



FloraHolland

2008

## Profile

FloraHolland puts growers in an optimal market position at the lowest possible costs. FloraHolland maintains a system in six marketplaces where growers' supply and buyers' demand meet. This is made possible by means of highly developed logistical, financial and ICT processes. With the market knowledge FloraHolland can offer growers and traders services to optimise their sales.

FloraHolland supports the sector by representing interests and developing logistical resources, quality policy, trade marks, information and product coding systems across the entire supply chain. Its main principle is to develop and maintain standards that are applicable nationally and internationally.

Back row (standing) from left to right

1. de heer G. (Gert) van der Pligt
2. de heer C.J.M. (Cok) Ton
3. de heer H.P.S. (Erik) Persoon
4. mevrouw E.D. (Else) van den Beukel
5. de heer A.C.M. (Ton) Groot
6. de heer J. (Joris) Elstgeest
7. de heer L.A.C. (Rens) Buchwaldt
8. de heer W.J.P. (Wim) Steur

Front row (sitting) from left to right

1. de heer B.C. (Bernard) Oosterom
  2. mevrouw M.P.E. (Mariëlle) Ammerlaan
  3. de heer G.A. (Gerrit) Ravensbergen
  4. de heer T.H. (Timo) Huges
  5. de heer A.F. (Arnold) Hordijk
  6. de heer E.H. (Erik) Leeuwaarden
- Not on the picture Mr. L.G.M. (Louis) Bouman and Mr. Th.J. (Tom) van der Houwen



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It was a turbulent 2008, with a credit crisis and disappointing turnover, but it was also the first year for the merged FloraHolland. Economic difficulties caused exports of ornamental flowers and plants to decline for the first time in years. Although sales of flowers and plants were generally not very sensitive to economic recessions, growth markets shrank as a result of currency problems. The weather was another negative factor.

The supply of Dutch cut flowers did not grow, but that of potted plants did. Growers' results were very dependent on the product, variety or even the time that they had a lot of supply. Supplies of imported products grew, but a number of countries suffered from political instability. FloraHolland was able to strengthen its position in international floricultural product streams.

Energy, transportation, crop protection and packaging became significantly more expensive in the first three quarters. After the credit crisis had begun, prices for these products did decline, but banks were more reluctant to finance and financing costs ended up higher. All in all, the business climate in horticulture is not favourable. Growers and traders continued to scale up. The challenge for FloraHolland is to continue to offer these businesses good services.

The integration of the organisation began immediately after 1 January 2008. In commercial terms, the Aalsmeer, Naaldwijk and Rijnsburg export marketplaces and the FloraHolland Connect intermediation organisation are increasingly cooperating. This is also true for regional marketplaces focusing on the national market. The different locations operate in the interests of growers and clients, not those of their own marketplace. This therefore results increasingly in horizontal cooperation. New services, systems and trends are exchanged between the different components of FloraHolland. Traditional values such as sales security and payment security continue to be cherished. The extensive harmonisation processes regarding the uniform auction trolley and integration of the supplier and client databases began in 2008 and will be completed in late 2012 and January 2010, respectively.

FloraHolland is also striving to support its clients and members do business optimally in the current difficult circumstances. These circumstances also illustrate the benefits of the merger. The agreed cost savings are being achieved and even exceeded and the fact that we have left competition between locations behind us is a good thing. Existing services are being improved jointly and new ones developed, especially services helping growers and clients to be better prepared for the market. FloraHolland's position remained commercially and financially strong in 2008. This is an important certainty in uncertain times.

Timo Huges  
CEO

Mariëlle Ammerlaan  
Board secretary

**Turnover**

Despite the difficult economic situation, 2008 ended with a slightly positive turnover. The outlook for 2009 is less positive. Turnover in 2008 amounted to € 4074 million (2007: € 4063 million), which amounts to an increase of 0.27%.

Exports declined overall by several percent. Especially the export to the UK dropped 18.0%; with the value decrease of currency as the important factor.

