TKH GROUP ANNUAL REPORT 2021

SMART TECHNOLOGIES

ANNUAL REPORT 2021
TKH GROUP

European single electronic reporting format (ESEF) and PDF version
This copy of the annual financial reporting of TKH Group N.V. for the year ended 31 December 2021 is not presented in the ESEF-format as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815). The ESEF single reporting package is available at: https://www.tkhgroup.com/en/investors/annual-reports-presentations

CONTENT

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

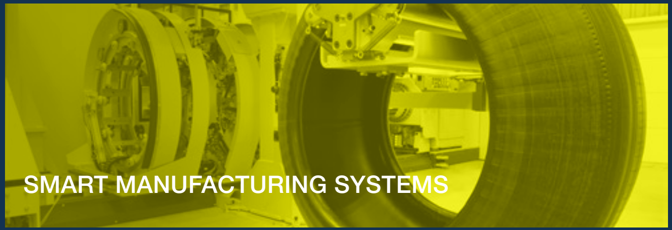
PROFILE

TKH Group N.V. (TKH) is a leading technology company focused on advanced innovative technology systems in high-growth markets.

Our mission is to create best-in-class technologies in the field of Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems. TKH aims to create sustainable value for all its stakeholders and provides disruptive technologies that improve efficiency, sustainability, safety, and security.

The technologies are combined with internally developed software to create Smart Technologies and one-stop-shop solutions with plug-and-play integrated systems. TKH operates globally, with its growth concentrated in Europe, North America, and Asia. Employing 6,160 FTE, TKH achieved a turnover of € 1.5 billion in 2021.

TKH is listed on Euronext Amsterdam with the ticker symbol TWEKA. TKH reports in three segments: Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems.



MESSAGE FROM THE CEO

OUR EMPLOYEES' COMMITMENT AND PASSION IS THE KEY TO OUR SUCCESS

We are proud to publish our Annual Report to show the strong growth and developments of the TKH Group in 2021. At the same time though, our thoughts go out to all people in Ukraine, and in particular our 128 employees and their families in the area of Kiev. We are deeply concerned about the war and we are monitoring the situation carefully. We will support them across our organization as much as possible in this difficult and uncertain time.

Our strong recovery in 2021, during the continued challenges of COVID-19, shows the strength of TKH. It has enabled us to organize sufficient capacity to cope with an exceptional increase in demand in a very short period of time. But the strong recovery in market demand for our technologies and innovations has also confirmed the strength of our portfolio.

Despite the ongoing impact of COVID-19 in 2021, our organization adapted well to new working standards and challenges related to the pandemic. Traveling to and connecting with our customers was difficult, since in-person meetings were still largely prohibited. This made it difficult to commission equipment at our customer's sites.

Supply chain problems required close cooperation with our suppliers, as well as the creativity of our procurement teams to find solutions for shortages of materials and components. The right entrepreneurial spirit within our organization to cope with these challenges was again an important success factor for the results we achieved during 2021.

The Capital Markets Day (CMD) on November 17 was a key highlight in 2021. The new targets for 2025 based on our Accelerate 2025 program give us a strong foundation for future growth. Moreover, our new focus on segmentation, based on our three core technologies, as well as the megatrends we presented, should make our business more transparent and give us a better idea of the potential to create value in the coming years.

The importance of Environmental, Social, and Governance (ESG) issues, and the United Nations Sustainable Development Goals (SDGs) to which they are aligned, is driving awareness for sustainable business. We have set ourselves challenging new goals, which we communicated at the CMD. One of our key goals is to achieve net-zero emissions across our operations by 2030. We took an important step this year in that respect by obtaining limited assurance on selected non-financial KPIs as disclosed on page 28 of this report. Although it is already embedded in our strategy, sustainability is also becoming an increasingly important element in our portfolio. Approximately 70% of our turnover is linked to SDGs that TKH has identified as highly relevant to our business, thus demonstrating how future-oriented our company is in this area.

We would like to thank our stakeholders for their trust and cooperation, which has helped make this challenging year positive nonetheless. A special thank you goes to our employees for their incredible dedication, passion, and commitment, and for achieving the best possible results in sometimes challenging situations!

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

HIGHLIGHTS 2021

KEY MESSAGES

STRONG RECOVERY DESPITE CONTINUING COVID-19 DISTURBANCES

- Sharp increase in market demand met with well-organized adaption of increased production capacity to support this demand
- Strength of our innovative technology portfolio confirmed by strong market demand
- Execution of R&D road map well on track to support growth plan, with good development market traction of innovations within all three technology segments
- Well-structured and strong organization dealt with supply chain challenges
- Strong position and focus to take advantage of megatrends and support organic growth in the coming years

LAUNCH OF ACCELERATE 2025

New targets with a focus on

- Turnover: > € 2 billion turnover by 2025
- ROS: > 17% by 2025
- Sustainability: own operations 100% carbon neutral by 2030 (scopes 1 & 2)

New segmentation based on Smart Technologies to enhance transparency in reporting and valuation

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

INNOVATIONS

- Remained high, with a 19.8% turnover share
- Increased focus in R&D programs to maximize value creation

TKH WORLDWIDE

KEY FINANCIAL FIGURES

TURNOVER
+18%
1,523.8 € MLN
2020 1,289.4 € MLN

ORGANIC GROWTH
15.9%
2020 -9.9%

ROS
12.4%
2020 10.5%

EBITA
+40%
189.6 € MLN
2020 135.5 € MLN

ROCE
20.5%
2020 14.0%

DIVIDEND PROPOSAL
per (depositary receipt of an) ordinairy share
+50%
1.50 €
2020 1.00 €

KEY NON-FINANCIAL FIGURES

NET CO_2 FOOTPRINT REDUCTION
compared to reference year 2019
+67%
29.8%
2020 17.8%

DIVERSITY
Female Executive and Senior Management
+18%
17.7%
2020 16.8%

TURNOVER LINKED TO SDGs
-2%
68%
2020 70%

ACCIDENT RATE (LTIFR)
-13%
0.7
2020 0.8

SATISFACTION GRADE
+2%

EMPLOYEE	CUSTOMER
7.4	8.4
2020 7.4	**2020** 8.1

ESG ASSURANCE
First year of assurance on non-financial KPIs (number of KPIs)
+11
11
2020 0

TECHNOLOGY COMPANY TKH

WHO WE ARE AND WHAT WE DO

STRATEGIC MODEL

TKH is a leading innovative technology company. We create best-in-class technologies for Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems. These technologies are combined with in-house developed software to provide one-stop-shop solutions and integrated plug-and-play technology systems.

MISSION	TKH – Create Smart Technologies for sustainable value creation
VISION	Positioned as technology leader, TKH aims to create advanced best-in-class Smart Technologies to improve its customers' efficiency, sustainability, safety and security
CORE VALUES	ENTREPRENEUR-SHIP; ENVIRONMENTAL AWARENESS; TRANSPARENCY; ACCOUNTABILITY; INTEGRITY
SMART TECHNOLOGIES	SMART VISION SYSTEMS; SMART MANUFACTURING SYSTEMS; SMART CONNECTIVITY SYSTEMS
STRATEGIC PILLARS	INNOVATION AND TECHNOLOGICAL LEADERSHIP; BEING RESPONSIBLE AND SUSTAINABILITY IMPACT; TALENTED PEOPLE AND EMPOWERMENT; SUSTAINABLE FINANCIAL PERFORMANCE

KEY TARGETS

TURNOVER
> € 2 billion by 2025

RETURN ON SALES (ROS)
> 17% by 2025

RETURN ON CAPITAL EMPLOYED (ROCE)
22-25% by 2025

CARBON FOOTPRINT (CO_2 EMISSIONS)
100% carbon neutrality in own operations by 2030 (scopes 1 & 2) - reduction of CO_2 footprint compared to reference year 2019

% OF FEMALE EXECUTIVE AND SENIOR MANAGEMENT
> 25% by 2030

ACCIDENT RATE (LTIFR)
< 1.0

MISSION & VISION

Positioned as a technology leader, TKH strives to create advanced best-in-class technologies in the areas of Smart Vision, Smart Manufacturing, and Smart Connectivity, both to maximize sustainable value creation and to improve our customers' efficiency, sustainability, safety, and security.

TKH is well positioned in high-growth markets, where we focus on megatrends related to industrial automation, the energy transition, digitalization and safety & security.

TKH aims to be an attractive employer and a solid investment for its shareholders by keeping socially responsible business practices at the center of its activities.

INNOVATIVE TECHNOLOGY PLAYER

Innovation is key to the success of TKH. Investing in disruptive technologies is vital to maintaining our position as a leading technology company and maximizing sustainable value creation for our stakeholders and the world around us. Our innovations are focused on the creation of advanced Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems.

More than 15% of our turnover is realized by innovations that have been introduced in the last two years. About 30% of our technology proposition is software-driven, developed by in-house engineers. In total, there are 750 employees active within R&D and software development, and we have registered more than 3,500 patents to secure our value proposition. The continuous acceleration and scaling of our innovations is essential to maintaining our leading position and fostering growth.

TKH IS AN INNOVATIVE TECHNOLOGY COMPANY

MORE THAN 15% TURNOVER REALIZED BY NEW INNOVATIONS

CREATION OF ADVANCED TECHNOLOGY SYSTEMS

30% OF OUR TECHNOLOGY PROPOSITION IS SOFTWARE DRIVEN

CONTINUOUS ACCELERATION & SCALING OF INNOVATIONS

750 FTE IN R&D AND SOFTWARE DEVELOPMENT

3,500+ PATENTS TO SECURE VALUE PROPOSITION

STRONG SUSTAINABLE PORTFOLIO

TKH has chosen six Sustainable Development Goals (SDGs) to guide our approach to sustainability. Two of these focus on our internal operations and business practices, with the remaining four focusing on our innovative product portfolio. TKH's innovative products make a significant contribution to the SDGs: approximately 70% of our portfolio's total turnover is linked to one of the SDGs that we have defined as relevant. In this way, we support our customers in achieving their sustainability goals and simultaneously provide a clear direction for our own company's sustainable development.

SELECTED SUSTAINABLE PORTFOLIO EXAMPLES

SMART TECHNOLOGIES

SMART VISION SYSTEMS

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

SMART MANUFACTURING SYSTEMS

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

SMART CONNECTIVITY SYSTEMS

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

±70% OF OUR TURNOVER IS LINKED TO ONE OR MORE OF THESE FOUR SDGs

CORE VALUES

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

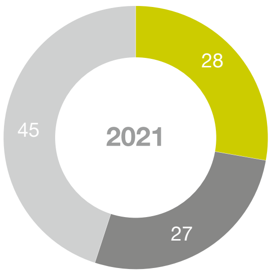
- **ENTREPRENEURSHIP** – we take ownership of observing new opportunities and we are driven to excel in our roles and responsibilities.
- **ENVIRONMENTAL AWARENESS** – we foster a focus on sustainability and we are keen to contribute positively to the environment and society.
- **TRANSPARENCY** – we strive for an open culture and we act transparently.
- **ACCOUNTABILITY** – we make the appropriate choices after careful consideration and we take responsibility for our decisions.
- **INTEGRITY** – we value honesty and we act respectfully to colleagues, customers, and other stakeholders.

SMART TECHNOLOGIES

TKH creates Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems. Our technologies are combined with in-house developed smart software to provide one-stop-shop solutions and integrated plug-and-play technologies.

TURNOVER PER SEGMENT

in %



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

SMART VISION SYSTEMS

TKH creates state-of-the-art Vision technology, which represents about 86% of the turnover of the Smart Vision systems segment. This technology encompasses 2D and 3D Machine Vision and Security Vision systems. Combining these technologies with in-house software development leads to unique, Smart, and integrated plug-and-play systems and one-stop-shop solutions.

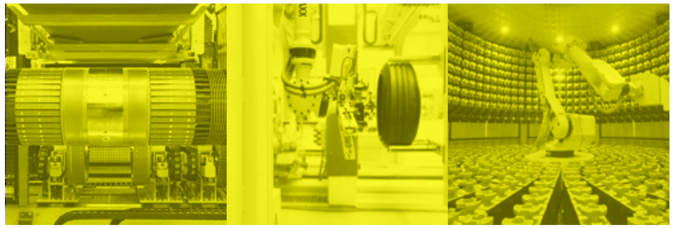
We aim to create value for our customers by optimizing and further automating their processes using Vision technology. TKH's Machine Vision technology systems are used to improve quality inspections, operations, and object monitoring in numerous industries, such as consumer electronics, factory automation, logistics, wood industry, intelligent transport systems (ITS), and medical and life sciences.
Meanwhile, our Security Vision systems, combined with advanced communication technologies, enable customers to efficiently manage and control the urban environment. They also improve sustainability, safety & security in various markets, such as infrastructure, parking and building security.

SMART MANUFACTURING SYSTEMS

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

There are four building blocks at the foundation of our unique Smart Manufacturing systems:
- High-level system and assembly engineering skills and know-how.
- Advanced in-house software development and engineering.
- Integration of TKH Smart Vision and Smart Connectivity technologies.
- Development of advanced control and analytical functions.

TKH aims to create value for its customers with its Smart Manufacturing systems by optimizing and further automating customers' processes, reducing inventories, increasing flexibility, and fostering highly efficient manufacturing. Our Smart Manufacturing systems serve industries from tire production for cars and trucks to factory automation and medicine distribution.
Our Tire Building systems represent a share of around 68% of turnover within the Smart Manufacturing systems segment.



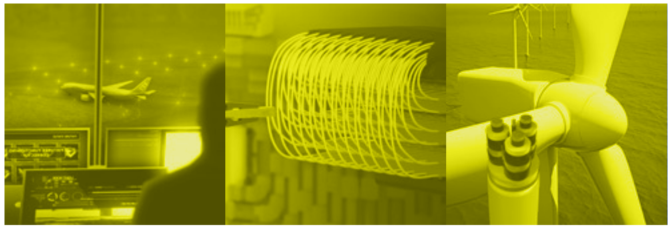
SMART CONNECTIVITY SYSTEMS

TKH creates advanced Smart Connectivity systems, engineering complete, unique solutions that bring together our integrated system approach with our sustainability proposition. Our solutions are developed for on-shore and off-shore energy distribution.

At TKH, we aim to add value for our customers thanks to our increased focus on sustainability, our combination of hardware technology with intelligent software (creating Smart Technologies), and our integrated system approach.

Energy and Digitalization represent, respectively, around 33% and 38% turnover share of the Smart Connectivity systems segment. Another important area is Fibre Optic connectivity systems for data and communication networks. In addition, TKH produces specialized cable systems for industrial automation applications in high-tech environments.

TKH also provides a unique connectivity technology for airfield ground lighting systems: contactless energy and data distribution (CEDD). This connectivity system consists of hardware components and intelligent software, to improve the efficiency and safety of specific airfield applications.



GROUP SYNERGIES

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

Our group synergies are realized mainly in the following areas:

- Integrated and combined technology systems across our three technology segments.
- Large-scale in-house software development through a centralized competence center, which serves operating entities in each segment with building blocks that can be applied to multiple entities and segments.
- Cooperation between operating companies, to utilize synergies for example related to supply chain.
- Centralized software development leadership.
- A unique pool of talent that enables the transfer of skills and knowledge.
- Group functions that foster cooperation, innovation, and growth.
- Group management, resources, and competencies to scale up initiatives to sizable business units.
- Strong TKH branding and reputation, market access, and global footprint.

GOVERNANCE MODEL

OPERATING MODEL

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

ENTREPRENEURIAL CULTURE

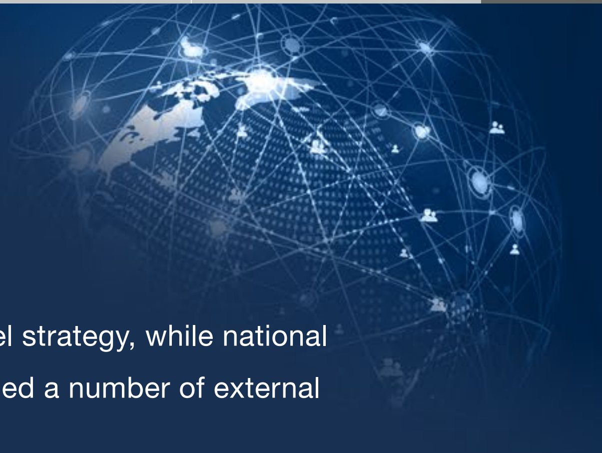
- Drive to win.
- Strong capitalization on new business opportunities.
- High-performance execution.
- Short lines of communication.
- Management development program and meetings.
- Inspiring environment.
- Diverse workforce.

PLAN AND REWARDS

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

OPERATING MODEL

CUSTOMERS		
OPERATING COMPANIES		
SMART VISION SYSTEMS	SMART MANUFACTURING SYSTEMS	SMART CONNECTIVITY SYSTEMS
GOVERNANCE & SUPPORT FUNCTIONS		



THE WORLD AROUND US

TKH operates in a dynamic environment. Trends and developments are key indicators for defining our corporate-level strategy, while national and international situations can impact our day-to-day operations. In a review of our current environment, we identified a number of external factors and grouped them into relevant trends.

EXTERNAL ENVIRONMENT

HEALTHY & SAFE LIVING ENVIRONMENT
Promoting health

SMART CITIES
Safe & secure living environment

TALENT
Scarcity of human resources

AUTOMATION
Industry 4.0 and Smart Manufacturing

TRANSPARENCY
Requirements for openness

GOVERNANCE
Transparency and law & regulations

IT & DATA SECURITY
Preventing cyber attacks

TKH

DIGITALIZATION
Higher-speed bandwidth networks

LIFE SPAN
Aging

CLIMATE
The climate is rapidly changing

PANDEMIC
COVID-19

ESG
Increased focus on ESG drivers & targets

MATERIALS
Scarcity of natural resources

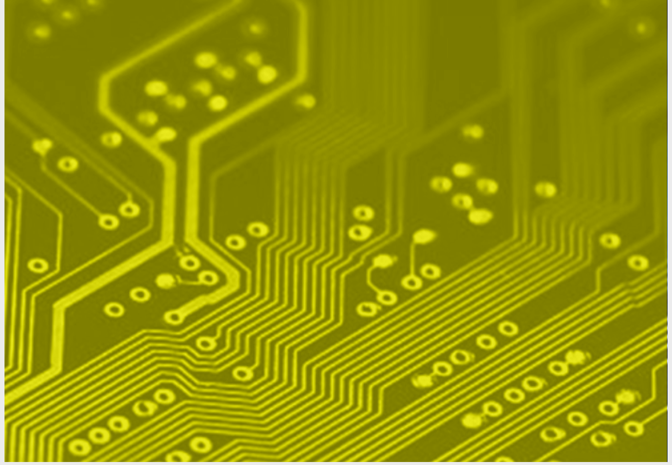
LAW & REGULATIONS
Increase in regulation

MEGATRENDS

Based on the external environment and trends and developments we have selected certain megatrends that are relevant as important growth drivers and shape the future of our strategy and Smart Technologies.

AUTOMATION & DIGITALIZATION

- Industry 4.0 is driving “hands-off, eyes-off” manufacturing – shortage of personnel.
- Technology systems are increasingly complex, which drives demand for larger-scale technology partners.
- Cloud computing, big data, artificial intelligence, machine learning, and Internet of Things (IoT) demand the continuous development of higher-speed bandwidth networks.



SUSTAINABILITY

- Increased focus on environment, social, and governance (ESG) drivers and targets drive public and private ESG ambitions and investments.
- Strong governmental ambitions and focus on existing policies (e.g. the United Nations Sustainable Development Goals (SDGs), the Paris Agreement, the EU Green Deal).
- Global attention on the reduction of greenhouse gas emissions is accelerating the energy transition.

SAFETY & SECURITY

- Boom in data acquisition applications with integrated smart technologies brings high demand for cyber security aligned with privacy regulations.
- Greater security focus owing to geopolitics and globalization, coupled with a lack of surveillance officers.
- Smart Cities and infrastructure play a growing role in safe and secure environments.

MARKET DRIVERS AND POSITION WITHIN TECHNOLOGY SEGMENTS

MARKET DRIVERS WITHIN TECHNOLOGY SEGMENTS

SMART VISION SYSTEMS

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

SMART MANUFACTURING SYSTEMS

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

SMART CONNECTIVITY SYSTEMS

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

MARKET POSITION WITHIN TECHNOLOGY SEGMENTS

SMART VISION SYSTEMS

- Unique positioning thanks to our full range of Vision Technology for customized, one-stop-shop solutions and integrated systems based on Smart Technologies.
- A global market and technology leader within 3D Machine Vision technology.
- Strong global position in high-growth markets with superior 2D Vision and Security Vision technologies.

SMART MANUFACTURING SYSTEMS

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

SMART CONNECTIVITY SYSTEMS

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

COMPETITIVE LANDSCAPE

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

GENERAL MARKET POSITION

- TKH's market is spread geographically, with our growth primarily focused in Europe, North America, and Asia. This allows us to make targeted investment choices and to work more actively in specific niche markets.
- We are differentiated by our combination of core technologies into unique, comprehensive, and one-stop-shop solutions.
- Because of the distinctive character of our proprietary technologies, we operate mainly in niche markets. In most of these markets, competition is fragmented to a range of competitors who do not offer the same integrated solutions or high-quality, one-stop-shop, logistics services.
- The barriers for entry into the market are high because of the advanced technology levels and expertise needed in combination with significant capital requirements.

Our strategic transformation program has integrated several of TKH's operating companies, which leads to economies of scale and a more efficient organization with short communication lines. We can respond quickly to geopolitical and social developments, for example when they lead to a reluctance to invest or to a shift in focus.

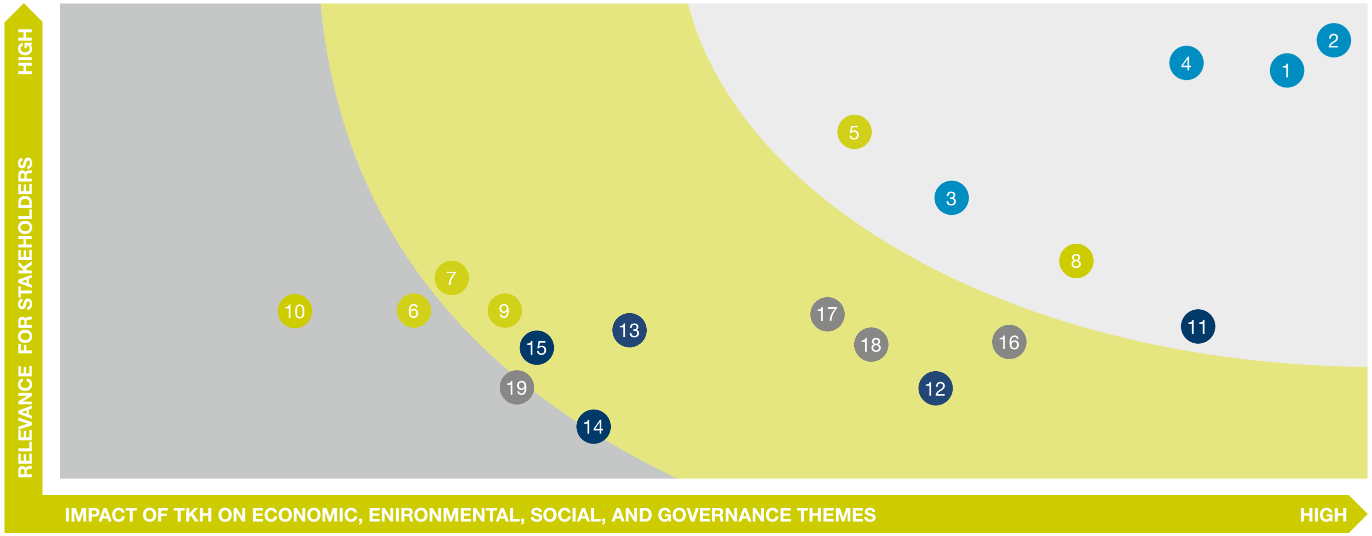
AUTOMATED TEMPERATURE AND MASK DETECTION SOLUTION

STAKEHOLDER ANALYSIS

Our stakeholders are those groups and individuals who directly or indirectly influence the activities of TKH and its operating companies. To further sharpen our strategy and objectives, we maintain regular dialogs with our stakeholders. We often work together with our operating companies when conducting stakeholder dialogs. We conducted a survey to determine material topics, from stakeholders' perspective as well from TKH's perspective. The results of the survey are integrated in the materiality matrix on the right. Based on our stakeholder dialogue and survey we identified which material topic is relevant for which stakeholder group.

MATERIALITY MATRIX

MATERIAL TOPICS



	SHARE-HOLDERS	BANKS	ANALYSTS	CUSTOMERS	SUPPLIERS	EMPLOYEES	SOCIETY
ECONOMIC							
1 Financial stability, track record & performance	●	●	●	●	●	●	
2 Technological innovations	●	●	●	●	●	●	
3 Sustainable capital allocation (in alignment with SDGs)		●	●				●
4 Customer satisfaction	●		●	●	●	●	
ENVIRONMENT							
5 Responsible production			●	●	●	●	●
6 Resource efficiency (incl. waste management)		●					
7 Climate change							●
8 CO_2 neutral	●	●			●		
9 Responsible procurement							●
10 Circularity				●			●
SOCIAL							
11 Good & responsible employment						●	●
12 Health & safe work environment				●	●	●	
13 Employee satisfaction	●					●	
14 Personal development opportunities						●	
15 Diversity & inclusiveness	●					●	
GOVERNANCE							
16 Integrity & compliance	●	●	●	●	●	●	●
17 Risk management	●	●	●	●	●	●	●
18 Privacy & IT Security	●	●	●	●	●	●	●
19 Ethical tax	●	●	●	●	●	●	●

STAKEHOLDERS' DIALOG

	RELEVANCE FOR TKH	RELEVANCE FOR THE STAKEHOLDER / MOST IMPORTANT EXPECTATIONS	MEANS OF COMMUNICATION	KEY TOPICS IN 2021	SUPPORTIVE TO OUR STRATEGY
EMPLOYEES	• Crucially important for the success of TKH. • The company's ambassadors. • Most important 'authorized capital'.	• Good employment practices. • Development opportunities and a good package of primary and secondary employment benefits. • A safe and healthy working environment.	• Internet and intranet. • Staff magazine. • Employee satisfaction survey. • Staff meetings. • Conferences and seminars. • Webinars. • Performance reviews.	• Health and safety. • Diversity. • Sustainable employability. • SDGs. • IT & Security / Privacy. • Strategic program.	• Commitment to the diversity of the workforce. • Learning organization. • Boost innovative capacity. • Leadership and entrepreneurship. • Integrity & zero tolerance.
SHAREHOLDERS	• Investment through a shareholding in TKH, thereby strengthening our capital position.	• Good return on investment with good dividend policy and long-term value creation.	• Internet. • Financial reporting and annual reports. • General meeting of shareholders. • Investor days. • Capital Markets Day.	• ESG. • SDGs. • Diversity. • Strategic program.	• Long-term shareholdings.
CUSTOMERS	• Buy products and services. • Develop sustainable package of products and services through collaboration.	• Offer innovative, high-tech technologies and comprehensive solutions. • Good ROI for customers.	• Internet. • Events, symposia and trade fairs. • Customer satisfaction survey.	• Sustainable product portfolio. • SDGs. • Customer satisfaction.	• Technological developments. • Growth targets.
SUPPLIERS	• Supply of services and products for our business operations.	• Fair business practices and doing good business at market rates.	• Business associates. • Negotiations. • Code of supply and site visits.	• Sustainable product portfolio. • SDGs.	• Technological developments. • Sustainable procurement.
ANALYSTS	• With the aid of analysis and research, prepare profiles and ratings on the basis of which investors can make a selection for their investments.	• Honest and transparent communication about developments.	• Internet. • Financial reporting and annual reports. • IR meetings. • Capital Markets Day. • Reporting.	• Financial ratios. • Sectoral developments. • Strategic program.	• Long-term value creation and transparency.
BANKS	• Financial service providers with the aid of which TKH is able to achieve its growth targets.	• Creditworthy enterprise that is appropriately balancing risks against returns and complies with contractual agreements.	• Internet. • Financial reporting and annual reports. • Half-yearly discussions.	• Financial ratios. • Risk analysis.	• Sustainable funding policy.
PUBLIC BODIES	• Act as initiator, facilitator of supply chain and other projects, and driver of sustainable initiatives.	• Boost the economic appeal in the region with respect to business office location and employment. • Supply chain initiatives with a significant contribution to sustainability.	• Internet. • Network and thematic meetings.	• Sustainable and other developments in the region.	• Strategic investment decisions.
EDUCATION AND KNOWLEDGE INSTITUTIONS	• Influx of new talent in order to compensate for such things as a shortage of technical personnel.	• Providing a challenging work environment with ample development opportunities. • Providing traineeships – work experience.	• Internet. • Trade fairs and seminars. • Social media.	• Relevance of education (in relation to the relevant discipline). • Profiling TKH as an interesting employer.	• Sustainable workforce. • Learning organization.
COMMUNITY AND SECTORAL ORGANIZATIONS (INCLUDING NGOS)	• Possess an extensive network and knowledge of the positions in the supply chain. • Expertise in specific sectors.	• Contribute ideas to and start up joint ventures.	• Internet. • Reporting and reports. • Annual reports.	• SDGs. • Climate change.	• Sustainable business operations. • Consolidate social initiatives.

CORPORATE STRATEGY

TKH's strategy focuses on technology leadership with our cohesive core technologies in three business segments. As part of the strategy process, four strategic pillars have been identified: Innovation and technical leadership, Being responsible and sustainability impact, Talented people and empowerment, and Sustainable financial performance. Based on these pillars, the megatrends, and the confrontation matrix, we have determined our strategic direction and have defined specific objectives incorporated in our new strategy program Accelerate 2025.

CONFRONTATION MATRIX

STRENGTHS

- Creation of advanced proprietary technologies and innovative systems.
- Leading positions in many markets where we operate.
- High pricing power due to smart technologies, system integration, and services.
- Risk spread across various product/market combinations.
- Organizations close to customers giving a high level of customer intimacy.
- Entrepreneurship is one of our core values.
- Sustainability proposition.
- Strong brand and reputation in active markets.
- Financial strength and high-quality capital.
- Optimal use of R&D resources and investments in markets with largest potential.

OPPORTUNITIES

- High demand for automation due to movement toward Industry 4.0.
- Development and integration of technologies that contribute to the improvement of sustainability.
- Lack of human resources and rising labor cost drive demand for automation.
- Demand for reduced waste and energy consumption in production fuels need for advanced technologies.
- Energy transition requires a boost in power generation from renewable sources.
- Global need for high-speed bandwidth and data traffic infrastructure, escalated by COVID-19.
- Greater focus on intelligent security owing to geopolitics and globalization.
- Technological developments enabling improved customer services and technologies.

WEAKNESSES

- Execution of market share growth opportunities in relation to innovations.
- Time-to-market for innovations.
- Brand awareness in conservative markets where TKH is looking to expand its position with disruptive, innovative technologies.
- Conversion ratio of added value to EBITA.

THREATS

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

ACCELERATE 2025

TKH has made significant steps to transform its organization and increase its focus on value creation, following the successful implementation of its Simplify & Accelerate program introduced in 2019.

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

Accelerate 2025 includes actions to boost turnover and ROS by unlocking the full potential of our innovations and disruptive technologies. Benefiting from current market positions and megatrends, such as automation and digitalization, sustainability, and safety and security, we will take full advantage of the expected market growth. In addition, TKH will increase its focus on sustainability within its strategy, with strong ambitions and new non-financial targets.

PRIORITIES ACCELERATE 2025

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

1 ROS improvement is based on Latest Estimate 2021: ROS >12%

ACCELERATE ORGANIC GROWTH

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

ACQUISITIONS

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

SUSTAINABILITY

Deliver a strong performance with regard to our ESG targets, especially CO_2 neutrality by 2030 (scopes 1 & 2), and further develop a sustainable portfolio based on SDG principles.

PORTFOLIO MANAGEMENT

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

COST EFFICIENCY

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

TKH BRANDING

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

INNOVATIONS

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

TALENT EMPOWERMENT

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

STRATEGIC PILLARS AND TARGETS

INNOVATION AND TECHNOLOGICAL LEADERSHIP

TKH aims to position itself as a technological leader in various niche growth markets. Innovation is essential to this, enabling us to stay at the forefront of the creation of best-in-class and innovative technologies. In addition, TKH is an established technology player with a proven track record of developing advanced and disruptive Smart Technologies that respond to market trends.

TKH combines its Smart Technologies to create innovative and comprehensive technology systems. Investments in R&D and the acceleration and scaling of innovations are vital for future growth, and to remain a technology leader.

Our target is for at least 15% of our turnover to be generated through innovations introduced in the previous two years. As a result, a major part of TKH's technology portfolio is always in the early stages of the product life cycle, which is an essential strategic foundation for securing future growth. Alongside investments in our technological development, we also invest in partnerships for specific specialisms and speed up the time-to-market for selected technology systems.

TKH generated € 301 million turnover in 2021 from innovations across its three core technology segments.

KPIs	OBJECTIVES	REALIZATION 2021
Portfolio at an early stage of the life cycle	At least 15% of turnover generated by portfolio introduced in the previous two years	19.8%
Technical innovations with impact on sustainability (SDGs)	At least 70% of turnover linked to SDGs	68%

BEING RESPONSIBLE AND SUSTAINABILITY IMPACT

TKH does business in a socially responsible manner with great awareness of our environment. We continuously seek to strengthen our contribution to a sustainable society by creating a sustainable product portfolio and business proposition; for example, around 70% of our turnover is related to one of the SDGs. In addition, our focus on sustainability also improves TKH's commercial position, as it supports customers in achieving their set sustainability criteria.

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

KPIs	OBJECTIVES	REALIZATION 2021
Carbon footprint (CO_2 emissions)	100% carbon neutrality in own operations by 2030 (scopes 1 & 2) – reduction of CO_2 footprint compared to reference year (2019)	29.8%
% waste of most relevant raw materials, compared to total relevant material consumption	< 5% waste	5.2%
Recycling most relevant raw materials	> 80% recycling (copper, aluminum, and plastics)	83.2%
Customer satisfaction	Average score above benchmark (7.8)	8.4
Code of Supply signed by suppliers	> 90% strategic suppliers signed up	92.4%

TALENTED PEOPLE AND EMPOWERMENT

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

Being an attractive and responsible employer is an important duty and one we take seriously. TKH offers an inspiring, safe, and healthy working environment for all its employees, while always seeking to make further improvements. TKH has an open business culture with a high level of entrepreneurship and short lines of communication. Our organization is also characterized by delegated authority, trust, and transparency.

TKH strongly believes that the diversity of its workforce will further bolster the success of its defined strategy. One of our priorities is therefore to boost and safeguard diversity within our organization. In addition, TKH continues to build on its strong employer brand in order to keep attracting the right talents and fill vacancies rapidly, especially in times of scarcity in human resources.

KPIs	OBJECTIVES	REALIZATION 2021
% of female members in Executive and Senior Management teams	> 25% by 2030	17.7%
Accident rate (LTIFR)	< 1.0	0.7
Illness rate	< 4.0%	3.56%
Employee satisfaction grade	> 7.5	7.4
Employees act in accordance with Code of Conduct	No breaches of the Code of Conduct	0
Number of employees with disabilities and/or disadvantages on the labor market	Maintain at least current number	107

SUSTAINABLE FINANCIAL PERFORMANCE

Creating added value for all key stakeholders while, at the same time, being a solid investment for shareholders is a key pillar of TKH's strategy. We do this with healthy balance sheet ratios and a strong cash flow from our operating activities, with a focus on the development of the company. We aim to achieve an annual increase in earnings per share, and a net debt/EBITDA ratio of no more than 2.0. Cash generated will be reinvested in businesses with above-average growth potential and/or distributed to shareholders. Structural excess cash can be used for share buyback programs, dividends, and/or strategic investments with an attractive return on investment.

TKH will expand through organic growth and acquisitions, with a geographical focus on Europe, North America, and Asia. In the case of acquisitions, the emphasis is on structurally healthy companies that strengthen our portfolio of proprietary technologies or enhance our sales network. We aim to acquire a turnover of € 100 million to € 150 million in the medium term, while continuing to manage our portfolio to decrease activities with lower margin and growth potential.

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

KPIs	OBJECTIVES	REALIZATION 2021
Turnover	> 2 billion by 2025	€ 1.5 billion
Return On Sales (ROS)	> 17% by 2025	12.4%
Return On Capital Employed (ROCE)	22-25% by 2025	20.5%
Net debt / EBITDA	< 2.0 annual target	0.9

LONG-TERM VALUE CREATION

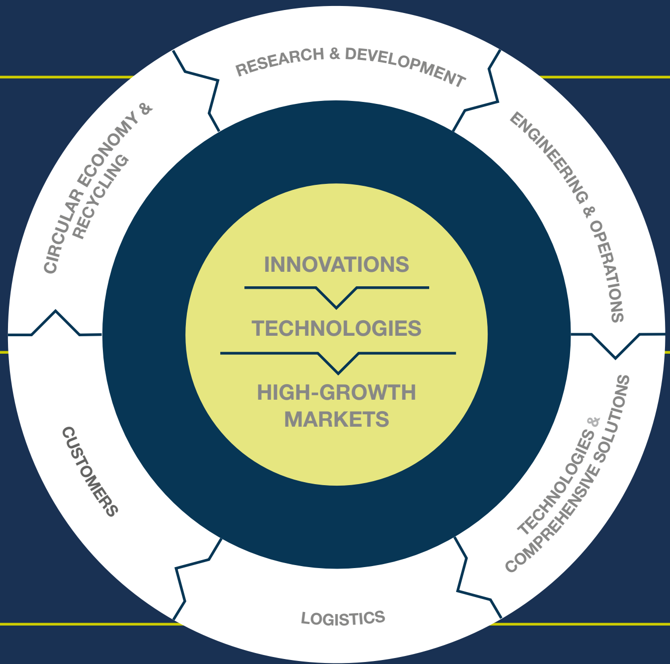
TKH's value creation process is dynamic and ongoing. It aims to use our business processes to respond to the needs of our stakeholders, and to identify at an early stage any opportunities or risks driven by economic, geopolitical, environmental, sustainability, social, and technological trends. Using detailed R&D road maps, we focus on development within core technologies and, by effectively integrating these technologies, we create unique, innovative, and comprehensive solutions suitable for multiple markets. Entrepreneurship and talent development are also key areas of focus within our group to ensure that we continually improve our value creation (long-term or otherwise).

TKH IN THE VALUE CHAIN

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

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

LOGISTICS
We have steadily centralized our logistical distribution operations. In the case of transport its impact on the environment in the distribution chain counts a great deal in addition to costs and duration.



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

ENGINEERING & OPERATIONS
We employ operational management models that have been incorporated in an operational excellence program. By doing so, we seek to achieve the optimal performance of our operational processes.

TECHNOLOGIES & COMPREHENSIVE SOLUTIONS
The TKH core technologies are combined to produce innovative, comprehensive systems, so as to be able to satisfy customer demand and to boost our opportunities in the market. Sustainability of our innovative product portfolio is of decisive importance.

INPUT

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

PRODUCTS
Integrated technologies and software that create innovative, sustainable, and comprehensive solutions, both capitalizing on market trends and ensuring efficiency, safety, security, and sustainability for customers.

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

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

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

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

BUSINESS OPERATIONS

CORE VALUES AS A GUIDELINE FOR OUR ACTIONS

- ENTREPRENEURSHIP
- ENVIRONMENTAL AWARENESS
- TRANSPARENCY
- ACCOUNTABILITY
- INTEGRITY

STRATEGIC PILLARS

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

BEING RESPONSIBLE AND SUSTAINABILITY IMPACT
Doing business in a socially responsible manner.

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

TALENTED PEOPLE AND EMPOWERMENT
An attractive and responsible employer.

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

CORE TECHNOLOGIES

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

OUTPUT

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

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

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

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

ATTRACTIVE & RELIABLE EMPLOYER
- Investment in health and safety.
- Investment in training and development opportunities.
- Attention to diversity and inclusion.
- Ensuring honesty and openness.

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

OUTCOME

INNOVATION AND TECHNOLOGICAL LEADERSHIP
- Turnover: € 1.5 billion
- Innovations: 19.8%
- R&D expenditure: € 64.4 million

3 GOOD HEALTH AND WELL-BEING | 7 AFFORDABLE AND CLEAN ENERGY | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES

SUSTAINABLE FINANCIAL PERFORMANCE
- ROS: 12.4%
- ROCE: 20.5%
- Net earnings per share: € 2.31
- Debt-leverage ratio: 0.9
- Dividend pay-out ratio: 64.9%

8 DECENT WORK AND ECONOMIC GROWTH

TALENTED PEOPLE AND EMPOWERMENT
- Number of training hours/FTE: 21
- Employee satisfaction: 7.4
- LTIFR: 0.7
- Illness rate: 3.56%
- Diversity: 17.7%

8 DECENT WORK AND ECONOMIC GROWTH

BEING RESPONSIBLE AND SUSTAINABILITY IMPACT
- CO_2 footprint reduction: 29.8% (compared to 2019)
- Recycling: 83.2%
- Customer satisfaction: 8.4
- Breaches of the code of conduct: 0

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

MANAGEMENT REPORT

BUSINESS DEVELOPMENTS

Demand for all our technologies and innovations has strongly recovered with a record high order intake of € 1,842 million. Thanks to the capabilities and entrepreneurship within our organization we managed to cope with the exceptional increase in demand in a very short period, despite the supply-chain challenges, COVID-19 restrictions during the year, and availability of workforce.

IMPACT OF COVID-19

COVID-19 continued to have an impact on operations and financial performance in 2021. Following a slow start in the first quarter of 2021, due to the ongoing COVID-19 restrictions in several countries, we saw a strong recovery in most markets. The airport and parking industries investments were still postponed. During the year, COVID-19 restrictions caused operational challenges in commissioning equipment at customer sites. Also, our absence rate was higher than usual due to quarantine regulations and other precautions. However, despite these challenges and limitations, the organization was able to adapt very well. It is difficult to accurately quantify the impact of COVID-19 on our 2021 performance. However, when it comes to the financial impact, the following elements affected our results:

- TKH hardly made any use of the available COVID-19 government support.
- TKH eliminated most cost-saving measures from 2020 due to a higher activity level, but travel and exhibition expenses remained low.
- TKH evaluated additional scenarios in its impairment assessment, which resulted in the recognition of an impairment loss of € 1.6 million, mainly due to COVID-19.
- Deferred tax payments of € 22 million in 2020 were paid in 2021.

