



Hoogwegt summary on 2019

Introduction by the CEO

Dear Reader,

2019 has been an excellent year for Hoogwegt. We see that our strategy has triggered an ongoing change across Hoogwegt Group. Our people continue to show that working in an aligned way across all operating companies triggers innovative solutions to trading challenges. This year's results are a positive reflection of how Hoogwegt's people working together enhances profitability.

In the 2018-2019 financial year, Hoogwegt Group generated net income after tax of € 23.2 million on revenues of € 2.8 billion. As a result, our solvency ratio remained strong at 28.4%.

The balance in the Hoogwegt portfolio and geographies helped ensure that the impact of external factors was minimized as much as possible. We constantly strive to attain a balanced portfolio. We are positive about the results achieved.

Our people have been dedicated to making major advancements during the past year, with a special mention to those involved in strategy, information technology and other business process projects. The support and back-up which our people have given each other is an illustration of the excellent teamwork and unity at Hoogwegt, which we value very highly. We are also thankful that Hoogwegt's business partners and stakeholders have continued to display confidence in the company's strategy and direction.

I hope you enjoy reading this summary on 2019.

Sander Hulsebos
Chief Executive Officer



Sander Hulsebos

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Hoogwegt in a nutshell



1965
Established

#1

Privately held dairy
commodity provider



160
Countries



6
Continents

Hoogwegt in 2019



€ 2.8 bn
Annual turnover



2 million
Metric tons of products

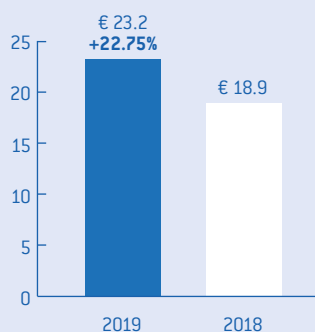


130,000
containers

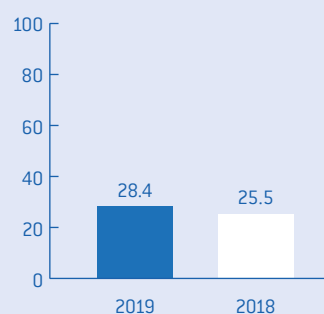


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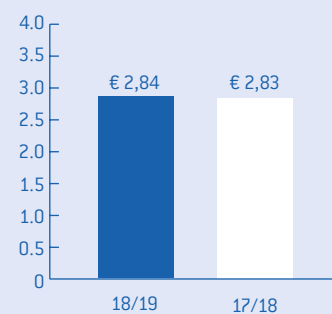
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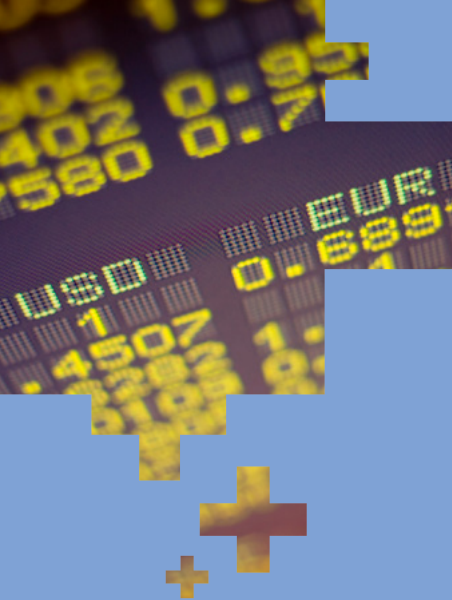


Solvency in %



Net sales in bn





Market Developments

The Dairy Market

Introduction

Milk production growth in 2019 has again remained largely in line with global demand growth. Consequently farmer milk prices as well as dairy commodity prices remained within a relatively narrow band for most of the year.

Price developments have been gradual rather than dynamic in 2019 for most of the dairy products. Global milk production largely failed to provide direction. Aggregated milk production growth by the key export regions – EU-28, Oceania, US, Argentina and Uruguay – has been very modest in 2019.

Overall, weak supply growth has resulted in slightly higher commodity prices in the past year.

Against the backdrop of the stable price dynamics, world trade volumes continue to increase at an impressive rate and have not been affected the growing macro-economic turbulence.

Going forward

After a period of relative price stability for most products, Hoogwegt's upcoming book year may mark the return towards more dynamic price developments. Indicators, such as the relatively tight supply-demand balance, the end of a long period of significant stock overhang of SMP and butter, suppressing upward price potential and growing macro-economic tension, point towards a higher level of unpredictability.

Our society, including the world-wide economy, is currently heavily influenced by the pandemic caused by the Corona virus.

The impact on the economy in the coming period is highly uncertain. Nevertheless, we expect that Hoogwegt Group will be able to manage the consequences as the long-term market outlook has not drastically worsened, business continuity plans are in place and the financial strength of the company is considered to be more than sufficient to cope with short term issues when they occur.





The Plant-based Ingredients Market

Hoogwegt's plant-based ingredients trading business is based at Meelunie, in Amsterdam. The biggest development in market conditions which determined 2019 was the potato starch crop. The dry summer of 2018 reduced the starch potato crop by a quarter. This resulted in limited volumes and higher prices. Good positioning created a solid foundation for our financial results during the financial year. The Tapioca starch market was favourable, which was also in part due to the challenging potato starch market. Vital wheat gluten, Meelunie's third most important product, had a more challenging year. This was mainly due to lower demand from the aqua feed industry, coupled with a bearish market.

Outlook 2020

We see a potato crop down 15% lower on the 5-year average. However, the division of the drought in Europe is different than during the previous year. This will likely result in pressure on both prices and margins. The tapioca market is also under pressure due to uncertainties sparked by the trade tensions between China and the US, as China is the biggest buyer of tapioca starch.

