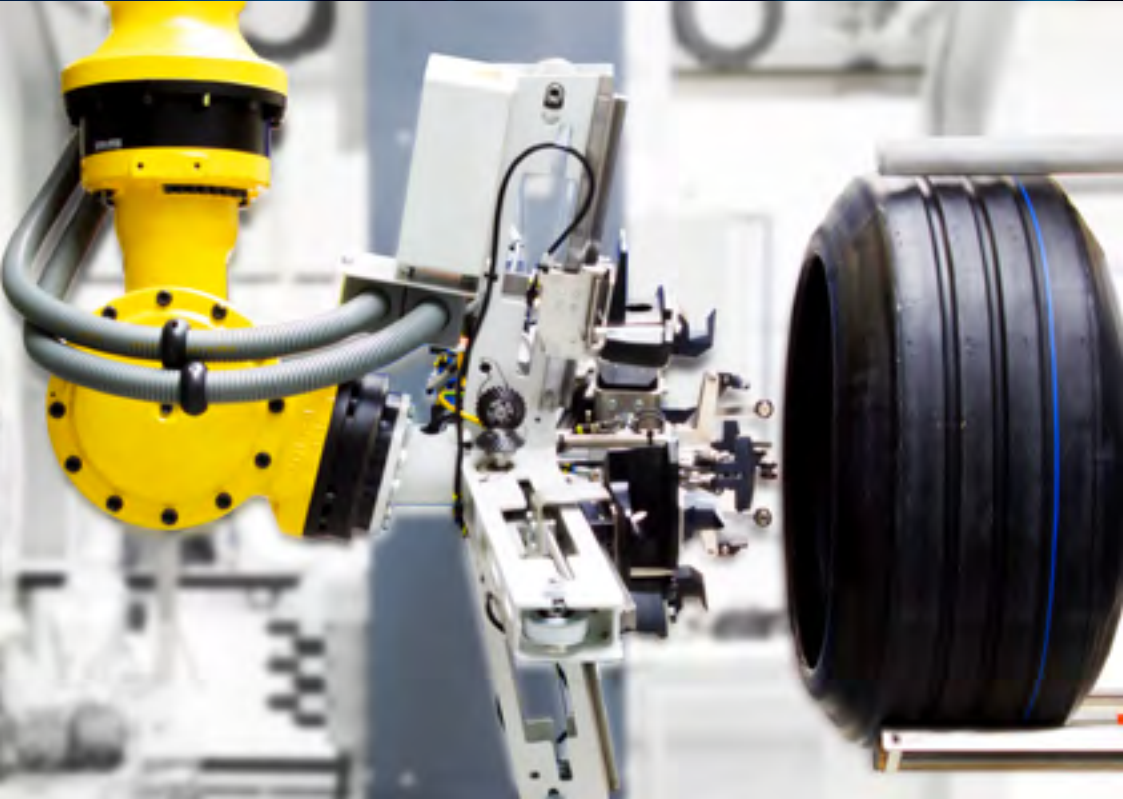




ANNUAL REPORT



2019

Smart Technologies <





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



PROFILE

TKH GROUP

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

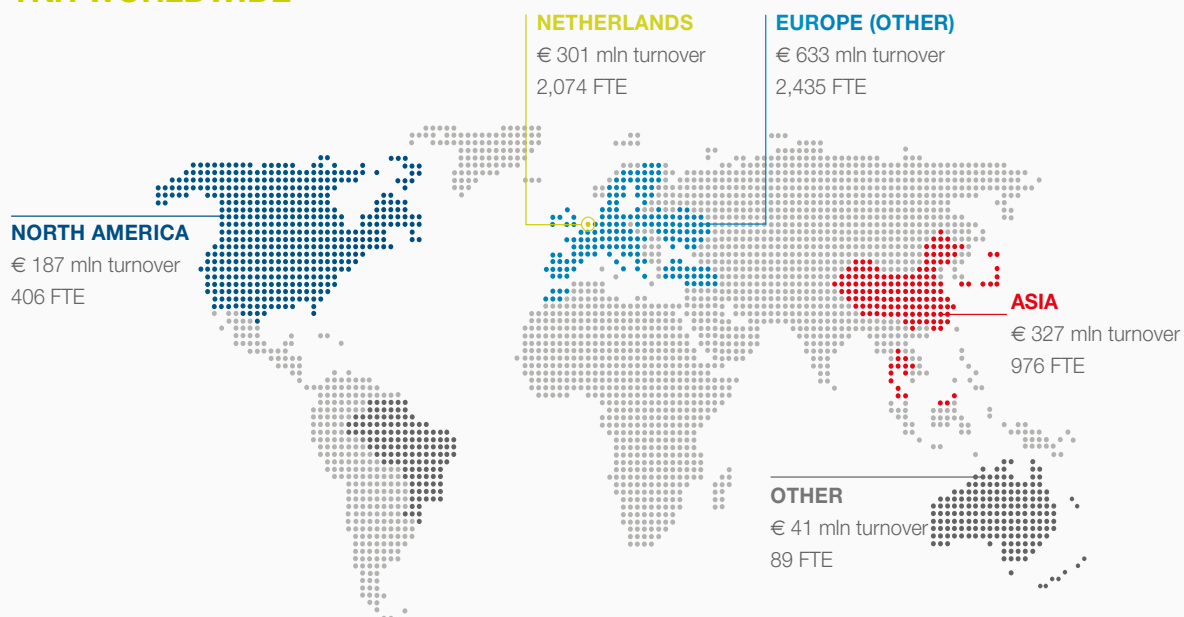
Through a combination of technologies across the three business segments, TKH offers superior solutions that support that increase the efficiency, safety and security of its customers. The technologies are offered together with software to create smart technologies and one-stop-shop solutions with plug-and-play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

TKH operates on a global scale. Its growth is concentrated in Europe, North America and Asia. With 5,980 employees (FTE), TKH realized a turnover of € 1.5 billion in 2019.

MISSION

TKH aims to be a leading innovative technology niche player that through combinations of its four core technologies, offers total systems which lead to greater efficiency, more comfort and improved safety for its customers. By offering best-in-class solutions, TKH constantly seeks to exceed its customers' expectations. TKH strives to be an attractive employer and to be a solid investment for its shareholders, whereby a socially responsible way of doing business is placed centrally.

TKH WORLDWIDE



BUSINESS SEGMENTS

TELECOM SOLUTIONS

201 € MLN

BUILDING SOLUTIONS

745 € MLN

INDUSTRIAL SOLUTIONS

544 € MLN

CORE VALUES TKH GROUP

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

2019 HIGHLIGHTS

FINANCIAL

TURNOVER

Turnover increases by 2.2% to € 1,489.6 million, organic -1.9%.

1,489.6 € MLN

EBITA

EBITA before one-off income and expenses declines by 1.5% – decline in Industrial Solutions due to market conditions, increase in Telecom and Building Solutions.

172.5 € MLN

NET PROFIT

Net profit before amortization and one-off income and expenses attributable to shareholders declines by 7.8% to € 105.3 million – in line with the previously communicated bandwidth (€ 102 - € 108 million).

105.3 € MLN

DIVIDEND PROPOSAL

Dividend proposal: € 1.50 per (depository receipt of an) ordinary share (2018: € 1.40).

1.50 €

STRATEGIC

SIMPLIFY & ACCELERATE

Good progress ‘Simplify & Accelerate’ program.

- Divestment activities on schedule: € 250 million turnover of the targeted € 300 to € 350 million in divestments already realized.
- Integration of vision and security businesses proceeds well.
- Growth in order book and outstanding quotations in subsea and Airfield Ground Lighting (AGL) activities.
- Turnover share from vertical growth markets > 60%.

TURNOVER SHARE
VERTICAL GROWTH
MARKETS > 60 %

ACQUISITIONS

Acquisitions of innovative technology companies:

- Commend AG.
- ParkEyes.
- SVS-Vistek.
- FocalSpec.

CREDIT FACILITY

Increase in existing committed credit facility to € 500 million, from € 350 million, with unchanged conditions and duration.

500 € MLN



MESSAGE FROM THE CEO

TKH ON THE MOVE

The world is changing rapidly, and TKH is changing with it. By implementing our plans in an enterprising and energetic manner, we have achieved many of our objectives. Our innovations have advanced our technological prowess, but have also been a success in terms of market penetration. Important examples are the advances we have made in machine vision for 5G smartphones, the UNIXX tire-building technology, subsea cable systems and the CEDD/AGL connectivity technology. All of these have created opportunities that lay a strong foundation for growth and value creation in the future.



We took an important step with the launch of a new phase in our strategic transformation program, named 'Simplify & Accelerate'.

It was a turbulent year, as geopolitical and social developments led to a cautious approach to investment by businesses in some market sectors. A caution that was driven by uncertainty about economic growth and the impact of the trade restrictions imposed by the world's superpowers, and at micro level by the problems with nitrogen and PFAS in the Netherlands. Under these circumstances, there were periods when we decided to maintain capacity at a higher level than was necessary at that moment. These decisions are crucial for safeguarding the correct balance in the short-term and medium-term results.

We took an important step with the launch, in the middle of 2019, of a new phase in our strategic transformation program, named 'Simplify & Accelerate'. The execution of the program has been a major priority and it is progressing smoothly. We are well on the way to meeting the new profit targets and accelerating the rate of value creation at TKH. Despite the difficult conditions in some markets, in the second half of the year the ROS was 12.9% and is therefore approaching our new target for the ROS of at least 15%.

As part of the transformation program, we are divesting activities in which the margins are naturally small or which have only limited potential for organic growth. A large proportion of the envisaged € 300 to € 350 million in proceeds from divestments has already been realized. We have also reduced the number of operating companies through a process of integration based on economies of scale. These measures leads to a simplified organizational structure, with fewer companies and a sharper focus on activities with above-average potential in terms of value creation. What is special is, how our operating companies have taken initiatives, in addition to their planned activities, to complement the 'Simplify & Accelerate' program and that the program enjoys broad support and has generated inspiration and energy within our organization.

Sustainability is growing steadily more important and we reflect that by pursuing a consistent policy in relation to Corporate Social Responsibility. We take the view that sustainability is the key to all our policy decisions and is the source of our ability to create a society fit for the generations to come. That in turn calls for intensification of the collaboration with chain partners so that we can promote sustainability in a wider context. One of the ways in which sustainable developments can be embedded more deeply in society is by implementing the Sustainable Development Goals (SDGs).

In addition to our desire to offer our employees an inspiring working climate, their health and safety is our greatest concern. Unfortunately, in December we were confronted with a fatal accident at our subsea cable factory in Lochem, where a highly valued and passionate colleague died. An incident that has a major impact on the family and the entire organization.

We are grateful to our customers, business partners, Supervisory Board and shareholders and holders of depositary receipts of shares for the trust they have shown in TKH and the support they give us to pursue the company's further growth and its ambitions.

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



BUSINESS & MARKETS

TKH focuses with its segmentation on the business segments Telecom Solutions, Building Solutions and Industrial Solutions. The TKH core technologies -vision & security, mission critical communication, connectivity and smart manufacturing- are linked to each other to total systems, which are positioned within these three business segments. TKH focuses on seven vertical growth markets -Fibre Optic Networks, Care, Tunnel & Infra, Parking, Marine & Offshore, Machine Vision en Tire Building Industry- where the (total) solutions are positioned as a 'one-stop-shop' for our customers.

BUSINESS MODEL TKH GROUP

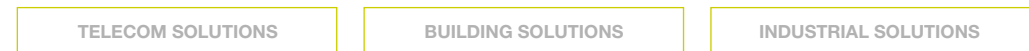
VALUE CREATION

CORE TECHNOLOGIES



INNOVATIONS >15%

BUSINESS SEGMENTS



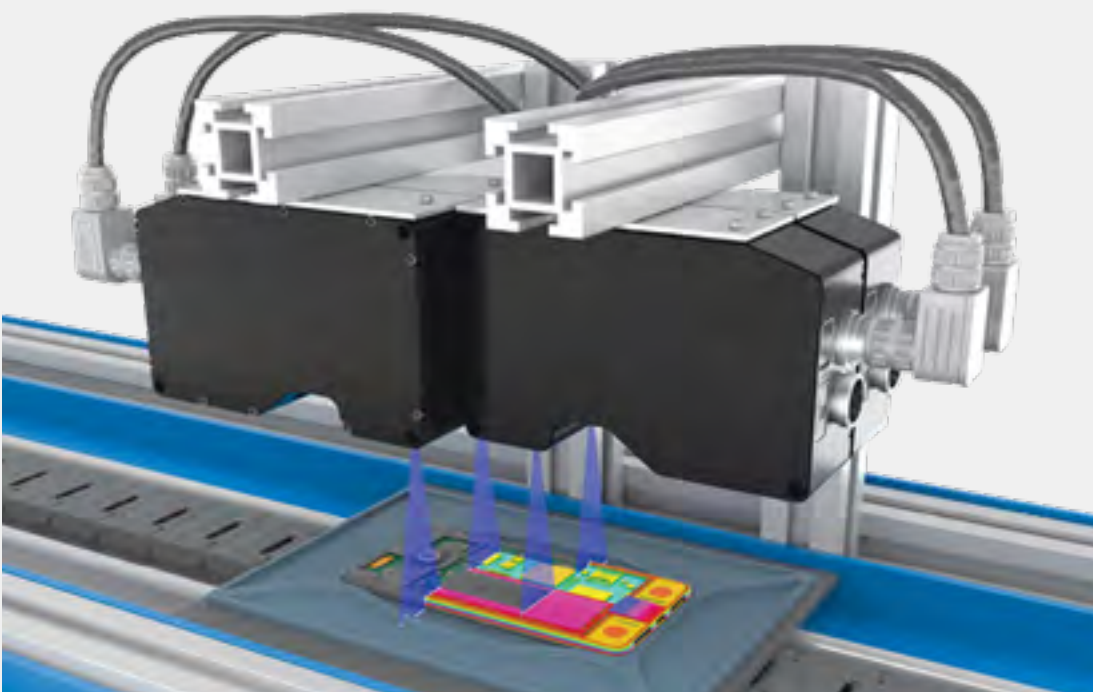
EFFICIENCY - COMFORT - SAFETY - SECURITY

VERTICAL GROWTH MARKETS



BUSINESS SEGMENTS

TKH focuses with its segmentation on Telecom Solutions, Building Solutions and Industrial Solutions. The four TKH core technologies are connected into total solutions within the three business segments.



TELECOM SOLUTIONS

The core technologies vision & security, mission critical communication and connectivity are represented in Telecom Solutions. TKH develops, produces and supplies systems ranging from basic outdoor infrastructure for telecom and CATV networks through to indoor home networking applications. Around 40% of the portfolio consists of hub-to-hub optical fibre and copper cable systems. The remaining 60%, consisting of components and systems in the field of connectivity and peripherals, is deployed primarily in network hubs.

BUILDING SOLUTIONS

Building Solutions connects the core technologies vision & security, mission critical communications and connectivity in total solutions for security and communications applications in and around buildings as well as for industrial inspection, quality, product and process controls. We focus on efficiency solutions to reduce throughput times for the realization of installations within buildings, and on intelligent video, mission critical communications, evacuations, access (control) and registration systems for a number of specific sectors, including healthcare, parking, marine and offshore, tunnels and airports.

INDUSTRIAL SOLUTIONS

The core technologies vision & security, connectivity and smart manufacturing are represented in Industrial Solutions. TKH develops, produces and delivers specialty cable and 'plug and play' cable systems. In a number of specialized industrial sectors, such as tire manufacturing, robotics, medical and machine building industries we deliver innovative, integrated manufacturing systems where TKH's know-how of automation of production processes and improvements in the reliability of production systems gives the company the differentiating potential.

CORE TECHNOLOGIES

The TKH core technologies –vision & security, mission critical communication, connectivity and smart manufacturing– are linked to each other to create total systems and solutions. We focus mainly on the development of our own advanced technologies and enter into partnerships with suppliers of specific technology components or solutions. Thanks to our thorough knowledge of processes and techniques, and our understanding of markets, we are able to employ our technologies in a focused manner which clearly offers our customers added value. Because the core technologies can be used for multiple applications, economies of scale is created that makes it possible to be distinctive. Software plays an increasingly important role as part of our core technologies, allowing us to integrate them appropriately and to ensure that they are smart in relation to analysis and control. With our core technologies, we contribute to a safer environment and ensure that our customers' processes are efficient and reliable.



VISION & SECURITY

Vision technology consists of 2D and 3D camera sensor technology and 3D laser technology in combination with the digital processing of visual information to produce usable images or information for interpretation by people and/or machines. Amongst other things, vision technology is employed for inspections and for quality, product and process control. Within TKH, vision technology plays an important role in medical solutions, industrial automation (tire building, automotive sector, robotics and logistics), consumer electronics and in scientific research. Our security technology makes it possible to control and monitor urban environments in relation to safety, comfort and efficiency, and includes alarms and mission critical communication systems, access, registration and evacuation systems. For the mobility market, camera solutions are delivered for intelligent traffic systems.

MISSION CRITICAL COMMUNICATION

Our communication technology focuses on image transmission, speaking and listening connections, guiding and lighting systems, security and control. The communication technology is often used in combination with our vision & security technology from our group so that through our technologies, we promote among others the efficiency, safety and security in tunnels, car parks, (professional) health care, airports, football stadiums, schools and financial institutions.

CONNECTIVITY

With our connectivity technology we focus on complete portfolio connectivity solutions for energy distribution and electro technical applications in the construction and infra sectors, as well as data optical fibre systems for data and communications networks. Custom-made specialty cable systems for the most diverse applications in high-tech environments such as the industrial, marine & offshore wind and medical sectors. Our advanced connectivity technology for contactless energy and data distribution (CEDD) for airfield ground lighting systems is an advanced connectivity system that consists of both hardware components and software, which respond to specific applications at airports.

SMART MANUFACTURING

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



VERTICAL GROWTH MARKETS

Within the three business segments, TKH focuses with its solutions on seven defined vertical growth markets. These are markets in which we can achieve above-average growth. Thanks to close contact with our customers, we know these markets well, we are familiar with what is at stake in them and what their requirements are. We aim in particular a high return on investment for our customers. In the next three to five years, we expect to achieve turnover growth of € 300 to € 500 million in the seven vertical growth markets.

FIBRE OPTIC NETWORKS

TKH develops, produces and supplies comprehensive optical fibre networks which, in addition to optical fibre cables, also include connectors, pipes, sleeves, fibre management systems, security and robotic systems and other accessories. Everything can be installed plug-and-play so projects can be completed efficiently and on time. When required, we help our customers by providing them with training and support during the engineering process and in relation to the installation of networks and maintenance.

CARE

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

TUNNEL & INFRA

TKH supplies the tunnel & infra sectors with innovative communications and security solutions that meet the high safety requirements, which means that airports, tunnels and roads can be opened safely and on time. For the mobility market, cameras and solutions are supplied in the field of intelligent traffic systems that are crucial for safety applications. The medium and high voltage energy cables for energy networks respond among others to the demand for alternative energy supplies. We supply advanced connectivity technology for contactless energy and data distribution for application at airfields.

PARKING

TKH develops and manufactures innovative parking systems. They range from self-developed video analytics technology designed to monitor parking bays and streamlining traffic in parking garages to integrated access control, intercom and camera systems. Parking garages can be managed from any place at any time. We provide professional project management, support and advice in the design and execution of parking projects.

MARINE & OFFSHORE

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

MACHINE VISION

Vision technology consists of 2D and 3D camera sensor technology and 3D laser technology in combination with digital processing of visual information is used to monitor, control or adjust industrial processes. We supply to the robotics, mechanical engineering, consumer electronics, medical and automotive industries.

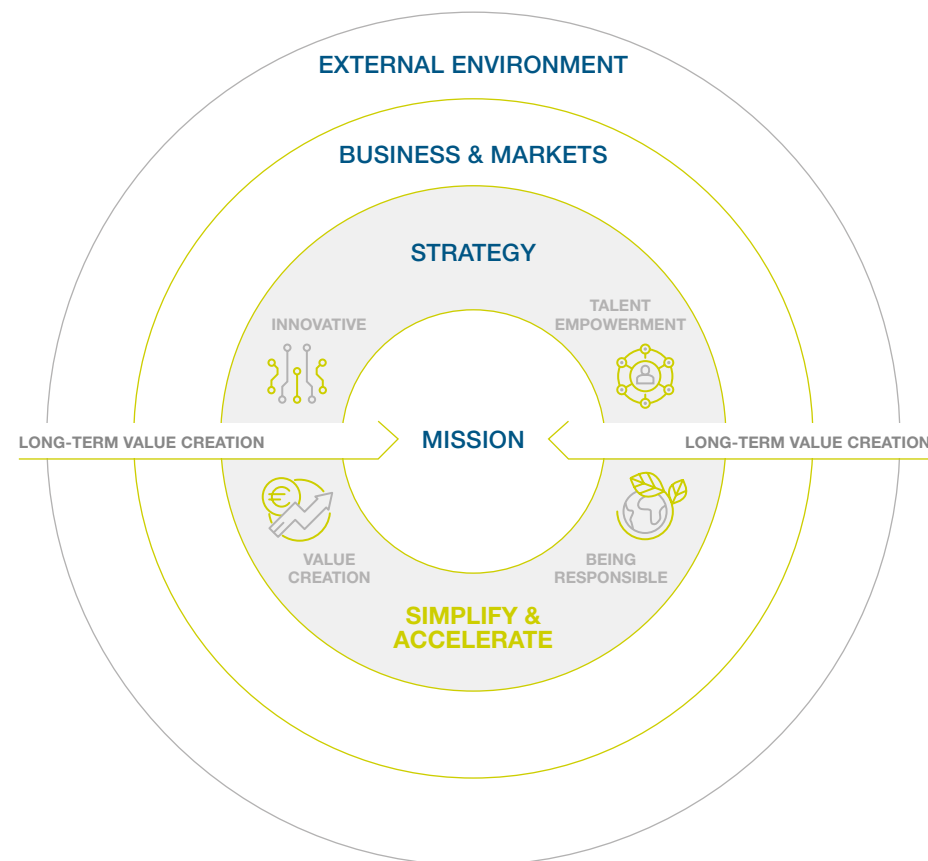
TIRE BUILDING INDUSTRY

With decades of experience, TKH has developed and refined the production technology for tire building systems which is required to produce superior tires for cars and trucks. TKH develops, manufactures, supplies and installs innovative tire building systems which make it possible to manufacture tires with specific properties in a highly efficient way. The highest possible form of automation and monitoring of the production processes with associated "track and trace" requirement is possible via our own camera inspection technology.

STRATEGY

TKH's strategy focuses on technology leadership with four related core technologies in three business segments. As part of the strategy process, four priority areas have been defined: Innovative, Value Creation, Talent Empowerment and Being Responsible. Based on these pillars, we have determined our strategic direction and have defined specific objectives how we implement the strategy process.

STRATEGY PROCESS





INNOVATIVE

CONSTANT ATTENTION TO INNOVATION PRODUCES A RANGE OF PRODUCTS AND SERVICES THAT GUARANTEE TECHNOLOGICALLY ADVANCED SOLUTIONS.

With our four core technologies we can respond to these growth trends and can offer innovative comprehensive systems by combining these technologies. Investments in research and development and the roll-out of innovations are important areas of focus for growth. Our target is to generate at least 15% of turnover through innovations introduced in the previous two years. As a result, the products comprising our portfolio are at an early stage of their life cycle. We invest predominantly in our own technological development, although we also work closely with other parties on specialisms. We focus on securing a leading position in niche markets. Within our three business segments we have defined seven vertical growth markets in which we expect to achieve growth of between € 300 million and € 500 million in the next three to five years.



TALENT EMPOWERMENT

OUR PEOPLE REPRESENT OUR MOST IMPORTANT CAPITAL AND ARE THE DRIVING FORCE BEHIND OUR SUCCESS.

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



VALUE CREATION

WE USE OPPORTUNITIES FOR GROWTH IN A TARGETED MANNER AND LIMIT (FINANCIAL) RISKS.

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



BEING RESPONSIBLE

WE WOULD LIKE TO MAKE A CONTRIBUTION TOWARDS A SUSTAINABLE SOCIETY AND TO TAKE OUR RESPONSIBILITY IN THIS RESPECT.

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

STRATEGIC CONFRONTATION MATRIX

STRENGTHS

- Strong (niche) positions in defined vertical growth markets.
- Customer-specific total solutions - in combination with technology platforms usable for multiple applications.
- Benefits of economies of scale by spreading technologies across product and market combinations and in geography.
- Good reputation and financial strength.
- Successful acquisition policy - good integration of (acquired) companies.
- Organization model with local entrepreneurship and innovative capacity.
- Quality and involvement of employees.
- Interesting employer through profiling entrepreneurship and development opportunities.

IMPROVEMENT AREAS

- TKH is seen as an attractive company but has a complex organization, consisting of many activities.
- Brand awareness in conservative new markets where TKH wants to expand its market position with disruptive innovative technology.
- Making better use of cohesion and scale from local entrepreneurship.
- Give operational excellence the highest priority for implementation in all business units.
- Give capital allocation more focus on maximum value creation for medium- and long-term.

PRIORITIES

Reducing the number of activities that have limited opportunities for value creation

- Activities with low organic growth opportunities and relatively low gross margins.
- Non-high-end technology oriented or positioned in an environment where a larger scale is needed in the long-term to support continuity.
- Mainly positioned in non-vertical growth markets.
- Be prepared for divestments with a profit improvement program and potential for high value creation on short-term, but belonging to non-core activities or to activities with low margins.

Integration of operating companies

- Focus on integration - instead of coordination with strong local entrepreneurship.
- Reinforced R&D, sales and marketing within the integrated companies with new leadership.
- Strengthening and expanding of TKH branding.
- Reduction of the number of operating companies with at least 10 - 15 companies.
- Implementing more operational excellence programs.

Develop a less complex business structure and communication structure

Increase ROS target to >15%

- Divestments of activities with low margins and limited organic growth potential.
- Profit improvement to bring important innovations to maturity and intended profitable business.
- Further focus on vertical markets with above average margins – investing the revenues of the divestments in more profitable vertical growth markets.
- Limit the number of new 'start-up' projects in the next 1-3 years.

Accelerate organic growth by increasing the share of vertical growth markets

- Divestment of activities with low organic growth leads to an increased average autonomous growth.
- To invest revenues from divestments in vertical growth markets.
- Intensify the implementation of new business developments.

‘SIMPLIFY & ACCELERATE’ PROGRAM

In order to bring growth and profitability to an even higher level, a strategic transformation program was introduced in June of the year under review, under the name ‘Simplify & Accelerate’. The program aims at simplifying the organization and making better use of economies of scale. Ultimate goal of the strategy program is an acceleration of organic growth linked with better profitable activities with a higher growth potential.

Simplification of the business structure is achieved by implementing an active divestment program, aimed at activities with a lower profit potential. The divestment program comprises a total turnover of € 300 - € 350 million.

By integrating companies with a strong cohesion in activities and product portfolio, not only efficiency will be achieved in the field of R&D, commerce, finance and overhead. Ultimately, this simplification will lead to a simplified business structure with clear focus areas where acceleration of TKH’s performances is possible. It brings the desired focus to the realization of further value creation. It will lead to an even better bundling of knowledge in product development and will lead to efficiency and economies of scale. This not only benefits our financial results but also provides competitive advantage.

The implementation of this strategy program will have a positive effect on both the return on sales (ROS) and the return on capital employed (ROCE). The medium-term objectives have therefore been increased, for the ROS from 12-13% to at least 15%. The target for the ROCE has been raised from 21-23% to 22-25%.



STRATEGIC ROADMAP

MISSION

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

A solid investment for shareholders.

A responsible and attractive employer.

Doing business in a socially responsible manner.

STRATEGIC PILLARS

INNOVATIVE

Constant attention to innovation produces a range of products and services that guarantee technologically advanced solutions.



VALUE CREATION

We use opportunities for growth in a targeted manner and limit (financial) risks.



TALENT EMPOWERMENT

Our people represent our most important capital and are the driving force behind our success.



BEING RESPONSIBLE

We would like to make a contribution towards a sustainable society and to take our responsibility in this respect.



STRATEGIC PRIORITIES

SIMPLIFY

Reducing activities that have limited possibilities for value creation.

Simplification of the business structure through the integration of operating companies.

Development of a less complex business and communication structure.

ACCELERATE

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

Accelerate organic growth through an increase in share of vertical growth markets and use of economies of scale and synergies.

STRATEGIC OBJECTIVES medium-term

INNOVATIVE

- Innovations: >15% of turnover.
- TKH brand reinforcement and expansion.
- Increase brand awareness in vertical growth markets.

VALUE CREATION

- Vertical growth markets: + € 300 - € 500 million (3 - 5 years).
- ROS: >15%.
- ROCE: 22-25%.
- Net debt/EBITDA: <2.0.

TALENT EMPOWERMENT

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

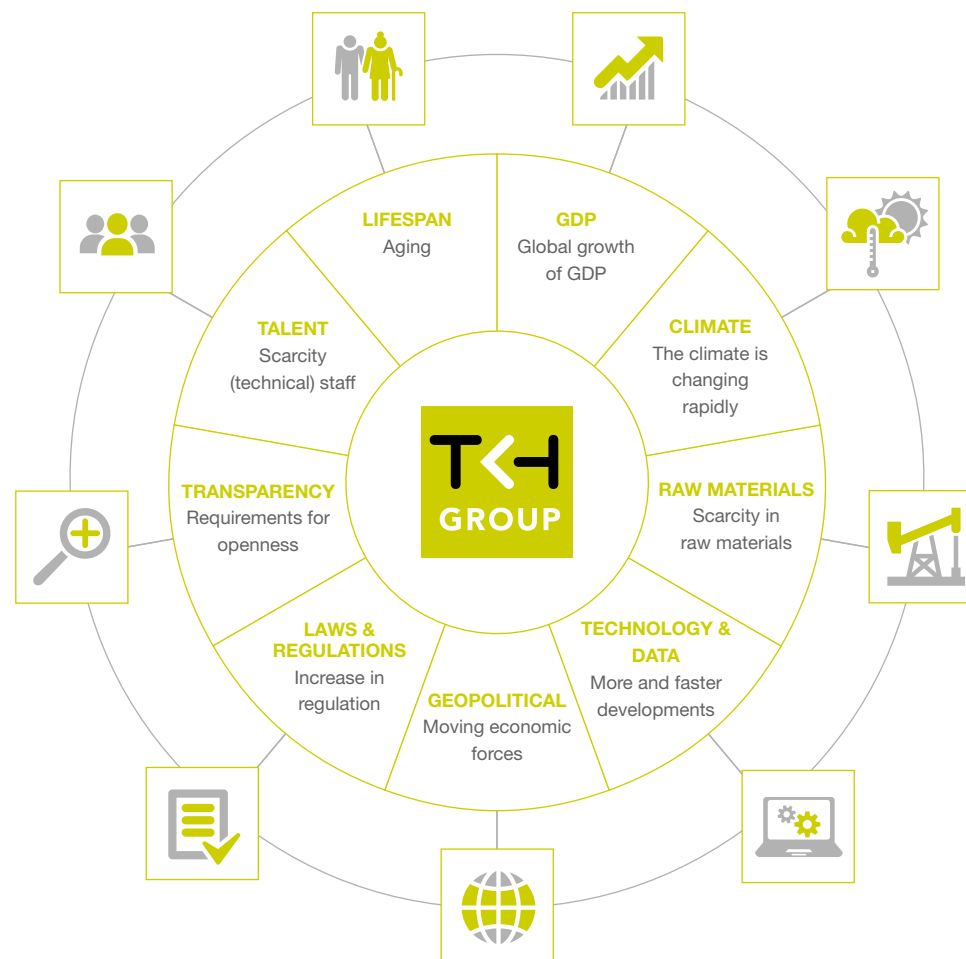
BEING RESPONSIBLE

- CO₂ emission: -2.5% (vs 2015).
- Waste: <5.0%.
- Recycling: >50%.
- Customer satisfaction: >7.8.
- No breaches code of conduct.
- Community investments: 0.2% - 1% of net profit before one-off income and expenses.

EXTERNAL ENVIRONMENT

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

TKH AND ENVIRONMENTAL FACTORS



TRENDS & DEVELOPMENTS

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



AS A TECHNOLOGY COMPANY, TKH CLOSELY MONITORS DIGITAL TRANSFORMATION DEVELOPMENTS.

- The development of 5G is producing even faster mobile networks offering numerous new potential applications for, amongst other things, the Internet of Things in both the private and business sectors.
- The fourth industrial revolution is stimulating developments such as advanced robotics, autonomous transport, Artificial Intelligence and Machine Learning.
- There is a growing demand for more efficient and accurate production processes to make machines capable of learning and guiding themselves.
- A product's life cycle is determined mainly by its useful life and increasingly less so by its lifespan. This renders it necessary to innovate more rapidly, to retain or improve the competitive position.

OUR EMPLOYEES REPRESENT OUR MOST IMPORTANT CAPITAL AND ARE A DECISIVE FACTOR IN TKH'S SUCCESS.

- The population is growing, people are living longer and living standards are rising. In general, populations throughout the world are older, wealthier, live increasingly in urban areas and are increasingly connected through technology.
- The enormous amount of data which people generate and which is available to businesses, academics, public authorities and other parties is changing our daily life as well as the business community. Because of digitization, jobs will disappear but many other new ones will be created, mainly in the ICT and technology sectors.
- Work and private life are becoming integrated into new lifestyles and this demands that companies go along with this.
- Scarcity on the labour market (knowledge and capacity) can act as a brake on certain sectors.

TKH WISHES TO CONTRIBUTE TO A SUSTAINABLE SOCIETY.

- Greater awareness of the need to counteract the effects of climate change.
- Global climate agreements demand energy systems sourced from renewable, sustainable sources, such as wind and solar energy.
- Raw materials are becoming scarcer and the prices of raw materials are increasingly more volatile. By ensuring that raw materials are renewable it is possible to use them more efficiently and to reduce waste flows.



GROWTH DRIVERS

FIBRE OPTIC NETWORKS

- The internet has now become a utility, just like gas, water and electricity. Optical fibre as a major transport medium for the enormous need for bandwidth and transmission capacity is no longer an indispensable part of the society.
- Developments such as the Internet of Things, Industry 4.0 and the Internet of Vehicles demand high-speed internet (mobile and otherwise) – the emergence of 5G networks.
- 24-hour accessibility is becoming increasingly more widespread and accepted.

CARE

- Life expectancy is continually increasing and healthcare spending is rising due to more and better, but also more expensive care.
- Growing demand for technological healthcare solutions.
- Shortage of skilled workers.
- Informal caregivers and healthcare professionals are equal partners; technological support for the exchange of information as required.
- A growing demand for medication (volume) because of demographic developments, whereas there is a need to reduce the cost of healthcare.
- The acceptance of robotization in the pharmaceutical wholesale sector.

TUNNEL & INFRA

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

PARKING

- Income from parking garages is under pressure due to reduced inbound and outbound traffic flows.
- Provide parking owners and operators with information more quickly and efficiently through a visual dashboard.
- The use of technology leads to improvements in efficiency, safety, access and payment options - great interest in applying technology in smaller parking garages.
- Boost the capacity utilization rate and income thanks to differentiated parking fees - CO₂ reduction via parking guidance technology.

- Call for greater comfort for parking attendants.
- The emergence of frictionless parking through technology - Artificial Intelligence application for automatic call handling.

MARINE & OFFSHORE

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

MACHINE VISION

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

TIRE BUILDING INDUSTRY

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

STAKEHOLDERS

Our stakeholders are those groups and individuals that directly or indirectly influence, or are affected by, the activities of TKH and its operating companies. In the context of our business operations and based on our position in the supply chain, we are in regular dialogue with our stakeholders. By entering into a dialogue with our stakeholders, we share and test our vision, our strategy and our expectations with them, with starting point, being able to further sharpen these themes in our business operations. When conducting stakeholder dialogues we often work together with our operating companies where customers, suppliers or employees are concerned.



MATERIALITY MATRIX



INNOVATIVE

- 1 Innovation & technologies
- 2 IT Security & Privacy
- 3 Chain initiatives
- 4 Portfolio management

VALUE CREATION

- 5 Financial objectives
- 6 Dividend policy
- 7 Share price development
- 8 Responsible tax policy

TALENT EMPOWERMENT

- 9 Good employment practices
- 10 Health & safety
- 11 Education & training
- 12 Diversity in workforce
- 13 Sustainable employability

BEING RESPONSIBLE

- 14 Integrity
- 15 Climate change
- 16 CO₂ reduction
- 17 Waste reduction
- 18 Customer satisfaction
- 19 Human rights
- 20 Community investments
- 21 Social responsible purchasing
- 22 Local presence

The materiality matrix is composed of issues that are material to TKH and our stakeholders. The horizontal axis depicts a scale of material subjects important to the TKH organization. The vertical axis ranks the subjects that our stakeholders believe are important. The greater the influence or relevance of a subject, the more material it is. By assigning a specific value to the subjects, it is easier to see which ones are the most relevant. The materiality matrix covers a period of several years and is a dynamic model, with the result that it is frequently necessary to assess whether subjects need to be raised or lowered.



STAKEHOLDERS DIALOGUE

| | RELEVANCE TO TKH | RELEVANCE TO STAKEHOLDERS AND MOST IMPORTANT EXPECTATIONS | MEANS OF COMMUNICATION | KEY TOPICS IN 2019 | SUPPORTIVE TO OUR STRATEGY |
|--|---|---|--|--|---|
| EMPLOYEES | <ul style="list-style-type: none"> Crucially important for the success of TKH. The company's ambassadors. Most important 'authorized capital'. | <ul style="list-style-type: none"> Good employment practices. Development opportunities and a good package of primary and secondary employment benefits. A safe and healthy working environment. | <ul style="list-style-type: none"> Internet and intranet. Employee magazine. Employee satisfaction survey. Meetings. Conferences and seminars. Webinars. Performance reviews. | <ul style="list-style-type: none"> Health and safety. Diversity. Sustainable employability. SDGs. IT & Security / Privacy. Strategic transformation program. | <ul style="list-style-type: none"> Commitment to the diversity of the workforce. Learning organization. Boosts innovative capacity. Leadership and entrepreneurship. Integrity & 'zero tolerance'. |
| SHAREHOLDERS | <ul style="list-style-type: none"> Investment through a shareholding in TKH, thereby strengthening our capital position. | <ul style="list-style-type: none"> Good return on investment with good dividend policy and long-term value creation. | <ul style="list-style-type: none"> Internet. Financial reporting and annual reports. General meeting of shareholders. Investor days. Capital Markets Day. | <ul style="list-style-type: none"> ESG. SDGs. Diversity. Strategic transformation program. | <ul style="list-style-type: none"> Long-term shareholdings. |
| CUSTOMERS | <ul style="list-style-type: none"> Buy products and services. Develop sustainable package of products and services through collaboration. | <ul style="list-style-type: none"> Offer innovative, high-tech technologies and total solutions. Good ROI for customers. | <ul style="list-style-type: none"> Internet. Events, symposia and trade fairs. Customer satisfaction surveys. | <ul style="list-style-type: none"> Value chain initiatives. Sustainable product portfolio. SDGs. Customer satisfaction. | <ul style="list-style-type: none"> Technological developments. Growth targets. |
| SUPPLIERS | <ul style="list-style-type: none"> Supply of services and products for our business operations. | <ul style="list-style-type: none"> Fair business practices and doing good business at market rates. | <ul style="list-style-type: none"> Business associates. Negotiations. Code of supply and site visits. | <ul style="list-style-type: none"> Value chain initiatives. Sustainable product portfolio. SDGs. | <ul style="list-style-type: none"> Technological developments. Sustainable procurement. |
| ANALYSTS | <ul style="list-style-type: none"> With the aid of analysis and research, prepare profiles and ratings on the basis of which investors can make a selection for their investments. | <ul style="list-style-type: none"> Honest and transparent communication about developments. | <ul style="list-style-type: none"> Internet. Financial reporting and annual reports. IR meetings. Capital Markets Day. Reporting. | <ul style="list-style-type: none"> Financial ratios. Sectoral developments. Strategic transformation program. | <ul style="list-style-type: none"> Long-term value creation and transparency. |
| BANKS | <ul style="list-style-type: none"> Financial service providers with the aid of which TKH is able to achieve its growth targets. | <ul style="list-style-type: none"> Creditworthy company that is appropriately balancing risks against returns and complies with contractual agreements. | <ul style="list-style-type: none"> Internet. Financial reporting and annual reports. Half-yearly discussions. | <ul style="list-style-type: none"> Financial ratios. Risk analysis. | <ul style="list-style-type: none"> Sustainable funding policy. |
| PUBLIC BODIES | <ul style="list-style-type: none"> Act as initiator, facilitator of supply chain and other projects, and driver of sustainability initiatives. | <ul style="list-style-type: none"> Boost the economic appeal in the region with respect to business office location and employment. Supply chain initiatives with a significant contribution to sustainability. | <ul style="list-style-type: none"> Internet. Network and thematic meetings. | <ul style="list-style-type: none"> Sustainable and other developments in the region. | <ul style="list-style-type: none"> Strategic investment decisions. |
| EDUCATIONAL AND KNOWLEDGE INSTITUTIONS | <ul style="list-style-type: none"> Influx of new talent in order to compensate for a shortage of technical personnel. | <ul style="list-style-type: none"> Providing a challenging work environment with ample development opportunities. Providing traineeships – work experience. | <ul style="list-style-type: none"> Internet. Trade fairs and seminars. Social media. | <ul style="list-style-type: none"> Relevance of education (in relation to the relevant discipline). Profiling TKH as an interesting employer. | <ul style="list-style-type: none"> Sustainable workforce. Learning organization. |
| COMMUNITY AND SECTORAL ORGANIZATIONS (INCLUDING NGOs) | <ul style="list-style-type: none"> Possess an extensive network and knowledge of the positions in the supply chain. Expertise in specific sectors. | <ul style="list-style-type: none"> Contribute ideas and start up joint ventures. | <ul style="list-style-type: none"> Internet. Reporting and reports. Annual reports. | <ul style="list-style-type: none"> SDGs. Climate change. | <ul style="list-style-type: none"> Sustainable business operations. Consolidate social initiatives. |

TKH AND THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), introduced by the United Nations in 2015, are a blueprint for achieving a better and more sustainable future. It is a universal call to take action for a sustainable world. TKH recognizes the relevance of the SDGs, which indicate a clear direction how a more sustainable society can be achieved. It also requires a pro-active role for business and a new way of working within the chain.



In order to be able to make an effective and targeted contribution through the SDGs, we focus on those SDGs on which we have the greatest impact and to which we can contribute directly. In that context, we focus on four SDGs: sustainable and clean energy (7), decent work and economic growth (8), industry, innovation and infrastructure (9) and responsible consumption and production (12). We have compared these SDGs with our business operations and core activities and have looked at our entire value creation process.

Subsequently, existing KPIs were aligned with the SDGs so that insight was gained into what our contribution is and for which, additional actions are desirable. We also have analyzed the options in the chain. In the year under review, we explicitly discussed the SDGs in meetings with stakeholders. We explained the choice for the most relevant SDGs for TKH and it was assessed to what extent the chain partners have also an impact on these goals and can make a contribution. Topics such as recycling, sustainable product innovations and a learning organization were discussed.



RELEVANCE SDGs

STRATEGIC RELEVANCE TKH

VALUE WHICH TKH CAN CREATE

OUR CONTRIBUTION

7
SUSTAINABLE AND
CLEAN ENERGY**BEING RESPONSIBLE**

In the case of all of our operations we consider their impact on the environment.



- Sustainable customer and product portfolio.
- Innovation.
- CO₂ reduction.

In its daily operations TKH continuously pays attention to the reduction of its energy consumption and CO₂ emissions. We have been working for decades on reducing our energy consumption and CO₂ emissions and manage this by setting firm objectives. In addition, TKH develops technologies and solutions that contribute to energy efficiency and the use of renewable energy, such as sustainable cable systems for wind farms and CO₂-neutral lighting systems.

8
DECENT WORK AND
ECONOMIC GROWTH**TALENT EMPOWERMENT**

We have an open business culture in an inspiring, educational working environment, in which our employees are acknowledged and heard. We offer a healthy working environment where safety is placed centrally.



- Innovations.
- Financial targets.
- Responsible tax policy.
- Good employment practices.
- Vitality and safety.
- Diversity.

Employees can and should follow training courses enabling them to act effectively and to develop their skills further. Good primary and secondary working conditions are self-evident as well as a balanced workforce, taking into account diversity and inclusiveness.

Focus on activities with an above-average value creation potential stimulates growth and guarantees further continuity of operations. TKH conducts a responsible tax policy.

VALUE CREATION

Within our strategy, we make effective use of opportunities for growth and limit (financial) risks.

9
INDUSTRY, INNOVATION AND
INFRASTRUCTURE**INNOVATIVE**

Constant attention to innovation produces a range of products and services that guarantee technologically advanced solutions.



- Innovations.
- Sustainable customer and product portfolio.

Our technologies and solutions make it possible to build a sustainable infrastructure which complies with strict safety requirements and efficiency. TKH's technologies and total solutions help our customers to operate more efficiently and we can contribute to a circular economy. For TKH, innovation is a strategic spearhead for further growth.

12
RESPONSIBLE CONSUMPTION
AND PRODUCTION**INNOVATIVE**

TKH strives to achieve a balanced, sustainable product portfolio with innovative concepts which are tailored to customer requirements. Sustainability criteria are becoming more relevant in this respect.



