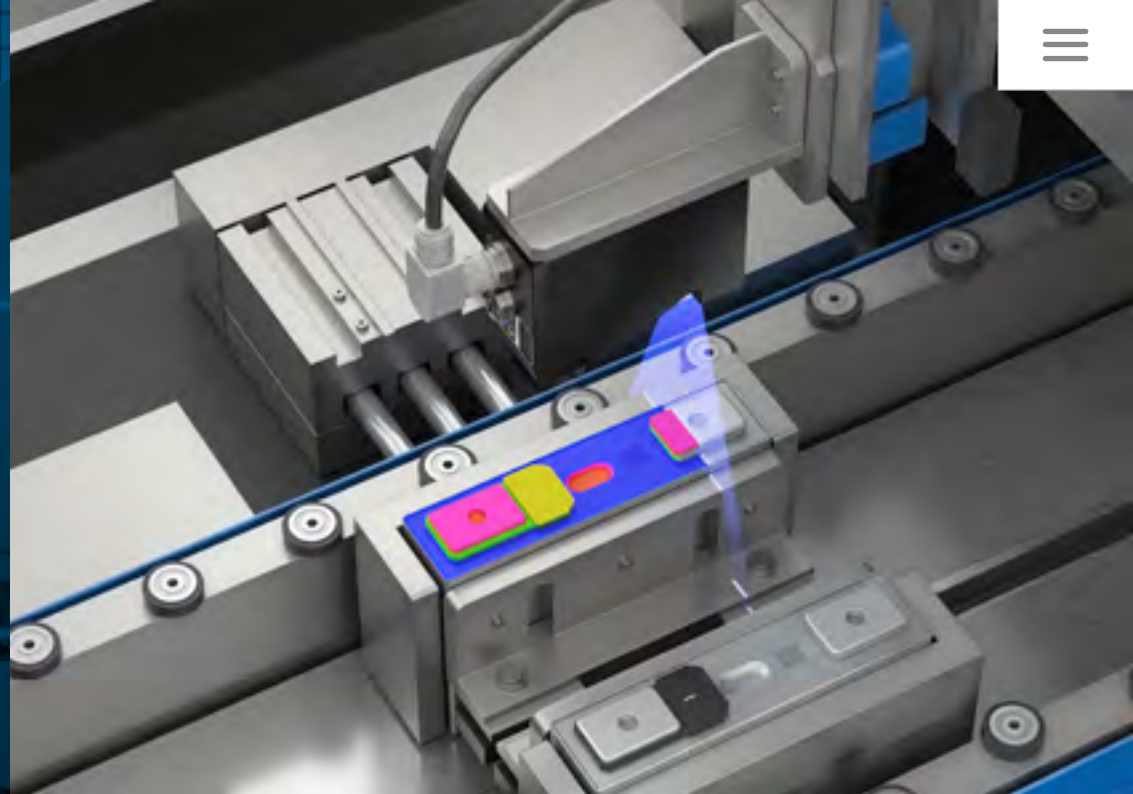




ANNUAL REPORT



2020

Smart Technologies <



ANNUAL REPORT 2020

TKH GROUP



PROFILE

TKH GROUP

Technology firm TKH Group NV (TKH) is focused on high-end innovative technologies in high growth markets within three business segments: Telecom, Building and Industrial Solutions.

Through a combination of three technologies, TKH offers superior solutions that support to increase the efficiency, safety and security of its customers. The technologies are offered together with software to create smart technologies and one-stop-shop solutions with plug-and-play integrated technologies.

TKH operates on a global scale. Its growth is concentrated in Europe, North America and Asia. Employing 5,583 people, TKH achieved a turnover of € 1.3 billion in 2020.



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

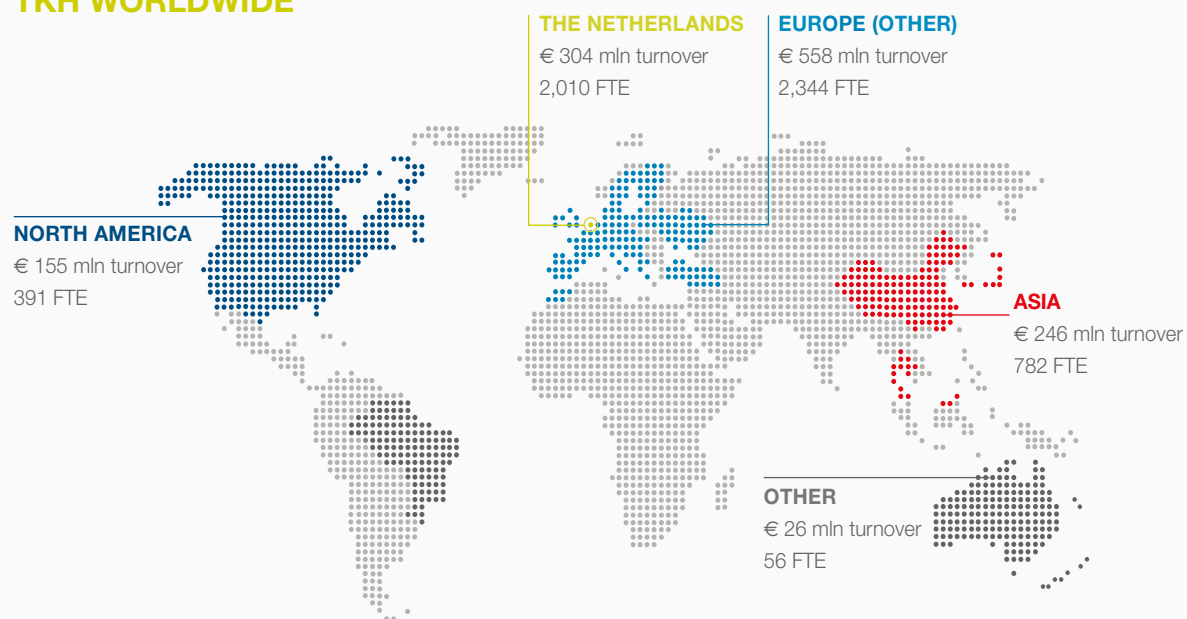
MISSION

TKH wants to be distinctive through technology leadership in niche markets by offering total solutions that unburden its customers. The technologies and services focus on greater efficiency, safety and sustainability for its customers. The core values guarantee above-average value creation and to be a solid investment for its shareholders, whereby a socially responsible way of doing business is placed centrally.

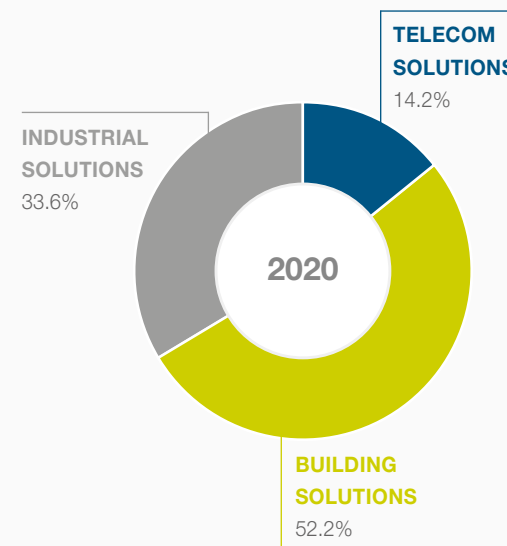
CORE VALUES TKH GROUP

- **ENTREPRENEURSHIP**
Strong in observing new opportunities and excellent in everything that we do.
- **INTEGRITY**
Always honest and respectful in our dealings with colleagues, customers and other stakeholders.
- **OPENNESS AND TRANSPARENCY**
One of the foundations for long-term value creation and successful business operations.
- **RISK AWARENESS AND ACCOUNTABILITY**
Involvement in day-to-day activities and making the appropriate choices following close consideration.
- **SUSTAINABILITY**
Making a positive contribution to the environment and the social aspects of doing business.

TKH WORLDWIDE



TURNOVER BUSINESS SEGMENTS





HIGHLIGHTS 2020

FINANCIAL

TURNOVER & ROS

Turnover decreased by 13.4% to € 1,289.4 million, organic -9.9%.

ROS remained at good level of 10.5% – despite lower turnover.

1,289.4 € MLN

FINANCIAL POSITION

Solid financial position at year-end with a net debt/EBITDA ratio of 1.6 – driven by strong cash flow from operating activities in H2 by € 150.1 million.

1.6

NET PROFIT

Net profit before amortization and one-off items attributable to shareholders down 33.2% at € 70.3 million – above the previously communicated bandwidth (€ 65 - € 69 million).

70.3 € MLN

DIVIDEND PROPOSAL

Dividend proposal: € 1.00 per (depository receipt of an) ordinary share (2019: € 1.50).

1.00 €

STRATEGIC

SIMPLIFY & ACCELERATE

Good progress in strategic development, despite COVID-19, driven by 'Simplify & Accelerate' program.

VERTICAL GROWTH MARKETS

Turnover share of vertical growth markets increased to 63.0%.

63.0 %

INNOVATIONS

Innovations again at high level, with 21.1% turnover share – R&D programs continued despite cost saving programs.

21.1 %

SHARE BUY-BACK

Initiation of share buy-back program in November 2020 for an amount of € 25 million.

25.0 € MLN

MESSAGE FROM THE CEO



INNOVATION IS PARTICULARLY IMPORTANT IN CHALLENGING CIRCUMSTANCES

We look back on an eventful year. The first months of 2020 held the promise of a successful year with the prospect of strong growth. Starting in March, however, the COVID situation quickly changed matters. This initially led to great uncertainty due to the lockdowns and associated restrictions, together with the abrupt reduction in demand that occurred among our customers. The first priority focused on the health of our employees and on continuing to meet the needs of our customers to the best of our ability.

The rapidly changing world due to COVID-19 had a major impact across the board. Entrepreneurship and responsiveness to change was the key to making the right decisions. An important decision had to be made whether the dividend proposal could be maintained, given the uncertainty of the pandemic that escalated in the second quarter. TKH's strong foundation supported the taking of decisions in order for us to get through the year in good shape and with limited consequences. Despite the sometimes difficult market situations, breakthroughs were achieved with our disruptive technologies and the importance of innovation was reaffirmed.

In the second half of the year, market demand recovered due to markedly less uncertainty among our customers and the overall outlook improved upon the release of the first COVID-19 vaccine. The share buy-back program we announced in November further underscored the confidence we have as Executive Board in the strong financial foundation, but above all, also the confidence in our strategy and potential to achieve growth through the many innovations we have in our product range.

The importance of ESG (Environmental, Social and Governance) themes and the associated Sustainable Development Goals (SDGs) has increased awareness for sustainable business, in part because of the enormous impact that can suddenly arise from the external environment. Although it is already embedded in our strategy, sustainability and a contribution to this from our portfolio will become increasingly important. More than 70% of our total turnover is now linked to the SDGs defined by TKH as most relevant, demonstrating how future-oriented our company is in this area.

We would like to thank our stakeholders for the trust they have shown in us during this uncertain and exceptional year. A special thank you goes to our employees for their great dedication, passion and commitment to continue doing the job and achieving the best possible results in sometimes difficult situations!

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



BUSINESS & MARKETS

Through its segmentation, TKH focuses on Telecom Solutions, Building Solutions and Industrial Solutions. The TKH core technologies - vision & security, connectivity and smart manufacturing - are linked together to form comprehensive systems, which are positioned within these three business segments. TKH focuses on seven vertical growth markets - Fiber Optic Networks, Machine Vision, Infrastructure, Marine & Offshore, Parking, Care and Tire Building Industry - in which the (comprehensive) solutions are positioned as a one-stop-shop for our customers.

BUSINESS MODEL TKH GROUP

CORE TECHNOLOGIES



SMART TECHNOLOGIES

BUSINESS SEGMENTS



INNOVATIVE SOLUTIONS

VERTICAL GROWTH MARKETS



EFFICIENCY - SAFETY - SECURITY - SUSTAINABILITY

CORE TECHNOLOGIES

The TKH core technologies are linked together to form innovative comprehensive systems. Software plays an important role in achieving the right integration of the technologies and making the technology smart in terms of analysis and control. Because the basic technologies can be used for multiple applications and markets, economies of scale are created that makes it possible to be distinctive in terms of solutions in cost price and return. With our technologies, we offer clear added value to our customers in the context of increased efficiency, safety, security and sustainability.



VISION & SECURITY

Vision technology consists of 2D and 3D camera sensor technology and 3D laser technology in combination with the digital processing of visual information to produce usable images or information for interpretation by people and/or machines. Vision technology is used for inspection, quality, product and process control in, for example, medical solutions, industrial automation, consumer electronics and for scientific research. The security technology combined with our mission critical communication technology enables us to manage and control the urban environment in terms of efficiency, safety and security. It includes alarm, access and recording systems, voice and listening connections, guidance and evacuation systems. In the mobility market, camera solutions are provided for intelligent traffic systems.

CONNECTIVITY

With our connectivity technology, we focus on a complete portfolio of cable systems for energy distribution and electrical applications in the construction and infrastructure sectors, as well as fiber-optic systems for data and communication networks. Besides, we also develop customized specialty cable systems for the most diverse 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, capitalizing on specific airfield applications.

SMART MANUFACTURING

TKH uses its knowledge of the automation of production processes for controlling and monitoring industrial processes and also in complete manufacturing systems for the production of car and truck tires, for the tin processing and care industries. Systems engineering and assembly, control and analysis software, as well as connectivity and vision technology, are the basic building blocks for the distinctive manufacturing systems supplied by TKH. Our technology boosts the reliability and flexibility of manufacturing systems, allowing us to respond to the requirements of a number of specialized industrial sectors, such as the tire manufacturing, robotics, medical and mechanical engineering industries.

BUSINESS SEGMENTS

Our ground-breaking Telecom, Building and Industrial Solutions bring together the core technologies of our operating companies. We combine core technologies to create comprehensive systems and apply the know-how used in these technologies in different solutions-based areas. Capacity in the area of system integration, engineering, service and maintenance, logistics, assembly and production is also used and shared within and among the areas. Software is an increasingly important element of the integrated solutions. This enables us to help our customers wherever they are in the world. And not just our customers; indirectly, we are also helping our customers' customers.



TELECOM SOLUTIONS

For outdoor basic infrastructure to indoor home networking applications, TKH develops, produces and delivers innovative comprehensive solutions. The portfolio consists of fiber optic and copper cable systems serving connecting nodes within the telecom network as well as components and systems in the field of connectivity and peripherals that are mainly deployed in the nodes themselves, including site management control systems, smart access technology and SAODF (semi-automated optical distribution frame) technology.

BUILDING SOLUTIONS

TKH develops, produces and supplies comprehensive systems for vision & security and communication applications within and around buildings, infrastructure as well as machine vision for inspection, quality, product and process control. We focus on efficiency, safety & security and sustainable solutions for installations in buildings, as well as on intelligent video, mission-critical communications, evacuation, access (and access control) and record-keeping systems for a number of specific sectors, including machine vision, care, parking, marine & offshore and infrastructure.

INDUSTRIAL SOLUTIONS

In a number of specialized industrial sectors such as tire manufacturing, robotics, medical and mechanical engineering, TKH is the leading innovator with its high-quality, integrated production systems where the knowledge in the field of automation of production processes and improving the reliability of production systems gives TKH distinctive strength. In addition, innovative industrial specialty cables and 'plug and play' cable systems are developed and produced within this segment.



VERTICAL GROWTH MARKETS

Within the three business segments, TKH focuses on seven vertical growth markets with its innovative (comprehensive) solutions. They are markets with favorable growth trends so we can achieve above-average growth and high returns in them. With our solutions, we offer customers clear added value in terms of efficiency, safety, security and sustainability. We also provide them with a high return on their investment. TKH aims to generate more than 80% of its turnover in the seven vertical growth markets. By 2020, this share was 63% of total turnover.

FIBRE OPTIC NETWORKS

For the telecom sector, TKH develops, produces and supplies a complete fiber optic network, which in addition to fiber optic cables also includes connectors, tubes, sleeves and other accessories as well as innovative site management systems, smart access and security systems as well as robotic systems. 'Plug-and-play' installation is possible for all of these, so that projects can be completed efficiently and on time. Where required, we help our customers by providing them with training and support during the engineering process, and in relation to the installation of networks and maintenance.

MACHINE VISION

Vision technology consists of 2D and 3D camera sensor technology and 3D laser technology and is used to inspect, monitor or adjust industrial processes. Our vision systems are used in applications for industrial automation (tire manufacturing, mechanical engineering, automotive, robotics and logistics), the medical and consumer electronics industry and for scientific research.

INFRASTRUCTURE

TKH provides the tunnel and infrastructure sector with innovative communication and security solutions that meet the high demands for security, allowing airfields, tunnels and roads to be

opened safely and punctually. For the mobility market, camera and communication solutions are provided in the field of intelligent traffic systems that are crucial for safety applications. Energy cables for energy networks partly capitalize on the demand for alternative energy supplies. We supply advanced connectivity technology for contactless energy and data distribution for its application at airports.

MARINE & OFFSHORE

TKH supplies the marine and offshore industries with innovative subsea cable systems, as well as a comprehensive connectivity package specific to this shipping industry. In addition, we supply integrated security and communications systems for use on platforms and on board ships. Many of our solutions are geared towards security, safety and efficiency with a favorable return on investment for our customers.

PARKING

For the parking sector TKH develops and produces innovative parking systems. They range from self-developed video analytics technology designed to monitor parking bays and streamlining traffic in multi-story car parks by means of guidance to integrated access control, intercom and camera systems. Multi-story car parks can be managed from any place at any time. We provide professional project management and support and advice in the design and execution of parking projects.

CARE

Through a combination of electrical engineering and ICT, TKH provides intelligent solutions for the care sector in the areas of observation, security, visual communications, social alarms and video care for hospital care and home care. Security and alarms can be individually geared to the customer's or resident's care needs. TKH also supplies comprehensive solutions for care and nursing homes, care for the disabled, mental health care and hospitals. For the pharmaceutical industry TKH develops fully automated logistics systems for medicine packaging and distribution.

TIRE BUILDING INDUSTRY

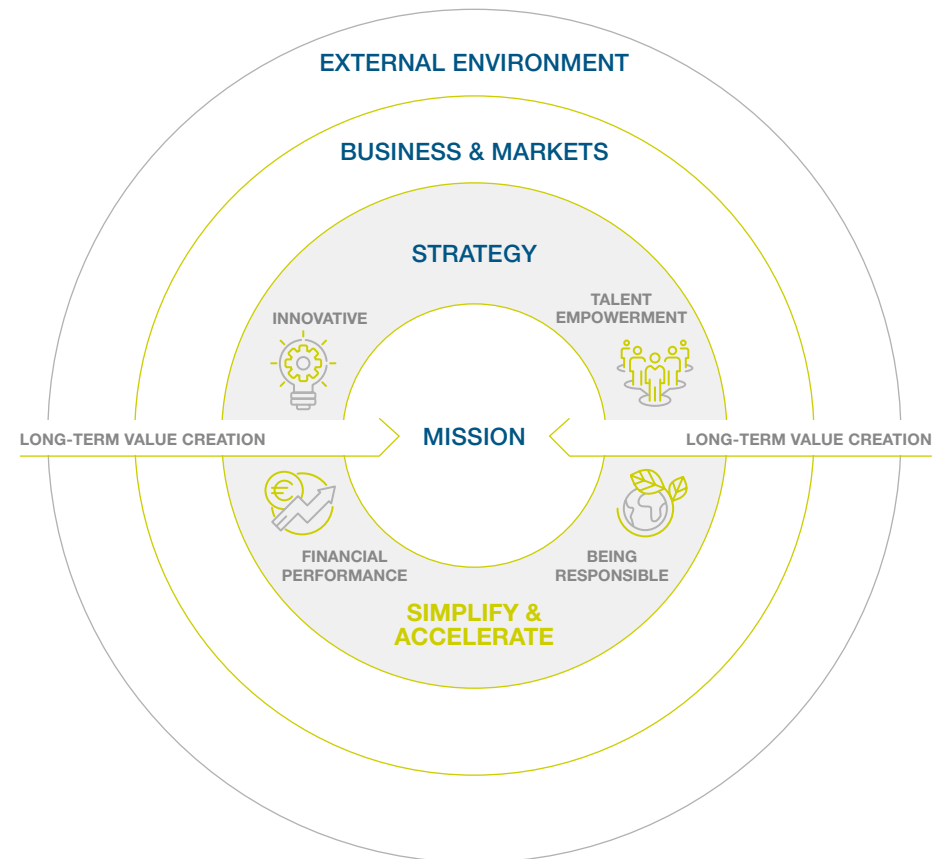
TKH has evolved and refined the tire manufacturing technology needed to produce superior passenger car and truck tires. TKH develops, manufactures, supplies and installs innovative tire manufacturing systems which make it possible to efficiently manufacture tires with specific properties. The highest possible form of automation and monitoring of production processes with the associated track and trace requirements are made possible by proprietary camera inspection technology.



STRATEGY

TKH's strategy focuses on technology leadership with our cohesive core technologies in three business segments. As part of the strategy process, four priority areas have been identified: Innovative, Financial Performance, Talent Empowerment and Being Responsible. Based on these pillars, we have determined our strategic direction and have defined specific objectives in order to flesh out our strategic process.

STRATEGIC PROCESS





INNOVATIVE

AN INNOVATIVE, PIONEERING TECHNOLOGY NICHE PLAYER THAT CREATES COMPREHENSIVE BEST-IN-CLASS SOLUTIONS.

With our core technologies we can respond to these growth trends and can offer innovative comprehensive systems by combining these technologies. Investments in research and development and the roll-out of innovations are important areas of focus for growth. Our target is to generate at least 15% of turnover through innovations introduced in the previous two years. As a result, the portfolio is in the early stages of the product life cycle. We invest predominantly in our own technological development, although we also work closely with other parties on specialisms. We are making a significant contribution to the Sustainable Development Goals (SDGs) through our innovative product portfolio, supporting our customers in achieving their sustainability criteria and simultaneously providing clear direction on how forward-looking our company is in terms of sustainable development. We focus on securing a leading position in niche markets. Within our three business segments we have defined seven vertical growth markets where we expect to achieve growth of between € 300 million and € 500 million in the next three to five years. We aim to generate more than 80% of the turnover in these growth markets.



TALENT EMPOWERMENT

BEING AN ATTRACTIVE AND RESPONSIBLE EMPLOYER.

Our market strategy demands qualified staff. We offer an inspiring, safe and healthy working environment and seek to have an open business culture in which our employees are acknowledged and heard. Short lines of communication, delegated authority and entrepreneurship are typical of the way in which we work at TKH. The diversity of our workforce will bolster the success of our strategy. Exercising due care as an employer ensures that we hold appeal in this capacity. Combined with an innovative, entrepreneurial culture, this provides us with a healthy starting point, enabling us to fill vacancies rapidly with people having an appropriate profile. We devote a great deal of attention to this, also having regard to the increasing scarcity of qualified technicians, in respect of which it will be more challenging to fill the necessary vacancies in the years ahead. The implementation of this strategy is closely related to producing a professional but flexible organization in which staff are afforded scope to pursue their aspirations and experience further self-development.



FINANCIAL PERFORMANCE

CREATE ADDED VALUE FOR ALL KEY STAKEHOLDERS WHILE AT THE SAME TIME BEING A SOLID INVESTMENT FOR SHAREHOLDERS.

Healthy balance sheet ratios and a strong cash flow from operating activities enjoy top priority in the development of the company. We aim to achieve an above-average annual increase in earnings per share, and a net debt/EBITDA ratio of no more than 2.0. We will expand through organic growth and acquisitions. In geographical terms the focus for growth is on Europe, North America and Asia. In the case of acquisitions the emphasis is on structurally healthy companies which are aligned with our core technologies and associated vertical growth markets. We will seek between one and three acquisitions a year, each representing turnover of between € 10 million and € 50 million. In the period ahead the focus will mainly be on organic growth and the optimal integration of (acquired) businesses within the TKH organization. Due to the focus on activities with higher margin potential, the medium-term range for the ROS target exceeds 15%. The range for the medium-term ROCE target is 22-25%.



BEING RESPONSIBLE

DOING BUSINESS IN A SOCIALLY RESPONSIBLE MANNER.

TKH would like to make a contribution towards a sustainable society, so as to ensure that consideration is not only given to the effect of business decisions on profitability, but also to its impact on the environment and our reputation. We attach a great deal of importance to the principles of good governance: integrity, transparency, accountability and adequate oversight. We ensure that our staff act with integrity and have drawn up clear guidelines. A zero-tolerance policy is also pursued within the supply chain in relation to matters of principle, such as fraud, bribery and corruption. TKH constantly focuses on risk awareness as an integral part of its culture and applies different systems to deeply embed risk awareness in the organization in order to avoid and manage risks as far as possible.



STRATEGIC CONFRONTATION MATRIX

STRENGTHS

- Developing and marketing proprietary technologies.
- Strong (niche) positions in defined vertical growth markets.
- Customer-specific comprehensive solutions combined with technology platforms may be used for multiple applications.
- Benefits of economies of scale by spreading technologies over several product and market combinations, and in geographical terms.
- Good reputation and financial strength.
- Successful acquisition policy and the proper integration of (acquired) companies.
- Organizational model with innovative capacity.
- Quality and involvement of employees.
- Interesting employer through profiling entrepreneurship and development opportunities.

AREAS FOR IMPROVEMENT

- TKH is seen as an attractive company but has a complex organization, consisting of many activities.
- Brand awareness in conservative new markets where TKH is looking to expand its market position with disruptive innovative technology.
- Scale of a number of innovations.
- Conversion ratio of added value to EBITA.

STRATEGIC PRIORITIES

Exploit technology leadership with the aim of strengthening position in vertical growth markets.

- Develop scope of sustainable innovations based on SDG criteria.
- Bring key innovations to maturity with targeted profitability.

Focus on activities with above-average growth potential and return contribution.

- Translate increase in gross margin into further increase in result - more focus on return and cost ratio as a percentage of added value.
- Reduce the number of operations that have limited value creation potential due to low organic growth opportunities and relatively low gross margins.
- Divestments of activities with low margins and limited organic growth potential.
- Accelerate organic growth by increasing the proportion of vertical growth markets.
- Limit the number of new 'start-up' projects.

Simplify business structure by integrating operating companies.

- Focus on integration of operating companies instead of coordination with strong local entrepreneurship.
- Strengthen R&D, sales and marketing within integrated businesses under new management.
- Strengthen and expand TKH branding - less complex communication structure.

A challenging, healthy and safe work environment with an open culture focused on development and growth.

- By means of clear guidelines and concrete support, ensure the health and safety of our employees.
- Bind and engage employees through training and career opportunities.
- Promote transparency and openness - accessible communication channels.
- Workforce is an accurate reflection of society with respect to diversity and inclusiveness.

Sustainable business and operations.

- Ambition for CO₂-neutral operations in the medium-term.
- Implementation of more operational excellence programs.
- Increased focus on circular economy.
- Focus on customer intimacy.

‘SIMPLIFY & ACCELERATE’-PROGRAM

Over the last decade TKH has transformed itself into a ‘smart technology’ company. In order to take growth and profitability to an even higher level, a strategic transformation program called ‘Simplify & Accelerate’ was introduced in mid-2019. The program aims to simplify the organization and make better use of economies of scale. The ultimate goal of the strategy program is to achieve an acceleration of organic growth coupled with more profitable activities with higher growth potential.



Simplification of the business structure is achieved by implementing an active divestment program, focusing on activities with lower profit potential. The divestment program involves turnover totaling € 300 - € 350 million. Of this, € 260 million was realized and 9 companies were divested.

By integrating companies with a strong coherence in activities and product portfolio, not only greater efficiency in R&D, commerce, finance and overhead is achieved. This simplification will ultimately lead to a simplified business structure with clear focus areas where an acceleration of TKH’s performance is possible. It brings the desired focus to the realization of further value creation. It will lead to even better knowledge pooling in product development and to efficiency and economies of scale. This not only benefits our financial results but also produces competitive advantage. In 2020, the cable production companies were integrated at one location. In addition, the security and parking technology businesses were accommodated under one management and integrated into one organization. The vision technology businesses have also been accommodated under one management with focus in order to produce a single R&D roadmap and organize the one-stop-shop proposition to customers.

During the year under review, the next step in the ‘Simplify & Accelerate’ program was taken to translate the increase in gross margin into an increase in result. Here, the focus is more on profitability and the cost ratio as a percentage of added value, in order to realize the medium-term ROS target.

The implementation of this strategy program will have a positive impact on both return on sales (ROS) with a medium-term target of at least 15% as well as return on capital employed (ROCE) with a medium-term target of 22-25%.



STRATEGY ROADMAP

MISSION

A leading innovative technology (niche) player that creates comprehensive best-in-class solutions which constantly exceed customer expectations.

A solid investment for shareholders.

An attractive and responsible employer.

Doing business in a socially responsible manner.

STRATEGIC PILLARS

INNOVATIVE

A leading innovative technology (niche) player that creates comprehensive best-in-class solutions.



FINANCIAL PERFORMANCE

Create added value for all stakeholders while at the same time being a solid investment for shareholders.



TALENT EMPOWERMENT

An attractive and responsible employer.



BEING RESPONSIBLE

Doing business in a socially responsible manner.



STRATEGIC PRIORITIES

SIMPLIFY

Reduce activities that offer limited potential for value creation.

Simplify business structure by integrating operating companies.

Develop a less complex business and communication structure.

ACCELERATE

Focus on activities with above-average growth potential and return contribution.

Accelerate organic growth by increasing share of vertical growth markets and utilizing economies of scale and synergies.

STRATEGIC TARGETS

medium-term

INNOVATIVE

- Innovations: >15% of turnover.
- At least 70% of turnover linked to SDGs.
- Strengthening and expanding TKH brand.
- Increase brand awareness in vertical growth markets.

FINANCIAL PERFORMANCE

- Vertical growth markets: at least 80% of total turnover.
- ROS: >15%.
- ROCE: 22-25%.
- Net debt/EBITDA: <2.0.

TALENT EMPOWERMENT

- Training per FTE: >16 hours/year.
- Employee satisfaction: >7.1.
- Illness rate: <4.0%.
- Lost Time Injury Frequency (LTIF): <1.0.

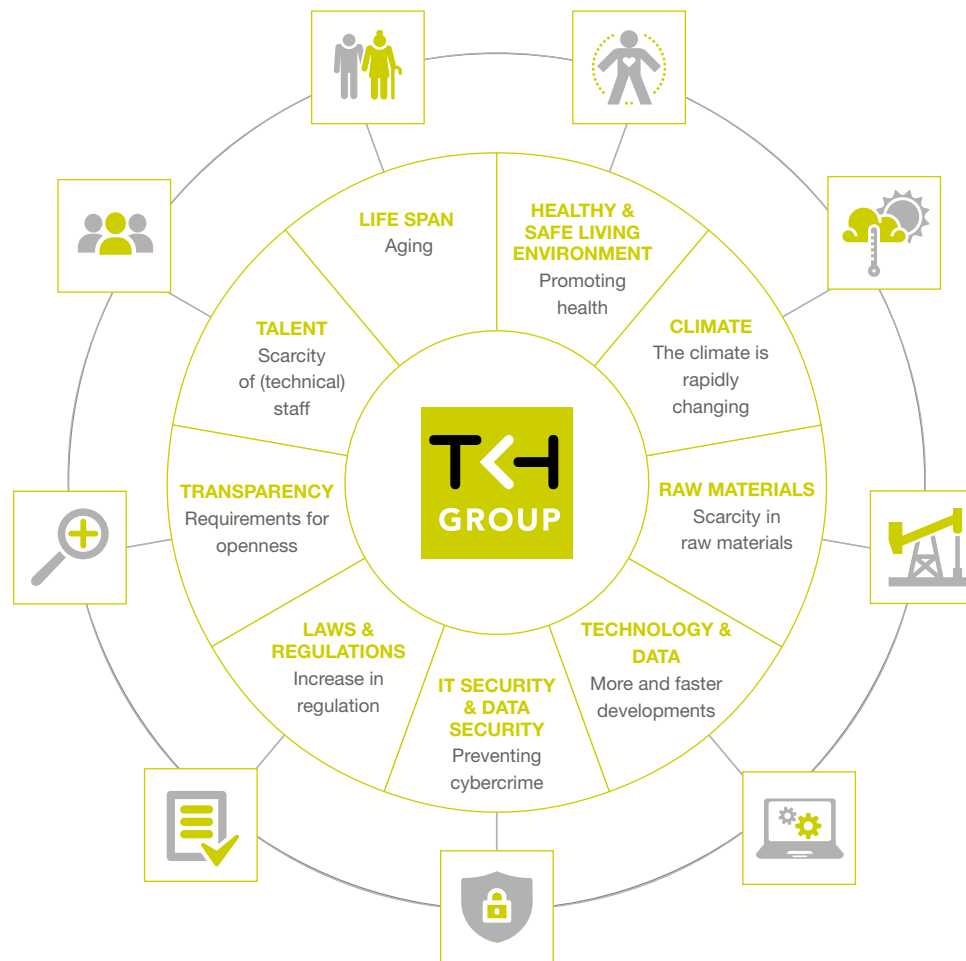
BEING RESPONSIBLE

- CO₂ emissions: -2.5% (compared to 2015).
- Recycling: >50%.
- Customer satisfaction: >7.8.
- No reports of violations code of conduct.

EXTERNAL ENVIRONMENT

The environment in which TKH operates is dynamic and constantly changing. In addition to developments in the markets and sectors in which we operate, general national and international events affect our day-to-day operations. Trends are the indicator of future developments and give us insight into the opportunities and risks for the medium- and long-term. It is relevant to anticipate these trends and align them to the wishes and requirements of our stakeholders, such as shareholders, customers and employees.

TKH AND THE ENVIRONMENTAL FACTORS



TRENDS & DEVELOPMENTS

People, economies and markets are influenced by a number of fundamental social trends. They are partly driven by demographic changes and emerging digitization. These trends clearly present challenges but also opportunities to satisfy current and future needs. They are also important drivers for achieving growth in the medium- and long-term, with the aid of which value is created for our stakeholders. We rank trends in accordance with issues which are strategically relevant to TKH.



TECHNOLOGICAL

- The development of 5G is leading to new communication opportunities for both private and business environments.
- The 'fourth industrial revolution' stimulates developments such as advanced robotics, artificial intelligence and machine learning.
- Demand for self-learning and self-managing machines for more efficient and accurate production processes and improved product quality.
- Digital technologies are playing an ever increasing role in health care and in individual health behavior. Digital health facilitates better interaction between patients, physicians and service providers.
- Cities are getting bigger, which means they need to be safer, more environmentally friendly, more accessible and more comfortable to live and work in.
- The life cycle of products is becoming shorter and shorter, which necessitates more rapid innovation.
- Necessity to put IT security and data protection in place to prevent cybercrime.

HUMAN

- Work and private lives are being integrated into new lifestyles, partly driven by forced home working and online education.
- The use of technology can overcome scarcity in the labor market (knowledge and capacity).
- An aging population is increasing and requires technology that focuses on health, safety and efficiency.
- Because of the COVID-19 pandemic, we are even more aware of a healthy and safe living environment.

SUSTAINABLE

- Increased awareness of the need to counteract effects of climate change.
- Demand for energy systems from renewable, sustainable energy sources such as wind and solar power and because of energy transition.
- Raw materials are becoming scarcer - waste streams can be reduced by making raw materials circular.



POSITIVE MARKET TRENDS WITHIN VERTICAL GROWTH MARKETS

FIBRE OPTIC NETWORKS

- The internet has now become a utility, just like gas, water and electricity. Optical fibre as the most important transport medium for the enormous demand for bandwidth and transmission capacity has become an integral part of today's society.
- Developments such as the internet of things, Industry 4.0 and the internet of vehicles demand high-speed internet (mobile and otherwise) – the emergence of 5G networks.
- 24-hour accessibility is becoming increasingly more widespread and accepted.

MACHINE VISION

- Increase in demand for vision technology due to industrial automation and robotization trend as well as continued demand for higher productivity, improvement of product quality and production processes.
- Vision technology as an alternative for control production systems and for detection, inspection and identification of manufactured products.
- Sharp increase in new applications in which vision technology is used.
- Because of strict regulations governing the quality of foodstuffs and medicines, vision technology offers a solution to provide full traceability and serve as a fail-pass module.

INFRASTRUCTURE

- High priority to make airports safer, to make airport infrastructure more readily available and to deal with aircraft movements more expeditiously.
- EU investments in the improvement of infrastructure.
- Due to strict security legislation and regulations increasing demands are being made of technical equipment in tunnels, amongst other places.
- Growing demand for technologies in order to comply with strict requirements: evacuation – communication – detection - identification – safety - infrastructure availability is increasing.

MARINE & OFFSHORE

- A large increase in power generated by wind energy throughout the world.
- The energy transition is leading to an increase in the demand for cabling systems.
- Willingness to invest in quality ships, cruise liners and luxury yachts.
- Variation of the supply chain because of limited storage facilities in shipyards and on platforms – high cost of stagnation.
- Considerable demands on system availability under various environmental conditions, such as extreme temperatures, humidity, oil and salt water.
- A great deal of attention devoted to safety on platforms through special zone certification.

PARKING

- Income from parking garages is under pressure due to reduced inbound and outbound traffic flows.
- Provide managers and parking facility operators with information more quickly and efficiently through a visual dashboard - deployment of technology leads to improvements in efficiency, safety, access and payment options - considerable interest in application of technology in smaller parking garages.
- Increased utilization of capacity and income due to differentiated parking fees - CO₂ reduction through parking guidance technology.
- Call for greater comfort for parking attendants.
- Emergence of 'frictionless' parking through technology - application of 'Artificial Intelligence' for automatic call handling.

CARE

- Life expectancy is continually increasing and spending on care is rising due to more and better, but also more expensive care.
- Scarcity of well-trained personnel – is overcome by means of technology.
- Informal caregivers and health care professionals are equal partners; technological support for the required exchange of information.
- A growing demand for medication (volume) because of demographic developments, whereas there is a need to reduce the cost of care.
- Acceptance of robotization at pharmacy wholesalers.

TIRE BUILDING INDUSTRY

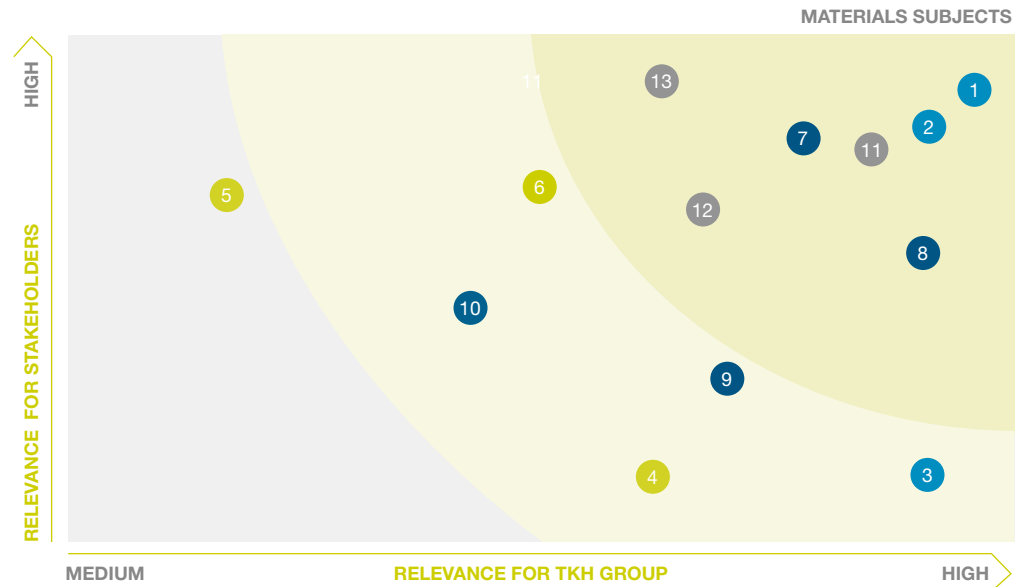
- High priority in the tire building industry for replacement of existing technology with emphasis on high productivity, efficiency, waste reduction, application of new materials, quality improvement, 'track & trace' of tire components within tire manufacturing and smaller batches.
- Sharp increase in the number of types of tires for passenger vehicles demands more flexible manufacturing methods.
- The trend towards ever larger tire dimensions and towards safer, better quality tires is leading to a demand for technological development.
- A reduction of working capital requirements in the supply chain – stimulate local manufacturing in the tire building industry.
- 'Eyes and hands off' manufacturing: manufacturing systems offering greater productivity and operator independence.

STAKEHOLDERS

Our stakeholders are those groups and individuals who directly or indirectly influence the activities of TKH and its operating companies, or who are themselves influenced by them. In the context of our business operations and based on our position in the supply chain, we are in regular dialog with our stakeholders. This allows us to share and test our vision, our strategy and our expectations with them, with starting point, being able to further sharpen these aspects in our business operations. When conducting stakeholder dialogs we often work together with our operating companies where customers, suppliers or employees are concerned.



MATERIALITY MATRIX



ECONOMIC

	SHAREHOLDERS	CUSTOMERS	SUPPLIERS	EMPLOYEES	SOCIETY
1 Financial track record & performance	●			●	
2 Technological innovations with sustainable impact (SDGs)		●	●	●	●
3 Customer satisfaction		●		●	

ENVIRONMENT

4 Responsible production & material efficiency		●	●	●	●
5 Climate change	●	●	●		●
6 CO ₂ reduction	●	●	●	●	●

SOCIAL

7 Good & responsible employment				●	
8 Healthy & safe work environment				●	
9 Development opportunities				●	●
10 Diversity & inclusiveness				●	●

GOVERNANCE

11 Integrity & compliance	●	●	●	●	●
12 Risk management	●	●	●	●	●
13 Privacy & IT Security	●	●	●	●	●



STAKEHOLDERS' DIALOG

	RELEVANCE FOR TKH	RELEVANCE FOR THE STAKEHOLDER / MOST IMPORTANT EXPECTATIONS	MEANS OF COMMUNICATION	KEY TOPICS IN 2020	SUPPORTIVE TO OUR STRATEGY
EMPLOYEES	<ul style="list-style-type: none"> Crucially important for the success of TKH. The company's ambassadors. Most important 'authorized capital'. 	<ul style="list-style-type: none"> Good employment practices. Development opportunities and a good package of primary and secondary employment benefits. A safe and healthy working environment. 	<ul style="list-style-type: none"> Internet and intranet. Staff magazine. Employee satisfaction survey. Staff meetings. Conferences and seminars. Webinars. Performance reviews. 	<ul style="list-style-type: none"> Health and safety. Diversity. Sustainable employability. SDGs. IT & Security / Privacy. Strategic transformation program. 	<ul style="list-style-type: none"> Commitment to the diversity of the workforce. Learning organization. Boost innovative capacity. Leadership and entrepreneurship. Integrity & zero tolerance.
SHAREHOLDERS	<ul style="list-style-type: none"> Investment through a shareholding in TKH, thereby strengthening our capital position. 	<ul style="list-style-type: none"> Good return on investment with good dividend policy and long-term value creation. 	<ul style="list-style-type: none"> Internet. Financial reporting and annual reports. General meeting of shareholders. Investor days. Capital Markets Day. 	<ul style="list-style-type: none"> ESG. SDGs. Diversity. Strategic transformation program. 	<ul style="list-style-type: none"> Long-term shareholdings.
CUSTOMERS	<ul style="list-style-type: none"> Buy products and services. Develop sustainable package of products and services through collaboration. 	<ul style="list-style-type: none"> Offer innovative, high-tech technologies and comprehensive solutions. Good ROI for customers. 	<ul style="list-style-type: none"> Internet. Events, symposia and trade fairs. Customer satisfaction survey. 	<ul style="list-style-type: none"> Sustainable product portfolio. SDGs. Customer satisfaction. 	<ul style="list-style-type: none"> Technological developments. Growth targets.
SUPPLIERS	<ul style="list-style-type: none"> Supply of services and products for our business operations. 	<ul style="list-style-type: none"> Fair business practices and doing good business at market rates. 	<ul style="list-style-type: none"> Business associates. Negotiations. Code of supply and site visits. 	<ul style="list-style-type: none"> Sustainable product portfolio. SDGs. 	<ul style="list-style-type: none"> Technological developments. Sustainable procurement.
ANALYSTS	<ul style="list-style-type: none"> With the aid of analysis and research, prepare profiles and ratings on the basis of which investors can make a selection for their investments. 	<ul style="list-style-type: none"> Honest and transparent communication about developments. 	<ul style="list-style-type: none"> Internet. Financial reporting and annual reports. IR meetings. Capital Markets Day. Reporting. 	<ul style="list-style-type: none"> Financial ratios. Sectoral developments. Strategic transformation program. 	<ul style="list-style-type: none"> Long-term value creation and transparency.
BANKS	<ul style="list-style-type: none"> Financial service providers with the aid of which TKH is able to achieve its growth targets. 	<ul style="list-style-type: none"> Creditworthy enterprise that is appropriately balancing risks against returns and complies with contractual agreements. 	<ul style="list-style-type: none"> Internet. Financial reporting and annual reports. Half-yearly discussions. 	<ul style="list-style-type: none"> Financial ratios. Risk analysis. 	<ul style="list-style-type: none"> Sustainable funding policy.
PUBLIC BODIES	<ul style="list-style-type: none"> Act as initiator, facilitator of supply chain and other projects, and driver of sustainable initiatives. 	<ul style="list-style-type: none"> Boost the economic appeal in the region with respect to business office location and employment. Supply chain initiatives with a significant contribution to sustainability. 	<ul style="list-style-type: none"> Internet. Network and thematic meetings. 	<ul style="list-style-type: none"> Sustainable and other developments in the region. 	<ul style="list-style-type: none"> Strategic investment decisions.
EDUCATION AND KNOWLEDGE INSTITUTIONS	<ul style="list-style-type: none"> Influx of new talent in order to compensate for such things as a shortage of technical personnel. 	<ul style="list-style-type: none"> Providing a challenging work environment with ample development opportunities. Providing traineeships – work experience. 	<ul style="list-style-type: none"> Internet. Trade fairs and seminars. Social media. 	<ul style="list-style-type: none"> Relevance of education (in relation to the relevant discipline). Profiling TKH as an interesting employer. 	<ul style="list-style-type: none"> Sustainable workforce. Learning organization.
COMMUNITY AND SECTORAL ORGANIZATIONS (INCLUDING NGOS)	<ul style="list-style-type: none"> Possess an extensive network and knowledge of the positions in the supply chain. Expertise in specific sectors. 	<ul style="list-style-type: none"> Contribute ideas to and start up joint ventures. 	<ul style="list-style-type: none"> Internet. Reporting and reports. Annual reports. 	<ul style="list-style-type: none"> SDGs. Climate change. 	<ul style="list-style-type: none"> Sustainable business operations. Consolidate social initiatives.



