TKH GROUP ANNUAL REPORT 2022

SMART TECHNOLOGIES

TKH GROUP
ANNUAL REPORT 2022

European single electronic reporting format (ESEF) and PDF version
This copy of the annual financial reporting of TKH Group N.V. for the year ended 31 December 2022 is not presented in the ESEF-format as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815). The ESEF single reporting package is available at: https://www.tkhgroup.com/en/investors/annual-reports-presentations

CONTENTS

The paragraphs marked with a * belong to the Management Report as defined in Title 9, Dutch Civil Code 2.

PROFILE

TKH Group is a leading technology company. We specialize in the development of innovative, client-centric systems that drive success in automation, digitalization, and electrification.

By integrating hardware, software, and customer-focused insight, our smart technologies provide unique answers to client challenges. In doing so, we work to make the world better by creating ever more efficient and more sustainable systems.

Our more than 6,600 employees pursue sustainable growth in a culture of entrepreneurship, working closely with customers to create one-stop-shop, plug-and-play innovations for Smart Vision, Smart Manufacturing, and Smart Connectivity technology.

Listed on Euronext Amsterdam (TICKER: TWEKA), we operate globally and focus our growth across Europe, North America, and Asia.

MESSAGE FROM THE CEO

WE ARE COMMITTED TO MAKE THE WORLD BETTER BY CREATING EVER MORE EFFICIENT AND MORE SUSTAINABLE SYSTEMS

We were able to deliver excellent results in 2022, with turnover growing by 18.0% organically and EBITA growing by 23.9%. All segments contributed to these strong results. We are excited to see how the execution of our Accelerate 2025 strategy program is progressing. The drive and passion we see in our operations and amongst our more than 6,600 employees globally to drive results is extremely high.

Our strong high-end technologies and our focus on three important megatrends – automation, digitalization, and electrification – have created a strong foundation for growth. The order intake during 2022 reached record levels across all segments and the fourth quarter in particular. Worth noting is the all-time high intake of € 695 million achieved in Smart Manufacturing systems, mainly driven by Tire Building systems. TKH's transformation over the past decade is paying off. The Simplify and Accelerate program launched in 2019 has enabled us to divest cyclical businesses and focus investment on businesses with high-growth prospects. In 2022, we introduced a substantial Strategic Investment Program of which the main part is geared towards electrification. This will further support our organic growth and provide our customers with the necessary capacity, enabling them to realize their goals.

The organic turnover growth of 18.0% was well above the average annual Accelerate 2025 organic growth of 7%. EBITA grew by a strong 23.9%. The progress in ROS to 12.9% does not fully reflect the progress made towards our Accelerate 2025 target of >17%, as ROS was impacted by price effects on turnover and temporary effects. The improvement of the ROCE to 23.2% is within our Accelerate 2025 targeted bandwidth of 22% - 25%.

Inflation is a key topic, as well as employee turnover and the shortage of new employees. More than ever, it is important to have a high level of employee satisfaction and to ensure that our employees act as ambassadors to attract new employees. The improvement in employee satisfaction and the fact that we have been able to fill most vacancies satisfactorily shows that we are taking this important topic seriously.

Supply chain constraints required close cooperation with our suppliers and the creativity of our procurement teams to find solutions to material and component shortages. The right entrepreneurial spirit within our organization to cope with these challenges was again an important success factor in the results we achieved in 2022.

We have made excellent progress in achieving our ESG targets. Our technologies help to create a better and more sustainable world. Indeed, it is in our DNA to recognize the importance of Environmental, Social, and Governance (ESG) as well as the United Nations Sustainable Development Goals (SDGs). Sustainability is embedded in our strategy and is seen as opportunity to develop our technology to have a positive impact on our customers and the use of scarce energy resources.

A special word for our team in Ukraine, who managed to work under exceptionally difficult circumstances. We have great respect for how they are coping with the challenges in their daily lives.

We like to thank our stakeholders for their trust and cooperation in realizing the results we achieved and the good foundation we have created for the years to come. In particular, we would like to thank our employees for their considerable dedication, passion, and commitment, and for achieving the best possible results in sometimes challenging situations!

On behalf of the Executive Board,
Alexander van der Lof, *Chairman*

HIGHLIGHTS 2022

KEY MESSAGES

- **Record turnover, EBITA and orderbook**
  - Organic turnover growth of 18.0%
  - EBITA growth of 23.9%
  - Order intake increased by 10.9% to € 2,042 million with all-time high order book of € 971.9 million (2021: € 746.6 million)
- **All segments contributed to growth**
  - Strongest EBITA growth at Smart Vision systems, becoming the largest contributor to EBITA
  - Record order intake, especially for Smart Manufacturing systems
- **Strong progress to achieve the targets of our Accelerate 2025 strategy program**
  - Focus on megatrends automation, digitalization, and electrification driving strong performance
  - Execution of divestment program on track, closing of CCG completed
- **ESG progress supported by high-priority investments to reduce the CO_2e footprint**
- **Strategic Investment Program of € 200 million**
  - Progressing according to plan
  - Expected to generate additional € 250 - € 300 million annual turnover in the coming years
- **Innovations**
  - High innovative power, with innovations contributing 20.6% of turnover
  - Increased focus on R&D programs to maximize value creation

TKH WORLDWIDE

NORTH AMERICA	THE NETHERLANDS	EUROPE (OTHER)	ASIA	OTHER
€ 234 million turnover	€ 450 million turnover	€ 801 million turnover	€ 268 million turnover	€ 64 million turnover

FINANCIAL HIGHLIGHTS

TURNOVER

1,816.6 € MLN

2021 1,523.8 € MLN

TURNOVER GROWTH

19.2%

2021 18.2%

ROS

12.9%

2021 12.4%

EBITA

234.8 € MLN

2021 189.6 € MLN

ROCE

23.2%

2021 20.5%

DIVIDEND PROPOSAL

per (depositary receipt of an) ordinairy share

1.65 €

2021 € 1.50

NON-FINANCIAL HIGHLIGHTS

NET CO_2E FOOTPRINT REDUCTION

compared to reference year 2019

42.7%

2021 29.8%

DIVERSITY

female executive and senior management

18.4%

2021 17.7%

TURNOVER LINKED TO SDGs

68%

2021 68%

ACCIDENT RATE (LTIFR)

0.8

2021 0.7

SATISFACTION SCORE

EMPLOYEE

7.6

2021 7.4

CUSTOMER

8.6

2021 8.4

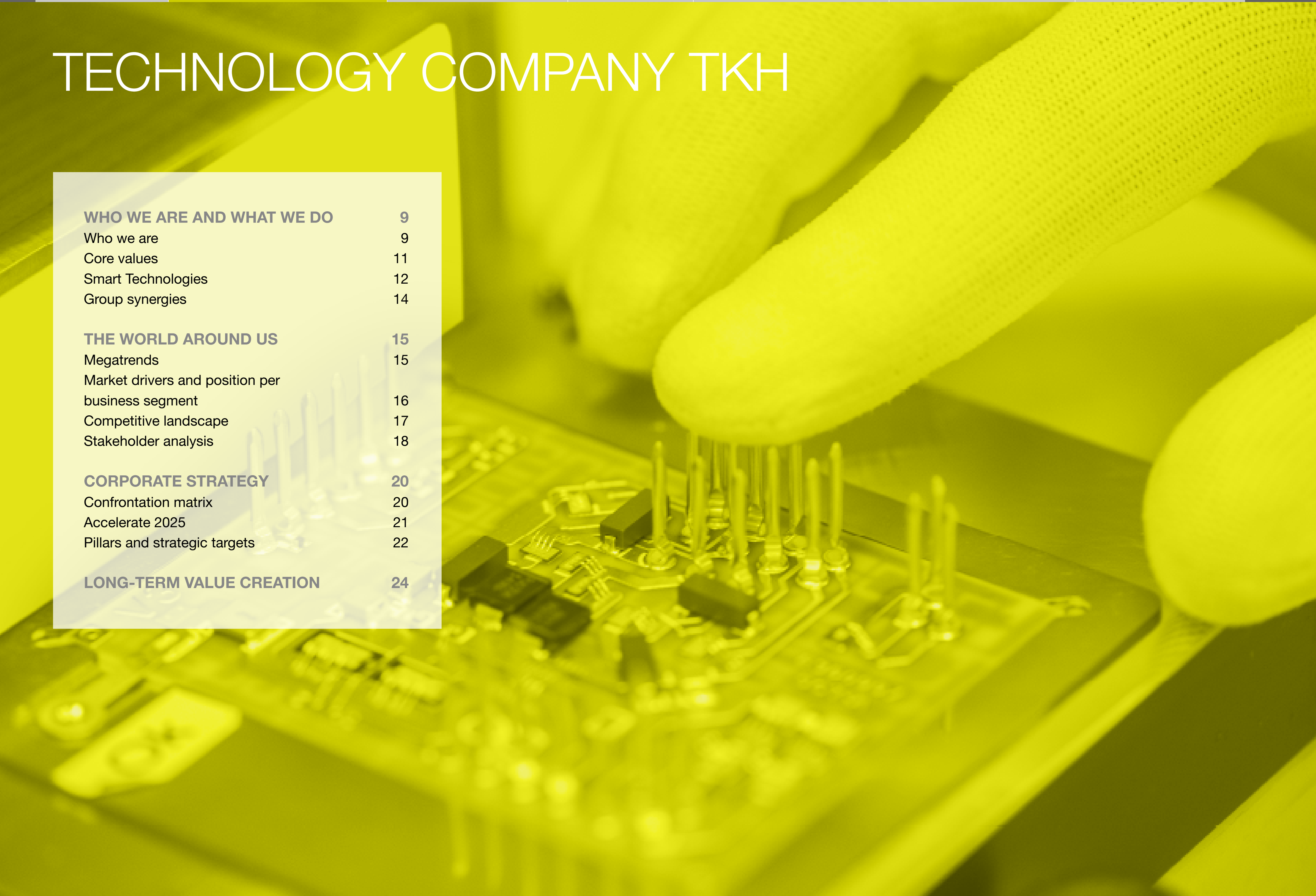
ESG ASSURANCE

limited assurance on non-financial KPIs (number of KPIs)

11

2021 11

TECHNOLOGY COMPANY TKH



WHO WE ARE AND WHAT WE DO

WHO WE ARE

TKH is a leading technology company. We specialize in the creation of innovative, client-centric technology systems in high growth niche markets. By integrating our proprietary technologies with in-house developed software and customer-focused insight, we develop Smart Technologies that create unique answers to our clients challenges. In doing so, we work to make the world better by creating more efficient and more sustainable systems. Automation, digitalization, and electrifica-tion are the key drivers for our innovations.

In a culture of entrepreneurship, working closely with our customers, we deliver one-stop-shop, plug-and-play innovations for Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems.

We aim to be an attractive employer for our more than 6,600 employees globally and we keep socially responsible business practices at the heart of everything we do.

OUR BUSINESS MODEL

MISSION

TKH

Creating Smart Technologies for sustainable value creation

VISION

Together with our customers, we develop innovative technologies that make the world more efficient and more sustainable

CORE VALUES

ENTREPRENEUR-SHIP | ENVIRONMENTAL AWARENESS | TRANSPARENCY | ACCOUNTABILITY | INTEGRITY

SMART TECHNOLOGIES

PILLARS AND STRATEGIC TARGETS

INNOVATION AND TECHNOLOGY LEADERSHIP | BEING RESPONSIBLE | TALENTED PEOPLE AND EMPOWERMENT | SUSTAINABLE FINANCIAL PERFORMANCE

KEY TARGETS

TURNOVER
> € 2 billion in 2025

ROS
> 17% in 2025

ROCE
22%-25% in 2025

NET DEBT / EBITDA
< 2.0

ENVIRONMENT
- Carbon neutrality own operations by 2030
- Recycling (copper, aluminum and PVC) > 80%
- Waste < 5%

SOCIAL
- Female executive and senior management > 25% by 2030
- Accident rate LTIFR < 1.0
- Ilness rate < 4%
- Employee satisfaction > 7.5

GOVERNANCE
- Strategic suppliers assessed > 90%
- Enhance (sustainability) policies and procedures

INNOVATIVE TECHNOLOGY LEADER

Innovation is key to TKH's success. Investing in innovative technologies is vital to maintaining our position as a leading technology company and maximizing sustainable value for our stakeholders and the world around us.

More than 15% of our turnover is realized by innovations that have been introduced in the last two years (2022: 20.6%).

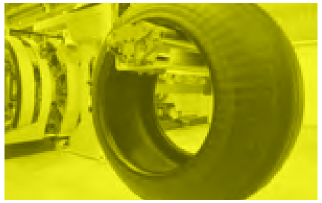
About 30% of our technology proposition is software-driven, developed by in-house engineers. In total, we employ more than 750 people in R&D and software development, and we have registered more than 1,400 patents to secure our value proposition. The continuous acceleration and scaling of our innovations is essential to maintaining our leading position and driving growth.

MORE THAN 15% TURNOVER REALIZED BY NEW INNOVATIONS

CREATION OF ADVANCED TECHNOLOGY SYSTEMS

TKH IS AN INNOVATIVE TECHNOLOGY COMPANY

30% OF OUR TECHNOLOGY PROPOSITION IS SOFTWARE DRIVEN



CONTINUOUS ACCELERATION & SCALING OF INNOVATIONS

MORE THAN 750 FTE IN R&D AND SOFTWARE DEVELOPMENT

1,400+ PATENTS TO SECURE VALUE PROPOSITION

STRONG SUSTAINABLE PORTFOLIO

TKH has selected six Sustainable Development Goals (SDGs) to guide our approach to sustainability. Two of these focus on our internal operations and business practices, while the remaining four focusing on our innovative product portfolio. TKH's innovative products make a significant contribution to the SDGs: approximately 68% of our portfolio's total turnover is linked to one of the SDGs that we have defined as relevant. In this way, we support our customers in achieving their sustainability goals and simultaneously provide a clear direction for our own company's sustainable development.

SUSTAINABLE PORTFOLIO EXAMPLES

SMART TECHNOLOGIES

SMART VISION SYSTEMS

- 2D and 3D Vision technology which results in increase in productivity and improvement of quality
- Cybersecurity solutions for mission critical communication
- Traffic monitoring systems increase efficiency, safety, and security

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

SMART MANUFACTURING SYSTEMS

- Tire Building technology focuses on the environment and e-mobility leads to different tire requirements
- Advanced technology to lower waste and energy consumption levels in production
- Medication distibution/inspection system

3 GOOD HEALTH AND WELL-BEING
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SMART CONNECTIVITY SYSTEMS

- Fibre optic cable systems
- Energy cable systems for the energy transition
- Subsea cable systems for offshore wind farms
- CEDD/Airfield ground lighting system; energy saving and increase of efficiency

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

±68% OF OUR TURNOVER IS LINKED TO ONE OR MORE OF THESE FOUR SDGs

CORE VALUES

At TKH we create our technologies in a sustainable and socially responsible manner, using the expertise of our talented people. Our employees stay true to our key corporate values of entrepreneurship, environmental awareness, transparency, accountability, and integrity.

ENTREPRENEURSHIP – we take responsibility for identifying new opportunities and we are driven to excel in our roles and responsibilities.

ENVIRONMENTAL AWARENESS – we promote a focus on sustainability and we are committed to making a positive contribution to the environment and society.

TRANSPARENCY – we strive for an open culture and we act transparently.

ACCOUNTABILITY – we make the appropriate decisions based on careful consideration and we take responsibility for our decisions.

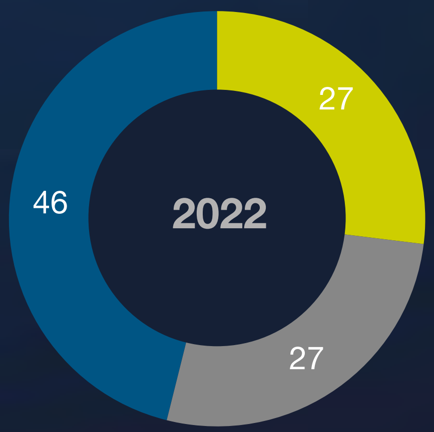
INTEGRITY – we value honesty and we act respectfully toward colleagues, customers, and other stakeholders.

SMART TECHNOLOGIES

TKH's Smart Technologies are segmented into Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems.

TURNOVER PER SEGMENT

in %



- Smart Vision systems
- Smart Manufacturing systems
- Smart Connectivity systems

SMART VISION SYSTEMS

TKH creates state-of-the-art Vision technology, which accounts for about 87% of the turnover of the Smart Vision systems segment. This technology encompasses 2D and 3D Machine Vision and Security Vision systems. Combining these technologies with in-house developed software results in unique, smart, and integrated plug-and-play systems and one-stop-shop solutions for our customers.

We aim to create value for our customers by optimizing and further automating their processes using Vision technology. TKH's 2D and 3D Machine Vision technology systems are used to improve quality inspections, operations, and object monitoring in numerous industries, such as consumer electronics, factory automation, logistics, the wood industry, intelligent transport systems (ITS), and medical and life sciences.

Meanwhile, our Security Vision systems, combined with advanced communication technologies, enable customers to efficiently manage and control the urban environment. They also improve efficiency, safety and security in various markets, such as infrastructure, parking and building security.

SMART MANUFACTURING SYSTEMS

At TKH, we leverage our unique expertise to create superior manufacturing systems, capitalizing on our deep understanding of automating production processes in different industries. Our systems and machines contribute to highly efficient manufacturing and processing.

There are four building blocks at the foundation of our unique Smart Manufacturing systems:

- High-level system and assembly engineering skills and know-how.
- Advanced in-house software development and engineering.
- Integration of TKH Smart Vision and Smart Connectivity technologies.
- Development of advanced control and analytical functions.

Our Smart Manufacturing systems are designed to create value for our customers by optimizing and further automating their processes, reducing inventory, increasing flexibility, and promoting highly efficient manufacturing. Our Smart Manufacturing systems serve industries ranging from tire production for cars and trucks to factory automation and medicine distribution.

Our Tire Building systems represent a share of about 68% of turnover within the Smart Manufacturing systems segment.

SMART CONNECTIVITY SYSTEMS

TKH creates advanced Smart Connectivity systems, engineering complete, unique solutions that combine our integrated system approach with our connectivity proposition.

Energy and Digitalization represent a share of about 36% and 35% of the share of turnover of the Smart Connectivity systems segment respectively. Our Energy solutions are developed for on-shore and off-shore energy distribution. Digitalization represents Fibre Optic connectivity systems for data and communication networks. In addition to Energy and Digitalization, TKH produces specialized cable systems for industrial automation applications in high-tech environments.

In addition, TKH offers a unique connectivity technology for airfield ground lighting systems: Contactless Energy and Data Distribution (CEDD). This connectivity system consists of hardware components and intelligent software, to improve the efficiency and safety of specific airfield applications.

GROUP SYNERGIES

With our decentralized operating model, we strive for a high level of entrepreneurship and a winning culture. We stimulate and incentivize group synergies, which are important for our value creation strategy. They enable us to support our operating companies in delivering innovative and unique solutions to customers at attractive cost levels.

Our group synergies are mainly realized in the following areas:

- Integrated and combined technology systems across our three technology segments.
- Large-scale in-house software development through a centralized competence center, which serves operating entities in each segment with building blocks that can be used across multiple entities and segments.
- Centralized software development leadership.
- A unique pool of talent that enables the transfer of skills and knowledge.
- Group functions that drive economies of scale through cooperation, innovation, and procurement.
- Group management, resources, and competencies to scale up initiatives across large business units.
- Strong TKH branding and reputation, market access, and global footprint.

OPERATING MODEL

CUSTOMERS

OPERATING COMPANIES

SMART VISION SYSTEMS | SMART MANUFACTURING SYSTEMS | SMART CONNECTIVITY SYSTEMS

GOVERNANCE & SUPPORT FUNCTIONS

GOVERNANCE MODEL

OPERATING MODEL

- Decentralized operating model.
- Operating companies close to customers – high level of customer intimacy.
- Delegated P&L responsibility and authority.
- SMART targets and strong monitoring system to control output.

ENTREPRENEURIAL CULTURE

- Drive to win.
- Strong capitalization on new business opportunities.
- High-performance execution.
- Short lines of communication.
- Management development program and meetings.
- Inspiring environment.
- Diverse workforce.

PLAN AND REWARDS

- Strategy based on innovation and business opportunities.
- Clear business plan with SMART goals and road map.
- Compensation aligned with performance.
- Key employees participate in share-based compensation plans.

THE WORLD AROUND US

MEGATRENDS

TKH operates in a dynamic environment. Trends and developments are key indicators for defining our corporate strategy.

TKH has identified a number of relevant megatrends that are driving our growth and shaping our strategy and innovations.

AUTOMATION

- Industry 4.0 is driving “hands-off, eyes-off” manufacturing – shortage of personnel.
- Technology systems are increasingly complex, driving demand for larger-scale technology partners.
- Reshoring of production locations closer to customers.

DIGITALIZATION

- Cloud computing, big data, artificial intelligence, machine learning, and Internet of Things (IoT) requiring the continued development of higher-speed bandwidth networks.
- Boom in data acquisition applications with integrated smart technologies bringing high demand for cyber security aligned with privacy regulations.

ELECTRIFICATION

- Global focus on reducing greenhouse gas emissions is accelerating the energy transition.

MARKET DRIVERS AND POSITION PER BUSINESS SEGMENT

MARKET DRIVERS PER BUSINESS SEGMENT

SMART VISION SYSTEMS

- High demand for automation due to the movement toward Industry 4.0 and “hands-off, eyes-off” manufacturing.
- Shortage of human resources and rising labor costs driving demand for automation.
- Continued increase in demand for higher productivity, improved quality, and waste reduction.
- Advances in cloud computing, big data, artificial intelligence, and machine learning leads to demand for new technology systems.
- Increased complexity of technology systems drives demand for trusted technology partners.
- Increased need for safe and secure buildings and infrastructure.
- Increase in advanced IoT-based products making automation becoming a high priority.
- Trend toward advanced mobility technologies that support the increased need for enforcement and monitoring.

SMART MANUFACTURING SYSTEMS

- Trend toward more local manufacturing to reduce inventories requiring integrated tire manufacturing systems and enabling highly efficient production of small batch sizes.
- Supporting manufacturing through automation closer to end-customers, reducing carbon footprints, inventories, and lead times.
- Scarcity of human resources and rising labor costs drive demand for automation.
- Demand for reduced waste and energy consumption in production fueling the need for advanced technologies.
- Increased volume and types of tires requiring more flexibility in production.
- Greater focus on road safety and security driving demand for high-quality tires.
- Reshoring of production locations closer to customers.

SMART CONNECTIVITY SYSTEMS

- Electrification requires more renewable energy generation.
- Public and private ESG ambitions, budgets, and targets driving investments.
- Scarcity of natural resources driving the growth in demand for electricity, both in general and as an alternative energy source to fossil fuels.
- Global demand for high-speed bandwidth and data traffic.
- Increased demand for connected assets (IoT).
- Need for advanced mobility – such as autonomous driving and ITS – leading to increased demand for data connectivity.
- Greater demand for monitoring of essential network elements.
- Growth and increased speed of automation technology requiring reliable connectivity systems.

MARKET POSITION PER BUSINESS SEGMENT

SMART VISION SYSTEMS

- With our full range of Vision Technology, TKH is uniquely positioned to provide customized, one-stop-shop solutions and integrated systems based on Smart Technologies.
- A global market and technology leader within 3D Machine Vision technology.
- Strong leading position in 2D Vision and Security Vision technology.

SMART MANUFACTURING SYSTEMS

- Unique positioning thanks to our integrated manufacturing systems, including advanced control and analytical functions.
- Global market leader in the Tire Building industry with > 70% market share.
- Differentiation, innovation, and technology leadership in Tire Building systems are all ahead of the competition.
- Integrated proprietary Vision Technology is a key driver for success in Smart Manufacturing systems.

SMART CONNECTIVITY SYSTEMS

- Unique positioning thanks to our integrated systems approach and one-stop-shop offering combined with 24-hour deliveries.
- Market leader in the Benelux and strong position in North and Western Europe in Fibre Optics technologies.
- Advanced robotics and software engineering in Fibre-to-the Home (FttH) solutions differentiate TKH from competitors.
- Market-leader in the Netherlands in energy connectivity technology.
- Strong ESG focus leads to unique positioning within energy segments.
- Market leader in the high-end industrial automation market and high-end medical market.

COMPETITIVE LANDSCAPE

Developments in the industry in general and our competitive landscape in particular are important for TKH's positioning in the market. Customer patterns are changing, technological developments are accelerating, and there is an increasing demand for sustainable solutions and the consolidation of (industrial) sectors. Our geographical spread, high-quality innovative and proprietary technologies, and distinctive technological capabilities determine our competitive strength.

GENERAL MARKET POSITION

- TKH's market position is geographically diversified, with our growth primarily focused in Europe, North America, and Asia.
  This allows us to make targeted investment decisions and to be more active in specific niche markets.
- We differentiate ourselves by combining innovative technologies into unique, comprehensive, and one-stop-shop solutions.
- Because of the distinctive character of our proprietary technologies, we operate mainly in niche markets. In most of these markets, competition is fragmented among a range of competitors who do not offer the same integrated solutions or high-quality, one-stop-shop, logistics services.
- The barriers to market entry are high due to the advanced level of technology expertise needed, combined with significant capital requirements.

Our decentralized operating model and our entrepreneurial, customer-focused culture, coupled with our short lines of communication, enable our operating companies to respond swiftly and effectively to geopolitical and social developments that affect the challenges our customers face.

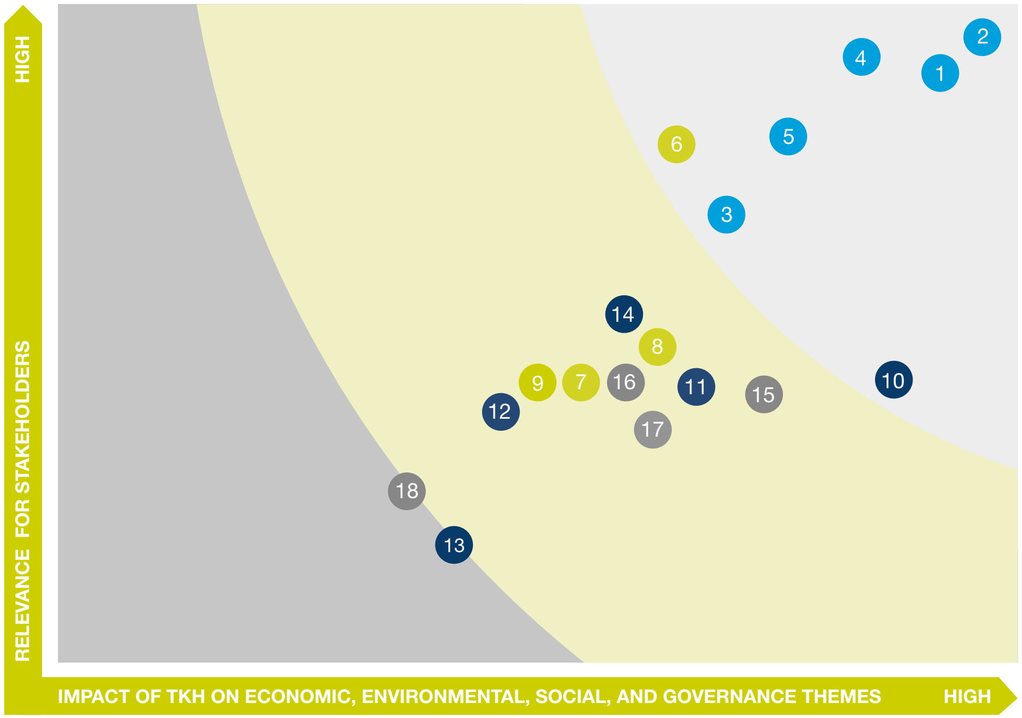
STAKEHOLDER ANALYSIS

Our stakeholders are those groups and individuals who directly or indirectly influence the activities of TKH and our operating companies. TKH regularly engages in dialogue with various stakeholders on topical and social issues.

The different backgrounds of our stakeholders and their knowledge of TKH and the environment in which we operate is a good starting point for engaging in dialogue. It provides useful insights into stakeholders' interpretations of current issues affecting TKH. We also use the dialogue to broaden our understanding of our stakeholders' needs and expectations. In addition, stakeholder engagement helps us to make better use of opportunities and identify risks in a timely manner. The dialogue is also useful to clarify specific issues and thus build support for them or, in certain cases, to create understanding when an issue is given less priority in our business operations.

In 2021, we conducted a survey to identify material themes from both a stakeholder and a TKH perspective. To verify and discuss the results of the survey, we conducted several stakeholder dialogues in 2022. The results of the survey and the stakeholder dialogues are included in the materiality matrix. Based on our stakeholder dialogue and survey we identified which material topic is relevant for which stakeholder group.

MATERIALITY MATRIX



MATERIAL TOPICS

	Shareholders	Banks	Analysts	Customers	Supliers	Employees	Society
ECONOMIC							
1 Financial stability, track record, & performance	•	•	•	•	•	•	
2 Technological innovations	•	•	•	•	•	•	
3 Sustainable capital allocation (in alignment with SDGs)		•	•				•
4 Customer satisfaction	•		•	•	•	•	
5 Market & geopolitics (supply chain, inflation, & Ukraine war)	•	•	•	•	•	•	•
ENVIRONMENT							
6 Responsible production			•	•	•	•	•
7 Resource efficiency (incl. waste & circularity)		•		•			•
8 Climate change & CO_2 footprint	•	•			•		•
9 Responsible procurement							•
SOCIAL							
10 Sustainable employment						•	•
11 Health & safe work environment				•	•	•	
12 Employee satisfaction	•					•	
13 Personal development opportunities						•	
14 Diversity & inclusiveness	•					•	
GOVERNANCE							
15 Integrity, compliance, & human rights	•	•	•	•	•	•	•
16 Risk management	•	•	•	•	•	•	•
17 Privacy & IT Security	•	•	•	•	•	•	•
18 Tax	•	•	•	•	•	•	•

STAKEHOLDERS DIALOGUES

	Relevance for TKH	Relevance for the stakeholder / most important expectations	Means of communication	Key topics in 2022	Supportive to our strategy
EMPLOYEES	• Crucially important for the success of TKH. • The company's ambassadors. • Most important "authorized capital".	• Good employment practices. • Development opportunities and a good package of primary and secondary employment benefits. • A safe and healthy working environment.	• Internet and intranet. • Staff magazine. • Employee satisfaction survey. • Staff meetings. • Conferences and seminars. • Webinars. • Performance reviews.	• Health and safety. • Diversity. • Sustainable employability. • SDGs. • IT & Security / Privacy. • Strategic program.	• Commitment to the diversity of the workforce. • Learning organization. • Boost innovative capacity. • Leadership and entrepreneurship. • Integrity & zero tolerance.
SHAREHOLDERS	• Investment through a shareholding in TKH, thereby strengthening our capital position.	• Good return on investment with good dividend policy and long-term value creation.	• Internet. • Financial reporting and annual reports. • General meeting of shareholders. • Investor days. • Capital Markets Day.	• ESG. • SDGs. • Diversity. • Strategic program.	• Long-term shareholdings.
CUSTOMERS	• Buy products and services. • Develop sustainable package of products and services through collaboration.	• Offer innovative, high-tech technologies and comprehensive solutions. • Good ROI for customers.	• Internet. • Events, symposia, and trade fairs. • Customer satisfaction survey.	• Sustainable product portfolio. • SDGs. • Customer satisfaction.	• Technological developments. • Growth targets.
SUPPLIERS	• Supply of services and products for our business operations.	• Fair business practices and doing good business at market rates.	• Business associates. • Negotiations. • Code of supply and site visits.	• Sustainable product portfolio. • SDGs.	• Technological developments. • Sustainable procurement.
ANALYSTS	• With the aid of analysis and research, prepare profiles and ratings on the basis of which investors can make a selection for their investments.	• Honest and transparent communication about developments.	• Internet. • Financial reporting and annual reports. • IR meetings. • Capital Markets Day. • Reporting.	• Financial ratios. • Sectoral developments. • Strategic program.	• Long-term value creation and transparency.
BANKS	• Financial service providers with the aid of which TKH is able to achieve its growth targets.	• Creditworthy enterprise that is appropriately balancing risks against returns and complies with contractual agreements.	• Internet. • Financial reporting and annual reports. • Half-yearly discussions.	• Financial ratios. • Risk analysis.	• Sustainable funding policy.
PUBLIC BODIES	• Act as initiator, facilitator of supply chain and other projects, and driver of sustainable initiatives.	• Boost the economic appeal in the region with respect to business office location and employment. • Supply chain initiatives with a significant contribution to sustainability.	• Internet. • Network and thematic meetings.	• Sustainable and other developments in the region.	• Strategic investment decisions.
EDUCATION AND KNOWLEDGE INSTITUTIONS	• Influx of new talent in order to compensate for such things as a shortage of technical personnel.	• Providing a challenging work environment with ample development opportunities. • Providing traineeships – work experience.	• Internet. • Trade fairs and seminars. • Social media.	• Relevance of education (in relation to the relevant discipline). • Profiling TKH as an interesting employer.	• Sustainable workforce. • Learning organization.
COMMUNITY AND SECTORAL ORGANIZATIONS (INCLUDING NGOS)	• Possess an extensive network and knowledge of the positions in the supply chain. • Expertise in specific sectors.	• Contribute ideas to and start up joint ventures.	• Internet. • Reporting and reports. • Annual reports.	• SDGs. • Climate change.	• Sustainable business operations. • Consolidate social initiatives.

CORPORATE STRATEGY

TKH's strategy focuses on expanding our technology leadership in the niche markets in which we operate, where automation, digitalization, and electrification are driving future growth. Our innovative technologies are in the three main segments, Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems.

We have identified four pillars that underpin our corporate strategy: Innovation and technology leadership, Being responsible, Talented people and empowerment, and Sustainable financial performance. Based on these pillars, the megatrends, and the confrontation matrix, we have determined our strategic direction and defined specific objectives, which are incorporated in our Accelerate 2025 strategy program and targets.

CONFRONTATION MATRIX

STRENGTHS

- Creation of advanced innovative technologies and proprietary systems.
- Leading positions in the niche markets in which we operate.
- High pricing power through smart technologies, systems integration, and services.
- Risk diversification through various product/market combinations.
- Decentralized, customer-focused organizational structure, providing a high level of customer intimacy.
- Entrepreneurship is one of our core values.
- Sustainability proposition.
- Strong brand and reputation in active markets.
- Financial strength and high-quality capital.
- Optimal use of R&D resources and investments in markets with greatest potential.

OPPORTUNITIES

- High demand for automation due to movement toward Industry 4.0.
- Development and integration of technologies that help improve efficiency and connectivity.
- Shortage of human resources and rising labor costs driving demand for automation.
- Demand for reduced waste and energy consumption in production fueling the need for advanced technologies.
- Electrification requires a boost in renewable energy generation.
- Global demand for high-speed bandwidth and data traffic infrastructure.
- Increased focus on intelligent security due to geopolitics and globalization.
- Technological developments enabling improved customer services and technologies.
- Improvement of cost ratio.

WEAKNESSES

- Liquidity of the TKH share.
- Brand awareness among investors.
- Brand awareness in some markets where TKH's presence is still limited.
- Presence in North America and APAC for 2D Vision.

THREATS

- Shorter product life cycles due to higher level of innovation.
- Disruption by new entrants and technologies.
- The risk of COVID-19 or a future pandemic developing or emerging.
- Protectionism of domestic markets by governments.
- Shortage of qualified staff.
- Supply chain challenges, with shortages of raw materials and critical components.
- Cost and wage inflation.
- Cyberattacks.

ACCELERATE 2025

On Capital Markets Day in November 2021, we launched our Accelerate 2025 strategy program. This program underlines the strong foundation and value potential of TKH by introducing renewed targets for 2025. In addition, TKH unveiled a new technology-focused segmentation, centered on Smart Technologies.

Accelerate 2025 includes actions to boost turnover and ROS by unlocking the full potential of our innovative technologies in the high-growth markets in which we operate. Leveraging our current market positions and the megatrends of automation, digitalization, and electrification, TKH is well positioned to take full advantage of the expected market growth.

In addition, we will increase our focus on sustainability in our strategy, with strong ambitions and non-financial targets.

PRIORITIES ACCELERATE 2025

Areas	Bandwidth expected turnover	Bandwidth ROS improvement Target > 17% [1]	Commentary
ORGANIC GROWTH COST EFFICIENCY	> € 300 mln	> 2.5%	Scale effect - due to organic growth - on Opex and cost of goods sold, productivity, and yield improvement programs
INNOVATIONS	> € 200 mln	> 2.0%	Acceleration of our innovations in terms of turnover, benefit from learning curve and economies of scale, capital light future innovations
ACQUISITIONS	+ € 100 - € 150 mln		Acquisitions that strengthen our portfolio of proprietary technologies in the area of software, and/or strengthen our sales network
PORTFOLIO MANAGEMENT	- € 150 - € 200 mln	> 0.5%	Divestments that do not contribute towards achieving our long-term strategy and targets

1 ROS improvement is based on reference ROS of 12%.

ACCELERATE ORGANIC GROWTH

Increase our market share by unlocking the full potential of our innovations and disruptive technologies, taking advantage of market growth driven by relevant megatrends.

ACQUISITIONS

Accelerate growth by acquiring € 100 – € 150 million turnover.

SUSTAINABILITY

Deliver a strong performance with regard to our ESG targets, especially CO_2e neutrality by 2030 (scopes 1 and 2), and further develop a sustainable portfolio based on SDG principles.

PORTFOLIO MANAGEMENT

Exit activities that offer limited potential for value creation, such as those with limited strategic fit or low ROS and organic growth potential.

COST EFFICIENCY

Focus on leveraging organic growth into an added value conversion ratio of > 35%. Translate the increase in gross margin into a further increase in results with more focus on return and cost ratio as a percentage of added value.

TKH BRANDING

Strengthen and expand TKH branding and transition to an efficient external communication structure.

INNOVATIONS

Exploit our technology leadership by leveraging and accelerating growth from innovations and using the R&D pipeline. Bring key innovations to maturity with targeted profitability and limit the number of new “start-up” projects.

TALENT EMPOWERMENT

Ensure our workforce is an accurate reflection of our society with respect to diversity and inclusiveness. Continue to ensure the health and safety of our employees. Engage and retain employees. Promote transparency and openness.

PILLARS AND STRATEGIC TARGETS

INNOVATION AND TECHNOLOGY LEADERSHIP

TKH is a technology leader in several niche growth-markets with a proven track record of developing advanced and innovative Smart Technologies with our customers, combining software with technology to create smart technology systems. Innovations and customer focus are key to this, enabling us to remain at the forefront of creating best-in-class and innovative technologies, and to respond quickly and effectively to changing market trends.

Investments in R&D and the acceleration and scaling of innovations are vital for future growth, and to maintaining and expanding our leadership positions in the niche markets in which we operate. Our target is for at least 15% of our turnover to be generated through innovations introduced in the previous two years. As a result, a major part of our technology portfolio is always in the early stages of the product life cycle, which is an essential strategic foundation for securing future growth. Alongside investments in our technological development, we also invest in partnerships for specific specialisms and speed up the time-to-market for selected technology systems.

TKH generated € 374 million turnover in 2022 from innovations across our three core technology segments.

KPIs	OBJECTIVES	REALIZATION 2022
Portfolio at an early stage of the life cycle	At least 15% of turnover generated by portfolio introduced in the previous two years	20.6%
Technical innovations with impact on sustainability (SDGs)	At least 70% of turnover linked to SDGs	68%

BEING RESPONSIBLE

TKH conducts business in a socially responsible manner with a strong awareness of our environment. We continuously seek to strengthen our contribution to a sustainable society by creating a sustainable product portfolio and business proposition; for example, around 68% of our turnover is related to one of the SDGs. In addition, our focus on sustainability also improves TKH's commercial position, by helping our customers to meet their sustainability criteria.

Furthermore, at TKH we continue to increase the importance of sustainability in our business decision-making processes. We attach great importance to the principles of good governance, including integrity, transparency, accountability, and adequate oversight. In addition, we follow a zero-tolerance policy on issues such as fraud, bribery, and corruption. Risk awareness is a constant and integral part of our culture at TKH, and we use different systems to deeply embed risk awareness throughout our organization and to prevent and manage risks.

KPIs	OBJECTIVES	REALIZATION 2022
Carbon footprint (CO_2e emissions)	100% carbon neutrality in own operations by 2030 (scopes 1 & 2) – reduction of CO_2 footprint compared to reference year (2019)	42.7%
% waste of most relevant raw materials, compared to total relevant material consumption	< 5% waste	5.3%
Recycling most relevant raw materials	> 80% recycling (copper, aluminum, and plastics)	88.0%
Customer satisfaction score	Average score above benchmark (7.8)	8.6
Code of Supply signed by suppliers	> 90% strategic suppliers signed up	91.9%

TALENTED PEOPLE AND EMPOWERMENT

TKH aims to be an attractive and responsible employer. A key pillar of our corporate level strategy is investing in human capital and building a strong, diverse workforce of talented people. Working together with talented and qualified people is vital to achieving our mission of creating best-in-class Smart Technologies.

Being an attractive and responsible employer is an important commitment that we take seriously. TKH offers an inspiring, safe, and healthy working environment for all our employees, and we are constantly striving to improve. TKH has an open business culture with a high level of entrepreneurship and short lines of communication. Our organization is also characterized by delegated authority, trust, and transparency.

We strongly believe that the diversity of our workforce will further strengthen the success of our defined strategy. One of our priorities is therefore to promote and safeguard diversity within our organization. In addition, we continue to build on our strong employer brand in order to keep attracting the right talents and fill vacancies rapidly, especially in times of labor shortages.

KPIs	OBJECTIVES	REALIZATION 2022
% of female members in executive and senior management teams	> 25% by 2030	18.4%
Accident rate (LTIFR)	< 1.0	0.8
Illness rate	< 4.0%	4.04%
Employee satisfaction score	> 7.5	7.6
Employees act in accordance with Code of Conduct	No breaches of the Code of Conduct	0
Number of employees with disabilities and/or disadvantages on the labor market	Maintain at least current number	105

SUSTAINABLE FINANCIAL PERFORMANCE

Creating added value for all key stakeholders while providing a sound investment for shareholders is a key pillar of TKH's operations. We do this with healthy balance sheet ratios and a strong cash flow from our operating activities, with a focus on sustainable long-term continuity of the company.

We aim to achieve an annual increase in earnings per share, and a net debt/EBITDA ratio of no more than 2.0. Generated cash will be reinvested in businesses with above-average growth potential and/or distributed to shareholders. Structural surpluses of cash can be used for share buyback programs, dividends, and/or strategic investments with an attractive return on investment.

TKH will expand through organic growth and acquisitions, with a geographical focus on Europe, North America, and Asia. Acquisitions will focus on structurally healthy companies that strengthen our portfolio of proprietary technologies or enhance our sales network. In the medium-term, we are targeting a turnover of € 100 million to € 150 million, while continuing to manage our portfolio to reduce activities with lower margins and growth potential.

By focusing on higher-margin activities, organic growth combined with cost efficiency, acquisitions, and divestments, the medium-term target for our ROS is above 17%. The range for the medium-term ROCE target is 22%–25%.

KPIs	OBJECTIVES	REALIZATION 2022
Turnover	> 2 billion by 2025	€ 1.8 billion
Return On Sales (ROS)	> 17% by 2025	12.9%
Return On Capital Employed (ROCE)	22%-25% by 2025	23.2%
Net debt / EBITDA	< 2.0 annual target	1.1

LONG-TERM VALUE CREATION

TKH's value creation process is dynamic and ongoing. It aims to use our business processes to respond to the needs of our stakeholders and to identify at an early stage any opportunities or risks driven by economic, geopolitical, environmental, sustainability, social, and technological trends.

Using detailed R&D road maps, we focus on our customers' developments within our smart technology segments and, by effectively integrating our technologies with software, we create unique, innovative, and comprehensive systems suitable for multiple applications that improve efficiency and connectivity.

TKH IN THE VALUE CHAIN

CIRCULAR ECONOMY & RECYCLING

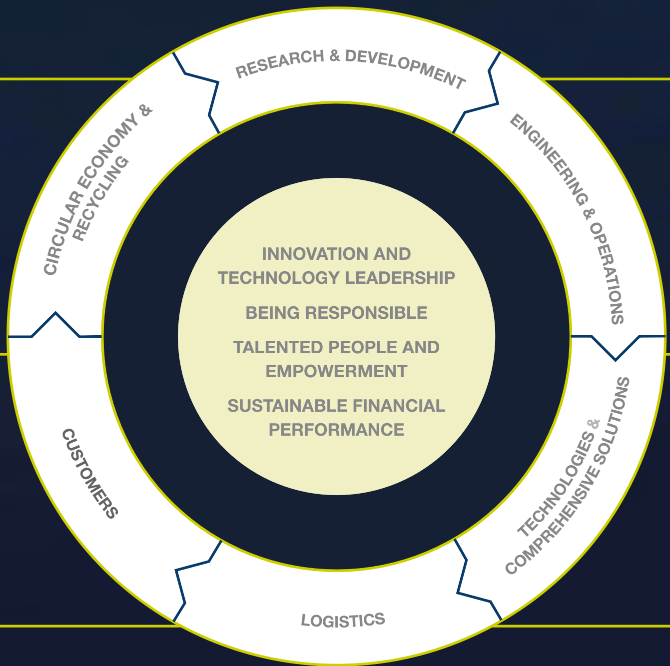
The composition of products constitutes the basis for optimal recycling. The return of materials, components and products to the appropriate value chain gives rise to a sustainable business model.

CUSTOMERS

Thanks to our technology platforms and contribution of specific product and market knowledge, we are able to provide our customers with the best possible solutions offering a favorable return on investment (ROI) and sustainable product portfolio.

LOGISTICS

We focus on organizing efficient, just-in-time logistical services for our customers, supported by one-stop-shop solutions and strong inventories.



RESEARCH & DEVELOPMENT

During the product development we use methods and processes which make allowances for environmental aspects, such as energy savings and recycling. We also expect our suppliers to act in a sustainable way.

ENGINEERING & OPERATIONS

We employ operational management models that have been incorporated into an operational excellence program. In doing so, we aim to achieve optimal performance of our operational processes.

TECHNOLOGIES & COMPREHENSIVE SOLUTIONS

TKH's core technologies are combined to create innovative, comprehensive systems to meet customer demand and enhance our market opportunities. The sustainability of our innovative product portfolio is crucial.

INPUT

INTELLECTUAL
R&D road map and technology and software development for a high-quality, innovative smart technology portfolio.

PRODUCTS
Integrated technologies and software that create innovative, sustainable, and comprehensive systems, both capitalizing on market trends and ensuring efficiency and connectivity for customers.

ENVIRONMENT
For each decision we take in our business, we consider its potential environmental impact. TKH enters into active dialogue with our strategic suppliers in order to improve the sustainability of their products and processes.

FINANCIAL
Equity and loans to invest in proprietary technologies, our employees, and the growth of our business.

HUMAN
Talented and skilled employees who reflect a diverse society. Providing a safe and inspiring workplace with opportunities for professional development.

SOCIAL & RELATIONS
Close cooperation with stakeholders based on honesty, integrity, and openness. Contributing to and investing in the society around us.

BUSINESS OPERATIONS

CORE VALUES AS A GUIDELINE FOR OUR ACTIONS

- ENTREPRENEURSHIP
- ENVIRONMENTAL AWARENESS
- TRANSPARENCY
- ACCOUNTABILITY
- INTEGRITY

PILLARS AND STRATEGIC TARGETS

INNOVATION AND TECHNOLOGY LEADERSHIP
A leading innovative technology player (operating in niche markets) that creates comprehensive best-in-class solutions.

BEING RESPONSIBLE
Conducting business in a socially and environmentally responsible manner.

BUSINESS OPERATIONS
- Service
- Assembly
- Outsourced and in-house manufacturing
- R&D and system engineering

TALENTED PEOPLE AND EMPOWERMENT
An attractive and responsible employer.

SUSTAINABLE FINANCIAL PERFORMANCE
Creating added value for all stakeholders while also being a solid investment for shareholders.

CORE TECHNOLOGIES

- SMART VISION SYSTEMS
- SMART MANUFACTURING SYSTEMS
- SMART CONNECTIVITY SYSTEMS

OUTPUT

KNOWLEDGE SHARING & DEVELOPMENT
- New technologies and innovations.
- Protected technologies and IP rights through patents.
- Solid R&D roadmap.

SAFE AND SUSTAINABLE PRODUCT PORTFOLIO
- Innovative, reliable and sustainable solutions.
- Contributing to a safe environment and efficient processes for our customers.
- Broad geographical distribution.

BUSINESS AND OPERATIONS
- Sustainable use of energy and raw materials.
- Operation in accordance with LEAN and Six Sigma principles, and ISO 14001 and 45001.
- Implementation of energy-saving and waste reduction programs.

FINANCIAL VALUE
- A healthy balance sheet ratio and strong operational cash flow.
- An annual increase in earnings per share.

ATTRACTIVE AND RESPONSIBLE EMPLOYER
- Investment in health and safety.
- Investment in training and development opportunities.
- Focus on diversity and inclusion.
- Ensuring honesty and openness.

SOCIAL & RELATIONS
- Good relationships with stakeholders.
- Social engagement.

OUTCOME

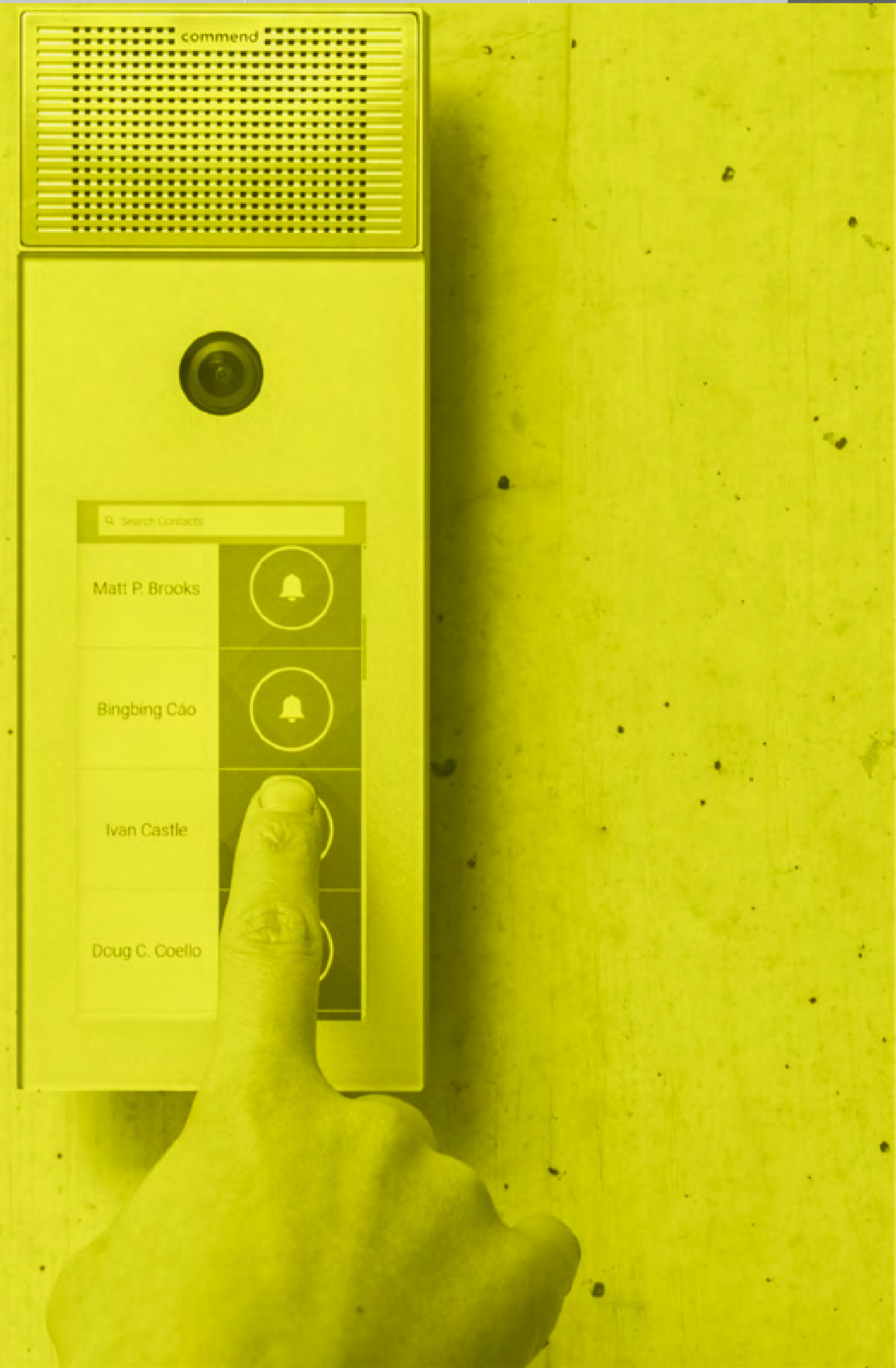
INNOVATION AND TECHNOLOGY LEADERSHIP
- Turnover: € 1.8 billion
- Innovations: 20.6%
- R&D expenditure: € 67.9 million

SUSTAINABLE FINANCIAL PERFORMANCE
- ROS: 12.9%
- ROCE: 23.2%
- Net earnings per share: € 3.34
- Debt-leverage ratio: 1.1
- Dividend per share: € 1.65

TALENTED PEOPLE AND EMPOWERMENT
- Number of training hours/FTE: 29
- Employee satisfaction: 7.6
- LTIFR: 0.8
- Illness rate: 4.04%
- Diversity: 18.4%

BEING RESPONSIBLE
- CO_2e footprint reduction: 42.7% (compared to 2019)
- Recycling: 88.0%
- Customer satisfaction: 8.6
- Breaches of the code of conduct: 0

MANAGEMENT REPORT



BUSINESS DEVELOPMENTS

We have made considerable strategic progress and are generally ahead of our Accelerate 2025 strategy as launched during the Capital Markets Day on November 17, 2021.

During the year, the outlook for the megatrends we are focusing on – automation, digitalization, and electrification – has improved significantly. In particular, the priority for investments for automation and electrification has grown considerably. We also continue to focus on sustainability in our strategy, with strong ambitious non-financial targets. We achieved a record high turnover, EBITA and order book, with all segments contributing to the growth. Turnover grew organically by 18.0%, with price effects accounting for 7.6% of turnover, reaching € 1,816.6 million in 2022, and well with the reach of our Accelerate 2025 target of >€ 2 bn. Our innovative power remains high, the share of innovations reached 20.6% of turnover in 2022. EBITA reached an all-time high of € 234.8 million, growing by 23.9%, with Smart Vision systems being the largest contributor to EBITA. We achieved a record order intake of € 2,042 million, up 10.9%, of which € 695 million was recorded by Smart Manufacturing systems. In total, our orderbook stood at € 971.9 million at the end of 2022. The improvement of the ROCE to 23.2% is within our Accelerate 2025 targeted bandwidth of 22% - 25%. Our focus on the megatrends automation, digitalization, and electrification is driving these strong performances.

During the year, supply-chain constraints required close cooperation with our suppliers and creativity of our procurement teams to find solutions to material and component shortages. The right entrepreneurial spirit within our organization to cope with these challenges was again a key success factor in the results we achieved in 2022.

In 2022, we launched our € 200 million Strategic Investment Program to further increase our global production capacity to respond to the increased market demand in the fields of automation, digitization, and electrification. The execution of these expansions started in the second half of the year and is progressing on schedule. In total, we expect these investments to generate an additional € 250 - € 300 million annual turnover in the coming years, the majority of which will be realized by Smart Connectivity systems. Besides the accelerated strategic investments to support the organic growth, we also made good progress with the divestment program as part of our Accelerate 2025 program. In Q1 2023, we closed the divestment of our minority share in CCG with a one-off profit of € 36 million. The preparations for the targeted divestment of € 150 - € 200 million of turnover show confidence that we will be able to close further divestments.

The organic turnover growth of 18.0% was well above the average annual Accelerate 2025 organic growth of 7%. We achieved strong organic growth of 12.5% in our Smart Vision systems segment, with ROS increasing from 17.2% in 2021 to 19.1% in 2022 and accounting for 41% of the operating result. The megatrend of “eyes-off, hands-off” manufacturing is supporting this success, and the recent inflationary development in labor costs and the shortage of manufacturing employees have increased the sense of urgency for automation. Past investments in R&D have proven to be the right choice and have supported the high organic growth.