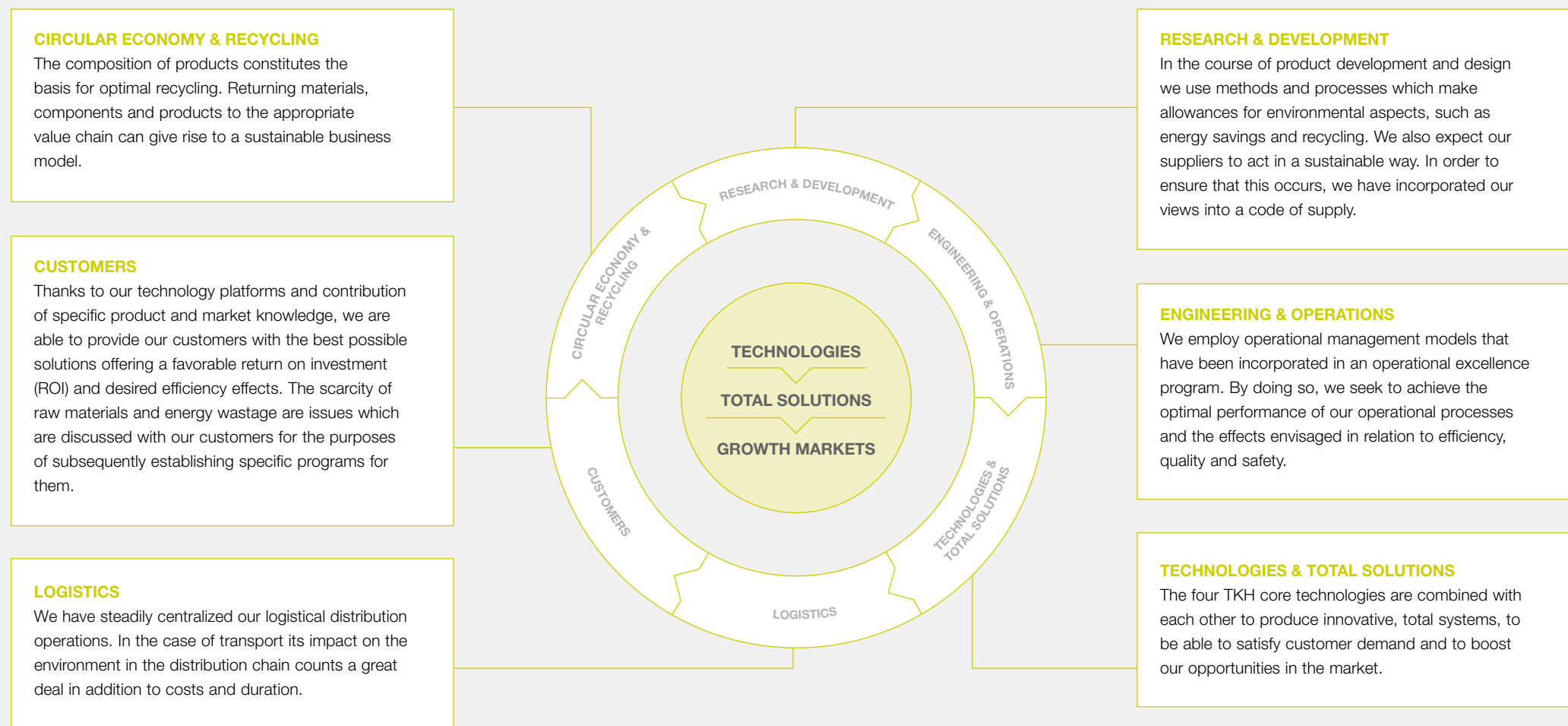
- Sustainable customer and product portfolio.
- Innovations.
- CO₂ reduction.
- Waste reduction and recycling.

In our business operations, we constantly focus on improving environmental performance. All production companies are certified for the ISO 14001 environmental management system and work according to the LEAN principle to prevent waste. In the design phase TKH selects its raw and other materials in such a way that they do not have any adverse effects on the environment. TKH discusses sustainability with its suppliers through its code of supply.

TKH IN THE SUPPLY CHAIN

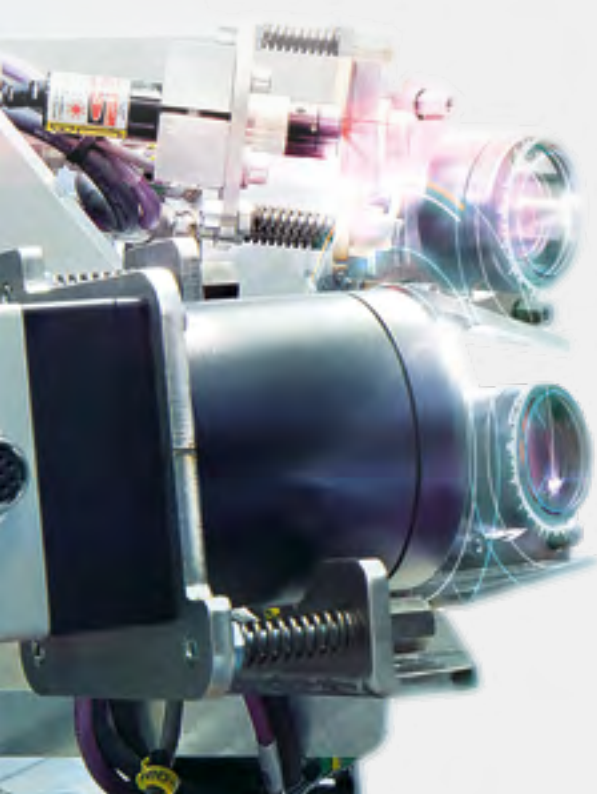
TKH develops and manufactures technologies, which are combined with each other to produce total solutions and are then positioned in predefined growth markets. A sound, efficient supply chain process is crucial, if we are to respond to environmental factors and customer requirements quickly and promptly. Support is provided for operational excellence in the supply chain by employing clearly defined guidelines for controlling our operating

procedures and pursuing a zero-tolerance policy with regard to issues of principle, such as the prevention of fraud, bribery and corruption, so as to ensure that work is done in accordance with the appropriate principles and arrangements. It is possible to conduct business sustainably by collaborating with our supply chain partners.



COMPETITIVE LANDSCAPE

Developments in the industry and the competitive landscape are important for our positioning in the market. There are changes in customer patterns, acceleration in technological developments, an increase in the demand for sustainable solutions and consolidation of (industrial) sectors. Geographical spread, high-quality proprietary technologies and the distinctive technological level are determining factors for our competitive capacity.



- TKH has a geographic spread of its market area, where growth is primarily focused on Europe, North America and Asia. This allows us to make targeted choices for investments and we can process specific niche markets more actively.
- The strength within TKH is the combination of the four core technologies into unique total solutions. Due to our distinctive character of in-house developed technologies – among other things protected on the basis of patents - the spectrum of competitors is fragmented and focused on partial solutions. The entry threshold to the market is high because of our distinctive technological level.
- Our strategic transformation program has reduced the number of operating companies via integration of operating companies, leading to economies of scale. This makes communication lines even shorter and the organization more flexible. We can switch faster, even when geopolitical and social developments occur, that lead to a reluctance to invest or a shift in focus on market areas.
- For a part of the product portfolio within connectivity, there is more competition. The distinguishing capacity here lies in the marketing of new technology -such as those for subsea cable systems and CEDD / AGL-, the high quality of the technology such as for specialty cables, or through the combination of connectivity with other TKH core technologies.

LONG-TERM VALUE CREATION

TKH's value creation process is a dynamic, ongoing one. It aims to respond to the wishes and requirements of our stakeholders through our business processes and to identify opportunities and risks at an early stage, which are driven by economic, geopolitical, ecological, sustainable, social and technological trends. Using sound R&D roadmaps, we focus on the development within the four core technologies. By integrating these technologies effectively, we create unique, innovative total solutions that are suitable for multiple markets. Entrepreneurship and the development of talent are important concepts within our group for the purposes of constantly boosting our (long-term) value creation.

INPUT



INTELLECTUAL Intellectual property

We focus on the development of our own advanced technologies and, in addition, enter into partnerships with suppliers of specific technology components or solutions. Software plays an increasingly important role as part of our core technologies, allowing us to integrate them appropriately and to ensure that they are smart in relation to analysis and control.



PRODUCED In-house and outsourced manufacturing

We have production plants which are involved in manufacturing in accordance with the LEAN and Six Sigma principles. To maximize ROCE and ensure the flexibility of our capacity, our aim is to outsource as much of our capital-intensive production as possible. We maintain capital-intensive manufacturing capacity under our own control where it is important to do so for strategic reasons.



NATURAL Dealing with raw materials and general environmental values

In the case of each business decision we also consider its impact on the environment. As a procurer, TKH enters into active dialogue with its strategic suppliers in order to improve the sustainability of their products and processes. Sustainability in the supply chain is an increasingly important basis for operating sustainably as a company.



FINANCIAL Financial position

Investors and banks provide us with capital through the capital and money markets. We invest capital particularly in our technologies and activities, from which we expect an above-average and long-term return.



HUMAN Employees

We employ talented, professional people and in this respect consider that our workforce is a good reflection of society with its various aspects of diversity. We offer our people a safe, inspiring working environment and provide opportunities for further development.



SOCIAL AND RELATIONS Networks and partnerships

We conduct our activities in accordance with the principles of honesty, integrity and transparency. We strive for committed stakeholders and enter into dialogue with them in order to share our vision, strategy and expectations. We believe that it is important to make a contribution to society and to invest in it.



VALUE CREATION

INNOVATIVE

Constant attention to innovation produces a range of products and services that guarantee technologically advanced solutions.

VALUE CREATION

We use opportunities for growth in a targeted manner and limit (financial) risks.

TALENT EMPOWERMENT

Our people represent our most important capital and are the driving force behind our success.

BEING RESPONSIBLE

We would like to make a contribution towards a sustainable society and to take our responsibility in this respect.

CORE VALUES AS A GUIDELINE FOR OUR ACTIONS

- Entrepreneurship
- Integrity
- Openness and transparency
- Risk awareness and accountability
- Sustainability

BUSINESS OPERATIONS

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

CORE TECHNOLOGIES

- Vision & security
- Mission critical communication
- Connectivity
- Smart manufacturing

SOLUTIONS

- Telecom Solutions
- Building Solutions
- Industrial Solutions

VERTICAL GROWTH MARKETS

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

OUTPUT

INTELLECTUAL A top quality organization and corresponding product portfolio may be achieved through:

- Constant devotion of attention to new technologies and innovations.
- Protection of technologies and IP rights via patents.
- Sound R&D roadmap.

PRODUCED An efficient, sustainable manufacturing environment may be achieved through:

- Application of the LEAN and Six Sigma principles.
- Production operating companies need to be ISO 14001 certified.
- Constant devotion of attention to the reduction of energy consumption, waste and recycling.

NATURAL Environmentally related elements may be guided through:

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

FINANCIAL A financially sound environment may be achieved through:

- Healthy balance sheet ratio and a strong operational cash flow.
- An above-average annual increase in earnings per share.
- Focus on organic growth.
- Achievement of stipulated internal ratios.
- Achievement of a stipulated bank covenant ratio.

HUMAN Evidence of the improvement of human capital may be found in the following:

- High employee satisfaction survey participation.
- Constant investments in training and development for employees.
- Devotion of increased attention to diversity.
- Ongoing investments in health and safety.

SOCIAL AND RELATIONS Evidence of an involved, socially conscious business may be found in the following:

- High customer and employee satisfaction.
- Community investments.

OUTCOME

INNOVATIVE

- Turnover: € 1.5 billion.
- Innovations: 20.5%.
- R&D expenditure: € 63.2 million.
- Subsidies and tax incentives for R&D: € 7.0 million.



VALUE CREATION

- ROS: 11.6%.
- ROCE: 17.4%.
- Net earnings per share: € 2.72.
- Debt-leverage ratio: 1.5.
- Dividend pay-out ratio: 55.2%.



TALENT EMPOWERMENT

- Number of training hours / FTE: 24.
- Employee satisfaction: 7.3.
- LTIF: 0.7.
- Illness rate: 3.26%.



BEING RESPONSIBLE

- Co₂ emissions: -5.4%.
- Waste: 7.2%.
- Recycling: 85.5%.
- Customer satisfaction: 7.9.
- Breaches code of conduct: 0.
- Community investment (in % net profit): 0.5%.





DEVELOPMENTS & RESULTS

29 FINANCIAL & NON-FINANCIAL RESULTS

30 INNOVATIVE & VALUE CREATION

30 GENERAL DEVELOPMENTS

33 FINANCIAL DEVELOPMENTS

35 DEVELOPMENTS PER BUSINESS SEGMENT

39 ACQUISITIONS, INVESTMENTS AND
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FINANCIAL & NON-FINANCIAL RESULTS

in € millions (unless otherwise stated)

| | 2019 | 2018 | Materiality matrix |
|--|---------|---------|--------------------|
| INNOVATIVE¹ | | | |
| Turnover | 1,489.6 | 1,457.8 | |
| Turnover from innovations | 20.5% | 20.8% | 1 |
| R&D expenditure | 63.2 | 60.8 | 1, 4 |
| Subsidies and tax savings through R&D | 7.0 | 7.4 | 8 |
| VALUE CREATION¹ | | | |
| EBITA ² | 172.5 | 175.0 | |
| Net profit before amortization and one-off income and expenses attributable to shareholders ³ | 105.3 | 114.2 | |
| Market capitalization ⁴ | 2,136.8 | 1,742.8 | 7 |
| EBITA/turnover (ROS) | 11.6% | 12.0% | 5 |
| EBITA/average capital employed (ROCE) | 17.4% | 21.3% | 5 |
| Net debt/EBITDA ratio | 1.5 | 1.5 | 5 |
| Dividend yield on closing price | 3.0% | 3.4% | 6 |
| TALENT EMPOWERMENT⁵ | | | |
| Number of employees (FTE) | 5,980 | 6,533 | |
| Number of training hours per FTE | 24 | 25 | 11 |
| Employee satisfaction | 7.3 | 7.2 | 9 |
| Lost Time Injury Frequency (LTIF) | 0.7 | n.a. | 10 |
| Illness rate | 3.26% | 3.47% | 10 |
| Number of employees with restricted opportunities on the labour market | 120 | 94 | 12, 13 |
| BEING RESPONSIBLE⁵ | | | |
| Carbon footprint (CO ₂ emissions in mln kg) | 45.2 | 46.0 | 16 |
| Fleet: CO ₂ norm, expressed in gr/km | 91.1 | 91.8 | 16 |
| Waste | 7.2% | 8.7% | 17 |
| Recycling % (most relevant raw materials) | 85.5% | 79.7% | 17 |
| Customer satisfaction | 7.9 | 7.9 | 18 |
| Breaches code of conduct | 0 | 0 | 14 |
| Signed code of supply | 89.9% | 81.9% | 14 |
| Community investments (% of net profit before one-off income and expenses) | 0.5% | 0.4% | 20 |

1 The financial figures for 2018 and 2019 in this overview are presented on the basis of 'continued activities'.

These are the figures excluding the divested industrial connectivity activities ('discontinued operations').

2 Before one-off income and expenses.

3 Amortization of intangible assets (after tax) related to acquisitions.

4 Including the shares repurchased by TKH.

5 KPIs and objectives are listed under chapter

'Sustainability statements and Reporting system'.

INNOVATIVE & VALUE CREATION

The past year was a turbulent one, due to geopolitical and social developments, which resulted in a reluctance to invest in a number of market segments. We booked good progress in our strategic transformation program 'Simplify & Accelerate'. We are now better positioned to take advantage of economies of scale and synergies. We are also well on track to achieve our return targets and to take our value creation to a higher level. TKH realized a ROS of 12.9% in the second half of the year, despite the headwinds we faced in a number of end markets, which means it is moving firmly in the direction of our ROS target of at least 15%, a target we raised mid-2019. Macroeconomic uncertainties have increased in recent months. So far, the impact of the coronavirus seems limited for TKH. This also applies to the nitrogen and PFAS crisis in the Netherlands and possible international trade barriers. It remains difficult to predict possible future consequences. The order book of the entire TKH Group provides a strong basis for further value creation, as a result of which TKH is well positioned for the medium-term.

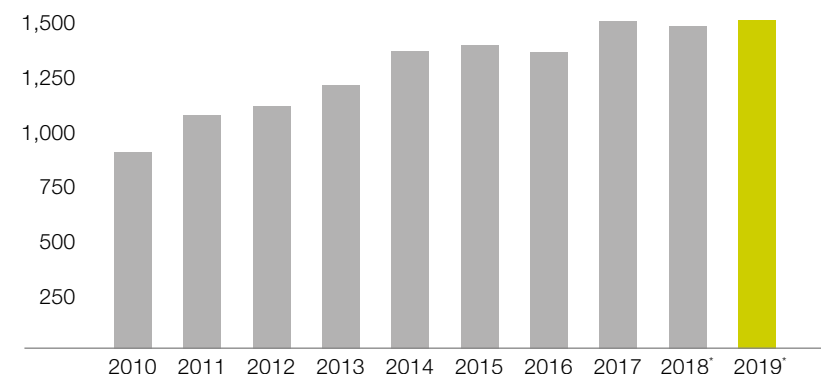
GENERAL DEVELOPMENTS

In the year under review, we took an important step with the introduction of our 'Simplify & Accelerate' program. TKH sees the execution of the program as a high priority and it has broad support across the organization. The divestment of activities with limited organic growth potential is on track.

We have already realized € 250 million of the intended € 300 to € 350 million turnover in divestments. In addition, TKH has reduced the number of operating companies through integration with a focus on economies of scale. This has resulted in a simplified organizational structure with fewer companies and a focus on activities with higher value creation potential.

TURNOVER DEVELOPMENT

in million €

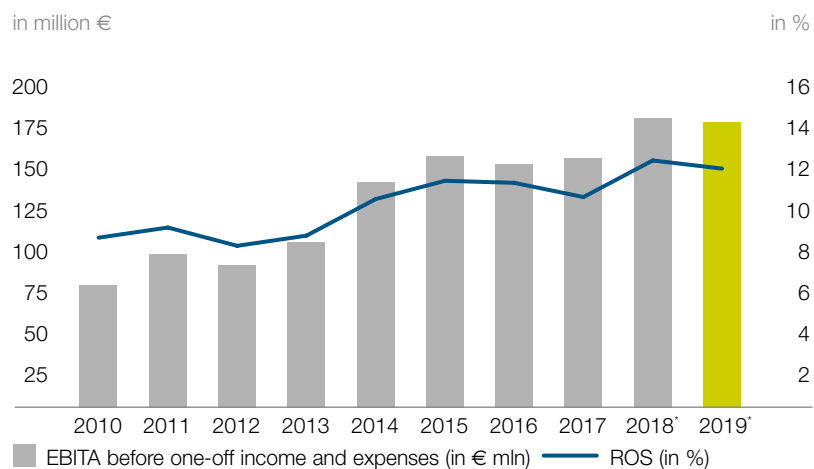


* Excluding the divested industrial connectivity activities.

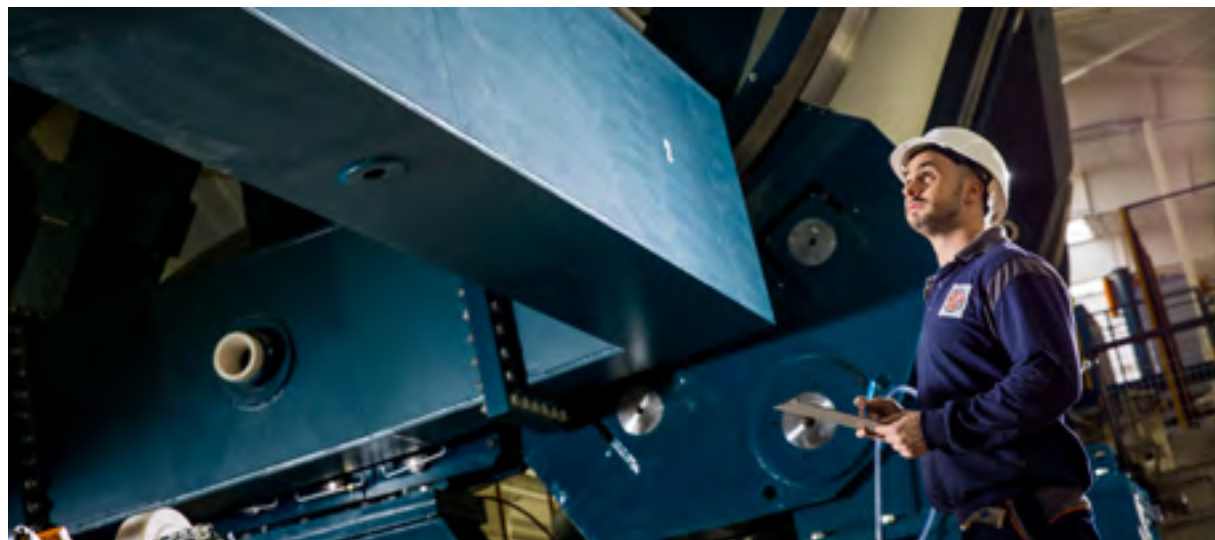
The execution of the program resulted in one-off expenses of € 18.3 million in 2019 and an impairment of € 5.0 million. These expenses are related in particular to:

- The proposed decision to relocate the cable production in Ittervoort to Haaksbergen and the discontinuation of the poorly performing activities in the industrial connectivity portfolio.
- Integration of security activities and portfolio under the brand name TKH Security, the merger of the activities in Singapore, and the integration of our Parking activities and portfolio.
- Phasing out of the Dutch system integration activities.
- Integration of 2D vision activities and portfolio and increased commercial cooperation between 2D and 3D Vision.
- Implementation of cost-saving measures in the French and German Building connectivity activities.
- Integration of the TKH Airport Solutions organizations in the Netherlands, Germany and Denmark.
- Integration of Ognios (mission critical communication) in the Commend organization.
- Costs of the divestment of the Chinese operating company ZTC, manufacturer of copper data communications cables.
- Costs for the acquisitions of Commend AG, ParkEyes, SVS-Vistek and FocalSpec.

EBITA AND ROS DEVELOPMENT



* Excluding the divested industrial connectivity activities.



SUBSEA CABLE FACTORY LOCHEM (THE NETHERLANDS)

The integration projects and improved returns will have an estimated positive impact of € 7 to € 8 million annually on the results from 2021 onwards. We expect to realize around € 5 million of this in 2020.

We also made good progress with our innovations in terms of both technology and market penetration. These now account for 20.5% of turnover. Key new developments include innovations in machine vision for 5G smartphone manufacturing systems, UNIXX tire building technology, subsea cable systems and CEDD/AGL connectivity technology. The new product launches and the contracts we acquired provide a strong basis for growth and continued value creation.

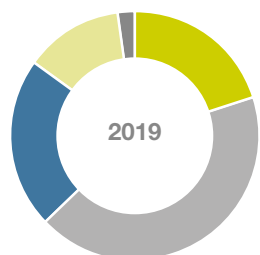
R&D expenses increased by € 2.4 million to € 63.2 million. As a technology company, it is necessary to remain up-to-date regarding the technological lead. The ambition for the growth to be realized, requires a highly innovative character and associated R&D costs and investments. It is important that the effectiveness of the R&D investments is tightly monitored, as well as the intended return on these investments and expenditures. The fact that innovation turnover, consisting of innovations introduced in the market in the past two years, was again at a high level of

R&D EXPENSES

€ 63.2

MILLION





GEOGRAPHICAL DISTRIBUTION OF TURNOVER

in %

| | 2019 | 2018 |
|----------------|------|------|
| Netherlands | 20 | 20 |
| Europe (other) | 43 | 41 |
| Asia | 22 | 23 |
| North America | 13 | 13 |
| Other | 2 | 3 |

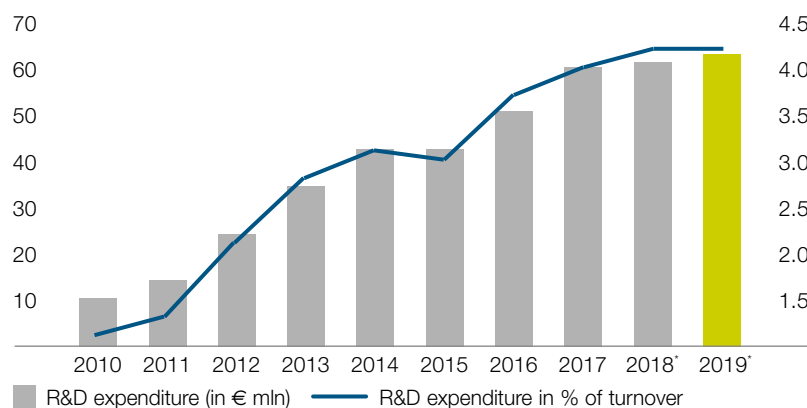
20.5%, confirms the effectiveness of our R&D efforts. A follow-up was given to the program to further focus on the portfolio of activities, for the sake of shareholder value creation and to create an optimal return on the activities in the most suitable environment. Where limited value creation is possible in the TKH environment, this should lead to a divestment of activities in the coming years.

The geographical distribution of turnover remained reasonably in line with the previous year, despite intensifying the disinvestment activities. The share of turnover in the Netherlands remains the same at a level of 20%. The share of turnover in Europe excluding the Netherlands increased to 43% and the share of turnover in Asia decreased slightly to 22%. The share in North America remains with 13% the same. Turnover in the other geographical regions was 2%.

R&D EXPENDITURE

in million €

in %



* Excluding the divested industrial connectivity activities.

TURNOVER VERTICAL GROWTH
MARKETS 2019

in million €

FIBRE OPTIC NETWORKS

| | |
|----------------------------|---------|
| TURNOVER | 137 |
| BANDWIDTH GROWTH SCENARIOS | 175-200 |

CARE

| | |
|----------------------------|--------|
| TURNOVER | 58 |
| BANDWIDTH GROWTH SCENARIOS | 70-100 |

TUNNEL & INFRA

| | |
|----------------------------|---------|
| TURNOVER | 133 |
| BANDWIDTH GROWTH SCENARIOS | 150-200 |

PARKING

| | |
|----------------------------|---------|
| TURNOVER | 59 |
| BANDWIDTH GROWTH SCENARIOS | 150-200 |

MARINE & OFFSHORE

| | |
|----------------------------|---------|
| TURNOVER | 54 |
| BANDWIDTH GROWTH SCENARIOS | 150-200 |

MACHINE VISION

| | |
|----------------------------|---------|
| TURNOVER | 143 |
| BANDWIDTH GROWTH SCENARIOS | 250-300 |

TIRE BUILDING INDUSTRY

| | |
|----------------------------|---------|
| TURNOVER | 330 |
| BANDWIDTH GROWTH SCENARIOS | 450-550 |

FINANCIAL DEVELOPMENTS

Turnover increased by € 31.9 million (2.2%) to € 1,489.6 million in 2019 (2018: € 1,457.8 million). TKH recorded an organic decline in turnover of 1.9%. Acquisitions made a 3.9% contribution to turnover. Lower raw materials prices had a negative impact of 0.2% on turnover, while currency exchange rates had a positive impact of 0.4%.

At Telecom Solutions, organic turnover growth was 3.1% in 2019, while Building and Industrial Solutions saw declines of 2.7% and 2.8% respectively.

The gross margin rose to 48.2% in 2019, from 47.3% in 2018. This increase was partly due to a changed product mix, the normalization of start-up costs for new technologies and lower purchasing prices.

Operating expenses before one-off expenses increased by 6.0% compared with 2018, mainly due to acquisitions (+5.2%) and currency exchange effects (+0.6%). R&D expenses, 55.5% of which were capitalized as development expenses (2018: 49.6%), increased to € 63.2 million in 2019 (2018: € 60.8 million), due to the acquisition of technology companies. Operating expenses as a percentage of turnover increased to 36.6% in 2019, from 35.3% in 2018. This increase was mainly due to the expansion of production capacity in 2018 and lower production levels in 2019 for subsea and industrial cable systems. In the course of the year, we maintained capacity at a higher level than required in the short-term, in view of the medium-term growth perspective. Depreciations amounted to € 45.3 million in 2019, up € 19.2 million when compared with 2018. This was due to the depreciation expense resulting from the capitalization of right-of-use assets as a result of the implementation of IFRS 16 Leases as of 1 January 2019 (+ € 16.1 million), as well as a higher investment level than in previous years.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) amounted to € 172.5 million in 2019, down 1.5% from the € 175.0 million recorded the previous year. EBITA at Telecom and Building Solutions was up 9.5% and 8.5% respectively, while EBITA at Industrial Solutions declined by 11.8%. ROS dropped to 11.6% (2018: 12.0%).

The 'Simplify & Accelerate' program and the acquisition costs together resulted in one-off expenses of € 18.3 million (2018: € 4.2 million) for the full year 2019 and an impairment of € 5.0 million (2018: € 1.5 million).

Amortization costs were € 10.0 million higher at € 50.1 million, primarily due to acquisitions (+ € 6.8 million) and high R&D investments in recent years.



FOCALSPEC HIGH SPEED 3D LINE CONFOCAL SENSORS



Financial expenses increased by € 3.8 million to € 10.1 million in 2019, due to the application of IFRS 16 and a higher average outstanding bank debt. Currency effects also had a negative impact of € 0.9 million (2018: negative impact of € 0.2 million). The result from other associates was € 1.5 million lower due to lower volumes and prices of preforms at associate and preform producer Shin-Etsu in China, while one-off expenses are still having a downward impact on the contribution from the new minority interest in Cable Connectivity Group.

The effective tax rate was 23.1% in 2019 (2018: 21.8%). Fiscal R&D facilities, such as the Dutch innovation box facility, had a downward impact on the overall tax rate. Non-deductible impairments increased the effective tax rate by 0.5% in 2019.

Net profit from continued activities before amortization and one-off income and expenses attributable to shareholders declined by 7.8% to € 105.3 million in 2019 (2018: € 114.2 million). The divestment of the majority of TKH's industrial connectivity activities, recognized as 'discontinued activities', resulted in a gain of € 45.2 million (2018: € 10.8 million), including a net book profit of € 38.9 million.

Net profit for the full year 2019 amounted to € 113.9 million (2018: € 108.7 million). Earnings per share before amortization and one-off income and expenses amounted to € 2.51 (2018: € 2.72). The ordinary earnings per share amounted to € 2.72 (2018: € 2.58).

The cash flow from ordinary operations was € 182.2 million in 2019 (2018: € 126.7 million). In 2018, a significant increase in working capital had a negative impact on cash flow, while 2019 saw only a minor change in working capital. At year-end 2019, working capital as a percentage of turnover declined to 13.0% (2018: 13.9%), and remained within the bandwidth set of 12%-15%. Net investments in tangible fixed assets were lower than in previous years at € 30.6 million in 2019 (2018: € 40.0 million). A major part of this was related to investments in production facilities. Investments in intangible fixed assets for R&D, patents, licenses and software increased to € 40.4 million, largely due to the acquisition of the technology companies (2018: € 35.2 million). Total spending on acquisitions was € 65.5 million in 2019 (2018: € 116.2 million). The divestment of the majority of TKH's industrial connectivity activities

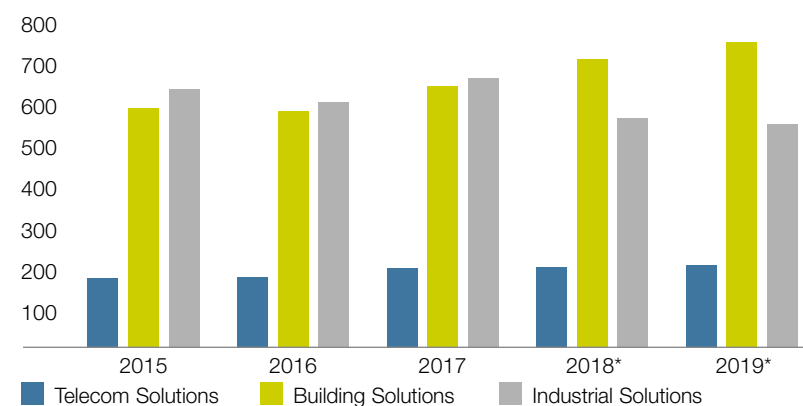
generated proceeds of € 83.5 million. On the other hand, TKH acquired a 41.5% minority interest in Cable Connectivity Group for € 16.4 million.

Solvency improved slightly to 43.7% in 2019 (2018: 42.4%). TKH's net bank debt, calculated in accordance with the financial covenants, had declined to € 300.6 million at year-end 2019, down € 26.1 million compared to year-end 2018. The net debt/EBITDA ratio stood at 1.5, which means TKH was operating well within the financial ratio agreed with its banks.

TKH had 5,980 employees (FTEs) at year-end 2019 (2018: 6,533 FTEs). Divestments reduced the total number of employees by 606 FTEs. Acquisitions accounted for an increase of 161 FTEs. The company also had 310 (FTEs) temporary employees (2018: 482 FTEs).

TURNOVER PER BUSINESS SEGMENT

in million €



* Excluding the divested industrial connectivity activities.

DEVELOPMENT PER BUSINESS SEGMENT

TELECOM SOLUTIONS

Turnover in the Telecom Solutions segment was 3.0% higher at € 200.5 million. Organic turnover growth was 3.1%, while currency exchange rates had a negative impact of 0.1% on turnover. Growth was realized primarily in the sub-segment fibre network systems.

EBITA was up € 2.7 million. The ROS improved to 15.4% from 14.5%.

FIBRE NETWORK SYSTEMS

This sub-segment saw organic turnover growth of 4.7%. The slowdown in growth in China was offset by growth in turnover in optical fibre network systems in Europe. This growth was recorded mainly in France and Germany. We were able to compensate for pressure on prices in the Chinese market through the lower purchasing prices of raw materials for optical fibre and a higher contribution to turnover from the connectivity portfolio. This resulted in an improvement in gross margin. We completed the expansion of the optical fibre production capacity in the second half of 2019.

KEY FIGURES TELECOM SOLUTIONS

| in € millions (unless otherwise stated) | 2019 | 2018 | change |
|---|-------|-------|--------|
| Turnover | 200.5 | 194.5 | +3.0% |
| EBITA | 30.8 | 28.1 | +9.5% |
| ROS | 15.4% | 14.5% | |



INDOOR TELECOM & COPPER NETWORKS

Turnover in this sub-segment saw organic growth of 0.1%. Growth stagnated in the second half of the year due to reduced demand for broadband connectivity and connectivity components.

FIBRE NETWORK SYSTEMS

8.8%

TURNOVER SHARE

INDOOR TELECOM & COPPER NETWORKS

4.7%

TURNOVER SHARE

BUILDING SOLUTIONS

VISION & SECURITY SYSTEMS

27.6%

TURNOVER SHARE



CONNECTIVITY SYSTEMS

22.4%

TURNOVER SHARE

Turnover at Building Solutions was 5.9% higher at € 745.0 million. The segment saw an organic turnover decline of 2.7%. Acquisitions contributed 8.0% to the growth. Currency exchange rates had a positive impact of 0.8% on turnover, while lower raw materials prices had a negative impact of 0.3% on turnover.

EBITA before one-off expenses increased by 8.5% to € 75.5 million. EBITA improved significantly in the second half of 2019, when compared with the first half of the year, due to increased turnover and a higher gross margin. ROS improved slightly, to 10.1% in 2019, from 9.9% in 2018, and increased to 12.2% in the second half of the year.

VISION & SECURITY SYSTEMS

Turnover in this sub-segment increased by 5.8%, but declined organically by 10.2%. In 2019, Machine Vision was affected by a reluctance to invest among consumer electronics manufacturers. This reluctance was also noticeable in other segments, although the fourth quarter saw a slight

increase in the sectors consumer electronics, industrial automation and inspection. The vision technology TKH has developed for new applications in the 5G network-related consumer electronics industry resulted in the first contracts and deliveries. We also noted strong interest in this industry for the FocalSpec sensors, a 3D technology TKH acquired in the fourth quarter. These technologies put TKH in a good position to respond to the expected strong increase in demand for these applications.

In Parking, TKH saw a decline in turnover from larger projects in the field of parking guidance systems. A key step was made with the acquisition of ParkEyes, which gives us access to smaller and mid-sized car parks. In late 2019, the ParkEyes portfolio also gained certification for the US market.

In Tunnel & Infra, growth was driven by the roll-out of our vision-based traffic management solutions in the US market.

In 2019, we combined the activities of the security-related companies in TKH Security, which we will also be marketing as a brand. We also decided to phase out the Dutch system integration activities. This meant organic turnover growth was limited.

KEY FIGURES BUILDING SOLUTIONS

| in € millions (unless otherwise stated) | 2019 | 2018 | change |
|--|-------|-------|--------|
| Turnover | 745.0 | 703.7 | +5.9% |
| EBITA before one-off expenses ¹ | 75.5 | 69.6 | +8.5% |
| ROS | 10.1% | 9.9% | |

¹ The one-off expenses relate to the costs of € 17.2 million for restructuring, integrations, acquisitions and divestments (2018: € 3.5 million).

The 'Simplify & Accelerate' program resulted in one-off expenses and impairments for restructuring and integration operations and the phasing out of a number of activities. These expenses were primarily related to the machine vision, mission critical communication and security activities. We also incurred acquisition costs.

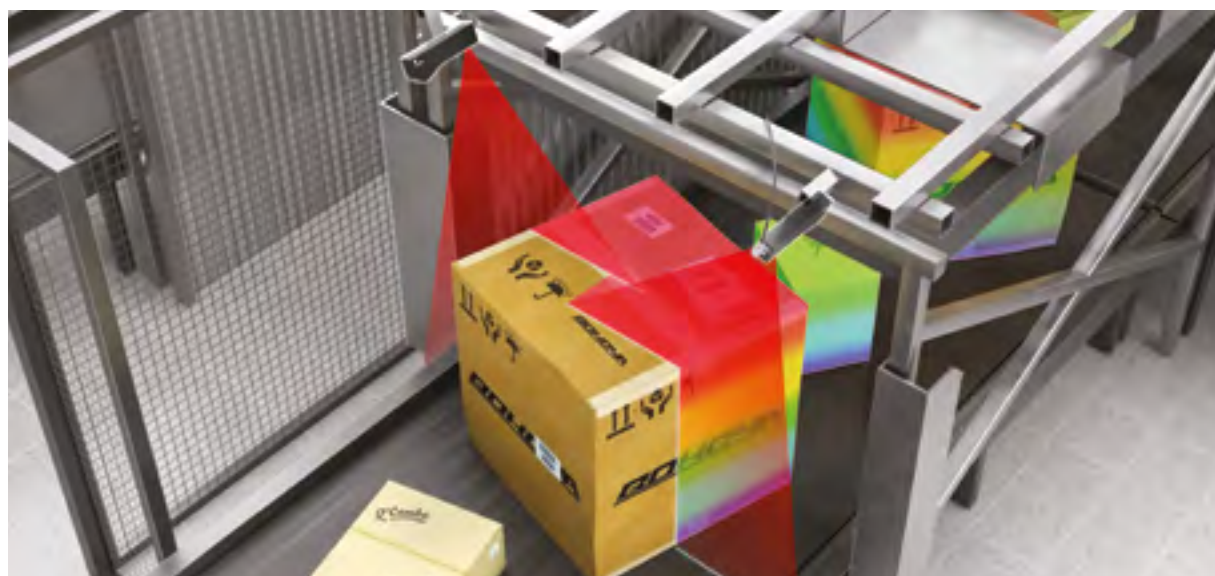
CONNECTIVITY SYSTEMS

Turnover in this sub-segment increased organically by 6.6%. A considerable amount of this growth came from the vertical growth market Tunnel & Infra. We also saw healthy growth as a result of the increase in our market share in Airfield Ground Lighting (AGL). We are seeing a continued increase in the interest in our innovative CEDD technology for AGL, which integrates various TKH technologies and competencies. Turnover in energy cable systems also saw continued strong growth, driven by major investment requirements for energy networks.

In Marine & Offshore, we saw a decline in turnover due to lower turnover of subsea cable systems, due to the fact that we were unable to focus fully on acquiring new orders until the fourth quarter of 2018. As a result of this, no production was involved in the first half year. At the end of the fourth quarter of 2019, we started production for the delivery of the array connectivity systems for the 'Fryslân' wind park in the Netherlands. In addition, we closed a contract for a second wind farm and saw a further increase in our quotation portfolio, which underlines the substantial growth potential of these activities for the coming years.

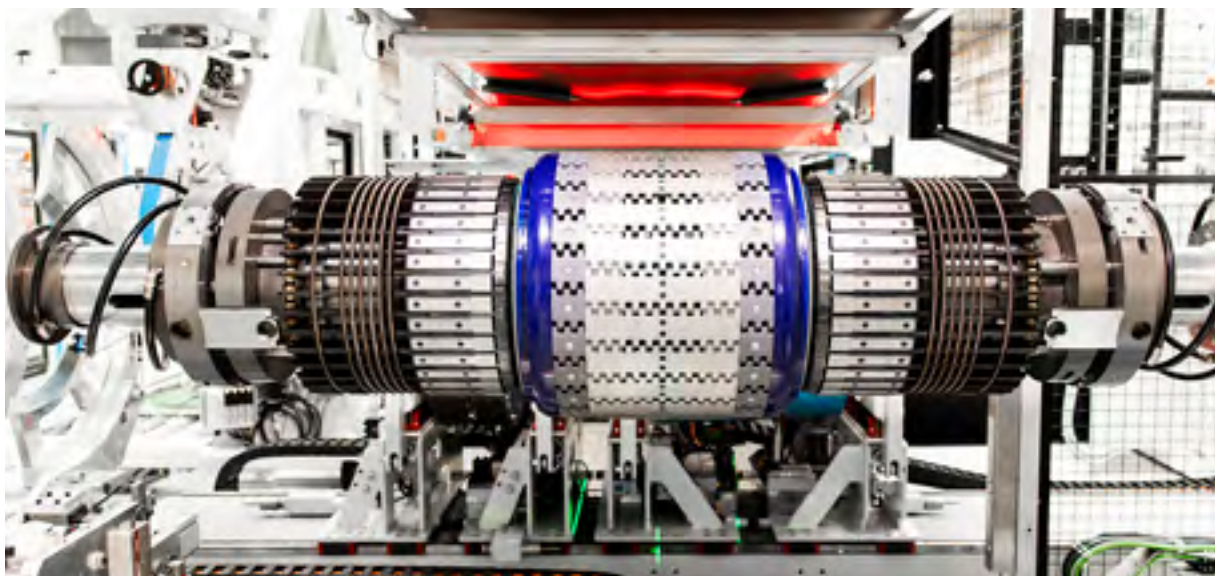
The costs of our CEDD/AGL and subsea activities are still exceeding the income from these activities.

Turnover in structured data cable systems was higher in 2019. However, the Dutch construction and infrastructure sector was confronted with the nitrogen and PFAS problem, which had a negative impact on turnover growth, especially in the fourth quarter.



In the fourth quarter of last year, we announced the proposed decision to end cable production in Ittervoort and transfer the core business to Haaksbergen. We are also implementing restructuring measures in Germany and France to increase cost efficiency. We recorded a reorganization provision and recognized an impairment on machinery in connection with these measures.

INDUSTRIAL SOLUTIONS



MANUFACTURING SYSTEMS

36.5%

TURNOVER SHARE

Turnover in the Industrial Solutions segment declined by 2.7% to € 544.2 million. Currency exchange rates had a marginally positive impact of 0.1%, which was offset by on average lower raw materials prices. The segment saw an organic turnover decline of 2.8%.

EBITA declined by 11.8% as a result of lower turnover and production capacity utilization. The ROS declined in line with this to 15.0% (2018: 16.5%).

MANUFACTURING SYSTEMS

TKH divested the majority of the industrial connectivity activities as of August 2019, since they were insufficiently aligned with our advanced technology strategy and continued focus on our vertical growth markets. The remaining industrial connectivity activities are limited in size and we have therefore integrated these in manufacturing systems. The demand for specialty cables and cable systems weakened in the automotive and robot industries in the fourth quarter.

Turnover in Tire Building was at a lower level in the fourth quarter, but for the year as a whole remained at the same level as the previous year. There was reluctance among the top-five tire manufacturers due to negative developments in the automotive industry. Nevertheless, the order book was higher at year-end 2019 than a year earlier, due to increased order intake from other customers. The development of the UNIXX integrated tire-building machine (new tire-building platform) is progressing well. The first UNIXX has been installed at a launching customer.

The renewed INDIVION, a high-quality automated medicine dosing and distribution system, was delivered to a launching customer in the fourth quarter and is now available for active sales.

KEY FIGURES INDUSTRIAL SOLUTIONS

| in € millions (unless otherwise stated) | 2019 | 2018 ¹ | change |
|--|-------|-------------------|--------|
| Turnover | 544.2 | 559.5 | -2.7% |
| EBITA before one-off expenses ² | 81.4 | 92.3 | -11.8% |
| ROS | 15.0% | 16.5% | |

¹ The comparable figures for 2018 have been adjusted as a result of the discontinued industrial connectivity activities.
² The one-off expenses relate to restructuring costs of € 1.1 million (2018: € 0.3 million).

ACQUISITIONS, INVESTMENTS AND DIVESTMENTS

Acquiring companies is anchored in TKH's strategy and contributes to the intended value creation by strengthening TKH's proposition both technologically or geographically. In the case of acquisitions we focus on structurally healthy companies with a value of turnover of between € 10 million and € 50 million, which are aligned with our four core technologies and associated vertical growth markets or which extend our geographical footprint. The 'Simplify & Accelerate' program, introduced in June of the year under review, includes a divestment program with the aim of divesting € 300 to € 350 million, targeting activities with a lower profit potential. The proceeds of the divestment program will be invested in, among other things, the vertical growth markets, by means of a targeted buy-and-build strategy.

ACQUISITIONS

In April 2019, TKH acquired all shares in Commend AG, with offices in the Zurich and Geneva (Switzerland) districts. Commend AG is the value added reseller in Switzerland of the Commend Group acquired by TKH in 2015. With this acquisition, TKH has expanded its geographical position in Switzerland, giving it a strong position for mission critical communication systems in the Swiss market. With 23 employees, Commend AG realizes an annual turnover of approximately € 8 million. The activities of Commend AG are part of the Building Solutions business segment.

In April 2019, all shares in ParkEyes, located in Malaga (Spain), were also acquired. ParkEyes' innovative technology makes use of video analytics, based on Artificial Intelligence, in order to provide automated end-to-end



MISSION CRITICAL COMMUNICATIONS - COMMEND AG

solutions for the parking industry. The technology also plays a role in serving smaller car parks. With 27 employees, ParkEyes achieves an annual turnover of approximately € 7 million. The activities form part of the Building Solutions business segment.