It became clear in early 2008 that the turnover forecast for the new year was too optimistic. The budget was therefore adjusted in early 2008 for necessary savings to compensate for lower revenue. Also because of this timely adjustment, the financial results for 2008 can be considered reasonable.

**Statement of profit and loss (x € 1 million)**

<b>Revenue</b>	<b>2008</b>	<b>2007</b>	
Commission	96.7	99.9	-3.2%
Levies	112.0	110.0	1.8%
Other revenue	178.6	176.7	1.1%
<b>Total revenue</b>	<b>387.3</b>	<b>386.6</b>	<b>0.2%</b>
<b>Fees</b>			
Salary expenditure	190.8	186.1	2.5%
General expenditure	99.0	93.8	5.5%
Depreciation expenditure	65.9	64.1	2.8%
Interest, income and charges	22.4	24.0	-6.7%
<b>Total expenditure</b>	<b>378.1</b>	<b>368.0</b>	<b>2.7%</b>
<b>Operational result</b>	<b>9.2</b>	<b>18.6</b>	<b>-50.5%</b>
Exceptional costs	-3.7	-15.2	
<b>Pre-tax result</b>	<b>5.5</b>	<b>3.4</b>	
Holdings	0.1	3.2	
Corporation tax	-2.3	-1.3	
<b>Result after tax</b>	<b>3.3</b>	<b>5.3</b>	

### Revenue

Total revenue for 2008 was € 387.3 million. This is virtually the same as in 2007 (€ 386.6 million). Commission revenue decreased as a result of a reduced basic commission for the auction clock at the former FloraHolland, down from 2.5% to 2.3%. Income from the lot and auction trolley levies rose due to increased rates. The number of lots and trolleys supplied was the same as in 2007.

Other revenue includes income from rental of packaging and lock plates, property rental and contributions. The latter item in particular showed a remarkable trend in 2008. Contribution revenue declined by € 4 million as a result of the merger by the elimination of guest supplier contributions and the new arrangement.

### Costs

Salary costs increased by 2.5%. An important fact was a 2.5% increase through the collective employment agreement. Pension charges are part of these salary costs and have risen due to a change in the system. The change means that the premium payable is represented as expenses in the result for 2008, not the change in the pension provision, as was the case in previous years. The number of job positions decreased by 56 FTEs to 3555 FTEs as at the end of 2008.

General costs rose by € 5.2 million. Due to the worsening of the economic climate, an additional allocation of € 3.3 million to the provision for doubtful receivables and legal issues was included in 2008 for the sake of caution. The cost of energy also rose. Depreciation expenses increased slightly in 2008, to € 65.9 million. A number of major investments were put into operation in late 2007 and their effect is visible in depreciation as of 2008. This includes the Logistical Plan in Rijnsburg (LPR) and the distribution hall for plants in Naaldwijk.

Interest charges were € 1.6 million lower in 2008 because additional charges were recorded in 2007 for buyouts (and associated charges) of some interest contracts. Total costs in 2008 were € 378.1 million. This amount is about 2.7% higher than in 2007 (€ 368 million).

### Operational result

Due to revenue being approximately the same, an increase of € 10.1 million in charges and lower extraordinary charges of € 11.5 million, the pre-tax result rose from € 3.4 million to € 3.5 million.

### Exceptional costs

The amount of exceptional costs was considerable in 2007 as well as 2008. Exceptional costs for 2007 referred to the merger provision of € 15.2 million, of which € 10 million was for the uniform auction trolley project. Exceptional costs in 2008 refer to the Aalsmeer East location. It has been decided that the original high-rise building plans will not be implemented. As a result, part of the development cost can no longer remain as an asset and a depreciation of € 3.7 million has to occur.

### Pre-tax result

Due to revenue being approximately the same, an increase of € 10.1 million in charges and lower extraordinary charges of € 11.5 million, the pre-tax result rose from € 3.4 million to € 3.5 million.