TKH AND THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), introduced by the United Nations, are a blueprint for achieving a better and sustainable future. TKH recognizes their relevance and aims to contribute to the SDGs through its business operations and innovative product portfolio, set off against the process of long-term value creation.

TKH has chosen six SDGs to act as a guide in its approach to sustainability. Four of these focus on the innovative product portfolio and two on internal operations and business practices.

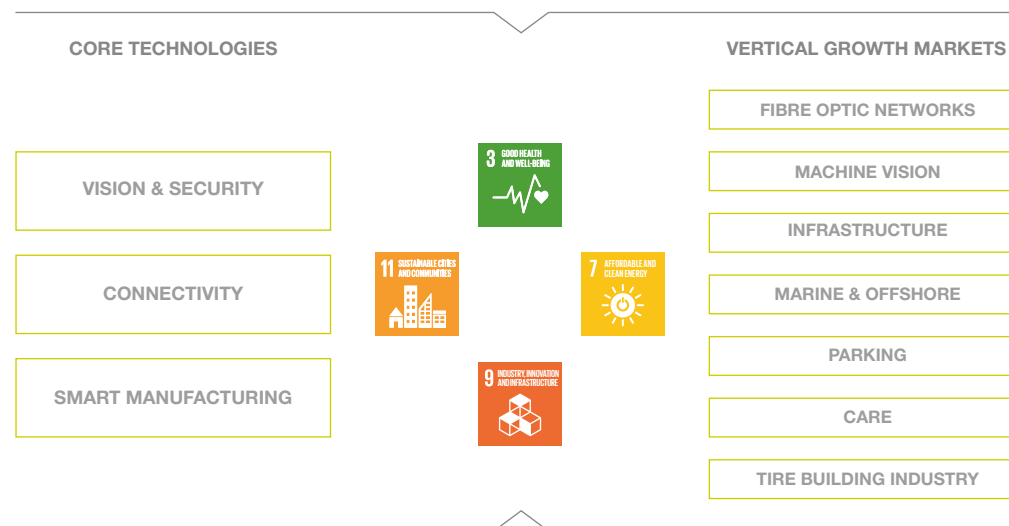


THE RELEVANCE OF OUR BUSINESS OPERATIONS AND INNOVATIVE SOLUTIONS TO THE SDGs

In order to make an effective and targeted contribution through the SDGs, we focus on the SDGs on which we have the greatest impact and to which we can directly make our contribution. Within that context, we focus on six SDGs. We have measured these SDGs against our business operations and core activities and have examined our entire value creation process.

Existing KPIs were subsequently aligned with the SDGs to provide insight into what our contribution is already and where additional actions are desirable. Furthermore, we analyzed the opportunities in the chain. We are making a significant contribution to the SDGs by means of our innovative product portfolio. Approximately 70% 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 providing clear direction on how forward-looking our company is in terms of sustainable development.

OUR CONTRIBUTION VIA INNOVATIVE SOLUTIONS



± 70% OF TURNOVER IS LINKED TO SDGs



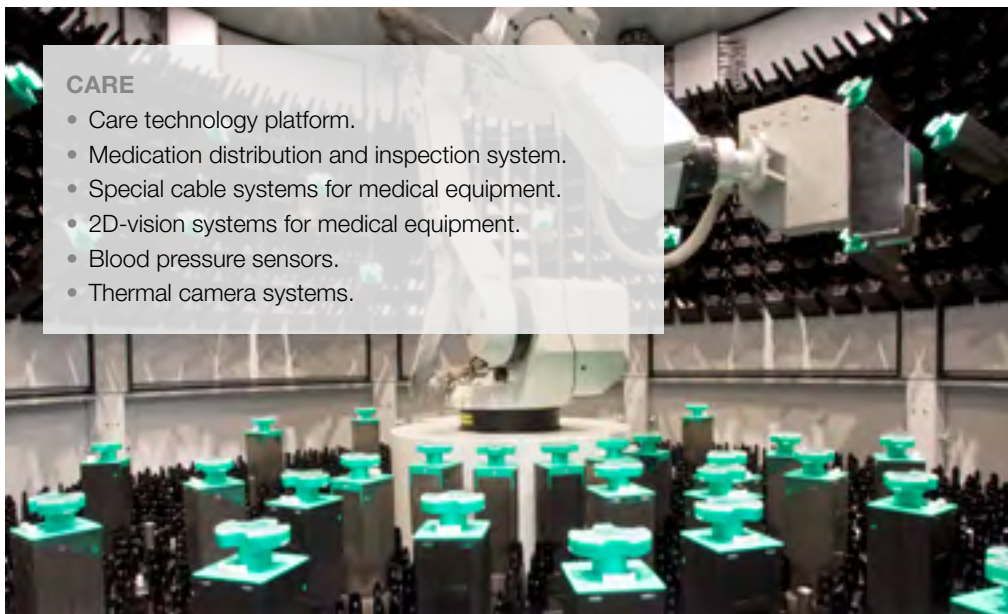
GOOD HEALTH AND WELL-BEING

TKH's technologies and solutions support the care process resulting in efficiency and higher reliability in the health care sector – both for home care, professional care and pharmaceutical companies.

Impact

For the continually evolving technological support of the care process TKH's vision is that care provision becomes more efficient and reliable if the technology is tailored more closely to each client. This is the essence of TKH's care solutions for both outpatient and hospital care. TKH's care technology platform with individual alarm scenarios and smart sensors facilitates the rapid and flexible connection of a care system to a comprehensive range of functions and applications for care needs. The provision of care consequently becomes more user-friendly and accessible. Our smart manufacturing technology is deployed in response to increasingly stringent quality measures imposed by the pharmaceutical industry in order to reliably package different medicines.

OUR INNOVATIVE SDG SOLUTIONS



CARE

- 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. By means of our connectivity technology and solutions, we contribute to the European energy reduction targets.

Impact

TKH's connectivity technology plays a fundamental role in the distribution of sustainably generated electricity such as wind energy. The 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.

Due to the electrification trend, there is considerable demand for the upgrading of power grids. TKH has power cable systems that offer a solution to relieve the enormous load on the power grid. Furthermore, the innovative deployment of recycled materials is stimulated.

OUR INNOVATIVE SDG SOLUTIONS



INFRASTRUCTURE

- Energy cable systems for the energy transition.

MARINE & OFFSHORE

- 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. The technologies and innovations capitalize on the pillars of 'Industry 4.0.' and the demand for higher productivity, improved product quality and production processes. Our technology makes infrastructure safer and increases its availability.

Impact

TKH's connectivity, vision and security technologies make it possible to build a sustainable infrastructure which complies with the strict safety and efficiency requirements. Our innovative vision and manufacturing systems enable our customers to produce more efficiently with a high degree of reliability. Vision technology is used for inspection, quality, product and process control in, for example, industrial automation and consumer electronics and for scientific research. TKH uses its knowledge of the automation of production processes for controlling and monitoring industrial processes and also in comprehensive manufacturing systems for the production of car and truck tires. Our technology improves the reliability and flexibility of production systems.

OUR INNOVATIVE SDG SOLUTIONS

FIBRE OPTIC NETWORKS

- Fibre optic cable systems.
- Access control and security systems.

INFRASTRUCTURE

- CEDD/Airfield Ground Lighting system.

MACHINE VISION

- Industrial 2D and 3D vision systems.

TIRE BUILDING INDUSTRY

- Tire building systems.

OTHER

- Special cable systems for robotics and mechanical engineering.
- Test & measurement systems for e-mobility.



SUSTAINABLE CITIES AND COMMUNITIES

By combining communications and security technology into innovative comprehensive solutions for the urban environment, efficiency, safety and security can be increased and guaranteed in and around cities.

Impact

Cities can become safer with TKH's technologies and resulting solutions. 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. The mobility security solutions focus on vehicle tracking, video analytics for public transport as well as security solutions on toll roads. TKH technologies promote efficiency, safety and security in multi-story car parks, football stadiums, schools and financial institutions.

OUR INNOVATIVE SDG SOLUTIONS

INFRASTRUCTURE

- Mobility inspection systems and security solutions.
- Mission critical communication systems.

PARKING

- Parking guidance and security systems.

OTHER

- Connectivity systems.



SDGs 8 AND 12 ARE FOCUSED ON OUR INTERNAL OPERATIONS AND BUSINESS PRACTICES

Safety is a strategic focus area at TKH defined and formed by 3 elements: safe working conditions, the way in which we organize our work and our own (safety) behavior.



DECENT WORK AND ECONOMIC GROWTH

Knowledge sharing and focus on R&D lead to an innovative product portfolio with high added value and distinctiveness in the market. Healthy balance sheet ratios and a strong operational cash flow support TKH's growth strategy. By means of good employment practices, we offer our employees a vibrant and safe working environment with ample development opportunities. Operating companies where - due to the nature of activities - a safe working environment is an important area of attention, the ISO 45001 certification in the field of health and safety has been set as a standard.

Impact

TKH strives to provide its employees with a safe and inspiring work environment. We provide employees with the training and other resources they need to effectively perform their activities and develop their skills. Through mutual knowledge sharing, TKH develops a sustainable portfolio that responds to future market needs. By means of operational excellence programs, systematically focusing on customer value and making the best possible use of our people's knowledge and capacity, we are able to excel in our business operations. This is the foundation of our organization and for further growth.



RESPONSIBLE CONSUMPTION AND PRODUCTION

With its business operations, TKH focuses on operating and producing in a responsible manner with the least possible negative impact on the environment. All of our operating companies are certified in accordance with the ISO-14001 environmental management system and work according to the LEAN principle in order to prevent wastage in the production process.

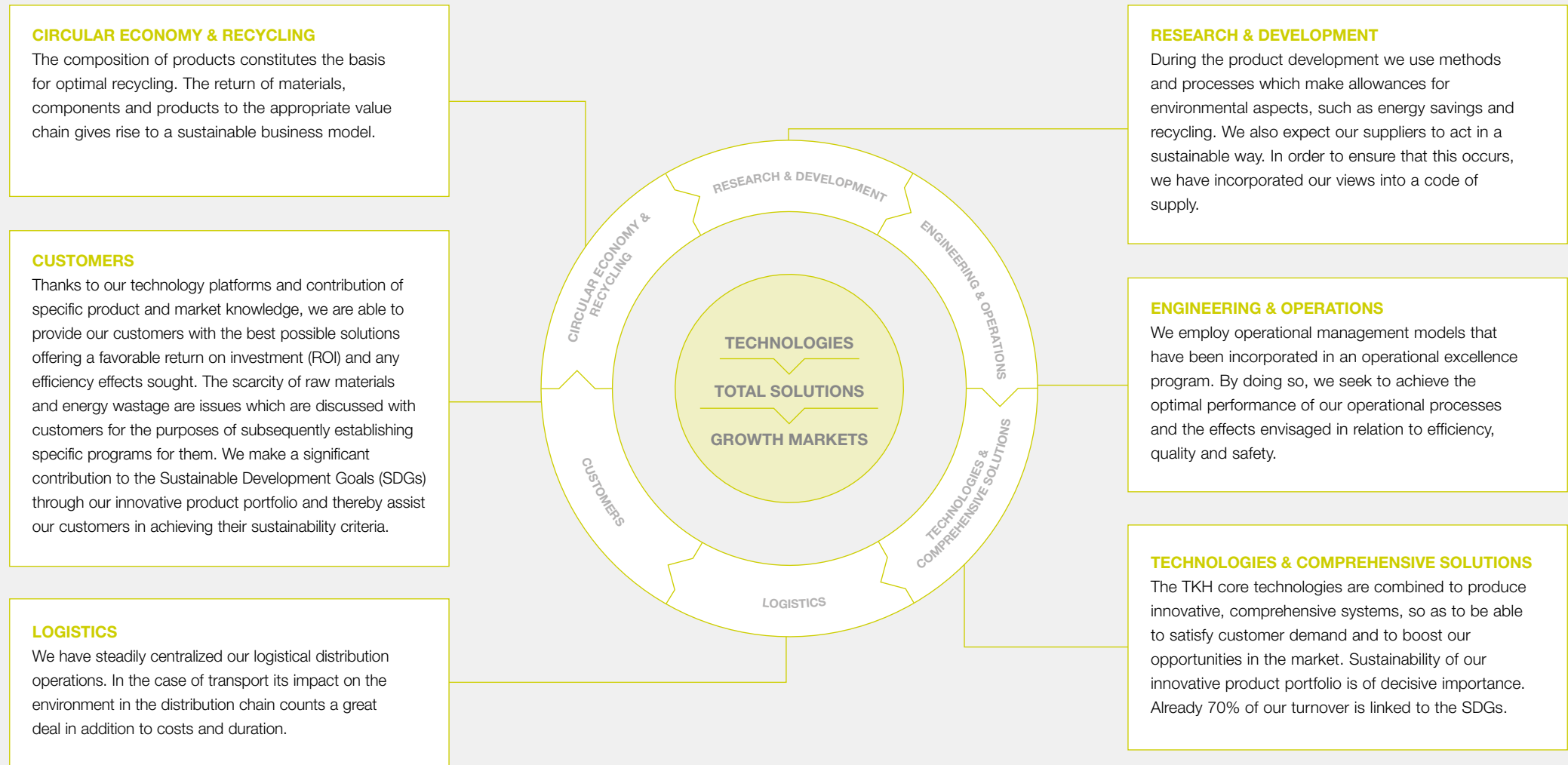
Impact

TKH's environmental policy is designed to achieve a continuous improvement of its environmental performance in order to reduce the burden on the surroundings as much as possible. At all of the TKH production companies, from the initial design stage, the raw materials used are chosen so that they have little or no harmful impact on the environment. TKH operates in the production environment according to the LEAN principle, which prevents waste as much as possible. TKH has targets for waste reduction and recycling of raw materials. In discussions with suppliers, TKH discusses sustainability issues and our code of supply applies.

TKH IN THE VALUE CHAIN

TKH develops and manufactures technologies, which are combined with each other to produce comprehensive solutions and are then positioned in predefined growth markets. An efficient and thorough supply chain process, with a varying scope and global footprint, is crucial if we respond to environmental factors and customer requirements quickly and

promptly. Continued operational excellence is promoted by means of a sound supply chain policy, with clear guidelines in place to ensure compliance and continuity of the business. It is furthermore possible to conduct business sustainably by collaborating with our supply chain partners.



COMPETITIVE LANDSCAPE

Developments in the industry and competitive landscape are important for our positioning in the market. Customer patterns are changing, technological developments are accelerating, and there is an increase in demand for sustainable solutions as well as consolidation of (industrial) sectors. Geographical spread, high-quality proprietary technologies and the distinctive technological level are determining factors for our competitive strength.



- TKH's market is spread geographically, with growth primarily focused on Europe, North America and Asia. This allows us to make targeted choices for investments and to work more actively on specific niche markets.
- The major strength within TKH is the combination of the core technologies into unique comprehensive solutions. Because of the distinctive character of our proprietary technologies – protected in part by patents – the spectrum of our competitors is fragmented and focused on subsidiary solutions. The threshold to entry into the market is high because of our distinctive technological level.
- Our strategic transformation program has reduced the number of operating companies by means of their integration, which leads to economies of scale. This makes the lines of communication even shorter and the organization more flexible. We can switch more quickly, even when geopolitical and social developments lead to a reluctance to invest or to a shift in focus of market areas.
- There is a greater field of competition for part of the connectivity product portfolio. In this case, our distinctive character lies in the introduction into the market of new technologies (such as those employed in subsea cable systems and CEDD/AGL), the superior nature of our technologies (such as those used in specialty cables) or the combination of connectivity with other TKH core technologies and the provision of high-quality 'one-stop-shop' logistics services.



LONG-TERM VALUE CREATION

TKH's value creation process is a dynamic, ongoing one. Its aim is to use our business processes to respond to the wishes and needs of our stakeholders and to identify at an early stage opportunities and risks that are partly driven by economic, geopolitical, environmental, sustainability, social and technological trends. By means of detailed R&D roadmaps, we focus on development within core technologies. By integrating these technologies effectively, we create unique, innovative, comprehensive solutions that are suitable for multiple markets. Entrepreneurship and the development of talent are important concepts within our group for the purposes of constantly boosting our value creation (in the long-term or otherwise).

INPUT

INTELLECTUAL

R&D roadmap and technology and software development for a high-quality, innovative product portfolio.

PRODUCTS

Integrate technologies and software to create innovative, sustainable comprehensive solutions that capitalize on market trends and ensure efficiency, safety, security and sustainability for customers.

NATURAL

In the case of each business decision we also consider its impact on the environment. Sustainability in the supply chain is an increasingly more important basis for operating sustainably as a company.

FINANCIAL

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

HUMAN

Talented and skilled employees who properly reflect the various aspects of diversity in society. Offering a safe and inspiring working environment with development opportunities.

SOCIAL & RELATIONS

Close cooperation with stakeholders based on honesty, integrity and openness. Making a contribution towards and investing in society.



BUSINESS OPERATIONS

INNOVATIVE
A leading innovative technology (niche) player that creates comprehensive best-in-class solutions.

TALENT EMPOWERMENT
An attractive and responsible employer.

BEING RESPONSIBLE
Doing business in a socially responsible manner.

FINANCIAL PERFORMANCE
Creating added value for all key stakeholders while at the same time being a solid investment for shareholders.

CORE VALUES AS A GUIDELINE FOR OUR ACTIONS

- Entrepreneurship
- Integrity
- Openness and transparency
- Awareness of risks and responsibility
- Sustainability



CORE TECHNOLOGIES

- Vision & security
- Connectivity
- Smart manufacturing

BUSINESS SEGMENTS

- Telecom Solutions
- Building Solutions
- Industrial Solutions

VERTICAL GROWTH MARKETS

- Fibre Optic Networks
- Machine Vision
- Infrastructure
- Marine & Offshore
- Parking
- Care
- Tire Building Industry

OUTPUT

KNOWLEDGE SHARING & DEVELOPMENT

- Continuous attention to new technology and innovations.
- Protection of technologies and IP rights with the aid of patents.
- Solid R&D roadmap.

SAFE & SUSTAINABLE PRODUCT PORTFOLIO

- Innovative, reliable and sustainable solutions.
- Contributing to a safe environment and efficient processes at our customers.
- Good geographical distribution.

BUSINESS AND OPERATIONS

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

FINANCIAL VALUE

- A healthy balance sheet ratio and a strong operational cash flow.
- An above-average annual increase in earnings per share.

ATTRACTIVE & RELIABLE EMPLOYER

- Investment in health and safety.
- Investment in training and development.
- Attention to diversity and inclusiveness.
- Guaranteeing honesty and openness.

SOCIAL & RELATIONS

- Good relationship with stakeholders.
- Social engagement.

OUTCOME

INNOVATIVE

- Turnover: € 1.3 billion.
- Innovations: 21.1%.
- R&D expenditure: € 60.6 million.

FINANCIAL PERFORMANCE

- ROS: 10.5%.
- ROCE: 14.0%.
- Net earnings per share: € 1.14.
- Debt-leverage ratio: 1.6.
- Dividend pay-out ratio: 87.3%.

TALENT EMPOWERMENT

- Number of training hours/FTE: 18.
- Employee satisfaction: 7.4.
- LTIF: 0.8.
- Illness rate: 3.51%.

BEING RESPONSIBLE

- CO₂ reduction: 5.8% (compared to 2015).
- Recycling: 84.3%.
- Customer satisfaction: 8.1.
- Reports of violations code of conduct: 0.



MANAGEMENT REPORT

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GENERAL DEVELOPMENTS

Developments in the year under review were strongly impacted by the COVID-19 pandemic, although the first months of the year developed positively and the actions of the ‘Simplify & Accelerate’ program introduced in 2019 were clearly visible. The impact from COVID-19 was most visible in the second quarter due to the drop in demand due to lockdowns at both our customers and customers of our customers.

Commissioning and installation work were also made more difficult by restrictions at our customers’ locations. This, as well as lockdowns within some of our operating companies and higher absenteeism due to strict measures already in case of mild symptoms of the COVID-19 virus, had an impact on our employees. Obviously, the health of our employees was the first priority and many measures were taken to avoid the risk of contamination. With the great dedication of our employees, flexibility was shown to be able to continue to serve our customers with as few negative effects as possible and to support our customers where possible.

Despite the impact of COVID-19, there were also activities that showed good growth, including the Machine Vision activities that benefited from the introduced innovations for consumer electronics and medical applications as well as the growth from the energy transition for connectivity solutions for energy networks. From the third quarter onwards, the impact on our activities was less severe, but investments for capital goods lagged significantly, as a result of which the order intake within Industrial Solutions was low. This recovered in the fourth quarter with a high order intake, mainly driven by reduced uncertainty about the pandemic due to the announcement that a vaccine was on the way by the end of the year. The strength of the TKH strategy was

expressed in the fact that the ROS remained upright during the year despite the strong decline in turnover and amounted to 10.5%. This was mainly due to the tightening of the strategy and the ‘Simplify & Accelerate’ program. The execution of the aforementioned program is well on schedule. This also applies to the progress of the realization of the innovation pillars that should contribute to further growth of the vertical markets in the coming years.

The year 2020 saw the following significant strategic developments:

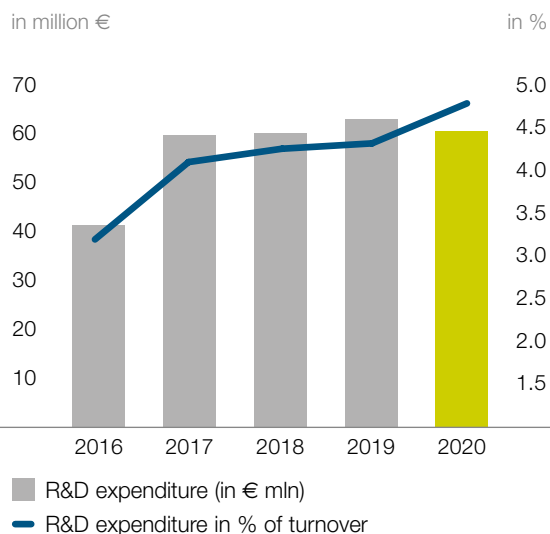
- Machine Vision – First large order for 2D-embedded vision technology for COVID-19 vaccine analysis.
- Machine Vision – Expansion of market share with 3D vision technology and confocal inspection technology within consumer electronics.
- Tire Building – Breakthrough for the UNIXX, the ground-breaking new technology for car tire production, with first serial production at a launching customer.
- Infrastructure – Strong growth in the market for energy cables as a result of the investment impulse driven by the energy transition for which additional investments in production capacity have been initiated, that will be operational from Q3 2021.

- Infrastructure – Acquisition of substantial order for Airfield Ground Lighting (CEDD/AGL technology).
- Marine & Offshore – Order intake of subsea cable systems that will enable growth to more than € 40 million turnover in 2021.
- Care – Breakthrough in North America for the Indivion, an medicine dosing and distribution system.
- Divestment of ZTC in China – Production of commodity data cables with low margins.
- Divestment of Cruxin in the Netherlands – System integration activities with insufficient alignment with TKH strategy.
- Integration of TKH’s Dutch cable production activities at one location and closure of Ittervoort production facility.
- Termination of unprofitable industrial cable production activities.
- Introduction of cost ratio program onderdeel van, part of the Simplify & Accelerate program, with a more short-term focus on financial returns.

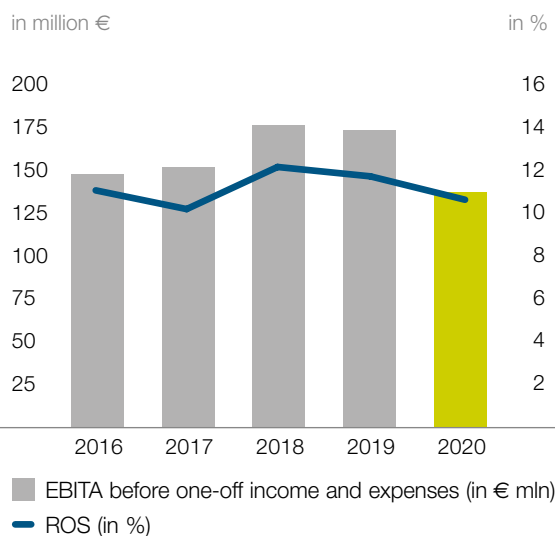
A follow-up was given to the program to further focus the portfolio of activities in the interest of shareholder value creation and the creation of an optimal return on the activities in the most suitable environment. Where limited value creation is possible in the TKH environment, this should lead to divestment of activities in the coming years. In the meantime, € 260 million of the intended € 300 to € 350 million turnover in divestments has been realized. The remaining activities to be divested were put on hold during the year under review, because the return on these activities and the valuation multiples due to COVID-19 would not lead to the desired level of return. These activities were restarted in the fourth quarter.



R&D EXPENDITURE



EBITA AND ROS DEVELOPMENT



TKH's solid financial position meant that customers were helped during the year to overcome limitations and forced shifts in deliveries by keeping stocks at TKH. This resulted in working capital rising to over 20% of turnover during the year. At the end of the year, this returned to 12.1% of turnover, well within the target bandwidth of 12-15%.

In the fourth quarter it became clear that there was a prospect of a vaccine and, in combination with TKH's confidence in its strategy, financial position and future, a share buy-back program was announced in November for an amount of € 25 million with the aim to withdraw these shares in due time. The fact that the dividend announced in March was paid out showed confidence in the solid foundation. The net debt/EBITDA realized at 1.6 at year-end confirms that there was sufficient room for the share buy-back and to pay out the dividend, taking into account the uncertain circumstances arising from the impact of COVID-19 and the result realized in 2020 and the generation of cash.

The effect of the sharp decline in sales and the accompanying decline in profit had a major effect on the ROCE, despite the fact that the return on sales remained intact. The ROCE came in at 14.0%, falling behind the set target of a bandwidth of 22-25%. However, the profit capacity of our activities in the medium-term is unchanged, which means that the set bandwidth is fully maintained.

The implemented integration projects and efficiency improvements will have an annual positive effect on the result from 2021. The one-off costs associated with this amounted to € 8.9 million.

R&D expenditure decreased by € 2.6 million to € 60.6 million due to cost savings. The outlook within the core markets in which TKH operates remains positive. As a technology

company, it is necessary to stay up-to-date with regard to the technological lead. The ambition for the growth to be achieved requires a strong innovative character and the associated R&D costs and investments. It is important here that the effectiveness of the R&D investments is closely monitored, as well as the intended return on these investments and expenditures. The fact that the innovation turnover, consisting of innovations introduced to the market in the past two years, was again at a high level at 21.1%, confirms the effectiveness of our R&D efforts. Our innovations have shown good progress, both in terms of technology and market penetration. Major breakthroughs include innovations in machine vision for consumer electronic manufacturing systems, UNIXX tire building technology, subsea cable systems and CEDD/AGL connectivity technology, as well as the Indivion robotic medicine packaging technology. The introductions and acquired orders provide a strong basis for growth and further value creation.

The geographic distribution of turnover remained reasonably in line with the previous year, despite the intensification of divestment activities. The turnover share in the Netherlands rose to a level of 24% of total turnover. The turnover share in Europe excluding the Netherlands increased slightly to 43% and the turnover share in Asia decreased slightly to 19%. The turnover share in North America remained unchanged at 12%. The turnover share of the other geographic areas was 2%.

IMPACT COVID-19

Since the outbreak of the pandemic, COVID-19 has had a negative impact on both TKH's turnover and result. For one, the stricter measures in various countries in the course of the year had a substantial impact. The (temporary) easing of restrictions, especially in the summer and autumn, did restore opportunities for deliveries, but these did not recover to previous levels. In order intake, a negative impact of COVID-19 was particularly noticeable in the second and third quarter.

TKH has taken a large number of measures to minimize the impact of COVID-19 on its business operations. It is difficult to quantify the impact of COVID-19 on the 2020 results with any degree of accuracy. For the financial impact of COVID-19, the following elements had an impact on our results:

- The health of our employees and the continuity of our business were our main priority. By taking measures at an early stage, we were able to limit the impact on our business operations. The measures taken, aimed at providing a safe and healthy working environment, resulted in a significant drop in productivity and coverage at our production companies. In addition, demand was lower due to the fact that our customers had problems in the realization of projects. Investments were reduced or postponed in some segments. This was particularly applicable for investments for airports, car parks, shipbuilding and the industrial sector.
- TKH made limited use of the available COVID-19 government support, mostly consisting of schemes to retain jobs or a form of short-time working. This led to a temporary reduction of personnel costs of € 6.8 million. TKH did not make any use of government aid in the Netherlands. The accounting policy used for processing

this government support received is included in note 1 of the full financial statements under 'Government grants'.

- TKH introduced various cost-saving measures, but we did not incur any significant reorganization costs directly related to COVID-19.
- TKH has not received any significant rental discounts as a result of COVID-19.
- TKH evaluated additional scenarios in its impairment assessment, which resulted in the recognition of an impairment loss of € 2.0 million, mainly due to COVID-19. For the assumptions and scenarios used, reference is made to note 3 of the full financial statements. Reference is made to note 16 for the valuation of deferred tax assets.
- Delayed deliveries of various projects, particularly in the Industrial Solutions segment, due to lockdown situations at customers, have increased working capital by an estimated € 10 million at year-end 2020. On the other hand, deferrals of tax payments had a downward impact of € 22 million. This deferred tax will be paid in the first half of 2021. TKH's increased focus on working capital management also led to a substantial reduction in working capital in the fourth quarter of 2020. Furthermore, TKH does not foresee any significant negative developments in the payment behavior of our customers to date.



- Important investment programs, such as ongoing R&D programs, have been continued. TKH has limited other investment levels where possible.
- TKH has a solid financial position and the debt leverage remains well within the covenant agreed with the banks with a debt leverage of 1.6 at 31 December 2020.

For the expected impact of COVID-19 on 2021 we refer to the section 'Outlook'.

FINANCIAL DEVELOPMENTS

Turnover declined by € 200.3 million (-13.4%) to € 1,289.4 million in 2020 (2019: € 1,489.6 million), largely due to the impact of COVID-19. TKH recorded a 9.9% organic decline in turnover. Acquisitions made in 2019 contributed 1.9% to turnover. On balance, raw materials prices had a minimal impact on turnover, while currency exchange rates had a negative impact of 0.4%. Divestments led to a 5.2% decline in turnover.

Industrial Solutions recorded the biggest organic decrease in turnover, with a decline of 20.2%. Telecom and Building Solutions recorded declines of 8.4% and 2.9% respectively.

The gross margin increased to 49.4% in 2020 from 48.2% in 2019. This increase was partly driven by divestments and acquisitions within Building Solutions and the higher turnover share of Machine Vision.

Operating expenses before one-off expenses fell by 8.0% compared with 2019. The integration programs, cost savings and lower sales costs as a result of COVID-19 accounted for a significant part of the lower expenses. However, as a percentage of turnover operating expenses increased to 38.9% in 2020 from 36.6% in 2019. This relative increase was related to the divestments made in 2020, as well as lower productivity and coverage in TKH's production companies as a result of COVID-19. Depreciations, excluding one-off results from divestments, amounted to € 45.5 million, € 0.1 million higher than in 2019.

The operating result before the amortization of intangible assets and one-off income and expenses (EBITA) declined by 21.4% to € 135.5 million in 2020 from € 172.5 million in 2019. EBITA in the Telecom and Industrial Solutions

segments fell by 25.0% and 41.8% respectively. Building Solutions recorded a 2.4% rise in EBITA. The ROS fell to 10.5% (2019: 11.6%).

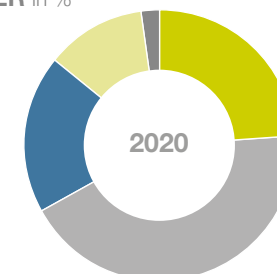
For the full year 2020, TKH recognized a one-off expense totaling € 8.9 million (2019: € 18.3 million) and an impairment of € 4.0 million (2019: € 5.0 million). These were primarily related to the execution of the Simplify & Accelerate program and the impact of COVID-19.

The amortization expense was € 3.7 million higher at € 53.7 million, due to the high R&D investments in recent years.

Financial expenses fell by € 0.8 million to € 8.4 million in 2020, due to lower interest rates. The effect was cancelled by the negative impact of exchange rates of € 2.0 million (2019: negative impact of € 0.9 million). The result from associates increased by € 1.9 million, largely due to a book profit on divestments. The operating result from associates was lower due to the impact of COVID-19 and one-off expenses.

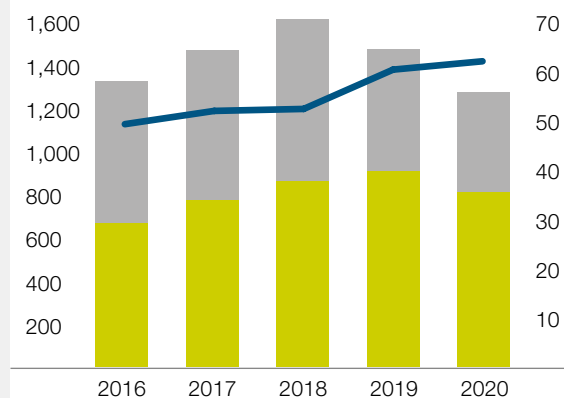
The effective tax rate stood at 24.5% in 2020 (2019: 23.1%). The higher tax rate was related to divestments and lower profits at companies with lower tax rates.

GEOGRAPHICAL DISTRIBUTION OF TURNOVER in %



	2020	2019
Netherlands	24	20
Europe (other)	43	43
Asia	19	22
North America	12	13
Other	2	2

TURNOVER FROM VERTICAL GROWTH MARKETS in million €



■ Turnover vertical growth markets
■ Turnover other markets
— Vertical growth markets in % of turnover



DIVIDEND PROPOSAL

It will be proposed to the General Meetings that it authorize the payment of a dividend of € 1.00 per (depository receipt for a) share (2019: € 1.50). On the basis of the number of shares outstanding held by third parties at year-end 2020, the pay out-ratio amounts to 59.0% of the net profit before amortization and one-off income and expenses attributable to shareholders (2019: 59.8%) and 87.3% of the net profit attributable to shareholders respectively. It is proposed that the dividend be paid out in cash and charged to the reserves. The dividend will be payable on 14 May 2021.

The net profit from continued operations before amortization and one-off income and expenses attributable to shareholders fell by 33.2% to € 70.3 million in 2020 (2019: € 105.3 million).

The net result for 2020 amounted to € 47.5 million (2019: € 113.9 million). The divestment of the majority of TKH's industrial connectivity activities, accounted for as 'discontinued operations', resulted in one-off income of € 45.2 million in 2019. Earnings per share from continued operations before amortization and one-off income and expenses amounted to € 1.69 (2019: € 2.51). Ordinary earnings per share were € 1.14 (2019: € 2.72).

The cash flow from operating activities amounted to € 187.8 million in 2020 (2019: € 182.2 million). In 2020, the cash flow was boosted by a decline in working capital, while there was little change in 2019. At year-end 2020, working capital as a percentage of turnover had fallen to 12.1% (2019: 13.0%), and therefore remained within the bandwidth target of 12-15%. The cash flow from investments in and divestments of property, plant and equipment amounted on balance to € 25.6 million in 2020, and were lower than in recent years (2019: € 30.6 million, partly due to the divestment of business premises held for sale). The investments in

intangible non-current assets related to development costs, patents, licenses and software fell to € 39.2 million in 2020 (2019: € 40.4 million). TKH spent € 0.5 million on acquisitions (2019: € 65.5 million). Divestments boosted the cash position by € 21.2 million (2019: € 83.5 million).

Solvency fell slightly to 42.3% (2019: 43.6%). Net bank borrowings, calculated according to TKH's bank covenants, fell by € 38.8 million from the level at year-end 2019 to € 261.8 million at year-end 2020. The net debt/EBITDA ratio stood at 1.6, which means TKH is operating well within the financial ratio agreed with its banks.

At year-end 2020, TKH employed a total of 5,583 FTEs (2019: 5,980 FTEs). Divestments reduced the total workforce by 248 FTEs. In addition to this, TKH had 121 (FTE) temporary employees (2019: 310 FTEs).

DEVELOPMENTS PER BUSINESS SEGMENT

TELECOM SOLUTIONS

Turnover in the Telecom Solutions segment declined by 8.6% to € 183.1 million. The organic decline in turnover was 8.4%, while currency exchange rates had a negative impact of 0.2% on turnover.

EBITA fell by € 7.7 million. This led to a 12.6% decline in the ROS.

FIBRE OPTIC NETWORKS – The COVID-19 restrictions had a strong negative impact on deliveries across Europe, especially in France. Due to the lockdowns and restrictions at customers, TKH was not yet able to translate increasing demand for bandwidth in combination with the roll-out of 5G networks into higher order intake. This resulted in lower production levels, which in turn led to lower coverage. In China, the lower market volumes put pressure on prices for fibre optics. TKH was largely able to absorb this price effect due to the higher turnover share of the connectivity systems portfolio.

OTHER MARKETS – TKH was able to absorb part of the decline in other markets thanks to the growth in broadband products for home offices. However, a number of projects were postponed as a result of COVID-19. In mid-2020, TKH terminated the production of the telecom copper cable portfolio, after the turnover of this business had already declined to a low level in recent years.

BUILDING SOLUTIONS

Turnover in the Building Solutions segment fell by 9.7% to € 672.5 million. The organic decline in turnover was 2.9%. Acquisitions made in 2019 boosted growth by 3.9%, while divestments led to a 10.4% decline in turnover. Currency exchange rates had a negative impact of 0.3% on turnover. On balance, raw materials prices had no impact on turnover.

EBITA before one-off expenses rose 2.4% to € 77.3 million. The ROS improved to 11.5% in 2020 from 10.1% in 2019.

MACHINE VISION – In the first half of 2020, a strong organic growth was realized, despite the restrictions from lockdowns. In particular, the demand for our 3D vision technology for new applications in the consumer electronics industry made a significant contribution to the growth recorded, largely realized in the first half of the year. This growth levelled off in the second half of the year. The cost savings made through the integration of 2D vision activities contributed to higher EBITA and ROS.

KEY FIGURES TELECOM SOLUTIONS

in mln. € (unless otherwise stated)	2020	2019	change
Turnover	183.1	200.5	-8.6%
EBITA	23.1	30.8	-25.0%
ROS	12.6%	15.4%	



KEY FIGURES BUILDING SOLUTIONS

in mln. € (unless otherwise stated)	2020	2019	change
Turnover	672.5	745.0	-9.7%
EBITA before one-off expenses ¹	77.3	75.5	+2.4%
ROS	11.5%	10.1%	

¹ The one-off expenses pertain to costs of € 8.6 million for reorganizations and integrations (2019: € 17.2 million).

INFRASTRUCTURE – Turnover remained stable on balance due to the increased need to invest in energy networks by network companies. This had a positive impact on the demand for energy cable systems, despite the restrictions technicians faced in the execution of their work. TKH has decided to expand production capacity for energy cable systems and expects to take this additional capacity into operation from the third quarter of 2021. The Airfield Ground Lighting (CEDD/AGL) activities were visibly impacted by the COVID-19 outbreak, as a result of investment limitations at airports due to a sharp decline in demand. Despite this, turnover did increase in the fourth quarter, partly due to a major contract for Istanbul Sabiha Gökçen Airport. The turnover in traffic monitoring systems declined due to the postponement of projects.

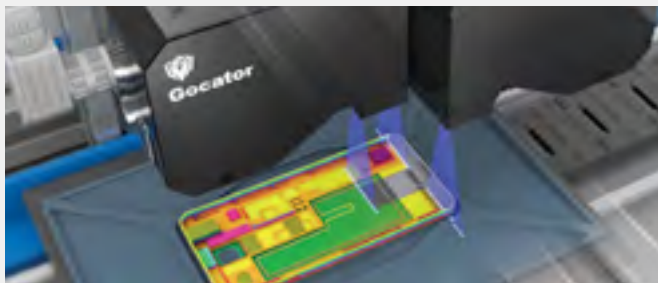
MARINE & OFFSHORE – The turnover from subsea connectivity systems was much higher than in 2019. In 2020, TKH acquired new contracts for Offshore Windfarm Kaskasi and Hollandse Kust Zuid, the largest part of which will be taken into production in 2021. Underutilization and

start-up costs due to new cable types pressured results in this market. The growth in subsea connectivity systems more than compensated for the decline on the back of stagnation in the cruise ship building sector.

PARKING – Turnover declined sharply compared with 2019, as projects at and tenders for airports and shopping malls ground to a halt due to the impact of COVID-19. This impact was particularly marked in North America, which is an important market for TKH. TKH anticipated lower investment levels at its customers by sharply reducing its operating costs. In addition to this, TKH initiated the further integration of its parking and security organization in the third quarter, with the aim of optimizing its synergy benefits.

CARE – Despite the increased demand for our communication technology for care alarm systems and elderly care, turnover fell due to the fact that installation opportunities for care institutions were limited by the COVID-19 pandemic.

OTHER MARKETS – The building & construction market was faced with restriction on the execution of projects and the COVID-19-related restrictions had a negative impact on production levels.



INDUSTRIAL SOLUTIONS

Turnover in the Industrial Solutions segment fell by 20.3% to € 433.7 million. The drop in turnover was largely the result of postponements of the completion of projects at customers due to lockdown situations. Currency exchange rates had a marginal impact of 0.1% on turnover. The organic decline in turnover was 20.2%.

EBITA fell by 41.8%, due to the sharp decline in turnover and the resultant lower coverage and a limited costs decrease. The ROS fell to 10.9% in line with this decline in turnover (2019: 15.0%).

TIRE BUILDING – Turnover declined as a result of the postponement in the completion of various projects due to lockdown situations at customers. The drop in demand at tire manufacturers led to the postponement of investments, which in turn resulted in lower order intake, mainly in the second and third quarter of 2020. We noted a recovery in order intake in the fourth quarter, with a relatively high proportion of the orders from China. The share of the

top-five tire manufacturers in this order intake was still limited. The development of the UNIXX (a new tire-building platform) is progressing well, but the completion is being delayed as a result of access restrictions at the location of the launching customer due to COVID-19.

CARE – Following the successful delivery of the Indivion, the high-grade medicine dosing and distribution system, in late 2019, TKH made a breakthrough with the Indivion technology in North America in 2020. TKH was recording turnover growth in the second half of the year.

OTHER MARKETS – Turnover in the industrial sector came under pressure as a result of a lack of willingness to invest, especially among machine builders and in the robotics industry. This had a negative impact on TKH's industrial connectivity activities, primarily due to the reduction of inventories.

KEY FIGURES INDUSTRIAL SOLUTIONS

in min. € (unless otherwise stated)	2020	2019	change
Turnover	433.7	544.2	-20.3%
EBITA before one-off income and expenses ¹	47.3	81.4	-41.8%
ROS	10.9%	15.0%	

¹ One-off income and expenses due to a book profit of € 2.0 million on the sale of business premises and reorganization costs of € 0.3 million (2019: expense of € 1.1 million).



TURNOVER VERTICAL GROWTH MARKETS 2020 in million €

FIBRE OPTIC NETWORKS

TURNOVER	122
BANDWIDTH GROWTH SCENARIOS	175-200

MACHINE VISION

TURNOVER	173
BANDWIDTH GROWTH SCENARIOS	250-300

INFRASTRUCTURE

TURNOVER	131
BANDWIDTH GROWTH SCENARIOS	150-200

MARINE & OFFSHORE

TURNOVER	55
BANDWIDTH GROWTH SCENARIOS	150-200

PARKING

TURNOVER	37
BANDWIDTH GROWTH SCENARIOS	150-200

CARE

TURNOVER	52
BANDWIDTH GROWTH SCENARIOS	70-100

TIRE BUILDING INDUSTRY

TURNOVER	242
BANDWIDTH GROWTH SCENARIOS	450-550

OTHER VERTICAL MARKETS

TURNOVER	477
BANDWIDTH GROWTH SCENARIOS	450-500

ACQUISITIONS, DIVESTMENTS AND INVESTMENTS

Acquiring companies is anchored in TKH's strategy and contributes to the intended value creation by strengthening TKH's proposition both technologically or geographically. In the case of acquisitions, we focus on structurally healthy companies that align with our core technologies and the associated vertical growth markets, or that strengthen our geographic footprint. The strategy transformation program 'Simplify & Accelerate', introduced in 2019, includes a divestment program with the aim of divesting € 300 to € 350 million in activities, focused at activities with a lower profit potential.

ACQUISITIONS

No material acquisitions took place in 2020.

DIVESTMENTS

In November 2019, TKH announced that it had reached an agreement with Shanghai Electric Group Company Ltd. in Shanghai (China) on the sale of TKH subsidiary Zhangjiagang Twentsche Cable Co. Ltd. ("ZTC") in Zhangjiagang, China. ZTC specializes in the production of copper data communication cables and achieved in 2019 a turnover of € 69.6 million an EBITA of € 5.0 million with 198 FTE. This divestment was completed in January 2020.

In April 2020, TKH completed the sale of Cruxin B.V. in Capelle a/d IJssel (Netherlands) to Croonwolter&dros (Netherlands). As a system integrator, Cruxin specializes in the design and engineering of integrated technical solutions, where security and safety systems and process-critical communication systems are combined into integrated solutions. Cruxin achieved in 2019 a turnover of € 10 million and an EBITA of € -0.8 million with 49 FTE.

