CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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

1 Non IFRS measure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED BALANCE SHEET

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

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

1 Including € 32.9 million (2020: € 56.0 million) cash and cash equivalents that are part of cash and interest pools. These cash and cash equivalents are not netted in the consolidated balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

in thousands of euros	Share capital	Share premium	Legal reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Unappropriated profit	Total share-holders' equity	Non-controlling interests	Total group equity
Balance at 1 January 2020	**10,709**	**85,021**	**80,428**	**11,835**	**-1,179**	**403,654**	**114,048**	**704,516**	**304**	**704,820**
Net result							47,520	47,520	6	47,526
Total other comprehensive income				-14,428	3,098	-325		-11,655	-40	-11,695
Total comprehensive income	**0**	**0**	**0**	**-14,428**	**3,098**	**-325**	**47,520**	**35,865**	**-34**	**35,831**
Appropriation profit last year						114,048	-114,048	0		0
Capital contribution						5		5	7	12
Dividends						-62,566		-62,566		-62,566
Acquisition of non-controlling interests								0	-191	-191
Share and option schemes						2,335		2,335		2,335
Purchased shares for share buy-back program						-7,144		-7,144		-7,144
Purchased shares for share and option schemes						-12,821		-12,821		-12,821
Sold shares for share and option schemes						1,630		1,630		1,630
Change in legal reserve for participations			-198			198		0		0
Capitalized development costs			5,331			-5,331		0		0
Balance at 31 December 2020	**10,709**	**85,021**	**85,561**	**-2,593**	**1,919**	**433,683**	**47,520**	**661,820**	**86**	**661,906**
Net result							95,212	95,212	12	95,224
Total other comprehensive income				17,844	-870	68		17,042	-44	16,998
Total comprehensive income	**0**	**0**	**0**	**17,844**	**-870**	**68**	**95,212**	**112,254**	**-32**	**112,222**
Appropriation profit last year						47,520	-47,520	0		0
Dividends						-41,126		-41,126	-1	-41,127
Share and option schemes						3,869		3,869		3,869
Purchased shares for share buy-back program						-18,428		-18,428		-18,428
Cancellation of shares	-155					155		0		0
Purchased shares for share and option schemes						-9,214		-9,214		-9,214
Sold shares for share and option schemes						12,755		12,755		12,755
Change in legal reserve for participations			76			-76		0		0
Capitalized development costs			6,905			-6,905		0		0
Balance at 31 December 2021	**10,554**	**85,021**	**92,542**	**15,251**	**1,049**	**422,301**	**95,212**	**721,930**	**53**	**721,983**

CONSOLIDATED CASH FLOW STATEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

General

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

Going concern

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

Comparative figures

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

New accounting principles and interpretations

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

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

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

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

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

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

Consolidation

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

Profit or loss and each component of other comprehensive income (hereafter 'OCI') are attributed to the shareholders of TKH and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting principles in line with TKH's accounting

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

principles. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries are eliminated in full on consolidation.

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

Segment reporting

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

Foreign currencies

The consolidated financial statements are presented in euros, which is also the functional currency of the holding. Transactions in foreign currencies are translated into the respective functional currencies of the entities of the group, at the prevailing exchange rate at transaction date. In foreign currency denominated monetary assets and liabilities at the balance sheet date are translated at the exchange rate prevailing at that date. The result of the conversion occurring exchange differences on monetary items, are recorded in the statement of profit and loss.

Assets and liabilities of foreign subsidiaries with a functional currency other than the euro are translated at the exchange rates prevailing at the balance sheet date. The profit and loss accounts of foreign subsidiaries are translated using the weighted average monthly exchange rates over the year under review. Goodwill and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates at the balance sheet date. The exchange differences arising from the translation are recognized through OCI as a separate item in equity. Exchange differences recorded through OCI are reclassified to the statement of profit and loss as part of the result on diposal in the period in which the related entities are disposed of.

Business combinations

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

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

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

Non-controlling interests are reported separately from the group result and group equity. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. TKH has elected to recognize this effect in retained earnings. When a non-controlling shareholder has an unconditional right to sell its shares to TKH according to a contractual agreed formula ('put option'), a liability is recognized by TKH for the shares to be purchased. The liability is recognized at the present value of the estimated future cash outflow. A legal reserve is accounted for the interest in the equity of the subsidiary of which the economic ownership has been obtained, but not yet the legal ownership.

Adjustments after the first recognition on the value of the financial liability for put options and earn-out payments are recognized directly into the statement of profit and loss.

