



For the Dutch flower auctions 2007 was a year full of positive developments. The pricing of many important products was very satisfactory, although some products sold slightly under price. The auctions could continue to invest in strengthening the markets and increasing gains in efficiencies throughout the chain of production and supply. The merger of auction houses resulted in there being three export auctions, three local (regional) auctions and one strong intermediary organization all combined into one cooperative.



The Netherlands is a major hub within the world of international floriculture. With an extensive world-wide production base and with great potential for international trade FloraHolland can be the portal for international producers to the vital European markets. FloraHolland wants the Netherlands to retain its strong position in the interests of the operators on both sides; the producers and commercial sales organizations. This can be achieved with services that offer companies the ability to operate more easily on an international footing and thus earn money from sales of their products.

### Merger and integration

In October 2006 FloraHolland and Bloemenveiling Aalsmeer announced their merger. In 2007, preparations were made for this merger. Permission was granted from the Dutch Competition Authority (NMa) and from the members of both cooperatives. In the course of the merger process, great attention was paid to the opinion of foreign suppliers. The extent to which everyone agreed to the decision to merge highlights the logic behind the merger. The new FloraHolland is in a better position to take advantage of challenges in the areas of upsizing, internationalization and cost efficiency in the chain of production, distribution and sales.

### Financial principles

Thanks to strong financial results, FloraHolland could further strengthen their financial position in 2007. The organization and its users are harvesting the fruits of cost conscious management over the past years. This policy has allowed ambitious investment at low rates and also allowed us to maintain a firm control over our own considerable assets. The merged companies will continue to apply this policy.

The inherent cost basis for growers and operators can be further reduced due to standardization of equipment and systems. As interest rates were low in 2007 a number of long term loans were entered into at favorable rates.

### Development of the market

The sales of floriculture products were a great success in 2007. Exports from The Netherlands grew by 4.4 percent, thanks to the growth in Eastern Europe, France, the United Kingdom and Ireland. Particularly noticeable was that the export of cut flowers grew almost as much as plant exports. The role played by large scale buying by the retail chains continues to increase in importance.

In the Netherlands and beyond there is a growth in large scale flower and plant nurseries. These may be private companies or cooperative ventures. These companies operate as major players in the market and are well placed to innovate. On the commercial side, the increases in scale take place predominantly through acquisition. Massive commercial companies have been created which have turnovers of tens or even millions of euros. At the same time cooperative connections are made in a vertical plane between the various links in the chain. FloraHolland stimulates this and endeavors to increase the return.

### International services

The internationalization of the floriculture sector continues apace. It is in everybody's interests that international trade requirements can be met by products on offer on the Dutch market.

It is for this reason that FloraHolland has also increased their efforts in the area of international sourcing. Due to the merger there is no longer a question of mutual competition of the auction houses in the production areas outside of the Netherlands. Due to this all energies can now be focused on developing services connected to products. Actual services at this moment in time include: personal sales, air freight consolidation, developing sea freight transport, cold chain management and automation. Air freight consolidation has been especially successful in Kenya. Utilization of sea freight transport offers the possibility of cheaper transportation, whilst new conditioning techniques guarantee product quality en route. By means of tracking & tracing all members of the supply chain can follow their shipments.



Cooperative links have been established between individual growers or groups of growers and the auctions which include pre-set agreements of what results are to be achieved. Our own processing of imported products and the offering of a dock service in the logistical supply chain are crucial services in this respect. There is an ever increasing move towards partnerships with growers.

FloraHolland consciously made the decision to deploy their own service personnel in the areas we operate in. In Israel, Spain, Kenya and Zimbabwe auction personnel have already been actively involved for some period of time. In 2006, we opened our own office in Ethiopia. FloraHolland's own staff can also be found in Dubai, Colombia and Ecuador. Due to all of these measures, the organization increasingly has a presence in the important production areas. This ensures a greater range and more regularity in the product streams to and through the Netherlands. Foreign growers have the opportunity of becoming a member of FloraHolland. This membership offers full access to the six auction locations of FloraHolland and the services of FloraHolland Connect. Of course there will always be those growers who choose the direct sales path but the number of producers that the auction sales have on board is growing. At the end of 2007, the supply of products from Colombia was achieved for the first time and at the beginning of 2008 Sher Karuturi, the world's largest producer of roses, chose to become a member of FloraHolland.