INVESTMENTS IN TANGIBLE NON-CURRENT ASSETS

In 2020, the net investment in tangible non-current assets, excluding right-of-use assets, totalled € 28.0 million (2019: € 31.8 million). In addition, a property held for sale was sold for € 3.9 million. Part of the investments concerned replacement investments. An important part of the investments related to the expansion of building and production capacity, including:

- Upgrading of production capacity for subsea cable systems.
- Expansion of production capacity for energy cable systems for energy networks.
- Integration of cable production capacity of Ittervoort in Haaksbergen.
- Expansion of the production capacity for 2D and 3D smart sensor technology.
- Expansion of building capacity for smart manufacturing (Industrial Care and Tire Building Industry).

Depreciation on tangible non-current assets totalled € 29.8 million in 2020 (2019: € 29.5 million).



INVESTMENTS IN INTANGIBLE NON-CURRENT ASSETS

In 2020 € 39.6 million was invested in intangible non-current assets (2019: € 40.5 million). The most important investments involved the (ongoing) development of our technologies for solutions for our vertical growth markets, as well as related patent fees. These include new generations of tire building systems, subsea portfolio and production technology, contactless energy and data distribution (CEDD), communication systems, an integrated security platform, parking management and guidance technology and 2D and 3D vision portfolio.

Expenditure on our acquisitions amounted to € 0.5 million (2019: € 65.5 million). As a result, intangible non-current assets increased by € 0.6 million because of purchase price allocations for the acquired brand names, customer databases, intellectual property and goodwill paid (2019: € 80.5 million).

TALENT EMPOWERMENT

The quality of both the organization and its employees is a decisive factor in the success of the TKH Group. We demand much from our employees, who have a clear idea about that which 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 best possible so that they can carry out their work with enthusiasm. We provide our employees with a healthy working environment where safety comes first, and we give them opportunities to develop.

ORGANIZATIONAL STRUCTURE

TKH has a devolved organizational structure, assigning responsibilities as far down the organization as possible. An 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 Finance & Control, Director Corporate Development and the Company Secretary. The Executive Board is responsible for the decisions taken by the Management Board and bears ultimate responsibility as provided for in 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 work together to discuss technological, portfolio and business developments within the TKH Group with the Management Board. This platform also provides an opportunity to involve young talent in the development and execution of strategy at an early stage, thus promoting management development.

During the year under review, further steps were made towards simplification of the organizational structure, allowing concentration on activities with a greater value-creation potential. Integration of operating companies, with the focus on the benefits of economies of scale, makes it possible to capitalize on operational synergies and better deploy the available expertise. As a result, it is possible to clearly address activities such as product development, procurement, marketing, communications and sales; an approach that leads to consistency in both branding and customer service. The number of operating companies has been further reduced due to divestment of activities which, in view of their nature, have narrow profit margins or limited autonomous growth potential.

CULTURE AND RISK MANAGEMENT

TKH has a culture in which entrepreneurship is encouraged. Organizational risks associated with entrepreneurship are easily identifiable through a clear framework of responsibilities and authorizations. An open and transparent culture in the organization, coupled with the capacity to be selfcritical,

MANAGEMENT BOARD



MANAGEMENT BOARD TKH GROUP

Alexander van der Lof MBA (Executive Board, *chairman & CEO*)
 Elling de Lange MBA (Executive Board, *CFO*)
 Harm Voortman MSc (Executive Board)
 Erik Velderman MBA
 Gertjan Sleeking
 Renate Dieperink MBA



enables it to deal with responsibilities and authorizations correctly, and identify risks in good time. Risk management is firmly embedded in our management model. This is characterized by short lines of communication with the Executive Board and it is 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 sound reference framework, such as budgetary and historical information, helps us to quickly and effectively detect deviations from the agreements and, where necessary, to 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. In this way, it is possible to get an insight into market, financial, commercial and sustainability developments. The reports give both quantitative and qualitative information, and are structured along the lines determined by TKH. This encourages transparent reporting on both positive and negative issues.

TKH aims to have an open business culture in which employees are acknowledged and heard and, in that respect, highly values 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 properly considered decisions. A clear-cut

code of conduct, operational control and a zero-tolerance policy in relation to 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 accordance with the standards and values that we aspire to. Cultural aspects are assessed by means of an employee satisfaction survey, which makes the points on which there is room for improvement clear. The Executive Board maintains direct contact with employees within all parts of the organization by, for instance, attending presentations given by employees, participating in project meetings or by taking part in informal gatherings.

EMPLOYEE REPRESENTATION

The interests of the employees are promoted at operating company level by the local Works Councils, and at the TKH group level by the Central Works Council. These councils ensure on-going 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 with each other. The topics discussed were the results and organizational developments, progress in the strategic transformation process, the budget, investments and the TKH annual report. Special topics dealt with during the year under review were the appointments/re-appointments to the Supervisory Board and the divestments. Due to the COVID-19 measures, which included restrictions on gatherings, it was not possible to hold the annual Works Council Day. This was to be a Works Council Day that would strengthen the bond between the various Works Councils of the Dutch operating companies, and to share knowledge and experiences. TKH believes that consultations with the Central Works Council and other Works Councils are

CENTRAL WORKS COUNCIL

The members of the Central Works Council are:

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)





important and attaches great value to an open dialog. We believe that adopting an active approach to employee representation helps us stay alert.

GOOD & RESPONSIBLE EMPLOYMENT PRACTICES

The importance of good employment practices, in which responsibility is taken to provide a healthy and safe working environment for all employees, was reinforced in the year under review because of the COVID-19 situation. The measures enforced so that we could continue to guarantee the health and safety of our employees have repeatedly had high priority, as has business continuity. The mandatory measures, such as the requirement to work from home, demanded a lot of flexibility and adaptability from our employees. This situation calls for a different skill set in terms of communication and partnership.

The COVID-19 situation prompted a different style of leadership from senior management in relation to communication and administration of work, which was increasingly being arranged virtually. In the context of continuing involvement and motivation, it was clearly important to draft clearly-worded guidelines on how to remain healthy and continue to work safely (from home or otherwise) and frequently update our employees on our approach and overall view of the altered situation. We frequently published employee announcements and video messages from the management of the operating companies and the Executive Board. Each operating company and the parent organization TKH, has also opened a hotline through which our employees can ask questions about COVID-19 and all measures associated with the pandemic, and also express any health-related concerns.

The COVID-19 situation has led to a wide range of adjustments in the working environment, ranging from reconfiguring work stations to accommodate enforcement

of the 1.5 meter social-distancing requirement and creating one-way flow routes, to closing canteens and other public spaces. Making it possible to work from home in a way that is both healthy and safe was also an important issue in the year under review. This included providing ergonomic advice on home workstations, while resources such as adequate office chairs and IT equipment were made available. IT security was also once more under scrutiny due to the steep increase in work from home, as was adherence to the applicable IT guidelines, not least because of potential cybersecurity risks. Some of the measures that we have had to implement, such as working from home, will continue even once the coronavirus crisis is behind us. This means that we, the employer, must design an unambiguous policy to accommodate this measure.

EMPLOYEE SATISFACTION

In times of uncertainty, it is all the more important to be able to measure good employment practices. We have been carrying out employee satisfaction surveys (ESS) for a long time, in a cycle of around three years. 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. In order to get an insight into the impact of the COVID-19 restrictions and measures on our employees, certain operating companies have carried out a satisfaction survey that had a special focus on the impact of COVID-19 on employees, such as the requirement to work from home, working together 'virtually', the balance between work and private life, and internal communication. Open questions were among the tools used in the survey to give employees the opportunity of making their experiences during the COVID-19 pandemic and needs for the future known. We will amend our HR policy on the basis of the results of the study and a robust plan of action.

EMPLOYEE SATISFACTION

On a scale from 0 to 10



7.4

2019:
7.3

LTIF (LOST TIME INJURY FREQUENCY)

Number of accidents with absenteeism per 1 million hours worked



0.8

2019:
0.7

NET PROMOTER SCORE

On a scale of -100 to 100



+12.0

2019:
+7.0

EMPLOYEES WITH A DISADVANTAGE ON THE LABOR MARKET

Number as of December 31



100

2019:
120

A SAFE AND HEALTHY WORKING ENVIRONMENT

Safety awareness and safety performance are important focus areas within the TKH group. Preventing industrial accidents and encouraging a professional safety culture form an important basis in that respect. We achieve this by being transparent about accidents and near-misses so that employees are more alert to risky situations and can react more rapidly. The manufacturing companies provide information on safety within the organization and clear work instructions regarding machinery safety are available. Strict measures are taken to ensure that requirements such as the mandatory wearing of safety shoes and protective clothing are complied with. We also encourage employees to draw each other's attention to situations that could lead to dangerous incidents.

In the year under review, the aim for operating companies for which safety is an important factor due to the nature of the work they do, was to obtain ISO 45001 certification. 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 improves. 75% of TKH operating companies 'in scope' are certified under the ISO 45001 standard.

In order to make safety demonstrable, emphasis is being placed on specific, measurable performance targets for safety measures, including LTIF (Lost Time Injury Frequency) and illness rate. The LTIF figure for 2020 has risen slightly in relation to last year, although the number of accidents fell by over 30%. The cause of the slight rise in the LTIF figure is related to a decline in productive hours due to factors including the mandatory lockdowns as a result of COVID-19.

The illness rate was 3.51%, which is above last year's level (2019: 3.26%) but below the target of a maximum of 4.0%.

COVID-19 has had the greatest impact on the rise in illness rate amongst other things due to lockdowns. By acting quickly and responding with appropriate measures to address the COVID-19 situation, in order to guarantee the health of our employees, we were able to keep absence to an acceptable level. In addition to the physical condition of our employees, extra attention was paid to the potential psychological impact of COVID-19 on their private life/work situation, and to how people can remain energetic and healthy.

DIVERSITY & INCLUSIVITY

TKH is an international group of companies with a workforce that consists of 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, including a mix of men and women as well as a balanced distribution of ages. There is good job occupancy at junior, mid and senior levels. The current age structure also leads to manageable staff turnover due to retirement.

Because the workforce is representative of the various aspects of diversity a wide range of skills can be utilized, which leads to greater objectivity and dynamism. We continue to believe that skills and experience are the main criteria for selecting the right candidate.

In order to bring diversity to people's attention in the organization, specific programs have been set up with different approaches to better embed this in the organization. There are programs for middle and senior management to bring gender diversity more into balance in terms of jobs and consultation structures. This group plays a key role in the strategic development of the TKH Group and acts as a sounding board for top management at the operating companies and the Executive Board. Moreover, this group



is relevant in the context of succession planning. Operating companies are themselves responsible for improving the gender mix within their organizations; progress in this respect is closely monitored by the Executive Board.

Likewise, inclusivity is part of the diversity policy. In our appointments policy, we are committed to providing a suitable working environment for people with a disadvantage on the labor market. We create work experience opportunities for the long-term unemployed or people returning to the labor market. Workers from sheltered employment are deployed to perform repetitive work. In the year under review, the number of employees with a disadvantage on the labor market fell, particularly because of a drop in the level of activity in segments in which these employees are largely active.

TKH pursues a strict policy of equal treatment for all employees regardless of race, nationality, ethnic background, age, religion, gender, sexual orientation or handicap.

NUMBER OF FTEs

Workforce as of December 31



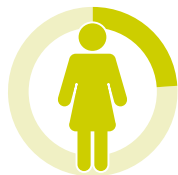
5,583

2019:
5,980**RATIO MEN/WOMEN**

Workforce as of December 31



77%



23%

EDUCATION HOURS/FTE

Average hours



18 hours

2019:
24 hours

We do not differentiate between men's and women's basic salaries and apply market-based remuneration. In addition to a fixed basic salary, the remuneration structure may include incentives such as a profit-sharing scheme, performance-related bonuses, a share option scheme, or share-based remuneration for senior management. There may be differences between countries depending on local market practice and the tax and social security structure. We have a remuneration policy based on the requirements of the job, and the experience and skills of the individual.

For the majority of Dutch employees, we adhere to the social conditions of employment as stated in a collective labor agreement applicable to the sector (CAO). Agreement-related rules are observed in those operating companies where there is no collective labor agreement. We apply a similar policy for foreign operating companies, in line with local laws and regulations. TKH ensures that such schemes are correctly drafted and observed, particularly as regards periods of notice, restraint-of-trade 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 company to be acquired is one of the subjects examined during the due diligence process.

At year-end 2020, the number of employees (in FTEs) was 5,583 (2019: 5,980 FTEs). As a result of divestments, the number of employees fell by 248 FTEs. At year-end 2020, there were 121 (FTE) temporary employees employed (2019: 310 FTEs). The decline in temporary labor occurred mainly within manufacturing systems.

At the end of 2020, 23% of the workforce consisted of women, which is round about the same level as last year. The nature of our work is largely technical. Together with the supply on the labor market, this is the main reason for

the present distribution of male and female employees. However, we do see women increasingly choosing technical professions so that we can more specifically select and recruit women for technical positions within our organization.

DEVELOPMENT OPPORTUNITIES

Talent and management development are of great strategic value. Employee 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 guide them to the next career step. At the same time, we are alert to the need to retain critical skills in order to secure our strategic agenda in relation to technological developments and innovations.

Our employees are encouraged to develop in the direction they aspire to. Education and training are an indispensable part of maintaining our knowledge level. We make training budgets available to further develop our employees' skills and to broaden their employability.

We organize in-company training, with the help of external professionals, so that this matches normal practice at TKH as closely as possible. New employees follow 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 put forward by the management teams of the operating companies on the basis of predetermined selection criteria. The Executive Board has a pro-active role in the MD program, making contributions such as guest lectures.



In the year under review, fewer hours were spent on training and other courses. The COVID-19 restrictions meant that most training courses could not go ahead as planned. There were a few cases in which the courses could be transferred to the virtual environment. In-company training courses were also suspended, as a key aspect of the success of such opportunities is group dynamics and providing an insight into day-to-day practice by means of a company visit. In place of this webinars were organized, but this failed to compensate for the number of training hours lost. With 18 hours per FTE in training hours, the target of 16 hours per FTE was reached in the year under review.

To recruit new 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 minors in order to attract potential talent at an early stage. In addition, we use targeted programs to attract more students with limited or lower educational attainment - such as those on vocational training - in order to give them an opportunity to improve their skills and qualities in practice and interest them in a possible job in our organization.

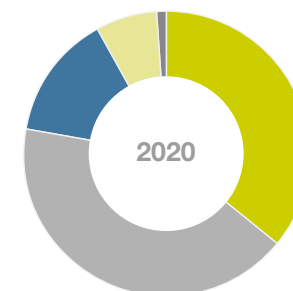
Recruitment of this kind is a high-priority area. We are seeing an increasing scarcity of qualified personnel, especially in the technical positions. It will become more challenging to fill such positions in the coming years. We have seen that positioning our operating companies under the TKH brand has had a positive effect in attracting new employees. Employer branding is increasingly being used to reach future talents and arouse their interest. When recruiting external candidates, we increasingly use referral recruitment, in which we ask employees to propose new colleagues. In this type of recruitment, the chance of a match is high because our employees can make a good

assessment of whether a potential candidate is suitable for the position and fits the organization. The COVID-19 situation has led to talented workers who may previously have been difficult to attract being more readily available on the labor market. This meant that critical positions could be filled rapidly. Where capacity became available due to reduction in demand or other restrictions, employees were (in some cases temporarily) deployed to fill other positions where possible.



GEOGRAPHICAL SPREAD OF WORKFORCE

in %



	male	female	total
Netherlands	31	5	36
Europe (other)	29	13	42
Asia	11	3	14
North America	5	2	7
Other	1	0	1



BEING RESPONSIBLE

As a matter of strategic priority, sustainability is firmly embedded in our day-to-day operations, and sustainability initiatives being integrated into our organization. Our policy for corporate social responsibility provides a framework for both our short- and medium-term plans without losing sight of company interests. This means that every business decision is made not only in the light of its effect on profitability but also its possible consequences for the people involved in and around our organization, and its impact on the environment and our reputation. In achieving our financial and non-financial targets we take into account our social responsibilities in relation to all relevant stakeholders.

TKH conducts its activities in accordance with principles of honesty, integrity and transparency. We notify our stakeholders of our operations and developments in the company. We underpin our sustainability policy on the basis of 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, the OH&S system ISO 45001 (occupational health and safety) and the EN-16247 energy audit system, which is related to the European Energy Efficiency Directive.

SUSTAINABLE PRODUCTION & MATERIAL EFFICIENCY

Sustainable business practice also includes sustainable management of resources. We focus on production efficiency with the 'operational excellence' program, so we never lose sight of issues such as reduction of energy consumption and use of raw materials. At all our production companies, from the design stage, we 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, plastics and aluminum. All waste produced is in the non-hazardous waste category.

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 two approaches to this:

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

Total waste from the most relevant raw materials, compared to total material consumption, was 6.6% in the year under review, compared with 7.2% in the previous year. Due to the measures required in response to COVID-19, productivity and coverage in the production companies fell, which also had an impact on the optimization of the production process and alignment of the production system to the products to be produced. This meant that the target set for a maximum of 5% waste compared with total consumption of materials could not be hit. Nonetheless, the growth in reduction of waste expressed as a percentage (8.5%) shows that measures to reduce waste have been implemented effectively, and that we are well on the way to further reducing our waste flows.

Of the total waste from the most relevant raw materials, 84.3% was recycled (2019: 85.5%), while our target is at least 50%. Our copper supplier reprocesses pure copper waste into fully usable copper. So the figure for copper was almost 100% waste recycling. 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 and odd lengths of cable are sorted as much as possible, and we are looking into the possibility of completely recycling the cables. The same applies to the plastics used as insulation and sheathing material. The improvement in recycled waste is also due to investments in production equipment for the in-house recycling of cable waste.

In selecting raw materials and other materials, we take sustainability criteria into account, alongside price and quality, of course. Partnership in the value chain also plays 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



chain. Sustainable cable composition is given high priority in the cable manufacturing companies, and we continue to look for innovative manufacturing techniques and possibilities to improve efficiency in the value chain. We conduct discussions in the value chain on how processes and products can be made more sustainable, so that we can make more effective use of resources.

We are trying to reduce the impact our activities have on the environment as much as possible by continuously measuring and improving our environmental performance. Our activities may cause nuisance in the surrounding area. We make every effort to prevent this or to reduce it to a minimum. 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 the corrective or preventive measures.

CLIMATE CHANGE

The potential impact of climate change on our strategy and our business model has received plenty attention in the year under review. Based on recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), in the year under review we extensively analyzed potential risks to our operations posed by climate change, and how any such climate-related risks could be converted into opportunities by means including our innovations that make a contribution to climate-change adaptation or climate-change mitigation.

The analysis carried out identified four possible risk areas that could have an impact on TKH's strategy and operations.

RISK AREAS

Risk area	Risks
Laws and regulations	<ul style="list-style-type: none"> Future implementation of CO₂ taxation/pricing will mean a rise in operational and compliance costs.
Technology	<ul style="list-style-type: none"> High investment costs involved in bringing technology up to the standard at which it can meet the demand for products and services that can offer reduced emissions.
Market demand and market change	<ul style="list-style-type: none"> Failure to match up to the expectations of key stakeholders including customers and investors in relation to information on how we are meeting the challenges of climate change.
Scarcity of resources	<ul style="list-style-type: none"> Increasing volatility in prices of raw materials/resources and materials.

The analysis also highlighted seven possible opportunity categories that we could possibly use to increase our positive contribution in relation to climate change and climate-change mitigation.

OPPORTUNITY CATEGORIES

Opportunity category	Opportunities
Efficient use of production processes	<ul style="list-style-type: none"> Further implementation of more effective production processes via our 'operational excellence' program.
Use of energy sources with lower emissions	<ul style="list-style-type: none"> Further implementation of CO₂-neutral operations.
Development of new products and services by means of R&D and innovation	<ul style="list-style-type: none"> Access to a markets with our innovations.
Focus on zero-emissions products and services	<ul style="list-style-type: none"> Rise in turnover due to demand for those of our innovations that result in lower emissions. Distinctiveness compared with the competition.
Participation in value chain (and other) programs for generation of sustainable energy	<ul style="list-style-type: none"> Contribution to hitting internationally-agreed targets in relation to climate mitigation.
Circular economy	<ul style="list-style-type: none"> Continuation of waste-reduction targets and recycling ambitions, so that we can make a sustainable and demonstrable contribution to the circular economy.
Participation in initiatives for renewable energy	<ul style="list-style-type: none"> Deployment of our knowledge.



Follow-up action includes discussing the results of the analysis with our strategic stakeholders in order to obtain a validated overview of the most significant threats and opportunities. In that way we can gain insight into acceptance and mitigation of threats, and we can take further steps to bring opportunities to fruition. This will ultimately result in a climate threat profile: a blueprint of how we aim to face up to climate change. The climate threats we have identified will also be embedded in the risk-management system, so that such topics are safeguarded at organizational level.

CO₂-REDUCTION

Efficient energy consumption and reduction of CO₂ emissions are important performance indicators for all our locations. For many years we have been pursuing targeted energy reduction and, where possible, encouraging the use of sustainable sources of energy. By constantly improving our production and procedures and continuing to investigate new, energy-efficient solutions, we are endeavoring to take the energy factor into consideration wherever possible. By doing so we are attempting to keep both CO₂ emissions and energy costs to a minimum.

Energy consumption primarily focuses on electricity (kWh) and natural gas (m³). At 74% of the total kWh consumed, 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 26% of the total kWh consumption and is used for heating buildings and, to a smaller extent, for process heating. The consumption of diesel and fuel oil has declined in recent years, and is now just 0.3% of total consumption.

Energy consumption (in kWh), at 15.5%, was considerably lower compared with 2019. The COVID-19 situation had a great impact on this with closure (in whole or in part) of

locations, and lower productivity at the production plants. The divestments also had an effect compared with the basis for comparison with last year.

The reduction target for CO₂ emissions and the reduction measures tied to that focused on reducing our electricity consumption (scope 2), and the reduction in consumption of fossil fuels (scope 1), such as natural gas. For the year under review we have set ourselves the target of 2.5% reduction in CO₂ emissions compared with the reference year, 2015. The ultimate reduction came out at 5.8%; in other words we surpassed our target by quite a margin, despite investments in production facilities in the past few years that have had a rising effect on energy consumption and, as a result, CO₂ emissions.

To a limited extent, TKH uses green certificates in order to make an accelerated contribution to the reduction of CO₂ emissions. The extent of this remained unchanged in the year under review compared with last year, so it can be said that the energy reduction achieved is directly related to efficiency effects in operations.

Under the terms of the EU Energy Efficiency Directive (2012/27/EU), member states must ensure that large-scale organizations undergo an energy audit, with the aim of gathering information on real-time energy consumption and gaining an insight into the potential for energy savings. At country level, where applicable, TKH has drawn up an integrated plan for energy efficiency to comply with the terms of this Directive. We use the subject matter of these plans for our reports on energy reduction. The identified potential for making savings is monitored frequently in order to be able to safeguard adherence to actions for improvement. Energy-saving measures that have already been implemented relate to the replacement of conventional lighting with LED lighting, replacement of central-heating

boilers with energy-efficient models, replacement of LPG lift trucks with electric lift trucks, monitoring and reducing energy peaks and investing in energy from sustainable sources, such as solar panels.

TECHNOLOGICAL INNOVATIONS WITH AN IMPACT ON SUSTAINABILITY (SDGs)

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 with regard to its sustainability principles. Satisfying sustainability criteria plays an increasingly decisive role in our customers awarding contracts. We are making a significant contribution to the SDGs by means of our innovative product portfolio. Approximately 70% 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 the customer's wishes. In this respect, sustainability criteria are becoming increasingly relevant. We are also devoting attention to sustainable innovation based on our innovation objective. We have set ourselves the target that at least 15% of our turnover should derive from innovations introduced in the two preceding years. In the year under review the proportion of innovations in turnover figures was 21.1% (2019: 20.5%).

Our products and systems have the relevant accreditation marks and certificates, and are supplied with clear manuals and specifications. If desired, we can supply measurement and test reports to demonstrate the quality of our products and systems. Products are tested for a continuous improvement process based on the specifications.

REDUCTION IN ENERGY CONSUMPTION

in kWh

**15.5%**compared with
2019**REDUCTION OF CO₂ EMISSIONS****5.8%**compared with
reference year 2015

The potential impact on health and safety is also taken into account. All cables for fixed installations in construction works - both for structures and civil engineering - for the European market are certified in line with the Construction Products Regulation (CPR) in accordance with the NEN 8012 standard. NEN 8012 is used to determine the fire class and is an indication of the behavior of cables in the event of fire, with the aim of limiting the development of fire and smoke.

TKH's technologies and solutions support the sustainability ambitions of 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 CO₂ emissions. TKH vision technology has become an indispensable application that optimizes manufacturing processes, and automates and perfects 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 with regard to efficiency and sustainability requirements, taking 'customer intimacy' as our starting point. This annual report uses a number of business cases to further substantiate our sustainable, innovative portfolio, linked to the SDGs.

CUSTOMER SATISFACTION

High-quality technologies, solutions and corresponding services are essential to our commercial clout. 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 three-year cycle. Based on the outcomes we can take specific action to serve our customers even better. The average score of the customer satisfaction surveys is 8.1, 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

TKH highly values the integrity of its employees' conduct. Clear guidelines, operational control and a zero-tolerance policy in relation to 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 in force a code of conduct to ensure that every employee acts according to TKH's conduct guidelines. The code of conduct uses the OECD guidelines as a reference framework. Each employee confirms in writing that they will act in accordance with the code of conduct. The code of conduct is linked to a sanctions policy in cases of unacceptable behavior. The managers of our operating companies are responsible for implementing the code of conduct within their organizations. The code of conduct has been signed by 93.7% of the total number of employees. The desired 100% has not been achieved due, among other things, to a longer lead time than intended for signing the code in the case of new employees. We are maintaining close contact with the operating companies and establishing clear rules to eliminate such delays as quickly as possible. Internal Audit ensures that the code of conduct is complied with in all parts of our organization. There is close co-operation with TKH's Compliance Officer and Legal Advisor. Among other things, the Internal Control Framework

CUSTOMER SATISFACTION

On a scale from 0 to 10



8.1

2019:
7.9**NET PROMOTER SCORE**

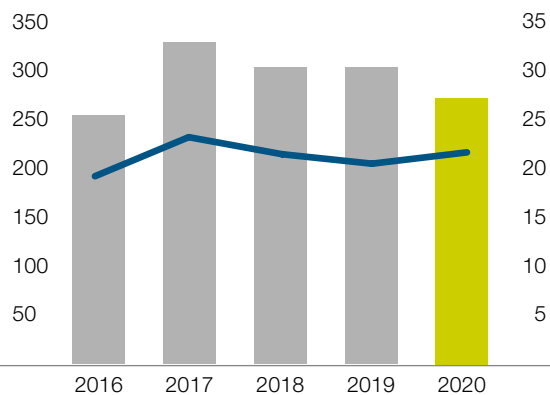
On a scale of -100 to 100



+23

2019:
+16**TURNOVER FROM INNOVATIONS**

in million €



■ Turnover from innovations
— Innovations in % of turnover

is used to effectively monitor and assess possible bribery and corruption risks. The code of conduct can be downloaded from the TKH website.

Part of the code of conduct is a whistleblower scheme. All TKH employees may report suspicions of wrongful conduct at TKH. Such a report will not affect the position of the whistleblower if the report is made in accordance with the procedure established for that purpose. In the past year, no reports were received in accordance with the whistleblower scheme. It is difficult to draw clear conclusions about the level of awareness of acting with integrity, and the possibility of reporting abuses. We believe it is important to promote an open and transparent culture and we measure such issues in the employee satisfaction surveys.

With regard to issues that are material to us, we expect a zero-tolerance policy from our suppliers too. Our principles are recorded in a code of supply, which targets such issues as human rights, the environment, occupational health and safety, and ethical behavior. Our requirements are laid down in the code of supply and focus on human rights, the environment, health, safety and ethical conduct. Every supplier with a purchase volume above € 1 million must sign the code of supply. Within a maximum of two years after a code of supply has been signed, there must be an assessment of the supplier in question to review the items stipulated in the code. In the year under review, site visits to suppliers were severely restricted due to COVID-19. However, where possible, aspects from the code of supply and the associated assessment were discussed and/or implemented in virtual sessions. Internal Audit has included auditing the processes to be carried out in relation to the code of supply in its work program.

We have included provisions regarding the respecting and safeguarding of human rights in both our code of conduct

and the code of supply. Our policy is not to tolerate any violation of any human right. We use the OESO guidelines as a reference framework to enable us to quickly identify potential risks. These OESO guidelines refer to the Universal Declaration of Human Rights, which states that all parties in society, including companies, are obliged to respect and safeguard human rights. In the assessment that we carry out with suppliers in the context of our code of supply, we question the supplier on its observance of human rights, and discuss possible areas in which discrimination may be an issue, the right to social security and the risk of child labor in the chain. The assessments carried out with suppliers have revealed no 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 gives people more rights and organizations more obligations to handle personal data carefully. Internal Audit covers this theme of human rights as part of its auditing activities and questions our managers about their observance of human rights and whether there are any potential human rights conflicts that could arise, chiefly in the value chain in which we operate.

ANTI-COMPETITIVE BEHAVIOR AND SANCTIONS

TKH fights 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 are in conflict with legislation. In order to safeguard this, internal guidelines drawn up for strategic management within the TKH Group must be followed. The guidelines contain rules relating to decision-making procedures and internal authorizations. The TKH code of conduct also applies in this respect. Naturally, we abide by the applicable competition legislation. Internal Audit has an important auditing function regarding our compliance with laws and regulations. In the event that sanctions are

imposed on our company by authorities, we will explain the cause and the corrective actions that have been taken. In 2020, we did not incur any sanctions.

COMMUNITY INVESTMENTS

TKH sponsors social activities and supports charities. The reason for this is our social engagement, hence we have been supporting social initiatives in health, sport and culture. We regard sponsorship as a means of giving something back to people or organizations that need help. We wish to remain objective in this, which is why we do not support projects of a religious or political nature. We also use sponsorship to enhance our brand recognition and draw attention to our technologies and solutions. There is a distinction between sponsorship at TKH (holding company) level and sponsorship at operating company level, which mostly focuses on specific business activities or takes place locally. Participation by our employees in social, sporting events are supported financially, something which enhances social engagement and commitment with our group. We also support cultural initiatives and local cultural heritage.

PRIVACY & IT SECURITY

Due to increasing alertness to potential cyber risks, IT & Security has been high on the strategic agenda and a clear IT Security policy has been drawn up at TKH. In addition, IT audits have been carried out at operating companies on the basis of which action plans have been drawn up to address vulnerabilities in IT systems. As a result of the IT audits, the issues of cybersecurity and cyber risks have been given high priority within the organization and awareness of potential risks has been raised. Communication on cybersecurity takes place by sending out regular newsletters for example. Penetration tests have also been carried out at some operating companies to determine whether the organization is sufficiently resilient to possible digital attacks. These tests have provided insights into potential vulnerabilities of the

IT infrastructure and their possible consequences. The ultimate goal is to implement safe processes and effective controls, and to create a safe and honest culture. The subject is a recurring item on the agenda in meetings of the Executive Board as well as in Audit Committee meetings. This ensures permanent attention to this topic. IT & Security is part of the immediate focus area of Internal Audit. Further information about IT & Security is included in the Risk Management chapter.

European legislation on the protection of private information, 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 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. A privacy regulation 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

TKH Group's tax department focuses on compliance with applicable tax laws, regulations and ethical standards in the countries in which we operate. The tax department is guided by TKH's core values, does not aim at aggressive tax planning (including so-called tax havens) and strives to limit tax risks. The tax department has a global responsibility for the tax position of TKH group, in particular with regard to income tax and related aspects such as transfer pricing. In carrying out this task, the long-term considerations and interests of TKH's various stakeholders are taken into account.



The tax strategy is aligned with TKH's organizational values and forms an important part of the policy surrounding TKH's corporate social responsibility. The tax strategy is regularly discussed with 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 tax is paid where economic activity and value creation occur to a significant extent. For TKH, this is one of the elements that are relevant in the context of a fair-share tax contribution.

Tax systems around the world and their application are becoming increasingly complex. In order to keep abreast of these developments and comply with them, permanent education is provided for the tax department and internal training modules are regularly organized for the financial departments of the various TKH operating companies, with attention paid to technical as well as other tax issues, including tax dilemmas.



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 dialog both with the Dutch tax authorities and those of other countries. In the Netherlands, this is explicitly laid down in the 'horizontal monitoring' covenant. Consultations with the fiscal authorities are progressing on how this can be taken further once this covenant has been fully developed. In this respect, we actively co-operate 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 also meets the expectations of the Dutch Tax and Customs Administration. In addition, it aims to ensure that activities are only taxed once at a generally accepted tax rate where the business is conducted.

TKH submits an annual Country-by-Country report (CbC) to the Dutch Tax and Customs Administration. This report is made available to the tax authorities of the countries in which TKH operates through the appropriate channels. In the year under review a monitoring and reporting system has been set up in relation to administrative cooperation on cross-border tax arrangements (DAC6).

The following table shows the tax paid in 2020 by region. The tax paid is often different from the calculated tax burden, due to prepayments that differ from the final tax burden. This may be caused by such things as temporary differences, deferred taxation and uncertain tax positions.

CORPORATE INCOME TAX 2020

in thousands of euros	The Netherlands	Europe (other)	Asia	North America	Other countries	Amortization PPA ¹	Total
General information							
Aggregated revenues realized by companies in the country without elimination of intercompany relationships	709,185	585,261	176,695	138,114	16,422	0	1,625,677
Result before tax	24,882	40,703	10,415	9,786	577	-22,948	62,915
Non-current tangible assets	126,730	57,466	30,459	4,834	411	0	219,900
Number of FTEs	1,970	2,285	839	396	93	0	5,583
Tax							
Corporation tax to be paid / claimed at 1 January 2020	-1,552	-9,021	-379	972	-255	0	-10,235
Corporate income tax paid in 2020	-3,767	-11,932	-2,256	-1,803	-146	0	-19,904
Corporate income tax to be paid / claimed at 31 December 2020	-862	-7,828	237	-857	78	0	-9,232

¹ Amortization of intangible assets related to acquisitions.



OUTLOOK

Despite that the macro-economic uncertainties caused by COVID-19 will continue for the foreseeable future, we expect the global economy to gradually improve in 2021. However, we do expect the impact of COVID-19 to be felt in the first half of 2021, as it was in the first half of 2020. Barring any escalation of the afore-mentioned circumstances and any unforeseen circumstances, TKH expects the following developments per business segment in 2021.

TELECOM SOLUTIONS

- In fibre optic networks, the investments in Europe are expected to increase further. Due to COVID-19-related restrictions in the first half of 2021, turnover will not return to pre-COVID levels, but on balance we expect to record higher turnover in 2021.
- The Chinese market is currently dealing with overcapacity, which could lead to pressure on margins. An improved product mix and additional focus on Fibre to the Home (FTTH) projects will absorb a large part of this.
- On balance, we expect to see an increase in both turnover and result in this segment.

BUILDING SOLUTIONS

- In Machine Vision, we also expect to see a continued increase in turnover in 2021. This will be driven by new technologies, such as the Alvium 2D and confocal 3D vision technology.
- In Infrastructure, we expect a further increase in turnover, driven by the increased need to invest in energy networks among network companies. We expect our CEDD/AGL activities to record growth on the basis of the projects we have identified and contracted.

- In Marine & Offshore, we expect to book strong turnover growth in subsea connectivity systems, thanks to solid order intake in 2020. This will easily compensate for the drop in demand for cable systems for cruise ships.
- In Parking, we expect limited recovery in turnover, as the impact of COVID-19 are still noticeable.
- We expect an increase in turnover in Care in 2021, driven by the normalization of COVID-19-related restrictions and due to higher demand for health care-related demotics solutions.
- In the other activities of Building Solutions, we expect to see a partial recovery from the COVID-19-related turnover decline in 2020.
- We also expect the effects of the Simplify & Accelerate program to have a positive impact on the result this year.
- On balance, we expect to record higher turnover and result in this segment in 2021.

INDUSTRIAL SOLUTIONS

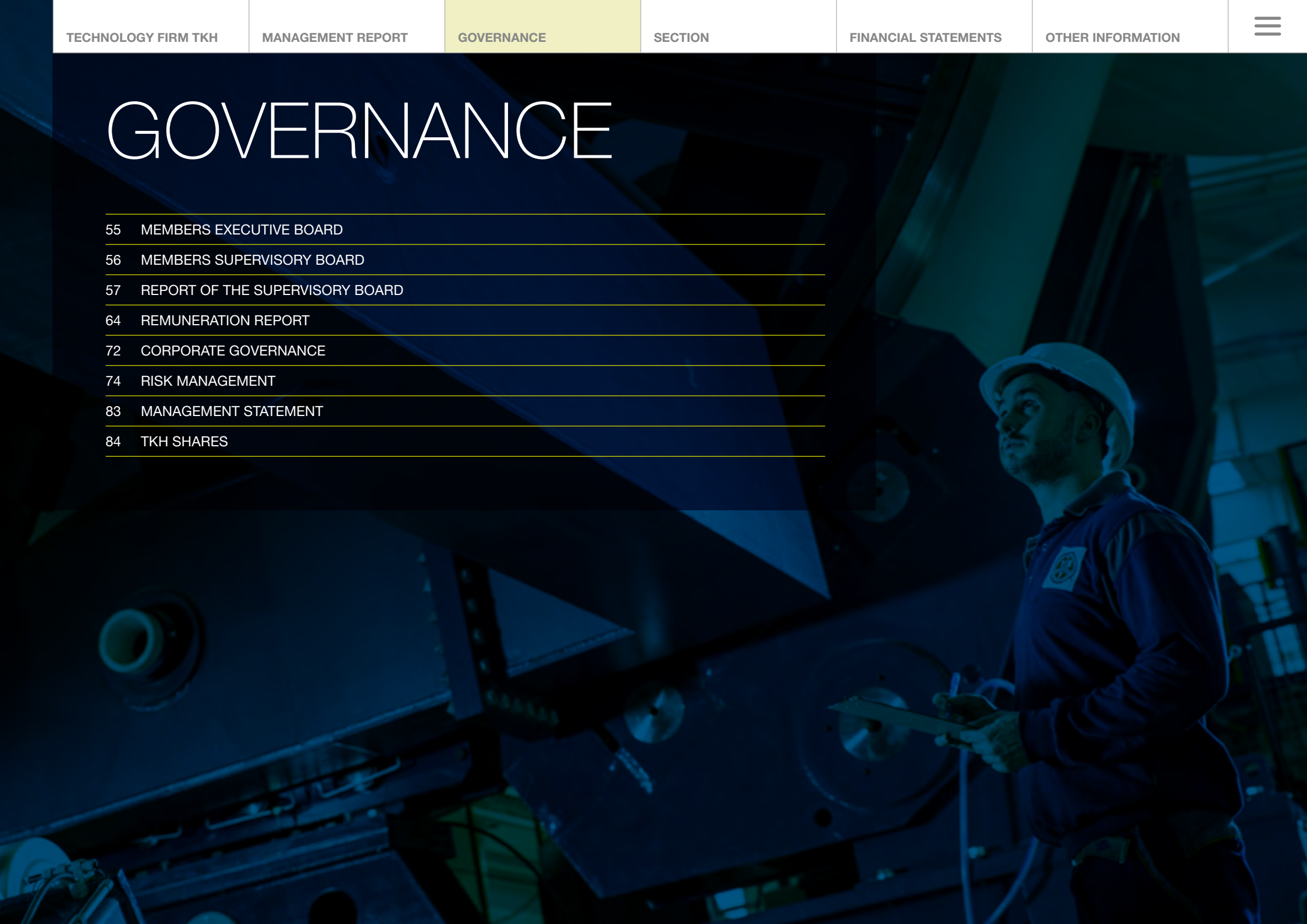
- Due to the very low order intake in Tire Building in the second and third quarter of 2020, we expect to see a sharp decline in both turnover and result in this segment in the first half of 2021. The high order intake in the fourth quarter of 2020 and the expected order intake in the first quarter of 2021 offers good prospects of an increase in both turnover and result in the second half of this year.
- In Industrial Care, we expect the international roll-out of Indivion to increase turnover this year.
- We expect our other activities in the Industrial Solutions segment to recover in 2021.
- On balance, we expect to see a decline in both turnover and result this year.

Due in particular to the impact of the low order intake in Tire Building in the second and third quarter of 2020, the profit of TKH in the first half of 2021 will be lower than in the same period in 2020. For the full year 2021, TKH expects to record a higher profit. As usual, TKH will give a concrete profit forecast for the full year 2021 at the presentation of its interim results in August 2021.



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MEMBERS EXECUTIVE BOARD



J.M.A. (ALEXANDER) VAN DER LOF MBA (1958)
CHAIRMAN EXECUTIVE BOARD, CEO

Alexander van der Lof started his career in 1985 at TKH subsidiary B.V. Twentsche Kabelfabriek (TKF) and held various management positions, most recently as 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. Since 2001 he has been chairman of the Executive Board and Chief Executive Officer (CEO) of TKH Group.

Mr. Van der Lof is responsible for the business segment Building Solutions.



E.D.H. (ELLING) DE LANGE MBA (1965)
MEMBER EXECUTIVE BOARD, CFO

Elling de Lange has been employed at TKH since 1998, first 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 CEO of those companies in 2003. 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.

Mr. De Lange is responsible for the business segment Telecom Solutions.



H.J. (HARM) VOORTMAN MSc (1966)
MEMBER EXECUTIVE BOARD

Harm Voortman joined TKH's subsidiary VMI Holland B.V. in 2004, where he held various management positions, including that of 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.

Mr. Voortman is responsible for the business segment Industrial Solutions.



MEMBERS SUPERVISORY BOARD



**A.J.P. (ANTOON)
DE PROFT** MSc
BELGIAN NATIONALITY
1960

CHAIRMAN

- 2014 first appointment
- 2022 end of term limit

Chairman Selection and Appointments Committee

POSITION

- CEO & President Septentrio Satellite Navigation

ANCILLARY POSITIONS

- Chairman Executive Board IMEC
- Chairman Executive Board Quest For Growth
- Managing Director ADP Vision



**J.M. (MEL)
KROON** MBA
DUTCH NATIONALITY
1957

VICE-CHAIRMAN

- 2017 first appointment
- 2021 end of term limit

Member Selection and Appointments Committee
Member Audit Committee

POSITION

- Former Chairman Executive Board TenneT Holding B.V.

ANCILLARY POSITIONS

- Chairman Supervisory Board Attero B.V.
- Chairman Supervisory Board Eneco Groep N.V.

OTHER POSITIONS

- Non-Executive Board Member Urenco Ltd & UCN B.V.
- Chairman Supervisory Board Energyworx B.V.
- Member Advisory Board LVNL
- Member Supervisory Board KVSA B.V.
- Member Advisory Board Groenleven B.V.
- Advisor Improved/Drake Star B.V.
- Advisor Mitsubishi Corporation



**C.W. (CARIN)
GORTER**
DUTCH NATIONALITY
1963

MEMBER

- 2017 first appointment
- 2021 end of term limit

Member Remuneration Committee
Member Audit Committee

POSITION

- Owner Carin Gorter Advies & Toezicht
- Former Senior Executive Vice President, Head Group Compliance, Security & Legal – ABN AMRO

ANCILLARY POSITIONS

- Member Supervisory Board Coöperatie TVM U.A.
- Member Supervisory Board Basic Fit N.V.
- Member Supervisory Board DAS Holding N.V.
- External member Audit Committee Ministry of Justice & Security
- Member Supervisory Board NTS



**P.P.F.C. (PHILIP)
HOUBEN**
DUTCH NATIONALITY
1950

MEMBER

- 2009 first appointment
- 2021 end of term limit

Chairman Audit Committee

POSITION

- Former Chairman of the Executive Board Wavin NV

ANCILLARY POSITIONS

- Chairman Supervisory Board N.V. HVC



**R.L. (ROKUS)
VAN IPEREN**
DUTCH NATIONALITY
1953

MEMBER

- 2011 first appointment
- 2022 end of term limit

Chairman Remuneration Committee

POSITION

- Former president & CEO of Canon Europe Ltd. / Senior Managing Executive Officer Canon Inc.
- Former Chairman Executive Board OCÉ NV

ANCILLARY POSITIONS

- Chairman Supervisory Board Prinses Maxima Centrum pediatric oncology for children



**A.M.H. (MARIEKE)
SCHÖNINGH** MBA
DUTCH NATIONALITY
1963

MEMBER

- 2020 first appointment
- 2024 end of term limit

Member Remuneration Committee

POSITION

- SHV Energy – member Managing Board & COO

ANCILLARY POSITIONS

- Member Supervisory Board - Hogeschool Zuyd (till 31/12/2020)



REPORT OF THE SUPERVISORY BOARD

The Supervisory Board supervises the way in which the Executive Board shapes and implements the strategy in order to achieve the defined objectives of the company and its affiliated businesses. In performing this task, the Supervisory Board is guided by financial, commercial, operational and governance information and focuses on the interests of all of the company's stakeholders. The Supervisory Board provides the Executive Board with advice. It oversees the Executive Board's relationship with stakeholders, including shareholders. 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

The 2020 reporting year was an eventful one because of the COVID-19 pandemic. In close consultation with the Executive Board, it was decided early on in the outbreak to increase the frequency of meetings so that the Supervisory Board could be accurately informed about the possible effects of COVID-19 on TKH and its operating companies.

During the year under review, five additional meetings were held in addition to the five regular meetings. Also in the reporting year, there were two closed meetings.

From mid-March, most meetings were virtual. During the year under review, there were no subjects on the agenda that could potentially give rise to conflicts of interest. The discussion of the financial statements took place in the presence of the external auditor. In preparation for the meetings, as well as to discuss ongoing matters that arose during the year, the chair of the Supervisory Board maintained frequent contact with the chairman of the Executive Board. The Supervisory Board fulfills its tasks of supervising

and advising the Executive Board based both on agenda items that recur at every meeting as well as on specific subjects that are relevant for discussion at a certain moment.

COVID-19

The year under review was dominated by the outbreak of the COVID-19 pandemic and its effects on staff and their health, the organization, activities and results of TKH. Due to a global distribution of TKH's operations and locations, COVID-19 was an important point of attention throughout the year. The Board was frequently informed about the situation at the operating companies and the health situation of the employees. In order to respond quickly to the impact of COVID-19, the Executive Board at an early stage prepared a scenario analysis for best-, medium- and worst-case situations and their impact on the results as well as the financial position. The Supervisory Board was involved in the analyses and informed of the current situation early on.