SIMPLIFICATION

After the successful implementation of the Simplify & Accelerate program (introduced in 2019), strongly focused on activities with higher ROS and organic growth, TKH has made significant steps to transform the organization and increase its focus on value creation during 2021. With several divestments, integrations, innovations, and acquisitions financial performance was further increased. The ROS of 13.2% in the second half year of 2021 (H2 2020: 10.9%) showed that TKH made good progress towards the ROS target. As part of its simplification, TKH has changed to new reporting segments: Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems. The new segmentation reporting will provide more transparency and perspective on the potential of our value creation in the coming years. To enable comparison, the previous segmentation is disclosed in the notes to financial statements.

ACCELERATE 2025

On the Capital Markets Day in November 2021, we launched our new program Accelerate 2025, which aims to increase our turnover to more than € 2 billion and a ROS of >17% by 2025. This will be realized by unlocking the full potential of our innovations and disruptive technologies. Benefitting from mega-trends, such as energy transition, digitalization, industrial automation, and safety and security, we will be able to take full advantage of the expected market growth.

INVESTMENTS & DIVESTMENTS

To respond to the high market demand related to the mega-trends, we have decided to prepare for an expansion of our production capacity and additional capital investments in 2022 and 2023. As part of Accelerate 2025, we expect to acquire around € 100 - € 150 million in turnover during the coming years. Around € 150 - € 200 million of turnover will be divested, as we continue to reduce activities with lower margin and growth potential. Preparations have started in 2021.

TKH closed the financial year in a strong financial position, backed by a low working capital ratio of 10.1%, which was well below the target bandwidth of 12–15%. The net debt/EBITDA ratio was 0.9 and provides sufficient room for the execution of our strategy, and the payment of the proposed dividend of € 1.50.

SUSTAINABILITY PERFORMANCE

On Capital Markets Day, on November 17, 2021, TKH announced that it would continue to focus on sustainability in its strategy, with strong ambitions and new non-financial targets for the years ahead. Among other measures, we defined a new diversity target to increase the share of female members in the Executive and Senior Management teams to at least 25% by 2030. We also set ourselves the target to be CO_2-neutral by 2030 in our own operations (scopes 1 and 2).

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

Strategic pillar	KPI	Target	2021	2020
BEING RESPONSIBLE AND SUSTAINABILITY IMPACT	Carbon footprint (CO_2 emissions)	100% carbon neutrality in own operations by 2030 (scopes 1 & 2) –reduction of CO_2 footprint compared to reference year (2019)	29.8%	17.8%
	% waste of most relevant raw materials, compared to total relevant material consumption	< 5% waste	5.2%	6.6%
	Recycling most relevant raw materials	> 80% recycling	83.2%	84.2%
	Customer satisfaction	Average score above benchmark (7.8)	8.4	8.1
	Code of Supply signed by suppliers	> 90% strategic suppliers signed up	92.4%	90.7
TALENTED PEOPLE AND EMPOWERMENT	% of female members in Executive and Senior Management teams	> 25% by 2030	17.7%	16.8%
	Accident rate (LTIFR)	< 1.0	0.7	0.8
	Illness rate	< 4.0%	3.56%	3.51%
	Employee satisfaction grade	> 7.5	7.4	7.4
	Employees acting in accordance with Code of Conduct	No breaches of the Code of Conduct	0	0
	Number of employees with disabilities and/or disadvantages on the labor market	Maintain at least current number	107	100

BEING RESPONSIBLE AND SUSTAINABILITY IMPACT

As a matter of strategic priority, sustainability is firmly embedded in our day-to-day operations, and sustainability initiatives are being integrated into our organization. Our environmental, social, and governance (ESG) policy provides a framework for both our short- and medium-term plans without losing sight of company interests. This means that business decisions are made not only from the perspective of its effect on profitability, but also by taking into account 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 consider our social responsibilities in relation to all relevant stakeholders.

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

There is an increasing focus from TKH's stakeholders – including customers, employees, regulators, and investors – on ESG matters. These stakeholders may also have ESG-related expectations concerning TKH's business and operations. In addition, there are an increasing number of regulatory and legislative initiatives to address ESG issues, such as the EU Taxonomy Regulation. To comply with these – and to be responsible – we have bolstered our ESG commitments toward 2025 and 2030 and have adopted a comprehensive ESG framework, which we will further enhance in the years ahead. In 2022, we will also strengthen our governance structure by expanding and improving sustainability functions on a group level and throughout the organization.

CO_2 FOOTPRINT

Efficient energy consumption and reduction of CO_2 emissions are important performance indicators for all our locations. Under the terms of the EU Energy Efficiency Directive (2012/27/EU), member states must ensure that large-scale organizations undergo an energy audit to gather information on real-time energy consumption and gain an insight into the potential for energy savings. At a country level, where applicable, TKH has drawn up an integrated plan for energy efficiency to comply with the terms of this Directive. Among other areas, we use these reports for our energy reduction plan. We regularly monitor the identified potential for energy savings so we can safeguard our progress and adherence to improvement plans. Energy-saving measures that have already been implemented include replacing conventional lighting with LED lighting, replacing central-heating boilers with energy-efficient models, replacing LPG lift trucks with electric lift trucks, monitoring and reducing energy peaks, and investing in energy from sustainable sources, such as solar panels. By constantly improving our production processes and procedures, and continuing to investigate new, energy-efficient solutions, we are endeavoring to consider the energy factor wherever possible. By doing so, we are attempting to keep both CO_2 emissions and energy costs to a minimum.

The focus of TKH's CO_2 footprint reduction remains primarily on scopes 1 and 2, because most of our direct emissions occur within these areas. We have expanded our internal dashboard with components from scope 3, but have not yet implemented a scope extension for CO_2 emissions in our calculation model. TKH calculates the energy consumption and CO_2 emissions associated with our energy consumption using conversion factors from reputable and authoritative sources. TKH uses tank-to-wheel emission factors. All conversion factors are reviewed annually and updated if necessary. The energy consumed by forklifts is considered negligible and is therefore not included in TKH's overall energy consumption and related CO_2 emissions reporting. The basis for consolidated energy consumption and CO_2 emissions is activity data, which in turn are based mostly on meter readings, invoices, and data provided by suppliers. Where reliable data is not available, TKH uses calculations or estimations obtained through reliable methods and input data. TKH is satisfied that the estimates are reliable in all material respects.

NET CARBON FOOTPRINT IN KG TON CO_2-EQUIVALENT

	2021	2020	Reference year 2019
Scope 1	7,117	6,686	8,642
Scope 2	21,969	27,374	32,773
Total (scopes 1 and 2)	**29,086**	**34,060**	**41,415**

CO_2 FOOTPRINT REDUCTION

compared to reference year 2019

29.8%

2020 17.8%

In 2021, we set ourselves the target of 100% carbon neutrality by 2030 for our own operations (scopes 1 and 2). To report on progress, we compare the CO_2 footprint and relative reduction with a reference year, which is adjusted every 5 years. 2015 was used as the reference year until 2020. For 2021 and onward toward 2030, the reference year will be 2019, representing TKH's pre-COVID activities. In 2021, our net carbon footprint decreased by 29.8% compared with the reference year, 2019. The reported figures do not include any acquired carbon offsets. In our sites, we reduced our scope 1 (indirect) emissions. This was mainly driven by energy efficiency measures, our program to purchase renewable energy and green certificates, working from home, and mild winters. We increased our renewable energy share to 30% in 2021, from 4% in 2020. Combined with the energy reductions we achieved, this led to a 15.3% reduction in net emissions from our energy consumption (scope 1 and scope 2) in 2021 compared to 2020. Our business travel emissions, covering emissions from lease cars, decreased by 6.5% compared to 2020. This is mainly due to COVID-19, as fewer employees are now using their lease cars again post-COVID. In addition, we continue to electrify our lease fleet and promote online collaboration post-COVID, to limit travel.

Energy consumption primarily focuses on electricity (kWh) and natural gas (m³). At 73% 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. Energy consumption (in kWh) was with 5.7% lower compared with 2019. The COVID-19 situation had an important impact on this. In addition, the divestments also led to a reduction of 10% compared with 2019. Gas represents 27% of the total kWh consumption and is used for heating buildings and, to a lesser extent, for process heating. The consumption of diesel and fuel oil has declined in recent years and now makes up just 0.5% of total consumption.

In 2022, we will continue to focus on our energy efficiency programs and increase the share of renewable energy to reduce our CO_2 footprint. In addition, we will set up a compensation program to offset residual CO_2 emissions, with the aim of working toward our carbon neutrality target by 2030.

EU TAXONOMY FRAMEWORK

TKH's reporting on EU Taxonomy activities follows Regulation EU 2020/852 of the European Parliament and of the Council of June 18, 2020. The EU Taxonomy regulation is intended to serve as a standardized and mandatory classification system to determine which economic activities are considered environmentally sustainable. Reporting which activities are environmentally sustainable (aligned) starts as of next year; reporting year 2022. The first requirement for reporting start in 2021 by reporting on Taxonomy eligibility, which is done by determining whether an activity falls within one of the sectors covered by the first two defined environmental objectives (climate change mitigation and adaptation). As the current EU Taxonomy delegated act only applies to sectors with the highest CO_2 emissions, TKH's activities are limited within the scope of this delegated act and, consequently, a negligible part of TKH's turnover was eligible under this taxonomy during 2021.

The Taxonomy Regulation provides a definition of environmentally sustainable economic activities. To qualify as environmentally sustainable, an economic activity should, among other requirements, contribute substantially to one or more of the six environmental objectives stated in article 9 of the Regulation. A delegated act (EU 2021/2139), specifying which technical screening criteria specific economic activities must comply with in order to fall under the first two environmental objectives – climate change mitigation, and climate change adaptation – was adopted on June 4, 2021. A delegated act specifying the final four environmental objectives: the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems, has not yet been adopted. Therefore, TKH's disclosure on EU Taxonomy activities in the year 2021 is only for the environmental objectives (climate change mitigation, and climate change adaptation). Article 16 of the Taxonomy Regulation define "enabling" economic activities. However, an economic activity is only "enabling" under EU Taxonomy provided it meets the technical screening criteria in the respective section of Annex I and II to the Climate Delegated Act. Therefore, for the eligibility reporting in accordance with Article 10 of the Disclosures Delegated Act, those eligible-to-be-enabling activities are not in the scope of the eligibility reporting in 2021.

We used the delegated act EU 2021/2139 to identify which of our activities were eligible, and we concluded that only a very limited share of our turnover-generating activities should be included, since this delegated act only applies to sectors with very high CO_2 emissions. Taxonomy-eligible turnover is 0.3% in 2021 and is related to data processing, hosting and related activities (non-eligible turnover: 99.7%). We used the delegated act (EU) 2021/2178 for the definition and calculation of the Taxonomy-eligible percentages. Turnover is calculated based on "total turnover" as per the Consolidated statement of profit and loss. We also assessed our capital expenditure. Reportable taxonomy-eligible capital expenditures in 2021 were 0.6% of the total capital expenditure in 2021 and is related to data processing, hosting and related activities (non-eligible capital expenditures: 99.4%). The capital expenditure was determined based on the 2021 additions to property, plant and equipment, intangible assets, and additions to right-of-use assets, excluding any re-assessments and excluding goodwill (refer to note 3 intangible assets and goodwill, note 4 property, plant and equipment, and note 5 right-of-use assets of the financial statements). In a similar way to capital expenditures, we assessed for relevant operational expenditures activities. In 2021, we did not record any reportable Taxonomy-eligible operational expenditures (0%). Non-eligible operational expenditures were 100%. Operating expenses per the EU Taxonomy definition covers direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plants, and equipment. This differs from the definition of operating expenses in our financial statements. We used the following general ledger accounts in the operational expenditures assessment: R&D expenditure, maintenance of buildings, repair/maintenance, lease for short periods, lease for low value items, cost of machinery, cost of warehouse and furniture, and cost of manufacture and accommodation. These costs are included in the other operating expenses (refer to note 26 of the financial statements). The accounting policy includes references to the related line items in the consolidated financial statements, making sure to avoid double counting between the various reporting categories and between the objectives climate change mitigation and adaptation.

The Taxonomy Regulation is relatively new and there are still significant uncertainties around its phased implementation. We will continue to assess our eligibility and the extent of our EU Taxonomy alignment in 2022. It is expected that the Taxonomy will be developed into a comprehensive and detailed framework over the coming years. Future guidance could result in more accurate definitions and other decision-making in meeting reporting obligations that may come into force. This could impact future EU Taxonomy reporting. As of 2022, TKH will report on activities that can be examined as Taxonomy-aligned.

RESPONSIBLE PRODUCTION & RESOURCE EFFICIENCY

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

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

Total waste from the most relevant raw materials, compared to total relevant material consumption, was 5.2% in the year under review, compared with 6.6% in the previous year, and close to the target set for a maximum of 5% waste compared with total consumption of materials. Although the total consumption of materials increased in 2021 compared to 2020 – mainly due to recovery from the COVID-19 pandemic – we were able to reduce the percentage of material waste. This was driven by waste reduction and operational excellence programs focused on right-first-time production. In addition, for part of our portfolio, we replaced the raw material copper with aluminum, resulting in increases in the efficiency of our production process and, as a result, less waste. The decrease in waste, expressed as a percentage of the consumption of materials, shows that measures to reduce waste have been implemented effectively, and that we are well on the way to further reducing our waste flows.

From the most relevant raw materials, 83.2% of our total waste was recycled in 2021 (2020: 84.2%), while our target is to recycle at least 80%. Our copper supplier reprocesses pure copper waste into fully usable copper – so the figure for copper was almost 100% recycled waste. Plastics that have become unusable during the cable production process, but are suitable for recycling, are offered to waste processing companies with a view to turning them into new raw materials. Cables (particularly odd lengths of cable) are sorted as much as possible, and we are looking into the possibility of completely recycling these cables – and the same applies to the plastics used as insulation and sheathing material. The improvement in recycled waste is also due to investments in production equipment for the in-house recycling of cable waste.

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

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

RISK AREAS

Risk area	Risks
Laws and regulations	Future implementation of CO_2 taxation/pricing will mean a rise in operational and compliance costs
Technology	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	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	Increasing volatility in prices and availability of raw materials/resources and materials

OPPORTUNITY CATEGORIES

Opportunity category	Opportunities
Efficient use of production processes	Further implementation of more effective production processes via our “operational excellence” program
Use of energy sources with lower emissions	Further implementation of CO_2-neutral operations
Development of new products and services by means of R&D and innovation	Access to markets with our innovations
Focus on zero-emissions products and services	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	Contribution to hitting internationally agreed targets in relation to climate mitigation
Circular economy	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	Obtainment and deployment of our knowledge

CLIMATE CHANGE

The potential impact of climate change on our strategy and our business model has received plenty of attention in the year under review. Based on recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), in 2021, we extensively analyzed the potential risks to our operations posed by climate change, and how any such climate-related risks could be converted into opportunities, for instance through innovations relating to climate adaptation or climate-change mitigation.

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

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

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

Follow-up action includes discussing the results of the analysis with our strategic stakeholders to obtain a validated overview of the most significant threats and opportunities. In this way, we can gain insight into the acceptance and mitigation of threats, and we can take further steps to bring opportunities to fruition. 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 an organizational level.

SUSTAINABLE CAPITAL ALLOCATION

TKH plays a role in an increasing number of value chains as a purchaser, producer, supplier, or partner. In all of these roles, TKH tries to guarantee uniformity in its sustainability principles. We allocate capital to our sustainable portfolio and innovations to increase our positive contribution to Sustainable Development Goals (SDGs), as well as enhance our positive impact on society and the environment through our customers. Satisfying sustainability criteria plays an increasingly decisive role in the way that our customers' award contracts. We are making a significant contribution to the SDGs through 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 each of our customer's specifications. In this respect, sustainability criteria are becoming increasingly relevant. We are also devoting attention to sustainable innovation based on our innovation objectives. 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 19.8% (2020: 21.1%).

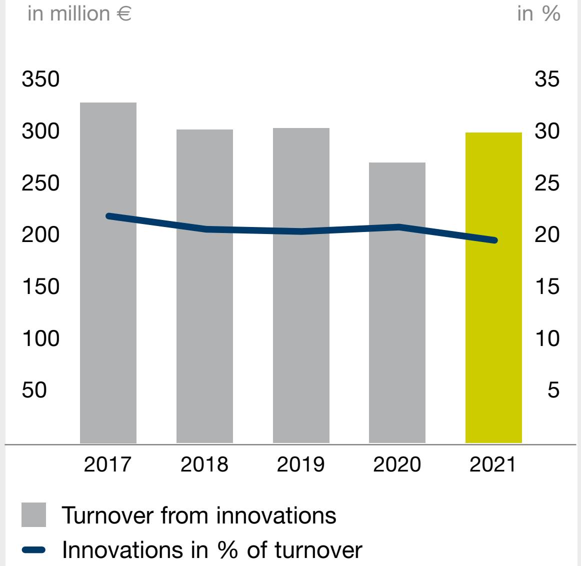
Our products and systems have the relevant accreditation marks and certificates and are supplied with clear manuals

TURNOVER LINKED TO SDGs

68%

2020 70%

TURNOVER FROM INNOVATIONS



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. The potential impact on health and safety is also taken into account. TKH's technologies and solutions support the sustainability ambitions of our customers. Our subsea-cable systems contribute to a sustainable energy supply for the future. The TKH Tire Building systems increase the efficiency of the production process, which – in addition to high-quality tires – results in energy and waste reduction at the customer's site. The CEDD®/AGL solution for airports/airfields provides energy savings due to the use of sustainable LED lighting as well as the use of low voltage with induction. The parking guidance systems ensure efficient traffic flow in car parks, leading to a significant reduction in CO_2 emissions. TKH Vision technology has become an indispensable application in the optimization of manufacturing processes, automating and perfecting quality control, as well as inspections in production processes. This leads to significant efficiency improvements in the industry with positive results regarding sustainability criteria. We are continuing to tailor our portfolio to our customers' wishes concerning efficiency and sustainability requirements, taking strong customer relationships as our starting point. In this annual report, several business cases are presented to further substantiate our sustainable, innovative portfolio, linked to the SDGs.

CUSTOMER SATISFACTION

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

INTEGRITY, COMPLIANCE & RESPONSIBLE PROCUREMENT

TKH highly values the integrity of its employees' conduct. Clear guidelines, operational control, and a zero-tolerance policy regarding matters of principle, such as fraud, bribery, and corruption, ensure that work is carried out in accordance with the appropriate principles and agreements. We have a Code of Conduct in force to ensure that every employee acts in accordance with TKH's 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, which is linked to a sanctions policy in case of any 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 96.2% (2020: 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. The Internal Audit team ensures that every part of our organization complies with our Code of Conduct. There is close co-operation with TKH's Compliance Officer and Legal Advisor. Among other aspects, the Internal Control Framework is used to effectively monitor and assess possible bribery and corruption risks. The Code of Conduct can be downloaded from the TKH website.

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

Regarding 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. The Code of Supply has been signed by 92.4% (2020:

90.7%) of the total number of suppliers in scope. 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 a new supplier. 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 respect and safeguarding of human rights in both our Code of Conduct and the Code of Supply. Our policy is not to tolerate violation of any human rights. 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 state 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 a supplier on their observance of human rights and discuss possible areas in which discrimination, the right to social security, and the risk of child labor in the chain may be an issue. The assessments carried out with suppliers have 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 any potential human rights conflicts could arise, chiefly in the value chain in which we operate.

ANTI-COMPETITIVE BEHAVIOR AND SANCTIONS

TKH is fully committed to anti-competitive behavior, providing all parties with the same information, setting realistic requirements, and establishing clear contract conditions. We also avoid any activities that conflict with legislation. To ensure this, internal guidelines drawn up for strategic management within the TKH Group must be followed. The guidelines contain rules 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. If sanctions are imposed on our company by authorities, we will explain the cause and the corrective actions that have been taken. In 2021, we did not incur any sanctions.

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, based on which action plans have been developed 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 via regular newsletters, for example. Penetration tests have also been carried out at some operating companies to determine whether the organization is sufficiently resilient to possible digital attacks. These tests have provided insights into potential vulnerabilities of our 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 attention is consistently paid to this topic. IT & Security is part of the immediate focus area of the Internal Audit team. Further information about IT & Security is included in the risk management chapter. European legislation on the protection of private 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

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

The tax strategy is aligned with TKH's organizational values and forms an important part of TKH's ESG policy. The tax strategy is regularly discussed with the Executive Board. 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.

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

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

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

In our relationship with the tax authorities, we strive to build strong, mutually respectful relationships based on transparency and trust. We therefore believe in an open and constructive dialog, both with the Dutch tax authorities and those in 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, as well as meeting 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 (CbC) report 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 addition, TKH is subject to the so-called Mandatory Disclosure Rules (DAC6), which obligate TKH and the advisors involved to report selected cross-border tax arrangements. During the period under review, three notifications were made, all resulting from reorganizations of activities primarily driven by business motives.

The following table shows the tax paid in 2021, 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 temporary differences, deferred taxation, and uncertain tax positions.

CORPORATE INCOME TAX 2021

Amounts in thousands of euros	The Netherlands	Europe (other)	Asia	North America	Other countries	Amortization PPA 1)	Total
General information							
Aggregated revenues realized by the companies in the region without elimination of intercompany transactions	812,105	720,596	241,226	158,985	14,016		1,946,928
Result before tax	40,493	75,788	15,182	13,617	2,246	-18,412	128,914
Property, plant and equipment	130,011	54,058	32,459	5,566	393		222,487
Number of own FTE	1,963	2,444	867	414	96		5,784
Income taxes (paid)/received							
Income tax to be (paid)/received at 1 January 2021	-862	-7,828	237	-857	79		-9,231
Income taxes paid	-7,212	-20,750	-2,810	-1,859	-420		-33,051
Income tax to be (paid)/received at 31 December 2021	-938	-1,800	-251	-3,393	-153		-6,535

1 Amortization of intangible non-current assets from acquisitions

TALENTED PEOPLE AND EMPOWERMENT

The quality of both the organization and its employees are both decisive factors in the success of TKH Group. We demand a lot from our employees, who have a clear idea about what is expected of them and how they can make an active contribution. It is our duty to be a good employer and to motivate and help our employees as best possible so that they can carry out their work efficiently and 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 decentralized organization 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 of Finance & Control, Director of 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 provide input on topics like technological, portfolio, and business developments within the TKH Group. 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 toward the simplification of the organizational structure, allowing a concentration on activities with a greater value-creation potential. Integration of operating companies, with the focus on the benefits of economies of scale, make 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 that, given their nature, have narrow profit margins or limited value creation 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 self-critical, enables it to deal with responsibilities and authorizations correctly, and identify risks timely. Risk management is firmly embedded in our management model. This is characterized by short lines of communication with the Executive Board, and backed up by close monitoring of agreed objectives using a comprehensive KPI dashboard that is divided into weekly, monthly, and quarterly information. It also provides a clear overview of developments over a longer time frame. A sound reference framework, such as budgetary and historical information, helps us to quickly and effectively detect deviations from the agreements and, where necessary, adjust operations. This method is encouraged from the top down, to ensure that it permeates all levels of the company. Every quarter, or on a monthly or weekly basis if required, the management teams of the operating companies discuss a strategic scorecard based on highlights and lowlights for each business segment, as well as any related short- and medium-term action points. 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 this 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

MANAGEMENT BOARD

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
Derk Postma

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 regarding matters of principle such as fraud, bribery, and corruption are also important means of ensuring that work is carried out in accordance with the right principles and agreements. Because of our open corporate culture, our people feel involved in the company and call each other to account for any undesirable or unacceptable behavior according to the standards and values that we aspire to. Cultural aspects are assessed using an employee satisfaction survey, which makes clear any areas where there is still room for improvement. 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 taking part in informal gatherings.

EMPLOYEE REPRESENTATION

The interests of the employees are promoted at the operating company level by the local Works Councils, and at the TKH group level by the Central Works Council. These councils ensure ongoing employee representation under the terms of the Works Councils Act (Wet op de Ondernemingsraden). During the year under review, the Executive Board and the Central Works Council held frequent, close consultations with each other. The topics discussed were the results and organizational developments, progress in the strategic program, the budget, investments, and the TKH annual report. The special topics dealt with during the year under review were the (re)appointments to the Supervisory Board. Due to the COVID-19 measures, which included restrictions on gatherings, it was not possible to hold the annual Works Council Day. This was due to be a Works Council Day that would strengthen the bond between the various Works Councils of the Dutch operating companies, as well as promote the sharing of knowledge and experiences. TKH believes that consultations with the Central Works Council and other Works Councils are important and attaches great value to an open dialog. We believe that adopting an active approach to employee representation helps us to stay alert.

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 three-year cycle. The surveys provide important information regarding the motivation, satisfaction, and expectations of our employees. Follow-up surveys also measure the effects of improvements made in response to the findings. We carry out these surveys in collaboration with a specialized third-party research agency. To get an insight into the impact of the COVID-19 restrictions and measures on our employees, certain operating companies carried out a satisfaction survey that focused 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 evaluate where to amend our HR policy based on the results of the study and create a robust plan of action.

HEALTHY & SAFE WORK ENVIRONMENT

Safety awareness and safety performance are important focus areas within the TKH Group, and preventing accidents and encouraging a professional safety culture form an important basis to this. We achieve this by being transparent about accidents and near-misses so that employees are more alert to potentially risky situations and are able to react quickly. The manufacturing companies provide information on safety within the organization and clear work instructions regarding machinery safety are available. Strict measures are

CENTRAL WORKS COUNCIL

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

ACCIDENT RATE (LOST TIME INJURY FREQUENCY RATE)

0.7

2020 0.8

taken to ensure that employees comply with requirements such as wearing safety shoes and protective clothing. We also encourage employees to draw each other's attention to situations that could lead to dangerous incidents.

Safety is a crucially important factor for many of our operating companies, due to the nature of the work they do, so in 2021, their aim 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. 100% of TKH operating companies in scope are certified under the ISO 45001 standard. Regrettably, in 2021 a fatal accident occured at one of our premises involving an employee of a third party supplier. This proves the need for continious education and focus on safety matters in our own organization as well as that of our suppliers.

To make safety demonstrable, we place emphasis on specific, measurable performance targets for safety measures, including LTIFR (Lost Time Injury Frequency Rate) and illness rate. We devoted further attention to health & safety programs at our production facilities. This resulted in increased attention and awareness for important health & safety topics. As a result, the LTIFR figure for 2021 decreased slightly to 0.7 in comparison with last year (2020: 0.8).

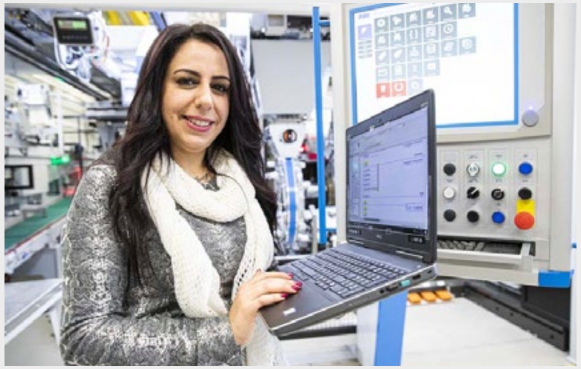
The illness rate was 3.56%, which is slightly above last year's level (2020: 3.51%), but below the target of a maximum of 4.0%. COVID-19 has had the greatest impact on the rise in illness rate, due to lockdowns, among other factors. By acting quickly and responding with appropriate measures to address the COVID-19 situation 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, we paid extra attention to the potential psychological impact of COVID-19 on individuals' lives and work situations, to ensure our people remained healthy and well.

DIVERSITY & INCLUSIVENESS

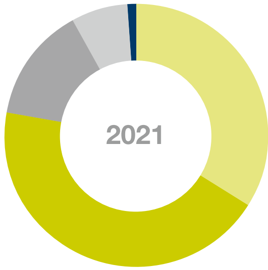
TKH is an international group of companies with a workforce that includes many nationalities. In such an international environment, we take a broad view of diversity. The diversity policy at TKH focuses on a variety of abilities, skills, and nationalities, and we employ a mix of men and women, as well as a balanced 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.

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

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



GEOGRAPHICAL SPREAD OF WORKFORCE
in %



	male	female	total
Netherlands	29	5	34
Europe (other)	31	13	44
Asia	11	3	14
North America	5	2	7
Other	1	0	1

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 in the labor market increased to 107 FTEs, particularly because of an increase 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. We do not differentiate between male and female employees' basic salaries and apply market-based remuneration. There may be differences between countries depending on local market practices and the tax and social security structure. We have a remuneration policy based on the requirements of the job, and the experience and skills of the individual.

For Dutch employees, we adhere to the social conditions of employment as stated in a collective labor agreement applicable to the sector (CAO). Agreement-related rules are implemented 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 in relation to periods of notice, restraint-of-trade and non-compete clauses, and profit-sharing arrangements, and that the statutory notice periods and other provisions are complied with. In the case of acquisition opportunities, the salary structure of the company to be acquired is one of the subjects examined during the due diligence process.

At year-end 2021, the number of employees (in FTEs) was 6,160 (2020: 5,704 FTEs), with 376 of those as temporary employees (2020: 121 FTEs). As a result of increased activity levels, the number of employees increased by 456 FTEs.
At the end of 2021, 23% of the workforce consisted of women, which is almost the same level as last year. The main reason for the present distribution of male and female employees is the technical nature of our work coupled with labor market supply. However, we do see women increasingly choosing technical professions, so we can start to more specifically select and recruit women for technical positions within our organization. TKH has strong ambitions and new, defined non-financial targets for the years ahead. Among other things, we set a new diversity target, to increase the share of female employees in Executive and Senior Management roles to at least 25% by 2030. At the end of 2021, 17.7% of Executive and Senior Management personnel were female (2020: 16.8%). In 2022, we will further expand our diversity and inclusiveness program.

PERSONAL 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 their next career step. At the same time, we are alert to the need to retain critical skills to pursue our strategic agenda in technological developments and innovations.

Our employees are encouraged to develop in the direction of their choosing. 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 internal training, with the help of external professionals, so that this matches normal practice at TKH as closely as possible.
New employees follow introductory programs, including product training.

In collaboration with Nyenrode Business University in Breukelen, in the Netherlands, a Management Development (MD) program has been developed for those identified as having a high potential for accelerated career advancement.

RATIO MEN/WOMEN

Workforce as of December 31

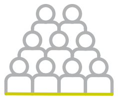
77% 23%

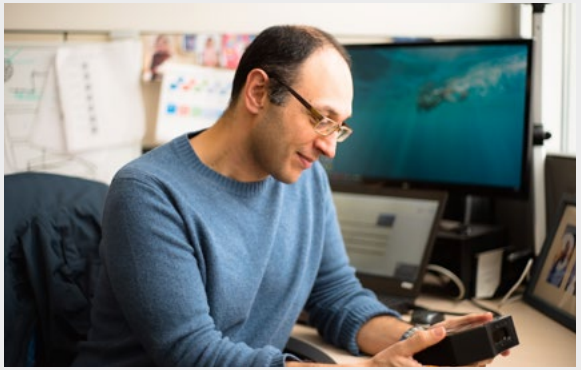
DIVERSITY

Female Executive and Senior Management

17.7%

2020 16.8%





Candidates are put forward by the management teams of the operating companies based on predetermined selection criteria. The Executive Board has a proactive role in the MD program. Due to COVID-19, the 2021 MD program has been postponed to 2022.

In 2021, more hours were spent on training and other courses than in 2020. The COVID-19 restrictions meant that most training courses could be followed virtually. Some internal training courses were suspended, as key aspects of the success of these opportunities are the group dynamics, and the insights gained into day-to-day practices through company visits. On average, FTEs spent 21 hours on training in 2021 (2020: 18 hours per FTE). In 2022, we will further scale up awareness and training programs on ESG material themes, relating to health & safety, IT Security, and our Code of Conduct, among other topics.

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 short courses 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 in vocational training – to give them an opportunity to improve their skills in practice, and to interest them in a possible job with our organization.

Recruitment of this kind is a high-priority area. We are seeing an increasing scarcity of qualified personnel, especially in technical positions. It will become more challenging to fill such positions in the coming years. We have, however 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 and interest future talent. When recruiting external candidates, we increasingly use referral recruitment, which means we ask our current employees to propose new colleagues. By recruiting in this way, we have a higher chance of finding a match, since 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 many talented workers, who may previously have been difficult to attract, to be more readily available on the labor market. Where capacity became available due to a reduction in demand or other restrictions, employees were (in some cases temporarily) deployed to fill other positions, where possible.

SUSTAINABLE DEVELOPMENT GOALS

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

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

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

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

Existing KPIs are now aligned with the SDGs to provide insight into our current contribution, and to see where additional actions will be most effective. Furthermore, we analyzed the opportunities in our value chain, and as a result, we are making a significant contribution to the SDGs through our innovative product portfolio. Approximately 70% of our total turnover is linked to at least one of the SDGs that we have defined as relevant to our business. In this way, we support our customers to achieve their sustainability criteria and simultaneously provide clear evidence of the forward-thinking approach of our business.

GOOD HEALTH AND WELL-BEING

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

Impact

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

EXAMPLES OF OUR INNOVATIVE SDG PORTFOLIO

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

AFFORDABLE AND CLEAN ENERGY

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

Impact

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

EXAMPLES OF OUR INNOVATIVE SDG PORTFOLIO

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

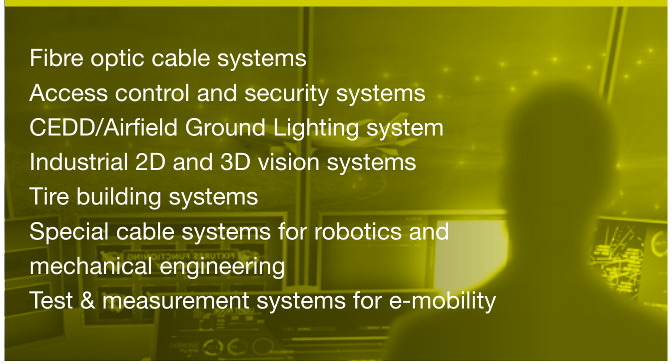
INDUSTRY, INNOVATION, AND INFRASTRUCTURE

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

Impact

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

EXAMPLES OF OUR INNOVATIVE SDG PORTFOLIO



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

SUSTAINABLE CITIES AND COMMUNITIES

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

Impact

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

EXAMPLES OF OUR INNOVATIVE SDG PORTFOLIO

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

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

DECENT WORK AND ECONOMIC GROWTH

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

Impact

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

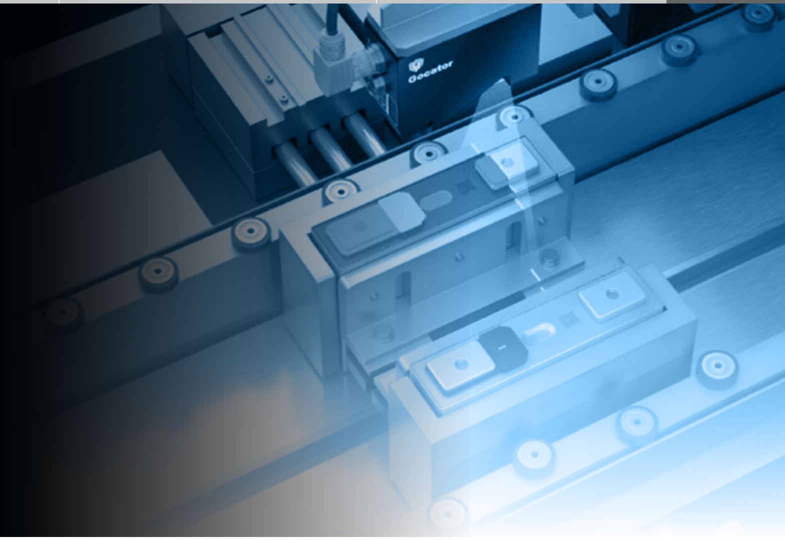
RESPONSIBLE CONSUMPTION AND PRODUCTION

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

Impact

TKH's ESG policy is designed to ensure we make continuous improvements in our environmental performance, and to reduce the negative impact of our operations on our surroundings as much as possible. At all TKH production companies, the raw materials used are – as much as possible – chosen so that they have little to no harmful effect on the environment from the initial design stage. TKH's production environment is focused on preventing waste as much as possible, and sets targets on waste reduction and the recycling of raw materials. Sustainability issues and our Code of Supply are regularly discussed with our suppliers.

FINANCIAL PERFORMANCE



GROUP FINANCIAL PERFORMANCE

The recovery of the order intake, which already started in the fourth quarter of 2020, continued during 2021.

We realized a high order intake of € 1,842 million (2020: € 1,294 million) on the back of a strong increase in demand for almost all our activities, leading to an order book at year-end of € 746.6 million, an increase of 74.3% compared to last year. Particularly significant growth in order intake was realized in Machine Vision (Smart Vision systems), Tire Building (Smart Manufacturing systems), and energy and digitalization (Smart Connectivity systems).

Turnover increased with € 234.4 million (18.2%) to € 1,523.8 million in 2021 (2020: € 1,289.4 million). Higher raw materials prices had an upward impact of 2.6% on turnover, while exchange rates had a negative impact of 0.1%. Divestments had a downward impact of 0.2%. On balance, TKH recorded a 15.9% organic growth in turnover. All segments contributed to the organic growth in turnover. The supply-chain challenges in the availability and transportation of raw materials and components had a negative impact of about € 20 – € 30 million on our turnover in 2021, although our procurement teams managed to find solutions for the majority of issues. We responded to these challenges by increasing our stock levels and ensuring a larger supply of replacements for components, redesigning some of our products, and contracting alternative suppliers. Our pricing power enabled us to pass on most of the resulting price increases.

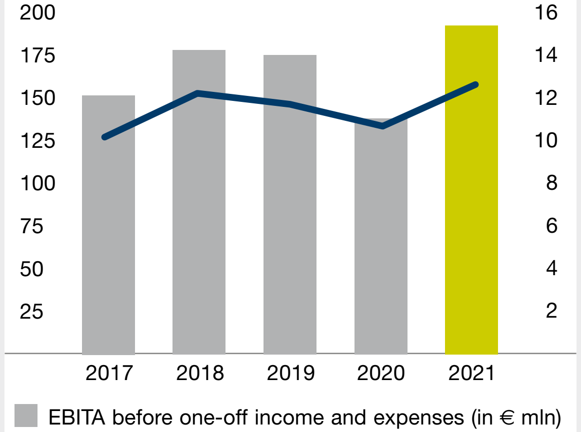
The geographic distribution of turnover remained mostly in line with 2020. The turnover share in the Netherlands decreased to a level of 22% of total turnover, whereas the turnover share in Europe, excluding the Netherlands, increased to 45%. The turnover share in Asia remained unchanged at 19%, North America decreased to 11%. The turnover share of the other geographic areas was 3%.

The gross margin decreased to 48.3% in 2021 (2020: 49.2%) due to a shift in product mix, with a larger share in Smart Connectivity systems combined with increased raw material and component prices.

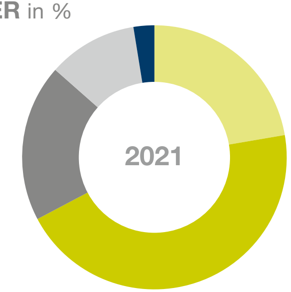
Operating expenses (excluding amortization and impairments) increased by 9.6% compared with last year. As a percentage of turnover, operating expenses decreased to 35.9% in 2021, from 38.7% in 2020. The implemented integrations and cost savings accounted for a significant share of the relative reduction of costs, in combination with higher productivity and capacity utilization in TKH's

EBITA AND ROS DEVELOPMENT

in million € | in %



GEOGRAPHICAL DISTRIBUTION OF TURNOVER in %



	2021	2020
Netherlands	22	24
Europe (other)	45	43
Asia	19	19
North America	11	12
Other	3	2

production companies. At the same time, selling expenses were still low due to the ongoing COVID-19 restrictions. Depreciation came in at € 45.2 million, € 0.3 million below the level of 2020, mainly due to a lower depreciation on the right-of-use assets.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) increased by 39.9% to € 189.6 million in 2021, from € 135.5 million in 2020. All segments contributed to the increase in EBITA; Smart Vision systems contributed with +18.9%, Smart Manufacturing systems with +43.5%, and Smart Connectivity systems with +61.9%, respectively. The ROS improved to 12.4% (2020: 10.5%) due to the turnover growth and a lower relative cost level. ROS increased in all three segments.

Amortization decreased as the amortization on certain purchase price allocations related to past acquisitions has ended.

The financial result remained stable at € 8.0 million (in expense). In 2020, a profit of € 5.5 million on divestments was included. In 2021, foreign exchange results and results from associates improved, while interest expenses were lower.

The normalized effective tax rate increased to 26.2% in 2021, from 25.4% in 2020, primarily due to increased profits at companies that are subject to higher tax rates.

Net profit before amortization and one-off income and expenses attributable to shareholders increased by 62.0% to € 113.9 million (2020: € 70.3 million). Net profit rose by 100.4% to € 95.2 million (2020: € 47.5 million). Earnings per share before amortization and one-off income and expenses amounted to € 2.77 (2020: € 1.69). Ordinary earnings per share were € 2.31 (2020: € 1.14).

The cash flow from operating activities amounted to € 199.0 million in 2021 (2020: € 187.8 million). In 2020, the cash flow was boosted by a decline in working capital, while there was little change in 2021. At year-end 2021, working capital fell as a percentage of turnover to 10.1% (2020: 12.1%) and therefore ended below the bandwidth target of 12–15%.

The cash flow from net investments in property, plant, and equipment amounted on balance to € 31.0 million in 2021. It was higher than in recent years (2020: € 25.3 million), partly due to the divestment of business premises held for sale in 2020. The investments in intangible assets related to development costs, patents, licenses, and software slightly increased to € 40.5 million in 2021 (2020: € 39.2 million). TKH spent € 0.5 million on acquisitions (2020: € 0.5 million). There were no divestments in 2021 (2020: € 21.2 million).

Solvency was stable at 42.5% (2020: 42.3%). Net bank borrowings fell by € 56.3 million from the level at year-end 2020 to € 205.4 million at year-end 2021. The net debt/EBITDA ratio, calculated according to TKH's bank covenant, stood at 0.9, well within the financial ratio agreed with our banks.

At year-end 2021, TKH employed a total of 6,160 FTEs (2020: 5,704), with 376 of those as temporary employees (2020: 121 FTEs).

DIVIDEND PROPOSAL

It will be proposed to the General Meeting that it authorizes the payment of a dividend of € 1.50 per (depositary receipt for a) share (2020: € 1.00). Based on the number of shares outstanding held by third parties at year-end 2021, the pay out-ratio amounts to 54.2% of the net profit before amortization and one-off income and expenses attributable to shareholders and 64.9% 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 May 3, 2022.