In September 2019, the acquisition of all shares in the vision technology company SVS-Vistek, based in Seefeld (Germany), was closed. SVS-Vistek supplies innovative high-end technologies in the field of imaging systems for inspection, measurement and process control for various end markets, including flat-panel display, semi-conductor, electronics, automotive and intelligent traffic systems. With 56 employees, SVS-Vistek realises an annual turnover of approximately € 20 million. The activities of SVS-Vistek are part of the Building Solutions business segment.



INNOVATIVE PARKING SOLUTIONS - PARKEYES

In October 2019, all shares in FocalSpec Oy, based in Oulu (Finland) were acquired. FocalSpec is an innovative company which designs and manufactures patented Line Confocal Imaging (LCI) technology. This LCI technology is used to measure the variation in surface heights and can scan both glass and opaque materials in both 2D and 3D with very high resolution and speed. With this acquisition, TKH has expanded its vision technology to include confocal technology with applications in markets such as consumer electronics, battery, pharmaceuticals, semi-conductors and the medical sector. With 55 employees, FocalSpec achieves an annual turnover of approximately € 6.5 million. The activities are part of the Building Solutions business segment.

DIVESTMENTS

TKH reached agreement with the Dutch private equity firm Torqx Capital Partners in July 2019 on the establishment of a new enterprise – called the Cable Connectivity Group – which has acquired the shares of the companies responsible for a large part of TKH's industrial connectivity activities. The operating companies involved are located in the Netherlands, Germany, Italy and Poland and have a turnover of approximately € 184

million, an EBITA of € 15.4 million and 606 FTEs. TKH has acquired a minority interest of 41.5% in the new company.

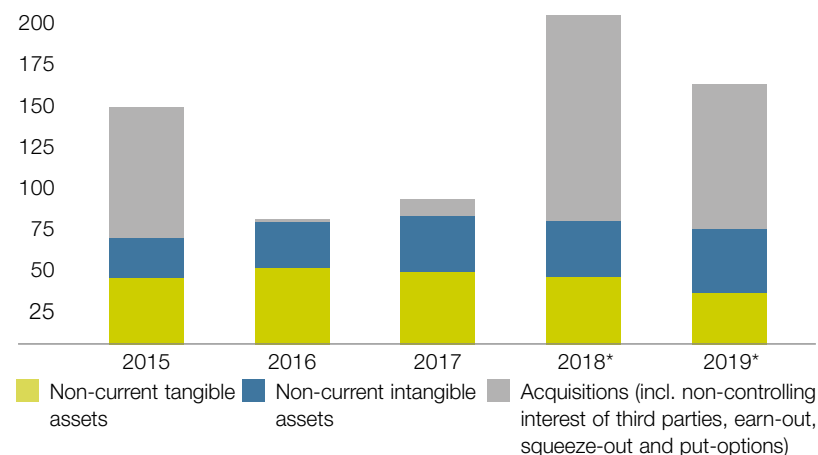
In November 2019, TKH announced that an agreement has been reached with Shanghai Electric Group Company Ltd. in Shanghai, China, on the acquisition of 95% of the shares of TKH operating company Zhangjiagang Twentsche Cable Co. Ltd. ('ZTC') in Zhangjiagang, China, and the remaining 5% by the key management of ZTC. ZTC specializes in the production of copper data communication cables and has a turnover of € 69.6 million, an EBITA of € 5.0 million and 198 FTEs. The divestment was completed in January 2020.

INVESTMENTS IN TANGIBLE NON-CURRENT ASSETS

In 2019, the net investment in tangible non-current assets, excluding right-of-use assets, totalled € 31.8 million (2018: € 42.5 million). The investments were mainly realized in the segments building connectivity systems, vision & security systems, fibre network systems and manufacturing systems.

INVESTMENTS

in million €



* Excluding the divested industrial connectivity activities.

An important part of the investments related to the expansion of building and production capacity, including:

- Expansion of production capacity for 2D and 3D smart sensor technology.
- Upgrading of production capacity for subsea cable systems.
- Expansion and upgrading of optical fibre production capacity in China.
- Replacement and expansion of production capacity for industrial cable systems in Germany and China.

Depreciation on tangible non-current assets totalled € 29.5 million in 2019 (2018: € 28.1 million).

INVESTMENTS IN INTANGIBLE NON-CURRENT ASSETS

In 2019 € 40.5 million was invested in intangible non-current assets (2018: € 35.2 million). The most important investments involved the (ongoing) development of our technologies for solutions for our vertical growth markets, as well as related patent fees. These include new generations of tire building systems, subsea portfolio and production technology, contactless energy and data distribution (CEDD), a new generation platform for communication systems, an integrated security platform, parking management and guidance technology and 2D and 3D vision portfolio.

Expenditure on our acquisitions amounted to € 65.5 million (2018: € 116.2 million). As a result of these acquisitions, intangible non-current assets increased by € 80.5 million because of purchase price allocations for the acquisition of brand names, customer databases, intellectual property and goodwill paid (2018: € 156.8 million).

DIVIDEND PROPOSAL

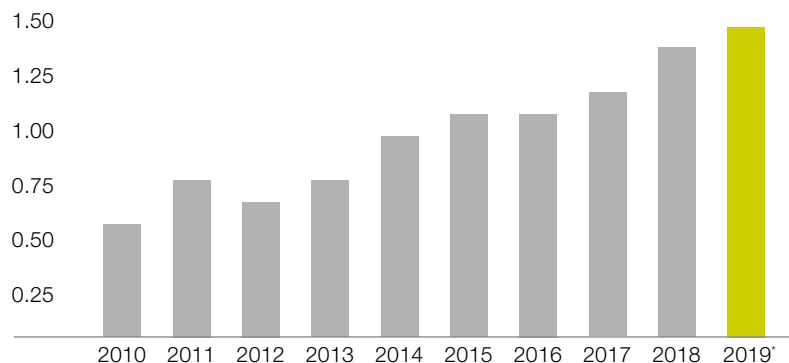
At its General Meeting, TKH will propose a dividend of € 1.50 per (depository receipt of a share (2018: € 1.40). Based on the number of outstanding shares at year-end 2019, this amounts to a pay-out ratio of 59.8% of the net profit before amortization and one-off income and expenses attributable to shareholders and 55.2% of the net profit attributable to shareholders. TKH will propose the payment of a cash dividend to be charged to the reserves. The dividend will be payable on 15 May 2020.

DIVIDEND PROPOSAL



DIVIDEND

in € per (depository receipt of) share



* Proposal.



TALENT EMPOWERMENT

The quality of both the organization and its employees is a decisive factor in the success and growth of the TKH Group. We demand much from our employees, who have a clear idea about what is expected of them and how they can make an active contribution. In addition, it is our duty to be a good employer and to motivate and help our employees as best possible so that they can carry out their work with enthusiasm. We provide our employees with a healthy working environment where safety comes first, and we give them opportunities to develop.

ORGANIZATIONAL STRUCTURE

TKH has a decentralized organizational structure in which responsibilities are assigned far down in the organization using a thorough control and monitoring system. In recent years, the organization has been strengthened through acquisitions of companies with a close connection to our four core technologies and their related vertical growth markets. In order to make better use of operational synergies and, at the same time, concentrate the available expertise more on activities with attractive margins and profit potential, the focus in the year under review was also on simplifying the organizational structure by integrating clusters of companies and putting them under a single management. This leads to uniformity of approach in such areas as R&D, sales and marketing, communication, purchasing, other sales support activities and to consistency in branding and customer approach.

Based on its market approach, TKH has defined seven vertical growth markets in which it expects to achieve above-average growth. A member of the Executive Board is responsible for achieving the targets in each vertical market. In a number of vertical growth markets, a manager is appointed who bears ultimate responsibility for the vertical growth market in question, and who reports to a member of the Executive Board.



MANAGEMENT BOARD



MANAGEMENT BOARD TKH GROUP

On the picture from left to right:

Erik Velderman MBA

Gertjan Sleeking

Alexander van der Lof MBA (Executive Board, *chairman and CEO*)

Harm Voortman MSc (Executive Board)

Renate Dieperink MBA

Elling de Lange MBA (Executive Board, *CFO*)

STAFF TKH GROUP

Financial Affairs

Gertjan Sleeking

Internal Audit

Derk Postma

Legal Affairs

Maarten Fonkert

Corporate Development

Erik Velderman MBA

Personnel & Organization

Elling de Lange MBA

Renate Dieperink MBA

Company Secretary / CSR

Renate Dieperink MBA

The Management Board supports the Executive Board in the operational implementation of its strategy. In addition to the three members of the Executive Board, this Management Board consists of the Director Finance & Control, Director Corporate Development and Company Secretary of TKH. The Executive Board is responsible for the decisions taken by the Management Board and bears ultimate responsibility as provided for in the company's articles of association.

In addition, TKH has a Strategic Sounding Board, consisting of managing directors of operating companies. This board assesses TKH's strategy and discusses its implementation. The members of the Strategic Sounding Board form a sounding board, for discussing technology, portfolio and market developments within the TKH group together with the Management Board. This platform also provides an opportunity to involve young talent in the development and execution of strategy at an early stage, thus promoting management development.

CULTURE

TKH has a culture in which entrepreneurship is encouraged. This includes an active market approach combined with an in-depth analysis of opportunities and risks, and a cautious approach to and acceptance of risks. The Executive Board and management lead by example and set the right values and standards in the organization. An important principle underlying TKH's management structure and its operating companies lies in ensuring that there is a good balance of personalities, expertise and skills in the company's senior ranks. Mutual respect is the basis for making properly considered decisions. A good balance between, for instance, the CEO and CFO is of considerable importance in this respect. We aim to have an open business culture, in which employees are acknowledged and heard. In addition to a pleasant work culture, providing a safe and healthy working environment is of the greatest importance. One of our key objectives is to ensure that we are an attractive and reliable employer.

TKH highly values the integrity of its employees' conduct. This approach is predicated upon openness and transparency. An open, professional attitude is encouraged by, amongst other things, the exemplary conduct of the Executive Board and the management of the operating companies and other key positions. Conduct has an impact on the quality and results

CENTRAL WORKS COUNCIL

The Central Works Council consists of the following members:

Han ten Have (VMI), *chairman*
Gerard Roolvink (TKF), *secretary*
Ad Boerma (EKB)
Maurice Fliescher (Intronics)
Olaf Karsten (VMI)
Har Ritzen (Eldra)
Louis Scholten (TKF)

of the entire organization. A clear code of conduct, operational control and a zero-tolerance policy in relation to matters of principles as fraud, bribery and corruption, are important means of ensuring that work is carried out in accordance with the right principles and agreements. It creates clarity about what the TKH organization stands for. Because of our open culture, our people feel involved in the company and call each other to account for any undesirable or unacceptable behaviour in accordance with the standards and values that we aspire to. Collaboration and the conduct of the companies' management teams are also closely monitored. Surveys of employee and customer satisfaction allow us to assess where there is potential for improvement in the companies. Management is encouraged to maintain direct contact with the company's employees. Meetings between the Executive Board and the management of operating companies take place as frequently as possible at the offices of the operating company concerned. The Executive Board maintains contact with employees in all parts of the organization through employee presentations, attending project meetings or via guided tours.

EMPLOYEE REPRESENTATION

The interests of the employees are promoted at operating company level by the local Works Councils, and at TKH group level by the Central Works Council. These councils ensure ongoing employee representation under the terms of the Works Councils Act. During the year under review, the Executive Board and the Central Works Council held good, close consultations with each other. The topics discussed were the results and organizational developments, the strategic transformation process, the budget, investments and the TKH annual report. Special topics dealt with during the year under review were the (re-)appointment to the Supervisory Board, the new pension scheme, acquisitions and divestments. The Central Works Council dealt with current topics pertaining to staff representation during study days. The Executive Board chair attended part of those study days at the invitation of the Central Works Council.

One meeting of the Central Works Council was attended by a delegation from the Supervisory Board. The subjects discussed at this meeting were TKH's strategy and operational matters affecting TKH and its operating companies. TKH organizes an annual Works Council Day to strengthen ties between the various Works Councils and other staff representatives in the Dutch operating companies. This day is held on the premises of one



of the operating companies. The Executive Board holds a presentation on developments at TKH. In addition, current topics are discussed and the directors of the operating company organizing the event give a presentation about the company, followed by a tour. Time is also set aside for informal discussion so that knowledge and experience can be exchanged. This time the Works Council Day took place at TKH Airport Solutions. TKH believes that consultations with the Central Works Council and other Works Councils are important and attaches great value to an open dialogue. We believe that adopting an active approach to employee representation helps us stay alert.

RISK MANAGEMENT

Organizational risks associated with entrepreneurship are easily identifiable through a clear framework of responsibilities and authorizations. The organization's open, transparent, yet sufficiently self-critical culture enables it to deal with responsibilities and authorizations correctly, and identify risks in good time. Amongst other things, an appropriate risk management model is used to identify potential risks, so as to ensure that they may be anticipated effectively. Risk management is firmly embedded

in our management model. There are short lines of communication with the Executive Board and it is backed up by close monitoring of agreed objectives using a comprehensive KPI dashboard. This provides clear insight into the implementation of agreements. The KPI dashboard is divided into weekly, monthly and quarterly information, and presents a clear overview of the relevant KPIs in the long-term. An effective reference framework such as budgetary and historic information helps us to quickly and effectively detect deviations from the agreements. Trends and deviations, in both a favourable and unfavourable sense, are discussed at length in order to understand developments and make adjustments where necessary. This method is encouraged from the top down to ensure that it permeates all levels of the company.

Every quarter, or on a monthly or weekly basis if required, the management teams of the operating companies discuss a strategic scorecard based on “highlights” and “lowlights” for each business segment, as well as any related short- and medium-term action points. In this way, insights are obtained into market, financial, commercial and sustainability developments so that they can be used to identify deviations and potential risks in time and take any measures that may be required. Reports provide both quantitative and qualitative information, and are structured along the lines determined by TKH. This encourages transparent reporting on both positive and negative issues.

WORKFORCE, DIVERSITY AND REMUNERATION STRUCTURE

TKH is an international group of companies with a workforce that consists of many nationalities. In such an international environment, we take a broad view of diversity. TKH operates a strict policy of equal treatment for all employees, regardless of race, nationality, ethnic background, age, religion, gender, sexual orientation or disability.

At the end of 2019, the number of employees was 5,980 FTEs (2018: 6,533 FTEs). As a result of the divestments, the number of employees fell by 606 FTEs. Acquisitions resulted in an increase of 161 FTEs. Excluding these two aspects, there was a decrease in FTEs of 108. At the end of 2019, 310 (FTEs) temporary workers were employed (2018: 482 FTEs). The decline in temporary labour occurred mainly within manufacturing systems.

There is a balanced distribution in terms of age structure. There is good job occupancy at junior, middle and senior levels. The current age structure also leads to manageable staff outflow due to retirement. The diversity policy at TKH focuses on a variety of skills, competences and nationalities, including a mix of men and women as well as a balanced distribution of ages. By ensuring that various aspects of diversity are represented in our staff, we profit from a variety of competences, which, among other things, enhances the objectivity and dynamism of our business operations. However, competences and experience remain the main criteria for selecting the right candidate.

At the end of 2019, 24% of the workforce consisted of women. The nature of our work is largely technical. Together with the supply on the labour market, this is the main reason for the present distribution of male and female employees. However, we do see women increasingly choosing technical professions so that we can more specifically select and recruit women for technical positions within our organization.

In order to bring diversity to people’s attention in the organization, specific programs have been set up with different approaches to better embed this in the organization. There are programs for middle and senior

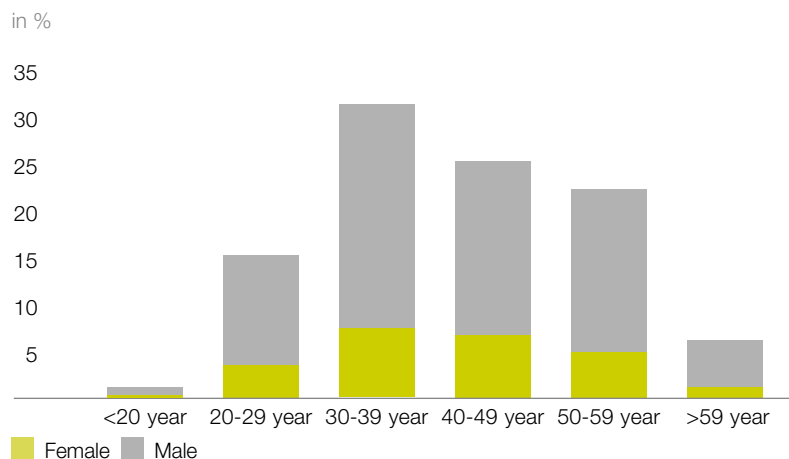
NUMBER OF EMPLOYEES

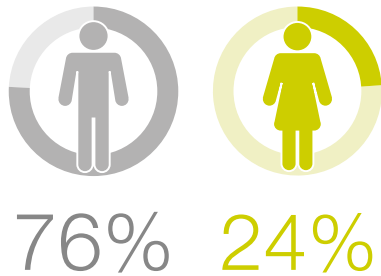
5,980

FTE



EMPLOYEES BY AGE





GENDER DIVERSITY GEOGRAPHICAL DISTRIBUTION

in %

| | male | female |
|----------------|------|--------|
| Netherlands | 30 | 5 |
| Europe (other) | 29 | 12 |
| Asia | 11 | 5 |
| North America | 5 | 2 |
| Other | 1 | 0 |

management to bring gender diversity more into balance in terms of jobs and consultation structures. This group plays a key role in the strategic development of the TKH Group and acts as a sounding board for top management at the operating companies and the Executive Board. Moreover, this group is relevant in the context of succession planning. Operating companies are themselves responsible for improving the gender mix within their organizations, but progress is closely monitored by the Executive Board. The subject is frequently on the agenda in discussions between the Executive Board and the operating companies so that it is steered by the highest management body.

Part of the diversity policy is inclusiveness. In our appointments policy, we are committed to providing a suitable working environment for people with a disadvantage on the labour market. We fit out workstations and remove limitations wherever possible. Through 'job carving', tasks relating to one or more jobs are merged into a new job. This group of employees is supervised by an external job coach while the day-to-day management is performed by a manager in our organization. We create work experience opportunities for the long-term unemployed or people returning to the labour market. In addition, people from sheltered employment are deployed at operating companies to perform repetitive work. At the end of 2019, 120 people with a disadvantage on the labour market were employed (2018: 94).

We do not differentiate between men's and women's basic salaries and apply market-based remuneration. In addition to a fixed basic salary, the remuneration structure may include incentives such as a profit-sharing scheme, performance-dependent bonuses, a share option scheme, or share-based remuneration for senior management. There may be

differences between countries depending on local market practice and the tax and social security structure. We have a remuneration policy based on the requirements of the job, and the experience and competencies of the individual.

For Dutch employees, we adhere to the social conditions of employment as stated in a collective labour agreement applicable to the sector. 80% of Dutch employees are covered by a collective labour agreement. Agreement-related rules are observed in those operating companies where there is no collective labour agreement. We apply a similar policy for foreign operating companies, in line with local laws and regulations. TKH ensures that such schemes are correctly drafted and observed, particularly as regards periods of notice, restraint-of-trade clauses and profit-sharing arrangements, and that the statutory notice periods and other provisions are complied with. In the case of acquisition opportunities, the salary structure of the company to be acquired is one of the subjects examined during the due diligence process.

TALENT DEVELOPMENT

Talent and management development are of great strategic value. Employee skills and backgrounds are matched as closely as possible to the strategic developments at TKH and where necessary we provide education and training to either help employees to grow in their jobs or to guide them to the next career step. At the same time, we are alert to the need to retain critical skills in order to secure our strategic agenda in relation to technological developments and innovations. Our employees are encouraged to develop in the direction they aspire to. Education and training are an indispensable part of maintaining our knowledge level. We make training budgets available to further develop our employees' skills and to broaden their employability. We organize in-company training, with the help of external professionals, so that this matches normal practice at TKH as closely as possible. New employees follow introductory programs including product training. On average, our employees spent 24 hours on education and training (2018: 25 hours).

We encourage a major part of learning ability to be developed through the work itself and through exchange of knowledge between our operating companies. In the past year, we held workshops and knowledge meetings on financial themes and on current topics such as cyber risks and technological developments. In addition, internal education programs are

offered at operating company level to expand the technical expertise of employees, among other things. Through a mentoring program, we match experienced employees and junior employees in order to share professional knowledge while also stimulating career development and personal development. For the experienced employee, this is a great way to exchange knowledge and experience and to benefit from the fresh perspective of a young colleague.

The TKH strategy, technological and business developments in the vertical growth markets, as well as developments in Artificial Intelligence, cyber risks and sustainability, were discussed at the annual international management conference for board members and strategic management. We think it is important that our operating companies can learn from each other and we select individual companies or clusters to serve as a benchmark for the entire group. Every year, the best performing TKH company receives an award. In the year under review, this TKH award was given to the VMI Group. Among the reasons for granting the award were the group's innovative capacity, its good financial performance and the further strengthening of its market position in both the tire building and pharmaceutical industries.

We organize a Management Development (MD) program in partnership with Nyenrode Business University in Breukelen (The Netherlands). Candidates are put forward by the management of our operating companies on the basis of predetermined selection criteria. The MD program provides insight into the competencies of the participants, who can potentially qualify for promotion to a managerial or key position in our organization. The Executive Board maintains close contact with the candidates in the management development program and takes part in various joint sessions. Over the years, this has created a pool of potentials with which we have been able to fill key positions within our group.

To recruit new talent, TKH maintains close contact with business schools and universities. We stay in contact with educational institutes that provide job-specific or management training courses. We offer work placements, graduation projects and minors in order to attract potential talent at an early stage. In addition, we use targeted programs to attract more students with limited or lower education - such as those on vocational training - in order to give them an opportunity to improve their skills



WOMEN IN TECHNICS

and qualities in practice and interest them in a possible job in our organization.

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

EMPLOYEE SATISFACTION

In order to measure our status as a good employer, we carry out employee satisfaction surveys about every three years. The surveys provide important information regarding the motivation, satisfaction and expectations of our

AVERAGE HOURS ON EDUCATION

24

PER FTE



EMPLOYEE SATISFACTION

7.3



MANAGEMENT DEVELOPMENT PROGRAM 2019

employees. Follow-up surveys also measure the effects of improvement actions. We carry out these surveys in collaboration with a specialized research agency.

Total average employee satisfaction at TKH is 7.3, slightly above last year's score (7.2) and above the benchmark (7.1). The Net Promoter Score (NPS) shows the extent to which employees are ambassadors for their own employer. It charts our internal reputation, with a high employer's reputation indicating many intrinsically motivated employees. The NPS at TKH is 7.0 (positive), whereas the benchmark is -8.7 (negative).

From the surveys carried out during the year under review, the safety aspect again scored highly with 8.3, followed by co-operation (7.7). Item for improvement is communication, with a score of 6.7. At 77%, the response was good, putting it above the sector average of 70%. For us, this is a sign that our employees understand the importance of such surveys.

The employee's performance and (career) development are discussed at the annual performance interviews between manager and employee. We encourage openness and honesty in these interviews, with the aim of professionalizing the organization. The interviews are used to discuss career wishes and development potential.

HEALTH AND SAFETY

It is our duty to provide our employees and everyone involved in our organization with a healthy and safe working environment. We pay a lot of attention to the prevention of industrial accidents and encourage a professional safety culture. We do this by being transparent about accidents and near-accidents so that employees are more alert to risky situations and can react more rapidly. The manufacturing companies provide information on safety within the organization and clear work instructions regarding machinery safety are available. Strict measures are taken to ensure that requirements such as the mandatory wearing of safety shoes and protective clothing are complied with. We also encourage employees to draw each other's attention to situations that could lead to dangerous incidents. The manufacturing companies are certified for the health & safety management system OHSAS 18001, by which health & safety processes are embedded in the organization.

Despite the continuous attention to safety and the pursuit of continuous improvement in safety performance, it is extremely regrettable that a fatal accident at one of our operating companies took place in 2019. This tragic incident shows that we must continue to work on safety awareness and safety performance. Increased attention to safety is reflected in the tightening of safety standards, in creating even better safety awareness through the evaluation of accidents and near-accidents, and by making this a permanent topic in the various consultative structures in all parts of the organization. It is our duty to focus on how we can further improve safety within organizations to ensure a safe workplace for everyone. In order to make safety demonstrable, even more emphasis is being placed on specific, measurable performance targets for safety measures, including the LTIF (Lost Time Injury Frequency) and illness. The LTIF for 2019 was 0.7.

The illness rate was 3.26%, slightly above last year's level (2018: 3.11%) but below the target of a maximum of 4.0%. Illness management is primarily the responsibility of the line manager of the sick employee. During the period of illness, the manager maintains frequent contact with the employee concerned. Employees with health problems are immediately referred to the relevant occupational health and safety doctor or specialist. As a result, the employee is assisted more quickly. In addition, we offer company physiotherapy in order to prevent illness. We also optimize working conditions by using workplace scans. We organize ergonomic training sessions for employees whose work involves physical strain and/or a potential risk of physical complaints.

To reduce illness, we have introduced measures such as the vitality program in which employees can participate on a voluntary basis. Our vitality program helps our employees to improve their vitality. We offer employees insight into their health through checks carried out by an independent institute. Programs have been initiated to stimulate exercise and sports. Training courses and workshops are offered so that employees are helped to improve or change their lifestyles for the benefit of their health.

LTIF (LOST TIME INJURY FREQUENCY)

0.7



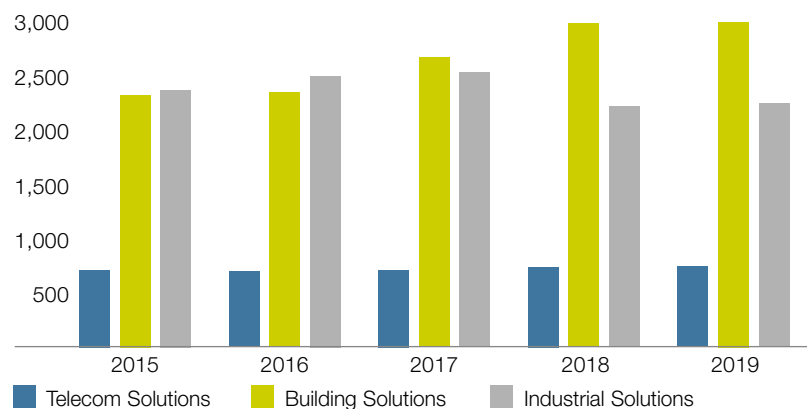
ILLNESS RATE

3.26%



NUMBER OF EMPLOYEES PER BUSINESS SEGMENT

in FTE



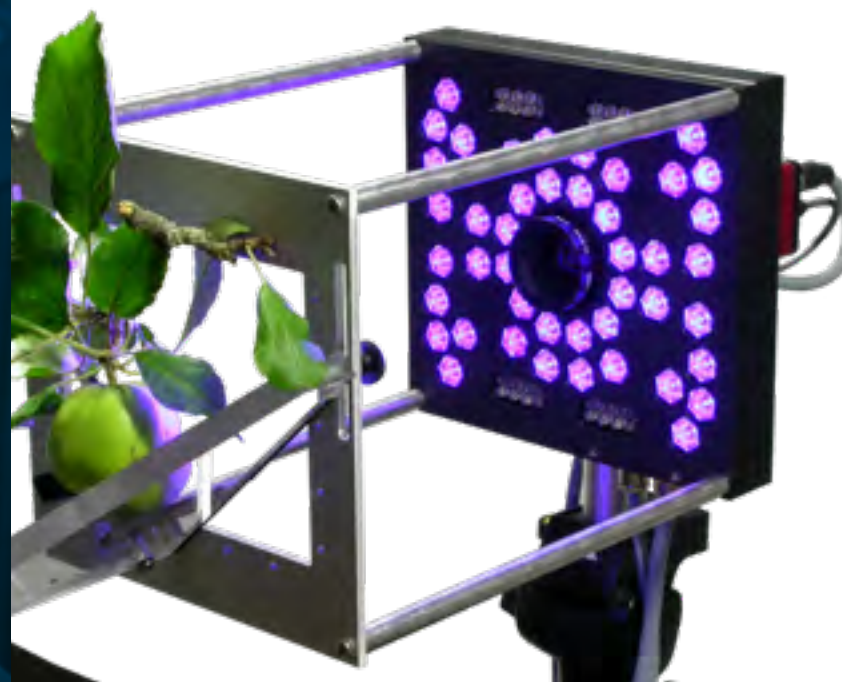
BEING RESPONSIBLE

TKH aims to contribute to a sustainable society. This means that every business decision is made not only in the light of its effect on profitability but also its possible consequences for the people involved in our organization, and its impact on the environment and our reputation.

As a matter of strategic priority, sustainability is firmly embedded in our day-to-day operations, and sustainability initiatives are increasingly being integrated into our organization. Our policy for corporate social responsibility provides a framework for our short- and medium-term plans without losing sight of company interests. Sustainability is fully incorporated into our business operations so that, when we implement our strategy and achieve our objectives, we consider our social responsibilities in relation to all relevant stakeholders.

TKH is present in an increasing number of value chains as a purchaser, producer, supplier or business partner. In all of these roles, TKH tries to guarantee uniformity with regard to its sustainability principles and starting points. Satisfying sustainability criteria plays an increasingly decisive role in our customers awarding contracts.

TKH conducts its activities in accordance with principles of honesty, integrity and transparency. We notify our stakeholders as much as possible of our operations and developments in the company. We underpin our sustainability policy on the basis of internationally recognized



(quality) standards, labels and accreditation marks. We have a thorough risk-management system, on the basis of which we identify potential risks at an early stage so that they can be acted on and corrected. Our operating companies act according to ISO standards that are of relevance to sustainability. Our operating company TKH has been certified for the CSR performance ladder for many years. CSR performance ladder certification allows us to demonstrate objectively that our CSR management system is in order. Our German operating companies are ISO 50001 certified. ISO 50001 provides insight into energy performance by measuring and monitoring energy consumption.

CLIMATE CHANGE

The earth is warming and that affects the climate. For this reason, awareness of climate change is becoming even more important. Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), attention was devoted to this subject in the year under review. The TCFD is initiated by the financial sector and the recommendations aim to increase the transparency of how businesses respond to the risks and opportunities of climate change. We have carried out an initial analysis of the possible risks and opportunities of climate change for TKH and will, among other things, discuss the results with stakeholders in order to ensure a balanced follow-up.

ENERGY AND EMISSIONS

We are trying to reduce environmental impact as much as possible by continuously measuring and improving our environmental performance. In order to gain insight into environment-related aspects, all our production companies are certified for the ISO 14001 environmental management system.

At all our production companies, from the design stage, we choose raw materials and other materials that have little or no harmful impact on the environment. The energy consumption during the production processes is also analyzed and, where necessary and possible, efficiency measures are implemented in order to ultimately achieve energy reduction.


For years now, we have been running a program for reducing energy consumption and monitoring our use of electricity (kWh), natural gas (m³) and fuels (liters). At 74% of the total kWh consumed, electricity



consumption is the largest in terms of absolute volume, owing to its use in the production process, lighting, ventilation, air-conditioning and extraction systems. Gas represents 25% of the total kWh consumption and is used for heating buildings and, to a smaller extent, for process heating. We have seen a further decline in the consumption of diesel and fuel oil in recent years. This still accounts for only 1% of total consumption and is particularly used in Asia for heating buildings.


In 2019, energy consumption (in kWh) compared to total turnover fell by 2.8%. CO₂ emissions decreased by 2.6%. Compared to the reference year 2015, energy consumption decreased by 5.6% and CO₂ emissions by 5.4%. We managed to achieve energy savings despite an increase in production volumes. In addition, there were investments in production facilities that lead to an increase of energy consumption but as yet make a limited contribution to returns. To a limited extent, TKH uses green certificates in order to make an accelerated contribution to energy and CO₂ reduction. In the year under review, the volume of sustainably generated electricity purchased remained unchanged in relation to the previous year. As a result, the energy reduction achieved in 2019 is directly related to efficiency effects in operations.

ENERGY CONSUMPTION IN KWH

-5.6% 

COMPARED TO 2015

CO₂ EMISSION

-5.4% 

COMPARED TO 2015



OPERATIONAL EXCELLENCE PROGRAM

VEHICLE FLEET

“Greening” our vehicle fleet will also help to reduce CO₂ emissions. We have set ourselves the target of allowable average CO₂ emissions of 95 grams/km in 2020. The average CO₂ emissions of TKH’s existing Dutch leased fleet in 2019 were 91.1 grams/km (2018: 91.8 grams/km). The leased cars introduced in 2019 had average CO₂ emissions of 83.7 grams/km (2018: 89.4 grams/km). Our leased fleet consists of 24.1% hybrid and electric cars.

Our targets are still based on the “old” New European Driving Cycle (NEDC) emissions test. This is being replaced by a new emissions test that is used within the European Union, namely the Worldwide Harmonized Light Vehicle Test Procedure (WLTP). The WLTP is a stricter test cycle that displays higher but also more realistic values for CO₂ emissions and fuel consumption. From 2020 onwards, the EU will convert the current (NEDC-based) CO₂ targets for the automotive industry to WLTP CO₂ targets of comparable weight. We will review our target for “greening” the fleet once the transition to the WLTP has been completed, so that the new CO₂ targets are also based on the WLTP.

REDUCTION OF RAW MATERIAL CONSUMPTION AND WASTE

Sustainable business practice also includes making sustainable use of resources. TKH’s Operational Excellence program enables us to continually focus on the efficient use of raw materials and on reducing waste. Efficient management of materials and raw materials is relevant because of the consumption of valuable metals such as copper and aluminium, which form an essential part of the production process, and because of the waste that is inevitably generated. The main raw materials used by TKH are copper, granulate and aluminium. All waste produced is in the non-hazardous waste category.

Our policy is aimed at eliminating waste to such an extent that it has as little impact on the environment as possible. This also helps us avoid unnecessary costs. We have adopted two approaches to this:

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

Total waste from the most relevant raw materials, compared to total material consumption, was 7.2% in the year under review, against 8.7% in 2018. In the year under review, the volume of waste was still influenced by learning-curve effects in subsea cable systems, although a lower waste percentage shows that reduction measures have been implemented effectively and there is control over the further reduction of waste flows. Leaving this learning-curve effects aside, we have generated 5.4% waste compared to total material consumption (2018: 5.3%). During the year under review, we gave a high priority to optimizing the production process and adjusting production equipment to the innovative cable systems to be produced. In this way, we aim to ensure that the amount of waste will return within the set range of a maximum of 5% of the total materials consumed in the shortest possible time.

Of the total waste, 85.5% was recycled (2018: 79.9%), while our target is at least 50%. Our copper supplier reprocesses pure copper waste into fully usable copper, so the figure for copper was almost 100% waste

recycling. Plastics that have become unusable during the cable production process but are suitable for recycling, are offered to waste processing companies with a view to turning them into new raw materials. Cables and odd lengths of cable are sorted as much as possible, and we are looking into the possibility of completely recycling the cables. The same applies to the plastics used as insulation and sheathing material. The improvement in recycled waste is also due to investments in production equipment for the in-house recycling of cable waste. This allows cable waste to be fully recycled, which also means savings on the purchase of raw materials.

In selecting raw materials and other materials, we take sustainability criteria into account, alongside price and quality, of course. Partnership in the value chain also plays a large part in successfully introducing sustainable product innovations. We have become one of the chain partners in “100% circular use of materials in the underground infrastructure”. We will achieve the innovations that are needed to fulfil this ambition by working closely with partners in the chain. Sustainable cable composition is given high priority in the cable manufacturing companies, and we continue to look for innovative manufacturing techniques and possibilities to improve efficiency in the value chain. We have conducted discussions in the value chain on how processes and products can be made more sustainable, so that raw materials and energy are used more effectively, leading to savings.

SUSTAINABLE PRODUCT PORTFOLIO AND CUSTOMER SATISFACTION

TKH strives for a balanced product portfolio with innovative concepts tailored to the customer's wishes. In this respect, sustainability criteria are becoming increasingly relevant. We are also devoting attention to sustainable innovation based on our innovation objective. We have set ourselves the target that at least 15% of our turnover should derive from innovations introduced in the previous two years. The proportion of innovations in turnover figures was 20.5% (2018: 20.8%).

Our products and systems have the relevant accreditation marks and certificates, and are supplied with clear manuals and specifications. If desired, we can supply measurement and test reports to demonstrate the quality of our products and systems. Our products are tested for a continuous improvement process based on the specifications. The potential impact on health and safety is also taken into account. All cables for fixed installations in construction works - both for architecture and civil engineering - for the European market are CPR (Construction Products Regulation) - certified in accordance with NEN 8012. NEN 8012 refers to the behaviour of cables in the event of fire, with the aim of reducing the risk of fire propagation and smoke development. This standard is used to determine the fire class.

TKH's technologies and solutions support the sustainability ambitions of its customers. Our subsea cable systems contribute to a sustainable energy supply for the future. The TKH tire building systems increase the efficiency of the production process, which - in addition to high-quality tires - results in energy and waste reduction at the customer's site. The CEDD/AGL solution provides energy savings due to the use of sustainable LED lighting as well as the use of low voltage with induction.

RECYCLED WASTE

85.5%



OF TOTAL WASTE

INNOVATIONS

20.5%

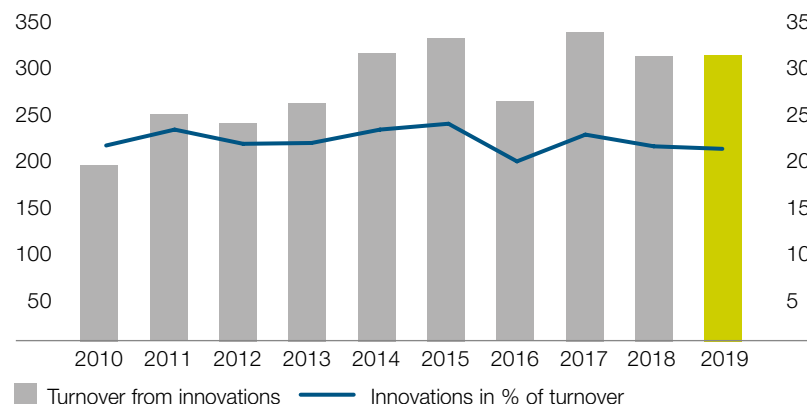


IN TURNOVER

TURNOVER FROM INNOVATIONS

in million €

in %



The parking guidance systems ensure efficient traffic flow in car parks, leading to a significant reduction in CO₂ emissions. TKH vision technology has become an indispensable application that optimizes manufacturing processes and automates and perfects quality control as well as inspections in production processes. This leads to significant efficiency improvements in the industry with positive results regarding sustainability criteria. We are continuing to tailor our portfolio to our customers' wishes with regard to efficiency and sustainability requirements, taking customer intimacy as our starting point.

In order to gain insight into customer loyalty and appreciation, we carry out customer satisfaction surveys (CSSs) about every three years. Based on the outcomes of these surveys, we can take specific action to serve our customers even better. The average score of the CSSs was 7.9 in 2019, which is the same score as in 2018 and slightly above the benchmark score of 7.8. Our technical support scores highest at 8.6, followed by account management at 8.3. Complaints resolution scored lowest with 6.8. The Net Promoter Score is 16 (positive) compared to the benchmark of 12 (positive). The response to the CSSs was 34%, which is a usual percentage.

CUSTOMER SATISFACTION

7.9



Our service must be of the highest possible quality. Yet we cannot always avoid customer dissatisfaction. If we receive customer complaints, a high priority is given to prompt, efficient resolution. We have set a target of resolving at least 60% of all complaints within one working week. In 2019, 80% of all customer complaints were resolved within one working week (2018: 81%).

Our activities may cause nuisance in the surrounding area. We make every effort to prevent this or to reduce it to a minimum. To this end, we have drawn up several internal guidelines and implemented noise and smell reduction measures. We register and manage environmental complaints and inform those involved in good time about the corrective or preventive measures. Last year, five complaints about noise pollution were submitted. After taking adequate measures on our side, we were able to resolve these to the satisfaction of the complainants.

HANDLING CUSTOMER COMPLAINTS

80%



RESOLVED WITHIN 1 WORKING WEEK



INTEGRITY & GENERAL ORGANIZATIONAL PRINCIPLES

TKH highly values the integrity of its employees' conduct. Clear guidelines, operational control and a zero-tolerance policy in relation to matters of principle, such as fraud, bribery and corruption, ensure that work is carried out in accordance with the appropriate principles and agreements. We have drawn up a code of conduct to ensure that every employee acts according to TKH's conduct guidelines. The code of conduct uses the OECD guidelines as a reference framework. Each employee confirms in writing that they will act in accordance with the code of conduct. Managers are required to set an example. The code of conduct is linked to a sanctions policy in cases of unacceptable behaviour. The managers of our operating companies are responsible for implementing the code of conduct within their organizations. The code of conduct has been signed by 93.6% of the total number of employees. The desired 100% was not achieved due to, among other things, a longer lead time than intended for new employees to sign the code, and the time needed to implement the code in acquired companies. We are maintaining close contact with the operating companies and establishing clear rules to eliminate such delays as quickly as possible. Internal Audit

ensures that the code of conduct is complied with in all parts of our organization. There is close co-operation with the Compliance Officer and TKH's Legal Advisor. Among other things, the Internal Control Framework is used to effectively monitor and assess possible bribery and corruption risks. The code of conduct can be downloaded from the TKH website.

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

IT SECURITY & PRIVACY

Due to increasing alertness to potential cyber risks, IT & Security has been high on the strategic agenda and a clear IT & Security policy has been designed at TKH. In addition, IT audits have been carried out at operating companies on the basis of which action plans have been drawn up to address vulnerabilities in IT systems. As a result of the IT audits, the themes of cyber security and cyber risks have been given high priority within the organization and awareness of potential risks has been raised. Communication on cybersecurity has been intensified by sending out regular newsletters for example. Penetration tests have also been carried out at some operating companies to determine whether the organization is sufficiently resilient to possible digital attacks. These tests have provided insights into potential vulnerabilities of the IT infrastructure and their possible consequences. The ultimate goal is to implement safe processes and effective controls, and to create a safe and honest culture. The subject is a recurring item on the agenda in meetings of the Executive Board as well as in Audit Committee meetings. This ensures permanent attention to this topic. IT & Security is part of the Internal Audit focus area.

European legislation on the protection of private information, the General Data Protection Regulation (GDPR), lays down strict rules on the use of personal data and the storage of such information. One of the conditions

is the establishment of a processing register that shows what personal data is used or stored, where, and for what purposes. The establishment of this register gives us insight into and control over data processing in the organization and the related privacy controls. A privacy regulation has also been drawn up and implemented in the organization. Internal Audit, in collaboration with the internal Legal Advisor (who is also the Data Privacy Officer) ensures the proper application of GDPR legislation within the organization.

CODE OF SUPPLY

With regard to themes that are material to us, we also expect a zero-tolerance policy from our suppliers. Our principles are laid down in the code of supply and focus on human rights, the environment, health & safety of employees and ethical conduct. Every supplier with a purchase volume above € 1 million must sign the code of supply. The code of supply has been signed by 90% of the suppliers (2018: 82%). Although this is an improvement compared to last year, the code has not yet been signed by all suppliers. The reason for this is an increase in the number of suppliers in relation to a longer lead time than envisaged for the signing of the code.





Within a maximum of two years after a code of supply has been signed, there must be an assessment of the supplier in question to review the items stipulated in the code. In the year under review, 78% of assessments were carried out. The desired 100% was not achieved due to, among other things, a longer lead time than intended for the performance of the assessments. Internal Audit has included auditing the processes to be carried out in relation to the code of supply in its work program.

CODE OF SUPPLY

90%

SIGNED

**HUMAN RIGHTS**

We have included provisions regarding the respecting and safeguarding of human rights in both our code of conduct and the code of supply. We use the OECD Guidelines as a reference framework to enable us to quickly identify potential risks. These OECD guidelines refer to the Universal Declaration of Human Rights, which states that all parties in society, including companies, are obliged to respect and safeguard human rights. In the assessment that we carry out with suppliers with regard to our code of supply, we ask whether the supplier is compliant on human rights based on international principles such as the OECD Guidelines. We discuss possible risks of discrimination, the right to social security and the risk of child labour in the value chain.

Our policy is not to tolerate any violation of any human right. The assessments carried out with suppliers have revealed no violations of human rights. Privacy is an important principle of human rights. People must be able to live in freedom, without everyone knowing everything about them. The Privacy Act gives people more rights and organizations more obligations to handle personal data carefully. Internal Audit covers this theme of human rights as part of its auditing activities. It asks our managers about their observance of human rights and whether there are any potential human rights conflicts that could arise, chiefly in the value chain in which we operate.

TAXES

The tax function within the TKH group is organized in a way that we can ensure the preservation of our reputation and integrity through compliance with applicable tax laws, regulations and ethical standards in the countries where we operate. The tax function upholds the company's core values, will not seek for aggressive tax planning (including tax havens) and is keen to mitigate tax risks. The tax function has a global responsibility for the tax position of TKH Group, in particular when it refers to income tax and related aspects, such as transfer pricing. In executing this responsibility long-term considerations are taken into account as well as the interests of stakeholders.

The tax strategy is aligned with the company's core values and is regularly discussed with the Executive Board. Guidance from public bodies, such as the OECD, provide for guidance in this area, which is closely monitored and followed by TKH. This features for example in the fact that the tax position of TKH reflects the normal conduct of our business as well as the geographical distribution of our activities, meaning that tax is paid where economic activity and value creation occurs. For TKH this is one of the relevant elements relating to fair share tax contributions.

The tax systems across the worlds and the application thereof are becoming increasingly more complex. In order to keep up and comply with these developments, the tax function is subject to continuous training and organizes regular internal training modules for the finance departments of the operating companies, during which tax technical topic are discussed as well as other tax topics, including tax dilemma's.