Because of the COVID-19 restrictions associated with assembly, during the run-up to the General Meeting the way

in which this meeting could take place, as well as its desired timing, was discussed on several occasions. Due to the emergency legislation introduced by the Dutch government, the General Meeting took place on the original date, albeit in modified, virtual form. In addition, in the run-up to the General Meeting, the dividend proposal was once again re-examined. The Board concluded, partly on the basis of the scenario analyses performed, that in view of the information then available concerning the impact of COVID-19 and TKH's solid financial foundation, there was no reason to adjust or withdraw the dividend proposal.

In the opinion of the Supervisory Board, the fact that the Executive Board anticipated the significantly changed market conditions at an early stage by taking various cost reduction measures and by limiting investment levels where possible demonstrates good leadership and entrepreneurship.

Due to COVID-19 restrictions on meeting and travel, there were no physical company visits to operating companies by the entire Board during the year under review. Company visits provide the Supervisory Board with an opportunity to gain further insight into the activities of TKH, technological developments and organizational capability, in addition to the culture aspect. In order to nevertheless organize a contact moment with the local management of an operating company, during the year under review, the management of VMI by means of a virtual connection gave a 'deep dive' presentation about the technology and market potential of the INDIVION: the medicine dosing and distribution system developed and produced in-house. The breakthrough by means of a large-scale roll-out of the INDIVION technology



in the US and the repeat order for INDIVION from a Swedish customer confirmed its potential.

STRATEGIC TRANSFORMATION PROGRAM

The 'Simplify & Accelerate' strategy program, which aims to take TKH to the next stage in terms of activities with higher organic growth and above-average margins, while simultaneously reducing the complexity of the activities by disposing of some of them with lower potential for organic growth and margins, was also a recurring topic of discussion during the year under review. At each meeting, the progress of the program was explained using defined action plans. In the first months, the divestment program was implemented through the sale of ZTC, the Chinese cable production activities of copper data communication cables, and of Cruxin, the Dutch system integration activities. Due to the COVID-19 situation, it was decided during the year under review to give a lower priority to the other intended divestments. The focus on achieving the medium-term goal of an ROS of at least 15% and the related actions were a recurring topic in the meetings.

During the year under review, the Executive Board reported frequently on the progress of the ongoing integration projects. In the third quarter it was decided to initiate a further integration of the parking and security organization. A further topic of discussion was the implementation of the integration of the cable production activities in the Netherlands, which was largely completed in the fourth quarter.

REGULAR MEETINGS

Repeating agenda items, concerning such issues as financial developments, the progress of the 'Simplify & Accelerate' strategy program, technological, organizational and market developments as well as Investor Relations, are discussed at each regular meeting. Where applicable, the chairman of a relevant committee of the Board provides an

explanation of the most important findings of each meeting. Moreover, during the present reporting year, the COVID-19 situation was a common thread running through all meetings. The contents of the press releases were discussed with the full Supervisory Board prior to their publication.

Using the 'strategic score-card', each meeting discussed the progress of (strategic) initiatives and business developments, including the order book, the competitive field in which TKH operates, the possible business risks and the way in which these risks are managed. In this context, the Board was also frequently informed of the progress of innovation projects. The fact that the investments in innovations - despite the COVID-19 situation - bore fruit in the year under review and enabled TKH to grow in a number of core markets is, for the Supervisory Board, confirmation of the chosen strategic growth path. Upon input from the Executive Board, the Supervisory Board has discussed and approved the proposal for a share buy-back program.

The Supervisory Board is informed of the progress of sustainability initiatives and developments at least once a year. Last year, specific attention was paid to the increasing relevance of non-financial information focused on ESG themes (environment, social and governance) and its alignment with existing sustainability themes, including climate change. Sustainability is an integral part of (strategic) business decisions and is thus completely embedded in the TKH organization.

CLOSED MEETINGS

The Supervisory Board met twice in the absence of the Executive Board. The most important consultation topics were:

- Explanation by the Remuneration Committee of the remuneration policy for the Executive Board and

TOPICS OF SUPERVISORY BOARD MEETINGS IN 2020

Q1

- COVID-19 situation.
- Business review.
- Financial results and press release.
- Progress of strategic transformation program.
- Investments and disposals.
- Supervisory Board committees.
- Explanation of audit report.
- AGM preparation / dividend proposal.

Q2

- COVID-19 situation.
- Business review.
- Financial results and press release.
- Progress of strategic transformation program.
- Investments and disposals.
- Supervisory Board committees.
- Preparation for AGM.

Q3

- COVID-19 situation.
- Business review.
- Financial results and press release.
- Progress of strategic transformation program.
- Supervisory Board committees.

Q4

- COVID-19 situation.
- Business review.
- Financial results and press release.
- Progress of strategic transformation program.
- Supervisory Board committees.
- Share buy-back program.
- Budget & Investment Plan 2021.
- HR update.
- CSR update.
- Deep Dive Industrial Care: Indivion.



Supervisory Board and of the remuneration proposal for the Executive Board.

- Evaluation of the performance of the Supervisory Board, its committees and individual members.
- Composition of the Supervisory Board and its committees – formal nominations for reappointments to the Supervisory Board to the AGM 2020.

CULTURE AND ORGANIZATION

TKH has an enterprising culture with a focus on technological development and a proactive approach to the market. Given its decentralized organizational structure, responsibilities are assigned far down in the organization. The Executive Board sets the example and provides guidance on the proper norms and values within the organization. In order to supervise the culture aspect, the Supervisory Board makes company visits to, for example, obtain insight into the state of affairs in the organization and the management of risks by means of discussions with and presentations by local management. Due to the COVID-19 situation, no company visits with the full Board took place during the year under review. Individual members of the Supervisory Board did, however, make some company visits.

Consultation with the Central Works Council also represents an important assessment element in the field of culture. Due to COVID-19, consultations between the Supervisory Board and Central Works Council have been postponed to 2021. TKH applies different methods and systems to identify and manage risks. Possible risks, as well as the risk-management systems, are discussed on a regular basis with the Executive Board and openness about risks is encouraged.

HR developments are discussed at least once a year with the Executive Board with attention being paid to Management Development, employee satisfaction as well as current HR topics. During the year under review, the

relevance of health and safety to TKH and its employees was reaffirmed, partly due to the vulnerable situation that arose worldwide because of COVID-19. The Supervisory Board pays considerable attention to safety within the organization. Accidents and near-accidents are reported by means of safety indicators, for example. In the year under review, the Executive Board also made ISO 45001 certification mandatory for those operating companies where an increased security risk may be an issue. For the Supervisory Board, this is confirmation that safety has been defined as one of the top priorities within the organization, in order to increase safety awareness in the organization and to allow employees to take responsibility for this.

COMPOSITION AND DIVERSITY

The Supervisory Board is composed in such a way that the knowledge, experience and insights relating to live topics at TKH, as well as the markets and activities relevant to TKH, are well represented. Each member of the Supervisory Board possesses the specific expertise necessary to fulfill this role and carry out this task. The effectiveness of the Board is determined by the team composition in terms of knowledge and competencies as well as the mutual cooperation. Continuity in the composition is of great value, also in view of the Board's integral accountability for the consideration of various (strategic) interests, directed towards long-term value creation. The Supervisory Board therefore basically applies a maximum term of office of 12 years, in accordance with the Code, whereby an evaluation takes place annually during the (self-)evaluation, as well as prior to each reappointment, to determine whether the profile for the composition of the Supervisory Board is up-to-date and whether the match between the expertise, competencies and performance of the candidate in question is correct.

The Supervisory Board aims for diversity in its composition in terms of age, gender, background, expertise, occupational experience and nationality, taking account of the statutory requirements. The above-mentioned elements are also included in the profile drawn up by the Supervisory Board. In terms of composition, the Supervisory Board complies with the transitional quota with respect to a balanced distribution of at least 1/3 women and at least 1/3 men, insofar as these seats are distributed among 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 the available expertise, competencies and background. The composition of the Supervisory Board is such that the members are able to operate critically and independently of one another, the Executive Board and any particular interests. In the opinion of the Supervisory Board, all Supervisory Board members meet the requirements for independence as referred to in best-practice provisions 2.1.7. up to 2.1.9. of the Dutch Corporate Governance Code (the 'Code').

The Supervisory Board has - partly for practical reasons - designated one or more vertical growth markets to each of the members as their area of attention. As a result, extra attention will be given to the design of supervision of developments, potential risks and dilemmas in these growth markets.

Mr. P.P.F.C. Houben will resign at the end of the AGM of May 6, 2021 in accordance with the schedule of retirement. Due to the expiry of the maximum mandated term of office of 12 years set out in the articles of incorporation, Mr. Houben is not eligible for reappointment. In the context of safeguarding knowledge and continuity within the Board, the succession of Mr. Houben has already been provided for in 2020 through the appointment of Ms. A.M.H. Schöningh MBA as per the 2020 General Meeting of Shareholders.



Mr. Houben has fulfilled with great commitment and dedication during a period of 12 years the role of member of the TKH Supervisory Board as well as chairman of the Audit Committee. The Board and the company have benefited from his extensive professional knowledge in the financial field and his wide-ranging managerial experience at listed companies as well as in an international context. The Supervisory Board expresses its sincere thanks for this.

At the end of the General Meeting of Shareholders on May 6, 2021, Mr. J.M. Kroon MBA and Ms. C.W. Gorter will step down in accordance with the schedule of retirement. According to the regulations of the Supervisory Board and the articles of incorporation of TKH, both may be reappointed for a further period of four years. Mr. Kroon and Ms. Gorter have indicated that they are available for reappointment. The Supervisory Board has discussed the reappointment of Mr. Kroon and Ms. Gorter and the members are of the unanimous opinion that their knowledge and experience are in line with the desired expertise set out in the Supervisory Board's profile and have considerable added value for the Board.

INTRODUCTION PROGRAM

An introduction program is in place for new members of the Supervisory Board, taking into account the expertise and know-how that the relevant member represents within the Board. The introduction program partly focuses on the general strategy, the financial reporting and the organizational structure. On the basis of company visits, among other things, the core technologies and commercial themes are explained, which also concerns the continuing education of members of the Supervisory Board. During the year under review, an introduction program applied due to Ms. Schöningh's accession to the Supervisory Board. This included company visits with respect to Tire Building and Industrial Care activities, subsea connectivity systems and

CEDD/AGL solutions. An introduction to TKH's Fibre Optic Networks activities was also given by means of a virtual meeting.

CONTACT WITH THE CENTRAL WORKS COUNCIL

The Supervisory Board maintains annual contact with the Central Works Council about the TKH strategy and about topics that are of current interest within the individual Works Councils, such as mutual cooperation between operating companies. Unfortunately, due to the COVID-19 situation, it was not possible to hold a physical meeting during the year under review. In the context of the Central Works Council's (strengthened) right of recommendation, when there are vacancies on the Supervisory Board, dialog is entered into regarding the reappointment or appointment respectively. The members of the Supervisory Board have great respect for the professional manner in which the Central Works Council deals with important issues and substantiates these with sound advice. We regard the 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 culture aspects within the organizations.

COMMITTEES

The Supervisory Board of TKH has three committees: the Selection and Appointments Committee, the Remuneration Committee and the Audit Committee. The committees all have their own set of rules defining their conduct. The chapter on Corporate Governance in this annual report describes the tasks and focus areas of the separate committee.

SELECTION AND APPOINTMENTS COMMITTEE

The Selection and Appointments Committee comprises Mr. A.J.P. De Proft MSc (Chairman) and Mr. J.M. Kroon MBA.

The Selection and Appointments Committee held one physical meeting in the past year and also held frequent (virtual) consultation. The committee's focus was on the selection of the new Supervisory Board member in 2020, including ensuring that the knowledge and expertise present within the Supervisory Board was appropriate. The committee prepared the evaluation of the functioning of the Supervisory Board. Succession planning is also an important topic of discussion within the TKH organization. The Selection and Appointments Committee reported the most important results of each of its meetings or of each consultation to the Supervisory Board.

REMUNERATION COMMITTEE

With the appointment of Ms. A.M.H. Schöningh MBA as a member of the Supervisory Board, the Central Works Council exercised its enhanced right of recommendation, so that in accordance with the revised EU Shareholders' Directive Ms. Schöningh automatically becomes a member of the Remuneration Committee. Mr. J.M. Kroon MBA stepped down from the committee, so that as of May 2020 the Remuneration Committee consists of Mr. R.L. van Iperen (chairman), Ms. A.M.H. Schöningh MBA and Ms. C.W. Gorter.

The Remuneration Committee met six times (virtually) during the past year. One meeting was held in the presence of the chairman of the Executive Board. The chairman also had a number of telephone consultations with the committee's external advisor as part of the preparatory work. The remuneration policy of the Supervisory Board and Executive Board was discussed in the meetings, in part because of the implementation of the EU Shareholders' Directive and its consequences on policy within TKH. The Committee found that the remuneration policy supports the long-term value creation of TKH and offers effective remuneration to the Executive Board, so that no changes have been made to the content of the policy.



The realization of the targets of the Executive Board was assessed, on the basis of which, in a closed meeting of the Supervisory Board, the committee presented a proposal for a decision on the remuneration of the Executive Board. The targets for the Executive Board for the current financial year were also discussed and established.

Due to the implementation of the EU Shareholders' Directive, the remuneration report was submitted to the 2020 General Meeting for an advisory vote. The General Meeting decided in favor of the proposal with 95.13% of the votes. The Remuneration Committee sought to identify possible improvements to the remuneration report based on the negative voting recommendations made by shareholders, and in consultation with the Committee's external advisor. These proposals were discussed with the Executive Board of the company. The Remuneration Committee reported the most important findings of each of its meetings or of each consultation to the Supervisory Board.

AUDIT COMMITTEE

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

The Audit Committee met five times (virtually) during the past year. The meetings of the Audit Committee were held in the presence of the external auditor, as well as the CFO, Director Internal Audit and Director of Finance & Control of TKH. During two meetings, TKH's Tax Director was present to provide an explanation of national and international tax developments and specific tax themes that are important for TKH, such as the application of the Dutch innovation box regime, specific structuring issues, tax compliance and risk management issues.

The Audit Committee discusses with the external auditor the audit plan on the basis of which the audit activities have been carried out. The scope and materiality, as included in the audit plan, are also discussed, as well as the key risks in the annual reporting that the external auditor has identified in the audit plan. During the year under review, due to the COVID-19 situation, the audit approach by the external auditor was re-evaluated in consultation with the Audit Committee, with specific attention being paid to inventory valuation, impairment testing, provisions and revenue recognition.

In addition, at each meeting, the Director Internal Audit provides an explanation of his findings in relation to the internal audit activities carried out. An ongoing consideration for the Audit Committee is the company's internal risk management and control system. Other topics that are included within the committee's remit and that were discussed were impairment analyses and the impact of the IFRS standards, such as 9, 15 and 16, on the income statement and balance sheet. Because of the relevance of IT & Security for both the day-to-day operations and TKH's business model in the context of software development and R&D, high priority is given to the topic at every Audit Committee meeting. One meeting was therefore entirely dedicated to IT & Security within the TKH Group. By means of a presentation, the Director Internal Audit explained the IT & Security policy and the procedure and implementation of the IT audits, including the progress of previously identified points for improvement. The Audit Committee has gained a clear picture of the progress made within the TKH Group in the field of IT & Security. It has received confirmation that the topic has the necessary attention and that it has been taken to a higher level within the organization, which is partly reflected in the increase in the number of ISO 27001 certifications within operating companies.

During the year under review, there was a discussion of the key audit matters that were identified by the external auditor as having the greatest impact on the audit approach and activities during the audit. Specific points for attention in the audit include the write-down of fixed assets and inventories, accounting for non-recurring income and expenses, revenue recognition, profit recognition on projects by estimating costs still to be incurred, valuation of capitalized development costs, compliance with legislation and regulations, valuation of tax losses and valuation of goodwill.

Forensic expertise is used when drawing up the audit plan and when performing the audit activities in order to gain a clearer picture of the possible risks of fraud and internal control measures, in view of the increasing attention paid to fraud and corruption in society.

The external auditor explained the management letter with findings in the field of the administrative organization and internal control insofar as relevant for the audit of the financial statements. The main topics discussed were IT control measures and cybersecurity, fraud and non-compliance management, as well as findings at operating companies that needed to be followed up. The external auditor also updated his audit plan due to the impact of COVID-19 on the performance of the audit activities.

The Audit Committee evaluates the performance of the external auditor annually with regard to 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, as well as with the Supervisory and Executive Boards. The Audit Committee also evaluates the functioning of the Director Internal Audit. Input for the evaluations includes the follow-up of the points for attention and improvement of the audit



activities as formulated by the external auditor and TKH with regard to the previous financial year. The Audit Committee also advises the Supervisory Board about the nomination for the (re)appointment of the external auditor and prepares the selection of the external auditor. The observations of the Executive Board are taken into account in this. The Audit Committee then submits a proposal to the Supervisory Board for commissioning the external auditor to audit the financial statements.

In 2020, the Audit Committee held a meeting with the external auditor without the Executive Board being present, in accordance with best practice provision 1.7.4. of the Code. It was established that the external auditor is independent of TKH. The Audit Committee reported the most important findings from 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. A self-assessment form, which served as a guide during the discussions, was used in preparation for this meeting. The evaluation covered the Board's composition, independence, expertise and team effectiveness, as well as the quality of information provision, 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 properly. The open relationship is marked by mutual respect. The members complement one another sufficiently within the framework of the advisory and supervisory role towards the company, while covering a wide range of focus areas and representation of expertise. Also discussed was the available and desired expertise and knowledge within the Board. It was established that there is a good working relationship between the Supervisory Board

and the Executive Board, which are also sufficiently critical of one another. The communication from the Executive Board to the Supervisory Board takes place in an open, professional and constructive manner so that supervisory directors have a strong connection with strategic and operational issues. During the year under review, this was once again confirmed by the way in which the Supervisory Board was informed and involved at an early stage by the Executive Board with respect to the (possible) impact of COVID-19 on the TKH organization. It was also established that none of the members of the Executive Board have more than two 'demanding' supervisory positions as referred to in the Dutch Management and Supervision Act. The Supervisory Board has no indications 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 items for attention as stated in the best-practice provision of the Code regarding the independence of the Supervisory Board (2.1.7.) as well as 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 2020

The Report of the Executive Board and the 2020 financial statements were submitted to the Supervisory Board in accordance with the provisions in Article 31 of the articles of incorporation. 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 has discussed the financial statements with the Executive Board in the presence of the

external auditor, and subsequently approved the financial statements on 8 March 2021. The Supervisory Board submits the financial statements for the 2020 financial year to the AGM and recommends adopting the financial statements. The Supervisory Board is of the opinion that the financial statements constitute a sound basis for the account given by the Executive Board of its management and by 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.

FINALLY

It goes without saying that 2020 has been an exceptional and eventful year, both in a personal and business sense. The COVID-19 situation has required a great deal of flexibility from all employees within the TKH organization. Lockdowns at operating companies, but also the compulsory virtual working environment, which forces people to interact differently and puts pressure on the social aspect in certain respects, has a major impact. The way in which the Executive Board has arranged the management of the organization, together with the management of the subsidiaries, despite all the obstacles, bears witness to strong leadership. Among the employees, the solidarity and drive to perform the day-to-day activities in the best possible way under challenging conditions were also evident.

Although COVID-19 has an impact on the development of TKH's result, because of the alert response to the unexpected circumstances it has been demonstrated that TKH is a professional and decisive organization that can respond rapidly to exceptional situations. As Supervisory Board, we are aware that making decisions with a good medium- and long-term perspective also involves personal



and socially difficult decisions. It therefore commands a great deal of respect for the way in which everyone has handled this situation. The Supervisory Board is convinced that the already existing, solid foundation combined with the results of announced programs for further profitability improvement will additionally strengthen sustainable profitability.

The Supervisory Board therefore expresses its sincere appreciation and thanks to the Executive Board for the leadership shown and to all employees for their commitment, flexibility and contribution in the exceptional year 2020. We would also 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.

Haaksbergen, 8 March 2021

On behalf of the Supervisory Board,
A.J.P. De Proft Msc, *Chairman*

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

	Supervisory Board	Audit Committee	Remuneration Committee	Selection and Appointments Committee
A.J.P. De Proft MSc	10/10			1/1
J.M. Kroon MBA**	9/10	3/3	2/2	1/1
C.W. Gorter	10/10	5/5	6/6	
P.P.F.C. Houben	10/10	5/5		
R.L. van Iperen	10/10		6/6	
A.M.H. Schöningh MBA*	4/5		4/4	

*appointed as a member effective 7 May 2020

** until 7 May 2020 member of the Remuneration Committee and as of 7 May 2020 member of the Audit Committee



REMUNERATION REPORT

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

The revised remuneration policy was proposed by the Supervisory Board for adoption by the 2020 General Meeting of Shareholders, on 7 May 2020, with effect from 1 January 2020. The Remuneration policy for the members of the Executive Board and the Supervisory Board was adopted by the General Meeting with 96.99% and 99.92% respectively. At the aforementioned meeting, the advisory vote was 95.13% in favor of the remuneration report. The company has reviewed the opinions expressed, to the extent known, by those shareholders who issued an advisory counter vote or abstained from voting. To the extent possible, and in accordance with article 1.2. of the remuneration policy, the present remuneration report has been modified accordingly. These modifications concern improved transparency with regard to how the remuneration policy was applied in the current reporting year.

The remuneration policy will be submitted to the General Meeting of Shareholders for adoption every time a material amendment is made and at least once every four years after it has been approved by, and on the proposal of, the Supervisory Board. The Remuneration Committee is responsible for developing the remuneration policy and submitting a proposal to the Supervisory Board. The Remuneration Committee has taken into account and followed best practice provision 3.1.2. of the Corporate Governance Code in doing so.

REMUNERATION EXECUTIVE BOARD

REMUNERATION POLICY EXECUTIVE BOARD

The remuneration policy aims at providing a competitive remuneration package to attract, motivate and retain qualified managers for a publicly listed company, while considering TKH's size and unique characteristics. The policy recognizes the internal and external context as well as TKH's business needs and long-term strategy. The policy 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 is aimed at motivating performance using financial and non-financial performance measures, combined with the careful assessment of risks and the right entrepreneurship. The remuneration package is tested for market conformity at least once every three years on the basis of information provided by outside experts. In addition, internal remuneration ratios are taken into account by ensuring that the remuneration ratio with the second tier is appropriate and in line with the market. Based on the targets set, the Remuneration Committee performs scenario analyses in respect of the Short Term Incentive (STI) and Long Term Incentive (LTI) to be achieved.

The remuneration policy and corporate strategy are aligned by creating specific short-term and long-term targets that link the remuneration of each of the members 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 criterion that members of the Executive Board must invest at their own cost in the same number of shares

awarded to them as an LTI, are important factors in creating long-term value and continuity for the company. For the full remuneration policy we refer to the TKH website.

APPLICATION OF THE POLICY IN 2020

The remuneration payable to the members of the Executive Board comprises a basic salary (TRI – Total Regular Income), a pension commitment and a variable remuneration component consisting of an annual performance bonus (STI – Short-Term Incentive) and a long-term incentive (LTI) in the form of a share plan.

The Supervisory Board sets the targets, along with their respective weightings and criteria, for any given year in keeping with the company's strategy and general structure. In the process, the Board considers both financial and non-financial factors, along with personal targets, while also taking into account the following:

- Targets must be derived from the company's strategy;
- Emphasis should be placed on targets that are essential for long-term value creation;
- Past performance, business prospects and conditions;
- Stakeholder expectations.

While financial and non-financial targets focus on the realization of overall strategic business objectives and sustainability ambitions, personal targets should relate to the specific role of the Executive Board as a collective and of each individual member on the Executive Board. In terms of the personal targets, the factors considered include the



company's mission and identity, its overall ESG (environmental, social and governance) targets and any important strategic issues for the coming year. Every effort is made to ensure that the remuneration contributes to the strategy, long-term interests and sustainability criteria of the company.

The external assessment and the remuneration policy, among other things, are used in formulating 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 and adjusted for market competitiveness, whereby it was concluded that the policy pursued with regard to the TRI, STI and LTI meets the objectives set.

The Supervisory Board applied the remuneration policy in the reporting year in line with the strategy and financial and non-financial targets. The board believes the total remuneration package strikes a good balance for reaching the strategic targets of TKH. The package encourages the members of the Executive Board to achieve solid results and execute the company's strategy in a realistic, yet ambitious, manner. There has been no deviation from the decision-making process for the implementation of the remuneration policy.

1 LABOR MARKET REFERENCE GROUP

In order to attract qualified managers for the Executive Board and to retain the current members on the Executive

Board for the long-term, the company takes external reference data into account when determining appropriate remuneration levels. A specific labor market reference group has been established for this purpose. The emphasis is on the AMX-companies on Euronext Amsterdam, with the comparison primarily focused on companies that are more or less comparable to TKH in terms of complexity, size and the international scope of their activity portfolio.

The Remuneration Committee, supported by external experts, regularly evaluates this reference group to ensure that its composition remains appropriate. As an additional assessment of developments specific to the business sector, a reference group consisting of international sector peers is used.

No changes occurred in the reporting year with regard to the reference group other than the adjustments implemented by Euronext in the compilation of AMX-companies. The reference group presented on the right was used for 2020.

Although the external market data provide 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 and the skills and capabilities of the individual members of the Executive Board. The external market data as such are used to inform and not to determine decision making. The Remuneration Committee evaluates the external market data and, if necessary, makes recommendations to the Supervisory Board for approval.

REFERENCE GROUP 2020

AMX

Aalberts Industries	Fagron
Air France-KLM	Fugro
Arcadis	GrandVision
Basic-Fit	PostNL
BESI	SBM Offshore
Boskalis	Signify
Corbion	Vopak

INTERNATIONAL SECTOR PEERS

Prysmian
Basler
Cognex
Keyence



2 TOTAL COMPENSATION

The remuneration payable to the members of the Executive Board comprises a basic salary (TRI – Total Regular Income), a pension plan and a variable remuneration component consisting of an annual performance bonus (STI – Short-Term Incentive) and a long-term incentive (LTI) in the form of a share plan. At least once every three years – or more frequently if initiated by the Supervisory Board – the existing remuneration policy is tested and evaluated based on the available reference data from the labor market reference group and on relevant developments. The table below lists the various gross remuneration components and relative percentages of fixed and variable remunerations.

Basic salary (Total Regular Income: TRI)

Once a year, the Supervisory Board determines whether the basic salary needs to be adjusted, and if so, by how much, with due consideration of market developments, the remuneration structures of companies in the labor market reference group, TKH's results and wage relations within the TKH Group. The basic salaries were adjusted with effect from 1 January 2020 based in part on the external assessment. This had determined that since the last assessment in 2017, the benchmark salaries had risen more quickly than the Executive Board salaries in the past three years. That deficit

was largely eradicated in 2020, and there is therefore a higher increase in that year. The basic salary for individual members of the Executive Board is below the median for the labor market reference group.

3 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, including an expense allowance, car and (mobile) telephone. No loans, advances or guarantees are provided to the members of the Executive Board. Additional governance-related activities are not subject to any extra conditions or compensation.

4 PERFORMANCE BONUS (SHORT-TERM INCENTIVE: STI)

The variable remuneration is an essential part of the compensation package for Executive Board members in terms of rewarding short-term results in line with the strategic 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.

STI performance of the Executive Board 2020

The STI for the member of the Executive Board based on realization of the targets for 2020 is presented in the table on the next page. Payment of the variable remuneration to members of the Executive Board occurs on the condition that the targets upon which the performance bonus is predicated or the circumstances under which the bonus was originally stipulated are accurate. For 2020, there was no full or partial recovery of a bonus as referred to in article 135 sub 8.

5 SHARE PLAN (LONG-TERM INCENTIVE: LTI)

The long-term variable remuneration is aimed at aligning the interests of the members of the Executive Board with the long-term interests of shareholders. For that purpose, a

TOTAL COMPENSATION EXECUTIVE BOARD

in thousands of euros	Basic salary (TRI)		Variable income (STI) ¹		Share plan (LTI) ¹		Pension		Pension compensation		Total		Variable share in the total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
J.M.A. van der Lof MBA	682	578	74	203	146	352	39	38	187	153	1,128	1,325	19.5%	41.9%
E.D.H. de Lange MBA	511	433	55	153	110	264	19	16	66	46	761	912	21.7%	45.7%
H.J. Voortman MSc	464	393	50	138	100	240	21	16	50	41	685	828	21.7%	45.7%
Total remuneration	1,657	1,404	179	494	355	856	79	71	303	240	2,574	3,066	20.9%	44.1%

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



share plan was enacted that arranges for a long-term incentive (LTI). Under the plan, members of the Executive Board are awarded shares based on the realization of targets on the condition that they personally invest in the same number of shares as awarded to them under the LTI plan at the then-prevailing market price. The shares awarded under the share plan, along with those personally invested in, are meant to be held as a long-term investment and may not be traded for three years after their allocation or purchase, as the case may be. The waiting period of three years was determined in light of the quid pro quo financial consideration required of members of the Executive Board.

The amount of the remuneration depends on developments in the following KPI's: Return on Capital Employed (ROCE) and Return on Sales (ROS) in relation to the targets formulated ahead of time and the stock price developments for TKH shares as compared to the AMX-index of Euronext Amsterdam (relative stock price developments). These three KPI's determine whether it will be possible to proceed with awarding any shares and how many shares will be awarded.

The performance period pertaining to ROCE and ROS is one year, with the performance ranges determined at the beginning of the year, while taking medium-term targets into

consideration. The performance period for the relative stock price developments is three years. For the 2020 allocation, this entailed reviewing the period from 1 January 2018 to 31 December 2020.

- The applicable performance range for the ROS is 0.50 to 1.25, with the 'at target' level having a score of 1.0. The score received on this KPI produces a 'multiplier' that determines the ultimate score achieved.
- The applicable performance range for the ROCE is also 0.50 to 1.25, with the 'at target' level having a score of 1.0. The score for this KPI is also equal to a 'multiplier'.
- The performance range for the relative stock price developments runs from 0.75 to 1.5, with the 'at target' score being 1.0. This score is converted into a 'multiplier' ranging from 0.5 to 1.8, with 1.0 being the multiplier for 'at target'.

In setting the amount of the allocation for the total LTI, multipliers are calculated for each KPI. These multipliers are, in turn, multiplied by the standard allocation. The standard award is net and equivalent to 50% of the gross basic salary (TRI). The gross value of the standard award is thus approximately equal to the gross basic salary (TRI). The minimum pay-out of an LTI award in any given year is 0.25 x the standard award. In this way, even in years in which the KPIs are not realized, the interests of the Executive Board

and the shareholders remains parallel. 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.

The following multipliers were reached for each KPI based on actual overall performance in terms of the performance ranges. The ROS multiplier amounted to 0.53. However, the multipliers for both ROCE and relative stock price developments ended up falling below the bottom limit for the respective ranges. The effect of this was that the total multiplier for LTI fell below the defined minimum award, which meant that the minimum award of 0.25 x the standard award was granted.

This resulted in award payouts of the following net values for:

J.M.A. van der Lof MBA:	0.25 x 50% x TRI = € 85,221
E.D.H. de Lange MBA:	0.25 x 50% x TRI = € 63,914
H.J. Voortman MSc:	0.25 x 50% x TRI = € 58,002

The corresponding gross values are listed in the table showing 'total compensation' in section 2 of this remuneration report. The number of certificates of shares associated with the net award will be calculated based on the average closing price for the three trading days following

PERFORMANCE CRITERIA

Performance criteria	Relative weighting of the performance criteria	Maximum payment level ('at target' = 100%)
Turnover	30%	150%
EBITA	50%	150%
Personal targets (incl. CSR, innovations and strategy realization progress)	20%	150%

STI PERFORMANCE OF THE EXECUTIVE BOARD 2020

	Achieved (as % of 'at target')				Actual award in € 1,000
	Turnover	EBITA	Personal targets	Weighted average pay-out level	
J.M.A. van der Lof MBA	0%	0%	135%	10.8%	74
E.D.H. de Lange MBA	0%	0%	135%	10.8%	55
H.J. Voortman Msc	0%	0%	135%	10.8%	50



EXECUTIVE BOARD SHARE OWNERSHIP

	Balance 1/1	Awarded shares	Individually purchased shares	Disposal (at least 3 years in portfolio)	Balance 31/12
J.M.A. van der Lof MBA					
2019 (for the 2018 financial year)	143,147	7,548	7,548	-20,096	138,147
2020 (for the 2019 financial year)	138,147	5,456	5,456	-15,912	133,147
E.D.H. de Lange MBA					
2019 (for the 2018 financial year)	91,468	5,661	5,661	-11,322	91,468
2020 (for the 2019 financial year)	91,468	4,321	4,321	-4,321	95,789
H.J. Voortman MSc					
2019 (for the 2018 financial year)	11,447	4,638	4,638		20,723
2020 (for the 2019 financial year)	20,723	3,922	3,922	-3,922	24,645

OPTION RIGHTS H.J. VOORTMAN MSc

Year of award	Exercise price in €	Number as at 01-01-2020	Awarded during the year	Movement during the year	Expired during the year	Exercised during the year	Number as at 31-12-2020	Exercise period
2015	31.44	12,000				-12,000	0	2018-2020
2016	33.92	12,000					12,000	2019-2021
2017	41.19	7,350					7,350	2020-2022
2018	52.25	8,400					8,400	2021-2023
Total		39,750	0	0	0	-12,000	27,750	

the time of publication of the annual figures.

No option rights are awarded to the members of the Executive Board. Any option rights a member may own were obtained during the time 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 according to the TKH share option scheme during the applicable execution periods. In that regard, H.J. Voortman has option rights which 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 on the left. For more information on the share option scheme, we refer you to note 25 to the full annual financial statements.

6 PENSION

The Remuneration Committee is responsible for ensuring that the members of the Executive Board are provided with a pension that is in line with normal practice and consistent with the provisions made for similar positions. In addition, the pension arrangements include the right to benefits in the case of poor health or invalidity and a widow's and orphan's pension in the event of death. This is all provided under terms and conditions comparable and applicable to participants in the collective pension fund – which is to say, the company employees. The associated costs up to the maximum allowed under tax law are included under pension costs. Pension compensation refers to any portion above the maximum allowed under tax law.

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 internal pay ratio is calculated as the average total compensation for the members of the Executive Board (TRI, STI and LTI) divided by the average total compensation for employees (total



salary costs divided by the average number of FTEs). The other elements of the terms of employment have a minor influence on the pay ratio and as such are not taken into account in its calculation. The Remuneration Committee follows changes in the internal pay ratio on a yearly basis and takes them into consideration when assessing and determining the remuneration for the members of the Executive Board. The pay ratio calculated for 2020 was 14.60 (2019: 18.92).

9 PERSONAL LOANS

The company grants no 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 paid if the contract is terminated prematurely on the initiative of the director or if the director has acted seriously culpably or negligently.

8 COMPARATIVE INFORMATION ON THE CHANGES IN REMUNERATION AND COMPANY PERFORMANCE FOR THE EXECUTIVE BOARD

in thousands of euros (unless stated otherwise)	2020	2019	2018	2017	2016
Remuneration of the Executive Board ¹					
J.M.A. van der Lof MBA	902	1,134	1,419	1,656	1,209
E.D.H. de Lange MBA	676	850	1,064	1,116	816
H.J. Voortman MSc ²	614	772	574	0	0
A.E. Dehn ³	0	0	114	916	678
Company performance					
ROS	10.5%	11.6%	11.3%	10.1%	10.9%
Organic growth	-9.9%	-1.9%	9.4%	8.8%	-0.8%
CO ₂ reduction (vs. 2015)	-5.8%	-5.4%	-2.9%	0.9%	3.8%
Illness rate	3.51%	3.26%	3.47%	3.35%	2.98%
Average remuneration per FTE	50	49	48	47	46
Executive Board pay ratio	14.60	18.92	21.92	26.43	19.54

¹ Based on TRI, STI and LTI.

² Appointment to the Executive Board with effect from 3 May 2018.

³ Member of the Executive Board until 3 May 2018.

REMUNERATION SUPERVISORY BOARD

REMUNERATION POLICY SUPERVISORY BOARD

The policy aims at providing a competitive compensation package to attract, motivate and retain qualified members of the Supervisory Board for a publicly listed company, while considering the size and unique characteristics of the company. TKH's strategy is directed towards achieving technological leadership with a strong position in seven vertical growth markets. The company endeavors to be an attractive employer and solid investment for its shareholders, with corporate social responsibility being a central part of that. This policy was developed in the context of national and international market trends and in keeping 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 is measured periodically against market trends using information provided by external experts.

The guiding principle in the company's remuneration policy is to ensure equity and transparency. The remuneration structure has been developed to promote the satisfactory fulfillment of their tasks by members of the Supervisory Board 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, the decision has been made to opt for fixed compensation without any variable remuneration components to ensure that members can remain independent and objective in fulfilling their role of enacting the company's corporate strategy and objectives and creating long-term value and sustainability. For the full remuneration policy we refer to the TKH website.

APPLICATION OF THE POLICY IN 2020

1 REMUNERATION

The remuneration is aimed at remunerating the members of the Supervisory Board in line with the market on the basis of their activities, experience and the related allocation of roles within the Board and its committees. The remuneration is periodically assessed externally with the same reference group being used as for the Executive Board. The remuneration of a member of the Supervisory Board is not dependent on the company results. No shares and/or rights to shares are granted to the 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 2019, with effect from 1 January 2019.

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

	2020
Chairman of the Supervisory Board	€ 60,000
Member of the Supervisory Board	€ 45,000
Chairman of the Audit Committee	€ 10,000
Member of the Audit Committee	€ 7,000
Chairman of the Remuneration Committee / Selection and Appointment Committee	€ 8,000
Member of the Remuneration Committee / Selection and Appointment Committee	€ 6,000

TOTAL REMUNERATION SUPERVISORY BOARD

	Regular remuneration	Remuneration membership committees	Total	
			2020	2019
in thousands of euros				
A.J.P. De Proft MSc, <i>Chairman</i>	60	8	68	68
P.P.F.C. Houben	45	10	55	55
R.L. van Iperen	45	8	53	53
C.W. Gorter	45	13	58	52
J.M. Kroon MBA	45	13	58	57
A.M.H. Schöningh MBA ¹	30	4	34	0
Total remuneration	270	56	326	285

¹ As from May 2020



If circumstances require members of the Supervisory Board to perform considerably more activities than normal, they will receive a fee of € 1,000 per half-day for these activities.

2 TOTAL REMUNERATION

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

3 SHARE OWNERSHIP OF THE SUPERVISORY BOARD

Mr. A.J.P. De Proft MSc owns 2,000 (depository receipts of) shares in TKH as from 2014. The other members of the Supervisory Board do not own any (depository receipts of) shares in TKH.

4 COMPARATIVE INFORMATION ON THE CHANGES IN REMUNERATION FOR THE SUPERVISORY BOARD

in thousands of euros	2020	2019	2018	2017	2016
A.J.P. De Proft MSc, <i>Chairman</i>	68	68	47	43	36
P.P.F.C. Houben	55	55	44	44	44
R.L. van Iperen	53	53	43	42	42
C.W. Gorter ¹	58	52	42	28	
J.M. Kroon MBA ²	58	57	40	24	
A.M.H. Schönningh MBA ³	34				
Hazewinkel ⁴				27	53
M.E. van Lier Lels ⁵			18	44	44
Total remuneration	326	285	234	252	219

¹ 2 As from May 2017

³ As from May 2020

⁴ Up to and including May 2017

⁵ Up to and including May 2018



CORPORATE GOVERNANCE

TKH Group N.V. a public limited company under Dutch law and voluntarily applies the limited two-tier entity regime. The management of the company lies with the Executive Board under the supervision of the Supervisory Board. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure at 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. From a limited number of themes, TKH deviates from the Code. An explanation why TKH deviates from the Code is described below.

TERM OF APPOINTMENT OF THE EXECUTIVE BOARD

The term of appointment of the CEO and CFO is not limited to the in the Code mentioned four-year term. For both, TKH takes the position that contractual agreements made in the past cannot be affected, that existing employment contracts are respected and that the limitation of the appointment is not appropriate. Obviously, performance is assessed annually and thus the term of appointment is evaluated. The maximum term of appointment of four years applies to the third member of the Executive Board. A maximum term of four years is followed for newly appointed members of the Executive Board, whereby the best practice provision is applied in such cases.

SHARE PLAN

A share plan is in place for the Executive Board and no 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

the number that has been awarded within the framework of the plan. Because of this financial contribution by the members of the Executive Board, it has been determined that the shares must be held for at least three years. Since this scheme requires a private investment obligation of the individual members of the Executive Board, the Supervisory Board is of the opinion that it is reasonable and fair to adhere to a term of three years and not the term of five years.

INTERNAL AUDIT FUNCTION

TKH has set up an Internal Audit function. The position of the Internal Audit department has not been fulfilled completely independently in accordance with the Code. As of 2021, the Internal Audit team has been expanded, which will give further substance to the independent position.

GENERAL MEETING

Due to the COVID-19 situation, the 2020 General Meeting was forced to be organized in a different setting and TKH made the unusual request to the shareholders and holders of depositary receipts of shares not to attend the General Meeting in person. This request is in line with the Emergency Act on the organization of non-physical AGMs, which makes it possible to hold a General Meeting that can only be followed via live stream. Due to this exceptional situation,

a number of provisions of the Code relating to the organization and implementation of a General Meeting have been forced to deviate. With regard to invoking a response time, TKH applies the adopted law in September 2020 with regard to a 250-day reflection period, above the 180 days specified in the Code. The basic principle here is that the operation and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes are achieved.

DEPOSITORY RECEIPTS OF SHARES

Stichting Administratiekantoor TKH Group ('Stichting Administratiekantoor') holds ordinary shares in the company. In exchange for these shares Stichting Administratiekantoor issues depositary receipts for those shares. The voting rights to the shares are vested in Stichting Administratiekantoor. If requested to do so by the holders of depositary receipts, Stichting Administratiekantoor gives them authorization to cast a vote, to the exclusion of Stichting Administratiekantoor, 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. Stichting Administratiekantoor is not required by law (article 2:118a of the Netherlands 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 Stichting Administratiekantoor the voting right of a holder of a depositary receipt is fundamentally in conflict with the interest of the company. If Stichting Administratiekantoor avails of one of these possibilities, it must notify the holders



of depositary receipts stating reasons. 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 thus also its commercial interest are protected, which is also important in terms of the long-term value creation for our stakeholders. Although the Code states that the issue of depositary receipts is not intended as a protective measure, TKH expressly chooses to take this form of protective measure and acts accordingly as per the applicable law as stated in art. 2:118a of the Dutch Civil Code. This is in derogation to principle of the Code.

Stichting Administratiekantoor exercises the rights attached to the shares in such a way that the interests of the company and its associated businesses and all its stakeholders are protected as well as possible, and does not focus primarily on the interests of the holders of depositary receipts when exercising its voting rights as defined in best-practice provision 4.4.5. of the Code. The Stichting Administratiekantoor thus exercises its voting right in line with legal provision 2:118a. In the General Meeting of Shareholders, the Executive Committee of Stichting Administratiekantoor 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.

AUTHORIZATION OF THE EXECUTIVE BOARD

The general powers of the Executive Board arise from legislation and regulations and are laid down in TKH's articles of association.

ISSUE OF SHARES

Shares are issued pursuant to a decision taken by the Executive Board. The decision is submitted to the Supervisory Board for its 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 and does or will not exceed the equivalent of all of those shares in the company's authorized capital which have not yet been issued. During the general meeting held on 7 May 2020 this power was extended until 7 November 2021. The directive applies to issue ordinary shares and cumulative preference financing shares jointly apply 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 pursuant to a decision taken by the Executive Board, the company may acquire (depository receipts of) shares in its own capital in return for valuable consideration being 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 General Meeting held on 7 May 2020 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. Amongst other things, this authorization may be utilized for the purposes of purchasing shares for share and option schemes. TKH announced a share buy-back program of € 25 million in mid-November 2020. The program started on 18 November 2020, has a duration of 4 months and is carried out within the conditions set by the General Meeting

and with the intention to reduce the issued capital in due time. For the execution of the share buy-back program, TKH has concluded a 'Discretionary Management Agreement' with ABN-AMRO to carry out the repurchase of its own shares during open and closed periods, independently of TKH.

PREVENTION OF INSIDER TRADING

In order to ensure that any person who is 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"). That group of people has consented in writing to act in accordance with those regulations. The Company Secretary serves as Compliance Officer and oversees appropriate compliance with the legislation and regulations governing insider trading and other compliance risks.



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 appropriate implementation of internal risk management and auditing systems. This involves surveying and analyzing the risks related to the strategy and the activities of the company, establishing the risk appetite and defining the measures to be taken to counter the risks. The Executive Board is accountable to the Supervisory Board for the effectiveness of the set-up and the functioning of the internal risk-management and risk-control systems.

- At least quarterly, or so needed more frequently on a monthly or weekly basis, the 'strategic scorecard' using 'high-lights' and 'low-lights' and (potential) risks per business segment is discussed between the Executive Board and local management of the operating companies, as well as the related action points for the short- and medium-term.