BUSINESS SEGMENT

SMART VISION SYSTEMS

TKH creates state-of-the-art Vision systems, and Vision technology represents about 86% of the turnover of the Smart Vision systems segment. This technology encompasses 2D and 3D Machine Vision and Security Vision systems. Combining these technologies with in-house software development allows us to create unique, smart, integrated plug-and-play systems, and one-stop-shop solutions.

In 2021, turnover in Smart Vision systems increased by 9.4% to € 429.8 million. Divestments executed in 2020 reduced turnover by 0.5%, and currency exchange rates had a negative impact of 0.6%. The organic growth in turnover was 10.5%, despite limitations in the supply of electronic components. The supply constraints slightly impacted turnover, although in most cases we managed to either secure most of the required components, or redesigned our products to include components which were more widely available. The order book saw a growth of 91.1% to € 139.3 million compared to last year.

The added value decreased from 59.1% to 58.3%. Higher purchase prices on secured components had a negative impact on the added value as a percentage of turnover, but this was compensated by the volume growth. As a result, EBITA rose to € 73.8 million, resulting in a ROS of 17.2%.

VISION TECHNOLOGY

The strongest contributor to this segments' growth in 2021 was Machine Vision, in all regions and end markets. We successfully maintained our leading market position in 3D Vision for the consumer electronics and wood industry, while we also significantly grew our business in the battery, logistics, and semiconductor markets. Within 2D Vision, the Alvium portfolio with embedded vision solutions is gaining traction and sales are growing.
Turnover growth for Security Vision was at a lower rate compared to Machine Vision due to low investment levels at parking garages, shopping malls, and airports, which continued to be impacted by COVID-19 restrictions. This however, was more than compensated for by growth in other markets. By securing our supply chain, we were able to meet this higher market demand. This was particularly applicable for (video) communication and traffic monitoring systems.

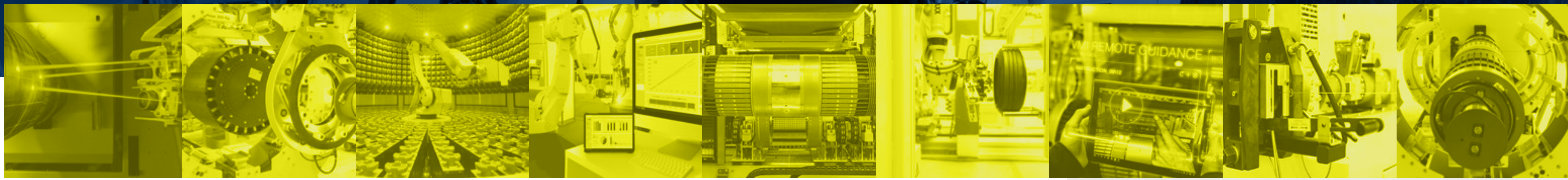
KEY FIGURES SMART VISION SYSTEMS

(in mln. € unless otherwise stated)	2021	2020	Change in %
Turnover	429.8	393.0	+ 9.4%
EBITA before one-off income and expenses [1]	73.8	62.1	+ 18.9%
ROS	17.2%	15.8%	

1 One-off expenses in 2020 of € 3.1 million due to reorganization costs.

BUSINESS SEGMENT

SMART MANUFACTURING SYSTEMS



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

Turnover in Smart Manufacturing systems increased by 19.9% organically. Turnover grew from quarter to quarter in 2021 with a strong recovery, especially in Tire Building systems. Order book increased by 62.7% compared to the previous year-end and reached a high level of € 369.7 million on 31 December 2021.

The added value increased slightly from 48.7% to 49.0%.

EBITA was up 43.5% at € 59.4 million. The ROS improved to 14.2% due to high order intake and production output.

TIRE BUILDING

While turnover in Q1 was significantly impacted by the low order intake in Q2 and Q3 2020, there was a strong recovery leading to a record order intake in 2021 – broadly supported by intake from Asian customers as well as the tier 1 tire manufacturers. Market demand for both passenger and truck tire systems was high. Production capacity was swiftly scaled up to cope with the high order intake, which contributed to the strong improvement in results. The site acceptance of the UNIXX was delayed due to COVID-19, but the industrialization phase is progressing well. Several UNIXX modules have already been sold and successfully commissioned at customers sites. The commercial launch of the complete UNIXX platform is scheduled for 2022. Furthermore, we booked several orders for our new Revolute (combination of fully automated tire component preparation and bead assembly) and FLEXX belt maker.

KEY FIGURES SMART MANUFACTURING SYSTEMS

(in mln. € unless otherwise stated)	2021	2020	Change in %
Turnover	419.1	349.5	+ 19.9%
EBITA before one-off income and expenses [1]	59.4	41.4	+ 43.5%
ROS	14.2%	11.8%	

1 One-off expenses in 2020 of € 0.3 million due to reorganization costs.

OTHER

Turnover in Care grew at a high rate, driven by the roll-out of our INDIVION technology in North America, and our service organization in North America is scaling up to support further growth in this region. Turnover and growth in our results were also realized in industrial automation.

BUSINESS SEGMENT

SMART CONNECTIVITY SYSTEMS

TKH manufactures advanced Connectivity systems, and engineers complete Smart Connectivity systems with a unique, integrated system approach and sustainability proposition. Energy and Digitalization represent about 33% and 38% of the Smart Connectivity systems segment turnover share.

Turnover in Smart Connectivity systems increased across almost all market segments by 22.4% to € 692.3 million in 2021. Higher raw material prices had an upward impact of 6.0% on turnover. On balance, turnover increased organically by 16.4%. Order intake was even higher with a growth of the order book with 85.3% to € 237.6 million compared to December 31, 2020.

Added value as a percentage of turnover decreased only slightly from 40.8% to 40.4% in 2021, although raw material prices went up during the year.

EBITA increased by 61.9% to € 73.2 million, due to turnover growth and higher production utilization. This resulted in an increase in ROS to 10.6%.

ENERGY

The strong demand for renewable energy sources and the expansion of the current network infrastructure are the main drivers of growth in our turnover. The extended production capacity for medium voltage energy cables became operational during the third quarter of 2021, and helped increase our production volumes. In subsea cable activities, production utilization increased significantly. The demand for Airfield Ground Lighting (CEDD/AGL) was significantly impacted by COVID-19, due to investment limitations at airports – however, the low order intake at airports was more than offset by growth in demand for energy connectivity systems.

DIGITALIZATION

Turnover increased due to high investment priority for fibre networks in Europe, and a reduced impact from lockdowns on clients' installation capacities. We saw a particularly strong recovery in France and Germany. The impact on price levels from the overcapacity of optical fibre in China started to reduce in the second half of the year. Its impact on added value was offset by a higher share of our connectivity system portfolio. In the last quarter of 2021, the European Commission imposed anti-dumping duties on imports of optical fibre cables (OFC) from China into the European Union. However, the impact of this on our 2021 results was very limited. Substantial growth was also realized in data network cable systems and broadband products for data centers and offices, especially in France and Germany.

OTHER

There was substantial growth in specialized connectivity systems for the machine-building and robotics industry. The building and construction market saw growth in the first half of the year, but stabilized in the second half due to limitations in supply and production capacity.

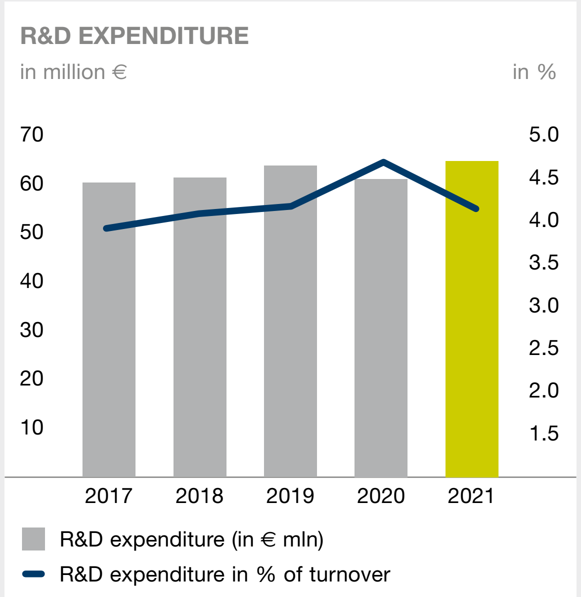
KEY FIGURES SMART CONNECTIVITY SYSTEMS

(in mln. € unless otherwise stated)	2021	2020	Change in %
Turnover	692.3	565.6	+ 22.4%
EBITA before one-off income and expenses [1]	73.2	45.2	+ 61.9%
ROS	10.6%	8.0%	

1 One-off income and expenses in 2020 of € 4.3 million due to reorganization and integration costs.

ACQUISITIONS, DIVESTMENTS, AND INVESTMENTS

Acquisition is an important part of TKH's strategy and contributes to our value creation by strengthening our business proposition.



We focus on acquiring structurally healthy companies that allow us to build our portfolio of proprietary technologies, or expand our geographic sales network within Europe, North America, and Asia. We aim to acquire a turnover of € 100 million to € 150 million within the medium term, at the same time as we manage our portfolio to reduce activities with lower margins and growth potential. In addition, we aim to divest € 150 to € 200 million in activities that do not contribute toward our long-term targets.

ACQUISITIONS & DIVESTMENTS

No material acquisitions and divestments took place in 2021. The expenditure related to acquisitions amounted to € 0.5 million (2020: € 0.5 million expenditure and € 0.6 million increase of purchase price allocations for the acquired brand names, customer databases, intellectual property, and goodwill). At the balance sheet date, an active program is already in place to divest certain activities related to the distribution of our connectivity solutions; accordingly, the associated assets and liabilities have been reclassified to assets and liabilities held for sale. Barring unforeseen circumstances, a transaction is expected within the upcoming 12 months.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

In 2021, the net investment in property, plant and equipment, excluding right-of-use assets, totaled € 29.7 million (2020: € 28.0 million). Part of these investments concerned replacement investments. An important part of the investments also related to the expansion of building and production capacity, including:

- Expansion of production capacity for medium-voltage energy cable systems.
- Integration of cable production capacity at Ittervoort in Haaksbergen.
- Expansion of the R&D and engineering office within Smart Manufacturing systems.
- Expansion of the production capacity for 2D and 3D Smart Vision technology.

Depreciation of property, plant and equipment totaled € 30.1 million in 2021 (2020: € 29.8 million).

INVESTMENTS IN INTANGIBLE ASSETS AND GOODWILL

In 2021, € 40.5 million was invested in intangible assets and goodwill (2020: € 39.6 million). The most important investments related to the ongoing development of our technologies:

- 2D and 3D Machine Vision portfolio.
- Security video and communication systems.
- New generation of Tire Building systems, like the UNIXX, FLEXX, and Revolute.
- Portfolio and production technology for connectivity systems focused on energy transition.
- Airfield ground lighting portfolio based on contactless energy and data distribution (CEDD).
- Automated system for patching and connecting within fiber-optic networks.

The investments above do not only relate to hardware development, but also the development of smart software based on artificial intelligence. In addition, there are investments in ERP software of € 4.2 million and patents and licenses of € 1.8 million.

OUTLOOK

The improved market circumstances for our technologies, combined with our capability to increase manufacturing capacity and utilization leads to a positive outlook for our business. Based on these developments, we anticipate further organic growth of turnover and result in 2022 in all segments.

Barring any unforeseen circumstances, such as a worsening of the current supply chain challenges, sustained disruption from COVID-19, or the geopolitical situation and conflict surrounding Ukraine and Russia, TKH expects the following developments per business segment in 2022.

SMART VISION SYSTEMS

- Strong demand for our 2D and 3D Machine Vision technologies is expected to continue into 2022, thanks to a combination of targeted programs in key markets and improved market conditions.
- For Security Vision, we expect the parking industry to recover gradually.
- We will increase investments in research & development and capacity expansion.

SMART MANUFACTURING SYSTEMS

- Order intake for Tire Building technologies is expected to continue at a high level, driven by products such as the MAXX, MILEXX and Revolute. Additional investments in operational capacity will be executed to fulfill the anticipated demand.
- The turnover in care will grow further, driven by the successful launch and ramp-up of the INDIVION technology.
- In our other markets, mainly through our industrial automation systems, we expect growth to continue in 2022, facilitated by a production capacity expansion.

SMART CONNECTIVITY SYSTEMS

- The demand in the energy infrastructure market continues to grow rapidly and as such we expanded our capacity for energy cables in the third quarter of 2021. On top of this, the order book is well filled, which will help to support a turnover increase in 2022.
- The turnover in digitalization is expected to increase, driven by rising fibre prices and the growing need for bandwidth in Europe.
- To respond to the high market demand, we have decided to prepare for an expansion of our production capacity and additional capital investments in 2022 and 2023.

As usual, TKH will provide a more specific profit forecast for the full year of 2022 at the presentation of its interim results in August 2022.

GOVERNANCE

MEMBERS OF THE EXECUTIVE BOARD

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

Dutch nationality, male, 1958
Term 2001-present

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

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

Dutch nationality, male, 1965
Term 2008-present

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

H.J. (HARM) VOORTMAN MSC
MEMBER OF THE EXECUTIVE BOARD

Dutch nationality, male, 1966
Term 2018-2022

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

MEMBERS OF THE SUPERVISORY BOARD

A.J.P. (ANTOON) DE PROFT
CHAIRMAN

Belgian nationality, male, 1960
2014 first appointment
2022 end of term

Chairman of the Selection and Appointments Committee

Current positions
- CEO & President Septentrio Satellite Navigation

Current other non-Executive Board positions
- Chairman of the Supervisory Board, IMEC
- Chairman of the Supervisory Board, Quest For Growth

Current other positions
- Managing Director, ADP Vision

J.M. (MEL) KROON
VICE-CHAIRMAN

Dutch nationality, male, 1957
2017 first appointment
2025 end of term

Member of the Selection and Appointments Committee
Member of the Audit Committee

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

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

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

C.W. (CARIN) GORTER
MEMBER

Dutch nationality, female, 1963
2017 first appointment
2025 end of term

Chairman of the Audit Committee
Member of the Remuneration Committee

Current other non-Executive Board positions
- Vice-Chairman of the Supervisory Board, Basic-Fit N.V., Chairman of the Audit and Risk Committee (2016)
- Supervisory Board member, Coöperatie TVM U.A., Chairman of the Audit and Risk Committee (2013)
- Supervisory Board member, DAS, Chairman of the Audit and Risk Committee (2019)
- External Audit Committee member, Ministry of Justice and Security (2017)
- Supervisory Board Member, NTS (Nederlandse Transplantatie Stichting) (2020)
- Supervisory Board member, Ebusco Holding N.V., Chairman of the Audit Committee (2021)

Current other positions
- Owner, Carin Gorter Advies & Toezicht

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

R.L. (ROKUS) VAN IPEREN
MEMBER

Dutch nationality, male, 1953
2011 first appointment
2022 end of term

Chairman of the Remuneration Committee

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

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

A.M.H. (MARIEKE) SCHÖNINGH
MEMBER

Dutch nationality, female, 1963
2020 first appointment
2024 end of term

Member of the Remuneration Committee

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

REPORT OF THE SUPERVISORY BOARD

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

The Supervisory Board provides the Executive Board with advice, as well as 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

In 2021, five regular meetings and one additional meeting were held, which were all attended by the Executive Board. In addition, three closed meetings took place attended by the Supervisory Board members only. Due to the COVID-19 restrictions, some of the meetings were held virtually or using a hybrid approach. During the year under review, there were no subjects on the agenda that could have potentially given rise to conflicts of interest. The discussion of the financial statements took place in the presence of the external auditor. In preparation for these meetings, as well as to discuss other relevant matters during the year, the chairman of the Supervisory Board maintained regular contact with the chairman of the Executive Board. The Supervisory Board supervises and advises the Executive Board based on both agenda items that recur at every meeting, and on specific subjects relevant for discussion at certain moments.

STRATEGY UPDATE: CAPITAL MARKETS DAY 2021

Following the launch of the Simplify & Accelerate program in 2019, TKH has taken significant steps toward transforming the organization and increasing its focus on long-term value creation. As part of this program, TKH has divested € 255 million in activities that, due to their nature, had margins below TKH Group's average, and had limited organic growth potential. In addition, group companies with a close coherence of activities have been integrated, simplifying the organizational structure, making better use of economies of scale, and further strengthening key areas, such as R&D, sales, and marketing. The successful Simplify & Accelerate program has transformed and streamlined the organization, and has brought the >15% ROS target within reach, positioning TKH well for its next phase of value creation.

At the Capital Markets Day on November 17, 2021, the Executive Board presented a strategy update. It set out targets for the period 2022–2025, as well as sharing information on the business's position and opportunities within TKH's operating segments. Additionally, the new strategy program, Accelerate 2025, was launched to increase turnover and results by unlocking the full potential of innovations and disruptive technologies. Benefitting from megatrends, such as automation and digitalization, sustainability, and safety and security, TKH is taking full advantage of the expected market growth. The new program includes actions to boost the increase of ROS and organic growth, based on the strong foundation of current market positions. On top of this, TKH will also increase focus on acquisitions, and expects to acquire around € 100 - € 150 million in turnover during the coming years, while also continuing portfolio management to decrease activities with lower margins and growth potential.

TKH also announced that its new business structure would be made up of three units: Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems. This will better match the company's long-term strategy. Going forward, the segment reporting will follow this structure. In addition, TKH prioritized sustainability within its strategy, with strong ambitions and new non-financial targets.

The Supervisory Board was intensively involved in the preparation of the new strategy program, for example using business analyses and portfolio reviews. The effects of the implemented transformation program have been discussed at length, resulting in a solid target-setting and implementation plan. Each meeting was used to discuss key elements of the new program. The most important topics for consultation and decision-making were:

- target-setting on financial KPIs;
- the new segment reporting based on technologies;
- increased focus on sustainability and related target-setting on non-financial KPIs.

The progress of the new strategy program, Accelerate 2025, is a high priority for the Supervisory Board and is being closely monitored. Regular evaluation of its implementation will continue to be high on the agenda in the coming year.

COVID-19

The outbreak of the COVID-19 pandemic in 2020 significantly impacted the global economy, and this impact continued to be felt in 2021. However, the strong market position and successful strategy of TKH led to a rapid post-COVID-19 recovery during 2021. Due to the global distribution of TKH's operations, COVID-19 was still high on the agenda throughout the year. Attention was focused on the effects on staff and their health, the organization, activities, and TKH's results, for example, due to supply chain problems. The Board was frequently informed about the status of employees' health and performance at operating companies.

Because of the ongoing COVID-19 restrictions limiting in-person meetings, the arrangements for the General Meeting 2021 were discussed on several occasions. Due to the emergency legislation introduced by the Dutch government, the General Meeting 2021 took place on the original date, but in modified, virtual form. In addition, in the preparation of the General Meeting, the dividend proposal was once again re-examined. The Board concluded, partly based on scenario analyses, that given 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.

COMPANY VISIT

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

In 2021, the Supervisory Board visited the TKH operating company Commend International in Salzburg, Austria, which belongs to the segment Smart Vision systems. The Supervisory Board was informed about technological and project developments. Special attention was paid to the opportunities related to the application of artificial intelligence within security and communication technologies. In the subsequent guided tour, Commend highlighted their various phases of development and production and demonstrated their applications. Market opportunities were also explained. Other relevant topics were discussed with local management, including the challenges related to the availability of staff due to COVID-19, and the availability of important components. The Supervisory Board greatly values these company visits and, in particular, the meetings with local management and employees, since they offer a deeper understanding of local activities and the company culture. The Supervisory Board also appreciates the openness and transparency of the presentations and discussions.

REGULAR MEETINGS

Recurring agenda items, concerning issues such as financial developments, the progress of the Simplify & Accelerate and the Accelerate 2025 strategy program, technological, organizational, and market developments, as well as Investor Relations, are discussed at each regular meeting. Where

TOPICS OF SUPERVISORY BOARD MEETINGS IN 2021

Q1
- COVID-19 situation
- Business review
- Financial results and press release
- Progress of strategic program
- Investments and disposals
- Supervisory Board committees
- Explanation of audit report
- Deep Dive on Artificial Intelligence
- Cancellation of ordinary shares
- AGM preparation/dividend proposal

Q2
- COVID-19 situation
- Business review
- Financial results and press release
- Progress of strategic program
- Capital Markets Day
- Investments and disposals
- Supervisory Board committees
- Preparation for AGM

Q3
- COVID-19 situation
- Business review
- Financial results and press release
- Progress of strategic program
- Capital Markets Day
- Investments and disposals
- Supervisory Board committees

Q4
- COVID-19 situation
- Business review
- Financial results and press release
- Progress of strategic program
- Capital Markets Day
- Investments and disposals
- Supervisory Board committees
- Budget & Investment Plan 2022
- HR update
- Sustainability update, including EU Taxonomy
- Company visit to Commend International

applicable, the chairman of the relevant committee of the Board explains the most important findings of each meeting. The content of all press releases is discussed with the full Supervisory Board before their publication.

Using the "strategic scorecard" at each meeting, the progress of strategic initiatives and business developments was discussed, including the order book, the competitive field in which TKH operates, possible business risks, and how these risks are managed. In this context, the Board was also frequently informed of the progress of innovation projects. The fact that TKH's investments in innovation delivered results in 2021 and enabled TKH to grow in several markets is, for the Supervisory Board, a strong validation of the chosen strategic growth path. Following input from the Executive Board, the Supervisory Board has discussed and approved the proposal for the cancellation of ordinary shares which were purchased under the buy-back program initiated mid-November 2020.

A "deep dive" presentation was delivered by the Executive Board concerning artificial intelligence (AI). More insight was gained into the application of artificial intelligence in the wider economy and the specific applications of AI within the TKH technology portfolio. The Supervisory Board has gained a clear picture of the progress made within the TKH Group in the field of AI. It has received confirmation that the topic is being given the necessary attention and that it has been taken to a higher level within the organization. This is partly reflected in the increase in the number of applications of AI within the technologies developed by TKH operating companies.

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 (Environmental, Social, and Governance) themes and its alignment with existing sustainability themes – including climate change – and defining new sustainability targets around CO_2 neutrality by 2030 and diversity, among other areas. Special attention was also paid to the implementation of the EU Taxonomy and the validation process by the external auditor of the most relevant non-financial KPIs. For the Supervisory Board, this is confirmation that sustainability is one of the top priorities within the organization and an integral part of (strategic) business decisions.

CLOSED MEETINGS

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

- Explanation by the Remuneration Committee of the remuneration policy for the Executive Board and Supervisory Board and of the remuneration proposal for the Executive Board.
- Evaluation of the performance of the Supervisory Board, its committees, and its individual members.
- Composition of the Supervisory Board and its committees – formal nominations for appointments to the Supervisory Board to the AGM 2021 and 2022.

CULTURE AND ORGANIZATION

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

HR AND SAFETY

HR developments are discussed at least once a year with the Executive Board, with particular attention given to Management Development, employee satisfaction, employer branding, and current HR topics. In 2021, the relevance of health and safety to TKH and its employees was reaffirmed, partly due to the COVID-19 situation. The Supervisory Board pays considerable attention to safety within the organization. Accidents and near-miss accidents are reported using safety indicators, for example. In 2021, the Executive Board also finalized the implementation of ISO 45001 for production companies. For the Supervisory Board, this is confirmation that safety has been defined as one of the top priorities within the organization, increasing safety awareness in the organization and allowing 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 current topics at TKH, as well as the markets and activities relevant to the company, are well represented. Each member of the Supervisory Board possesses the specific expertise necessary to fulfill their supervisory role. The effectiveness of the Board is determined by the team's composition in terms of knowledge and competencies as well as cooperation between its members. Continuity in its composition is also valuable, given the Board's integral accountability for the consideration of various strategic interests, which are directed toward long-term value creation. The Supervisory Board therefore, in principle, applies a maximum term of office of 12 years, in accordance with the Dutch Corporate Governance Code (the "Code"). An evaluation also takes place annually during the (self-)evaluation, as well as before each reappointment, to determine whether the profile for the composition of the Supervisory Board is "up-to-date", and whether the expertise, competencies, and performance of the candidate in question are suitable.
The Supervisory Board aims for diversity in its composition in terms of age, gender, background, expertise, occupational

experience, and nationality, taking account of the statutory requirements. These elements are also included in the profile drawn up by the Supervisory Board. In terms of composition, the Supervisory Board complies with the quota in accordance with Dutch company law concerning a balanced distribution of at least 1/3 female members and at least 1/3 male members, insofar as these seats are distributed to natural persons. The Board supports the view that diversity contributes to objective and sound decision-making. However, diversity is not only considered important when it comes to gender – it also relates to the expertise, competencies, and background. The composition of the Supervisory Board is such that the members can operate critically and independently of one another, the Executive Board, and any individual 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 Code.

At the AGM of May 6, 2021, Mr. J.M. Kroon and Mrs. C.W. Gorter were reappointed for a further period of four years. At the end of the AGM of April 26, 2022, Mr. R.L. van Iperen will step down according to the applicable schedule of retirement. Under the regulations of the Supervisory Board and the articles of association of TKH, Mr. Van Iperen may be reappointed for a further period of two years. Mr. Van Iperen has indicated that he is available for reappointment. The Supervisory Board has discussed the reappointment of Mr. Van Iperen, and its members are of the unanimous opinion that his knowledge, experience, and added value match the desired expertise as set out in the profile drawn up by the Supervisory Board. The members of the Supervisory Board consider the reappointment of Mr. Van Iperen to be in the best interests of TKH, given his extensive knowledge of the company and his excellent performance as a Board member. His broad experience as a director with ultimate responsibility and as an entrepreneur, as well as his expertise in the field of technology, together with his experience in international listed companies, fit in well with the required expertise and competencies.

In addition, Mr. A.J.P. De Proft will resign at the end of the AGM on April 26, 2022, as per the schedule of retirement. Mr. De Proft is not available for reappointment due to increasing time constraints with his other duties. In the context of safeguarding knowledge and continuity within the Board, a selection procedure for the succession of Mr. De Proft was launched during 2021. In filling the vacancy for a member of the Supervisory Board, we sought a candidate with broad international experience within an international company and an affinity for TKH's technology and activities. After extensive and thorough selection procedures, Mr. P. Oosterveer (CEO and chairman of the Executive Board of Arcadis N.V.) agreed to fill the vacancy and to join the Supervisory Board.
The Supervisory Board will nominate Mr. Van Iperen and Mr. Oosterveer as candidates for reappointment and appointment respectively to the Supervisory Board at the AGM 2022, on the condition that the shareholders at that meeting do not invoke their right of recommendation. The Central Works Council was notified of the reappointment and the vacancy, and profiles of prospective candidates. The Central Works Council has stated that it does not wish to invoke its right of recommendation for the reappointment of Mr. Van Iperen and the appointment of Mr. Oosterveer.

Due to the resignation of Mr. De Proft, the function of chairman has become available. The Supervisory Board has carefully considered the selection of a new chairman and is delighted to announce that Mr. R.L. van Iperen has accepted to take on the role of chairman, starting at the close of the AGM 2022, on the condition R.L. van Iperen will be reappointed as a member of the Supervisory Board at the AGM 2022.

INTRODUCTION PROGRAM

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

CONTACT WITH THE CENTRAL WORKS COUNCIL

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

COMMITTEES

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

SELECTION AND NOMINATION COMMITTEE

The Selection and Nomination Committee comprises Mr. A.J.P. De Proft (chairman) and Mr. J.M. Kroon. The Selection and Nomination Committee held two formal meetings in the past year. The committee also had frequent (virtual) contact on current topics, in particular regarding the preparation and selection of the new member of the Supervisory Board, including ensuring that the knowledge and expertise within the Supervisory Board remains appropriate.

The committee conducted interviews with external advisors as well as with potential candidates. The committee prepared an evaluation of the Supervisory Board's performance. Succession planning is also an important topic of discussion within the TKH organization. The Selection and Nomination Committee reported the most important results of each of its meetings or each consultation to the Supervisory Board.

REMUNERATION COMMITTEE

With the appointment of Mrs. A.M.H. Schöningh as a member of the Supervisory Board at the AGM 2020, the Central Works Council exercised its enhanced right of recommendation, so that, as per the revised EU Shareholders' Directive, Mrs. Schöningh automatically becomes a member of the Remuneration Committee. The Remuneration Committee consists of Mr. R.L. van Iperen (chairman), Mrs. A.M.H. Schöningh, and Mrs. C.W. Gorter. The Remuneration Committee met once during the year at a formal meeting. The Remuneration Committee also had frequent (virtual) contact during the past year. One meeting was held in the presence of the chairman of the Executive Board. The chairman also had telephone consultations with the committee's external advisor as part of the Committee's preparatory work. The remuneration policy of the Supervisory Board and Executive Board was discussed in the meetings. The committee concluded that the remuneration policy supports long-term value creation for TKH and offers effective remuneration to the Executive Board. Therefore, no changes have been made to the content of the policy.
The realization of the targets of the Executive Board was assessed, based on 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.
The Remuneration Committee identified possible improvements to the remuneration report based on the 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 each consultation to the Supervisory Board.

AUDIT COMMITTEE

The Audit Committee comprises Mrs. C.W. Gorter (chairman) and Mr. J.M. Kroon. Mrs. Gorter also sits on the committee as an expert in 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, the Director Internal Audit, and the Director of Finance & Control of TKH. In two meetings, TKH's Tax Director was present to explain national and international tax developments and specific tax matters that are important for TKH, such as the application of the Dutch innovation box regime, tax compliance including the Tax Control Framework, and risk management issues.

The Audit Committee discussed the audit plan, based on which the audit activities have been carried out, with the external auditor. 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 given to inventory valuation, impairment testing, provisions, and revenue recognition. Further attention was additionally devoted to European Single Electronic Format (ESEF) reporting, which is the electronic reporting format in which issuers on EU regulated markets must prepare and file their annual financial reports.

In addition, at each meeting, the Director Internal Audit provides an explanation of his findings concerning 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 included within the committee's remit that were discussed were impairment analyses and the impact of changes in the International Financial Reporting Standards (IFRS) on the income statement and balance sheet including disclosures (financial statements). Because of the relevance of IT & Security for both day-to-day operations and TKH's business model in the context of software development and R&D, high priority is given to this topic at every Audit Committee meeting.

In 2021, 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 focal points in the audit include revenue recognition, profit recognition on projects by estimating costs still to be incurred, valuation of capitalized development costs and assets related to innovation projects and/or business activities, non-compliance with laws and regulations, valuation of deferred tax assets, and valuation of goodwill.

In 2021, specific attention was paid to a reclassification from other operating expenses to raw materials, consumables, trade products, and subcontracted work. The assets and directly associated liabilities held for sale were also discussed. As part of the Simplify & Accelerate program, TKH decided in the first half of 2021 to start an active program to divest certain activities in the distribution of connectivity solutions. Accordingly, the associated assets and liabilities have been reclassified to assets and liabilities held for sale. Furthermore, the change in segment reporting, from solution reporting to technology reporting, has been discussed, including in relation to the requirements in IFRS.
In the year under review, increased attention was devoted to developments in the field of non-financial information, including the EU Taxonomy requirements. Internal Audit developed and conducted review activities focusing on the non-financial KPIs included in the 2020 Annual Report of TKH. This was also in

preparation for the audit on non-financial KPIs by the external auditor. TKH appointed Ernst & Young Accountants LLP (EY) to provide independent assurance of the report to reassure TKH's stakeholders about TKH's non-financial information. TKH has obtained limited assurance for the KPIs included in the sustainability performance section on page 28 of the Annual Report 2021. During the reporting year, further attention was also paid to supply chain management, cost inflation, and the influence of global economic and geopolitical developments on the execution of TKH's strategy, financial position, and results.

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

The external auditor explained the management letter with findings in the field of administrative organization and internal control insofar as it is relevant for the audit of the financial statements. The main topics discussed were IT control measures and cybersecurity, fraud and non-compliance management, the financial closing process related to ESEF reporting, and findings at operating companies that needed to be followed up. The external auditor also updated his audit plan to reflect recent developments, including the reassessment of materiality levels and scoping. In addition, an expert from Climate Change and Sustainability Services at EY explained relevant developments in the EU concerning non-financial information and reporting. The European Commission announced its action plan on financing sustainable growth as an important enabler of the EU Green Deal in 2018. As part of this action plan, the European Commission introduced several initiatives including the EU Taxonomy Regulation and the proposal for a Corporate Sustainability Reporting Directive (CSRD). In this context, the impact on TKH's reporting has been discussed, alongside the defined action plans.
The Audit Committee evaluates the performance of the external auditor annually regarding the quality of the audit activities, the adequacy and implementation of the audit engagement, and the quality and depth of the reports, as well as any additional contributions. The committee discusses its findings with the external auditor, as well as with the Supervisory and Executive Boards. The Audit Committee also evaluates the Director of 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 regarding 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 considered within this. The Audit Committee then submits a proposal to the Supervisory Board for commissioning the external auditor to audit the financial statements.

In 2021, the Audit Committee held a meeting with the external auditor without the Executive Board being present, as per best practice provision 1.7.4. of the Code. It was established that the external auditor was 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, the role of the chairman, and relations with the Executive Board. Based on the evaluation, it was concluded that the Supervisory Board as a whole, as well as the individual members, functioned properly. This honest and open relationship is marked by mutual respect. The members complement one another sufficiently within the framework of the advisory and supervisory role toward the company, while covering a wide range of focus areas and 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, and that they 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 Board members have a strong understanding of strategic and operational issues. During the year under review, this was once again confirmed by the way the Executive Board informed and involved the Supervisory Board at an early stage regarding the Capital Markets Day. 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 2021

The Report of the Executive Board and the 2021 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 discussed the financial statements with the Executive Board in the presence of the external auditor, and subsequently approved the financial statements on March 7, 2022. The Supervisory Board submits the financial statements for the 2021 financial year to the AGM and recommends adopting the financial statements. The Supervisory Board believes that the financial statements constitute a sound basis for the account given by the Executive Board of its management and by the Supervisory Board of its supervision of the management. The Supervisory Board also proposes to approve the proposed profit appropriation and to discharge the Executive Board in respect of the policy pursued and the Supervisory Board in respect of the supervision conducted.

CONCLUSION

The new strategic program Accelerate 2025, which includes an update of TKH's strategy and targets for the period 2022–2025, as well as the business position and opportunities within the new operating segments of TKH introduced in 2021, has created a new dynamic in the TKH organization. Increased focus on Smart Technologies and software has led to a new structure comprising three segments. Under the leadership of the Executive Board, TKH has demonstrated an enormous drive to make the strategy program a success. The strong market position and successful strategy of TKH resulted in a rapid post-COVID-19 recovery during 2021. The Executive Board's management of the organization, together with the management of the subsidiaries, despite all the COVID-19 obstacles (including supply chain problems), is evidence of its strong leadership. Among employees, the solidarity and drive to perform day-to-day activities to the highest standard under challenging conditions was also evident. The Supervisory Board is convinced that this solid foundation, combined with the results from the new strategic program and increased focus on sustainable and responsible business with new Environmental, Social, and Governance (ESG) targets, will further strengthen TKH's sustainable financial performance.

The Supervisory Board would like to take this opportunity to thank TKH's business partners for their long-term business relationship, and its shareholders and holders of depositary receipts for the confidence they have shown. We would like to express our sincere appreciation and gratitude to the Executive Board and all TKH employees for their valuable contribution in 2021, and look forward to the further successful implementation of the new strategic program.

Haaksbergen, March 7, 2022

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

ACKNOWLEDGEMENTS

It has been a great pleasure to serve as member and as the Chairman of the Supervisory board. It has been a privilege to be part of this strong company and to help the Executive Board and the great team to reach for higher goals. I am also very happy that Mr. Oosterveer will join the Supervisory Board and Mr. Van Iperen will take its leadership as the Chairman. I am very confident about the future of TKH.

A.J.P. De Proft

For a period of eight years, Mr. De Proft has fulfilled his role as a member of the Supervisory Board with great commitment and dedication. For the majority of this period, he was also chairman of the TKH Supervisory Board, as well as chairman of the Selection and Nomination Committee. The Board and the company have benefited from his extensive professional knowledge and his wide-ranging managerial and international experience. The Supervisory Board expresses its sincere thanks for this.

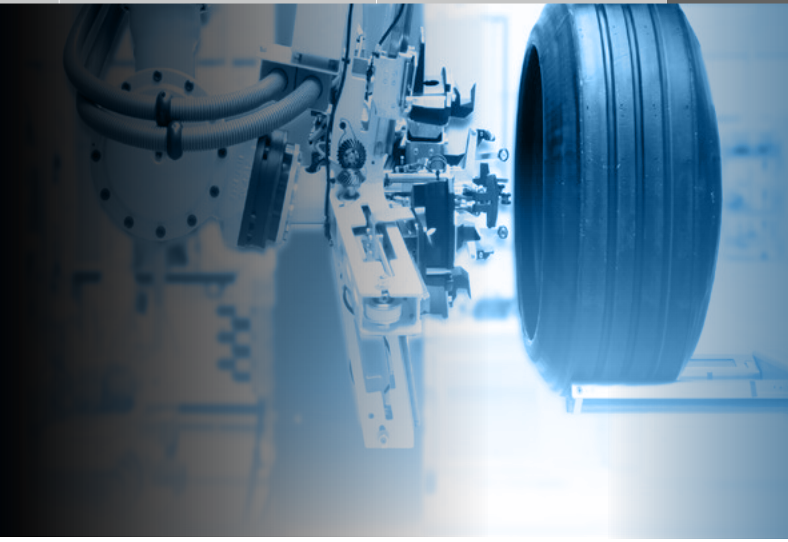
R.L. van Iperen
J.M. Kroon
C.W. Gorter
A.M.H. Schöningh

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

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

* Until AGM 2021 – May 6, 2021.

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 May 7, 2020, with effect from January 1, 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 2021 General Meeting of Shareholders, the advisory vote was 92.9%, in favor of the remuneration report 2020. The company has reviewed the opinions expressed, to the extent known, by those shareholders who issued an advisory countervote or who abstained from voting. This feedback did not result in material modifications of the remuneration report 2021.

The remuneration policy will be submitted to the General Meeting of Shareholders for adoption every time an amendment is made, and at least once every four years after it has been approved by (and 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. In doing so, the Remuneration Committee has taken into account and has followed the best practice provision 3.1.2 of the Corporate Governance Code.

REMUNERATION POLICY OF THE EXECUTIVE BOARD

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

Our remuneration policy and corporate strategy are aligned with specific short-term and long-term targets that link the remuneration of each member of the Executive Board to the success of the company. The size of the LTI in relation to the total remuneration package, as well as the 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 our full remuneration policy, please refer to the TKH website.

APPLICATION OF THE POLICY IN 2021

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) and a long-term incentive (LTI) in the form of a share plan.

The Supervisory Board sets the targets, along with their respective weighting and criteria, for any given year in alignment with the company's strategy and general structure. In the process, the Board considers both financial and non-financial factors, along with personal targets, in addition to the following:

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

While financial and non-financial targets focus on 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 to each individual member on the Executive Board. The factors considered for personal targets include the company's mission and identity, its overall ESG (environmental, social, and governance) targets, and any important strategic issues for the coming year. Every effort is made to ensure that the remuneration contributes to the company's strategy, long-term interests, and sustainability criteria.

Among other things, the external assessment and the remuneration policy 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 previous reporting year and adjusted for market competitiveness, at which point it was concluded that the policy pursued with regard to the TRI, STI and LTI meets the objectives set.

The Supervisory Board 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, but ambitious, manner. There has been no deviation from the decision-making process for the implementation of the remuneration policy.

1 LABOR MARKET REFERENCE GROUP

To attract qualified managers for the Executive Board, and to retain the current members on the Executive Board on a long-term basis, 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. With reference to the AMX-companies on Euronext Amsterdam, we primarily make comparison with companies that are more or less equivalent 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. To enable 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 2021.

Although external market data provides useful context, it is ultimately the responsibility of the Remuneration Committee and the Supervisory Board to determine appropriate remuneration packages that reflect the specific context and requirements of the company, as well as the skills and capabilities of the individual members of the Executive Board. The external market data is therefore used to inform, not to determine decision-making. The Remuneration Committee evaluates the external market data and, if necessary, makes recommendations to the Supervisory Board for approval.

AMX	INTERNATIONAL SECTOR PEERS
Aalberts Industries	Prysmian
Air France-KLM	Basler
Arcadis	Cognex
Basic-Fit	Keyence
Boskalis	
Corbion	
Fagron	
Fugro	
PostNL	
SBM Offshore	
Vopak	

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 against available reference data from the labor market reference group and any relevant market developments. The table on the next page lists the various gross remuneration components and relative percentages of fixed and variable remuneration.

TOTAL COMPENSATION EXECUTIVE BOARD

	Basic salary (TRI)		Variable income (STI) 1)		Share plan (LTI) 1)		Pension		Pension compensation		Total		Variable share in the total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
J.M.A. van der Lof MBA	**702**	682	**410**	74	**1,126**	146	**40**	39	**193**	187	**2,471**	1,128	**62.2%**	19.5%
E.D.H. de Lange MBA	**527**	511	**308**	55	**844**	110	**21**	19	**73**	66	**1,773**	761	**65.0%**	21.7%
H.J. Voortman MSc	**478**	464	**279**	50	**766**	100	**21**	21	**60**	50	**1,604**	685	**65.2%**	21.7%
Total remuneration	**1,707**	**1,657**	**997**	**179**	**2,736**	**355**	**82**	**79**	**326**	**303**	**5,848**	**2,574**	**63.8%**	**20.9%**

1 Realized in the previous financial year and paid out in the financial year following

Because amounts are expressed in thousands of euros, rounding differences may arise in the total figures

Basic salary (TRI)
Once a year, the Supervisory Board determines whether basic salary levels needs to be adjusted and, if so, by how much, with due consideration to market developments, the remuneration structures of similar companies in the labor market reference group, TKH's results, and wage developments within the TKH Group. Basic salaries have been increased by 3% with effect from January 1, 2021 based in part on the external assessment. 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, and limited to 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 (STI)
Variable remuneration is an essential part of the compensation package for Executive Board members in terms of rewarding short-term results in line with 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 2021
The STI for members of the Executive Board based on realization of the targets for 2021 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 2021, there was no full or partial recovery of a bonus as referred to in article 135 subsection 8.

5 SHARE PLAN (LTI)
The long-term variable remuneration is aimed at aligning the interests of the Executive Board members with the long-term interests of TKH's shareholders. For that purpose, a share plan was enacted that 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 are awarded to them under the LTI plan at the market price of that time. The shares awarded under the share plan, along with those personally invested, are meant to be held as a long-term investment, and they 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.