### Result from holdings

The result from holdings is considerably lower in 2008 than in 2007, as a result of land sales in Bleiswijk in 2007.

### Corporation tax

The effective tax burden is higher in 2008 because depreciation on buildings is limited in tax terms due to new legislation.

### Result after tax

The result after tax is € 3.3 million (2007: € 5.3 million)

### Result allocation

The cooperative's policy is to reinforce the equity position to assure a financially sound situation. The necessity of this policy has proved very clear in the present circumstances. The board will therefore propose to the general members' meeting that the result after tax should be kept within the cooperative, with half being added to the participation reserve and the other half to the general reserve. The addition to the participation reserve assumes a payment of 1% on the outstanding balance and an addition of 1.4% of the members' commission paid.

Credit to participation reserve:	
Participation payment of 1% of participation accounts as at the end of 2008	603,000
Credit of 1.4% on members' commission paid	1,064,000+
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	1,667,000
Addition to general reserve	1,592,000+
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Total net result	3,259,000

## Balance

Balance sheet (x € 1 million)	31-12-2008	01-01-2008
<b>Assets</b>		
Fixed assets	883.3	866.9
Current assets	77.9	105.4
<b>Total</b>	<b>961.2</b>	<b>972.3</b>
<b>Liabilities</b>		
General reserve	138.8	137.3
Participation reserve	59.4	58.3
Other reserves	3.9	3.9
Result for accounting year	3.3	5.3
<b>Equity</b>	<b>205.4</b>	<b>204.8</b>
Members' and suppliers' loans	246.0	233.9
<b>Risk-bearing equity</b>	<b>451.4</b>	<b>438.7</b>
Provisions	20.8	21.6
Other long-term debts	106.2	118.3
Current debts	382.8	393.7
<b>Total</b>	<b>961.2</b>	<b>972.3</b>
<b>Solvency ratios</b>		
Solvency ratios	21.4%	21.1%
Solvency ratios for risk-bearing equity	47.0%	45.1%

## Fixed assets and investments

Tangible fixed assets increased by € 16 million at the end of 2008, as result of € 82 million investments and € 66 million depreciation. A significant portion of the investments was related to the transition of property from holdings to the cooperative. The Venlo and Eelde auction complexes were in separate holdings, for historical reasons. The board decided to incorporate these buildings in the cooperative, in line with the situation at other FloraHolland locations. Taking account of this transition, which involved € 27 million, € 55 million was invested in other items in 2008. Significant parts of this were the investment in the Logistical Resources Centre in Aalsmeer, modifications to plant distribution in Naaldwijk and the remainder of LPR in Rijnsburg.

## Ratios

The harmonisation of the opening balance sheet has affected the ratios, which are now in accordance with the relevant standards (bandwidths). Figures for 2007 have been adjusted to allow for an accurate comparison.

The solvency ratio for equity rose from 21.1% to 21.4% as at the end of 2008.  
The risk-bearing equity ratio rose from 45.1% to 47.0% as at the end of 2008.

On behalf of the board,

Erik Persoon  
treasurer

Aalsmeer, 22 April 2009

**The right people, the right services**

Keeping growers loyal to the cooperative is an important aim of FloraHolland. Therefore, measures were taken to increase the work efficiency to prevent that growers are visited by auction people for each individual part of the services. Marketplaces, FloraHolland Connect and Product & Market Services (PMD) will have shared account managers as of 2009 for the larger companies and regional account managers for the other businesses. Growers can make use of the right employees at the right time for the right services and information. A growing part of PMD and FloraHolland Connect's services is custom advice.