EBITA grew by a strong 23.9%. The progress in ROS to 12.9% does not fully reflect the progress made towards our Accelerate 2025 target of >17%, as ROS was impacted by price effects on turnover and temporary effects. The temporary effects consist of € 10 million in import duties on fibre optic cables and of shortages of critical components within Smart Manufacturing systems, which led to operational inefficiencies due to delayed deliveries shifting € 30 million of turnover. We expect these temporary effects to be eliminated by the initiated construction of a fibre optic cable plant in Poland and the easing of component shortages at Tire Building systems in the course of 2023.

TKH continues to demonstrate a strong commitment to its ESG ambitions and made further progress in 2022 towards our key sustainability targets as set out in the Accelerate 2025 strategy program. Our net carbon footprint for scopes 1 and 2 decreased by 42.7% in 2022 compared with the reference year 2019 (2021: 29.8%). This does not include any acquired carbon offsets and was mainly driven by energy efficiency measures, a higher share of renewable energy and green certificates. The turnover related to the Sustainable Development Goals (SDG) stood at 68%.

In February 2023, TKH signed a new € 625 million multi-currency committed credit facility, consisting of a € 500 million revolving credit facility (“RCF”) and a € 125 million term loan, linked to TKH's sustainability targets. The new RCF, which matures in February 2028 with two one-year extension options, replaces the € 500 million committed RCF in place since January 2017, and together with the term loan, will be used to finance strategic investments and working capital needs as TKH continues to grow.

SUSTAINABILITY PERFORMANCE

As part of the Accelerate 2025 strategy program, we continue to focus on sustainability in our strategy, with strong ambitions and non-financial targets for the coming years.

These include a diversity target of at least 25% female representation in the executive and senior management teams by 2030. We have also set ourselves the target of being CO_2e-neutral by 2030 in our own operations (scopes 1 and 2).

In 2021, we decided to reassure TKH's stakeholders about TKH's non-financial information. Therefore, we appointed Ernst & Young Accountants LLP (EY) to provide independent limited assurance on the 2022 and 2021 performance concerning our key non-financial KPIs.

These key non-financial KPIs and performance are shown in the table below.

Pillar	KPI	Target	2022	2021
BEING RESPONSIBLE	Carbon footprint (CO_2e emissions)	100% carbon neutrality in own operations by 2030 (scopes 1 and 2) – reduction of CO_2e footprint compared to reference year (2019)	42.7%	29.8%
	% waste of most relevant raw materials, compared to total relevant material consumption	< 5% waste	5.3%	5.2%
	Recycling most relevant raw materials	> 80% recycling	88.0%	83.2%
	Customer satisfaction score	Average score above benchmark (7.8)	8.6	8.4
	Employees acting in accordance with Code of Conduct	No breaches of the Code of Conduct	0	0
	Code of Supply signed by suppliers	> 90% strategic suppliers signed up	91.9%	92.4%
TALENTED PEOPLE AND EMPOWERMENT	% of female members in executive and senior management teams	> 25% by 2030	18.4%	17.7%
	Accident rate (LTIFR)	< 1.0	0.8	0.7
	Illness rate	< 4.0%	4.04%	3.56%
	Employee satisfaction score	> 7.5	7.6	7.4
	Number of employees with disabilities and/or disadvantages on the labor market	Maintain at least current number	105	107

BEING RESPONSIBLE

As a matter of strategic priority, sustainability is firmly embedded in our day-to-day operations, and sustainability initiatives are being integrated into our organization. Our environmental, social, and governance (ESG) policy provides a framework for both our short- and medium-term plans without losing sight of company interests.

This means that business decisions are made not only in terms of their impact on profitability, but also by taking into account their impact on the people involved in and around our organization, and their impact on the environment and our reputation. In achieving our financial and non-financial targets, we consider our social responsibilities towards all relevant stakeholders.

TKH conducts its activities according to the principles of honesty, integrity, and transparency. We notify our stakeholders of our operations and developments in the company. We defined our ESG policy based on internationally recognized quality standards, certification programs, and accreditation marks. Within our operating companies, the ISO standards that share common ground with sustainability goals have been implemented, including the environmental management system, ISO 14001, and the EN-16247 energy audit system, which is related to the European Energy Efficiency Directive. Since 2021, all production locations of TKH are certified for the occupational health and safety (OH&S) management system, ISO 45001.

CSRD AND ESRS

In 2018, the European Commission announced its Action Plan on Financing Sustainable Growth as an important enabler of the EU Green Deal in 2018. As part of this action plan, the European Commission introduced several initiatives including the EU Taxonomy Regulation and the Corporate Sustainability Reporting Directive (CSRD) and related European Sustainability Reporting Standards (ESRS). In this context, the impact on TKH's reporting has gone through a preliminary assessment in addition to the defined action plans. In 2022, we expanded our internal dashboard with components from the CSRD requirements, and part is disclosed in this 2022 Annual Report. In 2023, we will continue to implement our action plan in order to be ready to report on all the requirements in the 2024 Annual Report.

CARBON FOOTPRINT AND ENERGY EFFICIENCY

Efficient energy consumption and the reduction of CO_2e emissions are important performance indicators for all our locations. Under the terms of the EU Energy Efficiency Directive (2012/27/EU), member states must ensure that large-scale organizations undergo an energy audit to gather information on real-time energy consumption and gain an insight into the potential for energy savings. At a country level, where applicable, TKH has drawn up an integrated plan for energy efficiency to comply with the terms of this Directive. Among other areas, we use these reports for our energy reduction plan. We regularly monitor the identified potential for energy savings so we can safeguard our progress and adherence to improvement plans. Energy-saving measures that have already been implemented include replacing conventional lighting with LED lighting, replacing central-heating boilers with energy-efficient models, replacing LPG lift trucks with electric lift trucks, monitoring and reducing energy peaks, and investing in energy from sustainable sources, such as solar panels. By constantly improving our production processes and procedures, and continuing to investigate new, energy-efficient solutions, we aim to address the energy factor wherever possible. By doing so, we are attempting to minimize both CO_2e emissions and energy costs.

The focus of TKH's CO_2e footprint reduction remains primarily on scopes 1 and 2, because these are within our direct control. We have expanded our internal dashboard by including components from scope 3. TKH calculates the energy consumption and CO_2e emissions associated with our energy consumption using conversion factors from reputable and authoritative sources. TKH uses tank-to-wheel emission factors. All conversion factors are reviewed annually and updated if necessary. The energy consumed by forklifts is considered negligible and is therefore not included in TKH's overall energy consumption and related CO_2e emissions reporting. The basis for consolidated energy consumption and CO_2e emissions is activity data, which in turn are based mostly on meter readings, invoices, and data provided by suppliers. Where reliable data is not available, TKH uses calculations or estimations obtained through reliable methods and input data. TKH is satisfied that the estimates are reliable in all material respects.

In 2021, we set ourselves the target of 100% carbon neutrality by 2030 for our own operations (scopes 1 and 2). To report on progress, we compare the CO_2e footprint and relative reduction with a reference year, which is adjusted every five years. 2015 was used as the reference year until 2020. For 2021 and onward toward 2030, the reference year is 2019, representing TKH's pre-COVID-19 activities.

In 2022, our net carbon footprint for scopes 1 and 2 decreased by 42.7% compared with the reference year, 2019 (2021: 29.8%). The reported figures do not include any acquired carbon offsets. In our sites, we reduced our scope 1 (indirect) emissions. This was mainly driven by energy efficiency measures, our program to replace gas with alternative energy sources, the continuation of working from home, and mild winters. Our business travel emissions, which include emissions from lease cars, increased by 13.5%. This is mainly due to fewer COVID-19 restrictions, as more employees are now using their lease cars again post-COVID-19 to visit customers and exhibitions, and due to the increase in number of employees in 2022. On the other hand, we continue to electrify our lease fleet and promote online collaboration post-COVID-19 to limit travel as much as possible. Our scope 2 emissions were further reduced as a result of a higher share of renewable energy, resulting from a shift to renewable energy sources and self-generated energy through solar panels installed on our buildings and properties, combined with purchased green certificates which was the main contributor in the reduction of scope 2 emissions. As a result, our operational net CO_2e efficiency for scopes 1 and 2 improved from 19.1 in 2021 to 13.1 in 2022.

In 2022, we expanded our internal dashboard with components from scope 3, starting with the carbon footprint of business travel by air. Due to fewer COVID-19 restrictions, business air travel increased compared to the previous year. Much of our business air travel is related to the installation of our tire building systems at customer sites around the world. Taking into account scopes 1, 2 and 3, the net CO_2e footprint decreased by 42.3% compared to the reference year, 2019 (2021: 36.4%).

NET CARBON FOOTPRINT BY SCOPE IN KG TON CO_2-EQUIVALENT unless otherwise stated

	2022	2021	(reference year) 2019
Scope 1	6,342	7,117	8,642
Scope 2 (market based)	17,390	21,969	32,773
Total (scopes 1 and 2)	**23,732**	**29,086**	**41,415**
CO_2e footprint reduction (scopes 1 and 2)	*42.7%*	*29.8%*	
Turnover in million €	1,817	1,524	1,490
Operational net CO_2e efficiency *in kg ton CO_2e/turnover in million €*	13.1	19.1	27.8
Scope 3 – business travel by plane	3,662	1,121	6,052
Total (scopes 1, 2, and 3)	**27,394**	**30,207**	**47,467**
Net CO_2e footprint reduction (scopes 1, 2 and 3)	*42.3%*	*36.4%*	

ENERGY CONSUMPTION

Energy consumption primarily focuses on electricity (kWh) and natural gas (m3). At 79% of the total kWh consumed (2021: 73%), electricity consumption is the largest in terms of absolute volume, owing to its use in the production process, lighting, ventilation, air-conditioning, and extraction systems. Gas represents 20% of the total kWh consumption (2021: 27%) and is used for heating buildings and, to a lesser extent, for process heating. The decrease in gas consumption was mainly driven by energy efficiency measures and our program to replace gas with alternative energy sources (e.g. electricity). The consumption of diesel and fuel oil has declined in recent years and now makes up just 0.8% of total consumption.

Total energy consumption (in MWH) was 7.6% lower than in the reference year 2019. The COVID-19 situation had an impact on this, as did the divestment of activities. The increased activity level and the announced strategic capital expenditure program will result in an increase in energy consumption. Combined with the energy reductions we achieved and the increase in turnover, this led to an improved operational energy efficiency ratio of 51.2 in 2022 compared to reference year 2019 (67.7).

ENERGY CONSUMPTION IN MWH unless otherwise stated

	2022	2021	(reference year) 2019
Total electricity consumption	73,222	69,122	74,367
Gas consumption	19,075	25,368	25,054
Fuel consumption	760	506	1,269
Total energy consumption	**93,057**	**94,996**	**100,690**
Renewable electricity share in total electricity consumption	37.5%	19.5%	2.2%
Turnover in million €	1,817	1,524	1,490
Operational energy efficiency ratio *in MWH/turnover in million €*	51.2	62.3	67.7

We increased our renewable energy share to 37.5% in 2022, from 2.2% in the reference year 2019. This is mainly the result of purchased renewable energy, self-generated energy through solar panels installed on our buildings and properties, combined with purchased green certificates which was the main contributor in the reduction of scope 2 emissions. In 2023, we will continue to focus on our energy efficiency programs and increase the share of renewable energy to reduce our net CO_2e footprint. In addition, we will set up a compensation program to offset residual CO_2e emissions, with the aim of working toward our carbon neutrality target by 2030 for scopes 1 and 2.

WASTE

Sustainable business practices also include the sustainable management of resources. We focus on production efficiency with the operational excellence program, so we never lose sight of issues such as the reduction of energy consumption and the use of raw materials. At all our production companies, from the design stage, we aim to choose raw materials and other materials that have little or no harmful impact on the environment. Efficient management of materials and raw materials is relevant because of the consumption of valuable metals such as copper and aluminum, which form an essential part of the cable production process, and because of the waste that is inevitably generated. The main raw materials used by TKH are copper, aluminum, and plastic.

Other waste is mainly related to steel, wood, paper and other raw materials. All of the waste produced is classified as non-hazardous.

Our policy is aimed at eliminating waste to such an extent that it has as little impact on the environment as possible. This also helps us avoid unnecessary costs. We have adopted the two following approaches to this:

- Quantitative: we aim to reduce the quantity of waste at source, structurally, by increasing material productivity. We also reduce waste by improving processes and making innovations.
- Qualitative: we aim to minimize the damaging effect of the waste; this means making as much use of recycled materials as possible and optimizing waste treatment via greater cooperation throughout the value chain.

WASTE OF MOST IMPORTANT RAW MATERIALS IN KG TON

	2022	2021
Copper	1,015	784
Aluminum	775	787
Plastic	893	1,002
Total waste most important raw materials	**2,683**	**2,573**
Waste compared to consumption	5.3%	5.2%
Recycling of waste	88.0%	83.2%
Other waste	1,020	1,291

Total waste from the most relevant raw materials, compared to total relevant material consumption, was 5.3% in the year under review, compared with 5.2% in the previous year, and close to the target set for a maximum of 5% waste compared with total consumption of materials. Although the total consumption of materials in tons of kilos increased in 2022 compared to 2021 – mainly due to increased activity levels – we were able to reduce the percentage of material waste compared to the turnover realized. This was driven by waste reduction and operational excellence programs focused on right-first-time production. In addition, for part of our portfolio, we reduced the use of plastics, which resulted in less waste. The waste in 2022, expressed as a percentage of the consumption of materials, shows that measures to reduce waste have been implemented effectively, and that we are well on track to further reducing our waste flows.

Of the main raw materials, 88.0% of our total waste was recycled in 2022 (2021: 83.2%), while our target is to recycle at least 80%. Our copper supplier reprocesses pure copper waste into fully usable copper – so the figure for copper was almost 100% recycled waste. Plastics that have become unusable during the cable production process, but are suitable for recycling, are offered to waste processing companies with a view to turning them into new raw materials. Cables (particularly odd lengths of cable) are sorted as much as possible, and we are looking into the possibility of completely recycling these cables – and the same applies to the plastics used as insulation and sheathing material.

In selecting raw and other materials, we take sustainability criteria into account, alongside price and quality. Partnerships in the value chain also play a part in successfully introducing sustainable product innovations. We will achieve the innovations that are needed to fulfill this ambition by working closely with partners in the value chain. Sustainable cable composition is given high priority in cable manufacturing companies, and we continue to look for innovative manufacturing techniques and opportunities to improve efficiency in the value chain. We conduct discussions throughout the value chain on how processes and products can be made more sustainable, so we can make more effective use of resources. In addition, we use product life-cycle assessments as input for sustainable product innovations, including circularity.

We are trying to reduce the environmental impact of our activities as much as possible by continuously measuring and improving our environmental performance. As our activities may cause nuisance in the surrounding area, we make every effort to prevent or minimize this. To this end, we have drawn up several internal guidelines and implemented noise-reduction and odor-reduction measures. We register and manage environmental complaints, and inform those involved in good time about corrective or preventive measures.

WATER

TKH is not a water-intensive company. Water consumption in our offices is very limited. For our cable production activities, water is used from a closed system, which means the water is reused again. In addition, none of our production sites are located in water-stressed regions.

CLIMATE CHANGE

The potential impact of climate change on our strategy and our business model has received a great deal of attention in the year under review. Based on recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), we extensively analyzed the potential risks to our operations posed by climate change, and how these climate-related risks could be converted into opportunities, for instance through innovations relating to climate adaptation or climate-change mitigation.

Our analysis identified four possible risk areas that could have an impact on TKH's strategy and operations, which are presented in the table on the right.

Risk area	Risks
Laws and regulations	Future implementation of CO_2e taxation/pricing will mean higher operational and compliance costs
Technology	High investment costs to bring technology up to a level where it can meet the demand for products and services that can offer reduced emissions
Market demand and market change	Failure to meet the expectations of key stakeholders, including customers and investors, in relation to information on how we are addressing the challenges of climate change
Scarcity of resources	Increasing volatility in the price and availability of raw materials/resources and materials

In addition, we specifically assessed physical (acute) climate change risks, including rising temperatures, resulting in flooding or extreme weather, and their impact on TKH's operations. Due to the locations of our (production) facilities, the risk is considered less relevant for TKH. However, physical (acute) climate change risks are part of the assessment in business decisions, for example in the case of a change in location, or the expansion of our facilities or activities. We also assessed the exposure of our strategic suppliers to any material first-order and second-order physical climate change impacts. This assessment includes impacts indirectly caused by the physical effects of climate change, such as a significant economic crisis due to physical damage to business, or human migration due to flooding. The analysis also highlighted seven possible opportunity categories that we could use to increase our positive contribution in relation to climate change and climate change mitigation, which we have presented here.

Opportunity category	Opportunities
Efficient use of production processes	Further implement more efficient production processes via our "operational excellence" program
Use of energy sources with lower emissions	Further implement CO_2e-neutral operations
Development of new products and services by means of R&D and innovation	Access markets with our innovations
Focus on zero-emissions products and services	Increase turnover through demand for those of our innovations that result in lower emissions Differentiate ourselves from the competition
Participation in value chain (and other) programs for generation of sustainable energy	Contribute to the achievement of internationally agreed climate mitigation targets
Circular economy	Continue to pursue waste-reduction targets and recycling ambitions to make a sustainable and demonstrable contribution to the circular economy
Participation in initiatives for renewable energy	Obtainment and deployment of our knowledge

Follow-up action includes discussing the results of the analysis with our strategic stakeholders to obtain a validated overview of the key threats and opportunities. In this way, we can gain insight into the acceptance and mitigation of threats, and we can take further steps to bring opportunities to fruition. To verify and discuss the results of the climate change assessment, we conducted several stakeholder dialogues in 2022. The results of the survey and the stakeholder dialogues did not result in material changes in the risks and opportunities which were identified. Therefore, the climate threat profile, a blueprint for how we aim to address climate change, remains valid. The climate risks we have identified are also embedded in the risk management system, so these issues are addressed at an organizational level.

SUSTAINABLE CAPITAL ALLOCATION

TKH plays a role in an increasing number of value chains as a purchaser, producer, supplier, or partner. In all of these roles, TKH tries to guarantee uniformity in its sustainability principles. We allocate capital to our sustainable portfolio and innovations to increase our positive contribution to Sustainable Development Goals (SDGs), as well as enhance our positive impact on society and the environment through our customers. Satisfying sustainability criteria plays an increasingly decisive role in the way our customers award contracts. We are making a significant contribution to the SDGs through our innovative product portfolio. Approximately 68% of our total turnover is now linked to one of the SDGs that we have defined as relevant. In this way, we support our customers in achieving their sustainability criteria and simultaneously provide clear direction on how forward-looking our company is in terms of sustainable development.

TKH strives for a balanced product portfolio with innovative solutions tailored to each of our customer's specifications. In this context, sustainability criteria are becoming increasingly important. We are also devoting attention to sustainable innovation based on our innovation target. We have set ourselves the target of generating at least 15% of our turnover from innovations introduced in the two preceding years. In the year under review, the proportion of innovations in turnover figures was 20.6% (2021: 19.8%).

Our products and systems carry the relevant accreditation marks and certificates and are supplied with clear manuals and specifications. If desired, we can provide measurement and test reports to demonstrate the quality of our products and systems. Products are tested against specifications as part of a continuous improvement process. The potential impact on health and safety is also taken into account.

TKH's technologies and solutions support the sustainability ambitions of our customers. Our Subsea-cable systems contribute to a sustainable energy supply for the future. The TKH Tire Building systems increase the efficiency of the production process, which – in addition to high-quality tires – results in energy and waste reduction at the customer's site. The CEDD®/AGL solution for airports/airfields provides energy savings due to the use of sustainable LED lighting as well as the use of low voltage with induction. The parking guidance systems ensure efficient traffic flow in car parks, leading to a significant reduction in CO_2e emissions. TKH Vision technology has become an indispensable application in the optimization of manufacturing processes, automating and perfecting quality control, as well as inspections in production processes. This leads to significant efficiency improvements in the industry with positive results regarding sustainability criteria. We are continuing to tailor our portfolio to our customers' wishes concerning efficiency and sustainability requirements, taking strong customer relationships as our starting point. In this annual report, several business cases are presented to further substantiate our sustainable, innovative portfolio, linked to the SDGs.

EU TAXONOMY FRAMEWORK

TKH's reporting on EU taxonomy activities follows Regulation EU 2020/852 of the European Parliament and of the Council.

LMI TECHNOLOGIES INTRODUCES **ECO-SMART SUSTAINABLE** PRODUCT **PACKAGING**

Leading 3D scanning and inspection company transitions to 100% recyclable and biodegradable packaging with QR code-based digital Quick Start Guides to replace printed versions.

LMI Technologies (LMI), a leading manufacturer of 3D scanning and inspection solutions, started packaging and shipping its products using 100% recyclable and biodegradable materials which completely eliminates single-use, plastic-based foams and all other plastic materials from packaging. Deployment of the new Eco-Smart packaging is now underway, and LMI expects to have transitioned the vast majority of its products to the new boxes by early 2023.

The EU taxonomy regulation is intended to serve as a standardized and mandatory classification system to determine which economic activities can be considered environmentally sustainable, and it requires companies to report on how and to what extent their activities are associated with such taxonomy-eligible activities. The taxonomy regulation is relatively new and there are after the first year of reporting 2021 still significant uncertainties around its phased implementation. It is expected, however, that the EU will develop a comprehensive and detailed framework over the coming years.

There are six environmental objectives under the EU taxonomy:
1 Climate change mitigation
2 Climate change adaptation
3 Sustainable use and protection of water and marine resources
4 Transition to a circular economy
5 Pollution prevention and control
6 Protection and restoration of biodiversity and ecosystems

On the date of this Annual Report 2022, the EU has adopted only one relevant delegated act, concerning climate change mitigation and adaptation. For an economic activity to be classed as environmentally sustainable under the EU taxonomy, it must be determined whether it is (1) taxonomy-eligible and whether it is (2) taxonomy-aligned.

(1) We used the delegated act EU 2021/2139 to identify which of our activities were eligible.
(2) An economic activity is aligned if it meets the performance requirements (technical screening criteria). These technical screening criteria are based on the notion that an economic activity must make a substantial contribution to environmental objectives and must also do no significant harm to the remaining environmental objectives. On top of that, we have to meet the minimum safeguards in relation to human rights and good business conduct in the area of bribery and corruption, fair competition and tax.

EU TAXONOMY KPIS 2022

	Turnover	Capex	Opex
Eligible and aligned activities	0%	0%	0%
Eligible but not aligned activities	0.3%	0.5%	0%
Not eligible activities	99.7%	99.5%	100%
Total	**100.0%**	**100.0%**	**100.0%**

The taxonomy framework require companies to disclose the proportion of its taxonomy-eligible and taxonomy-aligned activities, and non-eligible economic activities in its total turnover, capital and operational expenditure. We used the delegated act (EU) 2021/2178 for the definitions and calculation of the taxonomy-eligible percentages.

The table above contains all the information required to indicate TKH's eligibility and alignment for its economic activities. However, it is a simplified version of the tables presented in Annex II of Regulation (EU) 2020/852, which provide a template for disclosing the KPIs for non-financial undertakings. Our choice for this simplified table is due to the fact that eligibility and alignment is zero for the environmental objectives Climate Change Mitigation and Climate Change Adaptation. Consequently, the full table would not have any surplus value.

EU taxonomy turnover

Based on our assessment we concluded that only a very limited share of our turnover-generating activities should be included. Taxonomy-eligible but not aligned turnover is 0.3% in 2022 and is related to data processing, hosting and related activities. Because we do not meet the requirements of the EU Directive on Data Centre Energy Efficiency the technical screening criteria are not met. As a result this activity is considered to be eligible but not aligned. The remaining turnover is non-eligible (99.7%). The turnover is calculated based on “total turnover” as per the Consolidated statement of profit and loss. The total value of TKH’s turnover amounts to € 1,816.6 million.

EU taxonomy capex

We also assessed our capital expenditure. Reportable taxonomy-eligible but not aligned capital expenditures in 2022 is 0.5% of the total capital expenditure in 2022 and is related to data processing, hosting and related activities. Because we do not meet the requirements of the EU Directive on Data Centre Energy Efficiency the technical screening criteria are not met. As a result this activity is considered to be eligible but not aligned. The remaining capex is non-eligible (99.5%). The capital expenditure was determined based on the 2022 additions to property, plant and equipment, intangible assets, and additions to right-of-use assets, excluding any re-assessments and excluding goodwill (refer to note 3 intangible assets and goodwill, note 4 property, plant and equipment, and note 5 right-of-use assets of the financial statements). The total value of TKH’s capex amounts to € 170.8 million.

EU taxonomy opex

In 2022, we did not record reportable taxonomy-eligible operational expenditures (0%). Not eligible operational expenditures were 100%. Operating expenses per the EU Taxonomy definition covers direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plants, and equipment. This differs from the definition of operating expenses in our financial statements. We used the following general ledger accounts in the operational expenditures assessment: R&D expenditure, maintenance of buildings, repair/maintenance, lease for short periods, lease for low value items, cost of machinery, cost of warehouse and furniture, and cost of manufacture and accommodation. These costs are included in the other operating expenses (refer to note 26 of the financial statements). The total value of TKH’s opex amounts to € 45.0 million.

The accounting policy includes references to the related line items in the consolidated financial statements, making sure to avoid double counting between the various reporting categories and between the objectives climate change mitigation and adaptation. We will continue to monitor legislative developments and adapt our disclosures where needed.

CUSTOMER SATISFACTION

High-quality technologies, solutions, and corresponding services are essential to our commercial impact. Customer interests play a central role when we undertake and implement operational activities and developments. We measure, monitor, and evaluate customer loyalty and appreciation via customer satisfaction surveys, in a four-year cycle. Based on the outcomes, we can take specific action to serve our customers even better. The 2022 average score of our customer satisfaction survey is 8.6 (2021: 8.4), which is above the benchmark score of 7.8. With training and skills management, standardization of processes, and further improvement of our availability, information systems, and 24-hour service, we aim to provide an even better customer experience.

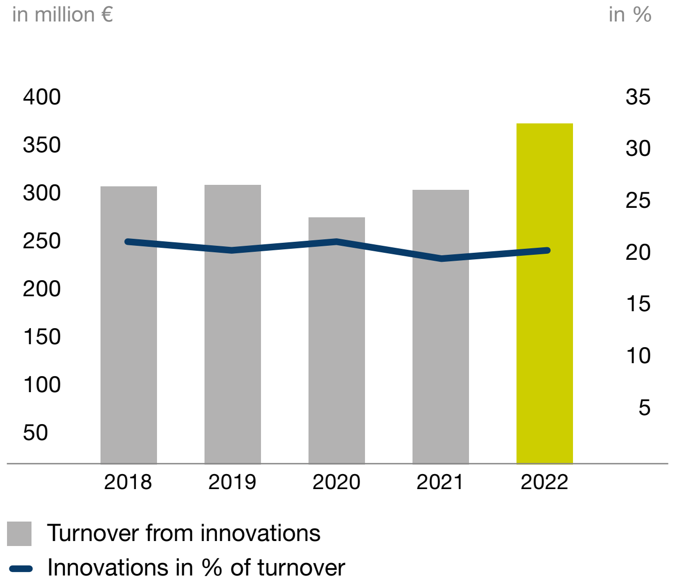
INTEGRITY, COMPLIANCE, HUMAN RIGHTS & RESPONSIBLE PROCUREMENT

TKH highly values the integrity of its employees' conduct. Clear guidelines, operational control, and a zero-tolerance policy regarding matters of principle, such as fraud, bribery, and corruption, ensure that work is carried out in accordance with the appropriate principles and agreements. We have a Code of Conduct in place to ensure that every employee acts in accordance with TKH's guidelines. The Code of Conduct uses the OECD Guidelines as a reference framework. All employees confirm in writing that they will act in accordance with the Code of Conduct, which is linked to a sanctions policy in the event of unacceptable behavior. The managers of our operating companies are responsible for implementing the Code of Conduct in their organizations. The Code of Conduct has been signed by 97.7% (2021: 96.2%) of the total number of employees. The target of 100% has not been achieved, partly due to a longer than expected lead time for new employees to sign the Code. We are maintaining close contact with the operating companies and establishing clear rules to eliminate such delays as quickly as possible. The Internal Audit team ensures that every part of our organization complies with our Code of Conduct. It works closely with TKH's Compliance Officer and Legal Advisor. Among other things, the Internal Control Framework is used to effectively monitor and assess potential bribery and corruption risks. The Code of Conduct can be downloaded from the TKH website.

Employees are expected to be aware of the core values underlying our actions and our risk profile, and to take responsibility for any potential risks they take. They are also expected to adhere to the principle of TKH's culture and to act in accordance with TKH's Code of Conduct. This Code of Conduct is fundamental to everything we do and describes how we act as a company, how we make decisions, and how we deal with different dilemmas within our company. TKH Group is committed to an open culture in which employees can openly discuss any concerns, problems, or breaches of the Code of Conduct. The Whistleblower Procedure provides for a clear course of action for employees who wish to raise such topics or concerns as, for example, a possible criminal offense or violation of the law, a violation of TKH's internal policies and/or procedures, giving or receiving a bribe, disclosure of confidential information, dishonesty or unethical behavior (such as discrimination, (sexual) harassment, bullying, etc.), and tax-related items. Reports are reviewed and investigated by the local Confidential Officer and/or the Group Compliance Officer. If deemed necessary, disciplinary and corrective measures are taken. External parties can also report to the Group Compliance Officer. A report will not affect the position of the whistleblower if the report is made in accordance with the procedure established for that purpose. Last year, one report was received through the Whistleblower Procedure. After a thorough investigation, it was concluded that the report was HR-related and therefore not part of the Whistleblower Procedure. It is difficult to draw clear conclusions about the level of awareness of acting with integrity, and the possibility of reporting wrongdoing. We believe it is important to promote an open and transparent culture and measure these issues in employee satisfaction surveys.

Regarding issues that are material to us, we expect a zero-tolerance policy from our suppliers too. Our principles are set out in a Code of Supply, which covers such issues as human rights, the environment, occupational health and safety, and ethical behavior. Our requirements are set out in the Code of Supply and focus on human rights, the environment, health, safety, and ethical conduct. Any supplier with a purchase volume above € 1 million must sign the Code of Supply. The Code of Supply has been signed by 91.9% (2021: 92.4%) of the total number of suppliers in scope. The target of 100% has not been achieved, partly due to a longer than expected lead time for a new supplier to sign the Code.

TURNOVER FROM INNOVATIONS



Within a maximum of two years of signing a Code of Supply, an assessment of the supplier in question must be carried out to review the items stipulated in the Code. In the year under review, site visits to suppliers were partly restricted due to COVID-19. However, where possible, aspects of the Code of Supply and the associated assessment were discussed and/or implemented in virtual meetings. Internal Audit has included the auditing of processes related to the Code of Supply in its work program.

We have included provisions regarding the respect and protection of human rights in both our Code of Conduct and the Code of Supply. Our policy is not to tolerate any violation of human rights. We use the OECD Guidelines as a reference framework to enable us to quickly identify potential risks. These OECD Guidelines refer to the Universal Declaration of Human Rights, which states that all parties in society, including companies, are obliged to respect and protect human rights. As part of the assessment we carry out with suppliers in the context of our Code of Supply, we ask suppliers about their human rights record and discuss possible areas in which discrimination, the right to social security, and the risk of child labor in the chain may be an issue. The assessments carried out with suppliers have not revealed any violations of human rights. Privacy is an important principle of human rights. People must be able to live in freedom, without everyone knowing everything about them. The Privacy Act including the General Data Protection Regulation (GDPR) gives people more rights – and organizations more obligations – to handle personal data carefully. Internal Audit covers human rights as part of its auditing activities and asks our managers about their compliance with human rights and whether any potential human rights conflicts could arise, especially in the value chain in which we operate.

ANTI-COMPETITIVE BEHAVIOR AND SANCTIONS

TKH is fully committed to combatting anti-competitive behavior by providing all parties with the same information, setting realistic requirements, and establishing clear contract conditions. We also avoid any activities that conflict with legislation. To ensure this, internal guidelines drawn up for strategic management within the TKH Group must be followed. The guidelines contain rules on decision-making procedures and internal authorizations. The TKH Code of Conduct also applies in this respect. It goes without saying that we abide by applicable competition legislation.
Internal Audit has an important role to play in monitoring our compliance with laws and regulations. If sanctions are imposed on our company by authorities, we will explain the cause and the corrective actions that have been taken. In 2022, we did not incur any sanctions.

PRIVACY & IT SECURITY

Increased awareness of potential cyber risks has placed IT & Security high on the strategic agenda, and a clear IT security policy has been developed at TKH. In addition, IT audits have been carried out at the operating companies, based on which action plans have been developed to address vulnerabilities in the IT systems. As a result of the IT audits, the issues of cybersecurity and cyber risks have been given a high priority in the organization and awareness of potential risks has been increased. Communication on cybersecurity takes place via regular newsletters, for example. Penetration tests have also been carried out at some operating companies to determine whether the organization is sufficiently resilient to potential digital attacks. These tests have provided insights into potential vulnerabilities in our IT infrastructure and their potential consequences. The ultimate goal is to implement secure processes and effective controls and to create a safe and honest culture.

In 2022, we placed increasing emphasis on the risk of ransomware and our resilience should such an event occur. The subject is a recurring item on the agenda in meetings of the Executive Board as well as in Audit Committee meetings. As a result, this topic continues to receive the attention it deserves. IT & Security is part of the immediate focus area of the Internal Audit team. Further information about IT & Security is included in the risk management chapter.

European legislation on the protection of private data, the General Data Protection Regulation (GDPR), lays down strict rules on the use of personal data and the storage of such information. One of the conditions is the establishment of a processing register that shows what personal data is being used or stored, where, and for what purposes. The establishment of this register gives insight into and control over data processing in the organization and the related privacy controls. An internal privacy policy has also been drawn up and implemented in the organization. Internal Audit, in collaboration with the internal Legal Advisor (who is also the Data Privacy Officer), ensures the proper application of GDPR legislation within the organization.

TAXES

Tax is an integral part of our sustainability strategy which, in turn, is part of our business strategy. Tax is included in the materiality assessment for sustainability purposes and is an element of our ESG policy.

The tax policy is aligned with TKH's organizational values and forms an important part of TKH's ESG policy. The tax strategy is regularly discussed with the Executive Board and signed off by the Executive Board. Bodies such as the OECD provide guidelines on international tax matters, which are followed by TKH. This is reflected, for example, in TKH's tax position, which shows that taxes are paid where there is significant economic activity and value creation. For TKH, this is one of the relevant elements in the context of a fair-share tax contribution. TKH does not actively participate in public policy lobbying or advocacy.

TKH focuses on compliance with applicable tax laws, regulations, and ethical standards in the countries in which we operate, and we pay our taxes in accordance with the letter and the spirit of tax laws and regulations. TKH's tax department is guided by TKH's core values, does not engage in aggressive tax planning (including tax havens as defined by the OECD), and seeks to limit tax risks. The tax department has global responsibility for the tax position of TKH Group, particularly in relation to corporate income tax, restructuring, and transfer pricing. In carrying out this task, the long-term considerations and interests of TKH's various stakeholders are taken into account.

Tax systems around the world and their application are becoming increasingly complex. To keep abreast of these developments and comply with them, we provide our tax department with continuous training, and internal training modules are regularly organized for selected departments of the various TKH operating companies, focusing on technical and other tax issues, including tax dilemmas.

We continuously seek to invest in technologies to improve data management, and thus the overall quality of direct and indirect tax compliance, control, and reporting. We strongly believe in the benefits technology can offer to enable earlier access to tax-relevant data, particularly as the legal and regulatory environment is rapidly evolving and tax authorities are increasingly embracing digitalization. In recent years, the Tax Function has evolved from being a manually-oriented function to a more data-driven, digitally-enabled one.

In our relationship with the tax authorities, we strive to build strong, mutually respectful relationships based on transparency and trust. We therefore believe in an open and constructive dialogue, both with the Dutch tax authorities and those in other countries. In the Netherlands, this is explicitly laid down in the "horizontal monitoring" covenant. The covenant has been renewed in December 2022. Consultations with the tax authorities are ongoing on how this can be further developed once this covenant has been fully developed. In this respect, we actively cooperate with the Dutch Tax and Customs Administration to share the potential tax impact of new initiatives with them and to embed this in a ruling, if necessary. This ensures that the tax classification of new initiatives is in line with TKH's tax policy and meets the expectations of the Dutch Tax and Customs Administration. It also ensures that activities are taxed only once at a generally accepted tax rate where the business is conducted.

TKH submits an annual Country-by-Country (CbC) report to the Dutch Tax and Customs Administration. This report is made available through the appropriate channels to the tax authorities of the countries in which TKH operates. In addition, TKH is subject to the so-called Mandatory Disclosure Rules (DAC6), which require TKH and the advisors involved to report selected cross-border tax arrangements. During the period under review, one disclosure was made, driven by business motives.

The following table shows the tax paid in 2022 by region. The tax paid often differs from the calculated tax burden due to prepayments that differ from the final tax burden. This may be caused by temporary differences, deferred taxes, and uncertain tax positions.

CORPORATE INCOME TAX

Amounts in thousands of euros	The Netherlands	Europe (other)	Asia	North America	Other countries	Amortization PPA [1]	Total
General information							
Aggregated revenues realized by the companies in the region without elimination of intercompany transactions	1,004,262	811,576	268,352	203,019	22,207		2,309,416
Result on ordinary activities before tax	62,641	82,380	17,981	31,330	3,058	-16,148	181,242
Property, plant and equipment	179,868	77,311	31,679	5,695	392		294,945
Number of own FTE	2,119	2,588	917	472	102		6,198
Income taxes (paid)/received							
Income tax to be (paid)/received at January 1, 2022	-938	-1,800	-251	-3,393	-153		-6,535
Income taxes paid	-14,343	-17,645	-2,882	-4,957	-597		-40,424
Income tax to be (paid)/received at December 31, 2022	-1,875	-6,318	-374	-4,111	-505		-13,183

1 Amortization of intangible non-current assets from acquisitions.

TALENTED PEOPLE AND EMPOWERMENT

The quality of both the organization and its employees are decisive factors in the success of TKH Group. We demand a lot from our employees, who have a clear idea of what is expected of them and how they can make an active contribution. It is our duty to be a good employer and to motivate and help our employees as much as possible so they can carry out their work efficiently and with enthusiasm. We provide our employees with a healthy work environment where safety comes first, and we give them opportunities to develop.

ORGANIZATIONAL STRUCTURE

TKH has a decentralized organizational structure, in which responsibility is distributed as far down the organization as possible. The Executive Board – the body bearing ultimate responsibility – is supported by the Management Board in the operational implementation of the strategy. In addition to the three members of the Executive Board, the Management Board consists of the Director of Finance & Control, Director of Investor Relations & Corporate Communications, and the Company Secretary. The Executive Board is responsible for the decisions taken by the Management Board and bears ultimate responsibility in accordance with the company's articles of association. In addition, TKH has a Strategic Sounding Board consisting of the managing directors of several operating companies. This board assesses TKH's strategy and discusses its implementation. The members of the Strategic Sounding Board provide input on topics such as technological, portfolio, and business developments within TKH Group. This platform also provides an opportunity to involve young talent in the development and implementation of strategy at an early stage, thus promoting management development.

During the year under review, further steps were taken to simplify the organizational structure, allowing for a focus on activities with a greater value creation potential. The integration of operating companies, with a focus on the benefits of economies of scale, will enable operational synergies to be exploited and existing expertise to be better utilized. As a result, activities such as product development, procurement, marketing, communications, and sales can be clearly addressed – an approach that leads to consistency in both branding and customer service. The number of operating companies has been further reduced due to the divestment of activities that, given their nature, have narrow profit margins or limited value creation potential.

CULTURE AND RISK MANAGEMENT

TKH has a culture that encourages entrepreneurship. Organizational risks associated with entrepreneurship are easily identified through a clear framework of responsibilities and authorizations. An open and transparent culture in the organization, coupled with the capacity to be self-critical, enables it to deal with responsibilities and authorizations correctly, and identify risks in a timely manner. Risk management is firmly embedded in our management model. It is characterized by short lines of communication with the Executive Board and backed up by close monitoring of agreed objectives using a comprehensive KPI dashboard that is divided into weekly, monthly, and quarterly information. It also provides a clear overview of developments over a longer time frame. A solid frame of reference, such as budgetary and historical information, helps us to quickly and effectively detect deviations from the agreements and, where necessary, adjust operations. This method is encouraged from the top down to ensure that it permeates all levels of the company. Every quarter, or on a monthly or weekly basis if required, the management teams of the operating companies discuss a strategic scorecard based on highlights and lowlights for each business segment, as well as any related short- and medium-term action points. This provides insight into market, financial, commercial, and sustainability developments. The reports give both quantitative and qualitative information and are structured according to TKH guidelines. This encourages transparent reporting on both positive and negative issues.

TKH aims to have an open business culture where employees are recognized and heard, and, in this respect, places great value on the integrity of its employees' conduct. We encourage an open, transparent professional attitude, in which our managers lead by example. The Executive Board and the management of the operating companies lead by example and set the right values and standards in the organization. An important principle is achieving a balanced relationship in the company's senior ranks and ensuring that there is harmony in terms of personalities, expertise, and skills. Mutual respect is the basis for making well-considered decisions. A clear-cut Code of Conduct, operational controls, and a zero-tolerance policy regarding matters of principle such as fraud, bribery, and corruption are also important means of ensuring that work is carried out in accordance with the right principles and agreements. Because of our open corporate culture, our people feel involved in the company and call each other to account for any undesirable or unacceptable behavior in line with our standards and values. Cultural aspects are assessed using an employee satisfaction survey, which identifies areas for improvement. The Executive Board maintains direct contact with employees in all parts of the organization by, for instance, attending presentations given by employees, participating in project meetings, or taking part in informal gatherings.

EMPLOYEE REPRESENTATION

The interests of the employees are promoted at the operating company level by the local Works Councils, and at the TKH group level by the Central Works Council. These councils ensure ongoing employee representation under the terms of the Works Councils Act (Wet op de Ondernemingsraden). During the year under review, the Executive Board and the Central Works Council held frequent, close consultations. The topics discussed included the results and organizational developments, progress on the strategic program, the budget, investments, and the TKH Annual Report. The special topics dealt with during the year under review were the (re) appointments to the Executive Board and the Supervisory Board. In 2022, an annual Works Council Day was held to strengthen the bond between the various Works Councils of the Dutch operating companies, as well as promote the sharing of knowledge and experiences. TKH believes that consultations with the Central Works Council and other Works Councils are important and attaches great value to an open dialogue. We believe that adopting an active approach to employee representation helps us to stay alert.

EMPLOYEE SATISFACTION

It is very important to measure good employment practices. We have been carrying out employee satisfaction surveys for a long time in four-year cycles combined with "are we on track surveys" during this cycle. The surveys provide important information regarding the motivation, satisfaction, and expectations of our employees. Follow-up surveys also measure the effects of improvements made in response to the findings. We carry out these surveys in collaboration with a specialized third-party research agency. Some operating companies have carried out a satisfaction survey focusing on (company) specific topics such as the impact of COVID-19 on employees, for example related to the requirement to work from home, virtual collaboration, work-life balance, and internal communication. Based on the results of the survey, we evaluate where to amend our HR policy and develop a robust plan of action. The employee satisfaction score in 2022 was 7.6, reflecting surveys from 2019-2022 among 3,903 FTEs, representing 63% of the total FTEs at our own payroll as of December 31, 2022. The employee satisfaction score has increased compared to 2021 (7.4), demonstrating that the implemented measures and action plans are effective.

UKRAINE FACTORY REOPENED SIX WEEKS AFTER THE INVASION

The factory of E&E Cable Solutions, 20 km from Kiev in Ukraine, and with 130 employees, was closed when the invasion of Ukraine started in February 2022. A number of (mostly female) employees responded to the invitation to come to Germany with their families and work at one of the E&E factories in Germany, male colleagues were largely restricted from leaving the country.

After six weeks the factory restarted its production, with employees gradually returning to the site as fighting around Kiev eased. Amidst daily explosions from rockets and drone attacks and regularly spending time in the constructed shelters, our colleagues in Kiev have managed to record the same level of production in the second half of 2022 as in the second half of 2021. We have immense respect for the people of the Ukraine, and especially our team, and hope that this horrible war will end soon.

HEALTHY AND SAFE WORK ENVIRONMENT

Safety awareness and safety performance are important focus areas within the TKH Group, and preventing accidents and promoting a professional safety culture are an important part of this. We achieve the latter by being transparent about accidents and near-misses so employees are more aware of potentially risky situations and can react quickly.
The manufacturing companies provide information on safety within the organization, and clear work instructions are available regarding machinery safety. Strict measures are taken to ensure that employees comply with requirements such as wearing safety shoes and protective clothing. We also encourage employees to draw each other's attention to situations that could lead to dangerous incidents.

Safety is a crucial issue for many of our operating companies. Due to the nature of their work, all of TKH's manufacturing companies are certified under the ISO 45001 standard. This ISO standard covers requirements for a management system relating to occupational health and safety (OH&S), which means that OH&S risks can be managed and performance improved.

To make safety demonstrable, we focus on specific, measurable performance targets for safety measures, including LTIFR (Lost Time Injury Frequency Rate) and illness rate. We devoted further attention to health and safety programs at our production facilities. This resulted in increased attention and awareness for important health and safety topics. The LTIFR figure for 2022 increased slightly to 0.8 compared to last year (2021: 0.7), but below the target of <1.0. In 2022, there were 9 occupational accidents that led to absenteeism where replacement work was not possible (2021: 8). This confirms the need for continuous training and focus on safety matters in both our own organization and that of our suppliers.

The illness rate was 4.04%, which is slightly above last year's level (2021: 3.56%) and slightly above the target of a maximum of 4.0%. COVID-19 had the greatest impact on the increase in the illness rate, due to lockdowns and flu, among other things.

DIVERSITY & INCLUSIVENESS

TKH is an international group of companies with a workforce that includes many nationalities. In such an international environment, we take a broad view of diversity. The diversity policy at TKH focuses on a variety of abilities, skills, and nationalities, and we employ a mix of men and women, as well as a balanced age distribution. There is good job occupancy at junior, middle, and senior levels. The current age structure also results in a manageable level of staff turnover due to retirement.

The diversity of our workforce brings a wide range of skills to our business, which leads to greater objectivity and dynamism. We continue to believe that skills and experience should be the main criteria for selecting the right candidate. We have set up targeted programs with different approaches to bring diversity to people's attention and better embed it in the organization. There are, for example, programs for middle and senior management to achieve gender balance in jobs and consultation structures. Moreover, this is also important in the context of succession planning. Operating companies are responsible for improving the gender balance within their own organizations, and progress is closely monitored by the Executive Board.

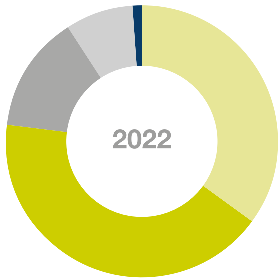
Inclusivity is also part of our diversity policy. In our recruitment policy, we are committed to providing a suitable work environment for people with a disability and/or disadvantage in the labor market. Disability is an umbrella term, covering illnesses/disorders, activity limitations, and participation restrictions. An illness/disorder is a problem in the function or structure of the body. An activity limitation is a difficulty encountered by an individual in executing a task or action. A participation restriction is a problem experienced by an individual in a range of everyday situations resulting in a disadvantage on the labor market. TKH creates work experience opportunities for the long-term unemployed or people returning to the labor market. Workers from sheltered employment are used to performing repetitive work.

In the year under review, the number of employees with a disadvantage in the labor market was 105 FTEs. In 2022, TKH was awarded PSO certification ("prestatieladder socialer ondernemen"). This certificate is a quality mark that proves our organization scores above-average in terms of being socially enterprising and focuses on the employment of vulnerable groups in the labor market. We demonstrably contribute to an inclusive society. By participating in the PSO, organizations around TKH are also encouraged to do business in a more socially responsible way.

TKH has a strict policy of equal treatment for all employees regardless of race, nationality, ethnic background, age, religion, gender, sexual orientation, or disability. We have established a transparent process for recruiting new employees based on an appropriate profile. We do not differentiate between male and female employees' basic salaries and apply market-based remuneration. There may be differences between countries depending on local market practices and the tax and social security structure. We have a

GEOGRAPHICAL SPREAD OF WORKFORCE

in %



	Male	Female	Total
Netherlands	30	5	35
Europe (other)	29	13	42
Asia	10	4	14
North America	6	2	8
Other	1	0	1

remuneration policy based on the requirements of the job, and the experience and skills of the individual.

For Dutch employees, we adhere to the social conditions of employment as stated in a collective labor agreement applicable to the sector. Agreement-related rules are implemented in those operating companies where there is no collective labor agreement. We apply a similar policy to foreign operating companies, in line with local laws and regulations. TKH ensures that such schemes are correctly drafted and observed, particularly in relation to periods of notice, restraint-of-trade and non-compete clauses, and profit-sharing arrangements, and that the statutory notice periods and other provisions are complied with. In the case of acquisition opportunities, the salary structure of the target company is one of the subjects examined during the due diligence process.

At year-end 2022, the number of employees (in FTEs) was 6,607 (2021: 6,160 FTEs), of which 409 were temporary employees (2021: 376 FTEs).

In 2022, the proportion of women in our total workforce increased to 24.3% (2021: 23.4%). The male-to-female ratio was relatively high due to the technical and technological nature of our work and the labor market supply. However, women are increasingly choosing technical and technology-related professions, so we can start to target and recruit more women for the positions in our organization.

TKH has strong ambitions and has set ambitious non-financial targets for the coming years. Among other things, we have set a diversity target, to increase the proportion of female employees in executive and senior management roles to at least 25% by 2030. These positions are defined as follows:

- Executive management: statutory management director level (reporting directly to the Executive Board).
- Senior management: managers who are members of the operating company's management team and responsible for specific business units or departments (e.g. finance, marketing, and production).

To recruit new (female) talent, TKH maintains close contact with business schools and universities. We are in contact with educational institutes that provide job-specific or management training courses. We offer work placements, graduation projects, and short courses to attract potential talent at an early stage. In addition, we use targeted programs to attract more (female) students with limited or lower levels of education – such as those in vocational training – to give them an opportunity to improve their skills in practice, and to interest them in a possible job in our organization.

Recruitment of this kind is a high-priority area. There is an increasing shortage of qualified (female) personnel, especially in technical and technological positions. It will become more challenging to fill such positions in the coming years. However, we have seen that the positioning of our operating companies under the TKH brand has had a positive effect in attracting new employees. Employer branding is increasingly being used to reach and interest future talent. When recruiting external (female) candidates, we are increasingly using referral recruitment, which means asking our current employees to recommend new colleagues. By recruiting in this way, we have a higher chance of finding a match, as our employees can make a good assessment of a potential candidate's suitability for the position and fit with the organization. When capacity became available due to reduced demand or other restrictions, employees were (in some cases temporarily) redeployed to fill other positions, where possible.

In 2022, the proportion of female executive and senior management employees increased to 18.4% from 17.7% in 2021. In the year under review, we expanded our diversity and inclusiveness program, which will be continued in 2023 to meet our ambitious target of 25% by 2030. We initiated specific programs to recruit women, including a trainee program for young women. Through this program, female employees have the opportunity to work in different (technical and technological) positions combined with a specific development program to further develop their other skills including management skills and personal development. In this way, we aim to increase the inflow and throughput of female employees within our organizations.

The Executive Board, Management Board and Supervisory Board aim for diversity in their composition in terms of age, gender, background, expertise, occupational experience, and nationality, taking into account the statutory requirements. In terms of gender diversity, the Supervisory Board has a balanced diversity of at least 1/3 female members and at least 1/3 male members. The Executive Board consists of three members, all of whom are male. In 2022, one of the Executive Board members was reappointed for another four years based on the defined profile and the excellent performance, as well as background and experience, and positive contribution to the activities of TKH, particularly in the Smart

GENDER SPLIT PER FUNCTION GROUP 2022

Number of people unless otherwise stated	Total	Male	Female	Male %	Female %	Target %
Total workforce (employees)	6,546	4,953	1,593	75.7%	24.3%	
Supervisory Board	5	3	2	60.0%	40.0%	1/3
Executive Board	3	3	0	100.0%	0.0%	1/3
Management Board	6	5	1	83.3%	16.7%	1/3
Executive and senior management	369	301	68	81.6%	18.4%	25.0%

Manufacturing Systems business segment. The Management Board consist of six members, of which five male and one female. In 2022, Jacqueline Lenterman was appointed in the Management Board with responsibility for IR & Corporate Communications. Erik Velderman retired from the Management Board to focus on the CEO role for our Airport Solutions activities. TKH will strive that new appointments in the Executive Board, Management Board and Supervisory Board will be focused on the target of having of at least 1/3 female members and at least 1/3 male members.

PERSONAL DEVELOPMENT OPPORTUNITIES

Talent and management development are of great strategic value. Our employees' skills and backgrounds are matched as closely as possible to the strategic developments at TKH and, where necessary, we provide education and training to help employees grow in their jobs or take the next step in their careers. At the same time, we are mindful of the need to retain critical skills to pursue our strategic agenda in technological development and innovation.

Our employees are encouraged to develop in the direction of their choice. Education and training are an indispensable part of maintaining our knowledge base. We provide training budgets to further develop our employees' skills and enhance their employability. We organize internal training, with the help of external professionals, so that this matches normal practice at TKH as closely as possible. New employees go through introduction programs, including product training.

In collaboration with Nyenrode Business University in Breukelen, the Netherlands, a Management Development (MD) program has been developed for those identified as having a high potential for accelerated career advancement. Candidates are nominated by the management teams of the operating companies based on predetermined selection criteria. The Executive Board plays a proactive role in the MD program. In 2022, we launched a new MD program. In this 2022-2023 MD program, selected candidates gain in-depth knowledge of topics such as strategy and leadership, business development and value creation, business processes and sustainability, and also work on business cases to put this into practice.

In 2022, more hours were spent on training and other courses than in 2021. Fewer COVID-19 restrictions meant that more training courses could be held in addition to virtual training. On average, FTEs spent 29 hours on training in 2022 (2021: 21 hours per FTE). In 2022, we further scaled up awareness and training programs on ESG material themes (e.g. the Corporate Sustainability Reporting Directive), relating to health and safety, IT security, sanctions, and our Code of Conduct, among other topics.

MANAGEMENT BOARD

Alexander van der Lof MBA
(Executive Board, *chairman & CEO*)
Elling de Lange MBA (Executive Board, *CFO*)
Harm Voortman MSc (Executive Board)
Jacqueline Lenterman
Gertjan Sleeking
Derk Postma

CENTRAL WORKS COUNCIL

Olaf Karsten (VMI), *chairman*
Gerard Roolvink (TKF), *secretary*
Ad Boerma (EKB)
Jan Jaap Derksen (VMI)
Maurice Fliescher (Intronics)
Michel van Scherpenzeel (TKH Security)
Louis Scholten (TKF)

MANAGEMENT DEVELOPMENT PROGRAM 2022-2023

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), developed by the United Nations, are a blueprint for achieving a better and more sustainable future. TKH recognizes their importance and aims to contribute to the SDGs through its business operations and innovative product portfolio in line with its long-term value creation process.

TKH has selected six SDGs to guide its approach to sustainability; four of these focus on our innovative product portfolio and the other two focus on internal operations and business practices.

THE RELEVANCE OF OUR BUSINESS OPERATIONS AND INNOVATIVE SOLUTIONS TO THE SDGs

To make an effective and targeted contribution through the SDGs, we focus on areas where we feel we can have the greatest impact and make the most direct contribution. In this context, we decided to focus on six SDGs. First, we measured these SDGs against our business operations and core activities, and then we examined our entire value creation process.

Existing KPIs are now aligned with the SDGs to provide insight into our current contribution and to see where additional action will be most effective. Furthermore, we analyzed the opportunities in our value chain, and as a result, we are making a significant contribution to the SDGs through our innovative product portfolio. Approximately 68% of our total turnover is linked to at least one of the SDGs that we have defined as relevant to our business. In this way, we support our customers in meeting their sustainability criteria and simultaneously providing clear evidence of the forward-thinking approach of our business.

GOOD HEALTH AND WELL-BEING

TKH's technologies and solutions support the care process, resulting in greater efficiency and reliability in the healthcare sector, for home care, professional care, and pharmaceutical companies.

