CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENT OF PROFIT AND LOSS

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

1 Non IFRS compulsory disclosure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED BALANCE SHEET

in thousands of euros	Notes	31-12-2020	31-12-2019
ASSETS			
Non-current assets			
Intangible non-current assets	3	577,330	596,404
Tangible non-current assets	4	219,900	230,938
Right-of-use assets	5	77,357	80,752
Other associates	6	25,540	28,635
Receivables	8	1,872	1,966
Deferred tax assets	16	14,322	20,962
Total non-current assets		**916,321**	**959,657**
Current assets			
Inventories	7	236,714	238,801
Receivables	8	157,363	182,076
Contract assets	9	124,230	115,692
Contract costs	9	3,314	1,896
Current income tax		1,776	1,588
Cash and cash equivalents [1]	10	121,645	78,976
Total current assets		**645,042**	**619,029**
Assets held for sale	11	4,594	38,775
Total assets		**1,565,957**	**1,617,461**

in thousands of euros	Notes	31-12-2020	31-12-2019
EQUITY AND LIABILITIES			
Group Equity			
Shareholders' equity	12	661,820	704,516
Non-controlling interests	13	86	304
Total group equity		**661,906**	**704,820**
Non-current liabilities			
Interest-bearing loans and borrowings	18	409,508	415,803
Deferred tax liabilities	16	55,061	65,528
Retirement benefit obligation	17	5,844	5,759
Financial liabilities	15	3,408	4,971
Provisions	14	5,741	6,296
Total non-current liabilities		**479,562**	**498,357**
Current liabilities			
Interest-bearing loans and borrowings [1]	19	57,143	58,050
Trade payables and other payables	20	258,717	259,784
Contract liabilities	9	73,931	49,187
Current income tax liabilities		11,008	11,824
Financial liabilities	15	4,542	3,682
Provisions	14	19,148	19,069
Total current liabilities		**424,489**	**401,596**
Liabilities directly associated with assets held for sale	11		12,688
Total equity and liabilities		**1,565,957**	**1,617,461**

1 Including € 56.0 million (2019: € 10.0 million) cash and cash equivalents that are part of cash and interest pools. These cash and cash equivalents are not netted in the consolidated balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

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

CONSOLIDATED CASH FLOW STATEMENT

in thousands of euros	Notes	2020	2019
Cash flow from operating activities			
Operating result from continued operations		70,903	99,109
Operating result from discontinued operations			8,864
Depreciation, amortization and impairment		103,025	100,645
Share and option schemes not resulting in a cash flow		2,335	2,141
Result on disposals		-1,567	-257
Changes in provisions		-811	7,906
Changes in working capital		42,504	75
Cash flow from operations		**216,389**	**218,483**
Interest received		344	531
Interest paid		-9,001	-9,374
Income taxes paid		-19,905	-27,431
Net cash flow from operating activities (A)		**187,827**	**182,209**
Cash flow from investing activities			
Dividends received from non-consolidated associates			72
Repayments on loans		94	82
Purchases of tangible non-current assets		-31,097	-31,273
Disposals of tangible non-current assets		1,664	627
Divestments of investment property			251
Divestments in assets held for sale	11	3,853	
Divestment of subsidiaries classified as held-for-sale less transferred cash		21,178	83,473
Divestment of associates			163
Acquisition of subsidiaries less cash and cash equivalents acquired	35	-481	-65,465
Acquisition of associates	6		-16,354
Investments in intangible non-current assets	3	-39,562	-40,527
Divestments in intangible non-current assets		355	82
Net cash flow from investing activities (B)		**-43,996**	**-68,869**

in thousands of euros	Notes	2020	2019
Cash flow from financing activities			
Dividends paid		-62,566	-59,337
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	15	-614	-4,682
Capital contribution non-controlling interests		12	58
Acquisition of non-controlling interests		-191	-865
Purchased shares for share buy-back program		-7,144	
Purchased shares for share and option schemes		-12,821	-12,395
Sold shares for share and option schemes		1,630	8,228
Payment of lease liabilities		-16,005	-15,780
Proceeds from long-term debts		-4,985	99,013
(Repayments)/proceeds from other long-term debts		-513	661
Change in borrowings	19	-47,676	-113,063
Net cash flow from financing activities (C)		**-150,873**	**-98,162**
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**-7,042**	**15,178**
Exchange differences		-3,490	63
Change in cash and cash equivalents		**-10,532**	**15,241**
Cash and cash equivalents at 1 January		76,146	60,905
Cash and cash equivalents at 31 December	10	**65,614**	**76,146**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

General

The financial statements in English is a translation of the official Dutch version. In the event of differences and/or inconsistencies between the English version of the financial statements 2020 and the official Dutch financial statements 2020, the latter will take precedence. The consolidated financial statements of TKH Group N.V. (hereafter 'TKH') have been drawn up in accordance with the International Financial Reporting Standards ('IFRS') adopted by the European Commission and applicable on the accounting period that begins on 1 January 2020. The company financial statements are part of the financial statements of TKH. The financial statements have been prepared based on the historical cost basis, except for the valuation at fair value of investment property, derivatives and share-based payments. All transactions in financial instruments are recognized at transaction date. Comparative figures may have been reclassified for comparability purposes, if considered to be material, the relevant disclosure has been added to the applicable note. To the extent that alternative performance measures are used these are explained in the glossary, which is included in the 'Other information'.
TKH Group N.V. has its registered office and factual seat in Haaksbergen and is registered in the trade register under number 06045666.

Impact COVID-19

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

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

- In the various countries where we operate, all measures have been taken in accordance with the guidelines of the (local) governments to guarantee the safety of the working environment for our employees and to ensure the continuity of the company. Due to the measures taken, productivity and coverage in the production companies was considerably lower. In addition, there was a lower demand because customers were hindered in the execution and realization of projects. Investments were limited or postponed in some market segments. In particular, this concerned investments for airports, parking garages, shipping and the industrial sector.
- Limited use has been made of available COVID-19 government support, often consisting of schemes for job retention or a form of short-time working. This has resulted in a temporary reduction in personnel costs of € 6.8 million. No government aid has been used in the Netherlands. The accounting policy used for the government support received is included in note 1 of the financial statements under 'Government grants'.
- Various cost-cutting measures have been implemented, but there were no significant reorganization costs directly related to the effects of COVID-19.
- TKH has not received any significant rental discounts as a result of COVID-19.
- Additional scenarios have been worked out in the assessment for possible impairments, in which an impairment loss of € 2.0 million is recognized, which is the result of COVID-19. For the assumptions and scenarios used, reference is made to note 3 of the financial statements. Reference is made to note 16 for the valuation of deferred tax assets.
- Postponement of the delivery of various projects, especially in the Industrial Solutions segment, due to lockdown situations at customers, had an increasing effect on the working capital at year-end 2020 of an estimated € 10 milion. In contrast, deferred tax payments obtained had a depressing effect of € 22 million. This tax amount must be paid in the first half of 2021. An increased focus on working capital management has also led to a substantial reduction in working capital in the fourth quarter of 2020. Furthermore, TKH does not foresee any significant negative developments in the payment behavior of our customers to date.
- Investment levels are limited where possible. Important investment programs have been continued, as have ongoing R&D programs.
- TKH has a strong financial position and on 31 December 2020 with a debt leverage of 1.6, remains well within the covenant agreed with the banks.