**Commercial services**

FloraHolland is currently renovating its auction halls to enable new auction technologies. Remote buying (KOA) and image auctioning are steadily becoming more important. Nationwide virtual auctioning of certain product groups can be considered. New online sales systems include FloraHolland e-Trade (flowers) and PlantConnect.nl (plants). Growers place their supply on a website that can be forwarded to traders' online shops. The virtual marketplace, however, depends on complete and correct product information (including product images). For clock auction growers as well as for growers selling directly, FloraHolland provides commercial support services. The introduction of new products is important for clock sales. Issues such as concept development, developing display plans, personal sales, market information and market visits are important in direct streams.

**International logistical support**

Flower production aimed at the European market is increasing in Africa. FloraHolland wants to secure this supply as well, to maintain and reinforce FloraHolland's position as the marketplace for European flower sales, because a strong marketplace is in the interest of the members. By offering many of the aforementioned services internationally, FloraHolland was able to secure the required international supply in 2008. Particularly important is support in the logistical chain. An example is the FloraHolland Freight Group. A group of Kenyan suppliers consolidates air freight centrally in cooperation with FloraHolland. A chain information system is also being developed as well as a system monitoring for products throughout the cool chain, from farm to auction. Such services save members money and improve their sales chain.

## Cooperative and management

### New logistical systems

Logistical renewal is in progress at the locations. The Rijnsburg Logistical Plan first came into effect in 2008 in Rijnsburg. It led to greatly improved logistical efficiency, so that schedule process times in the auction process can easily be achieved. In addition to cut-flower distribution, potted-plant distribution is being reworked in Naaldwijk, leading to more efficiency and better working conditions. Aalsmeer performed a feasibility study on demand-driven logistics: Flowers on Demand. This indicated that the concept has potential. A new import processing space and cool storage area were completed in Venlo.

### Logistical resources

Development of the uniform auction trolley was progressively dealt with. There will be a modified form of the FloraHolland auction trolley, with as many existing trolleys being converted as possible. A limited number of new models will be built. Assembly can probably begin in 2009 in Aalsmeer and Naaldwijk. A clear record-keeping system for Danish trolleys arrived in early 2009, leading to considerable savings for growers and the trade, and fulfilling a promise implicit in the merger. Less striking but also important was the integration of the SIVEPO floriculture container pool into the FloraHolland organisation. The principle is that there will be sufficient packaging (buckets, boxes etc.) for everyone.

### Business premises

The developments at Trade Parc Westland (TPW) are remarkable in terms of business premises. Now that TPW Venus is almost entirely sold, development of TPW Mars should progress. The eastern location is being developed in Aalsmeer for future business premises. Given the current economic conditions, completion of both projects is temporarily postponed. In addition to Naaldwijk and Aalsmeer, companies in Rijnsburg, Venlo and Bleiswijk also began using new spaces.

Coöperatieve Bloemenveiling FloraHolland U.A. is led by an eleven-person board, chosen by the members. The board will be reduced to nine people by the end of 2009. The board reports to the general members' meeting, which meets at least twice a year. The board delegates the day-to-day running of the organisation to the management. A six-member supervisory board supervises the board and management. Of the supervisory directors, who also have an advisory position, three are appointed from among the members. Fifteen regional boards act as a sounding-board and as advisory bodies to the board. Supplier members elect a regional board in their own region. At the product level, FloraHolland has 26 FloraHolland Product Commissions (FPCs) as advisory bodies to the management.

Members have influence through the board, the board of supervisory directors, regional boards, general members' meetings and regional meetings. The regional boards discuss strategic issues and policy developments at a time that they still can be influenced. This ensures member input, which is an essential value to FloraHolland.

## Strategy and organisation

### Combined strength in an open market

In the first half of 2008, the board and management developed a new strategic vision for FloraHolland, based on the merger report: 'Combined strength in an open market'. The reason for it was the need to determine the position FloraHolland should take in the market. The members supported this vision during the regional meetings in the second half of the year.

### Opting for membership

The connection to members remains the cooperative's leading principle, despite major changes in sales of ornamental flowers and plants. FloraHolland works for its members and develops marketplaces for them. It commits supply to the cooperative through value adding services for members at rates and under terms that are more favourable for members than for non-members.