Impact

When it comes to the continuously evolving technological support of the care process, TKH believes that care can become more efficient and reliable by tailoring technology more closely to each client. In fact, "tailor-made" is at the heart of TKH's care solutions for both extramural and intramural care. Our care technology platform, which includes customized alarm scenarios and smart sensors, facilitates the rapid and flexible connection of care systems to a comprehensive range of functions and applications for care needs. It also helps make the provision of care more user-friendly and accessible. Our Smart Manufacturing technology responds to increasingly stringent quality measures imposed by the pharmaceutical industry to package different medicines with the highest precision.

EXAMPLES OF OUR INNOVATIVE SDG SOLUTIONS

Care technology platform
Medication distribution and inspection system
Special cable systems for medical equipment
2D Vision systems for medical equipment
Blood pressure sensors
Thermal camera systems

AFFORDABLE AND CLEAN ENERGY

With its Connectivity technologies, TKH is developing innovative cable systems that contribute to the energy transition and the deployment of sustainable energy sources, including offshore wind farms. In this way, we contribute to the European energy reduction targets.

Impact

TKH's Connectivity technology plays a fundamental role in distributing green electricity, such as wind energy. Our innovative Subsea cable concept, for example, connects wind turbines in offshore wind farms, and stands out in terms of high performance, risk reduction, installation efficiency, and sustainable composition. With the trend towards electrification, there is considerable demand for upgrading and expanding power grids; TKH's power cable systems offer a solution to alleviate this enormous demand. It also encourages the innovative use of recycled materials.

EXAMPLES OF OUR INNOVATIVE SDG PORTFOLIO

Energy cable systems for the energy transition
Subsea cable systems for offshore wind farms

INDUSTRY, INNOVATION, AND INFRASTRUCTURE

TKH has a strong reputation as an innovator in the tire building, robotics, and mechanical engineering industries. We pioneer technologies and innovations to capitalize on the pillars of "Industry 4.0", and the demand for increased productivity, and improved product quality and production processes. Our technology also makes infrastructure safer and increases its availability.

Impact

TKH's Connectivity, Vision, and Security technologies make it possible to build sustainable infrastructure that meets strict safety and efficiency standards. Our innovative vision and manufacturing systems also enable our customers to make products more efficiently, reliably and flexibly. Our Vision technology is used for inspection, quality, product, and process control in industrial automation and consumer electronics, and scientific research. TKH leverages its unique expertise and deep understanding of the automation of production processes for controlling and monitoring industrial processes, as well as comprehensive manufacturing systems for car and truck tire production.

EXAMPLES OF OUR INNOVATIVE SDG SOLUTIONS

Fibre optic cable systems
Access control and security systems
CEDD/Airfield Ground Lighting system
Industrial 2D and 3D Vision systems
Tire Building systems
Special cable systems for robotics and mechanical engineering
Test & measurement systems for e-mobility

SUSTAINABLE CITIES AND COMMUNITIES

By combining communications and Security technology to form innovative, comprehensive solutions for the built environment, we help to increase the efficiency, safety, and security of the systems used in and around cities.

Impact

TKH's technologies and resulting solutions help make cities safer. Our Security technology enables the built environment to be monitored and controlled with alarm systems, mission-critical communication systems, access and recording systems, and evacuation systems. Mobility security solutions focus on vehicle tracking, video analytics for public transport, and security solutions on toll roads. In addition, TKH technologies improve efficiency, safety, and security in multi-story car parks, football stadiums, schools, and financial institutions.

EXAMPLES OF OUR INNOVATIVE SDG PORTFOLIO

Mobility inspection systems and security solutions
Mission-critical communication systems
Parking guidance and security systems
Connectivity systems

SDGs 8 AND 12 FOCUS ON OUR INTERNAL OPERATIONS AND BUSINESS PRACTICES

DECENT WORK AND ECONOMIC GROWTH

Through knowledge sharing and our strong R&D focus, we offer a distinctive and innovative product portfolio of high added value. Healthy balance sheet ratios and a solid operational cash flow also support TKH's growth strategy. Through good employment practices, we offer our employees a vibrant and safe working environment with ample development opportunities.
At our subsidiaries, where a safe working environment is an important area of attention, due to the nature of the activities carried out there, the ISO 45001 certification in health and safety has been set as a standard.

Impact

TKH is committed to providing a safe and inspiring work environment for our employees. We offer our employees the training and resources they need to perform their activities and develop their skills effectively. By sharing knowledge, TKH further develops its sustainable portfolio in response to market needs. Through our operational excellence programs, which systematically focus on both customer value and on making the best possible use of our people's knowledge and skills, we excel in our business operations – which are the foundation of our organization and a platform for our future growth.

RESPONSIBLE CONSUMPTION AND PRODUCTION

Through our business operations, TKH focuses on responsible operations and production, and on reducing our negative impact on the environment as much as possible. All our production companies are certified in accordance with the ISO 14001 environmental management system and work according to the LEAN principle to prevent waste in the production process.

Impact

TKH's ESG policy is designed to ensure that we continuously improve our environmental performance and minimize the negative impact of our operations on the environment. All of the raw materials used by TKH production companies are selected, to the greatest extent possible, so that they have little or no harmful effect on the environment from the initial design stage. TKH's production environment focuses on preventing waste as much as possible, and sets targets for reducing waste and recycling raw materials. We regularly discuss sustainability issues and our Code of Supply with our suppliers.

FINANCIAL PERFORMANCE

GROUP FINANCIAL PERFORMANCE

Turnover reached € 1,816.6 million in 2022, a 19.2% increase (2021: € 1,523.8 million). Adjusted for currency effects, turnover grew organically by 18.0%, with price effects accounting for 7.6% of turnover. All segments contributed to the organic growth in turnover, although the turnover growth at Tire Building systems was impacted by the delayed deliveries of near-finished products due to component shortages.

The geographical distribution of turnover remained broadly in line with 2022. The turnover share in the Netherlands grew to 25% of total turnover (2021: 22%), while the share in Europe, excluding the Netherlands, decreased to 44% (2021: 45%). In Asia, the share of turnover decreased to 15% (2021: 19%), partly due to the lockdowns and reshoring, while in North America turnover increased to 13% (2021: 11%). The turnover share of the other geographical areas remained unchanged at 3%.

The gross margin decreased to 47.2% in 2022 (2021: 48.3%) due to a shift in the product mix, with a larger share coming from Smart Connectivity systems combined with increased raw material and component prices and the inflationary price impact on margins.

The order intake remained strong in 2022, resulting in a record order intake of € 2,042 million (2021: € 1,842 million), and resulting in an order book at year-end of € 971.9 million (2021: € 746.6 million), an increase of 30.2% compared to last year. Whereas all segments benefitted from the increase in order intake, the order intake at Smart Manufacturing systems was exceptionally strong at € 694.5 million (2021: € 561.5 million). This increase was mainly driven by Tire Building systems, which further boosted its market share during the year and benefitted from the effects of reshoring and the capex programs of the tire manufacturers.

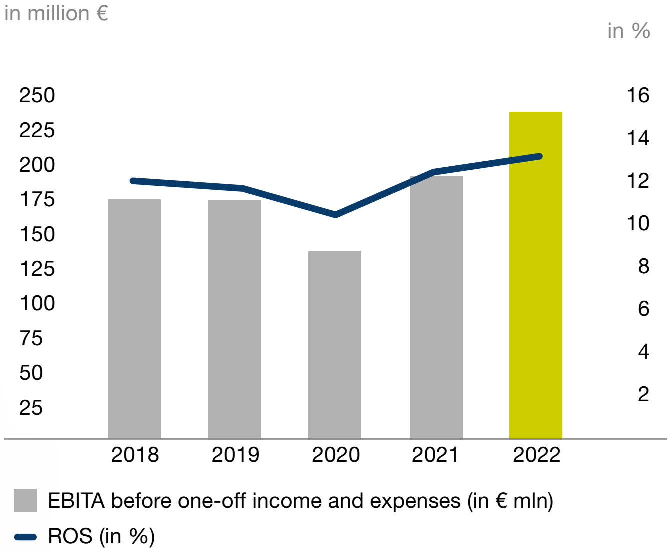
Operating expenses (excluding amortization and impairments) increased by 13.9% compared to last year. The relatively largest increase was in selling expenses, due to the return of travelling and higher freight costs. Operating expenses were impacted by component shortages at Tire Building systems, leading to operational inefficiencies.

Furthermore, personnel expenses increased due to the expansion of the workforce and payroll increases. Currency changes had an upward impact of 1.7%, mainly due to the USD-EUR movement in the Smart Vision systems segment.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) increased by 23.9% to € 234.8 million in 2022, from € 189.6 million in 2021. All segments contributed to the increase in EBITA. In 2022, Smart Vision systems was the largest contributor to EBITA (€ 95.5 million, or 40.7% of EBITA).

ROS improved to 12.9% (2021: 12.4%) due to the turnover growth and lower relative cost levels.

EBITA AND ROS DEVELOPMENT



The figures of 2018 and 2019 are based on 'continued operations' and thus excluding the divested industrial connectivity activities.

The upward price effects, higher raw material and components prices, the shift in product mix, the EU anti-dumping duties on fibre optic cables, and supply chain constraints at Tire Building systems all had a dampening effect on ROS.

Amortization increased by 6.7% due to the higher amortization of capitalized R&D, as a result of increasing investment levels in previous years, while the amortization on PPAs from acquisitions decreased.

The net financial expenses increased by € 0.9 million to € 8.9 million (2021: € 8.0 million) due to higher interest expenses and foreign exchange losses. However, this was partly offset by an improved result from associates and a lower impact from earn-out liabilities.

The normalized effective tax rate decreased to 24.8% in 2022 from 26.9% in 2021, primarily due to relatively higher profits at companies benefitting from R&D tax facilities and several settlements of prior year tax positions.

Net profit before amortization and one-off income and expenses attributable to shareholders increased by 26.1% to € 143.6 million (2021: € 113.9 million). Net profit rose by 44.0% to € 137.1 million (2021: € 95.2 million). Earnings per share before amortization and one-off income and expenses amounted to € 3.50 (2021: € 2.77). Ordinary earnings per share were € 3.34 (2021: € 2.31).

Net bank debt rose by € 101.7 million from the level at year-end 2021 to € 307.2 million at year-end 2022. The net debt/EBITDA ratio, calculated according to TKH's bank covenant, stood at 1.1, well within the financial ratio agreed with our banks. Solvency decreased to 38.0% (2021: 42.5%).

The cash flow from operating activities amounted to € 116.2 million in 2022 (2021: € 199.0 million) and was impacted by the increase in working capital of € 116.3 million. This was mainly due to higher activity levels, the (temporary) buildup of inventories to secure supply chains and higher price levels of most inventory items. The cash flow from net investments in property, plant, and equipment amounted on balance to € 91.8 million in 2022 (2021: € 31.0 million), of which € 41 million is attributable to the Strategic Investment Program.

Investments in intangible assets related to development costs, patents, licenses, and software increased slightly to € 45.9 million in 2022 (2021: € 40.5 million). TKH spent € 0.9 million on acquisitions (2021: € 0.5 million). In 2022, two properties classified as held for sale were sold for € 14.0 million (2021: € 0.2 million divestment of associates).

At year-end 2022, TKH employed a total of 6,607 FTEs (2021: 6,160), of which 409 were temporary employees (2021: 367 FTEs).

DIVIDEND

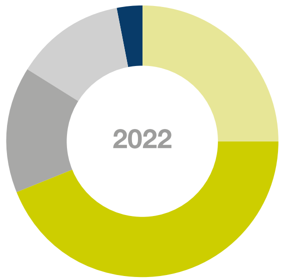
The 2023 General Meeting of Shareholders will be asked to approve the payment of a cash dividend of € 1.65 per (depositary receipt for a) share (2021: € 1.50), amounting to a payout ratio of 47.1% of the net profit before amortization and one-off income and expenses attributable to shareholders and 49.4% of the net profit attributable to shareholders. The dividend will be payable on May 2, 2023.

ANNOUNCEMENT OF SHARE BUYBACK PROGRAM

Based on the strong financial foundation, TKH has decided to start a share buyback program as of March 7, 2023 amounting to € 25 million. At present, TKH owns 2.8% of TKH shares, and the company will notify the Authority Financial Markets (AFM) as soon as this percentage surpasses the notification obligation of 3%. The intention is to execute the program within a period of four months, within the conditions set by the 2023 General Meeting of Shareholders, with a maximum purchasing volume of 10% of the trading volume. TKH will report on the progress of the program on a weekly basis.

GEOGRAPHICAL DISTRIBUTION OF TURNOVER

in %



	2022	2021
Netherlands	25	22
Europe (other)	44	45
Asia	15	19
North America	13	11
Other	3	3

DEVELOPMENTS PER BUSINESS SEGMENT

SMART VISION SYSTEMS

TKH creates state-of-the-art Vision systems, and Vision technology represents about 87% of the turnover of the Smart Vision systems segment. This technology encompasses 2D and 3D Machine Vision and Security Vision systems. Combining these technologies with in-house software development allows us to create unique, smart, integrated plug-and-play systems, and one-stop-shop solutions.

KEY FIGURES SMART VISION SYSTEMS

in € million unless otherwise stated	2022	2021	Change in %
Turnover	499.7	429.8	+ 16.3%
EBITA	aer	73.8	+ 29.5%
ROS	19.1%	17.2%	

In 2022, turnover in Smart Vision systems increased by 16.3% to € 499.7 million, despite limitations in the supply of electronic components and lockdowns in China. In most cases, however, we either managed to secure the required components or we redesigned our products to include more widely available components. Adjusted for currency effects, turnover grew organically by 12.5%, with price effects accounting for 4.5% of turnover. The order book grew solidly by 14.3% to € 159.2 million (2021: € 139.3 million). The added value increased slightly from 58.3% to 58.5%. As a result of the volume growth, EBITA increased to € 95.5 million (+29.5%) and ROS improved to 19.1%.

VISION TECHNOLOGY

Machine Vision technology, the strongest contributor to this segment in 2022, grew in most regions and end markets. Growth was especially strong in 2D Vision, where Alvium (embedded 2D vision platform) made a significant contribution, especially in factory automation. The turnover growth in 3D Vision was affected by the lockdowns in China, but was still double-digit. Turnover for Security Vision also achieved double-digit growth, mainly due to growth in (video) communication and security systems.

SMART MANUFACTURING SYSTEMS

TKH leverages its unique expertise and deep understanding of automating production processes in specific industries to create superior manufacturing systems. TKH engineers complete manufacturing systems and machines that contribute to highly efficient processes. Tire Building systems account for 68% of the Smart Manufacturing systems segment turnover share.

Smart Manufacturing systems showed strong turnover growth, although this was impacted by the operational inefficiencies from delayed deliveries at Tire Building systems due to shortages of critical components. Adjusted for currency effects, turnover grew organically by 16.7%, with price effects amounting to 4.1%. The order book grew by 55.0% compared to the previous year-end and peaked at € 573.0 million on December 31, 2022 (2021: € 369.7 million) with a significant contribution from Tire Building systems. The added value increased slightly from 49.0% to 49.9%. EBITA was up 16.3% at € 69.1 million. The ROS was stable at 14.1% (2021: 14.2%).

KEY FIGURES SMART MANUFACTURING SYSTEMS

in € million unless otherwise stated	2022	2021	Change in %
Turnover	491.2	419.1	+ 17.2%
EBITA	69.1	59.4	+ 16.3%
ROS	14.1%	14.2%	

TIRE BUILDING SYSTEMS

Compared to 2021, there was a substantial increase in production output in this segment as a result of the high order intake in 2021, which led to improved results. The order intake for both passenger and truck tire systems in 2022 was significantly higher than in 2021 and included orders for new product launches such as the REVOLUTE (combination of fully automated tire component preparation and bead assembly) and UNIXX Beltmaker, a system based on UNIXX technology. Our groundbreaking UNIXX technology continues to gain traction in various modules and applications.

OTHER

The growth in Care was hampered by a delay in the rollout and series production of INDIVION orders due to component shortages and delays at customers.
At the same time, increasing interest from other market parties in this technology resulted in new orders. We also achieved good turnover and profit growth in industrial automation.

SMART CONNECTIVITY SYSTEMS

TKH manufactures advanced connectivity systems, and engineers complete Smart Connectivity systems with a unique, integrated system approach and sustainability proposition. Energy and Digitalization account for about 36% and 34% of the Smart Connectivity systems segment turnover share.

Turnover in Smart Connectivity systems increased significantly across almost all market segments by 22.6% to € 848.6 million in 2022. Adjusted for currency effects, turnover grew organically by 22.7%, with price effects amounting to 11.4%. The order book grew slightly to € 239.7 million (2021: € 237.6 million). Added value as a percentage of turnover decreased from 40.4% to 37.8% in 2022, mainly due to higher raw material prices and EU anti-dumping duties on the import of fibre optic cables that came into effect in November 2021. EBITA increased significantly by 19.3% to € 87.3 million. Impacted by price effects and import duties, ROS decreased to 10.3%.

KEY FIGURES SMART CONNECTIVITY SYSTEMS

in € million unless otherwise stated	2022	2021	Change in %
Turnover	848.6	692.3	+ 22.6%
EBITA before one-off income [1]	87.3	73.2	+ 19.3%
ROS	10.3%	10.6%	

1 One-off income in 2022 amounted to € 10.4 million, of which € 1.0 million in H2 2022.

ENERGY

The strong demand for renewable energy sources and the expansion of the energy network infrastructure are the main drivers for turnover growth. The expanded production capacity for medium-voltage energy cables became operational in Q3 2021 and contributed to the increase in production volumes in 2022.

DIGITALIZATION

Turnover increased due to the high investment priority for fibre optic networks in Europe. In Q4 of 2021, the European Commission imposed anti-dumping duties on imports of fibre optic cables from China into the European Union. This had a negative impact on the added value in 2022, which could only partly be offset by the increases in price levels for fibre optic cables. Growth was also achieved in data network cable systems and broadband products for data centers and offices in France, Germany, and the Netherlands.

OTHER

TKH benefitted from the strong demand for our specialized and customized connectivity systems for the machine-building, robotics, and medical industries, with a good contribution from our Ukrainian factory, which resumed production in April 2022. The activities in the building and construction market also grew in 2022.

ACQUISITIONS, DIVESTMENTS, AND INVESTMENTS

Acquisition is an important part of TKH's strategy and contributes to our value creation by strengthening our business proposition. We focus on acquiring structurally healthy companies that allow us to build our portfolio of proprietary technologies, or expand our geographic sales network within Europe, North America, and Asia.

We aim to acquire a turnover of € 100 million to € 150 million within the medium term, at the same time as we manage our portfolio to reduce activities with lower margins and growth potential. In addition, we aim to divest € 150 to € 200 million turnover in activities that do not contribute toward our long-term targets.

ACQUISITIONS & DIVESTMENTS

In July 2022, we further strengthened our leading position in Machine Vision with the acquisition of Nerian Vision GmbH, a small German niche player in 3D Vision. We made progress with our divestment program with the divestment of our remaining stake in Cable Connectivity Group, closed on February 1, 2023 and leading to a one-off net profit of € 36 million in Q1 2023 and the sale of two redundant real estates leading to a one-off profit of € 9.3 million in 2022. The expenditure related to acquisitions amounted to € 0.9 million (2021: € 0.5 million). At the balance sheet date, an active program is in place to divest certain activities related to the distribution of our connectivity solutions; accordingly, the associated assets and liabilities have been reclassified to assets and liabilities held for sale. Barring unforeseen circumstances, a transaction is expected within the upcoming 12 months.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

In 2022, the net investment in property, plant and equipment, excluding right-of-use assets, totaled € 91.8 million (2021: € 31.0 million). In 2022, we launched our Strategic Investment Program to further increase our global production capacity to respond to the increased market demand in the fields of automation, digitization, and electrification. The execution of these expansions started in the second half of the year and is progressing on schedule. In total, we expect these investments to generate an additional € 250 - € 300 million annual turnover in the coming years, the majority of which will be realized by Smart Connectivity systems.

The investments specifically target:

- Onshore and offshore power cables. The market outlook has further strengthened, as investment plans for infra-structure have picked up significantly due to the increased focus on renewable energy and the reduction of dependency on oil and gas. In 2022, we decided to invest € 150 million to meet the additional demand for onshore and offshore connectivity. The expansion of our existing facilities in Lochem for the production of medium and high voltage cables is expected to become operational in Q3 2023. The investment in a new plant for inter-array cables in Eemshaven is progressing well and is expected to start serial production in Q2 2024.
- Fibre optic cables: We began constructing a new plant in Poland, which will increase our EU cabling capacity to eliminate the € 10 million import duties incurred in 2022. The plant will be operational as of Q3 2023.
- A new plant in Poland specializing in connectivity systems. This plant will increase capacity by 25% and reduce current

lead times. The plant will be operational in Q3 2023.
- The construction of additional capacity for Tire Building systems in Poland, which will be operational early Q2 2023.
- Out of the total amount of € 200 million allocated for strategic investments, € 41 million has been spent in 2022.

Depreciation of property, plant and equipment totaled € 31.7 million in 2022 (2021: € 30.1 million).

INVESTMENTS IN INTANGIBLE ASSETS AND GOODWILL

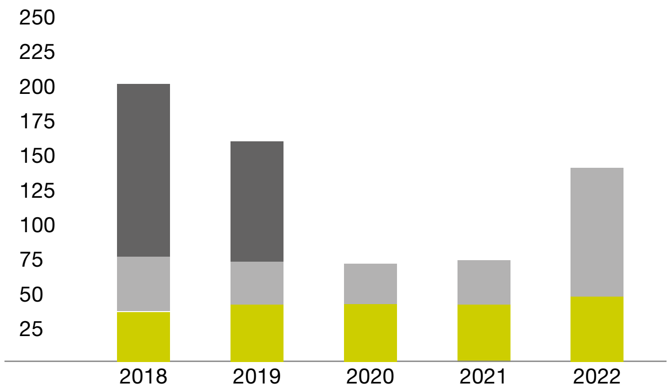
In 2022, € 45.9 million was invested in intangible assets and goodwill (2021: € 40.5 million). The most important investments related to the ongoing development of our technologies:

- 2D and 3D Machine Vision portfolio.
- (Vision) security and communication systems.
- New generation of Tire Building systems, like the UNIXX, FLEXX, and Revolute.
- Portfolio and production technology for connectivity systems focused on electrification.
- Automated system for patching and connecting within fibre optic networks.

The investments above do not only relate to hardware development, but also the development of smart software based on artificial intelligence. In addition, there are investments in software including ERP of € 6.1 million and patents and licenses of € 2.0 million.

INVESTMENTS

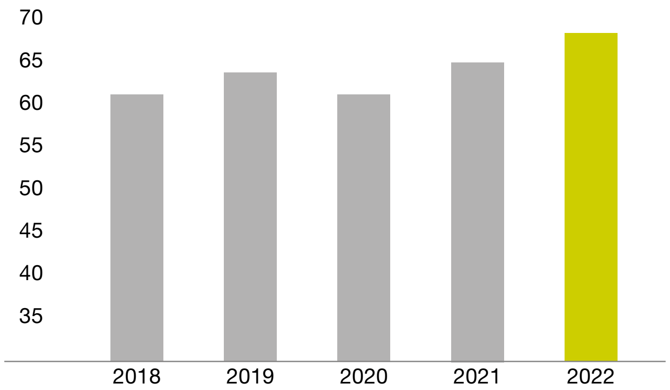
in mln €



Acquisitions
Property, plant, and equipment
Intangible assets

R&D EXPENDITURE

in mln €



R&D expenditure (in € mln)

VMI OPENS **MAJOR** PLANT **EXPANSION** IN **POLAND**

Early 2023, VMI opened 3 new production assembly halls at its manufacturing site in Leszno, Poland. This will bring the total available floorspace for production of VMI's high-tech machinery in Poland to almost 30,000 square meters. The expansion of VMI, part of technology company TKH, follows a number of years of high growth in VMI's core business in the tire and pharmaceutical industries. The additional production halls augments its global manufacturing footprint which includes facilities in The Netherlands and China.

In line with TKH's commitment to sustainability, the new buildings are designed to match the environmental sustainability goals (ESG's) which includes the use of state-of-the-art LED lighting and solar power.

OUTLOOK

The favorable market conditions for our leading technologies, underlined by our strong order book and our capacity expansions, lead to a positive outlook for our businesses.

We expect total capital expenditure in property, plant and equipment to be around € 200 million for 2023, of which approximately € 160 million relate to the Strategic Investment Program. Barring unforeseen circumstances, we anticipate organic growth in turnover and EBITA in 2023. TKH expects the following developments per business segment in 2023.

SMART VISION SYSTEMS

- Turnover and EBITA are expected to grow in 2023 compared to 2022, thanks to a combination of a good order intake in 2022, expected growth of the main markets we are active in as well as a number of product launches and targeted programs in key markets.

SMART MANUFACTURING SYSTEMS

- Turnover is expected to grow in 2023 compared to 2022, driven by the record high order book.
- We expect a continuing high order intake due to onshoring and initiated capex programs at the tire manufacturers. However, due to foreseen continuing supply-chain constraints, we expect full year EBITA to be in line with 2022, with a weak first half year that is compensated in the second half of 2023.

SMART CONNECTIVITY SYSTEMS

- On balance, turnover and EBITA will grow organically, despite start-up costs for the new plants.
- We expect a strong order intake for offshore wind and onshore energy connectivity systems on the back of continuing growing demand related to the energy transition programs.
- The demand for our fibre optic and specialty cable is foreseen to be on a high level. The coming on stream of EU capacity in the second half year will support the improvement of margins.

As usual, TKH will provide a more specific outlook for the full year of 2023 at the presentation of its interim results in August 2023.

GOVERNANCE

MEMBERS OF THE EXECUTIVE BOARD

HARM VOORTMAN ALEXANDER VAN DER LOF ELLING DE LANGE

J.M.A. (ALEXANDER) VAN DER LOF MBA

CHAIRMAN OF THE EXECUTIVE BOARD, CEO

Dutch nationality, male, 1958

Term 2001-present

Alexander van der Lof started his career in 1985 at TKH subsidiary B.V. Twentsche Kabelfabriek (TKF) and held various management positions, including Commercial Director. In addition to his career at TKF, Mr. Van der Lof was Company Secretary of TKH Group for a number of years. In 1998, Mr. Van der Lof became a member of the Executive Board of TKH Group and Chief Financial Officer (CFO). Since 2001, he has been chairman of the Executive Board and Chief Executive Officer (CEO) of TKH Group.

E.D.H. (ELLING) DE LANGE MBA

MEMBER OF THE EXECUTIVE BOARD, CFO

Dutch nationality, male, 1965

Term 2008-present

Elling de Lange joined TKH in 1998, having started out as a member of the Board of C&C Partners in Poland. In 2002, he became Financial Director of the Chinese cable production companies TFO and ZTC, and in 2003 he took the position of CEO. Since 2006, Mr. De Lange has also been responsible for the Dutch-Chinese cable production companies. Mr. De Lange has been a member of the Executive Board and Chief Financial Officer (CFO) of TKH Group since 2008. Before he joined TKH Group, he served in several international management positions at Ballast Nedam.

H.J. (HARM) VOORTMAN MSC

MEMBER OF THE EXECUTIVE BOARD

Dutch nationality, male, 1966

Term 2022-2026

Harm Voortman joined TKH's subsidiary, VMI Holland B.V. in 2004, where he held various management positions, including Commercial Director. In 2010, Mr. Voortman was appointed CEO for VMI Group, and in 2015 he also joined the Management Board of TKH. In 2018, Mr. Voortman was appointed member of the Executive Board of TKH Group. Before his career at TKH Group, Mr. Voortman worked in various R&D and management positions at, among others, Shell and Stork.

MEMBERS OF THE SUPERVISORY BOARD

R.L. (ROKUS) VAN IPEREN
CHAIRMAN

Dutch nationality, male, 1953
2011 first appointment
2024 end of term
Chairman of the Selection and Nomination Committee
Member of the Remuneration Committee

Current other non-Executive Board positions:
Chairman of the Supervisory Board, Princess Máxima Center for Pediatric Oncology

Previous positions:
President and CEO, Canon Europe Ltd.
Senior Managing Executive Officer, Canon Inc.
Chairman of the Executive Board, OCÉ N.V.

J.M. (MEL) KROON
VICE-CHAIRMAN

Dutch nationality, male, 1957
2017 first appointment
2025 end of term
Member of the Selection and Nomination Committee
Member of the Audit Committee

Current other non-Executive Board positions:
Chairman of the Supervisory Board, Attero B.V.
Chairman of the Supervisory Board, Eneco Groep N.V.

Current other positions:
Non-Executive Board Member, Urenco Ltd & UCN B.V.
Chairman of the Supervisory Board, Energyworx B.V.
Member of the Advisory Board, LVNL
Member of the Supervisory Board, KVSA B.V.
Chairman of the Advisory Board, De Rijke Noordzee
Advisor, Mitsubishi Corporation
Board Member, German-Dutch Chamber of Commerce DNHK
Advisor, Improved
Member of the Supervisory Board, Montel SA
Advisor, GIGA Storage B.V.

Previous positions:
Chairman of the Executive Board, TenneT Holding B.V.

C.W. (CARIN) GORTER
MEMBER

Dutch nationality, female, 1963
2017 first appointment
2025 end of term
Chairman of the Audit Committee
Chairman of the Remuneration Committee

Current other non-Executive Board positions:
Vice-Chairman of the Supervisory Board, Basic-Fit N.V., Chairman of the Audit and Risk Committee
Member of the Supervisory Board, Coöperatie TVM U.A., Chairman of the Audit and Risk Committee
Member of the Supervisory Board, DAS, Chairman of the Audit and Risk Committee
Member of the External Audit Committee, Ministry of Security and Justice
Member of the Supervisory Board, NTS (Nederlandse Transplantatie Stichting)
Member of the Supervisory Board, Ebusco Holding N.V., Chairman of the Audit Committee

Current other positions:
Owner, Carin Gorter Advies & Toezicht

Previous positions:
Senior Executive Vice President & Head of Group Compliance, Security & Legal, ABN AMRO

A.M.H. (MARIEKE) SCHÖNINGH
MEMBER

Dutch nationality, female, 1963
2020 first appointment
2024 end of term
Member of the Remuneration Committee

Current positions:
Member of the Management Board and COO, SHV Energy

P.W.B. (PETER) OOSTERVEER
MEMBER

Dutch nationality, male, 1957
2022 first appointment
2026 end of term
Member of the Audit Committee

Current positions:
CEO and Chairman of the Executive Board, Arcadis N.V.

Current other positions:
Member of the Executive Committee, World Business Council for Sustainable Development (WBCSD)
Member of the Global Leadership Forum advisory Board, FIDIC
Chairman of the Supervisory Board, kanker.nl

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board oversees the way the Executive Board defines and implements TKH's strategy to achieve the defined objectives of the company and its affiliated companies. In doing so, the Supervisory Board is guided by financial, non-financial, commercial, operational, and governance information, focusing on the interests of all the company's stakeholders.

The Supervisory Board advises the Executive Board and oversees the Executive Board's relationship with stakeholders, including shareholders. The members of the Executive Board are appointed by the General Meeting of Shareholders on a binding recommendation drawn up by the Supervisory Board. The Supervisory Board is governed by by-laws, which include rules covering such matters as its working method, tasks, decision-making, and competencies.

MEETINGS DURING THE YEAR UNDER REVIEW

In 2022, five regular meetings and one additional meeting were held, which were all attended by the Executive Board. The Supervisory Board meetings were well attended in 2022. All Supervisory Board members were present during the regular Supervisory Board meetings, with the exception of one member, who was unable to attend the December 2022 meeting. In addition, three closed meetings took place attended by the Supervisory Board members only. During the year under review, there were no subjects on the agenda that could have potentially given rise to conflicts of interest. The discussion of the 2021 annual financial statements took place in the presence of the external auditor. In preparation for the Supervisory Board meetings, as well as to discuss other relevant matters during the year, the chairman of the Supervisory Board maintained regular contact with the chairman of the Executive Board. The Supervisory Board supervises and advises the Executive Board based on agenda items that recur at every meeting, and on specific subjects relevant for discussion at any given time.

COMPANY VISIT

At least one regular meeting is held annually at the location of a TKH operating company. These company visits allow the Supervisory Board to meet with local management and employees, and to strengthen the Board's insight into TKH's activities, technological developments, and organizational capacity. The Board is updated on local developments, as well as possible challenges faced by local management. Company visits, presentations, demonstrations, and guided tours are always part of the program. Particular attention is also paid to the local company culture.

In 2022, the Supervisory Board visited the TKH operating company Chromasens in Konstanz, Germany, which belongs to the Smart Vision systems business segment. The Supervisory Board also visited the TKH Vision Solution Center at the same location. The Supervisory Board was informed about technological and project developments and the applications of vision systems in the various markets. Special attention was paid to opportunities for developing and supplying customized imaging solutions. In the subsequent guided tour through the TKH Vision Solution Center, Chromasens highlighted the various applications of vision systems and demonstrated the portfolio of TKH's vision systems and their applications. Other relevant topics were discussed with local management, including supply chain challenges and in particular the availability of important (electrical) components. The Supervisory Board greatly values these company visits and, in particular, the meetings with local management and employees, as they provide a deeper understanding of local activities and the company culture. The Supervisory Board also appreciates the openness and transparency of the presentations and discussions.

REGULAR MEETINGS

Recurring agenda items, concerning topics such as business and financial developments, the progress of the Accelerate 2025 strategy program, technological, organizational, and market developments, as well as investor relations, are discussed at each regular meeting. In 2022, specific attention was paid to the situation of employees and their families in Ukraine, as well as the company operations there. The divestment of the remaining stake in the Cable Connectivity Group was also discussed. Further attention was paid to supply chain management, cost inflation of (raw) materials and labor, the availability and price increases of energy, impact of a possible recession, and the influence of global economic and geopolitical developments on the implementation of TKH's strategy, financial position, and results, including the effects of the Russia-Ukraine conflict. Where appropriate, the chairman of the relevant Board committee explains the most important findings of each meeting. The content of the press releases concerning the annual and half-year results is discussed with the full Supervisory Board prior to publication.

The "strategic scorecard" was used at each meeting to discuss the progress of strategic initiatives and business developments, including the order book, the competitive environment in which TKH operates, potential business risks, and how these risks are managed. In this context, the Board was also frequently updated on the progress of innovation projects. The fact that TKH's investments in innovation delivered results in 2022 and enabled TKH to grow in several markets strongly confirms, in the view of the Supervisory Board, the chosen strategic growth path.

Following input from the Executive Board, the Supervisory Board discussed and approved the Strategic Investment Program for 2022-2023 as part of the implementation of the Accelerate 2025 strategy program.
This strategic capital expenditure program will increase TKH's production capacity to respond to the higher market demand for automation, digitization, renewable energy, and electrification:

- Subsea connectivity systems (new factory at a Dutch seaport)
- Medium and high voltage cables (expansion in the Netherlands)
- Fibre optic cables (new factory in Poland)
- Specialized connectivity systems (new factory in Poland)
- Tire building systems (expansion in Poland)

A "deep dive" presentation was given by the Executive Board concerning TKH's Intellectual Property ("IP") strategy. More insight was gained into the (development of) registered patents and trademarks per region and business area, and the application of IP rights in TKH's technology portfolio. In addition, related topics such as securing expertise, applicable legislation, enforcement, and communication concerning IP were discussed. The Supervisory Board has received confirmation that the topic is being given the necessary attention and that the strategic importance is high.

The Supervisory Board is regularly updated on the progress of sustainability initiatives and developments.
Last year, specific attention was paid to the increasing relevance of non-financial information with a focus on ESG (Environmental, Social, and Governance) themes and their alignment with existing sustainability issues, including climate change. Progress on the defined key non-financial KPIs was discussed, including the progress made towards the target of CO_2 neutrality by 2030 and diversity. Special attention was also paid to the implementation of the EU Taxonomy and the validation process by the external auditor of the most relevant non-financial KPIs. The Corporate Sustainability Reporting Directive (CSRD), the related European Sustainability Reporting Standards (ESRS), and the implementation plan were discussed in a deep dive presentation. For the Supervisory Board, this confirmed that sustainability is a top priority within the organization and an integral part of (strategic) business decisions.

CLOSED MEETINGS

The Supervisory Board met three times in the absence of the Executive Board. The most important topics of discussion were:

- Explanation by the Remuneration Committee of the remuneration policy for the Executive Board and Supervisory Board and the remuneration proposal for the Executive Board.
- The 2022 Remuneration Report and the improvements made to increase the transparency of disclosure, as proposed by the Remuneration Committee.
- Evaluation of the performance of the Supervisory Board, its committees, and its individual members.
- Composition of the Executive Board and the Supervisory Board and its committees – formal nominations for appointments to the Executive Board and the Supervisory Board to the 2022 AGM.

CULTURE AND ORGANIZATION

TKH has an entrepreneurial culture with a focus on technological development and a proactive approach to the market. Given its decentralized organizational structure, responsibilities are assigned deep within the organization. The Executive Board leads by example and provides guidance on norms and values. To supervise the cultural aspect, the Supervisory Board makes company visits to obtain insights into the situation in the organization, for example, and the management of risks through discussions with and presentations by local management. Consultation with the Central Works Council also represents an important assessment element in the field of company culture. TKH applies different methods and systems to identify and manage risks. Potential risks and risk management systems are regularly discussed with the Executive Board, and openness about risks is encouraged.

TOPICS OF SUPERVISORY BOARD MEETINGS IN 2022

Q1
- Business review
- Financial results and press release
- Progress of strategic program
- Investments and divestments
- Supervisory Board committees
- Explanation of audit report
- AGM preparation/dividend proposal

Q2
- Business review
- Financial results
- Progress of strategic program
- Investments and divestments
- Supervisory Board committees
- Preparation for AGM

Q3
- Business review
- Financial results and press release
- Progress of strategic program
- Investments and divestments
- Supervisory Board committees
- Deep dive on IP strategy

Q4
- Business review
- Financial results
- Progress of strategic program
- Investments and divestments
- Supervisory Board committees
- Budget and Investment Plan 2023
- HR topics including management development
- Sustainability update, including EU Taxonomy, CSRD and ESRS
- Company visit to Chromasens and TKH Vision Solution Center
- Refinancing
- Rotation external audit firm

HR AND SAFETY

HR developments are discussed at least once a year with the Executive Board, with particular emphasis on management development (program), employee satisfaction, employer branding, diversity, and current HR topics. In 2022, the Executive Board increased the scope of the operating companies and therefore the number of employees included in the employee satisfaction survey. In addition, special attention was paid to diversity and the implementation of action plans in order to increase the proportion of females in executive and senior management teams. The Supervisory Board devotes considerable attention to safety in the organization. Accidents and near-miss accidents are reported using safety indicators, for example. Since 2021, TKH has implemented ISO 45001 for all production companies. For the Supervisory Board, this is confirmation that safety has been defined as one of the organization's top priorities, which will increase safety awareness in the organization and enable employees to take responsibility for safety.

COMPOSITION AND DIVERSITY

The Supervisory Board is composed in such a way that the knowledge, experience, and insights relating to current topics at TKH, as well as the markets and activities relevant to the company, are well represented. Each member of the Supervisory Board possesses the specific expertise required to fulfill his or her supervisory role. The Board's effectiveness is determined by the team's composition in terms of knowledge and competencies, as well as the cooperation between its members. In addition to regular plenary strategy discussions, each member of the Supervisory Board has his or her own focus area in relation to TKH's activities or end market, and supervises the way the Executive Board defines and implements TKH's strategy. Continuity in its composition is also valuable, given the Board's overall accountability for the consideration of various strategic interests that are geared to long-term value creation. In accordance with the Dutch Corporate Governance Code (the "Code"), the Supervisory Board therefore applies a maximum term of office of 12 years. In addition, as part of the annual (self-) evaluation and prior to each reappointment, as assessment is made to determine whether the profile for the composition of the Supervisory Board is "up-to-date", and whether the expertise, competencies, and performance of the candidate in question are suitable.

The Supervisory Board aims for diversity in its composition in terms of age, gender, background, expertise, professional experience, and nationality, taking into account statutory requirements. These elements are also included in the profile drawn up by the Supervisory Board. In terms of composition, the Supervisory Board complies with the quota stipulated in Dutch company law of a balanced distribution of at least 1/3 female and 1/3 male members, insofar as these seats are allocated to natural persons. The Board supports the view that diversity contributes to objective and sound decision-making. However, diversity is not only considered important in terms of gender but also in terms of expertise, competencies, and background. The composition of the Supervisory Board is such that its members can act critically and independently of one another, the Executive Board, and any individual interests. In the opinion of the Supervisory Board, all members meet the requirements for independence stipulated in best-practice provisions 2.1.7 up to 2.1.9 of the Code.

At the AGM of April 26, 2022, Mr. R.L. van Iperen was reappointed for a further period of two years. In addition, Mr. P.W.B. Oosterveer was appointed for a period of four years. Mr. R.L. van Iperen was appointed chairman of the Supervisory Board with effect from of the end of the 2022 AGM. According to the retirement schedule, no vacancy is due to arise on the Supervisory Board in 2023.

INTRODUCTION PROGRAM

An introduction program is in place for new members of the Supervisory Board, which takes into account the expertise and knowledge that the member brings to the Board. The introduction program focuses partly on the general strategy, financial and non-financial reporting, and the organizational structure of TKH. Company visits and other activities are used to explain TKH's Smart Technologies and commercial interests. This is vital for the continuing education of the Supervisory Board members.

CONTACT WITH THE CENTRAL WORKS COUNCIL

The Supervisory Board maintains annual contact with the Central Works Council about TKH's strategy and topics of interest to the individual Works Councils. These topics include sustainable staff employability, safety, and cooperation between operating companies.
In the context of the Central Works Council's (strengthened) right of recommendation, when there are vacancies on the Supervisory Board, a dialogue is initiated with a view to reappointing or appointing new members. The members of the Supervisory Board have great respect for the professionalism with which the Central Works Council deals with important issues and offers sound advice. The Board regards consultation with the Central Works Council as being open, constructive, and valuable. For the Supervisory Board, consultation with the Central Works Council is also an important element in assessing the culture within TKH organizations.

COMMITTEES

The Supervisory Board of TKH has three committees: the Selection and Nomination Committee, the Remuneration Committee, and the Audit Committee. The committees all have their own set of rules defining their conduct.

SELECTION AND NOMINATION COMMITTEE

The Selection and Nomination Committee comprises Mr. R.L. van Iperen (chairman) and Mr. J.M. Kroon. The Selection and Nomination Committee held two formal meetings in 2022. The committee also had frequent (virtual) contact on current topics, including ensuring that the knowledge and expertise within the Supervisory Board remains appropriate. The Supervisory Board's performance is evaluated by an external advisor and discussed with the committee and the Supervisory Board. Management development and succession planning is also an important topic of discussion within the TKH organization. The Selection and Nomination Committee reported to the Supervisory Board on the most important results of each of its meetings and consultations.

REMUNERATION COMMITTEE

With the appointment of Mrs. A.M.H. Schöningh as a member of the Supervisory Board at the 2020 AGM, the Central Works Council exercised its enhanced right of recommendation, so that Mrs. Schöningh automatically becomes a member of the Remuneration Committee in accordance with the legal provision article 2:160a of the Dutch Civil Code.
The Remuneration Committee consists of Mrs. C.W. Gorter (chairman), Mrs. A.M.H. Schöningh, and Mr. R.L. van Iperen. The Remuneration Committee held four formal meetings in 2022. The Remuneration Committee also had frequent (virtual) contact during the past year. The chairman also had telephone consultations with the committee's external adviser as part of the Committee's preparatory work on benchmarking the remuneration package of the Executive Board and Supervisory Board against the relevant reference group. The remuneration policy of the Supervisory Board and Executive Board was discussed in the meetings. The committee concluded that the remuneration policy supports sustainable long-term value creation for TKH and offers effective remuneration to the Executive Board. Therefore, no changes have been made to the content of the policy.

The achievement of the Executive Board's targets was assessed, based on which the committee presented a proposal for a decision on the remuneration of the Executive Board to the Supervisory Board during a closed meeting. The targets for the Executive Board for the current financial year were also discussed and set.

2022 was a year in which the transparency of disclosure in the Remuneration Report was a key topic. The 2021 Remuneration Report was included on the agenda of the AGM on April 26, 2022 for an advisory vote. The outcome of the advisory vote of the 2022 AGM regarding the 2021 Remuneration Report was positive, though approximately 38% of the votes cast were against the 2021 Remuneration Report. Following the voting behavior at the 2022 AGM and the questions raised during this AGM, the company entered into an open dialogue with its stakeholders on the content of the Remuneration Report. To address the most discussed topic in this dialogue, the 2022 Remuneration Report will provide more insight and transparency on the performance criteria and actual achievement for both the STI and LTI. The enhanced disclosure also contains targets and performance on important ESG/sustainability themes and related KPIs. In this way, the Remuneration Report is better aligned with the Shareholder Rights Directive and the related guidelines.
The Remuneration Committee believes that a sound balance has been struck between the request for transparency by stakeholders and TKH's hesitation to disclose (commercially) sensitive information, as the disclosure of such information may not be in the interest of TKH and all its stakeholders.

In 2023, the Remuneration Committee will conduct a thorough review of the remuneration policy for the Executive Board. The review will focus, among other things, on the remuneration structure and the reference group. In addition, the existing KPIs will be reviewed also in relation to relevant legislative and regulatory developments such as the CSRD, which may lead to additional ESG/sustainability KPIs, and the revised Dutch Corporate Governance Code published on December 20, 2022. This review will include current market practice, societal trends and expectations, and developments in corporate governance. Based on the outcome of this review, we will develop a draft remuneration policy that will be discussed in 2023 in an open dialogue with stakeholders. Ultimately, we will submit a proposal for a (revised) remuneration policy for the Executive Board to the AGM in 2024.

The Remuneration Committee reported the most important findings of each of its meetings and consultations to the Supervisory Board.

AUDIT COMMITTEE

The Audit Committee comprises Mrs. C.W. Gorter (chairman), Mr. J.M. Kroon, and Mr. P.W.B. Oosterveer. Mrs. Gorter also sits on the committee as an expert in the preparation and audit of the financial statements.

The Audit Committee held four regular meetings in 2022. The Audit Committee meetings were held in the presence of the external auditor, as well as the CFO, the Director Internal Audit, the Manager Internal Audit, and the Director of Finance & Control of TKH. TKH's Tax Director was present at two meetings to explain national and international tax developments and specific tax matters that are important for TKH, such as the application of the Dutch innovation box scheme, tax compliance including the Tax Control Framework, and risk management issues. In addition, three meetings took place without the presence of the external auditor. In these meetings, the audit tender process and outcome were discussed in relation to the proposal to appoint an external auditor to audit TKH's 2025 financial statements.

The Audit Committee discussed the audit plan, on the basis of which the audit activities have been carried out, with the external auditor. The scope and materiality of the audit plan, as well as the key risks in the annual reporting that the external auditor has identified in the audit plan, were also discussed. During the year under review, the external auditor's audit approach was reevaluated in consultation with the Audit Committee. Further attention was devoted to the European Single Electronic Format (ESEF) reporting, which is the electronic reporting format in which issuers on EU regulated markets must prepare and file their annual financial reports. For the financial year 2022, the company is also required to mark up the consolidated disclosure notes in the financial statements by means of text block tagging.

In addition, at each meeting, the Director Internal Audit provided an explanation of his findings concerning the internal audit activities. An ongoing consideration for the Audit Committee is the company's internal risk management and control system. In 2022, a “deep dive” presentation was delivered by Internal Audit on the internal control framework, and in particular on the setup, audit scoping, audit execution, audit reporting, and follow-up process concerning findings. This was supplemented by a demonstration of a sample internal audit file. Other topics included within the committee's remit that were discussed were impairment analyses and the impact of changes in the International Financial Reporting Standards (IFRS) on the income statement and balance sheet including disclosures (financial statements). Due to the relevance of IT & Security to both the day-to-day operations and TKH's business model in the context of software development and R&D, this topic is given high priority at every Audit Committee meeting.

In the year under review, there was a discussion of the key audit matters identified by the external auditor as having the greatest impact on the audit approach and activities during the audit. The identified key audit matters include over-time revenue recognition and the related valuation of contract assets and contract liabilities, and the valuation of capitalized development costs related to innovation projects in development. Specific focal points in the audit include the valuation of goodwill, non-compliance with laws and regulations, specifically (commission) payments to third-party agents and non-routine transactions in high-risk countries, the valuation and disclosure of acquisitions and divestments, the valuation of deferred tax assets, the classification of assets and directly associated liabilities held for sale, the valuation of right of use assets, and the planned capital expenditures and related commitments at year-end 2022.

In the year under review, increased attention was devoted to developments in the area of non-financial information, including the EU Taxonomy requirements and the Corporate Sustainability Reporting Directive (CSRD) and related European Sustainability Reporting Standards (ESRS). Internal Audit developed and conducted review activities focusing on the non-financial KPIs included in TKH's 2022 Annual Report. This was also in preparation for the audit of non-financial KPIs by the external auditor. TKH appointed Ernst & Young Accountants LLP (EY) to provide independent assurance of the report to reassure TKH's stakeholders about TKH's non-financial information. TKH has received limited assurance for the KPIs included in the sustainability performance section on page 28 of the 2022 Annual Report.
During the reporting year, further attention was also paid to supply chain management, cost inflation of (raw) materials and labor, the availability and price increases of energy, the impact of a possible recession, and the influence of global economic and geopolitical developments on the execution of TKH's strategy, financial position, and results, including the effects of the Russia-Ukraine conflict. In addition, specific attention was paid to the external financing of the company. The external financing is contracted by the holding for the entire TKH Group and was renewed in early 2023. The Audit Committee discussed, among other things, the finance structure, the possible financing instruments and conditions, funding requirements, also concerning the announced strategic capital expenditures, and the cash flow and working capital forecast. Finally, scenario analyses were also used.

Forensic expertise is used when drawing up the audit plan and performing audit activities to gain a clearer picture of the possible risks of fraud and review internal control measures, also given the increasing attention being paid to fraud and corruption in society. The Audit Committee discussed the company's fraud risk assessment, including inherent fraud risks, identified significant risks, and other risks and attention areas.

The external auditor explained the management letter with findings in the area of administrative organization and internal control insofar as it is relevant for the audit of the financial statements. The main topics discussed were the valuation of

COMPANY VISIT SUPERVISORY BOARD

development costs concerning a specific asset, the valuation of inventories at one of the subsidiaries, the classification of assets held for sale, the divestment and processing of TKH's remaining stake in the Cable Connectivity Group, the valuation of a specific right of use asset, hedge accounting, non-recourse factoring, withholding tax, and the planned capital expenditure for the new factory in Eemshaven, the Netherlands. In addition, IT control measures and cyber-security, fraud and non-compliance management, the financial closing process related to ESEF reporting, and findings at operating companies that needed to be followed up were discussed. The external auditor also updated his audit plan to reflect recent developments, including the reassessment of materiality levels and scoping. Finally, relevant developments in the EU concerning non-financial information and reporting were discussed. The European Commission announced its action plan on financing sustainable growth as an important enabler of the EU Green Deal in 2018. As part of this action plan, the European Commission introduced several initiatives including the EU Taxonomy Regulation and the Corporate Sustainability Reporting Directive (CSRD) and related European Sustainability Reporting Standards (ESRS). In this context, the impact on TKH's reporting has been discussed along with the defined action plans.

The Audit Committee evaluates the performance of the external auditor annually regarding the quality of the audit activities, the adequacy and implementation of the audit engagement, and the quality and depth of the reports, as well as any additional contributions. The committee discusses its findings with the external auditor and with the Executive Board and Supervisory Board. The Audit Committee also evaluates the Director of Internal Audit. The input for the evaluations includes the follow-up on the points of attention and improvement of the audit activities as formulated by the external auditor and TKH regarding the previous financial year. The Audit Committee also advises the Supervisory Board on the nomination for the (re)appointment of the external auditor and prepares the selection of the external auditor. In doing so, it takes into account the Executive Board's observations. The Audit Committee then submits a proposal to the Supervisory Board for commissioning the external auditor to audit TKH's 2024 financial statements. In addition to the regular Audit Committee meetings, three additional meetings took place in the absence of the external auditor, attended only by members of the Audit Committee and the company. In accordance with EU legislation and the member state options as applied in the Netherlands, Dutch listed companies are obliged to rotate the external audit firm at least every 10 years. As a result, a different external audit firm will have to be appointed by the AGM for the audit of TKH's 2025 financial statements. During these three additional Audit Committee meetings, the committee discussed the audit tender process, the content of the audit proposal, the focus areas, the selection criteria, the evaluation, and the outcome of the audit tender. The Audit Committee submitted a proposal to the Supervisory Board for commissioning an external auditor to audit TKH's 2025 financial statements.

In accordance with best practice provision 1.7.4 of the Code, the Audit Committee held a meeting with the external auditor in 2022 without the presence of the Executive Board. It was established that the external auditor was independent of TKH.

The Audit Committee reported the most important findings of its meetings to the Supervisory Board.

EVALUATION

The Supervisory Board also convened a closed meeting to discuss its own performance and that of its committees and individual members. An evaluation of each individual member of the Supervisory Board is carried out by an external advisor. The outcome of this evaluation is reported to the Supervisory Board. The evaluation covered the Board's composition, independence, expertise, and team effectiveness, as well as the quality of information provision, the role of the chairman, and relations with the Executive Board. Based on the evaluation, it was concluded that the Supervisory Board as a whole, as well as the individual members, functioned well. This honest and open relationship is marked by mutual respect. The members complement each another sufficiently in their advisory and supervisory role toward the company and cover a wide range of focus areas and expertise. The available and desired expertise and knowledge within the Board was also discussed. It was established that there is a good working relationship between the Supervisory Board and the Executive Board, and that they are also sufficiently critical of each another. Communication from the Executive Board to the Supervisory Board takes place in an open, professional, and constructive manner so Supervisory Board members have a strong understanding of strategic and operational issues. It was also established that none of the members of the Executive Board have more than two "demanding" supervisory positions as defined in the Dutch Management and Supervision Act. The Supervisory Board has no indication of any kind of conflict of interest between the company and members of the Executive Board. The chairman of the Supervisory Board discussed the findings with the chairman of the Executive Board.

During the closed meetings, the points in the Code's best-practice provision regarding the independence of the Supervisory Board (2.1.7), its individual members (2.1.8), and the chairman (2.1.9) were also assessed. It was established that all members of the Supervisory Board were independent.

FINANCIAL STATEMENTS 2022

The report of the Executive Board and the 2022 financial statements were submitted to the Supervisory Board in accordance with the provisions in Article 31 of the articles of association. The financial statements were submitted for audit to Ernst & Young Accountants LLP, which subsequently issued an unqualified auditor's report on the financial statements based on the audit.

The Supervisory Board discussed the financial statements with the Executive Board in the presence of the external auditor, and subsequently approved the financial statements on March 6, 2023. The Supervisory Board submits the financial statements for the 2022 financial year to the AGM and recommends adopting the financial statements. The Supervisory Board believes that the financial statements constitute a sound basis for the account given by the Executive Board of its management and by the Supervisory Board of its supervision of the management. The Supervisory Board also proposes to approve the proposed profit appropriation and to discharge the Executive Board in respect of the policy pursued and the Supervisory Board in respect of the supervision conducted.

REVISED DUTCH CORPORATE GOVERNANCE CODE DECEMBER 20, 2022

The Dutch Corporate Governance Code was revised and published on December 20, 2022. This Code applies to the financial year beginning on or after January 1, 2023. The Supervisory Board will supervise the implementation of the revised Code in 2023 by the company and will report on this in TKH's 2023 Annual Report.

CONCLUSION

TKH delivered strong results in 2022, confirming that the implementation of the Accelerate 2025 strategy program is on track. The investments, focus on high-growth end markets, innovation, and the focus on important megatrends is paying off. Although 2022 was a challenging year with supply chain issues, inflation, and the effects of the war in Ukraine, TKH delivered the best possible results, driven by high levels of drive, passion, and entrepreneurial spirit. The record level of order intake in 2022 provides a good foundation for the start of 2023. The Supervisory Board is also excited about the progress made on the various ESG and sustainability topics, showing TKH's commitment to the importance of Environmental, Social, and Governance (ESG) issues and the United Nations Sustainable Development Goals (SDGs).

The Supervisory Board would like to take this opportunity to thank TKH's business partners for their long-term business relationship, and its shareholders and holders of depositary receipts for the confidence they have shown. We would like to express our sincere appreciation and gratitude to the Executive Board and all TKH employees for their valuable contribution in 2022, and look forward to the continued successful implementation of the Accelerate 2025 strategy program.

