

The Strength of the Marketplace

2019 Annual Report

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This annual report has not been audited and solely constitutes a translation of the Dutch annual report, which has been audited.

The Strength of the Marketplace

Today, we find ourselves in unprecedented times, as coronavirus continues to disrupt the global economy. In what is normally the peak period for the floriculture industry in the approach to Mother's Day in various countries, our industry is being hit hard by the coronavirus crisis. Without the Dutch government's relief measures, many companies within our industry will quickly end up in financial distress. With demand falling dramatically, Royal FloraHolland's auction clocks show not only extremely low prices, but also exceptionally large volumes of beautiful flowers and plants for which there is no demand and that will consequently have to be destroyed. This is something that has never happened to this extent before in the cooperative's over 100-year history.

Royal FloraHolland is doing everything within its power to keep the floriculture industry on its feet and to support growers and buyers in these difficult times. We have taken action

'Royal FloraHolland is doing everything within its power to keep the floriculture industry on its feet and to support growers and buyers in these difficult times.'

rapidly to guarantee the safety of our employees, keep the marketplace going as well as possible by regulating the supply side on the auction clock, mitigate the financial losses wherever possible (for the whole industry), agree on emergency loan arrangements with banks, and ensure our operations can continue, in the interest of our members and their buyers. Royal FloraHolland has also decided to use the government's relief scheme and we are in consultation with our banks about the impact of the coronavirus crisis on our financing, in view of securing Royal FloraHolland's continuity. Drastic cost reduction is an important priority in this respect, which we aim to do by scaling back the use of temporary workers and external staff, suspending and stopping projects, and reducing the use of external service providers. These measures will help us maintain the best possible level of service, so that we can be there for our members and their buyers as much as possible in this challenging period.

Support measures and emergency fund

We realise that the current measures taken by the government to contain the coronavirus outbreak are hurting business. But the reality is that coronavirus is among us and will continue to be for the time being. There is no simple or quick way out of this very difficult situation. For now, there are no other options. We have, therefore, vigorously sounded the alarm for the situation across the entire floriculture industry, in order to get an emergency fund set up alongside the government's support measures. This will enable the floriculture industry to make it through this extremely difficult period as well as possible, paving the way for renewed growth once this crisis is over. To be able to hit the ground running in the post-coronavirus era, we are implementing the foundations of a strategy that we have called 'The Strength of the Marketplace'. There is broad support from members, customers, and other stakeholders for the course we have chosen to take, and we expect the market situation after the coronavirus crisis will require acceleration rather than delay in the implementation of the strategy.

Strategy

We will continue to focus our energy fully on implementing the specifics of the strategy,

'By the end of 2020 all transactions will be conducted digitally.'

such as 100% digital ordering on our Floriday platform, new logistics services such as deliveries from stock, better international facilities with new payment options, and nationwide auctioning. In pursuing this strategy, we will continue to seek close collaboration with our members, customers, and other stakeholders. We are building on the changes made in 2019, such as the migration of our IT systems to the cloud, the use of our new integrated logistics system, and the organisational changes. The development of Floriday and the associated services are now an integrated part of the new commercial operation. Aside from that, we now have a new business unit, Grower Services, which also incorporates support services for the Members' Council and members. These changes are enabling more relevant contact with members and customers.

The effective and close collaboration with the Members' Council is something I would like to highlight, as it has been very productive and pleasant right from the start on 1 January 2019. The decision to set up a Members' Council has proven to be very enriching for our cooperative. Our members' involvement in and influence on the course of their cooperative has increased tremendously as a result.

Prioritizing digitalisation

Digitalisation is one of the priorities of our strategy. Besides the further development of the Floriday platform, the joint venture with Blueroots shareholders is another crucial advance, delivering the kind of collaboration that empowers us to bolster the Dutch floriculture industry's international competitive position. It will enable us to hit our target of going 100% digital. By the end of 2020, all marketplace transactions will be completed digitally. This collaboration also makes it possible to develop new business models and new services. This, too, is something we will be doing in close partnership with our members and buyers.

Sustainability

Besides digitalisation, sustainability was another key focus point in the consultation sessions we had with our members in 2019, whereby sustainability-related registration and certification requirements received specific attention. On the latter topic, the Members' Council has, based on discussions held with members during the consultation sessions, advised us to set a clear and ambitious goal. The Management Board subsequently made a decision in line with the council's advice, meaning that we will require all suppliers to the marketplace to

register their use of crop protection by the end of 2020 and to be certified by the end of 2021. We will be helping our members with these registrations and in getting certified as and when needed, while also ensuring that the recommended preconditions are met in an appropriate manner. Also, the signing of the Plastic Pact was another relevant event in 2019. We are committed to increasing the reuse of plastic and promoting recycling.

Raising logistics quality

Over the past year, we have succeeded in further raising the quality level of our logistics services, as we continue to create a solid basis from which to realise our ambition to introduce nationwide auctioning for all our locations in 2021. Eelde is the first location where Royal FloraHolland will be implementing the new dealmaking and logistics concepts. In 2020, location Eelde will start using state-of-the-art auctioning and sales technology and switch to a new form of fulfilment logistics. Since collaboration is the key to making this a success, we will again be drawing on input from growers and buyers.

Internal Basics Right programme

I cannot write this foreword without mentioning the theft by an employee that

came to light in May. That theft has touched me deeply and also left marks on the company. The impact was primarily a mental one.

The fact that we were insured against fraud and the adequate follow-up after the fraud was detected meant that financial losses could be prevented. The insurance covered the financial losses. Despite that, the incident came as a huge blow. It also spurred us on to accelerate implementation of the previously launched Basics Right programme, which is intended to ensure all processes have an

optimum and robust basis.

Aside from that, the Basics Right programme also seeks to increase our efficiency. Major steps were made in

2019, and we will continue in the same vein in 2020.



In other good news, the three-year collective labour agreement was signed in early 2019.

Financially strong

Prior to the coronavirus crisis, we were in good shape financially. We closed 2019 with a profit of €5.6 million. A healthy profit is of crucial importance in being able to keep investing in our future, also after the coronavirus crisis. I have confidence in the future of Royal FloraHolland and that of the Dutch floriculture industry as a whole, and am convinced that we will all recover together. It will not be easy, but we will succeed.

The Management Team welcomed various reinforcements in 2019 with the addition of André van der Linden as CIO, Claudia Hölzel as Manager Grower Services and Cooperative Affairs, and Olga Kolenburg as executive secretary. I would like to extend my gratitude to Gerhard van der Bijl in particular for his work in developing our digital platform. After his departure, his role was fulfilled by Fedor Hoevenaars on an interim basis, for which I would like to thank him greatly. Meanwhile, we have found in Ruud Knorr someone who will take over as CCO on a permanent basis. He brings in a wealth of experience in the floriculture industry and knows our organisation inside out. Under the

leadership of Yme Pasma, our logistics services have greatly improved and are now a solid foundation for the development of new services. I would also like to thank him for his important contribution.

On behalf of the Management Team, I would like to thank all colleagues. They are the ones who are ready to serve our customers and all users of the marketplace day in and day out. Together, they drive our success. My thanks also go out to the members of the Members' Council for the great dedication shown over the past year. Additionally, I want to thank our members, buyers, and other stakeholders for their collaboration and placing their trust in us.

Overcoming the crisis together

Let's help and support each other wherever we can. It was close collaboration that helped us grow as an industry. Collaboration between colleagues and with buyers and our partners. And together we will overcome the crisis. I will continue to personally commit myself to that, with everything I can do.

Steven van Schilfgaarde

CEO Royal FloraHolland



Transactions a day
100,000+



Varieties of flowers
and plants traded
20,000+



Suppliers
5,406



Members
3,894



Customers
2,458

We are a cooperative of growers

We are a cooperative of growers and strive to ensure the sustainable success of our members. We connect growers and buyers and cooperate with all parties in the floriculture industry to ensure the continued growth of the sector.



The largest floriculture marketplace in the world

Cooperation has taken us a long way. We are now the largest floriculture marketplace in the world and one of the Netherlands' main export sectors.

We provide a unique full-service offering ranging from deal-making to logistics and financial settlement. We thus provide a strong foundation on which our growers and buyers can build their business and cooperate to deliver sustainable success in the global floriculture market.

Digital platform with intelligent logistics solutions

We are developing our marketplace into a digital platform. Here we supply the widest and deepest range of sustainable flowers and plants worldwide. These can be sold directly or through auctions. For the same day or for later.

We process all transactions using intelligent logistics solutions, from the garden to the buyer's back door. This enables us to deliver products more often, faster and fresher to the place our customers want, worldwide. We handle invoicing, collection and payment to the grower.

In that way we relieve the burden on growers and provide a customised service for buyers. This allows them to grow with the market and continue to supply the world with fresh flowers and plants.

Cooperation

Together you achieve more than alone. We therefore involve our members intensively in our strategy and work closely with growers, buyers and partners. To improve our services and discover even more unique opportunities for growth and development.



Sustainable development

We see sustainability as an opportunity and as a responsibility to improve the sector through the supply chain. Together we ensure that all suppliers have registered their products by the end of 2020 and have an environmental certificate by the end of 2021. We are doing our utmost to ensure that everyone can continue to participate.

Sustainable success

Together we become smarter, better, more efficient and more sustainable, with potential for even further growth. This is how we can achieve sustainable success, for the benefit of all of us. Growers, buyers, partners, the entire sector. This has been our goal since the very first day and it will always be like this.



The largest floriculture marketplace in the world

Turnover
(in € millions)

2019	4,791
2018	4,648
	↑3.1%

Operating income
(in € millions)

2019	368.5
2018	368.2
	↑0.1%

Balance sheet total
(in € millions)

2019	781.9
2018	795.3
	↓1.7%

Profit after tax
(in € millions)

2019	5.6
2018	0.3
	>100%

Operating expenses
(in € millions)

2019	354.4
2018	360.2
	↓1.6%

Solvency
(in %)

2019	28.8
2018	27.2
	↑6.0%

**Percentage of cost-covering
commission** (net in %)

2019	3.3
2018	3.4
	↓2.9%

Investments (tangible fixed assets
and software) (in € millions)

2019	67.1
2018	82.9
	↓19.1%

**Risk-bearing
capital** (in %)

2019	60.3
2018	55.7
	↑8.3%

Royal FloraHolland aims to continue to play a leading role in the floriculture industry in the future. That means that as an enterprising business-to-business service provider we will ensure that we systematically deliver added value to our customers.

The market is changing

Growers and buyers are constantly looking for the most efficient ways to meet demand for floriculture products. Increasingly this is being done directly with each other. We are responding to this development, because in direct trading too we aim to offer unique benefits to our growers and buyers.

We are changing with the market

We are developing our marketplace into a digital platform. Here we provide our growers with the widest and deepest range of sustainable flowers and plants worldwide. These can be purchased in different ways. Directly or indirectly, for the same day or for later. In the Netherlands and Europe, but also worldwide. We process all transactions using intelligent logistics solutions, from the garden to the buyer's back door. That means we can deliver fresher products faster and more frequently to our customers' chosen location. With our payment security.

We always provide a comprehensive service ranging from deal-making to logistics and financial settlement. In that way we relieve the burden on the grower and provide a customised service for the buyer. We are changing along with the sector so we can continue to do what we have been doing for over a hundred years. Connecting growers and buyers so that together we can get the most out of the market. They can then grow with the market and continue to supply the world with fresh flowers and plants.

How are we doing that?

To fulfil this ambition we are developing new services, taking our existing services as the starting point:

Step 1

We continue developing our Floriday digital platform. We will soon process all transactions digitally, for both auction clock and direct sales. 100% digital is our goal for 2020. Floriday provides both the infrastructure and the data we need to develop and provide new services. With these new services we can ensure that every method of trading through Royal FloraHolland offers benefits for growers and buyers.

Step 2

We are working towards nationwide auctioning and making our powerful clock future-proof. Nationwide auctioning will make all the products available across all available locations in the Netherlands with one single platform. Image auctioning (digital auctioning) is a prerequisite. We are preparing nationwide auctioning for 2020 and testing it at our location in Eelde. Deployment at all locations is our goal for 2021.

We will then be able to organise our logistics for all transactions to meet the customer's requirements. We will start with transport between our locations and expand gradually into a national network, starting in 2021.

In the meantime we are working on international payment solutions to facilitate worry-free international trade through our marketplace. We are testing it first in Kenya. A key target for 2020.

Step 3

We will develop new deal-making concepts such as international auctioning, auctioning directly from the garden and expand our smart logistics services, including internationally. That is our goal for 2022.

Sustainable development

At the same time we will continue to focus fully on sustainable development. We see sustainability as an opportunity and as a responsibility to improve the sector through the supply chain. Together we ensure that all suppliers are registered by the end of 2020 and have an environmental certificate by 2021.

We are **investing** heavily in order to seize and fulfil these opportunities. In 2018 and 2019 Royal FloraHolland invested substantial in improvements of day-to-day services, additional trolleys, the development and implementation of a new flower bucket and the development of Floriday. We also invested in professionalising the business

processes and underlying systems. For example, we worked on the standardising of the trading arrangements and the improvement of the complaint handling. In particular, the service for the delivery of products purchased via the auction has improved.

Focus on our day-to-day services

We monitor satisfaction with our services in our annual customer satisfaction survey. Members' satisfaction with our services dipped slightly last year, while buyers' satisfaction remained unchanged compared to the end of the previous year. The survey shows that dissatisfaction was due particularly to high or excessive costs. Customers are predominantly satisfied with our logistics performance, for which we achieved higher scores for some aspects than at the end of 2018. We are grateful for the signals that growers and buyers send us with the customer satisfaction survey. In 2018 and 2019 we were able to greatly improve various aspects of our operational service. The Continuous Infrastructure Improvement programme enabled everyone to be involved daily in delivering improvements leading to demonstrably better delivery times in 2019. At the same

time, the number of industrial accidents decreased. Our combined efforts meant that 96% of turnaround times and end-times were within the specified standards. The start of the auction process on peak days was also brought forward one hour to 5am.

We focused a lot of attention on innovation with a view to further **efficiency** improvements. A new multi-use flower bucket (Fc588) was developed for the packaging pool. That delivers substantially greater efficiency in combination with the new shelving support (Fc598). The new multi-use flower bucket has strategic dimensions that enable 11% more buckets to be fitted on a trolley and 50% more buckets on a CC container.

With the new ILC (Integral Logistical Control) project we established a new uniform **IT infrastructure** in part of our logistics processes last year.

The logistics IT systems were replaced by a single uniform and future-proof WMS (warehouse management system). That contributes to the professionalisation of the processes and to innovation. That is important, because growers and buyers have logistics requirements that we cannot always meet with our existing logistics.



Growers, for example, find it difficult to deliver small orders on time at low cost. Customers increasingly want to be supplied on a call-off basis. We can meet these requirements by reorganising our logistics processes. We call the new logistics fulfilment. The development of the WMS will focus on fulfilment.

The IT in logistics is of course not a standalone system. The Application Transformation project was conducted to make the IT landscape more future-proof.

It was completed successfully in 2019. The project had a two-year turnaround time and was intended to increase the efficiency of Royal FloraHolland's IT and take a step towards public cloud solutions, i.e. IT capacity provided by technology companies such as Amazon. At the beginning our IT landscape still consisted of 343 applications. 226 applications were taken out of service during the project.

Of the remaining 117 applications, 26 remain in our own data centres for various reasons; 91 were placed in the public clouds of Amazon or other vendors.

Sustainability and security play a vital role in our strategy and day-to-day operations. The number of accidents leading to absence decreased last year. Every accident is one

too many, of course. The safety programme will be continued so that we can reduce the number of accidents further.

With our approach to sustainability we can increase our contribution to making the floriculture industry more sustainable, improving the sector's reputation and the meeting the Sustainable Development Goals (SDGs) of the United Nations. A good example is the legal requirement of a plant passport for trading plants, which came into force on 14 December 2019. Royal FloraHolland has conducted frequent consultations with members on this over the past two years. We are now strictly monitoring the supply.

Just two weeks after its introduction 99.5% of the supplied plants had a plant passport and thus met the new requirements. See the Sustainability section for further information on our sustainability approach.

Better control of processes and cost savings for the customer

Royal FloraHolland launched the **'Basics Right' programme** in 2019. It is aimed at better control of our processes and at cost savings. The programme helps ensure that we have high-calibre internal business and decision-making processes and can continue to charge competitive rates while



investing in new value propositions and maintaining healthy financial management.

Support processes, such as those of Human Resources, Finance and Purchasing, were further professionalised as part of the programme.

The 'cost savings for our customers' projects were primarily aimed at **lowering general and overhead costs** and reducing unit costs in the various business units of Royal FloraHolland. Examples of subprojects already completed or at an advanced stage include the outsourcing of 'soft services'

(cleaning etc.) to a single party and reductions in the cost of external personnel. Royal FloraHolland considers a high level of internal efficiency to be strategically important in a sector in which cost leadership and efficiency are a key part of the business operations of every player in the supply chain.

Development of new value propositions

Royal FloraHolland works to develop **new relevant value propositions**. These relate to the direct trade flow, based on an integrated and distinctive approach to *deal-making*, financial services and logistical services. ‘Supply from Stock’ was introduced in 2018. This new logistics service became available at all three export locations in 2019. Growers are now able to accept small orders without disrupting garden operation or incurring relatively high costs. Buyers can purchase on a small scale and have the product delivered at the required time. We therefore see increasing numbers of growers and buyers using this service. In 2019 we expanded the service offering to lighten the burden on customers even more.

Fulfilment covers the demand-driven logistics from the grower to the customer, for both clock and direct transactions.

In 2019 we gained experience of order picking for clock pre-sales and clock transactions.

That gives us even greater delivery flexibility. Fulfilment enables us to support direct flows and clock flows.

In **Floriday** growers can manage their supply and inventory efficiently, produce weekly lists and create and present promotions to buyers, allocating their supply to the various sales channels. Floriday provides multiple data services (such as Hortiheat and Insights) that make life easier for buyers and give them visibility on their sales. A large number of software vendors of ERP systems for growers are currently developing the link with Floriday.

Buyers use their usual transaction channels, with a link to Floriday. These channels give the connected buyers access to the widest and deepest range of flowers and plants in the world. Floriday provides many benefits for buyers. There is always a dependable, up-to-date product range, grower and product information is reliable and the payment and transaction system is secure and reliable. Due to the finely meshed product range, savings on logistics costs are also possible for small orders.



Floriday will become the key platform for the global floriculture industry. Its continued development is therefore of great importance. In Floriday we bring together the services that meet the customer’s needs for complete and comprehensive value propositions.

Floriday will be the key platform for the global floriculture industry

For example, we offer various possibilities for deal-making, financial and logistics services, as well as grower services based on data. The aim of this value proposition is to strengthen the auction, increase our relevance in direct trade flows and generate further international growth. In this way we increase the trade flow potential for growers and buyers, including internationally.

Royal FloraHolland will thus play a much greater role in direct trading, alongside clock transactions. As we are developing comprehensive services for direct trade flows, the difference between 'direct' and 'clock' and between 'national' and 'international' transactions will be smaller in the future.

Floriday grew substantially in terms of the user numbers in 2019, thanks to the increase in functionalities. More than 4,000 growers now have accounts. Over 2,000 of these are active users (two or more times per week). Just under 300 active users are international members.

Cooperation

The challenges faced by Royal FloraHolland are those faced by the industry as a whole. We work with our members, suppliers, buyers, carriers, government and knowledge institutions to develop and benefit the

floriculture industry. We discuss the developments at Royal FloraHolland and in the industry in the Members' Council, the Youth Council, customer panels and various partnerships. We discuss and make agreements on sustainability and the labour market and actively involve the sector in the development of new services.

We have established Dutch floriculture internationally by working with our members, buyers and other companies in the sector.

Royal FloraHolland offers an unrivalled range of floriculture products every day. As a cooperative we now have the task of meeting new and existing challenges in the sector jointly with our members and buyers so that we can maintain the position of the Netherlands as a hub in the international floriculture market.

Challenges for the near future

It goes without saying that much of our attention is now focused on dealing as effectively as possible with the coronavirus crisis. This crisis actually increases the need to accelerate our strategy implementation. By the end of 2020 all transactions in the Royal FloraHolland marketplace will take place digitally, through the Floriday offering and orders through digital sales channels. This marks the next step in the digital

transformation of floriculture. Digitisation will make both the supply and demand sides faster and more efficient. It will also help the sector to comply fully with the tighter financial legislation in Europe. Royal FloraHolland also aims to gain full control of the logistical processing of transactions between growers and buyers, and of the logistics between the locations so as to optimise the logistics costs for the sector.