In our relationship with tax authorities, we strive to build strong, mutually respectful relationships based on transparency and trust. We therefore believe in an open and constructive dialogue with tax authorities. In the Netherlands, this is made explicit in the 'horizontal monitoring' covenant. As is embedded in the horizontal monitoring principle, we actively engage with the Dutch tax authorities to disclose the tax impact of business initiatives and, if required, obtain a ruling. The purpose of such a ruling is to guarantee that the tax qualification of the initiative is in line with the tax policy of TKH and meets the expectations of the Dutch tax authorities, and to ensure that a business initiative is taxed once at a generally accepted tax rate where the business operation takes place.

TKH annually submits a 'country-by-country' report (CbC) to the Dutch tax authorities. Through the appropriate channels, this report is made available to the tax authorities of all countries in which TKH operates.

The following table shows the tax paid in 2019 by region. The tax paid is often different from the calculated tax burden, due to prepayments that differ from the final tax burden. This may be caused by such things as temporary differences, deferred taxation and uncertain tax positions. In 2019, TKH paid a total of € 27.4 million in income tax. As at 31 December 2019, an amount of € 10.2 million in income tax was still payable by TKH on the basis of preliminary tax calculations. Note 33 to the financial statements includes a reconciliation of the effective tax rate.

CORPORATE INCOME TAX 2019

| In thousands of euros | The Netherlands | Europe (other) | Asia | North America | Other countries | Amortization PPA ¹ | Total |
|---|-----------------|----------------|---------|---------------|-----------------|-------------------------------|-----------|
| General information | | | | | | | |
| Aggregated revenues realized by companies in the country without elimination of intercompany deliveries | 825,701 | 624,303 | 254,884 | 139,443 | 24,099 | 0 | 1,868,430 |
| Result before tax | 45,849 | 40,901 | 16,072 | 7,026 | 2,506 | -23,008 | 89,346 |
| Non-current tangible assets | 127,067 | 63,744 | 33,766 | 5,844 | 518 | 0 | 230,938 |
| Number of FTEs | 2,049 | 2,377 | 1,028 | 424 | 102 | 0 | 5,980 |
| Tax | | | | | | | |
| Corporation income tax to be paid / claimed at 1 January 2019 | -2,309 | -3,891 | -370 | 915 | -188 | 0 | -5,843 |
| Corporation income tax paid in 2019 | -10,961 | -10,594 | -2,265 | -2,396 | -1,215 | 0 | -27,431 |
| Corporation income tax to be paid / claimed at 31 December 2019 | -1,552 | -9,021 | -379 | 972 | -255 | 0 | -10,235 |

¹ Amortization of non-current intangible assets related to acquisitions.



PARTICIPATION VMI 'GREAT OPPOSITION AGAINST CANCER'

COMMUNITY INVESTMENTS

TKH sponsors social activities and supports charities. We do this from the point of view of our social engagement, hence we have been supporting social initiatives in health, sport and culture. We regard sponsorship as a means of giving something back to people or organizations that need help. We wish to remain objective in this, which is why we do not support projects of a religious or political nature. We also use sponsorship to enhance our brand recognition and publicize our technologies and solutions. There is a distinction between sponsorship at TKH (holding company) level and sponsorship at operating company level, which mostly focuses on specific business activities or takes place locally. We also use sponsorship to increase the engagement and commitment of our employees. Last year too, TKH provided financial support for our employees to take part in socially-related sporting events. We also support cultural initiatives and local cultural heritage. In 2019, we spent € 0.5 million on sponsorship and donations to charity. This was 0.5% of net profit before one-off income and expenses (2018: 0.4%).

ANTI-COMPETITIVE BEHAVIOUR AND SANCTIONS

Our company policy is that the “free market” only works when there is fair competition. TKH fights anti-competitive behaviour by providing all parties with the same information, setting realistic requirements, and establishing clear contract conditions. Furthermore, no activities are carried out in violation of laws and/or regulations. Naturally, we abide by the applicable competition legislation. Internal Audit has an important auditing function regarding our compliance with laws and regulations. In the event that sanctions by authorities are imposed on our company, we will explain the cause and the corrective actions that have been taken. In 2019, we did not incur any sanctions.

DONATIONS TO CHARITIES

0.5%

OF NET PROFIT



OUTLOOK

Macroeconomic uncertainties have increased in recent months.

The impact of the coronavirus on TKH seems limited so far, but is yet difficult to estimate. This also applies to the nitrogen and PFAS effects in the Netherlands and possible trade barriers. Barring unforeseen circumstances and an escalation in the aforementioned situations, we expect the following developments per business segment for the year 2020.

TELECOM SOLUTIONS

We expect a further increase in investments in optical fibre networks in Europe. Since we have a good market position in Europe and have invested in capacity expansions, we expect to be able to realize growth. The current overcapacity in the Chinese market may translate into pressure on margins, but we expect this to be offset by a better product mix.

BUILDING SOLUTIONS

In Machine Vision, we see continued reluctance to invest on the part of consumer electronics manufacturers and within the automotive sector due to macro-economic uncertainties. Nevertheless, we expect growth as a result of the continued roll-out of our new portfolio and the contribution from acquisition in 2019. In addition, we expect growth in Parking due to a number of larger projects currently in the pipeline. In Marine & Offshore, we expect growth for subsea cable systems based on order intake and ongoing quotations and we intend to scale-up production. This will result in a higher coverage ratio and therefore an improvement of the result. In Tunnel & Infra, we see continued growth in demand for cable systems from the energy sector, which will lead to further growth in turnover. We also expect to realize growth with the AGL portfolio for airports, with the share of our distinctive CEDD technology set to increase. In the other activities within Building Solutions, we expect an improvement in the result due to the effects of our 'Simplify & Accelerate' program.

INDUSTRIAL SOLUTIONS

Within the industrial sector, there is a reluctance to invest, particularly among German machine manufacturers and in the robot industry, partly due to developments in the automotive industry. As a result, we expect a decline in turnover for industrial connectivity systems, partly due to a targeted discontinuation in part of the portfolio. Order intake in Tire Building declined in the second half of 2019, due to a reluctance to invest as a result of the difficult situation in the automotive industry. We expect a decline in both turnover and result in this segment.

As usual, TKH will give a more specific profit forecast for the full-year 2020 at the presentation of its interim results in August 2020.



GOVERNANCE

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MEMBERS EXECUTIVE BOARD



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

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

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



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

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

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



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

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

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

MEMBERS SUPERVISORY BOARD



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

Chairman

- 2014 first appointment
- 2022 term limit

Chairman Selection and Appointments Committee

- CEO & President Septentrio Satellite Navigation

CURRENT POSITIONS

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



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

Vice-chairman

- 2017 first appointment
- 2021 term limit

Member Selection and Appointments Committee
Member Remuneration Committee

- Former Chairman Executive Board TenneT Holding B.V.

CURRENT POSITIONS

- Member Supervisory Board Koole Oil Terminals B.V.
- Chairman Supervisory Board Attero B.V.

OTHER FUNCTIONS

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



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

Member

- 2017 first appointment
- 2021 term limit

Member Audit Committee
Member Remuneration Committee
(from December 2019)

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

CURRENT POSITIONS

- Member Supervisory Board Coöperatie TVM U.A.
- Member Supervisory Board Basic Fit
- Member Supervisory Board DAS Holding NV
- Member Monitoring Committee Accountancy (till 01-03-2020)
- External member Audit Committee Ministry of Justice & Security



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

Member

- 2009 first appointment
- 2021 term limit

Chairman Audit Committee

- Former Chairman of the Executive Board Wavin NV

CURRENT POSITIONS

- Chairman Supervisory Board NV HVC
- Member Foundation Priority Antea Participaties



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

Member

- 2011 first appointment
- 2020 term limit

Chairman Remuneration Committee

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

CURRENT POSITIONS

- Chairman Supervisory Board Prinses Maxima Centrum pediatric oncology for children

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board oversees the way in which the Executive Board implements the strategy for long-term value creation for the company and its affiliated companies. In performing this task, the Supervisory Board is guided by financial, commercial, operational and governance information and focuses on the interests of all of the company's stakeholders.

The Supervisory Board provides the Executive Board with advice. It oversees the Executive Board's relationship with strategic stakeholders, including shareholders. The Supervisory Board is governed by by-laws, which include rules covering such matters as its working method, tasks, decision-making and competencies.

MEETINGS DURING THE YEAR UNDER REVIEW

In the year under review, five regular meetings and two extra meetings were held which were all attended by the Executive Board. Beside, in the reporting year three closed meetings took place. A member of the Supervisory Board was unable to participate at one scheduled meeting via conference call. In the case of inability to attend, the Supervisory Board member in question informs the chairman before the meeting of his views on the subjects to be discussed. Once the meeting has concluded, the absent member of the Supervisory Board is informed in person about the matters discussed. During the year under review, there were no subjects on the agenda that could potentially give rise to conflicts of interest. The discussion of the financial statements took place in the presence of the external auditor. In preparation for the meetings, as well as to discuss ongoing matters that arose during the year, the chairman of the Supervisory Board had regular contact with the chairman of the Executive Board.

The Supervisory Board fulfils its tasks of supervising and advising the Executive Board based on both agenda items that recur at every meeting and on specific subjects that are relevant for discussion at a certain moment and to ensure that we remain on course to realize our ambitions.

STRATEGIC TRANSFORMATION PROGRAM

The year under review was dominated by the 'Simplify & Accelerate' strategic transformation program. As Supervisory Board, we are intensively involved in this program, for example by means of business analyses and portfolio reviews. The effects of the implementation of the transformation program have been discussed at length, partly resulting in an increase in (financial) medium-term targets.

The strategy program takes TKH to the next phase where it focuses on activities with higher organic growth and higher margins while, at the same time, reducing the complexity of the activities by divesting activities with a lower potential for organic growth and margin growth. The aim of this program is to accelerate the value creation of TKH.

Each meeting was explained on the basis of defined action plans, the progress of the program, and the implementation was monitored.



COMPANY VISIT TO ALLIED VISION IN STADTRODA (GERMANY)

Each meeting was used to explain the progress of the program on the basis of defined action plans. The most important topics for consultation and decision-making were:

- The divestments of respectively a majority of the industrial connectivity activities, consisting of eight operating companies, and of the Chinese cable manufacturing activities of copper data communication cables.
- Integration projects of, among other things, the security companies and the 2D-vision companies, which result in a simplification of the organizational structure and a better utilization of economies of scale.
- The intention to discontinue part of the poorly performing activities of the industrial connectivity portfolio and, at the same time, the possibility of implementing a strong improvement in returns on the building connectivity portfolio.
- The acquisitions of ParkEyes (vision security), SVS-Vistek and FocalSpec (both machine vision).

TKH has a successful track record with regard to acquisitions of companies that fit in with the business strategy. With the 'Simplify & Accelerate' program, the focus is also on reducing the number of activities that have

limited potential for value creation due to low organic growth opportunities and relatively low gross margins. This is a new dimension that has been convincingly taken up by the Executive Board and management. As Supervisory Board, we are aware that in this process years of business relations are being broken, which requires professionalism in negotiations and attitudes. We have therefore expressed our appreciation for the way in which divestments were realized in a relatively short period of time.

The progress of the strategic transformation program has a high priority for the Supervisory Board and is closely monitored. Regular evaluation of the implementation will continue to be high on the agenda in the coming year.

REGULAR MEETINGS

Repeating agenda items, relating such issues as financial developments, acquisition opportunities, investments and divestments, technological, organizational and market developments as well as Investor Relations, are discussed at each regular meeting. Where applicable, the chairman of a relevant committee of the Board gives an explanation of the most important findings of each meeting.

With a view to monitoring the progress of (strategic) initiatives and business developments, the Executive Board provides an explanation of the strategic scorecard at every meeting. This includes clarification of the progress within the business segments on the basis of 'high-lights' and 'low-lights', linked to related action points. In that context, the Board was frequently informed about the progress of innovation projects, including those involving subsea cable systems and CEDD/AGL (airfield ground lighting) as well as 2D and 3D machine vision and manufacturing systems. Information was provided on the R&D roadmap and its progress, the quotation portfolio and other market opportunities, the competitive landscape, possible risks as well as the way in which these risks are managed.

A 'deep dive' presentation was given by the management of TKH Airport Solutions in which the market potential and the positioning of the CEDD/AGL proposition were discussed. By means of a live demonstration, more insight was gained into the technology and the possibilities of the TKH solutions at airports and airfields.



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

The content of the press releases about the annual and interim figures were discussed with the entire Supervisory Board prior to publication. A member of the Supervisory Board attended the Capital Markets Day in June 2019.

COMPANY VISIT

At least one regular meeting is held annually at a location of an operating company. These company visits offer the Supervisory Board the opportunity to come into contact with local management and employees and strengthen the Board's insight into the TKH activities, technological developments and organizational capacity. Local themes are also discussed, as well as possible challenges faced by local management. During company visits, presentations, demonstrations and guided tours are always part of the program. The cultural aspect thus also receives attention.

In 2019, the Supervisory Board visited TKH operating company Allied Vision in Stadtroda, Germany, which belongs to the TKH 2D-vision group. We were informed about technology and project developments within the 2D-vision group. Special attention was paid to the development of Alvium, an innovative camera platform developed in-house. In the subsequent guided tour, Alvium's various phases of development were highlighted and their applications were demonstrated. The market opportunities were also explained.

The company visit was also an occasion to discuss the planned integration of the 2D-vision companies with local management. The challenges facing management were discussed, together with issues such as portfolio management and the competitive landscape. We very much appreciate the company visits and the contacts with local management and employees because they give us a deeper understanding of local

TOPICS SUPERVISORY BOARD MEETINGS 2019

Q1 (1 meeting)

- Business review.
- Financial results and press release.
- Investments and divestments.
- Supervisory Board committees.
- Explanation report external auditor.
- Preparation for AGM / dividend proposal.
- Remuneration of the Supervisory Board.

Q2 (2 meetings)

- Business review.
- Financial results.
- Investments and divestments.
- Supervisory Board committees.
- Strategic transformation program 'S&A'.

Q3 (1 meeting)

- Business review.
- Financial results and press release.
- Investments and divestments.
- Progress 'S&A'.
- Supervisory Board committees.
- Deep Dive 'Machine Vision'.

Q4 (3 meetings)

- Business review.
- Financial results.
- Investments and divestments.
- Progress of 'S&A'.
- Supervisory Board committees.
- Budget & Investment Plan 2020.
- Update HR.
- Update CSR.
- Deep Dive 'Airport'.

activities and the cultural aspect. We also experience the openness and transparency of the presentations and discussions as special.

CLOSED MEETINGS

The Board met three times in the absence of the Executive Board.

The most important consultation topics were:

- Feedback by the Chairman on his individual evaluation talks with the members of the Executive Board.
- Explanation by the Remuneration Committee of the remuneration proposal for the Executive Board and the proposal adjustment of the remuneration for the Supervisory Board and its committees.
- Evaluation of the functioning of the Supervisory Board, its committees and its individual members, in the presence and under the supervision of an external expert.
- Composition of the Supervisory Board and its committees.

CULTURE AND ORGANIZATION

TKH has an enterprising culture with a focus on technological development and a proactive approach to the market. Given its decentralized organizational structure, responsibilities are assigned far down in the

organization. The Executive Board sets the example and provides guidance on the proper norms and values within the organization. In order to supervise the culture aspect, the Supervisory Board makes company visits to, for example, obtain insight into the state of affairs, the organization and the management of risks by means of discussions with and presentations by local management. Consultation with the Central Works Council also represents an important assessment element in the field of culture. TKH applies different methods and systems to identify and manage risks. Possible risks as well as the risk-management systems are discussed on a regular basis with the Executive Board and openness about risks is encouraged.

HR developments are discussed at least once a year with the Executive Board, focusing on Management Development, the approach and follow-up in respect of succession planning, employee satisfaction and current HR programs. The Supervisory Board endorses the added value of a thorough succession planning strategy that enables key positions to be effectively and efficiently filled. The simplification of the organizational structure, as part of the strategic transformation program, was frequently



COMPANY VISIT TO TKH AIRPORT SOLUTIONS

explained during the year under review. The strategic relevance of diversity within the workforce, including increasing the representation of women at management level and among young potentials, has once again been reaffirmed.

We consider health and safety to be of crucial importance to TKH and its employees. We therefore deeply regret the fact that there was a fatal accident at one of the operating companies during the year under review. The accident was extensively discussed with the Executive Board. It confirms that safety requires constant attention. The Supervisory Board has had the subject of safety high on its agenda for considerable time now and we are frequently kept informed by means of, among others, safety indicators. Discussions with the Executive Board have shown that TKH takes health and safety very seriously and regards it as one of its top priorities, with the aim being a vital organization and to create more safety awareness.

COMPOSITION AND DIVERSITY

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

The Supervisory Board aims for diversity in its composition in terms of age, gender, background, occupational experience and nationality, taking account of the statutory requirements. The above-mentioned elements are also included in the profile drawn up by the Supervisory Board. In the case of larger companies, there is a best-efforts obligation to use a quota



of at least 30% female and at least 30% male for the composition of the Supervisory Board, insofar as these seats are occupied by natural persons. This subject received permanent attention during the year under review, also in the context of the current schedule of retirement in relation to safeguarding continuity within the Supervisory Board. It was again endorsed that diversity contributes to objective and sound decision-making. However, diversity is not only considered important in terms of gender, but also in the available expertise, competencies and background. The composition of the Supervisory Board is such that the members are able to operate critically and independently of one another, the Executive Board and any particular interests. In the opinion of the Supervisory Board, all Supervisory Board members meet the requirements for independence as referred to in best-practice provisions 2.1.7 up to 2.1.9 of the Dutch Corporate Governance Code (the 'Code').

The Supervisory Board has - partly for practical reasons - designated one or more vertical growth markets to each of the members as their area of attention. As a result, supervision of developments, possible risks and dilemmas in the growth markets is structurally safeguarded.

At the end of the AGM of 7 May 2020, Mr. R.L. (Rokus) van Iperen will step down in accordance with the applicable schedule of retirement. Under the regulations of the Supervisory Board and the articles of association of TKH, Mr. Van Iperen may be reappointed for a further period of two years. Mr. Van Iperen has indicated that he is available for reappointment. The Supervisory Board has discussed the reappointment of Mr. Van Iperen, and its members are of the unanimous opinion that his knowledge, experience and added value match the desired expertise, as set out in the profile drawn up by the Supervisory Board. The members of the Supervisory Board consider the reappointment of Mr. Van Iperen to be in the best interests of TKH, given his extensive knowledge of the company and his excellent performance as a Board member. His broad experience as a director with ultimate responsibility and as entrepreneur, as well as his expertise in the field of technology, together with his experience in international listed companies, fit in well with the required expertise and competences.

Due to the expiry of the maximum mandated term of office of 12 years set out in the articles of association, Mr. P.P.F.C. (Philip) Houben will step

down as per the 2021 General Meeting of Shareholders. With a view to ensuring knowledge and continuity within the Supervisory Board, a selection procedure for the succession of Mr. Houben was launched during the year under review. In filling the vacancy a candidate with broad international experience within an international company, with an affinity for TKH's technology and activities, was sought. Mrs. M. (Marieke) Schöningh MBA agreed to fill the vacancy and join the Supervisory Board. The Supervisory Board will nominate Mr. Van Iperen and Mrs. Schöningh as candidates for reappointment respectively appointment to the Supervisory Board at the 2020 General Meeting of Shareholders, on the condition that the shareholders at that meeting do not invoke their right of recommendation. The Central Works Council was notified of the reappointment and the vacancy, and profiles of prospective candidates. The Central Works Council has stated that it does not wish to invoke its right of recommendation for the reappointment of Mr. Van Iperen. For the vacancy on the Supervisory Board, the Central Works Council exercised its enhanced right of recommendation and recommended Mrs. Schöningh for this vacancy.

INTRODUCTION PROGRAM

An introduction program has come into force for new members that takes account of the competencies and expertise that the members concerned represent on the Board. The introduction program partly focuses on the general strategy, the financial reporting and the organizational structure. On the basis of company visits, among other things, the core technologies and commercial themes are explained, which also concerns the continuing education of members of the Supervisory Board.

CONTACT WITH THE CENTRAL WORKS COUNCIL

A delegation of the Supervisory Board discussed business strategy and the general state of affairs with the Central Works Council. Also the themes were considered that currently live within the individual works councils, such as sustainable staff employability and the mutual cooperation between operating companies. Within the framework of the (enhanced) right of recommendation of the Central Works Council, open and constructive consultation took place on the reappointment respectively appointment to the Supervisory Board. Due to the implementation of the new EU Shareholders' Directive, the Remuneration Policy of the Supervisory Board and Executive Board was discussed.



The members of the Supervisory Board have great respect for the professional manner in which the Central Works Council deals with important developments affecting TKH. We regard the consultation with the Central Works Council as being open, constructive and valuable. For the Supervisory Board, consultation with the Central Works Council is also an important element in assessing culture aspects within the organizations.

COMMITTEES

The Supervisory Board of TKH has three committees: the Selection and Appointments Committee, the Remuneration Committee and the Audit Committee. The committees all have their own set of rules defining their conduct. These rules state, among other things, that the provisions as set down in the Code must be met. These committees have the task of laying the groundwork for the decision-making process of the Supervisory Board. The chapter on Corporate Governance in this annual report describes the tasks and focus areas of the separate committee.

SELECTION AND APPOINTMENTS COMMITTEE

The Selection and Appointments committee comprises Mr. A.J.P. De Proft MSc (chairman) and Mr. J.M. Kroon MBA. The Selection and Appointments Committee met once in the past year at a formal meeting. The committee also had frequent (telephone) contact on current issues, in particular with regard to the preparation and selection of the new member of the Supervisory Board. The Committee conducted interviews with external advisors as well as with potential candidates. The Committee also prepared the evaluation of the Supervisory Board in cooperation with an external advisor. The Selection and Appointments Committee reported the most important findings of each of its meetings to the Supervisory Board.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Mr. R.L. van Iperen (chairman), Mr. J.M. Kroon MBA and Mrs. C.W. Gorter. The Remuneration Committee met once during the year at a formal meeting. In addition, internal consultations took place several times in the context of the preparatory work, among others in presence of the external advisor. The committee also had frequent telephone consultations. In its meeting in February, the Committee discussed the remuneration policy and evaluated the

realization of the targets of the Executive Board, partly in the presence of the chairman of the Executive Board. The targets for the Executive Board for the current financial year were also discussed. Based on the achieved targets, the Committee presented a proposal for the remuneration of the Executive Board during a closed meeting of the Supervisory Board and a decision on this remuneration was taken.

Due to the implementation of the legislative proposal for a revised EU Shareholders' Directive, there has also been frequent contact about the developments and consequences of this legislation. In cooperation with the company and an external advisor, the remuneration policy of the Executive Board and Supervisory Board was checked against the provisions of this legislation. The Committee found that the current policy supports the long-term value creation of TKH and offers effective remuneration to the Executive Board, so that no changes have been made to the content of the policy. The Remuneration Committee reported the main findings from its meeting to the Supervisory Board.

AUDIT COMMITTEE

The Audit Committee comprises Mr. P.P.F.C. Houben (chairman) and Mrs. C.W. Gorter, with the latter considered to be the expert in drawing up and auditing the financial statements. The Audit Committee had five meetings in the year under review. The meetings of the Audit Committee were held in the presence of the external auditor, CFO, Director Internal Audit and Director of Finance & Control of TKH. During two meetings, TKH's Tax Director was present to provide an explanation of national and international tax developments, specific tax themes that are important for TKH - such as the application of the Dutch innovation box regime - specific structuring issues as well as tax compliance and risk management issues.

The Audit Committee discusses with the external auditor the audit plan on the basis of which it carries out its audit activities. The scope and materiality of the audit plan is also discussed, as well as the key risks in the annual reporting that the external auditor has identified in the audit plan. In addition, at each meeting, the Director Internal Audit provides an explanation of his findings in relation to the general audit activities carried out.

An ongoing consideration for the committee is the company's internal risk management and control system. Other topics that are included within the committee's remit and that were discussed were impairment analyses and the impact of the IFRS standards 9, 15 and 16 on the profit and loss account and balance sheet. Because of the relevance of IT & Security for both the day-to-day operations and TKH's business model in the context of software development and R&D, high priority is given to the topic at every Audit Committee meeting. A report explains the results of the IT audits as part of the IT & Security policy and monitors the progress of points for improvement. An overview of possible IT risks forms part of the report.

During the year under review, the key audit matters identified by the external auditor were discussed. These key audit matters focus on, for example, sensitivities and estimates by management with regard to items related to the 'Simplify & Accelerate' program, the valuation of goodwill and non-current intangible assets, the valuation of assets in relation to new business activities, revenue recognition, the valuation of capitalized development costs and compliance with legislation and regulations.

The Audit Committee was informed about the financial treatment under IFRS of the divestment of a majority of the industrial connectivity activities as discontinued operations and its impact on the profit and loss account and on the comparative figures of the previous financial year.

At one meeting, the forensic expert of the external auditor gave a presentation on the subject of fraud risks and corruption. Forensic expertise is used when drawing up the audit plan and when performing the audit activities in order to gain a clearer picture of the risks of fraud and internal control measures, in view of the increasing attention paid to fraud and corruption in society. A specific work program has been drawn up on this subject and presented to the Audit Committee. Possible fraud risk areas have also been identified.

The external auditor explained the Management Letter with its findings in the field of the administrative organization and internal control insofar as relevant for the audit of the financial statements. The most important themes addressed in this context concern the financial closing process in connection with, for example, the impact of the 'Simplify & Accelerate'

program, implementation and application of the Internal Control Framework, capitalized development costs as well as IT audits and the design of TKH's risk management system in the context of cyber security.

The Audit Committee evaluates the performance of the external auditor annually with regard to the quality of the audit activities, the adequacy and implementation of the audit engagement, and the quality and depth of the reports and any additional contributions. The Committee discusses its findings with the external auditor, as well as with the Supervisory Board and Executive Board. The Audit Committee also evaluates the functioning of the Director Internal Audit. Input for the evaluation includes the follow-up of the points for attention and improvement of the audit activities as formulated by the external auditor and TKH with regard to the previous financial year. The Audit Committee also advises the Supervisory Board about the nomination for the (re)appointment of the external auditor and prepares the selection of the external auditor. The observations of the Executive Board are taken into account in this. The Audit Committee then submits a proposal to the Supervisory Board for commissioning the external auditor to audit the financial statements.

Within the framework of the Audit Firms Supervision Act, the partner responsible for the audit of the 2020 financial statements is due for rotation. Accordingly, a selection process for the succession of the current partner was initiated, during which both the Audit Committee and TKH held various interviews with several candidate partners. As a result, Mr. Frank Blenderman has been proposed to the 2019 General Meeting of Shareholders as the partner responsible for the audit of the 2020 financial statements.

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

| Meeting | A. De Profit | M. Kroon | C. Gorter ¹ | P. Houben | R. van Iperen |
|--------------------------------------|--------------|----------|------------------------|-----------|---------------|
| Supervisory Board | 7/7 | 6/7 | 7/7 | 7/7 | 7/7 |
| Remuneration Committee | | 1/1 | | | 1/1 |
| Selection and Appointments Committee | 1/1 | 1/1 | | | |
| Audit Committee | | | 5/5 | 5/5 | |

¹ Mrs. C.W. Gorter has been a member of the Remuneration Committee since 1 December 2019.



COMPANY VISIT TO TKH AIRPORT SOLUTIONS

In 2019, the Audit Committee held a meeting with the external auditor without the Executive Board being present, in accordance with best practice provision 1.7.4 of the Code. It was also established that the external auditor is independent of TKH. The Audit Committee reported the most important findings of its meeting to the Supervisory Board.

EVALUATION

The assessment of the Supervisory Board was supervised this year by an external advisor. The effort and participation of each individual member of the Supervisory Board was discussed one-to-one with them, as well as the decision-making process within the Board, the quality of the decisions, the relation to the (members of) the Executive Board, the performance of the Chairman, the various committees of the Board and the Supervisory Board as a whole. The members of the Executive Board were also interviewed. In a closed meeting, the external advisor explained the outcome of the evaluation. Based on the assessment it was concluded that the Supervisory Board as a whole as well as the individual members functioned properly. The open relationship is marked by mutual respect. The members complement one another sufficiently within the framework

of the advisory and supervisory role towards the company, while covering a wide range of focus areas and representation of expertise. The composition was also discussed in terms of available and desired expertise within the Board.

The communication from the Executive Board to the Supervisory Board takes place in an open, professional and constructive manner so that members of the Supervisory Board have a strong connection with strategic and operational issues. This was confirmed by the way in which the Supervisory Board is involved in the strategic transformation program. It has been determined that there is a good working relationship between the Supervisory Board and the Executive Board, which are also sufficiently critical of one another. This is considered essential for the proper functioning of both Boards. It has also been observed that none of the members of the Executive Board have more than two ‘demanding’ supervisory positions as referred to in the Dutch Management and Supervision Act. The Supervisory Board has no indications of any kind of conflict of interest between the company and members of the Executive Board. The Chairman of the Supervisory Board discussed the findings with the Chairman of the Executive Board.

FINANCIAL STATEMENTS 2019

The Report of the Executive Board and the 2019 financial statements were submitted to the Supervisory Board in accordance with the provisions in Article 31 of the articles of association. The financial statements were submitted for auditing to Ernst & Young Accountants LLP, which subsequently issued an unqualified auditor’s report on the financial statements based on the audit. The Supervisory Board has discussed the financial statements with the Executive Board in the presence of the external auditor, and subsequently approved the financial statements on 4 March 2020. The Supervisory Board submits the financial statements for the 2019 financial year to the AGM and recommends adopting the financial statements. The Supervisory Board is of the opinion that the financial statements constitute a sound basis for the account given by the Executive Board of its management and by Supervisory Board of its supervision of the management. The Supervisory Board also proposes to approve the proposed profit appropriation and to discharge the Executive Board in respect of the policy pursued and the Supervisory Board in respect of the supervision conducted.

FINALLY

The strategic transformation program introduced in the year under review has created a new dynamic in the TKH organization. Under the leadership of the Executive Board, it has been demonstrated that TKH has an enormous drive to make the program a success. The progress that has already been made in the announced actions to make efficiency improvements shows that TKH is a professional and decisive organization that can respond quickly to circumstances. On the other hand, we realize that such a transformation process also involves taking difficult decisions and that the social aspect weighs heavily in this respect. The professionalism that is then shown is exceptional. The Supervisory Board is convinced that the already existing, solid foundation combined with the results from the strategic transition will further strengthen sustainable profitability.

The Supervisory Board would like to take this opportunity to thank TKH's business partners for their long-term business relationship and its shareholders and holders of depositary receipts for the confidence they have shown. We would like to express our sincere appreciation and gratitude to the Executive Board and all TKH employees for their valuable contribution in 2019 and look forward to the further successful implementation of the strategic transformation program.

Haaksbergen, 4 March 2020

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

REMUNERATION REPORT

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

The revised remuneration policy will be proposed by the Supervisory Board for adoption by the 2020 General Meeting of Shareholders, on 7 May 2020, with effect from 1 January 2020. As TKH has not yet received an advisory vote on the remuneration report for the Executive Board (as referred to in Section 135b, Book 2 of the Netherlands Civil Code), TKH cannot yet take into account the votes cast and the positions of shareholders on this matter. It will take such votes and positions into account in the event of future amendments to the remuneration policy, such in accordance with article 1.2. of the remuneration policy. The remuneration policy will be submitted to the General Meeting of Shareholders for adoption every time an amendment is made and at least every four years after it has been approved by and on the proposal of the Supervisory Board. The Remuneration Committee is responsible for developing the remuneration policy and submitting a proposal to the Supervisory Board. The Remuneration Committee has taken into account best practice provision 3.1.2. of the Code.

REMUNERATION POLICY EXECUTIVE BOARD

The remuneration policy aims at providing a competitive compensation package to attract, motivate and retain qualified managers for a publicly listed company, while considering TKH's size and unique characteristics. The policy recognizes the internal and external context as well as the TKH business needs and long-term strategy. The policy is designed to stimulate long-term value creation for TKH and its affiliated companies, taking into account the provisions for good corporate governance. The policy is aimed at motivating performance, using financial and non-financial performance measures, combined with the careful assessment of risks and the right entrepreneurship. The remuneration package is measured

periodically against market trends using information provided by external experts. In addition, the internal remuneration ratios are taken into account. Based on the targets set, the Remuneration Committee performs scenario analyses in respect of the Short-Term Incentive (STI) and Long-Term Incentive (LTI) to be achieved.

The remuneration policy and corporate strategy are aligned by creating specific short-term and long-term targets that link the remuneration of each of the members of the Executive Board to the success of the company. The size of the LTI (Long-Term Incentive) in the total remuneration package and the fact that the members of the Executive Board have to invest for their own account in the same number of shares as they are granted within the framework of the LTI, are important factors in developing values in terms of long-term value creation and the continuity of the company. For the full remuneration policy we refer to the TKH website.

APPLICATION OF THE POLICY IN 2019

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

The Supervisory Board sets targets, as well as their respective weightings and criteria for the year in question, in accordance with the company's strategy and overall structure, taking account of both financial and non-financial factors, as well as personal targets.

In this respect, the Supervisory Board takes the following into account:

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

While financial and non-financial targets focus on the realization of overall strategic business objectives and sustainability ambitions, personal targets should relate to the specific role of the Executive Board as a collective and of each individual member within the Executive Board. The personal targets look at the company's mission and its identity and ESG (environmental, social & governance) targets, as well as important strategic issues for the coming year. The above will ensure that the STI contributes to the strategy, long-term interests and sustainability of TKH.

In formulating the proposal for the remuneration of the members of the Executive Board, the external assessment and the remuneration policy are among the issues to be considered. In accordance with the Corporate Governance Code, the Remuneration Committee takes note of the views of the individual members of the Executive Board with regard to the level and structure of their own remuneration. The remuneration of the members of the Executive Board was externally reviewed in 2017 and adjusted to market conformity, it was concluded at that occasion that the policy pursued with regard to the TRI, STI and LTI meets the objectives set. There has been no deviation from the decision-making process for the implementation of the remuneration policy.

1. Labour market reference group

In order to attract qualified managers for the Executive Board and to retain the current members for the Executive Board for the long-term, TKH takes into account external reference data when determining appropriate remuneration levels. To this end, a specific labour market reference group has been established. The emphasis is on the AMX companies on

Euronext Amsterdam, with a particular focus on companies that are more or less comparable to the company in terms of complexity, size and international scope of their activity portfolio.

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

The following reference group has been used for 2019:

REFERENCE GROUP 2019

AMX

| | |
|-----------------------|--------------|
| Air France-KLM | Corbion |
| Arcadis | Fagron |
| ASM International | Fugro |
| Koninklijke BAM Groep | GrandVision |
| Basic-Fit | PostNL |
| BESI | SBM Offshore |
| Boskalis | Signify |

SECTOR PEERS (international)

| |
|---------------------|
| Aalberts Industries |
| Prysmian |
| Basler |
| Cognex |
| Keyence |

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



TOTAL REMUNERATION EXECUTIVE BOARD

| In thousands of euros | Basic salary (TRI) | | Variable Income (STI) | | Share Plan (LTI) | | Pension costs | | Pension compensation | | Total | Ratio variable to total | | |
|--------------------------------|--------------------|--------------|-----------------------|------------|------------------|--------------|---------------|-----------|----------------------|------------|--------------|-------------------------|--------------|--------------|
| | 2019 | 2018 | 2019 ³ | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | | 2019 | 2018 | |
| J.M.A. van der Lof MBA | 578 | 559 | 203 | 279 | 352 | 581 | 38 | 35 | 153 | 131 | 1,325 | 1,585 | 41.9% | 54.3% |
| E.D.H. de Lange MBA | 433 | 419 | 153 | 209 | 264 | 436 | 16 | 15 | 46 | 45 | 912 | 1,124 | 45.7% | 57.4% |
| H.J. Voortman MSc ¹ | 393 | 226 | 138 | 113 | 240 | 235 | 16 | 10 | 41 | 22 | 828 | 606 | 45.7% | 57.3% |
| A.E. Dehn ² | | 114 | | | | | | 22 | | 12 | | 148 | | |
| Total remuneration | 1,404 | 1,318 | 494 | 601 | 856 | 1,252 | 70 | 82 | 240 | 210 | 3,066 | 3,463 | 44.1% | 53.5% |

¹ Appointment member Executive Board with effect from 3 May 2018. The remuneration presented above is as of the date of appointment.

² Member of the Executive Board until 3 May 2018. Mr. Dehn has also received a severance payment of € 338,000.

³ Realized in 2019, paid out in 2020.

Due to the display of the amount x€ 1,000, rounding differences in total counts may occur.

2. Total remuneration

The remuneration of the members of the Executive Board comprises a basic salary (Total Regular Income: TRI), pension and a variable element comprising an annual performance bonus (STI) and a long-term bonus (LTI) scheme entailing a share scheme. Every three years - or more frequently at the initiative of the Supervisory Board - advised by external experts, an assessment and evaluation of the remuneration is made based on the developments of the labour market reference group referred to in the Remuneration policy. The table above shows the various remuneration components as well as the relative share of the fixed and variable remuneration.

3. Basic salary (Total Regular Income: TRI)

In principle, the basic salary of the Executive Board is adjusted annually, with the collective bargaining agreement for the large-scale metalworking and electrical industry (FME) serving as a guideline. As per 1 January 2019, the adjustment amounted on average 3.45%. For Mr. Voortman, appointed on 3 May 2018, the total increase as per 1 January 2019 amounted € 50,000.

4. Other Emoluments

The other emoluments of the members of the Executive Board are in accordance with what is generally used within the organization.

5. Performance bonus (Short-Term Incentive: STI)

Variable remuneration represents a major component of the remuneration package for the Executive Board. Each year, targets and criteria are formulated in advance on the basis of which the performance bonus can be achieved, and these are set by the Supervisory Board. The amount of the performance bonus is determined by the extent to which targets and criteria are met. On the recommendation of the Remuneration Committee, the Supervisory Board sets the performance bonus amount on the basis of the goals and criteria that have been met. The maximum performance bonus has been set at 60% of basic salary (TRI). Realization 'at target' leads to payment of a bonus of 40% of the TRI.

The realization of 50% of the maximum bonus is based on EBITA targets and 30% is based on organic turnover growth targets. The remaining 20% of the maximum bonus is determined by the achievement of strategic objectives for the Executive Board as a whole and personal objectives for the individual member of the Executive Board. The Supervisory Board has the discretionary power to deviate from the targets set if special circumstances apply. Possible differentiation in the STI per member of the Executive Board takes place because of the final scores on the personal objectives.

The realization of targets for 2019 resulted in an STI for Messrs. Van der Lof, De Lange and Voortman of 35.2%, based on the realization of 88% of the maximum performance bonus.

The Supervisory Board has the discretionary power to reclaim the variable remuneration awarded on the basis of incorrect (financial) data from the members of the Executive Board. In line with the claw-back legislation, payment of the variable remuneration to the members of the Executive Board is subject to the accuracy of the relevant (financial) data.

For 2019, there was no full or partial recovery of a bonus as referred to in Article 135 (8).

6. Share plan (Long-Term Incentive: LTI)

Within the framework of the long-term targets, a share plan is in force which provides for a long-term incentive. The plan makes it possible for members of the Executive Board to acquire shares free of charge, provided that the members of the Executive Board purchase the same number of shares for their own account at the market price then prevailing. The amount of remuneration depends on the development of the following KPIs: Return on Capital Employed (ROCE) and Return on Sales (ROS) in relation to the pre-formulated objectives, and the share price development of the TKH share compared to the AMX index of Euronext Amsterdam (relative share price development). These three KPIs determine whether shares can be awarded and how many shares may be acquired free of charge. The shares acquired and individually purchased in a given year under the LTI plan must be held as a long-term investment and may not be sold for a period of three years.

The performance period of ROS and ROCE is one year, with the performance ranges being set at the beginning of the year, taking into account the medium-term objective. The performance period of the relative share price development is three years. For the 2019 allotment, the period from 1 January 2017 up to and including 31 December 2019 was taken into account. For the ROS, a performance range applies from 0.50 to 1.25, with the at target gives a score of 1.0. The score of this KPI results in a multiplier, which determines the final score achieved.

The ROCE also has a performance range of 0.5 to 1.25, with an at target score of 1.0. The score for this KPI is also equal to a multiplier. The performance range for the relative share price development ranges from 0.75 to 1.50 with an at target score of 1.0.

This score is converted into a multiplier, ranging from 0.5 to 1.8, with 1.0 being the at target multiplier. The level of the allocation of the total LTI is calculated as a multiplier per KPI. These multipliers are multiplied by the standard allotment. The standard allotment is net and is equal to 50% of the gross basic salary (TRI). The gross value of the standard allotment is therefore approximately equal to the gross base salary (TRI). The minimum allotment for the LTI in a year is 0.25 x the standard allotment and the maximum allotment is 2.7 x the standard allotment.

STI PERFORMANCE EXECUTIVE BOARD 2019

| | Description of the performance criteria and type of remuneration | Relative weighting of the performance criteria | Maximum pay-out level (at target = 100%) | Pay-out level based on actual performance | Weighted average pay-out level | Realization (€ x 1,000) |
|------------------------|--|--|--|---|--------------------------------|-------------------------|
| J.M.A. van der Lof MBA | Turnover | 30% | 150% | 102% | 88% | 203 |
| | EBITA | 50% | 150% | 61% | | |
| | Personal targets | 20% | 150% | 135% | | |
| E.D.H. de Lange MBA | Turnover | 30% | 150% | 102% | 88% | 153 |
| | EBITA | 50% | 150% | 61% | | |
| | Personal targets | 20% | 150% | 135% | | |
| H.J. Voortman MSc | Turnover | 30% | 150% | 102% | 88% | 138 |
| | EBITA | 50% | 150% | 61% | | |
| | Personal targets | 20% | 150% | 135% | | |

SHARES EXECUTIVE BOARD

| | Balance 1/1 | Shares free of charge | Individually purchased shares | Disposal (at least 3 years in portfolio) | Balance at year-end |
|---------------------------------------|-------------|-----------------------|-------------------------------|--|---------------------|
| J.M.A. van der Lof MBA | | | | | |
| 2018 (for the 2017 financial year) | 143,147 | 8,562 | 8,562 | -17,124 | 143,147 |
| 2019 (for the 2018 financial year) | 143,147 | 7,548 | 7,548 | -20,096 | 138,147 |
| E.D.H. de Lange MBA | | | | | |
| 2018 (for the 2017 financial year) | 91,468 | 6,421 | 6,421 | -12,842 | 91,468 |
| 2019 (for the 2018 financial year) | 91,468 | 5,661 | 5,661 | -11,322 | 91,468 |
| H.J. Voortman MSc ¹ | | | | | |
| 2018 | | | | | 11,447 |
| 2019 (for the 2018 financial year) | 11,447 | 4,638 | 4,638 | | 20,723 |
| A.E. Dehn ² | | | | | |
| 2018 (for the 2017 financial year) | 45,204 | 5,261 | 5,261 | -5,261 | 50,465 |

¹ Appointment to the Executive Board with effect from 3 May 2018.

² Member of the Executive Board until 3 May 2018.

Based on the actual performance compared to the performance ranges, the following multipliers were achieved per KPI:

- ROS: 0.84
- ROCE: 0.83
- Relative share price development: 1.02

On the basis of these multipliers, the allotment per member of the Executive Board has the following net value:

J.M.A. van der Lof MBA: $0.84 \times 0.83 \times 1.02 \times 50\% \times \text{TRI} = \text{€ } 205,439$

E.D.H. de Lange MBA: $0.84 \times 0.83 \times 1.02 \times 50\% \times \text{TRI} = \text{€ } 154,075$

H.J. Voortman MSc: $0.84 \times 0.83 \times 1.02 \times 50\% \times \text{TRI} = \text{€ } 139,823$

The corresponding gross values are included in the table 'total remuneration' on page 74.

OPTION RIGHTS H.J. VOORTMAN MSc

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

The number of (depository receipts of) shares, associated with the net allotment, will be calculated on the basis of the average closing price of the three trading days from the time of publication of the annual figures.

The shares in question must be held as a long-term investment and may not be transferred for a period of three years after their respective allocation. The share plan involves a financial compensation for the Executive Board since the individual members must buy the same number of shares as the number that are allotted free of charge within the framework of the plan. Because of this financial compensation for the members of the Executive Board, the stipulation is that the shares must be held for at least three years, since this plan imposes a private investment obligation on the individual members of the Executive Board.

No option rights are granted to the members of the Executive Board. Any option rights of a member of the Executive Board were allotted in the period before he became a member of the Executive Board and can be exercised in accordance with the option plan and during the applicable exercise periods. H.J. Voortman's option rights apply to the period before he became a member of the Executive Board. The movement and balance of the outstanding option rights awarded to him are presented in the table below.

7. Pension

The Remuneration Committee is responsible for ensuring that the members of the Executive Board are provided with a pension that is in line with normal practice and consistent with the provisions made for similar positions. In addition, the pension arrangements include the right to benefit in the case of poor health or invalidity and a widow's and orphan's

pension in the event of death. This is subject to conditions similar to those that apply to members of the collective pension fund, i.e. employees of TKH.

8. Pay-ratio

For the sake of transparency and clarity, the company applies a method to calculate the internal pay-ratio. The company's internal pay-ratio is calculated as the average total salary of the members of the Executive Board divided by the average total salary of employees (total salary costs divided by the average number of FTEs). The other elements of the terms of employment have a minor influence on the pay-ratio and as such are not taken into account in its calculation. The Remuneration Committee monitors changes in the pay-ratio on an annual basis and takes this into account when assessing the level of remuneration of the members of the Executive Board.

The pay-ratio is calculated on the basis of the average total salary per FTE within TKH Group and the average total salary of TKH's Executive Board (TRI, STI and LTI). The pay-ratio for 2019 is 18.92 (2018: 21.92).

9. Comparative information on the change in remuneration and operational performance

The table below represents the change of the remuneration of the Executive Board compared with the change of TKH's company performance.

10. Personal loans

The company grants no personal loans or guarantees to Executive Board members.

11. Change of Control

There is no change of control clause in the employment contracts of the members of the Executive Board.