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

New accounting principles and interpretations

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

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

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

The adoption of the amendments and improvements has no material impact on the financial statements.

TKH has not opted for an early adoption of the following new standards, amendments to standards and new IFRIC interpretations, which are mandatory for accounting periods that begin on or after 1 January 2021:

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

TKH expects that the adoption of the other new standards and amendments in future periods will not have a material impact on its financials statements.

Consolidation

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

1 Effective for financial years starting on or after 1 januari 2021
2 Effective for financial years starting on or after 1 januari 2022
3 Effective for financial years starting on or after 1 januari 2023

Profit or loss and each component of other comprehensive income (hereafter ‘OCI’) are attributed to the shareholders of TKH and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting principles in line with TKH’s accounting principles. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If TKH loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in the statement profit and loss.

Segmentation

The information is segmented into the operating segments Telecom, Building and Industrial Solutions. For these segments, discrete financial information is available that the Executive Board, the highest operational decision-makers, evaluates regularly. The Executive Board decides on the allocation of resources and reviews the performance of the three segments (Telecom, Building and Industrial Solutions). These performances are reviewed and reported to the level of operating result. The segments are based on the product/market combinations in which TKH companies operate. The accounting principles that are applied to these consolidated financial statements also apply to the business segments. The transaction prices for deliveries between segments are determined on a commercial basis. The results, assets and liabilities of a segment include both items directly linked to that segment as items that can reasonably and consistently be allocated to that segment. Besides the information about the operating segments, selective information by geographic region is disclosed.

Foreign currencies

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

Business combinations

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the net amounts of the identifiable assets acquired and the liabilities assumed at acquisition date. If the amount is negative, a badwill (bargain purchase gain) is recognized immediately as benefit in the statement of profit and loss.

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

When a non-controlling shareholder has an unconditional right to sell its shares to TKH according to a contractual agreed formula ('put option'), a liability is recognized by TKH for the shares to be purchased. The liability is recognized at the present value of the estimated future cash outflow. A legal reserve is accounted for the interest in the equity of the subsidiary of which the economic ownership has been obtained, but not yet the legal ownership. Adjustments after the first recognition on the value of the financial liability for put options and earn-out payments are recognized directly into the statement of profit and loss.

Intangible non-current assets

Goodwill

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

Other intangible non-current assets

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

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

Development costs are not capitalized if they are directly reimbursed by third parties and TKH does not obtain the property rights. Other intangible non-current assets are valued at historical cost less amortization. The amortization is on a straight-line basis over their expected useful life. The expected useful life is as follows:

- Capitalized development costs: 3-7 years
- Patents, licenses and trademarks: 3-10 years
- Acquired customer relationships: 7-17 years
- Acquired brand names: 10-15 years
- Acquired intellectual property: 5 - 10 years

Tangible non-current assets

Property, plant and equipment

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

- Buildings: 30-33 years

- Machinery and installations: 5-15 years
- Other equipment: 3-10 years

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

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

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

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

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

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

Contract assets
A contract asset is the right to consideration in exchange for products or services transferred to

the customer. If TKH performs by transferring products or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract costs

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

Contract labilities

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

Financial instruments

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

Financial assets

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

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

The classification of a financial asset on initial recognition depends on the contractual cash flow characteristics and the business model of TKH to manage it. A financial asset can only be classified and valued at amortized cost or fair value through OCI if it generates cash flows that consist solely of repayment and interest ('SPPI') on the outstanding principal. This assessment is called the SPPI test and is performed at instrument level. The business model refers to the way in which TKH manages its financial assets to generate cash flows. The business model determines whether cash flows arise from the collection of contractual cash flows, the sale of financial assets or both. Purchases or sales of financial assets that require delivery of assets established by regulation or convention in the market place (regular way trades) are recognized on the trade date, the date that TKH commits to purchase or sell the asset.

Financial assets at amortized cost (debt instruments) are particularly relevant for subsequent valuation. TKH values financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are then measured using the effective interest method ("EIR") and tested for impairment. Gains and losses are recognized in the income statement when the asset is no longer recognized, adjusted or subject to impairment. The financial assets at amortized cost mainly comprise trade receivables.

A financial asset is primarily derecognized when:

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

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

Impairment of financial assets

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

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

Financial liabilities

Financial liabilities are classified, at initial recognition, as

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

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

Other payables

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

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

Offsetting of financial instruments

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

Derivatives

Derivative financial assets and financial liabilities ('derivatives') are recognized in the balance sheet when TKH concludes a contract for such an instrument. Derivatives are stated at fair value on the contract date and are then measured at the prevailing fair value at subsequent reporting dates.

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

Assets and directly associated liabilities held for sale and discontinued operations

Assets held for sale

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

Discontinued operations

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

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

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

Provisions

General

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

Pensions

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

Jubilee bonuses

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

Provision warranty obligations

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

Onerous contracts

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

Restructuring liability

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

Other provisions

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

Deferred tax

Deferred tax relates to temporary differences between the value in the financial statements and the value for tax purposes. No deferred tax is recognized for non-deductible goodwill and subsidiaries and associates included in the participation exemption. Deferred tax assets are only recognized to the extent that it is probable that they can be realized. Deferred tax is calculated at the tax rates that are expected to apply when they are settled. Changes in deferred tax are recognized immediately in the statement of profit and loss, with the exception of deferred tax that relates to items that are recognized in the OCI or directly in equity.

Turnover

The turnover includes the net turnover, as well as other revenues. Net turnover is the revenue from products and services delivered to third parties during the year under the deduction of discounts, bonuses and stock returns. Revenue is measured on the basis of the consideration set out in a contract with a customer. Products are regularly sold with volume discounts based on total sales over a period of 12 months. Revenues from these sales are recognized on the basis of the price specified in the contract, after deduction of the estimated volume discounts. Revenue is only recognized to the extent that it is highly probable that a reversal will not take place. A refund liability, included in the other current liabilities, is recognized for expected volume discounts payable to customers in connection with sales made until the end of the reporting period. There is no financing element applicable because the sales take place with a relatively short credit term, which is consistent with market practice.