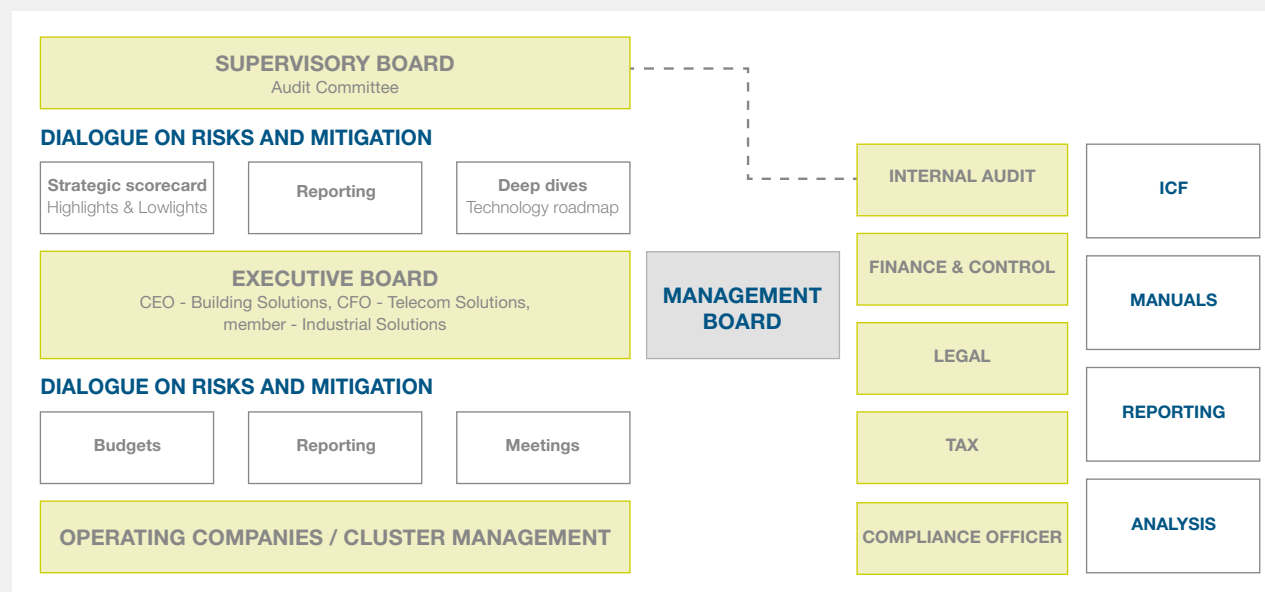
The risk management policy is tailored to the size and decentralized structure of TKH. The components of the TKH

RISK MANAGEMENT STRUCTURE

TKH has embedded its risk management policy in all levels of the organization. This involves the use of risk management and control systems, with the following being important components of this.

- An Internal Control Framework (ICF) based on the 'Committee of Sponsoring Organizations of the Treadway Commission' (COSO 2013). This framework is used by TKH to analyze and evaluate the strategic, operational, financial and compliance risks for each operating company.
- The TKH Manual includes regulations and guidelines for decision-making procedures and authorities for the strategic management of our operating companies. It also contains guidelines concerning the cash and currency management (treasury policy), as well as various rules of conduct, such as an authority to sign policy, privacy policy, a code of conduct for staff members and a whistleblower procedure. In addition, it contains guidelines for internal management and control measures including IT controls, internal and external financial reporting, insurance and how to deal with claims.

RISK MANAGEMENT STRUCTURE



risk management policy are assessed by the Internal Audit department, with the activities focusing on the continued operations. Each operating company's main risks are identified and analyzed and their potential impact on the operating company is determined. For specific themes, external specialists are used on a project basis, including for IT & Security. The results of these analyses are discussed with the Executive Board. At least twice a year, the most important findings of this review by Internal Audit are discussed with the Audit Committee of the Supervisory Board. For further professionalization of the Internal Audit function, the guidelines of the Institute of Internal Auditors ('IIA') are consulted.

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

RISK CULTURE

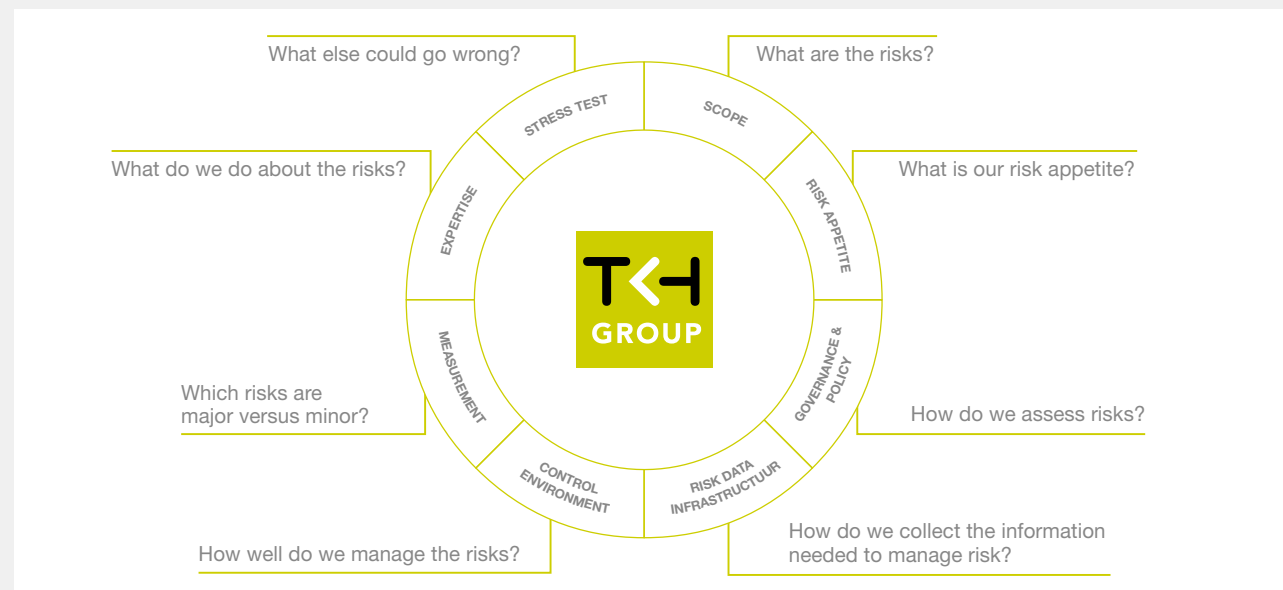
An open, transparent culture with sufficient critical capacity of the organization is a prerequisite for dealing properly with risks, responsibilities and competencies and for recognizing these in good time. TKH views a suitable risk-management model as an important tool which enables it to create value in the long-term. TKH has a continuous focus on risk awareness as an integral part of the culture. The pursuit of a balanced risk profile is embedded in the culture by means of

short lines of communication and is supported by a tight monitoring of agreed objectives through a comprehensive KPI dashboard.

Employees are expected to be aware of the core values of our actions and our risk profile and to feel responsible for the (potential) risks they take. They are also expected to adhere to TKH's culture principles and to act in accordance with the TKH code of conduct. This code 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. The code of conduct is published on our website. There is a procedure for reporting misconduct to enable people to report any suspicion of unlawful conduct. Reports are reviewed and investigated by the local counsellor and/or the central Compliance Officer. Where deemed necessary, disciplinary and mitigating measures are taken.

RISK CULTURE





DEVELOPMENTS IN 2020

In the year under review, the internal risk management system was evaluated and a number of improvements were made. The activities carried out by Internal Audit did not produce any material findings at group level with regard to the administrative organization and internal control. If a shortcoming in the administrative organization and internal control has been observed, areas for improvement are identified. Continuous monitoring takes place in order to adjust the analyzes to changing internal and external conditions if necessary. In 2020, the remaining (non-primary) processes for the most important operating companies were included in the Internal Control Framework. This has become part of the periodic financial reporting.

For operating companies whose size, technology and risks, such as privacy and reputation, are important in the context of implementing the TKH strategy, the risks with regard to IT & Security 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. A number of security incidents occurred during the year under review. By for example reacting in a timely manner, these incidents have not resulted in data leaks or significant and permanent damage, but they do confirm that increased attention remains necessary. During the reporting year, further attention was also paid to the European privacy legislation. Risk analyzes carried out show that awareness can be further raised at some operating companies.

To ensure that sufficient capacity is available to audit the Internal Control Framework and others risk management components, the Internal Audit function is further expanded

as of 1 January 2021. With this will also the independence of the Internal Audit function will be better safeguarded.

COVID-19

The COVID-19 outbreak in 2020 has significantly impacted the global economy. Therefore the risk 'pandemic' (COVID-19) is marked as an important risk for TKH. COVID-19 has spread worldwide, resulting in lockdowns, quarantines, travel and workplace restrictions, business shutdowns and restrictions, stagnation in the supply chain, increase - albeit small - in the illness rate, changes in legislation and general instability of the economic and financial markets. There is uncertainty about how the pandemic will develop in the future and its impact on global GDP development and the (end)markets in which TKH is active. Our activities and financial performance were negatively impacted by COVID-19 in 2020 due to the aforementioned effects. By taking early measures, we have been able to limit the impact on our business operations. However, the full impact of this pandemic on TKH will partly depend on future developments, which are often beyond our control. This mainly concerns the duration and severity of the pandemic and the measures taken to control the pandemic or impact to deal with it.

RISK PROFILE AND RISK APPETITE

The most important risks have been identified and clustered into four categories: strategic risks, operational risks, financial and reporting risks and compliance risks. For each risk we then appraise the possible 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 shareholders, employees, financiers, supervisors and other strategic stakeholders. Decisions regarding changes or fine-tuning of our business models are taken by the Executive Board in accordance with the risk appetite of TKH. A balance is explicitly sought between acceptable risk on the one hand and the entrepreneurship conducted in the context of long-term value creation on the other hand.

RISK OVERVIEW

As part of the strategy process, four priority areas have been identified: Innovative, Value Creation, Talent Empowerment and Being Responsible. Based on these pillars, we have determined our strategic direction and have defined specific objectives in order to flesh out the strategic process. The risk connectivity matrix shows the most important risks for TKH and the strategic pillar from which these risks are addressed. In addition, a link has been made with the materiality themes for TKH and for our stakeholders as included in the materiality matrix ('Stakeholders' section).

RISK CONNECTIVITY MATRIX - OUR MAIN RISKS

RISK AREA	RISK	RISK DESCRIPTION	STRATEGIC PILLAR	MATERIAL THEMES	RISK TREND	RISK APPETITE
STRATEGIC	1. MARKET & GEOPOLITICS	Influence of global economic and geopolitical developments on the execution of the strategy and financial position and results of TKH.	VALUE CREATION	1 Financial track record & performance	▲	●
	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.	FINANCIAL PERFORMANCE TALENT EMPOWERMENT BEING RESPONSIBLE	1 Financial track record & performance 7 Good & responsible employment 8 Healthy & safe work environment 11 Integrity & compliance 12 Risk management 13 Privacy & IT Security	*	●
	3. TECHNOLOGY & INNOVATION	Threat to TKH long-term value creation due to insufficient technology development and innovation.	INNOVATIVE	2 Technological innovations with 1 sustainable impact (SDGs)	=	●
	4. M&A AGENDA	Failure to successfully integrate and divest (acquired) companies can result in lower than expected profit contribution and the risk of impairment.	FINANCIAL PERFORMANCE	1 Financial track record & performance	=	●
OPERATIONAL	5. PROJECT MANAGEMENT	Risk of projects not being delivered according to specification, agreements and planned margins.	FINANCIAL PERFORMANCE	1 Financial track record & performance	▼	●
	6. IT & SECURITY	Risk of breach of data availability, confidentiality and integrity (including IP).	INNOVATIVE	13 Privacy & IT Security	▲	●
	7. STAFF	Shortage of well-qualified staff and inability to retain qualified staff. Health and safety incidents can cause risks for employees and lead to business stagnation.	TALENT EMPOWERMENT	7 Good & responsible employment 8 Healthy & safe work environment 9 Development opportunities 10 Diversity & inclusiveness	▲	●
	8. SUSTAINABLE BUSINESS OPERATIONS	Possible impact of climate change on our strategy and business model. Unsustainable business operations can have an adverse effect on the environment. Future implementation of CO ₂ tax/pricing could mean an increase in operational and compliance costs.	BEING RESPONSIBLE	4 Responsible production & material efficiency 5 Climate change 6 CO ₂ reduction	*	●
FINANCIAL AND REPORTING	9. CURRENCIES	Volatility of currencies which puts pressure on profit margins.	FINANCIAL PERFORMANCE	1 Financial track record & performance	▲	●
	10. RAW MATERIALS	Limited availability of energy and raw materials, volatility of raw material prices which puts pressure on profit margins.	FINANCIAL PERFORMANCE	4 Responsible production & material efficiency 6 CO ₂ reduction	▲	●
	11. REPORTING	Risk that TKH's reporting contains material errors.	FINANCIAL PERFORMANCE BEING RESPONSIBLE	1 Financial track record & performance 11 Integrity & compliance	=	●
COMPLIANCE	12. LEGAL & REGULATORY	Damage (including reputation) due to violation of legislation and regulations including export and sanctions regulations, unfair competition, fraud, corruption and bribery.	BEING RESPONSIBLE	11 Integrity & compliance	=	●
	13. TAX	Damage (including reputation) due to violation of tax legislation and regulations.	FINANCIAL PERFORMANCE BEING RESPONSIBLE	1 Financial track record & performance 11 Integrity & compliance	=	●

▲ increased = equal ▼ decreased ● avoiding ● low ● medium ● high * new 2020



STRATEGIC

MARKET & GEOPOLITICS

Influence of global economic and geopolitical developments on the execution of the strategy and financial position and results of TKH. Economic and political confrontations between world powers (trade tariffs) and the erosion of trade agreements 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.
- 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.
- Strong financial balance sheet and position.
- Continuous attention to risk analysis during the execution of the strategy and strategy transformation program.

PANDEMIC (COVID-19)

Impact of a (global) pandemic on the world economy, the (end) markets in which TKH is active and its business operations. Possible specific COVID-19 risks with an impact on TKH:

- Our employees may face health risks caused by the COVID-19 pandemic.
- COVID-19 increased working from home within our organization, which can have an impact on productivity, can increase the risks of cyber security incidents and our internal control environment.
- Disruptions and stagnation of the activities of important suppliers as a result of COVID-19 can affect us and our ability to manufacture and supply products to customers.
- Customers can request a postponement of payment or other contract changes, or customer circumstances due to COVID-19 can result in delays in deliveries and achieving other billing milestones.

- Installation and maintenance of our systems are part of our activities with customers all over the world. Travel-restricting measures by COVID-19 can have an impact on those activities.

Our specific risk mitigation measures:

- The health and safety of our employees is and will remain our first priority. There are various preventive measures taken that support the well-being of our employees. This includes facilitating safe and ergonomic possibilities to work remotely.
- Strong financial position to respond to downturn in activities. This includes the availability of cash and committed facilities, focus on working capital, investment limitation, cost reduction programs, increasing cash flow and by using government support programs, for example by postponing payment of tax.
- Performing scenario analysis including assessment of the financial impact on TKH, including the impact on turnover, gross margin, operating expenses and the impact on our net debt/ EBITDA ratio agreed with our banks.
- Active involvement with our strategic suppliers and increase in stocks for critical raw materials, components and products.
- Implementation of virtual support solutions for remote support of customers at customer locations.
- Phasing out flexible workforce.

TECHNOLOGY & INNOVATION

Insufficient technology development and innovation can threaten TKH in terms of long-term value creation. These risks may arise in the field of:

- Speed of technological developments.
- Execution of R&D roadmap.
- New technologies of competitors.
- Payback capacity.
- Harmonization of niche specifications to produce standard commodity solutions.

Our specific risk mitigation measures:

- Realize at least 15% of the turnover with innovations that have been introduced in the two previous years.
- Continuous attention on innovation and the (execution of the) IT roadmap including time-to-market.
- Approximately 4% of turnover is spent on R&D.
- Focus on vertical growth markets with the aim of a turnover share of at least 80%.
- Rollout of the 'Simplify & Accelerate' program including integration of operating companies in order to focus the deployment of R&D capacity.

M&A AGENDA

Failure to successfully integrate and divest (acquired) companies can result in lower than expected profit contribution and the risk of impairment.

Our specific risk mitigation measures:

- Procedures and guidelines for the implementation of a due diligence process.
- Rapid integration in the TKH reporting and control systems.
- Harmonization of business processes and systems where necessary and desirable.
- Continuous attention to the identification, creation and utilization of synergy effects.
- Continuous focus on portfolio management, taking into account the correct alignment with the TKH strategy.



OPERATIONAL

PROJECT MANAGEMENT

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

Our specific risk mitigation measures:

- Investment in qualified staff. Training and education of staff. Legal knowledge and professional competence.
- Guidelines and procedures for approving projects with an above-average risk, project management and adequate project administration.
- Important projects are discussed at quarterly meetings between the Executive Board and local management.
- Large projects with an above-average risk are monitored on a regular basis, if necessary with increased involvement of the Executive Board and/or Management Board and legal advisor.
- Experiences are constantly evaluated and included in the risk model, which can lead to a tightening of acceptance criteria.

IT & SECURITY

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

- Decentralized IT landscape.
- Various ERP systems in use.
- Availability of production sites.
- Protection of developed technologies (IP protection).
- Privacy legislation.

Our specific risk mitigation measures:

- TKH has issued guidelines setting out the requirements for an ICT infrastructure, including the most important IT controls, partly within the context of cybercrime risks.

- Companies from the same region or cluster are stimulated to generate economies of scale in the ICT field.
- IT managers from the most important operating companies discuss important IT developments, trends and risks.
- The internal and external security environment is tested by a specialized external agency.
- Internal guidelines on privacy handling.
- Increasing awareness of the need for information security through continuous training and the frequent distribution of newsletters on relevant (cyber) topics (Security Awareness Program) such as safe remote working because of COVID-19.
- The Internal Audit department oversees the implementation of privacy guidelines.
- For operating companies with a high and medium risk in this area, based on size, technology and reputation for example, the risks were identified and recommendations were made to further mitigate these risks. These risks and the monitoring of risk management are frequently discussed with the Executive Board and the Audit Committee.

STAFF

Scarcity of well qualified personnel and inability to retain qualified personnel can impact the (progress of the) execution of TKH's strategy. Health and safety incidents can cause risks for employees and lead to business stagnation.

Our specific risk mitigation measures:

- Performance/Talent management program per operating company.
- Management Development Program.
- Regular employee satisfaction surveys.
- Use good reputation as an attractive employer to recruit talented employees.
- Cooperation programs between operating companies and training institutes.

- Use employer branding and referral recruitment to reach future talent and arouse their interest.
- Increased attention to safety by tightening safety standards and creating even better safety awareness, and due to implementation of ISO 45001.
- Facilitating healthy and safe working from home.
- Frequent communication to our employees about relevant COVID-19 and business developments through various channels.
- Hotline where our employees can ask questions about COVID-19 and all associated measures and to raise concerns.

SUSTAINABLE BUSINESS OPERATIONS

Possible impact of climate change on our strategy and business model. Unsustainable business operations can have an adverse effect on the environment. Future implementation of CO₂ tax/pricing could mean an increase in operational and compliance costs.

Our specific risk mitigation measures

- Based on the recommendations from the Task Force on Climate related Financial Disclosures (TCFD) a comprehensive analysis is carried out on possible risks of climate change and how any climate risks can be converted into opportunities.
- Further implementation of optimizations in production processes via our operational excellence program.
- Continue to implement CO₂-neutral operations.
- Continuation of waste reduction target and recycling ambition so that we make a contribution in responsible and demonstrable manner to the circular economy.
- More information is included in section 'Being responsible' under climate change.



FINANCIAL AND REPORTING

CURRENCIES

Volatility of currencies which puts pressure on profit margins.

Our specific risk mitigation measures:

- Treasury Statute that establishes the currency risk management, including responsibilities, authorizations and reports.
- 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 in currencies other than the euro is partly hedged for the most important currencies by financing investments in local currency. Monetary assets and liabilities in the same currency are netted as much as possible.
- 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.

RAW MATERIAL PRICES

Volatility of raw material prices which puts pressure on profit margins.

Our specific risk mitigation measures:

- Economic stock positions are limited as far as possible.
- The copper positions of each operating company are monitored for the economic stock positions, stock prices, rate of turnover and expected relationship between copper prices and selling prices (price elasticity).
- Price developments are incorporated as far as possible in the selling price of products and/or services or where possible temporarily hedged on the futures market.
- Every month price developments, economic stock positions and hedges are discussed by a committee made up of members from various disciplines and 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 in order 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 raw material is needed for the production.

REPORTING

Risk that TKH's reporting contains material errors. These reporting risks mainly relate to the following material items in the financial statements:

- Turnover – time of recognition of turnover.
- Goodwill – valuation and impairment testing.
- Development costs – valuation and impairment testing.
- Inventory – valuation and provision.
- Contract assets and liabilities – valuation and provision.

Our specific risk mitigation measures:

- Internal procedures and guidelines for internal and external financial reporting and verification of reports.
- TKH has drawn up guidelines containing requirements with regard to the capitalization of development costs.
- Controller meetings are regularly organized with important reporting topics being discussed.
- Training and education of (financial) staff.
- The performance of regular impairment testing, including the annual strategic plans.
- Deployment of business intelligence tools to gain insight into risks at an early stage.
- Representation letter and In-Control Statement for each operating company.



COMPLIANCE

LEGAL & REGULATORY

Non-compliance due to violation of legislation and regulations and internal guidelines can result in damage (including to reputation).

This relates to, for example:

- Unfair competition, violation of export regulations and sanction programs that can lead to significant penalties and reputational damage.
- Global business and use of agents who may expose TKH to local bribery and corruption risks.
- Undesirable or unethical conduct of employees that leads to fraud-related matters.
- Violation of human rights and child labor rules.

Our specific risk mitigation measures:

- Internal guidelines relate to, for example, internal control measures, responsibilities and authorization requirements of the management.
- Internal guidelines regarding compliance with sanction and export regulations, including a checklist.
- Monitoring of financial flows by TKH in part by monitoring:
 - The transactions executed through the central treasury system;
 - The establishment of banking authorizations;
 - The setting of credit limits for each operating company, with no local credits being permitted with banks outside TKH's banking group, unless TKH has granted permission for this.
- The use of banks prescribed by TKH unless another bank is required at the local level because only a local bank is able to perform the required service.
- During controller meetings and the international management meeting attention is paid to the issues of fraud, corruption and bribery by means of theory and case studies.
- The work with agents and intermediaries is framed by guidelines and contracts.

- By means of the TKH code of conduct, all our employees are aware of how they should do business honestly and by signing this have agreed to act accordingly.
- Employees can report suspicions abuses through a whistleblower policy. Such notifications have no consequences for the position of the reporter, if it conforms to the procedure drawn up for this purpose.
- In all layers of our company compliance with internal guidelines relating to integrity and behavior is strictly monitored (zero tolerance).
- The Internal Audit department also performs internal audits on non-financial information.

TAX

Non-compliance due to violation of tax legislation and regulations can result in damage (including to reputation).

Our specific risk mitigation measures:

- Centralized monitoring of compliance and developments in (new) legislation and regulations in the tax field (both national and international), sanction regulations and general legal developments, with attention to specific risks in the areas of transfer pricing, permanent establishment and VAT.
- Availability and development of transfer pricing documentation in accordance with OESO guidelines as well as compliance with local regulations.
- Periodic monitoring of the financial performance of operating companies in accordance with the transfer pricing documentation.
- Develop good relations with tax authorities based on mutual respect, transparency and trust. In the Netherlands, a horizontal monitoring covenant has been agreed with the Dutch Tax Administration in this context.
- Make use of external (tax) advisors for specialized subjects.
- Rollout and update of a Tax Control Framework.

- Tax reports, 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 controller meetings, theory and case studies are used to address both professional tax issues as well as other tax issues, such as tax dilemmas.



OTHER RISKS

In addition to the aforementioned most important risks, other risks have been identified that are also included in TKH's internal risk management system. This includes the following risks:

STRATEGIC

- Limited market share and brand awareness in a number of segments and geographical markets.
- Dependence on government measures in some markets.
- Dependence upon customers and suppliers in a number of segments.

OPERATIONAL

- Disasters within production facilities.
- Important raw materials such as copper, steel and plastics, and technical (electronical) components have

long delivery times or are unavailable or available in limited quantities.

FINANCIAL AND REPORTING

- Infringement of IP rights of and by third parties.
- Inadequate funding.
- Interest rate volatility.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

For the most important risks, the impact on the result and financial position of TKH is where possible quantified should these risks occur. A sensitivity analysis is also included. In the financial statements, including in note 21, the objectives and policy of TKH are outlined with regard to the use of financial instruments for risk management, also in the context of hedging the risks associated with all major types

of transactions to which TKH is exposed as regards 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 including COVID-19, as well as our ability to change our cost structure as a result of changing economic conditions and turnover levels. In the budget we have also take into account the total available cash and cash equivalents of € 121.6 million as at 31 December 2020, 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 are of the opinion that our available funds at the end of 2020 will be sufficient to finance our activities, investments and existing contractual obligations for at least the next twelve months.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

	CHANGE	IMPACT	ON	ASSUMPTIONS	RELATES TO RISK
Turnover	1%	€ 6.4 miljoen	EBITA	No adjustment of operating costs.	1, 2, 3, 4, 9, 10
Raw material price copper	10%	€ 0.6 miljoen	EBITA	No derivatives to hedge price risks.	10
Gross margin	1%	€ 12.9 miljoen	EBITA	No adjustment of operating costs.	1, 2, 3, 4, 9, 10
Operating costs	1%	€ 5.7 miljoen	EBITA	No adjustment of turnover/gross margin.	operational and financial risks
Currencies - financial instruments	10%	€ 4.7 miljoen	Result before tax	All other variables remain constant.	9
Currencies - financial instruments	10%	€ 21.0 miljoen	Group equity	All other variables remain constant.	9
Interest	1%	€ 3.3 miljoen	Result before tax	Net bank debt including deduction of interest rate swaps held at variable interest rates.	financial risks
Interest - financial instruments	1%	€ 0.6 miljoen	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 systems for risk management and control. The purpose of these systems is to identify and effectively manage the significant risks to which the company is exposed. However, they can never provide an absolute guarantee that the group will achieve its objectives and cannot entirely prevent major errors or losses, incidents of fraud or actions in breach of laws and regulations.

During the year under review, Internal Audit assessed the administrative organization and internal control of the group companies. Attention was paid to 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 Internal Audit discussed the results of his activities with the Executive Board and reported the main findings to the Audit Committee. The activities performed did not produce any material findings at group level with regard to the administrative organization and internal control. Based on the financial results for the 2020 reporting year and the expectations for the 2021 reporting year, the Executive Board has assessed the company's assumption of going concern. The current (market) conditions have been taken into account with an emphatic impact of COVID-19. The Executive Board also assesses the strategic, operational, financial and reporting risks and compliance risks, as well as the design and effectiveness of the internal risk management and control systems as described in the section on 'Risk Management'.

An explanation of the non-financial information in accordance with the Decree on the Disclosure of Non-Financial Information and articles 135b and 145(2), Book 2 of the Netherlands Civil Code, can be found in the management report in the sections on 'Report of the Executive Board', 'Remuneration Report', 'Risk Management', 'Corporate Governance' and 'Report of the Supervisory Board'.

The effectiveness and functioning 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 the measures designed to manage them, and in accordance with the best practice provision I.4.3. of the Dutch Corporate Governance Code, the Executive Board declares that to the best of its knowledge:

- i. the report provides sufficient insight into any shortcomings in the operation of the internal risk management and control systems;
- ii. the above-mentioned systems provide a 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 contains the material risks and uncertainties that are relevant to the expectation of the company's continuity for a period of twelve months after the preparation of the report.

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 give 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 31 December 2020, the state of affairs at TKH and its affiliated companies during 2020, 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, 8 March 2021

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

TKH's shares are listed on and admitted to the trade of the Euronext Amsterdam stock exchange. They have been assigned to the Mid Cap index (AMX). In addition, TKH shares are also listed in the Next 150 Index established by Euronext.

OPTIONS ON SHARES

The options on shares in the TKH Group (ticker symbol: TKG) are listed on NYSE Liffe, the European derivatives business of Euronext. The options expire on the third Friday of the contract month and their initial term is one to nine months. Each option represents 100 TKH shares.

TKH'S SHARE STRUCTURE

With the exception of registered shares, ordinary shares in the company are transferred by notarial deed to Stichting Administratiekantoor TKH Group ('Stichting Administratiekantoor'). In exchange for these shares Stichting Administratiekantoor issues depositary receipts of shares. The voting rights to the shares are vested in Stichting Administratiekantoor. If requested to do so by the depositary receipt holders, Stichting Administratiekantoor authorizes them to cast a vote to the exclusion of Stichting Administratiekantoor based on the shares for which the holder has depositary receipts in the general meeting specified in the relevant proxy. The authorization is not restricted and is therefore not subject to any conversion limit. Under the terms of Section 2:118a of the Dutch Civil Code, Stichting Administratiekantoor is not required to issue a proxy and may revoke one. 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. Priority shares are managed by the foundation, Stichting Prioriteit, which comprises the company's Executive Board members. The foundation may not alienate, pledge or otherwise encumber shares. No special rights have been assigned to priority shares. By means of a call option TKH has conferred on Stichting Continuïteit 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 placement of the protective shares or 100% where the limitation on conversion of depositary receipts ceases to apply.

At the end of 2020 the company's issued share capital amounted to 42,821,763 ordinary shares issued at a nominal value of € 0.25, of which depositary receipts have been issued for 42,710,865 and 4,000 are priority shares with a nominal value of € 1.00. At the end of 2020 the company held 1,334,841 (depositary receipts of) shares. Further information on the capital structure of TKH is included in note 7 of the company financial statements as included in the full financial statements. This information is part of the management report by means of a reference. The dividends for 2020 were issued to the holders of (depositary receipts of) shares in cash.

The following key figures per ordinary share (or depositary receipt issued for same) apply in relation to the listing on Euronext Amsterdam.

KEYFIGURES PER (DEPOSITARY RECEIPTS OF) ORDINARY SHARES

	2020	2019
Annual turnover of shares	29,848,611	25,936,902
Highest price	€ 51.30	€ 55.05
Lowest price	€ 23.42	€ 38.82
Closing price	€ 39.54	€ 49.90
Net earnings per share	€ 1.14	€ 2.72
Dividend	€ 1.00	€ 1.50
Price-earnings ratio as at the end of the financial year	34.7	18.4
Dividend yield on closing price	2.5%	3.0%
Market capitalization at end of financial year (in € millions)	1,640	2,136

DISCLOSURE OF OWNERSHIP AND EQUITY INTERESTS

In accordance with the requirements governing the disclosure of ownership and equity interests, any interests in a company's issued share capital of 3% or more must be reported to the Netherlands Authority for the Financial



Markets (AFM). In so far as TKH is aware and based on the AFM register 'Substantial subsidiaries and gross short positions' (Substantiële deelnemingen en bruto short-posities) the following investors hold an interests of 3% or more in TKH are disclosed. The following table is based on disclosures until the beginning of 2021.

Mandatory Disclosing Party	Interest	Date of last disclosure
Allianz Global Investors GmbH	9.99%	15-01-2021
ASR Nederland NV	5.11%	06-10-2008
Kempen Oranje Participaties NV	3.77%	04-04-2011
Lucerne Capital Management, LLC	5.62%	20-08-2019
Teslin Participaties Coöperatief U.A.	5.01%	06-07-2017
TKH Group NV	3.01%	16-12-2020
Vinke Amsterdam B.V.	5.84%	28-05-2020

DIVIDEND POLICY

TKH aims for an attractive return for its shareholders, which is also reflected in an appropriate dividend policy. Healthy balance sheet ratios are very important to the continuity of the company. 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 maintaining solvency of at least 35%. Based on the growth targets for the coming years, TKH will aim for a pay-out of between 40% and 70%.

INVESTOR RELATIONS POLICY

TKH's investor relations policy is designed to ensure that actual and potential shareholders, analysts and other financial stakeholders are provided with relevant, strategic, financial and other material information as accurately, carefully and punctually as possible, so as to afford them an

insight into our company, current developments and the markets in which we operate. We maintain frequent contact with major and other shareholders, interested institutional investors and analysts through roadshows, conferences, company visits and one-on-one discussions. Due to the COVID-19 outbreak, which includes restrictions on meetings, Investor Relations discussions took place virtually. All publications, presentations, meetings, other announcements (non-financial or otherwise), appointments and explanations occur subject to the applicable regulations and guidelines issued by Euronext Amsterdam and the Netherlands Authority for the Financial Markets (AFM), the Dutch financial markets regulatory authority. In this respect care is taken to ensure that such information is equally and simultaneously supplied to all stakeholders and that it is readily accessible. By means of the annual report, the interim report, webcasting, the website and through other financial reporting, we strive for transparent reporting.

FINANCIAL CALENDAR

5 MAY 2021

Market update

6 MAY 2021

General Meeting of Shareholders

10 MAY 2021

Ex-dividend

11 MAY 2021

Record date

14 MAY 2021

Dividend payable

17 AUGUST 2021

Publication interim results 2021

17 NOVEMBER 2021

Market update

INVESTOR RELATIONS

J.M.A. van der Lof MBA,
Chairman of the Executive Board
 E.S. Velderman MBA,
Director Corporate Development

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

INNOVATIVE SOLUTIONS FOR A SUSTAINABLE FUTURE

TKH has a strong reputation as an innovator with which we have been distinctive in vertical growth markets for years. Our technologies not only respond to the very latest market trends. An important part in the development of our innovative portfolio is its sustainable character. This already starts in the design phase with the choice of raw materials - which are chosen in such a way that they have no or virtually no adverse effects on the environment - and the way in which a total solution is created.

We also provide our portfolio with smart applications. They are composed in such a way that we can offer a high degree of installation efficiency. Using smart software, our solutions proactively signal when a system needs maintenance, preventing roads, tunnels or runways to be closed unnecessarily. It makes infrastructure more safe and increases its availability. Our solutions not only deliver higher productivity, it also offer the customer improved product quality and efficiency in its production processes.

We substantiate the sustainability of our portfolio and make our contribution demonstrable by making a link with the Sustainable Development Goals (SDGs), relevant to TKH. About 70% of our total turnover is already linked to one of these SDGs and our portfolio is in some way distinctive in terms of sustainability. In doing so, we support our customers in achieving their sustainability criteria and respond to social challenges. 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 how future-oriented our company is in the field of sustainable development.

SDGs relevant for product portfolio





FAST AND RELIABLE INTERNET IS ESSENTIAL FOR WORKING AT HOME

COVID-19 has made working and studying from home the new normal. Nowadays, TEAMS, ZOOM, Skype are part of the daily means of communication. Online communication has also become an everyday activity in communication with the elderly. Distances are reduced and loneliness is counteracted. In addition, a reliable and super-fast internet connection is essential to enable this new way of working and living.

TKH is taking the lead in the development of fibre optic networks with its ACE concept, thanks to all the in-house technology of TKH. In addition to a high-quality fiber optic network system, it includes a site management system. Smart sensors in the network continuously check the proper functioning of all components in the fibre optic network. This simplifies management and maintenance. Above all, the network must ensure extremely reliable communication. TKH offers 'smart access' for this by means of a robot that is controlled from a central database of the operator or provider. Service providers no longer have to make their (new) customers wait for a connection or a change to it. It can be done much faster thanks to TKH's 'smart technology'. TKH's fibre optic networks system makes it possible to enable the new normal in terms of working, communicating and living.

FIBRE OPTIC NETWORKS



CHALLENGE

Meeting the increasing demand for bandwidth due to the increase in working from home, online lessons or video calling with the elderly.

SOLUTION

The TKH ACE total concept for fibre optic networks, consisting of a high-quality fibre optic network system including site management systems and smart access technology.

IMPACT

Innovative fibre optic network system with the possibility of offering a high bandwidth per user so that the demand for fast Internet connections can be met, due to the current work and lifestyle including working from home, online lessons, streaming, etc.



TKH CAMERAS MONITOR CORONA VACCINE

In the coming years, a lot of research needs to be done concerning the effect over a longer period of time, of vaccines against COVID-19. This will be executed, among other things with special cameras, which laboratories can use to determine medical values in the blood.

TKH supplies these innovative camera systems. It is an in-house designed embedded vision camera platform with a unique 'system-on-chip' design. The camera is unique in technology and promising for various applications, including medical analyzes. Because the processing unit is in the camera instead of in an external device, the camera can process large amounts of data much faster than other systems. And because TKH has fully automated the production, it can be scaled up quickly if necessary.

The application of camera technology provides insight into the functioning of the vaccines in a reliable, fast and effective way. In doing so, we contribute to monitoring the effectiveness of the vaccine against COVID-19.

MACHINE VISION



CHALLENGE

Blood analysis of the effect of vaccines against COVID-19.

SOLUTION

The in-house designed camera platform, based on embedded vision technology with a unique 'system-on-chip' design that can process data reliably and quickly.

IMPACT

The application of the 2D embedded vision camera technology provides insight into how the vaccines work in a reliable, fast and effective way.



BLUE LASER ENABLES ACCURATE SCANNING

TKH continuously innovates with its vision technology to respond to market trends. For example, the new Blue Laser Gocator models from TKH 3D-vision have recently been equipped with blue laser line profile sensors and thus optimized for 3D scanning of shiny metal surfaces for battery inspection and rail inspection (rail geometry) as well as small to medium-sized electronic and car parts. Due to its shorter wavelength, blue laser light outperforms other lasers when scanning specular surfaces.

Blue laser generates 'cleaner' profiles, which means fewer laser speckles on shiny objects, allowing it to achieve higher measurement accuracy. These new line profile sensors offer the optimal balance between speed and data generation with high resolution and wide image fields. Along with fast scan speeds of up to 6Hz and onboard measurement processing, the Blue Laser Gocator 'snap short' sensors can maintain production output at customers while the measurements are carried out continuously. For customers, this also results in elimination of safety risks when working with sharp metals and reworks are identified before the next process step so that errors are caught in a timely manner.

MACHINE VISION



CHALLENGE

Reliable and accurate vision inspection system for shiny metal surfaces.

SOLUTION

Blue Laser Gocator vision technology for 3D scanning of shiny metal surfaces.

IMPACT

Blue laser performs better because of shorter wavelengths and generates 'cleaner' profiles which means fewer laser speckles on shiny objects, achieving higher measurement accuracy. It offers the optimum balance between speed and data generation with high resolution and wide image fields.





SUSTAINABLE CABLE SYSTEMS CONTRIBUTE TO THE ENERGY TRANSITION

The growth of the number of solar and wind farms, data centers and energy-intensive sectors, putting an enormous strain on the power grid. Also data consumption in home situations plays an increasingly important role in the power supply. The charging of mobile equipment, the increase in electrical equipment per household and the emergence of electrically powered means of transport require a reliable and extensive electricity network by network operators.

TKH's high-quality energy cable systems play an important role for the distribution of this energy. Moreover, energy cable systems are composed in such a way that a valuable interpretation is given to the development of sustainable energy products and to the circular economy. When producing the cables, recycled raw materials are used as much as possible. A raw materials passport has been developed, so that it is clear from which materials the cable is composed. Sustainable action is also taken in the field of logistics services. For example, cables are custom made and on the required lengths, which not only saves installation time, but also ensures waste reduction of the cable. The 'total costs of ownership' is reduced as well as the number of transport movements.

INFRASTRUCTURE



CHALLENGE

Relieve of the enormous load on the electricity grid by generating sustainable energy as well as energy consumption in the home situation.

SOLUTION

Medium voltage energy cable systems that respond to the current electrification trend.

IMPACT

TKH's energy cable systems meet the increasing energy demand, partly in response to the electrification trend. The cable is composed durably and is custom made, which leads to installation efficiency, waste reduction and fewer transport movements for the customer.

WARNING SYSTEM FOR THE SAN GIORGIO BRIDGE IN GENOA

During the construction of the San Giorgio bridge in Genoa (Italy), it was simultaneously decided to install an extensive system of structural monitoring that provides a constant and complete picture of what is happening on and with the infrastructure.

The new control system not only includes sensors under the platform to detect movements, but also TKH's inspection cameras mounted above the bridge monitor the flow of traffic via, among other things, license plate detection. TKH's cameras are connected to a 'Weight in Motion' (WiM) system that detects and records the weight of the axles and the gross weight of the vehicles as soon as they pass a sensor which is integrated into the road surface. All data generated by the sensors and cameras is sent to a central server, so that a clear picture of what is happening on the bridge is obtained at all times.

By integrating WiM technology in combination with the smart TKH cameras on the new San Giorgio bridge, it is possible to establish a link between structural deformations and the weight that loads the infrastructure. And to track the weight load caused by individual vehicles. The combination of sensors and smart cameras act as an early warning system and facilitate management and planning for interventions in infrastructure stability and investment preservation such as timely asphalt repairs.

INFRASTRUCTURE



CHALLENGE

Continuous monitoring of infrastructure to ensure its safety.

SOLUTION

TKH control system with motion detection sensors and camera systems to monitor the traffic flow through, among other things, license plate detection.

IMPACT

Increasing the safety of traffic infrastructure, both in daily use and proactively via the generated data, which can be used to provide early warnings in the event of deviations in the infrastructure construction.



CEDD® TECHNOLOGY ENSURES SAFETY AND SUSTAINABILITY AT AIRPORTS

Guaranteeing safety during take-off or landing at airports is a matter of course. An important aspect is the lighting to rely on. In recent years, TKH has developed a unique concept for this: Airfield Ground Lighting (AGL) system, based on CEDD® technology.

In 2020, Sabiha Gökçen International Airport in Istanbul, Turkey has chosen the CEDD/AGL solution to bring safety to the highest level while also meeting sustainability requirements. The central runway will be equipped with LED technology. Sabiha Gökçen wants also to improve energy efficiency and reduce CO₂ emissions. The choice of TKH's CEDD® technology is an excellent fit with the airport's environmentally conscious vision. Switching from traditional halogen lamps to LED lighting can reduce energy consumption by about 50%. An additional 15% reduction can be achieved with the application of CEDD technology.

INFRASTRUCTURE



CHALLENGE

Continuous availability of runways and guarantee of safety.

SOLUTION

CEDD/AGL solution with a unique connectivity technology for contactless transmission of energy and data and enriched with the asset & site management technology.

IMPACT

CEDD includes induction technology which simplifies the installation of lighting via a click system. The safety of installation is thus guaranteed. In addition to increasing safety on airport runways, there is also the option to detect lighting failure in time, so that proactive maintenance can be carried out. This provides the customer with efficiency and cost savings. With the application of CEDD technology in combination with LED lighting, around 65% energy savings can be achieved.



SUPPLY CABLE SYSTEMS FOR OFFSHORE WIND FARMS

Both sun and wind have become reliable elements for the generation of clean and sustainable energy. The worldwide demand for electricity will increasingly have to be produced by renewable energy sources in order to be able to meet internationally set climate targets. Sustainable energy production via offshore wind farms is an important growth market for TKH with its subsea cable systems.

The innovative cable systems connect wind turbines in the wind farms. Subsea cables consist of copper or aluminum conductors for transporting the generated energy and an optical fibre cable, intended to transmit measurement data from the connected installations. The subsea cables are supplied as a whole, equipped with all necessary accessories and connectors for both ends, and are very robust. Major advantages are that it is easy to install with minimal risk of damage during installation work. The risk of cable failure and water ingress is virtually excluded. The composition of the cable is also durable and -for example- does not contain bitumen: an environmentally unfriendly material that is also unpleasant for the installers to work with. The cables are also electrically tested as a whole, so that a complete blueprint of the cable can be obtained. In 2020, TKH won important orders for the delivery of subsea cable systems for respectively the Kaskasi offshore wind farm in the German North Sea and the 'Hollandse Kust Zuid' wind farm in the Dutch North Sea.

MARINE & OFFSHORE



CHALLENGE

Growing demand for sustainably generated energy via offshore wind farms and energy distribution from the wind farms to the mainland.

SOLUTION

TKH subsea cable systems for energy distribution from offshore wind farms at sea.

IMPACT

Sustainably generated energy from offshore wind farms is distributed to the mainland via the subsea cable systems. In this way, TKH contributes to the increasing demand for clean, green energy. Innovative cable specification composed of durable materials. The innovative cable concept is easy to install and provides the customer with installation efficiency and related cost savings.



ULTIMATE PARKING CONVENIENCE IN SILICON VALLEY BY TKH

With the on camera-based M4 smart-sensor Parking Guidance System (PGS) from TKH, parking convenience and safety is taken to the highest level. The parking technology can be enhanced with unique software add-ons such as Park Finder™ and Park Alerts™, which apply license plate recognition to ensure parking efficiency and increase control and safety within the car park.

Visitors are guided silently to available places, indicated with red and green lights, on the basis of which availability is displayed. Search times for parking are shortened, traffic congestion is minimized and car park efficiency is maximized.

TKH has delivered the PGS parking solution to Santana Row in San Jose, California (USA). Santana Row, the major Silicon Valley destination for living and working, will link the PGS to digital displays so that parkers know immediately availability. This means that traffic can be relieved during peak hours. Park Finder API and the Find Your Car™ solution are also used so visitors can quickly locate their car. It provides parking management with more control over the car park and helps to create a more efficient and safer facility. The system also ensures that parking management generates notifications based on time and number plates when a parking policy is violated. For example, targeted actions can be taken to regulate use and improve the safety of the facility.



PARKING



CHALLENGE

Offering ultimate parking comfort and safety in car parks via parking technology.

SOLUTION

TKH parking solution with Parking Guidance System and software applications in the field of license plate recognition and detection technology. App applications also ensure parking convenience because the car can be detected quickly.

IMPACT

Via the TKH parking solution, parkers will find the ultimate comfort with regard to parking guidance and parking convenience. Safety and efficiency are paramount. Parking management can use generated real-time data to respond proactively to the current situation in order to make optimum use of the parking facility by efficiently managing traffic flows.



APPLYING SMART CARE IN TIMES OF COVID-19

Smart technology and innovative solutions are essential to make efficient care possible. With all the healthcare issues that come with the current COVID-19 situation, safety and quick action are necessary. Recently, care hotels and intramural corona care have been set up throughout the Netherlands in record time.

For example, care institution Sherpa wanted to be prepared at an early stage. As a healthcare institution, Sherpa supports people with disabilities in the areas of living, working, learning and leisure. As a precaution, Sherpa converted 2,200 m² of daytime activities into a nursing unit within three days. The setting up of this nursing unit mainly focused on the arrival of people with severe multiple disabilities and of elderly people. TKH VieDome realized the complete implementation of the care communication system in a short time.

VieDome is a flexible open healthcare technology platform and works with individual alarm scenarios and smart sensors. The system can be flexibly connected with more than 160 links, functions and applications for a healthcare demand. Because the system is wireless, it can be done without heavy construction work, quickly and also for shorter or longer periods. If the client's situation changes, VieDome adapts effortlessly. If the demand for care changes, the settings of the components can be adjusted via an app. The emergency facility at Sherpa is a prime example of projects in the COVID-19 era, where speed and reliability are necessary.