We will take control of the logistics organisation and the way in which transactions take place, supported by our systems.





Slight increase in engagement score to 76%

Human Resources supports the employees of Royal FloraHolland in achieving success in their work. Engagement – in short, enthusiasm and commitment to our company – is central in this regard. We devote a lot of attention to strategy alignment. That means employees know and embrace the strategy. The focus is also on the development of a business culture that supports the strategy, in which people feel at home. Leadership and personal development are key focal points in this regard.

Engagement is then further reinforced.

Engagement is an important prerequisite for the fulfilment of our strategy. Engaged workers can endorse our vision and ambition with conviction and support the chosen course. A clear and unequivocal strategy also means that everyone knows what Royal FloraHolland stands for and is aiming for. Enthusiastic employees are driven. They understand their field. They are prepared to grow within their field, develop personally and use their knowledge and expertise to further improve our services.

We organise quarterly employee meetings. These were well attended in 2019. Since the end of 2019 they have a new structure, in which employees talk to employees. A governance team of employees organises and supervises the meetings and feeds the results back to the management team. In that way we give fresh impetus to employee engagement.

This approach to engagement will not change in the years ahead, because it is clearly working. We devote a lot of attention particularly to the role of managers. Advisers from the HR team draw up their plans jointly in order to increase the engagement and enthusiasm in their departments. There are fixed times that contribute to engagement, such as the employee meetings and the 'Keek op de Week' (weekly update) meetings, where managers share their successes (from the organisation and their own team) with their employees.

We showed good, tangible results again in 2019. The annual employee survey shows a slight increase in the engagement score, to 76% (2018: 74.2%). We devote particular attention to managers. These include not only senior management but also team managers, who, after all, play an important

role in engagement. We organised focus group meetings for them.

Focus on the organisational culture

Royal FloraHolland has a long history as a 'warm' organisation with a collaborative and engaged family culture, the powerful elements of which are loyalty, a passion for the sector and taking care of each other. We are careful with this, because this culture has brought us a lot of benefit.

The culture is supported by our 'Ways of Working', in which there are four central elements: A focus on Result Orientation, Collaboration, Innovation and Reliability. We aim to develop this culture further in order to achieve our future ambitions. At the end of 2018 we therefore conducted a number of surveys as a basis for an organisational transformation process in 2019, led by a transformation team. We are making solid progress with the aid of *team journeys*, internal coaches and peer reviews.

Learning and developing

Royal FloraHolland focuses constantly on personal development and growth. We encourage everyone in the organisation to take a proactive approach to his or her development and career opportunities.

Sickness absence down to 4.61%

Learning in Royal FloraHolland means learning in the context of the organisation's operational and strategic requirements. We also make sure our employees maintain long-term employability. Our managers are essential in this regard. To promote their development, a large part of the training courses were devoted to the aforementioned organisational transformation process in 2019.

In 2019 we restructured the Royal FloraHolland Academy, among other things opening up new digital content which all our employees can easily access. Also in 2019 we launched a two-year customised project for 13 Young

Potentials, to promote continuity in the management and strategic positions in our changing organisation. We are also aiming to create a continuous learning organisation together. We are evaluating points that were less successful the first time, for example with 'Learning Tables', a concept that proved very popular last year, so that we can always implement changes and innovations faster, better and more efficiently.

Vitality

Royal FloraHolland believes it is important to have fit, healthy employees who enjoy their work. Our vitality approach is focused on both employees and managers. The employee is primarily responsible for his or her vitality, employability and development, and the manager provides the necessary support. Our approach delivered a 4.61% reduction in sickness absence in 2019 (2018: 5.5%).

Permanent posts for temporary workers

With a view to improving the logistical services and giving temporary workers career prospects, over 40 temporary workers were taken on as permanent employees in 2019.

This drew sufficient interest despite the tight labour market.

Digitisation of HR processes

The HR Masterplan was launched in 2019. We are going to implement our service provision model in our processes and systems. Reliability is paramount in enabling us to work on a standardised, error-free basis. Key concepts are 'Simple' (with user-friendliness going hand in hand with administrative ease), 'Personal' (to contribute to the engagement of our managers and employees) and 'Innovative' (with our employees' experience becoming an example for the digital platform for our strategic direction). We are now working primarily on a renewal of the intake process, which is due to be introduced at the beginning of 2020.





Total number of FTEs

2,002

(2,095)
↓4%



Total number of employees

2,543

(2,636)
↓4%



Male/female ratio



1,845
(72.52%)

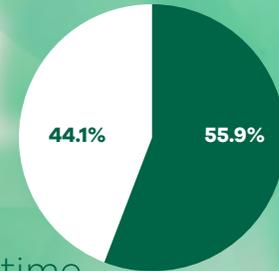


699
(27.48%)

Average age

49.6

(49.8)



Part-time

Full-time



Different nationalities

42

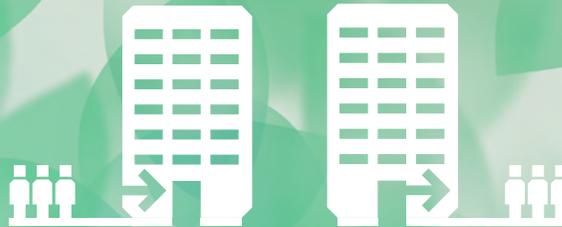
44



Absenteeism

4.61%

(5.50%)



Employed FTEs

196

(214)

FTEs leaving the company

289

(216)



Royal FloraHolland traded 12.3 billion products in 2019, a rise of 1.5%. Turnover increased by 3.1% to almost €4.8 billion (2018: €4.6 billion). The rise was due to cut flowers (+3.0%), house plants (+3.4%) and garden plants (+2.6%).

Revenues amounted to €368 million, the same level as in 2018. The operating profit before interest and depreciation (EBITDA) rose by €11 million to €90 million (2018: €79 million).

Higher sales due to higher volumes and higher average prices

The increase in turnover to €4.8 billion is explained by both higher revenues and higher prices for flowers and plants. The average unit price increased to €0.39 (2018: €0.38). Like previous years, 2019 saw a further shift from regular auction sales to direct sales between growers and customers. This shift amounted to 1.4 percentage points, in line with the previous year. In 2019, regular auction sales accounted for 40.7% of total turnover (2018: 42.3%) and 59.1% was accounted for by direct flows (2018: 57.7%). In clock auctions we see a total decrease in turnover of 0.3%. In the case of direct sales we see a total

increase of 5.5%, with rises of 8.4% in cut flowers, 4.1% in house plants and 3.1% in garden plants. As a result of the increased share of direct sales and the associated lower commissions, the percentage of the cost-covering commission* decreased to 3.3% (2018: 3.4%). Direct sales are expected to continue to grow. Royal FloraHolland is responding to this with its digital strategy.

Wage costs and general expenses decreased

Wage costs decreased by 5.6% in 2019 to €166 million (2018: €176 million) due to a lower average workforce (-93 FTEs), partly due to the outsourcing of maintenance and IT activities. General expenses decreased slightly (-0.8%; €112 million), particularly due to the sale of the former participating interest in Q7 Aircargo Broker Fzco (consolidated in 2018). Total operating expenses decreased by 3.7% in 2019 to €278 million (2018: €289 million).

Increase in operating profit and profit after interest and depreciation and amortisation

The operating profit before interest, depreciation and amortisation (EBITDA) rose by €11 million to €90 million (2018: €79 million).

After interest, depreciation and amortisation the profit was €8 million, €10 million higher than in 2018. Depreciation and amortisation were €5 million higher than in the previous year due to amortisation of higher software investments; interest was €4 million lower than in the previous year due to the one-off redemption of interest rate swaps in 2018 and lower interest costs due to the expiry of interest rate swaps.

Increase in profit after exceptional items

The profit after exceptional items amounts to €1 million (2018: €-2 million). Exceptional items make up €7 million in the result (2018: net zero) and mainly concern sales of real estate, whereas in 2018 real estate sales were offset by restructuring costs and the redemption of an interest rate swap.

Positive development of operating cash flow

The cash flow from operating activities increased to €88 million (2018: €58 million), particularly as a result of improved operating profit and working capital. In 2019 the outgoing cash flow from investing activities amounted to €-61 million (2018: €-56 million), mainly due to investments in tangible and intangible fixed assets, cash and cash

* Calculated as: (commission, contribution, lot and trolley levy revenues)/product turnover.

equivalents, software and the divestment of Bleijswijk. The cash flow from financing activities totalled €-25 million (2018: €-22 million) as a result of lower payments on certificates, offset by lower drawing under the credit facility.

Ratios at satisfactory levels

The financing of members is and will remain the foundation of the cooperative. Partly for that reason clear principles have been established for the financial ratios. The objective is to have solvency of at least 30%. Solvency* increased to 28.8% in 2019 (2018: 27.2%).

Risk-bearing capital** is 60.3% higher than the 45% to 55% range (2018: 55.7%).

The liquidity ratio*** at 0.3 is well below the required level of 3.

Status of participating interests

In 2019, the company both acquired holdings and sold holdings/participating interests.

FH Diensten Holding B.V. acquired the full interest in Caac BV and a 50% interest in Blueroots B.V. In 2019 FH Vastgoed Holding B.V. disposed of the interests in FH Vastgoed B.V., Cash & Carry Bleiswijk B.V. and V.O.F. DZF Naaldwijk. FH Diensten Holding B.V. disposed

of the interests in Greenparc Ontwikkeling V.O.F. and Hubways N.V.

Taxes

Royal FloraHolland uses key controls for the accuracy and completeness of sales tax, wage tax and corporation tax. Royal FloraHolland has signed a covenant (horizontal supervision) with the Dutch tax authority. The purpose of the covenant is to achieve an effective and efficient working method between parties on the basis of transparency.

Balance sheet total and investments

The balance sheet total decreased by €13 million to €782 million. This decrease was caused in particular by divestments of tangible fixed assets. The difference between the net investment level (€54 million) and depreciation (€76 million) results in a decrease of €22 million in the balance sheet.

Outlook

A lot depends on the length of time the coronavirus crisis lasts and whether the floriculture industry has suffered structural effects after it ends. In the meantime we are endeavouring to accelerate our strategy.

Royal FloraHolland is and will remain the largest international marketplace for flowers and plants in the world. The necessary investments will be made in the year ahead to maintain the strength of the marketplace and day-to-day services.

Investments will be made in real estate, in the further digitisation of Floriday and in the logistics processes in 2020. Our ambition is to process direct trade flows entirely through our digital platform by the end of the year. This is a prerequisite for further growth. There is also a major focus on national auctions and control of supply logistics. The global coronavirus outbreak and the associated measures in public life are having a major impact on the floriculture industry.

* Calculated as: (group equity / balance sheet total).

** Calculated as: (equity + B/C/D certificates) / (balance sheet total excluding cash and cash equivalents).

*** Calculated as: ratio of bank finance/EBITDA cash flow.

Countries are closing their borders and retail outlets and consumer spending on flowers and plants has largely dried up. Revenues have fallen sharply due to lower auction and other prices, combined with high volumes of unsold products. Royal FloraHolland is endeavouring to reduce its costs in the short term and to postpone investments in order to compensate for part of the lost revenues. The principle here is that the regular business operations and the rollout of the strategy will not be compromised. At the time of publishing this annual report it is uncertain what the actual impact of the coronavirus crisis will be. See 'Post-balance sheet events' on page 98 of the financial statements.

Finally, developments relating to Brexit are being watched closely. The impact on Royal FloraHolland remains unclear at the time of publishing this annual report.

**Notes to the operating result
and other income and expenditure**

(in € millions)

	2019	2018
Product turnover	4,791	4,648
Operating income	368	368
Salary expenses	166	176
General expenses	112	113
EBITDA	90	79
Depreciation and amortisation	76	71
Operating result	14	8
Interest	-6	-10
Profit before tax:	8	-2
Exceptional items in the result:		
Restructuring	-1	-5
Settlement of interest rate swaps	0	-3
Sale of real estate	8	8
Exceptional items in the result	7	0
Result after exceptional items	1	-2



We see sustainability as an opportunity and as a responsibility to improve the sector through the supply chain. Together with growers, buyers and supply chain partners, we are working actively to increase the sustainability of the sector.

With our sustainability strategy we offer our members an opportunity to stand out and strengthen their competitive position. In addition – jointly with growers and our supply chain partners – we are helping to futureproof our marketplace, our sector and our living environment. Seven relevant Sustainable Development Goals (SDGs) of the United Nations provide the background to our objective:



these are focused on clean water, affordable and clean energy, decent work and economic growth, sustainable cities and communities, responsible consumption and production, climate action and partnership in order to achieve the goals.

Opportunities and responsibility

Through its sustainability policy Royal FloraHolland creates the conditions in which entrepreneurs in the new world can do business successfully.

The key point is that sustainability *provides opportunities and creates responsibility*.

- *There are opportunities* for entrepreneurs who increasingly see that the market expects – or even demands – a proper approach to sustainability.

They expect that from growers, but also from the marketplace itself. Examples include the use of raw materials, pesticides, energy and waste processing. Customers want clear answers to those questions, increasingly also digitally. This is because the conscious retail consumer is also asking those questions. A business

that can give a proper answer is stronger than the competition. Anyone who has no answer will fall behind.

- At the same time sustainability means *responsibility*. The growers and Royal FloraHolland share a sense of responsibility for a futureproof sector and marketplace. Furthermore, policies on a political level are increasingly being tightened and NGOs are looking critically at businesses across all sectors. In short, sustainability is – more than ever – an urgent social responsibility. That is the case both for Royal FloraHolland and for the affiliated businesses. In the years ahead we will therefore make additional efforts in this area – in the interests of the sector, the environment and ultimately the world as a whole.

The following SDGs are relevant to Royal FloraHolland:



Ensure availability and sustainable management of water and sanitation for all.



Ensure access to affordable, reliable, sustainable and modern energy for all.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



Make cities and human settlements inclusive, safe, resilient and sustainable.



Ensure sustainable consumption and production patterns.



Take urgent action to combat climate change and its impacts.



Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Sustainability as a challenge

Sustainability is a catch-all term. It covers everything, and it is not always easy to make the right choices at the right time. But we are always looking for promising options and new ways of cooperating to improve our members' and our own business operations.

That is a challenge we cannot meet on our own. We must tackle it jointly with our growers, buyers and other partners.



Our strategy embodies four sustainability ambitions

Sustainability ambitions

1

Royal FloraHolland is the reliable marketplace for certified sustainable flowers and plants.

2

Royal FloraHolland embraces the 'zero waste' principle and strives for circular resource use.

3

Royal FloraHolland strives for carbon-neutral energy consumption in the marketplace by 2025.

4

Royal FloraHolland promotes 'Green is more than gorgeous', as a contribution to liveable, green cities and green communities.

Sustainability ambition 1: Royal FloraHolland is the reliable marketplace for certified sustainable flowers and plants.

In 2019 it was decided to introduce compulsory environmental registration and certification on a phased basis for all suppliers of flowers and plants in the marketplace. The management of Royal FloraHolland took this decision on the basis of a recommendation from the Members' Council. An extensive onboarding programme helps our members to select a registration tool and certification. This obligation will be introduced in phases in the years ahead.

- **Step 1:** Every supplier trading products through our marketplace must be able to demonstrate electronic environmental registration from 31 December 2020 and have registered with one of the certifying organisations by using one of the market-compliant registration tools.
- **Step 2:** Every supplier trading products through our marketplace must hold a market-compliant environmental certificate by 31 December 2021.

- **Step 3:** Ultimately we are aiming for a situation in which all suppliers meet the FSI sustainability standards for the floriculture industry, i.e. not only in the environmental field, but also with regard to Good Agricultural Practices (GAP) and in the social area. The Board of Directors therefore advises the suppliers to initiate the process, but will not yet set out any timeline, as this step is too big for many suppliers to take at this stage. Together with FSI we are looking to achieve good fulfilment of the sustainability standards for the sector after 2020.



Notes

FSI

FSI-certified products traded through Royal FloraHolland as a percentage of the number of units traded and as a percentage of turnover. These percentages are measured weekly. The average percentages for 2018 and 2019 are shown in the dashboard below.

Total



Turnover

55%
2018 **47%**

Units

53%
2018 **44%**

Flowers



Turnover

41%
2018 **33%**

Units

51%
2018 **42%**

Plants



Turnover

74%
2018 **64%**

Units

71%
2018 **60%**



**Sustainability ambition 2:
Royal FloraHolland embraces the
'zero waste' principle and strives for
circular resource use.**

In 2019 we signed the Plastic Pact. We can thus make an active contribution to the challenges posed by plastic. Together with various partners we are working towards a responsible, simplified plastic supply chain. We are looking critically at the design, use, residual flows and new applications of non-returnable packaging.

In summary we are working to increase the sustainability of transport packaging (flower buckets, plant trays), product packaging (including more reuse and recycling), other waste flows (cardboard, flower and plant waste) and water (reduction of drinking water, reuse of water, water treatment).



Notes



Electricity, gas and water consumption



Electricity consumption (MWh)*

115,638

↓ 2.9%

2018 **119,113**



Gas consumption (m³)*

10,760,916

↓ 2.3%

2018 **11,016,250**



Water consumption (m³)

385,290

↑ 1.1%

2018 **381,169**

* Including onward delivery to third parties/tenants.

Sustainability ambition 3: Royal FloraHolland strives for carbon-neutral energy consumption in the marketplace by 2025.

Various steps were taken in 2019 to build further on our ambition of consuming only electricity generated without carbon emissions in 2025:

- We are installing large-scale solar energy equipment on the roofs of our buildings, so we can meet part of our own energy consumption.
- From 1 January 2020 we are only buying green electricity.
- Royal FloraHolland is taking part in a geothermal energy project in the Westland region of the Netherlands.

From 2021 we will obtain geothermal heat from that source as a sustainable form of energy.

- Together with external experts we are investigating how we can reduce the consumption of energy and heat in our own buildings and in our business operations.

Sustainability ambition 4: Royal FloraHolland promotes 'Green is more than gorgeous', as a contribution to liveable, green cities and green communities.

As part of the Green Agenda further work was carried out on knowledge and knowledge sharing on the value of green areas in our cities and buildings in 2019. This theme is highly relevant, in view of trends such as urbanisation, ageing of the population and climate change. Green areas in the city attenuate the effect of increasingly wild weather fluctuations.

They can help reduce heat stress and act as a buffer to absorb rainwater in the event of extreme rainfall. Green areas are also beneficial for users of buildings. Children learn better in green classrooms, seniors feel better in a green environment, green offices lead to higher productivity and lower

sickness absence and patients need less medication in a green environment. Royal FloraHolland also actively conveyed this practical knowledge again in 2019:

- By means of our Green Agenda we are working with our partners – such as Wageningen University & Research – to build scientific knowledge through research, projects and programmes.
- We are opening up and sharing this knowledge to provide insight and inspiration for the sector with fact sheets, a digital knowledge portal and our attendance at meetings and symposia.
- We influence decision-makers (such as real estate companies) through our network and political contacts.

Notes

Carbon emissions*



Carbon emissions – energy (tonne)

84,633

* This concerns carbon emissions generated by consumption by Royal FloraHolland including onward delivery to third parties/tenants. Emissions have been calculated using the Klimaatplein carbon calculator.



Outlook for 2020

In 2020 Royal FloraHolland will continue energetically working on these four ambitions, partly against the backdrop of our objective of continued growth, including outside the Netherlands.

- **Sustainability ambition 1**

In 2020 a great deal of attention will be focused on digital environmental registration and environmental certification and the associated communication.

- **Sustainability ambition 2**

Royal FloraHolland is also working in 2020 to improve product and transport packaging and to promote the recycling and reuse of packaging material, drinking water and plant residues.

- **Sustainability ambition 3**

We are continuing to install solar panels and solar collectors on the roofs of our auction buildings at a rapid pace. Royal FloraHolland is now only buying sustainable electricity, working on all fronts to conserve energy and investigating the use of geothermal energy.

- **Sustainability ambition 4**

We are encouraging 'Green is more than gorgeous' and preparing to focus on this theme at Floriade 2022 in Almere.

Achieving more progress together

We cannot meet the challenge of sustainable development on our own. We therefore fulfil our ambitions jointly with our growers, buyers and other partners. After all, sustainability in the production chain and sustainability in the marketplace are closely related. We work through partnerships in various fields to strengthen sustainability in the sector.