### Commercial cohesion

FloraHolland is entrusted with putting their growers in the best possible position to achieve sales. The merger has brought together the six auction locations and FloraHolland Connect to create a network. Within this network, a mutual balance is required. Relationship Managers and Account Managers, from amongst others the Import Department, take care of contact between the growers and the operators, whilst the Assortment Managers ensure the right balance is achieved between supply and demand.

### Sales tools under development

In the last few years, the clock auction and intermediary services have been the sales tools for flowers and plants. Due to the burgeoning technical possibilities there are an increasing number of combinations of these two forms. Remote buying (RB) has grown enormously in the past few years. Dealers do not only buy in the auction room but also via an internet connection which means the location could be anywhere in

the world. The local auction locations have developed the clock service auction. This offers buyers products that are not available at that moment in time on the clock auction.

In the meantime, the market has not stood still. Production companies and trading companies have developed web shops and their products are offered for sale 24 hours a day.

FloraHolland views this development in a positive light but is concerned that this will cause fragmentation of the products on offer by the development of stand-alone solutions. For this reason, they are actively working on setting up a virtual market place which will offer products for an extended period that is longer than the purchasing moment at the clock auction. FloraHolland is preparing a pilot project that allows a grower to offer products, via electronic means, initially via web shops and then through the clock auction all in one transaction. The export auctions are heavily involved with implementing image and projection auctions. By disconnecting the moment of transaction from the physical presence of the product new logistical possibilities are created. Our services in facilitating imports will be the thrust of efforts by FloraHolland Connect in 2008. Our intention here is to increase sales of these products. By making systems simpler and clearer we will afford the suppliers the opportunity to do business in a straightforward way making use of the various sales tools.

### Standardization

One of the reasons for the merger was that one auction organization would offer the opportunity to more rapidly achieve standardization in the chain of production and supply. The first evidence of this has now been provided. The members of FloraHolland have decided that as of 2011 all the trolleys will be standardized. It is true that this will demand a considerable investment (approx. 68 million Euro net), but standardized trolleys offer growers, buyers and transporters more convenience and reduce the necessary capacity in the chain. Estimates indicate that this will save many millions of Euros each year in the chain. There will be no further harmonization of the purchase and sales invoicing done by the various locations and FloraHolland Connect. What FloraHolland will be doing is balancing the various amounts and calculating this as one amount. Ultimately, there will be harmonization of the division of the invoices. In doing this we will be meeting the wishes of the growers and operators who want to maintain an administrative overview of their transactions. The financial administration will also be harmonized. On certain occasions, the Aalsmeer location will hook up with the systems of the former FloraHolland.

On other occasions the reverse will be true. A financially attractive aspect of the merger is the amalgamation of the purchasing departments. This amalgamation will ensure that ultimately there are savings in this department of approximately three million euros.

It goes without saying that amalgamation of the automation processes is a complex issue. The setting up of a central information technology and automation department will assist in achieving this. Over the course of years, where cost efficiency is a major consideration, a gradual harmonization is envisaged.

### Locations

The various locations of the new FloraHolland work in close cooperation but endeavor at the same time to achieve optimum pricing of the products by offering the customers a wide selection and the best service at a reasonable cost. This means working together in areas that until recently would have been unthinkable. In this way, the export auctions at Aalsmeer, Naaldwijk and Rijnsburg work in close cooperation to optimize the auction schedules.

The various locations are engrossed in improving their auction processes, the logistical processes and their location facilities for the trading companies. In Aalsmeer, the Oost site is being prepared and within this framework intensive consideration is being given to Flowers on Demand, a logistics system that ensures buyers only get products delivered when they so require. In Naaldwijk, a new extension of Trade Parc Westland is being made ready and a new distribution system for cut flowers will ensure increased efficiency. In Rijnsburg, the complete upgrading of all logistics systems has been completed. All locations have had refurbishments carried out in the sales area of the auctions. Where clocks have been renewed or replaced and where new clocks have been located, consideration has been given to installing image auctioning. In Venlo, a Wednesday auction has been introduced which has made the Venlo location an attractive proposition.