Intangible assets and goodwill

Goodwill

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

Other intangible assets

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

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

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

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

Property, plant and equipment

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

- Buildings: 30-33 years
- Machinery and installations: 5-15 years
- Other equipment: 3-10 years

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

Right-of-use assets

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

To apply this definition, TKH assesses whether the contract meets three important criteria, namely:

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

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

Impairment

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

Associates

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

Inventories

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

Contract assets

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

Contract costs

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

Contract labilities

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

Financial instruments

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

Financial assets

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

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

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

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

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

Impairment of financial assets

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

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

Other payables

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

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

Offsetting of financial instruments

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

Derivatives

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

Assets and directly associated liabilities held for sale and discontinued operations

Assets held for sale

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

Discontinued operations

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

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

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

Provisions

General

Provisions are recognized when

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

Pensions

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

Jubilee bonuses

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

Provision warranty obligations

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

Onerous contracts

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

Restructuring liability

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

Other provisions

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

Deferred tax

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

Turnover

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

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

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

The obligation to repair or replace defective products under the standard warranty conditions is recognized as a warranty provision. In addition, TKH offers to a limited extent an extended warranty that is sold together with products and systems. Two performance obligations can be distinguished in such contracts, namely the delivery of products and services and the service-type warranty.

Using the relative stand-alone sales price method, a portion of the transaction price is allocated to the service-type warranty and recognized as a contract liability. Revenue is recognized on a straight-line basis over the period in which the service-type warranty is granted based on the time elapsed.

Operating expenses

General

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

Government subsidies

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

Share-based payments

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

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

Financial income and expenses

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

Tax

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

Non-controlling interest

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

Cash flow statement

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

2 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Fair values

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

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

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

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

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

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

Price, credit, interest and currency risks

Note 21 contains information about these risks.

Intangible assets and goodwill related to acquisitions

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

Impairments and valuation of tax-losses

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

Contracts with customers

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

Financial liabilities for earn-out and put option agreements

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

Other provisions

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

Extension options of lease contracts

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

3 INTANGIBLE ASSETS AND GOODWILL

		Goodwill		Brand names, customer relations and intellectual property		Development costs		Patents, licenses, software and trademarks		Total	
in thousands of euros	Notes	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Historical cost at 1 January		**330,832**	**333,440**	**288,102**	**290,213**	**238,176**	**209,400**	**66,193**	**62,865**	**923,303**	**895,918**
Accumulated amortization and impairment losses		2,323	2,323	169,741	148,428	127,067	106,882	46,842	41,881	345,973	299,514
Book value at 1 January		**328,509**	**331,117**	**118,361**	**141,785**	**111,109**	**102,518**	**19,351**	**20,984**	**577,330**	**596,404**
Purchases and capitalization						34,689	34,390	6,003	5,172	40,692	39,562
Acquisitions	35	1,210	383	982	178				1	2,192	562
Reclassification from property, plant and equipment	4							26	3	26	3
Reclassification to assets held for sale		-32,768		-136		-594		-896		-34,394	0
Reclassifications						-24	80	24	-80	0	0
Disposals						-190	-320	-4	-35	-194	-355
Amortization	28			-19,240	-22,907	-25,549	-24,171	-6,321	-6,642	-51,110	-53,720
Impairment losses	29					-965	-323	-31		-996	-323
Adjustment goodwill			-1,537							0	-1,537
Exchange differences		1,538	-1,454	709	-695	1,234	-1,065	35	-52	3,516	-3,266
Book value at 31 December		**298,489**	**328,509**	**100,676**	**118,361**	**119,710**	**111,109**	**18,187**	**19,351**	**537,062**	**577,330**
Accumulated amortization and impairment losses		2,323	2,323	187,269	169,741	149,599	127,067	50,254	46,842	389,445	345,973
Historical cost at 31 December		**300,812**	**330,832**	**287,945**	**288,102**	**269,309**	**238,176**	**68,441**	**66,193**	**926,507**	**923,303**

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

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

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

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

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

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

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

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

4 PROPERTY, PLANT AND EQUIPMENT

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

The impairments in 2020 mainly relate to the closure of the cable production activities in Ittervoort, whereby the core activities have been transferred to the production site in Haaksbergen. In 2021, the remaining machineries have been sold which resulted in a partly reversal of the impairment.

5 RIGHT-OF-USE ASSETS

TKH has lease contracts for various buildings, vehicles and other equipment used in its activities. Building lease agreements generally have a duration of between 3 and 18 years, while vehicles and other equipment generally have a duration of between 3 and 5 years.

