

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>

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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.

A close-up, yellow-tinted image of a robotic arm holding a precision measurement tool, likely a vision system component.

SMART VISION SYSTEMS

A yellow-tinted image showing the interior of a large industrial machine, possibly a tire manufacturing process, with various mechanical components visible.

SMART MANUFACTURING SYSTEMS

A yellow-tinted image featuring a network of glowing lines and nodes, overlaid on a background of industrial structures and wind turbines, representing connectivity systems.

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 (depository receipt of an)
ordinary share



+50%

1.50 €

2020 1.00 €

KEY NON-FINANCIAL FIGURES

NET CO₂ 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

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THE WORLD AROUND US

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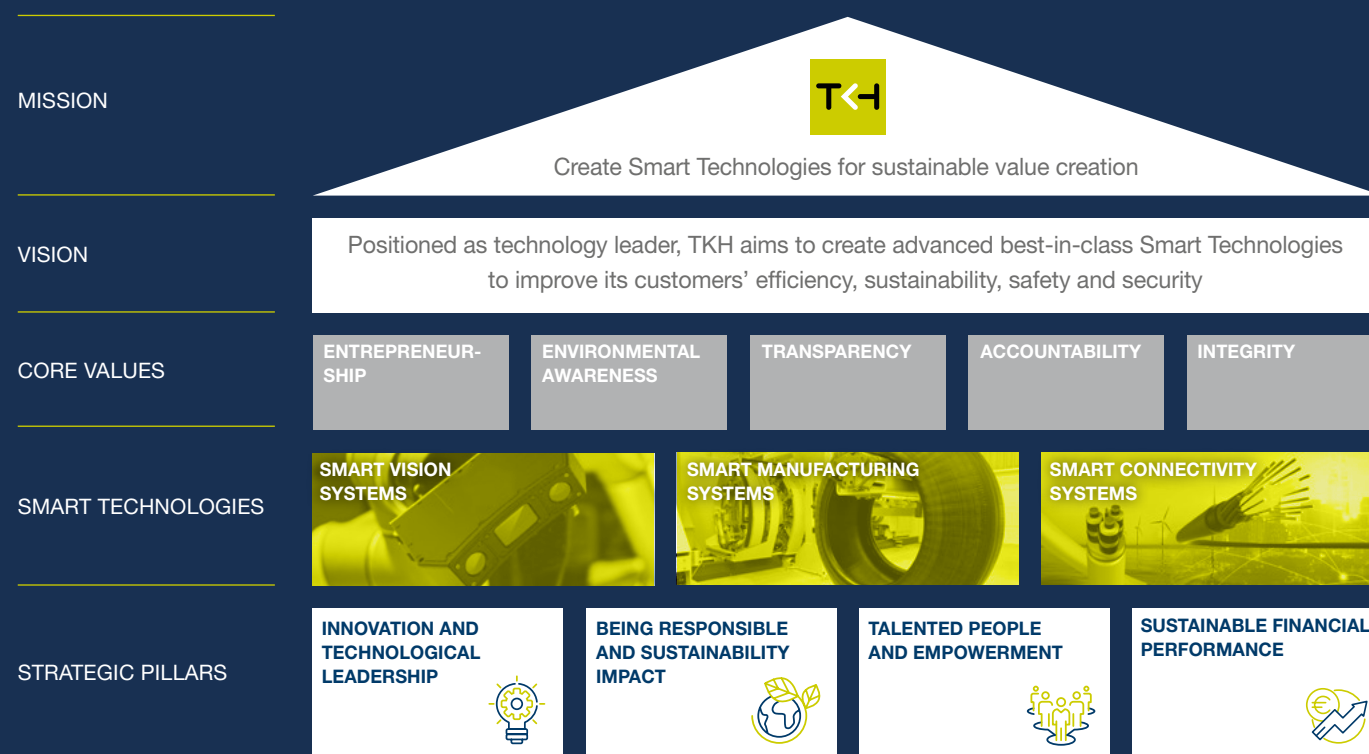
LONG-TERM VALUE CREATION

24

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.



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 (CO₂ EMISSIONS)

100% carbon neutrality in own operations by 2030 (scopes 1 & 2) - reduction of CO₂ 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**