Haaksbergen, March 6, 2023

On behalf of the Supervisory Board,
R.L. van Iperen, *chairman*

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

MEETING	Supervisory Board	Audit Committee	Remuneration Committee	Selection and Nomination Committee
A.J.P. De Proft [1]	3/3			
R.L. van Iperen	6/6		4/4	2/2
J.M. Kroon	6/6	7/7		2/2
C.W. Gorter	6/6	7/7	4/4	
A.M.H. Schöningh	6/6		4/4	
P.W.B. Oosterveer [2]	2/3	5/5		

1 Until AGM 2022 – April 26, 2022.
2 From AGM 2022 – April 26, 2022.

This remuneration report describes the implementation of the remuneration policy for the members of the Executive Board and the Supervisory Board.

REMUNERATION REPORT

INTRODUCTION BY THE CHAIR OF THE REMUNERATION COMMITTEE

2022 was a year in which the transparency of disclosure in the Remuneration Report was a key topic. The 2021 Remuneration Report was included on the agenda of the AGM on April 26, 2022 for an advisory vote. The outcome of the advisory vote of the 2022 AGM regarding the 2021 Remuneration Report was positive, though approximately 38% of the votes cast were against the 2021 Remuneration Report. Following the voting behavior at the 2022 AGM and the questions raised during this AGM, the company entered into an open dialogue with its stakeholders on the content of the Remuneration Report. To address the most discussed topic in this dialogue, more insight and transparency on the performance criteria and actual realization for both the STI and LTI is provided in the 2022 Remuneration Report. The enhanced disclosure also contains targets and performance on important ESG/sustainability themes and related KPIs. In this way, the Remuneration Report is better aligned with the Shareholder Rights Directive and the related guidelines. The Remuneration Committee believes that a sound balance has been struck between the request for transparency by stakeholders and TKH's hesitation to disclose (commercially) sensitive information, as the disclosure of such information may not be in the interest of TKH and all its stakeholders.

LOOKING AHEAD TO 2023

The revised remuneration policy was proposed by the Supervisory Board for adoption by the 2020 General Meeting of Shareholders (AGM), with effect from January 1, 2020. The remuneration policy for the members of the Executive Board and the Supervisory Board was adopted by the AGM with 96.99% and 99.92% respectively. The remuneration policy will be submitted to the General Meeting of Shareholders for adoption every time an amendment is made, and at least once every four years after it has been approved by (and proposed by) the Supervisory Board, so ultimately at the AGM in 2024. No changes were made to the remuneration policy in 2022.

In 2023, the Remuneration Committee will conduct a thorough review of the remuneration policy for the Executive Board. The review will focus, among other things, on the remuneration structure and the reference group, as well as on the existing KPIs also in relation to relevant legislative and regulatory developments such as the CSRD, which may lead to additional ESG/sustainability KPIs, and the revised Dutch Corporate Governance Code published on December 20, 2022. This review will include current market practice, societal trends and expectations, and developments in corporate governance. Based on the outcome of this review, we will develop an adjusted draft remuneration policy that will be discussed in 2023 in an open dialogue with stakeholders. Ultimately, we will submit a proposal for a (revised) remuneration policy for the Executive Board to the AGM in 2024.

C.W. Gorter
Chairman of the Remuneration Committee

REMUNERATION POLICY OF THE EXECUTIVE BOARD

The remuneration payable to the members of the Executive Board comprises:

- A basic salary (TRI – Total Regular Income)
- An annual performance bonus (STI – Short-Term Incentive)
- A long-term incentive in the form of a share plan (LTI – Long Term Incentive)
- A pension commitment

The remuneration policy aims to provide a competitive remuneration package to attract, motivate, and retain qualified managers for a publicly listed company, while keeping in mind the company's size and unique characteristics. The policy recognizes the internal and external context as well as TKH's business needs and long-term strategy. It is designed to stimulate long-term value creation for TKH and its affiliated companies, taking into account the provisions for good corporate governance. The policy aims to improve the company's performance, using financial and non-financial performance measures, combined with the careful assessment of risks and the right entrepreneurial spirit. It is tested for market conformity at least once every three years, on the basis of information provided by external experts. In addition, internal remuneration ratios are taken into account by ensuring that the remuneration ratio in the second tier is appropriate and in line with the market standard. Based on the targets set, the Remuneration Committee performs scenario analyses with respect to the STI and LTI we aim to achieve.

Our remuneration policy and corporate strategy are aligned with specific short-term and long-term targets that link the remuneration of each member of the Executive Board to the success of the company. The size of the LTI in relation to the total remuneration package, as well as the requirement that members of the Executive Board must invest at their own expense in the same number of shares as they receive under the LTI, are important factors in creating long-term value and continuity for the company.

REFERENCE GROUP

To attract qualified executives to the Executive Board, and to retain the current members of the Executive Board on a long-term basis, the company takes external reference data into account when determining appropriate remuneration levels. A specific reference group has been established for this purpose. With reference to the AMX companies on Euronext Amsterdam, we primarily make comparisons with companies that are more or less equivalent to TKH in terms of complexity, size, and the international scope of their business portfolio. The Remuneration Committee, supported by external experts, regularly evaluates this reference group to ensure that its composition remains appropriate. To enable an additional assessment of developments specific to the business sector, a reference group consisting of international sector peers is used. Due to its delisting, Boskalis has been removed from the reference group.

While external market data provides a useful context, it is ultimately the responsibility of the Remuneration Committee and the Supervisory Board to determine appropriate remuneration packages that reflect the specific context and requirements of the company, as well as the skills and capabilities of the individual members of the Executive Board. The external market data is therefore used to inform, rather than determine decision-making. The Remuneration Committee evaluates the external market data and, if necessary, makes recommendations to the Supervisory Board for approval.

TARGETS FOR STI AND LTI

The annual targets for the STI and LTI relate to TKH's business plan as reflected in the financial and non-financial targets of the Accelerate 2025 strategy program.
The Supervisory Board sets the targets, along with their respective weighting and criteria, for any given year in line with the company's strategy and general structure. In the process, the Board considers both financial and non-financial factors, along with personal targets, in addition to the following:

- Targets must be derived from the company's strategy, including the Accelerate 2025 strategy program.
- Emphasis should be placed on targets that are essential for long-term value creation.
- Past performance, business prospects, and conditions should be taken into account.
- Stakeholder expectations should be considered.

While financial and non-financial targets focus on achieving the overall strategic business objectives and sustainability ambitions, personal targets should relate to the specific role of the Executive Board as a collective, and to each individual member on the Executive Board. Factors considered for personal targets include the company's mission and identity, its overall ESG (Environmental, Social, and Governance) targets, and any important strategic issues for the coming year.

TKH GROUP PEER GROUPS

AMX	International sector peers
Aalberts Industries	Prysmian
Air France-KLM	Basler
Arcadis	Cognex
Basic-Fit	Keyence
Corbion	
Fagron	
Fugro	
PostNL	
SBM Offshore	
Vopak	

FINANCIAL TARGETS 2025

TURNOVER
>2€ BILLION

ROCE
22%-25%

ROS
EBITA margin
>17%

NET DEBT / EBITDA
Annual target
<2.0

NON-FINANCIAL TARGETS 2025

CARBON NEUTRALITY OWN OPERATIONS
by 2030 (scopes 1 and 2)
CO_2
100%

RECYCLING
Copper, aluminium and PVC
>80%

LTIFR
<1.0

ILLNES RATE
<4%

WASTE
<5%

FEMALE EXECUTIVE & SENIOR MANAGEMENT
by 2030
>25%

EMPLOYEE SATISFACTION
>7.5

STRATEGIC SUPPLIERS ASSESSED
>90%

Among other things, the external assessment and the remuneration policy are used to formulate the proposal for the remuneration of the members of the Executive Board. In accordance with the Corporate Governance Code, the Remuneration Committee takes note of the views of the individual directors with regard to the level and structure of their own remuneration. The remuneration for the members of the Executive Board was externally reviewed in the reporting year, at which point it was concluded that the policy pursued with regard to the TRI, STI, and LTI meets the objectives set. The Supervisory Board believes the total remuneration package strikes a good balance to achieve TKH's strategic targets. The package encourages the members of the Executive Board to deliver solid results and implement the company's strategy in a realistic but ambitious manner. There has been no deviation from the decision-making process for the implementation of the remuneration policy.

APPLICATION OF THE POLICY IN 2022

1 BASIC SALARY (TRI)

Once a year, the Supervisory Board determines whether basic salary levels needs to be adjusted and, if so, by how much, with due consideration to market developments, the remuneration structures of similar companies in the reference group, TKH's results, and wage developments within the TKH Group. Basic salaries have been increased by 3% with effect from January 1, 2022 based in part on the external assessment. The basic salary for individual members of the Executive Board is below the median for the reference group and in accordance with the remuneration policy and intended position.

2 PERFORMANCE BONUS (STI)

Variable remuneration is an essential part of the remuneration package for Executive Board members in terms of rewarding short-term results in line with strategic objectives. The STI is based on annual financial and non-financial performance measures including personal targets. On the recommendation of the Remuneration Committee, the Supervisory Board establishes the targets and criteria for earning a performance bonus in advance of the reporting year. Once the reporting year has ended, the size of the performance bonus is determined by the Supervisory Board, based on the results achieved and the criteria set. Depending on the degree to which the targets have been met, the STI can range from 0% to (a maximum of) 60% of the TRI. Performance "at target" results in a performance bonus of 40% of the TRI. The Supervisory Board has the discretionary power to deviate from the targets set if special circumstances apply. Differentiation in the STI's received by members of the Executive Board can occur due to the members' final scores on their personal quantitative and qualitative targets.

DETAILS ACTUAL PAYOUT LEVEL (STI)

		Bandwith payout level				Targets			Performance					
Plan	Target	Weight	Minimum	On-target	Maximum	Threshold 0%	On-target 100%	Maximum 150%	Performance	Performance payout	Actual payout % of TRI	Minimum	On-target	Maximum
STI 2022	Turnover (in millions)	30%	5%	30%	45%	€ 1,421	€ 1,672	€ 1,756	€ 1,817	45%	18%			
	EBITA (in millions)	50%	10%	50%	75%	€ 187	€ 220	€ 231	€ 235	75%	30%			
	A Financial targets	**80%**	**15%**	**80%**	**120%**					**120%**	**48%**			
	B Sustainability / ESG targets (9 KPIs)	**10%**	**2.5%**	**10%**	**15%**	**0%**	**10%**	**15%**		**12.33%**	**4.93%**			
	C Other and personal targets (5 KPIs)	**10%**	**2.5%**	**10%**	**15%**	**0%**	**10%**	**15%**		**13.80%**	**5.52%**			
	D Overall performance ratio	**100%**	**20%**	**100%**	**150%**	**0%**	**100%**	**150%**		**146.13%**	**58.45%**			

STI performance of the Executive Board in 2022

The STI for members of the Executive Board based on achievement of the 2022 targets is presented in the table above. Payment of the variable remuneration to members of the Executive Board is subject to the condition that the targets upon which the performance bonus is based or the circumstances under which the bonus was originally determined, are accurate. For 2022, there was no full or partial recovery of a bonus as referred to in article 135 subsection 8.

A Financial targets and performance (80%)

TKH achieved a turnover of € 1,816.6 million and EBITA of € 234.8 million in 2022. The strong results show the progress in the implementation of the Accelerate 2025 strategy program. The order intake in 2022 was at a record level confirming the strong high-end technologies developed and the market demand for TKH's technologies and innovations, particularly in relation to the important megatrends of automation, digitization, and electrification. Despite facing challenges such as inflation, the effects of COVID-19 and the war in Ukraine, and supply chain issues, TKH exceeded its targets. The achieved targets resulted in the maximum performance of 45% for turnover and 75% for EBITA.

B Sustainability/ESG targets and performance (10%)

As part of the Accelerate 2025 strategy program, nine key sustainability/ESG targets have been defined for 2025 and 2030. Each KPI has the same weighting (1/9).

The performance and progress in 2022 against the defined KPIs are as follows:

B1 100% carbon neutrality of own operations (scopes 1 and 2) by 2030

In 2022, a further reduction in the CO_2e footprint was achieved, resulting in a CO_2e footprint reduction of 42.7% compared to the reference year 2019 (2021: 29.8%). TKH is well on track to achieve the target of 100% by 2030 (scopes 1 and 2).

B2 <5.0% waste

Waste percentage compared to material usage is at 5.3%,

DETAILS SUSTAINABILITY / ESG TARGETS

KPI	Target	Performance
Environment		
B1 Carbon neutrality own operations - target 2030 (1/9 weighting)	100%	42.7%
B2 Waste (1/9 weighting)	<5%	5.3%
B3 Recycling (1/9 weighting)	>80%	88.0%
Social		
B4 Diversity - target 2030 (1/9 weighting)	25%	18.4%
B5 LTIFR (1/9 weighting)	<1.0	0.8
B6 Ilness rate (1/9 weighting)	<4%	4.04%
B7 Employee satisfaction (1/9 weighting)	>7.5	7.6
Governance		
B8 Strategic suppliers assessed (1/9 weighting)	>90%	91.9%
B9 Enhance sustainability policies and procedures (1/9 weighting)	enhanced	enhanced

which is close to the target of 5%. Although waste reduction programs have been implemented, the waste as a percentage increased, which is mainly related to the raw material copper due to the increased level of activities. The waste percentage for aluminum and plastics was reduced in 2022.

B3 >80% recycling

In 2022, 88.0% of the most important raw materials were recycled (2021: 83.2%). The increase was mainly achieved due to higher recycling rates for plastics.

B4 >25% female executive and senior management by 2030

The share of women in executive and senior management teams increased in 2022 from 17.7% to 18.4% and is well on track to meet the target of 25% by 2030.

B5 <1.0 LTIFR

To make safety demonstrable, emphasis is placed on specific, measurable performance targets for safety measures, including LTIFR (Lost Time Injury Frequency Rate). Further attention was devoted to health and safety programs at the production facilities. This resulted in increased attention and awareness of important health and safety topics. The LTIFR figure for 2022 increased slightly to 0.8 due to the increased activity level, but is below the target of <1.0.

B6 <4.0% illness rate

The illness rate increased slightly from 3.56% to 4.04%, mainly due to the effects from COVID-19 and the flu. The 2022 illness rate was slightly above the target of <4.0%.

B7 >7.5 employee satisfaction

The employee satisfaction score in 2022 of 7.6 was above the target of 7.5. In addition, in 2022 more companies were included in the employee satisfaction survey.

B8 >90% strategic suppliers assessed

91.9% of the strategic suppliers have been assessed against the Code of Supply, exceeding the target of >90%.

B9 Enhance sustainability policies and procedures

Further important improvements have been implemented concerning the internal ESG dashboard and ESG policies. In 2022, the Sustainability Reporting Manual was updated and new GRI standards were integrated. Finally, for the second year, assurance was been obtained from EY for the key non-financial KPIs included in TKH's 2022 Annual Report.

The performance in 2022 concerning the sustainability/ESG targets results in an overall performance ratio of 12.33%.

C Other and personal targets and performance (10%)

In addition to the financial and sustainability/ESG targets, five other and personal targets have been defined for 2022. Each KPI has the same weighting (1/5).

The performance and progress in 2022 against the defined KPIs are as follows:

C1 Implementation of the Accelerate 2025 strategy program

In 2022, good progress was made on the implementation of the Accelerate 2025 strategy program. Strong autonomous growth was achieved in the defined growth markets. Total turnover increased by 19.2% to € 1,816.6 million. The ROS increased to 12.9% despite the negative impact of component shortages and raw material price increases. The R&D roadmap is being implemented and further strengthened with an increased focus on AI.

C2 Acquisition & divestment program

The divestment program launched in 2021 is on track. The remaining stake in the Cable Connectivity Group was divested in 2022 and progress is being made on the divestment of the portfolio classified as assets held for sale. One acquisition was made to further strengthen the technology portfolio, and operating companies or portfolios have been integrated to further simplify the organization.

C3 Financial position: net debt/EBITDA <2.0

The net debt/EBITDA ratio, calculated in accordance with TKH's bank covenant, stood at 1.1, well within the financial ratio agreed with our banks and well within the target of 2.0.

C4 Reduction of cybersecurity risks

The cybersecurity risks have been further reduced by, among other things, implementing a revised IT & Security policy and an increased focus on the risk of ransomware and the resilience to such an event. Incidents in 2022 had a limited impact on TKH and improvements have been identified and implemented to prevent similar incidents. Progress is also being made on the IT Security program to further reduce the risk levels at operating companies.

C5 Personal targets

The personal targets defined for 2022 are related to specific business topics and due to (commercially) sensitive information will not be disclosed in detail.

DETAILS OTHER AND PERSONAL TARGETS

KPI	Target	Performance
C1 Execution Accelerate 2025 strategy program (1/5 weighting)	Good progress	See commentary
C2 Acquisition & divestment program (1/5 weighting)	Good progress	See commentary
C3 Financial position: net debt/EBITDA (1/5 weighting)	<2.0	1.1
C4 Cybersecurity risks (1/5 weighting)	Reduction of risks	See commentary
C5 Personal targets (1/5 weighting)	See commentary	See commentary

The achievement of the other and personal targets results in 2022 results in an overall average performance ratio of 13.80%, consisting of the following performance ratios for each member of the Executive Board:
- 13.80% for J.M.A. van der Lof MBA
- 14.10% for E.D.H. de Lange MBA
- 13.50% for H.J. Voortman MSc

The total average performance in 2022 regarding sustainability/ESG and other and personal targets is 26.13% compared to the maximum of 30%.

D Overall performance 2022
The performance percentages times 40% generates the actual payout percentage of TRI. This resulted in award payouts in € 1,000 (STI) of the following values for:

J.M.A. van der Lof MBA:	146.13% x 40% x TRI = 423
E.D.H. de Lange MBA:	146.43% x 40% x TRI = 318
H.J. Voortman MSc:	145.83% x 40% x TRI = 287

3 SHARE PLAN (LTI)
The long-term variable remuneration aims to align the interests of the Executive Board members with the long-term interests of TKH's shareholders. For that purpose, a share plan was enacted that provides for a long-term incentive (LTI). Under the share plan, members of the Executive Board receive shares based on the achievement of targets.

Conditions and personal investment by the members of the Executive Board
Members of the Executive Board receive shares on the condition that they personally invest in the same number of shares as they receive under the LTI plan. By personally investing in the same number of shares as they are awarded under the LTI, each member of the Executive Board invests a significant amount of money in a way that prudently manages risk but still encourages an entrepreneurial spirit to create long-term value. As a result, the interests of the Executive Board and the shareholders remain aligned.

The shares in question are to be held as a long-term investment and may not be transferred for a period of three years after having been granted. The share plan involves a financial investment by the Executive Board because the individual members must buy the same number of shares as they receive under the LTI. Due to this financial investment for the members of the Executive Board, it is stipulated that the shares must be held for at least three years, given that this scheme requires a private investment commitment from the individual members of the Executive Board.

KPIs and multipliers
The amount of remuneration depends on the performance on the following KPIs:
- Return on Capital Employed (ROCE)
- Return on Sales (ROS)
- Stock price developments for TKH shares compared to the AMX index of Euronext Amsterdam (relative stock price developments)

The development of the ROS and ROCE in relation to the pre-defined targets, as well as the share price development over the past three years in relation to the AMX index, which is relevant for the company, may result in a share allotment. The focus of the company's strategy is to increase the ROS and ROCE through growth in activities related to high-end technologies where relatively high margins can be achieved. The ROS and ROCE are important criteria for monitoring the implementation of the differentiating power that the company is developing with the technology base of the group and the ongoing transformation towards achieving the ROS and ROCE targets. Furthermore, the development of the company's share price in relation to the AMX index is an important confirmation of the shareholders' appreciation of the strategy and of the Executive Board's alignment with the goals of long-term shareholders.

The performance period for ROS and ROCE is one year, and the performance ranges are determined at the beginning of the year, taking into account medium-term targets.
The performance period for the relative stock price development is three years. For the 2022 allocation, this entailed reviewing the period from January 1, 2020, to December 31, 2022.
- The applicable performance range for the ROS is 0.50 to 1.50, with an "at target" level of 1.0. The score received for

DETAILS ACTUAL PAYOUT LEVEL (LTI)

		Bandwith payout level			Targets			Performance					
Plan	Target	Minimum multiplier	On-target multiplier	Maximum multiplier	Threshold 0%	On-target 100%	Maximum 150%	Performance	Performance multiplier	Actual payout % of TRI	Minimum	On-target	Maximum
LTI 2022	A ROS	0.50	1.00	1.50	11.7%	12.7%	13.7%	12.9%	1.10				
	B ROCE	0.50	1.00	1.50	18.4%	19.4%	20.4%	23.2%	1.50				
	C Relative stock price development	0.50	1.00	1.80	0.50	1.00	1.80	index 0.73	0.50				
	Overall performance ratio	Performance multiplier: A*B*C			0.25	1.00	2.70		0.83	39%			

this KPI generates the “multiplier A”.
- The applicable performance range for the ROCE is also 0.50 to 1.50, with an “at target” level of 1.0. The score for this KPI is also equal to “multiplier B”.
- The performance range for the relative stock price developments runs from 0.75 to 1.5, with an “at target” of 1.0. This score is converted into “multiplier C”, which ranges from 0.5 to 1.8, with 1.0 being the “at target” multiplier.

Multipliers are calculated for each KPI in determining the amount of the allocation for the total LTI. These multipliers are then multiplied by the standard allocation. The standard award is net and equivalent to 50% of the TRI. The gross value of the standard award is thus approximately equal to the TRI. The minimum payout of an LTI award in any given year is 0.25 x the standard award. In that case, the members of the Executive Board must also personally invest 0.25 x the standard allocation. This is an important factor in creating long-term value and continuity for the company, and it aligns the interests of the Executive Board and the shareholders. After all, the Executive Board must also personally invest 0.25 x the standard allocation in this situation. The maximum payout is 2.7 x the standard award.

Performance 2022

The following multipliers were achieved for each KPI based on actual overall performance against the performance ranges.

TKH achieved an ROS of 12.9% in 2022, resulting in a multiplier for ROS (A) of 1.10. The ROCE in 2022 was 23.2%, resulting in a multiplier for ROCE (B) of 1.5, the maximum. The multiplier for the relative stock price developments (C) was the minimum of 0.50 because the stock price development of TKH shares compared to the AMX index of Euronext Amsterdam for the last three years is 0.73 (index) 0.73 (index). These multipliers for each KPI resulted in a total multiplier for the LTI of 0.83 (A*B*C = 1.10*1.50*0.50), which meant that 0.83 x the standard award was granted.

EXECUTIVE BOARD SHARE OWNERSHIP

	Balance 1/1	Awarded shares	Individually purchased shares	Disposal (at least 3 years in portfolio)	Balance at 31/12
J.M.A. van der Lof MBA					
2021 [1]	133,147	2,216	2,216	-15,432	122,147
2022 [1]	122,147	14,373	14,373	-32,746	118,147
E.D.H. de Lange MBA					
2021 [1]	95,789	1,662	1,662	-3,324	95,789
2022 [1]	95,789	10,780	10,780	-32,340	85,009
H.J. Voortman MSc					
2021 [1]	24,645	1,508	1,508	-1,508	26,153
2022 [1]	26,153	9,782	9,782	-9,782	35,935

1 Achieved in the previous financial year and paid out in the following financial year.

This resulted in award payouts in € 1,000 of the following net values for:

J.M.A. van der Lof MBA: 0.83 x 50% x TRI = 298
E.D.H. de Lange MBA: 0.83 x 50% x TRI = 224
H.J. Voortman MSc: 0.83 x 50% x TRI = 203

The corresponding gross values are listed in the table showing “total remuneration” in section 6 of this Remuneration Report . The number of certificates of shares associated with the net award will be calculated based on the average closing price over the three trading days following the time of publication of the annual figures. The awarded shares as well as the individually purchased shares in accordance with the LTI plan are included in the Executive Board share ownership table.

No option rights are awarded to members of the Executive Board. Any option rights held by a member of the Executive Board were acquired during the period in which he was already employed by TKH but had not yet become a member of the Executive Board. These option rights can be exercised in accordance with the TKH share option scheme during the applicable exercise periods. In this respect, H.J. Voortman has option rights that apply to the period before he became a member of the Executive Board. The movement and balance of the outstanding option rights awarded to him are shown in the table below. For more information on the share option scheme, we refer you to note 25 in the annual financial statements.

OPTION RIGHTS H.J. VOORTMAN MSC

Year of award	Exercise price in €	Number as at 01-01-2022	Awarded during the year	Movement during the year	Expired during the year	Exercised during the year	Number as at 31-12-2022	Exercise period
2017	41.19	7,350				-7,350	0	2020-2022
2018	52.25	8,400					8,400	2021-2023
Total		**15,750**	**0**	**0**	**0**	**-7,350**	**8,400**	

4 PENSIONS

The Remuneration Committee is responsible for ensuring that the members of the Executive Board are provided with a pension that is in line with market practice and consistent with the provisions made for similar positions.
In addition, the pension arrangements include the right to benefits in the event of poor health or disability, and a widows' and orphans' pension in the event of death. All this is provided on comparable terms and conditions to those applicable to participants in the collective pension fund – i.e. the company's employees. The associated costs, up to the maximum allowed under tax law, are included in pension costs. The pension compensation refers to any portion exceeding the maximum allowed under tax law (2022: € 114,866).

5 OTHER EMPLOYEE BENEFITS

The members of the Executive Board are entitled to certain business allowances in accordance with what is generally accepted within the TKH organization, and limited to an expense allowance, car, and (mobile) telephone. No loans, advances, or guarantees are provided to members of the Executive Board. Additional governance-related activities are not subject to any additional conditions or remuneration.

6 TOTAL REMUNERATION

The table below lists the various gross remuneration components and relative percentages of fixed and variable remuneration of the members of the Executive Board.

7 PAY RATIO

In formulating the remuneration policy for the Executive Board, one of the factors the Supervisory Board takes into account is the organization's pay ratio. The Supervisory Board believes that there should always be a reasonable balance between the remuneration of the members of the Executive Board and the remuneration of the other employees. In the interest of transparency and clarity and in line with the recommendation of the Dutch Monitoring Committee Corporate Governance, TKH applied a different methodology to calculate the internal pay ratio in 2022 than in previous years. This methodology is understood to mean the ratio between the total annual remuneration of the CEO on the one hand, and, on the other hand, the average annual remuneration of the employees of the company and group companies whose financial data are consolidated by the company, where:

- The total annual remuneration of the CEO includes all the remuneration components (such as fixed remuneration, variable cash remuneration (bonus), the share-based part of the remuneration, social contributions, pension, expense allowance, etc.) included in the consolidated annual accounts on an IFRS basis.
- The average annual remuneration of the employees is determined by dividing the total wage costs for the financial year (as included in the consolidated annual accounts on an IFRS basis) by the average number of FTEs during the financial year.
- The value of the share-based component of the remuneration is determined at the grant date in accordance with the applicable rules under IFRS.

This new methodology is used to determine the CEO pay ratio. For comparability purposes, the pay ratios of previous years have been restated based on the new methodology. The pay ratio for 2020 is significantly lower due to the lower value of STI and LTI as part of the remuneration. This led to a significant reduction in remuneration in 2020 and, consequently, to a relatively low pay ratio for 2020. The pay ratio for 2022 is lower compared to 2021 due to the lower value of LTI, mainly as a result of a lower multiplier for the relative stock price development.

8 COMPARATIVE INFORMATION ON REMUNERATION AND COMPANY PERFORMANCE

The table on the next page shows a five-year comparison of the changes in the remuneration of the Executive Board and the company's performance.

TOTAL REMUNERATION EXECUTIVE BOARD

	Basic salary (TRI)		Variable income (STI) [1]		Share plan (LTI) [1]		Pension		Pension compensation		Total		Variable share in the total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
J.M.A. van der Lof MBA	723	702	423	410	512	1,126	44	40	198	193	1,900	2,471	49.2%	62.2%
E.D.H. de Lange MBA	542	527	318	308	384	844	22	21	76	73	1,342	1,773	52.3%	65.0%
H.J. Voortman MSc	492	478	287	279	348	766	22	21	67	60	1,216	1,604	52.3%	65.2%
Total remuneration	**1,758**	**1,707**	**1,028**	**997**	**1,244**	**2,736**	**88**	**82**	**341**	**326**	**4,458**	**5,848**	**51.0%**	**63.8%**

1 Realized in the previous financial year and paid out in the financial year following.
Because amounts are expressed in thousands of euros, rounding differences may arise in the total figures.

COMPARATIVE INFORMATION ON REMUNERATION AND COMPANY PERFORMANCE

(in € 1,000 unless stated otherwise)	2022	2021	2020	2019	2018
Remuneration Executive Board [1]					
J.M.A. van der Lof MBA	1,658	2,237	902	1,134	1,419
E.D.H. de Lange MBA	1,244	1,678	676	850	1,064
H.J. Voortman MSc [2]	1,127	1,523	614	772	574
A.E. Dehn [3]					114
Company performance					
ROS	12.9%	12.4%	10.5%	11.6%	11.3%
Organic turnover growth	18.0%	15.9%	-9.9%	-1.9%	9.4%
EBITA	235	190	129	154	171
CO_2e reduction (vs. 2019)	42.7%	29.8%			
CO_2e reduction (vs. 2015)			5.8%	5.4%	2.9%
Illness rate of employees	4.04%	3.56%	3.51%	3.26%	3.47%
Average remuneration per FTE	**57**	**55**	**50**	**49**	**49**
CEO pay ratio	**33.6**	**45.3**	**22.4**	**27.0**	**32.5**

1 Based on TRI, STI, and LTI.
2 Appointment to the Executive Board with effect from May 3, 2018.
3 Member of the Executive Board until May 3, 2018.

9 PERSONAL LOANS
The company does not grant personal loans or guarantees to Executive Board members.

10 CHANGE OF CONTROL
There is no “change of control” clause in the employment contracts of the members of the Executive Board.

11 SEVERANCE PAY
The remuneration in the event of dismissal amounts to a maximum of one year’s salary (TRI). No severance pay is made in the event of premature termination of the contract by the member of the Executive Board or in the event of willful misconduct or negligence on the part of the member of the Executive Board.

REMUNERATION POLICY OF THE SUPERVISORY BOARD

This policy aims to provide a competitive compensation package to attract, motivate, and retain qualified members of the Supervisory Board for a publicly listed company, while taking into account the size and unique characteristics of the company. TKH is a leading technology company focused on advanced innovative technology systems in high-growth markets. The company strives to be an attractive employer and a solid investment for its shareholders, with corporate social responsibility forming a central part of this. This policy was developed in the context of national and international market trends and in line with legal requirements, best practices in corporate governance, the social context of remuneration practices, and the interests of the company’s shareholders and other stakeholders. The remuneration package was reviewed for market conformity in 2022 and will be reviewed at least once every three years on the basis of information provided by external experts.

The company's remuneration policy is guided by the principles of equity and transparency. The remuneration structure is designed to promote the satisfactory performance of the Supervisory Board members’ duties and is not dependent on the company’s financial results. The Supervisory Board acknowledges its responsibility to act in accordance with the identity, mission, and core values of the company. In this context, it has been decided to opt for fixed compensation without any variable remuneration components to ensure that members can remain independent and objective in fulfilling their role of implementing the company’s corporate strategy and objectives, and creating long-term value and sustainability for the company. The full remuneration policy is available on the TKH website.

APPLICATION OF THE POLICY IN 2022

1 REMUNERATION

The remuneration policy aims to reward members of the Supervisory Board in line with the market on the basis of their activities, experience, and the related allocation of tasks within the Board and its committees. The remuneration is periodically assessed externally with the same reference group as for the Executive Board. The remuneration of a member of the Supervisory Board is not dependent on the company's performance. No shares and/or rights to shares are granted to members of the Supervisory Board. Any shares held by a member of the Supervisory Board are for long-term investment purposes. The General Meeting of Shareholders adopted the remuneration of the Supervisory Board in 2020, with effect from January 1, 2020.

The remuneration of the Supervisory Board is based on the following amounts:

- Chairman of the Supervisory Board € 61,800
- Member of the Supervisory Board € 46,300
- Chairman of the Audit Committee € 10,300
- Member of the Audit Committee € 7,210
- Chairman of the Remuneration Committee/ Selection and Appointment Committee € 8,240
- Member of the Remuneration Committee/ Selection and Appointment Committee € 6,180

The remuneration of the Supervisory Board has been increased by 3% with effect from January 1, 2022 based in part on the external assessment. If circumstances require members of the Supervisory Board to perform significantly more activities than usual, they will receive a fee of € 1,000 per half-day for these activities.

2 TOTAL REMUNERATION

The table on the right lists the total remuneration paid to individual members of the Supervisory Board.

3 SHARE OWNERSHIP OF THE SUPERVISORY BOARD

The current members of the Supervisory Board do not own any (depository receipts for) shares in TKH.

4 COMPARATIVE INFORMATION ON REMUNERATION

The table below shows a five-year comparison of the changes in the remuneration of members of the Supervisory Board.

TOTAL REMUNERATION SUPERVISORY BOARD

(x € 1,000)	Regular remuneration	Remuneration membership committees	Total 2022	Total 2021
R.L. van Iperen, *chairman*	57	12	69	53
A.J.P. De Proft [1]	21	2	23	68
P.P.F.C. Houben [2]				23
C.W. Gorter	46	18	64	60
J.M. Kroon	46	14	60	58
A.M.H. Schöningh	46	6	52	51
P.W.B. Oosterveer [3]	31	5	36	
Total remuneration	**248**	**57**	**304**	**313**

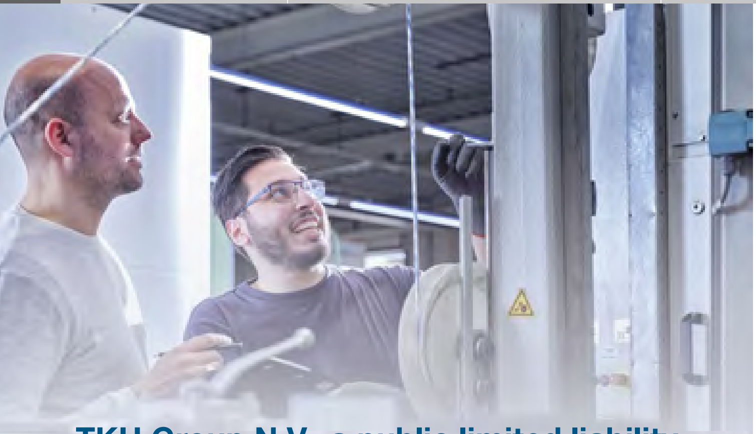
1 Up to and including May 2022.
2 Up to and including May 2021.
3 As of May 2022.

As amounts are expressed in thousands of euros, totals may not add up precisely due to rounding.

COMPARATIVE INFORMATION ON REMUNERATION

(x € 1,000)	2022	2021	2020	2019	2018
R.L. van Iperen, *chairman*	69	53	53	53	43
A.J.P. De Proft [1]	23	68	68	68	47
P.P.F.C. Houben [2]		23	55	55	44
C.W. Gorter	64	60	58	52	42
J.M. Kroon	60	58	58	57	40
A.M.H. Schöningh [3]	52	51	34		
M.E. van Lier Lels [4]					18
P.W.B. Oosterveer [5]	36				
Total remuneration	**304**	**313**	**326**	**285**	**234**

1 Up to and including May 2022.
2 Up to and including May 2021.
3 As of May 2020.
4 Up to and including May 2018.
5 As of May 2022.



CORPORATE GOVERNANCE

TKH Group N.V., a public limited liability company under Dutch law, voluntarily applies the limited two-tier entity regime. The management of the company is delegated to the Executive Board under the supervision of the Supervisory Board. The general powers of the Executive Board arise from legislation and regulations, and are laid down in TKH's articles of association. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure of TKH and compliance with the Dutch Corporate Governance Code ("Code").

In principle, TKH applies the principles and best practice provisions of the Code and attaches great value to the Code. In a few cases, TKH deviates from the Code; the reasons behind each of these deviations are described below.

TERM OF APPOINTMENT OF THE EXECUTIVE BOARD

The terms of appointment for the CEO and CFO are not limited to the four-year term prescribed in the Code. For both, TKH takes the position that contractual agreements made in the past cannot be modified, that existing employment contracts should be respected, and that the limitation of the appointment is not appropriate. However, it is worth noting that performance is assessed annually and the term of appointment is continually evaluated. The maximum four-year term of appointment does, however, apply to the third member of the Executive Board. A maximum term of four years is also followed for newly appointed members of the Executive Board, and the best practice provision is applied in such cases.

SHARE PLAN

A share plan is in place for the Executive Board, but no share option scheme. The share plan involves a financial contribution by the Executive Board since the individual members have to purchase the same number of shares as they are awarded within the framework of the plan. Because this involves a financial contribution from the Executive Board members, it has been determined that the shares must be held for at least three years. Additionally, since this scheme requires a private investment obligation of the individual members of the Executive Board, the Supervisory Board believes that it is reasonable and fair to adhere to a term of three years, and not a term of five years.

INTERNAL AUDIT FUNCTION

TKH has an Internal Audit function, but the position of this department has not been fulfilled completely independently in accordance with the Code. The Internal Audit team will be expanded in 2023, which will further strengthen its independent position.

GENERAL MEETING OF SHAREHOLDERS

A General Meeting of Shareholders is held annually. Extraordinary General Meetings are held as often as considered desirable by the Executive Board or Supervisory Board and also as often as requested in writing to the Executive Board or Supervisory Board by shareholders and/or holders of depositary receipts, representing at least 10% of the issued capital, with a specification of the topics to be discussed. With regard to invoking a response time concerning proposals for fundamental strategy changes, TKH applied the legal provision article 2:114a of the Dutch Civil Code with regard to a 250-day reflection period, above the 180 days specified in the Code. The basic principle here is to ensure that the operation and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes are safeguarded.

DEPOSITORY RECEIPTS OF SHARES

Stichting Administratiekantoor TKH Group ("TKH Trust Foundation Office") holds ordinary shares in the company. In exchange for these shares, TKH Trust Foundation Office issues depositary receipts for those shares. The voting rights to the shares are vested in TKH Trust Foundation Office. If requested to do so, TKH Trust Foundation Office gives the holders of the depositary receipts authorization to cast a vote, to the exclusion of TKH Trust Foundation Office, on the shares for which the holder has depositary receipts at a General Meeting of Shareholders specified in the proxy. The authorization is unrestricted and is therefore not subject to any exchangeability limit. TKH Trust Foundation Office is not required by law (article 2:118a of the Dutch Civil Code) to grant the proxy, and may withdraw a proxy that has been given if a) a hostile public offer is announced or made (or is expected to be made), b) one or more persons possess at least 25% of the depositary receipts and/or shares, or c) in the opinion of TKH Trust Foundation Office, the voting right of a holder of a depositary receipt is fundamentally in conflict with the interest of the company. In the event of one of these scenarios, TKH Trust Foundation Office must notify the holders of depositary receipts and explain the reasons behind their actions. The company considers the issue of depositary receipts for shares as an important measure to safeguard the interests of shareholders, holders of depositary receipts and other stakeholders. This means that the company's intellectual property and its commercial interests are protected, which is also important when it comes to sustainable long-term value creation for our stakeholders. Although the Code states that the issue of depositary receipts is not intended to be used as a protective measure, TKH expressly chooses to take this form of protective measure and acts in accordance with the applicable law in article 2:118a of the Dutch Civil Code. This is in derogation to principle of the Code.

TKH Trust Foundation Office exercises the rights attached to the shares in such a way that the interests of the company, its associated businesses, and all its stakeholders are protected to the greatest extent possible, instead of focusing primarily on the interests of the holders of depositary receipts, as defined in best-practice provision 4.4.5 of the Code. The TKH Trust Foundation Office thus exercises its voting right in line with legal provision article 2:118a of the Dutch Civil Code. In the General Meeting of Shareholders, the Board of TKH Trust Foundation Office may, on request, issue a statement of its intended voting conduct. A detailed explanation of TKH's Corporate Governance structure can be found on the TKH website.

ISSUE OF SHARES

Shares are issued according to a decision taken by the Executive Board. The decision is submitted to the Supervisory Board for approval. The extent of this power on the part of the Executive Board is determined by means of a resolution adopted by the General Meeting of Shareholders and does not or will not exceed the equivalent of all of those shares in the company's authorized capital that have not yet been issued. During the Annual General Meeting of Shareholders held on April 26, 2022, this power was extended until October 26, 2023. The directive applies to ordinary shares and cumulative preference financing shares up to a total of 10% of the total nominal value of the issued shares at the time of issue.

PURCHASE OF OWN SHARES

Subject to specific conditions stipulated in the company's articles of association and acting in accordance with a decision taken by the Executive Board, the company may acquire depository receipts of shares in its own capital in return for valuable consideration, for a price equivalent to the sum of, on the one hand, the nominal value which they represent or, on the other, one hundred and ten per cent (110%) of their listed price. The decision is submitted to the Supervisory Board for its approval. During the Annual General Meeting held on April 26, 2022 the power for the company to acquire shares in its own capital was conferred on the Executive Board for a period of 18 months as of that date. Among other things, this authorization may be utilized for the purposes of purchasing shares for share and option schemes for personnel.

PREVENTION OF INSIDER TRADING

To ensure that any person deemed to be an "insider" within TKH does not engage in insider trading, TKH has introduced regulations to comply with the European Market Abuse Regulation (EU No. 596/2014 – "MAR"). Insiders in the company have therefore consented in writing to act in accordance with these regulations. The Company Secretary serves as Compliance Officer and oversees appropriate compliance with the legislation and regulations concerning insider trading and other compliance risks.

REVISED DUTCH CORPORATE GOVERNANCE CODE DECEMBER 20, 2022

The Dutch Corporate Governance Code has been revised and published on December 20, 2022. This Code is effective for the financial year beginning on or after January 1, 2023. TKH will implement the revised Code in 2023 and report on this in the TKH Annual Report 2023.

RISK MANAGEMENT

The Executive Board is responsible for compliance with all relevant primary and secondary legislation and for managing the risks associated with the company's activities through the implementation of appropriate internal risk management, control, and auditing systems. This involves surveying and analyzing the risks related to the company's strategy and activities, establishing the risk appetite, and defining the necessary measures to manage and monitor the risks. The Executive Board is account-able to the Supervisory Board for setting up effective and well-functioning internal risk management and control systems.

RISK MANAGEMENT STRUCTURE

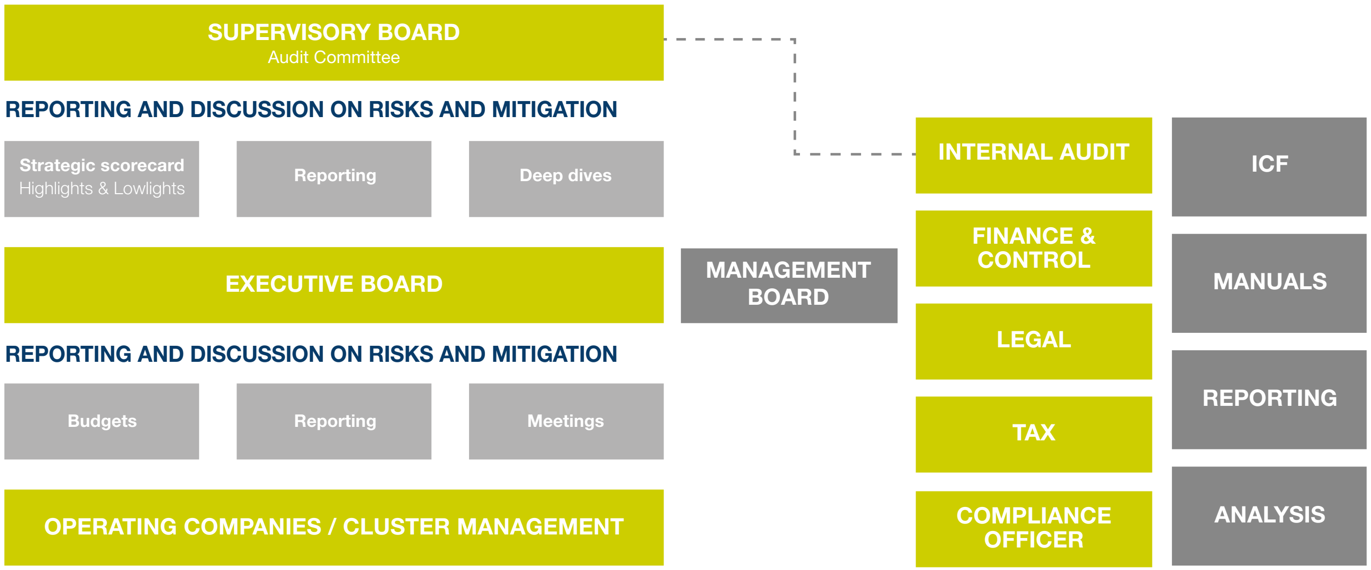
TKH has embedded its risk management policy in all levels of the organization. This involves using risk management and control systems that contain the following key components:

- An Internal Control Framework (ICF) based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2017). TKH uses this framework to analyze and evaluate the strategic, operational, financial, and compliance risks for each operating company.
- The TKH Manual contains:
  - regulations and guidelines for decision-making procedures and authorization levels for the strategic management of our operating companies;
  - guidelines on the treasury policy (cash and foreign exchange management), as well as various rules of conduct, such as policy approval procedures, code of conduct for staff members, whistleblower procedure, and a privacy policy; and
  - guidelines for internal management and control measures including IT controls, internal and external financial reporting, insurance, and how to deal with claims.
- A "strategic scorecard", which is issued every quarter or more frequently if necessary. It features "high-lights" and "low-lights", and (potential) risks per business segment. It also contains related short- and medium-term action points for discussion between the Executive Board and the management of the operating companies.

TKH's risk management policy reflects the organization's size and decentralized structure. The components of this risk management policy are assessed by Internal Audit. The assessments only focus on continuing operations. Each operating company's main risks are identified and analyzed, and their potential impact on the operating company is determined. For specific issues, including IT & Security, external specialists are engaged on a project basis. The results of these assessments are discussed with the Executive Board. At least twice a year, the most important findings of the assessments conducted by Internal Audit are discussed with the Audit Committee of the Supervisory Board. We follow the guidelines of the Institute of Internal Auditors (IIA) to ensure the internal audit function continues to meet IIA standards.

The Executive Board, internal Legal Advisor, Director Finance & Control, Tax Director and Compliance Officer also evaluate the risk management system. The design and operation of the internal risk management and control systems for financial reporting are also assessed by the external auditor in the context of the audit of the financial statements. The outcome and impact on the external auditor's audit strategy are discussed with the Executive Board and the Audit Committee.

RISK MANAGEMENT STRUCTURE



RISK CULTURE

An open, transparent culture with sufficient critical capacity is a prerequisite for an organization to properly manage risks, responsibilities, and competencies. TKH considers a suitable risk-management model to be an important tool for creating sustainable long-term value. A continuous focus on risk awareness is a key element of TKH's culture. The pursuit of a balanced risk profile is embedded in this culture through short lines of communication and is supported by closely monitoring agreed objectives through a comprehensive Key Performance Indicator (KPI) dashboard.

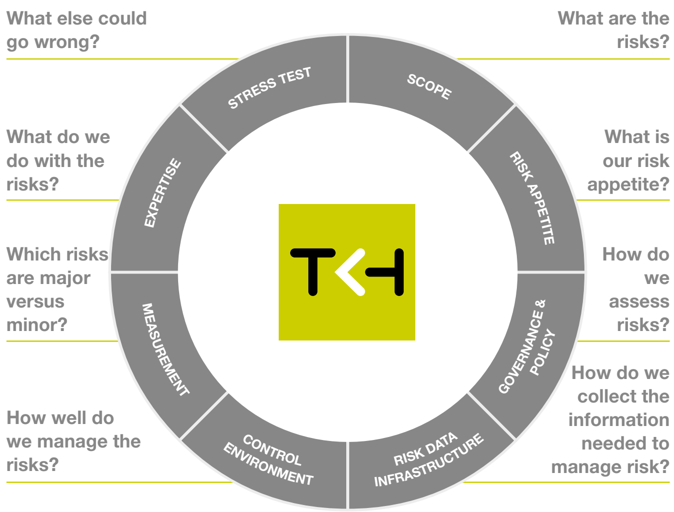
Employees are expected to be aware of the core values underlying our actions and our risk profile and to feel responsible for the (potential) risks they take. They are also expected to adhere to the principles of TKH's culture and to act in accordance with TKH's Code of Conduct. At the same time, we are committed to ensuring a safe work environment in which our employees can excel, regardless of their background, gender, or position. The Code of Conduct is fundamental to everything we do and describes how we act as a company and within the company, how we make decisions, and how we deal with different dilemmas. The Code of Conduct is published on our website. We have established a procedure that enables employees to report any suspicion of conduct that is unlawful and/or contrary to the Code of Conduct, including behavior related to sexual harassment, gender inequality, and abuse of power. Reports are reviewed and investigated by the local Confidential Officer and/or the Group Compliance Officer. If deemed necessary, disciplinary and mitigating measures are taken. External parties can also report to the Group Compliance Officer.

DEVELOPMENTS IN 2022

In 2022, we evaluated our internal risk management system and made several improvements. The internal payment framework, including the internal controls related to the payment process, has been updated. The activities carried out by Internal Audit did not lead to any material findings at the group level with regard to the administrative organization and internal control. When shortcomings in the administrative organization and internal control are observed, areas for improvement are identified. Continuous monitoring enables us to adapt the internal risk management and control system to changing internal and external conditions as necessary. In 2022, we focused on further embedding the Internal Control Framework in our operating companies as well as strengthening and intensifying the monitoring cycle to follow up on findings.

For operating companies whose size, technology, and risks, such as privacy and reputation, are important in the context of implementing the TKH strategy, IT & Security risks have been identified and recommendations have been made to further mitigate these risks. These risks and their follow-up are frequently discussed with the Executive Board and the Audit Committee. Several security incidents occurred during the year under review. By responding in a timely manner with

RISK CULTURE



a team of cybersecurity experts, we ensured that these incidents did not result in significant data leaks, cause significant or permanent damage, or impact business continuity. However, these incidents confirm the need to be constantly vigilant to IT & Security risks. In 2022, we placed increasing emphasis on the risk of ransomware and our resilience should such an event occur.

COVID-19 and the war in Ukraine significantly impacted the global economy, and the general impact was felt throughout 2022. Therefore, the “pandemic” (COVID-19) risk remained an important risk for TKH as well as geopolitical developments (such as the Russia-Ukraine conflict). In 2022, the global spread of COVID-19 and the Russia-Ukraine conflict again led to lockdowns in 2022, travel and workplace restrictions, business restrictions, stagnation in the supply chain, and general instability of the economic and financial markets. By taking early measures, we were able to reduce the impact on our business operations in 2022.

In 2022, we continued to review non-financial information. Internal Audit further developed and conducted review activities focusing on the non-financial KPIs included in TKH’s Annual Report 2022. The reviews identified further areas for improvement and optimization, which were addressed properly at various levels of the group. No material shortcomings were identified. We also continued to pay increased attention to supply chain management during the year under review. Important technical (electronic) components had longer delivery times e.g. due to transportation challenges, were (partly) unavailable, or only available in limited quantities. Review activities were conducted at several of the group’s operating companies. Finally, in 2022 we paid explicit attention to the effects of inflation on our purchases, sales, energy costs, labor, and other operational costs and sales prices. We implemented a dashboard to monitor the effect of price increases on our added value and operating expenses. This was also used to challenge operating companies on the timing and extent of increases in their own sales prices.

RISK PROFILE AND RISK APPETITE

We have identified the most important risks and divided them into four categories: strategic risks, operational risks, financial and reporting risks, and compliance risks. For each risk, we then assess its potential impact on the organization and the probability that this risk will occur. The impact includes financial and non-financial factors such as reputation.

It is the duty of the Executive Board to weigh the business opportunities against the expectations and interests of stakeholders. Decisions to change or fine-tune our business models are made by the Executive Board in accordance with TKH’s risk appetite. A balance is explicitly sought between acceptable risk, on the one hand, and entrepreneurship conducted in the context of long-term value creation, on the other hand.

RISK OVERVIEW

As part of the strategic process, we have identified four pillars:

- Innovation and technical leadership
- Being responsible
- Talented people and empowerment
- Sustainable financial performance

Based on these pillars, we have determined our strategic direction and defined specific objectives to manage the strategic process. The risk connectivity matrix shows the most important risks for TKH and the pillar from which these risks are addressed. In addition, a link has been made with the materiality themes for TKH and our stakeholders, as shown in the materiality matrix (see the Stakeholders section).

OTHER RELEVANT RISKS

In addition to the key risks included in the risk connectivity matrix, we have identified other risks that are also included in TKH’s internal risk management system. This includes, among other things, the following risks:

Operational

- Disasters in production facilities e.g. accidents in production facilities that threaten business continuity.

Financial and reporting

- Infringement of intellectual property (IP) rights of and by third parties.
- Inadequate funding.
- Interest rate volatility.

RISK CONNECTIVITY MATRIX - OUR MAIN RISKS

Risk area	Risk category and topics	Risk description	Pillar	Material themes	Risk trend	Risk appetite
STRATEGIC	1. MARKET & GEOPOLITICS - Geopolitics - Conflict Russia-Ukraine - Market developments - Recession	Influence of global economic, market and geopolitical developments on the execution of the strategy and financial position and results of TKH.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance	increased	medium
	2. PANDEMIC - COVID-19	Impact of a (global) pandemic on the world economy, the (end) markets in which TKH is active, and its business operations.	SUSTAINABLE FINANCIAL PERFORMANCE TALENTED PEOPLE AND EMPOWERMENT BEING RESPONSIBLE	1 Financial track record performance 10 Sustainable employment 11 Health & safe work environment 15 Integrity, compliance & human rights 16 Risk management 17 Privacy & IT Security	decreased	medium
	3. PORTFOLIO - Innovation - Technology development	Threat to TKH's long-term value creation due to insufficient technology development and innovation.	INNOVATION AND TECHNOLOGY LEADERSHIP	2 Technological innovations 3 Sustainable capital allocation (in alignment with SDGs)	equal	medium
	4. M&A AGENDA - Acquisitions - Integration - Divestments	Failure to successfully integrate (acquired) and/or divest companies can result in lower than expected profit contribution and the risk of impairment. Changing M&A market circumstances (e.g. interest developments) can impact (the timing of) our divestment and growth strategy program.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance	equal	medium
OPERATIONAL	5. PROJECT MANAGEMENT	Risk of projects not being delivered according to specification, agreements, time schedule, and planned margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance	equal	low
	6. IT & SECURITY - IP protection - Continuity of operations - Cybersecurity - Privacy and GDPR	Risk of breach of data availability, confidentiality, and integrity (including IP).	INNOVATION AND TECHNOLOGY LEADERSHIP	17 Privacy & IT Security	increased	low
	7. STAFF - Scarcity - Development opportunities - Healthy and safe work environment	Scarcity of well-qualified staff and inability to retain qualified staff. Health and safety incidents can cause risks for employees and lead to business stagnation. Inability to reach young potential employees can result in shortage of staff.	TALENTED PEOPLE AND EMPOWERMENT	10 Sustainable employment 11 Health & safe work environment 12 Employee satisfaction 13 Personal development opportunities 14 Diversity & inclusiveness	increased	low
	8. SUSTAINABILITY - CO_2 footprint - Waste management - Climate change - ESG - SDGs	Possible impact of climate change on our strategy and business model. Unsustainable business operations can have an adverse effect on the environment as well as on the (future) business. Future implementation of CO_2 tax/pricing could mean an increase in operational and compliance costs. Non-compliance with ESG topics and not meeting ESG targets can impact our operations and reputation.	BEING RESPONSIBLE	3 Sustainable capital allocation (in alignment with SDGs) 6 Responsible production 7 Resource efficiency 8 Climate change & CO_2 footprint 9 Responsible procurement	increased	low
	9. SUPPLY CHAIN - Raw materials - Components - Energy	Important raw materials such as copper, aluminum and plastics, and technical (electronical) components have long delivery times or are unavailable or only available in limited quantities. Also, limited availability of (green) energy results in (potential) shortages of energy and higher price levels.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance 5 Market & geopolitics (supply chain, inflation & Ukraine war) 7 Resource efficiency	increased	low
FINANCIAL AND REPORTING	10. CURRENCIES	Volatility of currencies which puts pressure on profit margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance	equal	medium
	11. COST INFLATION - Raw materials - Components - Labor costs - Energy costs	Inflation of costs, including (volatility of) raw material prices, components and labor costs, which puts pressure on profit margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial track record & performance 5 Market & geopolitics (supply chain, inflation & Ukraine war)	increased	medium
	12. REPORTING - Financial reporting - Non-financial reporting	Risk that TKH's financial and non-financial reporting contains material errors.	SUSTAINABLE FINANCIAL PERFORMANCE BEING RESPONSIBLE	1 Financial track record & performance 15 Integrity, compliance & human rights	equal	low
COMPLIANCE	13. LEGAL & REGULATORY - Sanctions - Fraud, bribery, corruption - Use of agents - Non-compliancy with law and regulations - Human rights, child labor	Damage (including reputation) due to violation of legislation and regulations including export and sanctions regulations, unfair competition, fraud, corruption, and bribery.	BEING RESPONSIBLE	15 Integrity, compliance & human rights	equal	avoiding
	14. TAX	Damage (including reputation) due to violation of tax legislation and regulations.	SUSTAINABLE FINANCIAL PERFORMANCE BEING RESPONSIBLE	1 Financial track record & performance 15 Integrity, compliance & human rights 18 Tax	equal	avoiding

Risk trend: ▲ increased, = equal, ▼ decreased

Risk appetite: ● avoiding, ● low, ● medium, ● high

STRATEGIC

1 MARKET & GEOPOLITICS

Impact of global economic and geopolitical developments (such as the Russia-Ukraine conflict) on the implementation of the strategy and the financial position and results of TKH. Economic and political confrontations between world powers (trade tariffs, availability and price of energy), the erosion of trade agreements, and the impact of (global) inflation as well as a potential recession can impact TKH's turnover and results.