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

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

In 2021, the costs related to variable lease payments that were not included in the lease obligation amounted to € 2.7 million (2020: € 2.3 million).
In 2021, the costs of leasing assets with a low value amounted to € 0.2 million (2020: € 0.2 million).
In 2021, the costs of leases with a term of less than one year amounted to € 0.2 million (2020: € 0.1 million).

There are no leases with a residual value guarantee and as at 31 December there are no obligations with regard to lease agreements that have not yet been started.

See note 19 for the lease liability. See note 31 for the interest charges on lease obligations. See the consolidated cash flow statement for the lease payments. The total cash outflow from leases in 2021 was € 18.7 million.

6 ASSOCIATES

TKH owns direct or indirect the following relevant associates:

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

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

Despite the 12.5% interest in the associate Shin-Etsu (Jiangsu) Optical Preform Co. Ltd., TKH has significant influence over the financial and operating policies. The associate is an important manufacturer of preforms (semi-finshed product for the production of fibre optics) for TKH. The strategic shareholding is linked to a right to 50% of the production capacity of this plant. TKH provides one of the three Supervisory Board members.
The overview below shows the summarized financial information of the associates on the basis of the most recent available information, where the financial data are included based on the share of interest in these companies. Of the 'summarized financial information other' a large part relates to Shin-Etsu (Jiangsu) Optical Preform Co.Ltd.

in thousands of euros	Assets	Liabilities	Turnover	Net result	Other comprehensive income	Share in result of associates
Summarized financial information 2021 of Cable Connectivity Group	67,115	51,760	83,272	2,266		2,266
Summarized financial information 2021 other	17,380	6,770	5,123	185		135
Summarized financial information 2020 of Cable Connectivity Group	54,616	41,694	62,749	-870	-129	-2,790
Summarized financial information 2020 other	15,214	5,766	4,345	86		-2

Movements in the associates are as follows:

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

7 INVENTORIES

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

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

8 TRADE AND OTHER RECEIVABLES

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

The amounts above are expected to be settled within 12 months, with the exception of long-term receivables. The receivables are mainly held according to a ‘held-to-collect’ business model. For the other part TKH applies non-recourse factoring that transfers the ownership of the trade receivables and the associated risks to a factoring company. At the end of 2021 receivables with an amount of € 34.3 million are sold to a factoring company (2020: € 43.6 million). The trade receivables are non-interest bearing and generally have a payment term between 14 and 90 days. Credit risk is further described in note 21.

9 CONTRACT ASSETS

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

in thousands of euros	2021	2020
Trade accounts receivable	161,085	137,063
Contract assets	150,131	124,230
Contract liabilities	-127,044	-73,931
Refund liabilities from customer volume rebates	-10,641	-8,852
Contract costs	4,566	3,314

The contract assets mainly relate to the rights of TKH to consideration for work performed, but which have not yet been invoiced on balance sheet date. The contract assets are reclassified to receivables when the rights become unconditional. The contract liabilities mainly relate to the advance payment received from customers, of which the revenues are recognized at the performance of the contracted work. As at 31 December 2021, performance gurantees amounted to € 107.5 million (2020: € 75.8 million). These relate to advance payments received from customers, which are presented as part of contract liabilities. These guarantees are included in the off-balance sheet commitments (note 22). A large part of the contract assets and liabilities relates to the segment Smart Manufacturing systems.

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

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

The commissions paid to agents for obtaining the contracts are expected to be recovered and are therefore capitalized as contract costs. Capitalized commissions are amortized when the related revenue is recognized. In 2021, amortization amounted to € 6.2 million, which is included in the statement of profit and loss under raw materials, consumables, trading products and outsourced work. There was no impairment in the financial year in respect of the capitalized contract costs. The restitution obligations for agreed customer volume discounts are mostly annual bonuses based on revenue tables. The accrual is calculated based on historical figures, revenue already realized and the outstanding order book.

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

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

10 CASH AND CASH EQUIVALENTS

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

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

11 ASSETS AND DIRECTLY ASSOCIATED LIABILITIES HELD FOR SALE

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

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

12 EQUITY

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

13 NON-CONTROLLING INTEREST THIRD PARTIES

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

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

14 OTHER PROVISIONS

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

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

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

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

Provision for warranties

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

Employee liabilities

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

Restructuring liability

The restructuring provision relates mainly to the lay-off of employees. An important withdrawal is related to the merging and outsourcing of activities in the Smart Connectivity systems and Smart Vision systems segments, among which the cable production activities in Ittervoort (NL). The remaining term is less than 1 year.

