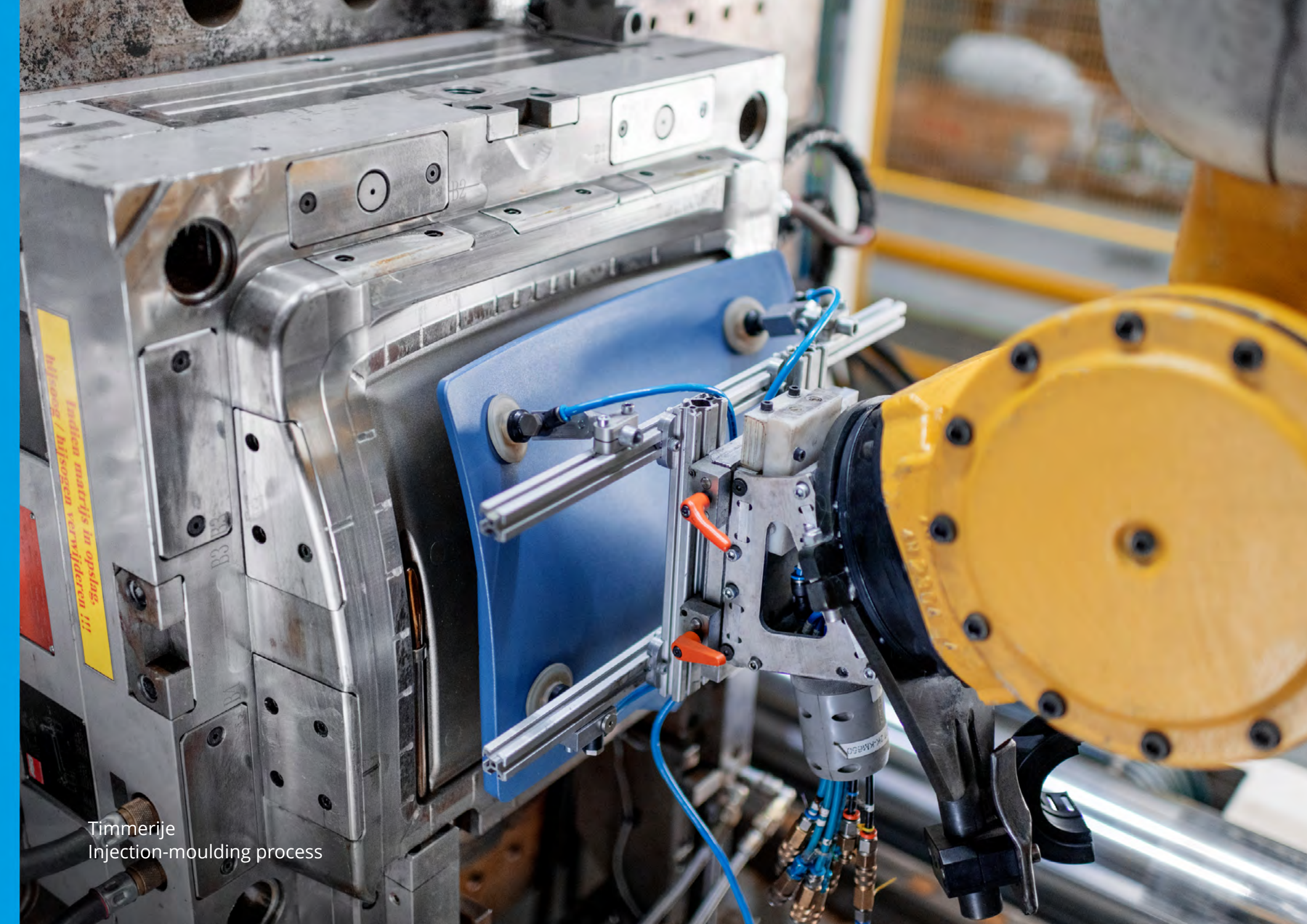
In the Health market, the demand for innovative testing methods is on the rise. These are supported with nanoplates, where liquids are inserted into very narrow channels. These plates are used in diagnostic equipment and point-of-care instruments. Hydratec developed nanoplates together with Qiagen for digital PCR testing. These are now produced in large batches.

Innovation within Industrial Systems

Innovation within Industrial Systems focuses on reducing waste in our customers' processes. In doing so, we stand out by adding value to those processes. One example of this is how we have developed production lines for PVC-O. Stretching PVC pipes to PVC-O during production can save up to 60% in material. This technique has also been available since 2023 for pipes with diameters up to 630mm. This further increases their areas of application.

Many innovations within Industrial Systems are created through our in-depth knowledge of the niche markets where we operate. In the Food market, the use of foldable crates is increasing, which reduces the number of shipments of empty crates. But unfolding and refolding such crates en masse is a challenge. That is why Lan Handling Systems has developed a compact automatic crate erector that can fold and unfold multiple crate types.

For the poultry industry, we also developed a new vaccination system for hatching eggs. Thanks to high-quality sensor technology, vaccines can now be administered to the amniotic fluid in eggs without injecting the chicks themselves. This prevents injury to the developing embryo and boosts animal welfare.



Timmerije
Injection-moulding process



From hospital waste to a chair fit for the future

“Timmerije, together with its customer and raw material supplier, has developed a technique to reuse residual material from operating theatres to produce chairs.”



Hydratec helps to make functional new products from residual waste.



Financial developments

x €1,000	2023	2022
Statement of profit or loss		
Net revenue	282,748	283,261
Operating result	22,026	21,787
Net result	15,797	15,820
Cash flow		
From operating activities	4,735	43,459
From investing activities	-11,285	-8,681
From financing activities	-7,408	-14,577
Net cash flow	-13,958	20,201
Balance sheet		
Shareholders' equity attributable to shareholders	93,817	85,990
Shareholders' equity	94,030	86,089
Balance sheet total	220,920	240,319
Key ratios		
Operating result as % of revenue	7.8%	7.7%
Profitability of capital invested ¹	14.2%	19.1%
Profitability of shareholders' equity ²	17.5%	19.7%
Solvency ³	42.6%	35.8%
Number of outstanding shares	1,297,212	1,294,976
Earnings per share (in euros)	12.11	12.31
Number of own employees ⁴	991	1,032

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.

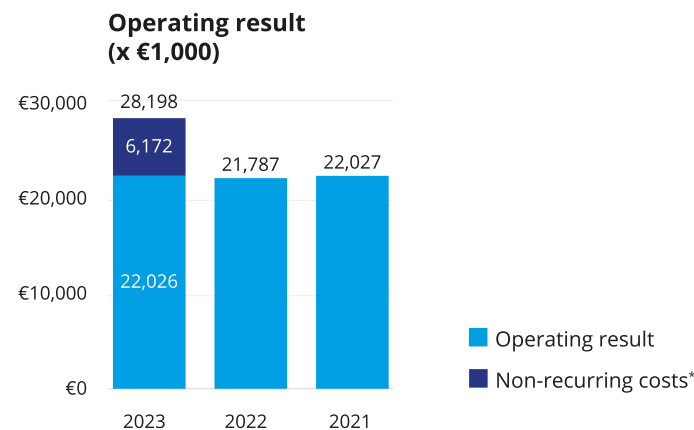
³ Shareholders' equity as a percentage of the balance sheet total.

⁴ Own employee FTEs at year-end.

Result for 2023

Revenue in the year 2023 totalled €283 million. That is equal to 2022 (€283 million). Industrial Systems achieved an increase in revenue. On the other hand, revenue fell at Hightech Components. The margin (52.0%) improved in 2023 compared with 2022 (49.5%) thanks to fewer supply chain disruptions and, therefore, a better match between sales and purchase prices.

Operating costs (total operating costs minus consumption, materials and consumables) amounted to €125 million in 2023 (2022: €118 million). This includes €6.2 million for one-off closure and reorganisation costs. The €6.2 million of non-recurring costs consists of wages, salaries and temporary staff (€4.3 million), other operating costs (€1.3 million) and impairment (€0.6 million). Excluding these one-off costs, operating costs have remained at the same level as last year, despite inflation and collective bargaining increases.

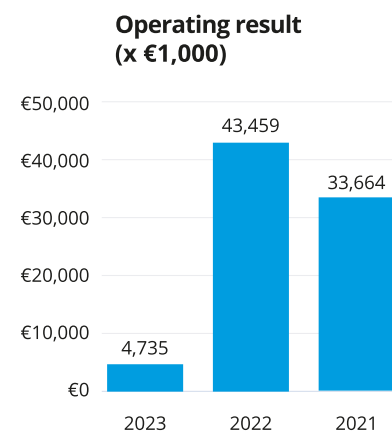


* One-off costs of €6.2 million relating to the closure of Hellevoetsluis and insolvency of Helvoet Germany

Its operating result stood at €22.0 million, which was €0.2 million higher than last year. Excluding the non-recurring costs of €6.2 million, the operating result would have been €6.4 million higher than in 2022, i.e. €28.2 million. Interest expenses remained roughly the same. The interest rate on short-term debt increased, but the net debt position was more favourable. The 2023 tax rate was 25.0%, higher than in 2022 (24.2%). The participating interest was written off due to the bankruptcy of Helvoet Germany. This leads to a liability of €0.9 million. The net result ended at €15.8 million, equal to the previous year.

Cash flow

The operating cash flow in 2023 was €4.7 million (2022: €43.5 million). Whereas in the previous year, there were a lot of projects scheduled in advance, our positive position on projects fell again in 2023. In total, we invested €11.6 million last year. A large part of this went on the expansion of the site in Neede. Moreover, there were mainly investments in production machines and a cleanroom. Payment of dividends, repayment on long-term loans, lease liabilities and changes to the current account position have resulted in a negative cash flow of €7.4 million. On balance, the net cash flow was €14 million negative.

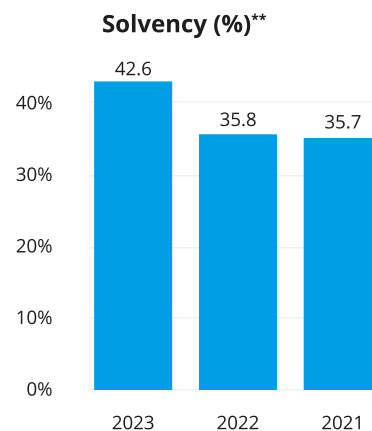


Financial position

The balance sheet total decreased from €240 million in 2022 to €221 million for the past year. Contract assets and liabilities, inventories and advance payments on projects by debtors decreased. In addition, the negative cash flow had a negative impact on the balance sheet total.

As at the balance sheet date, Hydratec Industries N.V. had drawn €7.6 million on the overdraft under the credit facility available as at 31 December 2023 with a total amount of €42.5 million.