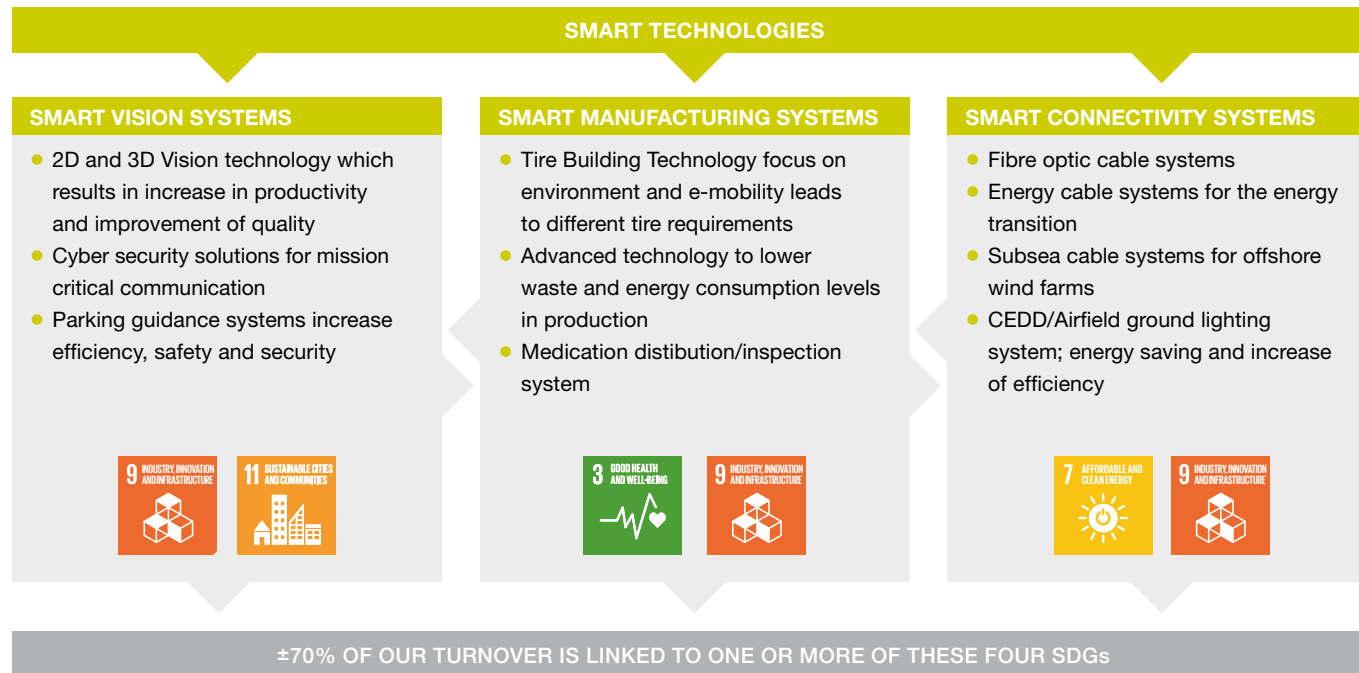


STRONG SUSTAINABLE PORTFOLIO

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



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.

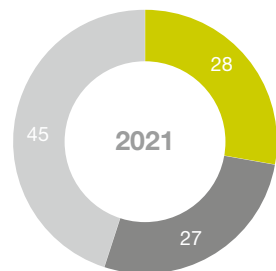
- **ENTREPRENEURSHIP** – we take ownership of observing new opportunities and we are driven to excel in our roles and responsibilities.
- **ENVIRONMENTAL AWARENESS** – we foster a focus on sustainability and we are keen to contribute positively to the environment and society.
- **TRANSPARENCY** – we 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

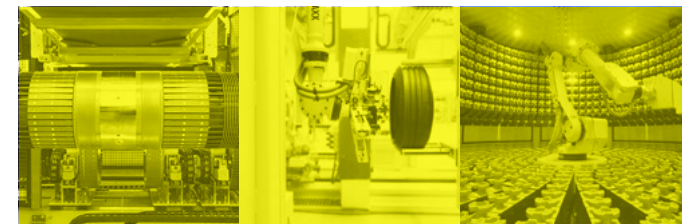
TKH leverages its unique expertise to create superior manufacturing systems, capitalizing on our deep understanding of automating production processes in different industries. Our systems and machines contribute to highly efficient manufacturing and processing.

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.



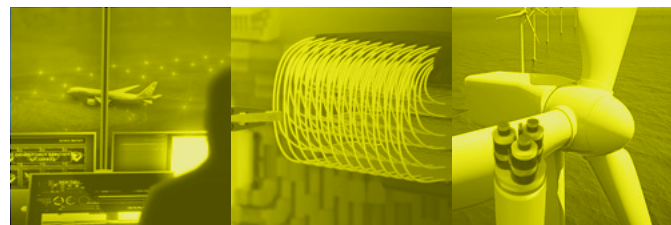
SMART CONNECTIVITY SYSTEMS

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.

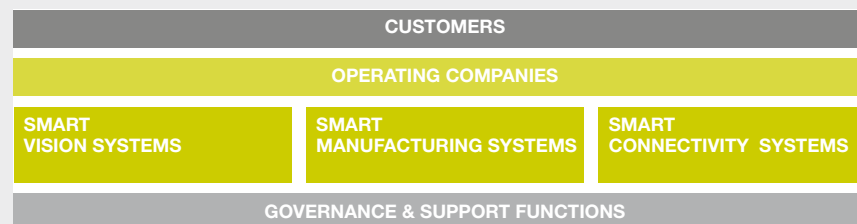
ENTREPRENEURIAL CULTURE

- 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



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



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

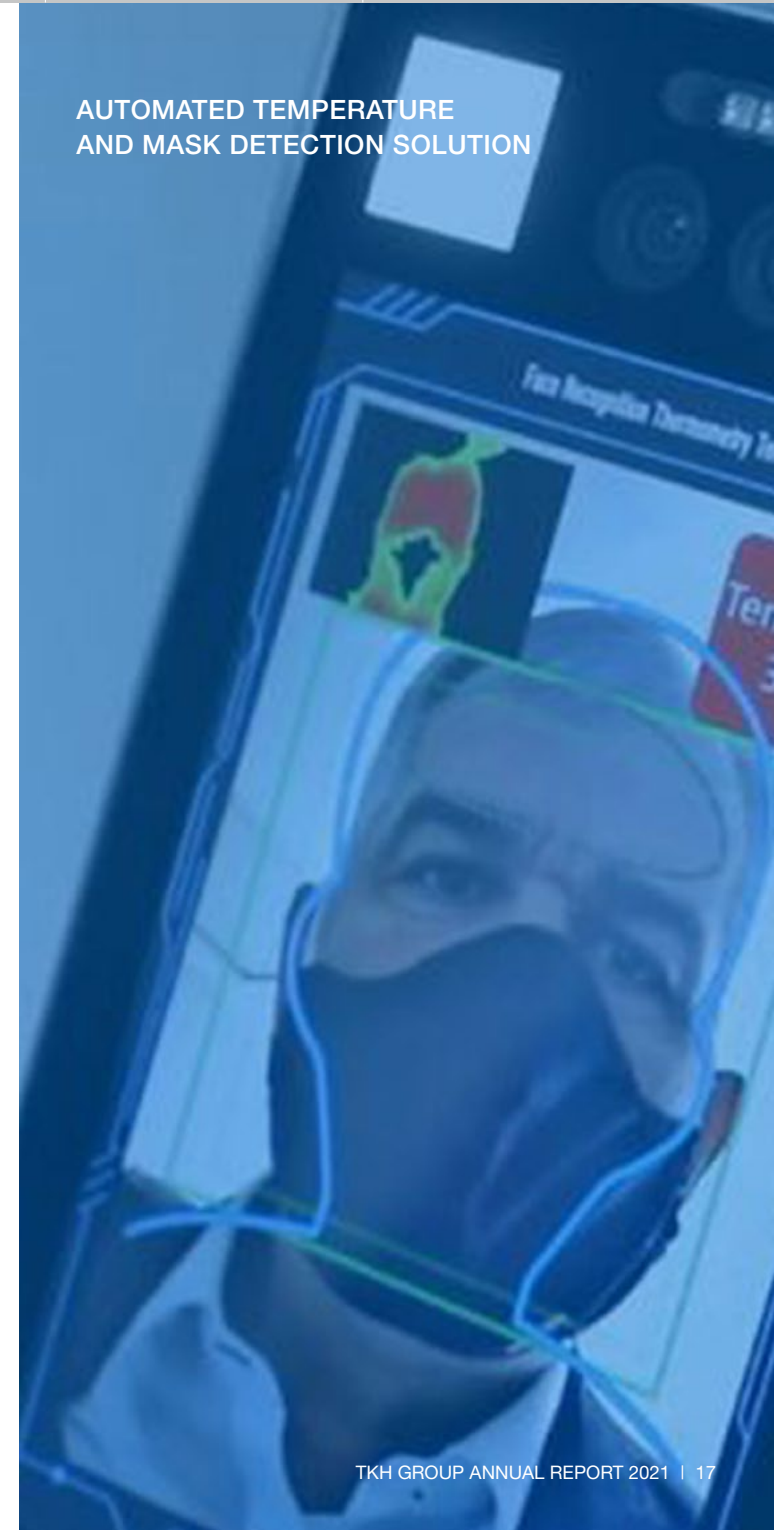
Developments in the industry in general and our competitive landscape in particular are important for TKH's positioning in the market. Customer patterns are changing, technological developments are accelerating, and there is an increased demand for sustainable solutions, as well as the consolidation 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.