Onerous contracts

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

Other items

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

15 OTHER FINANCIAL LIABILITIES

The movement of the financial liabilities is as follows:

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

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

Earn-out

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

Put options of holders of non-controlling interests

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

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

The liability is based on the discounted value of the expected future cash outflows. The expected maturity of the above mentioned liabilities is equal to the period as from 31 December 2021 till the first possibility to exercise. The amount to be paid depends on the future results of the aforementioned subsidiaries. The year of the cash outflow is dependent on a decision to exercise by TKH or the option owner. An amount of € 0.8 million has a maturity of shorter than 1 year.

16 DEFERRED TAX

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

in thousands of euros	Property, plant & equipment and leases	Intangible assets and goodwill	Inventories and construction contracts	Provisions	Unused tax losses and credits	Financial instruments	Undistributed intragroup profits	Other	Total
Balance at 1 January 2020	**-1,821**	**-55,823**	**-3,214**	**1,497**	**12,415**	**405**	**-2,055**	**4,030**	**-44,566**
(Charge)/credit to other comprehensive income				-89		-1,089			-1,178
(Charge)/credit to profit or loss	2,542	1,612	712	-478	-506		-165	-205	3,512
Adjustment valuation through goodwill for prior year acquisition					1,537				1,537
Acquisitions		-44							-44
Balance at 31 December 2020	**721**	**-54,255**	**-2,502**	**930**	**13,446**	**-684**	**-2,220**	**3,825**	**-40,739**
(Charge)/credit to other comprehensive income				-8		400			392
(Charge)/credit to profit or loss	251	2,435	-2,353	137	31	5	-511	-97	-102
Reclassification to assets held for sale	-63	47	635	-276				-370	-27
Acquisitions		-212							-212
Balance at 31 December 2021	**909**	**-51,985**	**-4,220**	**783**	**13,477**	**-279**	**-2,731**	**3,358**	**-40,688**

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

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

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

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

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

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

17 PENSIONS

Defined contribution plans

TKH's pension plans in the Netherlands differ per subsidiary. The pension scheme of a number of subsidiaries has been placed with the industry pension fund PME and PMT respectively. As of 1 January 2020, the employees of the other Dutch subsidiaries have a so-called individual defined contribution scheme, which has been placed with Nationale-Nederlanden. TKH also had guarantee contracts with external pension insurer Nationale-Nederlanden for a number of subsidiaries until 31 December 2019. These warranty contracts have been terminated as of December 31, 2019. After termination, the existing indexation deposits have been settled. After termination of the agreement, TKH has no longer accrued any actuarial risks with regard to the entitlements before 31 December 2019 under the previous contract. On a small part of the entitlements accrued before 31 December 2014, TKH runs an actuarial risk of additional payment in the event of outgoing value transfers. However, according to TKH, this risk is not material. That is why any additional payment is accounted for in the P&L in the year that the additional payment will be made. The employees of the foreign subsidiaries are members of industry or state-managed pension plans. The subsidiaries are only required to pay a certain percentage of the salary costs to the concerning industry or state managed pension plans. These pension schemes classify as defined contribution plan. The pension schemes in the Netherlands, to the extent not already covered by the industry pension schemes, are recognized as a defined contribution scheme in the financial statements. The total pension expense recognized in 2021 related to the defined contribution plans amounts to € 15.3 million (2020: € 14.5 million). The industry pension plans are included in this pension expense. TKH expects for 2022 a pension expense of € 16 million for all defined contribution plans, of which about € 11.1 million relates to industry pension schemes.

Defined benefit plans

Multi-employer union plans

In the Netherlands 1,686 employees of TKH participate in the multi-employer union plans of 'Pensioenfonds van de Metalektro' ('PME') and 'Pensioenfonds Metaal & Techniek' ('PMT') in accordance with the collective bargaining agreements applicable for the industry in which the TKH companies operate. These collective bargaining agreements have no expiration date. PME covers approximately 1,432 companies and 333,000 participants and PMT approximately 34,000 companies and 1,400,000 participants. The pension rights of each employee are based upon the employee's average salary during employment (depending on coverage ratio). TKH's contribution to the multi-employer union plans are far less than 5% of the total contribution to the plans. The pension funds are subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations. The multi-employer union plans have reported the following coverage ratio at year-end:

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

The actual coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities. The coverage ratio is the average coverage ratio over the past 12 months. There are no additional contribution requirements for participating companies to prevent indexation cuts or lowering of pensions. The schemes qualify as defined benefit plans because the companies bear the risk that in the negotiation of the level of pension contributions after 2021 the social partners take the amount of a surplus or a deficit in the industry pension fund as part of the negotiations. As a result, future premiums may be somewhat related to deficits or surpluses that relate to pension entitlements accrued in the past. This concerns shortages or surpluses of current and former employees of TKH but also of other companies. In addition, there is no consistent and reliable basis for allocating the pension liability, assets and costs to individual companies participating in the industry pension scheme. TKH therefore classifies the multi-employer plans as if it were defined contribution plans (in line with IAS19.34). TKH's net periodic pension cost for the multi-employer plan over a financial period is equal to the required contribution for that period.