12. Severance pay

The remuneration in the event of dismissal amounts to a maximum of one year's salary (TRI). No severance pay is paid if the contract is terminated prematurely on the initiative of the director or if the director has acted seriously culpably or negligently.

CHANGE OF REMUNERATION EXECUTIVE BOARD AND COMPANY PERFORMANCE

| in thousands of euros stated otherwise | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------|-------|-------|-------|--------|
| Remuneration Executive Board ¹ | | | | | |
| J.M.A. van der Lof MBA | 1,134 | 1,419 | 1,656 | 1,209 | 1,736 |
| E.D.H. de Lange MBA | 850 | 1,064 | 1,116 | 816 | 1,135 |
| H.J. Voortman MSc ² | 772 | 574 | 0 | 0 | 0 |
| A.E. Dehn ³ | 0 | 114 | 916 | 678 | 947 |
| Company performance | | | | | |
| ROS | 11.6% | 11.3% | 10.1% | 10.9% | 11.0% |
| Organic growth | -1.9% | 9.4% | 8.8% | -0.8% | -2.6% |
| CO ₂ reduction (vs 2015) ⁴ | -5.4% | -2.9% | 0.9% | 3.8% | -15.6% |
| Illness rate | 3.26% | 3.47% | 3.35% | 2.98% | 2.91% |
| Average total salary per FTE | 49 | 48 | 47 | 46 | 45 |
| Pay-ratio Executive Board | 18.92 | 21.92 | 26.43 | 19.54 | 28.01 |

¹ On the basis of TRI, STI and LTI.

² Appointment Executive Board with effect from 3 May 2018.

³ Member Executive Board until 3 May 2018.

⁴ 2015: vs reference year 2008.

REMUNERATION POLICY SUPERVISORY BOARD

The policy aims at providing a competitive compensation package to attract, motivate and retain qualified Supervisory Board members for a publicly listed company, while considering TKH's size and unique characteristics. TKH's strategy is directed towards achieving technological leadership with a strong position in seven vertical growth markets. TKH aims to be an attractive employer and to be a solid investment for its shareholders, whereby a socially responsible way of doing business is placed centrally. The policy is designed in the context of national and international market trends, statutory requirements, corporate governance best practice, the societal context around remuneration and the interests of TKH's shareholders and other stakeholders. The compensation package is measured periodically against market trends using information provided by external experts.

The overriding principle of TKH's remuneration policy is to ensure fairness and transparency. The remuneration structure has been designed to promote Supervisory Board members for an adequate performance of their role and is not dependent on the financial results of TKH. The Supervisory Board acknowledges its responsibility to be aligned with the identity, mission and key values of TKH.

In that context, it has been decided to have only a fixed remuneration income and no variable remuneration to be able to have an independent and objective role with respect to the realization of TKH's strategy, the targets, the long-term value creation and sustainability. For the full remuneration policy, we refer to TKH's website.

APPLICATION OF THE POLICY IN 2019

1. Remuneration

The remuneration is aimed at remunerating the members of the Supervisory Board in line with the market on the basis of their activities, experience and the related allocation of roles within the Board and its committees. The remuneration is periodically assessed externally with the same reference group being used as for the Executive Board. The remuneration of a member of the Supervisory Board is not dependent on TKH's results. No shares and/or rights to shares are granted to the members of the Supervisory Board. Any shares held by a member of the Supervisory Board are for long-term investment purposes. The General Meeting of Shareholders adopted the remuneration of the Supervisory Board in 2019, with effect from 1 January 2019.

The remuneration of the Supervisory Board is as follows:

| In thousands of euros | 2019 |
|---|------|
| Chairman Supervisory Board | 60 |
| Member Supervisory Board | 45 |
| Chairman Audit Committee | 10 |
| Member Audit Committee | 7 |
| Chairman Remuneration Committee / Selection and Appointments Committee | 8 |
| Member Remuneration Committee / Selection and Appointments Committee | 6 |

If circumstances require members of the Supervisory Board to perform substantially more than the normal activities (more than 30 days), they will receive a remuneration of € 1,000 for each part of a day with a maximum of € 2,000 per day.

2. Total remuneration

The table below shows the total remuneration of the individual members of the Supervisory Board.

| In thousands of euros | Regular remuneration | Remuneration membership committees | Total | Total |
|----------------------------------|----------------------|------------------------------------|------------|------------|
| | | | 2019 | 2018 |
| A. de Proft MSc, <i>chairman</i> | 60 | 8 | 68 | 47 |
| P.P.F.C. Houben | 45 | 10 | 55 | 44 |
| R.L. van Iperen | 45 | 8 | 53 | 43 |
| C.W. Gorter | 45 | 7 | 52 | 42 |
| J.M. Kroon MBA | 45 | 12 | 57 | 40 |
| M.E. van Lier Lels ¹ | | | 0 | 18 |
| Total remuneration | 240 | 45 | 285 | 234 |

¹ Member of the Supervisory Board until 3 May 2018.

3. Share ownership of the Supervisory Board

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

4. Comparative information about the change of remuneration Supervisory Board

| In thousands of euros | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------------------------|------------|------------|------------|------------|------------|
| A. de Proft MSc, <i>chairman</i> | 68 | 47 | 43 | 36 | 36 |
| P.P.F.C. Houben | 55 | 44 | 44 | 44 | 44 |
| R.L. van Iperen | 53 | 43 | 42 | 42 | 42 |
| C.W. Gorter ¹ | 52 | 42 | 28 | | |
| J.M. Kroon MBA ¹ | 57 | 40 | 24 | | |
| H.J. Hazewinkel ² | | | 27 | 53 | 53 |
| M.E. van Lier Lels ³ | | 18 | 44 | 44 | 44 |
| Total remuneration | 285 | 234 | 252 | 219 | 219 |

¹ As from May 2017.

² Up to and including May 2017.

³ Up to and including May 2018.

CORPORATE GOVERNANCE

TKH Group N.V. a public limited company under Dutch law and voluntarily applies the limited two-tier entity regime. The management of the company lies with the Executive Board under the supervision of the Supervisory Board. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure at TKH and compliance with the Dutch Corporate Governance Code ('Code').

CORPORATE GOVERNANCE AT TKH

CORPORATE GOVERNANCE STRUCTURE

The Executive Board and the Supervisory Board attach great importance to compliance with the principles of integrity, accountability and transparency in the management and oversight of the company. The Governance structure at TKH is based on Book 2 of the Dutch Civil Code, the company's articles of association, the Code and various internal regulations. The main outlines of TKH's Corporate Governance structure, as well as compliance with or derogation from the principles and provisions, were discussed in the 2018 General Meeting of Shareholders. This section provides a substantiation of the most relevant principles and/or provisions and an explanation of the subjects in the Code from which TKH deviates. Additional information on TKH's Corporate Governance is available on the website.

1. LONG-TERM VALUE CREATION

The strategy of TKH is outlined in the report of the Executive Board. Based on the IIRC value-creation model, the way in which the strategy leads to long-term value creation for its stakeholders is detailed. This provides insight into the mutual relationships involved in the implementation of the strategy and the operations, as well as the capital employed to this end. Non-financial aspects of business operations, such as environmental, social and personnel matters as well as risk-management aspects, are carefully considered. Given that the aspects from the Code relating to long-term value creation are covered in detail in the report of the Executive Board, we refer to that report for an explanation of these provisions.

2. EFFECTIVE MANAGEMENT AND SUPERVISION

EXECUTIVE BOARD

Tasks, responsibilities and composition

The Executive Board is charged with managing the company. The Board develops a vision of long-term value creation and formulates an



appropriate strategy, taking account of the acceptable risk profile. The Executive Board is responsible for achieving predefined goals, results development, financing of the company and corporate social responsibility issues that are relevant to the company, such as the environment and social and personnel matters. The Executive Board involves the Supervisory Board early on when formulating and adjusting the strategy and is accountable to the Supervisory Board for its actions.

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

COMPOSITION

The composition and size of the Executive Board are based on TKH's corporate profile and strategy. The Executive Board comprises three members and is composed in such a way that the necessary expertise, background and competences are present to ensure the tasks are fulfilled adequately. The composition of the Executive Board represents a good balance in terms of diversity of background, skills, work experience and age. The Executive Board currently comprises three male members. There is a best effort obligation for larger companies to have the Executive Board composed of at least 30% women and at least 30% men, insofar as these seats are occupied by natural persons. This is not being achieved at the moment. For any future vacancies, gender diversity is a key element, in addition to the quality, expertise and experience of the candidate. TKH has set itself the target of achieving a more balanced spread over the medium-term in terms of gender diversity within the group strategic management. This group plays a key role in the development of TKH Group and acts as a sounding board for the Executive Board, as well as being relevant when it comes to succession planning.

The Executive Board has regulations that describe its tasks, as well as its relationship with various forums, including the Supervisory Board, the shareholders and holders of depositary receipts, the General Meeting of

Shareholders and the employee representation body. For practical reasons, the Executive Board has an internal allocation of duties, aimed at the responsibilities of the individual members for specific functional and business areas.

The Executive Board ensures a balanced and effective decision-making process, while taking account as far as possible of the interests of the stakeholders. Providing clear information in good time is inextricably linked to this.

The Executive Board, both as a whole and each individual member, is independently authorized to represent the company. The members of the Executive Board are appointed by the General Meeting of Shareholders by binding nomination of the Supervisory Board. With regard to the appointment, suspension or dismissal of members of the Executive Board, we refer to provisions in the company's articles of association.

Integrity and ethics

Integrity and ethics form the basic principles of the culture TKH strives for. Any form or appearance of a conflict of interest between the company and the Executive Board shall be avoided, and this shall represent exemplary conduct for the rest of the organization. TKH has a code of conduct that describes the preconditions for daily behaviour. Every employee is given a copy of the code of conduct and is expected to behave accordingly. In outline terms, the Code is discussed annually in the meeting between the Executive Board, the Supervisory Board and the Central Works Council. TKH also applies different systems to thoroughly embed risk awareness in the organization to prevent and manage risks as far as possible. In meetings with the responsible managers and controllers, presentations and training are used to focus attention on ethics and integrity. The Executive Board is alert to signals of (suspected) wrongful conduct and irregularities and has established a procedure to allow the reporting of (suspected) wrongful conduct and irregularities and follows up conscientiously on these reports.

TKH endorses the principles and underlying best practice provisions set out in the Code as they relate to the Executive Board and applies them, unless otherwise stated below.



- The provision with respect to the maximum term of appointment of four years (2.2.1) will not be followed for two of the three Executive Board members. Mr. J.M.A. van der Lof MBA has been employed by TKH since 1985 and was appointed to the Executive Board in 1998, well before the Code came into force. Mr. E.D.H. de Lange MBA has been employed by TKH since 1998 and was appointed to the Executive Board in 2008. TKH's point of view with respect to them both is that existing contractual agreements cannot be broken and that existing contracts of employment are respected and that limiting the term of appointment is not appropriate. For new Executive Board members to be appointed, a maximum term of appointment of four years is observed in compliance with the best-practice provision for such cases. The best-practice provision applies to Mr. H.J. Voortman MSc. At the 2018 General Meeting of Shareholders, Mr. Voortman was appointed to the Executive Board by the General Meeting of Shareholders for a term of four years by binding nomination by the Supervisory Board. The appointment is for a period of four years from the time of closing of said General Meeting of Shareholders until the closing of the Annual General Meeting of Shareholders in 2022.
- In terms of the diversity policy for the Executive Board, the current composition deviates from the target figure for a balanced distribution of seats between men and women in the Executive Board. TKH shall continue to make every effort to increase gender diversity within the Executive Board by expressly factoring this in at the selection and recruitment process, as well as during talent development within the context of succession planning.

INTERNAL AUDIT

TKH has set up a Internal Audit service, comprising the Director Internal Audit assisted by the Internal Auditor. The Director Internal Audit falls under the responsibility of the Executive Board and has direct access to the external auditor and to the Audit Committee. The Supervisory Board maintains oversight of the Internal Audit function, with this oversight being carried out for pragmatic reasons by the Audit Committee. One task of the Internal Audit function is to assess the set-up and the functioning of the internal risk management and control systems as per the COSO Framework.

The provisions that relate to the Internal Audit service and function are endorsed by TKH and as such are implemented in the organization. Where necessary, the internal rules have been brought into line with these provisions. The independent position of the Internal Audit department is a permanent point of attention. In order to ensure that the Internal Audit function meets the highest standards and to guarantee independence and objectivity, the IIA standards (of the Institute of Internal Auditors in the Netherlands) are used as a guideline.

SUPERVISORY BOARD

Tasks and responsibilities

The Supervisory Board has the task of overseeing the way in which the Executive Board executes the strategy for long-term value creation and the general day-to-day business of the company and its affiliated companies. The Supervisory Board also addresses the effectiveness of the company's internal risk management and control systems and the integrity and quality of the financial reporting. In performing its task, the Supervisory Board takes into account corporate social responsibility issues that are relevant to the company and supervises the relationship of the Board with shareholders. The Supervisory Board regularly discusses the strategy, the execution of the strategy and the most important related risks, and provides guidance to the Executive Board. In performing its task, the Supervisory Board is guided by the interests of the company and its affiliated businesses and takes into account the relevant interests of all stakeholders.

The Supervisory Board ensures that it functions effectively. As per the Code, the Board has installed a Selection and Appointments Committee, a Remuneration Committee and an Audit Committee to prepare the Board's decision-making process. It remains primarily the responsibility of the Supervisory Board as a body and the members of the Supervisory Board as individuals to obtain information and form an independent judgement.

The allocation of tasks within the Supervisory Board, as well as the way of working of the Board, are established in its by-laws. The by-laws also include rules on handling actual or potential conflicts of interest of members of the Supervisory Board in relation to TKH. TKH also has a set of rules governing possession of and transactions in securities by



TKH endorses the principles and underlying best-practice provisions as formulated in the Code and applicable to remuneration, and applies them unless otherwise stated below.

- The Executive Board has a share purchase scheme in place and no option scheme. The share plan involves a financial compensation for the Executive Board since the individual members must buy the same number of shares as the number that are awarded ‘free of charge’ within the framework of the plan. Due to this financial compensation for the members of the Executive Board, it is stipulated that the shares must be held for at least three years (3.1.2. v.i.). Given that this scheme requires a private investment obligation of the individual members of the Executive Board, the Supervisory Board is of the opinion that it is fair and reasonable that a term of three years is applied.

GENERAL MEETING OF SHAREHOLDERS

A General Meeting of Shareholders is held annually. Extraordinary General Meetings are held as often as considered desirable by the Executive Board or Supervisory Board and also as often as requested in writing to the Executive Board or Supervisory Board by shareholders and/or holders of depositary receipts, representing at least 10% of the issued capital, with a specification of the topics to be discussed.

TKH endorses the principles and underlying best practice provisions as set out in the Code as they relate to the shareholders and applies them. TKH follows the provision relating to stipulating a response time as stated in the Code but at the same time follows with great interest the developments of the wider public debate that has arisen regarding the functioning and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes that do the most justice to long-term value creation and the interests of all stakeholders.

DEPOSITORY RECEIPTS OF SHARES

Stichting Administratiekantoor TKH Group (‘Stichting Administratiekantoor’) holds ordinary shares in the company. In exchange for these shares Stichting Administratiekantoor issues depositary receipts of those shares. The voting rights to the shares are vested in Stichting Administratiekantoor. If requested to do so by the holders of depositary receipts, Stichting Administratiekantoor gives them authorization to cast

a vote, to the exclusion of Stichting Administratiekantoor, on the shares for which the holder has depositary receipts at a General Meeting of Shareholders specified in the proxy. The authorization is unrestricted and is therefore not subject to any exchangeability limit. Stichting Administratiekantoor is not required by law (Article 2:118a of the Dutch Civil Code) to grant the proxy and may withdraw a proxy that has been given if a) a hostile public offer is announced or made or is expected to be made, b) one or more persons possess at least 25% of the depositary receipts and/or shares, or c) in the opinion of Stichting Administratiekantoor the voting right of a holder of a depositary receipt is fundamentally in conflict with the interest of the company. If Stichting Administratiekantoor avails of one of these possibilities, it must notify the holders of depositary receipts stating reasons.

TKH considers the issue of depositary receipts of shares as an important measure to safeguard the interests of shareholders, holders of depositary receipts and other stakeholders. This means that the company’s intellectual property and thus also its commercial interest are protected, which is also important in terms of the long-term value creation for our stakeholders. Although the Code states that the issue of depositary receipts is not intended as a protective measure, TKH expressly chooses to take this form of protective measure and acts accordingly as per the applicable law as stated in Art. 2:118a of the Dutch Civil Code. This is in derogation to principle 4.4 of the Code.

No depositary receipts have been issued for the cumulative preference financing shares, the cumulative preference protection shares, the priority shares or the registered shares. Further information about TKH’s capital structure as per provision 4.2.6 of the Code and in the sense of the Decree regarding article 10 of the Takeover Directive, is included in the Section ‘The TKH share’ and in the notes to the company financial statements.

Executive Committee of Stichting Administratiekantoor

The Executive Committee of Stichting Administratiekantoor consists entirely of independent members. The Executive Committee does not include any (former) executive directors, (former) non-executive directors, employees or permanent advisers of the company. A member of the Stichting Administratiekantoor Executive Committee may



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be appointed for two periods of four years and thereafter for a period of two years, followed by one more period of two years. Reappointment after eight years is substantiated in the Report of the Stichting Administratiekantoor Executive Committee. The Stichting thereby follows the provisions of the Code.

Exercising voting rights

TKH's articles of association allow the Executive Board to decide that shareholders may exercise their voting rights before the General Meeting of Shareholders by electronic means. TKH offers shareholders and depositary receipt holders the possibility of issuing a proxy to vote in accordance with the e-voting system prior to the General Meeting of Shareholders.

Stichting Administratiekantoor exercises the rights attached to the shares in such a way that the interests of the company and its associated companies and all its stakeholders are protected as well as possible, and does not focus primarily on the interests of the holders of depositary receipts when exercising its voting rights as defined in best-practice provision 4.4.5 of the Code. The Stichting thus exercises its voting right in line with legal provision 2:118a, as described in more detail above under 'depositary receipts of shares'. In the General Meeting of Shareholders, the Executive Committee of Stichting Administratiekantoor may on request issue a statement of its intended voting conduct. This method of exercising its voting rights in relation to the shares derives from the function of 'depositary receipts of shares' as described above.

CORPORATE GOVERNANCE STATEMENT

This is a statement concerning Corporate Governance as referred to in article 2a of the Decree on the content of the report of the Executive Board (the 'Decree'). The information required to be included in this Corporate Governance statement pursuant to articles 3, 3a and 3b of the Decree can be found in the following chapters, sections and pages of the Report of the Executive Board 2019 and are deemed to be included and repeated in this statement.

- The Corporate Governance Code applies to TKH. The information concerning compliance with the principles and best practice provisions from the Dutch Corporate Governance Code as required by article 3 of the Decree can be found in the chapter on 'Corporate Governance'.

- The information concerning the main features of the internal risk management and control system relating to the financial reporting process of the TKH Group as required by article 3a sub a of the Decree can be found in the chapter on 'Risk Management'.
- Information regarding the functioning of the General Meeting and the main authorities and rights of the shareholders and holders of depositary receipts in shares as required by article 3a sub b of the Decree, can be found in the sections on 'Corporate Governance' and 'The TKH Share'.
- The information regarding the composition and functioning of the Executive Board, the Supervisory Board and its Committees as required by article 3a sub c of the Decree can be found in the chapters 'Corporate Governance', 'Report of the Supervisory Board' and 'Developments & Results'.
- The diversity policy regarding the composition of the Executive Board and the Supervisory Board, including the policy objectives, as well as the way in which the policy has been executed and the results of this over the last financial year (Art. 3a sub d of the Decree), as well as the measures to achieve the envisaged situation and over which term, are described in the sections 'Corporate Governance', 'Developments & Results' and 'Report of the Supervisory Board'.
- The information referred to in the Takeover Directive (Article 10) as required by article 3b of the Decree can be found in the chapters on 'Corporate Governance' and 'The TKH Share' and in the notes to the consolidated and company financial statements.

This Corporate Governance statement can also be found on TKH's website.

RISK MANAGEMENT

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

RISK MANAGEMENT STRUCTURE

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

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

The risk management policy is tailored to the size and decentralized structure of TKH. The components of the TKH risk management policy are assessed by the Internal Audit department, with the activities focusing on the continued operations. Each operating company's main strategic, operational, financial, reporting and compliance risks are identified and analyzed and their potential impact on the operating company is determined. The results of these analyses are discussed with the Executive Board. At least twice a year, the most important findings of this review are discussed by the Director Internal Audit with the Audit Committee of the Supervisory Board. The Executive Board, internal Legal Advisor, Director Finance & Control and the Compliance Officer also evaluate the risk management system. The design and operation of the internal risk management and control systems for external financial reporting are also assessed by the external auditor in the context of the audit of the financial statements. The outcomes of this and impact on the audit strategy are discussed with the Executive Board and the Audit Committee.

RISK CULTURE

An open, transparent culture with sufficient critical capacity of the organization is a prerequisite for dealing properly with risks, responsibilities and competencies and for recognizing these in good time. TKH views a suitable risk management model as an important tool which enables it to create value in the long-term.

TKH has a continuous focus on risk awareness as an integral part of the culture. The pursuit of a balanced risk profile is embedded in the culture by means of short lines of communication and is supported by a tight monitoring of agreed objectives through a comprehensive KPI dashboard.

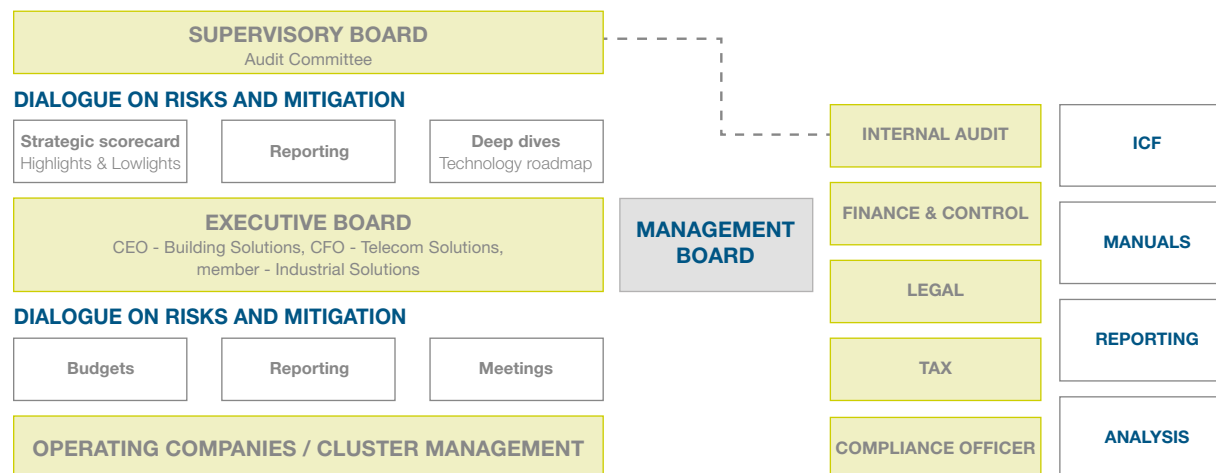
Staff are expected to be aware of the core values of our actions and our risk profile and to feel responsible for the (potential) risks they take. They are also expected to adhere to TKH's culture principles and to act in accordance with the TKH Code of Conduct. This Code is fundamental to everything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

DEVELOPMENTS IN 2019

In the year under review, the internal risk management system was evaluated and a number of improvements were made. The activities carried out by Internal Audit did not result in any material findings at group level with regard to the administrative organization and internal control. If a shortcoming in the administrative organization and internal control has been observed, areas for improvement are identified.

Continuous monitoring takes place in order to adjust the analyses to changing internal and external conditions if necessary. In 2019, the still missing (non-primary) processes for the most important operating companies were included in the Internal Control Framework. This has become part of the periodic financial reporting. In 2020, the processes of the other operating companies that are still missing will be integrated into the Internal Control Framework.

RISK MANAGEMENT STRUCTURE



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

TKH is active worldwide, where it is important that all entities report on the same financial principles and provide the same high quality of reporting, in line with the TKH Reporting Manual. During the year under review, thorough attention was paid to the implementation of the new reporting standard in the field of leases (IFRS 16) and monitoring of recently implemented reporting standards in the field of revenue recognition (IFRS 15) and financial instruments (IFRS 9).

In order to ensure sufficient audit of the Internal Control Framework and other risk management components, it has been decided to further expand and strengthen the Internal Audit function. This also provides a better guarantee of independence within the activities of Internal Audit. The recruitment procedure has already started. For specific themes, external specialists are used on a project basis. For further professionalization of the Internal Audit function, the IIA standards (of the Institute of Internal Auditors in the Netherlands) are consulted.

RISK PROFILE AND RISK APPETITE

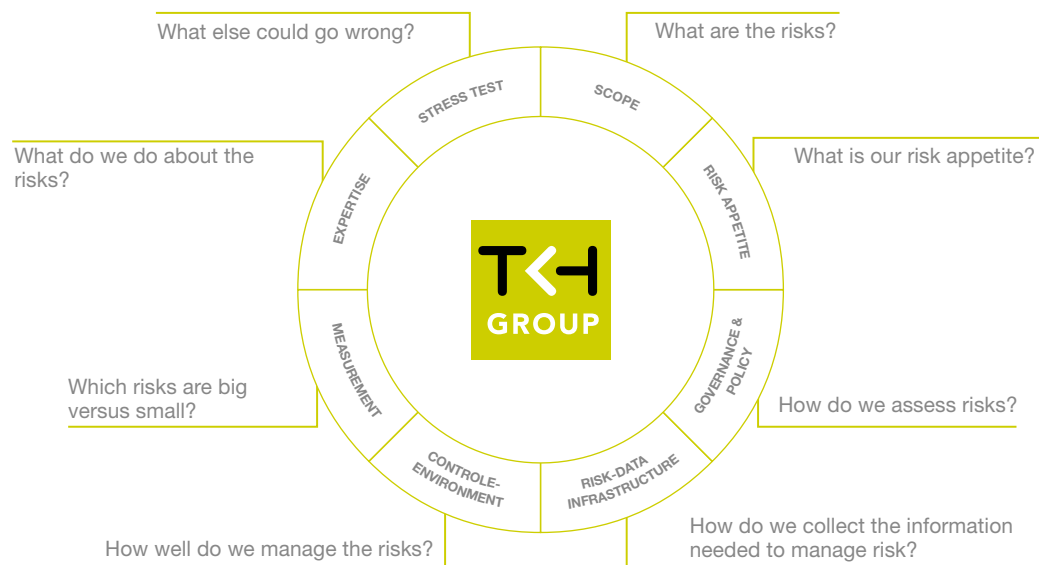
The most important risks have been identified and clustered into four categories: strategic risks, operational risks, financial and reporting risks and compliance risks. For each risk we then appraise the possible impact on the organization and the probability that this risk will occur. The impact includes financial and non-financial factors such as reputation.

It is the duty of the Executive Board to weigh the business opportunities against the expectations and interests of shareholders, employees, financiers, supervisors and other strategic stakeholders. Decisions regarding changes or fine-tuning of our business models are taken by the Executive Board in accordance with the risk appetite of TKH. A balance is explicitly sought between acceptable risk on the one hand and the entrepreneurship conducted in the context of long-term value creation on the other.

RISK OVERVIEW

As part of the strategy process, four priority areas have been identified: Innovative, Value Creation, Talent Empowerment and Being Responsible. Based on these pillars, we have determined our strategic direction and have defined specific objectives in order to flesh out the strategic process. The TKH value creation process is dynamic and ongoing. It seeks to use our business processes to respond to our stakeholders' needs and requirements and to identify opportunities and risks at an early stage which are driven by economic, geopolitical, ecological, sustainable, social and technological trends. Subjects that are material for both TKH and our stakeholders influence the TKH business operations. The risk connectivity matrix on the next page shows the most important risks for TKH and the strategic pillar from which these risks are addressed. In addition, a link has been made with the material themes for TKH and for our stakeholders as included in the materiality matrix ('Stakeholders' section).

RISK CULTURE





RISK CONNECTIVITY MATRIX

| RISK AREA | RISK | RISK DESCRIPTION | STRATEGIC PILLAR | MATERIAL THEMES | RISK TREND | RISK APPETITE |
|-------------------------|----------------------------|--|--------------------|---|------------|---------------|
| STRATEGIC | 1. MARKET & GEOPOLITICS | Influence of global economic and geopolitical developments on the execution of the strategy and financial position and results of TKH. | VALUE CREATION | 5 Financial targets 6 Dividend policy 7 Share price performance | ▲ | ● |
| | 2. TECHNOLOGY & INNOVATION | Threat to TKH long-term value creation due to insufficient technology development and innovation. | INNOVATIVE | 1 Innovation and technologies 4 Portfolio management | = | ● |
| | 3. M&A AGENDA | Failure to successfully integrate and divest (acquired) companies can result in lower than expected profit contribution and the risk of impairment. | VALUE CREATION | 4 Portfolio management | = | ● |
| OPERATIONAL | 4. PROJECT MANAGEMENT | Risk of projects not being delivered according to specification, agreements and planned margins. | VALUE CREATION | | ▼ | ● |
| | 5. IT & SECURITY | Risk of breach of data availability, confidentiality and integrity (including IP). | INNOVATIVE | 2 IT Security & Privacy | ▲ | ● |
| | 6. STAFF | Shortage of well-qualified staff and inability to retain qualified staff. Health and safety incidents can cause risks for employees and lead to business stagnation. | TALENT EMPOWERMENT | 9 Good employment practices 10 Health & safety 11 Education & training courses 12 Diversity in the workforce 13 Sustainable employability | ▲ | ● |
| FINANCIAL AND REPORTING | 7. CURRENCIES | Volatility of currencies which puts pressure on profit margins. | VALUE CREATION | | ▲ | ● |
| | 8. RAW MATERIALS | Limited availability of energy and raw materials, volatility of raw material prices which puts pressure on profit margins. | VALUE CREATION | 16 CO ₂ reduction 17 Waste reduction | = | ● |
| | 9. REPORTING | Risk that TKH's reporting contains material errors. | VALUE CREATION | | = | ● |
| COMPLIANCE | 10. LEGAL & REGULATORY | Damage (including reputation) due to violation of legislation and regulations including export and sanctions regulations, unfair competition, fraud, corruption and bribery. | BEING RESPONSIBLE | 14 Integrity | = | ● |
| | 11. TAX | Damage (including reputation) due to violation of tax legislation and regulations. | VALUE CREATION | 8 Responsible tax policy | = | ● |

▲ increased = equal ▼ decreased ● avoiding ● low ● medium ● high



OUR MAIN RISKS STRATEGIC

MARKET & GEOPOLITICS

Influence of global economic and geopolitical developments on the execution of the strategy and financial position and results of TKH. Economic and political confrontations between world powers (trade tariffs) and the erosion of trade agreements can impact TKH's turnover and results.

SPECIFIC RISK MITIGATION MEASURES

- Spread of activities across multiple product/market combinations.
- Internal efficiency programs and cost reduction programs.
- Roll-out of the 'Simplify & Accelerate' program.
- Flexible shell by making use of temporary staff and by outsourcing the production of mainly commodity products.
- Geographical spread across Europe, North America and Asia.
- Strong financial balance sheet and position.

PLANNED ACTIONS IN 2020

- Continuous attention to risk analysis during the execution of the strategy and strategy transformation program.

RISK APPETITE ●

RISK TREND ▲

TECHNOLOGY & INNOVATION

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

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

SPECIFIC RISK MITIGATION MEASURES

- Realize at least 15% of the turnover with innovations that have been introduced in the two previous years.
- Continuous attention on innovation and the (execution of the) R&D roadmap.
- Approximately 4% of turnover is spent on R&D.
- Focus on vertical growth markets.
- Integration of operating companies in order to focus the deployment of R&D capacity.

PLANNED ACTIONS IN 2020

- A greater focus will be placed on the time-to-market of R&D developments.
- Continuous attention is paid to the effectiveness of R&D expenditure, the execution of the R&D roadmap and further integration of technologies.
- Further rollout of the 'Simplify & Accelerate' program.

RISK APPETITE ●

RISK TREND ▬

M&A AGENDA

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

SPECIFIC RISK MITIGATION MEASURES

- Procedures and guidelines for the implementation of a due diligence process.
- Rapid integration in the TKH reporting and control systems.
- Harmonization of business processes and systems where necessary and desirable.
- Continuous attention to the identification, creation and utilization of synergy effects.

PLANNED ACTIONS IN 2020

- Continuous focus on portfolio management, taking into account the correct alignment with the TKH strategy.
- Rollout of the 'Simplify & Accelerate' program.

RISK APPETITE ●

RISK TREND ▬



OPERATIONAL

PROJECT MANAGEMENT

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

- Integration of solutions into a total solution.
- Complex and extensive projects.
- New and innovative processes.

SPECIFIC RISK MITIGATION MEASURES

- Investment in qualified staff. Training and education of staff.
- Guidelines and procedures for approving projects with an above-average risk, project management and adequate project administration. High-risk projects are excluded.
- Important projects are discussed at quarterly meetings between the Executive Board and local management.
- Large projects with an above-average risk are monitored on a regular basis, if necessary with increased involvement of the Executive Board and/or Management Board.

PLANNED ACTIONS IN 2020

- Direct involvement in important projects.
- Experiences are constantly evaluated and included in the risk model, which can lead to a tightening of acceptance criteria.

RISK APPETITE ●

RISK TREND ▼

IT & SECURITY

IT & Security concerns the risk of breach of data availability, confidentiality and integrity (including IP). This also includes cyber-attacks that violate data (including IP) to disrupt business operations and infrastructure and steal money.

The following elements are important in this respect:

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

SPECIFIC RISK MITIGATION MEASURES

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

PLANNED ACTIONS IN 2020

- Performance of IT audits at operating companies. Attention will also be paid to following up the recommendations made.
- Workshops and knowledge meetings will be organized on current IT themes, partly to raise internal awareness.

RISK APPETITE ●

RISK TREND ▲

STAFF

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

SPECIFIC RISK MITIGATION MEASURES

- Performance/Talent management program per operating company.
- Management Development Program.
- Regular employee satisfaction surveys.
- Use good reputation as an attractive employer to recruit talented employees.
- Cooperation programs between operating companies and with training institutes.
- Use 'Employer branding' to reach future talent and arouse their interest.
- Increased attention to safety by tightening safety standards and creating even better safety awareness.

GEPLANDE ACTIES 2020

- Various specific programs were set up to draw attention to diversity within the organization. There are programs for middle and senior management in order to improve the balance in gender diversity in terms of positions but also in consultation structures. In our appointments policy, we are committed to providing a suitable working environment for people who are distanced from the labour market.
- In order to recruit new talent, TKH will intensify the contacts with business schools and universities.
- When recruiting external candidates, we increasingly use employer branding as well as referral recruitment, where employees are asked to nominate new colleagues.
- We will continue to pay special attention to vitality and health and will roll out the vitality program to other operating companies in 2020.
- Increase safety awareness.

RISK APPETITE ●

RISK TREND ▲

FINANCIAL AND REPORTING

CURRENCIES

Volatility of currencies which puts pressure on profit margins.

SPECIFIC RISK MITIGATION MEASURES

- Treasury Statute that establishes the currency risk management, including responsibilities, authorizations and reports.
- Material exchange rate risks are hedged in accordance with the Treasury Statute if these risks cannot be passed on in the market.
- Exchange rate risk that arises from the translation of net investments in currencies other than the euro is partly hedged for the most important currencies by financing investments in local currency. Monetary assets and liabilities in the same currency are netted as much as possible.
- Time differences between the settlement of forward transactions and sales and purchase contracts are overcome by using foreign currency bank accounts or by rolling over forward contracts.

PLANNED ACTIONS IN 2020

- Constant attention is paid to exchange rate developments and mitigating measures are being continued.

RISK APPETITE ●

RISK TREND ▲

RAW MATERIAL PRICES

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

SPECIFIC RISK MITIGATION MEASURES

- Economic stock positions are limited as far as possible.
- The copper positions of each operating company are monitored for the economic stock positions, stock prices, rate of turnover and expected relationship between copper prices and selling prices (price elasticity).
- Price developments are incorporated as far as possible in the selling price of products and/or services or where possible temporarily hedged on the futures market.
- Every month price developments, economic stock positions and hedges are discussed by a committee made up of members from various disciplines and chaired by TKH's CFO.
- Derivatives are used to a limited extent to hedge the price risk on free inventories.
- Important raw materials such as copper are purchased forward in order to eliminate price risks on the sale of finished products, if:
 - A sales contract is concluded at a fixed price;
 - Delivery does not take place within one month; and
 - A significant amount of raw material is needed for the production.

PLANNED ACTIONS IN 2020

- Constant attention is paid to raw material price developments and mitigating measures are being continued.

RISK APPETITE ●

RISK TREND =

REPORTING

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

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

SPECIFIC RISK MITIGATION MEASURES

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

PLANNED ACTIONS IN 2020

- The TKH Manual will be completely updated in 2020.
- Further increase of internal awareness with respect to TKH guidelines by providing training materials and tools to operating companies.
- A controller meeting will once again be organized in 2020 to discuss important and current issues.

RISK APPETITE ●

RISK TREND =

COMPLIANCE

LEGAL & REGULATORY

Non-compliance due to violation of legislation and regulations and internal guidelines can result in damage (including to reputation). This relates to, for example:

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

SPECIFIC RISK MITIGATION MEASURES

- Internal guidelines relate to, for example, internal control measures, responsibilities and authorization requirements of the management.
- Internal guidelines regarding compliance with sanction and export regulations, including a procedure in respect of supplies to sanctioned countries.
- Monitoring of financial flows by TKH in part by monitoring:
 - the transactions executed through the central treasury system;
 - the establishment of banking authorizations;
 - the setting of credit limits for each operating company, with no local credits being permitted with banks outside TKH's banking group, unless TKH has granted permission for this.

- The use of banks prescribed by TKH unless another bank is required at the local level because only a local bank is able to perform the required service.
- During controller meetings and the international management meeting attention is paid to the issues of fraud, corruption and bribery by means of theory and case studies.
- The work with agents and intermediaries is framed by guidelines and contracts.
- By means of the TKH Code of Conduct, all our employees are aware of how they should do business honestly and by signing this have agreed to act accordingly.
- In all layers of our company compliance with internal guidelines relating to integrity and behaviour is strictly monitored (zero tolerance).
- The Internal Audit department also performs internal audits on non-financial information.

PLANNED ACTIONS IN 2020

- In 2020, the Internal Audit department will conduct more audits of non-financial information, including the realization of corporate social responsibility objectives.
- Further increase of internal awareness with respect to TKH guidelines by providing training materials to operating companies. In 2020, the controller meeting will again focus on export and sanctions regulations, fraud, corruption and bribery.

RISK APPETITE ●

RISK TREND ▬

TAX

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

SPECIFIC RISK MITIGATION MEASURES

- Centralized monitoring of compliance and developments in (new) legislation and regulations in the tax field (both national and international), sanction regulations and general legal developments, with attention to specific risks in the areas of transfer pricing, permanent establishment and VAT.
- Availability and development of transfer pricing documentation in accordance with OECD guidelines as well as compliance with local regulations.
- Periodic monitoring of the financial performance of operating companies in accordance with the transfer pricing documentation.
- Develop good relations with tax authorities based on mutual respect, transparency and trust. In the Netherlands, a horizontal monitoring covenant has been agreed with the Dutch Tax and Customs Administration in this context.
- Make use of external (tax) advisors for specialized subjects.
- Rollout of a Tax Control Framework.
- Tax reports, including standardized tax reporting packages for determining the tax position, which are also used for determining the tax position in the financial statements as well as 'country-by-country' reporting.
- During controller meetings, theory and case studies are used to address both professional tax issues as well as other tax issues, such as tax dilemmas.

PLANNED ACTIONS IN 2020

- Further optimization and deepening of the monitoring tool on applied transfer pricing.
- Continuous attention is paid to compliance in the field of taxation.

RISK APPETITE ●

RISK TREND ▬

OTHER RISKS

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

STRATEGIC

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

OPERATIONAL

- Disasters within production facilities, for example as a result of climate change.
- Important raw materials and technical components are unavailable or available in limited quantities.

FINANCIAL AND REPORTING

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

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

For the most important risks, the impact on the result and financial position of TKH is where possible quantified should these risks occur.

A sensitivity analysis is also included.

In the financial statements, including in note 22, the objectives and policy of TKH are outlined with regard to the use of financial instruments for risk management, also in the context of hedging the risks associated with all major types of transactions to which TKH is exposed as regards capital, liquidity, interest, currency, credit and price risks.

GOING CONCERN AND PROSPECTS

We have prepared a budget that includes projections of cash flows and liquidity requirements for the coming year. This forecast takes into account current market conditions, possible changes in results based on these conditions, as well as our ability to change our cost structure as a result of changing economic conditions and turnover levels. In the budget we have also taken account of the total available cash and cash equivalents of € 79.0 million as at 31 December 2019, the possibility of renewing financing agreements and attracting additional financing, and whether we operate within the financial ratio agreed with the banks in the covenant. On this basis, we are of the opinion that our available funds at the end of 2019 will be sufficient to finance our activities, investments and existing contractual obligations for at least the next twelve months.

QUANTIFICATION OF RISKS AND SENSITIVITY ANALYSIS

| | CHANGE | IMPACT | ON | ASSUMPTIONS | RELATES TO RISK |
|------------------------------------|--------|----------------|-------------------|---|---------------------------------|
| Turnover | 1% | € 7.2 million | EBITA | No adjustment of operating costs. | 1, 2, 3, 7, 8 |
| Raw material price copper | 10% | € 0.8 million | EBITA | No derivatives to hedge price risks. | 8 |
| Gross margin | 1% | € 14.9 million | EBITA | No adjustment of operating costs. | 1, 2, 3, 7, 8 |
| Operating costs | 1% | € 6.2 million | EBITA | No adjustment of turnover / gross margin. | operational and financial risks |
| Currencies - financial instruments | 10% | € 4.7 million | Result before tax | All other variables remain constant. | 7 |
| Currencies - financial instruments | 10% | € 26.0 million | Group equity | All other variables remain constant. | 7 |
| Interest | 1% | € 3.8 million | Result before tax | Net bank debt including deduction of interest rate swaps held at variable interest rates. | financial risks |
| Interest - financial instruments | 1% | € 0.8 million | Group equity | Based on concluded interest rate swaps. | financial risks |

MANAGEMENT STATEMENT

The Executive Board is responsible for the design and effectiveness of the internal systems for risk management and control. The purpose of these systems is to identify and effectively manage the significant risks to which the company is exposed. However, they can never provide an absolute guarantee that the group will achieve its objectives and cannot entirely prevent major errors or losses, incidents of fraud or actions in breach of laws and regulations.

During the year under review, Internal Audit assessed the administrative organization and internal control of the group companies. Attention was paid to the most important risks and current themes. Improvements were identified where non-material shortcomings in the administrative organization and internal control were observed. The Director Internal Audit discussed the results of his activities with the Executive Board and reported the main findings to the Audit Committee. The activities performed did not result in any material findings at group level with regard to the administrative organization and internal control. Based on the financial results for the 2019 reporting year and the expectations for the 2020 reporting year, the Executive Board has assessed the company's assumption of going concern. The Executive Board assesses the strategic, operational, financial and reporting risks and compliance risks, as well as the design and effectiveness of the internal risk management and control systems as described in the section on 'Risk Management'.

An explanation of the non-financial information in accordance with the Decree on the Disclosure of Non-Financial Information can be found in the management report in the sections on 'Development & Results', 'Remuneration Report', 'Risk Management', 'Corporate Governance at TKH' and 'Report of the Supervisory Board'.

The effectiveness and functioning of the internal risk management and control systems are discussed each year with the Audit Committee and the Supervisory Board. Taking into account the aforementioned risks and the measures designed to manage them, and in accordance with the best practice provision I.4.3. of the Dutch Corporate Governance Code, the Executive Board declares that to the best of its knowledge:

- i. the report provides sufficient insight into any shortcomings in the operation of the internal risk management and control systems;
- ii. the above-mentioned systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance;
- iii. the current situation justifies financial reporting on a going concern basis; and
- iv. the report contains the material risks and uncertainties that are relevant to the expectation of the company's continuity for a period of twelve months after the preparation of the report.

With reference to Section 5.25c(2c) of the Financial Supervision Act (Wft), the Executive Board declares that to the best of its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit of TKH and the companies included in the consolidation;
- the management report gives a true and fair view of the situation on 31 December 2019, the state of affairs at TKH and its affiliated companies during 2019, the details of which are presented in the financial statements, and that the management report describes the fundamental risks facing the company.

Haaksbergen, the Netherlands, 4 March 2020

J.M.A. van der Lof MBA, *Chief Executive Officer*

E.D.H. de Lange MBA, *Chief Financial Officer*

H.J. Voortman MSc, *member of the Executive Board*



THE TKH SHARE

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

OPTIONS ON SHARES

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

TKH'S SHARE STRUCTURE

- With the exception of registered shares, ordinary shares in the company are transferred by notarial deed to Stichting Administratiekantoor TKH Group ('Stichting Administratiekantoor'). In exchange for these shares Stichting Administratiekantoor issues depositary receipts of shares. The voting rights to the shares are vested in Stichting Administratiekantoor. If requested to do so by the depositary receipt holders, Stichting Administratiekantoor authorizes them to cast a vote to the exclusion of Stichting Administratiekantoor based on the shares for which the holder has depositary receipts in the general meeting specified in the relevant proxy. The authorization is not restricted and is therefore not subject to any conversion limit. Under the terms of Section 2:118a of the Dutch Civil Code, Stichting Administratiekantoor is not required to issue a proxy and may revoke one. The protection afforded by the use of depositary receipts is based on the 1% rule. The depositary receipts may be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes shares owned indirectly as well as directly.
- Priority shares are managed by the foundation, Stichting Prioriteit, which comprises the company's Executive Board members. The foundation may not alienate, pledge or otherwise encumber shares. No special rights have been assigned to priority shares.
- By means of a call option TKH has conferred on Stichting Continuïteit the right to acquire cumulative protective preference shares in TKH subject to a maximum of 50% of the amount of the other shares outstanding at the time of placement of the protective shares or 100% where the limitation on conversion of depositary receipts ceases to apply.