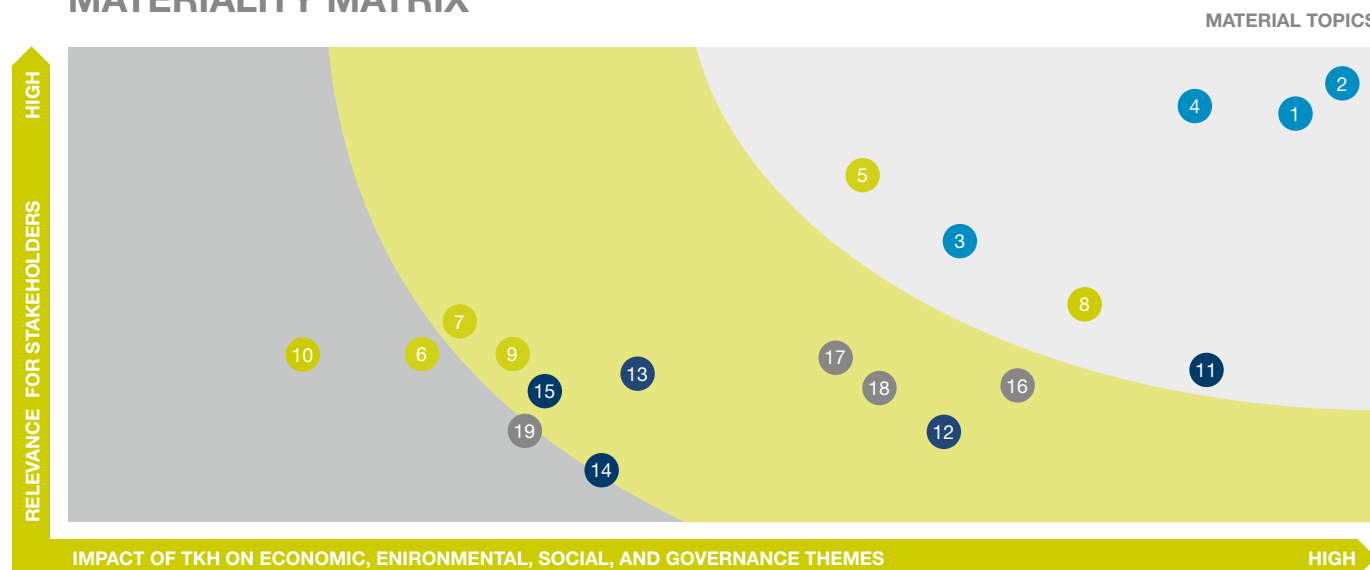
AUTOMATED TEMPERATURE AND MASK DETECTION SOLUTION



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



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

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.

SUSTAINABILITY

Deliver a strong performance with regard to our ESG targets, especially CO₂ neutrality by 2030 (scopes 1 & 2), and further develop a sustainable portfolio based on SDG principles.

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.

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.

ACQUISITIONS

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

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.

TKH BRANDING

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

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

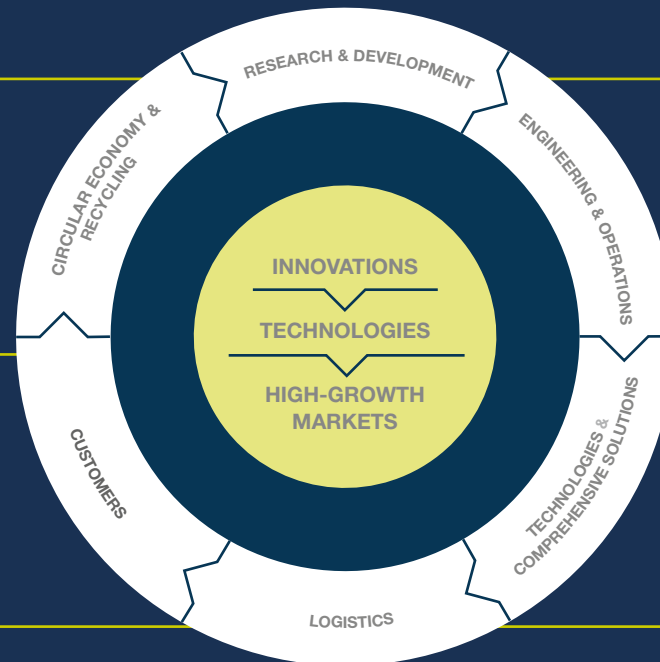
The composition of products constitutes the basis for optimal recycling. The return of materials, components and products to the appropriate value chain gives rise to a sustainable business model.

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



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%



TALENTED PEOPLE AND EMPOWERMENT

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



BEING RESPONSIBLE AND SUSTAINABILITY IMPACT

- CO₂ footprint reduction: 29.8% (compared to 2019)
- Recycling: 83.2%
- Customer satisfaction: 8.4
- Breaches of the code of conduct: 0



MANAGEMENT REPORT

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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 megatrends, 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 CO₂-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.