PERFORMANCE CRITERIA

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

STI PERFORMANCE OF THE EXECUTIVE BOARD

	Achieved (as % of "at target")				Actual award
	Turnover	EBITA	Personal targets	Weighted average pay-out level	in € 1,000
J.M.A. van der Lof MBA	150%	150%	131%	58.4%	410
E.D.H. de Lange MBA	150%	150%	131%	58.4%	308
H.J. Voortman MSc	150%	150%	131%	58.4%	279

The amount of 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 compared to the AMX-index of Euronext Amsterdam (relative stock price developments). These three KPIs determine whether it will be possible to proceed with awarding any shares, as well as 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, taking medium-term targets into consideration. The performance period for the relative stock price developments is three years. For the 2021 allocation, this entailed reviewing the period from January 1, 2019, to December 31, 2021.

- The applicable performance range for the ROS is 0.50 to 1.50, with an "at target" level 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 1.50, with an "at target" level 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 an "at target" of 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 TRI. The gross value of the standard award is thus approximately equal to the 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 remain 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 relation to the performance ranges. The multipliers for both ROS and ROCE amounted to the maximum of 1.5. The multiplier for the relative stock price developments amounted to 0.83. These multipliers for each KPI resulted in a total multiplier for the LTI of 1.87, which meant that 1.87 x the standard award was granted.

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

J.M.A. van der Lof MBA:	1.87 x 50% x TRI = 656
E.D.H. de Lange MBA:	1.87 x 50% x TRI = 492
H.J. Voortman MSc:	1.87 x 50% x TRI = 447

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 the time of publication of the annual figures.

EXECUTIVE BOARD SHARE OWNERSHIP

	Balance 1/1	Awarded shares	Individually purchased shares	Disposal (at least 3 years in portfolio)	Balance at 31/12
J.M.A. van der Lof MBA					
2020 [1]	138,147	5,456	5,456	-15,912	133,147
2021 [1]	133,147	2,216	2,216	-15,432	122,147
E.D.H. de Lange MBA					
2020 [1]	91,468	4,321	4,321	-4,321	95,789
2021 [1]	95,789	1,662	1,662	-3,324	95,789
H.J. Voortman MSc					
2020 [1]	20,723	3,922	3,922	-3,922	24,645
2021 [1]	24,645	1,508	1,508	-1,508	26,153

1 Realized in the previous financial year and paid out in the financial year following

OPTION RIGHTS H.J. VOORTMAN MSC

Year of award	Exercise price in €	Number as at 01-01-2021	Awarded during the year	Movement during the year	Expired during the year	Exercised during the year	Number as at 31-12-2021	Exercise period
2016	33.92	12,000				-12,000	0	2019-2021
2017	41.19	7,350					7,350	2020-2022
2018	52.25	8,400					8,400	2021-2023
Total		**27,750**	**0**	**0**	**0**	**-12,000**	**15,750**	

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 that apply to the period before he became a member of the Executive Board. The movement and balance of the outstanding option rights awarded to him are shown in the table on the left. For more information on the share option scheme, we refer you to note 25 in the 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 widows' and orphans' 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, 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 remuneration for the members of the Executive Board. The pay ratio calculated for 2021 was 33.8 (2020: 14.6).

8 COMPARATIVE INFORMATION ON REMUNERATION AND COMPANY PERFORMANCE

The table on the right shows the comparative information for 5 years on the changes in remuneration of for the Executive Board and company performance.

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 awarded if the contract is terminated prematurely on the director’s account, or if the director has acted in a culpable or negligent manner.

COMPARATIVE INFORMATION ON REMUNERATION AND COMPANY PERFORMANCE

(in € 1,000 unless stated otherwise)	2021	2020	2019	2018	2017
Remuneration of the Executive Board [1]					
J.M.A. van der Lof MBA	2,237	902	1,134	1,419	1,656
E.D.H. de Lange MBA	1,678	676	850	1,064	1,116
H.J. Voortman MSc [2]	1,523	614	772	574	
A.E. Dehn [3]				114	916
Company performance					
ROS	12.4%	10.5%	11.6%	11.3%	10.1%
Organic growth	15.9%	-9.9%	-1.9%	9.4%	8.8%
CO_2 reduction (vs. 2015, 2021 vs 2019)	29.8%	5.8%	5.4%	2.9%	-0.9%
Illness rate of employees	3.56%	3.51%	3.26%	3.47%	3.35%
Average remuneration per FTE	54	50	49	48	47
Executive Board pay ratio	33.8	14.6	18.9	21.9	26.4

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

REMUNERATION POLICY OF THE SUPERVISORY BOARD

This policy aims to provide a competitive compensation package to attract, motivate, and retain qualified members of the Supervisory Board for a publicly listed company, while taking into account the size and unique characteristics of the company. TKH is a leading technology company, focused on advanced innovative technology systems in high-growth markets. The company endeavors to be an attractive employer and solid investment for its shareholders, with corporate social responsibility forming a central part of that. This policy was developed in the context of national and international market trends and in line with legal requirements, best practices in corporate governance, the social context of remuneration practices, and the interests of the company's shareholders and other stakeholders. The remuneration package is tested for market conformity in 2019 and at least once every three years on the basis of information provided by external experts.

The guiding principles in the company's remuneration policy are 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 business. For the full remuneration policy, please refer to the TKH website.

APPLICATION OF THE POLICY IN 2021

1 REMUNERATION

The remuneration policy aims to reward members of the Supervisory Board in line with the market on the basis of their activities, experience and the related allocation of roles within the Board and its committees. The remuneration is periodically assessed externally with the same reference group as for the Executive Board. The remuneration of a member of the Supervisory Board is not dependent on the company 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 January 1, 2019.

TOTAL REMUNERATION SUPERVISORY BOARD

(in € 1,000)	Regular remuneration	Remuneration membership committees	Total 2021	Total 2020
A.J.P. De Proft, *chairman*	60	8	68	68
P.P.F.C. Houben [1]	19	4	23	55
R.L. van Iperen	45	8	53	53
C.W. Gorter	45	15	60	58
J.M. Kroon	45	13	58	58
A.M.H. Schöningh [2]	45	6	51	34
Total remuneration	**259**	**54**	**313**	**326**

1 Up to and including May 2021
2 As from May 2020

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

- 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

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.

The remuneration of the Supervisory Board has not been changed in 2021 compared to 2020.

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 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 REMUNERATION

The table below shows the comparative information for 5 years on the changes in remuneration of for the Supervisory Board.

COMPARATIVE INFORMATION ON REMUNERATION

(in € 1,000)	2021	2020	2019	2018	2017
A.J.P. De Proft, *chairman*	68	68	68	47	43
P.P.F.C. Houben [1]	23	55	55	44	44
R.L. van Iperen	53	53	53	43	42
C.W. Gorter [2]	60	58	52	42	28
J.M. Kroon [3]	58	58	57	40	24
A.M.H. Schöningh [4]	51	34			
H.J. Hazewinkel [5]					27
M.E. van Lier Lels [6]				18	44
Total remuneration	**313**	**326**	**285**	**234**	**252**

1 Up to and including May 2021
2 3 As from May 2017
4 As from May 2020
5 Up to and including May 2017
6 Up to and including May 2018

CORPORATE GOVERNANCE

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

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

TERM OF APPOINTMENT OF THE EXECUTIVE BOARD

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

SHARE PLAN

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

INTERNAL AUDIT FUNCTION

TKH has an Internal Audit function, but the position of this department has not been fulfilled completely independently in accordance with the Code. In 2021, the Internal Audit team was expanded, which will further strengthen its independent position.

GENERAL MEETING

Due to ongoing COVID-19 restrictions, TKH made the unprecedented decision to ask its shareholders and its holders of depositary receipts of shares not to attend the 2021 General Meeting in person. This request was in line with the Dutch 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, we were forced to deviate from a number of provisions of the Code relating to the organization and implementation of a General Meeting.
With regard to invoking a response time concerning proposals for fundamental strategy changes, TKH applied 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 to ensure that the operation and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes are safeguarded.

DEPOSITORY RECEIPTS OF SHARES

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

TKH Trust Office Foundation exercises the rights attached to the shares in such a way that the interests of the company, its associated businesses, and all its stakeholders are protected as far as possible, instead of focusing primarily on the interests of the holders of depositary receipts, as defined in best-practice provision 4.4.5. of the Code. The TKH Trust Office Foundation thus exercises its voting right in line with legal provision 2:118a. In the General Meeting of Shareholders, the Board of TKH Trust Office Foundation may, on request, issue a statement of its intended voting conduct.

A detailed explanation of TKH's Corporate Governance structure can be found on the TKH website.

ISSUE OF SHARES

Shares are issued according to a decision taken by the Executive Board. The decision is submitted to the Supervisory Board for 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 that have not yet been issued. During the general meeting held on May 6, 2021, this power was extended until November 6, 2022. The directive applies to ordinary shares and cumulative preference financing shares up to a total of 10% of the total nominal value of the issued shares at the time of issue.

PURCHASE OF OWN SHARES

Subject to specific conditions stipulated in the company's articles of association and acting in accordance with a decision taken by the Executive Board, the company may acquire depository receipts of shares in its own capital in return for valuable consideration, for a price equivalent to the sum of, on the one hand, the nominal value which they represent or, on the other, one hundred and ten per cent (110%) of their listed price. The decision is submitted to the Supervisory Board for its approval. During the General Meeting held on May 6, 2021 the power for the company to acquire shares in its own capital was conferred on the Executive Board for a period of 18 months as of that date. Among other things, this authorization may be utilized for the purposes of purchasing shares for share and option schemes.

CANCELLATION OF OWN SHARES

In mid-November 2020, TKH announced a share buy-back program of € 25 million. The program started on November 18, 2020 and was carried out within the conditions set by the General Meeting, 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. In the period from November 18, 2020 up to and including April 1, 2021, TKH purchased 623,334 depositary receipts of shares for an amount of € 25 million, which completes the share buyback program.
The General Meeting of May 6, 2021 adopted the proposal to reduce the issued capital with due observance of the provisions of article 2:99 of the Dutch Civil Code and the articles of association, by cancelling (part of the) ordinary shares that the company holds or of which it holds the depositary receipts. The purpose of the capital reduction is to cancel repurchased (depositary receipts of) shares because there is currently no intention to re-issue those (depositary receipts of) shares. In 2021, 623,334 ordinary shares for an amount of € 25 million were cancelled.

PREVENTION OF INSIDER TRADING

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

RISK MANAGEMENT

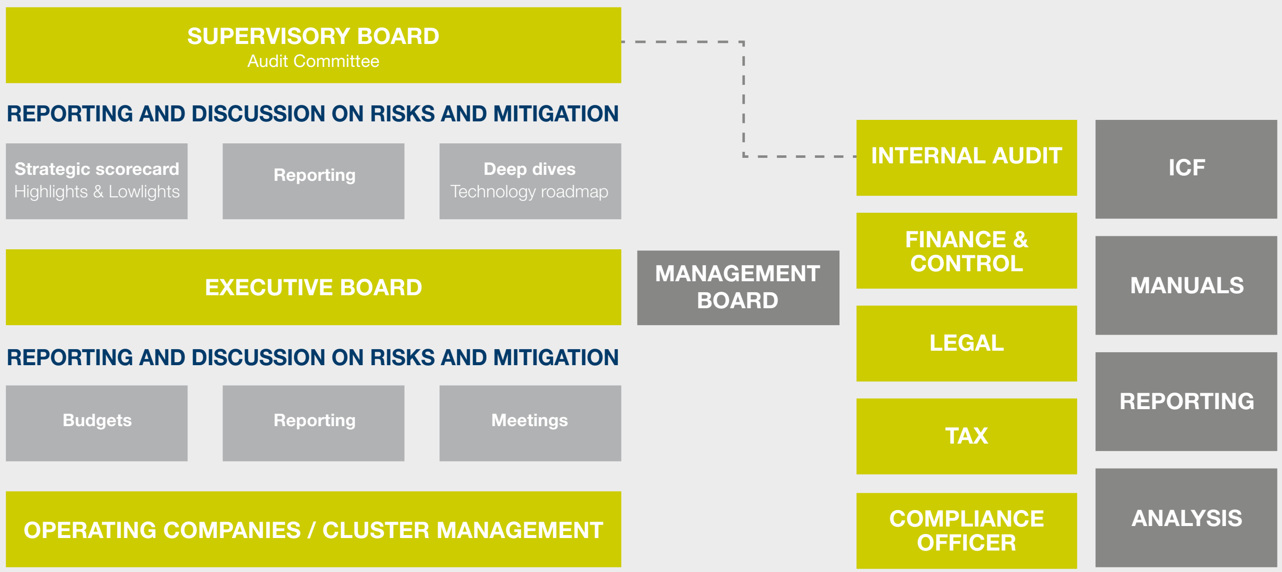
The Executive Board is responsible for compliance with all relevant primary and secondary legislation and for managing the risks associated with the company's activities through the appropriate implementation of internal risk management, control and auditing systems. This involves surveying and analyzing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

RISK MANAGEMENT STRUCTURE

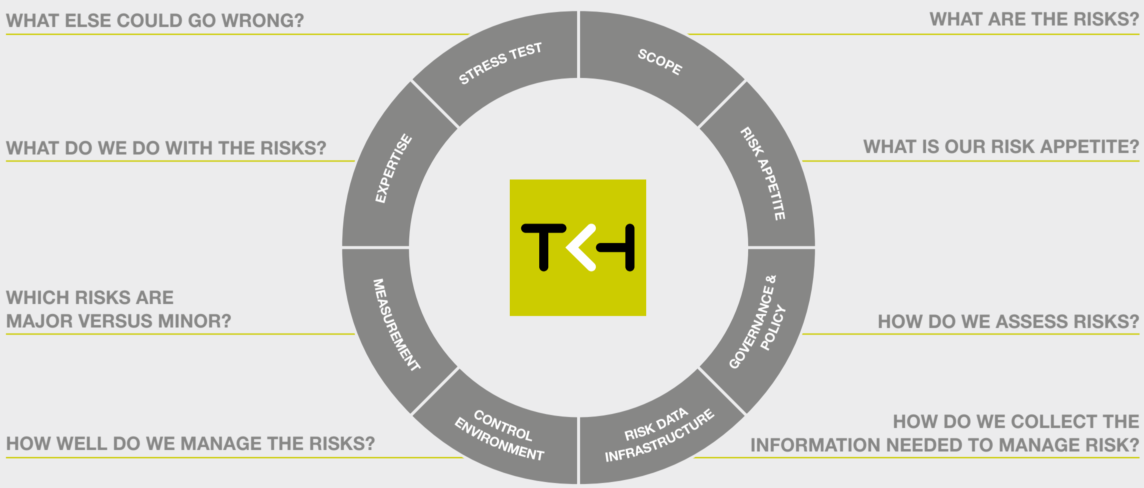
TKH has embedded its risk management policy in all levels of the organization. This involves using risk management and control systems that contain the following key components:

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

RISK MANAGEMENT STRUCTURE



RISK CULTURE



It also features the related action points for the short- and medium-term that need to be discussed between the Executive Board and local management of the operating companies.

TKH's risk management policy matches the organization's size and decentralized structure. The components this management policy are assessed by the Internal Audit Department. Only continued operations are in scope of the assessments. Each operating company's main risks are identified and analyzed, and their potential impact on the operating company is determined. For specific themes, including IT & Security, external specialists are used on a project basis. The results of these assessments are discussed with the Executive Board. At least twice a year, the most important findings of the assessments performed by Internal Audit are discussed with the Audit Committee of the Supervisory Board. We consult the guidelines of the Institute of Internal Auditors (IIA) to ensure our internal audit function continues to be aligned with IAA standards.

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 financial reporting are also assessed by the external auditor in the context of the audit of the financial statements. The outcome and impact on the audit strategy of the external auditor are discussed with the Executive Board and the Audit Committee.

RISK CULTURE

An open, transparent culture with sufficient critical capacity is a prerequisite for an organization to deal properly with risks, responsibilities and competencies and to recognize these in time. TKH views a suitable risk-management model as an important tool which enable us to create long-term value. A continuous focus on risk awareness is a key element of TKH's culture. The pursuit of a balanced risk profile is embedded in this culture by means of short lines of communication and supported by close monitoring of agreed objectives through a comprehensive Key Performance Indicator (KPI) dashboard.

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

DEVELOPMENTS IN 2021

In 2021, we evaluated our internal risk management system and made several improvements. The activities carried out by Internal Audit did not lead to any material findings at group level with regard to the administrative organization and internal control. When shortcomings in the administrative organization and internal control are observed, then we identify areas for improvement. Continuous monitoring takes place so we can adjust the internal risk management and control system to changing internal and external conditions if necessary. In 2021, we focused on further embedding the Internal Control Framework within our operating companies.

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 regarding 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 reacting in a timely manner with a team of cybersecurity experts, we ensured that these incidents did not result in significant data leaks or cause significant or permanent damage. However, these incidents do confirm the need to be constantly vigilant to IT & Security risks.

The COVID-19 outbreak in 2020 significantly impacted the global economy and the impact in general was still felt in 2021. Therefore, the “pandemic” (COVID-19) risk remained an important one for TKH. The worldwide spread of COVID-19 has resulted in lockdowns, quarantines, travel and workplace restrictions, business shutdowns and restrictions, stagnation in the supply chain, an increase - albeit small - in the illness rate, changes in legislation, and general instability of the economic and financial markets. There still is uncertainty about how the pandemic will develop in the future and impact global GDP development and the (end)markets in which TKH operates. By taking early measures, we were able to limit the impact on our business operations in 2021.

In 2021, we placed increasing emphasis on the review of non-financial information. Internal Audit developed and conducted review activities focusing on the non-financial KPIs included in TKH’s 2020 Annual Report. The reviews identified improvements areas that were addressed properly at various levels of the group. No material shortcomings were identified. We also devoted further attention to supply chain management during the reporting year. Important raw materials such as copper, steel and plastics, and technical (electronical) components had longer delivery times or were unavailable or only available in limited quantities. Review activities were conducted at several of the group’s operating companies.

RISK PROFILE AND RISK APPETITE

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

It is the duty of the Executive Board to weigh the business opportunities against the expectations and interests of stakeholders. Decisions regarding changes or the fine-tuning of our business models are taken by the Executive Board in accordance with TKH’s risk appetite. 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, we have identified four priority areas: Innovation and technical leadership; Being responsible and sustainability impact; Talented people and empowerment; and Sustainable financial performance. Based on these pillars, we have determined our strategic direction and defined specific objectives to manage the strategic process. The risk connectivity matrix shows the most important risks for TKH and the strategic pillar from which these risks are addressed. In addition, a link has been made with the materiality themes for TKH and our stakeholders, as shown in the materiality matrix (see the Stakeholders section).

RISK CONNECTIVITY MATRIX - OUR MAIN RISKS

RISK AREA	RISK	RISK DESCRIPTION	STRATEGIC PILLAR	MATERIAL TOPICS	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.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial stability, track record & performance	increased	medium
	2. PANDEMIC (COVID-19)	Impact of a (global) pandemic on the world economy, the (end) markets in which TKH is active and its business operations.	SUSTAINABLE FINANCIAL PERFORMANCE TALENTED PEOPLE AND EMPOWERMENT BEING RESPONSIBLE AND SUSTAINABILITY IMPACT	1 Financial stability, track record & performance 11 Good & responsible employment 12 Healthy & safe work environment 16 Integrity & compliance 17 Risk management 18 Privacy & IT Security	decreased	medium
	3. TECHNOLOGY & INNOVATION	Threat to TKH's long-term value creation due to insufficient technology development and innovation.	INNOVATION AND TECHNICAL LEADERSHIP	2 Technological innovations 3 Sustainable capital allocation	equal	medium
	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.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial stability, track record & performance	equal	medium
OPERATIONAL	5. PROJECT MANAGEMENT	Risk of projects not being delivered according to specification, agreements, time schedule, and planned margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial stability, track record & performance	decreased	low
	6. IT & SECURITY	Risk of breach of data availability, confidentiality, and integrity (including IP).	INNOVATION AND TECHNICAL LEADERSHIP	18 Privacy & IT Security	increased	low
	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.	TALENTED PEOPLE AND EMPOWERMENT	11 Good & responsible employment 12 Healthy & safe work environment 13 Employee satisfaction 14 Personal development opportunities 15 Diversity & inclusiveness	increased	low
	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 AND SUSTAINABILITY IMPACT	5 Responsible production 6 Resource efficiency 7 Climate change 8 CO_2 neutral 9 Responsible procurement 10 Circularity	increased	low
	9. (RAW) MATERIALS & COMPONENTS	Important raw materials such as copper, steel and plastics, and technical (electronical) components have long delivery times or are unavailable or only available in limited quantities. Also, limited availability of (green) energy results in higher price levels.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial stability, track record & performance 5 Responsible production 6 Resource efficiency 9 Responsible procurement	new 2021	low
FINANCIAL AND REPORTING	10. CURRENCIES	Volatility of currencies which puts pressure on profit margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial stability, track record & performance	equal	medium
	11. COST INFLATION	Inflation of costs including (volatility of) raw material prices, components and labor costs, which puts pressure on profit margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial stability, track record & performance 5 Responsible production 6 Resource efficiency	new 2021	medium
	12. REPORTING	Risk that TKH's financial and non-financial reporting contains material errors.	SUSTAINABLE FINANCIAL PERFORMANCE BEING RESPONSIBLE AND SUSTAINABILITY IMPACT	1 Financial stability, track record & performance 16 Integrity & compliance	equal	low
COMPLIANCE	13. 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 AND SUSTAINABILITY IMPACT	16 Integrity & compliance	increased	avoiding
	14. TAX	Damage (including reputation) due to violation of tax legislation and regulations.	SUSTAINABLE FINANCIAL PERFORMANCE BEING RESPONSIBLE AND SUSTAINABILITY IMPACT	1 Financial stability, track record & performance 16 Integrity & compliance 19 Ethical tax	equal	avoiding

▲ increased = equal ▼ decreased ● avoiding ● low ● medium ● high * new 2021

STRATEGIC

MARKET & GEOPOLITICS

Influence of global economic and geopolitical developments (such as the Russia-Ukraine conflict) on the execution of the strategy and financial position and results of TKH. Economic and political confrontations between world powers (trade tariffs), the erosion of trade agreements, and the impact of (global) inflation 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 with multiple production sites.
- 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 and our internal control environment and can increase the risks of cybersecurity incidents.
- 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; in addition customer circumstances can cause delays in deliveries and difficulties achieving other billing milestones due to COVID-19.
- Installation and maintenance of our systems are part of our activities with customers all over the world. Travel restriction measures caused by COVID-19 can have an impact on these activities.

Our specific risk mitigation measures:

- The health and safety of our employees is and will remain our top priority. We have taken various preventive measures to support the well-being of our employees. This includes facilitating safe and ergonomic possibilities to work remotely.
- A strong financial position to respond to the downturn in activities. This includes the availability of cash and committed finance facilities, a focus on working capital, an investment limitation and cost-reduction programs.
- A focus on leveraging organic growth into an added value conversion ratio of >35% and translating the increase in gross margin into a further increase in results with more focus on return and cost ratio as a percentage of added value.
- Active involvement with our strategic suppliers and an increase in stocks of critical raw materials, components, and products. A search for alternative suppliers where needed.
- The implementation of virtual support solutions for remote support of customers at customer locations.
- The phasing out of the flexible workforce.

TECHNOLOGY & INNOVATION

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

- The speed of technological developments.
- The execution of the R&D roadmap.
- Our competitor's new technologies.
- Our payback capacity.
- The harmonization of niche specifications to produce standard commodity products and technologies.

Our specific risk mitigation measures:

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

M&A AGENDA

Failure to successfully integrate acquired companies or execute divestments of group assets can result in lower-than-expected profit contributions and the risk of impairment.

Our specific risk mitigation measures:

- Establish procedures and guidelines for the implementation of a due diligence process.
- Ensure rapid integration of acquired companies in the TKH reporting and control systems.
- Harmonize business processes and systems where necessary and desirable.
- Devote continuous attention to the identification, creation and utilization of synergy effects.
- Ensure a continuous focus on portfolio management. Restructure or exit activities that offer limited potential for value creation: limited strategic fit, low return on sales and organic growth potential.

OPERATIONAL

PROJECT MANAGEMENT

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

Our specific risk mitigation measures:

- Invest in qualified staff, as well as train and educate staff. Ensure sufficient legal knowledge and professional competence.
- Ensure guidelines and procedures for approving projects with an above-average risk, project management, and adequate project administration.
- Make sure important projects are discussed at quarterly meetings between the Executive Board and local management.
- Monitor large projects with an above-average risk on a regular basis, if necessary with increased involvement of the Executive Board and/or Management Board and legal advisor.
- Constantly evaluate experiences are incorporate them into the risk model, which can lead to strict 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:

- A decentralized IT landscape.
- The use of various ERP systems.
- The continuity of production sites.
- The protection of developed technologies (IP protection).
- Privacy legislation.

Our specific risk mitigation measures:

- TKH has issued guidelines outlining 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 encouraged to generate economies of scale in the field of ICT.
- IT managers from the most important operating companies discuss important IT developments, trends, and risks.
- The internal and external (IT) security environment is tested by a specialized external agency.
- Internal guidelines on privacy handling are established.
- 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.
- The risk were identified for operating companies with a high and medium risk in this area, based on size, technology and reputation, and recommendations were made to further mitigate these risks. These risks and the monitoring of risk management are frequently discussed with the Executive Board and the Audit Committee.

STAFF

Scarcity of highly qualified personnel and the 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:

- Introduce performance/talent management program per operating company.
- Establish Management Development Program.
- Conduct regular employee satisfaction surveys.
- Use good reputation as an attractive employer to recruit talented employees.
- Set up cooperation programs between operating companies and training institutes.
- Use employer branding and referral recruitment to reach future talent and arouse their interest.
- Increase attention on safety by tightening safety standards and creating even better safety awareness, and by implementing ISO 45001.
- Facilitating healthy and safe homeworking practices.
- Communicate frequently with our employees about relevant COVID-19 and business developments through various channels.
- Establish hotline where our employees can ask questions about COVID-19 and all associated measures and also raise concerns.

SUSTAINABLE BUSINESS OPERATIONS

Possible impact of climate change on our strategy and business model. Unsustainable business operations have an adverse effect on the environment. Future implementation of CO_2 tax/pricing could mean an increase in operational and compliance costs.

Our specific risk mitigation measures:

- Based on the recommendations 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.
- Deliver a strong performance regarding our ESG targets, in particular being CO_2 neutral by 2030 (scopes 1-2) and further develop a sustainable portfolio based on SDG criteria.
- Continued effort to achieve our waste reduction and recycling target so that we can make a responsible and demonstrable contribution to the circular economy.
- More information is included in the Being responsible and sustainability impact section.

FINANCIAL AND REPORTING

(RAW) MATERIALS & COMPONENTS

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

Our specific risk mitigation measures:

- Increase of our stock of critical raw materials and components.
- Redesign products to increase the use of alternative materials and components with better availability.
- Use alternative suppliers.
- Align terms and conditions in purchase and sales contracts.
- Optimize (regional) portfolio and local manufacturing footprint.
- Launch cooperation programs between operating companies to discuss developments, trends, and risks.
- Ensure that developments, including stock positions and purchase conditions concerning important raw materials and components, are frequently discussed between the Executive Board and local management.

CURRENCIES

Volatility of currencies which puts pressure on profit margins.

Our specific risk mitigation measures:

- A treasury Statute that establishes a currency risk management approach, 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 into currencies other than euro is partly hedged for the most important currencies by financing investments in the 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.

COST INFLATION

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

Our specific risk mitigation measures:

- Frequent adjustment of market price-lists when applicable.
- Redesign of products to use alternative materials and components with better prices.
- Optimization of (regional) portfolio and local manufacturing footprint to match labor costs developments.
- Operational excellence programs to increase labor efficiency.
- Energy saving and efficiency programs and elimination of (part of) price risks via medium-term energy contracts.
- Using different way of transportation to optimize transport efficiency and costs.

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

- 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).
- Copper price developments are incorporated to the extent possible in the selling price of products and/or services or where possible temporarily hedged on the futures market.
- Every month copper price developments, economic stock positions and hedges are discussed by a committee consisting 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 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

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

- Turnover – 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.
- Non-financial KPIs.

Our specific risk mitigation measures:

- Internal procedures and guidelines for internal and external financial reporting and verification of reports.

COMPLIANCE

- Sustainability Reporting Manual.
- TKH has drawn up guidelines containing requirements regarding the capitalization of development costs.
- Controller meetings are regularly organized during which important reporting topics are 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.
- The Internal Audit Department performs financial audits and internal audits on non-financial information.

LEGAL & REGULATORY

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

- 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 include 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 monitored through the central treasury system;
  - the establishment of banking authorizations; and
  - the setting of credit limits for each operating company, with no local credits being permitted with banks outside of TKH's banking group, unless TKH has granted permission for this.
- The use of banks prescribed by TKH unless another bank is required 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 that they should follow our business ethics, and confirm this by signing this code of conduct.
- Employees can report suspicious of misconduct through a whistleblower policy. Such notifications have no consequences for the position of the reporter, provided they follow the procedure drawn up for this purpose. External parties can also report to the Group Compliance Officer.
- In all layers of our company, compliance with internal guidelines relating to integrity and behavior is strictly monitored (zero tolerance).
- Increase the internal legal skills and capacity.
- The Internal Audit Department performs internal audits on non-financial information, including supplier assessments.

TAX

TKH is exposed to tax risks which could result in double taxation, penalties and interest payments. The source of the risks could originate from local tax rules and regulations as well as international and EU regulatory frameworks. These include transfer pricing risks on internal cross-border deliveries of goods and services, tax risks related to acquisitions and divestments, tax risks related to permanent establishments, tax risks relating to tax loss, interest and tax credits carried forward, and potential changes in tax law that could result in higher tax expenses and payments. The risks may have a significant impact on local financial tax results, which, in turn, could adversely affect TKH's financial position and results.

Our specific risk mitigation measures:

- Centralized monitoring of compliance and developments in (new) legislation and regulations in field of tax (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 OECD guidelines as well as compliance with local regulations.

- Periodic monitoring of the financial performance of operating companies in accordance with the transfer pricing documentation.
- Developing 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 internal trainings, theory and case studies are used to address tax issues (including custom) as well as tax dilemmas.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

	CHANGE	IMPACT	ON	ASSUMPTIONS	RELATES TO RISK
Turnover	1%	€ 7.4 million	EBITA	No adjustment of operating costs	1, 2, 3, 4, 10, 11
Raw material price copper	10%	€ 1.0 million	EBITA	No derivatives to hedge price risks	11
Gross margin	1%	€ 15.2 million	EBITA	No adjustments of operating costs	1, 2, 3, 4, 10, 11
Operating costs	1%	€ 6.0 million	EBITA	No adjustment of turnover/gross margin	Operational and financial risks
Currencies – financial instruments	10%	€ 6.6 million	Result before tax	All other variables remain constant	10
Currencies – financial instruments	10%	€ 25.5 million	Group equity	All other variables remain constant	10
Interest	1%	€ 2.6 million	Result before tax	Net bank debt including deduction of interest rate swaps held at variable interest rates	Financial risks
Interest – financial instruments	1%	€ 0.3 million	Group equity	Based on concluded interest rate swaps	Financial risks

OTHER RISKS

In addition to the aforementioned most important risks, we have identified other risks 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 in production facilities.

FINANCIAL AND REPORTING

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

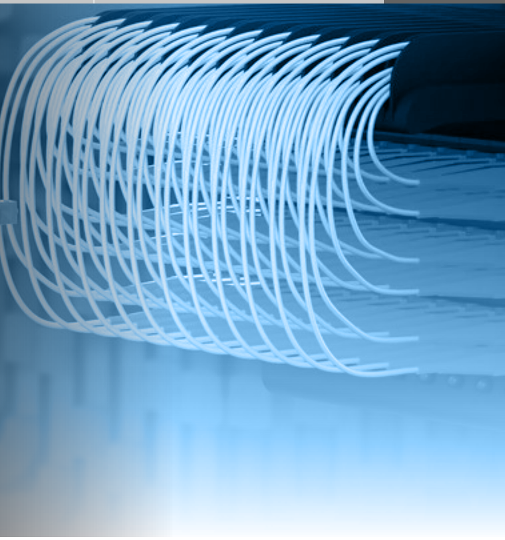
QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

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

GOING CONCERN AND PROSPECTS

We have prepared a budget that includes projections of cash flows and liquidity requirements for the coming year. This forecast takes into account current market conditions, possible changes in results based on these conditions, including COVID-19, as well as our ability to adjust our cost structure as a result of changing economic conditions and turnover levels. Our budget also takes into account the total available cash and cash equivalents of € 100.1 million as at December 31, 2021, the possibility of renewing financing agreements and attracting additional financing, and whether we operate within the financial ratio agreed with the banks in the covenant. On this basis, we believe that our available funds at the end of 2021 will be sufficient to finance our activities, investments, and existing contractual obligations for at least the next twelve months.

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 most significant risks that the company is exposed to. However, the Board cannot provide an absolute guarantee that the group will achieve its objectives, nor can it entirely prevent major errors or losses, incidents of fraud, or other actions in breach of laws and regulations.

During the year under review, our Internal Audit Department assessed the administrative organization and internal control systems of TKH and its associated businesses, with a focus on some of the most important risks and current themes. Improvements were identified where non-material short-comings in the administrative organization and internal control were observed. The Director of Internal Audit discussed the results of these audits with the Executive Board and reported the main findings to the Audit Committee. The activities did not result in any material findings at group level with regard to the administrative organization and level of internal control. Based on the financial results for the 2021 reporting year and the expectations for the 2022 reporting year, the Executive Board has assessed the company's going concern assumption. Current market conditions, as well as the possibility of continued impact from COVID-19, have been taken into account. The Executive Board has also assessed the strategic, operational, financial, and reporting and compliance risks, as well as the design and effectiveness of the internal risk management and control systems, as described in the Risk Management section of this report.

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 Dutch Civil Code), can be found in the management report in the sections on the Report of the Executive Board, Remuneration Report, Risk Management, Corporate Governance, and Report of the Supervisory Board.

The effectiveness and performance of the internal risk management and control systems are discussed each year with the Audit Committee and the Supervisory Board. Taking into account the aforementioned risks and measures designed to manage them, and in accordance with the best practice provision 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 aforementioned systems provide reasonable assurance that the financial reporting does not contain any errors of material importance;
iii. the current situation justifies financial reporting on a going concern basis, and
iv. the report 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 provide a true and fair view of the assets, liabilities, financial position, and profit of TKH and the companies included in the consolidation;
- the management report gives a true and fair view of the situation on December 31, 2021, the state of affairs at TKH and its affiliated companies during 2021 (the details of which are presented in the financial statements), and that the management report describes the fundamental risks facing the company.

Haaksbergen, the Netherlands, March 7, 2022

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 on the Euronext Amsterdam stock exchange, with the ticker symbol TWEKA. 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

Excluding registered shares, ordinary shares in the company are transferred by notarial deed to Stichting Administratie-kantoor TKH Group ("TKH Trust Foundation Office"). In exchange for these shares, TKH Trust Foundation Office issues depositary receipts of shares. The voting rights to the shares are vested in TKH Trust Foundation Office. If they request to do so, TKH Trust Foundation Office authorizes the depositary shareholders to cast a vote to the exclusion of TKH Trust Foundation Office, 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, TKH Trust Foundation Office 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 directly as well as indirectly. 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 total 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 2021, the company's issued share capital amounted to 42,198,429 ordinary shares, issued at a nominal value of € 0.25, of which depositary receipts have been issued for 42,086,217, and registered shares for 112,212. In addition, 4,000 priority shares are issued with a nominal value of € 1.00. The number of depositary receipts for shares has decreased by 624,648 compared to December 31, 2020 due to the cancellation of 623,334 ordinary shares and conversion of on balance 1,314 depositary receipts for shares into ordinary shares. At the end of 2021, the company held 1,020,885 (depositary receipts of) shares. Further information on the capital structure of TKH is included in note 7 of the company's financial statements. This information is part of the management report by means of a reference. The dividends for 2021 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.

DISCLOSURE OF OWNERSHIP AND EQUITY INTERESTS

In accordance with the requirements governing the disclosure of ownership and equity interests, any interest in a company's issued share capital of 3% or more must be reported to the Netherlands Authority for the Financial Markets (AFM). Based on the AFM register "Substantial subsidiaries and gross short positions" (Substantiële deelnemingen en bruto shortposities), the following investors (holding an interest of 3% or

KEY FIGURES PER ORDINARY SHARE

	2021	2020
Annual turnover of shares	19,200,539	29,848,611
Highest price	€ 56,15	€ 51.30
Lowest price	€ 37.88	€ 23.42
Closing price	€ 55.50	€ 39.54
Net earnings per share	€ 2.31	€ 1.14
Dividend	€ 1.50	€ 1.00
Price-earnings ratio as at the end of the financial year	24.0	34.7
Dividend yield on closing price	2.7%	2.5%
Market capitalization at end of financial year (in € millions)	2,285	1,640

DISCLOSURE OF OWNERSHIP AND EQUITY INTERESTS

Mandatory disclosing party	Interest	Date of last disclosure
Allianz Global Investors GmbH	9.99%	01-15-2021
ASR Nederland NV	5.11%	10-06-2008
Kempen Oranje Participaties NV	3.77%	04-04-2011
Lucerne Capital Management, LLC	5.62%	08-20-2019
Teslin Participaties Coöperatief U.A.	5.01%	07-06-2017
Vinke Amsterdam B.V.	5.84%	05-28-2020
Janus Henderson Group plc	3.01%	02-19-2021
AllianceBernstein L.P.	3.03%	01-20-2022

more in TKH) are disclosed. The table above is based on disclosures until the beginning of 2022.

DIVIDEND POLICY

TKH aims for an attractive return for its shareholders, which is reflected in an appropriate dividend policy. Healthy balance sheet ratios are very important 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 also ensuring a company 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% of the net profit before amortization and one-off income and expenses attributable to shareholders.

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. In this way, we ensure that they have sufficient insight into our company and the markets in which we operate, as well as information relating to relevant developments in these areas. 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 restrictions that were put in place following the COVID-19 outbreak, part of the 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. We take care 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.

INVESTOR RELATIONS

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

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

FINANCIAL CALENDAR

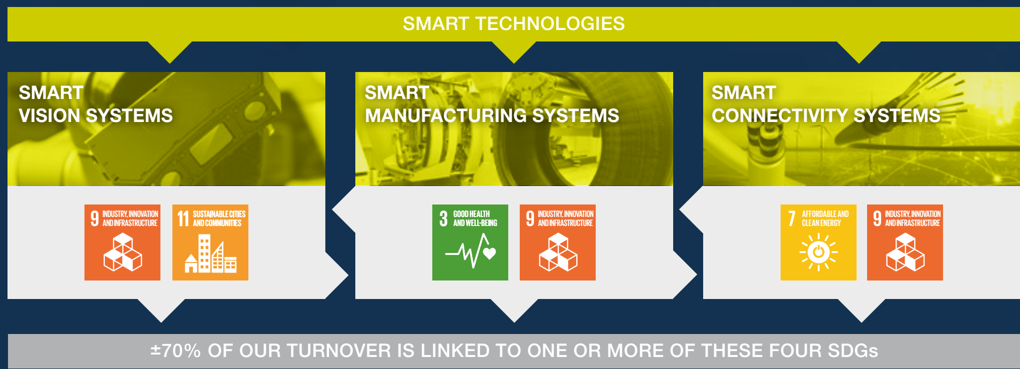
APRIL 25, 2022	Market Update Q1 2022
APRIL 26, 2022	General Meeting of Shareholders
APRIL 28, 2022	Ex-dividend date
APRIL 29, 2022	Dividend record date
MAY 3, 2022	Payment of dividend
AUGUST 16, 2022	Publication interim results 2022
NOVEMBER 15, 2022	Market Update Q3 2022

SUSTAINABLE PORTFOLIO

INNOVATIVE SOLUTIONS FOR A SUSTAINABLE FUTURE

TKH has a strong reputation as an innovator of Smart Technologies, with which we have been distinctive in growth markets for years. Our technologies go beyond the latest market trends, and an essential element in developing our innovative portfolio is sustainability. Being aware of the environment starts in the design phase, where the first cornerstones are defined by selecting the suitable raw materials. TKH provides Smart Technologies composed to distinguish ourselves on sustainability criteria. Due to intelligent software, we offer a high degree of installation efficiency and solutions that automatically signal and monitor business processes. The technologies of TKH improve efficiency, sustainability, and safety & security.

We substantiate the sustainability of our portfolio and make our contribution demonstrable by making a clear link with relevant sustainability goals for TKH. About 70% of our total turnover is linked to one of the selected SDGs. It is not only about supporting our own purposes, but TKH also supports its key stakeholders in achieving their sustainability criteria. We immerse ourselves in what customers, partners, and society expect from us and offer sustainable solutions with which we want to exceed these expectations. Doing so, we give a clear direction to the importance of our sustainable portfolio in the future.



SMART VISION SYSTEMS

SEMICONDUCTOR WAFER INSPECTION TECHNOLOGY

Vision inspection technology for semiconductor wafer surface

The production of wafers is a complex process where a high yield is important to enable the efficient use of materials and energy. For improving sustainable value creation and optimizing yield through the early detection of defects, it is essential that customers improve their manufacturing process.

The detection of different kinds of defects on the wafer, like cracks, scratches, chipping, saw lines, foreign particles, and more, requires optical inspection at several steps in the production process using high-resolution cameras and different lights.

TKH's innovative Vision inspection technology combines high-speed line scan cameras and precisely adjusted light modules in a turnkey system. A smart control system enables the capturing of up to four different images in one pass by switching between the lights during image acquisition. This combination of perfectly aligned camera, light modules, and smart flash technology allows for simultaneous recording of various wafer surface characteristics to detect even the smallest defects. In addition, the performance of our Machine Vision technology enables 100% inspection and consistent high-quality performance. Production issues can be detected earlier, which enables the reduction of waste. Combining various inspection techniques, e.g. brightfield and darkfield illumination simultaneously, also results in reduced resource consumption.

Benefits of TKH's Vision inspection technology:

- 100% inspection
- Improved efficiency
- Continuous high-quality performance
- Reduced resource consumption
- Lower operating expenses

CHALLENGE

Need for a high-resolution camera system covering a wide field of view to detect the smallest defects, both for highly efficient quality assurance and to reduce waste.

SOLUTION

Application-specific line scan camera system with smart flash technology to capture wafer surface characteristics highly efficiently, with one system.

