



John Damen
Royal FloraHolland

Team Manager

July 27th 2020



Royal FloraHolland Figures

Financial results 2020 (up to p5) Significant negative impact of the crisis

- Product turnover 16.6% lower:
 - Volume effect -13.3%
 - Price effect -3.8%
- Clock-direct ratio clearly lower than last year
- The combination of lower volumes and a lower clock share is unfavourable for the financial result development.

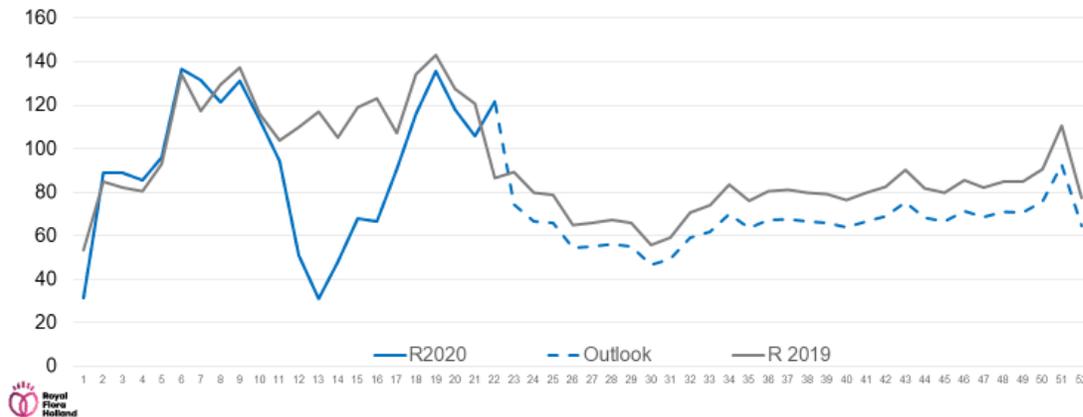
- Regular operating result up to and including period 5 is € 16M behind budget
- Loss is still increasing
- Costs and investments scaled down to partly compensate for declining revenues

- The Corona crisis is having a strong impact on the sector.
- Looking at the first 5 months of this year: as a result of the huge drop in demand, many of our growers and buyers have suffered large losses, and so has RFH itself.
- RFH turnover for the first semester 2020 is 2.3 billion euros , 10% less compared to 2019.
- Due to our solid foundation, there will not be any acute financial problems.
- We are well funded, but our debts are rising substantially.
- That is why we have scaled down costs and investments in order to compensate for the decreasing revenues in the short-term.
- Although trade revenue is picking up again and prices are generally quite favourable. Volumes are below par and the mix clock-direct has accelerated during the Corona crisis.
- In any case, 2020 will be heavily loss-making and our debts will increase. We have to earn back those losses.²

Product turnover decreases 15% - 20% in 2020

Losses and increasing debt must be earned back

Product turnover up to week 52
(x € M)



In this graph you will see the development of the product turnover, clock and directly totalled 2020 vrs 2019 per week.

Results for this first half of the year:

- Cut flowers total turnover decreased by 14%, number of stems -12% and price -4%. Weeks 12 to 25 turnover decreased 24%, stems-20% and prices -5%.
- Houseplants total turnover decreased by 7.1%. Week 12 to 25 turnover decreased 14%, amount of plants -18% and price 5% higher compared to 2019.
- Garden plants total turnover increased by 8.8%, the supply decreased by 7% and good prices 16.8% compensating the loss .

The extent of loss and debt over 2020 will depend on the aftermath of the Corona crisis and the depth of the expected recession. We expect this year to see a decline of some 15% to 20% in total product sales and even less trading through the clock and more direct. This will put pressure on our optimal pricing and our tariffs.

Financially, we are therefore facing a challenging period. We expect that 2021 will also be loss-making, although we will do everything we can to limit the losses as much as possible.

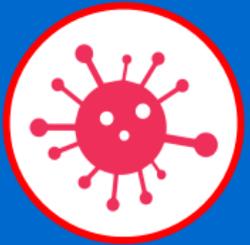
This will require clear choices and decisions within our cooperative. We anticipate a slightly positive result again from 2022 onwards.

It is important that we continue to make our operations more efficient, but above all that we accelerate our strategy. If we succeed in doing so, we will be able to help growers and buyers get their business back on track and to recover our losses in the years to come.

Corona Impact

- The most important starting point of our strategy is that we get the best out of the market for our members: Optimal pricing at minimum cost.
- That was already the case, but the Corona crisis of recent months has given us a new situation:
 - We see an acceleration in the shift from clock to direct
 - We see an increase in new digital channels
 - In addition, many of our growers and buyers have suffered great losses
 - And as mentioned earlier, RFH will suffer a loss of tens of millions in 2020.
- The acceleration of existing trends makes an efficient and effective floriculture chain even more important. We are taking the lead in this with Floriday and even more efficient logistics.
- We need to change and expand our market place into the Business to Business platform for the global floricultural market, where growers and buyers can do their business via the clock and directly digitally.
- We are going to develop a complete range of ordering, payment and delivery services, also for direct flows.
- Scale is crucial. We need to become as large an international network as possible with as much supply and demand as possible. After all, if we bring the supply to us, we will also bring the demand to us, and vice versa. This is the best way to achieve optimal pricing at minimum cost.
- And that can only be achieved with the widest possible range of products.