CO₂ FOOTPRINT

Efficient energy consumption and reduction of CO₂ 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 CO₂ emissions and energy costs to a minimum.

The focus of TKH's CO₂ 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 CO₂ emissions in our calculation model. TKH calculates the energy consumption and CO₂ 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 CO₂ emissions reporting. The basis for consolidated energy consumption and CO₂ 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 CO₂-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

CO₂ 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 CO₂ 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 CO₂ footprint. In addition, we will set up a compensation program to offset residual CO₂ 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 CO₂ 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 CO₂ 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%).

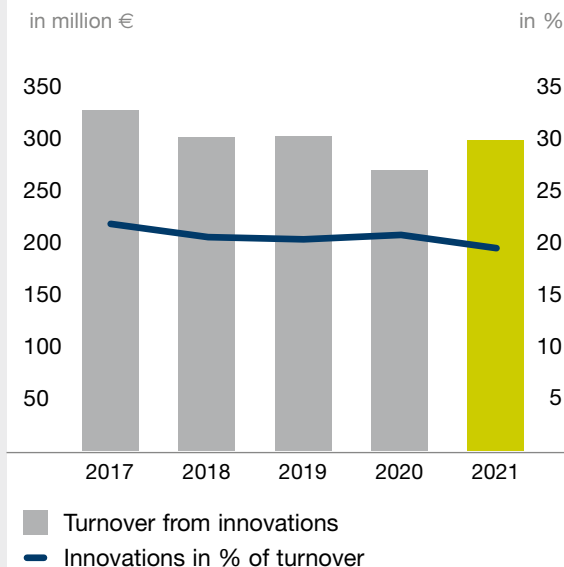
Our products and systems have the relevant accreditation marks and certificates and are supplied with clear manuals

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 CO₂ 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

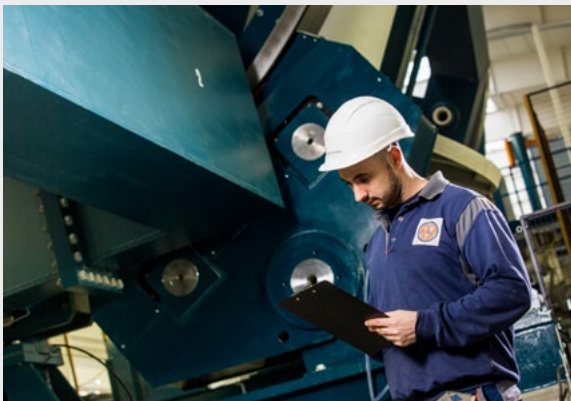
promote the sharing of knowledge and experiences. TKH believes that consultations with the Central Works Council and other Works Councils are important and attaches great value to an open dialog. We believe that adopting an active approach to employee representation helps us to stay alert.

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 occurred at one of our premises involving an employee of a third party supplier. This proves the need for continuous 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



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

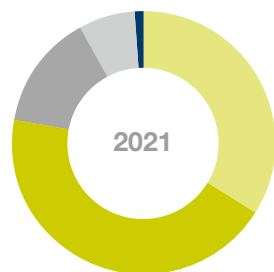
Talent and management development are of great strategic value. Employee skills and backgrounds are matched as closely as possible to the strategic developments at TKH and, where necessary, we provide education and training to help employees grow in their jobs or guide them to their next career step. 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.

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

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

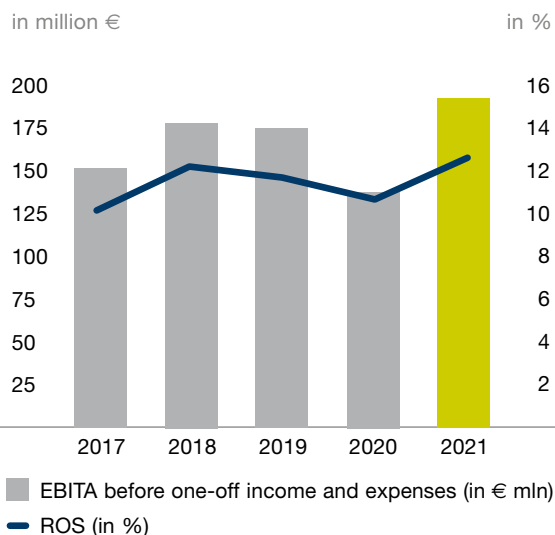
contracting alternative suppliers. Our pricing power enabled us to pass on most of the resulting price increases.

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%.

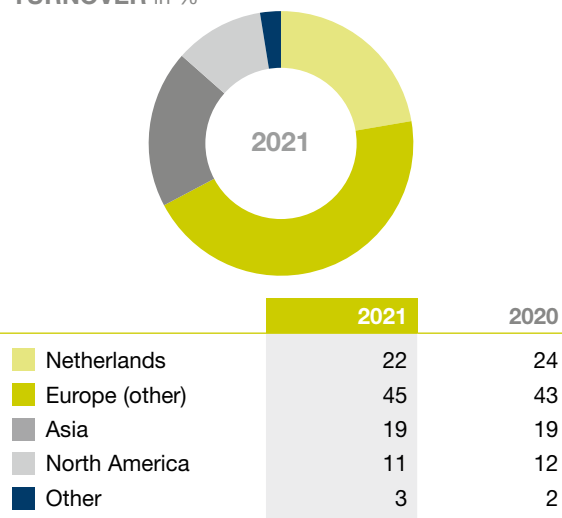
The gross margin decreased to 48.3% in 2021 (2020: 49.2%) due to a shift in product mix, with a larger share in Smart Connectivity systems combined with increased raw material and component prices.

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



GEOGRAPHICAL DISTRIBUTION OF TURNOVER in %



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.