Our specific risk mitigation measures:

- Spread of activities across multiple product/market combinations.
- Internal efficiency programs and cost reduction programs.
- Energy reduction programs and shifting to alternative energy sources.
- Flexible shell by making use of temporary staff and by outsourcing the production of mainly commodity products.
- Geographical spread across Europe, North America, and Asia with multiple production sites, with a tendency to bring production capacity closer to end markets where possible.
- Strong financial balance sheet and position.
- Ongoing attention to risk analysis in the implementation of the strategy and strategy transformation program.

2 PANDEMIC

Impact of a (global) pandemic on the world economy, the (end) markets in which TKH is active, and its business operations (e.g. COVID-19). The most important possible specific risks with an impact on TKH are related to the health of our employees and disruptions and stagnation of the activities of key suppliers.

Our specific risk mitigation measures:

- The health and safety of our employees is our top priority. We have taken various preventive measures to support the well-being of our employees. This includes facilitating safe and ergonomic possibilities for working remotely.
- A strong financial position to respond to the downturn in activities (e.g. solvency of at least 35%, net debt/EBITDA ratio of no more than 2.0). This includes the availability of cash and committed credit facilities, and as well as the ability to reduce working capital, limit investments, and implement cost reduction programs.
- A focus on leveraging organic growth into an added value conversion ratio of >35% and translating the increase in gross margin into a further increase in earnings with more focus on return and cost ratio as a percentage of added value, resulting in a stronger financial position.
- Actively engage with our strategic suppliers and increase stocks of critical raw materials, components, and products. Find alternative suppliers where necessary.
- Geographical spread of activities and business locations.
- The implementation of virtual support solutions to remotely support customers at their locations.

3 PORTFOLIO

Insufficient technological development and innovation can threaten TKH's long-term value creation. These risks may emerge in the following areas:

- The pace of technological development.
- The execution of the R&D roadmap.
- Our competitor's new technologies.
- Our payback capacity.
- The harmonization of niche specifications into standardized commodity products and technologies.

Our specific risk mitigation measures:

- Generate at least 15% of our turnover from innovations that have been introduced in the last two years.
- Spend approximately 4% of our turnover on R&D.
- Focus continuously on innovation and executing the roadmap, including time-to-market.
- Ensure that the Executive Board and local management frequently discuss technology and innovation developments.
- Take advantage of technology leadership by leveraging and accelerating growth from innovations and utilizing the R&D pipeline. Bring key innovations to maturity with targeted profitability and limit the number of new and large "start-up" projects.
- Increase our market share by unlocking the full potential of our innovations and disruptive technologies by capitalizing on market growth driven by relevant megatrends.

4 M&A AGENDA

Failure to successfully integrate acquired companies or execute divestments of business activities can result in lower-than-expected profit contributions and the risk of impairment. Changing M&A market circumstances (e.g. interest rate developments) can impact (the timing of) our divestment and growth strategy program.

Our specific risk mitigation measures:

- Apply necessary procedures and guidelines and organize sufficient expertise for valuations and due diligence.
- Ensure rapid integration of acquired companies into TKH's reporting and control systems.
- Harmonize business processes and systems where necessary and desirable.
- Continue to focus on the identification, creation, and utilization of synergy effects.
- Ensure continued focus on portfolio management. Restructure or exit activities with limited potential for value creation: limited strategic fit, low return on sales, and organic growth potential.

OPERATIONAL

5 PROJECT MANAGEMENT

Inadequate project management can result in the risk that projects are not delivered according to specification, time schedules, agreements, and planned margins.

Our specific risk mitigation measures:

- Invest in qualified staff, training, and education. Ensure sufficient knowledge and professional competence.
- Ensure guidelines and procedures are in place for the approval of projects with an above-average risk, project management, and adequate project administration.
- Make sure important projects are discussed at quarterly meetings between the Executive Board and local management.
- Monitor large projects with an above-average risk on a regular basis, if necessary with increased involvement of the Executive Board and/or Management Board and legal counsel.
- Constantly evaluate lessons learned and incorporate them into the risk model, which may lead to strict acceptance criteria.

6 IT & SECURITY

IT & Security concerns the risk of a breach of data availability, confidentiality, and integrity (including IP). This also includes cyberattacks that violate data (including IP) to disrupt business operations and infrastructure. The following elements are important in this respect:

- A decentralized IT landscape.
- The use of multiple ERP systems.
- The continuity of production sites.
- The protection of developed technologies (IP protection).
- Data protection legislation including GDPR.

Our specific risk mitigation measures:

- TKH has issued guidelines outlining the requirements for an ICT infrastructure, including key IT controls, partly within the context of cybercrime risks.
- Companies from the same region or cluster are encouraged to achieve economies of scale in the field of ICT.
- IT managers from key operating companies discuss important IT developments, trends, and risks.
- The internal and external (IT) security environment is tested by a specialized external agency.
- Internal guidelines on data protection are established.
- Increasing awareness of the need for information security through ongoing training and frequent newsletters on relevant (cyber) topics (Security Awareness Program), such as secure remote working.
- Internal Audit oversees the implementation of data protection guidelines.
- The risk were identified for operating companies with a high and medium risk in this area, based on size, technology, and reputation, and recommendations were made to further mitigate these risks. These risks and the monitoring of risk management are regularly discussed with the Executive Board and the Audit Committee.
- Specific assessments of the risk of ransomware and our resilience should such an event occur.

7 STAFF

A shortage of highly qualified personnel and the inability to retain qualified personnel can impact the (progress of the) of TKH's strategy. Health and safety incidents can create risks for employees and cause business to stagnate. Inability to reach young potential employees can lead to staff shortages.

Our specific risk mitigation measures:

- Performance/talent management programs in each operating company.
- (Bi-)annual Management Development Programs.
- Conduct regular employee satisfaction surveys.
- Use our good reputation as an attractive employer to recruit talented employees.
- Set up cooperation programs between operating companies and training institutes.
- Diversity and inclusiveness programs.
- Use employer branding and referral recruitment to reach and engage future talent.
- Increase attention on safety by tightening safety standards and creating even better safety awareness, and by implementing ISO 45001.
- Facilitate healthy and safe home-working practices.
- Communicate frequently with our employees about relevant general and business developments, and our impact on ESG topics through various channels.

8 SUSTAINABILITY

The potential impact of climate change and other relevant sustainability topics such as CO_2 emissions and waste management on our strategy, business model, and reputation. Unsustainable business operations have an adverse effect on the environment as well as on the (future) business. Future implementation of CO_2 tax/pricing could mean an increase in operational and compliance costs.

Our specific risk mitigation measures:

- Based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), we are carrying out a comprehensive analysis of potential climate change risks and how these risks can be converted into opportunities.
- Continue to optimize our production processes via our operational excellence program.
- Deliver a strong performance on our ESG targets, in particular being CO_2 neutral by 2030 (Scopes 1 and 2) and further develop a sustainable portfolio based on SDG criteria.
- Diversity and inclusiveness program.
- Continue to work towards achieving our waste reduction and recycling target so we can make a responsible and demonstrable contribution to the circular economy.
- More information can be found in section “Being responsible”.

FINANCIAL AND REPORTING

9 SUPPLY CHAIN

The fact that important raw materials such as copper, aluminum, steel and plastics, and technical (electronic) components have long delivery times, are unavailable or only available in limited quantities, as well as the limited availability of energy and price increases related to raw materials and energy puts pressure on profit margins.

Our specific risk mitigation measures:

- Increase our inventory of critical raw materials and components.
- Redesign products to increase the use of alternative materials and components with better availability/pricing.
- Use alternative suppliers.
- Adapt terms and conditions in purchase and sales contracts.
- Optimize (regional) portfolio and local manufacturing footprint.
- Introduce energy reduction programs and shift to alternative energy sources.
- Develop cooperation programs between operating companies to discuss developments, trends, and risks and to utilize the purchase power and knowledge within the group and business segments.
- Ensure that developments, including inventory positions and purchase conditions concerning important raw materials and components are discussed frequently between the Executive Board and local management.

10 CURRENCIES

Currency volatility, which puts pressure on profit margins.

Our specific risk mitigation measures:

- Treasury statute that establishes a currency risk management approach, including responsibilities, authorizations, and reporting.
- Material exchange rate risks are hedged in accordance with the Treasury Statute if these risks cannot be passed on in the market.
- Exchange rate risk that arises from the translation of net investments into currencies other than euro is generally not hedged. Monetary assets and liabilities in the same currency are netted as much as possible to reduce the exposure.
- Time differences between the settlement of forward transactions and sales and purchase contracts are overcome by using foreign currency bank accounts or by rolling over forward contracts.

11 COST INFLATION

Cost inflation including (volatility of) raw material prices, components, energy, and labor costs puts pressure on profit margins.

Our specific risk mitigation measures:

- Periodically analyze the impact of price changes per operating company based on a standard template.
- Frequently adjust market price lists where applicable.
- Redesign products to use alternative materials and components with better prices.
- Optimize (regional) portfolio and local manufacturing footprint in line with labor cost developments.
- Introduce operational excellence programs to increase (labor) efficiency.
- Develop energy saving and efficiency programs and eliminate (part of) price risks through medium-term energy contracts.
- Use a different mode of transportation to optimize transport efficiency and costs.

Specific risk mitigating measures for raw material prices related to copper and aluminum:

- The copper and aluminum positions of each operating company are monitored for the economic stock levels, stock prices, rate of turnover, and the expected relationship between copper prices and selling prices (price elasticity).
- Copper and aluminum price developments are factored into the selling price of products and/or services where possible, or temporarily hedged on the futures market.
- Copper and aluminum price developments, economic stock positions, and hedges are discussed every month by a multi-disciplinary committee chaired by TKH's CFO.
- Derivatives are used to a limited extent to hedge the price risk on free inventories.
- Important raw materials such as copper are purchased forward to eliminate price risks on the sale of finished products, if:
  - a sales contract is concluded at a fixed price;
  - delivery does not take place within one month; and
  - a significant amount of the raw material is needed for the production.

12 REPORTING

The risk that TKH's financial and non-financial reporting contains material errors. These reporting risks mainly relate to the following material items in the financial statements:

- Turnover – timing of turnover recognition.
- Goodwill and Purchase Price Allocation – valuation and impairment testing.
- Development costs – valuation and impairment testing.
- Inventory – valuation and provision.
- Contract assets and liabilities – valuation and provision.
- Non-financial KPIs.

COMPLIANCE

Our specific risk mitigation measures:

- Internal procedures and guidelines for internal and external financial reporting and verification of reports.
- Availability of a Sustainability Reporting Manual.
- TKH has developed internal guidelines in accordance with IFRS containing requirements for the capitalization of development costs.
- Regular controller meetings are organized to discuss important reporting topics
- Training and education of (financial) staff.
- Regular impairment testing, including the annual strategic planning.
- Use of business intelligence tools to gain insight into risks at an early stage.
- Representation letter and in-control statement for each operating company.
- Internal Audit performs financial audits and internal audits on non-financial information.
- Assurance by the external auditor on the financial statements.
- Limited assurance by the external auditor on the achievement of selected key non-financial KPIs.

13 LEGAL & REGULATORY

Non-compliance due to the violation of laws and regulations – including internal guidelines – can result in damage. Examples include:

- Unfair competition, export violations, and sanction programs that can result in significant penalties and reputational damage.
- Global operations and the use of agents who may expose TKH to local bribery and corruption risks.
- Undesirable or unethical conduct by employees leading to fraud-related issues.
- Violation of human rights and child labor regulations, including by suppliers.

Our specific risk mitigation measures:

- Internal guidelines include internal control measures, management responsibilities, and authorization requirements.
- Internal guidelines on compliance with sanctions and export regulations, including a checklist.
- Monitoring of financial flows by TKH, in part by:
  - monitoring transactions through the central treasury system;
  - establishing banking authorizations; and
  - setting credit limits for each operating company, with no local credits being permitted with banks outside of TKH's banking group, unless TKH has granted permission for this.
- The use of banks prescribed by TKH unless another bank is required locally because only a local bank can perform the required service.
- Controller meetings and the international management meeting will address the issues of sanctions, fraud, corruption, payment framework, and bribery by means of theory and case studies.
- The working relationship with agents and intermediaries is framed by guidelines and contracts.
- Through the TKH Code of Conduct, all our employees are aware that they should follow our business ethics and confirm this by signing this Code of Conduct.
- Employees can report suspicions of misconduct through a whistleblower policy. Such reports will not have any consequences for the position of whistleblowers, provided they follow the procedure established for this purpose. External parties can also report to the Group Compliance Officer.
- In all layers of our company, compliance with internal guidelines relating to integrity and behavior is strictly monitored (zero tolerance).
- Through the TKH Code of Supply, our strategic suppliers are aware that they should follow our business ethics and confirm this by signing this Code of Supply. Compliance with this code is verified during supplier audits.
- Strengthen internal legal skills and capacity.
- Internal Audit conducts internal audits on non-financial information focusing on the most important risks, including supplier assessments and compliance with sanctions.

14 TAX

TKH is exposed to tax risks that could result in double taxation, penalties, and interest payments. The source of the risks could originate from local tax rules and regulations as well as international and EU regulatory frameworks including upcoming Pillar 2. These include, but not limited to, transfer pricing risks on internal cross-border deliveries of goods and services, tax risks related to acquisitions and divestments, tax risks related to permanent establishments, tax risks related to tax loss, interest and tax credits carried forward, and potential changes in tax laws that could result in higher tax expenses and payments. These risks can have a significant impact on local financial tax results, which, in turn, could adversely affect TKH's financial position and results.

Our specific risk mitigation measures:

- Centralized monitoring of compliance in relation to developments in (new) legislation and regulations in the

field of tax laws (both national and international), sanctions regimes, and general tax and legal developments, with a focus on specific risks in the areas of transfer pricing, permanent establishment, and VAT.
- Availability and development of transfer pricing documentation in accordance with OECD Guidelines as well as compliance with local regulations.
- Periodic monitoring of the financial performance of operating companies in accordance with the transfer pricing documentation.
- Maintaining good relations with tax authorities based on mutual respect, transparency, and trust. In 2022, in the Netherlands, the "horizontal monitoring covenant" was reconfirmed with the Dutch Tax Administration in this context.
- Making use of external (tax) advisors for specialized subjects.
- Further rollout, monitoring and continuous update of the Tax Control Framework.
- Tax reporting, including standardized tax reporting packages for determining the tax position, which are also used for determining the tax position in the financial statements, as well as "country-by-country" reporting.
- During internal trainings, theory and case studies are used to address a broad spectrum of tax issues (including customs) as well as tax dilemmas.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

For the most important risks, we have, where possible, quantified the impact on the result and financial position of TKH should these risks occur. A sensitivity analysis is also included. The financial statements, including in note 21, outline TKH's objectives and policy regarding the use of financial instruments for risk management, also in the context of hedging risks associated with all major types of transactions to which TKH is exposed, related to capital, liquidity, interest, currency, credit, and price risks.

GOING CONCERN AND PROSPECTS

We have prepared a budget that includes projections of cash flows and liquidity requirements for the coming year. This forecast takes into account current market conditions, possible changes in results based on these conditions, as well as our ability to adjust our cost structure in response to changing economic conditions and turnover levels. Our budget also takes into account the total available cash and cash equivalents of € 184.6 million as at December 31, 2022, the possibility of renewing financing agreements and attracting additional financing, and whether we operate within the financial ratio agreed with the banks in the covenant.
On this basis, we believe that our available funds at the end of 2022 will be sufficient to finance our activities, investments, and existing contractual obligations for at least the next 12 months.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

	Change	Impact	On	Assumptions	Relates to risk
Turnover	1%	€ 8.6 million	EBITA	No adjustment of operating costs.	1, 2, 3, 4, 10, 11
Raw material price copper	10%	€ 1.5 million	EBITA	No derivatives to hedge price risks.	11
Gross margin	1%	€ 18.2 million	EBITA	No adjustments of operating costs.	1, 2, 3, 4, 10, 11
Operating costs	1%	€ 6.7 million	EBITA	No adjustment of turnover/gross margin.	Operational and financial risks
Currencies – financial instruments	10%	€ 2.6 million	Result before tax	All other variables remain constant.	10
Currencies – financial instruments	10%	€ 28.9 million	Group equity	All other variables remain constant.	10
Interest	1%	€ 3.6 million	Result before tax	Net bank debt including deduction of interest rate swaps held at variable interest rates.	Financial risks
Interest – financial instruments	1%	€ 0.1 million	Group equity	Based on concluded interest rate swaps.	Financial risks

MANAGEMENT STATEMENT

The Executive Board is responsible for the design and effectiveness of the internal risk management and control systems. The purpose of these systems is to identify and effectively manage the most significant risks to which the company is exposed.

During the year under review, Internal Audit assessed the administrative organization and internal control systems of TKH and its associated businesses, with a focus on some of the most important risks and current themes. Improvements were identified where non-material shortcomings in the administrative organization and internal control were observed. The Director of Internal Audit discussed the results of these audits with the Executive Board and reported the main findings to the Audit Committee. These activities did not result in any material findings at group level regarding the administrative organization and the level of internal control. Based on the financial results for the 2022 reporting year and the expectations for the 2023 reporting year, the Executive Board has assessed the company's going concern assumption. Current market conditions and business plans for 2023 have been taken into account. The Executive Board has also assessed the key strategic, operational, financial, reporting, and compliance risks, as well as the design and effectiveness of the internal risk management and control systems, as described in the Risk Management section of this annual report.

The effectiveness and performance of the internal risk management and control systems are discussed each year with the Audit Committee and the Supervisory Board. Taking into account the aforementioned risks and measures designed to manage them, and in accordance with the best practice provision 1.4.3 of the Dutch Corporate Governance Code, the Executive Board confirms that to the best of its knowledge:

i the management report (within the meaning of section 2:391 of the Dutch Civil Code) provides sufficient insight into any shortcomings in the operation of the internal risk management and control systems;
ii the aforementioned systems provide reasonable assurance that the financial reporting does not contain any errors of material importance;
iii the current situation justifies financial reporting on a going concern basis; and
iv the report describes the material risks and uncertainties that are relevant to the expectation of the company's continuity for a period of 12 months after the preparation of the report.

In view of the above, the Executive Board confirms that it is in compliance with best practice provision 1.4.2 of the Dutch Corporate Governance Code. It should be noted that the above does not imply that the internal risk management and control systems provide certainty as to the achievement of operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors or losses, incidents, fraud, or non- compliance with rules and regulations.

With reference to Section 5.25c(2c) of the Financial Supervision Act (Wft), the Executive Board declares that to the best of its knowledge:

- the financial statements provide a true and fair view of the assets, liabilities, financial position, and profit of TKH and the companies included in the consolidation;
- the management report gives a true and fair view of the situation on December 31, 2022, the state of affairs at TKH and its affiliated companies during 2022 (the details of which are presented in the financial statements), and that the management report describes the fundamental risks facing the company.

Haaksbergen, the Netherlands, March 6, 2023

J.M.A. van der Lof MBA, *Chief Executive Officer*
E.D.H. de Lange MBA, *Chief Financial Officer*
H.J. Voortman MSc, *Member of the Executive Board*

TKH SHARES

LISTING ON THE STOCK EXCHANGE

TKH's (depositary receipts of) shares have been listed on the Euronext Amsterdam stock exchange since 1953, under the ticker symbol TWEKA and are included in the mid-cap index (AMX). Options on TKH shares are listed on NYSE Liffe, the European derivatives business of Euronext (ticker symbol: TKG). In addition, TKH shares are also included in the Next 150 Index, established by Euronext.

In 2022, TKH joined the Euronext Tech Leaders segment, launched by Euronext in June 2022, which is Euronext's initiative to increase the visibility and appeal of high-growth and leading technology companies to international investors. Euronext Tech Leaders consists of more than 100 high-growth and leading companies listed on Euronext markets.

TKH'S SHARES ISSUED AND OUTSTANDING

	2022	2021
Ordinary shares (nominal value € 0.25 each)	42,198,429	42,198,429
of which depositary receipts	42,082,712	42,086,217
of which registered shares	115,717	112,212
Priority shares (nominal value € 1.00 each)	4,000	4,000
Total shares issued	42,202,429	42,202,429
of which held by the company	1,197,647	1,020,885

The number of depositary receipts of shares has decreased by 3,505 compared to December 31, 2021 due to the conversion of 3,505 depositary receipts of shares into ordinary shares. At the end of 2022, the company held 1,197,647 depositary receipts of shares. The company may acquire depositary receipts of shares in its own capital for purposes such as employee share and option plans.

The registered ordinary shares, with the exception of the registered shares of the company, have been transferred by notarial deed to Stichting Administratiekantoor TKH Group ("Stichting Administratiekantoor"), which issues depositary receipts for the shares to the ultimate investors. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power of attorney to the holders of the depositary receipts. The holders of depositary receipts are entitled to receive power of attorney to vote for the shares corresponding to the depositary receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depositary receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the Board of Stichting Administratiekantoor in various situations specified by law (see also Corporate Governance section). In this case, Stichting Administratiekantoor may (again) exercise the voting right for all shares for which depositary receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depositary receipts for shares is governed by administrative conditions. The protection provided by the use of depositary receipts is based on the 1% rule. The depositary receipts may be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes both indirectly and directly held shares. However, this does not apply to the transfer of ordinary shares to the company itself.

Aside from what is mentioned under "Other information", no special rights are attached to the priority shares. The company has granted Stichting Continuïteit TKH an option to acquire preference shares up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference shares are issued or up to 100% of the sum of the other outstanding shares at the time the preference shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a declaration to that effect with the Chamber of Commerce. Stichting Continuïteit TKH has not acquired any cumulative preference shares in TKH in 2022.

Further information on the capital structure of TKH is included in note 7 to the company's financial statements. This information is incorporated by reference in the management report.

TRADING INFORMATION

The following key figures per (depositary receipt of) share apply in relation to the listing on Euronext Amsterdam.

	2022	2021
Annual turnover of shares	19,633,987	19,200,539
Highest price	€ 54.90	€ 56.15
Lowest price	€ 31.24	€ 37.88
Closing price	€ 37.16	€ 55.50
Net earnings per share	€ 3.34	€ 2.31
Dividend	€ 1.65	€ 1.50
Price-earnings ratio as at the end of the financial year	11.1	24.0
Dividend yield on closing price	4.4%	2.7%
Market capitalization at end of financial year (in millions)	€ 1,524	€ 2,285

SHAREHOLDERS

Under the Dutch Financial Supervision Act, shareholdings of 3% or more must be disclosed to the Dutch Authority for the Financial Markets ("AFM"). Based on the AFM register until the beginning of 2023, the following shareholders hold a stake of 3% or more in TKH.

Mandatory disclosing party	Interest	Date of last disclosure
Vinke Amsterdam B.V.	5.84%	05-28-2020
Lucerne Capital Management, LLC	5.62%	08-20-2019
ASR Nederland NV	5.11%	10-06-2008
Teslin Participaties Coöperatief U.A.	5.01%	07-06-2017
Kempen Oranje Participaties NV	3.77%	04-04-2011
Goldman Sachs Group Inc.	3.05%	02-10-2023
Janus Henderson Group plc	3.03%	06-23-2022
AllianceBernstein L.P.	3.03%	01-20-2022

DIVIDEND POLICY

TKH aims for an attractive return for its shareholders, which is reflected in an appropriate dividend policy. Healthy balance sheet ratios are very important for the company's continuity. In determining the distributable dividend, TKH takes into account the amount of profit the company needs to retain to carry out its medium- to long-term plans, while also ensuring a solvency ratio of at least 35%. Based on growth targets for the coming years, TKH will aim to pay out between 40% and 70% of the net profit before amortization and one-off income and expenses attributable to shareholders.

The total dividend paid in 2022 of € 61.8 million amounted to a dividend payout ratio of 54.2% of the net profit before amortization and one-off income and expenses attributable to shareholders. The dividends for 2022 were issued to the holders of (depositary receipts of) shares in cash.

INVESTOR RELATIONS

TKH's investor relation activities are designed to ensure that current and potential shareholders, analysts and other stakeholders are provided with timely, complete and consistent information. TKH's investor relations is focused on helping the market understand our business, our strategy, our markets, and our financial performance. TKH is committed to transparent reporting. We communicate through our half-year and full-year earnings releases and presentations, trading updates, the annual report, and other information published on our investor relations website.

We host live webcast presentations of our half-year and full-year results, hold the Annual General Meeting of Shareholders, and have frequent contact with major and other shareholders, interested institutional investors, and analysts through roadshows, conferences, company visits, and one-on-one discussions. TKH's activities comply with the applicable regulations and guidelines of Euronext Amsterdam and the Dutch Authority for the Financial Markets ("AFM"), the Dutch financial markets regulator.

CONTACT

For further information contact Jacqueline Lenterman, Director of Investor Relations and Corporate Communications at +31(0)535732903, j.lenterman@tkhgroup.com.

More information about TKH and its operating companies is available on our website at www.tkhgroup.com.

FINANCIAL CALENDAR

April 24, 2023	Trading Update Q1 2023
April 25, 2023	General Meeting of Shareholders
April 27, 2023	Ex-dividend date
April 28, 2023	Dividend record date
May 2, 2023	Payment of dividend
August 15, 2023	Publication interim results 2023
November 14, 2023	Trading Update Q3 2023

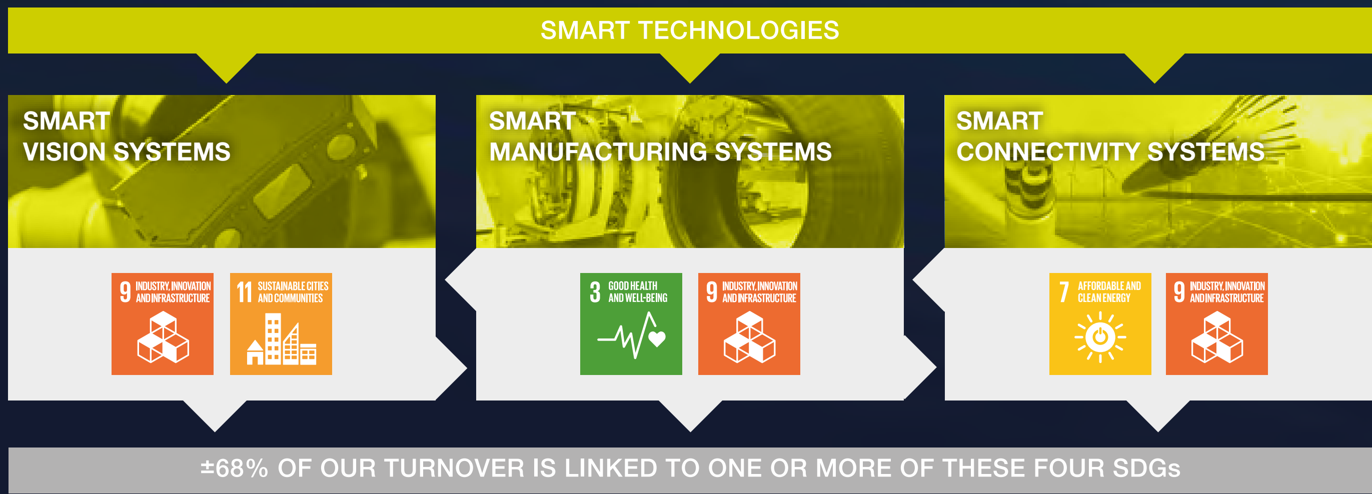
SUSTAINABLE PORTFOLIO

INNOVATIVE SOLUTIONS FOR A SUSTAINABLE FUTURE

TKH has a strong reputation as an innovator of Smart Technologies, with which we have been distinctive in growth markets for years. Our technologies go beyond the latest market trends, and an essential element in developing our innovative portfolio is sustainability.

Being aware of the environment starts in the design phase, where the first cornerstones are defined by selecting the suitable raw materials. TKH provides Smart Technologies composed to distinguish ourselves on sustainability criteria. The technologies of TKH are focused on three important megatrends – automation, digitalization, and electrification. By integrating hardware, software, and customer-focused insight, our Smart Technologies provide unique answers to client challenges. In doing so, we work to make the world better by creating ever more efficient and more sustainable systems.

We substantiate the sustainability of our portfolio and make our contribution demonstrable by making a clear link with relevant sustainability goals for TKH. About 68% of our total turnover is linked to one of the selected SDGs. It is not only about supporting our own purposes, but TKH also supports its key stakeholders in achieving their sustainability criteria. We immerse ourselves in what customers, partners, and society expect from us and offer sustainable solutions with which we want to exceed these expectations. Doing so, we give a clear direction to the importance of our sustainable portfolio in the future.



Technology segment
SMART VISION SYSTEMS
Megatrend
AUTOMATION
SDG
9

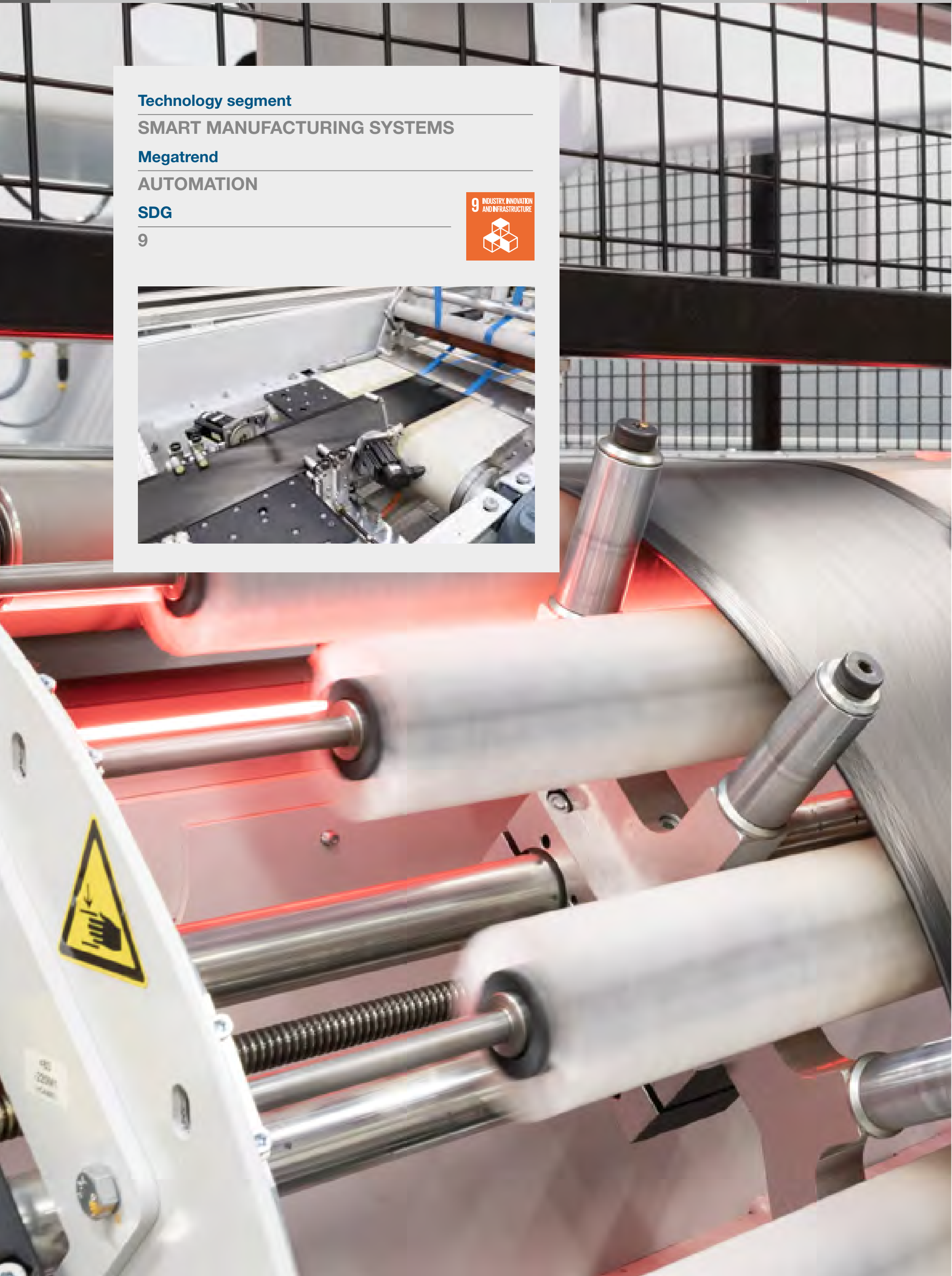
ALVIUM TECHNOLOGY

The Alvium camera platform developed by Allied Vision is the perfect device to translate the analog world into the digital realm of industrial automation.

Since the launch of the first Alvium models, the number of models, modular options and available interfaces have been constantly expanded. Today, Alvium covers the critical imaging needs of OEMs and integrators over several key industries, driving the ongoing quest of “doing more with less” in contemporary manufacturing.

All Allied Vision Alvium cameras share the same platform, allowing customers to select the perfect technology package for their application needs out of 200 different options. They are all based on ALVIUM® Technology – a custom ASIC packed with unique features and 30 years of machine vision industry expertise.

Through an automated production process in a clean room facility, Alvium cameras offer a high degree of cleanliness required in challenging medical, inspection, or measurement applications.



Technology segment
SMART MANUFACTURING SYSTEMS
Megatrend
AUTOMATION
SDG
9

UNIXX BELT MAKER

The UNIXX Belt Maker produces high quality endless steel belts by means of an innovative and accurately controlled extrusion process that can handle a wide range of compounds.

The unique flexibility of the system exactly fits the global trend towards shorter production runs and a greater diversity of tire specifications to be produced.

The system is optimally suited for hands-off, eyes-off production. Scrap and waste from angle- and compound changes are reduced because of the limited width of the extruded strip. Next to this, the automated and accurately controlled process produces a consistent high quality belt.

The highly efficient extrusion and cutting process, reduced waste and scrap, lower energy consumption and minimum operator involvement, result in a lower overall cost per produced square meter steel belt compared to the conventional belt making process.

The VMI UNIXX Belt Maker allows for the production of thinner belts to reduce tire weight and rolling resistance without compromising tire performance, contributing to a lower fuel consumption and CO_2e emission levels.

The VMI UNIXX Belt Maker gives our customers the following advantages:
- Ultimate flexibility.
- High quality steel belt.
- Low environmental impact.
- Reduced operating costs.

Technology segment

SMART VISION SYSTEMS

Megatrend

AUTOMATION

SDG

9

SMART 3D LINE CONFOCAL **SENSORS**

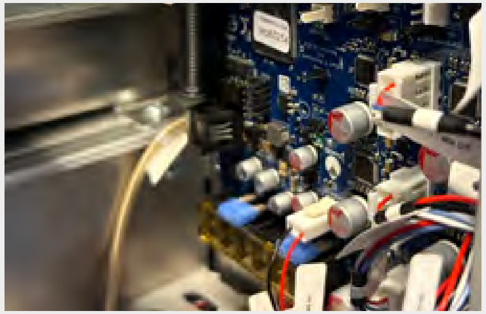
LMI Technologies released its new Gocator® 5500 series of smart 3D line confocal sensors in 2022. This major product release introduced the vision market to the first ever line confocal sensor running Gocator's trusted 3D smart sensor platform, complete with next-generation on-sensor IIoT vision web-based software, onboard measurement tools, native I/O connectivity, and more.

Gocator® 5500 sensors deliver simultaneous generation of 3D topography, 3D tomography, and 2D intensity data. This allows these powerful devices to scan practically any material type – including multi-layered, transparent/translucent, curved, shiny, mixed material, and more - with submicron precision and at a level of quality and speed that outperform competing confocal technologies. Gocator 5500 sensors are now opening up new opportunities for 3D inspection in growth industries such as consumer electronics (CE), semiconductor, and medical packaging manufacturing.

The Gocator® 5500 allows our customers to:

- Achieve 100% inspection on difficult to measure components at full production speeds.
- Automate assembly and alignment of challenging components with real-time feedback.
- Provide feedback on production processes instantly to reduce waste.
- Prevent quality issues on components from affecting downstream assemblies.

Technology segment
SMART CONNECTIVITY SYSTEMS
Megatrend
AUTOMATION
SDG
9



ROBOTIC PATCHING
SOLUTION

Driven by requirements for high-speed data rate, the deployment of optical fibre has been growing for years. Due to the growth of installed optical fibers, the management of optical transmission networks of operators has become very important.

To be able to handle optical fibre patches, today optical distribution frames (ODF) are being used for easy installation. However installation and provisioning is still handwork and generates human failures and incorrect data in databases. Due to the lack of qualified technicians today's operator must sometimes wait days or even weeks when deploying a technician onsite to perform testing or cross-connects.

To avoid the human factor, network operators are looking for automated reconfigurability, fast provisioning of services and scalability. With the developed and patented Robotic Patching Solution (RPS) the patching is automated. Less physical access is needed, the solution prevents unauthorized use, the database will always be up-to-date and correct. It is replacing the conventional manual ODF's that are common use in all optical fibre networks.

The main advantages of this solution are:
- Eliminating human failure.
- Less truck rolls resulting in carbon dioxide reduction.
- Always an updated database.
- Fast reconfiguration of network users.
- Remote (NOC) control options.

SYMPHONY SECURE **INTERCOM** CLOUD PLATFORM

In 2022 Commend's groundbreaking cloud-native Intercom platform took great steps ahead in secure building communication, demonstrating Commend's living commitment to its policy of "Trusted. Communication. Always."

Symphony Cloud's constantly expanding portfolio of services ranges from smart Door Call management for residential buildings to the Ivy Virtual Assistant, a Conversational AI for call operation and security centers. Operators and end users benefit from a veritable symphony of advantages:

- Scalability made easy. Intuitive web portal, including convenient auto-configuration options.
- Innovative device management. Fine-tuned device firmware updates, either automatically or manually.
- Symphony Mobile Clients for smartphones or tablets.
- Symphony Web Clients as easy, ready-to-use Intercom control station for highly flexible call attendance from everywhere using a simple web browser.
- Symphony Bridge to connect the huge installed base of Commend on-premises solutions to the cloud.
- Extensive multi-level Cyber Security with "Privacy & Security by Design".

Symphony will continue to conduct and coordinate digitally networked cloud services to make buildings smarter and more secure, both in everyday situations and in emergencies. The resulting solutions will stand out by complying with – and indeed exceeding – standards like the IEC EN 62820 family of norms for Advanced Security Building Intercom Solutions (ASBIS).

Technology segment
SMART VISION SYSTEMS

Megatrend
DIGITALIZATION

SDG
3

Technology segment

SMART CONNECTIVITY SYSTEMS

Megatrend

DIGITALIZATION

SDG

9

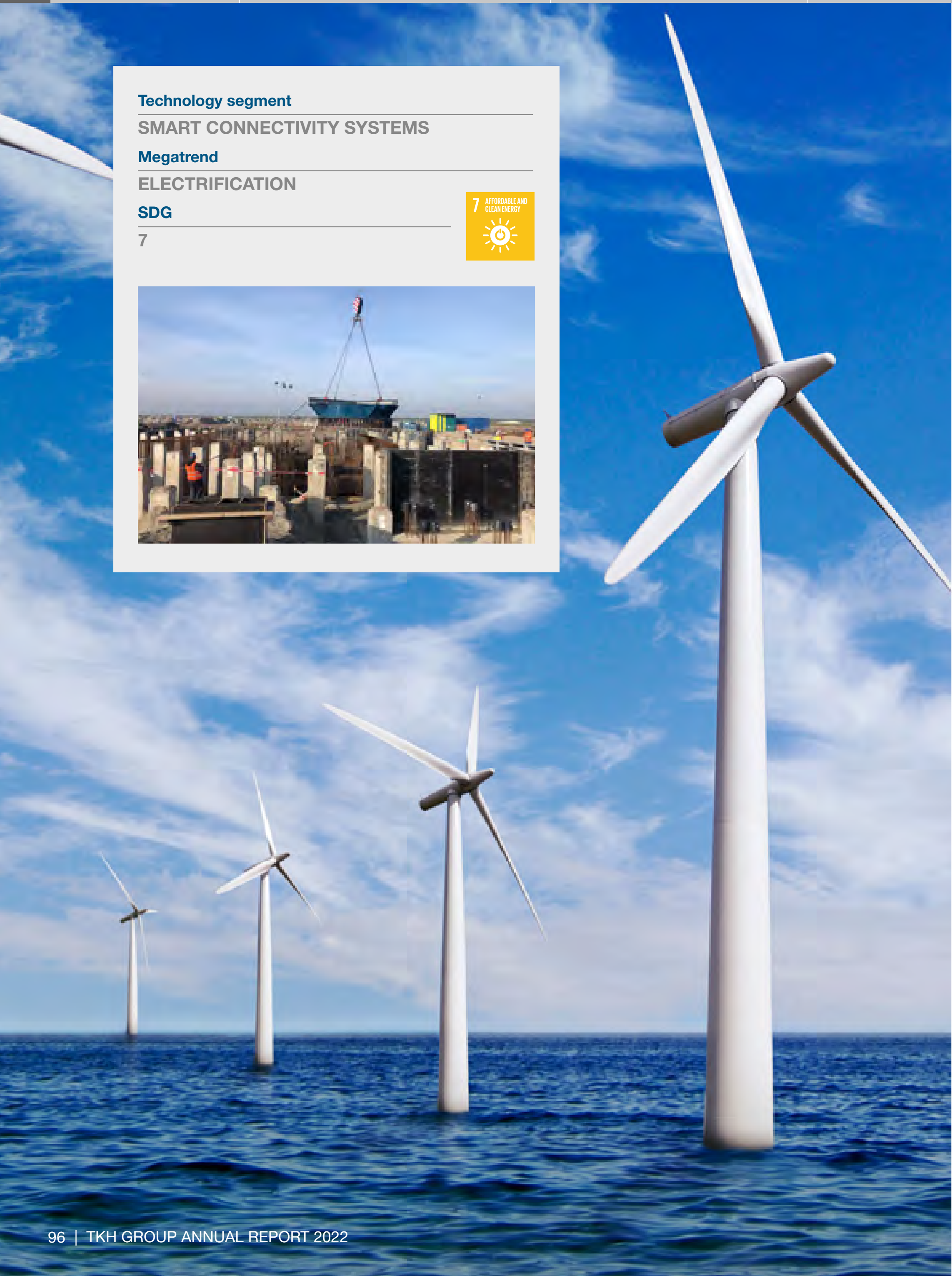
CEDD® AGL TECHNOLOGY

For the new centralized de-icing facility at Memphis International Airport, opened in November 2022, TKH's CEDD airfield ground lighting technology was integrated with the SmartPad de-icing system from Canadian company JCAII.

CEDD AGL is TKH's innovative low-voltage airfield ground lighting system based on contactless energy and communication technology. It makes airfield lights smart and individually addressable with fast response times. SmartPad is a technological infrastructure platform that digitalizes remote de-icing facilities and process management for air traffic, providing advanced surface guidance to support de-icing operations.

More than 1,200 smart CEDD Taxiway and Stop Bar lights have been installed on the East and West aprons of the de-icing bay. Together with the Electronic Message Boards and automated guidance/docking systems, these lights provide clear visual commands that guide aircraft into place for de-icing.

The integrated system enables Memphis Airport to realize operational efficiencies in its de-icing facilities. It lowers the waiting times for aircraft, saves significant amounts of overhead for airlines, decreases the need for radio communications to mitigate the risk of miscommunication, and reduces CO_2 and NOx emissions. Additionally, the energy consumption of the airfield ground lights has been lowered by up to 70% compared to other smart LED systems.



Technology segment
SMART CONNECTIVITY SYSTEMS

Megatrend
ELECTRIFICATION

SDG
7

OFFSHORE WIND FARM CABLE TECHNOLOGY

The demand for (green) energy is growing in connection with the ongoing electrification, which means wind parks are getting larger and the demand for connectivity solutions is rising. As part of TKH's strategy program Accelerate 2025 TKH is building a new Subsea factory in Eemshaven, the Netherlands.

With this production expansion, TKF focuses specifically on the production of interarray Subsea cables, which connect the wind turbines and offshore wind farms with the substations. With the construction of this new factory, TKF is also getting ready for developments towards 132 kV and floating wind farms. From the moment the factory is in operation, 1,200 kilometers of Subsea cable can be produced per year.

Our innovative cable specifications are composed of durable materials. The innovative cable concept is easy to install and provides the customer with installation efficiency, cost savings, and a reduction in risk. Green energy calls for sustainable Smart Connectivity systems.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

in thousands of euros	notes		2022		2021
Total turnover	23		**1,816,615**		**1,523,773**
Raw materials, consumables, trade products and subcontracted work		958,694		787,253	
Personnel expenses	24	435,097		378,267	
Other operating expenses	26	140,009		123,526	
Depreciation and result on divestment of property, plant and equipment	27	37,640		45,166	
Amortization	28	54,550		51,110	
Impairments	29	472		1,564	
Total operating expenses			**1,626,462**		**1,386,886**
Operating result			**190,153**		**136,887**
Financial income	31		562		191
Financial expenses	31		-10,307		-7,799
Exchange differences	31		-2,136		-680
Share in result of associates	6		3,075		2,074
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	15		-105		-1,759
Result before tax			**181,242**		**128,914**
Tax on result	32		44,116		33,690
Net result			**137,126**		**95,224**
Attributable to:					
Shareholders of the company			137,083		95,212
Non-controlling interests			43		12
			137,126		**95,224**
Earnings per share attributable to shareholders	33				
Ordinary earnings per share (in €)			3.34		2.31
Diluted earnings per share (in €)			3.33		2.30
Ordinary earnings per share before amortization (in €) continued operations [1]			3.65		2.66
Ordinary earnings per share before amortization and one-off income and expenses (in €) continued operations [1]			3.50		2.77

1 Non IFRS measure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of euros	notes		2022		2021
Net result			**137,126**		**95,224**
Items that may be reclassified subsequently to profit or loss (net of tax)					
Currency translation differences		1,659		16,883	
Currency translation differences in other associates		-155		917	
Effective part of changes in fair value of cash flow hedges (after tax) [1]		-5,292		-870	
			-3,788		**16,930**
Items that will not be reclassified subsequently to profit or loss (net of tax)					
Actuarial gains/(losses) [1]	17	1,084		68	
			1,084		**68**
Other comprehensive income (net of tax)			-2,704		16,998
Comprehensive income for the period (net of tax)			**134,422**		**112,222**
Attributable to:					
Shareholders of the company			134,396		112,254
Non-controlling interests			26		-32
Total comprehensive income for the period (net of tax)			**134,422**		**112,222**

1 For the impact of taxes is referred to note 32.

CONSOLIDATED BALANCE SHEET

in thousands of euros	notes	31-12-2022		31-12-2021	
Assets					
Non-current assets					
Intangible assets and goodwill	3	533,845		537,062	
Property, plant and equipment	4	294,945		222,487	
Right-of-use assets	5	75,312		68,797	
Associates	6	12,204		28,699	
Other receivables	8	613		748	
Deferred tax assets	16	13,271		15,277	
Total non-current assets			**930,190**		**873,070**
Current assets					
Inventories	7	385,913		294,736	
Trade and other receivables	8	249,338		185,318	
Contract assets	9	204,142		150,131	
Contract costs	9	3,480		4,566	
Current income tax		2,315		1,310	
Cash and cash equivalents [1]	10	184,559		100,135	
Total current assets			**1,029,747**		**736,196**
Assets held for sale	11		108,506		88,184
Total assets			**2,068,443**		**1,697,450**

in thousands of euros	notes	31-12-2022		31-12-2021	
Equity and liabilities					
Group Equity					
Shareholders' equity	12	786,773		721,930	
Non-controlling interests	13	168		53	
Total group equity			**786,941**		**721,983**
Non-current liabilities					
Interest-bearing loans and borrowings	18	503,008		333,804	
Deferred tax liabilities	16	52,468		55,965	
Retirement benefit obligation	17	3,765		4,716	
Other non-current financial liabilities	15	919		2,160	
Provisions	14	6,798		8,772	
Total non-current liabilities			**566,958**		**405,417**
Current liabilities					
Interest-bearing loans and borrowings [1]	19	70,419		47,589	
Trade payables and other payables	20	384,914		324,696	
Contract liabilities	9	186,473		127,044	
Current income tax liabilities		15,498		7,845	
Other financial liabilities	15	2,985		4,989	
Provisions	14	20,798		20,687	
Total current liabilities			**681,087**		**532,850**
Liabilities directly associated with assets held for sale	11		33,457		37,200
Total equity and liabilities			**2,068,443**		**1,697,450**

1 Including € 106.2 million (2021: €32.9 million) cash and cash equivalents that are part of cash and interest pools. These cash and cash equivalents are not netted in the consolidated balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

in thousands of euros	Share capital	Share premium	Legal reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Unappropriated profit	Total share-holders' equity	Non-controlling interests	Total group equity
Balance at 1 January 2021	**10,709**	**85,021**	**85,561**	**-2,593**	**1,919**	**433,683**	**47,520**	**661,820**	**86**	**661,906**
Net result							95,212	95,212	12	95,224
Other comprehensive income				17,844	-870	68		17,042	-44	16,998
Total comprehensive income	**0**	**0**	**0**	**17,844**	**-870**	**68**	**95,212**	**112,254**	**-32**	**112,222**
Appropriation profit last year						47,520	-47,520	0		0
Dividends						-41,126		-41,126	-1	-41,127
Share and option schemes						3,869		3,869		3,869
Purchased shares for share buy-back program						-18,428		-18,428		-18,428
Cancellation of shares	-155					155		0		0
Purchased shares for share and option schemes						-9,214		-9,214		-9,214
Sold shares for share and option schemes						12,755		12,755		12,755
Change in legal reserve for participations			76			-76		0		0
Capitalized development costs			6,905			-6,905		0		0
Balance at 31 December 2021	**10,554**	**85,021**	**92,542**	**15,251**	**1,049**	**422,301**	**95,212**	**721,930**	**53**	**721,983**
Net result							137,083	137,083	43	137,126
Other comprehensive income				1,521	-5,292	1,084		-2,687	-17	-2,704
Total comprehensive income	**0**	**0**	**0**	**1,521**	**-5,292**	**1,084**	**137,083**	**134,396**	**26**	**134,422**
Appropriation profit last year						95,212	-95,212	0		0
Capital contribution								0	89	89
Dividends						-61,791		-61,791		-61,791
Share and option schemes						3,539		3,539		3,539
Purchased shares for share and option schemes						-18,382		-18,382		-18,382
Sold shares for share and option schemes						7,081		7,081		7,081
Change in legal reserve for participations			2,508			-2,508		0		0
Capitalized development costs			7,065			-7,065		0		0
Balance at 31 December 2022	**10,554**	**85,021**	**102,115**	**16,772**	**-4,243**	**439,471**	**137,083**	**786,773**	**168**	**786,941**

CONSOLIDATED CASH FLOW STATEMENT

in thousands of euros	notes	2022	2021
Cash flow from operating activities			
Operating result		190,153	136,887
Depreciation, amortization and impairment		100,605	97,972
Share and option schemes not resulting in a cash flow		3,539	3,869
Result on disposals		-9,374	-72
Changes in provisions		-3,354	4,404
Changes in working capital		-116,347	-3,531
Cash flow from operations		**165,222**	**239,529**
Interest received		561	192
Interest paid		-9,197	-7,655
Income taxes paid		-40,424	-33,050
Net cash flow from operating activities (A)		**116,162**	**199,016**
Cash flow from investing activities			
Investments in intangible assets	3	-45,906	-40,692
Divestments in intangible assets		13	194
Purchases of property, plant and equipment		-92,339	-33,551
Disposals of property, plant and equipment		533	2,545
Dividends received from associates		196	31
Repayments on loans		135	630
Divestment of associates			-212
Divestments of assets held for sale		13,957	
Acquisition of subsidiaries less cash and cash equivalents acquired	35	-877	-495
Net cash flow from investing activities (B)		**-124,288**	**-71,550**

in thousands of euros	notes	2022	2021
Cash flow from financing activities			
Dividends paid		-61,791	-41,127
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	15	-4,039	-4,032
Capital contribution non-controlling interests		89	
Purchased shares for share buy-back program			-18,428
Purchased shares for share and option schemes		-18,382	-9,214
Sold shares for share and option schemes		7,081	12,755
Payment of lease liabilities		-14,746	-15,570
(Repayments)/proceeds from long term debts		163,596	-71,501
(Repayments)/proceeds from other long-term debts		-53	2,782
Change in short-term borrowings	19	-51,186	15,884
Net cash flow from financing activities (C)		**20,569**	**-128,451**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**12,443**	**-985**
Exchange differences		-2,073	3,388
Change in cash and cash equivalents		**10,370**	**2,403**
Cash and cash equivalents at 1 January		68,017	65,614
Cash and cash equivalents at 31 December	10	**78,387**	**68,017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

General

Technology firm TKH Group N.V. has been incorporated and domiciled in Haaksbergen, the Netherlands. TKH Group N.V. has its registered office and factual seat at Spinnerstraat 15, 7481 KJ in Haaksbergen in the Netherlands and is registered in the trade register under number 06045666. The consolidated financial statements of TKH Group N.V. (hereafter ’TKH’) have been drawn up in accordance with the International Financial Reporting Standards (‘IFRS’) adopted by the European Commission and applicable on the accounting period that begun on 1 January 2022. The company financial statements are part of the financial statements of TKH. The financial statements have been prepared based on the historical cost basis, except for the valuation at fair value of investment property, derivatives and share-based payments. All transactions in financial instruments are recognized at transaction date. To the extent that alternative performance measures are used, these are explained in the glossary, which is included in the ‘Other information’.

Going concern

TKH has prepared the financial statements on the basis that it will continue to operate as a going concern.

Comparative figures

Comparative figures may have been reclassified for comparability purposes. If considered to be material, the relevant disclosure has been added to the applicable note.

New accounting principles and interpretations

As from 1 January 2022 the following amendments of standards and new interpretations are effective:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities
- AIP IAS 41 Agriculture – Taxation in fair value measurements

The adoption of the amendments and improvements did not have material impact on the financial statements.

TKH has not opted for an early adoption of the following new standards, amendments to standards and new IFRIC interpretations, which are mandatory for accounting periods that begin on or after 1 January 2023:

- IFRS 17 Insurance Contracts
- Sale or contribution of assets between an inventors and its assiociate or joint venture – Amendments to IFRS 10 and IAS 28
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective 1 January 2024)
TKH expects that the adoption of the other new standards and amendments in future periods will not have a material impact on its financials statements.

Consolidation

The consolidated financial statements include the annual accounts of all subsidiaries over which TKH has or can exercise control. Control is achieved when TKH is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. An overview of consolidated entities is included in the 'Other information'. If facts and circumstances indicate that there are changes to one or more of the three elements of control, TKH re-assesses whether or not it controls a subsidiary. Consolidation of a subsidiary begins when TKH obtains control over the subsidiary and ceases when TKH loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (hereafter 'OCI') are attributed to the shareholders of TKH and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting principles in line with TKH’s accounting principles. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If TKH loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in the statement profit and loss.