Accelerators

In this initiative Royal FloraHolland joins forces with Dutch Flower Group, Waterdrinker,

Royal Lemkes and FleuraMetz to promote a sustainable, futureproof floriculture industry in which flowers and plants are grown and traded transparently with respect for mankind and the environment. The five parties, all members of Floriculture Sustainability Initiative (FSI), can thus give a fresh impetus to the goals of FSI.

Plastic Pact

The Plastic Pact NL is an initiative of the Ministry of Infrastructure and Water Management aimed at reducing the environmental impact of plastics and promoting circularity in cooperation with industrial producers and users of plastics and social organisations. Royal FloraHolland joined the Plastic Pact in 2019 together with 65 other businesses.

IMVO

In 2019 Royal FloraHolland joined with the relevant ministries, other operators in the sector and the FNV and Hivos in signing the International Social Corporate Responsibility (IMVO) covenant for the floriculture industry. The objective is more responsible international production and trading of ornamental plants, in terms of both the environment and working conditions.

Trias Westland thermal energy

Royal FloraHolland is one of the co-initiators of Trias Westland, alongside HVC and Capturam. The aim is to achieve broad sustainability by providing geothermal heat for all glasshouse horticulture businesses in the Westland region. Trias Westland is an innovative geothermal heat project. The first source entered service in 2019 and the second is scheduled to come on stream in the second half of 2020. FloraHolland itself will also purchase the geothermal heat from the Trias project.

The Green City Foundation

Royal FloraHolland is represented on the management board of the Green City. The Green City generates, collects, combines and distributes knowledge on the added value of green spaces in the urban environment. It does this in close cooperation with a number of scientists from renowned universities. By building new links between the 'grey' and the 'green' sectors, it promotes knowledge transfer, mutual understanding and partnerships, thereby exploiting the added value of green spaces in the grey environment.

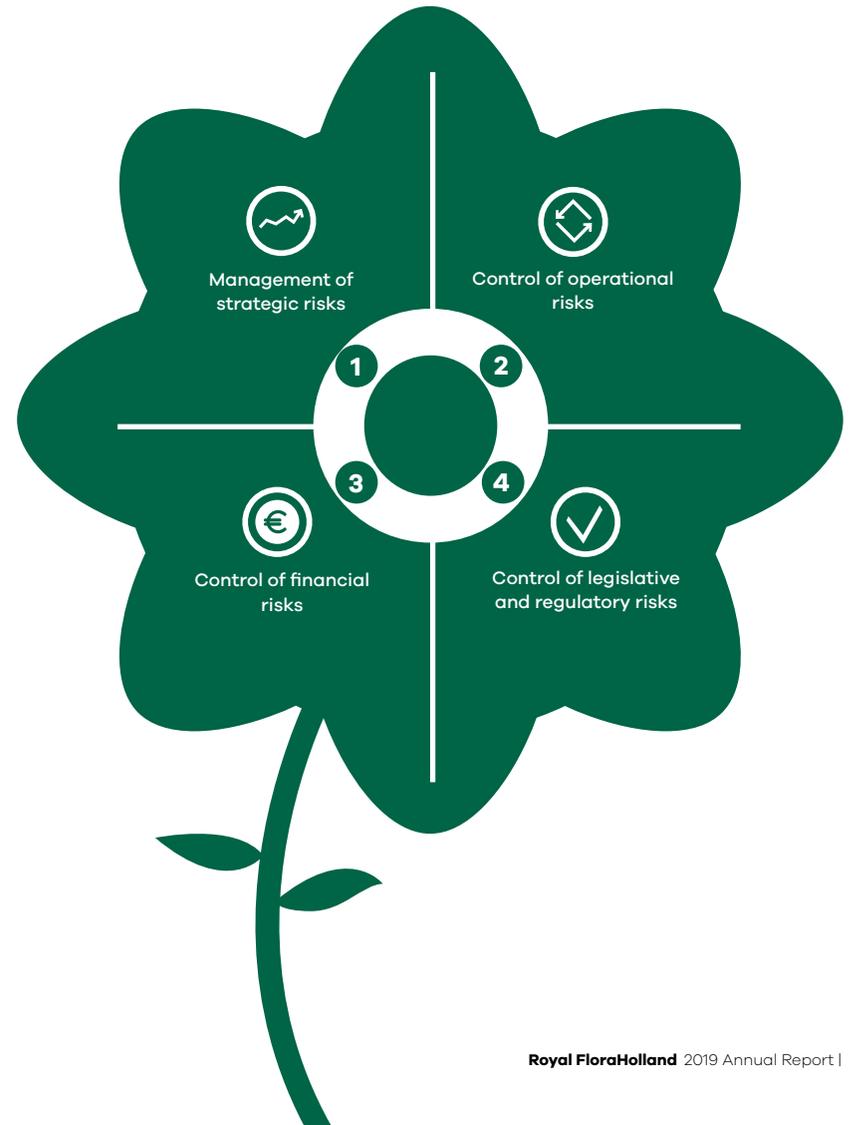




Royal FloraHolland has clear ambitions. We aim to fulfil these through the strategy of 'The strength of the marketplace'. This entails both risks and opportunities. In achieving our objectives we aim to make optimum use of opportunities and prevent or mitigate risks as far as possible. Royal FloraHolland's position in the floriculture industry exposes it to various types of risk. In order to defend the interests of the members carefully, Royal FloraHolland endeavours to be prudent when taking risk. Timely identification of risks and a proper response are crucially important.

Risk management approach

Royal FloraHolland strives for a culture in which responsibility for risk management is central. It is therefore important that risk awareness is present in all layers of the organisation. The skill, attitude and control awareness of the employees all play an important role in this. We work constantly to increase risk awareness by means of targeted training and an open dialogue ('Learning Table') on risks and monitoring.



1 Strategic risks

2 Operational risks

3 Financial risks

4 Legislative and regulatory risks

Royal FloraHolland has also defined a clear risk appetite in each category. This risk appetite reflects the nature and scale of the risks we are prepared to take as an organisation. The risk appetite is consistent with our ability and willingness to bear risk. The table on page 35 states the risk acceptance level for each risk category.

Risk assessments were continued with the senior management of the company in 2019. In the case of major risks an assessment is made to determine the extent to which they fall within the risk appetite and which risks may impede the successful implementation of the objectives. On that basis we determine whether additional risk-mitigating measures are required. These sessions take place with the management twice a year. Progress is evaluated periodically.

Explanatory note: risks associated with measures and impact

The main risks and uncertainties are subdivided into the following categories: strategic risks, operational risks, financial risks and legislative and regulatory risks (compliance).

1 Strategic risks

Royal FloraHolland aims to generate added value in order to develop an open international physical and digital marketplace. The recalibration of our strategy in this direction demands a lot from the organisation and the employees involved. Key risks and uncertainties that could hinder the strategy include competition and the competitive position, supply and demand, added value, organisational transformation (culture), personnel, IT and sustainability.

Concrete steps have now been developed to ensure that the strategy is fulfilled. Following in-depth examinations of the culture, a detailed programme has been launched for the organisational transformation.

There is also a separate 'Grower services' department focused mainly on providing services for growers.

A tight organisational and consultative structure has been established to control and manage the strategic projects. Clear reporting ensures that projects remain controllable and manageable during the transformation.

2 Operational risks

Important operational risks relate to the auction process, accidents and emergencies. Risks may arise as a result of problems relating to the auction process, difficulties involving the logistics process and problems involving the infrastructure (power outages, flooding, etc.). These risks are hedged at each site, with various parties in logistics, commerce and emergency response working together. There are company emergency plans in place in the event of disruptions to the auction system, and there is a crisis management team that assumes responsibility in emergency and crisis situations. The insurance portfolio is actively managed.

IT continuity and cybersecurity involve other substantial risks.

The application transformation and rationalisation project was completed in 2019. Of the 343 applications, 226 have been taken out of service and 91 migrated to public cloud solutions, as stated earlier in this annual report.

The other applications will be taken out of service in the course of 2020 or will remain operational from the Royal FloraHolland data centres. This public cloud migration provides a solid basis on which to accelerate the

renewal process and further strengthen the continuity of the IT services.

A lot of attention was devoted to the development of policy on the use and management of the IT environment in 2019. The improvement project for Identity & Access Management is proceeding as forecast. The initial results are already visible. The security risks were kept under constant scrutiny again in 2019, appropriate measures were taken or initiated and we conducted various investigations (such as *penetration tests*). Similar investigations are also planned for 2020.

3 Financial risks

The financial risks include risks in the area of accounts payable, tax, treasury, real estate and participating interests. There are several multidisciplinary teams in place at Royal FloraHolland which are responsible for managing these specific financial risks. Due to the complexity, Royal FloraHolland is supported by external experts in managing the associated risks.

A further step towards professionalisation was taken in 2019 by setting up a Corporate Finance department responsible for tax, treasury and participating interests.

Corporate Finance is tasked with managing the risk of Royal FloraHolland not meeting the creditworthiness ratios agreed in the bank covenant. The team monitors these ratios periodically and is in direct contact with the banks.

The team also manages a liquidity plan. The most recent plan includes the impact on liquidity resulting from the coronavirus outbreak, taking into account the possibility of accelerated payout of deposits.

Specific measures have been taken to control the credit risk. Daily collections from customers are carried out in conjunction with bank guarantees. In addition, credit risk insurance is used to minimise the financial consequences. Each year an analysis of financial and other risks is conducted to assess the values of Royal FloraHolland's significant participating interests. The key findings are followed up closely. Royal FloraHolland holds real estate consultations in which we monitor the main risks relating to real estate. An example is the risks that customers are unable to meet their rental obligations (or to do so in time). Since different disciplines are represented in the real estate consultation (such as Finance and Real Estate), we are able to respond effectively where necessary.

A detailed explanation of the risks relating to financial instruments can be found in the notes to the financial statements on page 88.

4 Legislative and regulatory risks

If Royal FloraHolland unexpectedly failed to comply with laws and regulations, that would entail risks, for example with regard to the company's reputation. We therefore constantly monitor trends and developments with regard to laws and regulations. We take appropriate measures where necessary. Any claims received are processed, monitored and reported by the Legal and Compliance department. Legal proceedings are conducted in cooperation with external law firms. Where necessary, the department recommends the recognition of a provision. The department also carries out preventive scans to assess the legal aspects of strategic programmes in good time (on matters such as competition, privacy and other laws and regulations). The Compliance department reports on this every quarter to the officers with ultimate responsibility in the company. Compliance works closely with other departments to promote compliance with laws and regulations within the company.

Risk category	Risk acceptance level					Examples
	Averse	Minimal	Cautious	Open	High	
Strategy				●		Ambition / strategy Organisation & Culture Added value Image / Identity / Reputation
Auction and logistics (operational)			●			Daily clock process and logistics process
Financial			●			Financial stability Debtor risk Tax risk
Information security (Cyber)		●				Network stability IT continuity Cybersecurity including application and system access
Legislation and regulations	●					PSD2, GDPR, Health, Safety and Environment legislation

The review of the code of conduct was initiated in 2019. A number of new policy documents were developed and existing policy documents were reassessed. At the beginning of 2019 the European PSD2 payments directive came into force; Royal FloraHolland then announced appropriate measures and immediately began to implement them.

Impact if risks and uncertainties arise

Royal FloraHolland strives to reduce the risk of errors, poor decisions and surprises from unexpected circumstances as much as possible. Our risk appetite is cautious. We take measures to limit risks where necessary. Nevertheless, uncertainties always remain. However good it is, our risk management and internal control system provides no absolute certainty that loss, fraud and/or the violation of laws and regulations can be prevented. An appropriate corporate culture is of the utmost importance and provides support for all other measures to minimise risks in this area.

Royal FloraHolland has an intensive auction process. We aim of course to ensure that this can take place each day without disruption. It is a complex and balanced process involving a number of different departments and clocks at various locations. Key risks are disruptions in the auction and logistics process and/or infrastructure problems. These may have different causes, with just as many gradations. The impact also varies from purely local delay to nationwide unavailability of auctions. In the latter case Royal FloraHolland incurs not only financial loss but also reputational damage and possibly consequential losses in the sector.

Partly for this reason we have taken extensive preventive and reactive measures. Our aim is to prevent any disruptions in order to identify and remedy disruptions as quickly as possible. For each auction site we have detailed test and exercise procedures and detailed emergency plans are in place. These set out various disruption levels and scenarios.

Risks with a major impact and their consequences

At the beginning of May 2019 Royal FloraHolland announced that a sum of money had been stolen. One of our employees had stolen more than €4.3 million over a nine-month period. This employee had abused the room for manoeuvre in his specific duties. Immediately after the fraud was detected we took measures to make any repetition of this type of manipulation impossible in the future. Forensic investigations were also conducted into the nature and scale of the theft. Once they were completed we immediately drew up a recovery plan.

This includes concrete steps to strengthen our internal control measures across the board. Royal FloraHolland is insured against such theft.

Royal FloraHolland submitted an insurance claim for the loss suffered and the claim was accepted. The full claim was paid out at the beginning of 2020.

Risks and uncertainties related to the coronavirus: the possible consequences for Royal FloraHolland

Royal FloraHolland identifies two types of risks that are both fairly difficult to assess. These are nature-related risks and systemic risks. The probability of occurrence of both types is usually low but their consequences are extremely far-reaching. These risks usually affect not only the organisation itself but an entire supply chain, an entire system. A characteristic of these risks is that they are difficult to control, particularly if they arise in combination.

The coronavirus outbreak is a natural risk and a systemic risk at the same time. There is also an impact on the largest system of all, the entire world. This risk has a very disruptive effect.

As explained in the going concern section (page 63) and post-balance sheet events (page 98) in the financial statements, the coronavirus outbreak and measures taken by various governments to contain the virus already had negative consequences for our company in March 2020.

In addition to the known effects, the macroeconomic uncertainty is disrupting economic activity and it is unclear what the possible consequences for our business activities will be over the long term. The scale and duration of this pandemic remain uncertain, but are likely to have further consequences for our business activities. The main risks resulting from the current uncertain situation concerning the coronavirus are:

1. Supply chain: The impact on the floriculture industry as a whole is addressed in the preface to this annual report. With some or all growers and customers remaining out of the market, Royal FloraHolland's position in the supply chain means that the impact on the company will be immediately noticeable. The impact may be great, but how great is currently impossible to assess. This will mainly depend on the length and depth of the crisis, but also on whether emergency funding is granted. By sounding the alarm and calling for industry-wide emergency support, Royal FloraHolland is seeking to minimise the probability of this risk.

2. Turnover and profitability: Royal FloraHolland's turnover has fallen sharply since the outbreak and is expected to remain low in the months ahead. The impact is therefore very high. Royal FloraHolland is mitigating the impact among other things by cutting costs, reducing investments, making use of the Dutch government's temporary emergency bridging measures (NOW) and requesting emergency support. The measures taken will not be sufficient, however, to absorb the consequences of the current loss of income and profitability. The scale of the impact over the full year is currently impossible to predict.

3. Government support: As stated in the preface, Royal FloraHolland (in common with a number of other parties in the sector) has applied for emergency funding from the government. Royal FloraHolland believes there is a real likelihood that emergency support will be granted. As stated in the going concern section, Royal FloraHolland has also conducted discussions with banks on additional funding for more extreme scenarios in which the crisis continues for an unpredictably long period.

4. Financing and liquidity: The going concern section details the company's expected financing and liquidity position. Under the base scenario Royal FloraHolland will continue to have sufficient credit headroom over the next 12 months. Royal FloraHolland is engaging in discussions with banks on additional finance and compliance with the bank covenants, in order to limit the likelihood of a funding shortfall.

5. Internal control: Since mid-March 2020 employees in non-operational posts have had to work from home. This inevitably entails vulnerabilities. With employees working remotely from each other, there is a greater chance of errors when manual transfers and/or manual actions are required. This may increase Royal FloraHolland's susceptibility to errors and/or fraudulent conduct in the period ahead. Active communication with employees is taking place and will continue to ensure that employees are alert to this and remain secure and alert in their work. Additional measures and monitoring have been introduced in the Finance back office to address a number of relevant risks in this situation.

6. Continuity: As can be seen from the going concern section, the conclusion is that Royal FloraHolland is very likely to continue to have sufficient liquidity over the next 12 months. Discussions are nevertheless under way with banks in order to further reinforce the company's liquidity position for the sake of certainty.

Explanation

In order to further strengthen Royal FloraHolland's internal control environment, work continued on the establishment of an Internal Control Framework in 2019. We will continue this project in 2020. This includes the documentation of all control measures. Existing risk management and control systems are all functioning effectively and provide sufficient certainty and scope for further improvement.

In view of the above, we believe that our systems for risk control and internal control provide a reasonable degree of certainty about financial reporting risks and that the financial reporting contains no material misstatements.

Steven van Schilfgoarde, CEO
David van Mechelen, CFO



Composition of the Management Board and management team

CEO

Steven van Schilfgaarde (25 August 1964),
Dutch nationality

Date of joining: 17 May 2016.

Other positions held:

- Supervisory Board member at LeasePlan Corporation NV
- Executive Board member at VNO-NCW

Steven van Schilfgaarde was the CFO of Royal FloraHolland until 31 December 2017.

CFO

David van Mechelen (14 November 1973),
Dutch nationality

Date of joining: 1 October 2018.

David van Mechelen was employed by KLM Royal Dutch Airlines until 30 September 2018.

Management team

Steven van Schilfgaarde, CEO

David van Mechelen, CFO

Fedor Hoevenaars, interim CCO

Yme Pasma, COO

Anja de Bree, CHRO

Claudia Hötzel, CGO

André van der Linden, CIO



The management team of Royal FloraHolland.

*Back row from left to right: David van Mechelen, Olga Kolenburg (Company Secretary),
Claudia Hötzel, Fedor Hoevenaars.*

*Front row from left to right: André van der Linden, Anja de Bree, Steven van Schilfgaarde and
Yme Pasma.*

Royal FloraHolland is a two-tier cooperative with a Management Board, a Supervisory Board and a Works Council. Since 1 January 2019, Royal FloraHolland has also had a Members' Council. This Council exercises the powers previously entrusted to the General Meeting of Members.

The Members' Council

The Members' Council appoints the members of the Supervisory Board and sets their remuneration. The Members' Council also adopts the financial statements and principal member fees. It also has a right of approval with regard to investments exceeding €20 million. The Members' Council currently comprises 42 persons appointed by the members – on the proposal of the statutory Nominations Committee – in an annual Members' Meeting.

The maximum term of office of the Council Members is eight years (2 × 4 years). The Council Members only have one vote in the Members' Council meeting. The regulations state that the formal Members' Council meetings will be chaired (twice a year) by the Chairman of the Supervisory Board; the other meetings (four times a year)

are chaired by the Chairman of the Members' Council.

In addition to these formal duties the Members' Council has the role of advising the management. The role description is defined in the Regulations of the Members' Council. Such subjects often come onto the agenda first at one of the four committees established by the Members' Council. One of the key purposes of the Members' Council is the link with the members of Royal FloraHolland. Member sessions are organised for this, generally in the spring and autumn. Each round then comprises around 15 meetings, both in the Netherlands and abroad.

The members are involved in the decision-making process in the cooperative through the Members' Council and they are involved in the introduction of resolutions and in the daily affairs of the company through the FPCs and RACs. Each product group has an FPC of five to nine members and serves as a consultative group for the company and its members. The focus is on product-related matters. Outside the Netherlands RACs from Israel, Kenya and Ethiopia advise on regional matters.

The Management Board

The Management Board is the body specified in the articles of association to manage Royal FloraHolland and bears ultimate responsibility for managing the cooperative.

The articles of association specify that the management must consist of a Chief Executive Officer (CEO) and a Chief Financial Officer (CFO). In 2019 Steven van Schilfgaarde served as CEO and David van Mechelen served as CFO.

The Management Board is appointed and dismissed by the Supervisory Board. The articles of association and the Management Board regulations specify the subjects for which the Management Board requires the prior approval of the Supervisory Board. The Management Board plus five managers constitute the management team (MT). Each week the MT discusses all current matters (Run) and every two weeks it discusses the progress made in implementing the strategy (Change).

The Supervisory Board

The Supervisory Board oversees the Management Board's policy and the general affairs of the cooperative. The Supervisory Board also has an advisory role. The Board has appointed an Audit Committee and

a Selection and Remuneration Committee from among its members.