### International service

Internationalisation is a significant trend in floriculture. FloraHolland already took steps in this direction by admitting foreign suppliers as members of the cooperative. Supply from foreign members may be bound by services aimed at these members. Services resulting in improvement in areas such as logistics, market information and product quality.

### Customized services for direct sales

At FloraHolland, direct sales have been growing faster than clock sales for many years. Some growers' groups use FloraHolland Connect's services in their direct sales. Others take care of sales by themselves. Clusters and joint ventures emerge among growers, or between growers and traders looking to have closer links to retail organisations. These initiatives need not conflict with cooperative sales. Nor do they threaten trade. These joint ventures, however, do require suitable services from FloraHolland.

### Virtualisation

FloraHolland sees a role for itself in the virtualisation of the marketplace in creating and providing an electronic infrastructure in which growers and traders can do business.

The use of electronics in sales process is growing rapidly. Purchasing by remote buying (KOA) is growing rapidly. Image auctioning is being introduced at export auctions at a rapid rate. Regional marketplaces are beginning to hold image-supported auctions. FloraHolland e-Trade makes growers' supply available through a website to a group of buyers (still limited as yet). PlantConnect.nl offers the plant sector a good electronic supply database.

### Discussion on tariffs

Another important issue is FloraHolland's tariff system. The current rate system has different commission levels for clock sales and direct sales, plus levies for each trolley and lot supplied. Because suppliers are increasingly requiring different services from the cooperative, the question arises of whether the system in its current form is sufficient. Generally, there is a great willingness to sell cooperatively. Businesses are willing to pay for custom services that add value. However, they are less and less willing to pay into the collective group as long as it is not clear what that covers. This requires a renewed, transparent rate system. Therefore the board is discussing in 2009 on introducing a 'marketplace contribution'. This covers the services used by each member, regardless of sales method, which maintain the marketplace. This contains elements such as sales security, payment security, overhead charges, business premises development and government lobbying. The question is which elements belong in it and which do not. FloraHolland will therefore make the discussion thorough and completely open, initially through the regional boards and then, based on a proposal, with all members during the regional meetings. Finally, the members' meeting will decide on the rate system.

### Cooperation, not competition

In early 2008, FloraHolland still assumed that the different marketplaces would cooperate but also operate in healthy competition with each other. In the course of the year, competition gave way to cooperation. Growers and customers are urging for equal services on all locations. The locations now promote themselves mainly by the quality of their services. An important part of the new cooperation is jointly creating auction schedules. FloraHolland seeks to achieve the highest possible price at the lowest possible expense for all members. Aligning auction schedules may contribute to maximum revenue. A better aligned auction schedule contributes to more balanced pricing at the marketplaces so that product streams between auctions decrease, saving on chain expenses. Finally, aligned auction schedules are the first step towards nationwide virtual auctions. At the other hand there are differences in auction methods (such as different product group numbers, large and small lots) and logistical disadvantages. Aligning auction schedules will therefore be further investigated in 2009.

## External focus

### Combined strength in an open market

#### Chain cooperation

Together with its chain partners, FloraHolland is working on better systems for logistics and ICT. FlorEcom and FloriLog, two platforms developing chain standards in ICT and logistics, respectively, were integrated management wise. Developing and implementing standards is difficult, because its cost is often obvious, but not its return.

'Container Centrals' is planning to fit RFID (radio frequency identification) tags to the subframes of all Danish trolleys in 2009, together with FloraHolland and Landgard. All auction trolley trays are on the schedule for 2010. This makes it easier to identify this logistical carrier that is so important to the plant sector. FloriLog prepared a project in which all locations relevant to floricultural transport (docks at auctions, nurseries) are given a unique location code. This indicates precisely where a truck should be, preventing unnecessary searching.