Segment reporting

TKH changed its management structure in 2021 and is now organized along the lines of our three technologies: Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems. The internal and external segment reporting as of 2021 follows this structure. For these segments, discrete financial information is available that the Executive Board, the highest operational decisionmakers, evaluates regularly. The Executive Board decides on the allocation of resources and reviews the performance of the three segments. These performances are reviewed and reported to the level of operating result. The accounting principles that are applied to these consolidated financial statements also apply to the business segments. The transaction prices for deliveries between segments are determined on an arm's length basis. The results, assets and liabilities of a segment include both items directly linked to that segment as items that can reasonably and consistently be allocated to that segment. Besides the information about the operating segments, selective information by geographic region is disclosed. In the overview of 'Consolidated entities', as part of the 'Other information', is shown in which of the segments the different subsidiaries operate.

Foreign currencies

The consolidated financial statements are presented in euros, which is also the functional currency of the holding. Transactions in foreign currencies are translated into the respective functional currencies of the entities of the group, at the prevailing exchange rate at transaction date. In foreign currency denominated monetary assets and liabilities at the balance sheet date are translated at the exchange rate prevailing at that date. The result of the conversion occurring exchange differences on monetary items, are recorded in the statement of profit and loss.
Assets and liabilities of foreign subsidiaries with a functional currency other than the euro are translated at the exchange rates prevailing at the balance sheet date. The profit and loss accounts of foreign subsidiaries are translated using the weighted average monthly exchange rates over the year under review. Goodwill and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates at the balance sheet date. The exchange differences arising from the translation are recognized through OCI as a separate item in equity. Exchange differences recorded through OCI are reclassified to the statement of profit and loss as part of the result on diposal in the period in which the related entities are disposed of.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree, in exchange for control of the acquiree. Acquisition related costs are recognized in the statement of profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of TKH entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the net amounts of the identifiable assets acquired and the liabilities assumed at acquisition date. If the amount is negative, a badwill (bargain purchase gain) is recognized immediately as benefit in the statement of profit and loss. Non-controlling interests are reported separately from the group result and group equity. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. TKH has elected to recognize this effect in retained earnings. When a non-controlling shareholder has an unconditional right to sell its shares to TKH according to a contractual agreed formula ('put option'), a liability is recognized by TKH for the shares to be purchased. The liability is recognized at the present value of the estimated future cash outflow. A legal reserve is accounted for the interest in the equity of the subsidiary of which the economic ownership has been obtained, but not yet the legal ownership. Adjustments after the first recognition on the value of the financial liability for put options and earn-out payments are recognized directly into the statement of profit and loss.

Intangible assets and goodwill

Goodwill

Goodwill is capitalized and allocated to cash-generating units. Goodwill is not amortized. Instead, it is tested at least annually for impairment. Any impairment loss is recognized in the statement of profit and loss as soon as it occurs and is not reversed in subsequent periods. On sale of a subsidiary, the goodwill is included in the determination of the profit or loss on a disposal.

Other intangible assets

Expenditure for research is charged to the profit and loss when incurred. Expenditure for development is capitalized if the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development costs can be measured reliably.

Development costs are not capitalized if they are directly reimbursed by third parties and TKH does not obtain the property rights. Other intangible non-current assets are valued at historical cost less amortization. The amortization is on a straight-line basis over their expected useful life. The expected useful life is as follows:
- Capitalized development costs: 3-7 years
- Patents, licenses and trademarks: 3-10 years
- Acquired customer relationships: 7-17 years
- Acquired brand names: 10-15 years
- Acquired intellectual property: 5-10 years

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated from the date they are ready for their intended use. Depending on the type of asset, a residual value of 0 to 10% is taken into account. The expected useful life is as follows:
- Buildings: 30-33 years
- Machinery and installations: 5-15 years
- Other equipment: 3-10 years

Land is not depreciated. Other equipment includes furniture, IT-hardware and transport equipment.

Right-of-use assets
For new agreements, TKH considers whether the contract is or contains a lease. A lease is defined as a contract or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. To apply this definition, TKH assesses whether the contract meets three important criteria, namely:
- The contract contains an identified asset that is explicitly or implicitly identified in the contract;
- TKH has the right to obtain substantially all economic benefits from the use of the identified asset during the period of use, given its rights within the defined scope of the contract; and
- TKH has the right to use the identified asset throughout the period of use. TKH assesses whether it has the right to determine how and for what purpose the asset is used during the term of the lease.

At commencement date of the lease, TKH recognizes an asset and a lease liability in the balance sheet. The right of use is valued at cost, which consists of the initial valuation of the lease obligation, any initial direct costs incurred by TKH, an estimate of any costs for dismantling and removing the asset at the end of the lease, and all lease payments made before the commencement date of the lease (after deduction of received incentives). The Right-of-use assets are amortized on a straight-line basis from the commencement date of the lease to the first of the end of the useful life of the right of use or the end of the lease period or over the useful life if the underlying asset is (expected) to be acquired. TKH assesses the asset for impairment when such indicators exist.
On the commencement date, TKH values the lease obligation at the present value of the lease payments unpaid on that date, discounted using the interest rate implicit in the lease if it is readily available or the incremental borrowing rate. Lease payments that are included in the measurement of the lease obligation consist of fixed payments, variable payments based on changes in an index or price, amounts that are expected to be paid under a residual value guarantee and payments that arise from extension options that are reasonably certain to be exercized. After the initial valuation, the obligation is lowered for payments and increased for interest. The obligation is determined again in the event of changes in underlying provisions. When the lease obligation is remeasured, the corresponding adjustment is reflected in the asset or in the result if the asset has already been reduced to zero. TKH has chosen to apply the exemption for short-term leases and for leasing assets with a low value. Instead of including a right of use and lease obligation, the payments related to these are recognized as a charge in the income statement on a straight-line basis over the lease period.

Impairment
At least annually, the company reviews its tangible and intangible non-current assets to determine whether there are indications that those assets have suffered an impairment loss. If there is any such indication the recoverable value of the asset is estimated to determine the extent of the impairment loss. If the asset does not generate cash itself, the company determines the recoverable value of the smallest cash-generating unit to which the asset belongs. The recoverable amount is the fair value less cost of disposal or the value in use, whichever is higher. The value in use is based on the estimated future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the asset is written down to its recoverable amount. An impairment loss is recognized immediately in the statement of profit and loss. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, with the exception of goodwill, but never higher than the carrying amount that would have been determined when no impairment loss has been recognized. The increase is recognized immediately in the statement of profit and loss.

Associates
The associates in which TKH has significant influence in the financial and operating policy decisions, but no control or joint control, are valued according to the equity method. Under the equity method, the share in the profit or loss of the associate is recognized in the statement of profit and loss, provided that it would not result in negative carrying value of the associate, unless TKH is obliged to partially or completely compensate losses. The share in the associate is determined based on

TKH's share in the net assets of the associate, including the paid goodwill at acquisition and less any impairment loss. Dividend from associates is recognized when the shareholders' right to receive payments has been established. Receipt of dividends reduces investments in associates.

Inventories

Inventories are stated at the lower of cost and net recoverable amount. The net recoverable amount is the estimated sales price in normal course of business less estimated cost of completion and selling expenses. The cost of raw materials and consumables is based on the average purchase price and cost incurred in bringing the inventories to their present location and condition. The cost of semi-manufactured and finished products comprise the direct materials and direct labor costs as well as a surcharge for the attributable production costs.

Contract assets

A contract asset is the right to consideration in exchange for products or services transferred to the customer. If TKH performs by transferring products or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration. Upon completion of the performance obligation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

Contract costs

Capitalized contract costs are systematically amortized over the transfer period of the related products or services to the customer.

Contract labilities

A contract liability is the obligation to deliver products or services to a customer for which TKH has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before products or services are delivered to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when TKH performs under the contract.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for an entity and a financial liability or equity instrument for another entity. Financial assets and financial liabilities are recognized in the balance sheet when TKH becomes a party in a contract. Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value with recognition of changes in value in the profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities upon initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value with recognition of value changes in the profit and loss are recognized immediately in the profit and loss. An exception to this relates to trade receivables, which are valued at the transaction price determined under IFRS 15.

Financial assets

Financial assets are at initial recognition classified in one of three groups for the subsequent measurement:
- amortized cost,
- fair value with change in value through OCI or
- fair value with change in value through profit or loss.

The classification of a financial asset on initial recognition depends on the contractual cash flow characteristics and the business model of TKH to manage it. A financial asset can only be classified and valued at amortized cost or fair value through OCI if it generates cash flows that consist solely of repayment of principal and interest ('SPPI') on the outstanding principal. This assessment is called the SPPI test and is performed at instrument level. The business model refers to the way in which TKH manages its financial assets to generate cash flows. The business model determines whether cash flows arise from the collection of contractual cash flows, the sale of financial assets or both. Purchases or sales of financial assets that require delivery of assets established by regulation or convention in the market place (regular way trades) are recognized on the trade date, the date that TKH commits to purchase or sell the asset. Financial assets at amortized cost are then measured using the effective interest method ("EIR") and tested for impairment. Gains and losses are recognized in the income statement when the asset is no longer recognized, adjusted or written off. The financial assets at amortized cost mainly comprise trade receivables.

A financial asset is derecognized when:
- The rights to receive cash flows from the asset have expired, or;
- TKH has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) TKH has transferred substantially all the risks and rewards of the asset, or (b) TKH has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When TKH has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, TKH continues to recognize the transferred asset to the extent of its continuing involvement. In that case, TKH also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that TKH has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that TKH could be required to repay.

Impairment of financial assets

TKH recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that TKH expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. A financial asset is written off when there is no reasonable expectation to recover the contractual cash flows.

For trade receivables and contract assets, TKH applies a simplified approach in calculating ECLs. Therefore, TKH does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. TKH has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A further explanation is included in note 21.

Financial liabilities

Financial liabilities are classified, at initial recognition, as
- financial liabilities at fair value through profit or loss,
- loans and borrowings,
- other payables, or
- derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. TKH's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments. The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through profit or loss

This category include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by TKH that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. TKH has no designated financial liabilities at the balance sheet date at fair value with the recognition of changes in value in the statement of profit and loss.

Loans and borrowings

This is the category most relevant to TKH. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. The EIR method is a method for calculating the amortized cost of a financial liability and for allocating interest expenses over the relevant period. The effective interest rate is the rate that discounts the estimated future cash payments (including any fees paid or received that are an integral part of the effective interest rate and transaction costs) over the expected life of the financial liability to the amortized cost of a financial liability. Gains and losses are recognized in the statement of profit and loss when the liabilities are no longer recognized. In addition, the EIR amortization is included in the statement of profit and loss as financing costs.

Other payables

The other current liabilities are initially recognized at fair value and subsequently at amortized cost, which is generally equal to the nominal value.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivatives

Derivative financial assets and financial liabilities ('derivatives') are recognized in the balance sheet when TKH concludes a contract for such an instrument. Derivatives are stated at fair value on the contract date and are then measured at the prevailing fair value at subsequent reporting dates. Changes in the fair value of derivatives that are designated and effective as hedges of future cash flows are recognized directly in the OCI and accounted for as a separate item in equity. The ineffective portion is recognized immediately in the statement of profit and loss. If the cash flow from an existing commitment or an expected future transaction results in the recognition of an asset or liability, at the time the asset or liability is recognized the associated gains or losses on the hedging instrument that had previously been recognized in the OCI are included in the valuation of the asset or the liability. For hedges that do not result in the recognition of an asset or a liability, the gains or losses recognized in the OCI are recognized in the statement of profit and loss in the same period as the underlying hedged transaction is recognized in the statement of profit and loss. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized immediately in the statement of profit and loss. Hedge accounting is discontinued when the hedge instrument expires, is sold, exercised or no longer qualifies for hedging. The cumulative gains or losses on that hedging instrument recognized up to that time in equity are recognized in the statement of profit and loss when the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gains or losses recognized in the OCI are transferred to the statement of profit and loss.

Assets and directly associated liabilities held for sale and discontinued operations

Assets held for sale

Assets and liabilities are classified as held for sale if their carrying amount will be realized primarily through a sales transaction rather than through continued use. The reclassification takes place when the assets and liabilities are available for immediate sale and the sale is within one year. Assets and liabilities held for sale are stated at book value or lower fair value less costs to sell. Selling costs are the incremental costs that can be directly attributed to the sale of an asset, excluding any financing costs and income tax. Said classification only takes place if the sale is very likely, in its current condition the assets are immediately available for sale and the sale is expected to be completed within one year. Assets and liabilities that are classified as held for sale are presented separately in the consolidated balance sheet. Non-current assets held for sale are not depreciated.

Discontinued operations

A group of assets being disposed of qualifies as a ‘discontinued operation’ if it is (part of) an entity that is either disposed of or classified as held for sale, and:

- represents a separate major line of business or geographical business area;
- is part of a coordinated plan to dispose of a separately important business activity or geographical area; or
- is a subsidiary, which has been taken over solely for the purpose of resale.

Discontinued operations are excluded from the results from continuing operations and are presented as a single amount in the line 'Result after tax from discontinued operations' in the profit and loss account. All other notes to the financial statements include amounts for continuing operations, unless otherwise indicated.

Provisions

General

Provisions are recognized when
(a) TKH has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (c) a reliable estimate can be made of the amount of the obligation. Provisions are recognized based on the expected expenditure required to settle the obligation. Long-term provisions, with the exception of the provision for deferred tax, are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, an increase in the provision as a finance cost is recognized due to the passage of time.

Pensions

Premiums for defined contribution plans are recognized as expense in the period to which they relate. For defined benefit pension plans, which relate to foreign plans, the net liability is calculated per scheme by estimating the defined benefit obligation that employees are entitled to in exchange for their services rendered during the financial year and previous years. The defined benefit obligations are discounted. The defined benefit obligations and the costs of the defined benefit plans are calculated according to the ‘Projected Unit Credit Method’, with actuarial calculations being made at balance sheet date. This method takes into account future salary increases as a result of the career opportunities of employees and general wage developments including inflation adjustment. The discount rate is the yield rate at the balance sheet date on high quality corporate bonds with a term that approaches the term of the obligations of TKH. Actuarial gains and losses are directly accounted for in the OCI, which will not be reclassified subsequently to the statement of profit and loss. If the calculation results in a potential asset, the recognition of the asset is limited to the present value of any economic benefits available in the form of future refunds from the plans or reduced future pension contributions (‘asset ceiling’). This is evaluated per pension scheme. In the calculation of the present value of economic benefits any minimum funding obligations that apply are taken into account. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest on defined benefit obligations are accounted for as interest expense as part of the financial expenses. When pension entitlements are changed under a pension plan, the change in pension entitlements related to past service or the gain or loss on that change is recognized directly in the statement of profit and loss.
Pension costs, including pension costs on past service and the impact of settlements and curtailments are recognized as personnel costs.

Jubilee bonuses

The net liability for jubilee bonuses is the amount of future benefits that relate to services from employees during the financial year or previous periods. The liabilities are discounted to its present value taking into account estimated dismissal chances and salary increases.

Provision warranty obligations

The provision warranty obligations is recognized for the estimated costs that are expected to arise from active warranty obligations in respect of goods and services at balance sheet date. The costs arising from warranty claims are charged against the provision.

Onerous contracts

A loss-making contract is a contract in which the unavoidable costs (i.e., the costs that TKH can not avoid because it has the contract) to meet the obligations under the contract exceed the economic benefits that are expected to be received. The unavoidable costs under a contract reflect the lowest net costs of terminating the contract, the performance of the contract and any compensation or penalties arising from non-compliance. For a loss-making contract with customers, a provision is recognized and valued insofar as the unavoidable costs for completing the contracts are higher than the contract price.

Restructuring liability

This provision relates to costs in connection with the restructuring of operations and is formed if effectively or legally a commitment for TKH has arisen. A provision is formed if a plan has been formalized as at balance sheet date and either the legitimate expectation has arisen with the people involved that the restructuring will be implemented, or that a start has been made with implementing the restructuring plan.

Other provisions

Unless stated otherwise, the other provisions are valued at the nominal value of the expenditure that are estimated to be necessary to settle the respective obligations.

Deferred tax

Deferred tax relates to temporary differences between the value in the financial statements and the value for tax purposes. No deferred tax is recognized for non-deductible goodwill and subsidiaries and associates included in the participation exemption. Deferred tax assets are only recognized to the extent that it is probable that they can be realized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. In assessing the recoverability of deferred tax assets, TKH relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Changes in deferred tax are recognized immediately in the statement of profit and loss, with the exception of deferred tax that relates to items that are recognized in the OCI or directly in equity.

TKH offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

The turnover includes the net turnover, as well as other revenues. Net turnover is the revenue from products and services delivered to third parties during the year under the deduction of discounts, bonuses and stock returns. Revenue is measured on the basis of the consideration set out in a contract with a customer. Products are regularly sold with volume discounts based on total sales over a period of one year. Revenues from these sales are recognized on the basis of the price specified in the contract, after deduction of the estimated volume discounts. Revenue is only recognized to the extent that it is highly probable that a reversal will not take place. A refund liability, included in the other current liabilities, is recognized for expected volume discounts payable to customers in connection with sales made until the end of the reporting period. There is no financing element applicable because the sales take place with a relatively short credit term, which is consistent with market practice.

The obligation to repair or replace defective products under the standard warranty conditions is recognized as a warranty provision. In addition, TKH offers to a limited extent an extended warranty that is sold together with products and systems. Two performance obligations can be distinguished in such contracts, namely the delivery of products and services and the service-type warranty. Using the relative stand-alone sales price method, a portion of the transaction price is allocated to the service-type warranty and recognized as a contract liability. Revenue is recognized on a straight-line basis over the period in which the service-type warranty is granted based on the time elapsed.

The turnover of TKH consists of products and services within the business segments Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems that are delivered to customers as a separate product/service or as a total solution. TKH recognizes revenue when control of a product or service is transferred to a customer. In the following overview the revenue recognition per segment is further elaborated.

Segment	Products and services	Nature and timing of fulfillment of performance obligations
SMART VISION SYSTEMS	Vision technology represents about 87% of the turnover of the Smart Vision systems segment and consists of 2D & 3D Machine Vision and Security Vision technology. The technologies are combined with software to create smart technologies and one-stop-shop solutions with plug-and-play integrated systems. Our Machine Vision technology systems improve quality inspection, operation, and object monitoring within various industries such as consumer electronics, factory automation, ITS, medical and life sciences. Our Security Vision systems, combined with advanced communication technologies, enable the customers to manage and control the urban environment efficiently. Simultaneously, the technologies improve sustainability factors, safety and security in various markets such as Infra-structure, Parking and Building security.	A large part of the revenue in Smart Vision systems is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance. A receivable is recognized at that moment because the consideration has become unconditional and only the passage of time is required before the payment is due. To a lesser degree also the following revenue streams exist: ***Customer-specific products and systems (including software products):*** Customer-specific products and systems: A number of products and systems are designed or adapted to customer-specific requirements. TKH recognizes turnover over a period if (i) the customer has control during the creation or improvement of the product / system or (ii) a product/system is created without alternative use and TKH has an enforceable right to payment for the work performed. Examples of (i) include parking guidance that are built up and commissioned on-site. Examples of (ii) are amongst others machine vision cameras constructed for a specific customer application and by TKH integrated security and communication systems. If the two conditions mentioned above are not met, revenue is only recognized at transfer date. For customer-specific systems, installation can be part of the transaction price. A distinction is made between configuration and the physical installation. The configuration is an integral part of the system sold, while the installation is often regarded as a separate service that is usually outsourced to third parties. The installation services to be delivered are separately identifiable and accordingly the transaction price is attributed to the system and the installation based on the relative stand-alone selling prices. Installation is a performance obligation that is fulfilled over time. If revenue is recognized over a period, this is based on the stage of completion of the contract. The progress is determined on the basis of the input method based on a cost price method. Which means, the part of the contract costs incurred for the work that has been carried out to date in relation to the estimated total contract costs. For the payments due by the customer, which according to the contract cannot yet be invoiced, a contract asset is recognized for the period in which the work has been carried out. This contract asset reflects the right to compensation for work performed to date. If more is invoiced than has been performed to date, a contract liability is recorded. Contract liabilities are recognized as revenue when TKH performs under the contract. ***Maintenance and licenses:*** Maintenance and licenses are part of the transaction price for a number of products and systems. These relate to activities that may have to be carried out during a certain period after sale. This period can thereafter be extended by the customer at then applicable prices. Maintenance and licenses are considered as a separate service. A part of the transaction price is therefore allocated to these services based on their stand-alone selling price. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sale transaction and is subsequently recognized as revenue on a straight-line basis over the contract period.

Segment	Products and services	Nature and timing of fulfillment of performance obligations
SMART MANUFACTURING SYSTEMS	TKH engineers complete manufacturing systems and machines that contribute to super-efficient manufacturing and processing. Systems engineering and assembly, control and analysis software, as well as connectivity and vision technology, are the basic building blocks for the distinctive Smart Manufacturing systems supplied to various industries such as car and truck tire production, factory automation, and care solution by providing medicine distribution machines. Tire Building systems represents about 68% turnover share of Smart Manufacturing systems segment.	The majority of the revenue within Smart Manufacturing systems qualifies as ***Customer-specific products and systems*** for which recognition is already described at Smart Vision systems. Examples are tire building, medicine distribution and industrial automation systems. In contrast to Smart Vision systems, for the tire building activities the installation is regarded as an integral part of the performance obligation to the customer, because on-site systems are constructed, configured and tested by employees. The remainder of the revenue relates to *standardized products* and is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance ***Sales commissions:*** Agents are used, who earn a sales commission on the revenue collected. These incremental costs for obtaining a contract are directly related to the sales that were realized in a certain period. The sales commissions, mostly paid before start of the contract, are capitalized as contract costs and amortized over the expected contract period.
SMART CONNECTIVITY SYSTEMS	TKH makes advanced Connectivity systems and engineers complete Smart Connectivity systems with a unique integrated system approach and sustainability proposition. Energy and Digitalization represent about 36% and 34% turnover share of the Smart Connectivity systems segment. Our connectivity systems are developed for on-shore and off-shore energy distribution. Our Fibre Optic connectivity systems are manufactured for data and communication networks. In addition, TKH produces specialized cable systems for diverse industrial automation applications in high-tech environments, such as the industrial, marine & offshore and medical sectors. Our advanced connectivity technology for contactless energy and data distribution (CEDD) for airfield ground lighting systems is a connectivity system consisting of both hardware components and software, to further improve the efficiency and safety of specific airfield applications.	The majority of revenue relates to ***standardized products*** and are accounted for in a similar way as descri-bed above. Customer-specific products and systems for which there is no enforceable right to payment for the work that has already been performed, are also recognized as revenue in the same way. ***Customer-specific products and systems*** are accounted for in the same way in Smart Vision systems. Examples are special cable and cable systems for machines, robots, medical applications and subsea cable systems.

Operating expenses

General

The cost of production and other expenses directly related to ordinary operational activities, which underlie the turnover, are stated as operating expenses.

Government subsidies

Government subidies are recognized when there is reasonable assurance that the grant will be received and all conditions will be met. Government subsidies are recognized in the statement of profit and loss in the same period as the expenses to which they relate. The subsidy is deducted from the related costs. Grants related to fixed assets are deducted from these assets and credited to the profit and loss account over the expected useful life of the asset concerned.

Share-based payments

TKH has a stock option and a share scheme, which both qualify as share-based payments:

- The stock options are settled in equity instruments. They are valued at fair value at the date they were granted. The fair value is calculated by using an option pricing model that takes into account market related vesting conditions attached to the granting of the options. The fair value is charged to the profit and loss account over the period between the granting of the options and the time that the share options vest, adjusted for the expected number of share options to be exercised.
- The shares issued free of charge are also settled in equity instruments and are measured at the grant date at fair value. The fair value is determined based on the prevailing share price at the time of grant. The fair value is charged to the profit and loss account in the year to which the grant relates.

Financial income and expenses

Financial income and expenses comprise the interest received from or paid to third parties relating to the year under review. Interest is recognized according to the effective interest method. The interest income and the interest expenses on bank accounts that belong to one and the same interest compensation system are set off. The interest balance of the interest combination is stated under interest income or interest expenses. Financial expenses related to the construction of tangible non-current assets have been recognized as part of the asset. Translation differences on sale and purchase transactions are classified under financial income and expenses.

Tax

Tax is calculated on the result before tax, taking into account the prevailing tax rates and tax legislation in the different countries. Tax is accounted for in the statement of profit and loss, unless it relates to items directly recognized in the OCI, in which case taxes are also accounted for in the OCI. In addition to the tax directly payable or receivable for the reporting year, the item also includes the changes in the deferred tax assets and liabilities and adjustments to tax assessments from previous years.

Non-controlling interest

This item comprises the share of third parties in the results and equity of subsidiaries according to TKH's accounting principles.

Cash flow statement

The cash flow statement has been drawn up using the indirect method. With this method, the operating result is adjusted for items in the statement of profit and loss that have no impact on receipts and payments in the year under review and changes in items in the balance sheet and statement of profit and loss whose income and expenses are not considered to belong to the operational activities. The cash position in the cash flow statement consists of cash and cash equivalents less short-term borrowings included in cash pools as this is part of the daily cash management. Cash flows in foreign currencies are converted at an average exchange rate. Exchange differences with respect to cash and cash equivalents are presented separately in the cash flow statement. Income taxes, paid and received interest are included in the cash flow from operating activities. Received dividends are included in the cash flow from investment activities, while paid dividends are included in the cash flow from financing activities. The purchase price of acquisitions is included in the cash flow from investing activities, to the extent that payment has taken place in cash or cash equivalents. Cash and cash equivalents that are present in the acquired subsidiaries are subtracted from the purchase price. Transactions, which do not involve a cash exchange, are not included in the cash flow statement. The payments of the lease terms are presented as repayments on loans for the repayment component of debt (cash flow from financing activities) and as paid interest for the interest component (cash flow from operating activities). Payment of lease installments that are not included in the lease obligation included in the balance sheet (including leases of assets with a low value or with a term of less than one year) are included under cash flow from operating activities. Payments and proceeds on borrowings are presented on a net basis due to the high flexibility and turnover in relation to utilizations and repayments.

2 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements management has made judgments, estimates and assumptions. These judgments, estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses and disclosed contingent assets and liabilities at the date of the financial statements. The actual outcome can vary from these judgments, estimates and assumptions. All assumptions, expectations and forecasts used as a basis for judgments in the consolidated financial statements are as good as possible a reflection of the forecast of TKH. Management is of the opinion that a reasonable basis exists for the assumptions, expectations and forecasts. Judgments are related to known and unknown risks, uncertainties and other factors that can lead to future results and performances that significantly vary from those forecasted. Significant judgments, estimates and assumptions are described hereafter.

Fair values

TKH periodically reviews the significant fair value changes regarding specific positions in the financial statements. In case external information is used to determine the fair value, TKH reviews the evidence obtained from these third parties to verify if these valuations meet IFRS requirements, including the level of hierarchy of the fair values in which these valuations are classified. TKH applies the following hierarchy for determining the fair value of financial instruments:

- Level 1: Price quotations on active markets for identical assets and liabilities.
- Level 2: Other inputs than quoted prices included in level 1, that are either directly or indirectly observable for the asset or liability. TKH makes use of derivatives valuation reports of financial institutions. These valuations are checked with interest rates, interest curves and exchange rates that are regularly published.
- Level 3: Calculations that use input variables that have a significant effect on the fair value and that are not based on available market quotations. Here TKH may use valuations by independent appraisers.

The table below shows the hierarchy and carrying amounts of the assets and financial instruments that are recognized in the balance sheet at fair values:

in thousands of euros	notes	Hierarchy	2022	2021
Assets				
Financial assets at fair value through P&L		Level 3	407	407
Interest rate swaps	21	Level 2	97	
Foreign currency forward contracts	21	Level 2	40	3,020
Commodities (derivatives)	21	Level 2	381	1,895
Total			**925**	**5,322**
Liabilities				
Interest rate swaps	21	Level 2		294
Foreign currency forward contracts	21	Level 2	5,704	3,305
Commodities (derivatives)	21	Level 2	891	195
Total			**6,595**	**3,794**

The fair value of the financial assets measured at fair value with recognition of the change in value through the statement of profit and loss is calculated on the basis of expected cash flows discounted at the estimated market interest rate. Credit risks are taken into account in this market interest rate. TKH has concluded derivatives with various financial institutions with an investment grade rating. Interest rate swaps, forward exchange contracts and forward contracts on commodities are valued based on present value calculations using market data, such as the credit quality of counterparties, base spreads, spot and forward prices, yield curves and forward curves. More information about the assumptions for the determination of the fair value is included in the relevant explanatory notes.

Price, credit, interest and currency risks

Note 21 contains information about these risks.

Intangible assets and goodwill related to acquisitions

In the financial statements a material amount has been reported for intangible non-current assets acquired in an acquisition. The first recognition of these assets at fair value has been determined on the basis of valuation models. The outcomes are largely dependent on management estimates with respect to the assumptions used (such as growth percentages, royalty fees, economic life) and future expectations. The difference between the purchase price and the acquired net fair value of the identifiable assets and liabilities is recognized as goodwill. Note 1 and 3 includes information about intangible assets and goodwill.

Impairments and valuation of tax-losses

Information about impairment testing is included in note 3. TKH regularly invests in R&D (capitalized development costs), production facilities and new, innovative processes with the aim of developing a distinctive product portfolio. Particularly where TKH still has a small market position, the degree of management estimates with regard to learning curve developments, capacity utilization and development of returns is higher. On the other hand, management involvement is larger. TKH has valued tax deductible losses, whereby the entity concerned has incurred a loss in the current and/or previous financial year. In these cases, the recognition and measurement of these deductible losses are based on financial forecasts supported by a profitable order book. It should be noted that these deductible losses often originate from the start-up period of new activities and/or innovations.

Contracts with customers

TKH develops, produces or configures products and systems on behalf of customers on which revenue is recognized over a period of time. As a result, profit is recognized over time based on the expected profit on the contract and the estimated level of progress. This estimate makes use of detailed calculations that are specified for each performance obligation in a contract. Based on the realization and estimates of project managers and controllers, new estimates are drawn up periodically for each contract. These are reviewed by local management and then used as the basis for the costs and revenue to be recognized. In a new innovative portfolio and/or production process, the uncertainty in management estimates can be significantly higher than in other projects due to the lack of historical experience figures and the learning curve that needs to be going through.

Financial liabilities for earn-out and put option agreements

In the financial statements, financial liabilities are recognized for obligations related to earn-out agreements and put options granted to shareholders of non-controlling interests. The financial liabilities for earn-out and put options are based on estimates of future operating results and are derived from business plans of the companies concerned.

Other provisions

The other provisions relate amongst others to onerous contracts, warranty liabilities, claims, jubilee arrangements and restructuring liability. These provisions are based on estimates and available information. With regard to onerous contracts with customers, reference is made to the previous paragraph 'contracts with customers'. With regard to the restructuring liability further reference is made to note 14.

Extension options of lease contracts

When TKH has the option of renewing a lease, management uses its judgment to determine whether it is reasonably certain that an option would be exercised. Management takes into account all the facts and circumstances, including their past experience and any costs that will be incurred to change the asset if no extension option is taken, to determine the lease term.

Market, geopolitics and climate change

Geopolitical developments (such as the Russia-Ukraine conflict), economic and political confrontations between world powers (trade tariffs, availability and price of energy), the erosion of trade agreements, climate change and the impact of (global) inflation as well as a potential recession can impact TKH's turnover and results. Reference is made to the paragraph 'Risk management' as included in the Management report for further disclosures on these risks. These risks have been weighed in making judgements and applying estimates, amongst other valuation of customer contracts, impairment analysis and determining the useful live of our assets.

3 INTANGIBLE ASSETS AND GOODWILL

		Goodwill		Brand names, customer relations and intellectual property		Development costs		Patents, licenses, software and trademarks		Total	
in thousands of euros	notes	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Historical cost at 1 January		**300,812**	**330,832**	**287,945**	**288,102**	**269,309**	**238,176**	**68,441**	**66,193**	**926,507**	**923,303**
Accumulated amortization and impairment losses		2,323	2,323	187,269	169,741	149,599	127,067	50,254	46,842	389,445	345,973
Book value at 1 January		**298,489**	**328,509**	**100,676**	**118,361**	**119,710**	**111,109**	**18,187**	**19,351**	**537,062**	**577,330**
Purchases and capitalization						37,843	34,689	8,063	6,003	45,906	40,692
Acquisitions	35	853	1,210	1,107	982					1,960	2,192
Reclassification from property, plant and equipment	4								26	0	26
Reclassification to assets held for sale			-32,768		-136		-594		-896	0	-34,394
Reclassifications		102		39		-15	-24	-126	24	0	0
Disposals							-190	-13	-4	-13	-194
Amortization	28			-17,131	-19,240	-30,827	-25,549	-6,226	-6,321	-54,184	-51,110
Impairment losses	29					-48	-965		-31	-48	-996
Exchange differences		1,300	1,538	739	709	1,040	1,234	83	35	3,162	3,516
Book value at 31 December		**300,744**	**298,489**	**85,430**	**100,676**	**127,703**	**119,710**	**19,968**	**18,187**	**533,845**	**537,062**
Accumulated amortization and impairment losses		2,323	2,323	205,411	187,269	165,173	149,599	55,658	50,254	428,565	389,445
Historical cost at 31 December		**303,067**	**300,812**	**290,841**	**287,945**	**292,876**	**269,309**	**75,626**	**68,441**	**962,410**	**926,507**

Goodwill is allocated to reporting segments, which are considered as cash generating units ('CGU') for goodwill impairment testing purposes. Impairment is assessed at this level. The goodwill is allocated as follows:

in thousands of euros	Goodwill		Discount rate before tax		Functional currency
CGU	2022	2021	2022	2021	
Smart Vision systems	240,478	238,223	11.4%	9.8%	EUR / USD
Smart Manufacturing systems	10,530	10,530	12.4%	11.3%	EUR
Smart Connectivity systems	49,736	49,736	10.9%	10.6%	EUR
Total	**300,744**	**298,489**			

The recoverable amount of the cash generating units, in which goodwill has been reported, is based on the value in use. The value in use is based on estimated future cash flows. These forecasts are derived from the internal business plans, which are drawn up annually and have a horizon of five years. These business plans contain financial budgets and have been prepared by local management and are approved by the Executive Board. Cash flows after the financial budget period have been extrapolated, taken into account an annual growth of 2.17% (2021: 1.15%). The future cash flows are discounted at the discount rate shown in the table, which is based on the risk profile of the CGU. Based on the assumptions, the impairment test did not lead to impairments at year-end 2022.

Inherent to the applied calculation methodology, a change in the assumptions can lead to a different conclusion regarding impairment. For all CGU's a sensitivity analysis was performed, in which:

- absolute EBITDA decreases by 10%, or
- the discount rate increases by 1%, or
- the annual growth rate after the financial budget period decreases by 0.5%.

Other parameters remain constant. The amounts relate to the impact on the recoverable amount based on the sensitivity analysis. This sensitivity analysis does not take any cost savings into account in order to maintain profitability.

In millions of euros	Decrease EBITDA by 10%	Increase discount rate by 1%	Decrease growth rate by 0.5%	Combination of all assumptions
Smart Vision systems	-148.9	-147.4	-54.5	-309.4
Smart Manufacturing systems	-108.9	-105.1	-40.5	-227.0
Smart Connectivity systems	-183.7	-206.4	-80.0	-412.8

These scenarios do not lead to an impairment in any of the CGUs in connection with the available headroom between the recoverable amounts and the carrying amounts. In addition, we specifically assessed physical (acute) climate change risks, including rising temperatures, resulting in flooding or extreme weather, and their impact on TKH's operations. Due to the locations of our (production) facilities and the nature of our activities (approx. 70% linked to relevant SDGs), the risk is considered limited for TKH for the foreseeable future from an impairment perspective. The market capitalization of TKH amounted to € 1,524 million on December 31, 2022 and was significantly higher than the book value of the net assets of TKH.

4 PROPERTY, PLANT AND EQUIPMENT

		Land and buildings		Machinery and installations		Other equipment		Operating assets in progress		Total	
in thousands of euros	notes	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Historical cost at 1 January		**194,223**	**184,273**	**264,300**	**253,787**	**147,717**	**134,933**	**5,281**	**8,828**	**611,521**	**581,821**
Accumulated depreciation and impairments		96,381	88,914	180,925	173,762	111,245	98,833	483	412	389,034	361,921
Book value at 1 January		**97,842**	**95,359**	**83,375**	**80,025**	**36,472**	**36,100**	**4,798**	**8,416**	**222,487**	**219,900**
Purchases		6,230	4,121	10,715	13,344	15,600	10,741	73,019	3,951	105,564	32,157
Acquisitions							5			0	5
Disposals		-44	-46	-236	-1,276	-214	-1,133		-18	-494	-2,473
Depreciation	27	-6,650	-6,419	-12,190	-12,147	-12,687	-11,583			-31,527	-30,149
Impairments	29				652	-25			-71	-25	581
Reclassifications		-32	-35		-108	24	145	8		0	2
Reclassification from/to intangible assets	3						-26			0	-26
Reclassification to assets held for sale	11		-23		-994		-4		-191	0	-1,212
Exchange differences		-576	1,621	-348	1,568	-92	418	-44	95	-1,060	3,702
Commissioning of assets in progress		1,454	3,264	1,030	2,311	1,328	1,809	-3,812	-7,384	0	0
Book value at 31 December		**98,224**	**97,842**	**82,346**	**83,375**	**40,406**	**36,472**	**73,969**	**4,798**	**294,945**	**222,487**
Accumulated depreciation and impairments		101,688	96,381	186,902	180,925	118,974	111,245	483	483	408,047	389,034
Historical cost at 31 December		**199,912**	**194,223**	**269,248**	**264,300**	**159,380**	**147,717**	**74,452**	**5,281**	**702,992**	**611,521**

The purchases in 'Operating assets in progress' relate for a large part to our Strategic Investment Program to further increase our global production capacity to respond to the increased market demand in the fields of automation, digitization, electrification and Tire Building systems.

5 RIGHT-OF-USE ASSETS

TKH has lease contracts for various land and buildings, vehicles and other equipment used in its activities. Land and building lease agreements generally have a duration of between 3 and 30 years, while vehicles and other equipment generally have a duration of between 3 and 5 years.

		Land and buildings		Machinery and installations		Other equipment		Total	
in thousands of euros	notes	2022	2021	2022	2021	2022	2021	2022	2021
Book value at 1 January		**62,245**	**71,492**	**7**	**14**	**6,545**	**5,851**	**68,797**	**77,357**
Purchases		16,087	8,010	75	37	2,928	4,577	19,090	12,624
Disposals		-312	-479			-178	-391	-490	-870
Reassessment		3,011	6,009			-400	227	2,611	6,236
Depreciation	27	-11,373	-11,709	-9	-44	-3,058	-3,336	-14,440	-15,089
Impairments	29	-380	-1,209			-1		-381	-1,209
Exchange differences		137	848			-12	30	125	878
Reclassification to assets held for sale	11		-10,717				-413		-11,130
Book value at 31 December		**69,415**	**62,245**	**73**	**7**	**5,824**	**6,545**	**75,312**	**68,797**

In 2022, the costs related to variable lease payments that were not included in the lease obligation amounted to € 2.9 million (2021: € 2.7 million). The costs of leasing assets with a low value amounted to € 0.2 million (2021: € 0.2 million) and the costs of leases with a term of less than one year amounted to € 1.8 million (2021: € 0.2 million). This increase is mainly related to short term lease of storage capacity due to increased inventory levels. There are no leases with a residual value guarantee and as at December 31, there are no obligations with regard to lease agreements that have not yet been started.

See note 19 for the lease liability. See note 31 for the interest charges on lease obligations. See the consolidated cash flow statement for the lease payments. The total cash outflow from leases in 2022 was € 19.6 million.

6 ASSOCIATES

TKH owns direct or indirect the following relevant other associates:

	Place	Country	Ownership and control		Operating segment
Name of other associate			2022	2021	
Speed Elektronik Vertrieb GmbH	Schwelm	Germany	25.0%	25.0%	Smart Connectivity systems
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.	Jiangyin	PR China	12.5%	12.5%	Smart Connectivity systems
Commend Australia Integrated Security and Communication Systems Pty Ltd.	Melbourne	Australia	49.0%	49.0%	Smart Vision systems
Traff Is BV	Hedel	Netherlands	33.3%	33.3%	Smart Connectivity systems
P + S Technik GmbH	Ottobrunn	Germany	23.2%	23.2%	Smart Vision systems

Despite the 12.5% interest in the associate Shin-Etsu (Jiangsu) Optical Preform Co. Ltd., TKH has significant influence over the financial and operating policies. The associate is an important manufacturer of preforms (semi-finshed product for the production of fibre optics) for TKH. The strategic shareholding is linked to a right to 50% of the production capacity of this plant. TKH provides one of the three Supervisory Board members.

The overview below shows the summarized financial information of the associates on the basis of the most recent available information, where the financial data are included based on the share of interest in these companies. Of the 'summarized financial information' a large part relates to Shin-Etsu (Jiangsu) Optical Preform Co.Ltd.

in thousands of euros	Assets	Liabilities	Turnover	Net result	Other comprehensive income	Share in result of associates
Summarized financial information 2022	19,196	6,992	7,212	-237		-267
Summarized financial information 2021 of Cable Connectivity Group	67,115	51,760	83,272	2,266		2,266
Summarized financial information 2021 other	17,380	6,770	5,123	185		135

The interest in Cable Connectivity Group B.V. is in 2022 reclassified to Assets held for sale (see note 11). Movements in the associates are as follows:

in thousands of euros	2022	2021
Balance at 1 January	**28,699**	**25,540**
Share in result of associates	3,075	2,401
Dividend received	-196	-31
Sale of a share interest		-128
Reclassification to Assets held for sale	-19,219	
Exchange differences	-155	917
Balance at 31 December	**12,204**	**28,699**

7 INVENTORIES

in thousands of euros	2022	2021
Raw materials	162,970	119,714
Work in progress	59,834	45,573
Finished goods	163,109	129,449
Inventories	**385,913**	**294,736**

An amount of € 833.0 million is reported in the statement of profit and loss for costs of raw materials, consumables and finished goods (2021: € 686.0 million). A part of inventories is valued at lower net recoverable amount. The book value of these written-down inventories is € 27.0 million (2021: € 25.3 million). The total write-down on inventories, based on aging analysis and sales statistics, in 2022 recognized in the statement of profit and loss is € 7.0 million (2021: € 4.5 million).

8 TRADE AND OTHER RECEIVABLES

in thousands of euros	notes	2022	2021
Trade accounts receivable		220,826	161,085
Loss allowance	21	-6,300	-6,377
Derivatives	21	518	4,910
Receivables from related parties	34	509	444
Prepayments and accrued income		15,892	13,137
Other short-term receivables		17,893	12,119
Long-term receivables		613	748
Receivables		**249,951**	**186,066**

The amounts above are expected to be settled within 12 months. The receivables are mainly held according to a 'held-to-collect' business model. For the other part TKH applies non-recourse factoring that transfers the ownership of the trade receivables and the associated risks to a factoring company. At the end of 2022 receivables with an amount of € 45.4 million are sold to a factoring company (2021: € 34.3 million) and were subsequently derecognized. The trade receivables are non-interest bearing and generally have a payment term between 14 and 90 days. Credit risk is further described in note 21.

9 CONTRACT ASSETS

The following table provides information on receivables, capitalized contract costs, contract assets and contract liabilities from contracts with customers.

in thousands of euros	2022	2021
Trade accounts receivable	220,826	161,085
Contract assets	204,142	150,131
Contract liabilities	-186,473	-127,044
Refund liabilities from customer volume rebates	-15,238	-10,641
Contract costs	3,480	4,566

The contract assets mainly relate to the rights of TKH to consideration for work performed, but which have not yet been invoiced on balance sheet date. The contract assets are reclassified to receivables when the rights become unconditional. The contract liabilities mainly relate to the advance payment received from customers, of which the revenues are recognized at the performance of the contracted work. A large part of the contract assets and liabilities relates to the segment Smart Manufacturing systems.

The changes in the balance of contract assets and liabilities during the financial year are as follows:

	Contract assets		Contract liabilities	
in thousands of euros	2022	2021	2022	2021
Revenue recognized that was included in the contract liability balance at the beginning of the period			127,044	73,931
Increases due to cash received, excluding amounts recognized as revenue during the period			-186,473	-127,044
Transfers from contract assets recognized at the beginning of the period to receivables	-150,131	-124,230		
Increases as a result of changes in the measure of progress	204,142	150,131		

The commissions paid to agents for obtaining the contracts are expected to be recovered and are therefore capitalized as contract costs. Capitalized commissions are amortized when the related revenue is recognized. In 2022, amortization amounted to € 5.2 million, which is included in the statement of profit and loss under raw materials, consumables, trading products and outsourced work. There was no impairment in the financial year in respect of the capitalized contract costs. The restitution obligations for agreed customer volume discounts are mostly annual bonuses based on revenue tables. The accrual is calculated based on historical figures, revenue already realized and the outstanding order book.

The following table shows the expected future revenue with respect to contractual performance obligations that have not yet (or partially) been satisfied at balance sheet date.

in thousands of euros	2022	2021
Expected to be recognized as revenue within 1 year	716,910	705,061
Expected to be recognized as revenue between 1 and 2 years	206,372	35,809
Expected to be recognized as revenue after 2 years	48,625	5,693
Total	**971,907**	**746,563**

10 CASH AND CASH EQUIVALENTS

in thousands of euros	2022	2021
Cash and bank balances as included in the cash flow statement	78,387	68,017
Cash at companies assets held for sale	-63	-736
Cash and bank balances in cash and interest pools	106,235	32,854
Cash and bank balances	**184,559**	**100,135**

Cash and cash equivalents consist of cash and bank balances and deposits that are direct available on demand.

11 ASSETS AND DIRECTLY ASSOCIATED LIABILITIES HELD FOR SALE

As part of the 'Simplify & Accelerate' program, TKH decided in 2021 to start an active program to divest certain activities engaged in the distribution of connectivity solutions. Accordingly the associated assets and liabilities have been reclassified in 2021 to assets and liabilities held for sale. Besides working capital, goodwill is also an important part of this value. The amount of allocated goodwill has been based on applying the relative value method. Given the progress made in 2022 and barring unforeseen circumstances, a sale of these activities is highly probable within the upcoming 12 months. Therefore the activities, notwithstanding the prolonged divestment process, continue to be classified as 'held for sale'.

In addition, in November 2022 TKH reached an agreement with third parties on the sale of its minority 41.5% stake in Cable Connectivity Group B.V. This company was created in August 2019, through the divestment of the majority of TKH's industrial connectivity systems. The transaction was subject to customary regulatory approval end of 2022 and has been closed on February 1, 2023. It will result in a one-off profit contribution of approximately € 36 million for TKH in Q1 2023. The overview below shows the summarized financial information of this company on the basis of the most recent available information, where the financial data included is based on the share of interest in the company.

in thousands of euros	Assets	Liabilities	Turnover	Net result	Other comprehensive income	Share in result of associates
Summarized financial information 2022 of Cable Connectivity Group	76,390	59,542	97,322	2,302		3,342

The main categories of assets and liabilities classified as held for sale are as follows:

in thousands of euros	2022	2021
Assets		
Intangible assets and goodwill	34,116	34,394
Property, plant and equipment	1,769	5,806
Right-of-use assets	10,324	11,130
Associates	19,219	0
Other receivables	478	494
Deferred tax assets	0	738
Inventories	31,034	25,383
Trade and other receivables	11,380	9,503
Current income tax	123	0
Cash and cash equivalents	63	736
Assets held for sale	**108,506**	**88,184**
Liabilities		
Non-current interest-bearing loans and borrowings	8,072	9,693
Deferred tax liabilities	1,059	711
Retirement benefit obligation	911	1,105
Other long-term provisions	0	10
Current interest-bearing loans and borrowings	2,137	2,075
Trade payables and other payables	20,752	20,372
Current income tax liabilities	526	3,234
Liabilities directly associated with assets held for sale	**33,457**	**37,200**
Net assets directly associated with held for sale	**75,049**	**50,984**

The value of the minority share in Cable Connectivity Group B.V. is included under 'Associates'.

12 EQUITY

The group equity is disclosed in the Consolidated statement of changes in group equity and in note 7 of the company-only financial statements.

13 NON-CONTROLLING INTEREST THIRD PARTIES

Some subsidiaries are or were not fully owned by TKH during the year at any time. These third party non-controlling interests are not significant:

	Result non-controlling interests		Cumulative non-controlling interests	
	2022	2021	2022	2021
Various non-controlling interests	43	12	168	53

14 OTHER PROVISIONS

The long-term provisions have been discounted. The increase of the provision as a result of expiration of time and adjustment of the discount rate is not significant. The short-term provisions have not been discounted since the effect is not material. The short-term part of the provision is mainly related to reorganizations and warranties. The term of the other provisions is as follows:

in thousands of euros	2022	2021
Other long-term provisions	6,798	8,772
Other short-term provisions	20,798	20,687
Other provisions	**27,596**	**29,459**

The breakdown and movement of the other provisions is as follows:

in thousands of euros	Warranty	Employee liabilities	Onerous contracts	Restructuring	Other	Total
Balance at 31 December 2021	**8,118**	**3,675**	**9,920**	**740**	**7,006**	**29,459**
Additions	1,576	232	3,260	122	1,479	6,669
Releases	-437	-518	-523	-196	-429	-2,103
Utilized	-2,952	-107	-2,544	-569	-2,551	-8,723
Other reclassifications			2,152			2,152
Exchange differences	59	-1	-53		137	142
Balance at 31 December 2022	**6,364**	**3,281**	**12,212**	**97**	**5,642**	**27,596**

Provision for warranties

The provision for warranties is related to warranties on delivered products and services under the standard warranty conditions. The purpose of the provision is to cover costs arising if products and services supplied do not meet the agreed specifications and quality requirements under normal conditions of use. The provision is based on judgments by using historical warranty data relating to comparable products and services and known warranty claims at balance sheet date. In general the recorded liabilities are expected to arise in the next one to three years.

Employee liabilities

The provision for employee liabilities mainly relates to defined jubilee arrangements and is in general long-term.

Restructuring liability

The restructuring provision relates mainly to the lay-off of employees. The remaining term is less than 1 year.

Onerous contracts

The provision for onerous contracts mainly relates to contracts with customers, from which the revenue is recognized over a period of time. This mainly concerns contracts in the segment Smart Manufacturing systems, which relate to new technologies and sometimes in combination with newly acquired customers. Because of the strategic importance of these contracts for the future revenue and profit development of TKH, these have been accepted with a negative or a limited margin at order acceptance. The duration of a project under such a contract is normally shorter than one year, but for larger framework agreements, subprojects can be executed and concluded in different years.

Other items

The other items relate to claims, matters of dispute, guarantees which are expected to be claimed other contractual obligations. These liabilities consist of amounts at which a judgement by an independent party will probably lead to compensation. The recognized provisions have been based on the best estimate, made on the basis of currently available information and will mainly have and term no longer than one year. There is no asset recognized for expected compensation fees in relation to the reported provisions.

15 OTHER FINANCIAL LIABILITIES

The movement of the financial liabilities is as follows:

in thousands of euros	Earn-out	Put options of holders of non-controlling interests	Total
Balance at 31 December 2021	**6,156**	**993**	**7,149**
Acquisitions	689		689
Payment for acquisitions from previous years	-4,016	-23	-4,039
Change in value through the profit and loss account	75	30	105
Balance at 31 December 2022	**2,904**	**1,000**	**3,904**

in thousands of euros	2022	2021
Term shorter than 1 year	2,985	4,989
Term between 1 and 5 years	919	2,160
Financial liabilities	**3,904**	**7,149**

Earn-out

For several acquisitions, contractual arrangements have been made about earn-out payments, when certain targets are realized. The liability for earn-out payments has been determined on the basis of fair value of the expected future cash outflows.

Put options of holders of non-controlling interests

TKH has option rights on several non-controlling interests held by local management of subsidiaries of TKH. Besides, TKH has a liability to buy these shares when local management decides to offer these shares. A financial liability has been recognized for this obligation. On the balance sheet date, the following option rights and liabilities are outstanding:

Name of subsidiary	Percentage	Option exercisable as from
EFB Nordics A/S	10.0%	1 January 2014

The liability is based on the discounted value of the expected future cash outflows. The expected maturity of the above mentioned liabilities is equal to the period as from 31 December 2022 till the first possibility to exercise. The amount to be paid depends on the future results of the aforementioned subsidiaries. The year of the cash outflow is dependent on a decision to exercise by TKH or the option owner. An amount of € 0.2 million has a maturity of shorter than 1 year.

16 DEFERRED TAX

The deferred tax assets and liabilities relate to the following items of which the movements are also shown:

in thousands of euros	Property, plant and equipment and leases	Intangible assets and goodwill	Inventories and construction contracts	Provisions	Unused tax losses and credits	Financial instruments	Undistributed intragroup profits	Other	Total
Balance at 1 January 2021	**721**	**-54,255**	**-2,502**	**930**	**13,446**	**-684**	**-2,220**	**3,825**	**-40,739**
(Charge)/credit to other comprehensive income				-8		400			392
(Charge)/credit to profit or loss	251	2,435	-2,353	137	31	5	-511	-97	-102
Reclassification to assets held for sale	-63	47	635	-276				-370	-27
Acquisitions		-212							-212
Balance at 31 December 2021	**909**	**-51,985**	**-4,220**	**783**	**13,477**	**-279**	**-2,731**	**3,358**	**-40,688**
(Charge)/credit to other comprehensive income				-316		1,798			1,482
(Charge)/credit to profit or loss	-7	1,344	-607	7	-1,959		1,015	566	359
Acquisitions		-350							-350
Balance at 31 December 2022	**902**	**-50,991**	**-4,827**	**474**	**11,518**	**1,519**	**-1,716**	**3,924**	**-39,197**

Certain deferred tax assets and liabilities have been offset in accordance with the applicable principles in IFRS. The deferred tax assets and liabilities are recognized in the balance sheet as follows:

in thousands of euros	2022	2021
Deferred tax assets stated under non-current assets	13,271	15,277
Deferred tax liabilities stated under non-current liabilities	-52,468	-55,965
Deferred taxes	**-39,197**	**-40,688**

TKH has unused tax losses for which no deferred tax assets have been recognized because realization is uncertain. These unused tax losses can be compensated with future profits. Based on current tax legislation, these unused and unrecognized tax losses have the following terms:

in thousands of euros	2022	2021
Term infinite	49,551	40,325
Term longer than 10 years	11,812	12,944
Term between the 5 and 10 years	3	39
Term shorter than 5 years	5	32
Unrecognized tax losses and credits	**61,371**	**53,340**

The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, TKH has determined that it cannot recognize deferred tax assets on the tax losses carried forward. The unrecognized unused tax losses represent a value of € 14.5 million at the end of 2022 based on the applicable tax rates.

TKH has valued tax deductible losses, whereby the entity concerned has incurred a loss in the current and/or previous financial year. In these cases, the recognition and measurement of these deductible losses are based on financial forecasts supported by a profitable order book. It should be noted that these deductible losses often originate from the start-up period of new activities and/or innovations.

17 PENSIONS

Defined contribution plans

TKH's pension plans in the Netherlands differ per subsidiary. The pension scheme of a number of subsidiaries has been placed with the industry pension fund PME and PMT respectively. As of January 1, 2020, the employees of the other Dutch subsidiaries have a so-called individual defined contribution scheme, which is managed by Nationale-Nederlanden.The employees of the foreign subsidiaries are members of industry or state-managed pension plans. The subsidiaries are only required to pay a certain percentage of the salary costs to the concerning industry or state managed pension plans. These pension schemes classify as defined contribution plan. The pension schemes in the Netherlands, to the extent not already covered by the industry pension schemes, are recognized as a defined contribution scheme in the financial statements. The total pension expense recognized in 2022 related to the defined contribution plans amounts to € 17.5 million (2021: € 15.3 million). The industry pension plans are included in this pension expense. TKH expects for 2023 a pension expense of € 19 million for all defined contribution plans, of which about € 12.8 million relates to industry pension schemes.

Defined benefit plans

Multi-employer union plans

In the Netherlands 1,910 employees of TKH participate in the multi-employer union plans of ‘Pensioenfonds van de Metalektro’ (‘PME’) and 'Pensioenfonds Metaal & Techniek' ('PMT') in accordance with the collective bargaining agreements applicable for the industry in which the TKH companies operate. These collective bargaining agreements have no expiration date. PME covers approximately 1,400 companies and 340,000 participants and PMT approximately 35,000 companies and 1,340,000 participants. The pension rights of each employee are based upon the employee’s average salary during employment (depending on coverage ratio). TKH’s contribution to the multi-employer union plans are far less than 5% of the total contribution to the plans. The pension funds are subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations.