The committee meetings sometimes provide scope for more in-depth deliberations on certain subjects. However, the committees have no decision-making authority. They prepare the topics placed on the agenda of the Supervisory Board.

In December 2019 the Members' Council decided to amend the articles of association to the effect that the Supervisory Board now must comprise at least nine persons. The majority of these are drawn from the members. This means there may be a maximum of four external supervisory directors, whereas the previous maximum was three. It was also decided that the term of office would be 2 x 4 years, with the possibility of an extension of for 2 x 2 years. The chairman must always be a member. This requirement has been discontinued in the case of the Vice-Chairman.

Royal FloraHolland adheres to the governance principles laid down in the Code for Cooperatives of the Dutch Council for Cooperatives (NCR) (see our website for a detailed analysis). We also stay abreast of the principles of the Dutch Corporate

Governance Code, the key elements of which include long-term value creation and increased attention to risk management.

Strategy formation and the implementation of strategic policy take place as follows at Royal FloraHolland:

- The Management Board prepares the strategic policy, translates it into plans and is responsible for its execution.
- The Members' Council assesses the strategic choices the Management Board intends to make. This can lead to the issuing of a formal advice.
- The Supervisory Board approves the strategic policy. The Board is active and closely involved in the decision-making process on strategic issues.

Remuneration policy

Royal FloraHolland strives to maintain a transparent remuneration policy. The Members' Council establishes the amount of compensation for the supervisors and provides boundaries for the remuneration policy at the top of the organisation. Board members receive fixed annual compensation and no variable compensation.

An external agency performs a benchmark every three years to determine whether the management's remuneration is still aligned with the policy. For many years Royal FloraHolland has used the guideline of the general market median (average) for members of management bearing ultimate responsibility. In practice, remuneration ends up being slightly below the median of the benchmark. In practice the Supervisory Board determines the Management Board's remuneration. This remuneration is then aligned with the pay increases agreed in Royal FloraHolland's collective agreement. The remuneration consists of both a fixed and a variable component. The CEO's maximum variable remuneration amounts to 30% of his fixed salary. The CFO's maximum variable remuneration amounts to 20% of his fixed salary. In addition to salary, members of the Management Board have the same supplemental benefits (such as pension) as other employees. The amount of remuneration of the Management Board and Supervisory Board is mentioned in the financial statements.

Composition of the Supervisory Board

This part of the annual report shows the composition of the Supervisory Board. The other positions held by all members of the Supervisory Board are also shown. In the case of member representatives on the Supervisory Board, the details include the name of the floriculture company they represent.

Birgit Otto (born 27 November 1963)

Member of the Supervisory Board since January 2020

Royal Schiphol Group, Executive Vice President & COO Royal Schiphol Group

Other positions held:

- Member of the Supervisory Board Eindhoven Airport
- Board member of ACI Europe
- Board member of Next Generation Infrastructures
- Chair of the Safety Review Board Joint Sector Safety
- Chair of Security and Public Safety Schiphol

Piet Coelewijn (3 June 1960)

Member of the Supervisory Board since January 2020

Other positions held:

- Member of the Supervisory Board of Jumbo Supermarkten B.V.
- Member of the Supervisory Board of DisplayData Ltd (UK)
- Member of the Supervisory Board of Joint Venture between Public and Media Market (Greece)
- Co-owner of Econowind B.V.
- Co-owner of Jazzed Ltd. (UK)

Jack Goossens (18 March 1969)

Member of the Supervisory Board since June 2016, member of the Selection and Remuneration Committee

Member company: Gova B.V., Nispen.

Other positions held:

- none

Evert van Helvoort (7 March 1988)

Member of the Supervisory Board since January 2020

Member company: Van Helvoort Company

Other positions held:

- none

Linda Hovius (20 August 1961)

Member of the Supervisory Board since January 2019, Chair of the Selection and Remuneration Committee

Other positions held:

- Owner: Hovius Consultancy
- Member of the Supervisory Board of Triple Jump Impact Investment Fund
- Board member of Hollandsche Maatschappij der Wetenschappen
- Member of the Advisory Board of Karmijn Capital
- Member of the Advisory Board of Vereniging Rembrandt

Kees Pingen (12 October 1965)

Member of the Supervisory Board since January 2019, member of the Selection and Remuneration Committee.

Member company: Smit Kwekerijen B.V. of Sappemeer

Other positions held:

- none

Gerben Ravensbergen (16 October 1974)

Member of the Supervisory Board since January 2014, member of the Audit Committee

Member company:

Gebr. P. & J. Ravensbergen C.V.

Other positions held:

- Director of Stichting Accon AVM
- Director of MyLily

Composition of the Supervisory Board

Pascal Visée (11 July 1961)

Member of the Supervisory Board since December 2017, Chair of the Audit Committee

Other positions held:

- Member of the Supervisory Board of Plus Retail
- Member of the Supervisory Board of Rabobank
- Member of the Supervisory Board of Mediq
- Member of the Supervisory Board of Erasmus University
- Member of the Supervisory Board of Stedelijk Museum Schiedam
- Board member of Stichting Albron
- Board member and Treasurer of the Prins Claus Fonds
- External senior adviser at McKinsey & Company
- External senior adviser at Genpact

Rosaline Zuurbier (26 May 1977)

Member of the Supervisory Board since January 2014, member of the Audit Committee

Member company: C.G. Zuurbier & Co.

International B.V./Bilashaka Flowers Ltd., Naivasha, Kenya

Other positions held:

- none

Rotation schedule for members of the Supervisory Board:

- | | |
|-----------------------|--|
| • Gerben Ravensbergen | 2022, end of regular term of office |
| • Rosaline Zuurbier | 2023, end of regular term of office |
| • Jack Goossens | 2023, end of regular term of office |
| • Pascal Visée | 2025, eligible for re-election in 2021 |
| • Linda Hovius, | 2026, eligible for re-election in 2022 |
| • Kees Pingen | 2026, eligible for re-election in 2022 |
| • Birgit Otto | 2027, eligible for re-election in 2023 |
| • Piet Coelewijn | 2027, eligible for re-election in 2023 |
| • Evert van Helvoort | 2027, eligible for re-election in 2023 |

All board members are Dutch.

Composition of the Supervisory Board



The Supervisory Board of Royal FloraHolland, from left to right:

Linda Hovius

Gerben Ravensbergen

Rosaline Zuurbier

Evert van Helvoort

Jack Goossens

Pascal Visée

Piet Coelewij

Birgit Otto

Kees Pinggen

Report of the Supervisory Board



Announcement by the Supervisory Board concerning the coronavirus

The status quo no longer exists. All the certainties that we have clung to over the years are now being severely shaken every day with the arrival of the coronavirus in our society. On Friday 13 March the new reality of the coronavirus crisis dealt a severe blow to the floriculture industry. A quarter of the auction supplies that day were unsold, an impact of unexpected and unprecedented proportions.

The company had recognised the potential threat of a coronavirus for some time. In response to the initial reports the Crisis Management Team (CMT) was mobilised on 5 February on the initiative and under the instructions of the Management Board to conduct a risk assessment and identify possible scenarios. The CMT's activities were scaled up after 13 March and Royal FloraHolland took the lead in keeping the floriculture industry afloat. Our CEO, Steven van Schilfgaarde, describes this in his preface.

The strength of our cooperative is being deployed to support growers and buyers in these difficult times. The combination of the company's professionalism and the members'

sector knowledge will be visibly deployed more than ever before. The CMT receives a daily flow of questions and reports from the Members' Council. FPCs are actively involved in implementing various crisis measures. The CMT consequently maintains very close contact with the members and takes their practical input into account in its decision-making.

The CMT has taken a number of decisions since 13 March, but the existing governance rules remain in force even at times of crisis and the Supervisory Board is there to ensure compliance. The CMT operates in accordance with well-rehearsed protocols developed for Royal FloraHolland specifically for this purpose with expert support. If the approval of the Supervisory Board or the Members' Council is required, a solution is sought that is practicable within the restrictions applying at the time, for example on the holding of physical meetings.

The Management Board-Members' Council-Supervisory Board triangle is and will remain the heart of our governance.

The period ahead will be a tense time for everyone in the floriculture industry. Royal FloraHolland will take maximum advantage

of government schemes aimed at supporting businesses in the floriculture industry. The survival of a number of companies is nevertheless at stake, putting increasing pressure on the cooperative. May I express the hope that we all share the wisdom and humanity to take the necessary and sometimes painful decisions in the interests of the floriculture industry, at the same time respecting each other's role. Let us also use the strength of the cooperative for that purpose.

At the time of writing this annual report the full scale and impact of the coronavirus cannot yet be assessed. It is clear to me, however, that society and our floriculture industry will look different in a post-coronavirus area. The coronavirus originated in China. John F. Kennedy said: *'When written in Chinese, the word "crisis" is composed of two characters - one represents danger and one represents opportunity.'* Let us take both characters seriously.

Jack Goossens

Chairman of the Supervisory Board of Royal FloraHolland
April 2020

2019 was a turbulent year for Royal FloraHolland. In its supervisory role the Supervisory Board focused primarily on the progress of the strategy implementation. Translating a good plan into a successful result is one of the most difficult tasks of a management board. In that context the Board devoted a great deal of attention to the composition of the Management Board and the management team and the cooperation between them. In times of change there is a great need for strong business leadership that encourages employees to perform to the best of their ability. The right focus and the desired culture are crucial in that regard.

The Floriday platform

The development and rollout of the Floriday digital platform is at the heart of the strategy. This is particularly for commercial reasons, but also due to changes in financial regulations. The board endorses the focus on full use of the Floriday platform. This is the only way forward for Royal FloraHolland. This focus releases additional energy in the business. The Board is aware that much more needs to happen, but is confident that the chosen approach will deliver to the desired result.

Sustainability governance team

The Sustainability governance team put in a lot of excellent effort in 2019. A diverse group of members carried out an in-depth assessment of the subject. After thorough research and consultation with members, this team – supported by professionals – drew up a vision document on the basis of which the Members' Council was able to advise the Management Board. The Supervisory Board believes this is a further demonstration of the value of active, meaningful involvement of members.

Robust course

The Supervisory Board considers that Royal FloraHolland's strategic course is robust. The right people are on board to achieve full implementation. This should enable Royal FloraHolland to remain a reliable and relevant organisation. A number of specific characteristics make the floriculture industry ideally suited to having a central marketplace where all supply and demand comes together. But such a position has to be earned through hard work. It is the Supervisory Board's task to ensure that this happens in a sound and responsible manner.

Self-analysis and expansion of the Supervisory Board

In order to exercise the supervisory function as effectively as possible, the Supervisory Board carried out an analysis in 2019 to identify knowledge and competencies that were present or lacking in the Board. We ascertained the need for an additional external supervisory director. For that reason – in coordination with the Members' Council – a proposal was drawn up to amend the articles of association, opening up the possibility of appointing a fourth external supervisory director without the total number of supervisory directors rising to 12.

This proposal was approved by the Members' Council on 12 December 2019. This means that in 2020 the Supervisory Board will consist of five directors who are members of Royal FloraHolland and four who are not. There are also a number of other changes. For example, there is no longer a requirement that the Vice-Chairman must be a member of Royal FloraHolland and the appeal function for disputes between members and the cooperative on membership matters has been transferred from the Supervisory Board to the Members' Council.



The fraud case

Royal FloraHolland was unpleasantly surprised by the theft of money by an employee in 2019. This fraud case revealed a number of deficiencies, but the Board noted that the Management Board and the managers concerned tackled the case prudently and energetically. The consequential financial damage was therefore zero. In addition, the adjustments to procedures and systems are such that the professionalism of the organisation has been considerably improved.

At least as important was the way in which other parties in and around Royal FloraHolland were kept informed. Although it was by no means possible to communicate with everyone, discussions during the members' sessions and the Members' Meetings were conducted on a basis of transparency. An additional Members' Meeting was necessary in order to adopt the financial statements. The fact that these discussions were conducted in a positive way demonstrated to the Supervisory Board that the Members' Council is making an important contribution to the strength of the organisation.

Meetings

The Supervisory Board met in six regular meetings in 2019. There were also a number of additional telephone meetings, including meetings concerning the fraud case and the application of the control model. Also, a number of reporting lines in the management team changed and a Management Board meeting was introduced alongside the management team.

The annual 24-hour session took place in January, featuring detailed discussions on the administrative structure of Royal FloraHolland, the performance of the Supervisory Board and the management, and cooperation between them. A strategy session took place in May. This was dominated by the implementation of the strategy. Finally, in 2019 the Supervisory Board once again devoted two days to discussions with business units, members or external parties that can provide new or more in-depth insights. The Supervisory Board held a total of 12 plenary meetings.

Report of the Supervisory Board

The Supervisory Board also attended three formal Members' Meetings. The Chairman and some members of the Supervisory Board also attended formal Members' Meetings and/or committee meetings. Members of the Supervisory Board also attended Dutch and international member sessions.

The Management Board attends every regular meeting of the Supervisory Board. The regular meeting is preceded by joint consultation in which the agenda of the Supervisory Board meeting is discussed, together with any current matters put forward by the Chairman or the Supervisory Board committees. During the Supervisory Board meeting the Management Board provides an update on the main developments in the strategy programmes and current issues within the company.

Regular topics are also placed on the agenda that can give rise to new policy, such as sustainability and IT. In some cases separate agreements are also made with managers or departments to consider in greater depth certain matters within their responsibility.

During the Members' meeting in December Jan Andreae and Emiel Barendse retired. Jan Andreae has served his final term of office. Emiel Barendse did not make himself available to serve a further term. The Supervisory Board is indebted to both of them for their commitment and contribution to the many meetings during their career. Emiel Barendse was active for many years in the regional executive, the FPC, the Advisory Board and other committees.

Birgit Otto, Piet Coelewij and Evert van Helvoort were appointed at that same meeting. Birgit Otto is COO of the Royal Schiphol Group, while Piet Coelewij has a great deal of international experience at Philips, Amazon and Sonos, and for three years served as the CEO of Wehkamp. Evert van Helvoort is a member of Royal FloraHolland and in recent years has been very active in various consultative bodies in the cooperative, including the Advisory Board and the Members' Council. The Supervisory Board is pleased with these appointment and the fact that the Board has now returned to full strength.



In 2019, the members of the Audit Committee were Pascal Visée (Chairman), Rosaline Zuurbier and Gerben Ravensbergen. The representatives of the Royal FloraHolland management who attended all meetings were the CFO and the Internal Audit Manager (Secretary). The newly appointed Finance manager attended the final two meetings of 2019.

The Audit Committee met on six occasions in 2019. Apart from one meeting at which a Committee member was absent, all Committee members attended all meetings. Depending on the topic, the external auditor, other external experts and/or employees from the organisation were also invited. A private meeting was also held with the external auditor. In addition, there was a meeting with an external IT expert and the CIO, at which the attendees considered the IT in greater depth.

The Audit Committee devoted attention to the 2018 financial statements, the progress of the financial performance in relation to the 2019 figures, as well as the annual plan and the budget for 2020. Attention was also devoted to the financial consequences of the strategy. The financial statements, the audit report and the audit plan were also considered in the presence of the external auditor.

A range of matters were placed on the agenda during the year, such as participating interests, the tax policy, incident reports, the Internal Control Framework and the Identity Access Management project. The follow-up of audit findings and associated progress (including the internal audit findings) were also discussed.

A number of particular subjects were also discussed. The most salient of these were the process leading to the change of external

auditor, as well as the fraud case. This case received due attention from the Audit Committee. The meetings discussed the investigation reports and the recovery plan. The completion of the action points from this recovery plan is a key focal point and the audit committee is therefore monitoring this process closely. Royal FloraHolland invited tenders for the selection of a new external auditor at the beginning of 2019. This led to the appointment of PwC (to succeed EY).



Report Selection and Remuneration Committee

The Selection and Remuneration Committee (Remco) returned to full strength in 2019 with the addition of the new supervisory directors Linda Hovius (chairperson) and Kees Pingen. Together with Jack Goossens the Remco is now complete once again.

In 2019 the Remco devoted a great deal of attention to a) the management of the company (Management Board/management team), b) the company itself and c) the supervision of the company (Supervisory Board).

Management Board

KPIs: this concerns the assessment of the actual KPIs (score) for 2018, the monitoring of the KPIs in 2019 and the determination of the KPIs for 2020. The KPI scores form the basis for the Management Board's variable pay. The Supervisory Board determines the KPIs for the Management Board each year. No individual KPIs were in place for the members of the Management Board in 2019. With a 100% score, the CEO is entitled to variable remuneration equivalent to 30% of his fixed salary and the CFO is entitled to 20%. On the proposal of the Remco, the Supervisory Board set the total KPI score for 2019 at 85%.

Recruitment of MT members: the Remco was closely involved in the composition of the MT in 2019. The initial focus was on finding a new CIO (IT) and a new CGO (Grower Services), which ultimately resulted in the appointment of André van der Linden and Claudia Hölzel. But a new challenge then arose due to the departure of the CCO (Gerhard van der Bijl). After the position was filled on an interim basis by Fedor Hoevenaars, a permanent successor was found in Ruud Knorr, who joins the company on 1 April 2020 and brings a great deal of knowledge and experience in the field of floriculture. The Remco considers that the company now has a mature MT that is well equipped to implement the strategy.

Remuneration (variable): detailed discussion took place in 2019 on whether to maintain the variable remuneration of the Management Board, the MT members and other eligible employees. After discussion it was decided to maintain the variable remuneration.

Company matters

Organisational development: the Remco devotes regular attention to the development of the organisation, including its structure and culture, the state of the organisation and matters of importance to employees. Is the organisation in a position to implement the strategy? These aspects are considered in detail in the management report.

A permanent feature of this discussion is the so-called fleet review, in which the performance of individual managers is discussed below MT level and insights are shared with regard to their possible career moves. Consideration is also given to succession planning, including an assessment of the potential successors of Management Board and/or MT members.

Various reorganisations have taken place in recent years, with relatively high employee turnover. In order to bring the required knowledge and experience into the company, a large number of external employees were recruited, particularly self-employed persons, or experts working on a temporary basis. Now that the strategy is clear and the focus is on implementation and cost control, a process has been initiated to greatly reduce the number of external personnel and to recruit more permanent employees. This is

Report Selection and Remuneration Committee

intended to deliver further cost reductions and better accumulation of knowledge and experience. Such matters are discussed in detail in the Remco, which is consequently able to form clear a picture of the progress made. Finally, the Remco was informed about the performance of HR and the HR systems, and about the transfer of the pension contract for the Royal FloraHolland employees.

Supervisory Board matters

Supervisory Board skills matrix: three vacancies had to be filled in the Supervisory Board in 2019 due to the retirement of Jan Andrae and Emiel Barendse and the existing vacancy dating from 2018. This provided an opportunity to amend the articles of association, about which more information can be found in the Supervisory

Board section, but this was also an opportunity for the Remco to analyse the available and required skills. A matrix was accordingly drawn up in which the Supervisory Board carried out a self-assessment in terms of knowledge and capabilities. On the basis of the results of this analysis the search was begun for new supervisory directors, who were appointed by the Members' Council in December 2019.

The Remco met five times in 2019. Meetings are always attended by the CEO and the CHRO. In 2019, all committee members attended all of the meetings.





As at 1 January 2020

- Andre Zuidgeest
- Arend Vreugdenhil
- Arnoud van der Knaap
- Avner Sheer
- Ben Olsthoorn
- Bram Bernhard
- Carlo Elia
- Dick Houtenbos
- Ed Stofbergen
- Eva van Etten
- Frank Ammerlaan
- Frans van den Bos
- Fred Bunnik
- Gerrit Vermöhlen
- Goos Hofland
- Herman de Jong
- Jaap Evers

- Jan Mantel
- Job van Egmond
- John van der Slot
- Leon Ammerlaan
- Kiki Fernandes
- Lydia Klaver
- Marcel van Tol
- Marco Mol
- Marco Keyzers
- Martien Middelburg
- Martien van der Weijden
- Niels de Groot
- Paul Koenraadt
- Peter Smak
- Peter Varekamp
- Rieneke van der Houwen
- Riya Bunty Shah
- Robin van der Knaap
- Sander van der Vaart
- Steef Meewisse
- Toon van Kessel
- Walter Straathof
- Walter Zuiderwijk
- Wim Koolhaas
- Zelalem Messele

The following members retired from the Members' Council in 2019:

- Sjaak Buijs
- Jay Williams
- Evert van Helvoort

The Members' Council formally became part of the governance structure of Royal FloraHolland on 1 January 2019. The Members' Council took over the legal duties of the General Members' Meeting of Royal FloraHolland. The Council also has an advisory and reporting role for the Management Board and is responsible for maintaining a proper dialogue between the members and the Members' Council. The Members' Council also consults its members in interactive member sessions.