The KISSit auction trolley tracking system, in which FloraHolland is participating, was rolled out further. Buyers can now track products through their own purchasing systems as well. Growers who do their own transport can join KISSit so that buyers can follow their products en route.

### Contacts in society

The creation of the new FloraHolland had consequences for the position of the association of flower auctions (VBN). The VBN will continue to exist as a branch organisation focusing on representing interests. The VBN will continue to maintain contact with regional, national and European governments. Other tasks such as the quality and packaging policy, were incorporated in the FloraHolland organisation.

In cooperation with LTO, VGB and other branch and trade organisations there was every reason for intensive contact with governments in 2008. The energy issue was a particular focus. The approach was that entrepreneurs in floriculture must be able to continue to invest in creating sustainability. This message from the trade was well received by the government, as shown by the € 147-million sustainability package for horticulture, created in late 2008. Other issues in government contacts were space for greenhouses in the various greenports, improvements to infrastructure and crop protection.

In late 2008, the Greenport organisation presented its vision of Dutch horticulture from now until 2040. A positive vision was outlined and supported by the government.

## Analysis

Issue	2008 Goals	2008 Results	2009 Goals
Best pricing at lowest possible costs	Investment in clock systems focusing on e-business opportunities. Use opportunities for product exchange through locations. Position FloraHolland as strong sales organisation without internal rivalry.	Further implementation of image auctions at export locations. Image-supported auctions at regional locations. Aalsmeer virtual clock.	Offer added value for membership. Reliable information on product quality: increasing BI (Reliability Index).
Growth of supply	Turnover growth at least equal to Dutch export growth. More import supply due to custom services.	FloraHolland turnover growth +0.3%, Exports -3%. Import share of turnover in 2007 15%, up to 16.4% in 2008.	More than 95% of Dutch product sold through FloraHolland. Growth in supply of import flowers equal to or greater than growth in production of flowers outside the Netherlands.
Broadening product range	Encourage good introduction of new items	About 400 introductions of exclusive flowers and plants in 2008. Less product renewal due to economic risks, but virtually all available at FloraHolland within 6 months.	Virtually all new flower and plant varieties introduced in Europe available at FloraHolland within 6 months.
Optimal logistical services	Average process time for clock products: 90 minutes maximum. Intermediation process times in line with client needs and transparent through use of IT. Chain standardisation (uniform auction trolley, 1 Danish trolley balance, financial settlement, uniform delivery form).	Sierteelt Direct Bloemen and Sierteelt Direct Plants in Naaldwijk. Flowers on Demand Aalsmeer feasibility study. LPR delivered. AGM approval of uniform auction trolley. 1 Danish trolley balance had a technical delay, was completed March 2009. Developing of uniform delivery form ongoing.	Chain standardisation through uniform auction trolley, 1 Danish trolley balance, financial settlement, standardised delivery form.
E-business	Strengthen Florecom, EAB to 100% of supply. Strategy and pilot projects for virtual marketplace ready. Integration of different locations' systems. Naaldwijk pilot with number of sales moments and connect to web shops.	Introduction of MyFloraHolland.com, e-trade, PlantConnect.nl. Agreements on reliable product information. Koa 26%.	EAB to 100% of supply. Further development of virtual marketplace. MyFloraHolland.com to be made broader and deeper. Further develop reliable product information.
Sound financial position	Pre-tax result of € 10 million.	Pre-tax result of € 5.5 million, partly due to less turnover and extraordinary charges. Purchasing profit of € 2 million in 2008.	Pre-tax result of € 10 million. Solvency at least 20% and risk-bearing equity at least 40% of balance sheet total.
Limit labour costs where possible	Illness-related absence down. Personnel reduction of 90 FTEs over 3 years through merger and 2.5 % increase in productivity.	2007 illness-related absence 5.5%, 5.4% in 2008. Right use of people, in part through shared account management with PMD and Connect. 55 FTE reduction in 2008.	Illness-related absence down. (5.2%). Personnel reduction of 90 FTEs in 3 years.

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