CARE



CHALLENGE

Rapidly increasing demand for communication technology that makes efficient (home) care possible, partly due to COVID-19. There is also a shortage of healthcare personnel.

SOLUTION

TKH care technology platform VieDome with individual alarm scenarios and smart sensors ensures the fast and flexible connection of a care system with an extensive range of functions and applications for a care demand.

IMPACT

Via VieDome, the elderly can live longer in the home situation. Care institutions can easily establish a communication link between informal care, professional and client. This achieves significant efficiency for healthcare institutions because remote communication and client monitoring is possible. The VieDome care technology can be adapted quickly and flexibly in the event of changing care demands.



PRODUCING MEDICINE ROLLS AT LIGHTNING SPEED WITH INDIVION

It is a recurring ritual, especially for many elderly people: put the medicines in a plastic box, a compartment every day of the week. A precise job, because making mistakes can have nasty consequences. Then a daily dose of medicines on the roll, supplied by the pharmacy, is simpler. Because of the convenience for the patient and the much higher efficiency of the INDIVION for the pharmacy, there is a lot of potential for this TKH innovation for the future.

Automatic packaging systems already exist, but the INDIVION is 30% faster than competition. The margin of error is almost zero, because the check is carried out by means of TKH inspection cameras. The INDIVION produces 10,000 sachets per hour, with all the necessary medicines per sachet. For this, the machine is equipped with a robotic arm that places the various medicine canisters in the right place, after which the tablets fall down from a limited height. The innovation is mainly in the mechanism and the sensors that make it possible to drop the tablets in a perfectly timed manner, in order to achieve the high output and without damaging these tablets. The machine contains more than 1,000 medicine canisters, where the tablets all have to fall in their own way. The INDIVION packs medicines airtight for the individual patient.

The first system was delivered to a Swedish customer in mid-2019 and a repeat-order has now been placed. An American health insurer also ordered a large series of INDIVION machines in 2020.

CARE



CHALLENGE

Reliable, fast and efficient medicine packaging system with minimal margin of error in medicine distribution.

SOLUTION

Medicine dosing and inspection system for packaging medicines on rolls, based on an innovative robotic system for moving medicine canisters.

IMPACT

The INDIVION has reduced the risk of error of packaging incorrect medicines to almost zero, which is in the interest of people's health and well-being. The chance of contamination (mixing of medicine residues) is also nil.



INNOVATION IN CUTTING TECHNOLOGY LEADS TO GREAT EFFICIENCY FOR THE TIRE MANUFACTURER

TKH's tire building machines are the forerunners in the industry. Continuous attention to R&D and product developments is indispensable to comply with this standard. A major tire manufacturer in America recently achieved great success with a revolutionary innovation in the EDGIQ steel belt cutter, a cutting and splicing system that produces high-quality steel belt and chafer material for radial tires for passenger cars. Belt and chafer material are very important parts for the production of a car tire.

EDGIQ's first design includes a disc and bar system for cutting breakers. The big advantage was that the knives can be changed quickly and that new knives do not have to be readjusted every time. However, an adjustment in the position of the knives improves not only the cutting of the materials, but also the speed of the materials. In collaboration with a supplier, a unique knife has been developed that can handle the ever harder steel cords and smaller diameters of the steel cords perfectly. The results at the customer are excellent. The original knives have a service life of up to 300,000 cuts. The new variant has already made more than 2,500,000 cuts without re-sharpening.

The innovation achieves unprecedented daily production output and at the same time full flexibility in the production process. Only benefits for the customer!

TIRE BUILDING INDUSTRY



CHALLENGE

Innovation of cutting technology that should lead to great efficiency and reliability at the tire manufacturer.

SOLUTION

EDGIQ steel belt cutter, a cutting and splicing system that produces high-quality steel belt and chafer material for radial passenger car tires.

IMPACT

Innovation and improvement of the cutting technique by applying self-developed knives and by adjusting the position of the knives. Greater efficiency in the tire building process because higher speeds can be achieved with the new cutting technique. Higher quality of the produced tires.



REVOLUTIONARY TIRE BUILDING MACHINE UNIXX DELIVERS PROMISING RESULTS

In recent years, TKH has worked intensively on the development of the so-called UNIXX tire building machine, an installation that hardly has any changeover times and produces integral components that are simultaneously assembled into a tire. Tire manufacturers can therefore produce car tires more flexibly. This leads to lower stocks and a better response to market demand with short lead times.

The UNIXX is a new tire building platform in which all aspects of the parts of a tire building machine are integrated into one and is equipped with the latest techniques and technology. Compared to the current state of technology in the industry, the UNIXX offers an unprecedented solution, especially from an economic point of view. The development is based on the principle of 'Industry 4.0' and 'Smart Factory'. By combining this with a very high level of automation, data generation and data processing, an extremely flexible and reliable new generation tire building machine has been created that can produce tires as effectively as possible. Thanks to the advanced building technology, we can speak of a groundbreaking development for the sector. The first UNIXX has now been placed at a launching customer for further fine-tuning. Due to the special effort and passion of our employees, the commissioning was carried out and the results are promising.

TIRE BUILDING INDUSTRY



CHALLENGE

Demand for greater flexibility, reliability and efficiency in producing various types of car tires, knowing that the number of types of tires is rapidly increasing.

SOLUTION

The UNIXX: a new tire building platform in which all aspects of the parts of a tire building machine are integrated in one and is equipped with the latest techniques and technology.

IMPACT

UNIXX development is based on the principle of 'Industry 4.0' and 'Smart Factory'. This, in combination with a very high level of automation, data generation and data processing, has resulted in an extremely flexible and reliable new generation tire building machine that can produce tires as effectively as possible, in addition to benefits such as energy and waste reduction.





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CONSOLIDATED FINANCIAL STATEMENT OF PROFIT AND LOSS

in thousands of euros

	Notes	2020	2019
Total turnover	23	1,289,368	1,489,642
Raw materials, consumables, trade products and subcontracted work		651,807	771,483
Personnel expenses	24	352,852	382,518
Other operating expenses	26	112,251	136,144
Depreciation and result on divestment of tangible non-current assets	27	43,867	45,347
Amortization	28	53,720	50,070
Impairments	29	3,968	4,971
Total operating expenses		1,218,465	1,390,533
Operating result		70,903	99,109
Financial income	31	342	533
Financial expenses	31	-8,787	-9,789
Exchange differences	31	-1,965	-869
Share in result of associates	6	-3,194	419
Result on sale of subsidiaries	11	5,496	0
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	15	120	-57
Result before tax		62,915	89,346
Tax on result	32	15,389	20,619
Net result for the period from continued operations		47,526	68,727
Result- after tax from discontinued operations		0	45,200
Net result		47,526	113,927
Attributable to:			
Shareholders of the company		47,520	114,048
Non-controlling interests		6	-121
Earnings per share attributable to shareholders	33	47,526	113,927
Ordinary earnings per share (in €)		1.14	2.72
Diluted earnings per share (in €)		1.14	2.71
Earnings per share attributable to shareholders from continued operations			
Ordinary earnings per share (in €) continued operations		1.14	1.64
Diluted earnings per share (in €) continued operations		1.14	1.63
Ordinary earnings per share before amortization (in €) continued operations ¹		1.54	2.04
Ordinary earnings per share before amortization and one-off income and expenses (in€) continued operations ¹		1.69	2.51

¹ Non IFRS compulsory disclosure.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of euros

	Notes	2020	2019
Net result		47,526	113,927
Items that may be reclassified subsequently to profit or loss (net of tax)			
Currency translation differences		-14,165	3,452
Currency translation differences in other associates		-303	50
Effective part of changes in fair value of cash flow hedges (after tax) ¹		3,098	2,283
		-11,370	5,785
Items that will not be reclassified subsequently to profit or loss (net of tax)			
Actuarial gains/(losses) ¹	17	-325	-371
		-325	-371
Other comprehensive income (net of tax)		-11,695	5,414
Comprehensive income for the period (net of tax)		35,831	119,341
Attributable to:			
Shareholders of the company		35,865	119,458
Non-controlling interests		-34	-117
Comprehensive income for the period (net of tax)		35,831	119,341

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



CONSOLIDATED BALANCE SHEET

in thousands of euros	Notes	31-12-2020	31-12-2019	in thousands of euros	Notes	31-12-2020	31-12-2019
ASSETS				EQUITY AND LIABILITIES			
Non-current assets				Group Equity			
Intangible non-current assets	3	577,330	596,404	Shareholders' equity	12	661,820	704,516
Tangible non-current assets	4	219,900	230,938	Non-controlling interests	13	86	304
Right-of-use assets	5	77,357	80,752	Total group equity		661,906	704,820
Other associates	6	25,540	28,635	Non-current liabilities			
Receivables	8	1,872	1,966	Interest-bearing loans and borrowings	18	409,508	415,803
Deferred tax assets	16	14,322	20,962	Deferred tax liabilities	16	55,061	65,528
Total non-current assets		916,321	959,657	Retirement benefit obligation	17	5,844	5,759
Current assets				Financial liabilities	15	3,408	4,971
Inventories	7	236,714	238,801	Provisions	14	5,741	6,296
Receivables	8	157,363	182,076	Total non-current liabilities		479,562	498,357
Contract assets	9	124,230	115,692	Current liabilities			
Contract costs	9	3,314	1,896	Interest-bearing loans and borrowings ¹	19	57,143	58,050
Current income tax		1,776	1,588	Trade payables and other payables	20	258,717	259,784
Cash and cash equivalents ¹	10	121,645	78,976	Contract liabilities	9	73,931	49,187
Total current assets		645,042	619,029	Current income tax liabilities		11,008	11,824
Assets held for sale				Financial liabilities	15	4,542	3,682
Assets held for sale	11	4,594	38,775	Provisions	14	19,148	19,069
Total assets		1,565,957	1,617,461	Total current liabilities		424,489	401,596
				Liabilities directly associated with assets held for sale	11		12,688
				Total equity and liabilities		1,565,957	1,617,461

¹ Including € 56.0 million (2019: € 10.0 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	Revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Unappropriated profit	Total shareholders' equity	Non-controlling interests	Total group equity
Balance at 1 January 2019	10,709	85,021	64,123	188	8,337	-3,462	372,992	108,551	646,459	1,190	647,649
Net result								114,048	114,048	-121	113,927
Total other comprehensive income					3,498	2,283	-371		5,410	4	5,414
Total comprehensive income	0	0	0	0	3,498	2,283	-371	114,048	119,458	-117	119,341
Appropriation profit last year							108,551	-108,551	0		0
Capital contribution									0	58	58
Dividends							-58,772		-58,772		-58,772
Dividends to shareholders of non-controlling interests							-523		-523	-42	-565
Acquisition of non-controlling interests							-80		-80	-785	-865
Realization through sale of investment property				-188			188		0		0
Share and option schemes							2,141		2,141		2,141
Purchased shares for share and option schemes							-12,395		-12,395		-12,395
Sold shares for share and option schemes							8,228		8,228		8,228
Change in legal reserve for participations			4,175				-4,175		0		0
Capitalized development costs			12,130				-12,130		0		0
Balance at 31 December 2019	10,709	85,021	80,428	0	11,835	-1,179	403,654	114,048	704,516	304	704,820
Net result								47,520	47,520	6	47,526
Total other comprehensive income					-14,428	3,098	-325		-11,655	-40	-11,695
Total comprehensive income	0	0	0	0	-14,428	3,098	-325	47,520	35,865	-34	35,831
Appropriation profit last year							114,048	-114,048	0		0
Capital contribution							5		5	7	12
Dividends							-62,566		-62,566		-62,566
Acquisition of non-controlling interests									0	-191	-191
Share and option schemes							2,335		2,335		2,335
Purchased shares for share buy-back program							-7,144		-7,144		-7,144
Purchased shares for share and option schemes							-12,821		-12,821		-12,821
Sold shares for share and option schemes							1,630		1,630		1,630
Change in legal reserve for participations			-198				198		0		0
Capitalized development costs			5,331				-5,331		0		0
Balance at 31 December 2020	10,709	85,021	85,561	0	-2,593	1,919	433,683	47,520	661,820	86	661,906



CONSOLIDATED CASH FLOW STATEMENT

in thousands of euros	Notes	2020	2019	in thousands of euros	Notes	2020	2019
Cash flow from operating activities				Cash flow from financing activities			
Operating result from continued operations		70,903	99,109	Dividends paid		-62,566	-59,337
Operating result from discontinued operations			8,864	Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	15	-614	-4,682
Depreciation, amortization and impairment		103,025	100,645	Capital contribution non-controlling interests		12	58
Share and option schemes not resulting in a cash flow		2,335	2,141	Acquisition of non-controlling interests		-191	-865
Result on disposals		-1,567	-257	Purchased shares for share buy-back program		-7,144	
Changes in provisions		-811	7,906	Purchased shares for share and option schemes		-12,821	-12,395
Changes in working capital		42,504	75	Sold shares for share and option schemes		1,630	8,228
Cash flow from operations		216,389	218,483	Payment of lease liabilities		-16,005	-15,780
Interest received		344	531	Proceeds from long-term debts		-4,985	99,013
Interest paid		-9,001	-9,374	(Repayments)/proceeds from other long-term debts		-513	661
Income taxes paid		-19,905	-27,431	Change in borrowings	19	-47,676	-113,063
Net cash flow from operating activities (A)		187,827	182,209	Net cash flow from financing activities (C)		-150,873	-98,162
Cash flow from investing activities				Net increase/(decrease) in cash and cash equivalents (A+B+C)			
Dividends received from non-consolidated associates			72	Exchange differences		-3,490	63
Repayments on loans		94	82	Change in cash and cash equivalents		-10,532	15,241
Purchases of tangible non-current assets		-31,097	-31,273	Cash and cash equivalents at 1 January		76,146	60,905
Disposals of tangible non-current assets		1,664	627	Cash and cash equivalents at 31 December	10	65,614	76,146
Divestments of investment property			251				
Divestments in assets held for sale	11	3,853					
Divestment of subsidiaries classified as held-for-sale less transferred cash		21,178	83,473				
Divestment of associates			163				
Acquisition of subsidiaries less cash and cash equivalents acquired	35	-481	-65,465				
Acquisition of associates	6		-16,354				
Investments in intangible non-current assets	3	-39,562	-40,527				
Divestments in intangible non-current assets		355	82				
Net cash flow from investing activities (B)		-43,996	-68,869				



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

General

The financial statements in English is a translation of the official Dutch version. In the event of differences and/or inconsistencies between the English version of the financial statements 2020 and the official Dutch financial statements 2020, the latter will take precedence. 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 begins on 1 January 2020. 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. Comparative figures may have been reclassified for comparability purposes, if considered to be material, the relevant disclosure has been added to the applicable note. To the extent that alternative performance measures are used these are explained in the glossary, which is included in the 'Other information'.

TKH Group N.V. has its registered office and factual seat in Haaksbergen and is registered in the trade register under number 06045666.

Impact COVID-19

Since the outbreak, COVID-19 has had a negative effect on both the turnover and the result of TKH. For example, the stricter measures in various countries had a significant impact on our business operations and operations during the year. Due to (temporarily) relaxed measures, especially in the summer and autumn, the possibilities for extradition have been restored, but these were not at the old level. In order intake, a negative impact of COVID-19 was particularly noticeable in the second and third quarters.

A quantification of the COVID-19 impact on the results for 2020 cannot be given unambiguously. The following elements have influenced the financial impact of COVID-19:

- In the various countries where we operate, all measures have been taken in accordance with the guidelines of the (local) governments to guarantee the safety of the working environment for our employees and to ensure the continuity of the company. Due to the measures taken, productivity and coverage in the production companies was considerably lower. In addition, there was a lower demand because customers were hindered in the execution and realization

of projects. Investments were limited or postponed in some market segments. In particular, this concerned investments for airports, parking garages, shipping and the industrial sector.

- Limited use has been made of available COVID-19 government support, often consisting of schemes for job retention or a form of short-time working. This has resulted in a temporary reduction in personnel costs of € 6.8 million. No government aid has been used in the Netherlands. The accounting policy used for the government support received is included in note 1 of the financial statements under 'Government grants'.
- Various cost-cutting measures have been implemented, but there were no significant reorganization costs directly related to the effects of COVID-19.
- TKH has not received any significant rental discounts as a result of COVID-19.
- Additional scenarios have been worked out in the assessment for possible impairments, in which an impairment loss of € 2.0 million is recognized, which is the result of COVID-19. For the assumptions and scenarios used, reference is made to note 3 of the financial statements. Reference is made to note 16 for the valuation of deferred tax assets.
- Postponement of the delivery of various projects, especially in the Industrial Solutions segment, due to lockdown situations at customers, had an increasing effect on the working capital at year-end 2020 of an estimated € 10 million. In contrast, deferred tax payments obtained had a depressing effect of € 22 million. This tax amount must be paid in the first half of 2021. An increased focus on working capital management has also led to a substantial reduction in working capital in the fourth quarter of 2020. Furthermore, TKH does not foresee any significant negative developments in the payment behavior of our customers to date.
- Investment levels are limited where possible. Important investment programs have been continued, as have ongoing R&D programs.
- TKH has a strong financial position and on 31 December 2020 with a debt leverage of 1.6, remains well within the covenant agreed with the banks.

For the expected impact of COVID-19 on 2021, please refer to the section "Outlook" in the Annual Report.

New accounting principles and interpretations

As from 1 January 2020 the following amendments of standards and new interpretations are effective:

- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9
- Definition of Material – Amendments to IAS 1 and IAS 8



- The Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – Amendment to IFRS 16

The adoption of the amendments and improvements has no 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 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS :9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ¹
- Reference to the Conceptual Framework – Amendments to IFRS 3 ²
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 ²
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 ²
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter ²
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities ²
- AIP IAS 41 Agriculture – Taxation in fair value measurements ²
- IFRS 17 Insurance Contracts ³
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 ³

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. A list of consolidated entities is included in the overview of subsidiaries in '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.

¹ Effective for financial years starting on or after 1 januari 2021

² Effective for financial years starting on or after 1 januari 2022

³ Effective for financial years starting on or after 1 januari 2023

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 resultant gain or loss is recognized in the statement profit and loss.

Segmentation

The information is segmented into the operating segments Telecom, Building and Industrial Solutions. For these segments, discrete financial information is available that the Executive Board, the highest operational decision-makers, evaluates regularly. The Executive Board decides on the allocation of resources and reviews the performance of the three segments (Telecom, Building and Industrial Solutions). These performances are reviewed and reported to the level of operating result. The segments are based on the product/market combinations in which TKH companies operate. 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 a commercial 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.

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 on 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 the OCI as a separate item in equity. These exchange differences are recognized in the statement of profit and loss as part of the transaction (cost) 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.

Acquired non-controlling interests are treated as transactions with owners in their capacity as owner and there is no goodwill reported in respect of such transactions. The adjustments of the non-controlling interests arising upon transactions where there is no loss of control are based on a proportionate amount of the net assets of the subsidiary.

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 non-current assets

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 non-current 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

Tangible non-current assets

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 agreement.

A lease is defined as ‘a contract or part of a contract that gives the right to use an (underlying) asset for a period in exchange for reimbursement’. 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 almost 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 period of use.

On the effective 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 effective date of the lease (after deduction of received incentives). The Right-of-use assets are amortized on a straight-line basis from the effective 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 effective 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 loan interest. Lease payments that are included in the valuation 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 exerted. 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 revalued, 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 this 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 to sell 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 recognized at the 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, 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, but not lower than nil, 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 realizable value. The net realizable value 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 product comprises 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 that is conditional.

Contract costs

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

Contract liabilities

A contract liability is the obligation to transfer 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 transferred 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 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 (debt instruments) are particularly relevant for subsequent valuation. TKH values financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model for the purpose of collecting the contractual cash flows, and;
- The contractual terms of the financial asset generate cash flows at certain dates that relate only to redemption and interest on the principal outstanding.

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 subject to impairment. The financial assets at amortized cost mainly comprise trade receivables.

A financial asset is primarily 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 expires. 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 highly probable. 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. Fixed 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 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. Deferred tax is calculated at the tax rates that are expected to apply when they are settled. 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.

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 12 months. 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 turnover of TKH consists of products and services within the business segments Telecom, Building and Industrial Solutions 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
TELECOM SOLUTIONS	<p>Telecom Solutions develops, produces and supplies products and systems for basic outdoor infrastructure for telecom and CATV networks up to indoor home networking applications. Approximately 40% of the portfolio consists of optical fibre and copper cable. The remaining 60%, consisting of components and systems in the field of connectivity and peripherals, is mainly used in the nodes of the network.</p>	<p>Virtually all revenues in Telecom Solutions 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.</p>
BUILDING SOLUTIONS	<p>Building Solutions develops, produces and supplies products and systems for security, communication and connectivity applications within and around buildings, cal applications as well as for inspection, quality, product and process control. In addition, products and services are supplied for installations within buildings, intelligent video, mission critical communication, evacuation, access (control) and registration systems.</p>	<p>A large part of the revenue within Building Solutions is recognized in the same way as Telecom Solutions, with the exception of the following products and services:</p> <ul style="list-style-type: none"> • 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. • Customer-specific products and systems: 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 tunnel safety systems, airport ground lighting and parking guidance that are built up and commissioned on-site, as well as subsea cable systems. 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 can not 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.



Segment

Products and services

Nature and timing of fulfillment of performance obligations

INDUSTRIAL SOLUTIONS

Industrial Solutions develops, produces and supplies solutions ranging from specialty cable, 'plug and play' cable systems to integrated systems for the manufacturing of car and truck tires. Services are also provided for integrated manufacturing systems.

- **Standardized products** are accounted for in a similar way as described in Telecom Solutions. 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 Building Solutions. A relatively large part of the turnover consists of customer-specific products and systems without alternative use and an enforceable right to payment for the work performed by TKH. Examples are special cable and cable systems for machines and robots, industrial automation systems and tire building systems. In contrast to Building Solutions, in the sub-segment manufacturing systems is the installation regarded as an integral part of the performance obligation to the customer, because on-site systems are constructed, configured and tested by employees.
- **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 are capitalized as contract costs and amortized over the expected contract period.

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.

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 subsidies 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 written off against 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 combination 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 net result is adjusted for items in the statement of profit and loss that have no impact on income and expenses 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

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	2020	2019
Assets				
Financial assets at fair value through P&L		Level 3	927	1,070
Foreign currency forward contracts	21	Level 2	2,007	428
Commodities (derivatives)	21	Level 2	1,874	86
Total			4,808	1,584
Liabilities				
Interest rate swaps	21	Level 2	566	618
Foreign currency forward contracts	21	Level 2	422	1,396
Commodities (derivatives)	21	Level 2	159	121
Total			1,147	2,135

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.

Goodwill and intangible non-current asset 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 non-current assets.

Impairments and valuation of (start-up) 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 as a result development of returns is higher. On the other hand, management involvement is larger.

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, interim profit is recognized, which is 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 are 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 help them determine the lease term.



3 INTANGIBLE NON-CURRENT ASSETS

in thousands of euros	Notes	Goodwill		Brand names, customer relations and intellectual property		Development costs		Patents, licenses, software and trademarks		Total	
		2020	2019	2020	2019	2020	2019	2020	2019		
Historical cost at 1 January		333,440	314,725	290,213	255,588	209,400	172,561	62,865	62,577	895,918	805,451
Accumulated amortization and impairment losses		2,323	2,323	148,428	132,652	106,882	85,153	41,881	41,225	299,514	261,353
Book value at 1 January		331,117	312,402	141,785	122,936	102,518	87,408	20,984	21,352	596,404	544,098
Purchases and capitalization						34,390	35,083	5,172	5,444	39,562	40,527
Acquisitions	35	383	35,265	178	41,614		2,411	1	1,259	562	80,549
Reclassification from tangible non-current assets	4							3		3	0
Reclassification to assets held for sale									-130	0	-130
Reclassifications						80	83	-80	-132	0	-49
Divestment of subsidiaries			-17,039		-92		-95		-441	0	-17,667
Disposals						-320	-58	-35	-24	-355	-82
Amortization	28			-22,907	-23,108	-24,171	-20,869	-6,642	-6,093	-53,720	-50,070
Impairment losses	29					-323	-1,727		-261	-323	-1,988
Adjustment goodwill		-1,537								-1,537	0
Exchange differences		-1,454	489	-695	435	-1,065	282	-52	10	-3,266	1,216
Book value at 31 December		328,509	331,117	118,361	141,785	111,109	102,518	19,351	20,984	577,330	596,404
Accumulated amortization and impairment losses		2,323	2,323	169,741	148,428	127,067	106,882	46,842	41,881	345,973	299,514
Historical cost at 31 December		330,832	333,440	288,102	290,213	238,176	209,400	66,193	62,865	923,303	895,918

The adjustment goodwill in the financial year relates to an upward adjustment of the valuation of the carry forward losses of an acquisition from 2019. The adjustment falls within the “measurement period” defined in IFRS.



Goodwill is allocated to sub-segments, which are considered as cash generating units ('CGU'). Impairment is assessed at this level. The goodwill is allocated as follows per group of CGU's:

CGU	Goodwill		Discount rate before tax		Functional currency	Operating segment
	2020	2019	2020	2019		
Indoor telecom systems & copper networks	29,597	29,597	11.2%	9.9%	EUR	Telecom Solutions
Fibre network systems	3,225	3,225	11.7%	10.4%	EUR	Telecom Solutions
Building connectivity systems	37,340	37,335	11.3%	9.9%	EUR	Building Solutions
Vision & security systems	235,920	238,533	10.2%	9.3%	EUR/USD	Building Solutions
Smart manufacturing systems	22,427	22,427	12.6%	10.9%	EUR	Industrial Solutions
Total	328,509	331,117				

The realizable value 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 1.0% (2019: 1.4%). 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 adopted assumptions, the performed impairment test did not lead to impairments at year-end 2020. In addition, in 2020 impairments totaling € 0.3 million were recognized, related to capitalized development costs in the CGU connectivity systems, vision & security systems and manufacturing systems. The impairment is partly related to the merging of activities, as a result of which a small part of the portfolio and developments will not be continued. Also some small development projects did not lead to goods or services for which a sufficient market demand was expected.

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:

- 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%.

The amounts relate to the impact on the realizable value 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
Indoor telecom systems & copper networks	-9.6	-10.9	-4.0	-22.0
Fibre network systems	-25.2	-24.6	-9.4	-53.0
Building connectivity systems	-65.0	-66.1	-23.7	-138.1
Vision & security systems	-116.8	-118.6	-43.5	-247.5
Smart manufacturing systems	-91.7	-89.1	-32.1	-192.1

These scenarios do not lead to an impairment in any of the CGU's in connection with the available headroom between the recoverable amounts and the carrying amounts.

The market capitalization of TKH amounted to € 1,640 million on 31 December 2020 and was significantly higher than the book value of the net assets of TKH.



4 TANGIBLE NON-CURRENT ASSETS

in thousands of euros	Notes	Land and buildings		Machinery and installations		Other equipment		Operating assets in progress		Total	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Historical cost at 1 January		196,095	201,623	259,482	268,935	126,034	130,050	6,440	12,228	588,051	612,836
Accumulated depreciation and impairments		92,112	91,269	173,968	180,742	90,963	95,363	70	70	357,113	367,444
Book value at 1 January		103,983	110,354	85,514	88,193	35,071	34,687	6,370	12,158	230,938	245,392
Purchases		4,360	4,336	7,870	13,682	14,005	13,539	3,856	640	30,091	32,197
Acquisitions			38		241	40	505			40	784
Divestment of subsidiaries			-1,239		-3,549		-2,347		-107	0	-7,242
Disposals		-53	-1	-1,079		-865	-365	-97		-2,094	-366
Depreciation	27	-6,432	-6,590	-11,995	-12,216	-11,342	-10,676			-29,769	-29,482
Impairments	29			-618	-1,021		-23	-377		-995	-1,044
Reclassifications				271	201	-271	-201			0	0
Reclassification from/to intangible non-current assets	3							-3		-3	0
Reclassification to assets held for sale	11	-5,502	-6,453		-3,272		-386		-7	-5,502	-10,118
Exchange differences		-1,311	203	-820	223	-538	224	-137	167	-2,806	817
Commissioning of assets in progress		314	3,335	882	3,032		114	-1,196	-6,481	0	0
Book value at 31 December		95,359	103,983	80,025	85,514	36,100	35,071	8,416	6,370	219,900	230,938
Accumulated depreciation and impairments		88,914	92,112	173,762	173,968	98,833	90,963	412	70	361,921	357,113
Historical cost at 31 December		184,273	196,095	253,787	259,482	134,933	126,034	8,828	6,440	581,821	588,051

The impairments mainly relate to the closure of the cable production activities in Ittervoort, whereby the core activities have been transferred to the production site in Haaksbergen.

5 RIGHT-OF-USE ACTIVA

TKH has lease contracts for various buildings, vehicles and other equipment used in its activities.

Building lease agreements generally have a duration of between 3 and 19 years, while vehicles and other equipment generally have a duration of between 3 and 5 years.



in thousands of euros	Notes	Land and buildings		Machinery and installations		Other equipment		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
Book value at 1 January		73,959	78,775	27	85	6,766	8,940	80,752	87,800
Purchases		8,725	2,592			2,792	3,147	11,517	5,739
Acquisitions			1,038				412	0	1,450
Divestment of subsidiaries			-4,872		-6		-696	0	-5,574
Disposals			-4			-161		-161	-4
Reassessment		4,358	8,087		4	132	-707	4,490	7,384
Depreciation	27	-12,013	-11,970	-13	-56	-3,639	-4,096	-15,665	-16,122
Impairments	29	-2,552				-1		-2,553	0
Exchange differences		-985	559			-38	1	-1,023	560
Reclassification to assets held for sale	11		-246				-235	0	-481
Book value at 31 December		71,492	73,959	14	27	5,851	6,766	77,357	80,752

The impairments relate to the vacancy of rented buildings as a result of the integration of activities, either a too low occupancy and a slowdown in revenue growth from rented buildings due to COVID-19.

In 2020, the costs related to variable lease payments that were not included in the lease obligation amounted to € 2.3 million.

In 2020, the costs of leasing assets with a low value amounted to € 0.2 million.

In 2020, the costs of leases with a term of less than one year amounted to € 0.1 million. There are no leases with a residual value guarantee and as at 31 December 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 2020 was € 20.5 million.

6 OTHER ASSOCIATES

TKH owns direct or indirect the following relevant other associates:

Name of other associate	Place	Country	Ownership and control		Operating segment
			2020	2019	
Speed Elektronik Vertrieb GmbH	Schwelm	Germany	25.0%	25.0%	Telecom Solutions
NET Italia S.r.l.	Brescia	Italy	49.0%	49.0%	Building Solutions
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.	Jiangyin	PR China	12.5%	12.5%	Telecom Solutions
Commend Australia Integrated Security and Communication Systems Pty Ltd.	Melbourne	Australia	49.0%	49.0%	Building Solutions
Traff Is BV	Hedel	Netherlands	33.3%	33.3%	Telecom Solutions
Cable Connectivity Group B.V.	Benthuizen	Netherlands	41.5%	41.5%	Industrial Solutions
P + S Technik GmbH	Ottobrunn	Germany	23.2%	23.2%	Telecom Solutions



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-finished 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.

On 15 August 2019, TKH sold the majority of the industrial connectivity activities to the Dutch private equity company Torqx Capital Partners. The activities were continued from a newly established company under the name Cable Connectivity Group BV, in which TKH has acquired a

minority interest. The included financial data from Cable Connectivity Group 2019 is a minority interest from the time of sale. The share in the 2020 result was reduced because this result includes a full-year amortization of the intangible fixed assets (identified as part of the purchase price allocation) of € 2,840,000.

The overview below shows the summarized financial information of the other 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 other' 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 2020 of Cable Connectivity Group	54,616	41,694	62,749	-870		-2,790
Summarized financial information 2020 other	15,214	5,766	4,345	86		-2
Summarized financial information 2019 of Cable Connectivity Group	63,721	47,418	26,635	246		246
Summarized financial information 2019 other	12,128	2,433	5,331	219		173

Movements in the other associates are as follows

in thousands of euros	Other associates	
	2020	2019
Balance at 1 January	28,635	12,047
Acquisition of an interest		16,354
Share in result of associates	-2,792	419
Dividend received		-72
Sale of a share interest		-163
Exchange differences	-303	50
Balance at 31 December	25,540	28,635

7 INVENTORIES

in thousands of euros	2020	2019
Raw materials	72,241	77,878
Work in progress	34,281	35,087
Finished goods	130,192	125,836
Inventories	236,714	238,801

An amount of € 560.0 million is reported in the statement of profit and loss for costs of raw materials, consumables and finished goods (2019: € 658.0 million). A part of inventories is valued at lower net realizable value. The book value of these written-down inventories is € 24.3 million (2019: € 15.8 million). The total write-down on inventories, based on aging analysis and sales statistics, in 2020 recognized in the statement of profit and loss is € 3.9 million (2019: € 1.4 million).

8 RECEIVABLES

in thousands of euros	Notes	2020	2019
Trade accounts receivable		137,063	156,314
Loss allowance	21	-6,675	-7,261
Derivatives	21	3,881	514
Receivables from related parties	34	1,194	884
Prepayments and accrued income		7,936	8,910
Other short-term receivables		13,964	22,715
Long-term receivables		1,872	1,966
Receivables		159,235	184,042

The amounts above are expected to be settled within 12 months, with the exception of long-term receivables. The receivables are mainly held according to a 'held-to-collect' business model. 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 2020 receivables with an amount of € 43.6 million are sold to a factoring company (2019: € 38.7 million). 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	2020	2019
Trade accounts receivable	137,063	156,314
Contract assets	124,230	115,692
Contract liabilities	-73,931	-49,187
Refund liabilities from customer volume rebates	-8,852	-8,863
Contract costs	3,314	1,896

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. As at 31 December 2020, advance payment and performance guarantees were provided to customers amounting to € 75.8 million (2019: € 67.5 million). These guarantees are included in the off-balance sheet commitments (note 22). A large part of the contract assets and liabilities relates to the sub-segment manufacturing systems (Industrial Solutions). The changes in the balance of contract assets and liabilities during the financial year are as follows:

in thousands of euros	Contract assets		Contract liabilities	
	2020	2019	2020	2019
Revenue recognized that was included in the contract liability balance at the beginning of the period			49,187	57,032
Increases due to cash received, excluding amounts recognized as revenue during the period			-73,931	-49,187
Transfers from contract assets recognized at the beginning of the period to receivables	-115,692	-128,137		
Increases as a result of changes in the measure of progress	124,230	115,692		

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 2020, amortization amounted to € 5.0 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	2020	2019
Expected to be recognized as revenue within 1 year	408,168	394,292
Expected to be recognized as revenue between 1 and 2 years	17,945	20,333
Expected to be recognized as revenue after 2 years	2,221	8,785
Total	428,334	423,410

The contractual performance obligations at 31 December 2019 include the companies ZTC and Cruxin for an amount of € 13.7 million, which have been divested in 2020.

10 CASH AND CASH EQUIVALENTS

in thousands of euros	2020	2019
Cash and bank balances as included in the cash flow statement	65,614	76,146
Cash at companies assets held for sale		-7,149
Cash and bank balances in cash and interest pools	56,031	9,979
Cash and bank balances	121,645	78,976

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

TKH reached agreement with third parties in November 2019 on the conditional sale of the shares of operating company Zhangjiagang Twentsche Cable Co. Ltd. ('ZTC'), in Zhangjiagang (China). ZTC specializes in the production of copper data communication cables. The activities are divested for an enterprise value of approximately € 31 million. In 2019 the total turnover of ZTC amounted to € 69.6 million with an EBITA of € 5.0 million and 198 FTE. The activities of ZTC belong to the building connectivity systems sub-segment, within the Building Solutions business segment. The transaction was completed in January 2020 and resulted in a book profit of € 3.5 million in the 2020 financial year, as well as a release from the legal reserve for exchange

differences of € 2.0 million. Both are recognized in the profit and loss account under the result on the sale of subsidiaries.

In December 2019, TKH decided to divest the activities of Cruxin B.V. The system integration activities of Cruxin had in the past a strategic value for TKH in putting proprietary technologies on the market, but are now competing in too many markets with TKH customers. Moreover, the activities no longer fit within TKH's risk profile. This resulted in a letter of intent in January 2020. The transaction was completed in April 2020. As a result of the intended divestment and the expected proceeds, an impairment loss of € 1.9 million has already been recognized in 2019. The completion of the transaction in 2020 no longer led to a significant impact on the result.

The year-end position relates to a number of buildings and sites available for sale. One property was sold during the financial year, on which a book profit of € 2.0 million was realized. In addition, another property has been reclassified from property, plant and equipment to assets held for sale.

12 EQUITY

The group equity is equal to the shareholders' equity. See the consolidated statement of changes in equity for a breakdown of the group equity and the disclosure notes to the company only financial statements.

13 NON-CONTROLLING INTEREST THIRD PARTIES

At the following subsidiaries that are or were not fully owned by TKH during the year at any time, there are third party non-controlling interests:

	Result non-controlling interests		Cumulative non-controlling interests	
	2020	2019	2020	2019
Various non-controlling interests	6	-121	86	304



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 minor. 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	2020	2019
Term shorter than 1 year	19,148	19,069
Term between 1 and 5 years	3,534	3,950
Term longer than 5 years	2,207	2,346
Other provisions	24,889	25,365

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 2019	7,075	3,514	6,328	8,052	396	25,365
Additions	1,273	31	2,450	3,293	1,461	8,508
Withdrawals	-1,396	-111	-300	-5,642		-7,449
Releases	-605	-99	-738			-1,442
Exchange differences	-79	-1	-6	-4	-3	-93
Balance at 31 December 2020	6,268	3,334	7,734	5,699	1,854	24,889

Provision for warranties

The provision for warranties is related to warranties for 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. An important part is related to the merging and outsourcing of activities in the building connectivity systems and vision & security systems sub-segments, among which the cable production activities in Ittervoort (NL). 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 accounted for over a period of time. This mainly concerns contracts in the sub-segment 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 and other contractual obligations. These liabilities consist of amounts at which a conviction 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 a term no longer than one year. There is no asset recognized for expected compensation fees in relation to the reported provisions.

15 FINANCIAL LIABILITIES

The movement of the financial liabilities is as follows:

in thousands of euros	Earn-out	Put options of shareholders of non-controlling interests	Total
Balance at 1 January 2020	8,195	458	8,653
Acquisitions		31	31
Payment for acquisitions from previous years	-614		-614
Unwinding of discount through the profit and loss account	1,038		1,038
Change in value through the profit and loss account	-1,278	120	-1,158
Balance at 31 December 2020	7,341	609	7,950

in thousands of euros

	2020	2019
Term shorter than 1 year	4,542	3,682
Term between 1 and 5 years	3,408	4,971
Financial liabilities	7,950	8,653

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 shareholders 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
USE System Engineering Holding B.V.	25.0%	1 January 2014
Mextal B.V.	5.0%	1 January 2019
JOHRAmont s.r.o.	5.0%	1 January 2022

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 2020 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 € 0.3 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	Land and buildings	Intangible non-current assets	Inventories and construction contracts	Provisions	Unused tax losses and credits	Financial instruments	Undistributed intragroup profits	Other	Total
Balance at 1 January 2019	-2,622	-48,873	-3,852	1,428	9,571	1,267	-3,701	3,488	-43,294
(Charge)/credit to other comprehensive income				116		-862			-746
(Charge)/credit to profit or loss	756	3,349	553	268	2,753		1,646	696	10,021
Reclassification to assets held for sale								-171	-171
Disposals	12	42	85	-315	-17			-116	-309
Acquisitions	33	-10,341			108			133	-10,067
Balance at 31 December 2019	-1,821	-55,823	-3,214	1,497	12,415	405	-2,055	4,030	-44,566
(Charge)/credit to other comprehensive income				-89		-1,089			-1,178
(Charge)/credit to profit or loss	2,542	1,612	712	-478	-506		-165	-205	3,512
Adjustment valuation through goodwill for prior year acquisition					1,537				1,537
Acquisitions		-44							-44
Balance at 31 December 2020	721	-54,255	-2,502	930	13,446	-684	-2,220	3,825	-40,739

Certain deferred tax assets and liabilities have been offset in accordance with the applicable principles in IFRS.

17 PENSIONS

The deferred tax assets and liabilities are recognized in the balance sheet as follows:

in thousands of euros	2020	2019
Deferred tax assets stated under non-current assets	14,322	20,962
Deferred tax liabilities stated under non-current liabilities	-55,061	-65,528
Deferred taxes	-40,739	-44,566

TKH has unused tax losses, which have not 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	2020	2019
Term infinite	31,804	32,219
Term longer than 10 years	10,781	12,456
Term between the 5 and 10 years	39	90
Term shorter than 5 years	439	1,101
Unrecognized tax losses and credits	43,063	45,866

The unrecognized unused tax losses represent a value of € 10.3 million at the end of 2020 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 sound financial forecasts supported by a concrete and profitable order book. It should be noted that these deductible losses often originate from the start-up period of new activities and / or innovations.

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 1 January 2020, the employees of the other Dutch subsidiaries have a so-called individual defined contribution scheme, which has been placed with Nationale-Nederlanden. TKH also had guarantee contracts with external pension insurer Nationale-Nederlanden for a number of subsidiaries until 31 December 2019. These warranty contracts have been terminated as of December 31, 2019. After termination, the existing indexation deposits have been settled. After termination of the agreement, TKH has no longer accrued any actuarial risks with regard to the entitlements before 31 December 2019 under the previous contract. On a small part of the entitlements accrued before 31 December 2014, TKH runs an actuarial risk of additional payment in the event of outgoing value transfers. However, according to TKH, this risk is not material. That is why any additional payment is accounted for in the P&L in the year that the additional payment will be made. 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 2020 related to the defined contribution plans amounts to € 14.5 million (2019: € 13.3 million). The industry pension plans are included in this pension expense. TKH expects for 2021 a pension expense of €14.0 million for all defined contribution plans, of which about €10.3 million relates to industry pension schemes.

Defined benefit plans

Multi-employer union plans

In the Netherlands 1,656 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 1,390 companies and 332,000 participants and PMT approximately 34,300 companies and 1,400,000 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:

	2020	2019
coverage ratio of PME	92.3%	96.9%
coverage ratio of PMT	91.2%	97.6%

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 2020 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, 13 years at 31 December 2020. 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 1 January 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:

	2020	2019
Discount rate before tax	0.4-2.0%	0.6-2.0%
General percentage salary increase	1.6%	1.7%

The following amounts are recognized in the balance sheet with respect to all defined benefit plans:

in thousands of euros	2020	2019
Present value of the defined benefit obligations	5,844	5,759
Fair value of the plan assets		
Net pension obligation	5,844	5,759

The following amounts are recognized in the statement of profit and loss with respect to the defined benefit plans:

in thousands of euros	2020	2019
Current service costs	119	218
Interest costs included in financial expenses	40	60
Pension expense in the profit and loss account	159	278

For 2021 TKH expects to pay a pension premium of € 0.2 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	2020	2019
Balance at 1 January	5,759	7,984
Current service costs	119	218
Interest costs included in financial expenses	40	60
Actuarial (gains)/losses recognized through other comprehensive income	236	487
Entitlements paid	-310	-316
Disposals		-2,674
Balance at 31 December	5,844	5,759

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 62% of the net pension liability, when there is an absolute change of 1% or 1 year in the relevant assumptions:



	2020		2019	
	+1.0%	-1.0%	+1.0%	-1.0%
Discount rate	-378	453	-487	589
General percentage salary increase	521	-442	475	-396
	+1 year	-1 year	+1 year	-1 year
Mortality table	150	-154	159	-197

18 NON-CURRENT LIABILITIES

in thousands of euros	Notes	2020	2019
Debts to credit institutions	19	339,511	344,258
To be amortized transaction costs for the credit facility		-322	-643
Loans from related parties			127
Long term lease liabilities (Right-of-use assets)		69,835	71,064
Other non-current liabilities		484	997
Interest-bearing loans and borrowings		409,508	415,803

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 1.4%. 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 BORROWINGS

in thousands of euros	Notes	Term	Interest	2020	2019
Bank loans reported under non-current liabilities	18	3.1 years	Euribor + margin	339,511	344,258
Long term lease liabilities (Right-of-use assets)	18	1-17 years	1.5-16.5%	69,835	71,064
Short term lease liabilities (Right-of-use assets)		< 1 year	1.5-16.5%	13,736	13,689
Borrowings reported under current liabilities		< 1 year	Euribor/Libor + margin	43,407	44,361
Cash and cash equivalents	10	< 1 year	Euribor/Libor - margin	-121,645	-78,976
Net interest bearing debt				344,844	394,396

At year-end 2020, € 56.0 million of the borrowings forms part of cash and interest pools (2019: € 10.0 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 1.4%. The material subsidiaries are guarantor for the obtained financing from credit institutions. No special securities were provided. 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 following overview shows the changes in the interest-bearing liabilities arising from financing activities.



in thousands of euros	Borrowings reported under current liabilities		Bank loans reported under non-current liabilities		Total lease liabilities (Right-of-use activa)		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance at 1 January	44,361	170,569	344,258	238,537	84,753		473,372	409,106
IFRS 16 restatement						91,482	0	91,482
Cash flows from financing activities	-47,676	-113,063	-5,498	99,674			-53,174	-13,389
Proceeds/(repayments) from cash pools	46,052	-12,296					46,052	-12,296
Payment of lease liabilities					-16,005	-17,751	-16,005	-17,751
Non-cash changes:								
• Acquisition of subsidiaries			110	5,844		1,450	110	7,294
• Divestment of subsidiaries						-5,574	0	-5,574
• Reclassification to liabilities held for sale						-509	0	-509
• New leases and reassessments					15,846	13,123	15,846	13,123
• Amortized transaction costs			322	322			322	322
• Interest					1,857	1,971	1,857	1,971
• Effect of changes in exchange rates	670	-849	319	-119	-2,880	561	-1,891	-407
Balance at 31 December	43,407	44,361	339,511	344,258	83,571	84,753	466,489	473,372

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	2020	2019
Trade creditors		139,078	154,179
Advance receipts		2,808	2,775
Other taxes and social insurance contributions		45,247	30,310
Derivatives	21	1,147	2,135
Refund liabilities from customer volume rebates	9	8,852	8,863
Other payables and accruals		61,585	61,522
Trade payables and other payables		258,717	259,784

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 2020, a number of suppliers made use of supply chain finance (reversed factoring) for a total of € 27.5 million (2019: € 24.8 million).