Other pension schemes

There are some individual defined benefit plans abroad for a small number of participants. These defined benefits are accrued in the subsidiaries and are not covered by plan assets. The duration of the defined benefit obligations of these arrangements will be, on average, 12 years at 31 December 2021. Furthermore, there is legislation for the Austrian employees obligating to pay a onetime compensation at the end of the employment for employees working for the subsidiary before 1 January 2003. The amount of compensation depends on the years of service and the average salary in the last 3 years of service. The actuarial calculations for the pension schemes are performed by actuaries.

The following assumptions have been applied in the actuarial calculations:

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

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

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

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

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

For 2022 TKH expects to pay a pension premium of € 0.2 million (including contributions from participants) related to the defined benefit plans.

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

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

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

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

18 NON-CURRENT LIABILITIES

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

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

19 BORROWINGS

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

At year-end 2021, € 32.9 million of the borrowings forms part of cash and interest pools (2020: € 56.0 million). The interest on the borrowings is variable and based on Euribor or Libor. The credit margins differ per credit institution, duration and country and vary from 0.3% to 1.4%. The material subsidiaries are guarantor for the obtained financing from credit institutions. No special securities were provided.

The credit margin for lease liabilities differ per right-of-use asset, duration and country and vary from 1.4% to 26.7%, with a weighted average of 2.0%. The obligations arising from leasing are guaranteed by the lessor's property right on the leased assets. See note 21 for more details on the capital and liquidity risk.

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

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

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

20 TRADE AND OTHER PAYABLES

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

The other payables and accruals relate to, among others, personnel bonuses to be paid, commissions, holidays and holiday allowances as well as accruals for invoices to be received. At the end of 2021, a number of suppliers made use of supply chain finance (reversed factoring) for a total of € 39.7 million (2020: € 27.5 million), which is recognized as trade payables.

21 FINANCIAL INSTRUMENTS AND RISKS

General

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

Capital and liquidity risk

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

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

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

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

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

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

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

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

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

in thousands of euros	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	31-12-2021 Total
Incoming		32,354	55,444	16,650		104,448
Outgoing		-31,615	-55,643	-17,479		-104,737
Net	**0**	**739**	**-199**	**-829**	**0**	**-289**
Discounted at contractual bank rates		681	-73	-893	0	-285

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

Interest risk

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

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

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

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

- Additional interest costs of about € 2.6 million per year as a result of financing and cash with a floating interest rate (2020: € 3.3 million). The impact is reduced by existing interest rate swaps.
- An increase of the fair value of the financial instruments with about € 0.3 million (2020: € 0.6 million) as a result of the contracted interest rate swap. This raise would be recognized in the hedging reserves of the equity through the consolidated statement of comprehensive income.

Currency risk

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

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

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

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

Time differences between the settlement of the forward contracts and the sale and purchase contracts are anticipated by the use of foreign currency bank accounts or the rollover of forward contracts. The translation risk on financial instruments, when the euro will decrease with 10% compared to all other currencies, with all other variables held constant, would be expected to have an influence of € 6.6 million negative on the result before tax (2020: € 3.4 million negative). The foreign currency forward contracts are taken into account in this calculation. The impact of a decrease of the euro on the shareholders' equity is larger because of the net investments in foreign subsidiaries with another functional currency. The impact of this is approximately € 25.5 million positive (2020: € 21.0 million positive). An increase of the euro with 10% will have the opposite influence, namely a positive influence of € 6.6 million on the result before tax and a negative influence of € 25.5 million on equity.

Price risk

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

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

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

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

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

Credit risk

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

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

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

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

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

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

22 CONTINGENT LIABILITIES

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

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

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

Claims

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

23 INFORMATION BY SEGMENT

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

Smart Technology segmentation (November 2021 onwards)

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

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

Operating segments

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

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

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

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

Solutions segmentation (until November 2021)

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

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

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

24 PERSONNEL EXPENSES

The personnel expenses include the following items:

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

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

25 SHARE-BASED PAYMENTS

Stock option scheme settled in equity instruments

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

Executive Board

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

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

Other option beneficiaries

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

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

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

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

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

Other share-based payments

Based on the share scheme, (depositary receipts of) shares have been allotted to the members of the Executive Board. During 2021 Mr. J.M.A. van der Lof was allotted 2,216 (depositary receipts of) shares, Mr. E.D.H. de Lange 1,662, and Mr. H.J. Voortman 1,508 (depositary receipts of) shares related to the performance for the year 2020. At the same time, the Executive Board members purchased respectively 2,216, 1,662 and 1,508 (depositary receipts of) shares at the actual share price of € 38.44, all in accordance with the regulation of the share scheme. As a result of the share-based payments, TKH has recognized a total charge of € 2,805,000 (2020: € 656,000) in the statement of profit and loss.