Solvency at the end of 2023 was 42.6% compared to 35.8% in 2022 and has thus significantly improved. The debt/EBITDA ratio amounts to 0.73 at the end of the year, which is well within the agreements set out in the bank covenant.



** For the method of calculation, see the multi-year overview

Financial result for Industrial Systems

x €1,000	2023	2022
Revenue	162,214	157,148
Gross margin	76,072	65,323
Depreciation	3,474	3,692
Investments	1,799	1,076
Operating result	24,575	17,152
Operating result (%)	15.1%	10.9%
EBITDA (operating result + depreciation)	28,049	20,844
Average number of FTEs (permanent staff)	349	348

Revenue at Industrial Systems worked out 3% higher in 2023 than 2022. The year started with a well-filled order book. Revenue within the segment increased considerably at Royal Pas Reform and significantly at Rollepaal. At Lan, revenue fell. Again, revenue within this segment proved to be volatile. The supply chain problems were largely resolved during the year. The gross margin rose from 41.6% in 2022 to 46.9% in 2023, and recovered following all the disruptions in the supply chain throughout the Covid-19 pandemic and the war in Ukraine.

Costs were higher 7% in 2023 than in 2022 due to collective bargaining adjustments and inflation. The number of FTEs remained roughly the same. The gross margin increased as a percentage and consequently the operating result did too. The operating result was €24.6 million, which is 15% of revenue, exceeding our target.

Financial result of Hightech Components

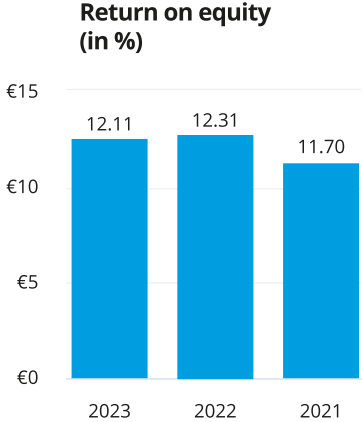
x €1,000	2023	2022
Revenue	121,273	127,617
Gross margin	70,979	74,901
Depreciation	7,827	7,357
Investments	9,823	10,193
Operating result	-658	7,777
Operating result (%)	-0.5%	6.1%
EBITDA (operating result + depreciation)	7,169	15,134
Average number of FTEs (permanent staff)	673	680

At €121 million, revenue for Hightech Components in 2023 fell compared to the previous year. From the second quarter onwards, the market was clearly weakening. The gross margin percentage remained at about the same level, which, in absolute terms, decreased proportionally to revenue. Costs increased by 7% compared with the previous year due to one-off costs related to the closure of the Hellevoetsluis site and the bankruptcy of a site in Germany. Without these one-off costs, the costs would have been €6.2 million lower, below the level of the previous year, mainly due to lower hiring and energy costs. Accounting for one-off costs and lower revenue, the operating result is -/- €0.7 million, lower than in 2022. The normalised operating result would be €5.5 million, i.e. 4.6% of revenue, which is lower than the previous year and below target.

Investments in 2023 remained at similar levels to the previous year. The biggest investment was the installation of and machinery needed for a new production hall in Neede. In addition, investments have mainly been made in production machines and a cleanroom.

Proposed dividend

Earnings per share in 2023 amounted to €12.11 (2022: €12.31). On 18 January, a recommended public bid for Hydratec's share of €142.50 cum dividend was made. It is therefore proposed to the General Meeting of Shareholders not to pay dividends for the 2023 financial year. The net result for 2023 will be added to the other reserves.

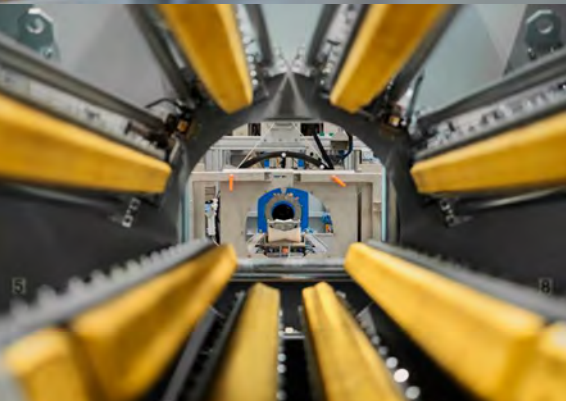


Outlook and expectations

Hydratec started 2024 with a well-filled order book. The market position of the companies in their own niche is as strong as ever. Geopolitical uncertainty remains, partly because of the situation in Ukraine. We do not expect any changes in our personnel, investment and financing policies in 2024. However, in view of macroeconomic developments such as volatile exchange rates, trade restrictions, supply chain uncertainties and inflation, it is not possible to make any concrete statements about 2024.



Rollepaal
PVC-O machine technology



Superior, sustainable PVC-O pipes

“Rollepaal delivers state-of-the-art machine technology for the production of PVC-O plastic pipes. Not only do they offer benefits when it comes to performance, they also have the lowest carbon footprint of any pressure pipes, resulting in minimal environmental impact.”



Hydratec helps improve water quality and the hygiene of sanitary facilities.



Employees

In 2023, we saw problems persist on the labour market. Recruitment remains a challenge across the full breadth of positions and profiles, but in particular for technical roles. Despite this, we have generally been able to fill vacancies with suitable candidates in good time. Long-term personnel planning remains a concern for Hydratec companies. Over the coming years, we expect a higher proportion of employees to retire, which we want to respond to ahead of time. It helps us to be seen as an attractive employer in the region. We also maintain close links with training institutes. For example, last year we were actively working to raise our profile among pupils and students at schools and universities. Where possible, we offer marginalised people with poor job prospects opportunities to develop skills, sometimes through a sheltered workshop.

Recruit and retain

Employees

1,315



2022: 1,374

Our decentralised organisation and the associated high level of commitment and responsibility among our employees gives us a relatively low staff turnover. Nevertheless, we still continue to look for creative ways to engage our employees and encourage them to stay with Hydratec. For example, we offer them opportunities to develop their entrepreneurship and motivate them to develop good ideas. We offer an innovative working environment, where their work can

make a real impact on society. Hydratec has a decentralised organisational structure that puts responsibility for processes and products at the grassroots. Our colleagues have a say and are encouraged to speak out. Every opinion and every experience counts. Hybrid working is provided within the capabilities of the role and the company.

Onboarding new employees

It is important to us that all new colleagues feel at home. New colleagues go through an extensive onboarding process, covering not only working arrangements and rules, but also Hydratec Industries' standards and values.

Employee participation

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

18



4 continents

Male/female ratio

81%
19%



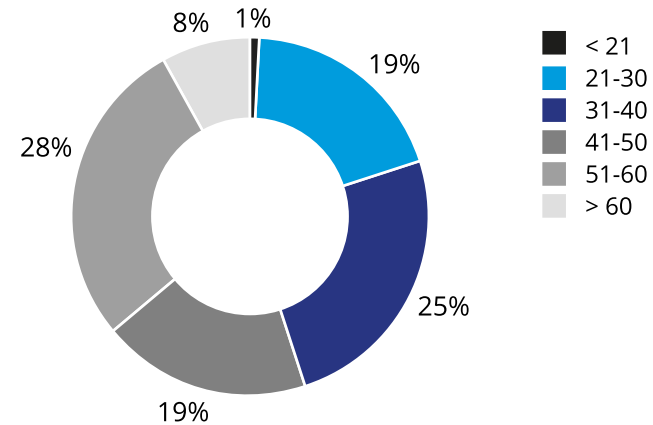
2022: 81/19

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.

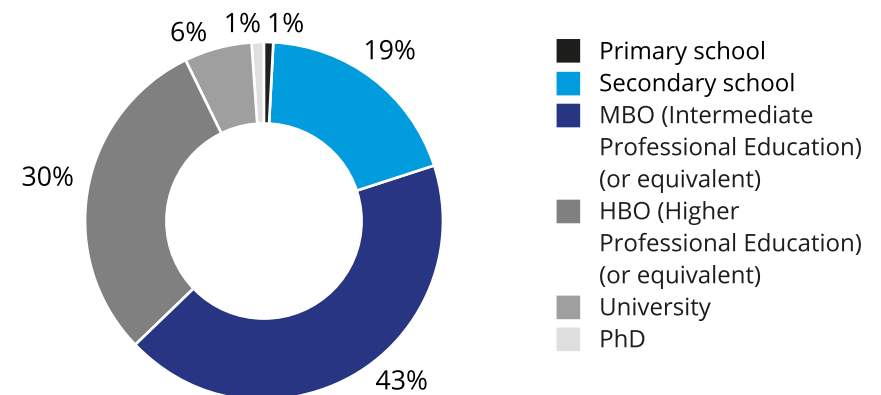
There is a proven return on innovation from diversity. Diversity across all layers of the organisation boosts the variety of our solution directions. Diversity makes us more creative and counteracts herd mentality, which is why a diverse workforce is of great value to Hydratec Industries. Among other things, diversity stems from differences in education, background, age, gender and ethnicity. Partly for this reason, we strive for a balanced ratio of younger and older people and a good gender ratio, including in management positions. The company employed people of 18 different nationalities in 2023 (2022: 24). The percentage of female employees in the group was 19% at the end of 2023 (2022: 19%). The tech industry lags behind when it comes to gender diversity. Hydratec wants to invest in this. We will need to focus firmly on attracting enough female employees at a clearly technically-oriented organisation. That is why, in 2023, we launched further initiatives within all companies to make the topic more prominent on the business agenda. Working groups have been set up, for example, to reflect on and guide recruitment, retention and how best to harness our female colleagues. We also improve facilities where necessary. Hydratec has set a target of ensuring 25% of our employees are women by 2025.

We also strive for diversity in the composition of the Management and Supervisory Boards. The Management Board comprises one woman (50%), the Supervisory Board also has one woman (33.3%) and there are seven women in managerial positions (23%).

Age distribution staff



Staff education



Training and development

Hours of
training

38,033 hours



Intern: 26,752

Our employees took a high degree of training last year, resulting in 38,000 training hours (2022: 31,300). The number of internal training hours is clearly higher than in 2022 and the number of external hours is even considerably higher. We consider the development of employees to be of great importance for them to remain permanently employable. We use a variety of resources for this, such as onboarding courses for new employees, job rotation, internal courses provided by colleagues, webinars, external courses and follow-up programmes. Talent development takes a prominent place in our organisation. In 2023, we developed young talent by offering a total of 35 traineeships among the companies. To improve leadership in our organisation, we have also offered middle management training.