2007 was an exceptional year for FloraHolland. Thanks to the merger and the setting up of a new organization the foundations have been laid for the further expansion of the cooperative. FloraHolland is in a strong position both commercially and financially. The new organization will keep the customers interests in mind by offering good service at affordable prices. The provision of services, virtualization, increased logistical flexibility and management of costs are the key factors. By building on these elements to achieve a good standard and ensuring customized solutions, FloraHolland can look forward to expansion in the Dutch marketplace.



Financial results

## Financial results FloraHolland

Financial result	2007	2006	
<b>Revenue</b>			
Commission fee	56.8	56.6	0.4%
Levies	46.2	45.2	2.2%
Other revenue	113.7	110.5	2.9%
<b>Total revenue</b>	<b>216.7</b>	<b>212.3</b>	<b>2.1%</b>
<b>Expenditure</b>			
Salary expenditure	106.0	101.1	4.8%
General expenditure	52.6	54.7	-3.8%
Depreciation expenditure	32.9	34.1	-3.5%
Interest earnings and expenditure	14.4	13.0	10.8%
<b>Total expenditure</b>	<b>205.9</b>	<b>202.9</b>	<b>1.5%</b>
<b>Operational result</b>	<b>10.8</b>	<b>9.4</b>	<b>14.9%</b>
Exceptional expenditure	-7.4	-1.9	
Realized value adjustment	3.3	0.3	
Holdings	0.6	1.0	
Corporation tax	-1.1	-2.6	
<b>Result after tax</b>	<b>6.2</b>	<b>6.2</b>	

### Turnover

The year 2007 was a good one for FloraHolland, both commercially and financially. Turnover increased by 4.9%. This resulted in a total turnover of € 2.240 billion. The increase can be attributed to a 3.8% positive price trend and an increase in volume of 1%. Clock turnover increased in 2007 by 1% resulting in a total turnover of € 1.472 billion. The increased turnover at the intermediary office was 13% and totalled € 768 billion.

### Revenue

Total revenue in 2007 was € 4.4 million higher than in 2006. In 2007 the commission rate at the clock was reduced by 0.1% and that at the Intermediary Office remained unchanged: Service rate 2.1% and basic rate 1.6%. The increased turnover combined with a reduction in the percentage commission resulted in more or less the same income from commission being achieved. Return from the levies for lots and trolleys increased somewhat as compared to 2006, reflecting the virtually stable number of trolleys and lots processed and a rates increase of about 2%. Other revenue was higher than in 2006 thanks to increased income from the hire of logistical resources and the service levy.

### Expenditure

Total expenditure in 2007 amounted to € 205.9 million, an increase of about 3 million on 2006. Salary increases were 5%, partly through the inclusion of FloraHolland Boskoop. The number of full-time staff has increased by 24 people since 2006, as a result of the heavier workload. General expenditure was € 2.1 down on 2006, partly as a result of reduced maintenance costs and a release of provisions. In 2007 a loan was taken out with a higher interest rate, causing an additional € 2 million in increased interest costs. Depreciation expenditure was lower than in 2006. 2007 saw some major investments, but some of the investments such as the Rijnsburg Logistics Plan (LPR) were not fully expensed and the land investments were not expensed at all.

### Exceptional expenditure

Because of the merger, some items were included as exceptional expenditure. This merger-related expenditure is included in the results by both the merged auctions on a fifty-fifty basis. For the old FloraHolland, these were:

- Merger expenditure € 2.4 million.
- Provision (€ 5 million) for changes related to the „single trolley‘ merger project.

### Realized value adjustment

Land intended for sale that was revalued in the past was sold in 2007, resulting in an actual revaluation and the sum of € 3.3 million was included in the results under this item. This relates to the sale of land in Rijnsburg and Bleiswijk.