A key feature of 2019 was the start of the Members' Council and the committees. Attention was devoted to the drafting of appropriate procedures: both within the Members' Council and between the committees, between the Members' Council and the rank and file and between the Members' Council and the company.

The Members' Council elected a chairman at the first two-day meeting in January. Four committees were also composed and installed: Member Loyalty, Cooperative, Strategy and Finance.

Meetings

The Members' Council met in plenary sessions on six occasions: three times for formal meetings and three times for informal meetings. The additional formal meeting was convened by the Management Board in July connection with the adoption of the 2018 financial statements. There were also two-day sessions in January and September. These concerned the development of the Members' Council and certain themes were considered in depth with the Management Board.

In the September two-day session the Members' Council devoted attention to the improvement of its own competences to ensure that it asked the right questions. The Members' Council thereby aims to contribute to a fruitful discussion with the company while at the same time acting as an effective sparring partner. In the two-day session the Members' Council also called on the Management Board to set out clear strategic objectives and present them to the members.

The Members' Council adopted the financial statements in the formal meetings of May, July and December and approved the amendment to the articles of association, including the transfer of duties from the

Supervisory Board to the Members' Council, such as the Members' Appeal Procedure and the member development and education policy. The 2020 membership fees were also set. Three Supervisory Board members were also reappointed and three new members were appointed. At the informal meeting in October the Members' Council issued the first official opinion to the management on environmental certification and registration by growers. This led to a Management Board resolution. In 2019 the Members' Council also drew up the rotation schedule for the Members' Council, the policy frameworks for member development and education and appointed two members to sit on the Nominations Committee on behalf of the Members' Council.

Self-assessment

The Members' Council assessed its own performance in October. All members received a questionnaire. This focused on a number of themes, including the organisation of the meetings, the performance of the committees and the chairman, relations with the Management Board and the Supervisory Board and the operation of support. The Cooperative Committee discussed the results of the self-assessment.

Report of the Members' Council

The main conclusions were discussed during the two-day session of January 2020 with the Members' Council.

Member sessions

Members' Council organised two rounds of member sessions in 2019, in June and November. During these sessions members discuss important themes relating to the cooperative and subjects relating to the duties of the Members' Council. Members are thus involved in decisions at an earlier stage. The results form the basis for discussions between the Members' Council and the Management Board. Members can also approach the Members' Council directly on matters relating to the cooperative and on cross-product policy matters.

In 2019 members were consulted during the member sessions on environmental registration and certification and on 100% Digital. Members were also able to discuss various strategic and other matters with each other and with the management team. A total of 1,100 members and suppliers were welcomed at the sessions (June: 370 and November: 730).

Composition

The Members' Council started with 42 members. Three members voluntarily left the committee during the year. The first Members' Meeting of 12 December 2019 elected three new members to the Members' Council. The number of members in the Members' Council as at 1 January 2020 was thus 42 once again.



The Strength of the Marketplace

2019 financial statements

Consolidated balance sheet as at 31 December 2019

(After proposed appropriation of result (amounts x €1,000))

	Notes	2019	2018
ASSETS			
Fixed assets			
Intangible fixed assets	(1)	46,172	40,535
Tangible fixed assets	(2)		
Land		110,663	111,423
Buildings		314,611	322,358
Equipment, packaging and logistics resources		69,237	67,148
Other fixed operating assets		40,675	47,251
Not used in business operations		96,234	112,555
		631,420	660,735
Financial fixed assets	(3)		
Participating interests		11,957	10,544
Other receivables		7,992	3,093
		19,949	13,637

	Notes	2019	2018
Current assets			
Inventories		649	619
Receivables			
Trade receivables		50,934	50,435
Amounts owed by participating interests		3,711	357
Deferred tax assets		157	22
Other receivables and accrued assets	(4)	17,221	18,631
		72,023	69,445
Cash and cash equivalents	(12)	11,693	10,352
Total		781,906	795,323



[For a vertical view of the consolidated balance sheet, click here.](#)

	Notes	2019	2018
LIABILITIES			
Group equity			
Equity	(5)	222,965	213,874
Minority interests	(6)	2,536	2,452
		225,501	216,326
Provisions			
Provision for deferred tax	(7)	2,217	1,159
Restructuring provision		–	3,630
Other provisions		6,017	7,065
		8,234	11,854
Long-term liabilities			
'B' certificates*	(8)	233,651	215,100
'C' certificates*	(9)	1,102	1,407
'D' certificates*	(10)	6,519	6,618
Debts to related parties		6,689	6,259
Long-term bank loans	(11)	4,319	4,641
		252,280	234,025

	Notes	2019	2018
Current liabilities			
Credit institutions	(12)	21,680	61,500
Debts to members/non-members	(13)	85,529	61,900
Repayment obligations to members/non-members	(13)	6,677	13,856
Creditors		28,891	50,056
Deposits		96,969	94,277**
Accruals and other liabilities	(14)	56,145	51,529**
		295,891	333,118
Total			
		781,906	795,323

* Subordinated loans. Together with the equity, these form the guaranteed capital. The guaranteed capital at year-end 2019 amounts to €464.2 million (2018: €437.0 million) after a proposed additional payment.

** Adjusted for comparison purposes.

 [For a vertical view of the consolidated balance sheet, click here.](#)

Consolidated profit and loss account for 2019

(amounts x €1,000)

	Notes	2019	2018
Operating income			
Commission payments		85,388	84,647
Contributions		8,882	9,059
Lot and auction trolley levies		63,741	64,114
Transaction and service levies		34,065	28,811
Packaging		50,696	51,918
Trolley and CC container rentals		27,296	27,113
Subletting of real estate		52,491	53,976
Miscellaneous revenue		45,897	48,548
		368,456	368,186
Operating costs			
Wages and salaries	(17)	138,215	148,513
Social security expenses		16,676	16,283
Pension contributions		11,533	11,520
Depreciation and amortisation	(18)	76,389	71,306
Miscellaneous operating costs	(19)	111,616	112,544
		354,429	360,166
Operating result		14,027	8,020

	Notes	2019	2018
Financial income and expenses			
Interest expense and similar expenses		-7,035	-10,700
Interest income and similar income		912	1,000
		-6,123	-9,700
Profit before tax		7,904	-1,680
Result of participating interests	(3)	-619	1,844
Corporation tax	(20)	-1,396	385
Minority interests	(6)	-293	-230
Profit after tax		5,596	319

Consolidated cash flow statement for 2019

(amounts x €1,000)

	Notes	2019	2018
Operating activities			
Operating result		14,027	8,020
Depreciation and amortisation		76,265	70,740
Proceeds from sale of tangible fixed assets		-9,438	-9,300
Change in provisions		-4,678	-1,490
		76,176	67,970
Change in working capital			
Decrease/increase in inventories		-30	-
Decrease/increase trade receivables		-499	-2,624
Decrease/increase in receivables from participating interests		-3,354	-5,898
Decrease/increase in other receivables		1,275	-981
Decrease/increase debts to members/non-members		23,593	6,927
Decrease/increase in creditors		-10,483	-1,186
Decrease/increase in deposits		2,692	2,258
Decrease/increase in other liabilities		4,727	-4,790
		17,921	-6,294

	Notes	2019	2018
Interest received		912	1,000
Dividend received		2,041	2,151
Interest paid		-7,146	-9,254
Corporation tax paid/received		-338	2,598
		-4,531	-3,505
Cash flow from operating activities			
		89,566	58,171



[For a vertical view of the consolidated cash flow statement, click here.](#)

	Notes	2019	2018
Investing activities			
Investments in tangible fixed assets		-60,984	-54,554
Divestments of tangible fixed assets		22,419	10,965
Investments in intangible fixed assets		-16,809	-15,657
Repayment of long-term receivables	(3)	201	515
Issuance of long-term receivables		-5,600	-1,073
Acquisition of group companies	(1)	-50	-
Investment in financial fixed assets	(3)	-2,000	-2,031
Divestment of financial fixed assets		-	5,953
Cash flow from investing activities		-62,823	-55,882

	Notes	2019	2018
Financing activities			
Change in overdraft	(12)	-39,820	6,385
Repayment of long-term loans	(11)	108	-
Dividend paid to holders of minority interests		-201	-304
Liquidity and capital contributions		24,784	25,304
Payouts of 'A' and 'E' certificates		-3,816	-13,739
Payouts of 'B', 'C' and 'D' certificates		-6,457	-39,786
Cash flow from financing activities		-25,402	-22,140
Net cash flow		1,341	-19,851
Cash and cash equivalents at			
1 January		10,352	30,203
Cash and cash equivalents at			
31 December		11,693	10,352
Change in cash and cash equivalents		1,341	-19,851



For a vertical view of the consolidated cash flow statement, click here.

Consolidated statement of comprehensive income for 2019

(amounts x €1,000)

	2019	2018
Consolidated net profit after tax	5,596	319
Total of direct changes in equity as part of group equity	–	–
Total comprehensive income	5,596	319

Notes to the consolidated figures for 2019

GENERAL NOTES

Objective

Coöperatie Royal FloraHolland U.A., hereinafter Royal FloraHolland, is a cooperative with excluded liability for its members.

The cooperative aims to achieve the highest yields at the lowest realisable sales costs for its members by organising a series of marketplaces and related services and facilities. Members of the cooperative can be natural persons and legal entities active in one or more companies that grow ornamental plants or flowers.

Royal FloraHolland's registered office is in Aalsmeer and the office address is Legmeerdijk 313, 1430 BA Aalsmeer, the Netherlands; the cooperative is registered with the Chamber of Commerce under the number 34284016.

Liability of the members of the cooperative

Royal FloraHolland has a statutory exclusion of liability in favour of its members. This means that the members of the cooperative cannot be held responsible for unrecoverable losses other than cooperative financing in the form of certificates.

The 'A' certificates formed from the profit generated in the name of its members are part of the equity of the cooperative. In addition, each member of the cooperative participates in 'B' certificates by contributing a percentage of the turnover of their products settled via the cooperative. This percentage is proposed by the Management Board and adopted by the Members' Council. Certificates are subordinated to claims of creditors and other providers of debt capital. The distribution of 'B' certificates can be effected, if proposed by the Management Board and subject to approval by the Members' Council, on the expiration of the loan term of the respective year, if the risk-bearing capital base amounts to at least 45%. The financial statements were prepared after the proposed appropriation of result. For this reason, the result for the current financial year has been added to the general reserve, 'A' certificates and debts to members.

Standards applied

The financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Guidelines for Financial Reporting. For the sake of clarity, the presentation of the profit and loss account is more detailed than is required in the Annual Accounts Models Decree because of the particular nature of the operating activities. The model used is more extensive than the one prescribed.

The amounts included in the notes are expressed in thousands of euros, unless stated otherwise.

Since Royal FloraHolland's 2019 profit and loss account is incorporated into the consolidated financial statements, the company financial statements show only a condensed profit and loss account, in accordance with Section 402 of Book 2 of the Dutch Civil Code.

Consequences of the coronavirus for our business activities and the application of the going-concern assumption

The global coronavirus outbreak and the associated measures in public life are having a major impact on the floriculture industry. The outbreak caused product turnover in flowers and plants to fall by 67% in the final two weeks of March 2020 compared to the same period in 2019. Royal FloraHolland's operating income in the final two weeks of 2020 also decreased significantly as a result of the direct relationship with product turnover.

In response to this crisis Royal FloraHolland is doing its utmost to sustain the floriculture industry and to support growers and buyers in these difficult times. Rapid action has been taken to guarantee the safety of our employees, enable the market to function as well as possible by setting up supply regulation at auctions, limiting the economic damage where possible (for Royal FloraHolland and for the sector as a whole), making arrangements with banks on the granting of emergency loans and ensuring that our business operations are maintained, in the interests of our members and

their buyers. It has also been decided to cut costs, where feasible and sensible, by reducing the use of temporary workers and external personnel, scaling back or halting non-urgent projects and reducing the use of external service providers.

Royal FloraHolland has identified five scenarios for the possible impact of the coronavirus on operating income over the next 12 months (remainder of 2020 early 2021). It has been decided to adopt a 'base scenario' including a substantial fall in product turnover, accompanied by a set of even more pessimistic scenarios. The forecast for operating income is the most important and uncertain factor.

The base scenario and the pessimistic scenario also take into account the aforementioned cost-cutting measures and investment reductions already decided on by Royal FloraHolland. The chosen measures are based on the principle that the regular business operations, compliance and the rollout of key strategic projects will not be compromised. The government's support measures have also been included in these analyses. The costs, investments and government measures do have a mitigating effect, but cannot compensate for the substantial loss of operating income. A number of potential financial and other risks have also been examined and factored in as sensitivities, with alternative scenarios being presented for the base scenario and the pessimistic scenario. In addition to income projections, liquidity forecasts have been prepared for all scenarios. These do not yet take into account the receipt of possible emergency funding for the floriculture industry.

Thanks to its prudent financial policy, Royal FloraHolland had a completely unutilised credit line at the start of the coronavirus crisis (mid-March 2020). The analyses in the base scenario show that Royal FloraHolland has sufficient headroom within the available credit facility for the next 12 months, although it will be necessary to make substantial use of the available credit facility (€195 million) in all chosen scenarios. Under the base scenario with additional pessimistic scenarios the credit facility will be fully utilised within 12 months. In line with the Royal FloraHolland's prudent approach to financing, discussions are already under way with the banks (including house banks) on the possible granting of additional credit. This will guarantee the continuity of Royal FloraHolland, even in the most negative scenario.

Under the base scenario the covenant (net debt/EBITDA) of the current revolving credit facility will be insufficient at the end of the forthcoming 12 month period (measurement date 31 December 2020). A solution must naturally be found for this with the banks, in case such a situation arises. Forecasts are very difficult to make in this period, as COVID-19 gives rise to material uncertainty. On the basis of current information, the scenario analyses, the discussions with the banks, the measures taken and possible additional measures, the management has determined that the use of the going-concern assumption is appropriate. The financial statements have been prepared on the basis of the going-concern assumption.

Consolidation principles

The 2019 consolidated financial statements include Royal FloraHolland and its group companies, with which it forms an organisational and economic entity (collectively known as 'the group'). Group companies are companies in whose governance and financial policies Royal FloraHolland has a direct or indirect controlling interest.

A controlling interest is assumed if Royal FloraHolland owns more than 50% of the share capital or owns particular and special rights, such as potential voting rights that can be exercised directly so that such a company must be considered a group company.

The group companies are fully consolidated. Minority interests in equity and results are stated separately. Intercompany transactions and mutual claims and liabilities are eliminated. Consolidation and deconsolidation take place from the date on which control is obtained until the date that control no longer exists.

The group companies are included in the consolidated financial statements according to Royal FloraHolland's accounting policies for valuation and determination of the result.

In the organisational structure, Royal FloraHolland has chosen to include the activities that directly support its core activities within the cooperative. Activities not directly linked to the company's auction activities, together with a number of other financial interests, have been included in participating interests.

See page 117 for the consolidation. In 2019 the participating interest Hubways N.V. was sold and the group companies V.O.F. D.Z.F. Naaldwijk, Greenparc Ontwikkeling v.o.f., FH Vastgoed V B.V. and Cash & Carry Bleiswijk Vastgoed B.V. were liquidated.

ACCOUNTING POLICIES FOR THE VALUATION OF ASSETS AND LIABILITIES, RESULT DETERMINATION AND CASH FLOWS

General

The accounting policies for the valuation of assets and liabilities and the result determination are based on historical costs.

The assets and liabilities are recorded at amortised cost, unless stated otherwise. An asset is recorded in the balance sheet when it is probable that future economic benefits will flow to the company and its value can be reliably determined. A liability is recorded in the balance sheet when it is probable that its settlement will be accompanied by the outflow of resources and the amount can be reliably determined.

Currency conversion

The functional currency of Royal FloraHolland is the euro. Transactions in foreign currencies are measured at initial recognition at the functional exchange rate on the transaction date. Monetary balance sheet items in foreign currencies are converted using the functional exchange rate on the balance sheet date. Non-monetary balance sheet items in foreign currencies that are valued on the basis of historical costs are converted using the functional exchange rate on the transaction date.

Intangible fixed assets

An intangible fixed asset is recognised in the balance sheet if:

- it is likely that the future economic benefits embodied in an asset will accrue to the group; and
- the costs of the asset can be reliably determined.

Intangible fixed assets are carried at cost of acquisition net of amortisation and any impairments. The annual straight-line amortisation is based on the estimated useful life:

- Software: amortisation over 3-7 years.
- Goodwill: amortisation over 10 years.

Impairment losses can occur if changes or circumstances arise which suggest that the carrying amount of an asset will not be recovered.

The costs of software development are capitalised if the relevant conditions are met in terms of technical, commercial and financial feasibility. During the development phases estimates are used for a number of components for the capitalisation of research and development time.

A legal reserve is retained equivalent to the balance sheet value. In the context of any impairment loss, any goodwill that has come about in an acquisition is allocated, from the date of acquisition, to the cash-generating marketplace entity which, as a result of the acquisition, will benefit from the acquired activities in combination with the development of software by Royal FloraHolland.

Judgements and estimates

The management of the group makes various judgements and estimates when applying the policies and rules for the preparation of financial statements.

Tangible fixed assets

Tangible fixed assets are carried at the historical cost or production cost net of depreciation and any applicable impairment. The annual straight-line depreciation is based on the estimated useful life:

- Land and assets not used in business operations are not depreciated.
- Buildings and site facilities: depreciation over 10-33 1/3 years.
- Equipment, packaging, logistics resources & other fixed operating assets: depreciation over 5-10 years.

The carrying amount includes major maintenance costs; these are capitalized when incurred and if the recognition criteria are met.

These costs are written off over the estimated maintenance term. All other maintenance costs are taken directly to the profit and loss account.

Impairment losses can occur if changes or circumstances arise which suggest that the carrying amount of an asset will not be recovered. (See also the explanation below concerning impairments of fixed assets.)

Land available for sale to third parties is not considered economically interchangeable and is valued at historical cost of acquisition per location net of accumulated impairment losses.

The land available either for sale to trading partners or for own use in Aalsmeer, Naaldwijk and Rijnsburg is considered economically interchangeable.

Real estate investments refer to immovable property which is held to generate rental income and not intended for the company's own use. The real estate investments separately include immovable property under construction or development for future use as investments.

Real estate investments are initially carried at cost, including transaction charges. Following initial recognition, the real estate investments are carried at historical cost (less accumulated depreciation and impairment).

A real estate investment is no longer capitalised in the event of divestment. In the case of permanent decommissioning, an impairment loss is recognised if no future economic benefits are anticipated.

The expense or income arising from the divestment is determined as the difference between the net income and carrying amount of the asset and is recognised in the profit and loss account.

In the event of sale, the realised portion of the revaluation reserve is included in the other reserves.

Impairment of fixed assets.

An important part of Royal FloraHolland's strategy is to offer attractive physical marketplaces in order to optimally facilitate and secure the loyalty of 'the trade'. This strategy calls for significant investments in assets, particularly in buildings, land and software. In this regard, Royal FloraHolland has developed a long-term vision.

Nevertheless, due to market conditions and developments in the financial, digital and real estate markets, medium and long-term fluctuations in the valuation of fixed assets cannot be ruled out. Despite this long-term vision, these fluctuations can therefore lead to impairments.

Royal FloraHolland periodically assesses its policies on depreciation, valuation principles and investments, in particular in relation to investments in buildings, land and software. At each balance sheet date, Royal FloraHolland assesses whether there are any indications that an asset or cash-generating unit is subject to impairment.

If such indications exist, the carrying amount is assessed against the recoverable value of the asset, which is the lower of the net realisable value and the indirect recoverable amount.

Financial fixed assets

On each balance sheet date the group assesses whether a financial asset or group of financial assets has incurred impairment. For all categories of financial assets valued at the (amortised) cost of acquisition, in the event of objective indications of impairment, the size of the loss pursuant to the impairment is determined and is recorded in the profit and loss account. For those financial assets valued at the amortised cost of acquisition, the size of the loss is determined as the difference between the carrying amount of the asset and the best possible estimate of the future cash flows, discounted at the effective rate of interest for the financial asset that was determined at initial recognition of the instrument.