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 2023, there were relatively few serious accidents 9 (2022: 13). 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. We believe it is important to ensure that all incidents are reported.

Mental safety was also addressed in 2023. 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 2023. We are aware that this does not mean that unacceptable behaviour does not occur at our premises. That is why we must continue to actively investigate this ourselves. We encourage our managers to adopt such a proactive, inquisitive and reflective attitude, and keep the topic open for discussion with employees.

Health and employability

The vitality and employability of our people is and remains a top priority. 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.

Overall absenteeism at Hydratec Industries declined compared with previous years, partly thanks to the focus on the approach to absenteeism and the Covid-19 pandemic easing off. Companies are locally responsible for their own health and absenteeism policy, but they do mutually coordinate it.



Environment

The sustainability agenda is an intrinsic part of our company's future. Our policy focuses on reducing our overall environmental impact through our use of raw materials and products according to the principles of reduce, reuse, recycle. This aims to minimise and, where possible, prevent our operations from having adverse environmental impacts by taking 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.

Impact of the climate and environment on reporting

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 the [risk matrix](#). In our customers' production chain, we are required to comply with environmental certifications.


Hydratec has set out its policy for energy and waste reduction and the transition towards sustainability in the code of conduct. Work is underway to strengthen this policy in view of CSRD. Our policy is geared towards minimising our carbon footprint. Our companies individually take care of any aspects for which the group has not defined a formal policy.

Electricity consumption
per €1,000 of revenue

197 
kWh

2022: **234**

Gas consumption
per €1,000 of revenue

3.8 
m³

2022: **4.5**

CO₂-emissions per
€1,000 of revenue

66 
kg

2022: **130**

¹ Carbon emissions based on Scope 1 and Scope 2. For each source, the following conversion factor was used for carbon emissions (in kg): m³ gas (natural gas) - 1.78 (2022: 2.09) | kg of propane - 1.53 | kWh (green) - 0.00 (2022: 0.00) | kWh (grey) - 0.40 (2022: 0.52) | kWh (unknown) - 0.29 (2022: 0.52) | kWh (generated) - 0.00 (2022: 0.00) | GJ in heat network - 21.93 | litre of petrol - 2.18 (2022: 2.78) | litre of diesel - 2.47 (2022: 3.26) | litre of gas - 1.80 (2022: 0.81) | kWh of electricity - 0.07 (2022: 0.10).

Energy consumption

In our companies, we consume relatively little energy, with Hightech Components generally using more than 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.

Carbon emissions

Energy consumption leads to the emission of greenhouse gases, such as CO₂. We actively seek opportunities to reduce our carbon footprint. This is becoming increasingly important, also because customers and society impose stricter demands on us in this area. We calculated our carbon emissions for the second time last year: 66kg per €1,000 of added value (2022: 130kg/KAV). The results form a good starting point to further shape our carbon reduction policy in the coming years.

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 2023 there was a fall in Hydratec's gas and electricity consumption per €1,000 of added value. This is due to, among other things, the increased 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. 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. Helvoet and Timmerije pay ample attention to reducing waste flows during injection moulding.

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 directly back into the production process, so that fewer virgin raw materials need to be purchased. Wherever possible, we purchase recycled materials as raw materials for products. We cooperate intensively with our knowledge partners in the plastics sector to increase expertise of how to recycle plastic products. We do this as part of a knowledge and innovation consortium for energy and industry. This kind of ecosystem allows us to structure the supply chain and gain design-for-disassembly knowledge to make recycling plastic parts easier and also to gain design-for-circularity knowledge. The goal is to build up our knowledge to use smarter sustainable plastics, thereby reducing our carbon footprint. We can apply this knowledge directly in our current production, and it helps to define new projects when developing the next generation of products.

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. The EU taxonomy consists of six environmental categories: climate change mitigation, climate change adaptation, protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection of biodiversity and ecosystems.

Under the statutory regulations, Hydratec's economic activities must be classified with explanatory notes from the 2022 report onwards. The 2022 annual report specified the share of economic activities that are eligible and aligned with the EU taxonomy and, in addition to eligibility, the share of economic activities aligned with the EU taxonomy for the two environmental objectives: 1) climate change mitigation and 2) climate change adaptation. For the 2023 reporting year onwards, the regulation requires additional explanatory requirements for the share of eligible and non-eligible economic activities with respect to the remaining four environmental objectives. Within each environmental category, there are different criteria for each economic activity. The three rules of thumb are that every economic activity: 1) substantially contributes to at least one of the six environmental objectives as defined in technical annexes of the EU taxonomy; 2) does not cause significant harm to or affect one or more of the other five environmental objectives (Do No Significant Harm, DNSH); 3) meets the minimum social values.

Various business activities were identified within the revenue. It was then assessed whether these business activities are included in the Appendices (1-6) to the Climate Delegated Act and the Complementary Climate Delegated Act. On the basis of current legislation and regulations, most economic activities are not EU taxonomy-eligible. The economic activities were also not eligible in previous years.

However, Lan's revenue generated under NACE code 28.22 is covered by 5.2 (sale of spare parts) and therefore makes a substantial contribution to the transition to a circular economy. This specific revenue stream is therefore EU taxonomy-eligible from the 2023 reporting year. Lan's total revenue stream for spare parts is €3 million, which accounts for 1% of Hydratec's total revenue (€283 million).

For CapEx incurred, only the investment in the previous financial year is eligible. For CapEx, eligibility was determined by dividing the investments into economic activities by the total investments from Notes 1.29, 1.30 and 1.31 (denominator). In 2022, Helvoet India invested €4.4 million in a business property and the associated land. This investment amounted to 33% of the total investment in 2022. It was an eligible activity as it makes a substantial contribution to climate change adaptation, but it cannot be considered as taxonomy-aligned since the technical and DNSH criteria were not met. CapEx in 2023 was not EU taxonomy-eligible.

For the OpEx, eligibility has been determined by dividing the cost of economic activities (numerator) by the total operating costs from Note 1.27 (denominator). The total cost of the economic activities (€2.4 million) is not materially related to the business model for the Hightech Components or Industrial Systems operating companies, given the scope of the total cost of economic activities (€33.8 million). The amount in the numerator is therefore equal to zero. This also applies to the comparative figures.

The following short table summarises the business activities relevant to the year 2023. 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 revenue for taxonomy economic activities

Economic activities	Code	Absolute revenue in 2023 (€)	Ratio versus total revenue in 2023 (%)	Taxonomy-aligned share of revenue in 2022
<i>Eligible activities</i>				
Lan - sales of spare parts	5.2	3M	1%	Not applicable

Share of capital expenditure on taxonomy economic activities

Economic activities	Code	Actual expenditure in 2023 (€)	Ratio versus total capital expenditure in 2023 (%)	Taxonomy-aligned share of capital investment in 2022 (%)
<i>Eligible but not taxonomy-aligned activities</i>				
Helvoet - Purchase of business premises	7.7			33%



Social

The social agenda is an intrinsic part of Hydratec's future. We are convinced that our interests as a company align with those of society. We are preparing for the impact of the EU's Corporate Sustainability Reporting Directive and what it will mean for our reporting obligations. During the materiality analysis, we identified responsible business practices and the promotion of ethical behaviour by our employees and also in the supply chain as focal points. Several KPIs have subsequently been defined. From 2025, we will draw on these KPIs to give further substance to our activities and show how we are performing transparently for the year 2024. For the purposes of comparability for this annual report, we have only referred to the KPIs that we could reliably represent.

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.

Human rights

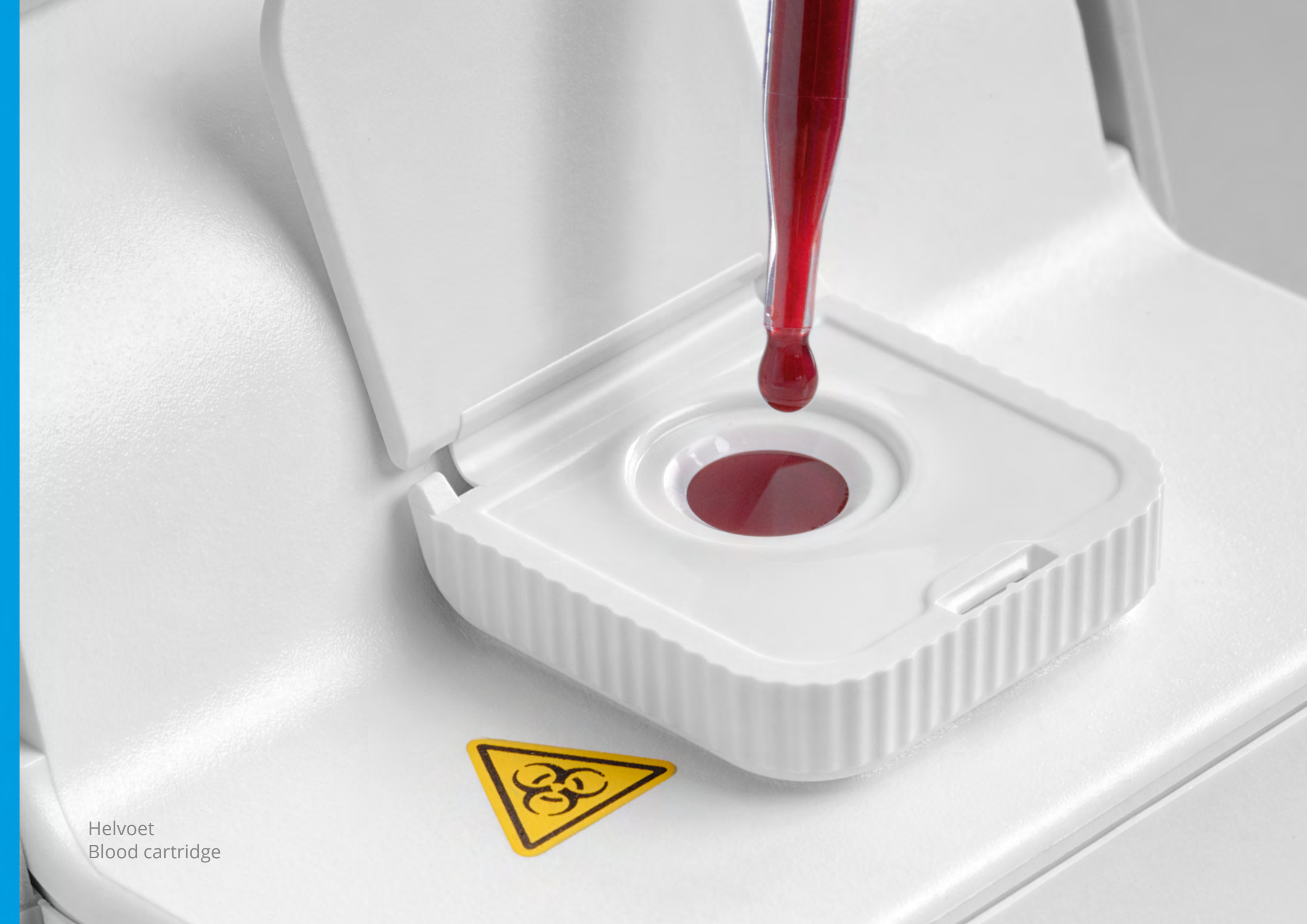
Hydratec's human rights policy is to minimise the risk of any direct or indirect negative impact on the community. As laid down in the Universal Declaration of Human Rights, we respect human rights and strive to ensure that they are not violated. Human rights violations impact on an individual's privacy and also have consequences for Hydratec's reputation with customers, suppliers, or (new) employees.