IMPACT

Line scan cameras in combination with smart flash technology result in different images taken in one pass, showing even the smallest defects in the resulting images. The perfectly aligned modules and smart control of camera and light enable more efficient use of resources, and make the inspection process quicker and more efficient.

SMART VISION SYSTEMS

ACCESS VERIFICATION AND PREVENTION WITH INTERCOM INTEGRATION

Scanning, mask detection and Intercom work seamlessly together to protect staff, customers and visitors

As a result of the COVID-19 response measures imposed over the last two years, access to different territories, buildings, and transportation worldwide was significantly disrupted. In many countries, it was mandatory to confirm that people were wearing a face mask, check body temperature, or verify the status of a person's COVID-19 vaccination certificate when monitoring access to buildings and certain other locations. Often, these kinds of verifications require additional staff resources, which is neither efficient nor safe from the perspective of hygiene and data privacy.

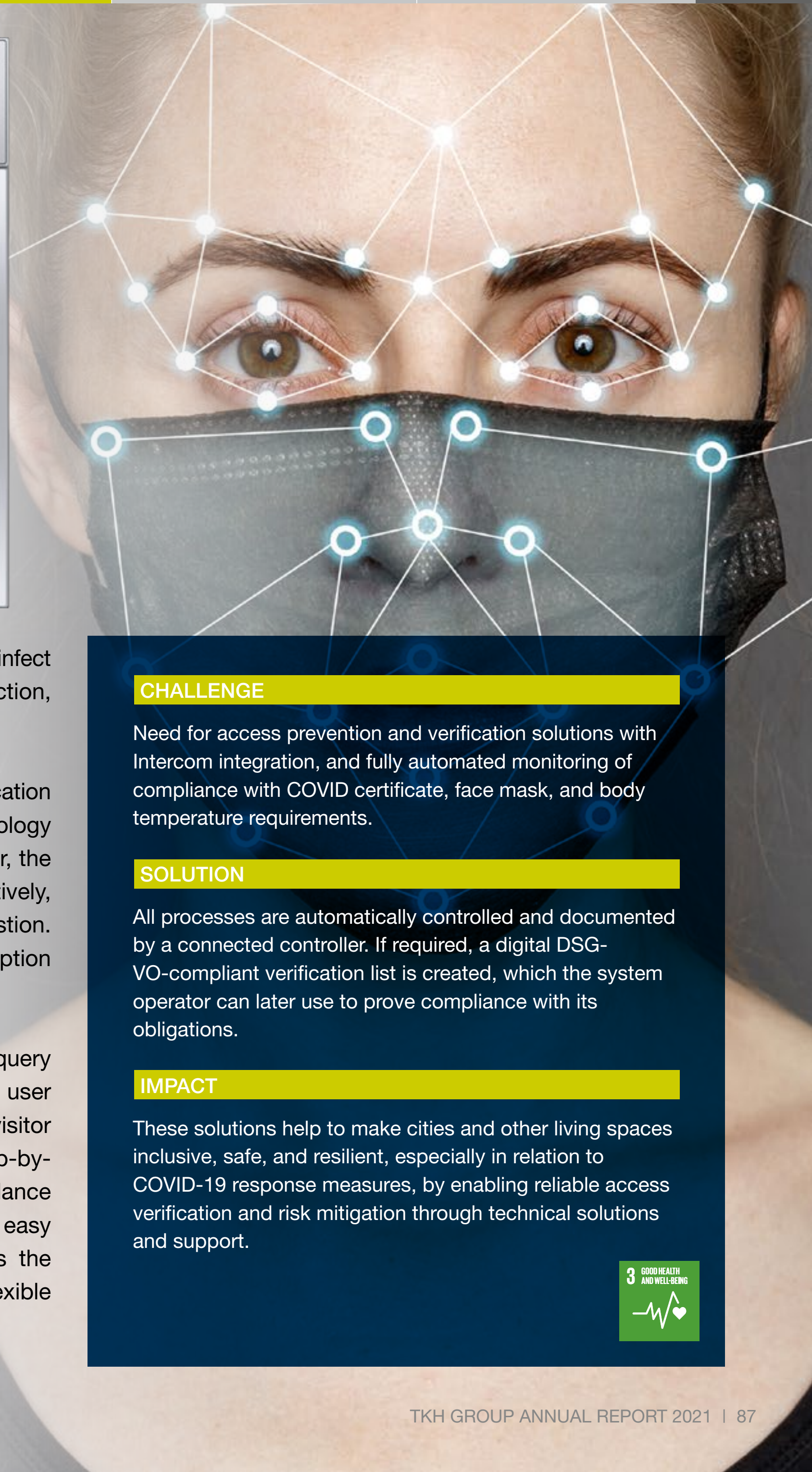
To respond to these market conditions, TKH created Vision access prevention and verification technology to provide fully automated monitoring of compliance with the above-mentioned regulations.

Benefits of TKH's Vision access technology:

- Reliable detection within seconds
- People who pass all checks are granted access automatically
- Audio/video user interface with Intercom functionality for information or guidance, in case of non-compliance
- Contact surfaces (i.e. touch screen) easy to clean and disinfect
- Increased safety and compliance, including data protection, e.g. GDPR

When questions arise at entrance points, further communication may be required. This is where integration with TKH technology brings huge benefits. If support is requested by the visitor, the situation can be resolved with an explanation. Alternatively, staff can be directed to the door, gate, or barrier in question. The Intercom system will also allow visitors to call reception and ask for directions.

TKH Vision access technology includes an IP-based query terminal with a thin-film-transistor touch screen for user interaction and video display. In daily operation, each visitor who arrives at the terminal will be presented with a step-by-step operating guide for accessing the location in accordance with the applicable regulations. The solution is simple and easy to use, both indoors and outdoors, and even includes the possibility of mobile Intercom terminals to allow for flexible placement.



CHALLENGE

Need for access prevention and verification solutions with Intercom integration, and fully automated monitoring of compliance with COVID certificate, face mask, and body temperature requirements.

SOLUTION

All processes are automatically controlled and documented by a connected controller. If required, a digital DSG-VO-compliant verification list is created, which the system operator can later use to prove compliance with its obligations.

IMPACT

These solutions help to make cities and other living spaces inclusive, safe, and resilient, especially in relation to COVID-19 response measures, by enabling reliable access verification and risk mitigation through technical solutions and support.

SMART VISION SYSTEMS

FACTORYSMART® AI VISION SOLUTIONS

AI Vision technology for automating and optimizing food production

Many large-scale manufacturing processes benefit from increased sustainability through innovation and automation with 3D Vision and AI technology systems. TKH's FactorySmart® AI Solutions addresses the need for sustainable value creation with a tailored approach.

For example, most manual food processing, sorting, grading, and handling tasks can be automated using AI Vision-based inspection. Since individual food products can have many variations, the Vision system never sees the exact same item twice. Whereas rules-based computer vision requires reliable and repeatable features that don't exist in organic material, AI-based methods thrive on high product variability and can adapt to the most challenging food automation and inspection applications. We apply our specialized knowledge of deep learning models, pre-and post-processing, and AI infrastructure to develop and deploy a custom AI solution.

As part of this full-service process, TKH works with the customer to implement a highly reliable and accurate vision system that communicates decisions to a programmable logic controller, or logic controller on the customer's production line.

TKH provides the user interface for the factory staff, as well as access to a remote dashboard service that provides system telemetry and health data.

FactorySmart® AI provides turnkey visual inspection solutions that deliver higher product yield, reduced rejects and field returns (for optimal price per pound), minimized operating expense, and reduced food wastage. They can also reduce pandemic (COVID-19) infection risk in the production facility by minimizing the need for on-premises human contact. The result is highly accurate and reliable automated defect detection, classification, and grading applications that do not require the customer to invest in engineering expertise, training servers, or system maintenance.

Benefits of FactorySmart AI:

- >99% accuracy
- 10x increase in yield
- Reduction in food waste
- 10x increase in efficiency
- >40% reduction in operating expenses

CHALLENGE

Need for achieving sustainable automated food processing that increases yields and improves quality.

SOLUTION

FactorySmart® AI provides a turnkey solution including data collection, pipeline development and training, user interface design, and factory communication to leverage the power of AI in a production environment. Once deployed, cloud connectivity allows ongoing optimization and maintenance of the system to ensure the return on investment is fully realized.

IMPACT

Smart Technology that allows for innovative, resilient automated systems that reliably outperform standard food production systems or human operators, increasing the production yield as well as the quality and safety of the end product. Food waste is reduced through both the increased yield of the production process and the reduced possibility for recall through higher quality enforcement.

SMART MANUFACTURING SYSTEMS

THE NEW APPROACH TO BREAKER MATERIAL FOR TIRES

Innovative breaker technology, leading to lower energy use, higher speed and better quality

Tires are built from "breaker" material, which combines a rubber-based compound (meticulously developed to achieve specific performance criteria), and a fine wire mesh, normally produced by a calender machine. This is energy-intensive: the rubber compound must be melted under intense heat, forced onto the wire, filled under pressure, and then cooled. It is also dirty, with extremely poor air quality around the machinery.

The material is normally produced in two stages: first by making the combined rubber/mesh material, and second by transferring this to a breaker cutting machine, where it is cut to the right width and angle, then wound onto a roll for use in tire-building machines.

FLEXX uses a completely new technology, which combines the calender and cutting machines in one. Wire is fed directly into the rubber extruder and comes out already embedded in the compound. This leads to substantial improvements in environmental and economic performance.

Benefit of TKH's Smart Manufacturing technology:

- Energy savings of at least 25%
- Highly efficient
- Near-elimination of air pollution
- Significant reduction in operating expenses
- Reduced material requirements, with up to 50% waste reduction and further savings achieved by producing thinner breaker material

Material saving could be the greatest sustainability benefit of all. First, the greater precision of FLEXX integrated extrusion allows for reduced rubber thickness while still fully covering the wire mesh. This also cuts tire weight and rolling resistance. Second, because material extruded by FLEXX is in 400 mm lengths, rather than the 1 to 1.2-meter length normal for calender-generated material, there is much less wastage when moving from one tire specification to another.

Thanks to FLEXX, manufacturers can deliver short product runs at no higher cost than large runs. That means this technology is excellent for the environment, profitability, and long-term sustainability in business operations.

CHALLENGE

Need for more flexible and cost-effective production, with lower energy costs and less pollution.

SOLUTION

Combined compound and wire extrusion and cutting, removing the need for separate calender line, cutting energy usage, and enabling a faster change of specification at no extra cost.

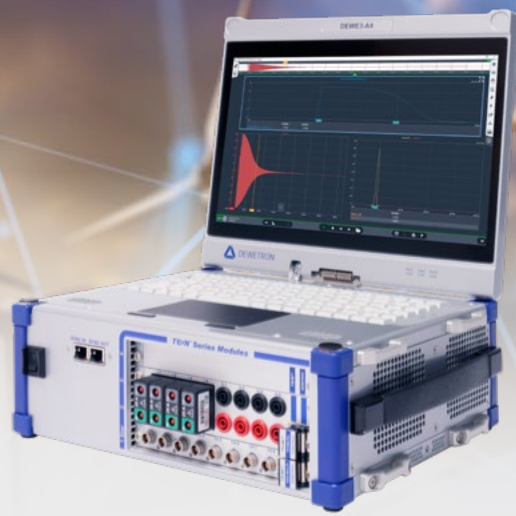
IMPACT

Moving from traditional production methods to a more streamlined, integrated process reduces energy costs by around 25%, cuts air pollution almost to zero, and cuts waste by up to 50%. Tire manufacturers can now make short production runs at low cost, more flexibly adapt to market demands, and significantly reduce carbon impact, making their business more sustainable for the environment and shareholders alike.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SMART MANUFACTURING SYSTEMS

WIND TURBINE MEASUREMENT TECHNOLOGY



Advanced measurement systems for wind turbine testing & optimization

The current energy transition is helping to pave the way to a climate-neutral future. Wind energy, in particular, plays an key role in generating sustainable energy, and it is expected that its contribution will significantly grow in the years to come. Rigorous tests and inherent optimization are therefore essential to increasing the viability of sustainable wind energy generation.

TKH creates data acquisition systems, engineered for testing and analysis, to improve wind turbines and overall wind park performance. The measurement systems can simultaneously acquire data from the nacelle (a cover housing that house all of the generating components in a wind turbine) and on the ground. The technology analyzes electrical, mechanical, and environmental parameters to reduce downtime, optimize maintenance processes, and improve systems efficiency. In addition, the failure rate in harsh environments can be reduced by 47%, using acquired data for the early detection of failures.

It is also important that manufacturers and operators ensure the safety, reliability, and activity of wind parks and turbines, at the same time as optimizing wind park performance; continuous measurement and analysis systems are vital to this. TKH technology systems can measure parameters such as apparent versus active power, strain, vibration, wind force, wind direction, and temperature. Monitoring and analyzing these kinds of parameters leads to informed decision-making – based on actual data and dashboards – that helps to ensure safer, more efficient and more reliable wind farms.

Thanks to advanced measurement technology, constant measurements and analyses, wind turbines can achieve maximum performance with minimum investment.

Benefit of TKH's advanced system measurement technology:

- Early detection of potential failures
- 5–10% increase in life cycle
- Significant reduction of failure rate (more than 40%)
- Improved performance output of up to 5%
- Significant reduction in operating expenses
- Improved safety and reliability

CHALLENGE

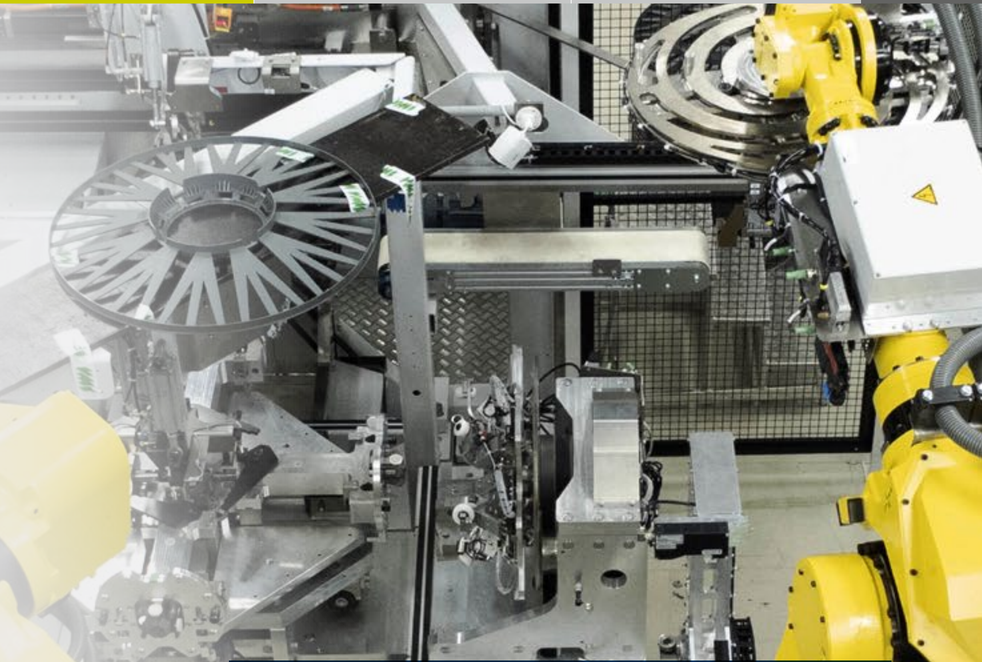
All wind farm operators face extensive technical, logistical, and economic challenges. Achieving a difference of just 1% in the overall performance of wind turbines can make a decisive difference between profit or loss, success or failure. Therefore, there is a need for high-performing measurement systems.

SOLUTION

Installing advanced measurement systems, both in the nacelle and on the ground, to capture key data insights including electrical, mechanical, and environmental parameters to measure performance and predict required maintenance.

IMPACT

The measurement technology improves the performance output of wind turbines by up to 5% and contributes to the long-term viability of generating affordable wind energy (increasing the life cycle of wind turbines up to between 5 and 10%). In addition, by using the measurement technology, wind farm operators can significantly improve the efficiency, reliability, and safety of wind turbines and parks.



SMART MANUFACTURING SYSTEMS

REVOLUTE: RETHINKING THE BEAD APEX PROCESS

Unique machine design delivers sustainability and efficiency combined

The Apex is a triangular section of compound above the steel-reinforced bead, providing a cushion for the components wrapped around the bead. The Bead Apex is critically important, and the process for creating the perfect Bead Apex is the key to consistent, reliable tire performance.

TKH's new Revolute machine redefines the process for Bead Apex production and delivers enhanced sustainability performance. The Revolute's ground-breaking design ensures a better balance in speed and volume between the extruder, buffer, and assembler. Moreover, the Revolute is easy to use and reduces machine downtime, since tooling changes are high-speed and fully automated. Production cycle time is shorter, which, combined with a long festoon buffer, enables continuous output, and eliminates the traditional "stop-start" approach.

Benefit of TKH's Smart Manufacturing technology:

- Lower power consumption for each bead produced, due to:
  - Reduced air consumption, since the Revolute uses servo actuators, not pneumatic cylinders
  - The removal of the start-stop process, enabled by the Revolute's single high-volume extruder (which works continuously). The Revolute thus uses less energy for each item produced, with higher efficiency and lower emissions
- Increased productivity and double throughput from a single extruder
- The Revolute's innovative design cuts scrap by:
  - Using a vertical rather than a flat drum, which removes the need to cut and scrap a triangular piece of material from each Bead Apex produced
  - Delivering consistently higher-quality output than traditional machines, reducing rework and scrap
- Reliable production with lower downtime and reduced need for manual intervention

The Revolute helps customers improve quality and broadens their design options. For example, it enables the use of compounds that are too hard for traditional machines, so that customers are able to use compounds that reduce rolling resistance and improve sustainability performance. The Revolute also includes additional quality monitoring systems, reducing quality problems in tire building downstream.

CHALLENGE

Need for faster, more reliable production, with less downtime and scrap.

SOLUTION

New design approach that doubles the throughput from a single, high-performance extruder, using a vertical drum to reduce waste, enabling a wider variety of compounds to be handled, cutting energy use, and improving quality.

IMPACT

Increased productivity, with lower downtime and reduced need for manual intervention. Energy consumption is reduced, and scrap associated with traditional production is eliminated. A wider range of compounds can be used, leading to tires with better environmental characteristics, while the entire process is more sustainable than before.

SMART CONNECTIVITY SYSTEMS

SMART PASSIVE INFRASTRUCTURE CONTROL

Making essential unmanned connectivity infra-structures more secure with intelligent technology

The exponential growth of various digitalized and connected products, communicating over fiber-optic networks, necessitates high-speed bandwidth, data traffic, network automation, and unmanned network management systems supervision. In Europe alone, hundreds of thousands of passive cabinets require supervision and service, to secure high-quality connectivity networks.

Managing unmanned locations in critical environments, such as Telecom and Utility services, leads to complexity and high cost. Multiple network providers often use the same cabinets and, as a result, various operators have access to these unmanned passive network management locations. This leads to critical situations, as there is a lack of ownership and monitoring. In addition, it is inefficient, time-consuming, and unsustainable.

TKH's innovative Smart Passive Infrastructure Control (SPIC) technology makes it possible to manage and monitor passive network management systems efficiently and securely. The SPIC technology includes remote access control, including logs and sensors, to measure tilt and temperatures. All these can be checked, managed, and automated remotely, offering operators and service employees improved reliability, efficiency, and safety. In addition, the technology can be easily integrated into all types of existing street cabinets.

The SPIC technology improves the efficiency and sustainability of network supervision since key data is digitalized, and fewer operators need to travel to the various sites. Control and granting access take place digitally and remotely for reliable, efficient, cost-saving, and secured connectivity network management.

During the Internet of Thing (IoT)Awards in 2021 in France, TKF won an award for its SPIC technology.

Benefits of TKH's Smart Connectivity technology:

- Improved reliability of connectivity networks
- Significant reduction in emissions and CO_2 footprint
- Remote control and monitoring
- Significant reduction in operating expenses

CHALLENGE

Managing unmanned locations in critical environments, such as telecom and utility services, is complex and costly. Real-time supervision must be available to determine the status of these locations at any time.

SOLUTION

TKH's Smart Passive Infrastructure Control technology (SPIC) includes intelligent sensors and monitoring software to remotely supervise and service passive street cabinets.

IMPACT

By combining street cabinets with intelligent technology, fewer complications occur, resulting in more reliable connectivity networks and activity. Moreover, this enables a cost reduction for operators at the same time as increasing security. In addition, there is a huge emission reduction for the operators since less travel is required, resulting in more sustainable business operations.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SMART CONNECTIVITY SYSTEMS

OFFSHORE WIND FARM CABLE TECHNOLOGY

Sustainable cable systems for the reliable distribution of renewable energy

The demand for sustainable energy is increasing, and the offshore wind sector is growing rapidly. Preventing downtime and reducing failure costs is one of the key priorities within this fast-evolving segment, to help reduce risk and improve energy generation and distribution reliability. Sustainable energy production via offshore wind farms is therefore an important growth market for TKH's subsea cable systems.

Our innovative cable systems combine modern cable design, based on state-of-the-art production technology, and modern and environmentally friendly materials. Robust subsea cables are supplied as a total solution, equipped with all necessary smart accessories and connectors. The unique design reduces installation failures, as well as installation time, risks, and costs, while improving durability. The environmentally friendly design does not use polluting materials like bitumen and lead, so that it is possible for them to be recycled. Due to the HDPE outer sheath, there is no chance of materials leaching into the marine environment. This is true during installation, operation, and eventual recovery. At the end of its operational life, 99% of the cable is recyclable to equivalent applications. The TKH R&D team is working on the partial replacement of fossil-based polymers with recycled chemical polymers to reduce the carbon footprint of the cable further. In 2021, TKH secured significant orders for the delivery of subsea cable systems for the Baltic Eagle offshore wind farm in the German waters of the Baltic Sea, as well as for the "Hollandse Kust (noord)" and "Hollandse Kust (west)" wind farms in the North Sea.

Benefit of TKH's Smart Connectivity technology:

- Modern cable design using environmentally friendly materials
- 99% of the cable is recyclable to equivalent applications
- Reduction of installation failures and installation time
- Cost savings
- Improved durability

CHALLENGE

Growing demand for sustainable energy from offshore wind farms, and the need for reliable and sustainable energy distribution.

SOLUTION

TKH subsea cable systems for energy distribution from offshore wind farms

IMPACT

Sustainably generated energy from offshore wind farms is distributed via sustainable subsea cable systems. In this way, TKH contributes to the increasing demand for clean, green energy. Innovative cable specifications are composed of durable materials. The innovative cable concept is easy to install and provides the customer with installation efficiency, cost savings, and a reduction in risk. Green energy calls for sustainable Smart Connectivity systems.

7 AFFORDABLE AND CLEAN ENERGY

SMART CONNECTIVITY SYSTEMS

CUSTOMIZED INNOVATIVE AND SUSTAINABLE MEDICAL CABLE

Small, robust, and highly flexible next-generation endoscopic camera cable

Hospitals are always looking for innovative treatment methods that will be more comfortable and safer for their patients. Doctors use a variety of techniques to operate in the least invasive way possible, to limit the impact on their patient's body.

TKH's advanced Connectivity technology, which is used in, for example, endoscopic camera cables, makes it possible to further reduce the cable's effect on the body due to its unique design, robustness, and flexibility. Smart Connectivity systems for medical technology not only have to function reliably, but also need to made as small as possible to allow minimally invasive surgeries. To meet these high demands, close cooperation between our research & development team and our customers is essential. A highly adapted cable design and structure, combined with the selection and processability of raw materials, enables more innovative medical cables with more sustainable resource use.

Hybrid cables that combine various elements under one cable sheath have become more important in improving the sustainability and efficiency of our social and healthcare systems. The new generation of endoscopy cables is designed using smart, hybrid cables – including fiber optics for high-resolution imaging – which adhere the highest medical standards, and enable resource-efficient production

Benefits of TKH's Smart Connectivity technology:

- Reduced risk and impact on the body for patients
- Improved product life cycle (up to 500 sterilization processes)
- Adherence to the highest medical hygienic standards
- Reduction in operating expenses

CHALLENGE

The need to develop a new generation of endoscopy cables with the smallest possible dimensions (and meeting the highest hygiene standards), which allow for high-resolution imaging through minimally invasive surgeries.

SOLUTION

The creation of highly flexible hybrid cables that contribute to minimally invasive surgery techniques, with fiber optics and non-sticky jacket material.

IMPACT

TKH innovative endoscopic cables deliver excellent technical performance and ensure gentle handling during surgeries, with the least possible impact on the patient. Special grade material with a non-sticky-jacket surface reduces dirt and dust susceptibility. Compared to disposable cables, TKH endoscopic cables can be easily cleaned through a sterilizing process – up to 500 times – which creates cost savings and allows the conservation of esources.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

in thousands of euros	Notes		2021		2020
Total turnover	23		**1,523,773**		**1,289,368**
Raw materials, consumables, trade products and subcontracted work		787,253		654,977	
Personnel expenses	24	378,267		352,852	
Other operating expenses	26	123,526		109,081	
Depreciation and result on divestment of property, plant and equipment	27	45,166		43,867	
Amortization	28	51,110		53,720	
Impairments	29	1,564		3,968	
Total operating expenses			**1,386,886**		**1,218,465**
Operating result			**136,887**		**70,903**
Financial income	31		191		342
Financial expenses	31		-7,799		-8,787
Exchange differences	31		-680		-1,965
Share in result of associates	6		2,074		-3,194
Result on sale of subsidiaries	11		0		5,496
Fair value changes of financial liability for earn-out and put options of holders of non-controlling interests	15		-1,759		120
Result before tax			**128,914**		**62,915**
Tax on result	32		33,690		15,389
Net result			**95,224**		**47,526**
Attributable to:					
Shareholders of the company			95,212		47,520
Non-controlling interests			12		6
			95,224		**47,526**
Earnings per share attributable to shareholders	33				
Ordinary earnings per share (in €)			2.31		1.14
Diluted earnings per share (in €)			2.30		1.14
Earnings per share attributable to shareholders from continued operations					
Ordinary earnings per share (in €) continued operations			2.31		1.14
Diluted earnings per share (in €) continued operations			2.30		1.14
Ordinary earnings per share before amortization (in €) continued operations [1]			2.66		1.54
Ordinary earnings per share before amortization and one-off income and expenses (in €) continued operations [1]			2.77		1.69

1 Non IFRS measure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of euros	Notes	2021		2020	
Net result			**95,224**		**47,526**
Items that may be reclassified subsequently to profit or loss (net of tax)					
Currency translation differences		16,883		-14,165	
Currency translation differences in associates		917		-303	
Effective part of changes in fair value of cash flow hedges (after tax) [1]		-870		3,098	
			16,930		**-11,370**
Items that will not be reclassified subsequently to profit or loss (net of tax)					
Actuarial gains/(losses) [1]	17	68		-325	
			68		**-325**
Other comprehensive income (net of tax)			**16,998**		**-11,695**
Comprehensive income for the period (net of tax)			**112,222**		**35,831**
Attributable to:					
Shareholders of the company			112,254		35,865
Non-controlling interests			-32		-34
Total comprehensive income for the period (net of tax)			**112,222**		**35,831**

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

CONSOLIDATED BALANCE SHEET

in thousands of euros	Notes	31-12-2021		31-12-2020	
ASSETS					
Non-current assets					
Intangible assets and goodwill	3	537,062		577,330	
Property, plant and equipment	4	222,487		219,900	
Right-of-use assets	5	68,797		77,357	
Associates	6	28,699		25,540	
Other receivables	8	748		1,872	
Deferred tax assets	16	15,277		14,322	
Total non-current assets			**873,070**		**916,321**
Current assets					
Inventories	7	294,736		236,714	
Trade and other receivables	8	185,318		157,363	
Contract assets	9	150,131		124,230	
Contract costs	9	4,566		3,314	
Current income tax		1,310		1,776	
Cash and cash equivalents [1]	10	100,135		121,645	
Total current assets			**736,196**		**645,042**
Assets held for sale	11		88,184		4,594
Total assets			**1,697,450**		**1,565,957**

in thousands of euros	Notes	31-12-2021		31-12-2020	
EQUITY AND LIABILITIES					
Group equity					
Shareholders' equity	12	721,930		661,820	
Non-controlling interests	13	53		86	
Total group equity			**721,983**		**661,906**
Non-current liabilities					
Interest-bearing loans and borrowings	18	333,804		409,508	
Deferred tax liabilities	16	55,965		55,061	
Retirement benefit obligation	17	4,716		5,844	
Other non-current financial liabilities	15	2,160		3,408	
Provisions	14	8,772		5,741	
Total non-current liabilities			**405,417**		**479,562**
Current liabilities					
Interest-bearing loans and borrowings [1]	19	47,589		57,143	
Trade payables and other payables	20	324,696		258,717	
Contract liabilities	9	127,044		73,931	
Current income tax liabilities		7,845		11,008	
Other financial liabilities	15	4,989		4,542	
Provisions	14	20,687		19,148	
Total current liabilities			**532,850**		**424,489**
Liabilities directly associated with assets held for sale	11		37,200		0
Total equity and liabilities			**1,697,450**		**1,565,957**

1 Including € 32.9 million (2020: € 56.0 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	Translation reserve	Cash flow hedge reserve	Retained earnings	Unappropriated profit	Total share-holders' equity	Non-controlling interests	Total group equity
Balance at 1 January 2020	**10,709**	**85,021**	**80,428**	**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**	**-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**	**-2,593**	**1,919**	**433,683**	**47,520**	**661,820**	**86**	**661,906**
Net result							95,212	95,212	12	95,224
Total other comprehensive income				17,844	-870	68		17,042	-44	16,998
Total comprehensive income	**0**	**0**	**0**	**17,844**	**-870**	**68**	**95,212**	**112,254**	**-32**	**112,222**
Appropriation profit last year						47,520	-47,520	0		0
Dividends						-41,126		-41,126	-1	-41,127
Share and option schemes						3,869		3,869		3,869
Purchased shares for share buy-back program						-18,428		-18,428		-18,428
Cancellation of shares	-155					155		0		0
Purchased shares for share and option schemes						-9,214		-9,214		-9,214
Sold shares for share and option schemes						12,755		12,755		12,755
Change in legal reserve for participations			76			-76		0		0
Capitalized development costs			6,905			-6,905		0		0
Balance at 31 December 2021	**10,554**	**85,021**	**92,542**	**15,251**	**1,049**	**422,301**	**95,212**	**721,930**	**53**	**721,983**

CONSOLIDATED CASH FLOW STATEMENT

in thousands of euros	Notes	2021	2020
Cash flow from operating activities			
Operating result		136,887	70,903
Depreciation, amortization and impairment		97,972	103,025
Share and option schemes not resulting in a cash flow		3,869	2,335
Result on disposals		-72	-1,567
Changes in provisions		4,404	-811
Changes in working capital		-3,531	42,504
Cash flow from operations		**239,529**	**216,389**
Interest received		192	344
Interest paid		-7,655	-9,001
Income taxes paid		-33,050	-19,905
Net cash flow from operating activities (A)		**199,016**	**187,827**
Cash flow from investing activities			
Investments in intangible assets and goodwill	3	-40,692	-39,562
Divestments of intangible assets and goodwill		194	355
Purchases of property, plant and equipment		-33,551	-31,097
Disposals of property, plant and equipment		2,545	1,664
Dividends received from associates		31	
Repayments on loans		630	94
Divestment of associates		-212	
Divestments of assets held for sale	11		3,853
Acquisition of subsidiaries less cash and cash equivalents acquired	35	-495	-481
Divestment of subsidiaries classified as held-for-sale less transferred cash			21,178
Net cash flow from investing activities (B)		**-71,550**	**-43,996**

in thousands of euros	Notes	2021	2020
Cash flow from financing activities			
Dividends paid		-41,127	-62,566
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	15	-4,032	-614
Capital contribution non-controlling interests			12
Acquisition of non-controlling interests			-191
Purchased shares for share buy-back program		-18,428	-7,144
Purchased shares for share and option schemes		-9,214	-12,821
Sold shares for share and option schemes		12,755	1,630
Payment of lease liabilities		-15,570	-16,005
(Repayments)/proceeds from long-term debts		-71,501	-4,985
(Repayments)/proceeds from other long-term debts		2,782	-513
Change in short-term borrowings	19	15,884	-47,676
Net cash flow from financing activities (C)		**-128,451**	**-150,873**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**-985**	**-7,042**
Exchange differences		3,388	-3,490
Change in cash and cash equivalents		**2,403**	**-10,532**
Cash and cash equivalents at 1 January		65,614	76,146
Cash and cash equivalents at 31 December	10	**68,017**	**65,614**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

General

The consolidated financial statements of technology firm TKH Group N.V. (hereafter 'TKH') have been drawn up in accordance with the International Financial Reporting Standards ('IFRS') adopted by the European Commission and applicable on the accounting period that begun on 1 January 2021. The company financial statements are part of the financial statements of TKH. The financial statements have been prepared based on the historical cost basis, except for the valuation at fair value of investment property, derivatives and share-based payments. All transactions in financial instruments are recognized at transaction date. To the extent that alternative performance measures are used these are explained in the glossary, which is included in the 'Other information'. TKH has been incorporated and domiciled in Haaksbergen, the Netherlands. TKH Group N.V. has its registered office and factual seat at Spinnerstraat 15, 7481 KJ Haaksbergen in the Netherlands in the Netherlands and is registered in the trade register under number 06045666.

Going concern

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

Comparative figures

Comparative figures may have been reclassified for comparability purposes, if considered to be material, the relevant disclosure has been added to the applicable note. A reclassification of € 3.2 million has been made in the comparative figures from 'Other operating expenses' to 'Raw materials, consumables, trade products and subcontracted work'

New accounting principles and interpretations

As from 1 January 2021 the following amendments of standards and new interpretations are effective:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 (effective date 1 April 2021)

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

TKH has not opted for an early adoption of the following new standards, amendments to standards and new IFRIC interpretations, which are mandatory for accounting periods that begin on or after 1 January 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3 [1]
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 [1]
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 [1]
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter [1]
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities [1]
- AIP IAS 41 Agriculture – Taxation in fair value measurements [1]
- IFRS 17 Insurance Contracts [2]
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 [2]
- Definition of Accounting Estimates - Amendments to IAS 8 [2]
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 [2]
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 [2]

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.

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

1 Effective for financial years starting on or after 1 januari 2022
2 Effective for financial years starting on or after 1 januari 2023

principles. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If TKH loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in the statement profit and loss.

Segment reporting

As announced on our Capital Markets Day in November 2021, TKH changed its management structure as from November 2021 and is now organized along the lines of our three technologies: Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems. The internal and external segment reporting as of November 2021 follows this structure. 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. These performances are reviewed and reported to the level of operating result. The accounting principles that are applied to these consolidated financial statements also apply to the business segments. The transaction prices for deliveries between segments are determined on an arm's length basis. The results, assets and liabilities of a segment include both items directly linked to that segment as items that can reasonably and consistently be allocated to that segment. Besides the information about the operating segments, selective information by geographic region is disclosed. In the annual report 2021, the 'Information per segment' in note 23 is provided for both the previous segmentation (Telecom, Building and Industrial Solutions) as the new segmentation (Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems). In the overview of 'Consolidated entities', as part of the 'Other information', is shown in which of the segments the different subsidiaries operate.

Foreign currencies

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

Business combinations

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

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

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

Intangible assets and goodwill

Goodwill

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

Other intangible assets

Expenditure for research is charged to the profit and loss when incurred. Expenditure for development is capitalized if the following conditions are met:
- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development costs can be measured reliably.

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

Property, plant and equipment

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

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

Right-of-use assets

For new agreements, TKH considers whether the contract is or contains a lease. A lease is defined as a contract or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

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

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

Impairment

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

Associates

The associates in which TKH has significant influence in the financial and operating policy decisions, but no control or joint control, are valued according to the equity method. Under the equity method, the share in the profit or loss of the associate is recognized in the statement of profit and loss, provided that it would not result in negative carrying value of the associate, unless TKH is obliged to partially or completely compensate losses. The share in the associate is determined based on TKH's share in the net assets of the associate, including the paid goodwill at acquisition and less any impairment loss. Dividend from associates is recognized when the shareholders' right to receive payments has been established. Receipt of dividends reduces investments in associates.

Inventories

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

Contract assets

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

Contract costs

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

Contract labilities

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

Financial instruments

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

Financial assets

Financial assets are at initial recognition classified in one of three groups for the subsequent measurement:

- amortized cost,
- fair value with change in value through OCI or
- fair value with change in value through profit or loss.

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

A financial asset is derecognized when:

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

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

Impairment of financial assets

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

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

Financial liabilities

Financial liabilities are classified, at initial recognition, as

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

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

Other payables

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

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

Offsetting of financial instruments

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

Derivatives

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

Assets and directly associated liabilities held for sale and discontinued operations

Assets held for sale

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

Discontinued operations

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

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

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

Provisions

General

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

Pensions

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

Jubilee bonuses

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

Provision warranty obligations

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

Onerous contracts

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

Restructuring liability

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

Other provisions

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

Deferred tax

Deferred tax relates to temporary differences between the value in the financial statements and the value for tax purposes. No deferred tax is recognized for non-deductible goodwill and subsidiaries and associates included in the participation exemption. Deferred tax assets are only recognized to the extent that it is probable that they can be realized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. In assessing the recoverability of deferred tax assets, TKH relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Changes in deferred tax are recognized immediately in the statement of profit and loss, with the exception of deferred tax that relates to items that are recognized in the OCI or directly in equity. TKH offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

The turnover includes the net turnover, as well as other revenues. Net turnover is the revenue from products and services delivered to third parties during the year under the deduction of discounts, bonuses and stock returns. Revenue is measured on the basis of the consideration set out in a contract with a customer. Products are regularly sold with volume discounts based on total sales over a period of one year. Revenues from these sales are recognized on the basis of the price specified in the contract, after deduction of the estimated volume discounts. Revenue is only recognized to the extent that it is highly probable that a reversal will not take place. A refund liability, included in the other current liabilities, is recognized for expected volume discounts payable to customers in connection with sales made until the end of the reporting period. There is no financing element applicable because the sales take place with a relatively short credit term, which is consistent with market practice. The turnover of TKH consists of products and services within the business segments Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems that are delivered to customers as a separate product/service or as a total solution. TKH recognizes revenue when control of a product or service is transferred to a customer. In the following overview the revenue recognition per segment is further elaborated.

Segment	Products and services	Nature and timing of fulfillment of performance obligations
SMART VISION SYSTEMS	Vision technology represents about 86% of the turnover of the Smart Vision systems segment and consists of 2D & 3D machine Vision and Security Vision technology. The technologies are combined with software to create smart technologies and one-stop-shop solutions with plug-and-play integrated systems. Our Machine Vision technology systems improve quality inspection, operation, and object monitoring within various industries such as consumer electronics, factory automation, ITS, medical and life sciences. Our Security Vision systems, combined with advanced communication technologies, enable the customers to manage and control the urban environment efficiently. Simultaneously, the technologies improve sustainability factors, safety and security in various markets such as Infrastructure, Parking and Building security.	A large part of the revenue in Smart Vision systems is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance. A receivable is recognized at that moment because the consideration has become unconditional and only the passage of time is required before the payment is due. To a lesser degree also the following revenue streams exist: • ***Customer-specific products and systems (including software products):*** Customer-specific products and systems: A number of products and systems are designed or adapted to customer-specific requirements. TKH recognizes turnover over a period if (i) the customer has control during the creation or improvement of the product / system or (ii) a product/system is created without alternative use and TKH has an enforceable right to payment for the work performed. Examples of (i) include parking guidance that are built up and commissioned on-site. Examples of (ii) are amongst others machine vision cameras constructed for a specific customer application and by TKH integrated security and communication systems. If the two conditions mentioned above are not met, revenue is only recognized at transfer date. For customer-specific systems, installation can be part of the transaction price. A distinction is made between configuration and the physical installation. The configuration is an integral part of the system sold, while the installation is often regarded as a separate service that is usually outsourced to third parties. The installation services to be delivered are separately identifiable and accordingly the transaction price is attributed to the system and the installation based on the relative stand-alone selling prices. Installation is a performance obligation that is fulfilled over time. If revenue is recognized over a period, this is based on the stage of completion of the contract. The progress is determined on the basis of the input method based on a cost price method. Which means, the part of the contract costs incurred for the work that has been carried out to date in relation to the estimated total contract costs. For the payments due by the customer, which according to the contract cannot yet be invoiced, a contract asset is recognized for the period in which the work has been carried out. This contract asset reflects the right to compensation for work performed to date. If more is invoiced than has been performed to date, a contract liability is recorded. Contract liabilities are recognized as revenue when TKH performs under the contract. • ***Maintenance and licenses:*** Maintenance and licenses are part of the transaction price for a number of products and systems. These relate to activities that may have to be carried out during a certain period after sale. This period can thereafter be extended by the customer at then applicable prices. Maintenance and licenses are considered as a separate service. A part of the transaction price is therefore allocated to these services based on their stand-alone selling price. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sale transaction and is subsequently recognized as revenue on a straight-line basis over the contract period.

Segment	Products and services	Nature and timing of fulfillment of performance obligations
SMART MANUFACTURING SYSTEMS	TKH engineers complete manufacturing systems and machines that contribute to super-efficient manufacturing and processing. Systems engineering and assembly, control and analysis software, as well as connectivity and vision technology, are the basic building blocks for the distinctive Smart Manufacturing systems supplied to various industries such as car and truck tire production, factory automation, and care solution by providing medicine distribution machines. Tire Building systems represents about 68% turnover share of Smart Manufacturing systems segment.	• The majority of the revenue within Smart Manufacturing systems qualifies as ***Customer-specific products and systems*** for which recognition is already described at Smart Vision systems. Examples are tire building, medicine distribution and industrial automation systems. In contrast to Smart Vision Systems, for the tire building activities the installation is regarded as an integral part of the performance obligation to the customer, because on-site systems are constructed, configured and tested by employees. The remainder of the revenue relates to standardized products and is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance • ***Sales commissions:*** Agents are used, who earn a sales commission on the revenue collected. These incremental costs for obtaining a contract are directly related to the sales that were realized in a certain period. The sales commissions, mostly paid before start of the contract, are capitalized as contract costs and amortized over the expected contract period.
SMART CONNECTIVITY SYSTEMS	TKH makes advanced Connectivity systems and engineers complete Smart Connectivity systems with a unique integrated system approach and sustainability proposition. Energy and Digitalization represent about 33% and 38% turnover share of the Smart Connectivity systems segment. Our connectivity systems are developed for on-shore and off-shore energy distribution. Our Fibre Optic connectivity systems are manufactured for data and communication networks. In addition, TKH produces specialized cable systems for diverse industrial automation applications in high-tech environments, such as the industrial, marine & offshore and medical sectors. Our advanced connectivity technology for contactless energy and data distribution (CEDD) for airfield ground lighting systems is a connectivity system consisting of both hardware components and software, to further improve the efficiency and safety of specific airfield applications.	• The majority of revenue relates to ***standardized products*** and are accounted for in a similar way as described above. Customer-specific products and systems for which there is no enforceable right to payment for the work that has already been performed, are also recognized as revenue in the same way. • ***Customer-specific products and systems*** are accounted for in the same way in Smart Vision systems. Examples are special cable and cable systems for machines, robots, medical applications and subsea cable systems.