Participating interests on whose financial and operating policies the group exercises significant influence are valued using the net asset value. Significant influence is in any case assumed to be present with a shareholders' interest of more than 20%. The net asset value is calculated in accordance with the accounting policies applicable to these financial statements. If the net asset valuation of a participating interest is lower than zero, the carrying amount remains at zero. A provision is recognised if and to the extent that Royal FloraHolland could be held liable for all or part of the debts of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts.

Participating interests over whose financial and operating policies no significant influence is exercised are carried at cost less any impairment charge deemed necessary. Receivables recognised under financial fixed assets are carried at amortised cost, less any provision for bad debts deemed necessary.

Mergers and acquisitions

Acquisitions are accounted for by the purchase accounting method. This means that the assets and obligations acquired are measured at fair values at the acquisition date. The difference between the cost and the company's share in the fair values of a participating interest's acquired and identifiable assets and liabilities at the time of the transaction is recorded as goodwill.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of the inventories is determined on the basis of the 'first-in, first-out' rule and comprises the purchase price and additional costs.

These additional costs include any import duties and other taxes, shipping and handling costs and other fees and charges directly attributable to the acquisition of the inventories. The realisable value is determined on the basis of the prices of the most recent sale transactions less estimated selling costs.

Receivables

Any loans provided and other receivables are initially recognised at fair value plus transaction costs and subsequently at amortised cost net of any required provision for bad debts.

Assuming there are no premiums or discounts, the amortised cost is equal to the nominal value of the receivables.

Cash and cash equivalents

Cash and cash equivalents are deemed to be cash and bank account balances stated at nominal value. Any cash and cash equivalents to which the group will not or is not expected to have access for more than 12 months are classified as financial fixed assets.

Certificates

Members participate in the capital of the cooperative by holding paid-up 'A' certificates (equity) and 'B' certificates (debt capital). In addition, the cooperative may agree with members, and with non-members, that under certain conditions they can participate in the debt capital of the cooperative and thereby participate in 'C' and 'D' certificates.

With effect from 31 December 2016, a member's credit balance at that time in his participation account will be used to fully pay up his 'A' certificate. To the extent that the credit balance exceeds €20,000, the excess was his balance on the participation account. This balance, as well as the amount of the participation account of a former member on that date, is the Final balance.

The conditions under which members and/or non-members can participate in certificates, including provisions concerning interest and rights to distribute/claim the paid balances, is set out in articles 17 and 40 of the cooperative's articles of association.

Provisions

Provisions are recognised if the group has a legally enforceable or de facto obligation at the balance sheet date whose settlement is likely to require an outflow of funds of an amount which can be reliably estimated. The amount of the provision is determined on the basis of a best estimate of the amounts required to settle the liabilities and losses concerned at the balance sheet date. Unless stated otherwise, provisions are measured at their present value.

Pensions

Royal FloraHolland has a defined-benefit (average salary) pension plan, the nominal entitlements of which have been insured using a separate investment portfolio administered by an insurer. The defined-benefit pension entitlements are funded by way of annual pension payments to the insurer. At the end of 2019 the coverage ratio was 117.8% (2018: 111.0%). The coverage ratio is well above the minimum target of 104% set by the Dutch Central Bank. Pensions were not indexed in 2019. Contributions for pension plans are recognised as an expense in the year to which they relate.

Anniversaries

The anniversaries provision concerns the present value of future anniversary benefits attributable to past years of service, taking into account the risk of interim retirement and death. The present value is based on a discount rate of 0.4% (2018: 1.2%).

Restructuring

The restructuring provision relates to the costs attributable to the redundancy plan. The restructuring provision is measured at nominal value.

Deposits

Deposit liabilities are carried at the deposit value of reusable packaging in circulation at the balance sheet date, less an estimated amount for packaging that will not be returned. There is an annual release from the deposit-related liabilities for the reusable packaging in circulation at the balance sheet

date. The size of the percentage release for the 2019 financial year is set at 1.4%, as in 2018.

Current liabilities

Current liabilities are stated at fair value at initial recognition. In the event that subsequent valuations are not made at fair value with the inclusion of value adjustments in the profit and loss account, the fair value is decreased by the amount of directly attributable transaction costs at initial recognition.

After initial recognition, current liabilities are measured at amortised cost, in accordance with the effective interest method. Profit or loss is recognised in the profit and loss account as soon as the liabilities are no longer included in the balance sheet, as well as through the amortisation process.

Leasing

The assessment of whether an agreement contains a lease is based on the substance at the inception date of the agreement. In the case of financial leasing (whereby the advantages and disadvantages relating to ownership of the lease object are borne entirely or almost entirely by the lessee), the lease object and the related liabilities are charged to the balance sheet when entering into the agreement at the fair value of the lease object, or, if this is lower, at the present value of the minimum lease payments. The initial direct costs of the lessee are included in the initial recognition of the asset. The lease payments are split into interest costs and payment of the outstanding liability, so as to achieve a constant interest rate on the residual liability. In the case of operating leases, the lease payments are charged to the profit and

loss account on a straight-line basis over the term of the lease. In the case of operating leases where Royal FloraHolland acts as the lessor, the lease income is credited to the profit and loss account on a straight-line basis over the lease term. Initial indirect costs are charged directly to the profit and loss account.

Result determination

The result, the net amount of the company's operating income and expenses for the financial year, is allocated to the year to which it relates. Operating income ('profits') not generated by product turnover is recognised to the extent that it was realised on the balance sheet date. Operating expenses ('losses') originating before the end of the reporting year are recognised if and insofar as they are known before the preparation of the financial statements.

Revenue

Revenue from the sale of goods is recognised as soon as all significant rights and risks related to the ownership of the goods pass to the purchaser, Royal FloraHolland can no longer dispose of the goods, the revenue can be reliably determined and it is likely that the revenue will flow to Royal FloraHolland.

Revenue from services is recognised in proportion to the services performed, based on the services performed up to the balance sheet date and in proportion to the total services to be performed, provided that the result can be reliably estimated.

Personnel remuneration

Periodically payable remuneration

Wages, salaries and social security expenses are recognised in the profit and loss account on the basis of the employment conditions to the extent that they are payable to the employees or to the tax authority.

Result of participating interests

The group's share in the result of participating interests over whose financial and operating policies the group has no controlling interest is taken to the profit and loss account based on net asset value. To the extent the net asset value is not applied, the profit concerns dividends received and any impairments during the year under review.

Financial income and expenses

Interest income and interest expenses

Interest income and expenses are recognised on a straight-line basis taking into account the effective interest rate of the assets and liabilities concerned. The stated interest expenses takes due account of the recognised transaction costs on the loans received.

Exchange differences

Exchange differences arising in the settlement or conversion of monetary items are recognised in the profit and loss account in the period in which they arise.

Dividends

Dividends receivable from participating interests and securities not valued at net asset value are recognised as soon as Royal FloraHolland has acquired the rights to them.

Taxes

Corporation tax is calculated on the stated profit taking into account tax-exempt items and wholly or partially non-deductible expenses. A deferred tax liability or deferred tax asset is recognised for taxable or deductible temporary differences. The deferred tax asset is recognised under current assets if it is deemed to be capable of future set-off. Insofar as taxable profit is available for set-off in the future, a deferred tax asset is recognised for available tax loss carryforwards. The deferred tax assets and liabilities are stated at non-discounted value, based on the current and future tax rate (25% - 21.7%).

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method.

The funds included in the statement consist of cash and cash equivalents. Cash flows in foreign currencies are converted at an estimated average rate. Exchange differences with regard to cash and cash equivalents are shown separately in the cash flow statement.

Income and expenses in respect of interest, dividends received and profit tax are included in cash flow from operating activities. Dividends paid are included in the cash flow from financing activities.

The cost of group companies acquired and the selling price of group companies sold are included under cash flow from investing activities, to the extent that payment has been made in monetary form. The funds available in these group companies have been deducted from the acquisition price and the selling price respectively.

Transactions not involving the exchange of cash resources are not included in the cash flow statement.

Derivatives and financial risks

Derivatives

Royal FloraHolland neither holds nor issues financial instruments for trading purposes. The group uses derivatives such as interest rate swaps to hedge the risks to which it is exposed as a result of interest rate and exchange rate fluctuations.

The hedges which satisfy these strict conditions for hedge accounting are accounted for as explained below.

The valuation of the derivative depends on the hedged item and is as follows:

- If the hedged item is recognised in the balance sheet at cost, the derivative is also stated at cost.
- No revaluation of the hedging instrument takes place as long as the hedged item in the cost price hedge has not been recognised in the balance sheet.

The result is determined as follows:

- At each balance sheet date, any ineffectiveness is established.
- If the critical features of the hedging instrument and of the hedged position do not match or have not matched, this is an indication that the cost price hedge contains an ineffective portion.
- Any ineffective portion is determined based on the dollar-offset method.
- If and to the extent that the ineffectiveness as at the balance sheet date results in a loss on a cumulative basis, the ineffectiveness is recognised in the profit and loss account.

Cost price hedge accounting is discontinued if:

- The hedging instrument expires, is sold, terminated or exercised. The cumulative realised result on the hedging instrument that had not yet been recognised in the profit and loss account when there was an effective hedge is recognised separately under accruals in the balance sheet until the hedged transaction takes place.
- The hedging relationship no longer fulfils the criteria for hedge accounting.

Management of foreign currency risk

Transactions in foreign currencies take place only to a limited extent. Assets and liabilities are also generally denominated in euros. Accordingly, the foreign currency risk is limited.

Management of interest rate risk

Royal FloraHolland follows market interest rate developments closely. Royal FloraHolland's policy on interest rate risk is intended to limit interest costs. In view of the level of interest rates, only a limited part of the liabilities with variable interest rates are hedged with interest rate swaps.

Interest rate swaps are part of an effective hedging relationship in which cost price hedge accounting is used on the basis of individual documentation. Cost price hedge accounting involves valuation of the interest rate swaps during the term at historical cost. Value adjustments are not accounted for in the profit and loss account unless the ineffectiveness results in a loss on a cumulative basis on the balance sheet date.

Management of liquidity risk

Supplementary agreements on Royal FloraHolland's credit ratings have been made with credit institutions in the bank covenant. No collateral has been provided as security for the credit facility. For one bank loan to a group company, a mortgage was placed on the real estate and the rental income and receivables were pledged.

Management of debtor risk

To manage the risk of irrecoverable trade receivables, these receivables are continuously monitored. Since the services provided by Royal FloraHolland are spread over a large group of customers, there is no large concentration of trade receivables. A predominant part of the trade receivables are covered by bank guarantees and a credit insurance policy in the event that 14-day credit is granted for Royal FloraHolland Connect purchases.

Notes to the consolidated balance sheet for 2019

(amounts x €1,000)

FIXED ASSETS

(1) Intangible fixed assets

The carrying amount at the balance sheet date and the associated movements were as follows:

	Goodwill	Software	Concessions	2019	2018
Balance at 1 January	6,668	33,867	–	40,535	29,752
Movements					
Investments	913	13,083	–	13,996	16,183
Transfers	–	353	–	353	–
Amortisation	–877	–7,835	–	–8,712	–5,400
Balance at 31 December	6,704	39,468	–	46,172	40,535
Accumulated cost	8,782	59,763	6,361	74,906	54,561
Accumulated amortisation and impairments	–2,078	–20,295	–6,361	–28,734	–14,026
Balance at 31 December	6,704	39,468	–	46,172	40,535

Investments relate mainly to software. The concessions item concerns packaging concessions written off in 2015.

Of the goodwill, an amount of €5.9 million relates to the acquisition on 22 June 2017 by FH Diensten Holding B.V. of the shares of FloraXchange B.V. and its subsidiary FloraXchange Services B.V. The activities have been included in the Royal FloraHolland financial statements from the acquisition date. The cost contains estimates with respect to the technical functionality and future turnover to be delivered (so-called "contingent purchase price consideration"). An amount of €0.8 million of goodwill relates to the acquisition on 29 March 2019 by FH Diensten Holding B.V. of a 50% interest in Blueroots B.V. The interest in Blueroots B.V. has been valued at net asset value from the date of acquisition.

The estimated economic life of goodwill is based on 10 years because the activities related to FloraXchange B.V. and Blueroots B.V. were acquired for the long term.

(2) Tangible fixed assets

The carrying amount at the balance sheet date and the associated movements were as follows:

	Balance at 1 January	Investments	Transfers	Depreciation & impairments	Divestments	Balance at 31 December
Land						
Land	80,444	–	–	–	–750	79,694
Site facilities	30,979	1,519	1,184	–2,713	–	30,969
Subtotals	111,423	1,519	1,184	–2,713	–750	110,663
Buildings	322,358	8,112	18,655	–34,505	–9	314,611
Equipment, packaging and logistics resources						
Equipment	18,451	3,315	1,127	–3,395	–	19,498
Packaging and resources used in the logistics process	48,697	15,055	1,171	–15,184	–	49,739
Subtotals	67,148	18,370	2,298	–18,579	–	69,237
Other fixed operating assets	47,251	2,331	2,727	–11,634	–	40,675
Not used in business operations						
Land and buildings available for sale	83,490	46	76	–123	–14,490	68,999
Assets under construction	29,065	23,587	–25,293	–	–124	27,235
Subtotals	112,555	23,633	–25,217	–123	–14,614	96,234
2019 totals	660,735	53,965	–353	–67,554	–15,373	631,420
2018 totals	661,151	66,735	–	–65,486	–1,665	660,735

	Land	Buildings	Equipment, packaging and logistics resources	Other fixed operating assets	Not used in business operations	2019	2018
Accumulated cost	145,400	928,126	267,101	158,145	150,077	1,648,849	1,595,237
Accumulated depreciation and impairments	-34,737	-613,515	-197,864	-117,470	-53,843	-1,017,429	-934,502
Balance at 31 December	110,663	314,611	69,237	40,675	96,234	631,420	660,735

The land available for sale consists of land that is free to be sold to trading partners and third parties who are not trading partners. Land available for sale to trading partners is held for future sale to Royal FloraHolland customers in support of the position as a central marketplace.

In 2019 the second phase of the sale of the land at Bleiswijk was effected, comprising 216,000 m² with a carrying amount of €10 million and a sale result of €6.6 million. 114,000 m² was already sold in 2018 with a carrying amount of €1.5 million and a sale result of €7.7 million. The remainder of the Bleiswijk site was sold in March 2020. A construction plot outside the auction site in Rijnsburg was also sold in connection with FloriWorld.

The fair value of land and buildings available for sale is €103 million.

Assets under construction relate to assets which were not yet in use at the balance sheet date. The investments taken into use during the year are allocated to the applicable asset category via the 'transfers' column. Investments taken into use in 2019 included logistics resources such as new trolleys, IT investments, the contribution to infrastructure improvement (auction route N222 Naaldwijk), safety and fire protection, the Aalsmeer barrel washing plant, FleurCenter floor 6-7 (entrance and company restaurant) and large-scale maintenance on buildings and plant (overhead conveyor system).

Investments not yet taken into use at year-end 2019 include the development of the new office in Aalsmeer, the roof over the trolley deck in Naaldwijk, a contribution to infrastructure improvement (Legmeerdijk Aalsmeer-Oost exit), the construction of refrigeration unit 126 in Aalsmeer and the reorganisation/replacement of the asphalt parking roof at Naaldwijk.

The carrying amount of the tangible fixed assets of which Royal FloraHolland has no legal ownership is €6.5 million. This concerns the land leased by Royal FloraHolland to Plant Port 2 B.V. on which the Green Horti Center is established.

Tangible fixed assets are depreciated on the basis of their estimated useful life.

(3) Financial fixed assets

The carrying amount at the balance sheet date and the associated movements were as follows:

	Participating interests	Other receivables	2019	2018
Balance at 1 January	10,544	3,093	13,637	11,333
Movements				
Divestments	–	–	–	–756
Investments	1,151	–	1,151	2,031
Result of participating interests	1,803	–	1,803	2,056
Loans granted	500	3,300	3,800	1,073
Repayments	–	–201	–201	–515
Reversal of impairments	–	–	–	566
Dividend distribution	–2,041	–	–2,041	–2,151
Other movements	–	1,800	1,800	–
Balance at 31 December	11,957	7,992	19,949	13,637

Breakdown of the carrying amount of participating interests at the balance sheet date:

	2019	2018
FloriWorld B.V.	2,500	2,000
Plant Port I B.V.	3,008	2,873
Veiling Rhein Maas GmbH & Co KG	3,175	3,202
Plantion Holding B.V.	1,225	1,225
Other participating interests	2,049	1,244
Balance at 31 December	11,957	10,544

Participating interests

The result of participating interests in the consolidated profit and loss account amounts to a loss of €0.6 million (2018: profit of €1.8 million). The negative results of sales transactions during 2019 are recognised in this item in an amount of €2.4 million (2018: €0.2 million).

Other receivables

This item includes loans to associated companies for an amount of €6.2 million (2018: €3.1 million). These loans bear an average interest rate of 5.0% (2018: 5.0%) and have a residual term of less than five years.

Transactions with related parties

All transactions with participating interests were effected under normal market conditions. The related parties of Royal FloraHolland comprise participating interests and other related parties. Other related parties are: Vereniging van Bloemenveilingen in Nederland, Stichting Fonds Coöperatieve Bloemenveilingen, Bloemenbureau Holland, Plant Port 2 B.V., VvE Verenigde Bloemenveilingen Aalsmeer and members of the Supervisory Board and the Management Board. The main transactions with related parties consist of financing, buyer and grower levies, wages and salaries and overheads.

CURRENT ASSETS

RECEIVABLES

Trade receivables

All receivables included in trade receivables are due in less than one year.

(4) Other receivables and accrued assets	2019	2018
Taxes and social security contributions	2,351	7,096
Prepaid expenses	5,919	5,438
Other receivables	6,164	1,579
Accrued assets	2,787	4,518
Balance at 31 December	17,221	18,631

Other receivables and accrued assets are due in less than one year.

The reduction in taxes and social security contributions is mainly due to a decrease in the VAT position at the year-end. The increase in other receivables is mainly due to the inclusion of the receivable in respect of fraud insurance in an amount of €4.6 million as a result of the theft detected in mid-2019. This amount concerns the reimbursement of the loss suffered and costs incurred. It was received from the insurer in the spring of 2020.

The decrease in accrued assets is mainly due to the items to be settled with the Rhein Maas auction concerning product turnover in an amount of €3.3 million which was generated by growers through the Rhein Maas auction but which was paid out by Royal FloraHolland.

GROUP EQUITY**(5) Equity**

The equity amounts to €223.0 million at the balance sheet date (2018: €213.9 million).

The consolidated equity is the same as the company equity.

A detailed explanation can be found in the notes to the company balance sheet.

(6) Minority interests*	2019	2018
Balance at 1 January	2,452	2,527
Movements		
Share in net profit of financial year	285	229
Dividend distribution	-201	-304
Balance at 31 December	2,536	2,452

* Minority interests concern third parties having a minority share in Royal FloraHolland group companies.

A summary of participating interests can be found on page 117.

(7) Provisions	Provision for deferred tax	Restructuring provision	Other provisions	2019	2018
Balance at 1 January	1,159	3,630	7,065	11,854	14,130
Movements					
Additions	3,728	-	1,828	5,556	5,451
Withdrawals	-2,670	-2,950	-2,448	-8,068	-5,707
Releases	-	-680	-428	-1,108	-2,020
Balance at 31 December	2,217	-	6,017	8,234	11,854

The provision for deferred tax originates from differences between the valuation of tangible fixed assets for financial accounting and tax purposes, a recorded cost equalisation reserve and a provision for major maintenance. The provision for deferred tax was recognised on the basis of current and future corporation tax rates of 25.0% and 21.7% respectively (2018: 25.0% and 20.5%).

The remaining provisions are for long-service awards, legal claims, long-term sickness benefits and missing CC containers. The provision for missing CC containers is recognised for the shortage of CC containers discovered as a result of the replacement of CC labels during the spring of 2019. The shortage of CC containers will be rectified by the purchase of new CC containers over a period of one or more years. The other provisions predominantly have a remaining term of more than one year.

LONG-TERM LIABILITIES

The balances of the 'B', 'C' and 'D' certificates as at 31 December 2019 are due in more than one year. The payments to be made in 2020 are due in less than one year and are included in current liabilities.