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

Segment	Products and services	Nature and timing of fulfillment of performance obligations
TELECOM SOLUTIONS	Telecom Solutions develops, produces and supplies products and systems for basic outdoor infrastructure for telecom and CATV networks up to indoor home networking applications. Approximately 40% of the portfolio consists of optical fibre and copper cable. The remaining 60%, consisting of components and systems in the field of connectivity and peripherals, is mainly used in the nodes of the network.	Virtually all revenues in Telecom Solutions is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance. A receivable is recognized at that moment because the consideration has become unconditional and only the passage of time is required before the payment is due.
BUILDING SOLUTIONS	Building Solutions develops, produces and supplies products and systems for security, communication and connectivit applications within and around buildings, cal applications as well as for inspection, quality, product and process control. In addition, products and services are supplied for installations within buildings, intelligent video, mission critical communi-cation, evacuation, access (control) and registration systems.	A large part of the revenue within Building Solutions is recognized in the same way as Telecom Solutions, with the exception of the following products and services: • ***Maintenance and licenses:*** Maintenance and licenses are part of the transaction price for a number of products and systems. These relate to activities that may have to be carried out during a certain period after sale. This period can thereafter be extended by the customer at then applicable prices. Maintenance and licenses are considered as a separate service. A part of the transaction price is therefore allocated to these services based on their stand-alone selling price. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sale transaction and is subsequently recognized as revenue on a straight-line basis over the contract period. • ***Customer-specific products and systems:*** Customer-specific products and systems: A number of products and systems are designed or adapted to customer-specific requirements. TKH recognizes turnover over a period if (i) the customer has control during the creation or improvement of the product / system or (ii) a product/system is created without alternative use and TKH has an enforceable right to payment for the work performed. Examples of (i) include tunnel safety systems, airport ground lighting and parking guidance that are built up and commissioned on-site, as well as subsea cable systems. Examples of (ii) are amongst others machine vision cameras constructed for a specific customer application and by TKH integrated security and communication systems. If the two conditions mentioned above are not met, revenue is only recognized at transfer date. For customer-specific systems, installation can be part of the transaction price. A distinction is made between configuration and the physical installation. The configuration is an integral part of the system sold, while the installation is often regarded as a separate service that is usually outsourced to third parties. The installation services to be delivered are separately identifiable and accordingly the transaction price is attributed to the system and the installation based on the relative stand-alone selling prices. Installation is a performance obligation that is fulfilled over time. If revenue is recognized over a period, this is based on the stage of completion of the contract. The progress is determined on the basis of the input method based on a cost price method. Which means, the part of the contract costs incurred for the work that has been carried out to date in relation to the estimated total contract costs. For the payments due by the customer, which according to the contract can not yet be invoiced, a contract asset is recognized for the period in which the work has been carried out. This contract asset reflects the right to compensation for work performed to date. If more is invoiced than has been performed to date, a contract liability is recorded. Contract liabilities are recognized as revenue when TKH performs under the contract.

Segment	Products and services	Nature and timing of fulfillment of performance obligations
INDUSTRIAL SOLUTIONS	Industrial Solutions develops, produces and supplies solutions ranging from specialty cable, 'plug and play' cable systems to integrated systems for the manufacturing of car and truck tires. Services are also provided for integrated manufacturing systems.	• ***Standardized products*** are accounted for in a similar way as described in Telecom Solutions. Customer-specific products and systems for which there is no enforceable right to payment for the work that has already been performed, are also recognized as revenue in the same way. • ***Customer-specific products and systems*** are accounted for in the same way in Building Solutions. A relatively large part of the turnover consists of customer-specific products and systems without alternative use and an enforceable right to payment for the work performed by TKH. Examples are special cable and cable systems for machines and robots, industrial automation systems and tire building systems. In contrast to Building Solutions, in the sub-segment manufacturing systems is the installation regarded as an integral part of the performance obligation to the customer, because on-site systems are constructed, configured and tested by employees. • ***Sales commissions:*** Agents are used, who earn a sales commission on the revenue collected. These incremental costs for obtaining a contract are directly related to the sales that were realized in a certain period. The sales commissions are capitalized as contract costs and amortized over the expected contract period.

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

Operating expenses

General

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

Government subsidies

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

Share-based payments

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

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

Financial income and expenses

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

Tax

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

Non-controlling interest

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

Cash flow statement

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

2 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Fair values

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

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

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

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

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

Price, credit, interest and currency risks

Note 21 contains information about these risks.

Goodwill and intangible non-current asset related to acquisitions

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

Impairments and valuation of (start-up) tax-losses

Information about impairment testing is included in note 3. TKH regularly invests in R&D (capitalized development costs), production facilities and new, innovative processes with the aim of developing a distinctive product portfolio. Particularly where TKH still has a small market position, the degree of management estimates with regard to learning curve developments, capacity utilization and as a result development of returns is higher. On the other hand, management involvement is larger.

Contracts with customers

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

Financial liabilities for earn-out and put option agreements

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

Other provisions

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

Extension options of lease contracts

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

3 INTANGIBLE NON-CURRENT ASSETS

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

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

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

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

The realizable value of the cash generating units, in which goodwill has been reported, is based on the value in use. The value in use is based on estimated future cash flows. These forecasts are derived from the internal business plans, which are drawn up annually and have a horizon of five years. These business plans contain financial budgets and have been prepared by local management and are approved by the Executive Board. Cash flows after the financial budget period have been extrapolated, taken into account an annual growth of 1.0% (2019: 1.4%). The future cash flows are discounted at the discount rate shown in the table, which is based on the risk profile of the CGU. Based on the adopted assumptions, the performed impairment test did not lead to impairments at year-end 2020. In addition, in 2020 impairments totaling € 0.3 million were recognized, related to capitalized development costs in the CGU connectivity systems, vision & security systems and manufacturing systems. The impairment is partly related to the merging of activities, as a result of which a small part of the portfolio and developments will not be continued. Also some small development projects did not lead to goods or services for which a sufficient market demand was expected.

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

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

The amounts relate to the impact on the realizable value based on the sensitivity analysis. This sensitivity analysis does not take any cost savings into account in order to maintain profitability.

In millions of euros	Decrease EBITDA by 10%	Increase discount rate by 1%	Decrease growth rate by 0.5%	Combination of all assumptions
Indoor telecom systems & copper networks	-9.6	-10.9	-4.0	-22.0
Fibre network systems	-25.2	-24.6	-9.4	-53.0
Building connectivity systems	-65.0	-66.1	-23.7	-138.1
Vision & security systems	-116.8	-118.6	-43.5	-247.5
Smart manufacturing systems	-91.7	-89.1	-32.1	-192.1

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

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

4 TANGIBLE NON-CURRENT ASSETS

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

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

5 RIGHT-OF-USE ACTIVA

TKH has lease contracts for various buildings, vehicles and other equipment used in its activities. Building lease agreements generally have a duration of between 3 and 19 years, while vehicles and other equipment generally have a duration of between 3 and 5 years.

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

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

In 2020, the costs related to variable lease payments that were not included in the lease obligation amounted to € 2.3 million.
In 2020, the costs of leasing assets with a low value amounted to € 0.2 million.

In 2020, the costs of leases with a term of less than one year amounted to € 0.1 million. There are no leases with a residual value guarantee and as at 31 December there are no obligations with regard to lease agreements that have not yet been started.

See note 19 for the lease liability. See note 31 for the interest charges on lease obligations. See the consolidated cash flow statement for the lease payments. The total cash outflow from leases in 2020 was € 20.5 million.

6 OTHER ASSOCIATES

TKH owns direct or indirect the following relevant other associates:

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

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

On 15 August 2019, TKH sold the majority of the industrial connectivity activities to the Dutch private equity company Torqx Capital Partners. The activities were continued from a newly established company under the name Cable Connectivity Group BV, in which TKH has acquired a minority interest. The included financial data from Cable Connectivity Group 2019 is a minority interest from the time of sale. The share in the 2020 result was reduced because this result includes a full-year amortization of the intangible fixed assets (identified as part of the purchase price allocation) of € 2,840,000.