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

Share-based payments

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

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

Financial income and expenses

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

Tax

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

Non-controlling interest

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

Cash flow statement

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

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	2021	2020
Assets				
Financial assets at fair value through P&L		Level 3	407	927
Foreign currency forward contracts	21	Level 2	3,020	2,007
Commodities (derivatives)	21	Level 2	1,895	1,874
Total			**5,322**	**4,808**
Liabilities				
Interest rate swaps	21	Level 2	294	566
Foreign currency forward contracts	21	Level 2	3,305	422
Commodities (derivatives)	21	Level 2	195	159
Total			**3,794**	**1,147**

The fair value of the financial assets measured at fair value with recognition of the change in value through the statement of profit and loss is calculated on the basis of expected cash flows discounted at the estimated market interest rate. Credit risks are taken into account in this market interest rate. TKH has concluded derivatives with various financial institutions with an investment grade rating.

Interest rate swaps, forward exchange contracts and forward contracts on commodities are valued based on present value calculations using market data, such as the credit quality of counterparties, base spreads, spot and forward prices, yield curves and forward curves. More information about the assumptions for the determination of the fair value is included in the relevant explanatory notes.

Price, credit, interest and currency risks

Note 21 contains information about these risks.

Intangible assets and goodwill related to acquisitions

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

Impairments and valuation of tax-losses

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

Contracts with customers

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

Financial liabilities for earn-out and put option agreements

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

Other provisions

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

Extension options of lease contracts

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

3 INTANGIBLE ASSETS AND GOODWILL

		Goodwill		Brand names, customer relations and intellectual property		Development costs		Patents, licenses, software and trademarks		Total	
in thousands of euros	Notes	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Historical cost at 1 January		**330,832**	**333,440**	**288,102**	**290,213**	**238,176**	**209,400**	**66,193**	**62,865**	**923,303**	**895,918**
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
Book value at 1 January		**328,509**	**331,117**	**118,361**	**141,785**	**111,109**	**102,518**	**19,351**	**20,984**	**577,330**	**596,404**
Purchases and capitalization						34,689	34,390	6,003	5,172	40,692	39,562
Acquisitions	35	1,210	383	982	178				1	2,192	562
Reclassification from property, plant and equipment	4							26	3	26	3
Reclassification to assets held for sale		-32,768		-136		-594		-896		-34,394	0
Reclassifications						-24	80	24	-80	0	0
Disposals						-190	-320	-4	-35	-194	-355
Amortization	28			-19,240	-22,907	-25,549	-24,171	-6,321	-6,642	-51,110	-53,720
Impairment losses	29					-965	-323	-31		-996	-323
Adjustment goodwill			-1,537							0	-1,537
Exchange differences		1,538	-1,454	709	-695	1,234	-1,065	35	-52	3,516	-3,266
Book value at 31 December		**298,489**	**328,509**	**100,676**	**118,361**	**119,710**	**111,109**	**18,187**	**19,351**	**537,062**	**577,330**
Accumulated amortization and impairment losses		2,323	2,323	187,269	169,741	149,599	127,067	50,254	46,842	389,445	345,973
Historical cost at 31 December		**300,812**	**330,832**	**287,945**	**288,102**	**269,309**	**238,176**	**68,441**	**66,193**	**926,507**	**923,303**

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

in thousands of euros	Goodwill		Discount rate before tax		Functional currency
CGU	2021	2020	2021	2020	
Smart Vision systems	238,223	235,537	9.8%	n/a	EUR/USD
Smart Manufacturing systems	10,530	10,530	11.3%	n/a	EUR
Smart Connectivity systems	49,736	82,442	10.6%	n/a	EUR
Total	**298,489**	**328,509**			

The recoverable amount of the cash generating units, in which goodwill has been reported, is based on the value in use. The value in use is based on estimated future cash flows. These forecasts are derived from the internal business plans, which are drawn up annually and have a horizon of five years. These business plans contain financial budgets and have been prepared by local management and are approved by the Executive Board. Cash flows after the financial budget period have been extrapolated, taken into account an annual growth of 1.15% (2020: 1.0%). The future cash flows are discounted at the discount rate shown in the table, which is based on the risk profile of the CGU. Based on the assumptions, the impairment test did not lead to impairments at year-end 2021. In addition, in 2021 impairments totaling € 1.0 million were recognized, mainly related to capitalized development costs in the CGU Smart Vision systems. The impairment is mainly related to the merging of activities, as a result of which a 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:

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

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

In millions of euros	Decrease EBITDA by 10%	Increase discount rate by 1%	Decrease growth rate by 0.5%	Combination of all assumptions
Smart Vision systems	-140.3	-141.0	-53.2	-294.8
Smart Manufacturing systems	-109.1	-110.1	-42.7	-234.0
Smart Connectivity systems	-111.1	-101.0	-35.1	-247.2

These scenarios do not lead to an impairment in any of the CGUs in connection with the available headroom between the recoverable amounts and the carrying amounts.
The market capitalization of TKH amounted to € 2,285 million on 31 December 2021 and was significantly higher than the book value of the net assets of TKH.

4 PROPERTY, PLANT AND EQUIPMENT

		Land and buildings		Machinery and installations		Other equipment		Assets under construction		Total	
in thousands of euros	Notes	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Historical cost at 1 January		**184,273**	**196,095**	**253,787**	**259,482**	**134,933**	**126,034**	**8,828**	**6,440**	**581,821**	**588,051**
Accumulated depreciation and impairments		88,914	92,112	173,762	173,968	98,833	90,963	412	70	361,921	357,113
Book value at 1 January		**95,359**	**103,983**	**80,025**	**85,514**	**36,100**	**35,071**	**8,416**	**6,370**	**219,900**	**230,938**
Purchases		4,121	4,360	13,344	7,870	10,741	14,005	3,951	3,856	32,157	30,091
Acquisitions						5	40			5	40
Disposals		-46	-53	-1,276	-1,079	-1,133	-865	-18	-97	-2,473	-2,094
Depreciation	27	-6,419	-6,432	-12,147	-11,995	-11,583	-11,342			-30,149	-29,769
Impairments	29			652	-618			-71	-377	581	-995
Reclassifications		-35		-108	271	145	-271			2	0
Reclassification from/to intangible assets	3					-26			-3	-26	-3
Reclassification to assets held for sale	11	-23	-5,502	-994		-4		-191		-1,212	-5,502
Exchange differences		1,621	-1,311	1,568	-820	418	-538	95	-137	3,702	-2,806
Commissioning of assets under construction		3,264	314	2,311	882	1,809		-7,384	-1,196	0	0
Book value at 31 December		**97,842**	**95,359**	**83,375**	**80,025**	**36,472**	**36,100**	**4,798**	**8,416**	**222,487**	**219,900**
Accumulated depreciation and impairments		96,381	88,914	180,925	173,762	111,245	98,833	483	412	389,034	361,921
Historical cost at 31 December		**194,223**	**184,273**	**264,300**	**253,787**	**147,717**	**134,933**	**5,281**	**8,828**	**611,521**	**581,821**

The impairments in 2020 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. In 2021, the remaining machineries have been sold which resulted in a partly reversal of the impairment.

5 RIGHT-OF-USE ASSETS

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 18 years, while vehicles and other equipment generally have a duration of between 3 and 5 years.

		Land and buildings		Machinery and installations		Other equipment		Total	
in thousands of euros	Notes	2021	2020	2021	2020	2021	2020	2021	2020
Book value at 1 January		**71,492**	**73,959**	**14**	**27**	**5,851**	**6,766**	**77,357**	**80,752**
Purchases		8,010	8,725	37		4,577	2,792	12,624	11,517
Disposals		-479				-391	-161	-870	-161
Reassessment		6,009	4,358			227	132	6,236	4,490
Depreciation	27	-11,709	-12,013	-44	-13	-3,336	-3,639	-15,089	-15,665
Impairments	29	-1,209	-2,552				-1	-1,209	-2,553
Exchange differences		848	-985			30	-38	878	-1,023
Reclassification to assets held for sale	11	-10,717				-413		-11,130	0
Book value at 31 December		**62,245**	**71,492**	**7**	**14**	**6,545**	**5,851**	**68,797**	**77,357**

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 2021, the costs related to variable lease payments that were not included in the lease obligation amounted to € 2.7 million (2020: € 2.3 million).
In 2021, the costs of leasing assets with a low value amounted to € 0.2 million (2020: € 0.2 million).
In 2021, the costs of leases with a term of less than one year amounted to € 0.2 million (2020: € 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 2021 was € 18.7 million.

6 ASSOCIATES

TKH owns direct or indirect the following relevant associates:

Name of other associate	Place	Country	Equity interest 2021	Equity interest 2020	Operating segment
Speed Elektronik Vertrieb GmbH	Schwelm	Germany	25.0%	25.0%	Smart Connectivity systems
NET Italia S.r.l.	Brescia	Italy		49.0%	Smart Vision systems
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.	Jiangyin	PR China	12.5%	12.5%	Smart Connectivity systems
Commend Australia Integrated Security and Communication Systems Pty Ltd.	Melbourne	Australia	49.0%	49.0%	Smart Vision systems
Traff Is B.V.	Hedel	Netherlands	33.3%	33.3%	Smart Connectivity systems
Cable Connectivity Group B.V.	Benthuizen	Netherlands	41.5%	41.5%	Smart Connectivity systems
P + S Technik GmbH	Ottobrunn	Germany	23.2%	23.2%	Smart Vision systems

The shares in NET Italia S.r.l. have been sold in the first half of 2021. The amounts involved were insignificant.

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

The overview below shows the summarized financial information of the associates on the basis of the most recent available information, where the financial data are included based on the share of interest in these companies. Of the 'summarized financial information 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 2021 of Cable Connectivity Group	67,115	51,760	83,272	2,266		2,266
Summarized financial information 2021 other	17,380	6,770	5,123	185		135
Summarized financial information 2020 of Cable Connectivity Group	54,616	41,694	62,749	-870	-129	-2,790
Summarized financial information 2020 other	15,214	5,766	4,345	86		-2

Movements in the associates are as follows:

in thousands of euros	2021	2020
Balance at 1 January	**25,540**	**28,635**
Share in result of associates	2,401	-2,792
Dividend received	-31	
Sale of a share interest	-128	
Exchange differences	917	-303
Balance at 31 December	**28,699**	**25,540**

7 INVENTORIES

in thousands of euros	2021	2020
Raw materials	119,714	72,241
Work in progress	45,573	34,281
Finished goods	129,449	130,192
Inventories	**294,736**	**236,714**

An amount of € 686.0 million is reported in the statement of profit and loss for costs of raw materials, consumables and finished goods (2020: € 560.0 million). A part of inventories is valued at lower net recoverable amount. The book value of these written-down inventories is € 25.3 million (2020: € 24.3 million). The total write-down on inventories, based on aging analysis and sales statistics, in 2021 recognized in the statement of profit and loss is € 4.5 million (2020: € 3.9 million).

8 TRADE AND OTHER RECEIVABLES

in thousands of euros	Notes	2021	2020
Trade accounts receivable		161,085	137,063
Loss allowance	21	-6,377	-6,675
Derivatives	21	4,910	3,881
Receivables from related parties	34	444	1,194
Prepayments and accrued income		13,137	7,936
Other short-term receivables		12,119	13,964
Long-term receivables		748	1,872
Receivables		**186,066**	**159,235**

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. For the other part TKH applies non-recourse factoring that transfers the ownership of the trade receivables and the associated risks to a factoring company. At the end of 2021 receivables with an amount of € 34.3 million are sold to a factoring company (2020: € 43.6 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	2021	2020
Trade accounts receivable	161,085	137,063
Contract assets	150,131	124,230
Contract liabilities	-127,044	-73,931
Refund liabilities from customer volume rebates	-10,641	-8,852
Contract costs	4,566	3,314

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 2021, performance gurantees amounted to € 107.5 million (2020: € 75.8 million). These relate to advance payments received from customers, which are presented as part of contract liabilities. These guarantees are included in the off-balance sheet commitments (note 22). A large part of the contract assets and liabilities relates to the segment Smart Manufacturing systems.

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

	Contract assets		Contract liabilities	
in thousands of euros	2021	2020	2021	2020
Revenue recognized that was included in the contract liability balance at the beginning of the period			73,931	49,187
Increases due to cash received, excluding amounts recognized as revenue during the period			-127,044	-73,931
Transfers from contract assets recognized at the beginning of the period to receivables	-124,230	-115,692		
Increases as a result of changes in the measure of progress	150,131	124,230		

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 2021, amortization amounted to € 6.2 million, which is included in the statement of profit and loss under raw materials, consumables, trading products and outsourced work. There was no impairment in the financial year in respect of the capitalized contract costs. The restitution obligations for agreed customer volume discounts are mostly annual bonuses based on revenue tables. The accrual is calculated based on historical figures, revenue already realized and the outstanding order book.

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

in thousands of euros	2021	2020
Expected to be recognized as revenue within 1 year	705,061	408,168
Expected to be recognized as revenue between 1 and 2 years	35,809	17,945
Expected to be recognized as revenue after 2 years	5,693	2,221
Total	**746,563**	**428,334**

10 CASH AND CASH EQUIVALENTS

in thousands of euros	2021	2020
Cash and bank balances as included in the cash flow statement	68,017	65,614
Cash at companies assets held for sale	-736	
Cash and bank balances in cash and interest pools	32,854	56,031
Cash and bank balances	**100,135**	**121,645**

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

11 ASSETS AND DIRECTLY ASSOCIATED LIABILITIES HELD FOR SALE

As part of the 'Simplify & Accelerate' program, TKH decided in the first half of 2021 to start an active program to divest certain activities engaged in the distribution of connectivity solutions. Accordingly the associated assets and liabilities have been reclassified to assets and liabilities held for sale. Besides working capital, goodwill is also an important part of this value. The amount of allocated goodwill has been updated in the second half of 2021 based on applying the relative value method. Barring unforeseen circumstances, a sale is highly probable within the upcoming 12 months. The main categories of assets and liabilities classified as held for sale are as follows:

in thousands of euros	2021	2020
Assets		
Intangible assets and goodwill	34,394	
Property, plant and equipment	5,806	4,594
Right-of-use assets	11,130	
Other receivables	494	
Deferred tax assets	738	
Inventories	25,383	
Trade and other receivables	9,503	
Cash and cash equivalents	736	
Assets held for sale	**88,184**	**4,594**
Liabilities		
Non-current interest-bearing loans and borrowings	9,693	
Deferred tax liabilities	711	
Retirement benefit obligation	1,105	
Other long-term provisions	10	
Current interest-bearing loans and borrowings	2,075	
Trade payables and other payables	20,372	
Current income tax liabilities	3,234	
Liabilities directly associated with assets held for sale	**37,200**	**0**
Net assets directly associated with held for sale	**50,984**	**4,594**

12 EQUITY

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

13 NON-CONTROLLING INTEREST THIRD PARTIES

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

	Result non-controlling interests		Cumulative non-controlling interests	
	2021	2020	2021	2020
Various non-controlling interests	12	6	53	86

14 OTHER PROVISIONS

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

in thousands of euros	2021	2020
Other long-term provisions	8,772	5,741
Other short-term provisions	20,687	19,148
Other provisions	**29,459**	**24,889**

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 2020	**6,268**	**3,334**	**7,734**	**5,699**	**1,854**	**24,889**
Additions	3,575	518	3,141	508	6,085	13,827
Releases	-442	-29		-780	-59	-1,310
Utilized	-1,363	-154	-1,067	-4,711	-772	-8,067
Other reclassifications					-101	-101
Exchange differences	80	6	112	24	-1	221
Balance at 31 December 2021	**8,118**	**3,675**	**9,920**	**740**	**7,006**	**29,459**

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

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

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

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

15 OTHER FINANCIAL LIABILITIES

The movement of the financial liabilities is as follows:

in thousands of euros	Earn-out	Put options of holders of non-controlling interests	Total
Balance at 1 January 2021	**7,341**	**609**	**7,950**
Acquisitions	1,467		1,467
Payment for acquisitions from previous years	-3,707	-325	-4,032
Unwinding of discount through the profit and loss account	321		321
Change in value through the profit and loss account	729	709	1,438
Exchange differences	5		5
Balance at 31 December 2021	**6,156**	**993**	**7,149**

in thousands of euros	2021	2020
Term shorter than 1 year	4,989	4,542
Term between 1 and 5 years	2,160	3,408
Financial liabilities	**7,149**	**7,950**

Earn-out

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

Put options of holders of non-controlling interests

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

Name of subsidiary	Percentage	Option exercisable as from
EFB Nordics A/S	10.0%	1 January 2014
USE System Engineering Holding B.V.	25.0%	1 January 2014
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 2021 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 € 0.8 million has a maturity of shorter than 1 year.

16 DEFERRED TAX

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

in thousands of euros	Property, plant & equipment and leases	Intangible assets and goodwill	Inventories and construction contracts	Provisions	Unused tax losses and credits	Financial instruments	Undistributed intragroup profits	Other	Total
Balance at 1 January 2020	**-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**
(Charge)/credit to other comprehensive income				-8		400			392
(Charge)/credit to profit or loss	251	2,435	-2,353	137	31	5	-511	-97	-102
Reclassification to assets held for sale	-63	47	635	-276				-370	-27
Acquisitions		-212							-212
Balance at 31 December 2021	**909**	**-51,985**	**-4,220**	**783**	**13,477**	**-279**	**-2,731**	**3,358**	**-40,688**

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

in thousands of euros	2021	2020
Deferred tax assets stated under non-current assets	15,277	14,322
Deferred tax liabilities stated under non-current liabilities	-55,965	-55,061
Deferred taxes	**-40,688**	**-40,739**

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

in thousands of euros	2021	2020
Term infinite	40,325	31,804
Term longer than 10 years	12,944	10,781
Term between 5 and 10 years	39	39
Term shorter than 5 years	32	5,386
Unrecognized tax losses and credits	**53,340**	**48,010**

The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, TKH has determined that it cannot recognize deferred tax assets on the tax losses carried forward. The unrecognized unused tax losses represent a value of € 12.5 million at the end of 2021 based on the applicable tax rates.

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

17 PENSIONS

Defined contribution plans

TKH's pension plans in the Netherlands differ per subsidiary. The pension scheme of a number of subsidiaries has been placed with the industry pension fund PME and PMT respectively. As of 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 2021 related to the defined contribution plans amounts to € 15.3 million (2020: € 14.5 million). The industry pension plans are included in this pension expense. TKH expects for 2022 a pension expense of € 16 million for all defined contribution plans, of which about € 11.1 million relates to industry pension schemes.

Defined benefit plans

Multi-employer union plans

In the Netherlands 1,686 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 1,432 companies and 333,000 participants and PMT approximately 34,000 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:

	2021	2020
coverage ratio of PME	103.2%	92.3%
coverage ratio of PMT	100.8%	91.2%

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 2021 the social partners take the amount of a surplus or a deficit in the industry pension fund as part of the negotiations. As a result, future premiums may be somewhat related to deficits or surpluses that relate to pension entitlements accrued in the past. This concerns shortages or surpluses of current and former employees of TKH but also of other companies. In addition, there is no consistent and reliable basis for allocating the pension liability, assets and costs to individual companies participating in the industry pension scheme. TKH therefore classifies the multi-employer plans as if it were defined contribution plans (in line with IAS19.34). TKH's net periodic pension cost for the multi-employer plan over a financial period is equal to the required contribution for that period.

Other pension schemes

There are some individual defined benefit plans abroad for a small number of participants. These defined benefits are accrued in the subsidiaries and are not covered by plan assets. The duration of the defined benefit obligations of these arrangements will be, on average, 12 years at 31 December 2021. 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:

	2021	2020
Discount rate before tax	0.8-2.0%	0.4-2.0%
General percentage salary increase	2.1%	1.6%

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

in thousands of euros	2021	2020
Present value of the defined benefit obligations	4,716	5,844
Fair value of the plan assets		
Net pension obligation	**4,716**	**5,844**

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

in thousands of euros	2021	2020
Current service costs	62	119
Interest costs included in financial expenses	42	40
Pension expense in the profit and loss account	**104**	**159**

For 2022 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	Notes	2021	2020
Balance at 1 January		**5,844**	**5,759**
Reclassification to liabilities held for sale		-1,039	
Current service costs		62	119
Interest costs included in financial expenses		42	40
Actuarial (gains)/losses recognized through other comprehensive income		-30	236
Entitlements paid		-163	-310
Balance at 31 December		**4,716**	**5,844**

Changes in the assumptions have consequences for the present value of the defined benefit obligation. In the summary below a sensitivity analysis on the gross and net defined benefit obligation is shown for the three largest pension schemes, which together represent 75% of the net pension liability, when there is an absolute change of 1% or 1 year in the relevant assumptions:

	2021		2020	
	+1.0%	-1.0%	+1.0%	-1.0%
Discount rate	-355	422	-378	453
General percentage salary increase	481	-411	521	-442
	+1 year	-1 year	+1 year	-1 year
Mortality table	139	-140	150	-154

18 NON-CURRENT LIABILITIES

in thousands of euros	Notes	2021	2020
Debts to credit institutions	19	268,010	339,511
To be amortized transaction costs for the credit facility			-322
Long term lease liabilities (Right-of-use assets)	19	62,528	69,835
Other non-current liabilities		3,266	484
Interest-bearing loans and borrowings		**333,804**	**409,508**

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	Amount 2021	Amount 2020
Bank loans reported under non-current liabilities	18	2.1 years	Euribor + margin	268,010	339,511
Long term lease liabilities (Right-of-use assets)	18	1-18 years	2.0%	62,528	69,835
Short term lease liabilities (Right-of-use assets)		< 1 year	2.0%	12,959	13,736
Borrowings reported under current liabilities		< 1 year	Euribor/Libor + margin	34,630	43,407
Cash and cash equivalents	10	< 1 year	Euribor/Libor - margin	-100,135	-121,645
Net interest bearing debt				**277,992**	**344,844**

At year-end 2021, € 32.9 million of the borrowings forms part of cash and interest pools (2020: € 56.0 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 credit margin for lease liabilities differ per right-of-use asset, duration and country and vary from 1.4% to 26.7%, with a weighted average of 2.0%. The obligations arising from leasing are guaranteed by the lessor's property right on the leased assets. See note 21 for more details on the capital and liquidity risk.

The overview below shows the changes in the interest-bearing liabilities arising from financing activities

	Borrowings reported under current liabilities		Bank loans reported under non-current liabilities		Total lease liabilities (Right-of-use assets)		Total	
in thousands of euros	2021	2020	2021	2020	2021	2020	2021	2020
Balance at 1 January	**43,407**	**44,361**	**339,511**	**344,258**	**83,571**	**84,753**	**466,489**	**473,372**
Cash flows from financing activities	15,884	-47,676	-71,501	-5,498			-55,617	-53,174
Proceeds/(repayments) from cash pools	-23,177	46,052					-23,177	46,052
Payment of lease liabilities					-15,570	-16,005	-15,570	-16,005
Non-cash changes:								
- Acquisition of subsidiaries				110			0	110
- Reclassification to liabilities held for sale	-386				-11,382		-11,768	0
- New leases and reassesments					17,990	15,846	17,990	15,846
- Amortized transaction costs				322			0	322
- Interest					1,700	1,857	1,700	1,857
- Effect of changes in exchange rates	-1,098	670		319	-822	-2,880	-1,920	-1,891
Balance at 31 December	**34,630**	**43,407**	**268,010**	**339,511**	**75,487**	**83,571**	**378,127**	**466,489**

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	2021	2020
Trade creditors		198,623	139,078
Advance receipts		4,628	2,808
Other taxes and social insurance contributions		23,000	45,247
Derivatives	21	3,794	1,147
Refund liabilities from customer volume rebates	9	10,641	8,852
Other payables and accruals		84,010	61,585
Trade payables and other payables		**324,696**	**258,717**

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 2021, a number of suppliers made use of supply chain finance (reversed factoring) for a total of € 39.7 million (2020: € 27.5 million), which is recognized as trade payables.

21 FINANCIAL INSTRUMENTS AND RISKS

General

The main financial risks faced by TKH relate to the capital and liquidity risk, interest risk, currency risk, credit risk and price risk. TKH's financial policy is aimed at minimizing the effects of fluctuations in currency exchange and interest rates on its results in the short-term and following market rates in the long-term. TKH uses derivatives to manage the financial risks relating to the business operations and does not undertake speculative positions. Financial risks and the control by management of these risks are disclosed in the chapter 'Risk management' in the annual report.

Capital and liquidity risk

External financing is contracted by the holding for the entire TKH Group. TKH has a committed revolving and standby credit facility of € 500 million with a group of banks. The revolving and standby credit facility has a high flexibility in relation to utilizations and repayments. Next to the committed facility, there are uncommitted facilities with several banks for a total of € 315 million.

TKH has per 31 December 2021 unused available credit facilities for a total of € 436 million (2020: € 395 million). The available credit facilities are reduced for the outstanding bank guarantees. The maximum credit facility per subsidiary is determined centrally. In the credit facility the following financial covenant is agreed, which is tested on a quarterly basis:

	Covenant	Realization 31-12-2021	Realization 31-12-2020
Net debt compared to EBITDA (debt leverage ratio)	< 3.0	0.9	1.6

The debt leverage ratio is calculated excluding the impact of IFRS 16 Leases. Furthermore, it has been agreed with the banks that in the calculation of the debt leverage ratio acquisitions may be consolidated pro forma for 12 months. TKH uses internally a debt leverage ratio up to 2.0. TKH operates within the banks' required covenant at the end of 2021.

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2021 based on agreed repayment periods:

in thousands of euros	Average interest	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	Contractual cash flows	Book value
Bank loans reported under non-current liabilities	1.4%		938	2,814	272,075		275,827	268,010
Lease liabilities (Right-of-use assets)	2.0%		5,939	10,478	38,293	31,165	85,875	75,487
Other financial liabilities	1.5%			4,989	2,499		7,488	7,192
Borrowings reported under current liabilities	1.0%	34,637					34,637	34,630
Trade creditors			198,623				198,623	198,623
Other payables excluding derivatives			94,651				94,651	94,651
Interest rate swaps (derivatives)			64	191	51		306	294
Foreign currency forward contracts (derivatives)			31,615	55,643	17,479		104,737	285
Commodities (derivatives)			-638	-732	-330		-1,700	-1,700
Other financial liabilities		**34,637**	**331,192**	**73,383**	**330,067**	**31,165**	**800,444**	**677,472**

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 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	31-12-2021 Total
Incoming		32,354	55,444	16,650		104,448
Outgoing		-31,615	-55,643	-17,479		-104,737
Net	**0**	**739**	**-199**	**-829**	**0**	**-289**
Discounted at contractual bank rates		681	-73	-893	0	-285

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

Interest risk

The interest risk policy aims at minimizing the interest rate risks associated with the financing of the company and thus at the same time optimizing the net interest costs. Long-term financing has been obtained with a floating-rate and will partly be fixed by means of interest rate swaps, whereby TKH aims to fix 40-70% of the interest associated with the borrowing. During the past period of negative interest rates, TKH has chosen to hedge the interest rate risk below this bandwidth. The following table provides an overview of the, for hedging purposes, agreed interest rate swaps:

in thousands of euros (unless stated otherwise)	Average contracted interest rate 2021	Average contracted interest rate 2020	Nominal amount 2021	Nominal amount 2020	Fair value 2021	Fair value 2020
Maturity between 1 and 2 years	0.45%		25,000		-294	
Maturity between 2 and 5 years		0.45%		25,000		-566

Cash flow hedge accounting has been applied to all interest rate swaps mentioned above. There was no material ineffectiveness in relation to these hedges.

The following sensitivity analysis of borrowings, bank credits and cash and related interest rate swaps to interest rate movements assumes an immediate 1% change in interest rates for all currencies and maturities, with all other variables held constant.
A raise of the interest rates with 1% would result in:

- Additional interest costs of about € 2.6 million per year as a result of financing and cash with a floating interest rate (2020: € 3.3 million). The impact is reduced by existing interest rate swaps.
- An increase of the fair value of the financial instruments with about € 0.3 million (2020: € 0.6 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:

	Euro		USD		CNY		Other currencies		Total	
in thousands of euros	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Trade and other receivables	265,406	230,244	37,709	30,505	14,782	6,918	17,552	13,926	335,449	281,593
Cash and cash equivalents	43,573	76,991	28,863	25,428	13,503	6,508	14,196	12,718	100,135	121,645
Non-current interest-bearing loans and borrowings	-333,804	-409,508							-333,804	-409,508
Current interest-bearing loans and borrowings	-30,012	-35,782	-7,012	-13,177	-629	-488	-9,936	-7,696	-47,589	-57,143
Trade payables and other payables	-362,247	-278,639	-37,713	-27,751	-40,292	-17,266	-11,488	-8,992	-451,740	-332,648
Total	**-417,084**	**-416,694**	**21,847**	**15,005**	**-12,636**	**-4,328**	**10,324**	**9,956**	**-397,549**	**-396,061**

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

	Average contract rate		Nominal amount in foreign currency		Fair value	
in thousands of euros (unless stated otherwise)	2021	2020	2021	2020	2021	2020
Cash flow hedges of balance positions						
Sell USD with settlement within 3 months	1.18	1.17	-10,930	-5,511	-354	313
Buy USD with settlement within 3 months		1.18		135		-5
Buy CNY with settlement within 3 months	7.64	7.91	92,894	89,049	591	-214
Cash flow hedges						
Sell USD with settlement within 3 months	1.21	1.18	-1,424	-3,466	-83	101
Sell USD with settlement between 3 months and 1 year	1.21	1.19	-33,307	-31,373	-1,966	1,084
Sell USD with settlement after 1 year	1.19	1.19	-19,797	-5,967	-893	231
Buy USD with settlement between 3 months and 1 year	1.11	1.16	159	2,979	10	-55
Buy CNY with settlement within 3 months	7.67	7.99	65,538	47,144	527	-72
Buy CNY with settlement between 3 months and 1 year	7.69	8.11	200,548	171,404	1,883	202
Total					**-285**	**1,585**

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 € 6.6 million negative on the result before tax (2020: € 3.4 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 € 25.5 million positive (2020: € 21.0 million positive). An increase of the euro with 10% will have the opposite influence, namely a positive influence of € 6.6 million on the result before tax and a negative influence of € 25.5 million on equity.

Price risk

An important raw material for TKH is copper and aluminium. The price risk of copper and aluminium is limited by a continuously monitoring of sales prices against the development of the purchase price where price changes are passed on to customers. Important raw materials such as copper, aluminum, steel and plastics are purchased with forward delivery contracts, to reduce the price risk on the sale of finished products, provided that:

- a sales contract with a fixed price has been entered into,
- delivery will not take place within one month, and
- an important quantity is required for production.

With physical purchases on long-term against a fixed price in advance, TKH made limited use of derivatives to hedge price risks on free inventories and to fix purchase prices of copper regarding large sales orders with delivery times exceeding one month, if not covered by a long-term purchase. On balance sheet date TKH has entered into the following derivatives for raw materials:

	Average contract rate		Quantity in metric tons		Fair value	
in thousands of euros (unless stated otherwise)	2021	2020	2021	2020	2021	2020
Cash flow hedges						
Buy Copper with settlement within 3 months	5.86	5.66	905	699	617	566
Buy Copper with settlement between 3 months and 1 year	8.05	5.55	1,390	1,045	674	813
Buy Copper with settlement between 1 and 3 years	6.48	5.55	161	292	330	221
Buy Aluminium with settlement within 3 months	1.31	1.51	1,724	412	21	43
Buy Aluminium with settlement between 3 months and 1 year	2.43	1.48	2,061	553	58	72
Total					**1,700**	**1,715**

A decrease of the copper price with 10% would have a negative impact of approximately € 1.0 million on the result (2020: € 0.6 million negative) if all other factors and conditions remain the same. This is caused by the free stock, for which price risk is not hedged, which will then be sold at a lower price.

Credit risk

The financial assets of the group mainly consist of cash and cash equivalents, trade receivables, contract assets and other receivables. The credit risk for cash and cash equivalents is outstanding at major international system banks. The credit risks mainly relate to trade receivables and contract assets. However, it concerns a risk that is spread over a large number of customers that operate in several countries and in different markets. At balance sheet date there was no concentration of credit risk for material amounts. Part of the risk is insured at credit insurance companies. In addition, part of the risk is transferred to factoring companies. The credit risks insurances and factoring is in particular related to receivables on customers in the reporting segment Smart Connectivity systems. These customers are mainly located in the Netherlands, 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.

An impairment analysis is performed at each balance sheet date, whereby the expected credit losses are calculated using a provision matrix. The percentages in the provision matrix are initially based on historical losses for various customer segments (geographic region, customer type, rating and coverage by, for example, credit insurance).The historical credit risk percentages in the matrix are then adjusted with forward-looking information. If the predicted economic conditions are expected to deteriorate, which may lead to an increase in the number of defaults, the historical credit risk rates will be adjusted. On each reporting date, the historical observed credit risk percentages are updated and changes in estimates are analyzed. The assessment of the correlation between historical observed credit risk percentages, predicted economic conditions and expected credit losses is a management estimate. The actual future credit losses may differ. Below is shown the age of the trade receivables, contract assets and the expected credit losses.

in thousands of euros	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2021 Total
Book value	257,130	35,995	8,086	3,679	4,391	2,059	7,550	318,890
Expected credit loss rate	0.1%	0.3%	1.0%	3.3%	6.2%	19.1%	67.5%	
Loss allowance	300	117	77	121	272	394	5,096	6,377

in thousands of euros	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2020 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

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	2021	2020
Balance at 1 January	**6,675**	**7,261**
Additions	1,236	806
Releases	-749	
Acquisitions		-13
Reclassification to assets held for sale	-468	
Utilized	-418	-1,207
Exchange differences	101	-172
Balance at 31 December	**6,377**	**6,675**

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	2021	2020
Bank guarantees provided to third parties	122,860	87,291
Corporate guarantees provided to banks	13,391	12,904
Purchase obligations arising from orders for property, plant and equipment	11,935	9,680

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.

23 INFORMATION BY SEGMENT

As announced on our Capital Markets Day in November 2021, going forward from November 2021, TKH changed its management structure and is now organized along the lines of our three technologies: Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems. The segment reporting as of November 2021 follows this structure. This note contains disclosures for the previous segmentation (Telecom, Building and Industrial Solutions) and new segmentation (Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems).

Smart Technology segmentation (November 2021 onwards)

In the overview of 'Consolidated entities', as part of the 'Other information', is shown in which of the segments the different subsidiaries operate. In the annual report, a detailed overview of the activities by business segment is shown.

Operating segments

	Smart Vision systems		Smart Manufacturing systems		Smart Connectivity systems		Other and eliminations		Total	
in thousands of euros (unless stated otherwise)	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Geographic segments										
Netherlands	38,130	39,100	41,540	38,268	260,136	226,943	2	86	339,808	304,397
Europe (other)	175,230	173,362	145,558	111,792	364,137	271,906	184	642	685,109	557,702
Asia	109,920	86,855	146,554	121,915	37,012	37,091			293,486	245,861
North America	81,369	77,455	80,079	71,123	7,458	6,034	35	29	168,941	154,641
Other	20,143	11,527	2,488	2,375	13,798	12,865			36,429	26,767
External turnover	**424,792**	**388,299**	**416,219**	**345,473**	**682,541**	**554,839**	**221**	**757**	**1,523,773**	**1,289,368**
Inter-segment revenue	4,986	4,657	2,835	3,987	9,780	10,745	-17,601	-19,389	0	0
Total turnover	**429,778**	**392,956**	**419,054**	**349,460**	**692,321**	**565,584**	**-17,380**	**-18,632**	**1,523,773**	**1,289,368**
Timing of revenue recognition										
Revenue at a point-in-time	401,273	356,845	81,484	68,931	567,626	481,932	36	86	1,050,419	907,794
Revenue over time	22,492	30,776	334,683	276,521	114,229	72,738	1		471,405	380,035
Inter-segment revenue	4,986	4,657	2,835	3,987	9,780	10,745	-17,601	-19,389	0	0
Revenues from contracts with customers	**428,751**	**392,278**	**419,002**	**349,439**	**691,635**	**565,415**	**-17,564**	**-19,303**	**1,521,824**	**1,287,829**
Other revenues	1,027	678	52	21	686	169	184	671	1,949	1,539
Total turnover	**429,778**	**392,956**	**419,054**	**349,460**	**692,321**	**565,584**	**-17,380**	**-18,632**	**1,523,773**	**1,289,368**
Added value	**250,760**	**232,174**	**205,417**	**170,350**	**279,942**	**230,930**	**401**	**937**	**736,520**	**634,391**
Added value in %	*58.3%*	*59.1%*	*49.0%*	*48.7%*	*40.4%*	*40.8%*			*48.3%*	*49.2%*
EBITDA	88,512	77,528	67,354	49,357	94,914	66,203	-16,053	-12,101	234,727	180,987
EBITA	73,791	62,057	59,391	41,384	73,207	45,221	-16,828	-13,144	189,561	135,518
ROS	*17.2%*	*15.8%*	*14.2%*	*11.8%*	*10.6%*	*8.0%*			*12.4%*	*10.5%*
One-off income and expenses		3,129		318		4,317		-837	0	6,927
Amortization	37,588	40,499	9,561	9,037	3,903	4,108	58	76	51,110	53,720
Impairments	2,237	2,930	-51	208	-653	830	31		1,564	3,968
Segment operating result	**33,966**	**15,499**	**49,881**	**31,821**	**69,957**	**35,966**	**-16,917**	**-12,383**	**136,887**	**70,903**

Operating segments

in thousands of euros (unless stated otherwise)	Smart Vision systems 2021	Smart Vision systems 2020	Smart Manufacturing systems 2021	Smart Manufacturing systems 2020	Smart Connectivity systems 2021	Smart Connectivity systems 2020	Other and eliminations 2021	Other and eliminations 2020	Total 2021	Total 2020
Other information										
Investments in intangible assets, property, plant and equipment, Right-of-use assets, including acquisitions	40,888	35,185	17,418	17,116	28,557	29,066	807	834	87,670	82,201
Employees (FTE)	1,862	1,827	1,677	1,609	2,162	2,061	83	86	5,784	5,583
Balance sheet										
Assets	731,607	688,230	342,306	303,350	488,877	501,807	17,777	42,436	1,580,567	1,535,823
Assets held for sale					87,140	3,577	1,044	1,017	88,184	4,594
Associates	2,884	2,886			25,813	22,652	2	2	28,699	25,540
Total assets	**734,491**	**691,116**	**342,306**	**303,350**	**601,830**	**528,036**	**18,823**	**43,455**	**1,697,450**	**1,565,957**
Total liabilities	**203,627**	**178,363**	**260,367**	**159,746**	**223,521**	**189,341**	**287,952**	**376,601**	**975,467**	**904,051**
Capital employed current year	488,804	473,896	71,645	128,481	350,350	314,290	16,955	6,673	927,754	923,340
Return on Capital Employed (ROCE)	*15.3%*	*12.6%*	*59.4%*	*33.2%*	*22.0%*	*13.6%*			*20.5%*	*14.0%*

Added value is calculated by deducting ‘Raw materials, consumables, trade products and subcontracted work’ from ‘Total turnover’
TKH has no individual customers representing 10% or more of the consolidated turnover. Other revenues relate to other services provided to third parties, such as rental, insurance payments and charged costs.

in thousands of euros (unless stated otherwise)	Non-current assets [1] 2021	Non-current assets [1] 2020	Employees (FTE) 2021	Employees (FTE) 2020
Geographic segments				
Netherlands	288,263	272,659	34%	36%
Europe (other)	448,523	514,419	43%	42%
Asia	63,514	52,027	14%	14%
North America	47,396	57,993	7%	7%
Other	10,097	4,901	2%	1%
Total	**857,793**	**901,999**	**100%**	**100%**

1 The non-current assets are shown excluding the deferred tax assets.

Solutions segmentation (until November 2021)

Operating segments	Telecom Solutions		Building Solutions		Industrial Solutions		Other and eliminations		Total	
in thousands of euros (unless stated otherwise)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Geographic segments										
Netherlands	46,783	52,378	250,909	209,201	41,391	42,818			339,083	304,397
Europe (other)	161,140	117,569	296,836	263,765	227,858	176,368			685,834	557,702
Asia	9,014	10,887	122,041	101,355	162,430	133,618			293,485	245,860
North America	544	514	85,314	79,536	83,082	74,592			168,940	154,642
Other	1,689	1,787	27,714	18,676	7,028	6,304			36,431	26,767
Total turnover	**219,170**	**183,135**	**782,814**	**672,533**	**521,789**	**433,700**	**0**	**0**	**1,523,773**	**1,289,368**
Timing of revenue recognition										
Revenue at a point-in-time	217,718	181,730	723,151	627,196	109,550	98,868			1,050,419	907,794
Revenue over time	1,341	1,301	58,474	44,681	411,590	334,053			471,405	380,035
Revenues from contracts with customers	**219,059**	**183,031**	**781,625**	**671,877**	**521,140**	**432,921**	**0**	**0**	**1,521,824**	**1,287,829**
Other revenues	111	104	1,189	656	649	779			1,949	1,539
Total turnover	**219,170**	**183,135**	**782,814**	**672,533**	**521,789**	**433,700**	**0**	**0**	**1,523,773**	**1,289,368**
Result										
EBITA before one-off income and expenses	29,344	23,108	96,155	77,257	77,175	47,328	-13,113	-12,175	189,561	135,518
ROS	*13.4%*	*12.6%*	*12.3%*	*11.5%*	*14.8%*	*10.9%*			*12.4%*	*10.5%*
One-off income and expenses				-8,606		1,679			0	-6,927
Amortization	-1,005	-1,139	-40,311	-43,276	-9,781	-9,291	-13	-14	-51,110	-53,720
Impairments		182	-1,615	-3,796	51	-354			-1,564	-3,968
Segment operating result	**28,339**	**22,151**	**54,229**	**21,579**	**67,445**	**39,362**	**-13,126**	**-12,189**	**136,887**	**70,903**
Other information										
Investments in intangible assets, property, plant and equipment, Right-of-use assets, including acquisitions	9,859	8,952	57,312	52,755	19,924	19,979	575	86	87,670	81,772
Depreciation and amortization	6,773	6,843	67,866	70,587	21,468	19,899	169	258	96,276	97,587
Employees (FTE)	730	718	2,741	2,657	2,282	2,178	31	30	5,784	5,583
Balance sheet										
Assets	183,025	179,380	952,495	904,131	418,485	395,220	26,562	57,092	1,580,567	1,535,823
Assets held for sale	20,914		48,708	3,646	18,357	948	205		88,184	4,594
Associates	10,017	8,959	2,851	2,847	15,829	13,732	2	2	28,699	25,540
Consolidated total assets	**213,956**	**188,339**	**1,004,054**	**910,624**	**452,671**	**409,900**	**26,769**	**57,094**	**1,697,450**	**1,565,957**
Liabilities	**48,033**	**46,551**	**209,233**	**201,544**	**261,426**	**169,171**	**456,775**	**486,785**	**975,467**	**904,051**

		Total turnover
in thousands of euros	2021	2020
Vertical markets		
Fibre Optics Networks	151,341	121,837
Parking	33,679	37,119
Infrastructure	146,994	130,557
Marine & Offshore	74,181	55,303
Care	63,124	52,129
Machine Vision	199,454	173,391
Tire Building Industry	285,940	242,467
Other vertical markets	569,060	476,565
Total turnover	**1,523,773**	**1,289,368**

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.