(8) 'B' certificates	2019	2018
Balance at 1 January	215,100	200,061
Movements		
Addition for equity contribution	22,186	22,085
Additional payouts during the current financial year	-537	-2,738
Disbursements in the next financial year, recognised under current liabilities	-3,098	-4,534
Other movements	-	226
Balance at 31 December	233,651	215,100
Of which:		
Term < 1 year	3,098	4,534
Term >1 and <5 years	120,289	88,400
Term > 5 years	113,362	126,700
Total	236,749	219,634

Repayment obligations within 12 months after the end of the financial year as set out above are included in current liabilities.

The equity contribution consists of a withheld contribution of 0.5% (2018: 0.5%) of the product turnover from both members and non-members. In 2019, the total amount of the withheld equity contribution (divided among 'A', 'B' and 'D' certificates) was €24.8 million (2018: €25.3 million).

Article 17 (4) (e) of the articles of association provides that if the ratio for the Risk-bearing Capital Base exceeds the upper threshold, the Members' Council may decide, following a proposal of the Management Board, to proceed to early repayment of more than only the oldest annual tranche. The General Members' Meeting of June 2016 decided to retain the upper limit for Risk-bearing Capital at 55%.

The amounts paid in for 'B' certificates start bearing interest on 1 January following the year of the transaction.

In 2018, the 2011 annual tranche of Royal FloraHolland was repaid early in an amount of €35.5 million. No early repayment of an annual tranche took place in 2019. For 2019, interest was paid at a rate of 0.3% (2018: 0.2%). Subject to any additional bank financing, the early repayment of the 2012 annual tranche is expected in 2020 in an amount of €17.1 million. An amount of €3.1 million is expected to be paid to former members in 2020 (2018: €4.5 million).

Article 17 (4) (h) of the Articles of Association provides that the 'B' certificates are subordinated to all third-party claims against Royal FloraHolland.

(9) 'C' certificates	2019	2018
Balance at 1 January	1,407	2,234
Movements		
Additional payouts during the current financial year	–	–320
Disbursements in the next financial year, recognised under current liabilities	–440	–510
Other movements	135	3
Balance at 31 December	1,102	1,407
Of which:		
Term < 1 year	440	510
Term >1 and <5 years	1,102	1,407
Term > 5 years	–	–
Total	1,542	1,917

Repayment obligations within 12 months after the end of the financial year as set out in the table are included in current liabilities.

The amounts paid in for 'C' certificates are repayable after five years. For 2019, interest was paid at a rate of 0.8% (2018: 0.7%).

Article 17 (5) of the articles of association provides that the 'C' certificates are subordinated to all third-party claims against Royal FloraHolland and all claims of holders of 'B' certificates.

(10) 'D' certificates	2019	2018
Balance at 1 January	6,618	6,640
Movements		
Addition for equity contribution	409	572
Additional payouts during the current financial year	-500	-95
Disbursements in the next financial year, recognised under current liabilities	-8	-510
Other movements	-	11
Balance at 31 December	6,519	6,618
Of which:		
Term < 1 year	8	510
Term >1 and <5 years	3,282	4,618
Term > 5 years	3,237	2,000
Total	6,527	7,128

Repayment obligations within 12 months after the end of the financial year as set out above are included in current liabilities.

The amounts paid in for 'D' certificates start bearing interest on 1 January following the year of the transaction. An amount of €8 million is expected to be paid to former non-members in 2020 (2018: €510,000). For 2019, interest was paid at a rate of 0.3% (2018: 0.2%). Subject to any additional bank financing, the early repayment of the 2012 annual tranche is expected in 2020 in an amount of €775,000.

Article 17 (5) of the articles of association provides that the 'D' certificates are subordinated to all third-party claims against Royal FloraHolland and all claims of holders of 'B' certificates.

(11) Long-term bank loans	2019	2018
Balance at 1 January	4,641	5,005
Movements		
Repayment	-322	-364
Balance at 31 December	4,319	4,641

The balance of in long-term bank loans as at 31 December 2019 is due in more than one year but less than five years. For the bank loan of €4.3 million, a mortgage was placed on the real estate and the rental income and receivables were pledged.

CURRENT LIABILITIES

All current liabilities are due in less than one year.

(12) Credit institutions and cash and cash equivalents

The credit facility from the banks is included below. In 2017, Royal FloraHolland carried out a refinancing in which a credit facility was obtained from a syndicate of banks for a total of €195.0 million, consisting of €75.0 million of revolving credit and €120.0 million available for short term loans of one, three or six months.

The term of the facility was extended in 2019 until September 2024. At the end of the 2019 financial year an amount of €21.7 million was drawn under this facility (2018: €61.5 million). The most important conditions for the availability of this credit facility are a leverage ratio in which net debt may not exceed 3.5 x EBITDA (12-month period) and a requirement that risk-bearing capital must amount to at least 35%. These two ratios are measured and reported twice a year. As at 31 December 2019, Royal FloraHolland satisfied these ratios as agreed in the bank covenant.

No collateral has been provided for this facility.

The cash and cash equivalents are at the legal entity's free disposal.

(13) Debts and repayment obligations to members/non-members

These debts to members/non-members include the product turnover yet to be paid out in respect of 23, 24, 27, 30 and 31 December 2019. The repayment obligations to members/non-members include the 2020 repayment obligations on the 'A', 'B' and 'D' certificates and final balances of the participation reserves.

(14) Accruals and other liabilities

	2019	2018
Taxes and social security contributions	4,072	3,763
Holiday allowance and days off	11,420	11,544
Interest costs for banks and members' loans	3,218	3,329
Accruals	1,140	3,976
Other liabilities	36,295	28,917
Balance at 31 December	56,145	51,529

All debts and accruals are due in less than one year. The decrease in accruals is explained in particular by the settlement of the debt to VVE VBA, which amounted to €1.8 million at the end of 2018. The increase in other liabilities is explained on the one hand by the fact that an advance invoice from Bloemenbureau Holland (BBH) amounting to €3.8 million for

the first quarter 2019 levy had already been settled on 31 December 2018. In addition, the amount of invoices still to be received as at 31 December 2019 was higher than at 31 December 2018.

(15) Financial instruments

General

The data included in these notes provides information of use in estimating the size and scope of risks associated with financial instruments, both those included in the balance sheet and those not included in the balance sheet.

The group's primary financial instruments, other than derivatives, are used to finance the group's operating activities or result directly from such activities. The group also enters into transactions in interest rate swaps to hedge the interest rate risk arising from the group's financing activities. The group's policy is not to trade in financial instruments for speculative purposes.

The main risks in respect of the group's financial instruments are interest rate risk, credit risk and liquidity risk. The group's policy to limit these risks is as follows:

Interest rate risks

The interest rate risk is subdivided into a fair value interest rate risk and the cash flow interest rate risk. For receivables and liabilities with variable interest rate agreements, Royal FloraHolland incurs risk with regard to future cash flows; with regard to fixed interest

receivables and liabilities, Royal FloraHolland incurs fair value risks as a result of changes in market interest rates.

With regard to the receivables no financial derivatives are contracted to hedge the interest rate risk.

Royal FloraHolland has no large financial assets that incur fair value interest rate risk, and, apart from cash and cash equivalents, no large financial assets that incur a cash flow interest rate risk. The risk incurred by the group due to fluctuations in market interest rates relates mainly to the variable interest rate on the group's long-term liabilities.

The group controls the interest rate risk in respect of the variable interest on the 'B' certificates and the Javado Vastgoed B.V. bank loan in part by concluding interest rate swaps. Given the current position of the credit facility, the risk of a 1% rise in Euribor amounts to €0.2 million.

As at 31 December 2019, Royal FloraHolland's 'B' certificates totalled €236.7 million (2018: €219.6 million).

The interest payment is set annually on the basis of the average interest rate on eight-year Dutch government bonds.

As of 31 December 2019, the nominal value of Royal FloraHolland's interest rate swap contracts was €23.0 million (2018: €123.4 million). Under these swaps, Royal FloraHolland receives a variable interest rate and pays a fixed interest rate. Interest rate swap contracts with a nominal value of €20.0 million have maturities up to and including

2021. Interest rate swaps with a nominal value of €3.0 million have maturities up to and including 2022.

The fair value of the interest rate swaps of Royal FloraHolland on the balance sheet date was €1.1 million negative (2018: €6.4 million negative).

Royal Flora Holland has no margin call obligations on interest rate swap contracts, so there is no possible liquidity risk pursuant to interest rate swaps.

In addition, the intra-group financing includes a cash flow interest rate risk on long-term loans at variable interest rates. As at 31 December 2019 the percentage of loans with a variable interest rate in relation to group finance was 100% (as at 31 December 2018: 100%)

Credit risk

Credit risk concerns the risk that one party to a financial instrument will fail to comply with its obligations, as a result of which the other party has to bear a financial loss. Royal FloraHolland's counterparties in derivative and liquidity transactions are limited to financial institutions with high credit ratings.

Expected credit losses are measured on the basis of all possible situations and developments that could lead to the debtor defaulting during the expected total life of the receivable.

The measurement of credit losses is also based on information that is accessible at reasonable cost and effort concerning current developments and expectations with regard to the market and important trading relationships. Amounts due from debtors who are bankrupt or have applied for a suspension of payments are provided for 100%, as are receivables older than one year.

Parties purchasing services from Royal FloraHolland are assessed in advance for their creditworthiness. Depending on the results, the customer may be asked to furnish certain collateral to limit the bad debt risk.

The group assumes the full credit risk of members and suppliers by guaranteeing that they will be paid weekly for the products they sell and supply, but only to the extent that the invoicing and collection have been carried out by Royal FloraHolland and provided the members and suppliers have met the requirements in the applicable provisions of the auction regulations. The group has drawn up guidelines to limit the size of the credit risk for each financial institution and debtor (~90% of the debtor balance is covered by the credit risk insurance). The group also monitors its receivables closely and applies a strict credit management policy. Due to the measures outlined above, the credit risk for the group is minimal. There are no significant concentrations of credit risk within the group.

Liquidity risk

Liquidity risk is the risk that Royal FloraHolland will encounter problems in raising the funds necessary to meet its short-term liabilities.

As part of its prudent management of liquidity risk, Royal FloraHolland holds sufficient cash and cash equivalents and has sufficient financing headroom in the form of committed credit facilities.

Corporate Finance draws up periodic liquidity plans. Liquidity risks are controlled through interim monitoring and possible adjustment. The liquidity plans take account of limited availability of cash and cash equivalents, including bank guarantees and possibly accelerated payment of deposits, which are classified as current liabilities. An explanation of the liquidity risks of interest rate swaps can be found in the notes on interest rate swaps. An explanation of the credit facility and associated covenants can be found in the notes on long-term liabilities.

(16) Arrangements and obligations not shown in the balance sheet

Consolidated	31 December 2019				31 December 2018			
	< 1 year	2-5 years	> 5 years	total	< 1 year	2-5 years	> 5 years	total
Investment obligations	17,666	368	–	18,034	28,514	15	–	28,529
Lease obligations	1,359	1,328	–	2,687	1,404	1,879	–	3,283
Rental obligations	1,193	2,340	–	3,533	1,189	2,528	–	3,717
Warranties	1,673	–	–	1,673	1,713	–	–	1,713
Other service contracts	47,348	110,481	4,464	162,293	23,130	28,712	–	51,842
	69,239	114,517	4,464	188,220	55,950	33,134	–	89,084

The investment obligations have decreased by €10.5 million compared to 2018. This is explained by the settlement of liabilities as at 31 December 2018 for a total of €2.6 million for infrastructure modifications to improve access to marketplaces. In addition, as at 31 December 2018 there were a large number of smaller investment liabilities totalling €7.9 million which were settled in 2019.

Royal FloraHolland also issued bank guarantees for a total of €1.7 million (2018: €1.7 million).

The other service contracts rose significantly compared to 2018, as a result of the outsourcing of IT (€88 million), entry into a long-term contract for facility services (€36 million) and large-scale maintenance on land and buildings (€34 million).

The minimum future rental income is €13.0 million and has been allocated as follows to the forthcoming years:

- < 1 year: €12.9 million
- > 1 year < 5 years: €0.1 million
- > 5 years: €19,600

Various claims have also been filed against Royal FloraHolland and disputes are pending. All claims are disputed. Royal FloraHolland has sought relevant legal advice in respect of the claims and disputes. The outcome of the negotiations and/or proceedings cannot be predicted with certainty, however.

Notes to the consolidated profit and loss account for 2019

(amounts x € 1,000, unless stated otherwise)

PRODUCT TURNOVER (x €1 million)	2019	2018
Total clock turnover	1,949	1,964
Direct sales	2,842	2,684
Total product turnover of Royal FloraHolland	4,791	4,648

Royal FloraHolland's total share of clock turnover was 40.7% in 2019 (2018: 42.3%).

The share of direct sales in 2019 was 59.3% (2018: 57.7%). The product turnover realised by Royal FloraHolland's members amounted to €4,526 million in 2019 (2018: €4,402 million) and product turnover from other suppliers totalled €265 million in 2019 (2018: €246 million).

Members can use the Temporary Exemption from Member Obligations (TEMO) scheme, on which Royal FloraHolland charges commission. Members paid retrospective TEMO commission on €209 million of product turnover to Royal FloraHolland in 2019 (2018: €227 million).

OPERATING COSTS**(17) Wages and salaries**

	2019	2018
Salaries of own employees	101,053	106,640
Third-party staff	37,162	41,873
	138,215	148,513

The wages and salaries of €101.0 million include an amount of €1.1 million (2018: €5.2 million) in respect of reorganisation payments recognised fully under current liabilities.

Compensation paid to the Supervisory Board and remuneration of the Management Board

The compensation paid to the Supervisory Board and the remuneration of the Management Board are based on the amounts charged to the results in the financial year.

The compensation for the Supervisory Board (eight persons) amounted to €366,000 (2018: €401,000). The compensation is a fixed amount paid for their activities.

The Chairman of the Supervisory Board receives €50,000 per year plus €50,000 to meet the cost of a replacement to cover his duties in his own production business.

The Vice Chairman receives €36,500 per year. The members receive €31,500 per year.

For membership of the committees, the Chairman receives €10,000 and the members receive €5,000 per year. The members of the Supervisory Board also receive a fixed allowance for travel and accommodation costs of €2,500 per year. The chairman of the Supervisory Board claims travel and accommodation expenses.

The cooperative bears the costs of any training for members of the Supervisory Board or advice to the Supervisory Board.

The remuneration of the Management Board totalled €1.1 million in 2019 (2018: €736,000).

The variable remuneration for the members of the Management Board as a whole was €181,000.

The variable pay for S. van Schilfgaarde amounts to 23% of his fixed salary and for D. van Mechelen 16% of his fixed salary. The wage costs of D. van Mechelen for 2018 are from the start of his employment on 1 October 2018.

Remuneration of the Management Board*	2019	2018	2019	2018	2019	2018	2019	2018
	Fixed	Fixed	Variable	Variable	Pension	Pension	Total	Total
D. van Mechelen (from 1/10/2018)	392	94	61	17	11	3	464	114
S. van Schilfgaarde	519	502	120	109	11	11	650	622
	911	596	181	126	22	14	1,114	736

* This table excludes the employer's contribution to social security expenses payable by Royal FloraHolland. The employer's contribution to social security expenses paid for D. van Mechele in 2019 was €24,000 (2018: €6,000); for S. van Schilfgaarde it was €24,000 (2018: €23,000).

Since 2015 it has no longer been possible to accrue pension on annual income in excess of €108,000. Royal FloraHolland has decided to compensate for the pension contribution and add it to the salary. The pension compensation for D. Van Mechelen was €32,000 (2018: €8,000); for S. van Schilfgaarde it was €45,000 (2018: €44,000). No variable remuneration is paid on this component, which is included under fixed salary.

Average number of employees and FTEs

	2019	2018	2019	2018
	Average number of employees	Average number of employees	Average number of FTEs	Average number of FTEs
Operations	1,888	1,895	1,412	1,436
Commerce	467	475	411	416
Staff	235	266	219	243
Royal FloraHolland	2,590	2,636	2,042	2,095
Participating interests*	59	65	57	59
	2,649	2,701	2,099	2,154

* Including 41 employees (40 FTEs) working abroad.

(18) Depreciation, amortisation and impairments

	2019	2018
Intangible fixed assets	8,712	5,400
Tangible fixed assets	67,677	65,906
	76,389	71,306

(19) Miscellaneous operating costs

Miscellaneous operating costs in 2019 amounted to €110.5 million (2018: €112.5 million).

The fees charged to the group for the financial year in respect of the external auditor and the audit firm and the entire network to which this audit firm belongs are as follows:

Audit fees	PwC Netherlands	PwC Kenya	Total
2019			
Audit of the financial statements	326	16	342
Tax advisory services	35	21	56
	361	37	398

The above audit fees for the financial statements are based on the total fees for the audit of the financial statements, regardless of whether the activities were already carried out in the financial year.

(20) Corporation tax	2019	2018
Tax on the result for the financial year	-1,737	353
Changes in deferred tax	341	32
	-1,396	385

Tax burden	2019	2018
Applicable tax rate	25.0%	25.0%
Effective tax rate	20.0%	-22.9%

The lower effective tax rate in 2019 relative to the applicable rate is primarily due to the negative pre-tax result and a future change in the rate of corporation tax.

(21) Government subsidies

During the 2019 financial year Royal FloraHolland received the following government subsidies:

- Subsidy received from the province of South Holland concerning the reconstruction of the N213. An amount of €590,000 was received in respect of the 2019 financial year. The amount received has been stated under assets under construction.
- Subsidy for practical learning: the subsidy meets Royal FloraHolland's costs for supporting an apprentice, participant or student. The subsidy also meets the wage or support costs of a doctoral student or trainee technological designer. An amount of €193,000 was received in respect of the 2019 financial year. The amount received has been stated in training costs.

- Energy Investment Deduction (EID): The EID allows a percentage of the costs of certain investments to be deducted from taxable profit. This additional deduction leads to lower taxable profit, which represents a monetary benefit for the taxpayer. Royal FloraHolland received a monetary benefit of €97,000 in respect of the 2019 financial year. The monetary benefit has been included in the computation of corporation tax in respect of the 2019 financial year.
- Sustainable energy production stimulus scheme (SDE+): The Ministry of Economic Affairs and Climate Policy uses the SDE+ scheme to encourage the development of sustainable energy in the Netherlands. An amount of €1,000 was received in respect of the 2019 financial year. The amount received was stated under energy costs.

(22) Post-balance sheet events

The outbreak of the coronavirus developed in 2020 at lightning speed.

Measures taken by various governments to contain the virus have had far-reaching negative consequences for economic activity in general and for the floriculture industry in particular. A detailed account of the consequences for Royal FloraHolland can be found in the going concern section on page 63.

Company balance sheet as at 31 December 2019

(After proposed appropriation of result (amounts x €1,000))

	Notes	2019	2018
ASSETS			
Fixed assets			
Intangible fixed assets	(23)	36,318	29,735
Tangible fixed assets (24)			
Land		103,778	103,788
Buildings		311,357	318,935
Equipment, packaging and logistics resources		69,237	67,150
Other fixed operating assets		40,512	47,002
Not used in business operations		96,234	108,474
		621,118	645,349
Financial fixed assets (25)			
Participating interests in group companies		30,013	46,022
Other receivables		3,792	2,193
		33,805	48,215

	Notes	2019	2018
Current assets			
Inventories		555	619
Receivables			
Trade receivables		50,538	50,356
Amounts owed by group companies		9,549	14,304
Amounts owed by participating interests		3,364	10
Other receivables and accrued assets	(26)	15,298	16,344
		78,749	81,014
Cash and cash equivalents		8,804	5,694
Total		779,349	810,626



[For a vertical view of the company balance sheet, click here.](#)

	Notes	2019	2018
LIABILITIES			
Equity	(27)		
General reserve		124,311	125,272
Legal entities reserve		2,635	2,635
'A' certificates		47,268	45,394
Final balance		10,741	9,120
Legal reserve		38,010	31,453
		222,965	213,874
Provisions	(28)		
Provision for deferred tax		1,565	244
Restructuring provision		–	3,630
Other provisions		6,017	6,792
		7,582	10,666
Long-term liabilities			
'B' certificates*		233,651	215,100
'C' certificates*		1,102	1,407
'D' certificates*		6,519	6,618
		241,272	223,125

	Notes	2019	2018
Current liabilities			
Credit institutions		21,681	61,500
Debts to members/non-members		85,529	61,900
Repayment obligations to members/non-members	(13)	6,677	13,856
Debts to group companies		13,301	31,157
Creditors		28,539	49,788
Deposits		96,969	94,277**
Accruals and other liabilities	(29)	54,834	50,483**
		307,530	362,961
Total		779,349	810,626

* Subordinated loans. Together with the equity, these form the guaranteed capital. The guaranteed capital at year-end 2019 amounts to €464.2 million (2018: 437 million).