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

in thousands of euros	Assets	Liabilities	Turnover	Net result	Other comprehensive income	Share in result of associates
Summarized financial information 2020 of Cable Connectivity Group	54,616	41,694	62,749	-870		-2,790
Summarized financial information 2020 other	15,214	5,766	4,345	86		-2
Summarized financial information 2019 of Cable Connectivity Group	63,721	47,418	26,635	246		246
Summarized financial information 2019 other	12,128	2,433	5,331	219		173

Movements in the other associates are as follows

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

7 INVENTORIES

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

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

8 RECEIVABLES

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

The amounts above are expected to be settled within 12 months, with the exception of long-term receivables. The receivables are mainly held according to a 'held-to-collect' business model. TKH applies non-recourse factoring that transfers the ownership of the trade receivables and the associated risks to a factoring company. At the end of 2020 receivables with an amount of € 43.6 million are sold to a factoring company (2019: € 38.7 million). The trade receivables are non-interest bearing and generally have a payment term between 14 and 90 days. Credit risk is further described in note 21.

9 CONTRACT ASSETS

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

in thousands of euros	2020	2019
Trade accounts receivable	137,063	156,314
Contract assets	124,230	115,692
Contract liabilities	-73,931	-49,187
Refund liabilities from customer volume rebates	-8,852	-8,863
Contract costs	3,314	1,896

The contract assets mainly relate to the rights of TKH to consideration for work performed, but which have not yet been invoiced on balance sheet date. The contract assets are reclassified to receivables when the rights become unconditional. The contract liabilities mainly relate to the advance payment received from customers, of which the revenues are recognized at the performance of the contracted work. As at 31 December 2020, advance payment and performance guarantees were provided to customers amounting to € 75.8 million (2019: € 67.5 million). These guarantees are included in the off-balance sheet commitments (note 22). A large part of the contract assets and liabilities relates to the sub-segment manufacturing systems (Industrial Solutions). The changes in the balance of contract assets and liabilities during the financial year are as follows:

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

The commissions paid to agents for obtaining the contracts are expected to be recovered and are therefore capitalized as contract costs. Capitalized commissions are amortized when the related revenue is recognized. In 2020, amortization amounted to € 5.0 million, which is included in the statement of profit and loss under raw materials, consumables, trading products and outsourced work. There was no impairment in the financial year in respect of the capitalized contract costs. The restitution obligations for agreed customer volume discounts are mostly annual bonuses based on revenue tables. The accrual is calculated based on historical figures, revenue already realized and the outstanding order book.

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

in thousands of euros	2020	2019
Expected to be recognized as revenue within 1 year	408,168	394,292
Expected to be recognized as revenue between 1 and 2 years	17,945	20,333
Expected to be recognized as revenue after 2 years	2,221	8,785
Total	**428,334**	**423,410**

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

10 CASH AND CASH EQUIVALENTS

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

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

11 ASSETS AND DIRECTLY ASSOCIATED LIABILITIES HELD FOR SALE

TKH reached agreement with third parties in November 2019 on the conditional sale of the shares of operating company Zhangjiagang Twentsche Cable Co. Ltd. ('ZTC'), in Zhangjiagang (China). ZTC specializes in the production of copper data communication cables. The activities are divested for an enterprise value of approximately € 31 million. In 2019 the total turnover of ZTC amounted to € 69.6 million with an EBITA of € 5.0 million and 198 FTE. The activities of ZTC belong to the building connectivity systems sub-segment, within the Building Solutions business segment. The transaction was completed in January 2020 and resulted in a book profit of € 3.5 million in the 2020 financial year, as well as a release from the legal reserve for exchange differences of € 2.0 million. Both are recognized in the profit and loss account under the result on the sale of subsidiaries.

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

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

12 EQUITY

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

13 NON-CONTROLLING INTEREST THIRD PARTIES

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

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

14 OTHER PROVISIONS

The long-term provisions have been discounted. The increase of the provision as a result of expiration of time and adjustment of the discount rate is minor. The short-term provisions have not been discounted since the effect is not material.

The short-term part of the provision is mainly related to reorganizations and warranties. The term of the other provisions is as follows:

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

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

in thousands of euros	Warranty	Employee liabilities	Onerous contracts	Restructuring	Other	Total
Balance at 31 December 2019	**7,075**	**3,514**	**6,328**	**8,052**	**396**	**25,365**
Additions	1,273	31	2,450	3,293	1,461	8,508
Withdrawals	-1,396	-111	-300	-5,642		-7,449
Releases	-605	-99	-738			-1,442
Exchange differences	-79	-1	-6	-4	-3	-93
Balance at 31 December 2020	**6,268**	**3,334**	**7,734**	**5,699**	**1,854**	**24,889**

Provision for warranties

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

Employee liabilities

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

Restructuring liability

The restructuring provision relates mainly to the lay-off of employees. An important part is related to the merging and outsourcing of activities in the building connectivity systems and vision & security systems sub-segments, among which the cable production activities in Ittervoort (NL). The remaining term is less than 1 year.

Onerous contracts

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

Other items

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

15 FINANCIAL LIABILITIES

The movement of the financial liabilities is as follows:

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

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

Earn-out

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

Put options of shareholders of non-controlling interests

TKH has option rights on several non-controlling interests held by local management of subsidiaries of TKH. Besides, TKH has a liability to buy these shares when local management decides to offer these shares. A financial liability has been recognized for this obligation.

On the balance sheet date, the following option rights and liabilities are outstanding:

Name of subsidiary	Percentage	Option exercisable as from
EFB Nordics A/S	10.0%	1 January 2014
USE System Engineering Holding B.V.	25.0%	1 January 2014
Mextal B.V.	5.0%	1 January 2019
JOHRAmont s.r.o.	5.0%	1 January 2022

The liability is based on the discounted value of the expected future cash outflows. The expected maturity of the above mentioned liabilities is equal to the period as from 31 December 2020 till the first possibility to exercise. The amount to be paid depends on the future results of the aforementioned subsidiaries. The year of the cash outflow is dependent on a decision to exercise by TKH or the option owner. An amount of € 0.3 million has a maturity of shorter than 1 year.

16 DEFERRED TAX

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

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

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

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

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

TKH has unused tax losses, which have not been recognized because realization is uncertain. These unused tax losses can be compensated with future profits. Based on current tax legislation, these unused and unrecognized tax losses have the following terms:

in thousands of euros	2020	2019
Term infinite	31,804	32,219
Term longer than 10 years	10,781	12,456
Term between the 5 and 10 years	39	90
Term shorter than 5 years	439	1,101
Unrecognized tax losses and credits	**43,063**	**45,866**

The unrecognized unused tax losses represent a value of € 10.3 million at the end of 2020 based on the applicable tax rates.