At the end of 2019 the company's issued share capital amounted to 42,821,763 ordinary shares issued at a nominal value of € 0.25, of which depositary receipts have been issued for 42,691,949 and 4,000 are priority shares with a nominal value of € 1.00. At the end of 2019 the company

held 826,898 (depository receipts of) shares. Further information on the capital structure of TKH is included in note 7 of the company financial statements. This information is part of the management report by means of a reference.

The dividends paid in 2019 were issued to the holders of (depository receipts of) shares in cash.

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

KEY FIGURES PER (DEPOSITORY RECEIPTS OF) ORDINARY SHARES

| | 2019 | 2018 |
|---|------------|------------|
| Annual turnover of shares | 25,936,902 | 20,214,598 |
| Highest price | € 55.05 | € 60.15 |
| Lowest price | € 38.82 | € 38.36 |
| Closing price | € 49.90 | € 40.70 |
| Net earnings per share | € 2.72 | € 2.58 |
| Dividend | € 1.50 | € 1.40 |
| Price-earnings ratio as at the end of the financial year | 18.4 | 15.8 |
| Dividend yield on closing price | 3.0% | 3.4% |
| Market capitalization at end of financial year (in € millions) | 2,136 | 1,742 |

DISCLOSURE OF OWNERSHIP AND EQUITY INTERESTS

In accordance with the requirements governing the disclosure of ownership and equity interests, any interests in a company's issued share capital of 3% or more must be reported to the Netherlands Authority for the Financial Markets (AFM). In so far as TKH is aware and based on the AFM register 'Substantial subsidiaries and gross short positions' the following interests of 3% or more in TKH are disclosed. The table on the right is based on disclosures until 4 March 2020.

| Mandatory Disclosing Party | Interest | Date of Last Disclosure |
|---------------------------------------|----------|-------------------------|
| Allianz Global Investors GmbH | 10.01% | 09-2017 |
| ASR Nederland NV | 5.11% | 10-2008 |
| Kempen Oranje Participaties NV | 3.77% | 04-2011 |
| Lucerne Capital Management, LLC | 5.62% | 08-2019 |
| Navitas BV | 5.75% | 11-2006 |
| Teslin Participaties Coöperatief U.A. | 5.01% | 07-2017 |

DIVIDEND POLICY

TKH aims for an attractive return for its shareholders, which is also reflected in an appropriate dividend policy. Healthy balance sheet ratios are very important to the continuity of the company. In determining the distributable dividend, TKH takes into account the amount of profit the company needs to retain to carry out its medium- to long-term plans, while maintaining solvency of at least 35%. Based on the growth targets for the coming years, TKH will aim for a pay-out of between 40% and 70%.

SHARE ISSUES

Shares are issued pursuant to a decision taken by the Executive Board. The decision is submitted to the Supervisory Board for its approval. The extent of this power on the part of the Executive Board is determined by means of a resolution adopted by the General Meeting and does or will not exceed the equivalent of all of those shares in the company's authorized capital which have not yet been issued. During the general meeting held on 6 May 2019 this power was extended until 6 November 2020. The directive applies to issue ordinary shares and cumulative preference financing shares jointly apply up to a total of 10% of the total nominal value of the issued shares at the time of issue.

PURCHASE OF OWN SHARES

Subject to specific conditions stipulated in the company's articles of association and acting pursuant to a decision taken by the Executive Board, the company may acquire (depository receipts of) shares in its own capital in return for valuable consideration being a price equivalent to the sum of, on the one hand, the nominal value which they represent or, on the other, one hundred and ten per cent (110%) of their listed price. The decision is submitted to the Supervisory Board for its approval.



FINANCIAL CALENDER

6 MAY 2020

Market update

7 MAY 2020

General Meeting of Shareholders

11 MAY 2020

Ex-dividend

12 MAY 2020

Record date

15 MAY 2020

Dividend payable

11 AUGUST 2020

Publication interim results 2020

17 NOVEMBER 2020

Market update

During the General Meeting held on 6 May 2019 the power for the company to acquire shares in its own capital was conferred on the executive board for a period of 18 months as of that date. Amongst other things, this authorization may be utilized for the purposes of purchasing shares for share and option schemes.

EMPLOYEE STOCK OPTION AND SHARE PURCHASE SCHEMES

Every year option rights on (depository receipts of) ordinary TKH shares are awarded to the management of TKH and its operating companies. Such options may not be exercised until after disclosure of the company's annual figures following a waiting time of three calendar years after the year in which those options were awarded and they may be exercised within a period of two years. The conditions governing participation are set out in internal regulations to which the participants have consented in writing. No employee options are awarded to members of the Executive Board but a share scheme applies in relation to them.

PREVENTION OF INSIDER TRADING

In order to ensure that any person who is deemed to be an insider within TKH does not engage in insider trading, TKH has introduced regulations to comply with the European Market Abuse Regulation (EU No. 596/2014 – “MAR”). That group of people has consented in writing to act in accordance with those regulations. The Company Secretary serves as Compliance Officer and oversees appropriate compliance with the legislation and regulations governing insider trading and other compliance risks.

INVESTOR RELATIONS POLICY

TKH's investor relations policy is designed to ensure that actual and potential shareholders, analysts and other financial stakeholders are provided with relevant, strategic, financial and other material information as accurately, carefully and punctually as possible, so as to afford them an insight into our company, current developments and the markets in which we operate. We maintain frequent contact with major and other shareholders, interested institutional investors and analysts through roadshows, conferences, company visits and one-on-one discussions. A Capital Markets Day was organized on 12 June 2019 in which the 'Simplify & Accelerate' strategy program was explained.

An update was also given on developments within some vertical growth markets. All publications, presentations, meetings, other announcements (non-financial or otherwise), appointments and explanations occur subject to the applicable regulations and guidelines issued by Euronext Amsterdam and the Dutch Authority for the Financial Markets (AFM), the Dutch financial markets regulatory authority. In this respect care is taken to ensure that such information is equally and simultaneously supplied to all stakeholders and that it is readily accessible. By means of the annual report, the interim report, webcasting, the website and through other financial reporting, we strive for transparent reporting.

INVESTOR RELATIONS

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

More information is available about TKH and its operating companies on its website at www.tkhgroup.com or through the Company Secretary, Mrs. R. Dieperink MBA.

PRICE INDEX TKH / AMX



SECTION

THE POWER OF TKH

In order to be successful, and to remain so, continuous innovation is a must. TKH has been working hard on its four defined core technologies over the past few years, with a clear focus on specific applications and uses. The driving force behind this is the combination of the core technologies to reach innovative solutions. This helps us to tap into new markets and make our contribution to efficiency, security or sustainability for our customers.

The decisive factors for our product strategy and development are technological applications such as Interactive Voice Response (IVR), Machine Vision, Artificial Intelligence (AI) and Machine and/or Deep Learning. For that reason we are continuously investing, so that we can retain the technological edge we have built up, and then go the extra mile. This means that the time-to-market reduces and it also allows us to take full advantage of opportunities.

In this section, we present examples of the distinctive strength of our technologies and comprehensive solutions in the market. They provide a return for our customers due to such benefits as higher efficiency of installation, reduction of material costs, improvement of cost-efficiency, higher occupancy, higher quality of the products or greater safety levels. Moreover, they diminish CO₂ emissions or reduce waste. These are unique features that give us, as a technology company, the edge in the market.

THAT IS THE POWER OF TKH!



FIBRE OPTIC NETWORK THAT IS READY FOR THE FUTURE



REMOTELY MANAGED

Fibre optic networks are expected to provide high reliability and lower response times. For this purpose, TKH has its ACE solution for modern fibre optic networks which, in addition to optical fibre cables, also includes connectors, pipes, sleeves, fibre management systems, security and robotic systems and other accessories.

To allow scaling up of the required capacity in certain situations, optical fibre connections must also be able to be controlled and switched. TKH uses ACE cobots for automation: robots that can work together with humans. With the smart SAODF technology (semi-automated optical distribution frame), robots in PoPs (Points of Presence) are used to remotely control optical fibre connections, without the intervention of the mechanic. With ACE, the lack of electrical signals in the passive parts of the network is overcome by using optical fibres for optimal control of all equipment. Making Internet of Things connections optical is unique in the market and paves the way to have fibre optic networks for all applications that are possible with a 5G network.

TELECOM SOLUTIONS

FIBRE OPTIC NETWORKS ON A LARGE SCALE IN DUTCH RURAL AREAS

"Offer access to fast internet to as many people as possible in the Netherlands", that is the ambition of 'Glasvezel buitenaf', an initiative of DELTA Fiber Netherlands. Not only in the city or a specific region, but also in rural areas.

In order to realize this ambition, 'Glasvezel buitenaf' is rolling-out fibre optic networks on a large scale in the Dutch rural areas. Quite a challenge, as these countryside areas are rich in trees, highways and railways. Also, the distances in these regions are about 30 times

longer compared to urbanized areas. This means a lot of digging. 'Glasvezel buitenaf' started in 2015 and now more than 100,000 addresses in rural areas have access to fast internet via fibre optics. An impressive number spread across the Netherlands.

An essential part of a successful project roll-out is the timely delivery of materials to the right location. Replenishing inventories based on engineering and planning information (guaranteeing an always available inventory

level) will reduce operational costs thanks to lower inventory levels, fewer communication lines and less transport between warehouse and the project location.

For the realization of projects, 'Glasvezel buitenaf' has opted for TKH's ACE concept. The ability to innovate and work together on dynamic business cases, TKH's capacity to secure the entire chain within fibre optic networks and the long-term strategy, are key factors to cooperate with TKH.



FIBERIZED HOMES IN RURAL AREAS (NL)



100,000

REDUCTION OPEX



UPLOAD = DOWNLOAD FASTER COMPARED TO TRADITIONAL NETWORKS



20x

ENERGY REDUCTION



READY FOR THE FUTURE



AI, 5G

SMART TECHNOLOGY AND SOFTWARE INCREASINGLY IMPORTANT IN PARKING SOLUTIONS

In recent years, TKH has given smart technology and software an increasingly important role in its parking solutions. This makes it easy for people to find their parked car and be quickly guided to a vacant space by means of coloured LED lighting. After parking, the relevant rate is automatically applied.

The software ensures that the cameras record video images when a movement is detected in or around the parking space. Intelligence at the parking-space level results in a wealth of interactive and in-depth reporting. Via the dashboard, the car park managers can analyze the parking facility's performance and take appropriate action, but also make on-the-fly adjustments to increase efficiency and profitability



BUILDING SOLUTIONS

OPTIMAL PARKING MANAGEMENT FOR THE UNIVERSITY OF TEXAS IN DALLAS

Due to the substantial growth of the Dallas (USA) university (UT) in the last 10 years, parking capacity has accordingly doubled from 7,000 to 14,000 spaces. During the planning phase for three new parking garages, involving an expansion to provide more than 2,700 spaces, the university chose to explore technological options to create an easier, more pleasant and more efficient parking experience, for students, teachers, other staff and guests. This led UT Dallas to choose TKH's patented M4 camera-based

smart-sensor parking guidance system because of its technology, the global track record of successful installations, the service and support options and continued focus on innovation, among other aspects.

The colour-coded M4 sensor LEDs indicate clearly and quickly the parking spaces that are occupied and therefore the vacant spaces as well. The use of license plate recognition technology and smart sensors based on camera technology in the parking guidance

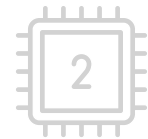
system ensures optimum capacity utilization. The ability to collect data, images and video while analyzing and reporting key statistics and trends, provides UT Dallas with unprecedented insights to allow the university to maximize parking-space utilization. UT Dallas is now using the system to create a more streamlined parking experience, leading to reduced search times for available parking places. As a result, the M4 parking system has also significantly reduced total CO₂ emissions on campus.



REDUCTION SEARCH TIME



DUAL CORE PROCESSOR



800 MHZ

CAMERA



5.0 MEGAPIXEL

VIDEO STREAMING



2,500 SIMULTANEOUS VIDEO STREAMS

CO₂ REDUCTION

15%

STEREO LINE SCAN CAMERA, A RAPID AND PRECISE 3D VISION SYSTEM

TKH has line scan camera technology available to create 3D colour images of complex surface structures. The stereo imaging-based system includes two lenses in a 3D camera to capture light from a left- and a right perspective image of the scene.

The 3D information is computed by finding corresponding points in each row of the stereo image pair. The distance between corresponding points in both images is geometrically related to the distance between the camera and the measurement surface. This distance is called “disparity”. If computed for every image pixel, a height map can be created, on which objects closer to the camera show greater disparity than those further away.

In order to achieve absolute height measurements in high accuracy, the camera systems are individually calibrated during production. High performance computation is achieved by using high-end graphic cards.

BUILDING SOLUTIONS

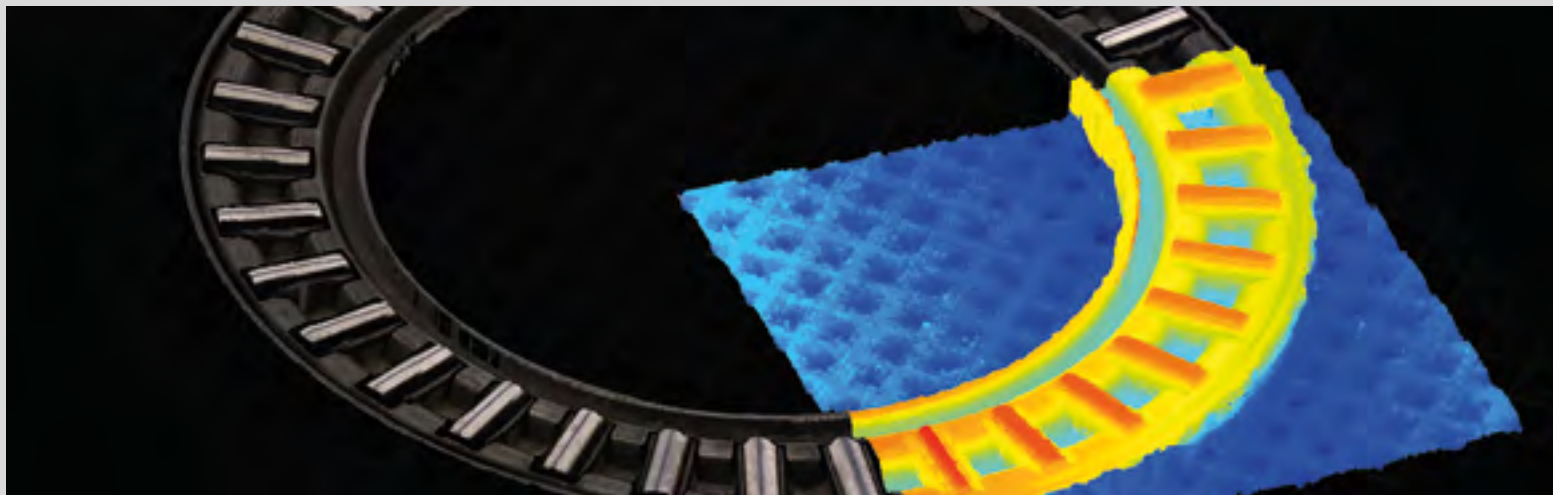
3D STEREO LINE SCAN VISION SYSTEM MONITORS BALL AND ROLLER BEARINGS

It is important to the service life and safe operation of ball and roller bearings that they are properly installed and have no imperfections. In order to detect manufacturing flaws properly and reliably, the best solution is automatic 100% inspection using 3D stereo line scan cameras immediately after manufacture.

Inspection is fully automatic, with no manual intervention, and is also contact-free in order to prevent damage. In an inspection system developed specially for this application, TKH's 3D stereo line scan cameras are used to inspect the wide variety of types of ball and

roller bearings. The cameras are characterized by their high flexibility and great speed. The 3D bearing inspection is designed to inspect hundreds of different types of ball and roller bearings, with the ability to detect minuscule defects, as little as 50 microns. The system inspects up to 60 parts per minute by using high-end graphics cards to calculate the 3D data from the stereo images at high speed. The inspection system has a database that maps out images and results so that they can be retrieved and exchanged with the PLC and a monitoring system. One challenge in particular is reliable detection of

pressing defects. Such defects can occur when the separate components of the bearing are pressed against each other. As such defects extend almost imperceptibly in each dimension and are also very smooth, with depths of just 100 μm , detection demands very precise 3D data. The cameras must be able to examine both unfinished metal and partially polished surfaces of bearings for defects, just like the more matt parts. TKH 3D stereo line scan vision systems are a perfect match to this application, as they provide high-resolution RGB images and 3D data simultaneously.



INSPECTION SPEED



60 PARTS/MIN.

ACCURACY INSPECTION



100%

HIGH RESOLUTION



15 μm

DETECTS VERY SMALL DEFECTS



50 μm

HEIGHT RESOLUTION

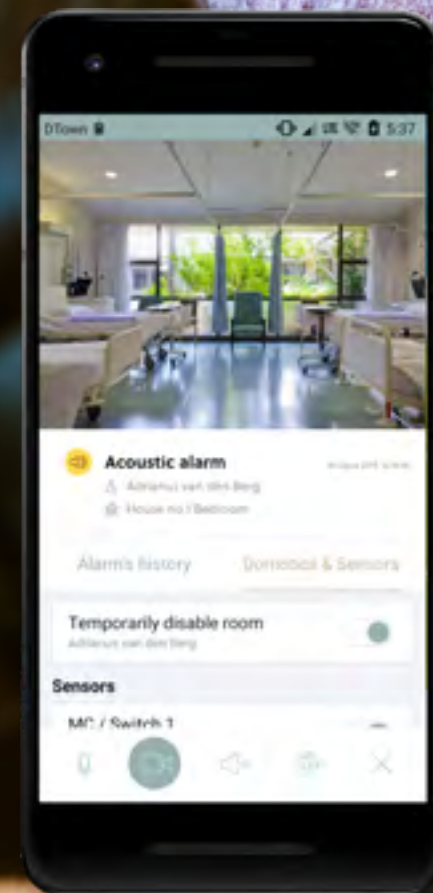


3 μm

VIDEOME AT THE FOREFRONT OF THE NECESSARY TRANSFORMATION IN HEALTHCARE

For the continually evolving technological support of the care process, TKH's vision is that care provision becomes more efficient if the technology is more tailored to each client. Technology then becomes part of the client's life.

This is also reflected in what VieDome has to offer, as an increasingly sophisticated solution for both extramural and intramural. VieDome is a total solution, with a wide range of applications including video contact for home care, video and acoustic monitoring, pattern recognition, personal alarms and detection of wandering.



BUILDING SOLUTIONS

THE COFFEE MAKER CONFIRMS THAT THINGS ARE FINE

Remote care can be increasingly smart and its possibilities are continually increasing. Take, for example, 'acoustic' monitoring with smart sensors of the ups and downs of a person in need of care. With new technology, a distinction can be made on the basis of individual monitoring scenarios as to whether someone is okay or whether help is needed because smart software and sensors can better recognize emergency situations. The whole room can be monitored so that movements are registered and it's possible to know whether someone is moving around enough or has fallen, for example. TKH provides the at-home care automation system for observation, monitoring, video-phoning and social alarm. Having the client press an

alarm button every day to indicate that they are still doing fine, may be forgotten at some point – leading to an unnecessary alarm signal. Sensors can solve that problem. It's known that someone makes coffee or turns on the TV after they've got up. This can be detected by a sensor and a message can then be sent to the App on the telephone from a care provider who immediately receives an overview of the situation.

Digital technology can also make a difference to the operation of a healthcare facility. Analysis of data streams concerning the workflows allows for better or different planning. It provides knowledge about, for instance, who will ask for care at certain times,

and this knowledge can be used to plan more efficiently. Based on the client's needs, the care contact point can determine which employee can best be deployed, depending on the required expertise and availability. Central monitoring by the care contact point can be utilized to assess whether or not a home visit is necessary.

People are living longer at home and must receive the care they need there as well. Modifications in the home including personal alarms, lifestyle monitoring, camera surveillance, video communication and digital locks can be realized within 20 minutes with the TKH care solution.



REDUCTION FALSE REPORTS DUE TO INDIVIDUAL MONITORING SCENARIOS



INDIVIDUAL SUPPORT OF CUSTOMIZED CARE



REDUCTION OF WORKLOAD FOR CARE PROVIDERS



ACCURACY THROUGH SMART TECHNOLOGY



MODIFICATION IN THE HOME TO A CARE HOME





UNLIMITED OPPORTUNITIES WITH TKH SECURITY SOLUTIONS

Extreme reliability and accuracy of video surveillance is absolutely essential to the security of critical infrastructure and buildings. With the security solutions it can offer, TKH has unlimited opportunities for this. Smart software solutions with a user-friendly interface that make live images and stored video data directly available to the end user.

The powerful macro-engine allows the end user to define how the system should respond to specific events. A video recording can be made selectively on the basis of movement detection, or number plate, object or facial recognition. In the event of emergencies, footage of the incident in question can be reviewed on site, including the events leading up to the incident. This is done with special 'viewer' screens on site, so that both the operator and the emergency services have simultaneous and direct access to the footage, which facilitates rapid and efficient resolution.



BUILDING SOLUTIONS

TKH SECURITY MANAGEMENT SYSTEM FOR NEW AMSTERDAM COURT BUILDING

In mid-2017 a consortium started the construction of the largest court building in the Netherlands on the Parnassusweg in Amsterdam. The new court building comprises about 47,250 m² for offices, court rooms, interrogation rooms and custody area and has 10 stories. 1,000 courtroom staff and 200 chain partner employees will be working in the building every day. The new court building is due to open its doors at the end of 2020.

The new court will be equipped with the integrated security management system from

TKH. The project covers all the solutions in the TKH security and mission-critical communication portfolio, including various connectivity systems.

Based on the ambition to create a comprehensive security solution within the new Amsterdam court building, the consortium is also responsible for maintaining the security management system for a period of 30 years after completion. TKH has made arrangements about the maintenance period and will receive additional assignments based

on the 'Long-Term Maintenance Budget' that the consortium provides.

The contract for the biggest court building in the Netherlands is the result of a long and intensive tender process that started in February 2016. The most important reasons to opt for TKH are the seamless integration of our proprietary systems, our experience with comparable high-end security projects and the possibility to make agreements for maintenance and life-cycle management to a single technology partner.



INTELLIGENCE



FAILOVER PROTECTION



2 SERVERS PARCS

CROWD CONTROL
DETECTION

>10 PEOPLE

SECURE ACCESS CONTROL



100%

INTEGRATED DATA
PROCESSING

100%



SMART 3D MACHINE VISION FOR INLINE CONSUMER ELECTRONICS INSPECTION

Gocator® all-in-one 3D smart sensors are trusted worldwide for automated inline inspection. Gocator combines 3D scanning, measurement and control in a single device, with no external PCs or controllers required. This efficient design where 3D hardware and embedded software are tightly integrated delivers high performance functionality and makes it easy to configure and integrate - minimizing total system cost and maximizing product quality and throughput.

All Gocator sensors are factory pre-calibrated so users can immediately set up the sensor via a web browser and configure functions such as exposure, triggering logic, dimensional measurement tools, and communication protocols. Once setup is complete, simply disconnect the PC and Gocator runs standalone - delivering high-speed, micron-level measurements in real-time for a wide variety of critical inspection applications.



SCAN AND INSPECT GLUE BEADS WITH 3D VISION TECHNOLOGY

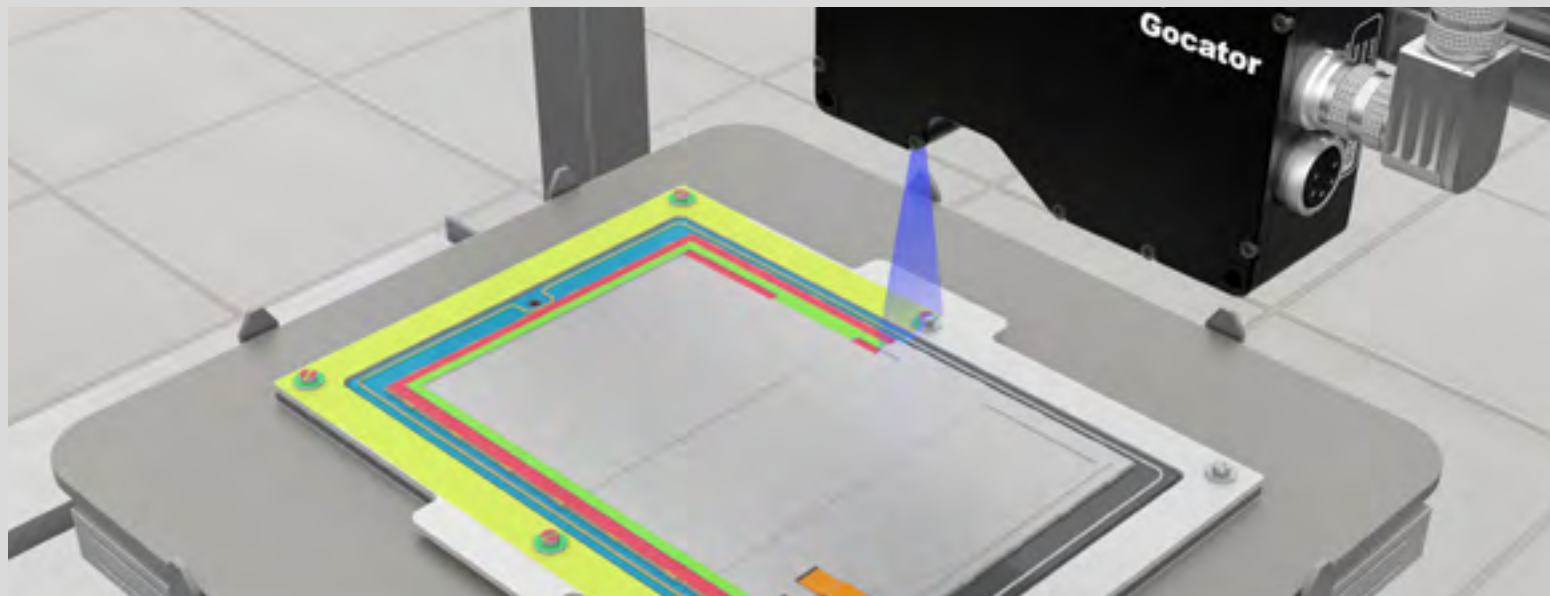
The use of adhesives is a common method employed in the assembly of automotive and consumer electronic components. Adhesive technology has evolved to the point where it can bond components faster and with higher quality results than welding or traditional fixation methods. In addition, adhesion is used to create a waterproof seal on a variety of component assemblies.

With Gocator®, TKH has designed an innovative, smart 3D vision solution for verifying the

adhesive process. Gocator delivers robust scanning and inspection of glue beads – often only 0.1-0.5 mm wide – at a high resolution, ensuring a quality seal as a result.

To deliver an automated glue dispensing system, a Gocator 3D laser profiler is mounted on a robot or nozzle to inspect the adhesive bead and ensure it is being applied along the correct path and within the correct volume tolerance. Sensor measurements are commu-

nicated to the dispensing system to adjust the flow of adhesive material and ensure uniform results in real-time. Gocator smart sensors generate the essential 3D data that allows the sensor to quickly and accurately determine the width, position, height and volume of the applied adhesive. And, because 3D is contrast invariant, Gocator is able to scan different types of adhesive materials - including translucent, transparent, glossy and opaque.



HIGH SPEED



HIGH RESOLUTION



SMALL FORM FACTOR



INTEGRATED DATA PROCESSING



ONBOARD SOFTWARE MEASUREMENT TOOLS

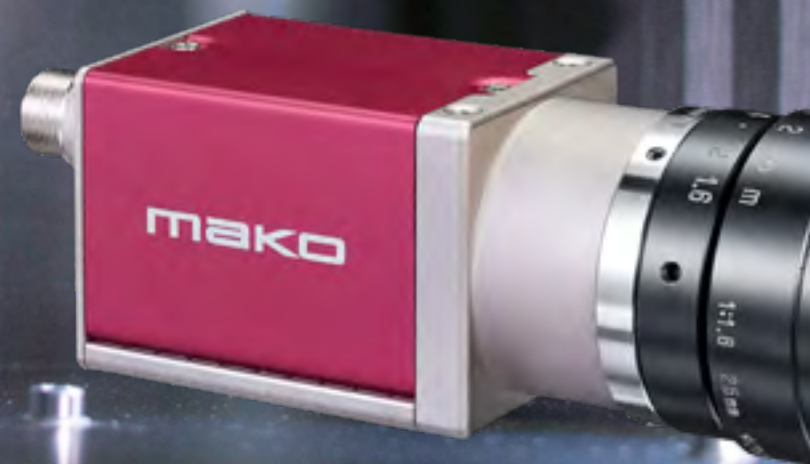


2D VISION TECHNOLOGY ENSURES INTELLIGENCE, EFFICIENCY AND QUALITY ASSURANCE

TKH's industrial 2D-vision cameras are used for quality, product and process control and have been designed to meet the challenges of high or variable ambient temperatures, shocks and vibrations, and long-term use for maximum durability and reliability.

Designed according to the highest quality standards, all TKH's industrial cameras undergo thorough quality control, because professionals need cameras that they can count on.

TKH's infrared cameras are used in the semi-conductor industry to inspect silicon, in the solar industry to detect defects in photovoltaic cells, and in the recycling industry to identify different types of plastic material.



TKH CAMERAS INSPECT MATERIALS FOR SAFETY ISSUES

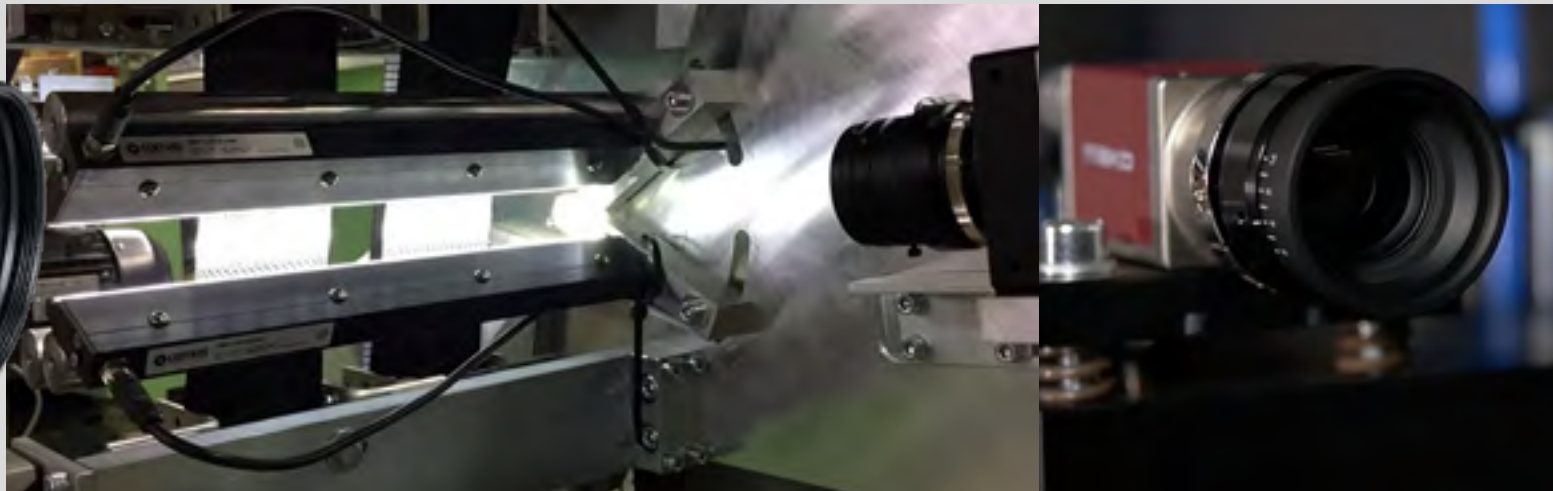
Vision software especially developed for the textile industry, to conduct in-line quality control of textiles and industrial materials drives vision inspection units for quality inspections of all sorts of materials, such as safety belts, elastic straps, hoses and industrial belts. These inspection units are equipped with TKH Mako cameras, which can capture high-quality images of the inspected materials. At full resolution, these cameras work at 41.2 frames per second. If the scan area is smaller, higher frame speeds are even possible. The software analyses the quality of the required specific features in real time.

By analyzing the resulting camera images using powerful image and data algorithms the system can register even the smallest defects, which are most difficult to find. Each type of defect is shown with a coloured spot. If required, all recorded defects are physically labelled and stored in a defect log file, together will all relevant data, such as time, position, production batch and defect profile.

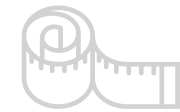
The documentation relating to the detected defects guarantees full defect traceability and progressively helps to improve the production process. Kilometers of textile can be inspected

in one inspection process, at a speed of up to 200 meters per minute.

By using automated vision inspection, textile manufacturers can speed up their production process and improve the quality of their products. This means that operators are able to adjust protocols and settings without having to stop or delay the production process. Textile manufacturers can guarantee delivery of top-notch products, subject to 100% inspection in line with standards in the industry, which is particularly important in use for safety-critical applications.



ONE-OFF INSPECTION



200 METER/MINUTE

RESOLUTION SPEED



41.2 FRAMES/SEC

HIGH RESOLUTION



2.35 MEGAPIXEL

POWER OVER ETHERNET



1 CABLE

RELIABLE INSPECTION



100%

COMMUNICATION TECHNOLOGY GUARANTEES SOUND QUALITY, EVEN IN THE MOST EXTREME SITUATIONS

Smart technology often makes the difference in mission critical communication. Not just by suppressing background noise to guarantee good sound quality even in the noisiest of environments using algorithms. Smart technology is also used to detect certain situations automatically.

As an important application in this area, TKH's intercom systems can be equipped with functions that ensure a correct follow-up, even if a situation occurs where the person concerned is not able to make an emergency call themselves. Interactive Voice Response (IVR) with speech recognition can be used to answer questions and provide reports automatically, or to trigger an appropriate action immediately. The great common denominator of TKH's communication technologies is that they can be relied on at all times. They are designed and tested in such a way that they will continue to function even in the most extreme situations.



BUILDING SOLUTIONS

ULTRA-RELIABLE COMMUNICATION FOR TOLL ROADS

Wherever people and systems need to be able to communicate safely, 24 hours per day, 7 days a week, regardless of the site, security level, subject or emergency, there is more than a chance that TKH has supplied these mission critical communications systems. They are innovative, advanced systems for audio and video communication focused on security, efficiency and utmost reliability. And this applies no less to motorway operator Autostrade per l'Italia. The card payment booths on its more than 3,000 kilometres of toll-paying motorways are fitted with custom-built TKH communication terminals to enable fail-safe

round-the-clock communication between motorists and staff at the central control room. To be considered for this project, the terminals had to provide SIP capabilities and interface seamlessly with regular SIP switchboards. They also had to integrate with existing structures, materials and dimensions. Other required essentials for this extremely noisy environment included excellent bi-directional speech quality, high-performing background noise suppression, easy global deployment of automatic updates and a high tolerance for widely fluctuating temperatures. Thanks to the leading-edge intercom

technology, Autostrade per l'Italia and millions of motorists can rely on open communications lines and immediate response whenever they find themselves in need of assistance. Best of all, they enjoy the comfort of a natural speaking experience even against loud traffic noise, thanks to our noise and echo cancellation technologies, for simultaneous speaking and listening. On the maintenance side, automatic provisioning ensures that configurations and firmware updates are deployed instantly to all terminals throughout the network. Finally, the terminals' built-in self-monitoring adds fail-safety to functionality.



RELIABLE COMMUNICATION



24/7

TOLL INTERCOMS



1,080

SIP SUPPORT



100%

MITIGATING BACKGROUND NOISES



AUTOMATIC MICROPHONE & SPEAKER MONITORING



SUBSEA CABLE SYSTEMS: A FUNDAMENTAL ROLE IN THE ENERGY TRANSITION

Cables have a fundamental role to play in the distribution of renewable energy, such as wind power. TKH has successfully positioned its connectivity technology for subsea cable systems within this growth market. Not least because of this well-considered, distinguishing cable concept that connects wind turbines in wind farms at sea with each other.

An innovative cable concept that can be fully adapted to meet the challenges of array-wiring, with complete focus on risk management and saving installation time. The aluminium jacket ensures that the cables have a particularly good electro-magnetic shield and are 100% watertight. And, what's more, the cables are 100% recyclable. Our unique 'state-of-the-art' manufacturing facility can produce long lengths that are supplied in one piece, which results in greater installation flexibility for customers. In addition, there is automatic quality control during all production processes.

BUILDING SOLUTIONS

TKH PROVIDES SUBSEA CABLES FOR WINDPARK 'FRYSLÂN'

TKH was selected as the cable supplier for the Windpark 'Fryslân' project that is being built in the northern part of the IJsselmeer, to the south of the Afsluitdijk near Breezanddijk (the Netherlands). In total, this involves around 90 km of 33kV aluminium subsea cables.

Construction is already underway and, under the current planning schedule, the cables will be

installed in October 2020. The wind farm is arranged as a cluster of 89 wind turbines, each with an output of 4.3 MW. It is the largest wind farm in the world to be built on an inland body of water. With a total output of 382.7 MW, Windpark 'Fryslân' will generate enough power for around 500,000 households. The wind farm will be fully operational in 2021.



NUMBER OF WIND TURBINES



ESTIMATED PRODUCTION PER YEAR



±1,500 GWH

TOTAL POWER



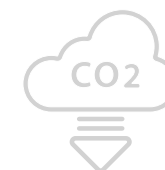
±382.7 MW

TOTAL LENGTH SUBSEA CABLE



90 KM

CO₂ SAVING PER YEAR



±800,000 TONS



CEDD/AGL: REVOLUTIONARY LIGHTING SYSTEM FOR AIRFIELDS

At airports and airfields, runway lighting must, of course, always work and not be out of service for too long when carrying out maintenance.

In both cases, traditional lighting systems have quite a few drawbacks. The systems are complicated and susceptible to malfunction, with cables running through the asphalt to transformer pits, thence connecting each lamp along the runway. With CEDD, TKH has a revolutionary alternative. This is a unique connectivity technology for the contactless distribution of energy and data, further enriched with TKH's technology and know-how in the field of asset & site management.



BUILDING SOLUTIONS

SIGNIFICANT INTEREST IN CEDD TECHNOLOGY FROM AIRPORTS

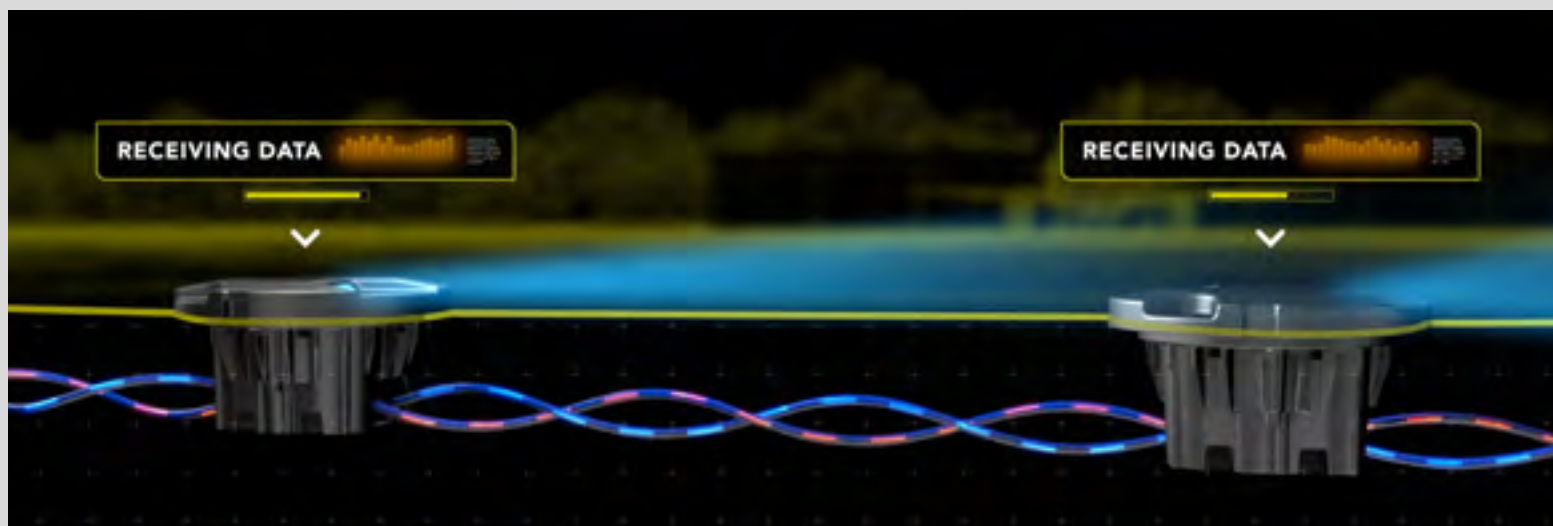
Since TKH first introduced CEDD (Contactless Energy & Data Distribution) technology in 2017, it has been installed at sites including Amsterdam Schiphol, Vancouver International and Geneva International. But there is also a lot of interest in CEDD technology from other large European airports. Airports look not just at the capital investment, but also at the operational aspects. For example, with CEDD it is possible to make the transition from remedial to preventative maintenance. The system is noticeably smarter. It includes the option of making a forecast of what may

happen, based on continuous monitoring of temperature, electricity and performance.

In contrast to traditional solutions CEDD needs no constant current controllers, transformers or primary and secondary cables to control the power supply. The system relies on a cable developed in-house especially for the CEDD solution that distributes power to individual lights using induction technology, and to send data upstream and downstream to the central base station. Switching from traditional halogen lights to LED lighting can reduce

energy consumption by around 50%. The use of CEDD technology can result in an additional reduction of 15%.

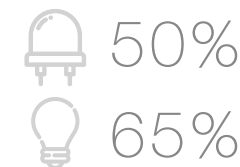
European airports are also looking for ways to comply with the 'follow the greens' regulation. This demands rapid operation and monitoring of taxiway lighting that is not always available in traditional systems. CEDD technology reaches update speeds of under 500 ms so it can respond rapidly to signals such as stop bars and taxiway lighting. The technology is catching on and is ready for the future.



REDUCTION TAXI TIME



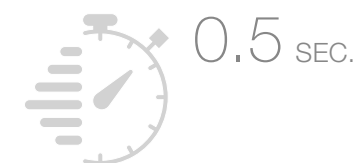
LESS ENERGY CONSUMPTION



REDUCTION FUEL USAGE



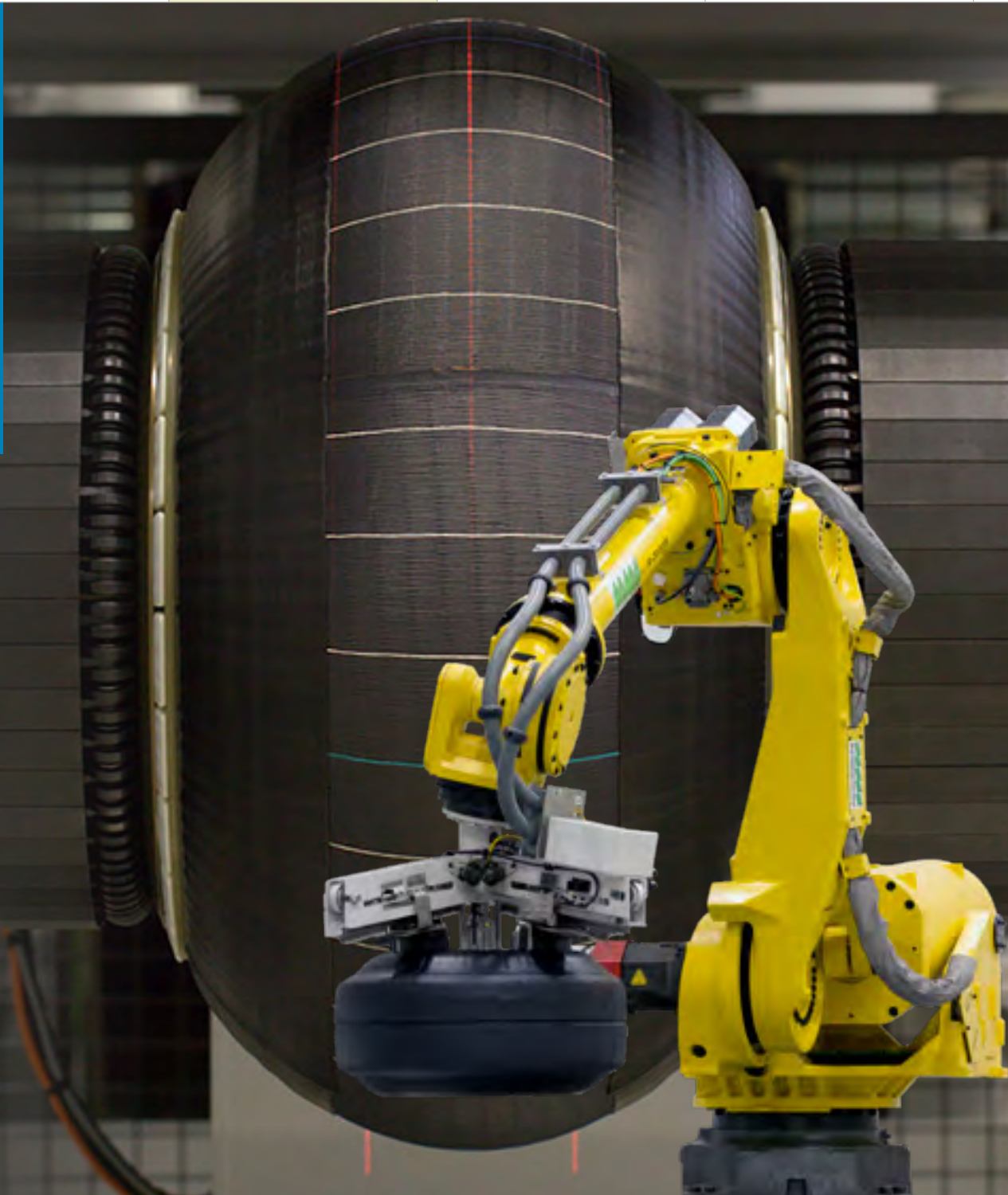
FEEDBACK STATUS LIGHTING

REDUCTION CO₂ EMISSION

TECHNOLOGICAL EDGE IN TIRE- MANUFACTURING MACHINES THANKS TO SMART TECHNOLOGY

The status of successful market leader that TKH has acquired world-wide in the past few years, with its premium tire manufacturing systems technology is by no means something to be taken for granted. Our success is primarily the result of constant Research and Development, knowledge of market trends and continuing investment in technological advances. The use of vision technology and extensive robotization are decisive factors for the high technological standards that TKH applies to its tire manufacturing systems.