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. For financial risks and the control of these risks is referred to 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 € 350 million with a group of banks. In the second half of 2019 this facility has been increased from € 350 million to € 500 million. The conditions and duration (mid January 2024) remained unchanged. 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 € 295 million. TKH has per 31 December 2020 unused available credit facilities for a total of € 395 million (2019: € 351 million). In the calculated available credit facilities, the outstanding bank guarantees have been taken into account. The maximum credit facility per subsidiary is determined centrally. In the credit facility the following financial covenant is agreed, which is monitored on a quarterly basis:

	Covenant	Realization 31-12-2020	Realization 31-12-2019
Net debt compared to EBITDA (debt leverage ratio)	< 3.0	1.6	1.5

It has been agreed with the banks that in the calculation of the debt leverage ratio the 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 2020.

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2020 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%		1,189	3,567	349,580		354,336	339,673
Lease liabilities (Right-of-use assets)	2.1%		6,240	11,030	42,464	35,732	95,466	83,571
Financial liabilities	1.5%			4,542	3,747		8,289	7,950
Borrowings reported under current liabilities	1.0%	43,416					43,416	43,407
Trade creditors			139,078				139,078	139,078
Other payables excluding derivatives			70,437				70,437	70,437
Interest rate swaps (derivatives)			62	186	338		586	566
Foreign currency forward contracts (derivatives)			24,590	49,287	4,863		78,740	-1,585
Commodities (derivatives)			-609	-885	-221		-1,715	-1,715
Financial liabilities		43,416	240,987	67,727	400,771	35,732	788,633	681,382

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2019 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	1.3%		1,120	3,361	358,558		363,039	344,739
Lease liabilities (Right-of-use assets)	2.3%		6,650	11,943	39,814	40,072	98,479	84,753
Financial liabilities	2.0%			3,682	5,310		8,992	8,653
Borrowings reported under current liabilities	1.0%	44,370					44,370	44,361
Trade creditors			154,179				154,179	154,179
Other payables excluding derivatives			70,385				70,385	70,385
Interest rate swaps (derivatives)			47	142	622		811	618
Foreign currency forward contracts (derivatives)			24,196	39,034	2,462		65,692	968
Commodities (derivatives)			42	-10	3		35	35
Financial liabilities		44,370	256,619	58,152	406,769	40,072	805,982	708,691



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	31-12-2020 Total
Incoming		24,735	50,248	5,027		80,010
Outgoing		-24,590	-49,287	-4,863		-78,740
Net	0	145	961	164	0	1,270
Discounted at contractual bank rates		123	1,231	231		1,585

in thousands of euros	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	31-12-2019 Total
Incoming		23,881	38,643	2,316		64,840
Outgoing		-24,196	-39,034	-2,462		-65,692
Net	0	-315	-391	-146	0	-852
Discounted at contractual bank rates		-398	-425	-145		-968

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. The following table provides an overview of the, for hedging purposes, agreed interest rate swaps:

in thousands of euros (unless stated otherwise)	Average contracted interest rate		Nominal amount			Fair value
	2020	2019	2020	2019	2020	2019
Maturity between 2 and 5 years	0.45%	0.45%	25,000	25,000	-566	-618

Cash flow hedge accounting has been applied to all interest rate swaps mentioned before. 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 € 3.3 million per year as a result of financing and cash with a floating interest rate (2019: € 3.8 million). The impact is reduced by existing interest rate swaps.
- An increase of the fair value of the financial instruments with about € 0.6 million (2019: € 0.8 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 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:



in thousands of euros	Euro		USD		CNY		Other currencies		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Receivables	230,244	252,528	30,505	17,068	6,918	8,876	13,926	19,296	281,593	297,768
Cash and cash equivalents	76,992	37,238	25,428	19,666	6,508	9,577	12,718	12,495	121,646	78,976
Non-current interest-bearing loans and borrowings	-409,508	-415,803							-409,508	-415,803
Current interest-bearing loans and borrowings	-35,782	-36,361	-13,177	-7,903	-488	-564	-7,696	-13,222	-57,143	-58,050
Trade payables and other payables	-278,639	-259,495	-27,751	-17,091	-17,266	-18,249	-8,992	-14,134	-332,648	-308,969
Total	-416,693	-421,893	15,005	11,740	-4,328	-360	9,956	4,435	-396,060	-406,078

On balance sheet date, TKH has entered into foreign currency forward contracts:

in thousands of euros (unless stated otherwise)	Average contract rate		Nominal amount in foreign currency		Fair value	
	2020	2019	2020	2019	2020	2019
Cash flow hedges of balance positions						
Sell USD with settlement within 3 months	1.17	1.16	-5,511	-1,320	313	-99
Buy USD with settlement within 3 months	1.18		135		-5	
Buy JPY with settlement within 3 months		120.43		157,895		-15
Buy CNY with settlement within 3 months	7.91	7.81	89,049	66,181	-214	19
Cash flow hedges						
Sell USD with settlement within 3 months	1.18	1.18	-3,466	-6,028	101	-272
Sell USD with settlement between 3 months and 1 year	1.19	1.17	-31,373	-17,477	1,084	-701
Sell USD with settlement after 1 year	1.19	1.20	-5,967	-2,691	231	-148
Buy USD with settlement between 3 months and 1 year	1.16	1.16	2,979	700	-55	22
Buy USD with settlement after 1 year		1.18		78		3
Buy JPY with settlement within 3 months		120.79		67,225		-5
Sell CNY with settlement between 3 months and 1 year		8.12		-3,414		-16
Buy CNY with settlement within 3 months	7.99	7.82	47,144	57,184	-72	-26
Buy CNY with settlement between 3 months and 1 year	8.11	7.90	171,404	177,114	202	270
Total					1,585	-968

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 € 3.4 million negative on the result before tax (2019: € 4.7 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 € 21.0 million positive (2019: € 26.0 million positive). An increase of the euro with 10% will have the opposite influence, namely a positive influence of € 3.4 million on the result before tax and a negative influence of € 21.0 million on equity.

Price risk

An important raw material for TKH is copper. The price risk of copper 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, steel, aluminum 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.

On balance sheet date TKH has entered into the following derivatives for raw materials:

in thousands of euros (unless stated otherwise)

	Average contract rate		Quantity in metric tons		Fair value	
	2020	2019	2020	2019	2020	2019
Cash flow hedges						
Buy Copper with settlement within 3 months	5.66	5.51	699	517	566	-42
Buy Copper with settlement between 3 months and 1 year	5.55	5.42	1,045	427	813	18
Buy Copper with settlement between 1 and 3 years	5.55	5.41	292	237	221	-1
Buy Aluminium with settlement within 3 months	1.51	1.62	412	267	43	0
Buy Aluminium with settlement between 3 months and 1 year	1.48	1.63	553	399	72	-8
Buy Aluminium with settlement within 1 and 3 years		1.62		80		-2
Total					1,715	-35

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 sub-segments connectivity systems and manufacturing systems. These customers are mainly located in the Netherlands, France, Germany and Asia. 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.

Next to 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.

A decrease of the copper price with 10% would have a negative impact of approximately € 0.6 million on the result (2019: € 0.8 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.

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 (unless otherwise stated)	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2020 Total
Book value	211,460	39,212	8,420	2,812	2,466	1,343	8,363	274,076
Expected credit loss rate	0.1%	0.6%	1.6%	3.0%	12.1%	20.3%	65.1%	
Loss allowance	202	239	133	83	299	273	5,446	6,675

in thousands of euros (unless otherwise stated)	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2019 Total
Book value	201,669	36,277	9,847	3,572	4,049	2,393	8,658	266,465
Expected credit loss rate	0.2%	0.3%	2.8%	1.4%	5.8%	13.9%	68.8%	
Loss allowance	303	115	272	49	233	333	5,956	7,261

There are no significant overdue account receivables that are not largely covered by insurances or guarantees or for which no provision has been recognized. The movement of the allowance for doubtful debts is as follows:

in thousands of euros	2020	2019
Balance at 1 January	7,261	7,965
(Releases)/additions	806	557
Acquisitions	-13	36
Disposals		-960
Withdrawals	-1,207	-364
Exchange differences	-172	27
Balance at 31 December	6,675	7,261

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	2020	2019
Bank guarantees provided to third parties	87,291	72,195
Corporate guarantees provided to banks	12,904	13,000
Purchase obligations arising from orders for tangible non-current assets	9,680	5,639

The majority of the bank guarantees provided relate to down payments and performance guarantees issued to customers.

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. Claims against insurers have been recorded as receivables.



23 INFORMATION BY SEGMENT

TKH Group is organized in three business segments: Telecom Solutions, Building Solutions and Industrial Solutions. The Solutions are based on the product/market combinations in which the TKH subsidiaries operate. In the overview of subsidiaries, as part of the 'Other information', is

shown in which of the Solutions the different subsidiaries operate. In the annual report, a detailed overview of the activities by business segment is shown. TKH reports its primary business segment information based on these Solutions.

Operating segments

in thousands of euros (unless stated otherwise)

	Telecom Solutions		Building Solutions		Industrial Solutions		Other and eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue per subsegment										
Indoor telecom systems & copper networks	66,430	69,432							66,430	69,432
Fibre network systems	116,705	131,028							116,705	131,028
Building connectivity systems			269,707	334,272					269,707	334,272
Vision & security systems			402,826	410,727					402,826	410,727
Manufacturing systems					433,700	544,183			433,700	544,183
Total turnover	183,135	200,460	672,533	744,999	433,700	544,183	0	0	1,289,368	1,489,642
Geographic segments										
Netherlands	52,378	52,750	209,201	203,156	42,818	45,501			304,397	301,407
Europe (other)	117,569	135,030	263,765	292,225	176,368	205,642			557,702	632,897
Asia	10,887	11,194	101,355	125,628	133,618	190,345			245,860	327,167
North America	514	701	79,536	93,517	74,592	92,782			154,642	187,000
Other	1,787	785	18,676	30,473	6,304	9,913			26,767	41,171
Total turnover	183,135	200,460	672,533	744,999	433,700	544,183	0	0	1,289,368	1,489,642
Timing of revenue recognition										
Revenue at a point-in-time	181,730	198,469	627,196	685,739	98,868	111,515			907,794	995,723
Revenue over time	1,301	1,752	44,681	58,273	334,053	431,437			380,035	491,462
Revenues from contracts with customers	183,031	200,221	671,877	744,012	432,921	542,952	0	0	1,287,829	1,487,185
Other revenues	104	239	656	987	779	1,231			1,539	2,457
Total turnover	183,135	200,460	672,533	744,999	433,700	544,183	0	0	1,289,368	1,489,642
Result										
EBITA before one-off income and expenses	23,108	30,826	77,257	75,469	47,328	81,359	-12,175	-15,200	135,518	172,454
ROS	12.6%	15.4%	11.5%	10.1%	10.9%	15.0%			10.5%	11.6%
One-off income and expenses			-8,606	-17,174	1,679	-1,130			-6,927	-18,304
Amortization	-1,139	-947	-43,276	-40,593	-9,291	-8,513	-14	-17	-53,720	-50,070
Impairments	182	92	-3,796	-4,883	-354	-180			-3,968	-4,971
Segment operating result	22,151	29,971	21,579	12,819	39,362	71,536	-12,189	-15,217	70,903	99,109



Operating segments (continued)

in thousands of euros (unless stated otherwise)

	Telecom Solutions		Building Solutions		Industrial Solutions		Other and eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Other information										
Investments in intangible and tangible non-current assets, Right-of-use assets, including acquisitions	8,952	10,411	52,755	127,007	19,979	23,481	86	347	81,772	161,246
Depreciation and amortization	6,843	6,158	70,587	67,670	19,899	21,215	258	374	97,587	95,417
Employees (FTE)	718	731	2,657	2,984	2,178	2,235	30	30	5,583	5,980
Balance sheet										
Assets	179,380	181,842	904,131	955,719	395,220	408,784	57,092	3,706	1,535,823	1,550,051
Assets held for sale			3,646	37,832	948	943			4,594	38,775
Other associates	8,959	9,252	2,847	2,777	13,732	16,604	2	2	25,540	28,635
Consolidated total assets	188,339	191,094	910,624	996,328	409,900	426,331	57,094	3,708	1,565,957	1,617,461
Liabilities	46,551	45,585	201,544	196,772	169,171	183,227	486,785	474,369	904,051	899,953

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.

The turnover in the vertical growth market Fiber Optic Networks is mainly realized in Telecom Solutions. Tire Building Industry mainly concerns the segment Industrial Solutions, while Care covers both Building Solutions and Industrial Solutions. The other vertical growth markets mainly relate to Building Solutions.

in thousands of euros	Total turnover	
	2020	2019
Vertical markets		
Fibre Optics Networks	121,837	136,549
Parking	37,119	59,162
Infrastructure	130,557	132,989
Marine & Offshore	55,303	53,545
Care	52,129	58,160
Machine Vision	173,391	143,026
Tire Building Industry	242,467	330,148
Other vertical markets	476,565	576,063
Total turnover	1,289,368	1,489,642

in thousands of euros (unless stated otherwise)	Non-current assets ¹		Employees (FTE)	
	2020	2019	2020	2019
Geographic segments				
Netherlands	272,659	279,041	36%	35%
Europe (other)	514,419	505,313	42%	41%
Asia	52,027	87,428	14%	16%
North America	57,993	62,724	7%	7%
Other	4,901	4,189	1%	1%
Total	901,999	938,695	100%	100%

¹ 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	2020	2019
Wages and salaries	287,202	302,222
Share-based payments	2,592	2,571
Social insurance contributions	46,491	49,885
Pension costs	14,627	13,462
Temporary labor	17,047	25,259
Capitalized development costs	-26,969	-28,245
Other personnel expenses	11,862	17,364
Personnel expenses	352,852	382,518

Personnel costs for 2020 include one-off charges of € 7.7 million (2019: € 14 million) associated with restructuring within the 'Simplify & Accelerate'-program. As mentioned in Note 1, limited use has been made of available COVID-19 government support, often consisting of schemes for job retention or a form of short-time working. This has resulted in a temporary reduction in personnel costs of € 6.8 million in 2020. In the Netherlands, no government support has been used.

25 SHARE-BASED PAYMENTS

Stock option scheme settled in equity instruments

Option rights to (depository 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 rate in €	Number at 01-01-2020	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2020	Exercise period
2015	31.44	12,000				-12,000	0	2018-2020
2016	33.92	12,000					12,000	2019-2021
2017	41.19	7,350					7,350	2020-2022
2018	52.25	8,400					8,400	2021-2023
Total		39,750	0	0	0	-12,000	27,750	

Other option beneficiaries

The movement and balance of the outstanding option rights granted to the other option beneficiaries are as follows:

Year of allocation	Exercise rate in €	Number at 01-01-2020	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2020	Exercise period
2015	31.44	97,605		-85,145		-12,460	0	2018-2020
2016	33.92	205,335			-5,925	-4,960	194,450	2019-2021
2017	41.19	228,813			-10,485		218,328	2020-2022
2018	52.25	231,674			-11,583		220,091	2021-2023
2019	46.02	326,343			-13,483		312,860	2022-2024
2020	32.28	0	310,955		-4,440		306,515	2023-2025
Total		1,089,770	310,955	-85,145	-45,916	-17,420	1,252,244	

At the end of 2020, the company owns 1,334,841 purchased (depository receipts of) shares to cover the option rights. These (depository receipt of) shares have been purchased against an average share price of € 40.90. The total purchase value is € 54,595,361. The average share price on the date at which the share options were exercised during the financial year was € 36.39. The options were granted during the financial year on 5 March 2020. The estimated fair value of the options granted in 2020 is € 2,615,132. The fair value was determined on the basis of a binomial valuation model with the following assumptions:

	2020	2019
Fair value at the date of allocation (in €)	8.41	6.04
Expected volatility	26.7%	23.5%
Expected dividend	3.0%	3.0%
Risk free rate	-0.453%	0.002%
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 € 1,936,252 (2019: € 1,549,878) for these share-based payments which have been settled in equity instruments.

Other share-based payments

Based on the share scheme, (depository receipts of) shares have been allotted to the members of the Executive Board. During 2020 Mr. J.M.A. van der Lof was allotted 5,456 (depository receipts of) shares, Mr. E.D.H. de Lange 4,321, and Mr. H.J. Voortman 3,922 (depository receipts of) shares related to the performance for the year 2019. At the same time, the Executive Board members purchased respectively 5,456, 4,321 and 3,922 (depository receipts of) shares at the actual share price of € 37.65, 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 € 656,000 (2019: € 1,021,000) 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	2020	2019
Depreciation of tangible non-current assets	29,769	29,482
Depreciation of Right-of-use assets	15,665	16,122
Result on disposal of tangible non-current assets	-1,567	-257
Depreciation	43,867	45,347

28 AMORTIZATION

in thousands of euros	2020	2019
Amortization of intangible non-current assets	30,813	26,962
Amortization of intangible non-current assets from acquisitions as a result of 'Purchase Price Allocations'	22,907	23,108
Amortization	53,720	50,070

29 IMPAIRMENT

in thousands of euros	Notes	2020	2019
Impairment of intangible non-current assets	3	323	1,988
Impairment of tangible non-current assets	4	995	1,044
Impairment of assets held for sale			1,939
Impairment Right-of-use assets		2,553	
Onerous contracts		97	
Impairment		3,968	4,971

30 RESEARCH AND DEVELOPMENT COSTS

The total operating expenses over the financial year include the following items:

in thousands of euros	2020	2019
Research and development costs	60,643	63,236
Less: Capitalized development costs	-34,390	-35,083
Add: Amortization of development costs	24,171	20,869
Add: Impairment on capitalized development costs	323	1,727
Research and development costs accounted for in the profit and loss account	50,747	50,749
Government subsidies for research and development costs	4,288	3,530

31 FINANCIAL INCOME AND EXPENSES

in thousands of euros	2020	2019
Exchange and translation differences, including the effect of realized cash flow hedges	-1,965	-869
Amortized transaction costs	-322	-322
Interest costs in defined benefit plans	-15	-35
Interest expense on lease liabilities	-1,857	-1,971
Interest expenses	-6,593	-7,461
Interest income from debt instruments at fair value through P&L	30	133
Interest income	312	400
Financial income and expenses	-10,410	-10,125

32 TAX

in thousands of euros	Notes	2020	2019
Current tax		19,154	30,066
Adjustments for previous years		-253	574
Deferred tax	16	-3,512	-10,021
Total tax on result		15,389	20,619

The taxes that are included directly in the statement of other comprehensive income are shown below.

The tax burden is calculated at the prevailing tax rates in each country. The tax burden over the year can be reconciled with the profit before tax as follows:

in thousands of euros (unless stated otherwise)	2020		2019	
Result before tax	62,915		89,346	
Tax calculated at the Dutch tax rate	15,729	25.0%	22,337	25.0%
Correction due to tax effect for:				
Tax participation exemption	-495	-0.8%	333	0.4%
Non-deductible expenses	1,000	1.6%	1,815	2.0%
Untaxed gains	-459	-0.7%		
Advantages from tax facilities	-2,862	-4.5%	-5,122	-5.7%
Write off/recognition of deferred taxes	209	0.3%	-4	0.0%
(Recognition)/derecognition of deferred tax asset for unused tax losses	1,725	2.7%	242	0.3%
Settlement of income tax returns for previous years	-253	-0.4%	574	0.6%
Differences in tax rates for foreign subsidiaries	1,576	2.5%	945	1.1%
Change in statutory tax rate	1,093	1.7%	-258	-0.3%
Other tax benefits	-1,874	-2.9%	-243	-0.3%
Effective tax burden	15,389	24.5%	20,619	23.1%

in thousands of euros	Notes	2020	2019
Deferred taxes on revaluation of cash flow hedges	16	1,089	862
Deferred taxes on actuarial gains and losses	16	89	-116
Total tax on other comprehensive income		1,178	746

The effective tax burden increased compared to last year, despite some tax benefits such as:

- Government support received from COVID-19 which was classified as non-taxable income in some countries;
- Lower correction from finalization of tax returns from previous years; and
- A tax write-down on a business premises, which is recognized under other tax benefits.

The higher tax burden is attributable to the following circumstances:

- Lower benefits from tax R&D facilities were realized as a result of COVID-19. These facilities mainly relate to the Netherlands (innovation box), Canada (SR&ED), Austria and China and reduce the effective tax burden. In the Netherlands in particular, less profit could be allocated to the innovation box;
- Not fully recognizing tax losses resulted in a tax loss of € 1.7 million in 2020 (2019: € 0.2 million); and
- Because the tax rate reduction in the Netherlands from 25.0% to 21.7% was reversed, the rate used for deferred tax liabilities has been revised, resulting in an expense of € 1.1 million (2019: income of € 0.3 million).



33 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

in thousands of euros (unless stated otherwise)

	Notes	2020	2019
Weighted average number of (depository receipts of) shares (x 1,000)		41,729	41,959
Effect of share options (x 1,000)		29	161
Weighted average number of (depository receipts of) shares diluted (x 1,000)		41,758	42,120
Net profit		47,526	113,927
Less: Non-controlling interests		-6	121
Net profit attributable to the shareholders of the company		47,520	114,048
Result after tax from discontinued operations			-45,200
Net profit attributable to the shareholders of the company from continuing operations		47,520	68,848
Amortization of intangible non-current assets from acquisitions	3	22,907	23,108
Taxes on amortization		-6,014	-6,243
Net profit before amortization from continuing operations attributable to the shareholders of the company		64,413	85,713
One-off costs for restructurings, integrations, divestments and acquisitions		6,927	18,304
Result from divestments and purchase price allocations in the result of associates		-2,143	841
Impairments		3,968	4,971
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	15	-120	57
Tax impact on one-off expenses and benefits		-2,723	-4,577
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company		70,322	105,309
Earnings per share attributable to shareholders			
Ordinary earnings per share (in €)		1.14	2.72
Diluted earnings per share (in €)		1.14	2.71
Earnings per share attributable to shareholders from continued operations			
Ordinary earnings per share (in €) continued operations		1.14	1.64
Diluted earnings per share (in €) continued operations		1.14	1.63
Ordinary earnings per share before amortization (in €) continued operations ¹		1.54	2.04
Ordinary earnings per share before amortization and one-off income and expenses (in €) continued operations ¹		1.69	2.51
Earnings per share attributable to shareholders from discontinued operations			
Ordinary earnings per share (in €) discontinued operations		0.00	1.08
Diluted earnings per share (in €) discontinued operations		0.00	1.07

The one-off costs are mainly the result of the 'Simplify & Accelerate' program, in order to achieve a more focused value creation. In this program, TKH will focus more on the divestment of activities and the integration of companies with strong cohesion. This program has already resulted in material divestments of less strategic activities that have limited autonomous growth potential within TKH, while at the same time targeted acquisitions have been made that further strengthen TKH's technologies. Furthermore, various (planned) integrations and mergers, in particular in the sub-segments building connectivity systems and vision & security systems, have resulted in restructuring costs and write-downs, but these will eventually lead to economies of scale and synergy.

¹ Non IFRS compulsory disclosure

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:

in thousands of euros	Sold to		Bought from		Trade receivables		Trade payables	
	2020	2019	2020	2019	2020	2019	2020	2019
Cable Connectivity Group B.V.	4,769	5,472	5,325	4,432	1,027	619	631	540
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.			10,960	11,001			2,307	924
INC Ltd.				3,234				
Speed Elektronik Vertrieb GmbH	352	232	226	241	3	2	2	
Commend Australia Integrated Security and Communication Systems Pty Ltd.	560	603			39	85		
NET Italia S.r.l.	202	234	7		125	173	7	
Total	5,883	6,541	16,518	18,908	1,194	879	2,947	1,464

Shareholdings of members of the Executive Board and the Supervisory Board

During the financial year J.M.A. van der Lof sold 15,912 (depository receipts of) shares, E.D.H. de Lange sold 4,321 (depository receipts of) shares and H. Voortman sold 3,922 (depository receipts of) shares at a stock price of € 37.65, 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 5,456, 4,321 and 3,922 (depository receipts of) shares at a stock price of € 37.65. Among the members of the Executive Board, Mr. J.M.A. van der Lof owned 133,147 (depository receipts of) shares, Mr. E.D.H. de Lange owned 95,789 (depository receipts of) shares and Mr. H.J. Voortman owned 24,645 (depository receipts of) shares at the end of 2020. Of the Supervisory Board, Mr. A.J.P. De Proft owned 2,000 (depository receipts of) shares at the end of 2020.

Remuneration of the Executive Board and the Supervisory Board

The remuneration payable to the members of the Executive Board comprises a basic salary (TVI), 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.

in thousands of euros	Total regular income (TRI)		Bonus (STI)		Share scheme (LTI)		Pension		Compensation for pension premium		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive Board	1,657	1,404	179	494	356	856	79	70	303	240	2,574	3,064
Supervisory Board	326	285									326	285
Total remuneration	1,983	1,689	179	494	356	856	79	70	303	240	2,900	3,349

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

No major acquisitions took place in 2020.

36 NON-CASH TRANSACTIONS

There were no material non-cash transactions.

37 EVENTS AFTER BALANCE SHEET DATE

On January 27, 2021, TKH, through its subsidiary LMI Technologies (LMI), completed the acquisition of FringeAI, an innovative AI and IIoT / 5G inspection company based in Boston, Massachusetts. The company delivers a software suite that leverages integrated deep learning, dedicated edge devices and IIoT / 5G connected cloud services to deliver AI-based solutions in many markets. The activities within TKH will form part of the vertical Machine Vision within the business segment Building Solutions.

The purchase price allocation has not yet taken place due to the short timeframe between the completion of the acquisition and the preparation of these financial statements. Consequently, the exact amount of goodwill and acquired fair values of the assets and liabilities has not yet been determined. The goodwill paid will not be tax deductible.

The purchase price is limited and is paid in cash. In addition, a contingent consideration / earn-out has been agreed for the acquisition. This amount 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 scope of the company's activities was still very limited in 2020. TKH expects the acquisition to have a limited positive effect on earnings per share in 2021.

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:

in thousands of euros	Ernst & Young Accountants LLP (Netherlands)		Other parts of EY		Total	
	2020	2019	2020	2019	2020	2019
Audit of the financial statements	1,315	1,476	543	549	1,858	2,025
Other auditing assignments	5	5	3		8	5
Tax consultancy			28	18	28	18
Servicecosts external auditors	1,320	1,481	574	567	1,894	2,048



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COMPANY STATEMENT OF PROFIT AND LOSS

in thousands of euros

	Notes	2020	2019
Net turnover	14	9,387	9,016
Wages and salaries	15	8,795	8,494
Social insurance contributions		1,128	1,074
Depreciation and result on divestment of tangible fixed assets		227	360
Other operating expenses		6,883	10,417
Total operating expenses		17,033	20,345
Operating result		-7,646	-11,329
Financial income		1,386	9,722
Financial expenses		-4,044	-10,112
Exchange differences		-246	-377
Change in value of financial liability for earn-out and put-options of shareholders of non-controlling interests		120	63
Result before tax		-10,430	-12,033
Tax on result	16	-1,669	-2,029
Company result		-8,761	-10,004
Share in result of participations from continued operations		56,281	78,852
Share in result of participations from discontinued operations			45,200
Share in result of participations after tax		56,281	124,052
Net result		47,520	114,048



COMPANY BALANCE SHEET

As of 31 December before profit appropriation

in thousands of euros	Notes	2020	2019
ASSETS			
Non-current assets			
Intangible non-current assets	2	147,181	148,002
Tangible non-current assets	3	494	731
Financial non-current assets	4	788,043	1,192,555
Deferred tax assets	5	800	813
Total non-current assets		936,518	1,342,101
Current assets			
Receivables on subsidiaries		50,447	45,798
Other receivables	6	3,855	4,176
Cash and cash equivalents	12	4,747	3,775
Total current assets		59,049	53,749
Total assets		995,567	1,395,850

in thousands of euros	Notes	2020	2019
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		10,709	10,709
Share premium		85,021	85,021
Legal reserve		85,561	80,428
Translation reserve		-2,593	11,835
Cash flow hedge reserve		1,919	-1,179
Retained earnings		433,683	403,654
Unappropriated profit		47,520	114,048
Total shareholders' equity	7	661,820	704,516
Provisions			
Deferred tax liabilities	5	597	853
Financial liabilities	11	3,157	4,819
Provisions	10	25,259	6,237
Total provisions		29,013	11,909
Non-current liabilities			
Interest-bearing loans and borrowings	12	35	339,357
Total non-current liabilities		35	339,357
Current liabilities			
Interest-bearing loans and borrowings	12	28	38,376
Payables to group companies		295,906	291,913
Financial liabilities	11	4,542	3,682
Other current liabilities		4,223	6,097
Total current liabilities		304,699	340,068
Totaal passiva		995,567	1,395,850



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 NON-CURRENT ASSETS

	Goodwill	
in thousands of euros	2020	2019
Historical cost at 1 January	149,692	132,992
Accumulated impairment losses	1,690	1,690
Book value at 1 January	148,002	131,302
Acquisitions	383	23,380
Disposals		-6,745
Adjustment goodwill	-1,537	
Exchange differences	333	65
Book value at 31 December	147,181	148,002
Accumulated impairment losses	1,690	1,690
Historical cost at 31 December	148,871	149,692

The adjustment goodwill in the financial year relates to an upward adjustment of the valuation of the carry forward losses of an acquisition from 2019.

3 TANGIBLE NON-CURRENT ASSETS

	Other equipment	
in thousands of euros	2020	2019
Historical cost at 1 January	2,803	2,404
Accumulated depreciation and impairments	2,072	1,712
Book value at 1 January	731	692
Purchases	48	399
Disposals	-58	
Depreciation	-227	-360
Book value at 31 December	494	731
Accumulated depreciation and impairments	2,171	2,072
Historical cost at 31 December	2,665	2,803



4 FINANCIAL NON-CURRENT ASSETS

in thousands of euros	Consolidated subsidiaries		Other associates		Receivables on subsidiaries		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance at 1 January	830,299	750,214	27,997	11,274	334,259	313,455	1,192,555	1,074,943
Acquisition and/or incorporation of subsidiaries and associates	348	23,999		16,342			348	40,341
Disposals	-24,367	-9,086					-24,367	-9,086
Capital contribution	20,374	24,090			-20,374	-21,725	0	2,365
Result	54,154	78,470	-2,802	382			51,352	78,852
Result after tax from discontinued operations		8,950					0	8,950
Dividend received	-42,184	-52,619		-42			-42,184	-52,661
Change in cash flow hedge reserves	3,059	2,399					3,059	2,399
Liquidation		-181					0	-181
Transfer within the group					-405,057		-405,057	0
Loans granted less repayments					5,158	40,276	5,158	40,276
Actuarial gains/(losses) from defined benefit plans	-243	-370	-83				-326	-370
Other changes	1,537						1,537	0
Reclassification between receivables and participations	-100,536				100,536		0	0
Reclassification provision subsidiaries and associates	18,741	1,058				2,253	18,741	3,311
Exchange differences	-12,545	3,375	-228	41			-12,773	3,416
Balance at 31 December	748,637	830,299	24,884	27,997	14,522	334,259	788,043	1,192,555

In 2019 and 2020, a number of loan agreements with group companies were converted into share capital. This has resulted in a reclassification of receivables from group companies to consolidated participating interests.

An 'at arm's length' interest rate is charged on the receivables from and debts to group companies with a credit risk premium ranging from 1.2% to 2.8%.

In 2020, the majority of the receivables from group companies, together with the associated external financing, were transferred within the group to TKH Finance B.V. The shown reclassification between receivables and participations are also a consequence of this.



5 DEFERRED TAXES

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 2019	-1,265	659	116	-490
(Charge)/credit to other comprehensive income			38	38
(Charge)/credit to profit or loss	412			412
Balance at 31 December 2019	-853	659	154	-40
(Charge)/credit to other comprehensive income			-13	-13
(Charge)/credit to profit or loss	256			256
Balance at 31 December 2020	-597	659	141	203

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	2020	2019
Deferred tax assets stated under non-current assets	800	813
Deferred tax liabilities stated under non-current liabilities	-597	-853
Deferred taxes	203	-40

6 OTHER RECEIVABLES

in thousands of euros	2020	2019
Taxes and social security premiums	2,928	2,170
Other receivables	927	2,006
Other receivables	3,855	4,176

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

		2020	2019
	x1,000	€ '000	€ '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		24,291	24,291
Issued capital ¹		10,709	10,709

¹ Concerns 4,000 priority and 42,821,763 (depository receipts of) shares.

The issued capital did not change during the year. 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 depository 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 depository receipts. The holders of depository receipts are entitled to receive a power of attorney to cast a vote on the shares corresponding to the depository receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depository 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 Administratiekantoor 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 depository receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depository receipts of shares is governed by the administrative conditions. The protection afforded by the use of



depository receipts is based on the 1% rule. The depository 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	2020	2019
Capitalized development costs	80,760	75,430
Legal reserve for participations	4,801	4,998
Legal reserve	85,561	80,428

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 statutory 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 2020 the dividend for the year 2019 was declared at € 1.50 per (depository 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 2020 was € 62,565,872 and this amount was charged to the retained earnings.

After 31 December 2020, 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 (depository receipts of) ordinary shares a dividend of € 1,00 per (depository receipt of) ordinary share. The dividend proposal 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	2020	2019
Liability for subsidiaries with negative equity	24,917	6,176
Other long-term provisions	342	61
Total of other long- and short-term provisions	25,259	6,237

For more background details about other long-term provisions see note 14 of the consolidated financial statements.



11 FINANCIAL LIABILITIES

in thousands of euros	Earn-out	Put options of shareholders of non-controlling interests	Total
Balance at 1 January 2020	8,196	305	8,501
Change in value through the profit and loss account	-240	120	-120
Purchases		30	30
Payment for acquisitions from previous years	-614	-98	-712
Balance at 31 December 2020	7,342	357	7,699

For more details about the financial liabilities see note 15 of the consolidated financial statements.

12 NET INTEREST BEARING DEBT

in thousands of euros	2020	2019
Bank loans reported under non-current liabilities	35	340,000
To be amortized transaction costs for the credit facility		-643
Borrowings reported under current liabilities	28	38,376
Cash and cash equivalents	-4,747	-3,775
Net interest bearing debt	-4,684	373,958

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 € 45.4 million (2019: € 44.5 million) for bank credit and bank guarantee facilities provided to a number of foreign participating interests. This facility was called on for a sum of € 0.1 million (2019: € 1.0 million) at the end of 2020.

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	2020	2019
Current tax		-2,011	-1,747
Adjustments for previous years		598	130
Deferred tax	5	-256	-412
Total tax on result		-1,669	-2,029

The reconciliation of the tax expense in the year with the result before tax is as follow:

in thousands of euros (unless stated otherwise)

		2020		2019
Result before tax	-10,430		-12,033	
Tax calculated at the Dutch tax rate	-2,608	25.0%	-3,008	25.0%
Correction due to tax effect for:				
Non-deductible expenses	597	-5.7%	1,170	-9.7%
Untaxed gains			-365	3.0%
Settlement of income tax returns for previous years	598	-5.7%	130	-1.1%
Taxes on (un)distributed profits of foreign subsidiaries	-256	2.4%	44	-0.3%
Effective tax burden	-1,669	16.0%	-2,029	16.9%

17 SIGNATURE OF THE FINANCIAL STATEMENTS

Haaksbergen, 8 March 2021

Executive Board

J.M.A. van der Lof MBA, *chairman*
E.D.H. de Lange MBA
H.J. Voortman MSc

Supervisory Board

A.J.P. De Proft MSc, *chairman*
A.J.M. Kroon MBA, *vice-chairman*
P.P.F.C. Houben
R.L. van Iperen
C.W. Gorter
M. Schöningh MBA



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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 paragraph 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 we refer to TKH's website: www.tkhgroup.com.

PROPOSAL FOR PROFIT APPROPRIATION

in thousands of euros

Net profit attributable to shareholders € 47,520.

In accordance with Article 33 of the articles of association, we propose paying the holders of (depository receipts of) ordinary shares a dividend of € 1,00 per (depository receipt of) ordinary share.

The dividend will be made available for payment on 14 May 2021.

The dividend for 4,000 priority shares has been set at € 0.05 per share of € 1.00.



INDEPENDENT AUDITOR'S REPORT

To: the shareholders and supervisory board of TKH Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements for the year ended 31 December 2020 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 2020 and of its result and its cash flows for 2020 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 2020 and of its result for 2020 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 2020;
- the following statements for 2020: consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in group equity and 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 2020;
- the company statement of profit and loss for 2020;

- 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. 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.

OUR AUDIT APPROACH

Our understanding of the business

TKH Group N.V. is an internationally operating technology company and heads a group of operating companies. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities, as further described in the 'Scope of the group audit' section of our report. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment, as further described in the 'Our key audit matters' section of our report.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations 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. 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.

During our audit of the financial statements 2020 we were forced to perform our procedures to a greater extent remotely due to the Covid-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. As disclosed in note 1 to the financial statements, management made a specific assessment of the impact of the COVID-19 pandemic on important judgment areas and significant accounting estimates. We discussed and evaluated this assessment with management exercising professional judgment and maintaining professional skepticism.



Materiality

Materiality	€ 5.2 million (2019: € 6.0 million)
Benchmark applied	Result before interest, taxes, impairments and amortization (EBITA) x 4.0% (2019: Result before tax (adjusted) x 5.0%)
Explanation	The users of the financial statements of a profit-oriented entity typically focus on financial performance based on an earnings-based benchmark, usually result before tax. Over the past years the result before tax of TKH Group N.V. fluctuated as a result of a number of one-off transactions with respect to the "Simplify & Accelerate" program. For this reason, we consider the result before tax to be a less appropriate benchmark. TKH Group N.V. primarily uses a derivative of the result before interest, taxes, impairments and amortization (EBITA) to report on their financial performance. Based on this, we consider this the most appropriate benchmark for TKH Group N.V.

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 € 260,000, 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 of TKH Group N.V.

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.

Our group audit mainly focused on the holding and the operating

companies which are significant in terms of size and financial importance or for which significant risks or more complex activities (such as construction contracts and research and development) apply. The audit of the Dutch operating companies within the scope of the group audit are 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 were performed by EY audit 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.

Because of the international travel restrictions and social distancing due to the Covid-19 pandemic, we needed to restrict or have been unable to visit management and/or component auditors to discuss, among others, 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. Despite these extraordinary circumstances, we interacted regularly with all component teams throughout the audit process, using digital communications technology and digital information exchange. We have gained access to the digital audit files of, among others, the local EY auditors in Canada, Germany, Italy, the Netherlands, Austria and Poland and have remotely verified their work performed.

On this basis we directed and supervised the group audit and were we able to address the significant observations in our group audit. The procedures in relation to the consolidation of the group, the assessment of the valuation of goodwill and other intangible fixed assets of acquired companies, the assessment of the valuation of the deferred tax assets arising from unused tax losses and the explanatory notes in the financial statements are performed centrally. In total, the aforementioned procedures represent 83% (2019: 79%) of the total assets, 67% (2019: 75%) of the result before tax in absolute values and 66% (2019: 70%) of the group's revenue.

Due to the application of professional judgment in determining the individual significance of a group entity and because the nature and extent of our procedures depends on our risk assessment, the above coverage percentages vary. For non-significant components, we have performed a review of the financial information of these individual components using a materiality level that is specifically determined for these components.

By performing the procedures mentioned we have been able to

obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists and internal audit

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 TKH Group N.V. We included specialists in the areas of IT audit (including cybersecurity), corporate governance (including remuneration), IFRS accounting, valuation of goodwill and other intangible fixed assets of acquired companies, share based payments, taxes and forensic auditors.

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 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. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of the executive board, management (including the internal auditor, the head of legal affairs, the compliance officer and the directors of operating companies within the scope of the group audit) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and misappropriation of assets. Furthermore, as TKH Group N.V. is a global company which is operating in multiple jurisdictions, we considered the risk of bribery and corruption in those respective countries.



In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working, illness and workforce reductions, pressure on supply chain, management overrides and workarounds becoming the norm, manual invoicing and payments, cybersecurity risks and potential abuse of government schemes intended to support companies during the pandemic.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in note 2 to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

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 executive board, reading minutes, inspection of reports of the internal auditor and the head of legal affairs, made enquiries of the compliance officer and performing substantive tests of details of classes of transactions, account balances or disclosures. 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 from the executive board that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. Management made a specific assessment of the

company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by management to make the assessment, management bias that could represent a risk, the impact of current events (including Covid-19 pandemic) and conditions have on the company's operations and forecasted cash flows, with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due.

We consider based on the audit evidence obtained, whether a material uncertainty exists related to 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.

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.

General audit procedures

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;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

The key audit matter "Simplify & Accelerate" program, which was included in our last year's independent auditor's report, is not considered a key audit matter for this year as this related to a number of one-off transactions for which the accounting treatment was material to the 2019 financial statements.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



VALUATION OF DEVELOPMENT COSTS AND ASSETS RELATED TO NEW INNOVATION PROJECTS AND / OR BUSINESS ACTIVITIES

We refer to the following notes: 3 intangible non-current assets, 4 tangible non-current assets, 29 impairment and the related accounting principles and assumptions in note 1 and 2 of the financial statements.

RISK	<p>TKH Group N.V. is investing in the development of new technologies. In accordance with the requirements of IAS 16 or IAS 38 TKH capitalizes the related costs. On a yearly basis TKH Group N.V. assesses, in accordance with IAS 36, whether there is an indication for impairment. This is a relative complex estimation process, especially for investments in new innovation projects and new business activities, and is to a large extent dependent on subjective factors. TKH Group N.V. concludes, based on internal analysis, that the capitalized costs meet the requirements of IAS 16 or IAS 38 and that in accordance with IAS 36 there is no indication for impairment, other than the amount of € 1.3 million as disclosed in note 29 to the financial statements.</p> <p>We have therefore identified the valuation of development costs and assets related to new innovation projects and / or business activities as a key audit matter.</p>
OUR AUDIT APPROACH	<p>We obtained internal analysis of the company for our audit of the capitalized development costs in relation to the new innovation projects and / or business activities. We assessed whether capitalized projects are separately identifiable and appropriate, whether capitalized costs are a fair reflection of the actual cost, whether the projection of future economic benefits and cash flows are reasonable, including the technical feasibility, the intention to complete and the possibility to execute the projects on a commercial basis.</p> <p>In performing our audit procedures, we maintained our professional skepticism and remained alert to the potential impact of the Covid-19 pandemic on the estimates related to the valuation of development costs and the valuation of assets related to new innovation projects and / or business activities.</p> <p>We also reviewed the explanatory notes in relation to the development costs and audited the related estimations.</p>
KEY OBSERVATIONS	<p>Management has updated their assumptions and estimates based on the latest available (historic) data and expectations, including their assessment of the impact of the COVID-19 pandemic.</p> <p>We concur with the valuation of development costs and assets related to new innovation projects and / or business activities.</p> <p>We are of the opinion that the explanatory notes are adequate.</p>

REVENUE RECOGNITION, INCLUDING THE SELECTED TIMING OF RECOGNITION

We refer to the related accounting principles and assumptions in note 1 and 2 of the financial statements.

RISK	<p>The revenues of TKH Group N.V. within the segments Telecom, Building and Industrial Solutions consist of various types of contracts with elements for the delivery of products, services or combinations thereof.</p> <p>Taking into account the diversity of the segments and the type of contracts, we have identified a (fraud) risk with respect to revenue recognition, since it is important for revenue recognition that the control is transferred before the revenue is recognized. This is particularly a focus area for transactions near year-end for which management has to estimate whether the control has been transferred. As a result, there is a risk that transactions near year-end are not correctly recorded, resulting in incorrect or incomplete revenue recognition.</p> <p>On this basis, we have identified revenue recognition, including the selected timing of recognition, as a key audit matter.</p>
OUR AUDIT APPROACH	<p>We obtained and confirmed our understanding of the revenue recognition process within the segments Telecom, Building and Industrial Solutions, including the timing of revenue recognition.</p> <p>We performed walkthroughs for the significant revenue categories in order to evaluate the internal controls associated to the related risks. In addition we have performed, among others, the following substantive audit procedures:</p> <ul style="list-style-type: none"> • Data analysis in which specific trends, cut-off aspects and correlations (e.g. turnover - receivables - cash and cash equivalents) are analyzed. • Margin analyses for each significant revenue category / product lines. • Test of details of individual revenue transactions, where we traced transactions from the initiation stage up to recognition.
KEY OBSERVATIONS	<p>We concur with the revenues as recognized by TKH Group N.V. in its financial statements.</p> <p>We are of the opinion that the explanatory notes are adequate.</p>



VALUATION OF CONTRACT ASSETS AND LIABILITIES

We refer to note 9 contract assets and to the related accounting principles and assumptions in note 1 and 2 of the financial statements.

RISK	<p>TKH Group N.V. develops, produces and supplies systems on behalf of customers, which vary from subsea cable systems to integrated systems for the manufacturing of car and truck tires, whereby revenues are recognized over time. This results in the recognition of contract assets and liabilities per balance sheet date and prompting management to make estimates of the percentage of completion of the projects, as well as the expected result of the projects. This process involves relative complex estimations and is highly dependent on subjective factors.</p> <p>Given the diversity of systems that TKH Group N.V. produces, we recognize a (fraud) risk with respect to the valuation of projects with a fixed contract price and therefore we have identified management's assessment in relation to the valuation of contract assets and liabilities as a key audit matter.</p>
OUR AUDIT APPROACH	<p>Our procedures mainly include substantive procedures which were performed depending on the nature of the developed systems and size of the related projects.</p> <p>Our audit procedures focused on, among others:</p> <ul style="list-style-type: none"> • the appropriateness of the capitalization of costs on projects; • the estimation of the 'percentage of completion'; • changes in project forecasts, including interim revisions, if any; • back testing on prior assumptions of management.
KEY OBSERVATIONS	<p>Management has updated their assumptions and estimates based on the latest available (historic) data and expectations, including their assessment of the impact of the COVID-19 pandemic. We consider the estimates of management, to determine the valuation of the contract assets and liabilities, as reasonable and the explanatory notes as adequate.</p>

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- management board report
- profile
- mission
- message from the CEO
- members supervisory board
- report from the supervisory board
- remuneration report
- section and
- other information.