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

17 PENSIONS

Defined contribution plans

TKH's pension plans in the Netherlands differ per subsidiary. The pension scheme of a number of subsidiaries has been placed with the industry pension fund PME and PMT respectively. As of 1 January 2020, the employees of the other Dutch subsidiaries have a so-called individual defined contribution scheme, which has been placed with Nationale-Nederlanden. TKH also had guarantee contracts with external pension insurer Nationale-Nederlanden for a number of subsidiaries until 31 December 2019. These warranty contracts have been terminated as of December 31, 2019. After termination, the existing indexation deposits have been settled. After termination of the agreement, TKH has no longer accrued any actuarial risks with regard to the entitlements before 31 December 2019 under the previous contract. On a small part of the entitlements accrued before 31 December 2014, TKH runs an actuarial risk of additional payment in the event of outgoing value transfers. However, according to TKH, this risk is not material. That is why any additional payment is accounted for in the P&L in the year that the additional payment will be made. The employees of the foreign subsidiaries are members of industry or state-managed pension plans. The subsidiaries are only required to pay a certain percentage of the salary costs to the concerning industry or state managed pension plans. These pension schemes classify as defined contribution plan. The pension schemes in the Netherlands, to the extent not already covered by the industry pension schemes, are recognized as a defined contribution scheme in the financial statements. The total pension expense recognized in 2020 related to the defined contribution plans amounts to € 14.5 million (2019: € 13.3 million). The industry pension plans are included in this pension expense. TKH expects for 2021 a pension expense of €14.0 million for all defined contribution plans, of which about €10.3 million relates to industry pension schemes.

Defined benefit plans

Multi-employer union plans

In the Netherlands 1,656 employees of TKH participate in the multi-employer union plans of 'Pensioenfonds van de Metalektro' ('PME') and 'Pensioenfonds Metaal & Techniek' ('PMT') in accordance with the collective bargaining agreements applicable for the industry in which the TKH companies operate. These collective bargaining agreements have no expiration date. PME covers approximately 1,390 companies and 332,000 participants and PMT approximately 34,300 companies and 1,400,000 participants. The pension rights of each employee are based upon the employee's average salary during employment (depending on coverage ratio). TKH's contribution to the multi-employer union plans are far less than 5% of the total contribution to the plans. The pension funds are subject to regulation by Dutch governmental authorities. By law (the Dutch

Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations. The multi-employer union plans have reported the following coverage ratio at year-end:

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

The actual coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities. The coverage ratio is the average coverage ratio over the past 12 months. There are no additional contribution requirements for participating companies to prevent indexation cuts or lowering of pensions. The schemes qualify as defined benefit plans because the companies bear the risk that in the negotiation of the level of pension contributions after 2020 the social partners take the amount of a surplus or a deficit in the industry pension fund as part of the negotiations. As a result, future premiums may be somewhat related to deficits or surpluses that relate to pension entitlements accrued in the past. This concerns shortages or surpluses of current and former employees of TKH but also of other companies. In addition, there is no consistent and reliable basis for allocating the pension liability, assets and costs to individual companies participating in the industry pension scheme. TKH therefore classifies the multi-employer plans as if it were defined contribution plans (in line with IAS19.34). TKH's net periodic pension cost for the multi-employer plan over a financial period is equal to the required contribution for that period.

Other pension schemes

There are some individual defined benefit plans abroad for a small number of participants. These defined benefits are accrued in the subsidiaries and are not covered by plan assets. The duration of the defined benefit obligations of these arrangements will be, on average, 13 years at 31 December 2020. Furthermore, there is legislation for the Austrian employees obligating to pay a onetime compensation at the end of the employment for employees working for the subsidiary before 1 January 2003. The amount of compensation depends on the years of service and the average salary in the last 3 years of service. The actuarial calculations for the pension schemes are performed by actuaries.

The following assumptions have been applied in the actuarial calculations:

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

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

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

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

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

For 2021 TKH expects to pay a pension premium of € 0.2 million (including contributions from participants) related to the defined benefit plans.

The change in the present value of the defined benefit plan obligations is as follows:

in thousands of euros	2020	2019
Balance at 1 January	**5,759**	**7,984**
Current service costs	119	218
Interest costs included in financial expenses	40	60
Actuarial (gains)/losses recognized through other comprehensive income	236	487
Entitlements paid	-310	-316
Disposals		-2,674
Balance at 31 December	**5,844**	**5,759**

Changes in the assumptions have consequences for the present value of the defined benefit obligation. In the summary below a sensitivity analysis on the gross and net defined benefit obligation is shown for the three largest pension schemes, which together represent 62% of the net pension liability, when there is an absolute change of 1% or 1 year in the relevant assumptions:

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

18 NON-CURRENT LIABILITIES

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

The credit margin on the non-current debts to credit institutions is variable and dependent on the net-interest bearing debt/EBITDA, including the amount of the draws from the credit facility. On average the margin is 1.4%. The interest is variable and based on Euribor or Libor. The material subsidiaries are guarantor for the obtained financing. No additional securities were provided. See note 21 for more details on the capital and liquidity risk.

19 BORROWINGS

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

At year-end 2020, € 56.0 million of the borrowings forms part of cash and interest pools (2019: € 10.0 million). The interest on the borrowings is variable and based on Euribor or Libor. The credit margins differ per credit institution, duration and country and vary from 0.3% to 1.4%. The material subsidiaries are guarantor for the obtained financing from credit institutions. No special securities were provided. The obligations arising from leasing are guaranteed by the lessor's property right on the leased assets. See note 21 for more details on the capital and liquidity risk. The following overview shows the changes in the interest-bearing liabilities arising from financing activities.

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

The withdrawals and repayments of cash pools relate to changes in cash pools presented under cash and cash equivalents (note 10).

20 TRADE AND OTHER PAYABLES

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

The other payables and accruals relate to, among others, personnel bonuses to be paid, commissions, holidays and holiday allowances as well as accruals for invoices to be received. At the end of 2020, a number of suppliers made use of supply chain finance (reversed factoring) for a total of € 27.5 million (2019: € 24.8 million).

21 FINANCIAL INSTRUMENTS AND RISKS

General

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

Capital and liquidity risk

External financing is contracted by the holding for the entire TKH Group. TKH has a committed revolving and standby credit facility of € 350 million with a group of banks. In the second half of 2019 this facility has been increased from € 350 million to € 500 million. The conditions and duration (mid January 2024) remained unchanged. The revolving and standby credit facility has a high flexibility in relation to utilizations and repayments. Next to the committed facility, there are uncommitted facilities with several banks for a total of € 295 million. TKH has per 31 December 2020 unused available credit facilities for a total of € 395 million (2019: € 351 million). In the calculated available credit facilities, the outstanding bank guarantees have been taken into account. The maximum credit facility per subsidiary is determined centrally. In the credit facility the following financial covenant is agreed, which in monitored on a quarterly basis:

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

It has been agreed with the banks that in the calculation of the debt leverage ratio the acquisitions may be consolidated pro forma for 12 months. TKH uses internally a debt leverage ratio up to 2.0. TKH operates within the banks' required covenant at the end of 2020.