24 PERSONNEL EXPENSES

The personnel expenses include the following items:

in thousands of euros	2021	2020
Wages and salaries	303,004	287,202
Share-based payments	5,042	2,592
Social insurance contributions	49,243	46,491
Pension costs	15,421	14,627
Temporary labor	19,506	17,047
Capitalized development costs	-27,571	-26,969
Other personnel expenses	13,622	11,862
Personnel expenses	**378,267**	**352,852**

Personnel costs for 2020 include one-off charges of € 7.7 million associated with restructuring within the ‘Simplify & Accelerate’ program. During the year 2021 no significant use has been made of available COVID-19 government support. In 2020, government support programs reduced personnel costs with € 6.8 million, often related to schemes for job retention or a form of short-time working. In the Netherlands, no government support has been used.

25 SHARE-BASED PAYMENTS

Stock option scheme settled in equity instruments

Option rights to (depositary receipts of) ordinary shares of TKH are granted to the management of the subsidiaries. The rights can never be exercised until after the publication of the company’s annual results three calendar years following the year in which the rights were granted, and have an exercise period of two years. Partly to avoid abuse of inside knowledge, the conditions for participation have been laid down in an internal regulation and have been accepted in writing by the participants.

Executive Board

No option rights are granted to the members of the Executive Board and the Supervisory Board. Mr. H.J. Voortman has been awarded options in the period before being appointed as a member of the Executive Board. The movement and balance of the outstanding option rights granted to him is as follows:

Year of allocation	Exercise price in €	Number at 01-01-2021	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2021	Exercise period
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		**27,750**	**0**	**0**	**0**	**-12,000**	**15,750**	

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 price in €	Number at 01-01-2021	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2021	Exercise period
2016	33.92	194,450		-2,210	-780	-191,460		2019-2021
2017	41.19	218,328			-1,756	-145,998	70,574	2020-2022
2018	52.25	220,091			-2,004	-1,008	217,079	2021-2023
2019	46.02	312,860			-2,683		310,177	2022-2024
2020	32.28	306,515			-2,449		304,066	2023-2025
2021	37.88		335,669		-4,495		331,174	2024-2026
Total		**1,252,244**	**335,669**	**-2,210**	**-14,167**	**-338,466**	**1,233,070**	

At the end of 2021, the company owns 1,020,885 purchased (depositary receipts of) shares to cover the option rights. These (depositary receipt of) shares have been purchased against an average share price of € 40.27. The total purchase value is € 41,113,418. The average share price on the date at which the share options were exercised during the financial year was € 36.96. The options were granted during the financial year on 9 March 2021. The estimated fair value of the options granted in 2021 is € 2,766,232. The fair value was determined on the basis of a binomial valuation model with the following assumptions:

	2021	2020
Fair value at the date of allocation (in €)	8.12	8.41
Expected volatility	35.7%	26.7%
Expected dividend	3.0%	3.0%
Risk free rate	-0.380%	-0.453%
Expected period to expiry of the option (in years)	4.0	4.0

The current restrictions on the exercise of the options, the chances that employees will leave the company and possible personal considerations of option holders have been taken into account for the expected expiry period of the options. TKH has a reported total charge of € 2,237,169 (2020: € 1,936,252) for these share-based payments which have been settled in equity instruments.

Other share-based payments

Based on the share scheme, (depositary receipts of) shares have been allotted to the members of the Executive Board. During 2021 Mr. J.M.A. van der Lof was allotted 2,216 (depositary receipts of) shares, Mr. E.D.H. de Lange 1,662, and Mr. H.J. Voortman 1,508 (depositary receipts of) shares related to the performance for the year 2020. At the same time, the Executive Board members purchased respectively 2,216, 1,662 and 1,508 (depositary receipts of) shares at the actual share price of € 38.44, 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 € 2,805,000 (2020: € 656,000) 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	2021	2020
Depreciation of property, plant and equipment	30,149	29,769
Depreciation of Right-of-use assets	15,089	15,665
Result on disposal of propery, plant and equipment	-72	-1,567
Depreciation	**45,166**	**43,867**

28 AMORTIZATION

in thousands of euros	2021	2020
Amortization of intangible non-current assets	31,870	30,813
Amortization of intangible non-current assets from acquisitions as a result of ‘Purchase Price Allocations’	19,240	22,907
Amortization	**51,110**	**53,720**

29 IMPAIRMENT

in thousands of euros	Notes	2021	2020
Impairment of intangible assets and goodwill	3	996	323
Impairment of property, plant and equipment	4	-581	995
Impairment Right-of-use assets	5	1,209	2,553
Onerous contracts		-60	97
Impairment		**1,564**	**3,968**

30 RESEARCH AND DEVELOPMENT COSTS

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

in thousands of euros	2021	2020
Research and development costs	64,422	60,643
Less: Capitalized development costs	-34,689	-34,390
Add: Amortization of development costs	25,549	24,171
Add: Impairment on capitalized development costs	965	323
Research and development costs accounted for in the profit and loss account	**56,247**	**50,747**
Government subsidies for research and development costs	3,680	4,288

31 FINANCIAL INCOME AND EXPENSES

in thousands of euros	2021	2020
Exchange and translation differences, including the effect of realized cash flow hedges	-680	-1,965
Amortized transaction costs	-322	-322
Interest costs in defined benefit plans	-10	-15
Interest expense on lease liabilities	-1,700	-1,857
Interest expenses	-5,767	-6,593
Interest income from debt instruments at fair value through P&L	30	30
Interest income	161	312
Financial income and expenses	**-8,288**	**-10,410**

32 TAX

in thousands of euros	Notes	2021	2020
Current tax		33,852	19,154
Adjustments for previous years		-264	-253
Deferred tax	16	102	-3,512
Total tax on result		**33,690**	**15,389**

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

in thousands of euros	Notes	2021	2020
Deferred taxes on revaluation of cash flow hedges	16	-400	1,089
Deferred taxes on actuarial gains and losses	16	8	89
Total tax on other comprehensive income		**-392**	**1,178**

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

in thousands of euros (unless stated otherwise)	2021		2020	
Result before tax	**128,914**		**62,915**	
Tax calculated at the Dutch tax rate	32,229	25.0%	15,729	25.0%
Correction due to tax effect for:				
Tax participation exemption	-380	-0.3%	-495	-0.8%
Non-deductible expenses	2,564	2.0%	1,000	1.6%
Non-taxable income	-245	-0.2%	-459	-0.7%
Advantages from tax facilities	-3,110	-2.4%	-2,862	-4.5%
Write off/recognition of deferred taxes	72	0.1%	209	0.3%
(Recognition)/derecognition of deferred tax asset for unused tax losses	1,206	0.9%	1,725	2.7%
Settlement of income tax returns for previous years	-264	-0.2%	-253	-0.4%
Differences in tax rates for foreign subsidiaries	2,248	1.7%	1,576	2.5%
Change in statutory tax rate	-586	-0.5%	1,093	1.7%
Other tax benefits	-44	0.0%	-1,874	-2.9%
Effective tax rate	**33,690**	**26.1%**	**15,389**	**24.5%**

The effective tax rate increased compared to last year. The change is mainly attributable to the following circumstances:

- The non-deductible expenses increased due to higher costs related to share based payments;
- In 2020, TKH received government support for COVID-19, which was in some countries classified as non-taxable income;
- Although the benefits from tax R&D facilities increased compared to previous year, the relative reduction of the tax rate decreased as a result of a governmental change to less favorable tax facilities in the Netherlands and China. These current facilities mainly relate to the Netherlands (innovation box), Canada (SR&ED) and Austria;
- Not fully recognizing tax losses resulted in a tax loss of € 1.2 million in 2021 (2020: € 1.7 million);
- Differences in tax rates for foreign subsidiaries causes on balance a higher effective tax rate. This mainly applies to our subsidiaries in Germany, France, Canada and Australia;
- Changes in statutory tax rates applied in the calculation of deferred taxes resulted in a tax benefit of € 0.6 million (2020: tax expense of € 1.1 million); and
- In 2020, there was a tax write-down on a business premises, which was recognized as other tax benefits.

33 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

in thousands of euros (unless stated otherwise)	Notes	2021	2020
Weighted average number of (depositary receipts of) shares (x 1,000)		41,184	41,729
Effect of share options (x 1,000)		158	29
Weighted average number of (depositary receipts of) shares diluted (x 1,000)		**41,342**	**41,758**
Net profit		95,224	47,526
Less: Non-controlling interests		-12	-6
Net profit attributable to the shareholders of the company		**95,212**	**47,520**
Amortization of intangible assets from acquisitions	3	19,240	22,907
Taxes on amortization		-5,045	-6,014
Net profit before amortization attributable to the shareholders of the company		**109,407**	**64,413**
One-off costs for restructurings, integrations, divestments and acquisitions			6,927
Result from divestments and purchase price allocations in the result of associates		1,556	-2,143
Impairments		1,564	3,968
Fair value changes of financial liability for earn-out and put options of holders of non-controlling interests	15	1,759	-120
Tax impact on one-off expenses and benefits		-391	-2,723
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company		**113,895**	**70,322**
Earnings per share attributable to shareholders			
Ordinary earnings per share (in €)		2.31	1.14
Diluted earnings per share (in €)		2.30	1.14
Ordinary earnings per share (in €) continued operations		2.31	1.14
Diluted earnings per share (in €) continued operations		2.30	1.14
Ordinary earnings per share before amortization (in €) continued operations [1]		2.66	1.54
Ordinary earnings per share before amortization and one-off income and expenses (in €) continued operations [1]		2.77	1.69

1 Non IFRS compulsory disclosure

In 2020, the one-off costs related to the execution of the ‘Simplify & Accelerate’ program. Various integrations and mergers, in particular in the segments Smart Connectivity systems and Smart Vision systems, resulted that year in restructuring costs and write-downs.

34 RELATED PARTIES

Trade transactions

During the year trade transactions with non-consolidated related parties have taken place. These transactions were concluded at market prices, taking into account discounts for volumes and the existing relationship between the parties. The following transactions with related parties occurred during the year:

	Sold to		Bought from		Trade receivables		Trade payables	
in thousands of euros	2021	2020	2021	2020	2021	2020	2021	2020
Cable Connectivity Group B.V.	3,096	4,769	5,996	5,325	280	1,027	731	631
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.			16,626	10,960			7,980	2,307
Speed Elektronik Vertrieb GmbH	216	352	136	226	18	3		2
Commend Australia Integrated Security and Communication Systems Pty Ltd.	588	560			88	39		
NET Italia S.r.l.		202		7		125		7
Total	**3,900**	**5,883**	**22,758**	**16,518**	**386**	**1,194**	**8,711**	**2,947**

Shareholdings of members of the Executive Board and the Supervisory Board

During the financial year J.M.A. van der Lof sold in total 15,432 (depositary receipts of) shares at an average stock price of € 46.00, E.D.H. de Lange sold 3,324 (depositary receipts of) shares at a stock price of € 38.44 and H. Voortman sold 1,508 (depositary receipts of) shares at a stock price of € 38.44, 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 2,216, 1,662 and 1,508 (depositary receipts of) shares at a stock price of € 38.44. Among the members of the Executive Board, Mr. J.M.A. van der Lof owned 122,147 (depositary receipts of) shares, Mr. E.D.H. de Lange owned 95,789 (depositary receipts of) shares and Mr. H.J. Voortman owned 26,153 (depositary receipts of) shares shares at the end of 2021. Of the Supervisory Board, Mr. A.J.P. De Proft owned 2,000 (depositary receipts of) shares at the end of 2021.

Remuneration of the Executive Board and the Supervisory Board

The remuneration payable to the members of the Executive Board comprises a basic salary (TRI), pension and a variable element, comprising an annual performance bonus (STI) and a long-term bonus (LTI) scheme entailing a share scheme. The remuneration of the Supervisory Board consists of a fixed remuneration and a remuneration for participation in a committee. The various remuneration components are explained below, as well as the amount charged to the legal entity and its subsidiary or group companies.

	Total regular income (TRI)		Bonus (STI)		Share scheme (LTI)		Pension		Compensation for pension premium		Total	
in thousands of euros	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive Board	1,707	1,657	997	179	2,736	356	82	79	325	303	5,847	2,574
Supervisory Board	313	326									313	326
Total remuneration	**2,020**	**1,983**	**997**	**179**	**2,736**	**356**	**82**	**79**	**325**	**303**	**6,160**	**2,900**

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

On 27 January 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 are part of the business segment Smart Vision Systems.
The purchase price was immaterial and 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 company's contribution to the consolidated activities of TKH was immaterial in 2021. TKH expects the acquisition to have an immaterial effect on earnings per share in 2022.

36 NON-CASH TRANSACTIONS

There were no material non-cash transactions.

37 EVENTS AFTER BALANCE SHEET DATE

No events of fundamental significance for insight into the financial statements and the preceding period occurred after balance sheet date.

However, after balance sheet date, the geopolitical situation and conflict surrounding Russia-Ukraine escalated, which can impact our operations and outlook. For the financial statements 2021, this is treated as a non-adjusting event. In 2021, TKH realized in Ukraine a turnover of € 1 million (2020: € 1 million) and in Russia a turnover of € 10 million (2020: € 21 million). At December 31, 2021, the order book related to Russian and Ukrainian customers was in total € 11 million, but the amount of outstanding contract assets and receivables are limited. Furthermore, TKH has a subsidiary based in Kiev (Ukraine) with 128 FTE active in the assembly of specialized connectivity systems. The equipment, right-of-use assets and inventories have a book value of about € 4 million, of which a part has been transported to Poland.

38 SERVICE FEES PAID TO EXTERNAL AUDITORS

The service fees paid to the external auditor EY, recognized as other operating expenses, can be specified as follows:

	Ernst & Young Accountants LLP (Netherlands)		Other parts of EY		Total	
in thousands of euros	2021	2020	2021	2020	2021	2020
Audit of the financial statements	1,113	1,315	596	543	1,709	1,858
Other assurance engagements	70	5		3	70	8
Other non-audit services	11		9	28	20	28
Servicecosts external auditors	**1,194**	**1,320**	**605**	**574**	**1,799**	**1,894**

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF PROFIT AND LOSS

in thousands of euros	Notes		2021		2020
Net turnover	14		**9,768**		**9,387**
Wages and salaries	15	11,091		8,795	
Social insurance contributions		1,069		1,128	
Depreciation and result on divestment of property, plant and equipment		188		227	
Other operating expenses		9,488		6,883	
Total operating expenses			**21,836**		**17,033**
Operating result			**-12,068**		**-7,646**
Financial income			5,475		1,386
Financial expenses			-3,476		-4,044
Exchange differences			114		-246
Change in value of financial liability for earn-out and put-options of holders of non-controlling interests			-1,620		120
Result before tax			**-11,575**		**-10,430**
Tax on result	16		-1,160		-1,669
Company result			**-10,415**		**-8,761**
Share in result of participations after tax			105,627		56,281
Net result			**95,212**		**47,520**

COMPANY BALANCE SHEET

As of 31 December before profit appropriation

in thousands of euros	Notes	2021		2020	
ASSETS					
Non-current assets					
Intangible assets and goodwill	2	170,828		147,181	
Property, plant and equipment	3	465		494	
Financial non-current assets	4	832,534		788,043	
Deferred tax assets	5	890		800	
Total non-current assets			**1,004,717**		**936,518**
Current assets					
Receivables on subsidiaries		33,751		50,447	
Other receivables	6	5,641		3,855	
Cash and cash equivalents	12	3,372		4,747	
Total current assets			**42,764**		**59,049**
Total assets			**1,047,481**		**995,567**

in thousands of euros	Notes	2021		2020	
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital		10,554		10,709	
Share premium		85,021		85,021	
Legal reserve		92,542		85,561	
Translation reserve		15,251		-2,593	
Cash flow hedge reserve		1,049		1,919	
Retained earnings		422,301		433,683	
Unappropriated profit		95,212		47,520	
Total shareholders' equity	7		**721,930**		**661,820**
Provisions					
Deferred tax liabilities	5	581		597	
Other financial liabilities	11	345		3,157	
Provisions	10	33,989		25,259	
Total provisions			**34,915**		**29,013**
Non-current liabilities					
Interest-bearing loans and borrowings		85		35	
Total non-current liabilities			**85**		**35**
Current liabilities					
Interest-bearing loans and borrowings	12	34		28	
Payables to group companies		280,058		295,906	
Other financial liabilities	11	4,989		4,542	
Other current liabilities		5,470		4,223	
Total current liabilities			**290,551**		**304,699**
Total equity and liabilities			**1,047,481**		**995,567**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, TKH makes use of the option provided in Article 2:362 sub 8 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result for the separate financial statements of TKH are the same as those for the consolidated financial statements. For a description of these accounting principles, reference is made to the accounting principles of the consolidated financial statements.

Investments in subsidiaries are valued at net asset value. The net asset value is determined on basis of the valuation principles, as described in note 1 of the consolidated financial statements. The net asset value of subsidiaries consists of cost price, exclusive goodwill, the share of TKH in the sum of the assets, liabilities and provisions of the subsidiary, plus the share in the result of the subsidiary since the takeover that is attributed to TKH, less the received dividends.

The expected credit losses as prescribed in IFRS 9 Financial Instruments on receivables on group companies are included in the carrying amount of the participations.

2 INTANGIBLE ASSETS AND GOODWILL

	Goodwill	
in thousands of euros	2021	2020
Historical cost at 1 January	**148,871**	**149,692**
Accumulated impairment losses	1,690	1,690
Book value at 1 January	**147,181**	**148,002**
Acquisitions		383
Transfer within the group	23,150	
Adjustment goodwill		-1,537
Exchange differences	497	333
Book value at 31 December	**170,828**	**147,181**
Accumulated impairment losses	1,690	1,690
Historical cost at 31 December	**172,518**	**148,871**

The ‘Transfer within the group’ relates to an internal restructuring where some additional subsidiaries now reside directly under TKH Group N.V. The adjustment of goodwill in 2020 relates to an upward adjustment of the valuation of the carry forward losses of an acquisition from 2019.

3 PROPERTY, PLANT AND EQUIPMENT

	Other equipment	
in thousands of euros	2021	2020
Historical cost at 1 January	**2,665**	**2,803**
Accumulated depreciation and impairments	2,171	2,072
Book value at 1 January	**494**	**731**
Purchases	177	48
Disposals	-18	-58
Depreciation	-188	-227
Book value at 31 December	**465**	**494**
Accumulated depreciation and impairments	1,994	2,171
Historical cost at 31 December	**2,459**	**2,665**

4 FINANCIAL NON-CURRENT ASSETS

	Subsidiaries		Associates		Receivables on subsidiaries		Total	
in thousands of euros	2021	2020	2021	2020	2021	2020	2021	2020
Balance at 1 January	**748,637**	**830,299**	**24,884**	**27,997**	**14,522**	**334,259**	**788,043**	**1,192,555**
Acquisition and/or incorporation of subsidiaries and associates		348					0	348
Disposals		-24,367					0	-24,367
Capital contribution	15,780	20,374				-20,374	15,780	0
Result	100,877	54,154	2,370	-2,802			103,247	51,352
Result after tax from discontinued operations			-31				-31	0
Dividend received	-86,681	-42,184					-86,681	-42,184
Change in cash flow hedge reserves	-1,073	3,059					-1,073	3,059
Liquidation	-3						-3	0
Transfer within the group	1,889					-405,057	1,889	-405,057
Loans granted less repayments					-14,522	5,158	-14,522	5,158
Actuarial gains/(losses) from defined benefit plans	64	-243		-83			64	-326
Other changes		1,537					0	1,537
Reclasification between receivables and participations	-130	-100,536				100,536	-130	0
Reclassification provision subsidiaries and associates	8,567	18,741					8,567	18,741
Exchange differences	16,504	-12,545	880	-228			17,384	-12,773
Balance at 31 December	**804,431**	**748,637**	**28,103**	**24,884**	**0**	**14,522**	**832,534**	**788,043**

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. A number of loan agreements with group companies were in 2021 and 2020 converted into share capital. This has resulted in a reclassification of receivables from group companies to consolidated subsidiaries. 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 1.0% to 2.8%.

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 2020	**-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**
(Charge)/credit to other comprehensive income			-65	-65
(Charge)/credit to profit or loss	16	155		171
Balance at 31 December 2021	**-581**	**814**	**76**	**309**

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	2021	2020
Deferred tax assets stated under non-current assets	890	800
Deferred tax liabilities stated under non-current liabilities	-581	-597
Deferred taxes	**309**	**203**

6 OTHER RECEIVABLES

in thousands of euros	2021	2020
Taxes and social security premiums	5,007	2,928
Other receivables	634	927
Other receivables	**5,641**	**3,855**

7 EQUITY

For the movement schedule is referred to the consolidated statement of changes in group equity. The company only movement schedule for equity, excluding the movement of the non-controlling interests, is the same.

Authorized capital

	x1,000	2021 € '000	2020 € '000
The authorized capital consists of:			
Ordinary shares	59,984		
Cumulative preference financing shares	10,000		
Convertible cumulative preference financing shares	10,000		
Cumulative preference protective shares	60,000		
Each nominal € 0.25	**139,984**	**34,996**	**34,996**
Priority share	4		
Each nominal € 1.00	**4**	**4**	**4**
Authorized capital		**35,000**	**35,000**
Of which not issued		24,446	24,291
Issued capital [1]		**10,554**	**10,709**

1 Concerns 4,000 priority and 42,198,429 (depositary receipts of) shares.

The issued capital was reduced with 623,334 ordinary shares on 23 November 2021 following the resolution on the Annual General Meeting on 6 May 2021. The number of shares that has been cancelled relate to the depositary receipts of shares that have been purchased under the share-buyback program initiated on November 18, 2020 with a value of € 25 million. The registered ordinary shares, with the exception of the register-shares in the company, have been transferred to Stichting Administratiekantoor TKH Group ('Trust Foundation'), which issues depositary receipts of shares to the ultimate capital providers. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power of attorney to the holders of the depositary receipts. The holders of depositary receipts are entitled to receive a power of attorney to cast a vote on the shares corresponding to the depositary receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depositary receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the executive committee of Stichting 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 depositary receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depositary receipts of shares is governed by the administrative conditions. The protection afforded by the use of depositary receipts is based on the 1% rule. The depositary receipts may be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes shares owned indirectly as well as directly. However, this does not apply to the transfer of ordinary shares to the company itself.

Every transfer of preference financing shares, convertible preference financing shares and preference protective shares must be approved by the Executive Board. The Executive Board may only grant its approval with the approval of the Supervisory Board.

Besides from what is mentioned in the 'Other information', no special rights are attached to the priority shares. The company has granted the Stichting Continuïteit TKH ('Continuity Foundation') an option to take preference protective shares for up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference protective shares are issued or 100% of the sum of the other outstanding shares at the time that the preference protective shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a statement to that effect with the Chamber of Commerce.

Share premium reserve

The share premium reserve is fully exempt from Dutch taxes on distribution.

Legal reserve

The legal reserve relates to:

in thousands of euros	2021	2020
Capitalized development costs	87,666	80,760
Legal reserve for participations	4,876	4,801
Legal reserve	**92,542**	**85,561**

The legal reserve is not available for distribution to the company's shareholders.

Revaluation reserves

The revaluation reserves are not available for distribution to the company's shareholders.

Hedging and translation reserve

The hedging and translation reserves are legal reserves and not available for distribution to the company's shareholders.

8 DIVIDEND

TKH recognizes a liability to pay a dividend when the distribution is no longer at the discretion of the company. A dividend payment is due under Dutch law if approved by the shareholders. At that moment, the amount is recognized directly in equity. At the General Meeting of shareholders in 2021 the dividend for the year 2020 was declared at € 1.00 per (depositary receipt of) ordinary share. The dividend was paid in cash. The dividend on the priority shares was declared at € 0.05 per share. The total amount of dividends paid in 2021 was € 41,125,796 and this amount was charged to the retained earnings.

After 31 December 2021, the Executive Board has proposed a dividend. With regard to Article 33 of the Articles of Association, the Executive Board proposes to the holders of (depositary receipts of) ordinary shares a dividend of € 1.50 per (depositary receipt of) ordinary share. The dividend proposal is subject to approval at the annual general meeting and has not been recognized in the balance sheet and does not impact the corporate income tax.

9 SHARE-BASED PAYMENTS

The share-based payments are disclosed in note 25 of the consolidated financial statements.

10 OTHER PROVISIONS

in thousands of euros	2021	2020
Liability for subsidiaries with negative equity	33,484	24,917
Other long-term provisions	505	342
Total of other long- and short-term provisions	**33,989**	**25,259**

For more background details about other long-term provisions see note 14 of the consolidated financial statements.

11 OTHER FINANCIAL LIABILITIES

in thousands of euros	Earn-out	Put options of holders of non-controlling interests	Total
Balance at 1 January 2021	**7,342**	**357**	**7,699**
Change in value through the profit and loss account	911	709	1,620
Payment for acquisitions from previous years	-3,707	-278	-3,985
Balance at 31 December 2021	**4,546**	**788**	**5,334**

For more details about the financial liabilities see note 15 of the consolidated financial statements.

12 NET INTEREST BEARING DEBT

in thousands of euros	2021	2020
Bank loans reported under non-current liabilities	85	35
Borrowings reported under current liabilities	34	28
Cash and cash equivalents	-3,372	-4,747
Net interest bearing debt	**-3,253**	**-4,684**

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 € 44.9 million (2020: € 45.4 million) for bank credit and bank guarantee facilities provided to a number of foreign subsidiaries. This facility was called on for a sum of € 14.1 million (2020: € 0.1 million) at the end of 2021.

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	2021	2020
Current tax		-703	-2,011
Adjustments for previous years		-286	598
Deferred tax	5	-171	-256
Total tax on result		**-1,160**	**-1,669**

The reconciliation of the tax expense in the year with the result before tax is as follow:

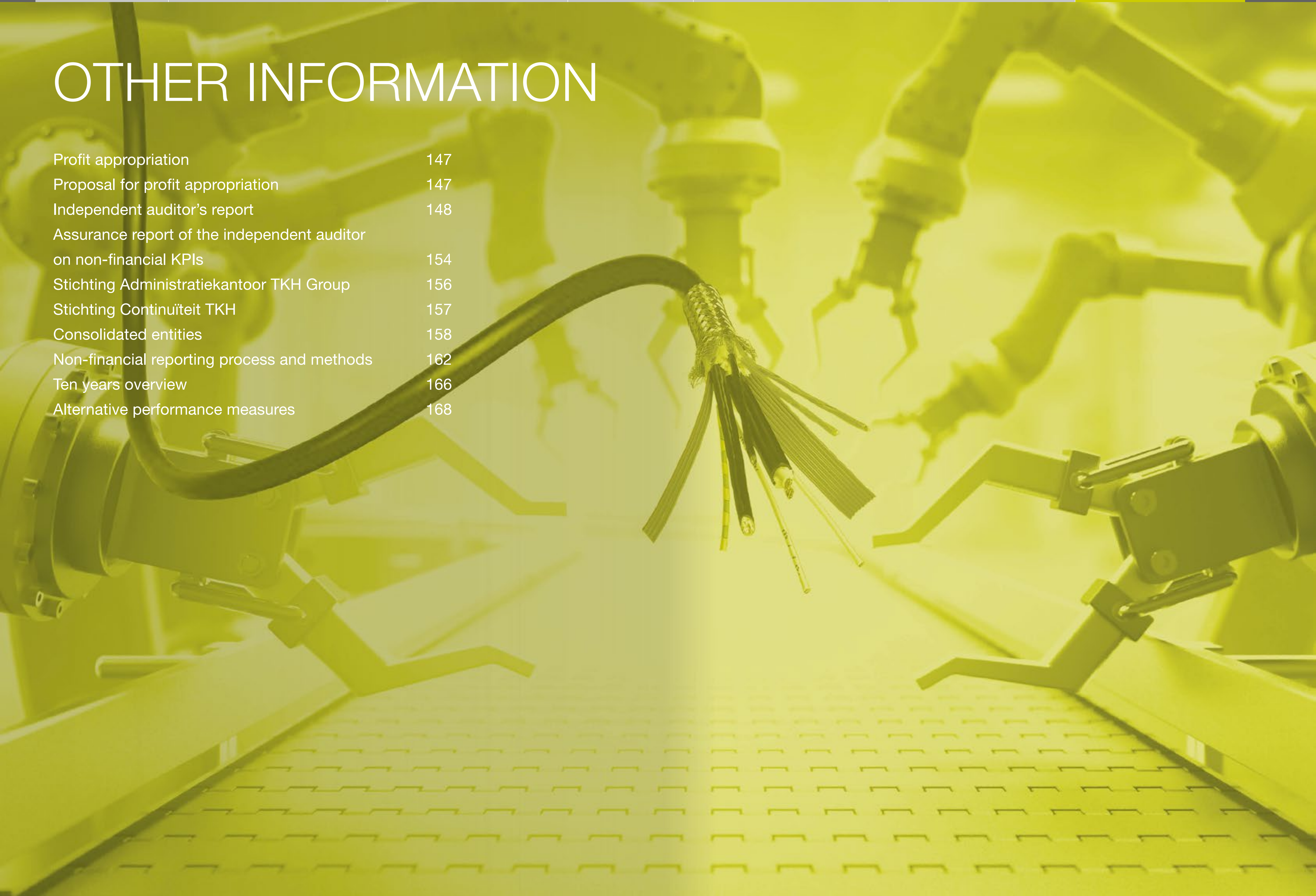
in thousands of euros (unless stated otherwise)	2021		2020	
Result before tax	**-11,574**		**-10,430**	
Tax calculated at the Dutch tax rate	-2,894	25.0%	-2,608	25.0%
Correction due to tax effect for:				
Non-deductible expenses	2,060	-17.8%	597	-5.7%
Settlement of income tax returns for previous years	-286	2.5%	598	-5.7%
Taxes on (un)distributed profits of foreign subsidiaries	-15	0.1%	-256	2.4%
Change in statutory tax rate	-25	0.2%		
Effective tax rate	**-1,160**	**10.0%**	**-1,669**	**16.0%**

17 SIGNATURE OF THE FINANCIAL STATEMENTS

Haaksbergen, 7 March 2022

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, *chairman*
J.M. Kroon, *vice-chairman*
R.L. van Iperen
C.W. Gorter
A.M.H. Schöningh



OTHER INFORMATION

PROFIT APPROPRIATION

Since no protection preference and financing preference shares were outstanding or issued, within the meaning of Articles 33.1, 3, 4, 5, 6, paragraphs b and c, 8, 9 and, 12 below, only the articles governing the profit appropriation in relation to the outstanding shares are included here.

ARTICLE 33 OF THE ARTICLES OF ASSOCIATION READS AS FOLLOWS:

2. The company may make distributions to the shareholders and other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the paid-up and called-up part of the capital, plus the reserves that must be maintained pursuant to the law or the articles of association.

6a. From any profit remaining after application of the previous paragraphs, five percent (5%) of the nominal amount of the priority shares shall, if possible, be distributed on such priority shares. No further distribution shall be made on the priority shares.

7. If in any year the profit does not suffice to make the distributions referred to above in paragraph 6 of this article, the provisions in paragraph 6 and in paragraph 10 shall not apply in the subsequent financial years until the deficit has been made up. Subject to the approval of the Supervisory Board, the Executive Board is authorised to resolve to distribute an amount equal to the deficit referred to in the previous sentence charged to the reserves.

10. Of the profit remaining thereafter, the Executive Board shall, subject to the approval of the Supervisory Board, reserve as much as it deems necessary. In so far as the profit is not reserved under application of the previous sentence, it shall be at the disposal of the general meeting, either fully or partially for reservation, or fully or partially for distribution to holders of ordinary shares proportionately to their holding of ordinary shares.

For other provisions of the articles of association, please refer to TKH's website: www.tkhgroup.com.

PROPOSAL FOR PROFIT APPROPRIATION

in thousands of euros

Net profit attributable to shareholders € 95,212.

In accordance with Article 33 of the articles of association, we propose paying the holders of (depositary receipts of) ordinary shares a dividend of € 1.50 per (depositary receipt of) ordinary share.

The dividend will be made available for payment on May 3, 2022.

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 2021 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2021 of TKH Group N.V. based in Haaksbergen, the Netherlands. 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 2021 and of its result and its cash flows for 2021 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 2021 and of its result for 2021 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 2021;
- the following statements for 2021: the consolidated statement of profit and loss, the 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 2021;
- the company statement of profit and loss for 2021;
- the notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of TKH Group N.V. (hereinafter also referred to as the company or the group) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INFORMATION IN SUPPORT OF OUR OPINION

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

TKH Group N.V. is an internationally operating technology company and heads a group of operating companies and we have tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment. We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

Materiality

Materiality	EUR 7.6 million (2020: EUR 5.2 million)
Benchmark applied	4% of Earnings before interest, taxes, impairments and amortization (EBITA) (2020: 4% of EBITA)
Explanation	Based on our professional judgment we consider an earnings-based measure as the most appropriate basis to determine materiality. TKH Group N.V. primarily uses earnings before interest, taxes, impairments and amortization (EBITA) to report on its financial performance.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.
We agreed with the supervisory board that misstatements in excess of EUR 340,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

TKH Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

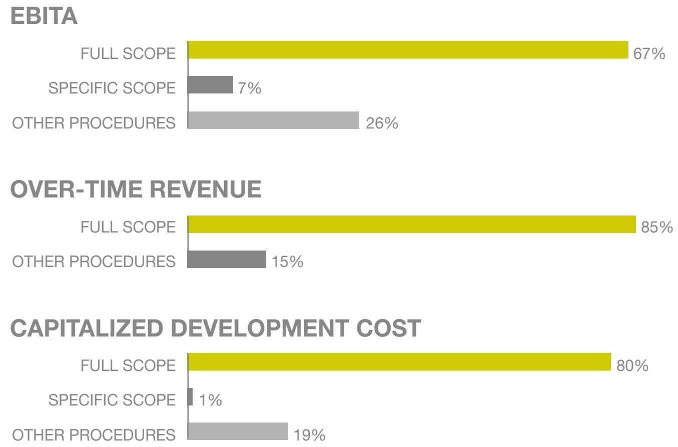
Following our assessment of the risk of material misstatement to the consolidated financial statements, we have selected sixteen components which required an audit of the complete financial information (Full Scope components). Furthermore, we selected nine components requiring audit procedures on specific account balances or specified audit procedures on significant accounts that we considered had the potential for the greatest impact on the group financial statements, either because of the size of these accounts or their risk profile (Specific- or Limited Scope components). The audit of the Dutch operating companies within the scope of the group audit was performed by ourselves. With the exception of four operating companies in Germany and one in Finland, the audit of the foreign operating companies in scope of our audit were performed by EY component teams. We provided the foreign component teams with detailed instructions and the component teams performed their audit procedures on the basis of those instructions and reported the results of their audit procedures to us. Component performance materiality was determined using professional judgment, based on the relative size of the component and our risk assessment. Component performance materiality did not exceed EUR 2.4 million and the majority of our component auditors applied a performance materiality that is significantly less than this threshold. We performed audit procedures ourselves on certain accounting areas managed centrally, such as goodwill and other intangibles of acquired companies, and valuation of deferred tax assets arising from unused tax losses.

Because of the continuing (international) travel restrictions and social distancing due to the Covid-19 pandemic, we needed to limit the visits of local component management and 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. In these circumstances we predominantly used communication technology and digital information exchange. We have had sessions with local management of components in Germany, France and Canada through video teleconferencing facilities. Additionally we interacted regularly with the component teams during various stages of the audit, through the use of video or teleconferencing facilities. Furthermore we reviewed key working papers of EY component auditors in Canada, France and Germany using the EY electronic audit file platform, screen sharing or by the provision of copies of work papers direct to the group audit team. Also we have visited the non-EY component team in Germany where we reviewed key working papers.

Of the remaining components, we performed selected other procedures, including analytical review and test of details to respond to potential risks of material misstatements to the financial statements that we identified.

As a result of our scoping of the complete financial information, specific account balances and the performance of audit procedures at different levels in the organization, our actual coverage varies per financial statement account balance and the depth of our audit procedures per account balance varies depending on our risk assessment.

Accordingly, our audit coverage, for selected account balances included in the key audit matters stated below, are summarized as follows:



By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client like TKH Group N.V. We included EY specialists in the areas of IT audit (including cybersecurity), corporate governance (including remuneration), sustainability, IFRS accounting, valuation of goodwill and other intangible fixed assets of acquired companies, real estate, share based payments, taxes and forensics.

Our focus on climate risks

Climate objectives will be high on the public agenda in the next decades. Issues such as CO_2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets ('stranded assets') and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO_2 footprint.

The Executive Board has reported in section 'Being responsible and sustainability impact' and section 'Sustainable development goals' on the Environmental, Social and Governance (ESG) factors directly and indirectly impacting TKH Group N.V.'s business, and their consideration of the impact of climate change including the potential impact of climate-related risks.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks are materially impacting judgements, estimates and significant assumptions applied by TKH Group N.V. Furthermore, we read the management report and considered whether there is any material inconsistency between the non-financial information in section 'Being responsible and sustainability impact' and section 'Risk Management' and the financial statements. Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions and as such we have not identified a key audit matter.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the executive board's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 'Risk Management' of the management report for the executive board's fraud risk assessment and section 'Report of the Supervisory Board' in which the supervisory board reflects on this fraud risk assessment. We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. As in all of our audits, we addressed the risks related to management override of controls and we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note '1. Accounting principles' to the financial statements. We have also used data analytics to identify and address higher risk journal entries. These risks did however not require significant auditor's attention in addition to the fraud risk identified below.

We considered available information and made enquiries of relevant executive and management board members, directors (including internal audit, legal advisor, compliance officer and regional directors) and the Supervisory Board.
The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We 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, the management board, the head of legal affairs, the compliance office and internal audit as well as reading minutes, inspection of internal audit reports performing substantive tests of details of classes of transactions, account balances or disclosures.

Given the company is a global organization, operating in multiple jurisdictions, in our assessment of the risk of non-compliance with laws and regulations, we also considered the poten-

Fraud risk related to revenue recognition	
Fraud risk	When identifying and assessing fraud risks we presume that there are risks of fraud in revenue recognition. We evaluated that the over-time revenue from contracts with customers in particular give rise to such risks, including the risk of management override of controls through inappropriate estimations around the percentage of completion and the cost to come.
Our audit approach	We describe the audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter "Over-time revenue recognition, and related valuation of contract assets and contract liabilities".

tial risk from TKH Group N.V.'s interactions with third-party distributors. We refer to section 'Risk Management' in the management board report. Our audit approach included the following steps:

- Obtain an understanding of the environment and the Company to enable the detection of non-compliance with laws and regulations related to bribery and corruption;
- Obtain an understanding of the internal control environment and the measures for mitigating those risks (by the company) in the light of applicable anti-corruption laws and regulations;
- Executed substantive audit procedures in order to obtain adequate evidence for the mitigation of the risk of non-compliance with laws and regulations related to bribery and corruption.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section 'Going concern' in note 1 to the financial statements, the Executive Board 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 specific assessment with the Executive Board exercising professional judgment and maintaining professional skepticism. We considered whether the executive board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next 12 months. 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.

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 related to the valuation of contract assets and contract liabilities which was included as a separate key audit matter in our last year's auditor's report, is now combined with the key audit matter relating to over-time revenue recognition considering these matters are related. In addition the key audit matter related to the valuation of capitalized development costs related to new innovation projects in development does no longer include the risk of valuation of new businesses.

Over-time revenue recognition, and related valuation of contract assets and contract liabilities	
Risk	TKH Group N.V. manufactures products, which vary from subsea cable systems to integrated systems for the manufacturing of car and truck tires, whereby revenues have a fixed contract price and are recognized over-time. This results in the recognition of contract assets and liabilities per balance sheet date and prompting management to make estimates of the percentage of completion of the projects, as well as the cost to come and the expected result of the projects. This process involves relative complex estimations and requires judgment. There is a risk of management override of controls over accelerating revenues through inappropriate estimations around the percentage of completion and the cost to come. Based on the above mentioned risk factors we considered this a key audit matter. Further reference is made to note 1, Accounting principles, and note 23, Information by segment, to the consolidated financial statements.
Our audit approach	We have obtained and updated our understanding of the revenue recognition process within the different s egments. Over-time revenue is recognized in all three segments, being Smart Vision systems, Smart Connectivity systems and Smart Manufacturing systems. Our procedures included, among others, auditing the application of the revenue recognition standard (IFRS 15 'Revenue from Contracts with Customers') and identification of control measures taken by the company with regard to revenue recognition and correspondingly the valuation of contract assets and contract liabilities. Furthermore, we have conducted the following substantive audit procedures with respect to the identified risks: • We evaluated management's assessment in relation to over-time revenue recognition of projects recorded over-time, by challenging the assumptions, performing back-testing procedures on previous assessments, evaluating the percentage of completion and auditing the adequacy of capitalized costs on projects; • We have performed margin analyses per significant revenue stream and product line; • We have performed test of details on individual revenue transactions in which we tested the proper identification of contractual arrangements, allocation of revenue to the specific arrangements and cut-off; • We have evaluated the adequacy of revenue-related disclosures, including the disclosures related to contract assets and contract liabilities.
Key observations	We consider management's assumptions relating to determine the percentage of completion of the projects, as well as the cost to come and the expected result of the projects to be within an acceptable range. In addition, we evaluated the revenue disclosures are reasonable.