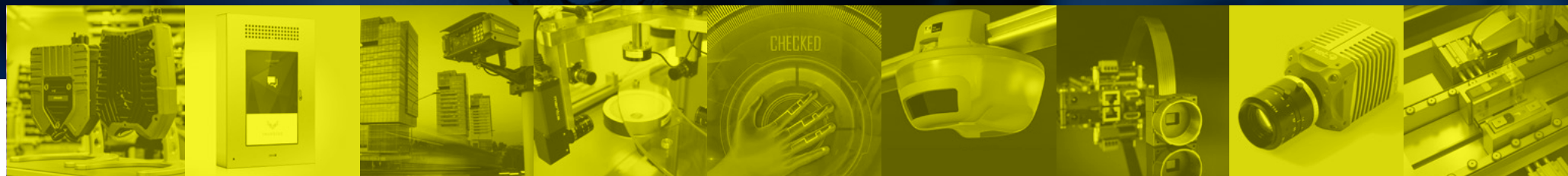
At year-end 2021, TKH employed a total of 6,160 FTEs (2020: 5,704), with 376 of those as temporary employees (2020: 121 FTEs).

DIVIDEND PROPOSAL

It will be proposed to the General Meeting that it authorizes the payment of a dividend of € 1.50 per (depository 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.

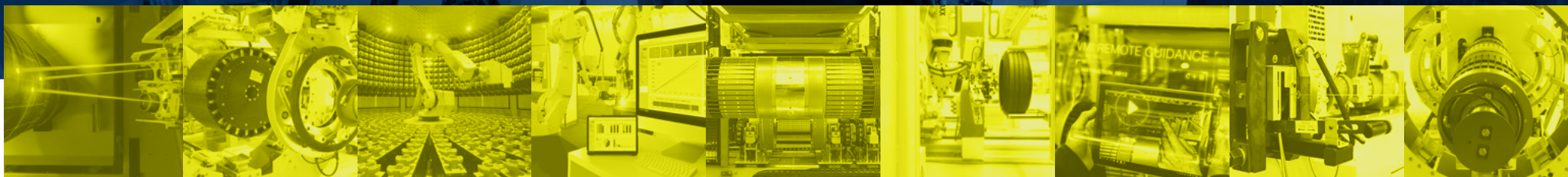
KEY FIGURES SMART VISION SYSTEMS

(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

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.

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.

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.

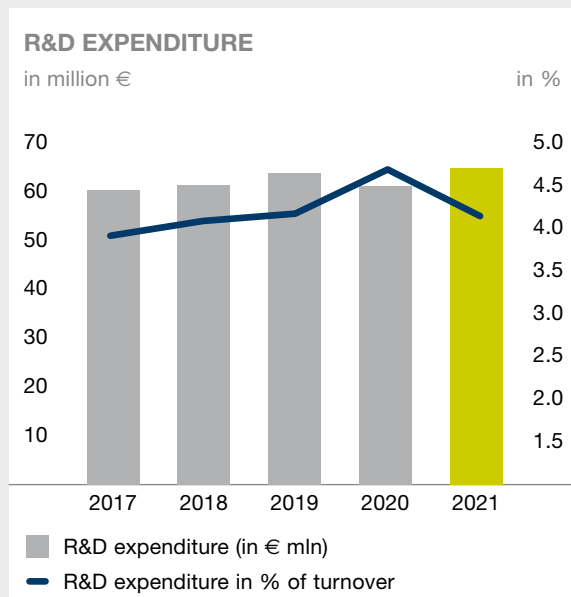
Depreciation of property, plant and equipment totaled € 30.1 million in 2021 (2020: € 29.8 million).

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.

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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 CO₂ 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 suffi-

ciently 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 remunera-

tion 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

AMX

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

INTERNATIONAL SECTOR PEERS

Prysmian
Basler
Cognex
Keyence

determine decision-making. The Remuneration Committee evaluates the external market data and, if necessary, makes recommendations to the Supervisory Board for approval.

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		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 need 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

	Regular remuneration	Remuneration membership committees	Total	Total
(in € 1,000)			2021	2020
A.J.P. De Proft, <i>chairman</i>	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, <i>chairman</i>	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 contribu-

tion 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 depositary 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

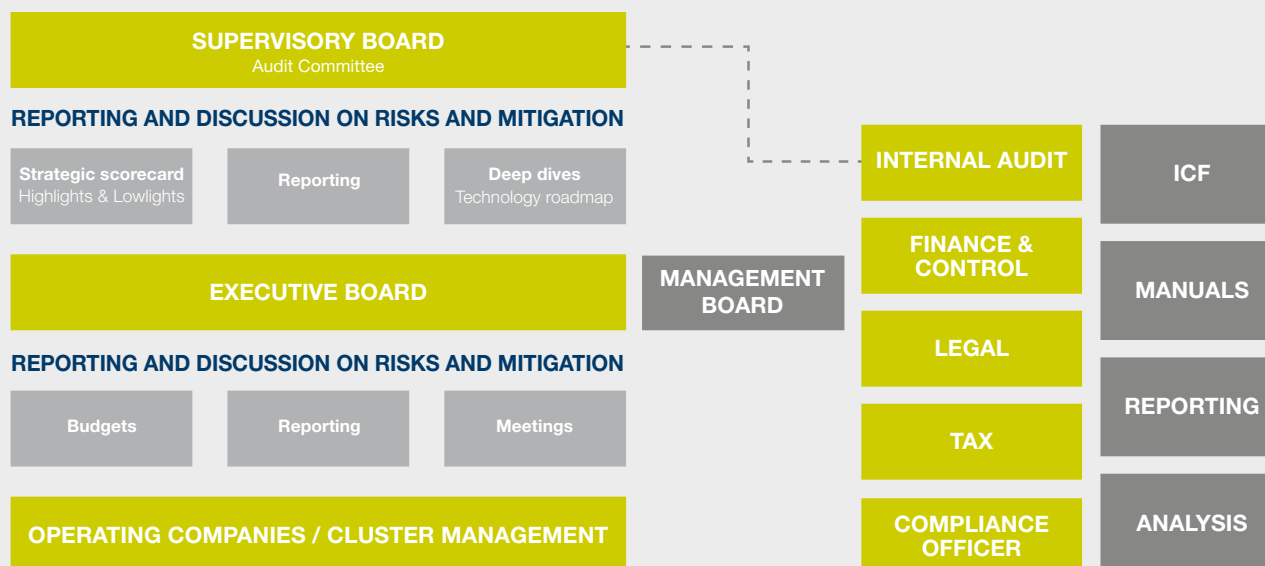
The Executive Board is responsible for compliance with all relevant primary and secondary legislation and for managing the risks associated with the company's activities through the appropriate implementation of internal risk management, control and auditing systems. This involves surveying and analyzing 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