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.

Code of Conduct

At Hydratec, we have set out a policy on the topics of customer satisfaction, employee engagement, meaningful work and transparent operations in the Hydratec code of conduct. This code of conduct is available on the Hydratec website. When it comes to 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 there is no a formal policy at group level. 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](#).



Helvoet
Blood cartridge



Supporting specialists with Atellica VTLi cartridge

“Thanks to the blood cartridge manufactured by Helvoet, the Atellica® VTLi Immunoassay system can achieve fast and accurate assessments for cardiac tests.”



Hydratec makes a tangible contribution to high-quality global care.

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 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 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 17 May 2023.

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 17 May 2023.

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).

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 2023, 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 2023 remuneration policy will be submitted for adoption to the shareholders' meeting in 2024.

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 2023 was based on the principles above. The fixed salaries are periodically index-linked to inflation. No loans were issued or severance payments made in 2023, nor were there any clawbacks of previously awarded performance-based remuneration. The 2022 remuneration report was approved by a majority of votes at the General Meeting of Shareholders on 17 May 2023.

This 2023 remuneration report will be submitted to the 2024 General Meeting of Shareholders for an advisory vote. This will provide accountability for the implementation of the remuneration policy in the 2023 financial year. The Supervisory Board will take this advisory vote into account and will make an announcement in the 2024 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 2023 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 2023, 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 2023 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 9.2 (2022: 12.4).

Remuneration of members of the Management Board

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 to that of employees decreased due to the lower performance-based remuneration and remuneration payable in due course. As at the balance sheet date, Mr Aangenendt held 72,441 shares and Ms Slijkhuis held 1,001 shares. This number includes shares subject to a 3-year lock-up period.

x €1,000	Fixed basic remuneration		Pension contribution		Performance-related remuneration		Remuneration payable in due course		Other remuneration*		Total remuneration		Variable as % of total remuneration	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
B. Aangenendt	350	318	30	27	158	179	135	254	3	3	676	781	43.34%	55.44%
E. Slijkhuis	264	235	27	25	118	132	135	254	4	4	548	650	46.17%	59.38%
Total	614	553	57	52	276	311	270	508	7	7	1,224	1,431		

* Concerns the tax expense for private use of a lease car and an expense allowance because this can be seen as (indirect) 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 within the group. By way of derogation from the Dutch Corporate Governance Code, for comparability and in line with previous years, the ratio between Management Board and employees is based on the average remuneration of the Management Board.

x €1,000	2023	2022	2021	2020	2019
Remuneration of Management Board					
B. Aangenendt	676	781	524	300	341
E. Slijkhuis	548	650	362	190	212
Company data					
Revenue	282,748	283,261	257,297	217,550	219,607
Operating result	22,026	21,787	22,027	3,342	10,240
FTEs at year-end	1,315	1,374	1,419	1,575	1,770
Average remuneration					
Employees	67	58	52	51	46
Ratio between average remuneration of Management Board and employees					
	9.2	12.4	8.4	4.8	6.0

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	2023	2022	2021	2020	2019
E. ten Cate	30	30	25	19	19
M. E. P Sanders	30	30	25	19	19
P. Veenema	30	30	15	-	-
J. E. Vaandrager	-	-	10	19	19
Total	90	90	74	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.



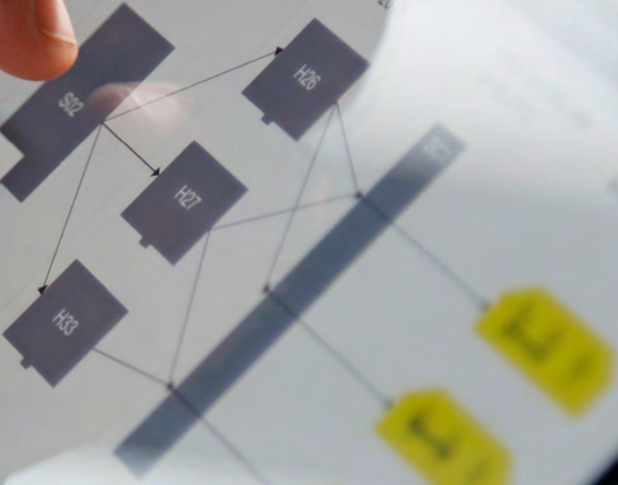
SmartCenter

Spring

Egg set date
13-02-2015

Hatching date
03-03-2015

Breed
Storage: 4 days
Age: 40 weeks



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.

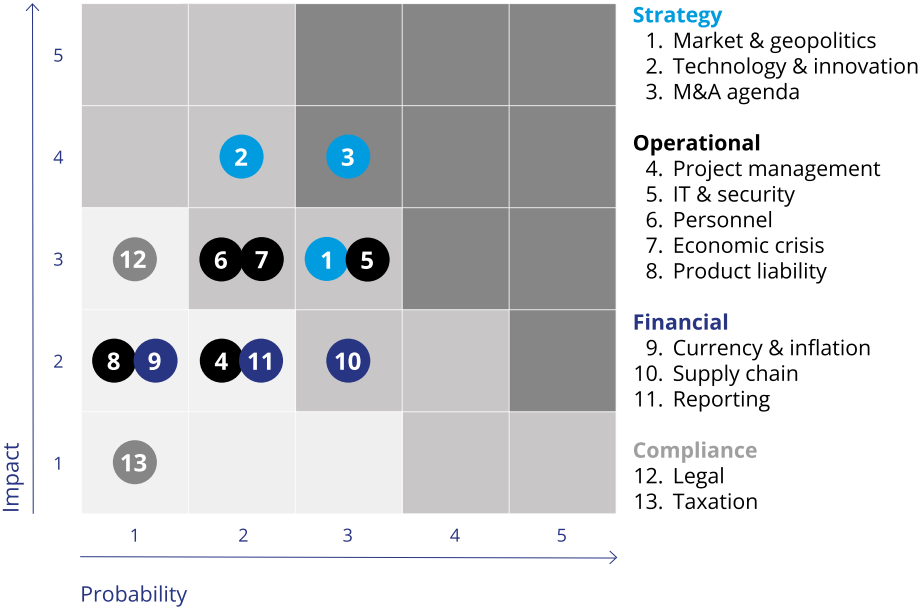
The main risks are identified and placed in four categories: strategic, operational, financial and compliance.

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.
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.
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.
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.	<ul style="list-style-type: none">• Spread operations across several companies, products and countries.• Flexible cost structure.• Maintain a strong financial balance sheet.
2	Technology & innovation	Insufficient technological development and innovation.	<ul style="list-style-type: none">• Ongoing attention to and resources for innovating and implementing the R&D roadmap.• Focus on food, health and mobility.
3	M&A agenda	Unsuccessful integration and/or operation of businesses acquired.	<ul style="list-style-type: none">• 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.

Operational

Risk	Name	Description	Mitigating measure
4	Project management	Risk that projects are not delivered consistent with specifications, agreements and planned margins.	<ul style="list-style-type: none"> • Invest in qualified staff. • Educate and train staff. • Guidelines and procedures for project management and project accounting.
5	IT & Security	Risk of breaching availability, confidentiality and integrity of data (including IP).	<ul style="list-style-type: none"> • IT control framework. • Exchange of knowledge between various IT managers. • Strict procedures when systems fail or malfunction. • Ongoing attention to cybersecurity and awareness among employees.
6	Personnel	Shortage of well-qualified staff, inability to retain qualified staff.	<ul style="list-style-type: none"> • Talent management programme and personnel management. • Educate and train staff. • Use good reputation to recruit talent. • Partnership programmes with educational institutes.
7	Economic crisis	Declining consumer confidence and rising interest rates could lead to low investment appetite.	<ul style="list-style-type: none"> • Flexible cost structure. • Internal efficiency and cost-saving programmes. • Product development to make replacement investments more attractive to customers. • Operating capital management.
8	Product liability	Faults in the production process or technology which may lead to a loss of quality and discontinuity.	<ul style="list-style-type: none"> • Strict quality standards and certification. • Risk Identification and Assessment. • Fire and other insurance. • Standardisation of products and processes.

Financial

Risk	Name	Description	Mitigating measure
9	Currency & inflation	Volatility of currencies and rising inflation putting profit margins under pressure.	<ul style="list-style-type: none">• Hedging currency risks by means of forward exchange contracts.• Price movements are set off in the selling price as much as possible.• Margin analyses.
10	Supply chain	Supply chain restrictions resulting in limited availability of materials and volatility of material prices.	<ul style="list-style-type: none">• 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.
11	Reporting	Risk that reporting contains material errors and does not comply with existing or new laws and regulations.	<ul style="list-style-type: none">• Internal procedures and guidelines for internal and external financial reporting.• Education and training.• Making use of external consultants.

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.	<ul style="list-style-type: none">• Internal compliance guidelines.• UBO and background check.• Signed agreement with 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.• Fraud framework
13	Taxation	Loss or damage (including reputational) due to being in breach of tax laws and regulations.	<ul style="list-style-type: none">• Monitoring compliance and development of tax laws and regulations.• Making use of external tax consultants.• Tax Control Framework.

In control statement

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

- ▶ the management report provides sufficient insight into the operation of the internal risk management and control systems, see the risk management section;
- ▶ 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, 6 March 2024

Management Board

B. F. Aangenendt, CEO

E. H. Slijkhuis, CFO

Report of the Supervisory Board



Report of the Supervisory Board

The past year

Hydratec has developed positively despite the fact that economic and social developments have influenced the course of events. The year was marked by recovery in the supply chain, better availability of materials, but also by rising inflation and higher interest rates. Industrial Systems was able to mitigate the impact and had a successful year. Its operating result increased from €17.2 million in 2022 to €24.6 million in 2023. At Hightech Components, the Management Board had to take the difficult decision to close Helvoet's sites in Hellevoetsluis and Germany. This resulted in significant one-off costs of €6.2 million. All these developments meant Hightech Components generated a lower operating result, which decreased from €7.8 million in 2022 to -/€0.7 million in 2023.