### Investments

In 2007 there were investments of € 68 million on a cash basis. Disinvestments (sales) were also realized to the value of € 10 million leaving the sum of € 58 million in net investments. The major investments in 2007 were Trade Parc Westland 3 (primarily land) and the Rijnsburg Logistics Plan. Land was sold in Bleiswijk and Rijnsburg.

### Result

In 2007 the operational result was € 10.8 million (2006 € 9.4 million). The result from holdings was € 0.6 million. After exceptional expenditure, realized revaluation, the results from holdings and corporation tax, the net result is € 6.2 million

## Financial results Bloemenveiling Aalsmeer

Financial Results (x € 1.0 mln.)	2007	2006	
<b>Revenue</b>			
Commission	43.1	43.8	-1.6%
Levies	50.9	50.4	1.0%
Miscellaneous	74.2	72.3	2.6%
<b>Total revenue</b>	<b>168.2</b>	<b>166.5</b>	<b>1.0%</b>
<b>Expenditure</b>			
Salary expenditure	80.8	80.2	0.8%
General expenditure	41.3	40.3	2.5%
Depreciation expenditure	31.2	29.3	6.5%
Interest earnings and expenditure	9.6	8.5	12.9%
<b>Total expenditure</b>	<b>162.9</b>	<b>158.3</b>	<b>2.9%</b>
<b>Operational result</b>	<b>5.3</b>	<b>8.2</b>	<b>-35.4%</b>
Exceptional expenditure	-7.7	-3.1	
Holdings	0.2	0.8	
Corporation tax	0.5	-0.3	
<b>Result after tax</b>	<b>-1.7</b>	<b>5.6</b>	

### Turnover

2007 was a good year for Bloemenveiling Aalsmeer. Turnover increased by 3.8%. This resulted in a total turnover of € 1.823 million. The increase can be attributed to a positive price trend and a small increase in volume.

Clock turnover increased in 2007 by 1.5% resulting in a total turnover of € 1.236 million. The increased turnover at the MVA was 9.3% and totalled € 587 million.

## Revenue

Total revenue in 2007 was € 168.2 million, up by € 1.7 on 2006. In 2007 the commission supplement for guest suppliers was reduced, resulting in a reduction of € 0.7 million on balance, despite the positive development in turnover.

Revenue from levies increased slightly (€ 0.5 million) by indexing the levies by 1.2% with more or less stable supply. Other revenue was higher than € 1.9 million thanks to increased income from the hire of logistical resources and various one-off revenues.

## Expenditure

Total expenditure in 2007 amounted to € 162.9 million, an increase of about 4.6 million on 2006. Salary costs increased slightly by 1% as a result of an agreed salary increase of 2.5% (Collective Labor Agreement) and a drop in the number of staff. The number of full-time staff has fallen by 8 people since 2006.

General costs are € 1 million down on 2006, partly as a result of reduced maintenance costs and a release of higher licence costs. Interest income and expenditure was € 1.1 million up on 2006, partly as a result of higher interest and the volume of investments. Depreciation expenditure was € 1.9 million higher than in 2006 caused by higher depreciation costs for ICT and real estate investments.

## Exceptional costs

Because of the merger, some items were included as exceptional costs. This merger-related expenditure is included in the results by both the merged auctions on a fifty-fifty basis. For Bloemenveiling Aalsmeer, these were mainly:

- Merger costs € 2.4 million.
- Provision (€ 5 million) for changes related to the "single trolley" merger project.

## Investments

In 2007 investments amounted to € 33 million; € 7 million in ICT, € 4 million in logistical resources and € 22 million in real estate projects. The most important projects were fire safety and the further development of VBA-Zuid and VBA-Oost.

## Result

The operational result (before exceptional expenditure) in 2007 was € 5.3 million. The sum of € 7.4 million was included under exceptional expenditure in relation to expenditure connected to the merger. The result from holdings was € 0.2 million (Hobaho and Vleuten).

After the holdings, exceptional items and corporation tax, the result was a net loss of € 1.7 million.