Over the past few years, TKH has been working intensively on the revolutionary development of a tire manufacturing platform that unites all aspects of a tire manufacturing machine equipped with the latest mechanics and technology. The experience of developing the MAXX tire manufacturing system and the success it has achieved have proved to be very important in this respect.



INDUSTRIAL SOLUTIONS

MAXX: A 'GAME-CHANGER' IN THE TIRE MANUFACTURING INDUSTRY

The introduction of the MAXX tire building machine 10 years ago was a game changer for the tire manufacturing industry right from the word go. The machine is made up of several modules that the tire manufacturing process needs in order to achieve maximum output, coupled with the guarantee of a high-quality output of tires. Set-up times, maintenance and the complexity of the machine are minimized, so it is possible for just a single person to operate more than one system with 'hands-off, eyes-off' technology. Visual inspection by 'human eyes' has been replaced by high-end vision technology. This not only speeds up the process of quality control; the operations in question can also be performed in a way that can be shown to be

more reliable. From its introduction, the MAXX has been subject to continuous innovation and performance improvement. Innovative modules, such as fully-automatic, optimum distribution of 'splices' (the overlap between the start and finish of a layer of rubber added when making the tire) resulting, not least, in a fall in waste material. It has been made possible to produce run-flat tires using 'hands-off/eyes-off' technology. And the MAXX can be configured to meet the wishes of customers. From the point at which the MAXX is installed, but also at a later stage when, for instance, the customer's mix of products changes. At present, the MAXX can produce not only car tires but also light truck tires, which very

heavy and are used on, for example, pick-up trucks. And special tires for electric vehicles which are much narrower and have large inch-denominated sizes can now be built using a fully-automated process on the MAXX.

An important development in the production process is the continuous generation of data so that the entire production process can be monitored. The data are linked to a bar code that is automatically applied to the tire. This makes it possible to track & trace the tire. The data generated is also used to analyze big data. The in-house developed Cortex HMI system, is equipped with a universal data link that makes it simple to share data with customer systems.



SIZE-RANGE



12"-24"

PRODUCTION CAPACITY



2,000 TIRES/DAY

AC-DRIVES



UP TO 33

SERVO MOTORS



UP TO 48

NUMBER OF VISION CAMERAS



15 PER MAXX



HIGH-QUALITY VISION TECHNOLOGY IN THE TIRE MANUFACTURING INDUSTRY

TKH has a strong reputation as an innovator in the tire manufacturing industry, and software is also an important part of its manufacturing systems. The use of vision technology in its systems which goes by the name of PIXXEL, is an example of this and fits in perfectly with the developments relating to 'Industry 4.0'.

It is high-quality imaging using the latest sensor technology, and comprises an easy-to-use interface with more than 10 tire and rubber-related applications that can be selected from just one GUI (graphical user interface). This makes it possible to store and export imaging for later off-line analysis.



INDUSTRIAL SOLUTIONS

HIGHER PRODUCTIVITY IN TIRE MANUFACTURING SYSTEMS DUE TO VISION TECHNOLOGY

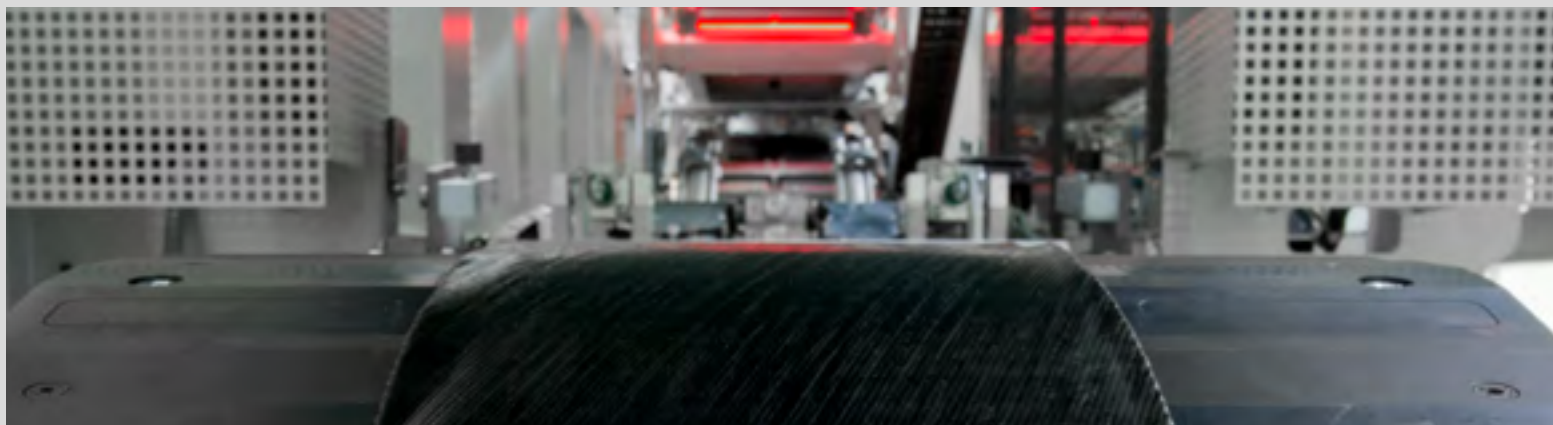
Some years ago, TKH brought cameras into its automated tire manufacturing systems. The vision and monitoring system called PIXXEL can be used to add an extra dimension to this. This is far more than just specially developed, extremely reliable cameras that deliver better machine performance. It is a complete platform with the possibility of on-line connectivity. It is an integrated system that can also be used as a stand-alone application. By linking images from various cameras it is also possible to inspect larger areas. Smart software enables the system to trace defects and correct them during the process. In addition, the software makes extensive use of visualization, which helps operators to monitor

the process more easily. The result is both greater accuracy in terms of performance and greatly improved simplicity of operation and administration, which leads to better productivity straight away.

Cameras are automatically calibrated and lens distortion is identified and compensated. Sensors are used on the machines to identify all actions that differ from the agreed tolerances, resulting in automatic intervention. To apply rubber strips, for example, each overlap is measured to ensure that they remain within the tolerances. Smart algorithms developed by TKH are able to interpret the images to enable automated intervention and, in so

doing, optimize the process, while the advanced visualization software makes it easier for operators to understand what is happening at all times.

This makes quality-assurance processes easier, and they are improved due to full integration of the camera system in the machine. As a result, measurements are made with minimum impact on output. Automatic calibration and validation also form part of the system. This meets demand from the tire manufactures to demonstrate to the market that they produce quality tires.



ACCURACY



0.1 MM

FRAME RATE

300-
30,000 FPS

SENSOR RESOLUTION



1,3 - 5 MPIXEL

ADDED MEASUREMENT TIME



0 SEC.

SPICES MEASURED PER TIRE



100%

SMART MANUFACTURING IN THE HEALTHCARE MARKET

TKH deploys smart manufacturing technology in response to the ever stricter quality measures set by the pharmaceutical industry to reliably package different medications as a single unit per sachet, per time of administration.

In addition, stricter rules apply with regard to materials that come into direct contact with the medicines. With its smart manufacturing technology TKH makes it possible to achieve a real step-by-step change in quality, speed, costs and, not least, accuracy using a tried-and-tested industrial robot called INDIVION.

INDUSTRIAL SOLUTIONS

IMPROVED DISPENSING OF MEDICATION BY USING THE INDIVION

The fully-automated INDIVION medicine dosage system was recently successfully installed for a launching customer, and used for the first time. The INDIVION comprises an industrial robot that puts canisters, each filled with a specific medication, onto the correct docking stations so that the medications can be dispensed. With the INDIVION, the maximum drop height for medications in the system is just 20 centimeters compared with an average drop height of one meter, which is customary in the market. This prevents damage or cross-contamination between medicines. The INDIVION canisters each have a unique

RFID tag from which the correct information can be read by a reader linked to the PHARYS database so that the reader can determine precisely which medications are in the machine, and how to control this specific canister for the correct dispensation of medicines. Single dose, multi dose, rush orders, expiry date-related changes, production related to method of treatment; all this is possible using the PHARYS software that helps safeguard the entire process-management chain in the central filling pharmacy together with the control of the INDIVION. The INDIVION has unrivalled capacity and produces up to

10,000 individual units per hour, while providing an absolute minimum risk of cross-contamination and incorrect dosage. The dispensation accuracy of 99.97% is also unrivalled in the market. Moreover, the INDIVION is the most cost-effective solution available on the market due to the reduction in manual labour and a minimal number of errors that equates to almost zero. This technology, together with the use of validated and certified materials, reduces the business risks for medicine dispensers but, more importantly, reduces health risks to patients. And, ultimately, that's what it's all about.



CAPACITY



>10,000
UNITS PER HOUR

SMART CANISTERS WITH
RFID TECHNOLOGY

>1,000

DISPENSING ACCURACY



99.97%

MAXIMUM DROP HEIGHT



<20_{CM}

TRACEABILITY



100%



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CONSOLIDATED BALANCE SHEET

| in thousands of euros | Notes | 31-12-2019 | 31-12-2018 | in thousands of euros | Notes | 31-12-2019 | 31-12-2018 |
|--|-------|------------------|------------------|---|-------|------------------|------------------|
| ASSETS | | | | EQUITY AND LIABILITIES | | | |
| Non-current assets | | | | Group Equity | | | |
| Intangible non-current assets | 3 | 596,404 | 544,098 | Shareholders' equity | 13 | 704,516 | 646,459 |
| Tangible non-current assets | 4 | 230,938 | 245,392 | Non-controlling interests | 14 | 304 | 1,190 |
| Right-of-use assets | 5 | 80,752 | | Total group equity | | 704,820 | 647,649 |
| Investment property | 6 | | 251 | Non-current liabilities | | | |
| Other associates | 7 | 28,635 | 12,047 | Interest-bearing loans and borrowings | 19 | 415,803 | 238,537 |
| Receivables | 9 | 1,966 | 2,007 | Deferred tax liabilities | 17 | 65,528 | 60,398 |
| Deferred tax assets | 17 | 20,962 | 17,104 | Retirement benefit obligation | 18 | 5,759 | 7,984 |
| Total non-current assets | | 959,657 | 820,899 | Financial liabilities | 16 | 4,971 | 588 |
| | | | | Provisions | 15 | 6,296 | 5,217 |
| Current assets | | | | Total non-current liabilities | | 498,357 | 312,724 |
| Inventories | 8 | 238,801 | 266,961 | Current liabilities | | | |
| Receivables | 9 | 176,535 | 223,473 | Interest-bearing loans and borrowings ¹ | 20 | 58,050 | 170,569 |
| Contract assets | 10 | 115,692 | 128,137 | Trade payables and other payables | 21 | 254,244 | 314,613 |
| Contract costs | 10 | 1,896 | 3,555 | Contract liabilities | 10 | 49,187 | 57,032 |
| Current income tax | | 1,589 | 1,081 | Current income tax liabilities | | 11,824 | 6,924 |
| Cash and cash equivalents ¹ | 11 | 78,976 | 83,180 | Financial liabilities | 16 | 3,682 | 4,831 |
| Total current assets | | 613,489 | 706,387 | Provisions | 15 | 19,069 | 12,944 |
| | | | | Total current liabilities | | 396,056 | 566,913 |
| Assets held for sale | 12 | 38,775 | | Liabilities directly associated with assets held for sale | 12 | 12,688 | |
| Total assets | | 1,611,921 | 1,527,286 | Total equity and liabilities | | 1,611,921 | 1,527,286 |

¹ Including € 10.0 million (2018: € 22.3 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 PROFIT AND LOSS

in thousands of euros

| | Notes | 2019 | 2018 ¹ |
|--|-------|------------------|-------------------|
| Total turnover | 24 | 1,489,642 | 1,457,754 |
| Raw materials, consumables, trade products and subcontracted work | | 771,483 | 767,811 |
| Personnel expenses | 25 | 382,518 | 355,757 |
| Other operating expenses | 27 | 136,144 | 137,218 |
| Depreciation | 28 | 45,347 | 26,186 |
| Amortization | 29 | 50,070 | 40,083 |
| Impairments | 30 | 4,971 | 1,543 |
| Total operating expenses | | 1,390,533 | 1,328,598 |
| Operating result | | 99,109 | 129,156 |
| Financial income | 32 | 533 | 1,574 |
| Financial expenses | 32 | -9,789 | -7,685 |
| Exchange differences | 32 | -869 | -242 |
| Share in result of associates | | 419 | 1,873 |
| Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests | 16 | -57 | 520 |
| Result before tax | | 89,346 | 125,196 |
| Tax on result | 33 | 20,619 | 27,278 |
| Net result for the period from continued operations | | 68,727 | 97,918 |
| Result- after tax from discontinued operations | 37 | 45,200 | 10,818 |
| Net result | | 113,927 | 108,736 |
| Attributable to: | | | |
| Shareholders of the company | | 114,048 | 108,551 |
| Non-controlling interests | | -121 | 185 |
| | | 113,927 | 108,736 |
| Earnings per share attributable to shareholders | 34 | | |
| Ordinary earnings per share (in €) | | 2.72 | 2.58 |
| Diluted earnings per share (in €) | | 2.71 | 2.57 |
| Earnings per share attributable to shareholders from continued operations | 34 | | |
| Ordinary earnings per share (in €) continued operations | | 1.64 | 2.33 |
| Diluted earnings per share (in €) continued operations | | 1.63 | 2.31 |
| Ordinary earnings per share before amortization and one-off income and expenses (in €) continued operations ² | | 2.04 | 2.62 |
| Ordinary earnings per share before amortization (in €) continued operations ² | | 2.51 | 2.72 |

¹ The comparative figures for 2018 have been restated due to discontinued operations.

² Non IFRS compulsory disclosure.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of euros

| | Notes | 2019 | 2018 |
|--|-------|----------------|----------------|
| Net result | | 113,927 | 108,736 |
| Items that may be reclassified subsequently to profit or loss (net of tax) | | | |
| Currency translation differences | | 3,452 | -457 |
| Currency translation differences in other associates | | 50 | -149 |
| Effective part of changes in fair value of cash flow hedges (after tax) ¹ | | 2,283 | -5,903 |
| | | 5,785 | -6,509 |
| Items that will not be reclassified subsequently to profit or loss (net of tax) | | | |
| Actuarial gains/(losses) ¹ | 18 | -371 | 237 |
| | | -371 | 237 |
| Other comprehensive income (net of tax) | | 5,414 | -6,272 |
| Comprehensive income for the period (net of tax) | | 119,341 | 102,464 |
| Attributable to: | | | |
| Shareholders of the company | | 119,458 | 102,307 |
| Non-controlling interests | | -117 | 157 |
| Total comprehensive income for the period (net of tax) | | 119,341 | 102,464 |

¹ For the impact of taxes is referred to note 33.



CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

| in thousands of euros | Share capital | Share premium | Legal reserve | Revaluation reserve | Translation reserve | Cashflow hedge reserve | Retained earnings | Unappropriated profit | Total shareholders' equity | Non-controlling interests | Total group equity |
|--|---------------|---------------|---------------|---------------------|---------------------|------------------------|-------------------|-----------------------|----------------------------|---------------------------|--------------------|
| Balance at 1 January 2018 | 10,709 | 85,021 | 55,133 | 188 | 9,225 | 2,441 | 344,526 | 86,302 | 593,545 | 8,437 | 601,982 |
| Net result | | | | | | | | 108,551 | 108,551 | 185 | 108,736 |
| Total other comprehensive income | | | | | -578 | -5,903 | 237 | | -6,244 | -28 | -6,272 |
| Total comprehensive income | 0 | 0 | 0 | 0 | -578 | -5,903 | 237 | 108,551 | 102,307 | 157 | 102,464 |
| Appropriation profit last year | | | | | | | 86,302 | -86,302 | 0 | | 0 |
| Dividends | | | | | | | -50,435 | | -50,435 | | -50,435 |
| Dividends to shareholders of non-controlling interests | | | | | | | -1,104 | | -1,104 | -58 | -1,162 |
| Acquisition of non-controlling interests | | | | | | | 7,346 | | 7,346 | -7,346 | 0 |
| Share and option schemes | | | | | | | 2,303 | | 2,303 | | 2,303 |
| Purchased shares for share and option schemes | | | | | | | -13,482 | | -13,482 | | -13,482 |
| Sold shares for share and option schemes | | | | | | | 5,979 | | 5,979 | | 5,979 |
| Change in legal reserve for participations | | | -605 | | | | 605 | | 0 | | 0 |
| Capitalized development costs | | | 9,595 | | | | -9,595 | | 0 | | 0 |
| Reclassifications | | | | | -310 | | 310 | | 0 | | 0 |
| Balance at 31 December 2018 | 10,709 | 85,021 | 64,123 | 188 | 8,337 | -3,462 | 372,992 | 108,551 | 646,459 | 1,190 | 647,649 |
| Net result | | | | | | | | 114,048 | 114,048 | -121 | 113,927 |
| Total other comprehensive income | | | | | 3,498 | 2,283 | -371 | | 5,410 | 4 | 5,414 |
| Total comprehensive income | 0 | 0 | 0 | 0 | 3,498 | 2,283 | -371 | 114,048 | 119,458 | -117 | 119,341 |
| Appropriation profit last year | | | | | | | 108,551 | -108,551 | 0 | | 0 |
| Capital contribution | | | | | | | | | 0 | 58 | 58 |
| Dividends | | | | | | | -58,772 | | -58,772 | | -58,772 |
| Dividends to shareholders of non-controlling interests | | | | | | | -523 | | -523 | -42 | -565 |
| Acquisition of non-controlling interests | | | | | | | -80 | | -80 | -785 | -865 |
| Realization through sale of investment property | | | | -188 | | | 188 | | 0 | | 0 |
| Share and option schemes | | | | | | | 2,141 | | 2,141 | | 2,141 |
| Purchased shares for share and option schemes | | | | | | | -12,395 | | -12,395 | | -12,395 |
| Sold shares for share and option schemes | | | | | | | 8,228 | | 8,228 | | 8,228 |
| Change in legal reserve for participations | | | 4,175 | | | | -4,175 | | 0 | | 0 |
| Capitalized development costs | | | 12,130 | | | | -12,130 | | 0 | | 0 |
| Balance at 31 December 2019 | 10,709 | 85,021 | 80,428 | 0 | 11,835 | -1,179 | 403,654 | 114,048 | 704,516 | 304 | 704,820 |

CONSOLIDATED CASH FLOW STATEMENT

| in thousands of euros | Notes | 2019 | 2018 | in thousands of euros | Notes | 2019 | 2018 |
|---|-------|----------------|-----------------|---|-------|----------------|---------------|
| Cash flow from operating activities | | | | Cash flow from financing activities | | | |
| Operating result from continued operations | | 99,109 | 129,156 | Dividends paid | | -59,337 | -51,597 |
| Operating result from discontinued operations | | 8,864 | 13,572 | Settlement of financial liabilities regarding put options of non-controlling interests and earn-out | 16 | -4,682 | -251 |
| Depreciation, amortization and impairment | | 100,645 | 69,957 | Capital contribution non-controlling interests | | 58 | |
| Share and option schemes not resulting in a cash flow | | 2,141 | 2,303 | Acquisition of non-controlling interests | | -865 | -9,000 |
| Result on disposals | | -257 | -193 | Purchased shares for share and option schemes | | -12,395 | -13,482 |
| Changes in provisions | | 7,906 | 1,114 | Sold shares for share and option schemes | | 8,228 | 5,979 |
| Changes in working capital | | 75 | -55,169 | Payment of lease liabilities | | -15,780 | |
| Cash flow from operations | | 218,483 | 160,740 | Proceeds from long-term debts | | 99,013 | 52,745 |
| Interest received | | 531 | 1,410 | (Repayments)/proceeds from other long-term debts | | 661 | -1,779 |
| Interest paid | | -9,374 | -7,394 | Change in borrowings and bridge facility | 20 | -113,063 | 99,642 |
| Income taxes paid | | -27,431 | -28,038 | Net cash flow from financing activities (C) | | -98,162 | 82,257 |
| Net cash flow from operating activities (A) | | 182,209 | 126,718 | Net increase/(decrease) in cash and cash equivalents (A+B+C) | | 15,178 | 18,748 |
| Cash flow from investing activities | | | | Exchange differences | | | |
| Dividends received from non-consolidated associates | | 72 | 243 | | | 63 | -3,556 |
| Repayments on loans | | 82 | 971 | Change in cash and cash equivalents | | 15,241 | 15,192 |
| Purchases of tangible non-current assets | | -31,273 | -40,921 | Cash and cash equivalents at 1 January | | 60,905 | 45,713 |
| Disposals of tangible non-current assets | | 627 | 894 | Cash and cash equivalents at 31 December | 11 | 76,146 | 60,905 |
| Divestments of investment property | | 251 | | | | | |
| Divestment of subsidiaries | 37 | 83,473 | | | | | |
| Divestment of associates | | 163 | | | | | |
| Acquisition of subsidiaries less cash and cash equivalents acquired | 36 | -65,465 | -116,229 | | | | |
| Acquisition of associates | 7 | -16,354 | | | | | |
| Investments in intangible non-current assets | 3 | -40,527 | -35,218 | | | | |
| Divestments in intangible non-current assets | | 82 | 33 | | | | |
| Net cash flow from investing activities (B) | | -68,869 | -190,227 | | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

General

The financial statements in English is a translation of the official Dutch version. In the event of differences and/or inconsistencies between the English version of the financial statements 2019 and the official Dutch financial statements 2019, the latter will take precedence. The consolidated financial statements of TKH Group N.V. (hereafter 'TKH') have been drawn up in accordance with the International Financial Reporting Standards ('IFRS') adopted by the European Commission and applicable on the accounting period that begins on 1 January 2019. The company financial statements are part of the financial statements of TKH. The financial statements have been prepared based on the historical cost basis, except for the valuation at fair value of investment property, derivatives and share-based payments. All transactions in financial instruments are recognized at transaction date. Comparative figures may have been reclassified for comparability purposes. To the extent that alternative performance measures are used these are explained in the glossary, which is included in the 'Other information'.

New accounting principles and interpretations

As from 1 January 2019 the following amendments of standards and new interpretations are effective:

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over income Tax Treatments
- Amendments to IFRS 9: Prepayment features with negative compensation
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015-2017:
 - IFRS 3: Business combinations – Previously held interests in a joint operation
 - IFRS 11: Joint arrangements – Previously held interests in a joint operation
 - IAS 12: Income taxes – Income tax consequences of payments on financial instruments classified as equity
 - IAS 23: Borrowing costs – Borrowing costs eligible for capitalization

The effect of IFRS 16 on the financial statements is further explained hereafter. The adoption of the other amendments and improvements have no material impact on the financial statements.

TKH has not opted for an early adoption of the following new standards, amendments to standards and new IFRIC interpretations, which are mandatory for accounting periods that begin on or after 1 January 2020:

- IFRS 17 Insurance contracts ²

- Amendments to IFRS 3: Business Combinations ¹
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform ¹
- Amendments to IAS 1 and IAS 8: Definition of Material ¹
- Amendments to References to the Conceptual Framework in IFRS Standards ¹

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.

The application of IFRS 16 Leases is mandatory for financial years commencing on or after 1 January 2019. IFRS 16 Leases provides for a lease accounting model whereby the lessee has to include the assets and liabilities in respect of lease agreements on the balance sheet. The presentation in the statement of profit and loss will also change because depreciation and interest expenses will replace the recorded costs for operating leases under other operating expenses. The interest discount effect has an impact on the net result. In 2019, the sum of depreciation and interest charges is higher than if the old accounting policy had been continued. However, the effect of this on the net result is not material. It has been agreed with the banking group that the amendments based on IFRS 16 will have no impact on the bank covenant during the term of the current financing.

TKH has opted for a 'limited retrospective method'. Whereby the comparative figures will not be adjusted and the changes will be recognized in the opening balance of 2019. TKH has chosen the option to equate the initial value of the lease asset to the amount of the lease liabilities. As a consequence the application of IFRS 16 has no effect on equity per 1 January 2019.

In addition to the choice for the 'limited retrospective method', TKH uses a number of exemptions:

- IFRS 16 is not applied to intangible assets.
- TKH has chosen to use the exemption to not re-assess on 1 January 2019 whether a contract is or contains a lease agreement.
- Use of a single discount rate for a portfolio of contracts with fairly similar characteristics.
- Leases of assets with a low value or with a term of less than one year are excluded.
- TKH relies on the earlier assessment of loss-making contracts, which means that no impairment analysis has been performed on the initially recognized 'Right-of-use assets'.
- The service costs for lease objects are accounted separately and are not included in the assets and lease obligations.
- The use of subsequent known information in determining the lease term for contracts which contained options for extension or termination.

¹ Effective for financial years starting on or after 1 January 2020.

² Effective for financial years starting on or after 1 January 2021.

The weighted average 'incremental borrowing rate' applied on 1 January 2019 is 2.3%.

The impact of IFRS 16 on the consolidated opening balance sheet as at 1 January 2019 is as follows:

| in thousands of euros | 31-12-2018 | IFRS 16 restatement | Restated balance sheet 1-1-2019 |
|-------------------------------------|------------------|------------------------|---------------------------------------|
| Assets | | | |
| Total non-current assets | 820,899 | 87,800 | 908,699 |
| Total current assets | 706,387 | 739 | 707,126 |
| Total assets | 1,527,286 | 88,539 | 1,615,825 |
| Equity and liabilities | | | |
| Total group equity | 647,649 | | 647,649 |
| Total non-current liabilities | 312,724 | 75,221 | 387,945 |
| Total current liabilities | 566,913 | 13,318 | 580,231 |
| Total equity and liabilities | 1,527,286 | 88,539 | 1,615,825 |

The table below indicates the reconciliation between the Operational lease and rental obligations at 31 December 2018, discounted at the above-mentioned weighted average 'incremental borrowing rate', and the IFRS 16 lease obligation as included in the opening balance sheet. The difference between the above mentioned € 88.5 million and the below mentioned € 91.5 million is mainly caused by advance receipts of incentives that were included under current liabilities.

| in thousands of euros | |
|---|---------------|
| Operational lease and rental obligations 31 December 2018 | 80,588 |
| Effect of low value leases and/or with a term of less than one year | -771 |
| Effect of discounting | -10,669 |
| Effect of extensions | 22,786 |
| Other | -452 |
| Lease liability 1 January 2019 | 91,482 |

The impact of IFRS 16 on the consolidated profit and loss account of 2019 is as follows:

| in thousands of euros | 2019 excluding IFRS 16 | IFRS 16 restatement | 2019 including IFRS 16 |
|---|---------------------------|------------------------|---------------------------|
| Total turnover | 1,489,642 | | 1,489,642 |
| Raw materials, consumables, trade products and subcontracted work | 771,483 | | 771,483 |
| Personnel expenses | 382,518 | | 382,518 |
| Other operating expenses | 154,087 | -17,943 | 136,144 |
| Depreciation | 29,225 | 16,122 | 45,347 |
| Amortization | 50,070 | | 50,070 |
| Impairments | 4,971 | | 4,971 |
| Total operating expenses | 1,392,354 | -1,821 | 1,390,533 |
| Operating result | 97,288 | 1,821 | 99,109 |
| Financial income and expenses | -7,792 | -1,971 | -9,763 |
| Result before tax | 89,496 | -150 | 89,346 |
| Tax on profit | -20,675 | 56 | -20,619 |
| Net result for the period from continued operations | 68,821 | -94 | 68,727 |

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



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

Segmentation

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

Foreign currencies

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

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

Business combinations

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

acquiree. Acquisition related costs are recognized in the statement of profit and loss as incurred.

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

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

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

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

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

Intangible non-current assets

Goodwill

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



Other intangible non-current assets

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

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

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

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

Tangible non-current assets

Property, plant and equipment

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

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

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

Right-of-use assets

Lease until 1 January 2019

A lease is classified as a financial lease if the terms of the lease transfer practically all the risks and rewards of ownership of an asset to TKH. All other lease agreements are classified as operating leases. Assets acquired as financial lease are valued at the lower of the fair value and the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Payments made under an operating lease are recognized in the statement of profit and loss in the period to which they relate. Benefits arising from entering into an operating lease are spread over the term of the lease.

Lease after 1 January 2019

For new agreements concluded on or after 1 January 2019, TKH considers whether the contract is or contains a lease agreement. A lease is defined as 'a contract or part of a contract that gives the right to use an (underlying) asset for a period in exchange for reimbursement'. To apply this definition, TKH assesses whether the contract meets three important criteria, namely:

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

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

Impairment

At least annually, the company reviews its tangible and intangible non-current assets to determine whether there are indications that those assets have suffered an impairment loss. If there is any such indication the recoverable value of the asset is estimated to determine the extent of the impairment loss. If the asset does not generate cash itself, the company determines the recoverable value of the smallest cash-generating unit to which the asset belongs. The recoverable amount is the fair value less cost to sell or the value in use, whichever is higher. The value in use is based on the estimated future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current



market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the asset is recognized at the recoverable amount. An impairment loss is recognized immediately in the statement of profit and loss. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, with the exception of goodwill, but never higher than the carrying amount that would have been determined when no impairment loss has been recognized. The increase is recognized immediately in the statement of profit and loss.

Investment property

The investment property relate to residential houses not used for own business operations. These assets are stated at fair value. The fair value is based on market value. Market values are derived from valuation reports. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at balance sheet date. Gains and losses due to changes in the fair value are recognized directly in the statement of profit and loss in the period that the change in fair value occurs.

Associates

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

Inventories

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

Contract assets

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

Contract costs

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

Contract liabilities

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

Financial instruments

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

Financial assets

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

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

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



For the purpose of the subsequent measurement, financial assets are classified into four categories:

1. Financial assets at amortized cost (debt instruments);
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
3. Financial assets designated as at fair value through OCI without recycling of cumulative gains and losses on derecognition (equity instruments);
4. Financial assets at fair value with recognition of value changes in the statement of profit and loss.

1. Financial assets at amortized cost (debt instruments)

This category is the most relevant to TKH. TKH measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The financial assets at amortized cost mainly comprise trade receivables.

2. Financial assets at fair value through OCI (debt instruments)

TKH measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. Debt instruments at fair value through OCI include investments in listed debt instruments. At the balance sheet date, TKH has no debt instruments at fair value through OCI.

3. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, TKH can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss.

Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment. At the balance sheet date, TKH does not hold such equity instruments.

4. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. This group of financial assets is valued at fair value, with the net changes in fair value recognized in the statement of profit and loss. This category includes derivatives that have not been designated as a hedging instrument and loans to start-ups with a performance linked compensation.

A financial asset is primarily derecognized when:

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

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



Impairment of financial assets

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

For trade receivables and contract assets, TKH applies a simplified approach in calculating ECLs. Therefore, TKH does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. TKH has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A further explanation is included in note 22.

Financial liabilities

Financial liabilities are classified, at initial recognition, as

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

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

Other payables

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

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

Offsetting of financial instruments

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

Derivatives

Derivative financial assets and financial liabilities ('derivatives') are recognized in the balance sheet when TKH concludes a contract for such an instrument. Derivatives are stated at fair value on the contract date and are then measured at the prevailing fair value at subsequent reporting dates. Changes in the fair value of derivatives that are designated and effective as hedges of future cash flows are recognized directly in the OCI and accounted for as a separate item in equity. The ineffective portion is recognized immediately in the statement of profit and loss. If the cash flow from an existing commitment or an expected future transaction results in the recognition of an asset or liability, at the time the asset or liability is recognized the associated gains or losses on the hedging instrument that had previously been recognized in the OCI are included in the valuation of the asset or the liability. For hedges that do not result in the recognition of an asset or a liability, the gains or losses recognized in the OCI are recognized in the statement of profit and loss in the same period as the underlying hedged transaction is recognized in the statement of profit and loss. Changes in the fair value of derivatives that do not qualify

for hedge accounting are recognized immediately in the statement of profit and loss. Hedge accounting is discontinued when the hedge instrument expires, is sold, exercised or no longer qualifies for hedging. The cumulative gains or losses on that hedging instrument recognized up to that time in equity are recognized in the statement of profit and loss when the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gains or losses recognized in the OCI are transferred to the statement of profit and loss.

Assets and directly associated liabilities held for sale and discontinued operations

Assets held for sale

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

Discontinued operations

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

- represents a separate major of business or geographical business area; and
- 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. Additional disclosures can be found in note 37. All other notes to the financial statements include amounts for continuing operations, unless otherwise indicated.

Provisions

General

Provisions are recognized when (a) TKH has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (c) a reliable estimate can be made of the amount of the obligation.

Provisions are recognized based on the expected expenditure required to settle the obligation. Long-term provisions, with the exception of the provision for deferred tax, are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, an increase in the provision as a finance cost is recognized due to the passage of time.

Pensions

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

Jubilee bonuses

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

Provision warranty obligations

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

Onerous contracts

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



Restructuring liability

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

Other provisions

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

Deferred tax

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

Turnover

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

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

| Segment | Products and services | Nature and timing of fulfillment of performance obligations |
|--------------------------|--|--|
| TELECOM SOLUTIONS | Telecom Solutions develops, produces and supplies products and systems for basic outdoor infrastructure for telecom and CATV networks through indoor home networking applications. Around 40% of the portfolio consisting of hub-to-hub optical fibre and copper cable systems. The remaining 60%, consisting of components and systems in the field of connectivity and peripherals, is deployed primarily in network hubs. | Virtually all revenues in Telecom Solutions is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance. A receivable is recognized at that moment because the consideration has become unconditional and only the passage of time is required before the payment is due. |



Segment

Products and services

Nature and timing of fulfillment of performance obligations

BUILDING SOLUTIONS

Building Solutions develops, produces and supplies products and systems for security, communication and connectivity applications within and around buildings, as well as for inspection, quality, product and process control. In addition, products and services are supplied for installations within buildings, intelligent video, mission critical communication, evacuation, access (control and registration systems).

A large part of the revenue within Building Solutions is recognized in the same way as Telecom Solutions, with the exception of the following products and services:

- **Maintenance and licenses:** Maintenance and licenses are part of the transaction price for a number of products and systems. These relate to activities that may have to be carried out during a certain period after sale. This period can thereafter be extended by the customer at then applicable prices. Maintenance and licenses are considered as a separate service. A part of the transaction price is therefore allocated to these services based on their stand-alone selling price. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sale transaction and is subsequently recognized as revenue on a straight-line basis over the contract period.
- **Customer-specific products and systems:** A number of products and systems are designed or adapted to customer-specific requirements. TKH recognizes turnover over a period if (i) the customer has control during the creation or improvement of the product/ system or (ii) a product/system is created without alternative use and TKH has an enforceable right to payment for the work performed. Examples of (i) include tunnel safety systems, airport ground lighting and parking guidance that are built up and commissioned on-site, as well as subsea cable systems. Examples of (ii) are amongst others machine vision cameras constructed for a specific customer application and by TKH integrated security and communication systems. If the two conditions mentioned above are not met, revenue is only recognized at transfer date. For customer-specific systems, installation can be part of the transaction price. A distinction is made between configuration and the physical installation. The configuration is an integral part of the system sold, while the installation is often regarded as a separate service that is usually outsourced to third parties. The installation services to be delivered are separately identifiable and accordingly the transaction price is attributed to the system and the installation based on the relative stand-alone selling prices. Installation is a performance obligation that is fulfilled over time. If revenue is recognized over a period, this is based on the stage of completion of the contract. The progress is determined on the basis of the input method based on a cost price method. Which means, the part of the contract costs incurred for the work that has been carried out to date in relation to the estimated total contract costs. For the payments due by the customer, which according to the contract can not yet be invoiced, a contract asset is recognized for the period in which the work has been carried out. This contract asset reflects the right to compensation for work performed to date. If more is invoiced than has been performed to date, a contract liability is recorded. Contract liabilities are recognized as revenue when TKH performs under the contract.

INDUSTRIAL SOLUTIONS

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

- **Standardized products** are accounted for in a similar way as described in Telecom Solutions. Customer-specific products and systems for which there is no enforceable right to payment for the work that has already been performed, are also recognized as revenue in the same way.
- **Customer-specific products and systems** are accounted for in the same way in Building Solutions. A relatively large part of the turnover consists of customer-specific products and systems without alternative use and an enforceable right to payment for the work performed by TKH. Examples are special cable and cable systems for machines and robots, industrial automation systems and tire building systems. In contrast to Building Solutions, in the sub-segment manufacturing systems is the installation regarded as an integral part of the performance obligation to the customer, because on-site systems are constructed, configured and tested by employees.
- **Sales commissions:** Agents are used, who earn a sales commission on the revenue collected. These incremental costs for obtaining a contract are directly related to the sales that were realized in a certain period. The sales commissions are capitalized as contract costs and amortized over the expected contract period.



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

Operating expenses

General

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

Government subsidies

Government subsidies are recognized 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. Subsidies relating to non-current assets are stated as amounts received in advance and credited to the profit and loss account over the expected useful life of the asset concerned.

Share-based payments

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

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

Financial income and expenses

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

Translation differences on sale and purchase transactions are classified under financial income and expenses.

Tax

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

Non-controlling interest

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

Cash flow statement

The cash flow statement has been drawn up using the indirect method. With this method, the net result is adjusted for items in the statement of profit and loss that have no impact on income and expenses in the year under review and changes in items in the balance sheet and statement of profit and loss whose income and expenses are not considered to belong to the operational activities. The cash position in the cash flow statement consists of cash and cash equivalents less short-term borrowings included in cash pools as this is part of the daily cash management.

Cash flows in foreign currencies are converted at an average exchange rate. Exchange differences with respect to cash and cash equivalents are presented separately in the cash flow statement. Income taxes, paid and received interest are included in the cash flow from operating activities. Received dividends are included in the cash flow from investment activities, while paid dividends are included in the cash flow from financing activities. The purchase price of acquisitions is included in the cash flow from investing activities, to the extent that payment has taken place in cash or cash equivalents. Cash and cash equivalents that are present in the acquired subsidiaries are subtracted from the purchase price. Transactions, which do not involve a cash exchange, are not included in the cash flow statement. The payments of the lease terms are presented as repayments on loans for the repayment component of debt (cash flow from financing activities) and as paid interest for the interest component (cash flow from operating activities). Payment of lease installments that are not included in the lease obligation included in the balance sheet (including leases of assets with a low value or with a term of less than one year) are included under cash flow from operating activities.

2 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Fair values

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

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

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

| in thousands of euros | Notes | Hierarchy | 2019 | 2018 |
|--|-------|-----------|--------------|--------------|
| Assets | | | | |
| Investment property | 6 | Level 3 | | 251 |
| Financial assets at fair value through P&L | | Level 3 | 1,070 | 1,110 |
| Foreign currency forward contracts | 22 | Level 2 | 428 | 500 |
| Commodities (derivatives) | 22 | Level 2 | 86 | 73 |
| Total | | | 1,584 | 1,934 |
| Liabilities | | | | |
| Interest rate swaps | 22 | Level 2 | 618 | 464 |
| Foreign currency forward contracts | 22 | Level 2 | 1,396 | 4,733 |
| Commodities (derivatives) | 22 | Level 2 | 121 | 442 |
| Total | | | 2,135 | 5,639 |

The investment property concerned a residential house in the Netherlands. 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 22 contains information about these risks.

Goodwill and intangible non-current asset related to acquisitions

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

**Impairments**

Information about impairment testing is included in note 3. In recent years, investments have been made in the production facility of subsea cable systems. Because it is a new and innovative process for the development of a distinctive subsea cable portfolio, in which TKH still has a small market position, the degree of management estimates with regard to learning curve developments and capacity utilization is significantly higher. This also applies to a certain extent to the portfolio developed for CEDD airfield ground lighting. On the other hand, management involvement is also larger.

Contracts with customers

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

Pensions

The majority of the pension plans qualify as defined contribution plans. Only some in size limited plans qualify as defined benefit plans. Notes 1 and 18 include the assumptions used for the calculation of the pension expenses and the provision for pensions. In note 18 a sensitivity analysis on the present value of the defined benefit obligation is included in case of a change of the discount rate, salary increase and life expectancy.

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 15.

Extension options of lease contracts (from 1 January 2019)

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

3 INTANGIBLE NON-CURRENT ASSETS

| in thousands of euros | Notes | Goodwill | | Brand names, customer relations and intellectual property | | Development costs | | Patents, licenses, software and trademarks | | Total | |
|---|-------|----------------|----------------|---|----------------|-------------------|----------------|---|---------------|----------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Historical cost at 1 January | | 314,725 | 234,802 | 255,588 | 181,831 | 172,561 | 139,085 | 62,577 | 54,996 | 805,451 | 610,714 |
| Accumulated amortization and impairment losses | | 2,323 | 2,243 | 132,652 | 115,741 | 85,153 | 67,479 | 41,225 | 33,099 | 261,353 | 218,562 |
| Book value at 1 January | | 312,402 | 232,559 | 122,936 | 66,090 | 87,408 | 71,606 | 21,352 | 21,897 | 544,098 | 392,152 |
| Purchases and capitalization | | | | | | 35,083 | 30,146 | 5,444 | 5,072 | 40,527 | 35,218 |
| Acquisitions | 36 | 35,265 | 79,154 | 41,614 | 72,752 | 2,411 | 4,392 | 1,259 | 525 | 80,549 | 156,823 |
| Reclassification from tangible non-current assets | 4 | | | | | | 154 | | 85 | 0 | 239 |
| Reclassification to assets held for sale | | | | | | | | -130 | | -130 | 0 |
| Reclassifications | | | | | | 83 | -107 | -132 | 107 | -49 | 0 |
| Divestment of subsidiaries | | -17,039 | | -92 | | -95 | | -441 | | -17,667 | 0 |
| Disposals | | | | | | -58 | | -24 | -33 | -82 | -33 |
| Amortization | 29 | | | -23,108 | -16,318 | -20,869 | -17,689 | -6,093 | -6,306 | -50,070 | -40,313 |
| Impairment losses | 30 | | -80 | | | -1,727 | -1,441 | -261 | | -1,988 | -1,521 |
| Exchange differences | | 489 | 769 | 435 | 412 | 282 | 347 | 10 | 5 | 1,216 | 1,533 |
| Book value at 31 December | | 331,117 | 312,402 | 141,785 | 122,936 | 102,518 | 87,408 | 20,984 | 21,352 | 596,404 | 544,098 |
| Accumulated amortization and impairment losses | | 2,323 | 2,323 | 148,428 | 132,652 | 106,882 | 85,153 | 41,881 | 41,225 | 299,514 | 261,353 |
| Historical cost at 31 December | | 333,440 | 314,725 | 290,213 | 255,588 | 209,400 | 172,561 | 62,865 | 62,577 | 895,918 | 805,451 |

The additions for brand names, customer relations and intellectual property concern the fair value, which is allocated to these intangible non-current assets of acquired companies (see note 36). The intellectual property concerns in business combinations acquired licenses, designs, software and other intellectual property.

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

| in thousands of euros | Goodwill | | Discount rate before tax | | Functional currency | Operating segment |
|----------------------------------|----------------|----------------|--------------------------|-------|------------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | | |
| CGU | | | | | | |
| Indoor telecom & copper networks | 29,597 | 29,597 | 9.9% | 9.6% | EUR | Telecom Solutions |
| Fibre network systems | 3,225 | 3,225 | 10.4% | 9.6% | EUR | Telecom Solutions |
| Building connectivity systems | 37,335 | 37,335 | 9.9% | 9.6% | EUR | Building Solutions |
| Vision & security systems | 238,533 | 202,893 | 9.3% | 10.0% | EUR/USD | Building Solutions |
| Industrial connectivity systems | | 29,444 | | 9.4% | EUR | Industrial Solutions |
| Manufacturing systems | 22,427 | 9,908 | 10.9% | 10.6% | EUR | Industrial Solutions |
| Total | 331,117 | 312,402 | | | | |

The 2019 discount rate before tax 2019 has been determined including the effects of IFRS 16. This does not apply to the comparative discount rate 2018.



Several activities from the CGU industrial connectivity systems were sold in 2019. With this strategic step, the remaining activities from this CGU have been integrated into the CGU manufacturing systems. The related goodwill was € 12.5 million.

The realizable value of the cash generating units, in which goodwill has been reported, is based on the value in use. The value in use is based on estimated future cash flows. These forecasts are derived from the internal business plans, which are drawn up annually and have a horizon of five years. These business plans contain financial budgets and have been prepared by local management and are approved by the Executive Board. Cash flows after the financial budget period have been extrapolated, taken into account an annual growth of 1.4% (2018: 1.5%). The future cash flows are discounted at the discount rate shown in the table, which is based on the risk profile of the CGU. Based on the adopted assumptions, the performed impairment test did not lead to impairments at year-end 2019. In addition, in 2019 impairments totaling € 2.0 million were recognized, related to capitalized development costs in

the CGU connectivity systems, vision & security systems and manufacturing systems. The impairment is partly related to the merging of activities, as a result of which a small part of the portfolio and developments will not be continued. Also some small development projects did not lead to goods or services for which a sufficient market demand was expected. Inherent to the applied calculation methodology, a change in the assumptions can lead to a different conclusion regarding impairment. For all CGU's a sensitivity analysis was performed, in which:

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

The sensitivity analysis does not lead to impairment in one of the CGU's due to the available headroom between the recoverable value and the book value.