Consolidated revenue showed a marginal organic drop to €282.7 million compared with €283.3 million in 2022. The consolidated operating result fell to €22.0 million after deducting one-off costs, against €21.8 million in 2022. At €15.8 million, the net result remained at the same level as in 2022.

Annual report

We are pleased to present the 2023 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 19 February 2024 in the presence of the auditor. The certified auditor's report can be found [here](#). We therefore believe that the annual report meets the requirements of transparency and constitutes an adequate basis on which the Supervisory Board can account for its supervision. We propose that the financial statements should be adopted 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 furthermore has been 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 and Hydratec's strategic objectives 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 Board.

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 achievements in relation to the annual budget, strategic objectives and long-term value creation. 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 seven times in 2023 according to a fixed schedule, and all members of the Supervisory Board were present at each meeting.

The risk profile, risk management system, strategy, sustainability reporting, 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 2023 to an acceptable level, as described in the risk paragraph in the annual report.

Prior to the General Meeting of Shareholders on 17 May 2023, 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, the topics addressed and the composition of the Supervisory Board in terms of independence, expertise, competences and experience. 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. The Management Board was evaluated in a meeting between the Supervisory Board and the Management Board.

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 and external 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 2023 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, given Hydratec's structure, 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 and to improve professional mobility within the group. In the absence of an internal audit service or function, audits and reviews of internal controls and risk management are periodically carried out on the segments by the group controllers. 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 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 2023, 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 2023. Mr B. F. Aangenendt is CEO, Ms E. H. Slijkhuis RA is CFO.

The Supervisory Board compliments the Management Board, the management teams and all employees for the results achieved and is grateful for their commitment, motivation and ambition in 2023.

Amersfoort, 6 March 2024

Supervisory Board

E. ten Cate (Chair)

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

P. Veenema

Historical summary

Amounts in thousands of euros, unless stated otherwise

	2023	2022	2021	2020	2019
Income statement					
Net revenue	282,748	283,261	257,297	217,550	219,607
Operating result	22,026	21,787	22,027	3,342	10,240
Net result	15,797	15,820	15,133	771	6,635
Net result for shareholders	15,693	15,927	15,118	1,301	6,635
Cash flow					
Cash flow from operating activities	4,735	43,459	33,664	22,946	7,170
Cash flow from investing activities	-11,285	-8,681	-6,661	-4,576	-31,695
Cash flow from financing activities	-7,408	-14,577	-26,568	-16,031	-4,979
Net cash flow	-13,958	20,201	435	2,339	-29,504
Balance sheet					
Shareholders' equity attributable to Hydratec shareholders	93,817	85,990	76,082	63,079	62,700
Shareholders' equity	94,030	86,089	76,261	63,240	63,200

Amounts in thousands of euros, unless stated otherwise

	2023	2022	2021	2020	2019
Key ratios					
Operating result as % of revenue (EBIT %)	7.8%	7.7%	8.6%	1.5%	4.7%
Profitability of capital invested ¹	14.2%	19.1%	15.1%	0.7%	6.9%
Profitability of shareholders' equity ²	17.5%	19.7%	21.7%	2.1%	10.9%
Solvency ³	42.6%	35.8%	35.7%	31.8%	29.5%
Information per ordinary share (in euros)					
Operating result ⁴	16.99	16.84	17.05	2.59	7.96
Shareholders' equity attributable to Hydratec shareholders	72.38	66.46	58.89	48.92	48.73
Earnings per share from continuing operations	12.19	12.23	11.71	2.74	5.16
Earnings per share including discontinued operations, excluding third parties	12.11	12.31	11.70	1.01	5.16
Earnings per share including discontinued operations of third parties				-0.41	
Earnings per share including discontinued operations	12.19	12.23	11.71	0.60	5.16
Dividend (proposal) per share	0.00	6.00	6.75		
Price at year-end	90.0	73.0	74.5	54.0	68.5
Lowest price	73.0	68.0	54.0	41.2	64.5
Highest price	94.0	94.0	79.0	70.0	78.0
Other information					
Average number of employees	1,027	1,032	1,151	1,255	1,147
Net revenue per employee	275.3	274.5	223.5	173.3	191.5
Wage costs per employee (not including temps and NOW scheme)	66.7	57.8	52.5	51.6	48.3

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	2023	2022
Net revenue	1.23	282,748	283,261
Consumption of materials and supplies		-135,698	-143,037
Wages, salaries and temporary staff	1.25.1	-67,111	-61,999
Social security contributions and pensions	1.25.2	-12,854	-12,226
Depreciation of non-current assets	1.29/1.30/1.31	-10,858	-10,918
Impairment	1.29/1.30/1.31	-547	-218
Other operating costs	1.27	-33,654	-33,076
Total operating costs		-260,722	-261,474
Operating result		22,026	21,787
Financial income		313	135
Financial expenses		-1,267	-1,064
Result before tax		21,072	20,858
Taxes	1.28	-5,275	-5,038
Net result from continuing operations		15,797	15,820
Net result from discontinued operations		-	-
Net result		15,797	15,820
Net result attributable to:			
Shareholders		15,693	15,927
Third parties		104	-107
Weighted average number of shares attributable to shareholders		1,296,094	1,293,841
Earnings per share attributable to shareholders:			
Earnings per ordinary share (in euros)		12.11	12.31
Diluted earnings per ordinary share (in euros)		12.09	12.29
Earnings per share from continuing operations:			
Earnings per ordinary share (in euros)		12.11	12.31
Diluted earnings per ordinary share (in euros)		12.09	12.29

Consolidated statement of comprehensive income

x €1,000	2023	2022
Net result	15,797	15,820
Elements which may be recognised in the statement of profit or loss in the future		
Cash flow hedges – adjustment to fair value (incl. taxation)	-96	291
Foreign activities – currency translation differences	-147	-458
	-243	-167
Elements which will not be recognised in the statement of profit or loss in future		
Pension	4	24
	4	24
Total unrealised results	-239	-143
Comprehensive income after tax	15,558	15,677
Comprehensive income attributable to:		
Shareholders	15,454	15,784
Third parties	104	-107

Consolidated balance sheet as at 31 December

Before appropriation of result

x €1,000	Note	2023	2022	x €1,000	Note	2023	2022
ASSETS				LIABILITIES			
Intangible fixed assets	1.29	25,686	27,109	Shareholders' equity attributable to Hydratec shareholders	1.38	93,817	85,990
Tangible fixed assets	1.30	67,773	63,731	Minority share		213	99
Lease assets	1.31	6,914	8,864	Total equity	1.38	94,030	86,089
Deferred tax assets	1.32	4,854	3,709				
Financial fixed assets		239	300	Personnel-related provisions	1.40	1,540	1,865
Total fixed assets		105,466	103,713	Other provisions	1.40	4,863	1,492
				Deferred tax liabilities	1.40.5	1,282	129
Contract assets	1.23.6	7,204	14,539	Borrowings and lease obligations	1.41.1	13,658	17,515
Inventories	1.33	38,215	41,966	Other financial instruments	1.41.2	191	283
Trade receivables	1.34	47,055	47,365	Total provisions and non-current liabilities		21,534	21,284
Corporate tax		295	117				
Other taxes and social security contributions	1.35	2,277	3,096	Contract liabilities	1.23.6	19,117	29,197
Other receivables		4,691	1,489	Trade payables		18,610	19,857
Accrued assets		4,580	2,832	Corporate tax		1,513	2,531
Cash and equivalents	1.36	11,137	25,202	Other taxes and social security contributions	1.42	3,385	4,086
Total current assets		115,454	136,606	Borrowings and lease obligations	1.41.1	3,209	3,897
				Bank current account	1.43	7,621	1,505
Total assets		220,920	240,319	Provisions	1.40	3,060	-
				Other liabilities, accruals and deferred income	1.44	48,841	71,873
				Total current liabilities		105,356	132,946
				Total liabilities		220,920	240,319

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 2022		583	6,328	-1,647	-189	299	55,590	15,118	76,082	179	76,261
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

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
Shareholder-related changes:											
• 2022 dividend distribution							-7,770		-7,770		-7,770
• Participation plan share issue	1.25	1	168				-16		153		153
Other changes:											
2022 result appropriation							15,927	-15,927	-		-
Capital contribution									-		-
Unrealised results											
Hedge reserve					-96				-96		-96
Translation reserve				-157					-157	10	-147
Pension							4		4		4
Realised results											
2023 net result						-666	666	15,693	15,693	104	15,797
Increase (decrease) in equity		1	168	-157	-96	-666	8,811	-234	7,827	114	7,941
Carrying amount as at 31 December 2023		585	6,667	-2,289	6	1,534	71,621	15,693	93,817	213	94,030

Consolidated cash flow statement

x €1,000	2023	2022
Result before tax	21,072	20,858
Adjustment for:		
• Depreciation	10,858	10,843
• Impairment	1,482	218
• Profit from sale (previously assets available for sale)	44	-515
Financial income and expenses	910	895
Movements in provisions	3,312	-1,563
Changes in working capital:		
• Inventories	-419	-8,984
• Current receivables	15,894	-3,381
• Current liabilities (excluding corp. tax liability and lease liabilities)	-41,460	31,938
Total changes in working capital	-25,985	19,573
Financial expenses paid	-554	-890
Income tax paid	-6,404	-5,960
Cash flow from operating activities	4,735	43,459
Investments in intangible fixed assets	-57	-565
Investments in tangible fixed assets	-11,565	-10,260
Investments in financial fixed assets	-	-18
Disposal of tangible fixed assets	70	2,162
Lapsed consolidation due to loss of control	267	-
Cash flow from investing activities	-11,285	-8,681
Dividend paid to Hydratec shareholders	-7,624	-5,843
Repayment of non-current liabilities	-3,396	-7,263
Repayment of lease liabilities	-2,504	-2,254
Long-term borrowings drawn	-	-
Repayment/withdrawal from bank overdraft	6,116	783
Acquisition of participating interests	-	-
Cash flow from financing activities	-7,408	-14,577
Net cash flow	-13,958	20,201
Translation differences in cash balances	-107	-198
Movements in cash and cash equivalents	-14,065	20,003
Cash and cash equivalents as at 1 January	25,202	5,199
Cash and cash equivalents as at 31 December	11,137	25,202

1.1 General

1.1.1 Introduction

Hydratec Industries N.V. Naamloze Vennootschap (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 2023 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 2023:

Name	Business location
Timmerije B.V.	Neede, Netherlands
Lias Industries B.V.	Amersfoort, 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
LAN Handling North America LLC	Jacksonville, US
Polmer Sp. z o.o.	Wroclaw, Poland

Helvoet Rubber & Plastic Technologies B.V.	Tilburg, Netherlands
Helvoet Rubber & Plastic Technologies N.V.	Lommel, Belgium
High Technology Plastics (India) Pvt. Ltd.	Pune, India
Helvoet Deutschland GmbH	Gilching, Germany
Helvoet Rubber & Plastic Technologies GMBH & CO KG	Gilching, Germany
Helvoet Polska Sp. z.o.o.	Kaniów, Poland
	Dedemsvaart, Netherlands
Rollepaal Pipe Extrusion Technology B.V.	Baltimore, US
Rollepaal Inc.	Ahmedabad, India
Rollepaal Engineering India Pvt. Ltd.	