## Profit distribution

Since the merger was formalized on 1 January 2008 and policy already aligned in 2007, the cooperative board proposes merging the results of both cooperatives and to distribute profits according to a single methodology. The policy aims to strengthen the assets position. For this reason, it is proposed that the net result be 'retained'. In view of the cost of the merger and the additional expenditure on the uniform trolley, the Cooperative Board will propose to the General Members' Meeting to distribute the total result for both merged auctions (€ 4.5 million) jointly as follows: credit 3.5% of commission paid (€ 2.4 million) to the members' participation reserve and credit a 2.5% payment to the existing participation reserve (€ 1.5 million). The rest of the joint profits (€ 0.6 million) will be added to the general reserve.

# Objectives and results

## Objectives and results for 2007, ambitions for 2008

Aspects	Objectives 2007	Results 2007	Ambitions 2008
Best conceivable pricing at the lowest possible cost	Competitive pricing and rates and above average appeal to trading companies	Competitive pricing structure. Great interest by traders in having a presence at the locations. Better use of the various sales tools in all relevant product groups.	Investment in clock systems which make full use of the opportunities offered by e-business. Utilization of the possibilities of switching production between various locations. FloraHolland Connect to be in a strong position as a sales organization without mutual rivalry.
Growth of market share	Growth that is at least equal to that of the marketplace. Growth in the supply of imports.	Growth in turnover at FloraHolland of 4.4 percent. Growth in exports of 4.4 percent. More import supplies thanks to customized services in commercial activities and logistics.	Growth in turnover at least equal to the growth in Dutch exports. Increased import supply due to customized services in commercial activities, logistics and processing.
Expansion of the assortment	Stimulate introduction of new products. Above average appeal to all groups of growers.	690 recorded new products introduced by FloraHolland. Strong links with foreign growers thanks to international membership.	Stimulate introduction of new products.

Aspects	Objectives 2007	Results 2007	Ambitions 2008
Optimal logistical services	Average lead time of clock products to be a maximum of 90 minutes. Facilitate lead time in accordance with the wishes of the customer and achieve transparency by use of IT.	In Aalsmeer a new logistics concept was implemented at the Oostkant complex. In Naaldwijk updated supply logistics and plant distribution. In addition to the logistics center for plants there was a centre for flowers set up. In Rijnsburg despite the construction of the LPR lead times remained constant. LPR Delivered. In Venlo there were additional building improvements. In Bleiswijk a more efficient logistics system was introduced.	Average lead time of clock products to be a maximum of 90 minutes. Facilitation of lead time in accordance with the wishes of the customer and to be transparent by application of IT. Standardization of the chain (standard trolleys, one balance for the Danish trolleys, uniform financial settlement, uniform consignment note).
State of the art e-business	Strengthen FlorEcom Strengthen RB, ECN up to one hundred percent of the supply. Make advances in the area of the virtual marketplace.	20 trading companies and 238 production companies at FlorEcom. Reductions make participation more appealing. Naaldwijk, Rijnsburg, Venlo, Bleiswijk en Eelde on one remote buying system. Remote buying turnover on certain products (roses and tulips) growing rapidly at over fifty percent. Percentage of ECN-supply at export auction practically one hundred percent. Non-ECN-supply made more expensive.	Strengthen FlorEcom Strengthen RB, ECN up to one hundred percent of supply. Strategy and pilot for virtual marketplace to be carried out. Integration of systems across the various locations. Pilot in Naaldwijk with a number of sales moments and connection to web shops.
Healthy financial position	Pre-tax results ten million euros. Solvency twenty percent of the total balance. Capital risk assets forty percent of the total balance.	Results after taxes: € 6.2 (FloraHolland-old) and € -1.7 million (VBA) 5.0 million euros, after meeting major provisions for merger.	Pre-tax results ten million euros.
Keep labor costs within set limits	Sick leave over two year period down to 5.9% Increased labor productivity.	Sick leave over a two year period down to 5.4% (VBA) and 5.5% (FloraHolland-old). Long term sick leave due to non-work related causes has been tackled.	Reduction in sick leave. Over a three year period reduction in work duties to 90 fte by merger and a 2.5% increase in labor productivity.