The Meelunie 'Green and Health Desk' initiated activities in innovative market segment: vegetable proteins used in meat and dairy replacements. New plant-based proteins are in high demand and customers are looking for new options. This segment has high potential.

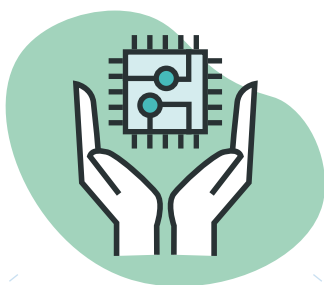




Our Business Strategy

The Hoogwegt business strategy, called 'Outstanding 2022', is well on its way. We operate together with increased collaboration across all operating companies. This harnesses our entrepreneurship and innovation in a spirit of trust and reliability. We are one team, and act as such. As a 'one aligned Hoogwegt', we achieve increased vision and value for both suppliers and customers. With a clear focus on innovation, we have made significant investments in multiple Information Technology infrastructure projects, as part of our strategy. With the introduction of a new Enterprise Resource Planning system for our dairy operations and other systems, we aim to reinforce Hoogwegt's IT infrastructure.

Digital innovation is increasingly important for us. Hoogwegt has begun investing in knowledge and experimenting with technology, in order to leverage on digital innovation in fields such as blockchain and Big Data. Technological innovation has been adopted as a central theme at Hoogwegt. We believe that in future, both traceability of product and finance structures will change considerably due to emerging technologies. Technology and innovation go hand-in-hand with Human Resources developments. One of these developments is NEXT, our talented professionals program launched during the past financial year. NEXT not only serves to inspire Hoogwegt's people to develop further in their roles. It will increase innovative thinking within our group of specialists. This will create future business opportunities across the Hoogwegt Group, and further strengthen our organization for tomorrow. In 2020, all Arnhem-based Hoogwegt companies will move into a new, company-dedicated building, reinforcing the process of further alignment.



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Corporate Social Responsibility

New initiatives on Sustainability

Sustainability is an integral part of Hoogwegt. We strive to have a positive social and environmental impact on the communities in which we operate, our people and our customers. We believe in sustainable stewardship and partnerships together with our customers in order to add value where possible to society while minimizing environmental impact when feasible. During the past financial year, we have been working consciously to formulate relevant sustainable initiatives across the Hoogwegt operating companies. This has resulted in the Hoogwegt Sustainability Framework. The framework's focus areas are Food Safety, Environmental Impact, Our People and Communities and will be used to set down group-wide ambitions and goals on sustainability.

1. Food Safety

In terms of food safety, Hoogwegt is in the process of aligning one set of procedures which all our companies will commit to. We are committed to implement best-in-class behaviours on food safety of single operating companies across the whole group, as an ongoing process.

2. Environmental impact

We aspire to be transparent regarding our own environmental footprint, and the footprint of our suppliers and their farmers. We analyse supplier initiatives on sustainability, in order to present product optionality to the marketplace for our customers.

3. Our People

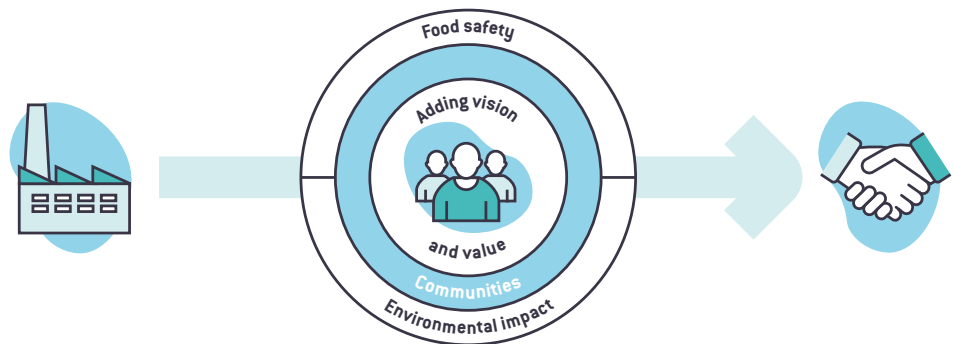
At Hoogwegt, we believe in fostering a supportive and inspiring working environment with engaged employees. Healthy and fit employees and contractors are key to achieving optimal productivity. We focus on providing safe working conditions at all our offices worldwide. We also believe in developing talented professionals within Hoogwegt. For this purpose, we launched a brand-new talent and innovations program called NEXT, aiming to stimulate the growth of Hoogwegt's future leaders and specialists.





4. Communities

As a family-owned business, the communities in which we operate are of paramount importance. We have an ongoing commitment to the communities and countries in which we operate. We offer jobs and training opportunities to people living near our facilities, whenever possible. We also invest in society through a number of local, national and international initiatives. To further inspire and engage our employees, many of our companies provide our people the opportunity to engage in community welfare work.





Company profile

Hoogwegt is the world's largest independent B2B supplier of dairy products and vegetable ingredients. We supply over 200 products and ingredients to customers in 160 countries on all continents.

Hoogwegt has over 50 years of experience of trading and distributing food ingredients. Our range of dairy products includes milk powders, whey powder and derivatives, butter fats, cheese and liquid milk. Our vegetable ingredients business comprises mainly starches, wheat gluten, sweeteners and proteins. Our customers come to us because they know we adhere to the highest standards of food safety, traceability and reliability. Hoogwegt delivers more to ensure customer confidence. Whatever their needs or their location, we guarantee our customers receive:

- Tailored offerings to maximize value
- Operational and logistical excellence
- Optimal market intelligence and risk management service

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DAIRY INGREDIENTS



DAIRY PROTEINS



CHEESE



LIQUID DAIRY