26 OTHER OPERATING EXPENSES

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

27 DEPRECIATION

in thousands of euros	2021	2020
Depreciation of property, plant and equipment	30,149	29,769
Depreciation of Right-of-use assets	15,089	15,665
Result on disposal of propery, plant and equipment	-72	-1,567
Depreciation	**45,166**	**43,867**

28 AMORTIZATION

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

29 IMPAIRMENT

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

30 RESEARCH AND DEVELOPMENT COSTS

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

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

31 FINANCIAL INCOME AND EXPENSES

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

32 TAX

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

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

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

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

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

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

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

33 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

1 Non IFRS compulsory disclosure

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

34 RELATED PARTIES

Trade transactions

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

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

Shareholdings of members of the Executive Board and the Supervisory Board

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

Remuneration of the Executive Board and the Supervisory Board

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

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

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

35 ACQUISITIONS

On 27 January 2021, TKH, through its subsidiary LMI Technologies (LMI), completed the acquisition of FringeAI, an innovative AI and IIoT / 5G inspection company based in Boston, Massachusetts. The company delivers a software suite that leverages integrated deep learning, dedicated edge devices and IIoT / 5G connected cloud services to deliver AI-based solutions in many markets. The activities within TKH are part of the business segment Smart Vision Systems.
The purchase price was immaterial and paid in cash. In addition, a contingent consideration / earn-out has been agreed for the acquisition. This amount is estimated on the basis of expected future results. The actual compensation to be paid in the future may deviate positively or negatively based on future realization.
The company's contribution to the consolidated activities of TKH was immaterial in 2021. TKH expects the acquisition to have an immaterial effect on earnings per share in 2022.

36 NON-CASH TRANSACTIONS

There were no material non-cash transactions.

37 EVENTS AFTER BALANCE SHEET DATE

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

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

38 SERVICE FEES PAID TO EXTERNAL AUDITORS

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

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

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF PROFIT AND LOSS

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

COMPANY BALANCE SHEET

As of 31 December before profit appropriation

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

in thousands of euros	Notes	2021		2020	
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital		10,554		10,709	
Share premium		85,021		85,021	
Legal reserve		92,542		85,561	
Translation reserve		15,251		-2,593	
Cash flow hedge reserve		1,049		1,919	
Retained earnings		422,301		433,683	
Unappropriated profit		95,212		47,520	
Total shareholders' equity	7		**721,930**		**661,820**
Provisions					
Deferred tax liabilities	5	581		597	
Other financial liabilities	11	345		3,157	
Provisions	10	33,989		25,259	
Total provisions			**34,915**		**29,013**
Non-current liabilities					
Interest-bearing loans and borrowings		85		35	
Total non-current liabilities			**85**		**35**
Current liabilities					
Interest-bearing loans and borrowings	12	34		28	
Payables to group companies		280,058		295,906	
Other financial liabilities	11	4,989		4,542	
Other current liabilities		5,470		4,223	
Total current liabilities			**290,551**		**304,699**
Total equity and liabilities			**1,047,481**		**995,567**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

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

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

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

2 INTANGIBLE ASSETS AND GOODWILL

	Goodwill	
in thousands of euros	2021	2020
Historical cost at 1 January	**148,871**	**149,692**
Accumulated impairment losses	1,690	1,690
Book value at 1 January	**147,181**	**148,002**
Acquisitions		383
Transfer within the group	23,150	
Adjustment goodwill		-1,537
Exchange differences	497	333
Book value at 31 December	**170,828**	**147,181**
Accumulated impairment losses	1,690	1,690
Historical cost at 31 December	**172,518**	**148,871**

The ‘Transfer within the group’ relates to an internal restructuring where some additional subsidiaries now reside directly under TKH Group N.V. The adjustment of goodwill in 2020 relates to an upward adjustment of the valuation of the carry forward losses of an acquisition from 2019.