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. Helvoet Deutschland GmbH and Helvoet Rubber & Plastic Technologies GMBH & CO KG account for 100% of participations without control as a result of the insolvency filing; equity instruments are therefore available at the end of the financial year.

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 6 March 2024. The 2023 annual report and financial statements were discussed in the Supervisory Board meeting held on 6 March 2024 and will be presented to the General Meeting of Shareholders on 25 April 2024 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.

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 2023

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 2023 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 2023, 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 2023 have not been prematurely adopted. New standards applicable after 2023 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. They take into account the macroeconomic effects of sustainability. 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	2023	2022
USD	Closing price	1.11	1.07
	Average	1.08	1.05
INR	Closing price	91.86	88.18
	Average	89.25	82.67
BRL	Closing price	5.36	5.64
	Average	5.40	5.54
PLN	Closing price	4.35	4.68
	Average	4.54	4.68

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 or terminated company activities) 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 2023.

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 €5.0 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.

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 difference 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 Hightech Components companies' revenue and of one of the Industrial Systems companies;
- ▶ projects: a portion of Hightech 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, minus cash assets also sold. 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. Due to the insolvency of Helvoet Germany and the related lapsed consolidation, a correction was made in 2023 for the negative bank balances of €267 thousand. In addition, an amount of €935 thousand has been presented under impairments for the write-off of the Helvoet Germany participation.

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

The two segments' results are assessed at operating result level. The lower result for the Hightech Components segment compared with 2022 is due to the non-recurring costs of €6.2 million in 2023.

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

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

1.23.1 Breakdown by business segment

x €1,000	Industrial Systems		High-Tech Components		Total segments		Holding company expenses and eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Supply of goods	78,024	57,882	108,074	112,234	186,098	170,116	-	-	186,098	170,116
Projects	81,660	97,835	12,460	13,879	94,120	111,714	-	-	94,120	111,714
Other revenue	2,530	1,431			2,530	1,431	-	-	2,530	1,431
Net revenue	162,214	157,148	120,534	126,113	282,748	283,261	-	-	282,748	283,261
Intersegment revenue			739	1,504	739	1,504	-739	-1,504	-	-
Total segment revenue	162,214	157,148	121,273	127,617	283,487	284,765	-739	-1,504	282,748	283,261
Consumption of materials and supplies	-86,142	-91,825	-50,294	-52,716	-136,436	-144,541	739	1,504	-135,697	-143,037
Gross margin	76,072	65,323	70,979	74,901	147,051	140,224			147,051	140,224
Depreciation and impairment	-3,474	-3,692	-7,827	-7,357	-11,301	-11,049	-103	-88	-11,404	-11,137
Personnel and other expenses	-48,023	-44,479	-63,810	-59,767	-111,833	-104,246	-1,788	-3,054	-113,621	-107,300
Operating result	24,575	17,152	-658	7,777	23,917	24,929	-1,891	-3,142	22,026	21,787
Financial income and expenses	-496	-768	-1,228	-36	-1,724	-804	770	-125	-954	-929
Result before tax	24,079	16,384	-1,886	7,741	22,193	24,125	-1,121	-3,267	21,072	20,858
Taxes	-5,506	-4,098	-57	-1,782	-5,563	-5,880	288	842	-5,275	-5,038
Net result from continuing operations	18,573	12,286	-1,943	5,959	16,630	18,245	-833	-2,425	15,797	15,820
Segment assets	134,345	161,492	97,357	99,893	231,702	261,385	-10,782	-21,066	220,920	240,319
Segment liabilities	81,346	115,314	55,661	56,067	137,007	171,381	-10,117	-17,151	126,890	154,230
Investments in tangible/intangible fixed assets	1,799	1,076	9,823	10,193	11,622	11,269	-	2	11,622	11,271

1.23.2 Breakdown by geographical origin of the segments

x €1,000	Netherlands		Outside the Netherlands		Total	
	2023	2022	2023	2022	2023	2022
Net revenue	211,135	227,097	71,613	56,164	282,748	283,261
Segment assets	163,231	179,415	57,689	60,904	220,920	240,319
Investments in tangible/intangible fixed assets	9,829	4,874	1,793	6,397	11,622	11,271

1.23.3 Breakdown by geographical revenue distribution by market

x €1,000	2023	%	2022	%
Netherlands	49,534	17.5	55,749	19.7
Rest of Europe	96,946	34.3	110,609	39.0
Asia	39,022	13.8	45,996	16.2
North America	76,520	27.1	42,680	15.1
South America	14,761	5.2	13,723	4.8
Africa	4,242	1.5	12,662	4.5
Oceania	1,723	0.6	1,842	0.7
Total	282,748	100.0	283,261	100.0

1.23.4 Breakdown of revenue by type

x €1,000	2023	%	2022	%
Supply of goods	186,100	65.8	170,115	60.1
Projects	94,119	33.3	111,715	39.4
Other revenue	2,529	0.9	1,431	0.5
Total	282,748	100.0	283,261	100.0

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

There was no customer in 2023 that was responsible for more than 10% of revenue (2022: one customer within Industrial Systems responsible for revenue of €40.4 million).

1.23.5 Breakdown of revenue by meeting performance obligations

x €1,000	2023	%	2022	%
Performance obligations met over a period	96,648	34.2	113,146	39.9
Performance obligations met at a point in time	186,100	65.8	170,115	60.1
Total	282,748	100.0	283,261	100.0

1.23.6 Contract balances

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

x €1,000	Note	2023	2022
Accounts receivable	1.34	47,055	47,365
Amounts received in advance	1.44	30,630	48,858
Contract assets		7,204	14,539
Contract liabilities		19,117	29,197

The decrease in contract liabilities and amounts received in advance was caused by having fewer projects in the early stages of production with advance billing, in contrast to 2022. The decrease in contract assets is due to the fact that, unlike 2022, there are fewer ongoing projects that have yet to be invoiced. The vast majority of contract liabilities have terms of less than one year. The contractual obligations recognised at the end of 2022 fully led to revenue in 2023. Contract assets relate to projects on which more costs have been incurred than invoiced. Amounts received in advance relate to projects that have not yet started but for which an advance payment has been received. The projects for which an advance payment was received at the end of last year were launched and/or delivered in 2023.

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 2023 and 2022.

1.25 Personnel

1.25.1 Wages, salaries and temporary staff

x €1,000	2023	2022
Wages and salaries	51,638	48,836
Temporary workers	11,489	12,871
Cost of redundancy payment plans	3,984	185
NOW wage subsidy scheme		107
Total	67,111	61,999

The cost of share-based payments, accounted for in accordance with IFRS 2, is €124 thousand (2022: €141 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 €611 thousand (2022: €703 thousand).

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

The cost of redundancy payment plans is related to the reorganisation of Hellevoetsluis.

1.25.2. Social security contributions and pension

x €1,000	2023	2022
Social insurance contributions	7,841	7,629
Pension contributions	5,013	4,597
Total	12,854	12,226

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

x €1,000	2023	2022
Supervisory Board		
E. ten Cate	30	30
M. E. P. Sanders	30	30
P. Veenema	30	30
Total	90	90

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

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

x €1,000	2023	2022
B. F. Aangenendt		
Base salary	350	318
Variable remuneration in cash	158	90
Variable remuneration in shares	-	90
Pension costs	30	27
Remuneration payable in due course	135	254
Other remuneration	3	3
	676	781
E. H. Slijkhuis		
Base salary	264	235
Variable remuneration in cash	118	66
Variable remuneration in shares	-	66
Pension costs	27	25
Remuneration payable in due course	135	254
Other remuneration	4	4
	548	650
Total	1,224	1,431

The Management Board did not convert any remuneration components into Hydratec Industries shares in 2023. See note 1.40.4. for disclosures on remuneration payable in due course.

As at the balance sheet date, Mr Aangenendt held 72,441 shares (2022: 71,844 shares) and Ms Slijkhuis held 1,001 shares on the balance sheet date (2022: 560 shares).

1.26 Average number of full-time employees

	2023	2022
Production direct	552	491
Production indirect	154	213
Engineering	150	153
Sales	66	70
Management & Finance	105	105
Total	1,027	1,032
Of which working abroad	434	432

1.27 Other operating costs

x €1,000	2023	2022
Business accommodation	2,745	2,176
Sales	6,183	5,934
Production and maintenance	10,585	12,448
Research	1,801	1,542
Exchange differences	44	272
General costs	12,296	10,704
Total	33,654	33,076

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

The cost of sales includes €2.0 million (2022: €1.7 million) in agents' fees. General costs include €0.9 million (2022: €0) in relation to the lapsed consolidation of group members.

Independent auditor's fee

x €1,000	2023	2022
Audit of financial statements by EY LLP	836	663
Other services of EY LLP	-	-
Other audit engagements	-	-
Total costs	836	663

1.28 Taxation

x €1,000	Note	2023	2022
Current taxation		-5,303	-4,760
Adjustment for previous years		70	-35
Deferred taxation	1.32	-42	-243
Total tax on result		-5,275	-5,038

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	2023	%	2022	%
Result before tax	21,072		20,858	
Tax expense on the basis of nominal rate in the Netherlands	-5,437	25.8	-5,381	25.8
Rebates	62	-0.3	214	-1.0
Application of local nominal rates	-174	0.8	-62	0.3
Benefit from innovation box	307	-1.5	68	-0.3
Tax and untaxed income	-99	0.5	-182	0.9
Capitalisation or decapitalisation of deductible losses and valuation differences	-23	0.1	406	-1.9
Changes in local tax rates	18	-0.1	-66	0.3
Non-deductible expenses and prior-year adjustments	70	-0.3	-35	0.2
Tax expense in line with statement of profit or loss	-5,276	25.0	-5,038	24.2

1.29 Intangible fixed assets

x €1,000	Goodwill	Customers	Agents	Brands	Rights	Patents	Software	In progress	Total
Carrying amount as at 1 January 2022	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
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	1,293	324	395	1,001	867	3,099	27	27,109
Commissioning							14		14
Investments					20		64	-27	57
Depreciation		-157	-37	-45	-130	-135	-947		-1,451
Impairments									-
Deconsolidation							-58		-58
Effects of foreign currency translation					15		1		16
Purchase cost	20,102	2,726	747	908	2,161	2,462	8,072	-	37,178
Accumulated depreciation/impairment	-	-1,590	-461	-558	-1,254	-1,730	-5,899	-	-11,492
Carrying amount as at 31 December 2023	20,102	1,136	286	350	907	732	2,173	-	25,686

€1.5 million in R&D costs is posted under Software.