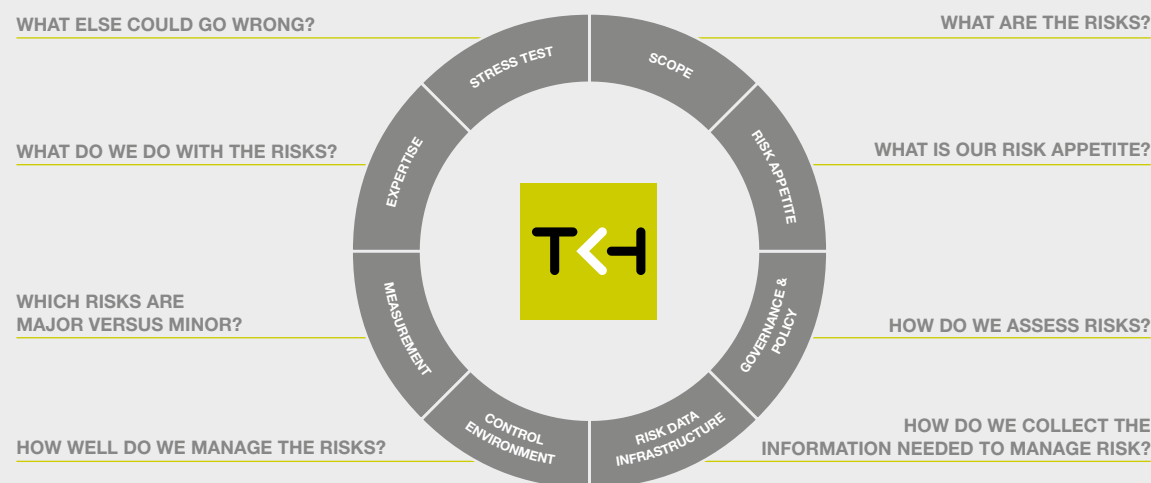
TKH has embedded its risk management policy in all levels of the organization. This involves using risk management and control systems that contain the following key components:

- 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 (electrical) 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	▲	●
	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	▼	●
	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	=	●
	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	=	●
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	▼	●
	6. IT & SECURITY	Risk of breach of data availability, confidentiality, and integrity (including IP).	INNOVATION AND TECHNICAL LEADERSHIP	18 Privacy & IT Security	▲	●
	7. STAFF	Shortage of well-qualified staff and inability to retain qualified staff. Health and safety incidents can cause risks for employees and lead to business stagnation.	TALENTED PEOPLE AND EMPOWERMENT	11 Good & responsible employment 12 Healthy & safe work environment 13 Employee satisfaction 14 Personal development opportunities 15 Diversity & inclusiveness	▲	●
	8. SUSTAINABLE BUSINESS OPERATIONS	Possible impact of climate change on our strategy and business model. Unsustainable business operations can have an adverse effect on the environment. Future implementation of CO ₂ tax/pricing could mean an increase in operational and compliance costs.	BEING RESPONSIBLE AND SUSTAINABILITY IMPACT	5 Responsible production 6 Resource efficiency 7 Climate change 8 CO ₂ neutral 9 Responsible procurement 10 Circularity	▲	●
	9. (RAW) MATERIALS & COMPONENTS	Important raw materials such as copper, steel and plastics, and technical (electrical) 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	*	●
FINANCIAL AND REPORTING	10. CURRENCIES	Volatility of currencies which puts pressure on profit margins.	SUSTAINABLE FINANCIAL PERFORMANCE	1 Financial stability, track record & performance	=	●
	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	*	●
	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	=	●
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	▲	●
	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	=	●

▲ 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 and 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 CO₂ tax/pricing could mean an increase in operational and compliance costs.

Our specific risk mitigation measures:

- Based on the recommendations from the Task Force on Climate Related Financial Disclosures (TCFD), a comprehensive analysis is carried out on possible risks of climate change and how any climate risks can be converted into opportunities.
- Further implementation of optimizations in production processes via our operational excellence program.
- Deliver a strong performance regarding our ESG targets, in particular being CO₂ 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.

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.

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

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 shortcomings in the administrative organization and internal control were observed. The Director of Internal Audit discussed the results of these audits with the Executive Board and reported the main findings to the Audit Committee. 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 Administratiekantoor 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

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SMART CONNECTIVITY SYSTEMS

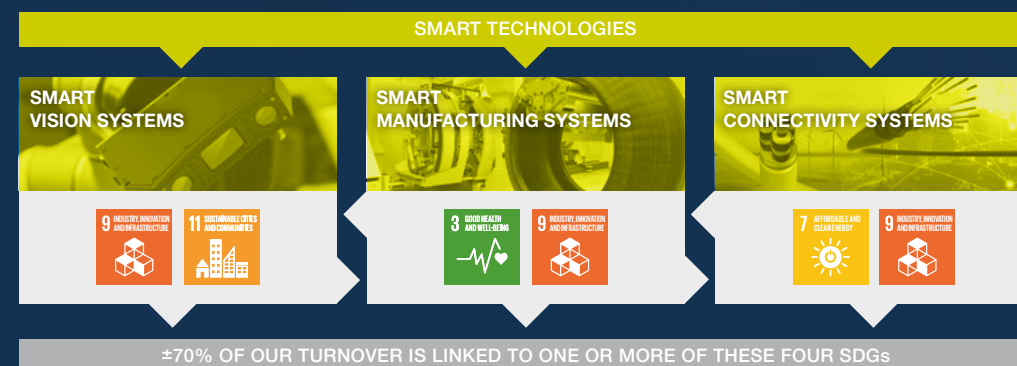
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INNOVATIVE SOLUTIONS FOR A SUSTAINABLE FUTURE

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.



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.