3 PROPERTY, PLANT AND EQUIPMENT

	Other equipment	
in thousands of euros	2021	2020
Historical cost at 1 January	**2,665**	**2,803**
Accumulated depreciation and impairments	2,171	2,072
Book value at 1 January	**494**	**731**
Purchases	177	48
Disposals	-18	-58
Depreciation	-188	-227
Book value at 31 December	**465**	**494**
Accumulated depreciation and impairments	1,994	2,171
Historical cost at 31 December	**2,459**	**2,665**

4 FINANCIAL NON-CURRENT ASSETS

	Subsidiaries		Associates		Receivables on subsidiaries		Total	
in thousands of euros	2021	2020	2021	2020	2021	2020	2021	2020
Balance at 1 January	**748,637**	**830,299**	**24,884**	**27,997**	**14,522**	**334,259**	**788,043**	**1,192,555**
Acquisition and/or incorporation of subsidiaries and associates		348					0	348
Disposals		-24,367					0	-24,367
Capital contribution	15,780	20,374				-20,374	15,780	0
Result	100,877	54,154	2,370	-2,802			103,247	51,352
Result after tax from discontinued operations			-31				-31	0
Dividend received	-86,681	-42,184					-86,681	-42,184
Change in cash flow hedge reserves	-1,073	3,059					-1,073	3,059
Liquidation	-3						-3	0
Transfer within the group	1,889					-405,057	1,889	-405,057
Loans granted less repayments					-14,522	5,158	-14,522	5,158
Actuarial gains/(losses) from defined benefit plans	64	-243		-83			64	-326
Other changes		1,537					0	1,537
Reclasification between receivables and participations	-130	-100,536				100,536	-130	0
Reclassification provision subsidiaries and associates	8,567	18,741					8,567	18,741
Exchange differences	16,504	-12,545	880	-228			17,384	-12,773
Balance at 31 December	**804,431**	**748,637**	**28,103**	**24,884**	**0**	**14,522**	**832,534**	**788,043**

In 2020, the majority of the receivables from group companies, together with the associated external financing, were transferred within the group to TKH Finance B.V. The shown reclassification between receivables and participations are also a consequence of this. A number of loan agreements with group companies were in 2021 and 2020 converted into share capital. This has resulted in a reclassification of receivables from group companies to consolidated subsidiaries. An at arm's length interest rate is charged on the receivables from and debts to group companies with a credit risk premium ranging from 1.0% to 2.8%.

5 DEFERRED TAXES

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

in thousands of euros	Undistributed intragroup profits	Tax write-down of loans	Financial instruments	Total
Balance at 1 January 2020	**-853**	**659**	**154**	**-40**
(Charge)/credit to other comprehensive income			-13	-13
(Charge)/credit to profit or loss	256			256
Balance at 31 December 2020	**-597**	**659**	**141**	**203**
(Charge)/credit to other comprehensive income			-65	-65
(Charge)/credit to profit or loss	16	155		171
Balance at 31 December 2021	**-581**	**814**	**76**	**309**

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

in thousands of euros	2021	2020
Deferred tax assets stated under non-current assets	890	800
Deferred tax liabilities stated under non-current liabilities	-581	-597
Deferred taxes	**309**	**203**

6 OTHER RECEIVABLES

in thousands of euros	2021	2020
Taxes and social security premiums	5,007	2,928
Other receivables	634	927
Other receivables	**5,641**	**3,855**

7 EQUITY

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

Authorized capital

	x1,000	2021 € '000	2020 € '000
The authorized capital consists of:			
Ordinary shares	59,984		
Cumulative preference financing shares	10,000		
Convertible cumulative preference financing shares	10,000		
Cumulative preference protective shares	60,000		
Each nominal € 0.25	**139,984**	**34,996**	**34,996**
Priority share	4		
Each nominal € 1.00	**4**	**4**	**4**
Authorized capital		**35,000**	**35,000**
Of which not issued		24,446	24,291
Issued capital [1]		**10,554**	**10,709**

1 Concerns 4,000 priority and 42,198,429 (depositary receipts of) shares.

The issued capital was reduced with 623,334 ordinary shares on 23 November 2021 following the resolution on the Annual General Meeting on 6 May 2021. The number of shares that has been cancelled relate to the depositary receipts of shares that have been purchased under the share-buyback program initiated on November 18, 2020 with a value of € 25 million. The registered ordinary shares, with the exception of the register-shares in the company, have been transferred to Stichting Administratiekantoor TKH Group ('Trust Foundation'), which issues depositary receipts of shares to the ultimate capital providers. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power of attorney to the holders of the depositary receipts. The holders of depositary receipts are entitled to receive a power of attorney to cast a vote on the shares corresponding to the depositary receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depositary receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the executive committee of Stichting Administratiekantoor in various situations specified in the law (see also Corporate Governance). In that case Stichting Administratiekantoor may (again) exercise the voting right for all shares for which depositary receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depositary receipts of shares is governed by the administrative conditions. The protection afforded by the use of depositary receipts is based on the 1% rule. The depositary receipts may be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes shares owned indirectly as well as directly. However, this does not apply to the transfer of ordinary shares to the company itself.