Impact Corona on our strategy



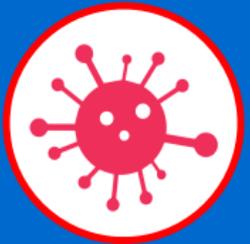
New situation

- Accelerated shift clock to direct
- Increased use of new digital channels
- Financial losses

Focus on

- Acceleration 100 % Digital, One Clock
- International Payments
- Development new services
- Cost reductions

Impact Corona on our strategy



New situation

- Accelerated shift clock to direct
- Increased use of new digital channels
- Financial losses

Focus on

- Acceleration 100 % Digital, One Clock International Payments
- Development new services
- Cost reductions

In the coming period we will focus on:

Implementing our programmes 100%Digital, One Clock and International Payments as soon as possible.

Developing new services. Opportunities for growth and therefore scale are on the direct streams and internationally. It is therefore extremely important that we accelerate with new services that offer benefits to our customers on the direct flows and internationally. These benefits are mainly due to our logistics services (transport from the nursery to the buyer's back door) and an expansion of our international financial services.

And finally, we will continue to reduce our costs.

Also after the crisis, we will remain fully committed to **sustainability** and our goals for **environmental registration and certification** will remain in place. That means that by the end of 2020 every supplier to Royal FloraHolland needs to commit to digital environmental registration.

And by the end of 2021 at the latest, all suppliers must be in possession of a market-compliant environmental certificate.

Covid -19 effects

Our Corona-crisis approach



For our business continuity

- Supply regulation
- Health and safety
- Cost reductions
- Negotiating with the unions
- Accelerated and paused projects



For your business

- Information
- Practical assistance
- No peak taxes
- Guaranteed payments



For the sector

- Lobby
- Airfreight capacity
- Sea freight project



July 30, 2020

Looking back at the crisis from our business perspective, we had to deal with an enormous drop in demand, a large part of the production of our growers had to be destroyed, and the prices collapsed.

At the beginning of the crisis, we have responded quickly:

- Already in February, at an early stage, we set up a crisis management team.
- They had as their main goals:
 - To ensure safe working conditions in the marketplace for employees and customers;
 - To ensure that trade could continue wherever it was possible to do so;
 - And to ensure that support and attention was given to the problems in the sector.

FRH Measurements

- **First looking at our own operations:**
- We have also taken a close look at our own operations:
 - To ensure health and safety within our marketplaces.
 - We have made cost savings where possible.
 - Remote Purchasing has been accelerated.
 - We have continued with the strategic projects - 100% Digital
- Non urgent investments were postponed.
- And a number of projects were stopped or reduced in size: the Organization Transformation, for example, was halted until after the summer.
- The aim of all these actions was: to keep the trade going and reduce costs as much as possible.
- **Secondly, we made an effort to help our members' companies through the crisis.**
- We have held formal and informal calls with the international members of the Members' Council and with members themselves to keep up to date.
- **Thirdly, we lobbied for support for our international growers.**
- We lobbied together with the Holland Flower Alliance and reactivated our sea freight project again.
- We have lobbied at the Ministry of Development Cooperation in the Netherlands
- And we have spoken to various interest groups in Africa to get support for the growers.

So what did the corona crisis teach us?

1. First of all, we have a fantastic product. Also in the crisis flowers and plants remained popular, there is even a revival.
2. On the positive side, the crisis has also shown how resilient we are and how much solidarity there is among growers. There is a great will to work together and to fight for the sector. Our lobbying power in the Netherlands has proven to be strong. Unfortunately, our lobby outside the Netherlands has not been that strong.
3. Thirdly, a lot of goodwill has been cultivated, at least in the Netherlands. The sector is well positioned.

Future tendencies and trends where RFH will be involved in

Rabobank remains cautiously positive about the long-term prospects of Dutch horticulture.

On the one hand, more and more consumers are consciously concerned with well-being and nutrition. This offers opportunities for Dutch horticulture, especially in Europe. On the other hand, the sector has major challenges in terms of sustainability (especially renewable energy), availability and cost of labour, disease pressure in cultivation and internationalisation in a market with a lot of competition. Rabobank expects horticulture to be able to create opportunities in this dynamic environment.

About 80% of the Dutch product is exported, making international trends and developments of great importance. Rabobank sees the following important developments:

- Consumer behaviour is changing. The consumer is less predictable, but spends more money on healthy food, flowers and plants. In addition, people are more aware of a sustainable production method;
- The European market is saturated in terms of sales volume and competitive pressure is high. This offers opportunities to offer added value, develop new revenue models and further (chain) collaboration and digitisation;
- Sustainability is high on the political and social agenda. The sector is able to fulfil the social desire to reduce gas consumption, the responsible use of crop protection and circularity;
- Labour shortages are very current. The economic growth of recent years in Europe reduces the (qualitative) supply of labour;
- Innovations, such as robotisation, automation and digitisation, will play a role in the coming years in the current labour issues, logistics and chain issue