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2020 based on agreed repayment periods:

in thousands of euros	Average interest	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	Contractual cash flows	Book value
Bank loans reported under non-current liabilities	1.4%		1,189	3,567	349,580		354,336	339,673
Lease liabilities (Right-of-use assets)	2.1%		6,240	11,030	42,464	35,732	95,466	83,571
Financial liabilities	1.5%			4,542	3,747		8,289	7,950
Borrowings reported under current liabilities	1.0%	43,416					43,416	43,407
Trade creditors			139,078				139,078	139,078
Other payables excluding derivatives			70,437				70,437	70,437
Interest rate swaps (derivatives)			62	186	338		586	566
Foreign currency forward contracts (derivatives)			24,590	49,287	4,863		78,740	-1,585
Commodities (derivatives)			-609	-885	-221		-1,715	-1,715
Financial liabilities		**43,416**	**240,987**	**67,727**	**400,771**	**35,732**	**788,633**	**681,382**

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2019 based on agreed repayment periods:

in thousands of euros	Average interest	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	Contractual cash flows	Book value
Bank loans reported under non-current liabilities	1.3%		1,120	3,361	358,558		363,039	344,739
Lease liabilities (Right-of-use assets)	2.3%		6,650	11,943	39,814	40,072	98,479	84,753
Financial liabilities	2.0%			3,682	5,310		8,992	8,653
Borrowings reported under current liabilities	1.0%	44,370					44,370	44,361
Trade creditors			154,179				154,179	154,179
Other payables excluding derivatives			70,385				70,385	70,385
Interest rate swaps (derivatives)			47	142	622		811	618
Foreign currency forward contracts (derivatives)			24,196	39,034	2,462		65,692	968
Commodities (derivatives)			42	-10	3		35	35
Financial liabilities		**44,370**	**256,619**	**58,152**	**406,769**	**40,072**	**805,982**	**708,691**

The cash flows in these statements are not discounted. The cash flows are based on the interest rates and the exchange rates at the end of the year. The cash flows for interest rate swaps are based on the contracted fixed interest rates compared to the variable interest rate at balance sheet date. The interest rate swap and commodity derivatives are net settled. Currency contracts are gross settled. The following table shows the corresponding reconciliation of these amounts and their book value:

in thousands of euros	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	31-12-2020 Total
Incoming		24,735	50,248	5,027		80,010
Outgoing		-24,590	-49,287	-4,863		-78,740
Net	**0**	**145**	**961**	**164**	**0**	**1,270**
Discounted at contractual bank rates		123	1,231	231		1,585

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

Interest risk

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

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

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

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

- Additional interest costs of about € 3.3 million per year as a result of financing and cash with a floating interest rate (2019: € 3.8 million). The impact is reduced by existing interest rate swaps.
- An increase of the fair value of the financial instruments with about € 0.6 million (2019: € 0.8 million) as a result of the contracted interest rate swap. This raise would be recognized in the hedging reserves of the equity through the consolidated statement of comprehensive income.

Currency risk

It is TKH's general policy to hedge currency risks on purchases if these risks cannot be charged to the market. Purchase transactions in foreign currencies are hedged when the sales prices are already fixed in case of material transactions. Sales transactions in foreign currencies are fully hedged in case of material transactions. The main currencies that cause this exposure are the USD and CNY. Foreign currency forward contracts are applied to minimize the exposure of fluctuations in the currency rates. These contracts mainly have a term to maturity of less than one year. In addition to the currency risk on the purchase and sale transactions, there is a currency risk resulting from the translation of net investments in TKH subsidiaries denominated in functional currencies other than euros. The main currencies that cause this exposure are the USD, CNY, and PLN. These risks are partially hedged by financing these investments in local currency. The remaining risk is not hedged. The carrying amounts of monetary assets and liabilities specified to currencies are as follows:

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

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

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

Time differences between the settlement of the forward contracts and the sale and purchase contracts are anticipated by the use of foreign currency bank accounts or the rollover of forward contracts. The translation risk on financial instruments, when the euro will decrease with 10% compared to all other currencies, with all other variables held constant, would be expected to have an influence of € 3.4 million negative on the result before tax (2019: € 4.7 million negative). The foreign currency forward contracts are taken into account in this calculation. The impact of a decrease of the euro on the shareholders' equity is larger because of the net investments in foreign subsidiaries with another functional currency. The impact of this is approximately € 21.0 million positive (2019: € 26.0 million positive). An increase of the euro with 10% will have the opposite influence, namely a positive influence of € 3.4 million on the result before tax and a negative influence of € 21.0 million on equity.

Price risk

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

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

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

Next to physical purchases on long-term against a fixed price in advance, TKH made limited use of derivatives to hedge price risks on free inventories and to fix purchase prices of copper regarding large sales orders with delivery times exceeding one month, if not covered by a long-term purchase.

A decrease of the copper price with 10% would have a negative impact of approximately € 0.6 million on the result (2019: € 0.8 million negative) if all other factors and conditions remain the same. This is caused by the free stock, for which price risk is not hedged, which will then be sold at a lower price.

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

Credit risk

The financial assets of the group mainly consist of cash and cash equivalents, trade receivables, contract assets and other receivables. The credit risk for cash and cash equivalents is outstanding at major international system banks. The credit risks mainly relate to trade receivables and contract assets. However, it concerns a risk that is spread over a large number of customers that operate in several countries and in different markets. At balance sheet date there was no concentration of credit risk for material amounts. Part of the risk is insured at credit insurance companies. In addition, part of the risk is transferred to factoring companies. The credit risks insurances and factoring is in particular related to receivables on customers in the sub-segments connectivity systems and manufacturing systems. These customers are mainly located in the Netherlands, France, Germany and Asia. In addition, for large projects to foreign customers bank guarantees, advanced payments (towards a bank guarantee) or confirmed irrevocable 'Letter of Credit' are used. The maximum exposure to credit risk is represented by the carrying amounts of contract assets and financial assets that are recognized in the balance sheet, including derivatives with a positive market value.

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

Below is shown the age of the trade receivables, contract assets and the expected credit losses.

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

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

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

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

22 CONTINGENT LIABILITIES

Framework agreements have been concluded with some suppliers for the availability of some important raw materials. There are no long-term purchase obligations.

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

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

Claims

TKH and its subsidiaries are involved in a number of legal proceedings. According to the information currently available and legal advice received, TKH expects any adverse effects from the outcome of these legal proceedings to be adequately covered by other provisions or insurance. Claims against insurers have been recorded as receivables.

23 INFORMATION BY SEGMENT

TKH Group is organized in three business segments: Telecom Solutions, Building Solutions and Industrial Solutions. The Solutions are based on the product/market combinations in which the TKH subsidiaries operate. In the overview of subsidiaries, as part of the 'Other information', is shown in which of the Solutions the different subsidiaries operate. In the annual report, a detailed overview of the activities by business segment is shown. TKH reports its primary business segment information based on these Solutions.

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

Operating segments (continued)

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

TKH has no individual customers representing 10% or more of the consolidated turnover. Other revenues relate to other services provided to third parties, such as rental, insurance payments and charged costs.

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

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

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

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

24 PERSONNEL EXPENSES

The personnel expenses include the following items:

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

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

25 SHARE-BASED PAYMENTS

Stock option scheme settled in equity instruments

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

Executive Board

No option rights are granted to the members of the Executive Board and the Supervisory Board. Mr. H.J. Voortman has been awarded options in the period before being appointed as a member of the Executive Board.

The movement and balance of the outstanding option rights granted to him is as follows:

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

Other option beneficiaries

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

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

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

	2020	2019
Fair value at the date of allocation (in €)	8.41	6.04
Expected volatility	26.7%	23.5%
Expected dividend	3.0%	3.0%
Risk free rate	-0.453%	0.002%
Expected period to expiry of the option (in years)	4.0	4.0

The current restrictions on the exercise of the options, the chances that employees will leave the company and possible personal considerations of option holders have been taken into account for the expected expiry period of the options. TKH has a reported total charge of € 1,936,252 (2019: € 1,549,878) for these share-based payments which have been settled in equity instruments.