1.29.1 Impairment test

An impairment test was carried out in October 2023 on the goodwill of 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. From 2023 onwards, the impairment test will be carried out annually in October in order to increase efficiency.

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 2023 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.

	Goodwill	Average revenue growth forecast 1-5 years (Rollepaal 1-10 years)		Growth rate forecast after 5/10 years		Discount rate (before tax)	
		2023	2023	2022	2023	2022	2023
x €1,000							
Lan Handling Technologies	7,095	8.5%	-0.3%	2.0%	2.0%	15.0%	13.6%
Pas Reform	10,789	3.3%	3.3%	2.0%	2.0%	15.3%	13.3%
Rollepaal	2,219	12.1%	6.5%	2.0%	2.0%	14.5%	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	62,736	67,384	21,912	2,136	154,168
Accumulated depreciation/impairment	-24,582	-52,131	-16,422	-	-93,135
Carrying amount as at 1 January 2022	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
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
Investments	435	3,804	3,173	4,153	11,565
Commissioning	299	2,801	194	-2,067	1,227
Transfer to software					-
Depreciation	-1,648	-4,076	-1,627		-7,351
Sales	6	-54	2	-40	-86
Assets held for sale					-
Effects of foreign currency translation	85	-59	-12	-1	13
Impairments		-552	5		-547
Deconsolidation due to loss of control		-350			-350
Purchase cost	67,865	76,608	23,831	3,159	171,463
Accumulated depreciation/impairment	-27,321	-60,430	-15,939	-	-103,690
Carrying amount as at 31 December 2023	40,544	16,178	7,892	3,159	67,773

1.30.1 Impairment loss and reversal of impairment loss

An impairment of €547 thousand was recognised in 2023 (2022: €219 thousand). No impairments of tangible fixed assets recognised in previous years were reversed in 2023 (2022: 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 Hightech 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 2022	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
Additions	119	0	882	1,001
Depreciation	-1,014	-208	-888	-2,110
Decommissioning	0	-813	0	-813
Impairments				-
Exchange differences	-31	-1	4	-28
Deconsolidation				-
Carrying amount as at 31 December 2023	4,983	217	1,714	6,914

No impairment was recognised in 2023 (2022: nil) and no reversal of impairments took place (2022: nil). For lease liabilities, see note 1.41.

1.32 Deferred tax assets

For the most part, deferred tax assets at year-end 2023 fall due after more than one year. As of the end of 2023, there are carry-forward losses amounting to €2.5 million (2022: €2.5 million) have not been recognised in the balance sheet. These are infinitely deductible.

Deferred tax assets can be broken down as follows:

x €1,000	Intangible fixed assets	Tangible fixed assets	Leases	Working capital	Provisions	Derivatives	Losses carried forward	Total before offsetting	Offsetting deferred taxes	Total after offsetting
Carrying amount as at 1 January 2022	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
Movements	31	45	59	13	6	-83	-390	-319	1,430	1,111
Deconsolidation								-		-
Exchange differences		-4				-2	40	34		34
Carrying amount as at 31 December 2023	193	2,531	127	53	56	-16	4,792	7,736	-2,882	4,854

1.33 Inventories

x €1,000	2023	2022
Raw materials and consumables	10,931	12,584
Semi-manufactured and work in progress	6,586	9,349
Finished goods	20,698	20,033
Total	38,215	41,966

The provision for obsolete inventories recognised in this measurement amounted to €2.9 million at year-end 2023 (2022: €2.9 million).

1.34 Accounts receivable

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

Days	2023	%	2022	%
0-30	31,826	67.6	33,764	71.3
31-60	10,326	21.9	5,570	11.8
61-90	1,695	3.6	3,290	6.9
> 90	3,208	6.8	4,741	10.0
Total	47,055	100.0	47,365	100.0

x €1,000	2023	2022
Gross accounts receivable	47,858	48,178
Of which within due date	35,100	30,821
Of which overdue	12,758	17,357
Provision for expected credit loss	-803	-813
Net accounts receivable	47,055	47,365

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	2023	2022
Opening balance sheet at 1 January	813	969
Release/use	-10	-156
Additions		
Acquisitions		
Deconsolidation		
Closing balance sheet at 31 December	803	813

1.35 Other taxes and social security contributions (assets)

x €1,000	2023	2022
Turnover tax	2,122	2,997
Wage tax	94	43
Pensions and social security contributions	11	6
Other taxes	50	50
Total other taxes and social security contributions	2,277	3,096

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	2023	2022
Bank balances	10,615	25,189
Cash	26	8
Deposits	496	5
Total	11,137	25,202

1.37 Assets held for sale

There were no assets held for sale on the balance sheet date.

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 2023 there were 1,297,212 shares outstanding each with a nominal value of €0.45. During the year, 2,236 (2022: 2,171) shares were issued for the participation plan.

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 €168 thousand due to the share issue in 2023 (2022: €171 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 2023 amounted to €96 thousand negative (2022: €291 thousand positive) and was taken directly to shareholders' equity. This reserve is not distributable.

1.38.5 Other statutory reserves

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

1.38.6 Other reserves

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

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

1.38.7 Unappropriated result

The unappropriated result is the result of the financial year.

1.38.8 Proposed profit appropriation

The net result for 2023 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

	2023	2022
Earnings attributable to shareholders (x €1,000)	15,693	15,927
Weighted average number of shares (x 1)	1,296,094	1,293,841
Earnings per share (x €1)	12.11	12.31
Diluted earnings per share (x €1)	12.09	12.29

Diluted earnings per share was calculated by allocating 1,375 (2022: 1,927) conditionally awarded shares to the number of shares.

1.40 Provisions

Non-current provisions					
x €1,000	Personnel-related provisions	Reorganisation provision	Guarantees	Other	Total
Carrying amount as at 1 January 2023	1,652	213	683	809	3,357
Additions during the year	323	2,290	333	784	3,730
Withdrawals	-333	-196	4		-525
Transfer of current liabilities				-41	-41
Released to the statement of profit or loss	-94	-8	-42	34	-110
Exchange differences	-8	-	-4	4	-8
Deconsolidation					-
Carrying amount as at 31 December 2023	1,540	2,299	974	1,590	6,403

Current provisions			
x €1,000	Personnel-related provisions	Reorganisation provision	Guarantees
Carrying amount as at 1 January 2023	-	-	-
Movements	248	2,112	700
Carrying amount as at 31 December 2023	248	2,112	700

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 0.65% on average (2022: 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 for the closure of Helvoet Hellevoetsluis during the year. An agreement has been reached with trade unions and the plan has been communicated. Communication was made publicly through the publication of the press release.

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 1%-5% of 5 times the average EBIT over 3 or 4 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 60% 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 or 4 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 2023, 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 2022	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
Movements	-35	-242	-277	1,430	1,153
Carrying amount as at 31 December 2023	722	3,442	4,164	-2,882	1,282

For the most part, this is a non-current provision. The 2023 movement includes prior-year adjustments amounting to €347 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 €5.0 million due to mature in 2039 and an interest rate of 3.45% (fixed);
- ▶ a general loan for Hightech Components with a non-current part of €0.4 million. The remaining term to maturity of this loan is 1 year 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 Hightech Components with a non-current part of €1.7 million. The remaining term to maturity of this loan is 4 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 Hightech Components with a non-current part of €0.6 million. The remaining term to maturity of the loan is 3 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 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
Borrowings drawn		1,067	1,067
Borrowings repaid	-3,453	-2,481	-5,934
Interest		321	321
Exchange differences			-
Carrying amount as at 31 December 2023	9,388	7,478	16,866
Of which current:			
Appointed on 31 December 2023	1,658	1,550	3,208
Appointed on 31 December 2022	1,964	1,933	3,897
Of which non-current:			
Appointed on 31 December 2023	7,730	5,928	13,658
Appointed on 31 December 2022	10,877	6,638	17,515

For the leased assets, see note 1.31.

The interest on lease liabilities recognised in 2023 amounted to €325 thousand (2022: €25 thousand). Cash flows from lease obligations amounted to €2.1 million (2022: €2.2 million).

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

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

The fair value of the non-current borrowings is about €0.1 million higher than the carrying amount (2022: €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 2021	-	237	-	373	610
Movements in fair value		-237		-90	-327
Barter transaction					-
Carrying amount as at 31 December 2022	-	-	-	283	283
Movements in fair value				-92	-92
Barter transaction					-
Carrying amount as at 31 December 2023	-	-	-	191	191

The financial derivatives relate to:

- ▶ an interest rate swap to fix the variable interest rate component on the loan amounting to €1.1 million at year-end 2023, which is due to mature on 1 October 2025;
- ▶ an interest rate swap to fix the variable interest component of the loan amounting to €0.8 million at year-end 2023, 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 €2.1 million at year-end 2023, 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 (2022: 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	2023	2022
Turnover tax	330	1,233
Wage tax	1,471	1,234
Pensions and social security contributions	1,584	1,619
Total other taxes and social security contributions	3,385	4,086

1.43 Current account at bank

x €1,000	2023	2022
Carrying amount as at 1 January	1,505	722
Withdrawal/repayment	6,116	783
Current account at bank	7,621	1,505

No use had been made of the maximum available current account facility as at the balance sheet date (2022: the same). For notes to the group facility, see section 1.46.3.