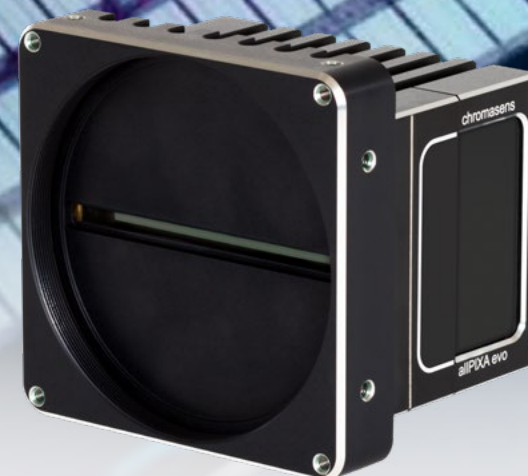
The detection of different kinds of defects on the wafer, like cracks, scratches, chipping, saw lines, foreign particles, and more, requires optical inspection at several steps in the production process using high-resolution cameras and different lights.

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.

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.

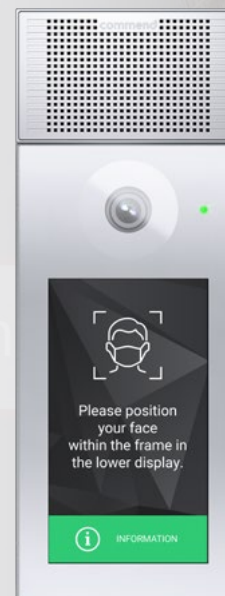
Benefits of TKH's Vision access technology:

- 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.



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.



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.



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 a 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 houses 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.

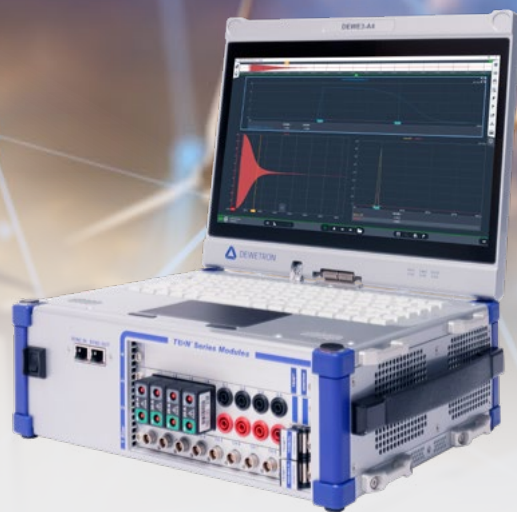
It is also important that manufacturers and operators ensure the safety, reliability, and activity of wind parks and turbines, at the same time as optimizing wind park performance; continuous

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.



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 PASSIVE INFRASTRUCTURE CONTROL

Making essential unmanned connectivity infrastructures 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 CO₂ 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.



OFFSHORE WIND FARM CABLE TECHNOLOGY

Sustainable cable systems for the reliable distribution of renewable energy

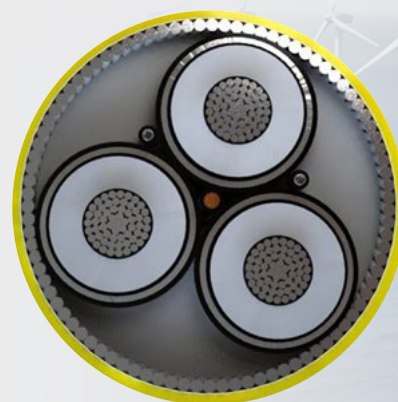
The demand for sustainable energy is increasing, and the offshore wind sector is growing rapidly. Preventing downtime and reducing failure costs is one of the key priorities within this fast-evolving segment, to help reduce risk and improve energy generation and distribution reliability. Sustainable 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.



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 be 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 to 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 resources.



SUMMARIZED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS

in thousands of euros

	2021	2020
Total turnover	1,523,773	1,289,368
Raw materials, consumables, trade products and subcontracted work	787,253	654,977
Personnel expenses	378,267	352,852
Other operating expenses	123,526	109,081
Depreciation and result on divestment of property, plant and equipment	45,166	43,867
Amortization	51,110	53,720
Impairments	1,564	3,968
Total operating expenses	1,386,886	1,218,465
Operating result	136,887	70,903
Financial income	191	342
Financial expenses	-7,799	-8,787
Exchange differences	-680	-1,965
Share in result of associates	2,074	-3,194
Result on sale of subsidiaries	0	5,496
Fair value changes of financial liability for earn-out and put options of holders of non-controlling interests	-1,759	120
Result before tax	128,914	62,915
Tax on result	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		
Ordinary earnings per share (in €)	2.31	1.14
Diluted earnings per share (in €)	2.30	1.14
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 before amortization (in €) ¹	2.66	1.54
Ordinary earnings per share before amortization and one-off income and expenses (in €) ¹	2.77	1.69

¹ Non IFRS compulsory disclosure

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of euros

	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)	-870	3,098
	16,930	-11,370
Items that will not be reclassified subsequently to profit or loss (net of tax)		
Actuarial gains/(losses)	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

CONSOLIDATED BALANCE SHEET

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

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.

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

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

	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	-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		3,853
Acquisition of subsidiaries less cash and cash equivalents acquired	-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

	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	-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	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	68,017	65,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARIZED FINANCIAL STATEMENTS

This condensed Annual Report 2021 is a summarized version of the full Annual Report 2021 of TKH. The full Annual Report 2021 is the official reporting document for Dutch statutory purposes. The financial overviews in the summarized financial statements are derived from the audited financial statements 2021 of TKH, which is part of the full Annual Report 2021 in European single electronic reporting format (the ESEF package), with hash code zRYr9/BweKgLBg=. At those financial statements, an Independent Auditor's Report is provided. The financial overviews should be read in conjunction with the financial statements, from which these have been derived. The ESEF package is available on the company's website at www.tkhgroup.com and includes a human readable XHTML version of the 2021 Annual Report. In any case of discrepancies between this condensed version and the ESEF package, the latter prevails. In the chapters 'Management report' and 'Governance' of this Annual Report' references to several notes in the financial statements are included. These notes are not included in the summarized financial statements, but can be found in the full financial statements mentioned above.

Going concern

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

Accounting principles

The consolidated financial statements of TKH Group NV (hereafter 'TKH') have been drawn up in accordance with the International Financial Reporting Standards ('IFRS') adopted by the European Commission and applicable on the accounting period that begins on 1 January 2021. The principles

for the recognition and measurement of assets and liabilities and determination of the result, as prescribed by IFRS, have not been included in the summarized financial statements. For a complete overview is referred to the full financial statements of TKH.