Other share-based payments

Based on the share scheme, (depositary receipts of) shares have been allotted to the members of the Executive Board. During 2020 Mr. J.M.A. van der Lof was allotted 5,456 (depositary receipts of) shares, Mr. E.D.H. de Lange 4,321, and Mr. H.J. Voortman 3,922 (depositary receipts of) shares related to the performance for the year 2019. At the same time, the Executive Board members purchased respectively 5,456, 4,321 and 3,922 (depositary receipts of) shares at the actual share price of € 37.65, all in accordance with the regulation of the share scheme. As a result of the share-based payments, TKH has recognized a total charge of € 656,000 (2019: € 1,021,000) in the statement of profit and loss.

26 OTHER OPERATING EXPENSES

Other operating expenses include overhead, selling, accommodation and manufacturing expenses.

27 DEPRECIATION

in thousands of euros	2020	2019
Depreciation of tangible non-current assets	29,769	29,482
Depreciation of Right-of-use assets	15,665	16,122
Result on disposal of tangible non-current assets	-1,567	-257
Depreciation	**43,867**	**45,347**

28 AMORTIZATION

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

29 IMPAIRMENT

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

30 RESEARCH AND DEVELOPMENT COSTS

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

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

31 FINANCIAL INCOME AND EXPENSES

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

32 TAX

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

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

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

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

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

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

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

The higher tax burden is attributable to the following circumstances:

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

33 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

1 Non IFRS compulsory disclosure

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

34 RELATED PARTIES

Trade transactions

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

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

Shareholdings of members of the Executive Board and the Supervisory Board

During the financial year J.M.A. van der Lof sold 15,912 (depositary receipts of) shares, E.D.H. de Lange sold 4,321 (depositary receipts of) shares an H. Voortman sold 3,922 (depositary receipts of) shares at a stock price of € 37.65, in accordance with the share scheme. In addition, Messrs. J.M.A. van der Lof, E.D.H. de Lange and H.J. Voortman purchased under the share scheme respectively 5.456, 4,321 and 3,922 (depositary receipts of) shares at a stock price of € 37.65. Among the members of the Executive Board, Mr. J.M.A. van der Lof owned 133,147 (depositary receipts of) shares, Mr. E.D.H. de Lange owned 95,789 (depositary receipts of) shares and Mr. H.J. Voortman owned 24,645 (depositary receipts of) shares shares at the end of 2020. Of the Supervisory Board, Mr. A.J.P. De Proft owned 2,000 (depositary receipts of) shares at the end of 2020.

Remuneration of the Executive Board and the Supervisory Board

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

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

The breakdown of the remuneration per person and according to the various remuneration components is included in the remuneration report that is part of the annual report.

35 ACQUISITIONS

No major acquisitions took place in 2020.

36 NON-CASH TRANSACTIONS

There were no material non-cash transactions.

37 EVENTS AFTER BALANCE SHEET DATE

On January 27, 2021, TKH, through its subsidiary LMI Technologies (LMI), completed the acquisition of FringeAI, an innovative AI and IIoT / 5G inspection company based in Boston, Massachusetts. The company delivers a software suite that leverages integrated deep learning, dedicated edge devices and IIoT / 5G connected cloud services to deliver AI-based solutions in many markets. The activities within TKH will form part of the vertical Machine Vision within the business segment Building Solutions.
The purchase price allocation has not yet taken place due to the short timeframe between the completion of the acquisition and the preparation of these financial statements. Consequently, the exact amount of goodwill and acquired fair values of the assets and liabilities has not yet been determined. The goodwill paid will not be tax deductible.

The purchase price is limited and is paid in cash. In addition, a contingent consideration / earn-out has been agreed for the acquisition. This amount is estimated on the basis of expected future results. The actual compensation to be paid in the future may deviate positively or negatively based on future realization.

The scope of the company's activities was still very limited in 2020. TKH expects the acquisition to have a limited positive effect on earnings per share in 2021.

38 SERVICE FEES PAID TO EXTERNAL AUDITORS

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

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

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF PROFIT AND LOSS

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

COMPANY BALANCE SHEET

As of 31 December before profit appropriation

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

in thousands of euros	Notes	2020	2019
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		10,709	10,709
Share premium		85,021	85,021
Legal reserve		85,561	80,428
Translation reserve		-2,593	11,835
Cash flow hedge reserve		1,919	-1,179
Retained earnings		433,683	403,654
Unappropriated profit		47,520	114,048
Total shareholders' equity	7	**661,820**	**704,516**
Provisions			
Deferred tax liabilities	5	597	853
Financial liabilities	11	3,157	4,819
Provisions	10	25,259	6,237
Total provisions		**29,013**	**11,909**
Non-current liabilities			
Interest-bearing loans and borrowings	12	35	339.357
Total non-current liabilities		**35**	**339,357**
Current liabilities			
Interest-bearing loans and borrowings	12	28	38,376
Payables to group companies		295,906	291,913
Financial liabilities	11	4,542	3,682
Other current liabilities		4,223	6,097
Total current liabilities		**304,699**	**340,068**
Totaal passiva		**995,567**	**1,395,850**

NOTES TO THE COMPANY FINANCIAL STATEMENT

1 ACCOUNTING PRINCIPLES

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, TKH makes use of the option provided in Article 2:362 sub 8 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result for the separate financial statements of TKH are the same as those for the consolidated financial statements. For a description of these accounting principles, reference is made to the accounting principles of the consolidated financial statements.

Investments in subsidiaries are valued at net asset value. The net asset value is determined on basis of the valuation principles, as described in note 1 of the consolidated financial statements. The net asset value of subsidiaries consists of cost price, exclusive goodwill, the share of TKH in the sum of the assets, liabilities and provisions of the subsidiary, plus the share in the result of the subsidiary since the takeover that is attributed to TKH, less the received dividends.

The expected credit losses as prescribed in IFRS 9 Financial Instruments on receivables on group companies are included in the carrying amount of the participations.

2 INTANGIBLE NON-CURRENT ASSETS

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

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

3 TANGIBLE NON-CURRENT ASSETS

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

4 FINANCIAL NON-CURRENT ASSETS

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

In 2019 and 2020, a number of loan agreements with group companies were converted into share capital. This has resulted in a reclassification of receivables from group companies to consolidated participating interests.
An ‘at arm’s length’ interest rate is charged on the receivables from and debts to group companies with a credit risk premium ranging from 1.2% to 2.8%.

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

5 DEFERRED TAXES

The deferred tax assets and liabilities are related to the following items:

in thousands of euros	Undistributed intragroup profits	Tax write-down of loans	Financial instruments	Total
Balance at 1 January 2019	**-1,265**	**659**	**116**	**-490**
(Charge)/credit to other comprehensive income			38	38
(Charge)/credit to profit or loss	412			412
Balance at 31 December 2019	**-853**	**659**	**154**	**-40**
(Charge)/credit to other comprehensive income			-13	-13
(Charge)/credit to profit or loss	256			256
Balance at 31 December 2020	**-597**	**659**	**141**	**203**

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

in thousands of euros	2020	2019
Deferred tax assets stated under non-current assets	800	813
Deferred tax liabilities stated under non-current liabilities	-597	-853
Deferred taxes	**203**	**-40**

6 OTHER RECEIVABLES

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

7 EQUITY

For the movement schedule is referred to the consolidated statement of changes in group equity. The company only movement schedule for equity, excluding the movement of the non-controlling interests, is the same.