1.44 Other liabilities, accruals and deferred income

x €1,000	2023	2022
Interest	142	111
Personnel-related expenses	7,553	10,003
Amounts received in advance	30,630	48,858
Commission due to agents	2,792	3,279
Accruals and deferred income and other liabilities	7,724	9,622
Total other liabilities, accruals and deferred income	48,841	71,873

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 cash and cash equivalents of €11.1 million (2022: €25.2 million) and the current account facilities at the bank of €7.6 million (2022: €1.5 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	2022
Debts to credit institutions	9,390	1,659	4,043	3,688	12,841
Lease liabilities	7,477	1,549	3,668	2,260	8,571
Other financial instruments	300	100	200		400
Trade payables	18,610	18,610			19,857
Other liabilities, accruals and deferred income ¹	23,109	23,109			29,632
Interest on financial instruments	1,525	277	619	629	2,422

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 2023 was €27.8 million for Industrial Systems (2022: €25.3 million) and €19.3 million for Hightech Components (2022: €22.2 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 Hightech 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 2023, 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 €57 thousand;
- ▶ a 10% fluctuation in the Brazilian real to euro exchange rate would result in a movement of €90 thousand;
- ▶ a 10% fluctuation in the Polish zloty to euro exchange rate would result in a movement of €84 thousand;
- ▶ a 10% fluctuation in the US dollar to euro exchange rate would result in a movement of €474 thousand.

1.45.7 Interest rate risk

The Group has credit facilities at an interest rate which depends on the European Interbank Offered Rate (EURIBOR). The facilities, which are combined with fixed interest rate swaps, were completely hedged at year-end 2023. The swaps are measured at fair value. The change in value in 2023 was €96 thousand negative (2022: €291 thousand positive). Debts to credit institutions that are subject to an interest rate risk amounted to €7.6 million at year-end 2023. By contrast, the Group had cash and cash equivalents worth €10.6 million at the balance sheet date. If the interest rate rises by one percentage point, this will affect the result before tax by approximately €0.1 million positive.

1.46 Liabilities not shown on the balance sheet

1.46.1 Capital investment commitments

At year-end 2023, the Group had commitments for €0.9 million to procure plant (2022: €1.3 million).

1.46.2 Bank guarantees

The Group has provided bank guarantees to a total value of €2.4 million (2022: €3.1 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 2023 with a maximum of €42.5 million, which will be lowered by €1.5 million on 1 January every year, reaching €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 2023:

- ▶ the debt/EBITDA ratio must be less than 2.5;
- ▶ EBITDA floor of €17.5 million

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 (2022: the same).

1.47 Related party transactions

No transactions with related parties took place in 2023 other than:

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

1.48 Events after the balance sheet date

On 18 January 2024, an agreement was reached with Ten Cate Investeringsmaatschappij on a recommended public bid of €142.50. For more information on this, please refer to the press release of 18 January.

2023 company financial statements

Company financial statements as at 31 December before appropriation of result

x €1,000	Note	2023	2022	x €1,000	Note	2023	2022
ASSETS				LIABILITIES			
Intangible fixed assets				Shareholders' equity			
Goodwill	2.2	13,487	13,487	Issued capital	2.5	584	584
Software		36	53	Share premium reserve		6,667	6,499
Tangible fixed assets				Translation reserve		-2,289	-2,132
Right-of-use assets		118	109	Hedge reserve		10	119
Tangible fixed assets		13	20	Other statutory reserve		1,534	2,200
Financial fixed assets				Revaluation reserve		-	1,120
Participations in group companies	2.3	94,497	89,920	Reserve for capitalised development costs		1,054	1,054
Loans to group companies		1,500	1,724	Other reserve		70,564	60,619
Current assets				Unappropriated result		<u>15,693</u>	<u>15,927</u>
Receivables from group companies		16,543	14,415			<u>93,817</u>	<u>85,990</u>
Other receivables, prepayments and accrued income		75	27	Provisions			
Cash and cash equivalents					2.6	797	785
Bank		-	5,673	Current liabilities			
Total assets		<u>126,269</u>	<u>125,428</u>	Debts to credit institutions	2.7	7,621	-
				Trade payables		200	145
				Debts to group companies	2.4	21,902	36,089
				Other liabilities, accruals and deferred income	2.8	<u>1,932</u>	<u>2,419</u>
						<u>31,655</u>	<u>38,653</u>
				Total liabilities			
						<u>126,269</u>	<u>125,428</u>

Company statement of profit or loss

x €1,000	Note	2023	2022
Operating costs			
Wages, salaries and temporary staff	2.10	-1,786	-3,175
Social security contributions and pensions		-164	-126
Other operating costs		59	159
Operating result		-1,891	-3,142
Financial income and expenses		770	-126
Result before tax		-1,121	-3,268
Taxes		288	842
Result from participating interests		16,526	18,353
Net result		15,693	15,927

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 (2022: €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 2022	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
Result from participating interests	16,526
Group company dividends	-11,700
Translation reserve	-157
Movements in hedge reserve	-92
Other statutory reserve	
Capital contributions	
Balance as at 31 December 2023	94,497

Unless otherwise specified, Hydratec owned direct and indirect shares in the following companies as at 31 December 2023 (where companies are not wholly owned, the equity stake is shown in brackets): Helvoet Deutschland GmbH and Helvoet Rubber & Plastic Technologies GMBH & CO KG account for 100% of participations without control as a result of the insolvency filing; equity instruments are therefore available at the end of the financial year.

Name	Business location
Timmerije B.V.	Neede, Netherlands
Lias Industries B.V.	Amersfoort, Netherlands
Pas Reform B.V.	Zeddum, Netherlands
Pas Reform Participações LTDA	São Paulo, Brazil
Pas Reform do Brasil LTDA	São Paulo, Brazil
Windmolen Holding LTDA ION (54.5%)	São Paulo, Brazil
Pas Reform North America LLC	Jacksonville, US
Lias Vastgoed B.V.	Zeddum, 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
LAN Handling North America LLC	Jacksonville, US
Polmer Sp. z o.o.	Wroclaw, Poland
Helvoet Rubber & Plastic Technologies B.V.	Tilburg, Netherlands
Helvoet Rubber & Plastic Technologies N.V.	Lommel, Belgium
High Technology Plastics (India) Pvt. Ltd.	Pune, India
Helvoet Deutschland GmbH	Gilching, Germany
Helvoet Rubber & Plastic Technologies 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

	Loans to group companies
x €1,000	
Carrying amount as at 1 January 2023	1,724
Borrowings repaid	-300
Interest	76
Carrying amount as at 31 December 2023	1,500

The loans relate to a group company loan. This loan has a carrying amount of €1.5 million (2022: €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.

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 2023, there were 1,297,212 shares outstanding each with a nominal value of €0.45 (2022: 1,294,976 shares). 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	2023	2022
Carrying amount as at 1 January	785	1,399
Transfer current		-2,227
Additions during the year	270	1,613
Book value as at 31 December	1,055	785

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 Other liabilities, accruals and deferred income

The tax liability of €738 thousand for the reporting period is included with other debts.

2.9 Liabilities not shown on the balance sheet

The company has been part of a fiscal unity for corporate income tax purposes since 1 July 2021. 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.	

2.10 Personnel costs

The company had an average of six employees in 2023 (2022: six). Please refer to 1.25.3 for the remuneration of the Management Board.

Amersfoort, 6 March 2024

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.

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CFO	E. H. Slijkhuis RA
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Hightech Components

Timmerije BV

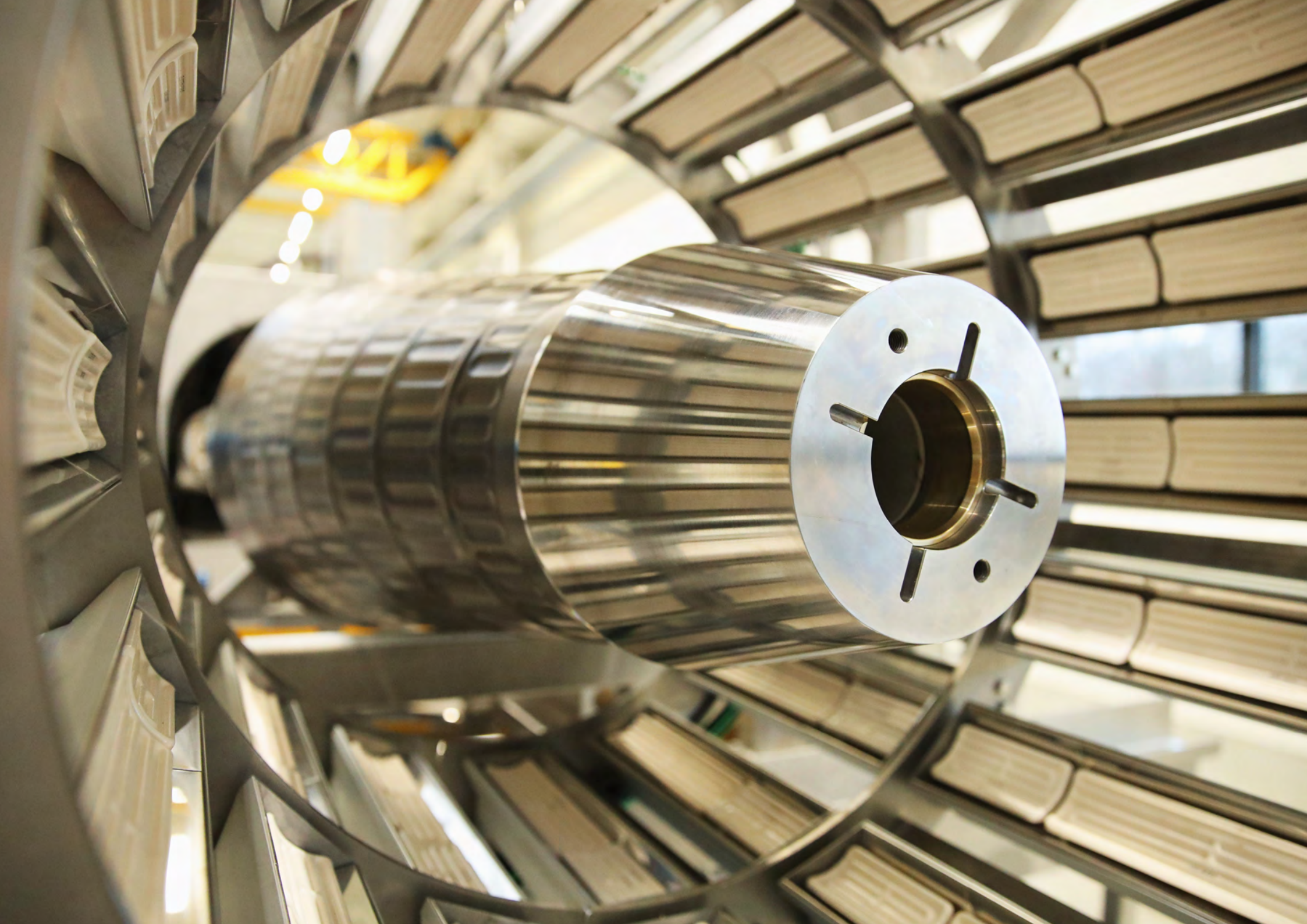
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