Valuation of capitalized development costs related to new innovation projects in development	
Risk	TKH Group N.V. is investing in the development of new technologies. At 31 December 2021, the total carrying value of capitalized product development cost amounted to EUR 119.7 million The related costs are capitalized in accordance with IAS 38 'Intangible assets'. Management is required, for projects which are in development, to test these capitalized development costs for impairment at least annually, or more frequently if there is an indication for impairment. We focused on development projects related to new innovation projects which are in development as these do not yet generate sales and therefore there is a higher level of judgement involved in setting the significant assumptions in determining the value in use to support the carrying value. Based on the above mentioned risk factors we considered this a key audit matter. Further reference is made to note 1, Accounting principles, and note 3, Intangible assets and goodwill, to the consolidated financial statements.
Our audit approach	As part of our audit we assessed and tested the assumptions, methodology (discounted cash flow model) and data used by the company in calculating the value in use of the investments in new innovation projects in development. Our audit procedures included, among others, the following substantive audit procedures: • We performed a sensitivity analysis by stress testing key assumptions, among others, discount rate and expected growth rates, to consider the degree to which the assumptions would need to change before an impairment would have to be recognized. Based on these sensitivity analysis, our main focus was on those development projects in new innovations with limited headroom; • We gained a more in-depth understanding of the development stage of these projects in new innovations as well as the projected financial information used in management's assessment of whether the value in use exceeds the carrying value; • We assessed and tested the key assumptions with our main focus on discount rate, market size and share and expected development costs by comparing to historical or market information; • We performed backtesting procedures on previous impairment analysis on the key assumptions in management's forecast; • We evaluated the adequacy of the company's disclosures relating to capitalized development costs.
Key observations	We consider management's assumptions to be within a reasonable range. We agree with management's conclusion that the carrying value of the development cost related to new innovation projects in development is reasonable. In addition, we evaluated the disclosures of capitalized development costs and related impairments as included are reasonable.

Report on other information included in the annual report
The annual report contains other information in addition to the financial statements and our auditor's report thereon.
Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information as required by Part 9 of Book 2 for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.
The executive board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. The executive board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

Engagement

We were engaged by the general meeting as auditor of TKH Group N.V. on 14 May 2014, as of the audit for the year 2015 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

TKH Group N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).
In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by TKH Group

N.V., complies in all material respects with the RTS on ESEF.
The Executive Board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the executive board combines the various components into a single reporting package.
Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:
- Obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package;
- Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF;
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.
As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements. The supervisory board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.
Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:
- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee 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, 7 March 2022
Ernst & Young Accountants LLP
signed by F.J. Blenderman

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR ON NON-FINANCIAL KPIs

To: the shareholders and Supervisory Board of TKH Group N.V.

OUR CONCLUSION

We have performed a limited assurance engagement on selected non-financial key performance indicators (hereinafter: the selected non-financial KPIs) in the annual report for the year 2021 of TKH Group N.V. based in Haaksbergen.

Based on our procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected indicators are not prepared, in all material respects, in accordance with the reporting criteria as included in the 'Reporting criteria' section of our report.

The selected non-financial KPIs consist of the following KPIs as included in the table on page 28 of the Annual Report:

- Carbon footprint (CO_2 emissions)
- % waste of most relevant raw materials, compared to total relevant material consumption
- Recycling most relevant raw materials
- Customer satisfaction
- Code of supply signed by suppliers
- % of female members in Executive and Senior Management teams
- Accident rate (LTIFR)
- Illness rate
- Employee satisfaction grade
- Employees acting in accordance with Code of Conduct
- Number of employees with disabilities and/or disadvantages on the labor market

BASIS FOR OUR CONCLUSION

We have conducted our limited assurance engagement on the selected non-financial KPIs in accordance with Dutch law, including Dutch Standard 3000A "Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)" (Assurance engagements other than audits or reviews of historical financial information attestation engagements). Our responsibilities under this standard are further described in the 'Our responsibilities for the assurance engagement on the selected non-financial KPIs' section of our report.

We are independent of TKH Group N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

REPORTING CRITERIA

The selected non-financial KPIs need to be read and understood together with the reporting criteria. TKH Group N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the selected non-financial KPIs include topic specific disclosures of the Global Reporting Initiative (GRI) and own developed supplemental reporting criteria as disclosed in chapter 'Non-financial reporting process and methods' of the annual report.

The absence of an established practice on which to draw, to evaluate and measure the selected non-financial KPIs allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

UNASSURED CORRESPONDING INFORMATION

No assurance engagement has been performed on the selected non-financial KPIs for the period up to 2020. Consequently, the corresponding selected non-financial KPIs for the period 2020 are not assured.

LIMITATIONS TO THE SCOPE OF OUR ASSURANCE ENGAGEMENT

Our assurance engagement is restricted to the selected non-financial KPIs. We have not performed assurance procedures on any other information as included in the annual report in light of this engagement.

The selected non-financial KPIs include prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the selected non-financial KPIs.

References to external sources or websites are not part of our assurance engagement on the selected non-financial KPIs. We therefore do not provide assurance on this information.

Our conclusion is not modified in respect to these matters.

RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD FOR THE SELECTED NON-FINANCIAL KPIs

The Executive Board is responsible for the preparation of reliable and adequate selected non-financial KPIs in accordance with the reporting criteria as included in the 'Reporting criteria' section of our report. In this context, the Executive Board is responsible for the identification of the intended users and the criteria being applicable for their purposes. The choices made by the Executive Board regarding the scope of the selected non-financial KPIs and the reporting policy are summarized in chapter 'Non-financial reporting process and methods' of the annual report.

Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the selected non-financial KPIs that are free from material misstatement, whether due to fraud or errors. The supervisory board is responsible for overseeing the reporting process of TKH Group N.V.

OUR RESPONSIBILITIES FOR THE ASSURANCE ENGAGEMENT ON THE SELECTED NON-FINANCIAL KPIs

Our responsibility is to plan and perform our limited assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance obtained in a reasonable assurance engagement.

We apply the "Nadere voorschriften kwaliteitssystemen" (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures of our limited assurance engagement included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of the sector, insight into relevant social themes and issues, relevant laws and regulations and the characteristics of the company as far as relevant to the selected non-financial KPIs.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures on the selected non-financial KPIs. This includes the evaluation of the reasonableness of estimates made by the executive board.
- Obtaining an understanding of the reporting processes for the selected non-financial KPIs, including obtaining a general understanding of internal control relevant to our assurance engagement.
- Identifying areas of the selected non-financial KPIs with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the selected non-financial KPIs responsive to this risk analysis. These further assurance procedures consisted amongst others of:
  - Interviewing management and relevant staff at corporate and business level responsible for the strategy, policy and results relating to the selected non-financial KPIs.
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the selected non-financial KPIs
  - Obtaining assurance information that the selected non-financial KPIs reconcile with underlying records of the company.
  - Reviewing, on a limited test basis, relevant internal and external documentation.
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level.
- Evaluating the consistency of the selected non-financial KPIs with the information in the annual report which is not included in the scope of our assurance engagement.

Amsterdam, 7 March 2022
Ernst & Young Accountants LLP
signed by J. Niewold

REPORT OF STICHTING ADMINISTRATIEKANTOOR TKH GROUP

The objective of the Stichting Administratiekantoor TKH Group ("TKH Trust Foundation Office") is to acquire and hold in trust ordinary shares in TKH Group N.V. ("TKH"), a public company with its registered office in Haaksbergen (the Netherlands), in exchange for the allocation of convertible, registered depositary receipts for shares. In accordance with the provisions of article 7.1.3 of the Terms and Conditions of the TKH Trust Foundation Office governing the shares of TKH, the TKH Trust Foundation Office reports on the activities during the year under review, 2021, exclusively in relation to the administration of shares for which depositary receipts were issued. The total nominal value of the ordinary shares of TKH held in administration amounted to € 10,521,554.25 on December 31, 2021, in exchange for which 42,086,217 depositary receipts for shares[1],with a nominal value of € 0.25 each, were issued.

MEETINGS OF THE BOARD

The Board of TKH Trust Foundation Office met three times during the financial year. Due to COVID-19 restrictions, some of these meetings took place virtually. The topics discussed in the meeting of March 29, 2021 were the Annual General Meeting of Shareholders ("General Meeting") 2021 and the TKH Annual Report 2020.

The agenda items of the General Meeting were discussed in the meeting of May 6. Due to the special circumstances under which the General Meeting took place on May 6, 2021, with ongoing COVID-19 restriction still limiting in-person meetings, it was decided that no discussion at the General Meeting would be possible regarding the provisional voting determination by the Board of TKH Trust Foundation Office. Because of this, the Board decided to definitively determine its voting behavior in its meeting on May 5, 2021.

Those who hold depositary receipts for shares in the capital of the company were given the opportunity to vote independently on the agenda items voted on in the General Meeting, regarding the shares corresponding with their depositary receipts and subject to the relevant statutory provisions. Holders of depositary receipts of shares collectively representing 63.8% of the capital entitled to vote, requested a proxy from the TKH Trust Foundation Office to vote independently on the shares in question by giving voting instructions to the TKH Trust Foundation Office. TKH Trust Foundation Office voted for the remaining 35.9% of the capital entitled to vote. In doing so, the Board voted in favor of the agenda items in the General Meeting.

In the meeting of September 20, 2021, the company gave an explanation of the published interim figures in 2021. The retirement schedule for 2022 was discussed, as well as the procedure to be followed in respect of the vacancy due to arise in mid-2022, following Mr. H.L.J. Noy's end of term (who is not available for reappointment).

Following the implementation of the "Bestuur en Toezicht Rechtspersonen Act" in July 2021, the articles of association of the Foundation Trust office were amended as per December 1, 2021.

BOARD OF TKH TRUST FOUNDATION OFFICE

The board of TKH Trust Foundation Office has currently 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 Board and the retirement schedule can be found on the TKH Trust Foundation Office website.

CONTACT DETAILS

Address: Spinnerstraat 15, 7481 KJ Haaksbergen (the Netherlands)
Website: www.stichtingadministratiekantoortkh.com
Email: stak@tkhgroup.com

Haaksbergen, March 4, 2022
TKH Trust Foundation Office
The Board

STATEMENT OF INDEPENDENCE

The Executive Board of TKH Group N.V. and the Board of the TKH Trust Foundation Office hereby state that, jointly and severally, they are of the opinion that the TKH Trust Foundation Office is a legal entity that is independent of TKH Group N.V. within the meaning of Section 5.71(1)(d) of the Financial Supervision Act.

Haaksbergen, March 4, 2022
TKH Group N.V.
The Executive Board

Haaksbergen, March 4, 2022
TKH Trust Foundation Office
The Board

1 The number of depositary receipts for shares has decreased by 624,648 compared to December 31, 2020, due to the cancellation of 623,334 ordinary shares and conversion of on balance 1,314 depositary receipts for shares into ordinary shares.

STICHTING CONTINUÏTEIT TKH

The objective of Stichting Continuïteit TKH ("Continuity Foundation") is to look after the interests of TKH Group N.V. ("TKH") and all the businesses associated with it, in such a way that those interests are secured as far as possible. In addition, it should resist any influences which could affect the independence, continuity, or identity of TKH and its affiliated companies in conflict with those interests are resisted as far as possible, as well as avoid any activities related to or conducive to the above.

By means of a call option TKH has conferred on the Continuity Foundation the right to acquire cumulative protective preference shares in TKH, subject to a maximum of 50% of the amount of the other shares outstanding at the time of placement of the protective shares, or 100% should the limitation on conversion of depositary receipts cease to apply. The protective shares should not be left on issue longer than is strictly necessary. In the event that TKH shareholders acquire a degree of control that is seen as undesirable, and is not in the interests of TKH and its affiliated companies, or there is a danger of them doing so, TKH's Executive and Supervisory Board will be at liberty - among other things - to determine their degree of control, to consider and explore possible alternatives, and to elaborate on these if necessary. The Continuity Foundation did not acquire any cumulative protective preference shares in TKH in 2021.

TKH has also conferred on the Continuity Foundation the right to initiate an inquiry procedure in the event that the Continuity Foundation believes there are grounds to doubt the policy pursued by, and state of affairs prevailing in, TKH and by invoking this right it would be acting in the interests of TKH and the businesses associated with it.

THE BOARD OF THE CONTINUITY FOUNDATION

The Board of the Continuity Foundation consists of:

- Mr. M.P. Nieuwe Weme, *chairman*
- Ms. S. Drion
- Mr. A. Nühn MBA
- Mr. A.J.M. van der Ven

Haaksbergen, March 4, 2022
Continuity Foundation
The Board

STATEMENT OF INDEPENDENCE

The Executive Board of TKH Group N.V. and the Board of the Continuity Foundation state that, jointly and severally, they are of the opinion that the Continuity Foundation is a legal entity that is independent of TKH Group N.V. within the meaning of Section 5.71(1)(c) of the Financial Supervision Act.

Haaksbergen, March 4, 2022
TKH Group N.V.
The Executive Board

Haaksbergen, March 4, 2022
Continuity Foundation
The Board

CONSOLIDATED ENTITIES

The following directly or indirectly held subsidiaries are included in the consolidation:

					NEW SEGMENT REPORTING			OLD SEGMENT REPORTING		
Name	Place	Country	Ownership 31-12-2021 [1]	Ownership 31-12-2020 [1]	Smart Vision systems	Smart Manufacturing systems	Smart Connectivity systems	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%	●				●	
EKB Groep B.V.	Beverwijk	Netherlands	100.0%	100.0%		●				●
Eldra B.V.	Ittervoort	Netherlands	100.0%	100.0%			●		●	●
Heerlen Parkeerexploitatie B.V.	Haaksbergen	Netherlands	100.0%	100.0%	●				●	
IC Intracom Nederland B.V.	Barneveld	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]	Nuenen	Netherlands	100.0%	95.0%	●				●	
Siqura B.V. [5]	Gouda	Netherlands		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 Logistics B.V.	Haaksbergen	Netherlands	100.0%	100.0%				●	●	●
TKH Logistics Vastgoed B.V.	Haaksbergen	Netherlands	100.0%	100.0%				●	●	●
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	Brüssel	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%			●		●	
TKH 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 i.L.	Bielefeld	Germany	100.0%	100.0%					●	
Chromasens GmbH [3]	Konstanz	Germany	100.0%	100.0%	●				●	
Dewetron Deutschland 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%			●	●	●	●

					NEW SEGMENT REPORTING			OLD SEGMENT REPORTING		
Name	Place	Country	Ownership 31-12-2021 [1]	Ownership 31-12-2020 [1]	Smart Vision systems	Smart Manufacturing systems	Smart Connectivity systems	Telecom Solutions	Building Solutions	Industrial Solutions
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 i.L.	Berlin	Germany		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%					●	
Lakesight Technologies German Holding GmbH [3]	Unterschleissheim	Germany	100.0%	100.0%					●	
LMI Technologies 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	Herford	Germany	100.0%	100.0%			●		●	
Schneider Intercom GmbH [3]	Erkrath	Germany	100.0%	100.0%	●				●	
SVS-Vistek GmbH [3]	Gilching	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 Deutschland Service GmbH [3]	Erkrath	Germany	100.0%	100.0%	●				●	
TKH Technologie Deutschland AG [3]	Bielefeld	Germany	100.0%	100.0%						
TKH Security 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%					●	
TKH Vision Italy Srl.	Mairano (Brescia)	Italy	100.0%	100.0%	●				●	

					NEW SEGMENT REPORTING			OLD SEGMENT REPORTING		
Name	Place	Country	Ownership 31-12-2021 [1]	Ownership 31-12-2020 [1]	Smart Vision systems	Smart Manufacturing systems	Smart Connectivity systems	Telecom Solutions	Building Solutions	Industrial Solutions
TKH Security Srl.	Conegliano	Italy	100.0%	100.0%	●				●	
Commend Italia Srl.	Carobbio Degli Angeli (BG)	Italy	100.0%	100.0%	●				●	
Tattille 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%			●	●	●	●
Texim Austria GmbH	Salzburg	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%	95.0%			●		●	
Commend Iberica SL	Barcelona	Spain	100.0%	100.0%	●				●	
TKH Security SL	Malaga	Spain	100.0%	100.0%	●				●	
INEC Espana SA	Malaga	Spain	100.0%	100.0%			●	●	●	●
ParkEyes SL [5]	Malaga	Spain		100.0%	●				●	
Siqura SL [5]	Madrid	Spain		100.0%	●				●	
EFB Elektronik Ltd.	Istanbul	Turkey	90.0%	90.0%			●		●	
Commend Güvenlik ve İletişim Sistemleri Ltd.Şti [5]	Istanbul	Turkey		85.0%	●				●	
Commend UK Ltd. [4]	Stansted	UK	100.0%	100.0%	●				●	
TKH Security UK Ltd. [4]	Rotherham	UK	100.0%	100.0%	●				●	
Siqura Ltd. [4]	Rotherham	UK		100.0%	●				●	
TKH Security Ltd. [4]	London	UK	100.0%	100.0%	●				●	
Commend Scandinavia AB	Tierp	Sweden	100.0%	100.0%	●				●	
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%	100.0%			●		●	
Park Assist Holdings Pty Ltd.	Sydney	Australia	100.0%	100.0%	●				●	
TKH Security Pty Ltd.	Sydney	Australia	100.0%	100.0%	●				●	
Jacques Technologies Pty Ltd.	Brisbane	Australia	100.0%	100.0%	●				●	
VMI South America Ltda.	Itatiaia	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%		●				●

					NEW SEGMENT REPORTING			OLD SEGMENT REPORTING		
Name	Place	Country	Ownership 31-12-2021 [1]	Ownership 31-12-2020 [1]	Smart Vision systems	Smart Manufacturing systems	Smart Connectivity systems	Telecom Solutions	Building Solutions	Industrial Solutions
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%		●				●
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.	Tokyo	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%	100.0%			●		●	
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 Ltd.	Thailand	Thailand	100.0%	100.0%		●				●
Commend Middle East FZE	Dubai	United Arab Emirates	100.0%	100.0%	●				●	
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%	●				●	
Fringe AI Ltd.	Boston	USA	100.0%		●				●	
LMI Technologies Inc.	Detroit	USA	100.0%	100.0%	●				●	
NET USA Inc.	Highland	USA	100.0%	100.0%	●				●	
TKH Security LLC	New York	USA	100.0%	100.0%	●				●	
SVS-Vistek Inc.	Carrolton	USA	100.0%	100.0%	●				●	
Siqura Inc. [5]	Germantown	USA		100.0%	●				●	
TKH USA Holding Inc. [5]	Wilmington	USA		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 The listed subsidiaries above based in the UK are controlled and consolidated by the group, where the Directors have taken the exemption from having an audit of its financial statements for the years ended 31 December 2020 and 31 December 2021. This exemption is taken in accordance with the UK Companies Act, S479A.
5 Merged within the group.

NON-FINANCIAL REPORTING PROCESS AND METHODS

REPORTING CRITERIA: GRI STANDARDS – CORE

This report has been prepared in accordance with the GRI standards: Core option. We focus on topics that have been an integral part of our Environmental, Social, and Governance (ESG) policy. Our GRI index is available on TKH's website (www.tkhgroup.com/en/csr). In this overview, more information is disclosed on the nature and coverage of reporting per non-financial KPI (e.g. quantitatively or qualitatively). The content and definition of the report are based on the materiality analysis whereby TKH focuses on the topics that are most material and that have a strong connection with TKH's strategy and business operations. The GRI standards were used to define and set our KPIs. These standards stress the need to make an accurate assessment of issues that are sufficiently important for a company to report. The significance (materiality) of the issues that are ultimately selected is determined by analyzing the impact of the key data on people, the environment, and society, in relation to the value stakeholders attach to those issues. We monitor our objectives based on a dashboard in our internal reporting system and evaluate the results every quarter during meetings with our operating companies. ESG is also part of the annual budgeting process.

REPORTING PERIOD AND REPORTING FREQUENCY

In the Report of the Executive Board (which is part of the TKH Annual Report 2021), we provide an overview of, among other things, our sustainability performance during the year under review from 1 December 2020 up to and including 30 November 2021. KPIs related to HR data are based on the calendar year 2021. This report presents both quantitative and qualitative data. TKH uses a different reporting period for part of the KPIs because the process requires more time as a result of the operating and reporting structure. This ensures that the reported data are reliable and adequate.

REPORTING PROCESS

The Annual Report 2021, including all material aspects, is compiled by the Executive Board and discussed with the Supervisory Board. TKH uses the reporting system Cognos for non-financial information (including CO_2, waste, safety, and HR), which is the same system used for the financial reporting. The reporting processes and definitions used by TKH have been formalized in our Sustainability Reporting Manual, which provides guidance on how to collect, consolidate, and report data.

SCOPE AND CHANGES COMPARED TO LAST YEAR

The ESG policy was adjusted in 2021. The policy changes, which are related to HR KPIs and our CO_2 footprint calculation, are described below for each specific topic. Compared to past reporting, there are no material changes in the system of measuring. For some sustainability criteria, the divestment of activities or the integration of companies has impacted our sustainability performance. Where relevant, these effects are explained. There have been no changes in structure or ownership either. Unless stated otherwise, the data are based on all our domestic and foreign operating companies. We explicitly mention it when this is not the case. The acquired operating companies will start reporting on ESG in accordance with the TKH reporting structure in the year following acquisition. Companies in which TKH has a minority ownership interest are not included in the report. We consolidated data for the non-financial report using the same system used to consolidate financial data. Any estimates are based on historical information.

REPORTING NON-FINANCIAL KEY PERFORMANCE INDICATORS

This chapter provides further information on TKH's main non-financial key performance indicators. Other quantitative indicators, disclosures on the reporting scope, and methods used are given elsewhere in this report.

CO_2 EMISSIONS

To measure and report the CO_2 emissions, we use the different scopes of the Greenhouse Gas (GHG) protocol.

- Scope 1 covers the direct CO_2 emissions caused by fuels that we purchase and consume ourselves, and mainly concerns gas, gasoline, and diesel (including company cars).
- Scope 2 covers indirect CO_2 emissions from electricity consumption.
- Scope 3 covers indirect CO_2 emissions from our fleet (commuting), waste generated from operations, and the transportation of goods.

Our focus remains primarily on scopes 1 and 2 because most of our emissions occur within those scopes. We have expanded our internal dashboard with components from scope 3 but have not yet implemented a scope extension for CO_2 emissions in our calculation model. TKH calculates the energy consumption and CO_2 emissions associated with our energy consumption using conversion factors from reputable and authoritative sources. TKH uses tank-to-wheel emission factors. All conversion factors are reviewed annually and updated if necessary. The energy consumed by forklifts is considered negligible and is therefore not included in TKH's overall energy consumption and related CO_2 emissions. The basis for consolidated energy consumption and CO_2 emissions is activity data, which in turn are based mostly on meter readings, invoices, and data provided by suppliers. Where reliable data are not available, TKH uses calculations or estimations using reliable methods and input data. TKH is satisfied that the estimates are reliable in all material respects. The reported CO_2 emissions reduction is compared to the reference year 2019 (2020: reference year 2015).

The EU Energy Efficiency Directive (2012/27/EU) obliges member states to ensure that large companies undergo an energy audit. The energy audit is a systematic, four-yearly approach that aims to gather information about a company's current energy consumption. We use input from those TKH operating companies that fall under the defined scope and must carry out a mandatory energy audit for our reporting on energy reduction and future improvement plans.

WASTE AND RECYCLING

The reporting scope of waste and recycling includes the main raw materials leaving TKH's production sites, mainly based on waste tickets and data provided by suppliers. We use reliable methods to either measure, calculate, or estimate waste in our reporting. The main raw materials we use are copper, plastics, and aluminum.

SUPPLIERS

The products delivered by TKH comply with the European REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation and RoHS (Restriction of Hazardous Substances in Electrical and Electronic Equipment) directive. REACH is a European system for registering, evaluating (risks to people and the environment), and authorizing chemical substances in Europe. RoHS is a European directive that prohibits certain hazardous substances from being used in electrical and electronic devices. TKH reports the percentage of strategic suppliers agreeing with TKH's Code of Supply. Strategic suppliers are defined as external suppliers with an annual purchase volume of over € 1 million on a yearly basis.

CUSTOMERS

The customer satisfaction grade reported is based on the outcome of the most recent customer satisfaction surveys conducted by an external research company. A survey is representative for the customer base of the operating company concerned. The reported customer satisfaction grade in 2021 represents surveys from the period 2019-2021.

HUMAN RIGHTS

In the context of human rights, TKH conducts business activities according to the Universal Declaration of Human Rights. We refer readers to our Code of Conduct and the Code of Supply (both of which can be downloaded from our website www.tkhgroup.com). We rely on the OECD guidelines for guidance regarding issues such as supply chain responsibility, human rights, child labor, and the environment. We submitted input on the Transparency Benchmark information platform, an initiative of the Ministry of Economic Affairs and Climate Policy. The Dutch government asks companies to be transparent about their ESG policies and activities. Through the Transparency Benchmark, the ministry sheds light on how the largest Dutch companies report on their ESG activities. We also consult the "spearhead letters" from advocates on issues related to sustainability and governance, such as those from VBDO, Eumedion, and VEB, as a guideline for further transparency.

BUSINESS CONDUCT AND TRANSPARENCY

TKH has selected the number of reported breaches of the Code of Conduct as a KPI for business conduct and transparency. The scope includes all employees on TKH's payroll. The Code of Conduct is published on our website. We have established a procedure that enables employees to report any suspicion of conduct that is unlawful and/or contrary to the Code of Conduct. Reports are reviewed and investigated by the local Confidential Officer and/or the group Compliance Officer. If deemed necessary, disciplinary and mitigating measures are taken. External parties can also report to the group Compliance Officer.

HUMAN RESOURCES (HR)

HR data are obtained every quarter. HR data are derived from the HR accounts held by TKH's operating companies. TKH's illness rate is calculated by the number of days of absence (for at least one day) divided by the number of total working hours. All cases of absence are included except pregnancy leave. The number of working hours is matched with the working hours recorded by the HR department and includes overtime. If data is not available, the number of working hours is calculated based on the average FTE on the payroll during the year times the average working hours per person. The illness rate reported covers all employees on TKH's payroll excluding the third party contractors and joint ventures employees. The illness rate is reported at a total group level and not specified by region or gender.

TKH reports on the number of employees with a disability and/or disadvantage in the labor market. Disability is an umbrella term, covering illnesses/disorders, activity limitations, and participation restrictions. An illness/disorder is a problem in body function or structure. An activity limitation is a difficulty encountered by an individual in executing a task or action. A participation restriction is a problem experienced by an individual in involvement in life situations resulting in a disadvantage on the labor market.
The 2021 employee satisfaction grade is based on the outcome of the most recent employee satisfaction surveys executed by an external research company from 2018 to 2021 among 3,144 FTEs representing 54% of total FTEs.

The sustainability report contains data on the gender balance in executive and senior management positions. These positions are defined as follows:

- Executive management: statutory management director level (direct reports to the Executive Board).
- Senior management: managers who are members of the management team within your organization and responsible for specific business units or departments (e.g. finance, marketing, and production).
- Middle management: link between the senior management and the lower operational levels of the organization.
- Operational workforce: other workforce.

SAFETY

TKH defines its Lost Time Injury Frequency Rate (LTIFR) as the number of reported incidents leading to absence from work for at least one working day, without the possibility of any replacement, per million hours worked. Reportable incidents are based on actual occurrences and are never extrapolated or estimated. Despite a range of measures and an open safety culture, there is an inherent risk of incomplete accident reporting. Reported hours are measured, calculated, or estimated. The absolute number of serious accidents reported covers all employees on TKH's payroll excluding the third party contractors and joint ventures employees. The LTIFR is reported at a total group level and not specified by region or gender.

VERIFICATION AND 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 Department carries out internal audits 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 appointed Ernst & Young Accountants LLP (EY) to provide independent assurance on non-financial KPIs to provide TKH's stakeholders with reassurance about TKH's non-financial information. TKH has obtained limited assurance for the KPIs included in the 'Sustainability performance' section on page 28 of the Annual Report 2021.

TRENDS

In our business operations, we focus on external and internal environmental factors, analyzing trends that can affect our activities 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 various stakeholders on topical and social issues. Our stakeholders' varied bacgrounds and their knowledge of TKH and the environment in which we operate is a good starting point for engaging in dialogue. It provides useful insights into stakeholders' interpretations of current topics that affect TKH. We also use the dialogue to broaden our understanding of our stakeholders' needs and expectations. In addition, stakeholder engagement helps us to make better use of opportunities and identify risks in a timely manner. The dialogue is also useful to clearly explain specific issues and thus increase support for them or, in certain cases, to create understanding when an issue 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 how much weight they are ultimately given by TKH.

Because of COVID-19, the dialogue with stakeholders mainly took place online. We conducted a survey to determine material themes, from stakeholders' perspective as well from TKH's perspective. The results of the survey are included in the materiality matrix included in the section stakeholder analysis of this annual report. We have ranked topics that have been deemed important for all stakeholder groups (vertical axis) and which have the most impact on TKH (horizontal axis) and are priorities in our 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.

The sources we consult to identify and review material aspects each year include:

- Dialogues with strategic stakeholders
- Investor relations meetings about ESGs
- General governance assumptions
- Topics suggested by civil society organizations such as VBDO, VEB, and Eumedion
- Guidelines from the Global Reporting Initiative (GRI) and international guidelines such as the OECD's guidelines for multinational enterprises and the Sustainable Development Goals
- Sustainability rating agencies such as the Carbon Disclosure Project (CDP), Vigeo, MSCI, and EcoVadis

TKH Group is an active member of industrial and branch organizations.

- The FTTH Council in Europe, North America, the Middle East, North Africa, Latin America, and Asia-Pacific. This non-profit organization was established to accelerate Fibre to the Home (FTTH) technology. Members are manufacturers, system designers, consultancies, and academic institutions.
- The International Cablemakers Federation (ICF) represents most of the global manufacturing capacity of the wire and cable industry. As the federation of the world's leading wire and cable producers, ICF provides a global forum for members to increase the visibility of the industry by highlighting the relevance of its products and technologies, as well as its contribution to building a sustainable society.
- The European Machine Vision Association (EMVA) is represented by organizations in more than 20 countries. It aims to promote the development and use of machine vision technology and to support the interests of its members.
- The Retread Tire Association (RTA) represents suppliers in the renewal and tire repair industry.

EXTERNAL REPORTING

We have provided input to the CDP, MSCI, EcoVadis, Vigeo, and the S&P Dow Jones Indices. In terms of the circular economy, we endorse the objectives set by the Netherlands in the circular innovation program called "Plastic and rubber in the underground infrastructure," as well as the "Mission Statement Fair Infra" issued by Dutch infrastructure companies.

DILEMMAS

Various groups are developing an increasing number of sustainability initiatives that require an increased contribution from industry. We take responsibility in this, but we continue to relate it to our business operations so we can also make a material contribution to the sustainability initiatives and thus create the necessary support. In some cases, this leads to a conscious choice not to focus on certain issues or not to collaborate, even though we are asked to. In certain markets, the price factor is still decisive, and there may be implicit reasons for reducing ESG efforts. In such situations, it is a challenge to convince the stakeholder of the importance of sustainability, which may drive the price up. Reducing our energy consumption calls for the thorough coordination of our manufacturing processes, and these processes, in turn, are dictated by current demand. Over the past few years, we have focused strongly on reducing energy consumption, which has resulted in the successful implementation of many savings plans. Coming up with new reduction plans to make major savings is therefore becoming increasingly challenging. Furthermore, the expansion of our production facilities and the integration of activities into one location have further increased our 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 we produce is also subject to a 'learning curve' as our production equipment needs to be properly aligned with the production of innovative, high-quality new cable types. The quality requirement of the product is a priority in that respect, and this can tip the balance away from our waste reduction targets. Increasingly, we are being asked to provide data on external information platforms and portals. Due to price-sensitive (inside) information and competition-sensitive information, it is not always possible to honor all requests. We take a selective approach to lending our cooperation and make considered 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 focus increasingly on in-house technology development, in which the software component plays an increasingly important part. For this reason, the ratings give a distorted picture and call for additional communication by our organization.

ESG IN THE ORGANIZATION

To safeguard the ESG policy, the Executive Board is directly involved in ESG developments in the TKH organization, and executive compensation is linked to ESG performance (see also 'Remuneration Report'). TKH's Director Sustainability is responsible for developing and implementing the ESG strategy and policies for the TKH Group. ESG is a standard item on the agenda at meetings of the Management Board of TKH, on which the Director Sustainability has a seat. There is close collaboration with the Director Finance & Control, who is also a member of the Management Board. There is also close cooperation with TKH's Internal Audit Department in relation to the auditing of ESG issues during the internal audits. New ESG initiatives are preferably developed in working groups. This expedites the building of support within the TKH Group and makes implementation more efficient and effective. Initiatives in the value chain are always attended by commercial managers to guarantee a pragmatic approach. In conducting the stakeholder dialogues, we work with executives from our operating companies, business line managers, account managers, and HR. Contact persons of the Confidential Officers rely on the operation of the TKH Code of Conduct and the associated whistleblower regulations. If a report is made to an operating company that identifies 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 desired, will consult the company Confidential Officer of the subsidiary in question. After the report has been investigated, the Executive Board will make a decision in consultation with the board of the operating company in question or a representative of that board. The whistleblower scheme can be downloaded from the TKH website.

We discuss issues concerning the Code of Supply with purchasing managers. If a supplier fails to meet one or more of the requirements in the code, action has to be taken to ensure that the supplier will become compliant in an effective and efficient way as soon as possible. If the supplier refuses to cooperate or fails to make sufficient progress toward complying with the code, TKH will reconsider its partnership with that supplier. In certain cases, local conditions may prevent the supplier from meeting particular requirements of the code. In such a case, we enter into dialogue to work towards a satisfactory solution. In such conversations, best practices are shared with the supplier in question to help them make improvements and share ideas. The purchase manager has a pioneering role in this. The Code of Supply and the assessment form can be downloaded via the TKH website.

The Executive Board discusses progress in ESG at least every quarter with the various operating companies. This is based on financial and non-financial reports, both of which cover ESG. We have embedded the KPIs concerning ESG in our Cognos financial reporting system so that it is an integral part of our information system. At least once a year, progress in the field of ESG is also discussed with the Supervisory Board, and future developments and the appropriate follow-up steps are explained.

For more information about TKH's sustainability program, please contact TKH's Director Sustainability 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.

10 YEARS OVERVIEW

In millions of euros	2021	2020	2019 [1]	2018 [2]	2017	2016	2015	2014	2013	2012
Consolidated statement of profit and loss										
Turnover	**1,524**	**1,289**	**1,490**	**1,458**	**1,485**	**1,341**	**1,375**	**1,346**	**1,198**	**1,102**
Raw materials, consumables, trade products and subcontracted work	787	655	771	768	817	710	743	770	699	652
Added value	**737**	**634**	**718**	**690**	**668**	**631**	**632**	**576**	**499**	**450**
Personnel expenses	378	345	369	352	347	331	326	296	277	234
Other operating expenses	124	108	133	137	147	131	133	124	103	113
EBITDA	**235**	**181**	**216**	**201**	**174**	**169**	**173**	**156**	**119**	**103**
Depreciation [3]	45	46	45	26	25	22	22	20	19	17
EBITA before one-off income and expenses	**190**	**136**	**171**	**175**	**149**	**147**	**151**	**136**	**100**	**86**
One-off income and expenses		7	18	4	6			9	-7	-12
EBITA	**190**	**129**	**154**	**171**	**143**	**147**	**151**	**145**	**93**	**74**
Impairments	2	4	5	2	2	1	1	1		
Amortization	51	54	50	40	37	33	32	26	26	21
Operating result	**137**	**71**	**99**	**129**	**104**	**113**	**118**	**118**	**67**	**53**
Financial result	-6	-14	-10	-4		-7	-7	-10	-13	-12
Fair value changes of financial liability for earn-out and put options of holders of non-controlling interests	-2				4	1				
Result on ordinary activities before taxes	**129**	**57**	**89**	**125**	**108**	**107**	**111**	**108**	**54**	**41**
Taxes	34	15	20	27	20	20	23	22	12	10
Net result for the period from continued operations	**95**	**42**	**69**	**98**	**88**	**87**	**88**	**86**	**42**	**31**
Result after tax from discontinued operations			45	11						
Non-controlling interests					1	1	2	3	5	3
Attributable to shareholders	**95**	**42**	**114**	**109**	**87**	**86**	**86**	**83**	**37**	**28**

Key figures	2021	2020	2019 [1]	2018 [2]	2017	2016	2015	2014	2013	2012
EBITA/Turnover (ROS) [3,4]	12.4	10.5	11.6	12.0	10.1	10.9	11.0	10.0	8.3	7.8
Net result before amortization and one-off income and expenses/Group equity [3,4]	15.8	10.6	14.9	17.6	16.1	16.5	19.3	17.8	13.7	11.7
EBITA/Average capital employed (ROCE)	20.5	14.0	17.4	21.3	19.7	20.1	22.1	21.2	15.9	15.9
Net debt/EBITDA ratio [3,4]	0.9	1.6	1.5	1.4	0.9	1.0	0.9	1.0	1.5	1.6
Net result before amortization and one-off income and expenses/Turnover [3,4]	7.5	5.5	7.1	7.8	6.5	7.2	7.4	6.6	5.0	4.5

1 The comparative figures for 2018 have been restated due to discontnued operations.
2 The comparative figures for 2017 have been restated due to retrospective application of IFRS 15 ‘Revenue from contracts with customers’.
3 After restatement as a result of change in accounting principles for land and buildings and prior period restatements (see Accounting Principles) for the years 2014 up to 2016. The years 2012 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, impairments of € 1.5 million and impairment losses of € 5.0 million.

In millions of euros	2021	2020	2019 [1]	2018 [2]	2017	2016	2015	2014	2013	2012
Consolidated balance sheet										
Intangible assets and goodwill	537	577	596	544	392	395	400	352	349	343
Property, plant and equipment [3]	222	220	231	246	229	215	196	176	199	195
Right-of-use assets	69	77	81							
Financial non-current assets	45	42	52	31	28	46	34	28	30	31
Total non-current assets	**873**	**916**	**960**	**821**	**649**	**656**	**630**	**556**	**578**	**569**
Inventories	295	237	239	267	219	207	194	202	185	197
Trade and other receivables	341	286	300	356	327	295	248	288	234	201
Cash and Cash equivalents	100	122	79	83	88	88	179	145	80	66
Total current assets	**736**	**645**	**618**	**706**	**634**	**590**	**621**	**635**	**499**	**464**
Assets held for sale	88	5	39					3		7
Total assets	**1,697**	**1,566**	**1,617**	**1,527**	**1,283**	**1,246**	**1,251**	**1,194**	**1,077**	**1,040**
Shareholders' equity [3]	722	662	705	647	594	574	521	483	378	364
Non-controlling interests				1	9	9	9	17	61	60
Group Equity	**722**	**662**	**705**	**648**	**603**	**583**	**530**	**500**	**439**	**424**
Provisions [3]	90	86	97	86	69	74	71	68	112	105
Non-current interest-bearing loans and borrowings	334	410	416	239	187	214	223	259	259	202
Current interest-bearing loans and borrowings	48	57	58	171	57	52	126	59	15	60
Other financial liabilities	7	8	9	5	15	23	27	14		
Other current liabilities	459	343	319	378	352	300	274	294	252	249
Liabilities directly associated with assets held for sale	37		13							
Total equity and liabilities	**1,697**	**1,566**	**1,617**	**1,527**	**1,283**	**1,246**	**1,251**	**1,194**	**1,077**	**1,040**

Other information in euros (unless stated otherwise)	2021	2020	2019 [1]	2018 [2]	2017	2016	2015	2014	2013	2012
Solvency (in %)	43	42	44	42	47	47	42	42	41	41
Investments in property, plant and equipment	30	28	32	42	41	46	38	34	19	25
Depreciations of property, plant and equipment	30	30	29	28	24	23	23	20	19	17
Cash flow from operating activities	199	188	182	127	160	103	182	95	79	75
Number of shares outstanding and held by third parties at year end (x 1,000)	41,178	41,487	41,999	42,003	42,045	42,161	41,724	41,400	37,985	37,658
Net result per ordinary share of € 0.25	2.31	1.14	2.72	2.58	2.05	2.04	2.07	2.14	0.98	0.76
Net profit before amortization and one-off income and expenses from continued operations attributable to shareholders	2.77	1.69	2.51	2.72	2.27	2.25	2.40	2.23	1.48	1.27
Dividend per share	1.50	1.00	1.50	1.40	1.20	1.10	1.10	1.00	0.75	0.65
Highest share price	56.15	51.30	55.05	60.15	56.68	38.14	40.50	27.18	26.40	20.86
Lowest share price	37.88	23.42	38.82	38.36	36.45	28.47	25.35	22.13	18.55	15.41
Share price at year-end	55.50	39.54	49.90	40.70	52.93	37.59	37.44	26.36	25.40	19.50

1 The comparative figures for 2018 have been restated due to discontnued operations.
2 The comparative figures for 2017 have been restated due to retrospective application of IFRS 15 'Revenue from contracts with customers'.
3 After restatement as a result of change in accounting principles for land and buildings and prior period restatements (see Accounting Principles) for the years 2014 up to 2016. The years 2012 up to 2013 have not been restated.

ALTERNATIVE PERFORMANCE MEASURES

TKH uses alternative performance measures to measure and monitor its operational performance. These measures are used in this Annual Report but are not defined in any law, nor in the International Financial Reporting Standards (IFRS). The European Securities and Markets Authority (ESMA) has issued guidelines for the use and disclosure of alternative performance measures. The terms TKH believes are relevant to alternative performance measures are included in this chapter of the Annual Report. It also includes a definition, as required by the ESMA guidelines.

ADDED VALUE
Added value is calculated by deducting Raw materials, consumables, trade products and subcontracted work from Total turnover

CAPEX (CAPITAL EXPENDITURE)
Investments in Property, plant and equipment and intangible assets and goodwill. Capex spending is a one-time investment.

CAPITAL EMPLOYED
Group equity plus long-term debt plus short-term borrowings less cash and cash equivalents.

DEBT LEVERAGE RATIO (NET DEBT/EBITDA)
Long-term debt plus short-term 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 EXPENSES)
Operating expenses are the recurring costs of a product or system.

ROCE (RETURN ON CAPITAL EMPLOYED)
Return on capital employed is the EBITA for the last twelve months divided by the 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.

TCO (TOTAL COST OF OWNERSHIP)
The sum of Capex and Opex. The Capex expenditure is often high initially, but over the life of a system, the Opex will eventually be the largest cost component of TCO.

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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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