The multi-employer union plans have reported the following coverage ratio at year-end:

	2022	2021
coverage ratio of PME	111.7%	103.2%
coverage ratio of PMT	108.1%	100.8%

The actual coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities. The coverage ratio is the average coverage ratio over the past 12 months. There are no additional contribution requirements for participating companies to prevent indexation cuts or lowering of pensions. The schemes qualify as defined benefit plans because the companies bear the risk that in the negotiation of the level of pension contributions after 2022 the social partners take the amount of a surplus or a deficit in the industry pension fund as part of the negotiations. As a result, future premiums may be somewhat related to deficits or surpluses that relate to pension entitlements accrued in the past. This concerns shortages or surpluses of current and former employees of TKH but also of other companies. In addition, there is no consistent and reliable basis for allocating the pension liability, assets and costs to individual companies participating in the industry pension scheme. TKH therefore classifies the multi-employer plans as if it were defined contribution plans (in line with IAS19.34). TKH's net periodic pension cost for the multi-employer plan over a financial period is equal to the required contribution for that period.

Other pension schemes

There are some individual defined benefit plans abroad for a small number of participants. These defined benefits are accrued in the subsidiaries and are not covered by plan assets. The duration of the defined benefit obligations of these arrangements will be, on average, 12 years at December 31, 2022. Furthermore, there is legislation for the Austrian employees obligating to pay a onetime compensation at the end of the employment for employees working for the subsidiary before January 1, 2003. The amount of compensation depends on the years of service and the average salary in the last 3 years of service. The actuarial calculations for the pension schemes are performed by actuaries. The following assumptions have been applied in the actuarial calculations:

	2022	2021
Discount rate before tax	3.5-3.8%	0.8-2.0%
General percentage salary increase	2.5%	2.1%

The following amounts are recognized in the balance sheet with respect to all defined benefit plans:

in thousands of euros	2022	2021
Present value of the defined benefit obligations	3,765	4,716
Fair value of the plan assets		
Net pension obligation	**3,765**	**4,716**

The following amounts are recognized in the statement of profit and loss with respect to the defined benefit plans:

in thousands of euros	2022	2021
Current service costs	285	62
Interest costs included in financial expenses	144	42
Pension expense in the profit and loss account	**429**	**104**

For 2023 TKH expects to pay a pension premium of € 0.4 million (including contributions from participants) related to the defined benefit plans.

The change in the present value of the defined benefit plan obligations is as follows:

in thousands of euros	2022	2021
Balance at 1 January	**4,716**	**5,844**
Reclassification to liabilities held for sale		-1,039
Current service costs	285	62
Interest costs included in financial expenses	144	42
Actuarial (gains)/losses recognized through other comprehensive income	-1,217	-30
Entitlements paid	-163	-163
Balance at 31 December	**3,765**	**4,716**

Changes in the assumptions have consequences for the present value of the defined benefit obligation. In the summary below a sensitivity analysis on the gross and net defined benefit obligation is shown for the three largest pension schemes, which together represent 75% of the net pension liability, when there is an absolute change of 1% or 1 year in the relevant assumptions:

	2022		2021	
	+1.0%	-1.0%	+1.0%	-1.0%
Discount rate	-302	352	-355	422
General percentage salary increase	320	-278	481	-411
	+1 year	-1 year	+1 year	-1 year
Mortality table	147	-139	139	-140

18 NON-CURRENT LIABILITIES

in thousands of euros	notes	2022	2021
Debts to credit institutions	19	431,746	268,010
Long term lease liabilities (Right-of-use assets)	19	68,049	62,528
Other non-current liabilities		3,213	3,266
Interest-bearing loans and borrowings		**503,008**	**333,804**

The credit margin on the non-current debts to credit institutions is variable and dependent on the net-interest bearing debt/EBITDA, including the amount of the draws from the credit facility. On average the margin is 1.5%. The interest is variable and based on Euribor or Libor. The material subsidiaries are guarantor for the obtained financing. No additional securities were provided. See note 21 for more details on the capital and liquidity risk.

19 NET INTEREST-BEARING DEBT

		Term	Interest	Amount	
in thousands of euros	notes			2022	2021
Bank loans reported under non-current liabilities	18	1.1 years	Euribor + margin	431,746	268,010
Long term lease liabilities (Right-of-use assets)	18	1-30 years	2.1%	68,049	62,528
Short term lease liabilities (Right-of-use assets)		< 1 year	2.1%	14,028	12,959
Borrowings reported under current liabilities		< 1 year	Euribor/Libor + margin	56,391	34,630
Cash and cash equivalents	10	< 1 year	Euribor/Libor - margin	-184,559	-100,135
Net interest-bearing debt				**385,655**	**277,992**

At year-end 2022, € 106.2 million of the cash and cash equivalants forms part of cash and interest pools (2021: € 32.9 million). The interest on the borrowings is variable and based on Euribor or Libor. The credit margins differ per credit institution, duration and country and vary from 0.3% to 1.5%. The material subsidiaries are guarantor for the obtained financing from credit institutions. No special securities were provided. The credit margin for lease liabilities differ per right-of-use asset, duration and country with a weighted average of 2.1%. The obligations arising from leasing are guaranteed by the lessor's property right on the leased assets. See note 21 for more details on the capital and liquidity risk.

The overview below shows the changes in the interest-bearing liabilities arising from financing activities

	Borrowings reported under current liabilities		Bank loans reported under non-current liabilities		Total lease liabilities (Right-of-use assets)		Total	
in thousands of euros	2022	2021	2022	2021	2022	2021	2022	2021
Balance at 1 January	**34,630**	**43,407**	**268,010**	**339,511**	**75,487**	**83,571**	**378,127**	**466,489**
Cash flows from financing activities	-51,186	15,884	163,543	-71,501			112,357	-55,617
Proceeds/(repayments) from cash pools	73,381	-23,177					73,381	-23,177
Payment of lease liabilities					-14,746	-15,570	-14,746	-15,570
Non-cash changes:								
- Acquisition of subsidiaries			140				140	0
- Reclassification to liabilities held for sale		-386				-11,382	0	-11,768
- New leases and reassesments					17,570	17,990	17,570	17,990
- Interest					1,695	1,700	1,695	1,700
- Effect of changes in exchange rates	-434	-1,098	53		2,071	-822	1,690	-1,920
Balance at 31 December	**56,391**	**34,630**	**431,746**	**268,010**	**82,077**	**75,487**	**570,214**	**378,127**

The withdrawals and repayments of cash pools relate to changes in cash pools presented under cash and cash equivalents (note 10).

20 TRADE AND OTHER PAYABLES

in thousands of euros	notes	2022	2021
Trade creditors		232,608	198,623
Advance receipts		4,442	4,628
Other taxes and social insurance contributions		30,418	23,000
Derivatives	21	6,595	3,794
Refund liabilities from customer volume rebates	9	15,238	10,641
Other payables and accruals		95,613	84,010
Trade payables and other payables		**384,914**	**324,696**

The other payables and accruals relate to, among others, personnel bonuses to be paid, commissions, holidays and holiday allowances as well as accruals for invoices to be received. At the end of 2022, a number of suppliers made use of supply chain finance (reversed factoring) for a total of € 46.3 million (2021: € 39.7 million), which is recognized as trade payables.

21 FINANCIAL INSTRUMENTS AND RISKS

General

The main financial risks faced by TKH relate to the capital and liquidity risk, interest risk, currency risk, credit risk and price risk. TKH's financial policy is aimed at minimizing the effects of fluctuations in currency exchange and interest rates on its results in the short-term and following market rates in the long-term. TKH uses derivatives to manage the financial risks relating to the business operations and does not undertake speculative positions. Financial risks and the control by management of these risks are disclosed in the chapter 'Risk management' in the annual report.

Capital and liquidity risk

External financing is contracted by the holding for the entire TKH Group. TKH has a committed revolving and standby credit facility of € 500 million with a group of banks. The revolving and standby credit facility has a high flexibility in relation to utilizations and repayments. Next to the committed facility, there are uncommitted facilities with several banks for a total of € 326 million. TKH has per December 31, 2022 unused available credit facilities for a total of € 357 million (2021: € 436 million). The available credit facilities are reduced for the outstanding bank guarantees. The maximum credit facility per subsidiary is determined centrally. In the credit facility the following financial covenant is agreed, which is tested on a quarterly basis:

	Covenant	Realization 31-12-2022	Realization 31-12-2021
Net debt compared to EBITDA (debt leverage ratio)	< 3.0	1.1	0.9

The debt leverage ratio is calculated excluding the impact of IFRS 16 Leases. Furthermore, it has been agreed with the banks that in the calculation of the debt leverage ratio acquisitions may be consolidated pro forma for 12 months. TKH uses internally a debt leverage ratio up to 2.0. TKH operates within the banks' required covenant at the end of 2022.

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2022 based on agreed repayment periods:

in thousands of euros	Average interest	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	Contractual cash flows	Book value
Bank loans reported under non-current liabilities	1.5%		1,619	4,857	432,286		438,762	431,746
Lease liabilities (Right-of-use assets)	2.1%		6,210	11,040	37,768	41,522	96,540	82,077
Financial liabilities	1.5%			2,985	1,169		4,154	3,904
Borrowings reported under current liabilities	1.0%	56,403					56,403	56,391
Trade creditors			232,608				232,608	232,608
Other payables excluding derivatives			110,851				110,851	110,851
Interest rate swaps (derivatives)			-97				-97	-97
Foreign currency forward contracts (derivatives)			50,924	49,133	56,684		156,741	5,664
Commodities (derivatives)			595	-71	-14		510	510
Financial liabilities		**56,403**	**402,710**	**67,944**	**527,893**	**41,522**	**1,096,472**	**923,654**

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2021 based on agreed repayment periods:

in thousands of euros	Average interest	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	Contractual cash flows	Book value
Bank loans reported under non-current liabilities	1.4%		938	2,814	272,075		275,827	268,010
Lease liabilities (Right-of-use assets)	2.0%		5,939	10,478	38,293	31,165	85,875	75,487
Financial liabilities	1.5%			4,989	2,499		7,488	7,192
Borrowings reported under current liabilities	1.0%	34,637					34,637	34,630
Trade creditors			198,623				198,623	198,623
Other payables excluding derivatives			94,651				94,651	94,651
Interest rate swaps (derivatives)			64	191	51		306	294
Foreign currency forward contracts (derivatives)			31,615	55,643	17,479		104,737	285
Commodities (derivatives)			-638	-732	-330		-1,700	-1,700
Financial liabilities		**34,637**	**331,192**	**73,383**	**330,067**	**31,165**	**800,444**	**677,472**

The cash flows in these statements are not discounted. The cash flows are based on the interest rates and the exchange rates at the end of the year. The cash flows for interest rate swaps are based on the contracted fixed interest rates compared to the variable interest rate at balance sheet date. The interest rate swap and commodity derivatives are net settled. Currency contracts are gross settled. The following table shows the corresponding reconciliation of these amounts and their book value:

in thousands of euros	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	31-12-2022 Total
Incoming		48,439	46,679	55,569		150,687
Outgoing		-50,924	-49,133	-56,684		-156,741
Net	**0**	**-2,485**	**-2,454**	**-1,115**	**0**	**-6,054**
Discounted at contractual bank rates		-1,816	-2,955	-893		-5,664

in thousands of euros	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	31-12-2021 Total
Incoming		32,354	55,444	16,650		104,448
Outgoing		-31,615	-55,643	-17,479		-104,737
Net	**0**	**739**	**-199**	**-829**	**0**	**-289**
Discounted at contractual bank rates		681	-73	-893	0	-285

Interest risk

The interest risk policy aims at minimizing the interest rate risks associated with the financing of the company and thus at the same time optimizing the net interest costs. Long-term financing has been obtained with a floating-rate and will partly be fixed by means of interest rate swaps, whereby TKH aims to fix 40-70% of the interest associated with the borrowing. During the past period of negative interest rates, TKH has chosen to hedge the interest rate risk below this bandwidth. The following table provides an overview of the, for hedging purposes, agreed interest rate swaps:

	Average contracted interest rate		Nominal amount		Fair value	
in thousands of euros (unless stated otherwise)	**2022**	2021	**2022**	2021	**2022**	2021
Maturity <1 year	0.45%		25,000		97	
Maturity between 1 and 2 years		0.45%		25,000		-294

Cash flow hedge accounting has been applied to all interest rate swaps mentioned above. There was no material ineffectiveness in relation to these hedges.

The following sensitivity analysis of borrowings, bank credits and cash and related interest rate swaps to interest rate movements assumes an immediate 1% change in interest rates for all currencies and maturities, with all other variables held constant. A raise of the interest rates with 1% would result in:

- Additional interest costs of about € 3.6 million per year as a result of financing and cash with a floating interest rate (2021: € 2.6 million). The impact is reduced by existing interest rate swaps.
- An increase of the fair value of the financial instruments with about € 0.1 million (2021: € 0.3 million) as a result of the contracted interest rate swap. This raise would be recognized in the hedging reserves of the equity through the consolidated statement of comprehensive income.

Currency risk

It is TKH's general policy to hedge currency risks on purchases if these risks cannot be charged to the market. Purchase transactions in foreign currencies are hedged when the sales prices are already fixed in case of material transactions. Sales transactions in foreign currencies are fully hedged in case of material transactions. The main currencies that cause this exposure are the USD and CNY. Foreign currency forward contracts are applied to minimize the exposure of fluctuations in the currency rates. These contracts mainly have a term to maturity of less than one year. In addition to the currency risk on the purchase and sale transactions, there is a currency risk resulting from the translation of net investments in TKH subsidiaries denominated in functional currencies other than euros. The main currencies that cause this exposure are the USD, CNY, and PLN. These risks are partially hedged by financing some of these investments in local currency. The remaining risk is not hedged. The carrying amounts of monetary assets and liabilities specified to currencies are as follows:

	Euro		USD		CNY		Other currencies		Total	
in thousands of euros	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Receivables	297,135	265,406	116,316	37,709	17,817	14,782	22,206	17,552	453,474	335,449
Cash and cash equivalents	121,435	43,573	22,318	28,863	17,219	13,503	23,588	14,196	184,560	100,135
Non-current interest-bearing loans and borrowings	-503,008	-333,804							-503,008	-333,804
Current interest-bearing loans and borrowings	-29,834	-30,012	-35,702	-7,012	-1,188	-629	-3,695	-9,936	-70,419	-47,589
Trade payables and other payables	-446,146	-362,247	-62,830	-37,713	-36,666	-40,292	-25,745	-11,488	-571,387	-451,740
Total	**-560,418**	**-417,084**	**40,102**	**21,847**	**-2,818**	**-12,636**	**16,354**	**10,324**	**-506,780**	**-397,549**

On balance sheet date, TKH has entered into foreign currency forward contracts:

	Average contract rate		Nominal amount in foreign currency		Fair value	
in thousands of euros (unless stated otherwise)	2022	2021	2022	2021	2022	2021
Cash flow hedges of balance positions						
Sell USD with settlement within 3 months	1.14	1.18	-11,368	-10,930	-128	-354
Buy CNY with settlement within 3 months	7.11	7.64	158,773	92,894	-737	591
Cash flow hedges						
Sell USD with settlement within 3 months	1.14	1.21	-6,169	-1,424	-510	-83
Sell USD with settlement between 3 months and 1 year	1.14	1.21	-20,873	-33,307	-1,670	-1,966
Sell USD with settlement after 1 year	1.09	1.19	-60,459	-19,797	-893	-893
Buy USD with settlement between 3 months and 1 year		1.11		159		10
Buy GBP with settlement between 3 months and 1 year	0.88		540		-6	
Buy CNY with settlement within 3 months	7.12	7.67	86,402	65,538	-441	527
Buy CNY with settlement between 3 months and 1 year	7.10	7.69	205,626	200,548	-1,279	1,883
Total					**-5,664**	**-285**

Time differences between the settlement of the forward contracts and the sale and purchase contracts are anticipated by the use of foreign currency bank accounts or the rollover of forward contracts. The translation risk on financial instruments, when the euro will decrease with 10% compared to all other currencies, with all other variables held constant, would be expected to have an influence of € 2.6 million negative on the result before tax (2021: € 6.6 million negative). The foreign currency forward contracts are taken into account in this calculation. The impact of a decrease of the euro on the shareholders' equity is larger because of the net investments in foreign subsidiaries with another functional currency. The impact of this is approximately € 28.9 million positive (2021: € 25.5 million positive). An increase of the euro with 10% will have the opposite influence, namely a positive influence of € 2.6 million on the result before tax and a negative influence of € 28.9 million on equity.

Price risk

An important raw material for TKH is copper and aluminium. The price risk of copper and aluminium is limited by a continuously monitoring of sales prices against the development of the purchase price where price changes are passed on to customers. Important raw materials such as copper, aluminum, steel and PVC are purchased with forward delivery contracts, to reduce the price risk on the sale of finished products, provided that:

- a sales contract with a fixed price has been entered into,
- delivery will not take place within one month, and
- an important quantity is required for production.

With physical purchases on long-term against a fixed price in advance, TKH made limited use of derivatives to hedge price risks on free inventories and to fix purchase prices of copper regarding large sales orders with delivery times exceeding one month, if not covered by a long-term purchase. On balance sheet date TKH has entered into the following derivatives for raw materials:

	Average contract rate		Quantity in metric tons		Fair value	
in thousands of euros (unless stated otherwise)	2022	2021	2022	2021	2022	2021
Cash flow hedges						
Buy Copper with settlement within 3 months	7.82	5.86	1,456	905	95	617
Buy Copper with settlement between 3 months and 1 year	7.41	8.05	245	1,390	112	674
Buy Copper with settlement between 1 and 3 years	7.49	6.48	43	161	14	330
Buy Aluminium with settlement within 3 months	2.34	1.31	4,061	1,724	-690	21
Buy Aluminium with settlement between 3 months and 1 year	2.35	2.43	466	2,061	-41	58
Total					**-510**	**1,700**

A decrease of the copper price with 10% would have a negative impact of approximately € 1.5 million on the result (2021: € 1.0 million negative) if all other factors and conditions remain the same. This is caused by the free stock, for which price risk is not hedged, which will then be sold at a lower price.

Credit risk

The financial assets of the group mainly consist of cash and cash equivalents, trade receivables, contract assets and other receivables. The credit risk for cash and cash equivalents is outstanding at major international system banks. The credit risks mainly relate to trade receivables and contract assets. However, it concerns a risk that is spread over a large number of customers that operate in several countries and in different markets. At balance sheet date there was no concentration of credit risk for material amounts. Part of the risk is insured at credit insurance companies. In addition, part of the risk is transferred to factoring companies. The credit risks insurances and factoring is in particular related to receivables on customers in the reporting segment Smart Connectivity systems. These customers are mainly located in the Netherlands, France and Germany. In addition, for large projects to foreign customers bank guarantees, advanced payments (towards a bank guarantee) or confirmed irrevocable 'Letter of Credit' are used. The maximum exposure to credit risk is represented by the carrying amounts of contract assets and financial assets that are recognized in the balance sheet, including derivatives with a positive market value. An impairment analysis is performed at each balance sheet date, whereby the expected credit losses are calculated using a provision matrix. The percentages in the provision matrix are initially based on historical losses for various customer segments (geographic region, customer type, rating and coverage by, for example, credit insurance).The historical credit risk percentages in the matrix are then adjusted with forward-looking information. If the predicted economic conditions are expected to deteriorate, which may lead to an increase in the number of defaults, the historical credit risk rates will be adjusted. On each reporting date, the historical observed credit risk percentages are updated and changes in estimates are analyzed. The assessment of the correlation between historical observed credit risk percentages, predicted economic conditions and expected credit losses is a management estimate. The actual future credit losses may differ. Below is shown the age of the trade receivables, contract assets and the expected credit losses.

in thousands of euros	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2022 Total
Book value	339,106	58,128	10,518	5,706	11,038	3,469	6,941	**434,906**
Expected credit loss rate	0.1%	0.3%	0.9%	3.4%	0.3%	20.1%	66.6%	
Loss allowance	452	203	99	194	30	696	4,626	**6,300**

in thousands of euros	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2021 Total
Book value	257,130	35,995	8,086	3,679	4,391	2,059	7,550	**318,890**
Expected credit loss rate	0.1%	0.3%	1.0%	3.3%	6.2%	19.1%	67.5%	
Loss allowance	300	117	77	121	272	394	5,096	**6,377**

There are no significant overdue account receivables that are not largely covered by credit insurances or payment guarantees or for which no provision has been recognized. The movement of the allowance for doubtful debts is as follows:

in thousands of euros	2022	2021
Balance at 1 January	**6,377**	**6,675**
Aditions	882	1,236
Releases	-682	-749
Reclassification to assets held for sale		-468
Utilized	-249	-418
Other reclassifications	-47	
Exchange differences	19	101
Balance at 31 December	**6,300**	**6,377**

22 CONTINGENT LIABILITIES

Framework agreements have been concluded with some suppliers for the availability of some important raw materials. There are no long-term purchase obligations.

in thousands of euros	2022	2021
Bank guarantees provided to third parties	103,429	122,860
Corporate guarantees provided to banks	14,133	13,391
Purchase obligations arising from orders for property plant and equipment	80.232	11,935

The majority of the outstanding bank guarantees relate to down payments and performance guarantees issued to customers relating to constructions contracts. The related advance payments received from customers are presented as part of contract liabilities.

Claims

TKH and its subsidiaries are involved in a number of legal proceedings. According to the information currently available and legal advice received, TKH expects any adverse effects from the outcome of these legal proceedings to be adequately covered by other provisions or insurance.

23 INFORMATION BY SEGMENT

The management structure and segment reporting of TKH is organized along the lines of our three technologies: Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems. In the overview of ‘Consolidated entities’, as part of the ‘Other information’, is shown in which of the segments the different subsidiaries operate. In the annual report, a detailed overview of the activities by business segment is shown.

Operating segments	Smart Vision systems		Smart Manufacturing systems		Smart Connectivity systems		Other and eliminations		Total	
in thousands of euros (unless stated otherwise)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Geographic segments										
Netherlands	40,256	38,130	47,488	41,540	361,835	260,136	33	2	449,612	339,808
Europe (other)	205,460	175,230	184,656	145,558	410,356	364,137	53	184	800,525	685,109
Asia	118,463	109,920	107,526	146,554	42,347	37,012			268,336	293,486
North America	109,773	81,369	116,070	80,079	7,796	7,458	24	35	233,663	168,941
Other	18,570	20,143	29,945	2,488	15,964	13,798			64,479	36,429
External turnover	**492,522**	**424,792**	**485,685**	**416,219**	**838,298**	**682,541**	**110**	**221**	**1,816,615**	**1,523,773**
Inter-segment	7,201	4,986	5,524	2,835	10,255	9,780	-22,980	-17,601	0	0
Total turnover	**499,723**	**429,778**	**491,209**	**419,054**	**848,553**	**692,321**	**-22,870**	**-17,380**	**1,816,615**	**1,523,773**
Timing of revenue recognition										
Revenue at a point-in-time	451,884	401,273	97,077	81,484	699,558	567,626	27	36	1,248,546	1,050,419
Revenue over time	35,114	22,492	388,482	334,683	138,252	114,229		1	561,848	471,405
Inter-segment	7,201	4,986	5,524	2,835	10,255	9,780	-22,980	-17,601	0	0
Revenues from contracts with customers	**494,199**	**428,751**	**491,083**	**419,002**	**848,065**	**691,635**	**-22,953**	**-17,564**	**1,810,394**	**1,521,824**
Other revenues	5,524	1,027	126	52	488	686	83	184	6,221	1,949
Total turnover	**499,723**	**429,778**	**491,209**	**419,054**	**848,553**	**692,321**	**-22,870**	**-17,380**	**1,816,615**	**1,523,773**
Added value	**292,238**	**250,760**	**245,115**	**205,417**	**320,544**	**279,942**	**24**	**401**	**857,921**	**736,520**
Added value in %	*58.5%*	*58.3%*	*49.9%*	*49.0%*	*37.8%*	*40.4%*			*47.2%*	*48.3%*
EBITDA	111,056	88,512	77,468	67,354	110,348	94,914	-16,056	-16,053	282,816	234,727
EBITA	95,536	73,791	69,096	59,391	87,331	73,207	-17,160	-16,828	234,803	189,561
ROS	*19.1%*	*17.2%*	*14.1%*	*14.2%*	*10.3%*	*10.6%*			*12.9%*	*12.4%*
One-off income					-8,115		-2,257		-10,372	0
Amortization	39,494	37,588	11,397	9,561	3,660	3,903	-1	58	54,550	51,110
Impairments	432	2,237	39	-51		-653	1	31	472	1,564
Segment operating result	**55,610**	**33,966**	**57,660**	**49,881**	**91,786**	**69,957**	**-14,903**	**-16,917**	**190,153**	**136,887**

Operating segments	Smart Vision systems		Smart Manufacturing systems		Smart Connectivity systems		Other and eliminations		Total	
in thousands of euros (unless stated otherwise)	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Other information										
Investments in intangible assets, property, plant and equipment, Right-of-use assets, including acquisitions	38,807	40,888	34,618	17,418	97,822	28,557	1,273	807	172,520	87,670
Employees (FTE)	1,998	1,862	1,819	1,677	2,291	2,162	90	83	6,198	5,784
Balance sheet										
Assets	761,444	731,607	461,327	342,306	634,231	488,877	90,724	17,777	1,947,726	1,580,567
Assets held for sale					108,506	87,140		1,044	108,506	88,184
Associates	2,738	2,884			9,464	25,813	2	2	12,204	28,699
Total assets	**764,182**	**734,491**	**461,327**	**342,306**	**752,201**	**601,830**	**90,726**	**18,823**	**2,068,436**	**1,697,450**
Total liabilities	**203,856**	**203,627**	**331,538**	**260,367**	**277,445**	**223,521**	**468,830**	**287,952**	**1,281,669**	**975,467**
Capital employed previous year	488,804	473,896	71,645	128,481	350,350	314,920	16,955	6,673	927,754	923,970
Capital employed current year	528,933	488,804	111,584	71,645	430,069	350,350	23,146	16,955	1,093,732	927,754
Return on Capital Employed (ROCE)	*18.8%*	*15.3%*	*75.4%*	*59.4%*	*22.4%*	*22.0%*			*23.2%*	*20.5%*

Added value is calculated by deducting 'Raw materials, consumables, trade products and subcontracted work' from 'Total turnover'

TKH has no individual customers representing 10% or more of the consolidated turnover. Other revenues relate to other services provided to third parties, such as rental, insurance payments and charged costs.

	Non-current assets 1		Employees (FTE)	
in thousands of euros (unless stated otherwise)	2022	2021	2022	2021
Geographic segments				
Netherlands	335,540	288,263	34%	34%
Europe (other)	457,213	448,523	42%	43%
Asia	45,084	44,700	15%	14%
North America	69,019	66,210	7%	7%
Other	10,063	10,097	2%	2%
Total	**916,919**	**857,793**	**100%**	**100%**

The non-current assets are shown excluding the deferred tax assets.

24 PERSONNEL EXPENSES

The personnel expenses include the following items:

in thousands of euros	2022	2021
Wages and salaries	335,656	303,004
Share-based payments	4,133	5,042
Social insurance contributions	54,957	49,243
Pension costs	17,891	15,421
Temporary labor	34,924	19,506
Capitalized development costs	-30,413	-27,571
Other personnel expenses	17,949	13,622
Personnel expenses	**435,097**	**378,267**

During the year 2022 no significant use has been made of available COVID-19 government support programs.

25 SHARE-BASED PAYMENTS

Stock option scheme settled in equity instruments

Option rights to (depositary receipts of) ordinary shares of TKH are granted to the management of the subsidiaries. The rights can never be exercised until after the publication of the company's annual results three calendar years following the year in which the rights were granted, and have an exercise period of two years. Partly to avoid abuse of inside knowledge, the conditions for participation have been laid down in an internal regulation and have been accepted in writing by the participants.

Executive Board

No option rights are granted to the members of the Executive Board and the Supervisory Board. Mr. H.J. Voortman has been awarded options in the period before being appointed as a member of the Executive Board. The movement and balance of the outstanding option rights granted to him is as follows:

Year of allocation	Exercise price in €	Number at 01-01-2022	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2022	Exercise period
2017	41.19	7,350				-7,350	0	2020-2022
2018	52.25	8,400					8,400	2021-2023
Total		**15,750**	**0**	**0**	**0**	**-7,350**	**8,400**	

Other option beneficiaries

The movement and balance of the outstanding option rights granted to the other option beneficia-ries are as follows:

Year of allocation	Exercise price in €	Number at 01-01-2022	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2022	Exercise period
2017	41.19	70,574			-3,560	-67,014	0	2020-2022
2018	52.25	217,079					217,079	2021-2023
2019	46.02	310,177				-57,717	252,460	2022-2024
2020	32.28	304,066					304,066	2023-2025
2021	37.88	331,174			-750		330,424	2024-2026
2022			352,942		-1,800		351,142	2025-2027
Total		**1,233,070**	**352,942**	**0**	**-6,110**	**-124,731**	**1,455,171**	

At the end of 2022, the company owns 1,197,647 purchased (depositary receipts of) shares to cover the option rights. These (depositary receipt of) shares have been purchased against an average share price of € 41.35. The total purchase value is € 49,517,275. The average share price on the date at which the share options were exercised during the financial year was € 50.42. The options were granted during the financial year on March 8, 2022. The estimated fair value of the options granted in 2022 is € 3,561,185. The fair value was determined on the basis of a binomial valuation model with the following assumptions:

	2022	2021
Fair value at the date of allocation (in €)	10.09	8.12
Expected volatility	36.3%	35.7%
Expected dividend	3.0%	3.0%
Risk free rate	0.397%	-0.380%
Expected period to expiry of the option (in years)	4.0	4.0

The current restrictions on the exercise of the options, the chances that employees will leave the company and possible personal considerations of option holders have been taken into account for the expected expiry period of the options. TKH has a reported total charge of € 2,709,255 (2021: € 2,237,169) for these share-based payments which have been settled in equity instruments.

Other share-based payments

Based on the share scheme, (depositary receipts of) shares have been allotted to the members of the Executive Board. During 2022 Mr. J.M.A. van der Lof was allotted 14,373 (depositary receipts of) shares, Mr. E.D.H. de Lange 10,780, and Mr. H.J. Voortman 9,782 (depositary receipts of) shares related to the performance for the year 2021. At the same time, the Executive Board members purchased respectively 14,373, 10,780 and 9,782 (depositary receipts of) shares at the actual share price of € 45.65, all in accordance with the regulation of the share scheme. As a result of the share-based payments, TKH has recognized a total charge of € 1,424,205 (2021: € 2,805,000) in the statement of profit and loss.

26 OTHER OPERATING EXPENSES

Other operating expenses include overhead, selling, accommodation and manufacturing expenses.

27 DEPRECIATION

in thousands of euros	2022	2021
Depreciation of property, plant and equipment	31,700	30,149
Depreciation of Right-of-use assets	15,314	15,089
Result on disposal of property, plant and equipment	-9,374	-72
Depreciation	**37,640**	**45,166**

The result on disposal mainly relates to the sale of real estate formerly classified as 'Held for sale'.

28 AMORTIZATION

in thousands of euros	2022	2021
Amortization of intangible assets	37,283	31,870
Amortization of intangible assets from acquisitions as a result of 'Purchase Price Allocations'	17,267	19,240
Amortization	**54,550**	**51,110**

29 IMPAIRMENT

in thousands of euros	notes	2022	2021
Impairment of intangible assets and goodwill	3	48	996
Impairment of property, plant and equipment	4	25	-581
Impairment Right-of-use assets	5	381	1,209
Onerous contracts		18	-60
Impairment		**472**	**1,564**

30 RESEARCH AND DEVELOPMENT COSTS

The total operating expenses over the financial year include the following items:

in thousands of euros	2022	2021
Research and development expenditure	67,877	64,422
Less: Capitalized development costs	-37,843	-34,689
Add: Amortization of development costs	30,827	25,549
Add: Impairment on capitalized development costs	48	965
Research and development costs accounted for in the profit and loss account	**60,909**	**56,247**
Government subsidies for research and development costs	4,261	3,680

31 FINANCIAL INCOME AND EXPENSES

in thousands of euros	2022	2021
Exchange and translation differences, including the effect of realized cash flow hedges	-2,136	-680
Amortized transaction costs		-322
Interest costs in defined benefit plans	-17	-10
Interest expense on lease liabilities	-1,695	-1,700
Interest expenses	-8,595	-5,767
Interest income from debt instruments at fair value through P&L	88	30
Interest income	474	161
Financial income and expenses	**-11,881**	**-8,288**

32 TAX

in thousands of euros	notes	2022	2021
Current tax		46,282	33,852
Adjustments for previous years		-1,807	-264
Deferred tax	16	-359	102
Total tax on result		**44,116**	**33,690**

The taxes that are included directly in the statement of other comprehensive income are shown below.

in thousands of euros	notes	2022	2021
Deferred taxes on revaluation of cash flow hedges	16	-1,798	-400
Deferred taxes on actuarial gains and losses	16	316	8
Total tax on other comprehensive income		**-1,482**	**-392**

The tax rate is calculated at the prevailing tax rates in each country. The tax rate over the year can be reconciled with the profit before tax as follows:

in thousands of euros (unless stated otherwise)		2022		2021
Result before tax	**181,242**		**128,914**	
Tax calculated at the Dutch tax rate	46,760	25.8%	32,229	25.0%
Correction due to tax effect for:				
Tax participation exemption	-667	-0.4%	-380	-0.3%
Non-deductible expenses	1,170	0.6%	2,564	2.0%
Non-taxable income	-57	0.0%	-245	-0.2%
Advantages from tax facilities	-4,275	-2.4%	-3,110	-2.4%
Write off/(recognition) of deferred taxes	-1,761	-1.0%	72	0.1%
(Recognition)/derecognition of deferred tax asset for unused tax losses	3,108	1.7%	1,206	0.9%
Settlement of income tax returns for previous years	-1,807	-1.0%	-264	-0.2%
Differences in tax rates for foreign subsidiaries	1,013	0.5%	2,248	1.7%
Change in statutory tax rate	710	0.4%	-586	-0.5%
Other tax benefits	-78	0.1%	-44	0.0%
Effective tax rate	**44,116**	**24.3%**	**33,690**	**26.1%**

The effective tax rate decreased compared to last year. The change is mainly attributable to the following circumstances:

- Lower non-deductible expenses due to lower costs related to acquisitions, earn-out and share based payments;
- Although the benefits from tax R&D facilities increased compared to previous year, the impact on the tax effective rate is limited. These current facilities mainly relate to the Netherlands (innovation box), Canada (SR&ED), China and Austria;
- Not fully recognizing tax losses resulted in a higher effective tax rate of 1.7% (2021: 0.9%). The tax losses can still be utilized in future years. Said non-recognition is partly offset by the recognition of deferred taxes for € 1.8 million in 2022;
- The settlement of income tax returns for previous years for several legal entities in different countries resulted in a benefit of € 1.8 million in 2022 (2021: € 0.3 million);
- Differences in tax rates for foreign subsidiaries causes on balance a higher effective tax rate. This mainly applies to our subsidiaries in Germany, Italy, France and Australia; and
- Changes in statutory tax rates applied in the calculation of deferred taxes resulted in a tax charge of € 0.7 million (2021: tax benefit of € 0.6 million).

33 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

in thousands of euros (unless stated otherwise)	notes	2022	2021
Weighted average number of (depositary receipts of) shares (x 1,000)		41,057	41,184
Effect of share options (x 1,000)		104	158
Weighted average number of (depositary receipts of) shares diluted (x 1,000)		**41,161**	**41,342**
Net profit		137,126	95,224
Less: Non-controlling interests		-43	-12
Net profit attributable to the shareholders of the company		**137,083**	**95,212**
Amortization of intangible non-current assets from acquisitions	3	17,267	19,240
Taxes on amortization		-4,633	-5,045
Net profit before amortization from continuing operations attributable to the shareholders of the company		**149,717**	**109,407**
One-off income		-10,372	
Purchase price allocations in the result of associates		1,013	1,556
Impairments		472	1,564
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	15	105	1,759
Tax impact on one-off income, expenses and impairments		2,661	-391
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company		**143,596**	**113,895**
Earnings per share attributable to shareholders			
Ordinary earnings per share (in €)		3.34	2.31
Diluted earnings per share (in €)		3.33	2.30
Ordinary earnings per share before amortization (in €) continued operations [1]		3.65	2.66
Ordinary earnings per share before amortization and one-off income and expenses (in €) continued operations [1]		3.50	2.77

The one-off income mainly relates to the sale of real estate formerly classified as 'Held for sale'.

1 Non IFRS measure

34 RELATED PARTIES

Trade transactions

During the year trade transactions with non-consolidated related parties have taken place. These transactions were concluded at market prices, taking into account discounts for volumes and the existing relationship between the parties. The following transactions with related parties occurred during the year:

	Sold to		Bought from		Trade receivables		Trade payables	
in thousands of euros	2022	2021	2022	2021	2022	2021	2022	2021
Cable Connectivity Group B.V.	3,232	3,096	7,520	5,996	402	280	1,284	731
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.			22,331	16,626			7,910	7,980
Speed Elektronik Vertrieb GmbH	233	216	83	136	23	18	13	
Commend Australia Integrated Security and Communication Systems Pty Ltd.	629	588			79	88		
Total	**4,094**	**3,900**	**29,934**	**22,758**	**504**	**386**	**9,207**	**8,711**

Shareholdings of members of the Executive Board and the Supervisory Board

During the financial year Mr. J.M.A. van der Lof sold in total 32,746 (depositary receipts of) shares at an average stock price of € 44.63, Mr. E.D.H. de Lange sold 32,340 (depositary receipts of) shares at a stock price of € 45.65 and Mr. H. Voortman sold 9,782 (depositary receipts of) shares at a stock price of € 45.65, in accordance with the share scheme. In addition, Messrs. J.M.A. van der Lof, E.D.H. de Lange and H.J. Voortman purchased under the share scheme respectively 14,373, 10,780 and 9,782 (depositary receipts of) shares at a stock price of € 45.65. Among the members of the Executive Board, Mr. J.M.A. van der Lof owned 118,147 (depositary receipts of) shares, Mr. E.D.H. de Lange owned 85,009 (depositary receipts of) shares and Mr. H.J. Voortman owned 35,935 (depositary receipts of) shares shares at the end of 2022.

Remuneration of the Executive Board and the Supervisory Board

The remuneration payable to the members of the Executive Board comprises a basic salary (TRI), pension and a variable element, comprising an annual performance bonus (STI) and a long-term bonus (LTI) scheme entailing a share scheme. The remuneration of the Supervisory Board consists of a fixed remuneration and a remuneration for participation in a committee. The various remuneration components are explained below, as well as the amount charged to the legal entity and its subsidiary or group companies.

	Total regular income (TRI)		Bonus (STI)		Share scheme (LTI)		Pension		Compensation for pension premium		Total	
in thousands of euros	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Executive Board	1,758	1,707	1,028	997	1,244	2,736	88	82	341	326	4,458	5,847
Supervisory Board	304	313									304	313
Total remuneration	**2,062**	**2,020**	**1,028**	**997**	**1,244**	**2,736**	**88**	**82**	**341**	**326**	**4,762**	**6,160**

The breakdown of the remuneration per person and according to the various remuneration components is included in the remuneration report that is part of the annual report.

35 ACQUISITIONS

In July 2022, TKH completed the acquisition of Nerian Vision GmbH, a disruptive stereo machine vision company based in Stuttgart, Germany that designs and manufactures high-speed stereo vision systems. TKH has acquired 100% of the shares of Nerian. The activities within TKH are part of the business segment Smart Vision Systems. The purchase price of € 0.9 million was paid in cash. In addition, a contingent consideration has been agreed for the acquisition. This ean-out is estimated on the basis of expected future results. The actual compensation to be paid in the future may deviate positively or negatively based on future realization. The company's contribution to the consolidated activities of TKH was immaterial in 2022. TKH expects the acquisition to have a immaterial effect on earnings per share in 2023.

36 NON-CASH TRANSACTIONS

There were no material non-cash transactions.

37 EVENTS AFTER BALANCE SHEET DATE

No events of fundamental significance for insight into the financial statements and the preceding period occurred after balance sheet date, except for the following event. On February 13, 2023, TKH signed a new sustainability-linked € 625 million multicurrency committed credit facility, consisting of a revolving credit facility (“RCF”) of € 500 million and a term loan of € 125 million. The new RCF replaces the current committed RCF of € 500 million, which has been in place since January 2017. The term loan will be used to finance strategic investments and working capital needs as TKH continues to grow. The new revolving credit facility of € 500 million has a maturity of 5 years, with two one-year extension options, subject to the banks’ approval. The term loan of € 125 million has a maturity of 3 years. In addition, the credit facility contains a framework for € 275 million uncommitted credit facilities, replacing the previous framework of € 265 million. This refinancing is secured at comparable conditions to the previous committed credit facility. A sustainability-linked adjustment will provide for a maximum discount or premium of 2.5 basis points on the credit margin.

38 SERVICE FEES PAID TO EXTERNAL AUDITORS

The service fees paid to the external auditor EY, recognized as other operating expenses, can be specified as follows:

	Ernst & Young Accountants LLP (Netherlands)		Other parts of EY		Total	
in thousands of euros	2022	2021	2022	2021	2022	2021
Audit of the financial statements	1,255	1,113	691	596	1,946	1,709
Other assurance engagements	82	70	5		87	70
Other non-audit services		11		9	0	20
Servicecosts external auditors	**1,337**	**1,194**	**696**	**605**	**2,033**	**1,799**

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF PROFIT AND LOSS

in thousands of euros	notes		2022		2021
Net turnover	14		**11,804**		**9,768**
Wages and salaries	15	10,952		11,091	
Social insurance contributions		1,220		1,069	
Depreciation and result on divestment of property, plant and equipment		218		188	
Other operating expenses		8,696		9,488	
Total operating expenses			**21,086**		**21,836**
Operating result			**-9,282**		**-12,068**
Financial income			580		5,475
Financial expenses			-4,075		-3,476
Exchange differences			-272		114
Change in value of financial liability for earn-out and put-options of holders of non-controlling interests			-658		-1,620
Result before tax			**-13,707**		**-11,575**
Tax on result	16		-2,634		-1,160
Company result			**-11,073**		**-10,415**
Share in result of participations			148,156		105,627
Net result			**137,083**		**95,212**

COMPANY BALANCE SHEET

As of 31 December before profit appropriation

in thousands of euros	notes	2022		2021	
Assets					
Non-current assets					
Intangible assets and goodwill	2	171,267		170,828	
Property, plant and equipment	3	519		465	
Financial non-current assets	4	864,572		832,534	
Deferred tax assets	5	789		890	
Total non-current assets			**1,037,147**		**1,004,717**
Current assets					
Receivables on subsidiaries		41,066		33,751	
Other receivables	6	13,448		5,641	
Cash and cash equivalents	12	6,192		3,372	
Total current assets			**60,706**		**42,764**
Total assets			**1,097,853**		**1,047,481**

in thousands of euros	notes	2022		2021	
Equity and liabilities					
Shareholders' equity					
Share capital		10,554		10,554	
Share premium		85,021		85,021	
Legal reserve		102,115		92,542	
Translation reserve		16,772		15,251	
Cash flow hedge reserve		-4,243		1,049	
Retained earnings		439,471		422,301	
Unappropriated profit		137,083		95,212	
Total shareholders' equity	7		**786,773**		**721,930**
Provisions					
Deferred tax liabilities	5	618		581	
Other financial liabilities	11			345	
Provisions	10	34,130		33,989	
Total provisions			**34,748**		**34,915**
Non-current liabilities					
Interest-bearing loans and borrowings	12	50		85	
Total non-current liabilities			**50**		**85**
Current liabilities					
Interest-bearing loans and borrowings	12	31		34	
Payables to group companies		269,265		280,058	
Other financial liabilities	11	1,908		4,989	
Other current liabilities		5,078		5,470	
Total current liabilities			**276,282**		**290,551**
Total equity and liabilities			**1,097,853**		**1,047,481**

NOTES TO THE COMPANY FINANCIAL STATEMENT

1 ACCOUNTING PRINCIPLES

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, TKH makes use of the option provided in Article 2:362 sub 8 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result for the separate financial statements of TKH are the same as those for the consolidated financial statements. For a description of these accounting principles, reference is made to the accounting principles of the consolidated financial statements.

Investments in subsidiaries are valued at net asset value. The net asset value is determined on basis of the valuation principles, as described in note 1 of the consolidated financial statements. The net asset value of subsidiaries consists of cost price, exclusive goodwill, the share of TKH in the sum of the assets, liabilities and provisions of the subsidiary, plus the share in the result of the subsidiary since the takeover that is attributed to TKH, less the received dividends.

The expected credit losses as prescribed in IFRS 9 Financial Instruments on receivables on group companies are included in the carrying amount of the participations.

2 INTANGIBLE ASSETS AND GOODWILL

		Goodwill
in thousands of euros	2022	2021
Historical cost at 1 January	**172,518**	**148,871**
Accumulated impairment losses	1,690	1,690
Book value at 1 January	**170,828**	**147,181**
Transfer within the group		23,150
Exchange differences	439	497
Book value at 31 December	**171,267**	**170,828**
Accumulated impairment losses	1,690	1,690
Historical cost at 31 December	**172,957**	**172,518**

The ‘Transfer within the group’ relates to an internal restructuring where some additional subsidiaries now reside directly under TKH Group N.V.

3 PROPERTY, PLANT AND EQUIPMENT

		Other equipment
in thousands of euros	2022	2021
Historical cost at 1 January	2,459	2,665
Accumulated depreciation and impairments	1,994	2,171
Book value at 1 January	**465**	**494**
Purchases	283	177
Disposals	-11	-18
Depreciation	-218	-188
Book value at 31 December	**519**	**465**
Accumulated depreciation and impairments	2,175	1,994
Historical cost at 31 December	**2,694**	**2,459**

4 FINANCIAL NON-CURRENT ASSETS

	Subsidiaries		Associates		Receivables on subsidiaries		Total	
in thousands of euros	2022	2021	2022	2021	2022	2021	2022	2021
Balance at 1 January	**804,431**	**748,637**	**28,103**	**24,884**	**0**	**14,522**	**832,534**	**788,043**
Acquisition and/or incorporation of subsidiaries and associates	88						88	0
Capital contribution	54,198	15,780					54,198	15,780
Result	145,116	100,877	3,040	2,370			148,156	103,247
Result after tax from discontinued operations				-31			0	-31
Dividend received	-163,797	-86,681	-196				-163,993	-86,681
Change in cash flow hedge reserves	-5,584	-1,073					-5,584	-1,073
Liquidation		-3					0	-3
Transfer within the group	-772	1,889					-772	1,889
Loans granted less repayments						-14,522	0	-14,522
Actuarial gains/(losses) from defined benefit plans	1,074	64	10				1,084	64
Reclasification between receivables and participations		-130					0	-130
Reclassification provision subsidiaries and associates	206	8,567					206	8,567
Exchange differences	-1,151	16,504	-194	880			-1,345	17,384
Balance at 31 December	**833,809**	**804,431**	**30,763**	**28,103**	**0**	**0**	**864,572**	**832,534**

Our 41.5% stake in Cable Connectivity Group B.V. is included under 'Associates'. In the consolidated balance sheet our stake is presented as 'Assets held for sale'.

5 DEFERRED TAX

The deferred tax assets and liabilities are related to the following items:

in thousands of euros	Undistributed intragroup profits	Tax write-down of loans	Financial instruments	Total
Balance at 1 January 2021	**-597**	**659**	**141**	**203**
(Charge)/credit to other comprehensive income			-65	-65
(Charge)/credit to profit or loss	16	155		171
Balance at 31 December 2021	**-581**	**814**	**76**	**309**
(Charge)/credit to other comprehensive income			-101	-101
(Charge)/credit to profit or loss	-37			-37
Balance at 31 December 2022	**-618**	**814**	**-25**	**171**

Certain deferred tax assets and liabilities are offset in accordance with the principles provided in IFRS.

The deferred taxes are recognized in the balance sheet as follows:

in thousands of euros	2022	2021
Deferred tax assets stated under non-current assets	789	890
Deferred tax liabilities stated under non-current liabilities	-618	-581
Deferred taxes	**171**	**309**

6 OTHER RECEIVABLES

in thousands of euros	2022	2021
Taxes and social security premiums	12,381	5,007
Other receivables	1,067	634
Other receivables	**13,448**	**5,641**

7 EQUITY

For the movement schedule is referred to the consolidated statement of changes in group equity. The company only movement schedule for equity, excluding the movement of the non-controlling interests, is the same.

Authorized capital

	x1,000	2022 € '000	2021 € '000
The authorized capital consists of:			
Ordinary shares	59,984		
Cumulative preference financing shares	10,000		
Convertible cumulative preference financing shares	10,000		
Cumulative preference protective shares	60,000		
Each nominal € 0.25	**139,984**	**34,996**	**34,996**
Priority share	4		
Each nominal € 1.00	**4**	**4**	**4**
Authorized capital		**35,000**	**35,000**
Of which not issued		24,446	24,446
Issued capital [1]		**10,554**	**10,554**

1 Concerns 4,000 priority and 42,198,429 (depositary receipts of) shares.

The registered ordinary shares, with the exception of the register-shares in the company, have been transferred to Stichting Administratiekantoor TKH Group ('Trust Foundation'), which issues depositary receipts of shares to the ultimate capital providers. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power of attorney to the holders of the depositary receipts. The holders of depositary receipts are entitled to receive a power of attorney to cast a vote on the shares corresponding to the depositary receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depositary receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the executive committee of Stichting Administratie-kantoor in various situations specified in the law (see also Corporate Governance). In that case Stichting Administratiekantoor may (again) exercise the voting right for all shares for which depositary receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depositary receipts of shares is governed by the administrative conditions. The protection afforded by the use of depositary receipts is based on the 1% rule. The depositary receipts may be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes shares owned indirectly as well as directly. However, this does not apply to the transfer of ordinary shares to the company itself. Every transfer of preference financing shares, convertible preference financing shares and preference protective shares must be approved by the Executive Board. The Executive Board may only grant its approval with the approval of the Supervisory Board.

Besides from what is mentioned in the 'Other information', no special rights are attached to the priority shares. The company has granted the Stichting Continuïteit TKH ('Continuity Foundation') an option to take preference protective shares for up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference protective shares are issued or 100% of the sum of the other outstanding shares at the time that the preference protective shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a statement to that effect with the Chamber of Commerce.

Share premium reserve

The share premium reserve is fully exempt from Dutch taxes on distribution.

Legal reserve

The legal reserve relates to:

in thousands of euros	2022	2021
Capitalized development costs	94,730	87,666
Legal reserve for participations	7,385	4,876
Legal reserve	**102,115**	**92,542**

The legal reserve is not available for distribution to the company's shareholders.

Revaluation reserves

The revaluation reserves are not available for distribution to the company's shareholders.

Hedging and translation reserve

The hedging and translation reserves are legal reserves and not available for distribution to the company's shareholders.

8 DIVIDEND

TKH recognizes a liability to pay a dividend when the distribution is no longer at the discretion of the company. A dividend payment is due under Dutch law if approved by the shareholders. At that moment, the amount is recognized directly in equity. At the General Meeting of shareholders in 2022 the dividend for the year 2021 was declared at € 1.50 per (depositary receipt of) ordinary share. The dividend was paid in cash. The dividend on the priority shares was declared at € 0.05 per share. The total amount of dividends paid in 2022 was € 61,790,662 and this amount was charged to the retained earnings.

After December 31, 2022, the Executive Board has proposed a dividend. With regard to Article 33 of the Articles of Association, the Executive Board proposes to the holders of (depositary receipts of) ordinary shares a dividend of € 1.65 per (depositary receipt of) ordinary share. The dividend proposal is subject to approval at the annual general meeting and has not been recognized in the balance sheet and does not impact the corporate income tax.

9 SHARE-BASED PAYMENTS

The share-based payments are disclosed in note 25 of the consolidated financial statements.

10 OTHER PROVISIONS

in thousands of euros	2022	2021
Liability for subsidiaries with negative equity	33,622	33,484
Other long-term provisions	508	505
Total of other long- and short-term provisions	**34,130**	**33,989**

For more background details about other long-term provisions see note 14 of the consolidated financial statements.

11 OTHER FINANCIAL LIABILITIES

in thousands of euros	Earn-out	Put options of holders of non-controlling interests	Total
Balance at 1 January 2022	**4,546**	**788**	**5,334**
Change in value through the profit and loss account	628	30	658
Payment for acquisitions from previous years	-4,016	-23	-4,039
Other reclassifications		-45	-45
Balance at 31 December 2022	**1,158**	**750**	**1,908**

For more details about the financial liabilities see note 15 of the consolidated financial statements.

12 NET INTEREST-BEARING DEBT

in thousands of euros	2022	2021
Bank loans reported under non-current liabilities	50	85
Borrowings reported under current liabilities	31	34
Cash and cash equivalents	-6,192	-3,372
Net interest-bearing debt	**-6,111**	**-3,253**

For more details about the facilities, conditions and securities see notes 10, 18, 19 and 21 of the consolidated financial statements.

13 CONTINGENT LIABILITIES

Under Article 2:403, paragraph 1 sub f of the Dutch Civil Code the company has assumed joint and several liability for debts arising from the legal actions for all Dutch subsidiaries of which TKH owns directly or indirectly 100% of the shares. The declarations to that effect have been deposited for inspection at the office of the Chamber of Commerce in the place where the legal entity for which the guarantee was given has its registered office.

The company is formally a guarantor for a total sum of € 26.6 million (2021: € 44.9 million) for bank credit and bank guarantee facilities provided to a number of foreign subsidiaries. This facility was called on for a sum of € 13.6 million (2021: € 14.1 million) at the end of 2022.

The company and the majority of its 100% owned Dutch subsidiaries form a tax group for the corporate income tax. Consequently, the company is liable for the income taxes of these subsidiaries.

14 TURNOVER

The turnover is related to the charged head office costs in the year for services provided to subsidiaries of the company.

15 OPERATING EXPENSES

The share-based payments and remuneration of key management are included in notes 25 and 34 of the consolidated financial statements.