** Adjusted for comparison purposes.

 [For a vertical view of the company balance sheet, click here.](#)

Company profit and loss account for 2019

(amounts x €1,000)

	2019	2018
Company profit after tax	5,389	-8,752
Result from participating interests after tax	207	9,071
Profit after tax	5,596	319

Notes to the company figures for 2019

GENERAL NOTES

The accounting policies used in the company and consolidated financial statements are the same. More information on the accounting policies can be found in the notes to the consolidated financial statements. The notes to the 2019 company financial statements include only those items that differ from the consolidated balance sheet.

The exemptions in Section 402 of Book 2 of the Dutch Civil Code have been used in preparing the company profit and loss account.

Notes to the company balance sheet as at 31 December 2019

(amounts x €1,000)

FIXED ASSETS

(23) Intangible fixed assets

The carrying amount at the balance sheet date and the associated movements were as follows:

	Software	Concessions	2019	2018
Balance at 1 January	29,735	–	29,735	17,015
Movements				
Investments	12,805	–	12,805	16,095
Transfers	355	–	355	–
Amortisation	–6,577	–	–6,577	–3,375
Balance at 31 December	36,318	–	36,318	29,735
Accumulated cost	47,084	6,361	53,445	40,285
Accumulated amortisation and impairments	–10,766	–6,361	–17,127	–10,550
Balance at 31 December	36,318	–	36,318	29,735

Investments relate mainly to software. The concessions item concerns packaging concessions written off in 2015.

(24) Tangible fixed assets

The carrying amount at the balance sheet date and the associated movements were as follows:

	Balance at 1 January	Investments	Transfers	Depreciation & impairments	Divestments	Balance at 31 December
Land						
Land	72,810	–	–	–	–	72,810
Site facilities	30,978	1,519	1,184	–2,713	–	30,968
Subtotals	103,788	1,519	1,184	–2,713	–	103,778
Buildings	318,935	8,112	18,655	–34,336	–9	311,357
Equipment, packaging and logistics resources						
Equipment	18,452	3,315	1,126	–3,395	–	19,498
Packaging and resources used in the logistics process	48,698	15,055	1,170	–15,184	–	49,739
Subtotals	67,150	18,370	2,296	–18,579	–	69,237
Other fixed operating assets	47,002	2,332	2,727	–11,549	–	40,512
Not used in business operations						
Land and buildings available for sale	79,533	46	76	–123	–10,533	68,999
Assets under construction	28,941	23,587	–25,293	–	–	27,235
Subtotals	108,474	23,633	–25,217	–123	–10,533	96,234
2019 totals	645,349	53,966	–355	–67,300	–10,542	621,118
2018 totals	643,822	66,552	–	–64,917	–108	645,349

	Land	Buildings	Equipment, packaging and logistical resources	Other fixed operating assets	Not used in business operations	2019	2018
Accumulated cost	137,766	920,964	260,291	157,668	135,103	1,611,792	1,568,724
Accumulated depreciation and impairments	-33,988	-609,607	-191,054	-117,156	-38,869	-990,674	-923,375
Balance at 31 December	103,778	311,357	69,237	40,512	96,234	621,118	645,349

The land available for sale consists of land that is free to be sold to trading partners and third parties who are not trading partners. Land available for sale to trading partners is held for future sale to Royal FloraHolland customers in support of the position as a central marketplace.

In 2019 the second phase of the sale of the land at Bleiswijk was effected, comprising 216,000 m² with a carrying amount of €10.0 million and a sale result of €9.0 million. 114,000 m² was already sold in 2018 with a carrying amount of €1.5 million and a sale result of €7.7 million. The remainder of the Bleiswijk site was sold in March 2020. A construction plot outside the auction site in Rijnsburg was also sold in connection with FloriWorld.

The fair value of land and buildings available for sale is €103.0 million.

Assets under construction relate to assets which were not yet in use at the balance sheet date. The investments taken into use during the year are allocated to the applicable asset category via the 'transfers' column. Investments taken into use in 2019 included logistics resources such as new trolleys, IT investments, the contribution to infrastructure improvement (auction route N222 Naaldwijk), safety and fire protection, the Aalsmeer barrel washing plant, FleurCenter floor 6-7 (entrance and company restaurant) and large-scale maintenance on buildings and plant (overhead conveyor system). Investments not yet taken into use at year-end 2019 include the development of the new office in Aalsmeer, the roof

over the trolley deck in Naaldwijk, a contribution to infrastructure improvement (Legmeerdijk Aaslmeer-Oost exit), the construction of refrigeration unit 126 in Aaslmeer and the reorganisation/replacement of the asphalt parking roof at Naaldwijk.

The carrying amount of the tangible fixed assets of which Royal FloraHolland has no legal ownership is €6.5 million. This concerns the land leased by Royal FloraHolland to Plant Port 2 B.V. on which the Green Horti Center is established.

Tangible fixed assets are depreciated on the basis of their estimated useful life.

(25) Financial fixed assets

The carrying amount at the balance sheet date and the associated movements were as follows:

	Participating interests in group companies	Other receivables	2019	2018
Balance at 1 January	46,022	2,193	48,215	40,114
Movements				
Result of participating interests	207	–	207	9,071
Liquidation of participating interests	–15,516	–	–15,516	–
Dividend distribution	–709	–	–709	–
Other movements	9	1,800	1,809	–628
Repayments	–	–201	–201	–515
Loans granted	–	–	–	173
Balance at 31 December	30,013	3,792	33,805	48,215

Breakdown of the carrying amount of participating interests at the balance sheet date:

	2019	2018
FH Diensten Holding BV	3,948	5,735
FH Vastgoed Holding BV	15,118	15,686
FH Deelnemingen Holding BV	10,899	9,037
Greenparc Ontwikkelingen V.O.F.	–	15,516
Other participating interests	48	48
Totals	30,013	46,022

The participating interest Greenparc Ontwikkeling V.O.F. was liquidated in 2019.

Participating interests in group companies

A list of all participating interests can be found in the annex.

Other receivables

This item includes loans to associated companies for an amount of €2.0 million (2018: €2.2 million). These loans bear an average interest rate of 5.0% (2018: 5.0%) and have a residual term of less than five years.

Transactions with related parties

All transactions with related parties were effected under normal market conditions. The related parties of Royal FloraHolland comprise participating interests and other related parties. Other related parties are Vereniging van Bloemenveilingen in Nederland, Stichting Fonds Coöperatieve Bloemenveilingen, Bloemenbureau Holland, Plant Port 2 B.V., VVE Verenigde Bloemenveilingen Aalsmeer and members of the Supervisory Board and the Management Board. The main transactions with related parties consist of financing, buyer and grower levies, wages and salaries and overheads.

CURRENT ASSETS

RECEIVABLES

Trade receivables

All receivables included in trade receivables are due in less than one year.

(26) Other receivables and accrued assets	2019	2018
Taxes and social security contributions	1,160	6,696
Prepaid expenses	5,919	5,438
Other receivables	6,164	1,579
Accrued assets	2,055	2,631
Balance at 31 December	15,298	16,344

Other receivables and accrued assets are due in less than one year.

The decrease in tax and social security contributions is mainly due to a decrease of €5.5 million relating to the receivable VAT position to €1.0 million at the end of 2019 (end of 2018: €6.5 million). VAT returns are filed in the Netherlands, Belgium and Germany.

The increase in other receivables is mainly due to the inclusion of the receivable in respect of fraud insurance in an amount of €4.6 million as a result of the theft detected in mid-2019.

This amount concerns the reimbursement of the loss suffered and costs incurred. It was received from the insurer in the spring of 2020. The decrease in accrued assets is mainly due to the items to be settled with the Rhein Maas auction concerning product turnover in an amount of €3.3 million which was generated by growers through the Rhein Maas auction but which was paid out by Royal FloraHolland.

(27) Equity**General reserve**

	2019	2018
Balance at 1 January	125,272	137,552
Movements		
Change to legal reserve	-6,557	-12,599
Addition of profit of current financial year	5,596	319
Balance at 31 December	124,311	125,272

In anticipation of its adoption by the Members' Council, the profit after tax for the 2019 financial year has been accounted for as follows:

	2019	2018
Withdrawal from/addition to the general reserve	5,596	319
Payable to members*	-	-
Total profit after tax	5,596	319

* The amount to be paid out to members is the amount after deducting a limited amount for addition to 'A' certificates if these are not yet fully paid up.

Legal entities reserve

This 'legal entities reserve' referred to in article 35 of the articles of incorporation, which amounted to €2.6 million as at 31 December 2019 (2018: €2.6 million), was formed in previous years from the corporate tax disadvantage settled with member legal entities, arising from the fact that the reimbursement of the auction commission to member legal entities is not tax-deductible. No changes occurred during the financial year.

'A' certificates

	2019	2018
Balance at 1 January	45,394	43,043
Movements		
Addition for equity contribution	2,189	2,644
Additional payouts during the current financial year	-220	-62
Disbursements in the next financial year, recognised under current liabilities	-95	-
Other movements	-	-374
Addition of profit for financial year	-	143
Balance at 31 December	47,268	45,394

Article 40 'Transitional provisions 2016' paragraph 1, Participation Reserve, of the articles of association provides that with effect from 31 December 2016 a member's credit balance in his participation account will be used to fully pay up his 'A' certificate. To the extent that the credit balance exceeds €20,000, the excess of his credit balance has been added to the 'final balance'.

The additions to participations as at 31 December 2016 consisted of the 1997-2015 additions of Bloemenveiling Aalsmeer and the 1997-2015 former FloraHolland additions.

Article 17 (3) (e) of the articles of association provides that the amount added to the 'A' certificate can only be paid out after the adoption of the financial statements for the third financial year after the financial year in which the membership of the member ended, and only subject to the condition that the general meeting, following a proposal by the Management Board, decides to make the 'A' certificates payable that are eligible for this pursuant to the articles of association.

Final balance	2019	2018
Balance at 1 January	9,120	17,407
Movements		
Additional payouts during the current financial year	–	–279
Disbursements in the next financial year, recognised under current liabilities	–3,085	–8,302
Other movements	4,706	294
Balance at 31 December	10,741	9,120

The final balance of a member or former member is paid out to that member or former member in eight equal annual instalments, subject to a decision by the general meeting, following a proposal of the Management Board, in each instance in connection with the adoption of the financial statements of the preceding financial year, to effect the payout and to make the aforesaid instalment payable.

Legal reserve	2019	2018
Balance at 1 January	31,453	18,854
Movements		
Transfer from general reserve – participating interests	–27	–122
Transfer from general reserve – intangible fixed assets	6,584	12,721
Balance at 31 December	38,010	31,453

The legal reserve was formed for participating interests (€1.7 million) and intangible fixed assets (€36.3 million). The legal reserve was formed for participating interests which are valued at net asset value, but in which Royal FloraHolland does not have a controlling interest. In the case of intangible fixed assets it was formed for capitalised software costs,

as these can largely be considered development costs. The legal reserve for participating interests is equal to the change in the value of the participating interests pro rata to the share in the profits of these participating interests, less dividends distributed. For intangible assets it is equal to the historical cost, less amortisation.

(28) Provisions	Provision for deferred tax	Restructuring provision	Other provisions	2019	2018
Balance at 1 January	244	3,630	6,792	10,666	12,184
Movements					
Additions	3,714	–	1,828	5,542	5,320
Withdrawals	–2,393	–2,950	–2,317	–7,660	–4,848
Releases	–	–680	–286	–966	–1,990
Balance at 31 December	1,565	–	6,017	7,582	10,666

The provision for deferred tax originates from differences between the valuation of tangible fixed assets for financial accounting and tax purposes, a recorded cost equalisation reserve and a provision for major maintenance. The provision for deferred tax was recognised on the basis of current and future corporation tax rates of 25.0% and 21.7% respectively (2018: 25.0% and 20.5%).

The remaining provisions are for long-service awards, legal claims, long-term sickness benefits and missing CC containers. The other provisions predominantly have a remaining term of more than one year.

CURRENT LIABILITIES**(29) Accruals and other liabilities**

	2019	2018
Taxes and social security contributions	3,310	3,380
Holiday allowance and days off	11,420	11,544
Interest costs for banks and members' loans	3,218	3,329
Accruals	1,140	3,976
Other liabilities	35,747	28,254*
Balance at 31 December	54,835	50,483

* Adjusted for comparison purposes.

All accruals and other liabilities are due in less than one year. The decrease in accruals is explained in particular by the settlement of the debt to VVE VBA, which amounted to €1.8 million at the end of 2018. The increase in other liabilities is explained on the one hand by the fact that an advance invoice from Bloemenbureau Holland (BBH) amounting to €3.8 million for the first quarter 2019 levy had already been settled on 31 December 2018. In addition, the amount of invoices still to be received as at 31 December 2019 was higher than at 31 December 2018.

(30) Financial instruments

Information on financial instruments can be found in the notes to the consolidated financial statements.

(31) Arrangements and obligations not shown in the balance sheet

Company	31 December 2019				31 December 2018			
	< 1 year	2-5 years	> 5 years	total	< 1 year	2-5 years	> 5 years	total
Investment obligations	17,576	8	–	17,584	25,314	–	–	25,314
Lease obligations	1,359	1,328	–	2,687	1,404	1,879	–	3,283
Rental obligations	1,103	2,340	–	3,443	1,090	2,495	–	3,585
Warranties	1,673	–	–	1,673	1,713	–	–	1,713
Other service contracts	47,348	110,481	4,464	162,293	23,130	28,712	–	51,842
	69,059	114,157	4,464	187,680	54,240	33,086	–	87,326

The investment obligations have decreased by €7.7 million compared to 2018.

This is explained by the settlement of liabilities as at 31 December 2018 for a total of €2.6 million for infrastructure modifications to improve access to marketplaces.

In addition, as at 31 December 2018 there were a large number of smaller investment liabilities totalling €5.1 million which were settled in 2019.

Royal FloraHolland also issued bank guarantees for a total of €1.7 million (2018: €1.7 million).

The other service contracts rose significantly compared to 2018, as a result of the outsourcing of IT (€88 million), entry into a long-term contract for facility services (€36 million) and large-scale maintenance on land and buildings (€34 million).

The minimum future rental income is €13.0 million and has been allocated as follows to the forthcoming years:

- < 1 year: €12.9 million
- > 1 year < 5 years: €0.1 million
- > 5 years: €19,600

Various claims have also been filed against Royal FloraHolland and disputes are pending. All claims are disputed. Royal FloraHolland has sought relevant legal advice in respect of the claims and disputes. The outcome of the negotiations and/or proceedings cannot be predicted with certainty, however.

FISCAL UNIT

For corporation tax purposes Royal FloraHolland constitutes a fiscal unit with its subsidiaries FH Vastgoed Holding B.V., Siervast B.V. and Cash & Carry Bleiswijk Vastgoed B.V. as of 1 January 2019. Taxes are attributed to the unit to which the position relates. For purposes of value added tax, Royal FloraHolland is part of a fiscal unit with its subsidiaries FH Diensten Holding B.V., FloraHolland Flower Combination B.V., Flowerdome B.V., Groen Groep Eelde B.V. and Siervast B.V. Each of the entities belonging to the fiscal unit is jointly and severally liable for the debts of the fiscal unit as a whole.

Aalsmeer, 16 April 2020

Steven van Schilfgaarde

CEO of Royal FloraHolland

David van Mechelen

CFO of Royal FloraHolland

LIST OF PARTICIPATING INTERESTS

Royal FloraHolland has a full or partial, direct or indirect interest in the following companies:

	Registered office	2019 Shareholding (in %)	2018 Shareholding (in %)
FH Diensten Holding B.V.*	Honselersdijk	100	100
Agricultural Fulfilment Center B.V.*	Honselersdijk	100	100
Greenparc Ontwikkeling B.V.*	Honselersdijk	100	100
Greenparc Ontwikkeling v.o.f.*	Bleiswijk	0	50
Servi FloraHolland 2002 SL*	Valencia, Spain	100	100
FloraHolland Flower Combination B.V.*	Honselersdijk	100	100
FH Consultancy Services Plc.*	Addis Ababa, Ethiopia	50	50
FH Services Colombia*	Bogota, Colombia	50	50
FH Services Kenya Ltd*	Nairobi, Kenya	1	1
Sierteelt Verpakking Pool B.V.*	Honselersdijk	100	100
De Verenigde Koelhuizen Hobaho B.V.*	Honselersdijk	100	100
Groen Groep Eelde B.V.*	Eelde	100	100
Flowerdome B.V.*	Eelde	100	100
FH Logistics Kenya B.V.*	Honselersdijk	100	100
FH Consultancy Services Plc.*	Addis Ababa, Ethiopia	50	50
FH Services Colombia*	Bogota, Colombia	50	50
FH Services Kenya Ltd*	Nairobi, Kenya	99	99
FH Services Italy S.r.l.*	Milan, Italy	100	100
Royal FloraHolland Hong Kong Ltd.*	Hong Kong, China	100	100
Royal FloraHolland Co. Ltd. (WFOE)*	Hong Kong, China	100	100
Trias Westland B.V.	Poeldijk	10	33.33
Stichting administratiekantoor Hubways NV	Bunnik	0	25

* Participating interest to be consolidated.

	Registered office	2019 Shareholding (in %)	2018 Shareholding (in %)
Hubways N.V.	Bunnik	0	25
FloraXchange B.V.*	Honselersdijk	50.056	50.056
FloraXchange Services B.V.*	Honselersdijk	100	100
Ethiopian Perishable Logistics Plc.	Ethiopia	10	10
Fresh Port Plc.	Ethiopia	99	99
CAAC B.V.	Aalsmeer	100	0
Blueroots B.V.	Honselersdijk	50	0
FH Vastgoed Holding B.V.*	Honselersdijk	100	100
Siervast B.V.*	Rijnsburg	100	100
V.O.F. D.Z.F. Naaldwijk	Honselersdijk	0	100
FH Vastgoed V B.V.	Honselersdijk	0	100
Cash & Carry Bleiswijk Vastgoed B.V.	Bleiswijk	0	100
Metz Vastgoed II B.V.	Honselersdijk	90	90
Metz Vastgoed II B.V.	Honselersdijk	90	90
Javado Vastgoed B.V.*	Honselersdijk	51	51
Plant Port I B.V.	Aalsmeer	49.5	49.5
FloriWorld B.V.	Aalsmeer	33.33	33.33
HBC Beheer B.V.	Naaldwijk	30	30
FH Deelnemingen Holding B.V.*	Naaldwijk	100	100
Plantion Holding B.V.	Bemmel	35	35
Veiling Rhein Maas GmbH & Co KG	Herongen, Germany	25	25
Veiling Rhein Maas GmbH	Herongen, Germany	100	100
Sivepo C.V.*	Honselersdijk	100	100
Greenparc Ontwikkeling v.o.f.*	Bleiswijk	0	50

* Participating interest to be consolidated.

Other information

PROVISIONS OF THE ARTICLES OF ASSOCIATION ON THE APPROPRIATION OF RESULT

Article 33 of the articles of association of the cooperative specifies as follows with regard to the appropriation of the result

Article 33

1. If the operating account indicates a net profit, the General Members' Meeting, following a proposal by the Management Board, will determine whether this balance or part thereof will be added to the general reserve and which portion is available for distribution.
2. The portion of the net profit that is not added to the general reserve will be paid to the members and to those whose membership ended in or at the end of the financial year concerned, in proportion to the commission payment that became payable by them in the financial year concerned. The aforesaid amounts will be paid within three months after adoption of the financial statements, on the understanding that if a member has not yet fully paid up his 'A' certificate, that amount or portion thereof will be added to his 'A' certificate.
3. If the operating account shows a deficit, such deficit will be charged to the general reserve.
4. If a deficit cannot be set off by the means indicated in the preceding section, for serious reasons or on reasonable grounds, the General Members' Meeting, following a proposal by the Management Board, will decide how and according to what criteria the deficit is to be set off.
5. Pursuant to article 23(2)(i) of these articles of association, resolutions of the Management Board under this article require approval from the Supervisory Board.

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Publication

Royal FloraHolland

Text and final editing

Royal FloraHolland in collaboration with C&F Report

Photography

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C&F Report

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