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 and Sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code

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.

Management is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board 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.

Other non-prohibited services provided

In the Netherlands our services are only related to the audit of the financial statements. Outside the Netherlands very limited other procedures are being provided to operating companies in respect to their Corporate Income Tax declaration. These services comply with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of ethics for professional accountants, a regulation with respect to independence).

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the supervisory board for the financial statements

Management 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, management is responsible for such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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 'Our audit approach' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

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 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, 8 March 2021
Ernst & Young Accountants LLP

signed by F.J. Blenderman



STICHTING ADMINISTRATIEKANTOOR TKH GROUP

The objective of the Stichting Administratiekantoor TKH Group ('Stichting Administratiekantoor') is to acquire and hold in trust ordinary shares in TKH Group N.V. ('TKH'), a public company which has 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 9 of the Trust Terms and Conditions governing the shares of TKH, Stichting Administratiekantoor reports on the activities during the year under review, 2020, related exclusively to the administration of shares for which depositary receipts have been issued. The total nominal value of the ordinary shares of TKH held in administration amounted to € 10,677,716.25 on 31 December 2020, in exchange for which 42,710,865 depositary receipts for shares¹ with a nominal value of € 0.25 each have been issued.

MEETINGS OF THE EXECUTIVE COMMITTEE

The Executive Committee of Stichting Administratiekantoor met three times during the financial year. Due to the restrictions because of COVID-19, all meetings took place virtually. The topics to be discussed in the meeting of 31 March were the General Meeting of Shareholders ('General Meeting') 2020 and the TKH Annual Report 2019. In the context of the retirement schedule, the board reappointed Mr. Noy as member of Stichting Administratiekantoor, in the position of chairman, for a period of two years, starting 1 July 2020.

The agenda items of the General Meeting were discussed in the meeting of 6 May. The special circumstances under which the General Meeting would take place on 7 May 2020, due to the COVID-19 situation with associated restrictions on meeting and, contrary to usual, no discussion at the General Meeting would be possible regarding the provisional voting determination by the Executive Committee of Stichting Administratiekantoor, has made the Committee decide to definitively determine the voting behaviour in its meeting on 6 May.

Holders of depositary receipts for shares in the capital of the company have been given the opportunity to vote independently on the agenda items that have been put to vote in the General Meeting, in respect of the shares corresponding with their depositary receipts and subject to the relevant statutory provisions. Holders of depositary receipts of shares who collectively represents 53.9% of the capital entitled to vote, requested a proxy from Stichting Administratiekantoor to vote independently on the shares in question. Stichting Administratiekantoor voted for the remaining 45.7% of the capital entitles to vote. In doing so, the Committee has determined to vote in favor of the agenda items that are put to the vote in the General Meeting.

In the meeting of 23 September, the company gave an explanation of the published interim figures 2020. The retirement schedule for 2021 was discussed and the procedure to be followed in this regard. Legislative proposals that affect Stichting Administratiekantoor also have been discussed.

EXECUTIVE COMMITTEE OF STICHTING ADMINISTRATIEKANTOOR

Stichting Administratiekantoor's Executive Committee currently has three independent members:

- Mr. H.L.J. Noy, chairman
- Mr. J.S.T. Tiemstra
- Mr. G.W.Ch. Visser

Personal details of the members of the Executive Committee and the retirement schedule can be found on the website of Stichting Administratiekantoor.

CONTACT DETAILS

Address: Spinnerstraat 15, 7481 KJ Haaksbergen (the Netherlands).
Website: www.stichtingadministratiekantoor.tkh.com.
Email: stak@tkhgroup.com.

Haaksbergen, 5 March 2021
Stichting Administratiekantoor TKH Group
The Executive Committee

STATEMENT OF INDEPENDENCE

The Executive Board of TKH Group N.V. and the Executive Committee of Stichting Administratiekantoor hereby state that, jointly and severally, they are of the opinion that Stichting Administratiekantoor TKH Group is a legal entity which is independent of TKH Group N.V. within the meaning of Section 5.71(1)(d) of the Financial Supervision Act.

Haaksbergen, 5 March 2021
TKH Group N.V.
Executive Board

Haaksbergen, 5 March 2021
Stichting Administratiekantoor
TKH Group
The Executive Committee

¹ The number of depositary receipts for shares has increased by 18,916 compared to due to the conversion of ordinary shares into depositary receipts for shares.



STICHTING CONTINUÏTEIT TKH

The objective of Stichting Continuïteit TKH ('Stichting Continuïteit') is to look after the interests of TKH Group N.V. ('TKH') and all the businesses associated with it in such a way that those interests are secured as far as possible and to resist as far as possible any influences which could affect the independence, continuity or identity of TKH and its businesses contrary to those interests, as well as to do anything related or conducive to the above.

By means of a call option TKH has conferred on Stichting Continuïteit 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 placement of the protective shares, or 100% should the limitation on conversion of depositary receipts cease to apply. The protective shares will not be left on issue longer than is strictly necessary. In the event that TKH shareholders actually acquire a degree of control which is regarded as undesirable or is not in the interests of TKH and its businesses, or there is a danger of them doing so, TKH's Executive and Supervisory Board shall be at liberty to determine their position in relation to such degree of control, to consider and explore possible alternatives and to elaborate on them if necessary. Stichting Continuïteit did not acquire any cumulative protective preference shares in TKH in 2020.

TKH has also conferred on Stichting Continuïteit the right to initiate an inquiry procedure at the Enterprise Chamber in the event that Stichting Continuïteit is of the opinion that there are good grounds to doubt the policy pursued by and state of affairs prevailing in TKH and believes that by invoking this right it would be acting in the interests of TKH and the businesses associated with it.

EXECUTIVE COMMITTEE OF STICHTING CONTINUÏTEIT

The Executive Committee of Stichting Continuïteit consists of:

- Mr. M.P. Nieuwe Weme, chairman
- Ms. S. Drion
- Mr. A. Nühn MBA
- Mr. A.J.M. van der Ven

Haaksbergen, 5 March 2021

Stichting Continuïteit TKH

The Executive Committee

STATEMENT OF INDEPENDENCE

The Executive Board of TKH Group N.V. and the Executive Committee of Stichting Continuïteit TKH state that, jointly and severally, they are of the opinion that Stichting Continuïteit TKH is a legal entity which is independent of TKH Group N.V. within the meaning of Section 5.71(1)(c) of the Financial Supervision Act.

Haaksbergen, 5 March 2021

TKH Group N.V.

Executive Board

Haaksbergen, 5 March 2021

Stichting Continuïteit TKH

The Executive Committee



CONSOLIDATED ENTITIES

Name	Place	Country	Ownership 31-12-2020 ¹	Ownership 31-12-2019 ¹	Telecom Solutions	Building Solutions	Industrial Solutions
Alphatronics B.V.	Nijkerk	Netherlands	100.0%	100.0%		●	
BB Lightpipe B.V.	Doetinchem	Netherlands	100.0%	100.0%		●	
B.V. Twentsche Kabelfabriek	Haaksbergen	Netherlands	100.0%	100.0%	●	●	●
Commend Benelux B.V.	Prinsenbeek	Netherlands	100.0%	100.0%		●	
Cruxin B.V.	Capelle a/d IJssel	Netherlands		100.0%		●	
EKB Groep B.V.	Beverwijk	Netherlands	100.0%	100.0%			●
Eldra B.V.	Ittervoort	Netherlands	100.0%	100.0%		●	●
Intronics B.V.	Barneveld	Netherlands	100.0%	100.0%	●	●	●
Isolectra B.V.	Capelle a/d IJssel	Netherlands	100.0%	100.0%		●	
LMI Technologies B.V.	Kerkrade	Netherlands	100.0%	100.0%		●	
Mextal B.V. ²	Nuene	Netherlands	95.0%	95.0%		●	
Park Assist Europe B.V. ⁴	Beesd	Netherlands		100.0%		●	
Siqura B.V.	Gouda	Netherlands	100.0%	100.0%		●	
Texim Europe B.V.	Haaksbergen	Netherlands	100.0%	100.0%	●	●	●
TKH Airport Solutions B.V. ²	Haaksbergen	Netherlands	75.0%	75.0%		●	
TKH Finance B.V.	Haaksbergen	Netherlands	100.0%	100.0%			
TKH Innovations B.V. ⁴	Haaksbergen	Netherlands		100.0%		●	
TKH Logistics B.V.	Haaksbergen	Netherlands	100.0%	100.0%	●	●	●
TKH Logistics Vastgoed B.V.	Haaksbergen	Netherlands	100.0%	100.0%	●	●	●
TKH Parking Technology B.V. ⁴	Beesd	Netherlands		51.0%		●	
TKH Security B.V.	Amsterdam	Netherlands	100.0%	100.0%		●	
VMI Holland B.V.	Epe	Netherlands	100.0%	100.0%			●
INEC N.V.	Herentals	Belgium	100.0%	100.0%	●	●	●
Techno Specials N.V.	Gent	Belgium	100.0%	100.0%		●	●
Texim Europe BVBA	Brussel	Belgium	100.0%	100.0%	●	●	●
EFB Nordics A/S	Ballerup	Denmark	90.0%	90.0%	●	●	
TKH Airport Solutions A/S	Nykøbing Falster	Denmark	100.0%	100.0%		●	
Aasset Security GmbH ³	Erkrath	Germany	100.0%	100.0%		●	
Allied Vision Technologies GmbH ³	Stadtroda	Germany	100.0%	100.0%		●	
ASP GmbH ³	Erkrath	Germany	100.0%	100.0%		●	
Augusta Technologie GmbH ³	Bielefeld	Germany	100.0%	100.0%		●	
Chromasens GmbH ³	Konstanz	Germany	100.0%	100.0%		●	
Dewetron Elektronische Messgeräte GmbH ³	Wernau	Germany	100.0%	100.0%			●
EEB Kabeltechnik GmbH ³	Forst	Germany	100.0%	100.0%			●
EFB Elektronik GmbH ³	Bielefeld	Germany	100.0%	100.0%	●	●	●
EFB Elektronik Real Estate B.V. & Co. KG ³	Bielefeld	Germany	100.0%	100.0%	●	●	●
Ernst & Engbring GmbH ³	Oer-Erkenschwick	Germany	100.0%	100.0%			●
FocalSpec GmbH ³	Berlin	Germany	100.0%	100.0%		●	
HE System Electronic GmbH ³	Veitsbronn	Germany	100.0%	100.0%			●
IV-Tec GmbH ³	Freiburg	Germany	100.0%	100.0%		●	
Lakesight Technologies Holding GmbH ³	Unterschleissheim	Germany	100.0%	100.0%		●	



Name	Place	Country	Ownership 31-12-2020 ¹	Ownership 31-12-2019 ¹	Telecom Solutions	Building Solutions	Industrial Solutions
Lakesight Technologies German Holding GmbH ³	Unterschleissheim	Germany	100.0%	100.0%		●	
LMI Technologie GmbH ³	Teltow	Germany	100.0%	100.0%		●	
Mikrotron GmbH ³	Unterschleissheim	Germany	100.0%	100.0%		●	
New Electronic Technology GmbH ³	Finning	Germany	100.0%	100.0%		●	
Profipatch GmbH ³	Herford	Germany	100.0%	100.0%		●	
Schneider Intercom GmbH ³	Erkrath	Germany	100.0%	100.0%		●	
SVS-Vistek GmbH ³	Seefeld	Germany	100.0%	100.0%		●	
Texim Europe GmbH ³	Quickborn	Germany	100.0%	100.0%	●		●
TKD Immobilien GmbH ³	Bielefeld	Germany	100.0%	100.0%			●
TKD Kabel Real Estate B.V. & Co KG ³	Bielefeld	Germany	100.0%	100.0%			●
TKF GmbH ³	Bielefeld	Germany	100.0%	100.0%	●		
TKH Airport Solutions GmbH ³	Bielefeld	Germany	100.0%	100.0%		●	
TKH Deutschland GmbH ³	Bielefeld	Germany	100.0%	100.0%			
TKH Deutschland Verwaltungs GmbH ³	Bielefeld	Germany	100.0%	100.0%			
TKH Grundstücksverwaltungs B.V. & Co. KG ³	Bielefeld	Germany	100.0%	100.0%		●	●
TKH Security Solutions GmbH ³	Erkrath	Germany	100.0%	100.0%		●	
TKH Technologie Deutschland AG ³	Bielefeld	Germany	100.0%	100.0%			
Aasset France SAS	Argenteuil	France	100.0%	100.0%		●	
CAE Data SAS	Wissous	France	100.0%	100.0%	●	●	●
ID Cables SAS	Wissous	France	100.0%	100.0%	●	●	●
MAN SAS	Wissous	France	100.0%	100.0%	●	●	●
TKF SAS	Wissous	France	100.0%	100.0%	●		
TKH France SAS	Wissous	France	100.0%	100.0%	●		
Commend France SAS	Saint Ouen	France	100.0%	100.0%		●	
Dewetron France SARL	Chilly Mazarin	France	100.0%	100.0%		●	
LMI Finland Oy	Oulu	Finland	100.0%	100.0%		●	
TKH Finland Holding Oy	Riihimäki	Finland	100.0%	100.0%	●		
TKH Finland Oy	Riihimäki	Finland	100.0%	100.0%	●		
Lakesight Technologies Holding Srl.	Mairano (Brescia)	Italy	100.0%	100.0%		●	
Lakesight Italia Srl.	Mairano (Brescia)	Italy	100.0%	100.0%		●	
Aasset Security Italia Srl.	Conegliano	Italy	100.0%	100.0%		●	
Commend Italia Srl.	Carobbio Degli Angeli (BG)	Italy	100.0%	100.0%		●	
Tattile Srl.	Mairano (Brescia)	Italy	100.0%	100.0%		●	
E&E Cable Solutions (Ukraine)	Kiev	Ukraine	100.0%	100.0%			●
Commend International GmbH	Salzburg	Austria	100.0%	100.0%		●	
Dewetron Elektronische Messgeräte GmbH	Graz	Austria	100.0%	100.0%			●
EFB Elektronik Austria GmbH	Wien	Austria	100.0%	100.0%	●	●	●
C&C Partners Sp. z o.o	Leszno	Poland	100.0%	100.0%	●	●	
TKH Technology Sp. z o.o	Leszno	Poland	100.0%	100.0%		●	
VMI Poland Sp. z o.o	Leszno	Poland	100.0%	100.0%			●
JOHRAMont s.r.o.	Svidník	Slovakia	95.0%			●	
Commend Iberica SL.	Barcelona	Spain	100.0%	100.0%		●	
Imagina Artificial Intelligence SL	Malaga	Spain	100.0%	100.0%		●	
INEC Espana SA	Malaga	Spain	100.0%	100.0%	●	●	●



Name	Place	Country	Ownership 31-12-2020 ¹	Ownership 31-12-2019 ¹	Telecom Solutions	Building Solutions	Industrial Solutions
ParkEyes SL	Malaga	Spain	100.0%	100.0%		●	
Siqura SL	Madrid	Spain	100.0%	100.0%		●	
EFB Elektronik Ltd.	Istanbul	Turkey	90.0%	90.0%	●	●	
Commend Güvenlik ve İletişim Sistemleri Ltd. Şti.	Istanbul	Turkey	85.0%	85.0%		●	
Commend UK Ltd.	Stansted	UK	100.0%	100.0%		●	
TKH Security UK Ltd.	Rotherham	UK	100.0%	100.0%		●	
Siqura Ltd.	Rotherham	UK	100.0%	100.0%		●	
Park Assist Ltd.	London	UK	100.0%	100.0%		●	
Commend Scandinavia AB	Tierp	Sweden	100.0%	80.0%		●	
VMC Elteknik AB	Strängnäs	Sweden	100.0%	100.0%	●	●	
Commend AG	Fehraltorf	Switzerland	100.0%	100.0%		●	
Multi Media Connect (Aust) Pty Ltd.	Tuggerah	Australia	100.0%	85.0%		●	
Park Assist Holdings Pty Ltd.	Sydney	Australia	100.0%	100.0%		●	
Park Assist Pty Ltd.	Sydney	Australia	100.0%	100.0%		●	
Jacques Technologies Pty Ltd.	Brisbane	Australia	100.0%	100.0%		●	
VMI South America Ltda.	Sao Paulo	Brazil	100.0%	100.0%			●
Allied Vision Technologies Inc.	Burnaby	Canada	100.0%	100.0%		●	
LMI Technologies Inc.	Vancouver	Canada	100.0%	100.0%		●	
Allied Vision Technologies (Shanghai) Co. Ltd.	Shanghai	China	100.0%	100.0%		●	
Dewetron Test and Measurement Equipment (Beijing) Co. Ltd	Beijing	China	100.0%	100.0%			●
Dewetron Test and Measurement Equipment (Shanghai) Co. Ltd	Shanghai	China	100.0%	100.0%			●
E&E Cable (Zhangjiagang) Co. Ltd	Zhangjiagang	China	100.0%	100.0%			●
FocalSpec Asia Ltd.	Hong Kong	China	100.0%	100.0%		●	
FocalSpec China Co. Ltd.	Suzhou	China	100.0%	100.0%		●	
LMI (Shanghai) Trading Co. Ltd.	Shanghai	China	100.0%	100.0%		●	
TKH Building Solutions Shanghai Co. Ltd.	Shanghai	China	100.0%	100.0%		●	
Twentsche (Nanjing) Fibre Optics Co. Ltd.	Nanjing	China	100.0%	100.0%	●		
VMI Yantai Ltd.	Yantai	China	100.0%	100.0%			●
VMI Ltd.	Yantai	China	100.0%	100.0%			●
Zhangjiagang Twentsche Cable Co. Ltd.	Zhangjiagang	China	100.0%	100.0%		●	
Isolectra Communications Technology Sdn Bhd	Shah Alam	Malaysia	100.0%	100.0%	●	●	
VMI SEA Office Sdn Bhd	Shah Alam	Malaysia	100.0%	100.0%			●
Ithaca SA	Casablanca	Morocco	100.0%	100.0%		●	
LMI Technologies Co. Ltd.	Tokio	Japan	100.0%	100.0%		●	
NET Japan Co. Ltd.	Yokohama	Japan	90.0%	90.0%		●	
SVS-Vistek K.K.	Yokohama	Japan	100.0%	100.0%		●	
Multi Media Connect (N.Z.) Pty Ltd.	Paraparaumu	New Zealand	100.0%	85.0%		●	
Allied Vision Technologies Pte Ltd.	Singapore	Singapore	100.0%	100.0%		●	
Commend South East Asia Pte Ltd.	Singapore	Singapore	100.0%	100.0%		●	
TKH Security & Airport Solutions Pte Ltd.	Singapore	Singapore	100.0%	100.0%	●	●	
LMI Technologies yuhan hoesa	South Korea	South Korea	100.0%	100.0%		●	
VMI Thailand	Thailand	Thailand	100.0%	100.0%			●
CMF Taiwan	Taiwan	Taiwan		60.0%		●	
Commend Middle East FZE	Dubai	United Arab Emirates	100.0%	100.0%		●	



Name	Place	Country	Ownership 31-12-2020 ¹	Ownership 31-12-2019 ¹	Telecom Solutions	Building Solutions	Industrial Solutions
Allied Vision Technologies Inc.	Boston	USA	100.0%	100.0%		●	
Commend Inc.	New York	USA	100.0%	100.0%		●	
Dewetron America Inc.	Wakefield	USA	100.0%	100.0%			●
FocalSpec Inc.	Santa Clara	USA	100.0%	100.0%		●	
LMI Technologies Inc.	Detroit	USA	100.0%	100.0%		●	
NET USA Inc.	Highland	USA	100.0%	100.0%		●	
Park Assist LLC	New York	USA	100.0%	100.0%		●	
SVS-Vistek Inc.	Carrolton	USA	100.0%	100.0%		●	
Siqura Inc.	Germantown	USA	100.0%	100.0%		●	
TKH USA Holding Inc.	Wilmington	USA	100.0%	100.0%		●	
VMI Americas Inc.	Stow	USA	100.0%	100.0%			●

1 Economic ownership is equal to the legal ownership, unless mentioned differently.

2 Economic ownership is 100%.

3 The aforementioned 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.

4 Merged within the group



SUSTAINABILITY STATEMENTS AND REPORTING SYSTEM

PROCEDURES, STANDARDS AND GUIDELINES

In the report of the Executive Board (which is part of the TKH Annual Report), we provide an account of, among other things, our sustainability performance during the year under review from 1 January 2020 up to 31 December 2020. The publication date of the Annual Report is 25 March 2021 at the latest. We focus on topics that have been an integral part of our Corporate Social Responsibility (CSR) policy. We report in line with the Global Reporting Initiative (GRI) 'core' (the GRI index can be found on TKH's website). The content and definition of the report are based on the materiality analysis whereby TKH, in its choices regarding the depth and definition of the CSR report, focuses on the topics that are most material and that have a strong relationship with TKH's strategy and business operations. The GRI guidelines were used to define and set our KPIs. In the GRI guidelines, it is important that a company makes an estimate of issues that are of sufficient importance to merit reporting. The significance (materiality) of the issues to be selected is determined through analysis of the impact of the key data on people, the environment and society, in relation to the value stakeholders attach to those issues. We monitor our objectives based on a dashboard in our internal reporting system and evaluate the results every quarter, in meetings with our operating companies. CSR is also part of the annual budgeting process.

In addition to the themes in the materiality matrix, some SDGs have been defined on which we believe we can have the greatest impact, so that we can directly contribute to these. TKH has chosen six SDGs to guide its approach to sustainability. Four of them focus on the innovative product portfolio and two on internal operations. We have linked existing goals to these SDGs in order to ensure that there is a structural focus on the themes.

The principle of Integrated Reporting is further implemented in the management report of the Annual Report 2020. We use the IIRC (International Integrated Report Council) model by which we provide insight on how to create value within the TKH Group. This is explained further in the Report of the Executive Board on the basis

of qualitative and quantitative information. In compiling the CSR report, we used information and results derived from our monthly internal reporting structure and available from our organizations as part of their compliance with the ISO management systems and the Dutch Corporate Governance Code. In addition, we used the findings and recommendations on the basis of providing information on the CDP platform, Ecovadis, Vigeo and MSCI.

To measure and report the CO₂ emissions, we use the distribution in the scopes of the Greenhouse Gas (GHG) protocol.

- Scope 1 covers the CO₂ emissions caused by fuels that we purchase and consume by ourselves, and concerns mainly gas, petrol and diesel.
- Scope 2 covers CO₂ emissions from electricity consumption.
- Scope 3 emissions covers CO₂ from fleet (commuting), waste generated from own operations and transportation of goods.

Our focus remains primarily on scope 1 and 2, because most of our emissions occurs within those scopes. We have expanded our internal dashboard with scope 3 components, but have not yet implemented a scope extension for CO₂ emissions in our calculation model. In calculating the CO₂ impact of its operations in 2020, TKH relies as much as possible on the list of emission factors drawn up by SKAO, which offers reliable, verifiable source for almost all emission factors. From the European directive on energy efficiency (2012/27/EU) the obligation applies to member-states to ensure that large companies undergo an energy audit. The energy audit is a systematic, four-yearly approach with the aim of gathering information about the current energy consumption of a company. We use the input from those TKH operating companies that belong to the defined scope and must carry out a mandatory energy audit, for the reporting on energy reduction and improvement plans to be implemented.

The products delivered by TKH comply with the European directives REACH (Registration, Evaluation and Authorization of Chemicals) and ROHS (Restriction of Hazardous Substances). 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 certain hazardous substances from being used in electrical and electronic devices.

In the context of human rights, TKH acts in the business activities according to the 'Universal Declaration of Human Rights'. We refer to our code of conduct and the code of supply (both of which can be downloaded from our website www.tkhgroup.com). We support the OESO guidelines that provide us with guidance regarding such issues as supply chain responsibility, human rights, child labor and the environment. We have provided our input on 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 CSR policies and activities. Through the Transparency Benchmark, the ministry offers insight into the way in which the largest Dutch companies report on their CSR activities. We also take the spearhead letters from advocates on themes related to sustainability and governance, such as those from VBDO, Eumedion and VEB, as a guideline for further transparency.

We have provided our input to the Carbon Disclosure Project (CDP), MSCI, Vigeo and S&P Dow Jones Indices. For the circular economy we focus on the defined ambitions that the Netherlands has set in the Circular Innovation Program 'Plastic and rubber in the underground infrastructure' and the Dutch Infrastructure companies in their 'Mission Statement Fair Infra'.

We have used data from Statistics Netherlands for the benchmark data on illness. The benchmark data for the employee and customer satisfaction survey came from research firm Integron. For benchmarking the employee satisfaction and NPs in an international perspective, we use 'The Global Employee Engagement Index™'. For benchmarking the NPs for customer satisfaction, the NPs score of Integron was used, which is based on the Dutch market.

The Executive Board is intensively involved in the CSR strategy and the implementation of the policy. Interactions with our operating companies ensure that 'best practices' are shared internally so that we can continuously improve our performance.

TRENDS

In our business operations, we focus on the external and internal environmental factors, analyzing trends that can affect our activities



OVERVIEW KPIs AND OBJECTIVES

STRATEGIC PILLARS

KPIs

OBJECTIVES

REALIZATION 2020 MATRIX-NR.

STRATEGIC PILLARS	KPIs	OBJECTIVES	REALIZATION 2020 MATRIX-NR.	
INNOVATIVE & FINANCIAL PERFORMANCE	Portfolio at an early stage of the product life cycle.	At least 15% of turnover, that is introduced in the previous two years.	21.1%	2
	Technological innovations with impact on sustainability (SDGs).	At least 70% of total turnover is linked to a SDG.	70.0%	2
	Net interest-bearing debt/EBITDA (debt leverage ratio).	<2.0.	1.6	1
	Return On Sales (ROS).	>15% medium-term.	10.5%	1
	Return On Capital Employed (ROCE).	22-25% medium-term.	14.0%	1
	Solvency.	>35%.	42.0%	1
TALENT EMPOWERMENT	Number of hours spent on education and training per FTE.	At least 16 hours/year per FTE.	18	9
	Accident rate (Lost Time Injury Frequency; LTIF	<1.0	0.8	8
	Total illness rate compared to the number of FTEs.	<4.0%.	3.51%	8
	Employee satisfaction survey.	At least in accordance with the benchmark (7.1).	7.4	7
	Employees act in accordance with code of conduct	No reports of violations code of conduct.	0	11
	Number of employees with disabilities and/or disadvantage on the labor market.	Maintain at least current number.	100	10
BEING RESPONSIBLE	Carbon footprint (CO ₂ emissions).	2.5% reduction in 2020 compared to 2015.*	5.8%	6
	Total waste most relevant raw materials, compared to total material consumption.	<5% of annual material consumption.	6.6%	4
	Recycling most relevant raw materials.	>50%.	84.3%	4
	High customer satisfaction.	Average score above benchmark (7.8).	8.1	3
	Suppliers agree with the code of supply.	No deviating actions in accordance with the themes of the code of supply.	0	11



and operations. We then make an assessment of the opportunities and threats and see how we can provide added value for our stakeholders and society in general. The table 'Trends in CSR' shows our added value in the field of CSR for each trend and how we steer this internally by setting concrete goals.

STAKEHOLDER DIALOGUES AND MATERIALITY MATRIX

TKH regularly enters into dialogue with a various group of stakeholders on topical and social issues. The varied backgrounds and the knowledge of the stakeholders about TKH and the environment in which we operate is a good starting point for conducting the dialogue. It provides useful insights into stakeholders' interpretations of current topics that affect TKH. We also use the dialogues to broaden our insights into the needs and expectations of the stakeholders. In addition, stakeholder engagement helps us to make better use of opportunities and identify risks in a timely manner. A dialogue is also used to clearly explain specific themes in order to increase support for them or, in certain cases, to create understanding when a theme is given less priority in our business operations. The results of the dialogues are also included in the review of the materiality matrix. The Executive Board is closely involved in determining material themes and the final weighting given to them by TKH.

In the year under review we have given a higher relevance to some themes, among others to health & safety, climate change and IT & Security. Social themes that are considered to be less or not relevant by both our stakeholders and TKH are not further explained in the annual report. Because of COVID-19, the dialogue with stakeholders mainly took place virtually and these conversations mainly focused on themes that were directly or indirectly related to the current situation around COVID-19.

In the materiality matrix in the Report of the Executive board, an overview of the key topics is shown. A ranking of topics that have been determined as important for all stakeholder groups (vertical axis) and that are most impactful for TKH (horizontal axis) has been set aside in addition to the prioritization from the strategic roadmap. We measure and report on material issues. The subjects that are designated as less or non-material are managed in our organization without further numerical substantiation in the annual report.

In the identification of material aspects and the annual review of these, we consult among others the following sources:

- Dialogues with strategic stakeholders.
- Investor relations meetings about ESGs.
- General governance assumptions.
- Topics suggested by civil society organizations such as VBDO, VEB, Eumedion.
- Guidelines from Global Reporting Initiative (GRI) and international guidelines like OESO and SDG.
- Sustainability rating agencies such as CDP, Vigeo, MSCI and Ecovadis.

TKH Group is an active member of industrial and branch organizations.

- FTTH Council in Europe, North America, the Middle East, North Africa, Latin America and Asia-Pacific. This non-profit organization is established to accelerate Fibre To The Home (FTTH) technology. Members are manufacturers, system designers, consultancies and academic organizations.
- The International Cable makers Federation (ICF) represents the largest part of the worldwide production capacity of the Wire & Cable Industry. As Federation of the world's leading wire and cable producers, this provides a worldwide forum for members to increase the visibility of the industry by highlighting the relevance of its products and technologies, as well as its contribution to the sustainable progress of the society.
- EMVA: is represented in more than 20 countries with the aim to promote the development and use of machine vision technology and to support the interests of its members.
- Retread tire Association: association for suppliers of the renewal and tire repair industry.

MAIN CATEGORIES OF SUPPLIERS

The activities of the operating companies of TKH are diverse, so that they also work with various suppliers. For the cable production activities, the same raw material suppliers are used as much as possible in order to be able to utilize economies of scale and to make agreements on sustainability in the context of origin and recycling. Where possible, framework agreements are concluded with suppliers of NPR goods.

SCOPE AND CHANGES COMPARED TO LAST YEAR

The CSR policy is not adjusted in 2020. If policy changes are applied, these are explained in the report to the specific topic. Compared to previous reporting, there are no changes in the system of measuring. In the year under review, two companies were divested due to the
























strategic transition process. In addition, some subsidiaries have been integrated into one company. For some sustainability criteria, the divestment of activities or the integration of companies has an impact on the sustainability performance. Where relevant, these effects are explained. There have also been no changes in structure or ownership. Unless otherwise stated, the data are based on all our domestic and foreign operating companies. Where this is not so, explicit mention will be made of this. The operating companies acquired will start reporting on CSR in accordance with the TKH reporting structure in the year following acquisition. Companies in which TKH has a minority ownership interest are not included in the report. Consolidation of data occurred along the same lines as the system used in the financial consolidation. Any estimates made are based on historical information.

DILEMMAS

Sustainability initiatives are increasingly being developed by various target groups that require an increased contribution from industry. We take responsibility in this, but we continue to relate it to our business operations so that we can also make a material contribution to the sustainability initiatives and thus create the necessary support. In some cases, this leads to conscious choices to not implement themes or not collaborate, even though we are asked to do so. In certain markets, the price factor is still decisive, and there may be implicit reasons for reducing CSR efforts. In such situations, it is a challenge to convince the stakeholder of the importance of sustainability which, as a result, exceeds the price axis. Reducing our energy consumption calls for thorough coordination of our manufacturing, which in turn is dictated by current demand. Over the past few years, we have concentrated a lot on energy reduction, which has resulted in the successful implementation of many saving plans. It is therefore a growing challenge to define new reduction plans and make major savings. Furthermore, the expansion of production facilities as well as integration of activities to one location, have resulted in a further increase in energy consumption compared to the output produced as this consumption cannot yet be fully compared with the return that these investments will yield. The amount of waste is also influenced by 'learning curve' effects due to a thorough alignment of the production equipment with the production of innovative, high-quality new cable types. The quality requirement of the product is leading in this and can be at the expense of the ratio with regard to waste reduction. We are increasingly asked to provide information on external information platforms and portals. Due to price-sensitive (inside) information and



TRENDS IN CSR

TREND THEME	OUR ADDED VALUE/ OPPORTUNITIES	TARGETS	POSSIBLE RISKS	TKH STRATEGY	SDG
Technology developments — need to innovate faster and to maintain or improve competitiveness.	Targeted acquisition policy - Innovative capability and investment in R&D.	Targeted acquisition policy with good alignment between technologies - R&D Roadmap. Integration of companies with strengthening R&D Roadmap.	Acquired companies are not successfully integrated. Speed of competitors' technological developments with more perspective.	INNOVATIVE	   
Rise of robotics, autonomous transport, artificial intelligence and machine learning.	Balanced and sustainable product portfolio.	Innovation target.	Speed of competitors' technological developments with more perspective. Risks of cybercrime.	INNOVATIVE	   
Growing demand for efficiency and providing integrated solutions.	Innovative capability and investment in R&D. Knowledge of the market and customers' wishes.	Customer satisfaction.	Reputational damage because we do not sufficiently satisfy customers' expectations, resulting in underperformance of result and turnover development.	INNOVATIVE	   
Global populations are generally older, wealthier, increasingly live in urban areas, and are more and more connected through technology.	Core technologies are combined into total solutions and tailored to efficiency, comfort and safety.	Expected growth in the vertical growth markets for the next 3-5 years from € 300 to € 500 million.	Geopolitical, global situation.	INNOVATIVE	 
As a result of digitization, jobs will disappear, but many new jobs will also be created.	Interesting employer with a focus on entrepreneurship and development opportunities, as well as good employment practices, ethics and integrity.	Education and training. Employee satisfaction. Integrity/general organizational principles.	Inability to retain qualified personnel. Undesirable or unethical behaviour on the part of employees that leads to reputational damage.	TALENT EMPOWERMENT & BEING RESPONSIBLE	
Work and private life will be integrated in new lifestyles..	The size and nature of the company creates opportunities for a broad working group.	Good employment practices.	No or insufficient match between the wishes and requirements of employer and employees, which may lead to conflicts.	BEING RESPONSIBLE	
Global agreements on climate - energy systems from renewable, sustainable energy sources.	A product portfolio that responds to sustainability issues such as renewable energy sources.	Climate change. R&D roadmap. Active participation in chain initiatives.	Dependence on subsidies for projects.	INNOVATIVE & BEING RESPONSIBLE	    
Awareness of the need to counteract climate change effects. - collaboration in the chain is necessary.	Knowledge of the operation and the markets in which we operate. Active value chain approach	Active participation in value chain initiatives. Code of supply and assessments at suppliers.	Dependence upon customers and suppliers. Non-compliance with legislation and regulations by chain partners. Image or reputational damage of value chain partners.	BEING RESPONSIBLE	
Resources are becoming depleted. Fossil fuels are becoming scarce. Attention to design in order to recover high-quality raw materials.	Waste reduction and recycling. Energy and CO ₂ reduction program. Circular economy.	Targets for reducing CO ₂ emissions. Recycling waste.	Important raw materials are unavailable or available in limited quantities. Commodity price volatility.	BEING RESPONSIBLE	



competition-sensitive information, it is not always possible to honor all requests. We take a selective approach to lending our co-operation and make considered choices regarding the information posted. In the case of external ratings on sustainability, TKH is often rated by peers in the production/manufacturing industry. TKH's activities are increasingly focused 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 call for additional communication by our organization.

Due to the COVID-19 situation, the changed situation was responded to in an alert and flexible manner. This has led to a shift in priorities for themes. For example, extra attention has been paid to the health and safety of our employees and to the secure design of the IT environment due to the accelerated introduction of working from home. A number of themes have unfortunately received a somewhat lower attention value, such as inclusiveness of the organization. There was also no stakeholder dialogue this year, as it is our strong preference to organize this in a physical setting in which multiple stakeholders participate.

INTERNAL CONTROL

The data have been audited by the responsible company officers as to plausibility and progress using the Cognos financial reporting model. Data were 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 carries out audit reviews on the processes to be performed and the accuracy of the data as a permanent part of its work program. Internal Audit has spent specific attention during its audit work on compliance with the code of conduct within our operating companies and the implementation of the code of supply at strategic suppliers. For specific sustainability issues, external expertise is hired. TKH does not have the CRS report verified externally. At the moment, the priority lies in investing time and commitment in implementing sustainability within the organization.

CSR IN THE ORGANIZATION

To safeguard the CSR policy, the Executive Board is directly involved in CSR developments within the TKH organization and personal targets are linked to CSR performance (see also 'Remuneration Report'). TKH's Company Secretary (also Compliance Officer) is responsible for developing and implementing CSR for the TKH Group. CSR is a standard item on the agenda at

meetings of the Management Board, on which the Company Secretary has a seat. There is close collaboration with the Director Finance & Control, who is also a member of the Management Board, due to reporting on CSR issues at the operating companies. There is also close cooperation with TKH's Director Internal Audit in relation to his auditing of CSR themes during the audit reviews. New CSR initiatives are preferably developed in working groups. This expedites the building of support within the Group and makes implementation more efficient and effective. Initiatives in the value chain are always attended by commercial managers in order 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. Contacts with the confidential officers rely on the operation of the TKH code of conduct and the associated Whistleblowers regulations. If a report is made to an operating company that is qualified as inadmissible behavior, the confidential officer of the operating company will promptly 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 desirable, will consult the company confidential officer of the subsidiary concerned. After the report has been investigated, the Executive Board will make a decision in consultation with the board of the operating company concerned or a representative of that board. The whistleblower scheme can be downloaded from the TKH website.

With purchasing managers, themes are discussed that concern the code of supply. If a supplier fails to meet one or more of the requirements in the code, action has to be taken how the supplier will become compliant in an effective and efficient way and as soon as possible. If the supplier refuses to co-operate 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 a case, we enter into dialogue to work towards a satisfactory solution. In such conversations, best practices are shared with the supplier concerned, in order to guide him in making improvements and to share ideas. The purchase manager has a pioneering role in this. The company secretary as the person responsible for CSR is frequently involved in such discussions. The code of supply as well as the assessment form can be downloaded via the TKH website.

The Executive Board discusses progress in CSR at least every quarter with the (clusters of) operating companies. This is based on financial and non-financial reports in which CSR is included. We have embedded CSR in our Cognos financial reporting system so that it is an integral part of our information system. At least once a year, the progress in the field of CSR is also discussed with the Supervisory Board and future developments and the associated follow-up steps are explained.

For more information about TKH's sustainability program, please contact Derk Postma (d.postma@tkhgroup.com). Please feel free to send any feedback you may have on this report to this e-mail address. For up-to-date information on sustainability, you can also consult our website: www.tkhgroup.com/csr.



TEN YEARS OVERVIEW

In millions of euros

	2020	2019	2018 ¹	2017 ²	2016	2015	2014	2013	2012	2011
Consolidated statement of profit and loss										
Total turnover	1,289	1,490	1,458	1,485	1,341	1,375	1,346	1,198	1,102	1,061
Raw materials, consumables, trade products and subcontracted work	651	771	768	817	710	743	770	699	652	649
Personnel expenses	345	369	352	347	331	326	296	277	234	210
Depreciation ³	46	45	26	25	22	22	20	19	17	15
Other operating expenses	111	133	137	147	131	133	124	103	113	95
Total operating expenses	1,153	1,318	1,283	1,336	1,194	1,224	1,210	1,098	1,016	969
EBITA before one-off income and expenses	136	172	175	149	147	151	136	100	86	92
One-off income and expenses	-7	-18	-4	-6			9	-7	-12	-2
EBITA	129	154	171	143	147	151	145	93	74	90
Impairments	4	5	2	2	1	1	1			
Amortization	54	50	40	37	33	32	26	26	21	13
Operating result	71	99	129	104	113	118	118	67	53	77
Financial result	-14	-10	-4		-7	-7	-10	-13	-12	-7
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests				4	1					
Result on ordinary activities before taxes	57	89	125	108	107	111	108	54	41	70
Taxes	15	20	27	20	20	23	22	12	10	16
Net result for the period from continued operations	42	69	98	88	87	88	86	42	31	54
Result after tax from discontinued operations		45	11							
Non-controlling interests				1	1	2	3	5	3	1
Attributable to shareholders	42	114	109	87	86	86	83	37	28	53

Key figures	2020	2019	2018 ¹	2017 ²	2016	2015	2014	2013	2012	2011
EBITA/Turnover (ROS) ^{3 4}	10.5	11.6	12.0	10.1	10.9	11.0	10.0	8.3	7.8	8.7
Net result before amortization and one-off income and expenses/Group equity ^{3 4}	10.6	14.9	17.6	16.1	16.5	19.3	17.8	13.7	11.7	16.5
EBITA/Average capital employed (ROCE)	14.0	17.4	21.3	19.7	20.1	22.1	21.2	15.9	15.9	21.5
Net debt/EBITDA ratio ^{3 4}	1.6	1.5	1.4	0.9	1.0	0.9	1.0	1.5	1.6	0.9
Net result before amortization and one-off income and expenses/Turnover ^{3 4}	5.5	7.1	7.8	6.5	7.2	7.4	6.6	5.0	4.5	5.6

1 The comparative figures for 2018 have been restated due to discontinued 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 (see Accounting Principles) for the years 2014 up to 2016. The years 2011 up to 2013 have not been restated.

4 Before one-off income and expenses. 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 and impairment losses of € 5.0 million.



In millions of euros

	2020	2019	2018 ¹	2017 ²	2016	2015	2014	2013	2012	2011
Consolidated balance sheet										
Intangible non-current assets	577	596	544	392	395	400	352	349	343	204
Tangible non-current assets ³	220	231	246	229	215	196	176	199	195	171
Right-of-use assets	77	81								
Financial non-current assets	42	52	31	28	46	34	28	30	31	23
Total non-current assets	916	960	821	649	656	630	556	578	569	398
Inventories	237	239	267	219	207	194	202	185	197	165
Receivables	286	300	356	327	295	248	288	234	201	187
Cash and Cash equivalents	122	79	83	88	88	179	145	80	66	29
Total current assets	645	618	706	634	590	621	635	499	464	381
Assets held for sale	5	39					3		7	7
Total assets	1,566	1,617	1,527	1,283	1,246	1,251	1,194	1,077	1,040	786
Shareholders' equity ³	662	705	647	594	574	521	483	378	364	356
Non-controlling interests	0	0	1	9	9	9	17	61	60	2
Group Equity	662	705	648	603	583	530	500	439	424	358
Provisions ³	86	97	86	69	74	71	68	112	105	75
Non-current interest-bearing loans and borrowings	410	416	239	187	214	223	259	259	202	124
Current interest-bearing loans and borrowings	57	58	171	57	52	126	59	15	60	4
Financial liabilities	8	9	5	15	23	27	14			
Other current liabilities	343	319	378	352	300	274	294	252	249	225
Liabilities directly associated with assets held for sale	0	13								
Total equity and liabilities	1,566	1,617	1,527	1,283	1,246	1,251	1,194	1,077	1,040	786

Other information

in euros (unless stated otherwise)

	2020	2019	2018 ¹	2017 ²	2016	2015	2014	2013	2012	2011
Solvency (in %)	42	44	42	47	47	42	42	41	41	46
Investments in tangible non-current assets	28	32	42	41	46	38	34	19	25	22
Depreciations of tangible non-current assets	30	29	28	24	23	23	20	19	17	15
Cash flow from operating activities	188	182	127	160	103	182	95	79	75	47
Number of shares outstanding and held by third parties at year end (x 1,000)	41,487	41,999	42,003	42,045	42,161	41,724	41,400	37,985	37,658	37,284
Net result per ordinary share of € 0.25	1.14	2.72	2.58	2.05	2.04	2.07	2.14	0.98	0.76	1.44
Net profit before amortization and one-off income and expenses from continued operations attributable to shareholders	1.69	2.51	2.72	2.27	2.25	2.40	2.23	1.48	1.27	1.63
Dividend per share	1.00	1.50	1.40	1.20	1.10	1.10	1.00	0.75	0.65	0.75
Highest share price	51.30	55.05	60.15	56.68	38.14	40.50	27.18	26.40	20.86	23.80
Lowest share price	23.42	38.82	38.36	36.45	28.47	25.35	22.13	18.55	15.41	13.24
Share price at year-end	39.54	49.90	40.70	52.93	37.59	37.44	26.36	25.40	19.50	16.95

¹ The comparative figures for 2018 have been restated due to discontinued 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 (see Accounting Principles) for the years 2014 up to 2016. The years 2011 up to 2013 have not been restated.



ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are measures TKH uses 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) have issued for the use and disclosure of alternative performance measures. The terms TKH sees as an alternative performance measure are included in this chapter of the Annual Report and includes a definition as required by the ESMA directive.

CAPEX (CAPITAL EXPENDITURE)

Investments in renewal or replacement of tangible and intangible non-current assets. Capex spending is the 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 borrowings minus cash and cash equivalents divided by EBITDA.

DIVIDEND PAYOUT RATIO

This ratio indicates what portion of the net profit is paid out to shareholders. (Dividend / net profit after tax) times 100.

EBITA

Result before interest, taxes, impairments and amortization.

EBITDA

Result before interest, taxes, impairments, depreciation and amortization.

INNOVATIONS TKH

At least 15% of turnover realized from innovations introduced in the previous two years.

NET RESULT PER SHARE

Net result / weighted average shares outstanding. This ratio indicates how much profit a company has available per share.

OPEX (OPERATING EXPENDITURES)

Operating expenses. Opex expenses are the recurring costs of a product or system.

ROCE

Return On Capital Employed, being the EBITA for the last twelve months divided by capital employed at the beginning of the period plus 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.

TOTAL COST OF OWNERSHIP (TCO)

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.



The Annual Report in English is a translation of the official Dutch version. In the event of differences and/or inconsistencies, the official Dutch Annual Report 2020 will take precedence.

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For actual information about TKH Group and our sustainability developments please visit our website: www.tkhgroup.com.

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