16 TAX

in thousands of euros	notes	2022	2021
Current tax		-2,527	-703
Adjustments for previous years		-144	-286
Deferred tax	5	37	-171
Total tax on result		**-2,634**	**-1,160**

The reconciliation of the tax expense in the year with the result before tax is as follow:

in thousands of euros (unless stated otherwise)	2022		2021	
Result before tax	**-13,707**		**-11,575**	
Tax calculated at the Dutch tax rate	-3,536	25.8%	-2,894	25.0%
Correction due to tax effect for:				
Non-deductible expenses	1,010	-7.4%	2,060	-17.8%
Settlement of income tax returns for previous years	-144	1.1%	-286	2.5%
Taxes on (un)distributed profits of foreign subsidiaries	36	-0.3%	-15	0.1%
Change in statutory tax rate			-25	0.2%
Effective tax rate	**-2,634**	**19.2%**	**-1,160**	**10.0%**

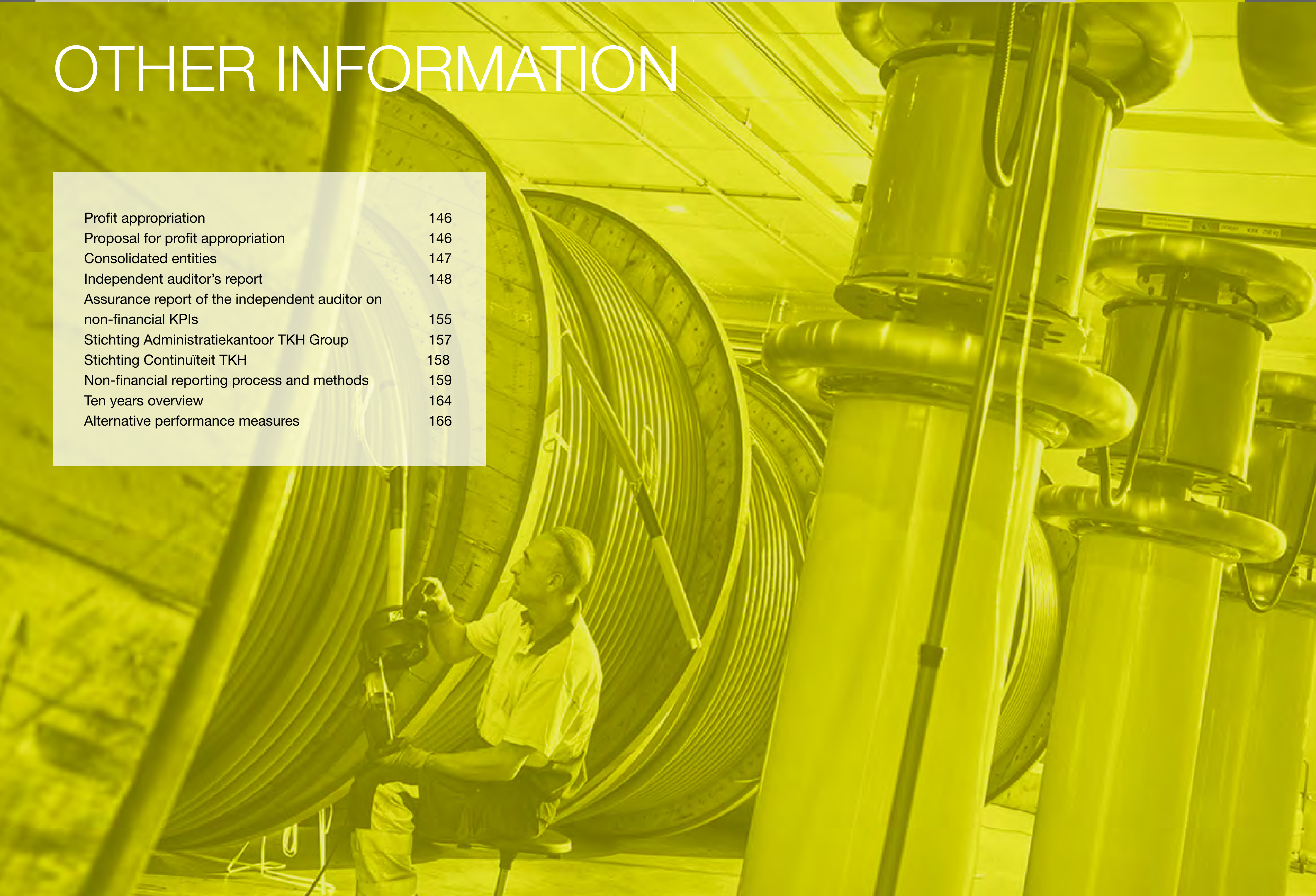
17 SIGNATURE OF THE FINANCIAL STATEMENTS

Haaksbergen, March 6, 2023

Executive Board
J.M.A. van der Lof MBA, *chairman*
E.D.H. de Lange MBA
H.J. Voortman Msc

Supervisory Board
R.L. van Iperen, *chairman*
J.M. Kroon
C.W. Gorter
A.M.H. Schöningh
P.W.B. Oosterveer

OTHER INFORMATION



PROFIT APPROPRIATION

Since no protection preference and financing preference shares were outstanding or issued, within the meaning of Articles 33.1, 3, 4, 5, 6, paragraphs b and c, 8, 9 and, 12 below, only the articles governing the profit appropriation in relation to the outstanding shares are included here.

ARTICLE 33 OF THE ARTICLES OF ASSOCIATION READS AS FOLLOWS:

2. The company may make distributions to the shareholders and other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the paid-up and called-up part of the capital, plus the reserves that must be maintained pursuant to the law or the articles of association.

6a. From any profit remaining after application of the previous paragraphs, five percent (5%) of the nominal amount of the priority shares shall, if possible, be distributed on such priority shares. No further distribution shall be made on the priority shares.

7. If in any year the profit does not suffice to make the distributions referred to above in paragraph 6 of this article, the provisions in paragraph 6 and in paragraph 10 shall not apply in the subsequent financial years until the deficit has been made up. Subject to the approval of the Supervisory Board, the Executive Board is authorised to resolve to distribute an amount equal to the deficit referred to in the previous sentence charged to the reserves.

10. Of the profit remaining thereafter, the Executive Board shall, subject to the approval of the Supervisory Board, reserve as much as it deems necessary. In so far as the profit is not reserved under application of the previous sentence, it shall be at the disposal of the general meeting, either fully or partially for reservation, or fully or partially for distribution to holders of ordinary shares proportionately to their holding of ordinary shares.

For other provisions of the articles of association, please refer to TKH's website: www.tkhgroup.com.

PROPOSAL FOR PROFIT APPROPRIATION

in thousands of euros

Net profit attributable to shareholders € 137,083.

In accordance with Article 33 of the articles of association, we propose paying the holders of (depositary receipts of) ordinary shares a dividend of € 1.65 per (depositary receipt of) ordinary share.

The dividend will be made available for payment on May 2, 2023.

The dividend for 4,000 priority shares has been set at € 0.05 per share of € 1.00.

CONSOLIDATED ENTITIES

A list of all subsidiaries is available at the Chamber of Commerce (the Netherlands). TKH Group N.V. is registered in the Trade Register under No. 06045666.

The most important (group of) entities included in the consolidated financial statements of TKH are listed below, including the segment in which they operate. All of the subsidiaries are 100% owned, unless indicated otherwise.

The hereafter mentioned German subsidiaries included in TKH's consolidated financial statements make use of the exemption in § 264 (3), § 264 (b) HGB to prepare, audit and publish individual annual accounts. TKH Deutschland GmbH is not required to draw up consolidated annual accounts pursuant to § 291 HGB.

TKH Security GmbH, Allied Vision Technologies GmbH, TKF GmbH (former ASP GmbH), Augusta Technologie GmbH i.L., Chromasens GmbH, Dewetron Deutschland GmbH, EEB Kabeltechnik GmbH, EFB Elektronik GmbH, EFB Elektronik Real Estate B.V. & Co KG, Ernst & Engbring GmbH, HE System Electronic GmbH, IV-Tec GmbH, Lakesight Technologies Holding GmbH, Lakesight Technologies German Holding GmbH, LMI Technologies GmbH, Nerian Vision GmbH, New Electronic Technology GmbH, Profipatch GmbH, Schneider Intercom GmbH, SVS-Vistek GmbH, Texim Europe GmbH, TKD Immobilien GmbH, TKH Airport Solutions GmbH, TKH Deutschland GmbH, TKH Deutschland Verwaltungs GmbH, TKH Grundstücksverwaltungs B.V. & Co KG, TKH Deutschland Service GmbH, TKH Technologie Deutschland AG.

The listed subsidiaries below based in the UK are controlled and consolidated by the group, where the Directors have taken the exemption from having an audit of its financial statements for the year ended December 31, 2022. This exemption is taken in accordance with the UK Companies Act, S479A.

Commend UK Ltd., TKH Security UK Ltd., TKH Security Ltd.

TKH SMART VISION		TKH SMART MANUFACTURING		TKH SMART CONNECTIVITY		TKH GROUP SUPPORT
Alphatronics	Allied Vision	Dewetron	Texim Europe	CAE	Isolectra	TKH Group
C&C Partners	Chromasens	EKB	VMI	E&E	TFO	TKH Finance
Commend	LMI Technologies	HE System Electronic		EFB	TKF	TKH Logistics
Mextal	Mikrotron			Intronics	TKH Airport Solutions	
TKH Security	Net					
Techno Specials	SVS-Vistek					
Tattile						

INDEPENDENT AUDITOR'S REPORT

To: the shareholders and supervisory board of TKH Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2022 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements for the financial year ended 31 December 2022 of TKH Group N.V. based in Haaksbergen. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of TKH Group N.V. as at 31 December 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- the accompanying company financial statements give a true and fair view of the financial position of TKH Group N.V. as at 31 December 2022 and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2022
- the following statements for 2022: the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in group equity and the consolidated cash flow statement
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022
- the company statement of profit and loss for 2022
- the notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of TKH Group N.V. (hereinafter also referred to as the company or the group) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INFORMATION IN SUPPORT OF OUR OPINION

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

TKH Group N.V. is an internationally operating technology company and heads a group of operating companies and we have tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.
We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 9.3 million (2021: EUR 7.6 million)
Benchmark applied	4% of Earnings before interest, taxes, impairments and amortization (EBITA) (2021: 4% of EBITA)
Explanation	Based on our professional judgment we consider an earnings-based measure as the most appropriate basis to determine materiality. TKH Group N.V. primarily uses earnings before interest, taxes, impairments and amortization (EBITA) to report on its financial performance.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.
We agreed with the supervisory board that misstatements in excess of EUR 400,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

TKH Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

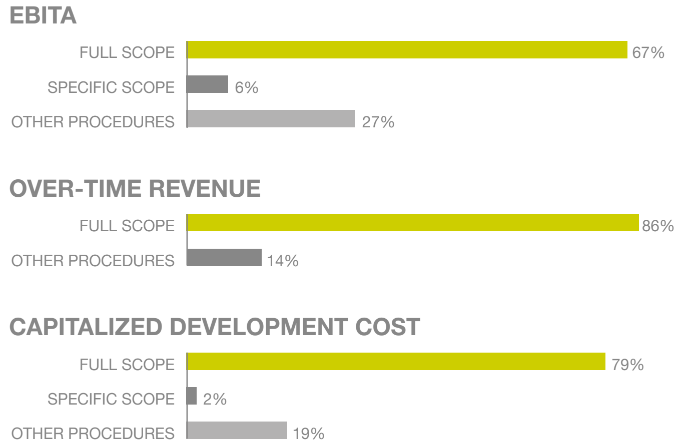
Following our assessment of the risk of material misstatement to the consolidated financial statements, we have selected sixteen components which required an audit of the complete set of financial information (Full Scope components). Furthermore, we selected eleven components requiring audit procedures on specific account balances or specified audit procedures on significant accounts that we considered had the potential for the greatest impact on the group financial statements, either because of the size of these accounts or their risk profile (Specific- or Limited Scope components).

The audit of the Dutch operating companies within the scope of the group audit was performed by ourselves. With the exception of four operating companies in Germany and one in Finland, the audit of the foreign operating companies in scope of our audit were performed by EY component teams. We provided the foreign component teams with detailed instructions and the component teams performed their audit procedures on the basis of those instructions and reported the results of their audit procedures to us. Component performance materiality was determined using professional judgment, based on the relative size of the component and our risk assessment. Component performance materiality did not exceed EUR 2.85 million and the majority of our component auditors applied a performance materiality that is significantly less than this threshold. We performed audit procedures ourselves on certain accounting areas managed centrally, such as goodwill and other intangibles of acquired companies, and valuation of deferred tax assets arising from unused tax losses.

We have performed physical site visits to components in Canada, Germany, and Finland, where we have had sessions with local management and the component auditors. Through these discussions, we have discussed the business activities and the identified significant risks or to review and evaluate relevant parts of the component auditor's audit documentation and to discuss significant matters arising from that evaluation on site. In addition, we have had regular video teleconferencing calls with the component auditors in case we have not conducted a physical site visit. Furthermore we reviewed key working papers of EY component auditors in Canada, Italy and Germany using the EY electronic audit file platform.

For the remaining components, we performed selected other procedures, including analytical reviews and test of details to respond to potential risks of material misstatements to the financial statements that we identified.

As a result of our scoping of the consolidated financial statement, specific account balances and the performance of audit procedures at different levels in the organization, our actual coverage varies per financial statement account balance and the depth of our audit procedures per account balance varies depending on our risk assessment. Accordingly, our audit coverage, for selected account balances included in the key audit matters stated below and the measurement basis of our materiality, are summarized as follows:



By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client like TKH Group N.V.. We included specialists in the areas of IT audit (including cybersecurity), corporate governance (including remuneration), sustainability, IFRS accounting, valuation of goodwill and other intangible fixed assets of acquired companies, real estate, share based payments, taxes and forensics.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda. Issues such as CO_2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets ('stranded assets') and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO_2 footprint.

Management summarized TKH's commitments and obligations, and reported in section 'Being responsible' of the management report how TKH is addressing climate-related and environmental risks.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and TKH Group N.V.'s commitments and (constructive) obligations, are taken into account in estimates and significant assumptions. Furthermore, we read the management report and considered whether there is any material inconsistency between the non-financial information in section 'Being responsible' and section 'Risk Management' and the financial statements.
Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at 31 December 2022.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of TKH Group N.V. and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.
We refer to section 'Risk Management' of the management report for management's (fraud) risk assessment and section 'Report of the Supervisory Board' in which the supervisory board reflects on this (fraud) risk assessment. We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic and legal specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note 1 'Accounting Principles' to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties. These risks did however not require significant auditor's attention in addition to the fraud risk identified below.

Fraud risk related to revenue recognition	
Fraud risk	When identifying and assessing fraud risks we presume that there are risks of fraud in revenue recognition. We evaluated that the over-time revenue from contracts with customers in particular give rise to such risks, including the risk of management override of controls through inappropriate estimations around the percentage of completion and the cost to come.
Our audit approach	We describe the audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter "Over-time revenue recognition, and related valuation of contract assets and contract liabilities".

We considered available information and made enquiries of relevant executives, directors (including internal audit, head legal affairs, and compliance officer) and the supervisory board. The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

Given the company is a global organization, operating in multiple jurisdictions, in our assessment of the risk of non-compliance with laws and regulations, we also considered the potential risk from TKH Group N.V.'s interactions with third-party distributors. We refer to section 'Risk Management' in the management board report. Our audit approach included the following steps:

- Obtain an understanding of the environment and the Company to enable the detection of non-compliance with laws and regulations related to bribery and corruption;
- Obtain an understanding of the internal control environment and the measures for mitigating those risks (by the company) in the light of applicable anti-corruption laws and regulations;
- Executed substantive audit procedures in order to obtain adequate evidence for the mitigation of the risk of non-compliance with laws and regulations related to bribery and corruption.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section 'Going concern' in note 1 to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the executive board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the executive board exercising professional judgment and maintaining professional skepticism. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

	Over-time revenue recognition, and related valuation of contract assets and contract liabilities
Risk	TKH Group N.V. manufactures products, which vary from special cable systems to integrated systems for the manufacturing of car and truck tires, whereby revenues have a fixed contract price and are recognized over-time. This results in the recognition of contract assets and liabilities per reporting date and prompting management to make estimates of the percentage of completion of the projects, as well as the cost to come and the expected result of the projects. This process involves relative complex estimations and requires judgment. There is a risk of management override of controls over accelerating revenues through inappropriate estimations around the percentage of completion and the cost to come. Based on the above mentioned risk factors we considered this a key audit matter. Further reference is made to note 1, 'Accounting principles', and note 23, 'Information by segment', to the consolidated financial statements.
Our audit approach	We have obtained and updated our understanding of the revenue recognition process within the different segments. Over-time revenue is recognized in all three segments, being Smart Vision systems, Smart Connectivity systems and Smart Manufacturing systems. Our procedures included, among others, auditing the application of the revenue recognition standard (IFRS 15 'Revenue from Contracts with Customers') and identification of control measures taken by the company with regard to revenue recognition and correspondingly the valuation of contract assets and contract liabilities. Furthermore, we have conducted the following substantive audit procedures with respect to the identified risks: • We evaluated management's assessment in relation to over-time revenue recognition of projects recorded over-time, by challenging the assumptions, performing back-testing procedures on previous assessments, evaluating the percentage of completion and auditing the adequacy of capitalized costs on projects; • We have performed margin analyses per significant revenue stream and product line; • We have performed test of details on individual revenue transactions in which we tested the proper identification of contractual arrangements, allocation of revenue to the specific arrangements and cut-off; • We have evaluated the adequacy of revenue-related disclosures, including the disclosures related to contract assets and contract liabilities.
Key observations	We consider management's assumptions relating to determine the percentage of completion of the projects, as well as the cost to come and the expected result of the projects to be within an acceptable range. In addition, we evaluated the revenue disclosures are reasonable.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matters did not change.

Valuation of capitalized development costs related to new innovation projects in development	
Risk	TKH Group N.V. is investing in the development of new technologies. At 31 December 2022, the total carrying value of capitalized product development cost amounted to EUR 127.7 million. As such, TKH Group N.V. has capitalized a significant amount of product development costs, in accordance with IAS 38 'Intangible assets'. Management is required, for projects which are in development, to test these capitalized development costs for impairment at least annually, or more frequently if there is an indication for impairment. We focused on the development projects related to new innovation projects which are in development as these do not yet generate sales and as such there is a higher level of judgment involved in setting the significant assumptions in determining the value in use to support the carrying value. Based on the above mentioned risk factors we consider this a key audit matter. Further reference is made to note 1, 'Accounting principles', and note 3, 'Intangible assets and goodwill', to the consolidated financial statements.
Our audit approach	As part of our audit we assessed and tested the assumptions, methodology (discounted cash flow model) and data used by the company in calculating the value in use of the investments in new innovation projects in development. Our audit procedures included, among others, the following substantive audit procedures: • We performed a sensitivity analysis by stress testing key assumptions, among others, discount rate and expected growth rates, to consider the degree to which the assumptions would need to change before an impairment would have to be recognized. Based on these sensitivity analysis, our main focus was on those development projects in new innovations with limited headroom; • We gained a more in-depth understanding of the development stage of these projects in new innovations as well as the projected financial information used in management's assessment of whether the value in use exceeds the carrying value; • We assessed and tested the key assumptions with our main focus on discount rate, market size and share and expected development costs by comparing to historical or market information; • We performed backtesting procedures on previous impairment analysis on the key assumptions in management's forecast; • We evaluated the adequacy of the company's disclosures relating to capitalized development costs.
Key observations	We consider management's assumptions to be within a reasonable range. We agree with management's conclusion that the carrying value of the development cost related to new innovation projects in development is reasonable. In addition, we evaluated the disclosures of capitalized development costs and related impairments as included are reasonable.

Report on other information included in the annual report
The annual report contains other information in addition to the financial statements and our auditor's report thereon.
Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.
The executive board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. The executive board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

Engagement

We were engaged by the general meeting as auditor of TKH Group N.V. on 14 May 2014 as of the audit for the year 2015 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

TKH Group N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).
In our opinion the annual report prepared in the XHTML format, including the (partially) marked-up consolidated financial statements as included in the reporting package by TKH Group N.V. complies in all material respects with the RTS on ESEF.
The executive board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the executive board combines the various components into a single reporting package.
Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N ’Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument’ (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- obtaining an understanding of the entity’s financial reporting process, including the preparation of the reporting package
- identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the executive board is responsible for such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting framework mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the company’s ability to continue as a going concern in the financial statements.
The supervisory board is responsible for overseeing the company’s financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The ‘Information in support of our opinion’ section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication
We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, March 6, 2023
Ernst & Young Accountants LLP
signed by F.J. Blenderman

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR ON TKH GROUP N.V.'S SELECTED NON-FINANCIAL KPIS

To: the shareholders and supervisory board of TKH Group N.V.

OUR CONCLUSION

We have performed a limited assurance engagement on selected non-financial key performance indicators (hereinafter: the selected non-financial KPIs) in the annual report for the year 2022 of TKH Group N.V. at Haaksbergen.

Based on our procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected non-financial KPIs are not prepared, in all material respects, in accordance with the reporting criteria as included in the 'Reporting criteria' section of our report.

The selected non-financial KPIs consist of the following KPIs as included in the table on page 28 of the annual report:

- Carbon footprint (CO_2e emissions)
- % waste of most relevant raw materials, compared to total relevant material consumption
- Recycling most relevant raw materials
- Customer satisfaction score
- Employees acting in accordance with Code of Conduct
- Code of Supply signed by suppliers
- % of female members in executive and senior management teams
- Accident rate (LTIFR)
- Illness rate
- Employee satisfaction score
- Number of employees with disabilities and/or disadvantages on the labor market

BASIS FOR OUR CONCLUSION

We have performed our limited assurance engagement on the selected non-financial KPIs in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' (Assurance engagements other than audits or reviews of historical financial information (attestation engagements)). Our responsibilities under this standard are further described in the 'Our responsibilities for the assurance engagement on the selected non-financial KPIs' section of our report.

We are independent of TKH Group N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch code of ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

REPORTING CRITERIA

The reporting criteria used for the preparation of the selected non-financial KPIs include topic specific disclosures of the Global Reporting Initiative (GRI) and own developed supplemental reporting criteria as disclosed in chapter "Non-financial reporting process and methods" of the annual report.

The absence of an established practice on which to draw, to evaluate and measure the selected non-financial KPIs allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Consequently, the selected non-financial KPIs need to be read and understood together with the reporting criteria used.

UNASSURED CORRESPONDING INFORMATION

No assurance engagement has been performed on the selected non-financial KPIs for the period up to 2020. Consequently, the corresponding selected non-financial KPIs and thereto related disclosures for the period up to and including 2020 is not assured.

LIMITATIONS TO THE SCOPE OF OUR ASSURANCE ENGAGEMENT

Our assurance engagement is restricted to the selected non-financial KPIs. We have not performed assurance procedures on any other information as included in the annual report in light of this engagement.

The selected non-financial KPIs include prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to this prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the selected non-financial KPIs.

Our conclusion is not modified in respect of these matters.

RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD FOR THE SELECTED NON-FINANCIAL KPIS

The executive board is responsible for the preparation of the selected non-financial KPIs in accordance with the reporting criteria as included in the 'Reporting criteria' section of our report. The executive board is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting. In this context, the executive board is responsible for the identification of the intended users and the criteria being applicable for their purposes. The choices made by the executive board regarding the scope of the selected non-financial KPIs and the reporting policy are summarized in in section 'Non-financial reporting process and methods' of the annual report.

Furthermore, the executive board is responsible for such internal control as it determines is necessary to enable the preparation of the selected non-financial KPIs that are free from material misstatement, whether due to error or fraud.

The supervisory board is responsible for overseeing the reporting process of the selected non-financial KPIs of TKH Group N.V.

OUR RESPONSIBILITIES FOR THE ASSURANCE ENGAGEMENT ON THE SELECTED NON-FINANCIAL KPIS

Our responsibility is to plan and perform our limited assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance obtained in a reasonable assurance engagement.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

The procedures of our limited assurance engagement included among others:

- Performing an analysis of the external environment and obtaining an understanding of the sector, insight into relevant sustainability themes and issues, relevant laws and regulations and the characteristics of the company as far as relevant to the selected non-financial KPIs
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures on the selected non-financial KPIs. This includes the evaluation of the reasonableness of estimates made by the executive board
- Obtaining through inquiries a general understanding of internal control, reporting processes and information systems relevant to the preparation of the selected non-financial KPIs, without testing the operating effectiveness of controls
- Identifying areas of the selected non-financial KPIs with a higher risk of misleading or unbalanced information or material misstatements, whether due to error or fraud. Designing and performing further assurance procedures aimed at determining the plausibility of the selected non-financial KPIs responsive to this risk analysis. These further assurance procedures consisted amongst others of:
  - Interviewing management and relevant staff at corporate and business level responsible for the strategy, policy and results relating to the selected non-financial KPIs
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the selected non-financial KPIs
  - Obtaining assurance information that the selected non-financial KPIs reconcile with underlying records of the company
  - Reviewing, on a limited test basis, relevant internal and external documentation
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level
  - Evaluating the consistency of the selected non-financial KPIs with the information in the annual report which is not included in the scope of our assurance engagement

Amsterdam, March 6, 2023
Ernst & Young Accountants LLP
signed by J. Niewold

STICHTING ADMINISTRATIEKANTOOR TKH GROUP

The objective of the Stichting Administratiekantoor TKH Group ("TKH Trust Foundation Office") is to acquire and hold in trust ordinary shares in TKH Group N.V. ("TKH"), a public company with its registered office in Haaksbergen (the Netherlands), in exchange for the allocation of convertible, registered depositary receipts for shares. In accordance with the provisions of article 7.1.3 of the Terms and Conditions of the TKH Trust Foundation Office governing the shares of TKH, the TKH Trust Foundation Office reports on the activities during the year under review, 2022, exclusively in relation to the administration of shares for which depositary receipts were issued. The total nominal value of the ordinary shares of TKH held in administration amounted to € 10,520,678.00 on December 31, 2022, in exchange for which 42,082,712 depositary receipts for shares[1], with a nominal value of € 0.25 each, were issued.

MEETINGS OF THE BOARD

The Board of TKH Trust Foundation Office met three times during the financial year. The topics discussed in the meeting of March 23 were the Annual General Meeting of Shareholders ("AGM") 2022 and the TKH Annual Report 2021. The retirement schedule for 2022 was also discussed. During the meeting, the procedure was confirmed for the vacancy due to arise in mid-2022, following Mr. H.L.J. Noy's end of term (who is not available for reappointment). The Board appointed Mr. C.M. Jaski as a member of the Board of TKH Trust Foundation Office for a period of four years commencing on July 1, 2022. Mr. G.W.Ch. Visser was appointed as Chairman of the Board of TKH Trust Foundation Office commencing on July 1, 2022.

During the meeting of April 26, the agenda items of the AGM 2022 were discussed and the Board decided on its preliminary voting intentions, prior to the actual deliberations of the meeting. Those who hold depositary receipts for shares in the capital of the company were given the opportunity to vote independently on the agenda items voted on at the AGM, regarding the shares corresponding with their depositary receipts and subject to the relevant statutory provisions. Holders of depositary receipts of shares collectively representing 60.0% of the capital entitled to vote requested a proxy from the TKH Trust Foundation Office to vote independently on the shares in question by giving voting instructions to the TKH Trust Foundation Office. TKH Trust Foundation Office voted for the remaining 32.8% of the capital entitled to vote. The Board of TKH Trust Foundation Office noted that the majority of depository receipt holders, who gave voting instructions to the TKH Trust Foundation Office, voted against AGM agenda item 2b "Remuneration report for the 2021 financial year (advisory vote)". The Board of TKH Trust Foundation Office was given to understand that the reason for this was that the remuneration report provides insufficient insight into what has been measured under the non-financial performance measures and insufficient detail on the performance assessment of the financial criteria under both the short-term and the long-term incentive. The Board of TKH Trust Foundation Office has discussed this with the Chairman of both the Executive Board and Supervisory Board and with the Chairman of the Remuneration Committee. The Board of TKH Trust Foundation Office concluded that the company takes this issue very seriously and promises to improve transparency on these items in the remuneration report 2022. Therefore, the Board of TKH Trust Foundation Office decided to vote in favor of the agenda items for those shares for which no voting instructions have been received.

In the meeting of September 23, 2022, the company gave an explanation of the published interim figures in 2022. The retirement schedule for 2023 was also discussed, as well as the procedure to be followed in respect of the vacancy due to arise in mid-2023, following Mr. J.S.T. Tiemstra's end of term (who is available for reappointment).

THE BOARD OF TKH TRUST FOUNDATION OFFICE

The Board of TKH Trust Foundation Office has currently three independent members:

- Mr. G.W.Ch. Visser, *Chairman*
- Mr. J.S.T. Tiemstra
- Mr. C.M. Jaski

Personal details of the members of the Board and the retirement schedule can be found on the TKH Trust Foundation Office website.

CONTACT DETAILS

Address: Spinnerstraat 15, 7481 KJ Haaksbergen (the Netherlands)
Website: www.stichtingadministratiekantoortkh.com
Email: stak@tkhgroup.com

Haaksbergen, March 3, 2023
TKH Trust Foundation Office
The Board

STATEMENT OF INDEPENDENCE

The Executive Board of TKH Group N.V. and the Board of the TKH Trust Foundation Office, jointly and severally, state that they are of the opinion that the TKH Trust Foundation Office is a legal entity that is independent of TKH Group N.V. within the meaning of Section 5.71(1)(d) of the Financial Supervision Act.

Haaksbergen, March 3, 2023
TKH Group N.V.
The Executive Board

Haaksbergen, March 3, 2023
TKH Trust Foundation Office
The Board

1 The number of depositary receipts for shares has decreased by 3,505 compared to December 31, 2021, due to the conversion of 3,505 depositary receipts for shares into ordinary shares.

STICHTING CONTINUÏTEIT TKH

The objective of Stichting Continuïteit TKH ("Continuity Foundation") is to look after the interests of TKH Group N.V. ("TKH") and all the businesses affiliated with TKH, in such a way that those interests are safeguarded to the greatest possible extent and that any influences which could undermine the independence, continuity, or identity of TKH and its affiliated companies in conflict with those interests are averted to the greatest possible extent, as well as avoid any activities related to or conducive to the above.

By means of a call option TKH has granted the Continuity Foundation the right to acquire cumulative protective preference shares in TKH, subject to a maximum of 50% of the amount of the other shares outstanding at the time of the placement of the protective shares, or 100% should the limitation on conversion of depositary receipts cease to apply. The protective shares should not be left on issue longer than is strictly necessary. In the event that TKH shareholders acquire a degree of control that is considered undesirable, and is not in the interests of TKH and its affiliated companies, or there is a danger of them doing so, TKH's Executive and Supervisory Board will be at liberty – among other things – to determine their degree of control, to consider and explore possible alternatives, and to elaborate on these if necessary. The Continuity Foundation did not acquire any cumulative protective preference shares in TKH in 2022.

TKH has also conferred on the Continuity Foundation the right to initiate an inquiry procedure in the event that the Continuity Foundation believes there are grounds to doubt the policy pursued by, and state of affairs prevailing in, TKH and by invoking this right it would be acting in the interests of TKH and the businesses associated with it.

THE BOARD OF THE CONTINUITY FOUNDATION

The Board of the Continuity Foundation consists of:

- Mr. M.P. Nieuwe Weme, chairman
- Ms. S. Drion
- Mr. A. Nühn MBA
- Mr. A.J.M. van der Ven

Haaksbergen, March 3, 2023
Continuity Foundation
The Board

STATEMENT OF INDEPENDENCE

The Executive Board of TKH Group N.V. and the Board of the Continuity Foundation, jointly and severally, state that they are of the opinion that the Continuity Foundation is a legal entity that is independent of TKH Group N.V. within the meaning of Section 5.71(1)(c) of the Financial Supervision Act.

Haaksbergen, March 3, 2023
TKH Group N.V.
The Executive Board

Haaksbergen, March 3, 2023
Continuity Foundation
The Board

NON-FINANCIAL REPORTING PROCESS AND METHODS

REPORTING CRITERIA: GRI STANDARDS

The non-financial information included in this annual report has been prepared with reference to the Global Reporting Initiative (GRI) standards. We focus on topics that have been an integral part of our Environmental, Social, and Governance (ESG) policy. An overview of the GRI disclosures covered in this report is available on TKH's website (www.tkhgroup.com/en/csr). This overview provides more information on the nature and scope of reporting per GRI disclosure (e.g. quantitatively or qualitatively). The content and definition of the non-financial information included in this report are based on the materiality analysis whereby TKH focuses on the most material topics that are closely linked to TKH's strategy and business operations. The GRI guidelines have been used to define and set our KPIs. These guidelines stress the need to make an accurate assessment of the issues that are sufficiently important for a company to report on. The significance (materiality) of the issues that are ultimately selected is determined by analyzing the impact of the key data on people, the environment, and society, in relation to the value stakeholders attach to these issues. The results are presented in the materiality matrix included in the chapter stakeholder analysis. We monitor our objectives using a dashboard in our internal reporting system and evaluate the results every quarter during meetings with our operating companies. ESG is also part of the annual budgeting process.

REPORTING PERIOD AND REPORTING FREQUENCY

In the Report of the Executive Board (which is part of the TKH Annual Report 2022), we provide an overview of, among other things, our sustainability performance during the year under review from December 1, 2021 up to and including November 30, 2022. KPIs related to HR data are based on the calendar year 2022. This report presents both quantitative and qualitative data. TKH uses a different reporting period for some of the KPIs because the process requires more time as a result of the operating and reporting structure. This ensures that the reported data are reliable and adequate.

REPORTING PROCESS

The Annual Report 2022, including all material aspects, is prepared by the Executive Board and discussed with the Supervisory Board. TKH uses the Cognos reporting system for non-financial information (including CO_2e, waste, safety, and HR), which is the same system used for the financial reporting. The reporting processes and definitions used by TKH have been formalized in our Sustainability Reporting Manual, which provides guidance on how to collect, consolidate, and report data.

SCOPE AND CHANGES COMPARED TO LAST YEAR

The ESG policy was updated in 2022. The policy changes, mainly related to updates of the GRI standards and our CO_2e footprint calculation, are described below for each specific topic. There are no material changes to the measurement processes compared to past reporting. For some sustainability criteria, the divestment of activities or the integration of companies has impacted our sustainability performance. Where relevant, these effects are explained. There have been no material changes in structure or ownership either. Unless otherwise stated, the data are based on all our domestic and international operating companies. We explicitly mention it when this is not the case. The acquired operating companies will start reporting on ESG in accordance with the TKH reporting structure in the year following the acquisition. Companies in which TKH has a minority ownership stake, including joint ventures, are not included in the report. We consolidated data for the non-financial report using the same system as for the consolidated financial data.

REPORTING NON-FINANCIAL KEY PERFORMANCE INDICATORS

This chapter provides further information on TKH's main non-financial key performance indicators. Other quantitative indicators, disclosures on the reporting scope, and methods used are given elsewhere in this report.

CO_2E EMISSIONS

To measure and report the CO_2e emissions, we use the different scopes of the Greenhouse Gas (GHG) Protocol.

- Scope 1 covers the direct CO_2e emissions caused by the fuels that we purchase and consume, and mainly concerns gas, gasoline, and diesel (including company cars).
- Scope 2 covers the indirect CO_2e emissions from electricity consumption.
- Scope 3 covers the indirect CO_2e emissions from business travel by plane, waste generated from operations, and the transportation of goods.

We continue to focus primarily on Scopes 1 and 2, because these are within our direct control. We have expanded our internal dashboard and calculation model with components from Scope 3. TKH calculates the energy consumption and CO_2e emissions associated with our energy consumption using conversion factors from reputable and authoritative sources (www.co2emissiefactoren.nl). TKH uses tank-to-wheel emission factors. All conversion factors are reviewed annually and updated if necessary. The energy consumed by forklifts is considered negligible and is therefore not included in TKH's overall energy consumption and related CO_2e emissions. The consolidated energy consumption and CO_2e emissions are based on activity data, which in turn are based mostly on meter readings, invoices, and data provided by suppliers. Where reliable data are not available, TKH uses calculations or estimates based on reliable methods and input data. TKH is satisfied that the estimates are reliable in all material respects. The reported CO_2e emission reductions for Scopes 1 and 2 are compared to the reference year 2019. The EU Energy Efficiency Directive (2012/27/EU) requires member states to ensure that large companies undergo an energy audit. The energy audit is a systematic, four-yearly approach to gathering information about a company's current energy consumption. We use input from those TKH operating companies that fall within the defined scope and are required to carry out a mandatory energy audit for our reporting on energy reductions and future improvement plans.

WASTE AND RECYCLING

The scope of waste and recycling reporting covers the main raw materials leaving TKH's production sites, mainly based on waste tickets and data provided by suppliers. We use reliable methods to either measure, calculate, or estimate waste in our reporting. The main raw materials we use are copper, plastic, and aluminum.

SUPPLIERS

The products supplied by TKH comply with the European REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation and RoHS (Restriction of Hazardous Substances in Electrical and Electronic Equipment) directive. REACH is a European system for registering, evaluating (risks to people and the environment), and authorizing chemical substances in Europe. RoHS is a European directive that prohibits the use of certain hazardous substances in electrical and electronic devices.

TKH reports the percentage of strategic suppliers that agree to comply with TKH's Code of Supply. Strategic suppliers are defined as external suppliers with an annual purchase volume of over € 1 million a year.

CUSTOMER SATISFACTION

The customer satisfaction score reported (maximum 10) is based on the outcome of the most recent customer satisfaction surveys conducted by an external research company. Each year, a number of operating companies conduct the survey. A survey reflects the customer base of the respective operating company. The customer satisfaction score reported in 2022 reflects surveys from the period 2019-2022 and is based on the weighted average of the responses from all customers in this period.

HUMAN RIGHTS

In the context of human rights, TKH conducts its business activities in accordance with the Universal Declaration of Human Rights. We refer readers to our Code of Conduct and the Code of Supply (both of which can be downloaded from our website www.tkhgroup.com). We rely on the OECD Guidelines to steer us on issues such as supply chain responsibility, human rights, child labor, and the environment. We provide input to the Transparency Benchmark information platform, an initiative of the Ministry of Economic Affairs and Climate. The Dutch government asks companies to be transparent about their ESG policies and activities. Through the Transparency Benchmark, the ministry sheds light on how the largest Dutch companies report on their ESG activities. We also consult the "spearhead letters" from advocates on issues related to sustainability and governance, such as those from VBDO, Eumedion, and VEB, as a guideline for further transparency.

BUSINESS CONDUCT AND TRANSPARENCY

TKH has selected the number of reported breaches of the Code of Conduct as a KPI for business conduct and transparency. The scope includes all employees on TKH's payroll. The Code of Conduct is published on our website. We have established a procedure, our published whistleblower procedure, that enables employees to report any suspicion of conduct that is unlawful and/or contrary to the Code of Conduct. Reports are reviewed and investigated by the local Confidential Officer and/or the Group Compliance Officer. If deemed necessary, disciplinary and mitigating measures are taken. External parties can also report to the Group Compliance Officer.

HUMAN RESOURCES (HR)

HR data are obtained every quarter. HR data are derived from the HR accounts held by TKH's operating companies. The following methodology is used to calculate TKH's illness rate. All entities within TKH report the number of days of absence (at least one day) divided by the number of total working days, resulting in a percentage. All cases of absence are included except pregnancy leave. Following this, in order to calculate the illness rate at consolidated level, the reported percentage by each entity is multiplied by the number of FTE working at the entity as per 31 December of the reporting year. Next, the consolidated balance is divided by the total number of FTE at TKH as per 31 December of the reporting year. Through this, the weighted average illness rate is calculated at consolidated level. The reported illness rate covers all employees on TKH's payroll, excluding employees of third-party contractors and joint ventures. The illness rate is reported at group level and not specified by region or gender.

TKH reports on the number of employees with a disability and/or disadvantage in the labor market as per 31 December of the reporting year. Disability is an umbrella term that covers illnesses/disorders, activity limitations, and participation restrictions. An illness/disorder is a problem in the function or structure of the body. An activity limitation is a difficulty encountered by an individual in executing a task or action. A participation restriction is a problem experienced by an individual in participating in life situations that result in a disadvantage on the labor market.

The 2022 employee satisfaction score (maximum 10) is based on the outcome of the most recent employee satisfaction surveys conducted by an external research company. Each year, a number of operating companies conduct the survey.

The employee satisfaction score reported in 2022 reflects surveys from the period 2019-2022 among 3,903 FTEs, representing 63% of the total FTEs at our own payroll, and is based on the weighted average of the responses from all employees in this period.
The sustainability report contains data on the gender balance in executive and senior management positions.
These positions are defined as follows:

- Executive management: statutory management director level (reporting directly to the Executive Board).
- Senior management: managers who are members of organization's management team and responsible for specific business units or departments (e.g. finance, marketing, and production).
- Middle management: the link between the senior management and the lower operational levels of the organization.
- Operational workforce: other staff.

SAFETY

TKH defines its Lost Time Injury Frequency Rate (LTIFR) as the number of incidents resulting in at least one day's absence from work without the possibility of any replacement, per million hours worked. Reportable incidents are based on actual occurrences and are never extrapolated or estimated. Despite a range of measures and an open safety culture, there is an inherent risk of under-reporting accidents because of self-reporting of accidents (in most cases). Reported hours are measured, calculated, or estimated. The absolute number of serious accidents reported covers all employees on TKH's payroll, excluding employees of third-party contractors and joint ventures. The LTIFR is reported at group level and not specified by region or gender.

VERIFICATION AND INTERNAL CONTROL

The data have been audited for plausibility and progress by the responsible company officers using the Cognos financial reporting model. The data have been verified by TKH's financial department. All reported differences greater than 10% compared with the previous year have been explicitly investigated. TKH's Internal Audit Department carries out internal audits on the processes to be carried out and the accuracy of the data as a permanent part of its work program. Internal Audit has paid specific attention in its audit work to compliance with the Code of Conduct in our operating companies and the implementation of the Code of Supply at strategic suppliers. External expertise is sought for specific sustainability issues. TKH appointed Ernst & Young Accountants LLP (EY) to provide independent assurance on non-financial KPIs to provide assurance to TKH's stakeholders on TKH's non-financial information. TKH has obtained limited assurance for the KPIs included in the "Sustainability performance" section on page 28 of the Annual Report 2022.

TRENDS

In our business operations, we focus on external and internal environmental factors, analyzing trends that can affect our activities and operations. We then assess the opportunities and threats and see how we can add value for our stakeholders and society in general.

STAKEHOLDER DIALOGUES AND MATERIALITY MATRIX

TKH regularly engages in dialogue with various stakeholders on topical and social issues. The different backgrounds of our stakeholders and their knowledge of TKH and the environment in which we operate is a good starting point for engaging in dialogue. It provides useful insights into stakeholders' interpretations of current topics affecting TKH. We also use the dialogue to broaden our understanding of our stakeholders' needs and expectations. In addition, stakeholder engagement helps us to make better use of opportunities and identify risks in a timely manner. The dialogue is also useful to clarify specific issues and thus build support for them or, in certain cases, to create understanding when an issue is given less priority in our business operations. The results of these dialogues are also included in the review of the materiality matrix. The Executive Board is closely involved in determining which topics are material themes and how much weight they are ultimately given by TKH.

In 2021, we conducted a survey to identify material themes from both a stakeholder and a TKH perspective. To verify and discuss the results of the survey, we conducted several stakeholder dialogues in 2022. The results of the survey and the stakeholder dialogues are included in the materiality matrix in the stakeholder analysis part of this annual report. We have ranked the topics that were considered important to all stakeholder groups (vertical axis), those that have the greatest impact on TKH (horizontal axis), and those that are priorities in our strategic roadmap. We measure and report on material issues. Issues that are considered less or not material are managed in our organization without further numerical substantiation in the annual report.

The sources we consult to identify and review material aspects each year include:

- Strategic stakeholder dialogues
- Investor relations meetings on ESG
- General governance assumptions
- Topics suggested by civil society organizations such as VBDO, VEB, and Eumedion
- Guidelines from the Global Reporting Initiative (GRI) and international guidelines such as the OECD's Guidelines for Multinational Enterprises and the UN's Sustainable Development Goals
- Sustainability rating agencies such as the Carbon Disclosure Project (CDP), Vigeo, MSCI, and EcoVadis

TKH Group is an active member of industry and trade organizations.

- The FTTH Council in Europe, North America, the Middle East, North Africa, Latin America, and Asia-Pacific. This non-profit organization was established to accelerate Fibre to the Home (FTTH) technology. Members include manufacturers, system designers, consultancies, and academic institutions.
- The International Cablemakers Federation (ICF) represents most of the global manufacturing capacity of the wire and cable industry. As the federation of the world's leading wire

and cable producers, ICF provides a global forum for its members to increase the visibility of the industry by highlighting the relevance of its products and technologies, as well as its contribution to building a sustainable society.
- The European Machine Vision Association (EMVA) is represented by organizations in more than 20 countries. It aims to promote the development and use of machine vision technology and to support the interests of its members.
- The Retread Tire Association (RTA) represents suppliers in the renewal and tire repair industry.

EXTERNAL REPORTING

We have provided input to the CDP, MSCI, EcoVadis, Vigeo, and the S&P Dow Jones Indices. In terms of the circular economy, we endorse the objectives set by the Netherlands in the circular innovation program "Plastic and rubber in the underground infrastructure," as well as the "Mission Statement Fair Infra" issued by Dutch infrastructure companies.

DILEMMAS

Various groups are developing an increasing number of sustainability initiatives that require a greater contribution from industry. We accept this responsibility but continue to link it to our business operations so we can also make a material contribution to the sustainability initiatives and thus create the necessary support. In some cases, this leads to a conscious decision not to focus on certain issues or to refrain from participating when asked. In certain markets, price is still a key driver, and there may be implicit reasons for reducing ESG efforts. In such situations, it is a challenge to convince stakeholders of the importance of sustainability, which may drive up the price. Reducing our energy consumption calls for the careful coordination of our manufacturing processes, and these processes, in turn, are dictated by current demand. Over the past few years, we have focused strongly on reducing energy consumption, as a result of which, we have successfully implemented several reduction plans. It is therefore becoming increasingly challenging to develop new reduction plans to achieve greater savings. Furthermore, the expansion of our production facilities and the consolidation of our activities into one site have increased our energy consumption relative to the output produced, as this consumption is not yet fully offset by the return on these investments. The amount of waste we produce is also subject to a "learning curve" as our production equipment needs to be properly aligned with the production of innovative, high-quality new cable types. The quality requirements of the product are a priority in that respect, and this can tip the balance away from our waste reduction targets. Increasingly, we are being asked to provide data on external information platforms and portals. Due to price-sensitive (inside) information and competition-sensitive information, it is not always possible to honor all requests. We take a selective approach to lending our cooperation and make considered decisions about the information we publish. In the case of external ratings on sustainability, TKH is often rated by peers in the production/manufacturing industry. TKH's activities focus increasingly on in-house technology development, in which the software component plays an increasingly important part. For this reason, the ratings give a distorted picture and require additional communication by our organization.

ESG IN THE ORGANIZATION

To safeguard the ESG policy, the Executive Board is directly involved in ESG developments in the TKH organization, and executive remuneration is linked to ESG and sustainability performance (see also "Remuneration Report"). TKH's Director of Sustainability is responsible for developing and implementing the ESG strategy and policies for the TKH Group. ESG is a standard item on the agenda at TKH's Management Board meetings, where the Director of Sustainability has a seat. There is close cooperation with the Director of Finance & Control, who is also a member of the Management Board. There is also close cooperation with TKH's Internal Audit Department in relation to the auditing of ESG issues during the internal audits. New ESG initiatives are preferably developed in working groups. This expedites the building of support within the TKH Group and makes implementation more efficient and effective. Commercial managers are always involved in value chain Initiatives to guarantee a pragmatic approach. In conducting the stakeholder dialogues, we work with executives from our operating companies, business line managers, account managers, and HR. Contact persons of the Confidential Officers rely on the operation of the TKH Code of Conduct and the associated whistleblower regulations. If a report is made to an operating company that identifies unacceptable behavior, the Confidential Officer of the operating company will immediately notify the Compliance Officer of TKH Group, who is the central point of referral for integrity issues. The latter, acting together with the Executive Board, will deal with the report and, if desired, will consult the company Confidential Officer of the subsidiary in question. After reviewing report, the Executive Board will make a decision in consultation with the board of the operating company in question or a representative of that board. The whistleblower scheme can be downloaded from the TKH website.

We discuss issues concerning the Code of Supply with purchasing managers. If a supplier fails to meet one or more of the requirements in the code, action must be taken to ensure that the supplier will become compliant in an effective and efficient way as soon as possible. If the supplier refuses to cooperate or fails to make sufficient progress toward complying with the code, TKH will reconsider its partnership with that supplier. In certain cases, local conditions may prevent the supplier from meeting particular requirements of the code. In such cases, we engage in dialogue to work towards a satisfactory solution. In such discussions, best practices are shared with the supplier in question to help them make improvements and share ideas. The purchase manager has a leading role in this. The Code of Supply and the assessment form can be downloaded from the TKH website.

The Executive Board discusses ESG and sustainability progress with the various operating companies at least once a quarter. This is based on financial and non-financial reports, both of which cover ESG. We have embedded the KPIs concerning ESG in our Cognos financial reporting system, making them an integral part of our information system. Progress on ESG is also discussed with the Supervisory Board at least once a year, and future developments and the appropriate follow-up steps are explained.

For more information on TKH's sustainability program, please contact TKH's Director of Sustainability Derk Postma (d.postma@tkhgroup.com). Please feel free to send any feedback on this report to this e-mail address. Up-to-date information on sustainability can also be found on our website: www.tkhgroup.com/csr.

10 YEARS OVERVIEW

In millions of euros	2022	2021	2020	2019	2018[1]	2017[2]	2016	2015	2014	2013
Consolidated statement of profit and loss										
Turnover	**1,817**	**1,524**	**1,289**	**1,490**	**1,458**	**1,485**	**1,341**	**1,375**	**1,346**	**1,198**
Raw materials, consumables, trade products and subcontracted work	959	787	655	771	768	817	710	743	770	699
Added value	**858**	**737**	**634**	**718**	**690**	**668**	**631**	**632**	**576**	**499**
Personnel expenses	435	378	345	369	352	347	331	326	296	277
Other operating expenses	140	124	108	133	137	147	131	133	124	103
EBITDA	**283**	**235**	**181**	**216**	**201**	**174**	**169**	**173**	**156**	**119**
Depreciation [3]	48	45	46	45	26	25	22	22	20	19
EBITA before one-off income and expenses	**235**	**190**	**136**	**171**	**175**	**149**	**147**	**151**	**136**	**100**
One-off income and expenses	-10	0	7	18	4	6			9	-7
EBITA	**245**	**190**	**129**	**154**	**171**	**143**	**147**	**151**	**145**	**93**
Impairments	0	2	4	5	2	2	1	1	1	0
Amortization	55	51	54	50	40	37	33	32	26	26
Operating result	**190**	**137**	**71**	**99**	**129**	**104**	**113**	**118**	**118**	**67**
Financial result	-9	-6	-14	-10	-4		-7	-7	-10	-13
Fair value changes of financial liability for earn-out and put options of holders of non-controlling interests	0	-2	0	0	0	4	1			
Result on ordinary activities before taxes	**181**	**129**	**57**	**89**	**125**	**108**	**107**	**111**	**108**	**54**
Taxes	44	34	15	20	27	20	20	23	22	12
Net result for the period from continued operations	**137**	**95**	**42**	**69**	**98**	**88**	**87**	**88**	**86**	**42**
Result after tax from discontinued operations			0	45	11					
Non-controlling interests	0	0	0	0	0	1	1	2	3	5
Attributable to shareholders	**137**	**95**	**42**	**114**	**109**	**87**	**86**	**86**	**83**	**37**

Key figures	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
EBITA/Turnover (ROS) [3,4]	12.9	12.4	10.5	11.6	12.0	10.1	10.9	11.0	10.0	8.3
Net result before amortization and one-off income and expenses/Group equity [3,4]	19.9	15.8	10.6	14.9	17.6	16.1	16.5	19.3	17.8	13.7
EBITA/Average capital employed (ROCE)	23.2	20.5	14.0	17.4	21.3	19.7	20.1	22.1	21.2	15.9
Net debt/EBITDA ratio [3,4]	1.1	0.9	1.6	1.5	1.4	0.9	1.0	0.9	1.0	1.5
Net result before amortization and one-off income and expenses/Turnover [3,4]	7.9	7.5	5.5	7.1	7.8	6.5	7.2	7.4	6.6	5.0

1 The comparative figures for 2018 have been restated due to discontnued operations.
2 The comparative figures for 2017 have been restated due to retrospective application of IFRS 15 ‘Revenue from contracts with customers’.
3 After restatement as a result of change in accounting principles for land and buildings and prior period restatements for the years 2014 up to 2016.
4 Before one-off income and expenses. The one-off income in 2022 mainly concern book profit on sale of buildings. The one-off income and expenses in 2020 mainly concern restructuring costs and integrations of € 8.9 million, book profit and sale of buildings of € 2.0 million and impairment losses of € 4.0 million. The one-off income and expenses in 2019 were restructuring and acquisition costs of € 18.3 million, impairments of € 1.5 million and impairment losses of € 5.0 million.

In millions of euros	2022	2021	2020	2019	2018[1]	2017[2]	2016	2015	2014	2013
Consolidated balance sheet										
Intangible assets and goodwill	534	537	577	596	544	392	395	400	352	349
Property, plant and equipment [3]	295	222	220	231	246	229	215	196	176	199
Right-of-use assets	75	69	77	81						
Financial non-current assets	26	45	42	52	31	28	46	34	28	30
Total non-current assets	**930**	**873**	**916**	**960**	**821**	**649**	**656**	**630**	**556**	**578**
Inventories	386	295	237	239	267	219	207	194	202	185
Trade and other receivables	459	341	286	300	356	327	295	248	288	234
Cash and Cash equivalents	185	100	122	79	83	88	88	179	145	80
Total current assets	**1,030**	**736**	**645**	**618**	**706**	**634**	**590**	**621**	**635**	**499**
Assets held for sale	109	88	5	39					3	
Total assets	**2,068**	**1,697**	**1,566**	**1,617**	**1,527**	**1,283**	**1,246**	**1,251**	**1,194**	**1,077**
Shareholders' equity 3)	787	722	662	705	647	594	574	521	483	378
Non-controlling interests	0	0	0	0	1	9	9	9	17	61
Group equity	**787**	**722**	**662**	**705**	**648**	**603**	**583**	**530**	**500**	**439**
Provisions [3]	84	90	86	97	86	69	74	71	68	112
Non-current interest-bearing loans and borrowings	503	334	410	416	239	187	214	223	259	259
Current interest-bearing loans and borrowings	70	48	57	58	171	57	52	126	59	15
Other financial liabilities	4	7	8	9	5	15	23	27	14	
Other current liabilities	587	460	343	319	378	352	300	274	294	252
Liabilities directly associated with assets held for sale	33	37	0	13						
Total equity and liabilities	**2,068**	**1,697**	**1,566**	**1,617**	**1,527**	**1,283**	**1,246**	**1,251**	**1,194**	**1,077**

Other information in euros (unless stated otherwise)	2022	2021	2020	2019	2018[1]	2017[2]	2016	2015	2014	2013
Solvency (in %)	38	43	42	44	42	47	47	42	42	41
Investments in property, plant and equipment	105	30	28	32	42	41	46	38	34	19
Depreciations of property, plant and equipment	32	30	30	29	28	24	23	23	20	19
Cash flow from operating activities	116	199	188	182	127	160	103	182	95	79
Number of shares outstanding and held by third parties at year end (x 1,000)	41,001	41,178	41,487	41,999	42,003	42,045	42,161	41,724	41,400	37,985
Net result per ordinary share of € 0.25	3.34	2.31	1.14	2.72	2.58	2.05	2.04	2.07	2.14	0.98
Net profit before amortization and one-off income and expenses from continued operations attributable to shareholders per ordinary share of € 0.25	3.50	2.77	1.69	2.51	2.72	2.27	2.25	2.40	2.23	1.48
Dividend per share	1.65	1.50	1.00	1.50	1.40	1.20	1.10	1.10	1.00	0.75
Highest share price	54.90	56.15	51.30	55.05	60.15	56.68	38.14	40.50	27.18	26.40
Lowest share price	31.24	37.88	23.42	38.82	38.36	36.45	28.47	25.35	22.13	18.55
Share price at year-end	37.16	55.50	39.54	49.90	40.70	52.93	37.59	37.44	26.36	25.40

1 The comparative figures for 2018 have been restated due to discontnued operations.
2 The comparative figures for 2017 have been restated due to retrospective application of IFRS 15 'Revenue from contracts with customers'.
3 After restatement as a result of change in accounting principles for land and buildings and prior period restatements for the years 2014 up to 2016.

ALTERNATIVE PERFORMANCE MEASURES

TKH uses alternative performance measures to measure and monitor its operational performance. These measures are used in this annual report but are not defined in any law or in the International Financial Reporting Standards (IFRS). The European Securities and Markets Authority (ESMA) has issued guidelines for the use and disclosure of alternative performance measures. The terms TKH believes are relevant to alternative performance measures are included in this chapter of the Annual Report. It also includes a definition, as required by the ESMA guidelines.

Capex (capital expenditure)
Investments in tangible and intangible non-current assets. Capex spending is a one-time investment.

Capital employed
Group equity plus long-term debt plus short-term borrowings less cash and cash equivalents.

Debt leverage ratio (net debt/EBITDA)
Long-term debt plus short-term borrowing less cash and cash equivalents divided by EBITDA.

Dividend payout ratio
This ratio indicates the portion of net profit that is paid out to shareholders ((dividend/net profit after tax) times 100).

EBITA
Earnings before interest, taxes, impairments, and amortization, and one-off income and expenses.

EBITDA
Earnings before interest, taxes, impairments, depreciation, and amortization, and one-off income and expenses.

Innovations TKH
At least 15% of turnover realized from innovations introduced in the previous two years.

Net earnings per share
Net earnings/weighted average of outstanding shares. This ratio indicates how much profit a company has available per share.

Opex (operating expenses)
Operating expenses are the recurring costs of a product or system.

ROCE (return on capital employed)
Return on capital employed is the EBITA for the last 12 months divided by the capital employed at the beginning of the period plus the capital employed at the end of the period divided by two.

ROS (return on sales)
EBITA divided by total turnover as a percentage.

Solvency
Percentage of the equity relative to the total liabilities.

TCO (total cost of ownership)
The sum of Capex and Opex. The Capex expenditure is often high initially, but over the life of a system, the Opex will eventually be the largest cost component of TCO.

Editor and text
TKH Group NV, Haaksbergen

Design
Monter, Amsterdam

Photography
Maarten de Groot (page 4, 55)

For actual information about TKH Group and our sustainability developments please visit our website: www.tkhgroup.com.