Every transfer of preference financing shares, convertible preference financing shares and preference protective shares must be approved by the Executive Board. The Executive Board may only grant its approval with the approval of the Supervisory Board.

Besides from what is mentioned in the ‘Other information’, no special rights are attached to the priority shares. The company has granted the Stichting Continuïteit TKH (‘Continuity Foundation’) an option to take preference protective shares for up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference protective shares are issued or 100% of the sum of the other outstanding shares at the time that the preference protective shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a statement to that effect with the Chamber of Commerce.

Share premium reserve

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

Legal reserve

The legal reserve relates to:

in thousands of euros	2021	2020
Capitalized development costs	87,666	80,760
Legal reserve for participations	4,876	4,801
Legal reserve	**92,542**	**85,561**

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

Revaluation reserves

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

Hedging and translation reserve

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

8 DIVIDEND

TKH recognizes a liability to pay a dividend when the distribution is no longer at the discretion of the company. A dividend payment is due under Dutch law if approved by the shareholders. At that moment, the amount is recognized directly in equity. At the General Meeting of shareholders in 2021 the dividend for the year 2020 was declared at € 1.00 per (depositary receipt of) ordinary share. The dividend was paid in cash. The dividend on the priority shares was declared at € 0.05 per share. The total amount of dividends paid in 2021 was € 41,125,796 and this amount was charged to the retained earnings.

After 31 December 2021, the Executive Board has proposed a dividend. With regard to Article 33 of the Articles of Association, the Executive Board proposes to the holders of (depositary receipts of) ordinary shares a dividend of € 1.50 per (depositary receipt of) ordinary share. The dividend proposal is subject to approval at the annual general meeting and has not been recognized in the balance sheet and does not impact the corporate income tax.

9 SHARE-BASED PAYMENTS

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

10 OTHER PROVISIONS

in thousands of euros	2021	2020
Liability for subsidiaries with negative equity	33,484	24,917
Other long-term provisions	505	342
Total of other long- and short-term provisions	**33,989**	**25,259**

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

11 OTHER FINANCIAL LIABILITIES

in thousands of euros	Earn-out	Put options of holders of non-controlling interests	Total
Balance at 1 January 2021	**7,342**	**357**	**7,699**
Change in value through the profit and loss account	911	709	1,620
Payment for acquisitions from previous years	-3,707	-278	-3,985
Balance at 31 December 2021	**4,546**	**788**	**5,334**

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

12 NET INTEREST BEARING DEBT

in thousands of euros	2021	2020
Bank loans reported under non-current liabilities	85	35
Borrowings reported under current liabilities	34	28
Cash and cash equivalents	-3,372	-4,747
Net interest bearing debt	**-3,253**	**-4,684**

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

13 CONTINGENT LIABILITIES

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

The company is formally a guarantor for a total sum of € 44.9 million (2020: € 45.4 million) for bank credit and bank guarantee facilities provided to a number of foreign subsidiaries. This facility was called on for a sum of € 14.1 million (2020: € 0.1 million) at the end of 2021.

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

14 TURNOVER

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

15 OPERATING EXPENSES

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

16 TAX

in thousands of euros	Notes	2021	2020
Current tax		-703	-2,011
Adjustments for previous years		-286	598
Deferred tax	5	-171	-256
Total tax on result		**-1,160**	**-1,669**

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

in thousands of euros (unless stated otherwise)	2021		2020	
Result before tax	**-11,574**		**-10,430**	
Tax calculated at the Dutch tax rate	-2,894	25.0%	-2,608	25.0%
Correction due to tax effect for:				
Non-deductible expenses	2,060	-17.8%	597	-5.7%
Settlement of income tax returns for previous years	-286	2.5%	598	-5.7%
Taxes on (un)distributed profits of foreign subsidiaries	-15	0.1%	-256	2.4%
Change in statutory tax rate	-25	0.2%		
Effective tax rate	**-1,160**	**10.0%**	**-1,669**	**16.0%**

17 SIGNATURE OF THE FINANCIAL STATEMENTS

Haaksbergen, 7 March 2022

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

Supervisory Board
A.J.P. De Proft, *chairman*
J.M. Kroon, *vice-chairman*
R.L. van Iperen
C.W. Gorter
A.M.H. Schöninigh