Authorized capital

		2020	2019
	x1,000	€ '000	€ '000
The authorized capital consists of:			
Ordinary shares	59,984		
Cumulative preference financing shares	10,000		
Convertible cumulative preference financing shares	10,000		
Cumulative preference protective shares	60,000		
Each nominal € 0.25	**139,984**	**34,996**	**34,996**
Priority share	4		
Each nominal € 1.00	**4**	**4**	**4**
Authorized capital		**35,000**	**35,000**
Of which not issued		24,291	24,291
Issued capital [1]		**10,709**	**10,709**

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

The issued capital did not change during the year. The registered ordinary shares, with the exception of the register-shares in the company, have been transferred to Stichting Administratiekantoor TKH Group ('Trust Foundation'), which issues depositary receipts of shares to the ultimate capital providers. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power of attorney to the holders of the depositary receipts. The holders of depositary receipts are entitled to receive a power of attorney to cast a vote on the shares corresponding to the depositary receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depositary receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the executive committee of Stichting Administratiekantoor in various situations specified in the law (see also Corporate Governance). In that case Stichting Administratiekantoor may (again) exercise the voting right for all shares for which depositary receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depositary receipts of shares is governed by the administrative conditions. The protection afforded by the use of depositary receipts is based on the 1% rule. The depositary receipts may be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes shares owned indirectly as well as directly. However, this does not apply to the transfer of ordinary shares to the company itself. Every transfer of preference financing shares, convertible preference financing shares and preference protective shares must be approved by the Executive Board. The Executive Board may only grant its approval with the approval of the Supervisory Board. Besides from what is mentioned in the 'Other information', no special rights are attached to the priority shares.

The company has granted the Stichting Continuïteit TKH ('Continuity Foundation') an option to take preference protective shares for up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference protective shares are issued or 100% of the sum of the other outstanding shares at the time that the preference protective shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a statement to that effect with the Chamber of Commerce.

Share premium reserve

The share premium reserve is fully exempt from Dutch taxes on distribution.

Legal reserve

The legal reserve relates to:

in thousands of euros	2020	2019
Capitalized development costs	80,760	75,430
Legal reserve for participations	4,801	4,998
Legal reserve	**85,561**	**80,428**

The legal reserve is not available for distribution to the company's shareholders.

Revaluation reserves

The revaluation reserves are not available for distribution to the company's shareholders.

Hedging and translation reserve

The hedging and translation reserves are statutory reserves and not available for distribution to the company's shareholders.

8 DIVIDEND

TKH recognizes a liability to pay a dividend when the distribution is no longer at the discretion of the company. A dividend payment is due under Dutch law if approved by the shareholders. At that moment, the amount is recognized directly in equity. At the General Meeting of shareholders in 2020 the dividend for the year 2019 was declared at € 1.50 per (depositary receipt of) ordinary share. The dividend was paid in cash. The dividend on the priority shares was declared at € 0.05 per share. The total amount of dividends paid in 2020 was € 62,565,872 and this amount was charged to the retained earnings.

After 31 December 2020, the Executive Board has proposed a dividend. With regard to Article 33 of the Articles of Association, the Executive Board proposes to the holders of (depositary receipts of) ordinary shares a dividend of € 1,00 per (depositary receipt of) ordinary share. The dividend proposal has not been recognized in the balance sheet and does not impact the corporate income tax.

9 SHARE-BASED PAYMENTS

The share-based payments are disclosed in note 25 of the consolidated financial statements.

10 OTHER PROVISIONS

in thousands of euros	2020	2019
Liability for subsidiaries with negative equity	24,917	6,176
Other long-term provisions	342	61
Total of other long- and short-term provisions	**25,259**	**6,237**

For more background details about other long-term provisions see note 14 of the consolidated financial statements.

11 FINANCIAL LIABILITIES

in thousands of euros	Earn-out	Put options of shareholders of non-controlling interests	Total
Balance at 1 January 2020	**8,196**	**305**	**8,501**
Change in value through the profit and loss account	-240	120	-120
Purchases		30	30
Payment for acquisitions from previous years	-614	-98	-712
Balance at 31 December 2020	**7,342**	**357**	**7,699**

For more details about the financial liabilities see note 15 of the consolidated financial statements.

12 NET INTEREST BEARING DEBT

in thousands of euros	2020	2019
Bank loans reported under non-current liabilities	35	340,000
To be amortized transaction costs for the credit facility		-643
Borrowings reported under current liabilities	28	38,376
Cash and cash equivalents	-4,747	-3,775
Net interest bearing debt	**-4,684**	**373,958**

For more details about the facilities, conditions and securities see notes 10, 18, 19 and 21 of the consolidated financial statements.

13 CONTINGENT LIABILITIES

Under Article 2:403, paragraph 1 sub f of the Dutch Civil Code the company has assumed joint and several liability for debts arising from the legal actions for all Dutch subsidiaries of which TKH owns directly or indirectly 100% of the shares. The declarations to that effect have been deposited for inspection at the office of the Chamber of Commerce in the place where the legal entity for which the guarantee was given has its registered office.

The company is formally a guarantor for a total sum of € 45.4 million (2019: € 44.5 million) for bank credit and bank guarantee facilities provided to a number of foreign participating interests. This facility was called on for a sum of € 0.1 million (2019: € 1.0 million) at the end of 2020.

The company and the majority of its 100% owned Dutch subsidiaries form a tax group for the corporate income tax. Consequently, the company is liable for the income taxes of these subsidiaries.

14 TURNOVER

The turnover is related to the charged head office costs in the year for services provided to subsidiaries of the company.

15 OPERATING EXPENSES

The share-based payments and remuneration of key management are included in notes 25 and 34 of the consolidated financial statements.

16 TAX

in thousands of euros	Notes	2020	2019
Current tax		-2,011	-1,747
Adjustments for previous years		598	130
Deferred tax	5	-256	-412
Total tax on result		**-1,669**	**-2,029**

The reconciliation of the tax expense in the year with the result before tax is as follow:

in thousands of euros (unless stated otherwise)		2020		2019
Result before tax	**-10,430**		**-12,033**	
Tax calculated at the Dutch tax rate	-2,608	25.0%	-3,008	25.0%
Correction due to tax effect for:				
Non-deductible expenses	597	-5.7%	1,170	-9.7%
Untaxed gains			-365	3.0%
Settlement of income tax returns for previous years	598	-5.7%	130	-1.1%
Taxes on (un)distributed profits of foreign subsidiaries	-256	2.4%	44	-0.3%
Effective tax burden	**-1,669**	**16.0%**	**-2,029**	**16.9%**

17 SIGNATURE OF THE FINANCIAL STATEMENTS

Haaksbergen, 8 March 2021

Executive Board
J.M.A. van der Lof MBA, *chairman*
E.D.H. de Lange MBA
H.J. Voortman MSc

Supervisory Board
A.J.P. De Proft MSc, *chairman*
AJ.M. Kroon MBA, *vice-chairman*
P.P.F.C. Houben
R.L. van Iperen
C.W. Gorter
M. Schöningh MBA