To the extent that alternative performance measures are used these are explained in 'Alternative performance measures' which is included in the other information.

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. The disclosure below only contains information for the new segmentation (Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems). For the 2021 information regarding the previously used segmentation (Telecom Solutions, Building Solutions and Industrial Solutions) reference is made to the full financial statements 2021.

Smart Technology segmentation (November 2021 onwards)

In the overview of 'Consolidated entities', as part of the 'Other information' in the full financial statements, it is shown in which of the segments the different subsidiaries operate. In the full financial statements, 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

Operating segments (continued)

	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
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
<i>Added value in %</i>	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
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
<i>Return on Capital Employed (ROCE)</i>	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		Employees (FTE)	
	2021	2020	2021	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.

OVERVIEW OF NET PROFIT DEFINITIONS

in thousands of euros (unless stated otherwise)	2021	2020
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	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	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

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PROFIT APPROPRIATION

Since no protection preference and financing preference shares were outstanding or issued, within the meaning of Articles 33.1, 3, 4, 5, 6, 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.

OUR OPINION

The summary financial statements 2021 (hereinafter: the summary financial statements) of TKH Group N.V. based in Haaksbergen is derived from the audited financial statements 2021 of TKH Group N.V. with hash code zRYr9/BweKgLXBg=.

In our opinion the accompanying financial statements are consistent, in all material aspects, with the audited financial statements 2021 of TKH Group N.V., on the basis as described in the related explanatory notes.

The summary financial statements comprise:

- the consolidated balance sheet at 31 December 2021
- the following statements over 2021:
 - the consolidated statement of profit and loss
 - the consolidated statement of comprehensive income
 - the consolidated statement of changes in group equity and the consolidated cash flow statement
- the accompanying related explanatory information

SUMMARY FINANCIAL STATEMENTS

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union (IFRS-EU). Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of TKH Group N.V. and our auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent after the date of our report on those financial statements of March 7, 2022.

THE AUDITED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

We expressed an unqualified audit opinion on the financial statements 2021 of TKH Group N.V. in our auditor's report of March 7, 2022.

RESPONSIBILITIES OF THE EXECUTIVE AND SUPERVISORY BOARD FOR THE SUMMARY FINANCIAL STATEMENTS

The executive board is responsible for the preparation of the summary financial statements on the basis as described in the related explanatory notes.

The supervisory board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material aspects, with the audited financial statements based on our procedures, which we conducted in accordance with Dutch Standard 810 'Opdrachten om te rapporteren betreffende samengevatte financiële overzichten' (Engagements to report on summary financial statements).

Amsterdam, March 14, 2022
Ernst & Young Accountants LLP
signed by F.J. Blenderman

The non-financial KPIs' as included in this report are the same as included in the annual report for the year 2021 of TKH Group N.V. EY has issued an assurance report on March 7, 2022 on these non-financial KPIs. The assurance report as disclosed on this page contains the 'assurance report of the independent auditor on non-financial KPIs' as included in the annual report for the year 2021 of TKH Group N.V. Page numbers and chapters to which the assurance report refers to have remained unchanged in this report.

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 (CO₂ 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, March 7, 2022
Ernst & Young Accountants LLP
signed by J. Niewold

CONSOLIDATED ENTITIES

The following directly or indirectly held subsidiaries are included in the consolidation:

Name	Place	Country	Ownership 31-12-2021 ¹	Ownership 31-12-2020 ¹	NEW SEGMENT REPORTING			OLD SEGMENT REPORTING		
					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%			●	●	●	●

Name	Place	Country	Ownership 31-12-2021 ¹	Ownership 31-12-2020 ¹	NEW SEGMENT REPORTING			OLD SEGMENT REPORTING		
					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%	●				●	

Name	Place	Country	Ownership 31-12-2021 ¹	Ownership 31-12-2020 ¹	NEW SEGMENT REPORTING			OLD SEGMENT REPORTING		
					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%	●				●	
Tattile Srl.	Mairano (Brescia)	Italy	100.0%	100.0%	●				●	
E&E Cable Solutions (Ukraine)	Kiev	Ukraine	100.0%	100.0%			●			●
Commend International GmbH	Salzburg	Austria	100.0%	100.0%	●				●	
Dewetron Elektronische Messgeräte GmbH	Graz	Austria	100.0%	100.0%		●				●
EFB Elektronik Austria GmbH	Wien	Austria	100.0%	100.0%			●	●	●	●
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%		●				●

Name	Place	Country	Ownership 31-12-2021 ¹	Ownership 31-12-2020 ¹	NEW SEGMENT REPORTING			OLD SEGMENT REPORTING		
					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%	●				●	
Siquira 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 CO₂, 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 CO₂ 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.

CO₂ EMISSIONS

To measure and report the CO₂ emissions, we use the different scopes of the Greenhouse Gas (GHG) protocol.

- Scope 1 covers the direct CO₂ emissions caused by fuels that we purchase and consume ourselves, and mainly concerns gas, gasoline, and diesel (including company cars).
- Scope 2 covers indirect CO₂ emissions from electricity consumption.
- Scope 3 covers indirect CO₂ 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 CO₂ emissions in our calculation model. TKH calculates the energy consumption and CO₂ 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 CO₂ emissions. The basis for consolidated energy consumption and CO₂ 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 CO₂ 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 backgrounds 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.

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.

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										
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 discontinued operations.

² The comparative figures for 2017 have been restated due to retrospective application of IFRS 15 'Revenue from contracts with customers'.

³ After restatement as a result of change in accounting principles for land and buildings and prior period restatements (see Accounting Principles) for the years 2014 up to 2016. The years 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)										
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 discontinued operations.

2 The comparative figures for 2017 have been restated due to retrospective application of IFRS 15 'Revenue from contracts with customers'.

3 After restatement as a result of change in accounting principles for land and buildings and prior period restatements (see Accounting Principles) for the years 2014 up to 2016. The years 2012 up to 2013 have not been restated.

This is a summary of the Annual Report 2021.

The full Annual Report in European single electronic reporting format (the ESEF package) is available in English and can be downloaded from the website of TKH: www.tkhgroup.com.

In the event of differences and/or inconsistencies, the ESEF package will take precedence.

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