The market capitalization of TKH amounted to € 2,137 million on 31 December 2019 and was significantly higher than the book value of the net assets of TKH.

4 TANGIBLE NON-CURRENT ASSETS

| in thousands of euros | Notes | Land and buildings | | Machinery and installations | | Other equipment | | Operating assets in progress | | Total | |
|--|-------|--------------------|----------------|-----------------------------|----------------|-----------------|----------------|------------------------------|---------------|----------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Historical cost at 1 January | | 201,623 | 192,709 | 268,935 | 251,543 | 130,050 | 122,489 | 12,228 | 13,233 | 612,836 | 579,974 |
| Accumulated depreciation and impairments | | 91,269 | 85,264 | 180,742 | 174,906 | 95,363 | 90,522 | 70 | 70 | 367,444 | 350,762 |
| Book value at 1 January | | 110,354 | 107,445 | 88,193 | 76,637 | 34,687 | 31,967 | 12,158 | 13,163 | 245,392 | 229,212 |
| Purchases | | 4,336 | 8,070 | 13,682 | 15,589 | 13,539 | 12,924 | 640 | 6,575 | 32,197 | 43,158 |
| Acquisitions | | 38 | 75 | 241 | 868 | 505 | 950 | | 677 | 784 | 2,570 |
| Divestment of subsidiaries | | -1,239 | | -3,549 | | -2,347 | | -107 | | -7,242 | 0 |
| Disposals | | -1 | -8 | | -229 | -365 | -464 | | | -366 | -701 |
| Depreciation | 28 | -6,590 | -6,067 | -12,216 | -11,428 | -10,676 | -10,606 | | | -29,482 | -28,101 |
| Impairments | 30 | | | -1,021 | 4 | -23 | -26 | | | -1,044 | -22 |
| Exchange differences | | 203 | -334 | 223 | -119 | 224 | -17 | 167 | -16 | 817 | -486 |
| Reclassifications | | | | 201 | | -201 | | | | 0 | 0 |
| Reclassification from/to intangible non-current assets | 3 | | | | 40 | | -279 | | | 0 | -239 |
| Reclassification to assets held for sale | 12 | -6,453 | | -3,272 | | -386 | | -7 | | -10,118 | 0 |
| Commissioning of assets in progress | | 3,335 | 1,173 | 3,032 | 6,831 | 114 | 238 | -6,481 | -8,241 | 0 | 1 |
| Book value at 31 December | | 103,983 | 110,354 | 85,514 | 88,193 | 35,071 | 34,687 | 6,370 | 12,158 | 230,938 | 245,392 |
| Accumulated depreciation and impairments | | 92,112 | 91,269 | 173,968 | 180,742 | 90,963 | 95,363 | 70 | 70 | 357,113 | 367,444 |
| Historical cost at 31 December | | 196,095 | 201,623 | 259,482 | 268,935 | 126,034 | 130,050 | 6,440 | 12,228 | 588,051 | 612,836 |

The impairments mainly relate to the closure of the cable production activities in Ittervoort, whereby the core activities will be transferred to Haaksbergen.

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

| in thousands of euros | Notes | Land and buildings | | Machinery and installations | | Other equipment | | Total | |
|--|-------|--------------------|----------|-----------------------------|----------|-----------------|----------|---------------|----------|
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2018 | |
| Book value at 1 January | | 78,775 | 0 | 85 | 0 | 8,940 | 0 | 87,800 | 0 |
| Purchases | | 2,592 | | | | 3,147 | | 5,739 | |
| Acquisitions | | 1,038 | | | | 412 | | 1,450 | |
| Divestment of subsidiaries | | -4,872 | | -6 | | -696 | | -5,574 | |
| Disposals | | -4 | | | | | | -4 | |
| Reassessment | | 8,087 | | 4 | | -707 | | 7,384 | |
| Depreciation | 28 | -11,970 | | -56 | | -4,096 | | -16,122 | |
| Exchange differences | | 559 | | | | 1 | | 560 | |
| Reclassification to assets held for sale | 12 | -246 | | | | -235 | | -481 | |
| Book value at 31 December | | 73,959 | 0 | 27 | 0 | 6,766 | 0 | 80,752 | 0 |

In 2019, the costs related to variable lease payments that were not included in the lease obligation amounted to € 2.1 million.

In 2019, the costs of leasing assets with a low value amounted to € 0.2 million.

In 2019, the costs of leases with a term of less than one year amounted to € 0.2 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 20 for the lease liability. See note 32 for the interest charges on lease obligations. See the consolidated cash flow statement for the lease payments. The total cash outflow from leases in 2019 was € 20.3 million.

6 INVESTMENT PROPERTY

| in thousands of euros | 2019 | 2018 |
|-------------------------------|------------|------------|
| Balance at 1 January | 251 | 251 |
| Disposals | -251 | 0 |
| Balance at 31 December | 0 | 251 |

The investment property was related to a residential house in the Netherlands

7 OTHER ASSOCIATES

in thousands of euros

| | 2019 | 2018 |
|-------------------------------|---------------|---------------|
| Balance at 1 January | 12,047 | 10,566 |
| Acquisition of an interest | 16,354 | |
| Share in result of associates | 419 | 1,885 |
| Dividend received | -72 | -255 |
| Sale of a share interest | -163 | |
| Exchange differences | 50 | -149 |
| Balance at 31 December | 28,635 | 12,047 |

TKH owns direct or indirect the following relevant other associates:

| Name of other associate | Place | Country | Ownership and control | | Operating segment |
|--|------------|-------------|-----------------------|-------|------------------------------|
| | | | 2019 | 2018 | |
| Speed Elektronik Vertrieb GmbH | Schwelm | Germany | 25.0% | 25.0% | Telecom Solutions |
| INC Ltd. | Taipei | Taiwan | | 33.3% | Telecom / Building Solutions |
| NET Italia S.r.l. | Brescia | Italy | 49.0% | 49.0% | Building Solutions |
| Shin-Etsu (Jiangsu) Optical Preform Co. Ltd. | Jiangyin | PR China | 12.5% | 12.5% | Telecom Solutions |
| Commend Australia Integrated Security and Communication Systems Pty Ltd. | Melbourne | Australia | 49.0% | 49.0% | Building Solutions |
| Traff Is BV | Hedel | Netherlands | 33.3% | 33.3% | Telecom Solutions |
| Cable Connectivity Group B.V. | Zoetermeer | Netherlands | 41.5% | | Industrial Solutions |
| P + S Technik GmbH | Ottobrunn | Germany | 23.2% | 23.2% | Telecom Solutions |

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

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

The financial data included below are preliminary figures for the period from the minority interest. The determination of the fair value of the acquired net assets is still in progress.

The overview below shows the summarized financial information of the other associates on the basis of the most recent available information, where the financial data are included based on the share of interest in these companies. Of the 'summarized financial information 2019 other' a large part relates to Shin-Etsu (Jiangsu) Optical Preform Co.Ltd. The information provided is based on local accounting standards.

| | Assets | Liabilities | Turnover | Net result | Other comprehensive income | Share in result of associates |
|---|--------|-------------|----------|------------|----------------------------|-------------------------------|
| Summarized financial information 2019 of Cable Connectivity Group | 63,721 | 47,718 | 26,635 | 246 | | 246 |
| Summarized financial information 2019 other | 12,128 | 2,433 | 5,331 | 219 | | 173 |
| Summarized financial information 2018 | 12,270 | 2,171 | 10,634 | 1,885 | -149 | 1,885 |

8 INVENTORIES

in thousands of euros

| | 2019 | 2018 |
|--------------------|----------------|----------------|
| Raw materials | 77,878 | 87,001 |
| Work in progress | 35,087 | 31,963 |
| Finished goods | 125,836 | 147,997 |
| Inventories | 238,801 | 266,961 |

An amount of € 658.0 million is reported in the statement of profit and loss for costs of raw materials, consumables and finished goods (2018: € 781.4 million). A part of inventories is valued at lower net realizable value. The book value of these written-down inventories is € 15.8 million (2018: € 17.0 million). The total write-down on inventories, based on aging analysis and sales statistics, in 2019 recognized in the statement of profit and loss is € 1.4 million (2018: € 2.0 million).

9 RECEIVABLES

in thousands of euros

| | Notes | 2019 | 2018 |
|----------------------------------|-------|----------------|----------------|
| Trade accounts receivable | | 150,773 | 202,046 |
| Loss allowance | 22 | -7,261 | -7,965 |
| Derivatives | 22 | 514 | 573 |
| Receivables from related parties | 35 | 884 | 454 |
| Prepayments and accrued income | | 8,910 | 8,277 |
| Other short-term receivables | | 22,715 | 20,088 |
| Long-term receivables | | 1,966 | 2,007 |
| Receivables | | 178,501 | 225,480 |

The amounts above are expected to be settled within 12 months, with the exception of long-term receivables. The receivables are mainly held according to a 'held-to-collect' business model. TKH applies non-recourse factoring that transfers the ownership of the trade receivables and the associated risks to a factoring company. At the end of 2019 receivables with an amount of € 38.7 million are sold to a factoring company (2018: € 52.6 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 22.

10 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

| | 2019 | 2018 |
|---|---------|---------|
| Trade accounts receivable | 150,773 | 202,046 |
| Contract assets | 115,692 | 128,137 |
| Contract liabilities | -49,187 | -57,032 |
| Refund liabilities from customer volume rebates | -3,323 | -4,480 |
| Contract costs | 1,896 | 3,555 |

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 2019, advance payment and performance guarantees were provided to customers amounting to € 67.5 million (2018: € 70.5 million). These guarantees are included in the off-balance sheet commitments (note 23). A large part of the contract assets and liabilities relates to the sub-segment manufacturing systems (Industrial Solutions).

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

| in thousands of euros | Contract assets | | Contract liabilities | |
|---|-----------------|---------|----------------------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue recognized that was included in the contract liability balance at the beginning of the period | | | 57,032 | 60,267 |
| Increases due to cash received, excluding amounts recognized as revenue during the period | | | -49,187 | -57,032 |
| Transfers from contract assets recognized at the beginning of the period to receivables | -128,137 | -94,607 | | |
| Increases as a result of changes in the measure of progress | 115,692 | 128,137 | | |



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 2019, amortization amounted to € 6.3 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 | 2019 | 2018 |
|--|----------------|----------------|
| Expected to be recognized as revenue within 1 year | 394,292 | 400,299 |
| Expected to be recognized as revenue between 1 and 2 years | 20,333 | 34,832 |
| Expected to be recognized as revenue after 2 years | 8,785 | 8,320 |
| Total | 423,410 | 443,451 |

In the contractual performance obligations at 31 December 2018 is an amount of € 39.9 million included for the industrial connectivity activities that were divested in 2019.

11 CASH AND CASH EQUIVALENTS

| in thousands of euros | 2019 | 2018 |
|---|---------------|---------------|
| Cash and bank balances as included in the cash flow statement | 76,146 | 60,905 |
| Cash at companies assets held for sale | -7,149 | |
| Cash and bank balances in cash and interest pools | 9,979 | 22,275 |
| Cash and bank balances | 78,976 | 83,180 |

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

12 ASSETS AND DIRECTLY ASSOCIATED LIABILITIES HELD FOR SALE

TKH reached agreement with third parties in November 2019 on the conditional sale of 100% of the shares of operating company Zhangjiagang Twentsche Cable Co. Ltd. ('ZTC'), in Zhangjiagang (China). ZTC specializes in the production of copper data communication cables. The activities will be divested

for an enterprise value of approximately € 31 million. In 2019 the total turnover of ZTC amounted to € 69.6 million with an EBITA of € 5.0 million and 198 FTE. The activities of ZTC belong to the building connectivity systems sub-segment, within the Building Solutions business segment. The transaction was completed in January 2020 and will result in a non-recurring net profit contribution of about € 3 million in the 2020 financial year.

In December 2019, TKH decided to divest the activities of Cruxin BV. The system integration activities of Cruxin had in the past a strategic value for TKH in putting proprietary technologies on the market, but are now competing in too many markets with TKH customers. Moreover, the activities no longer fit within TKH's risk profile. Far-reaching discussions have already been held with a potential buyer. In January 2020 this resulted in a letter of intent. This transaction is expected to be completed in the first half of 2020. As a result of the intended divestment and the expected proceeds, an impairment of € 1.9 million has been recognized.

The main categories of assets and liabilities classified as held for sale at December 31 are as follows:

| in thousands of euros | 2019 |
|--|---------------|
| Assets | |
| Intangible non-current assets | 124 |
| Tangible non-current assets | 10,118 |
| Right-of-use assets | 481 |
| Deferred tax assets | 171 |
| Inventories | 4,503 |
| Receivables | 14,720 |
| Contract assets | 1,509 |
| Cash and cash equivalents | 7,149 |
| Assets held for sale | 38,775 |
| Liabilities | |
| Non-current interest-bearing loans and borrowings | 147 |
| Other long-term provisions | 61 |
| Current interest-bearing loans and borrowings | 287 |
| Trade payables and other payables | 11,520 |
| Contract liabilities | 364 |
| Current income tax liabilities | -5 |
| Other short-term provisions | 314 |
| Liabilities directly associated with assets held for sale | 12,688 |
| Net assets directly associated with 'held for sale' | 26,087 |

13 EQUITY

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

14 NON-CONTROLLING INTEREST THIRD PARTIES

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

| | Result non-controlling interests | | Cumulative non-controlling interests | |
|-----------------------------------|----------------------------------|------|--------------------------------------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| Various non-controlling interests | -121 | 185 | 304 | 1,190 |

15 OTHER PROVISIONS

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

| in thousands of euros | 2019 | 2018 |
|----------------------------|---------------|---------------|
| Term shorter than 1 year | 19,069 | 12,944 |
| Term between 1 and 5 years | 3,950 | 3,157 |
| Term longer than 5 years | 2,346 | 2,060 |
| Other provisions | 25,365 | 18,161 |

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 2018 | 6,829 | 3,114 | 6,366 | 1,487 | 365 | 18,161 |
| Additions and releases through the profit and loss account | 373 | 564 | 280 | 8,197 | 104 | 9,518 |
| Acquisitions | 108 | | | | | 108 |
| Disposals | -37 | -61 | | -40 | | -138 |
| Withdrawals | -243 | -47 | -324 | -1,280 | -84 | -1,978 |
| Reclassification to liabilities held for sale | | -60 | | -314 | | -374 |
| Exchange differences | 45 | 4 | 6 | 2 | 11 | 68 |
| Balance at 31 December 2019 | 7,075 | 3,514 | 6,328 | 8,052 | 396 | 25,365 |

Provision for warranties

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

Employee liabilities

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

Restructuring liability

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

Onerous contracts

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

Other items

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

16 FINANCIAL LIABILITIES

The movement of the financial liabilities is as follows:

| in thousands of euros | Purchase price | Earn-out | Put- options of shareholders of non- controlling interests | Total |
|---|----------------|--------------|--|--------------|
| Balance at 1 January 2019 | 508 | 653 | 4,258 | 5,419 |
| Acquisitions | | 7,859 | | 7,859 |
| Payment for acquisitions from previous years | -508 | -248 | -3,926 | -4,682 |
| Change in value through the profit and loss account | | -69 | 126 | 57 |
| Balance at 31 December 2019 | 0 | 8,195 | 458 | 8,653 |

| in thousands of euros | 2019 | 2018 |
|------------------------------|--------------|--------------|
| Term shorter than 1 year | 3,682 | 4,831 |
| Term between 1 and 5 years | 4,971 | 412 |
| Term longer than 5 years | | 176 |
| Financial liabilities | 8,653 | 5,419 |

Purchase price

This part of the purchase price, related to acquisitions in 2018, was due to the former shareholders and is settled in 2019.

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 expected fair value of the future cash outflows. The terms of the earn-outs are contracted and an amount of € 3.7 million will expire within one year. The acquisitions mainly relate to FocalSpec and ParkEyes.

Put options of shareholders of non-controlling interests

TKH has option rights on several non-controlling interests held by local management of subsidiaries of TKH. Besides, TKH has a liability to buy these shares when local management decides to offer these shares. A financial liability has been recognized for this obligation. During the financial year the options relating to Pantaflex and Flexposure were exercised. 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 B.V. | 25.0% | 1 January 2014 |
| Mextal B.V. | 5.0% | 1 January 2019 |
| TKH Parking Technology B.V. | 49.0% | 1 January 2019 |

The liability is based on the expected discounted value of the future cash outflows. The expected maturity of the above mentioned liabilities is equal to the period as from 31 December 2019 till the first possibility to exercise. The amount to be paid depends on the future results of the aforementioned subsidiaries. The year of the cash outflow is dependent on a decision to exercise by TKH or the option owner. An amount of € 0.3 million has a maturity of shorter than 1 year.

17 DEFERRED TAX

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

| in thousands of euros | Land and buildings | Intangible non-current assets | Inventories and construction contracts | Provisions | Unused tax losses and credits | Financial instruments | Undistributed intragroup profits | Other | Total |
|---|--------------------|-------------------------------|--|--------------|-------------------------------|-----------------------|----------------------------------|--------------|----------------|
| Balance at 1 January 2018 | -2,858 | -29,407 | -2,960 | 1,588 | 8,707 | -908 | -5,091 | 2,024 | -28,905 |
| (Charge)/credit to other comprehensive income | | | | -81 | | 2,175 | | | 2,094 |
| (Charge)/credit to profit or loss | 236 | -1,465 | -892 | -334 | 864 | | 1,390 | 1,464 | 1,263 |
| Acquisitions | | -18,001 | | 255 | | | | | -17,746 |
| Balance at 31 December 2018 | -2,622 | -48,873 | -3,852 | 1,428 | 9,571 | 1,267 | -3,701 | 3,488 | -43,294 |
| (Charge)/credit to other comprehensive income | | | | 116 | | -862 | | | -746 |
| (Charge)/credit to profit or loss | 756 | 3,349 | 553 | 268 | 2,753 | | 1,646 | 696 | 10,021 |
| Reclassification to assets held for sale | | | | | | | | -171 | -171 |
| Disposals | 12 | 42 | 85 | -315 | -17 | | | -116 | -309 |
| Acquisitions | 33 | -10,341 | | | 108 | | | 133 | -10,067 |
| Balance at 31 December 2019 | -1,821 | -55,823 | -3,214 | 1,497 | 12,415 | 405 | -2,055 | 4,030 | -44,566 |

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 | 2019 | 2018 |
|---|----------------|----------------|
| Deferred tax assets stated under non-current assets | 20,962 | 17,104 |
| Deferred tax liabilities stated under non-current liabilities | -65,528 | -60,398 |
| Deferred taxes | -44,566 | -43,294 |

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

| in thousands of euros | 2019 | 2018 |
|--|---------------|---------------|
| Term infinite | 44,527 | 36,524 |
| Term longer than 10 years | 148 | 85 |
| Term between the 5 and 10 years | 90 | 115 |
| Term shorter than 5 years | 1,101 | 1,988 |
| Unrecognized tax losses and credits | 45,866 | 38,712 |

The unrecognized unused tax losses represent a value of € 11.0 million at the end of 2019 based on the applicable tax rates.

18 PENSIONS

Defined contribution plans

TKH's pension plans in the Netherlands differ per subsidiary. A number of schemes have been placed with the industry pension funds PME and PMT. All other Dutch pension plans are, as from 1 January 2020, defined contribution plans that have been placed with different insurance companies. 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 31 December 2019. TKH has no obligation to make additional payments or to cover deficits associated with the accrued pension entitlements and indexation depots of these guarantee contracts. However, there is a possibility that Nationale-Nederlanden will charge money for the outgoing value transfer of pension entitlements that were accrued before 31 December 2014. This risk of pension payments has not been included in the valuation, in line with the valuation method used in the past. Any payments are accounted for in the year that they occur. Because the old plan already has been accounted for as a defined contribution plan, the change has no impact on the financial statements.

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, classify as defined contribution plans as described above. The total pension expense recognized in 2019 related to the defined contribution plans amounts to € 13.3 million (2018: € 11.4 million). The industry pension plans are included in this pension expense. TKH expects for 2020 a pension expense of € 12 million for all defined contribution plans.

Defined benefit plans

Multi-employer union plans

In the Netherlands 1,687 employees of TKH participate in the multi-employer union plans of 'Pensioenfond van de Metalektro' ('PME') and 'Pensioenfond 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 1,380 companies and 326,000 participants and PMT approximately 34,000 companies and 1,300,000 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:

| | 2019 | 2018 |
|-----------------------|-------|--------|
| coverage ratio of PME | 96.9% | 101.3% |
| coverage ratio of PMT | 97.6% | 102.3% |

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 2019 the social partners will 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. 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, 14 years at 31 December 2019. 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:

| | 2019 | 2018 |
|------------------------------------|----------|----------|
| Discount rate before tax | 0.6-2.0% | 1.6-2.3% |
| General percentage salary increase | 1.7% | 1.6% |

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

| in thousands of euros | 2019 | 2018 |
|--|--------------|--------------|
| Present value of the defined benefit obligations | 5,759 | 7,984 |
| Fair value of the plan assets | | |
| Net pension obligation | 5,759 | 7,984 |

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

| in thousands of euros | 2019 | 2018 |
|---|------------|------------|
| Current service costs | 218 | 399 |
| Interest costs included in financial expenses | 60 | 135 |
| Pension expense in the profit and loss account | 278 | 534 |

For 2020 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 | 2019 | 2018 |
|--|-------|--------------|--------------|
| Balance at 1 January | | 7,984 | 8,172 |
| Current service costs | | 218 | 399 |
| Interest costs included in financial expenses | | 60 | 135 |
| Actuarial (gains)/losses recognized through other comprehensive income | | 487 | -317 |
| Entitlements paid | | -316 | -579 |
| Acquisitions | 36 | | 174 |
| Disposals | 37 | -2,674 | |
| Balance at 31 December | | 5,759 | 7,984 |

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 67% of the net pension liability, when there is an absolute change of 1% or 1 year in the relevant assumptions:

| | 2019 | | 2018 | |
|------------------------------------|---------|---------|---------|---------|
| | +1.0% | -1.0% | +1.0% | -1.0% |
| Discount rate | -487 | 589 | -785 | 947 |
| General percentage salary increase | 475 | -396 | 519 | -477 |
| | +1 year | -1 year | +1 year | -1 year |
| Mortality table | 159 | -197 | 252 | -292 |

19 NON-CURRENT LIABILITIES

| in thousands of euros | Notes | 2019 | 2018 |
|---|-------|----------------|----------------|
| Debts to credit institutions | 20 | 344,258 | 238,235 |
| To be amortized transaction costs for the credit facility | | -643 | -708 |
| Loans from related parties | | 127 | 674 |
| Long term lease liabilities (Right-of-use assets) | | 71,064 | |
| Other non-current liabilities | | 997 | 336 |
| Interest-bearing loans and borrowings | | 415,803 | 238,537 |

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 1.3%. 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 22 for more details on the capital and liquidity risk.

20 BORROWINGS

| in thousands of euros | Notes | Term | Interest | 2019 | 2018 |
|--|-------|------------|------------------------|----------------|----------------|
| Bank loans reported under non-current liabilities | 19 | 4.1 years | Euribor + margin | 344,258 | 238,235 |
| Long term lease liabilities (Right-of-use assets) | 19 | 1-19 years | 1.2-14.0% | 71,064 | |
| Short term lease liabilities (Right-of-use assets) | | < 1 year | 1.2-14.0% | 13,689 | |
| Bridge facility | | < 1 year | Euribor + margin | | 100,000 |
| Borrowings reported under current liabilities | | < 1 year | Euribor/Libor + margin | 44,361 | 70,569 |
| Cash and cash equivalents | 11 | < 1 year | Euribor/Libor - margin | -78,976 | -83,180 |
| Net interest bearing debt | | | | 394,396 | 325,624 |

In the second half of 2019, TKH increased the existing revolving- and standby-credit-facility with € 150 million. This increase was among other used to repay the bridge facility of € 100 million. At year-end 2019, € 10.0 million of the borrowings forms part of cash and interest pools (2018: € 22.3 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 1.3%. The material subsidiaries are guarantor for the obtained financing from credit institutions. No special securities were provided.

The obligations arising from leasing are guaranteed by the lessor's property right on the leased assets
See note 22 for more details on the capital and liquidity risk. The overview below shows the changes in
the interest-bearing liabilities arising from financing activities

| in thousands of euros | Borrowings reported under current liabilities | | Bank loans reported under non-current liabilities | | Total lease liabilities (Right-of-use assets) | | Total | |
|---|--|----------------|--|----------------|--|----------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | | |
| Balance at 1 January | 170,569 | 57,350 | 238,537 | 187,335 | | | 409,106 | 244,685 |
| IFRS 16 restatement | | | | | 91,482 | | 91,482 | 0 |
| Cash flows from financing activities | -113,063 | 99,642 | 99,674 | 50,966 | | | -13,389 | 150,608 |
| Proceeds/(repayments) from cash pools | -12,296 | -19,731 | | | | | -12,296 | -19,731 |
| Payment of lease liabilities | | | | | -17,751 | | -17,751 | 0 |
| <i>Non-cash changes:</i> | | | | | | | | |
| • Acquisition of subsidiaries | | 35,027 | 5,844 | | 1,450 | | 7,294 | 35,027 |
| • Divestment of subsidiaries | | | | | -5,574 | | -5,574 | 0 |
| • Reclassification to liabilities held for sale | | | | | -509 | | -509 | 0 |
| • New leases and reassessments | | 88 | | | 13,123 | | 13,123 | 88 |
| • Amortized transaction costs | | | 322 | 236 | | | 322 | 236 |
| • Interest | | | | | 1,971 | | 1,971 | 0 |
| • Effect of changes in exchange rates | -849 | -1,807 | -119 | | 561 | | -407 | -1,807 |
| Balance at 31 December | 44,361 | 170,569 | 344,258 | 238,537 | 84,753 | 0 | 473,372 | 409,106 |

The withdrawals and repayments of cash pools relate to changes in cash pools presented under cash
and cash equivalents (note 11).

21 TRADE AND OTHER PAYABLES

| in thousands of euros | Notes | 2019 | 2018 |
|---|-------|----------------|----------------|
| Trade creditors | | 154,179 | 211,758 |
| Advance receipts | | 2,775 | 1,890 |
| Other taxes and social insurance contributions | | 30,310 | 21,205 |
| Derivatives | 22 | 2,135 | 5,639 |
| Refund liabilities from customer volume rebates | 10 | 3,323 | 4,480 |
| Other payables and accruals | | 61,522 | 69,641 |
| Trade payables and other payables | | 254,244 | 314,613 |

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.

22 FINANCIAL INSTRUMENTS AND RISKS

General

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

Capital and liquidity risk

External financing is contracted by the holding for the entire TKH Group. TKH has a committed revolving and standby credit facility of € 350 million with a group of banks. In the second half of 2019 this facility has been increased from € 350 million to € 500 million. The conditions and duration (mid January 2024) remained unchanged. The revolving and standby credit facility has a high flexibility in relation to utilizations and repayments. Next to the committed facility, there are uncommitted facilities with several banks for a total of € 275 million. TKH has per 31 December 2019 unused available credit facilities for a total of

€ 351 million (2018: € 279 million). In the calculated available credit facilities the outstanding bank guarantees have been taken into account. The maximum credit facility per subsidiary is determined centrally. In the credit facility the following financial covenant is agreed, which is monitored on a quarterly basis:

| | Covenant | Realization 31-12-2019 | Realization 31-12-2018 |
|---|----------|---------------------------|---------------------------|
| Net debt compared to EBITDA (debt leverage ratio) | < 3.0 | 1.5 | 1.5 |

It has been agreed with the banks that in the calculation of the debt leverage ratio the acquisitions may be consolidated pro forma for 12 months. TKH uses internally a debt leverage ratio up to 2.0. TKH operates within the banks' required covenant at the end of 2019.

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

| in thousands of euros | Average interest | Payable on demand | <3 months | >3 months <1 year | 1-5 years | >5 years | Contractual cash flows | Book value |
|---|------------------|----------------------|----------------|----------------------|----------------|---------------|---------------------------|----------------|
| Bank loans reported under non-current liabilities | 1.3% | | 1,120 | 3,361 | 358,558 | | 363,039 | 344,739 |
| Lease liabilities (Right-of-use assets) | 2.3% | | 6,650 | 11,943 | 39,814 | 40,072 | 98,479 | 84,753 |
| Financial liabilities | 2.0% | | | 3,682 | 4,971 | | 8,653 | 8,653 |
| Borrowings reported under current liabilities | 1.0% | 44,370 | | | | | 44,370 | 44,361 |
| Trade creditors | | | 154,179 | | | | 154,179 | 154,179 |
| Other payables excluding derivatives | | | 64,845 | | | | 64,845 | 64,845 |
| Interest rate swaps (derivatives) | | | 47 | 142 | 622 | | 811 | 618 |
| Foreign currency forward contracts (derivatives) | | | 24,196 | 39,034 | 2,462 | | 65,692 | 968 |
| Commodities (derivatives) | | | 42 | -10 | 3 | | 35 | 35 |
| Financial liabilities | | 44,370 | 251,079 | 58,152 | 406,430 | 40,072 | 800,103 | 703,151 |



The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2018 based on agreed repayment periods:

| in thousands of euros | Average interest | Payable on demand | <3 months | >3 months <1 year | 1-5 years | >5 years | Contractual cash flows | Book value |
|---|------------------|-------------------|----------------|-------------------|---------------|----------------|------------------------|----------------|
| Bank loans reported under non-current liabilities | 1.3% | | 775 | 2,326 | 12,404 | 238,795 | 254,300 | 238,537 |
| Financial liabilities | | | | 4,831 | 412 | 176 | 5,419 | 5,419 |
| Borrowings reported under current liabilities | 1.0% | 70,569 | | 100,500 | | | 171,069 | 170,569 |
| Trade creditors | | | 211,758 | | | | 211,758 | 211,758 |
| Other payables excluding derivatives | | | 74,121 | | | | 74,121 | 74,121 |
| Interest rate swaps (derivatives) | | | 47 | 142 | 622 | | 811 | 464 |
| Foreign currency forward contracts (derivatives) | | | 20,615 | 55,870 | 1,300 | | 77,785 | 4,233 |
| Commodities (derivatives) | | | -4 | 204 | 169 | | 369 | 369 |
| Financial liabilities | | 70,569 | 307,312 | 163,873 | 14,907 | 238,971 | 795,632 | 705,470 |

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 | 31-12-2019 Total |
|--------------------------------------|-------------------|-------------|-------------------|-------------|----------|------------------|
| Incoming | | 23,881 | 38,643 | 2,316 | | 64,840 |
| Outgoing | | -24,196 | -39,034 | -2,462 | | -65,692 |
| Net | 0 | -315 | -391 | -146 | 0 | -852 |
| Discounted at contractual bank rates | | -398 | -425 | -145 | | -968 |

| in thousands of euros | Payable on demand | <3 months | >3 months <1 year | 1-5 years | >5 years | 31-12-2018 Total |
|--------------------------------------|-------------------|-------------|-------------------|-------------|----------|------------------|
| Incoming | | 20,391 | 52,846 | 1,130 | | 74,367 |
| Outgoing | | -20,615 | -55,870 | -1,300 | | -77,785 |
| Net | 0 | -224 | -3,024 | -170 | 0 | -3,418 |
| Discounted at contractual bank rates | | -449 | -3,614 | -170 | | -4,233 |

Interest risk

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

| in thousands of euros (unless stated otherwise) | Average contracted interest rate | | Nominal amount | | Fair value | |
|---|----------------------------------|-------|----------------|--------|------------|------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Maturity between 2 and 5 years | 0.45% | 0.45% | 25,000 | 25,000 | -618 | -464 |

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 € 3.8 million per year as a result of financing and cash with a floating interest rate (2018: € 3.0 million). The impact is reduced by existing interest rate swaps.
- An increase of the fair value of the financial instruments with about € 0.8 million (2018: € 1.1 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, CNY and CAD.

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, CAD, CHF and PLN. These risks are partially hedged by financing these investments in local currency. The remaining risk is not hedged. The carrying amounts of monetary assets and liabilities specified to currencies are as follows:

| in thousands of euros | Euro | | USD | | CNY | | Other currencies | | Total | |
|---|-----------------|-----------------|---------------|------------|-------------|---------------|------------------|--------------|-----------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | |
| Receivables | 246,988 | 295,407 | 17,068 | 29,499 | 8,876 | 17,333 | 19,296 | 21,368 | 292,228 | 363,607 |
| Cash and cash equivalents | 37,237 | 42,155 | 19,666 | 16,037 | 9,577 | 13,179 | 12,495 | 11,809 | 78,975 | 83,180 |
| Non-current interest-bearing loans and borrowings | -415,803 | -238,537 | | | | | | | -415,803 | -238,537 |
| Current interest-bearing loans and borrowings | -36,361 | -132,775 | -7,903 | -28,708 | -564 | | -13,222 | -9,086 | -58,050 | -170,569 |
| Trade payables and other payables | -257,078 | -296,951 | -17,091 | -16,669 | -18,249 | -37,575 | -14,134 | -20,450 | -306,552 | -371,645 |
| Total | -425,017 | -330,701 | 11,740 | 159 | -360 | -7,063 | 4,435 | 3,641 | -409,202 | -333,964 |

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

| in thousands of euros (unless stated otherwise) | Average contract rate | | Nominal amount in foreign currency | | | Fair value | |
|--|-----------------------|--------|------------------------------------|---------|---------|-------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| Cash flow hedges of balance positions | | | | | | | |
| Sell USD with settlement within 3 months | | 1.16 | 1.19 | -1,320 | -3,958 | -99 | -245 |
| Buy USD with settlement within 3 months | | | 1.15 | | 75 | | |
| Buy GBP with settlement within 3 months | | | 0.89 | | 167 | | |
| Buy JPY with settlement within 3 months | | 120.43 | | 157,895 | | -15 | |
| Buy CNY with settlement within 3 months | | 7.81 | 7.89 | 66,181 | 82,654 | 19 | 48 |
| Cash flow hedges | | | | | | | |
| Sell USD with settlement within 3 months | | 1.18 | 1.20 | -6,028 | -3,637 | -272 | -294 |
| Sell USD with settlement between 3 months and 1 year | | 1.17 | 1.26 | -17,477 | -43,253 | -701 | -3,938 |
| Sell USD with settlement after 1 year | | 1.20 | 1.32 | -2,691 | -1,488 | -148 | -170 |
| Buy USD with settlement within 3 months | | | 1.15 | | 91 | | 1 |
| Buy USD with settlement between 3 months and 1 year | | 1.16 | 1.19 | 700 | 253 | 22 | 8 |
| Buy USD with settlement after 1 year | | 1.18 | | 78 | | 3 | |
| Buy GBP with settlement between 3 months and 1 year | | | 0.90 | | 293 | | 4 |
| Buy JPY with settlement within 3 months | | 120.79 | | 67,225 | | -5 | |
| Sell CNY with settlement between 3 months and 1 year | | 8.12 | | -3,414 | | -16 | |
| Buy CNY with settlement within 3 months | | 7.82 | 7.89 | 57,184 | 25,029 | -26 | 41 |
| Buy CNY with settlement between 3 months and 1 year | | 7.90 | 7.97 | 177,114 | 139,973 | 270 | 312 |
| Total | | | | | | -968 | -4,233 |



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 € 4.7 million negative on the result before tax (2018: € 3.6 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 € 26.0 million positive (2018: € 22.6 million positive). An increase of the euro with 10% will have the opposite influence, namely a positive influence of € 4.7 million on the result before tax and a negative influence of € 26.0 million on equity.

Price risk

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

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

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

in thousands of euros (unless stated otherwise)

| | Average contract rate | | Quantity in metric tons | | Fair value | |
|---|-----------------------|------|-------------------------|-------|------------|-------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Cash flow hedges | | | | | | |
| Buy Copper with settlement within 3 months | 5.51 | 4.60 | 517 | 701 | -42 | 4 |
| Buy Copper with settlement between 3 months and 1 year | 5.42 | 4.89 | 427 | 1,397 | 18 | -204 |
| Buy Copper with settlement between 1 and 3 years | 5.41 | 4.61 | 237 | 163 | -1 | -169 |
| Buy Aluminium with settlement within 3 months | 1.62 | | 267 | | 0 | |
| Buy Aluminium with settlement between 3 months and 1 year | 1.63 | | 399 | | -8 | |
| Buy Aluminium with settlement within 1 and 3 years | 1.62 | | 80 | | -2 | |
| Total | | | | | -35 | -369 |

A decrease of the copper price with 10% would have a negative impact of approximately € 0.8 million on the result (2018: € 2.6 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 sub-segments connectivity systems and manufacturing systems. These customers are mainly located in the Netherlands, France, Germany and Asia.

In addition, for large projects to foreign customers bank guarantees, advanced payments (towards a bank guarantee) or confirmed irrevocable 'Letter of Credit' are used. The maximum exposure to credit risk is represented by the carrying amounts of contract assets and financial assets that are recognized in the balance sheet, including derivatives with a positive market value.

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



The actual future credit losses may differ. Below is shown the age of the trade receivables, contract assets and the expected credit losses.

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

| 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 | 31-12-2018 Total |
|---------------------------|-------------|---------------|--------------|--------------|---------------|----------------|---------------------|---------------------|
| Book value | 248,418 | 45,826 | 10,651 | 5,097 | 5,106 | 6,374 | 8,711 | 330,183 |
| Expected credit loss rate | 0.1% | 0.5% | 1.2% | 1.7% | 8.3% | 15.6% | 67.5% | |
| in thousands of euros | 233 | 213 | 132 | 87 | 424 | 993 | 5,883 | 7,965 |

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 | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| Balance at 1 January | 7,965 | 9,190 |
| (Releases)/additions | 562 | -267 |
| Acquisitions | 36 | 60 |
| Disposals | -960 | |
| Withdrawals | -364 | -1,043 |
| Other reclassifications | -5 | |
| Exchange differences | 27 | 25 |
| Balance at 31 December | 7,261 | 7,965 |

23 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 | 2019 | 2018 |
|--|--------|--------|
| Bank guarantees provided to third parties | 72,195 | 75,720 |
| Corporate guarantees provided to banks | 13,000 | |
| Purchase obligations arising from orders for tangible non-current assets | 5,639 | 3,975 |

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

Claims

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



24 INFORMATION BY SEGMENT

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

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

Operating segments

in thousands of euros (unless stated otherwise)

| | Telecom Solutions | | Building Solutions | | Industrial Solutions | | Other and eliminations | | Total | |
|---|-------------------|-------------------|--------------------|-------------------|----------------------|-------------------|------------------------|-------------------|-------------------|------------------|
| | 2019 | 2018 ¹ | 2019 | 2018 ¹ | 2019 | 2018 ¹ | 2019 | 2018 ¹ | 2018 ¹ | |
| Revenue per subsegment | | | | | | | | | | |
| Indoor telecom systems & copper networks | 69,432 | 69,455 | | | | | | | 69,432 | 69,455 |
| Fibre network systems | 131,028 | 125,074 | | | | | | | 131,028 | 125,074 |
| Building connectivity systems | | | 334,272 | 315,327 | | | | | 334,272 | 315,327 |
| Vision & security systems | | | 410,727 | 388,349 | | | | | 410,727 | 388,349 |
| Manufacturing systems | | | | | 544,183 | 559,549 | | | 544,183 | 559,549 |
| Total turnover | 200,460 | 194,529 | 744,999 | 703,676 | 544,183 | 559,549 | 0 | 0 | 1,489,642 | 1,457,754 |
| Geographic segments | | | | | | | | | | |
| Netherlands | 52,750 | 41,765 | 203,156 | 204,229 | 45,501 | 41,324 | | | 301,407 | 287,318 |
| Europe (other) | 135,030 | 133,862 | 292,225 | 253,409 | 205,642 | 216,758 | | | 632,897 | 604,029 |
| Asia | 11,194 | 16,046 | 125,628 | 114,515 | 190,345 | 205,054 | | | 327,167 | 335,615 |
| North America | 701 | 453 | 93,517 | 95,159 | 92,782 | 89,926 | | | 187,000 | 185,538 |
| Other | 785 | 2,403 | 30,473 | 36,364 | 9,913 | 6,487 | | | 41,171 | 45,254 |
| Total turnover | 200,460 | 194,529 | 744,999 | 703,676 | 544,183 | 559,549 | 0 | 0 | 1,489,642 | 1,457,754 |
| Timing of revenue recognition | | | | | | | | | | |
| Revenue at a point-in-time | 198,469 | 192,470 | 685,739 | 615,665 | 111,515 | 112,843 | | | 995,723 | 920,978 |
| Revenue over time | 1,752 | 1,987 | 58,273 | 87,467 | 431,437 | 444,977 | | | 491,462 | 534,431 |
| Revenues from contracts with customers | 200,221 | 194,457 | 744,012 | 703,132 | 542,952 | 557,820 | 0 | 0 | 1,487,185 | 1,455,409 |
| Other revenues | 239 | 72 | 987 | 544 | 1,231 | 1,729 | | | 2,457 | 2,345 |
| Total turnover | 200,460 | 194,529 | 744,999 | 703,676 | 544,183 | 559,549 | 0 | 0 | 1,489,642 | 1,457,754 |
| Result | | | | | | | | | | |
| EBITA before one-off expenses | 30,826 | 28,139 | 75,469 | 69,584 | 81,359 | 92,264 | -15,200 | -14,994 | 172,454 | 174,993 |
| ROS | 15.4% | 14.5% | 10.1% | 9.9% | 15.0% | 16.5% | | | 11.6% | 12.0% |
| One-off expenses | | | -17,174 | -3,547 | -1,130 | -326 | | -338 | -18,304 | -4,211 |
| Amortization | -947 | -1,164 | -40,593 | -30,301 | -8,513 | -8,598 | -17 | -20 | -50,070 | -40,083 |
| Impairments | 92 | 4 | -4,883 | -238 | -180 | -1,309 | | | -4,971 | -1,543 |
| Segment operating result | 29,971 | 26,979 | 12,819 | 35,498 | 71,536 | 82,031 | -15,217 | -15,352 | 99,109 | 129,156 |



Operating segments (continued)

| in thousands of euros (unless stated otherwise) | Telecom Solutions | | Building Solutions | | Industrial Solutions | | Other and eliminations | | Total | |
|--|-------------------|-------------------|--------------------|-------------------|----------------------|-------------------|------------------------|-------------------|------------------|-------------------|
| | 2019 | 2018 ¹ | 2019 | 2018 ¹ | 2019 | 2018 ¹ | 2019 | 2018 ¹ | 2019 | 2018 ¹ |
| Other information | | | | | | | | | | |
| Investments in intangible and tangible non-current assets, Right-of-use assets, including acquisitions | 10,411 | 7,247 | 127,007 | 199,334 | 23,481 | 30,874 | 347 | 315 | 161,246 | 237,770 |
| Depreciation and amortization | 6,158 | 4,682 | 67,670 | 43,799 | 21,215 | 17,482 | 374 | 306 | 95,417 | 66,269 |
| Employees (FTE) | 731 | 726 | 2,984 | 2,966 | 2,235 | 2,204 | 30 | 31 | 5,980 | 5,927 |
| Balance sheet | | | | | | | | | | |
| Assets | 181,842 | 166,514 | 950,179 | 851,875 | 408,784 | 491,825 | 3,706 | 5,025 | 1,544,511 | 1,515,239 |
| Assets held for sale | | | 37,832 | | 943 | | | | 38,775 | 0 |
| Other associates | 9,252 | 9,282 | 2,777 | 2,731 | 16,604 | 32 | 2 | 2 | 28,635 | 12,047 |
| Consolidated total assets | 191,094 | 175,796 | 990,788 | 854,606 | 426,331 | 491,857 | 3,708 | 5,027 | 1,611,921 | 1,527,286 |
| Liabilities | 45,585 | 44,554 | 191,232 | 187,311 | 183,227 | 225,333 | 474,369 | 422,439 | 894,413 | 879,637 |

¹ The comparative figures for 2018 of the profit and loss account have been restated due to discontinued operations.

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

| in thousands of euros | Total turnover ¹ | |
|-------------------------|-----------------------------|------------------|
| | 2019 | 2018 |
| Vertical markets | | |
| Fibre Optics Networks | 136,549 | 133,692 |
| Parking | 59,162 | 58,266 |
| Tunnel & Infra | 132,989 | 95,607 |
| Marine & Offshore | 53,545 | 64,164 |
| Care | 58,160 | 57,172 |
| Machine Vision | 143,026 | 128,923 |
| Tire Building Industry | 330,148 | 330,739 |
| Other vertical markets | 576,063 | 589,191 |
| Total turnover | 1,489,642 | 1,457,754 |

¹ The comparative figures for 2018 of the profit and loss account have been restated due to discontinued operations.

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

| in thousands of euros (unless stated otherwise) | Total turnover ¹ | | Non-current assets ² | | Employees (FTE) | |
|---|-----------------------------|------------------|---------------------------------|----------------|-----------------|-------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Geographic segments | | | | | | |
| Netherlands | 301,407 | 288,939 | 279,041 | 234,833 | 35% | 34% |
| Europe (other) | 632,897 | 604,029 | 505,313 | 421,897 | 41% | 41% |
| Asia | 327,167 | 335,615 | 87,428 | 78,090 | 16% | 16% |
| North America | 187,000 | 185,538 | 62,724 | 60,930 | 7% | 7% |
| Other | 41,171 | 43,633 | 4,189 | 8,045 | 1% | 2% |
| Total | 1,489,642 | 1,457,754 | 938,695 | 803,795 | 100% | 100% |

¹ The comparative figures for 2018 have been restated due to discontinued operations.

² The non-current assets are shown excluding the deferred tax assets.

25 PERSONNEL EXPENSES

The personnel expenses include the following items:

| in thousands of euros | 2019 | 2018 |
|--------------------------------|----------------|----------------|
| Wages and salaries | 302,222 | 272,877 |
| Share-based payments | 2,571 | 2,991 |
| Social insurance contributions | 49,885 | 44,795 |
| Pension costs | 13,462 | 12,574 |
| Temporary labor | 25,259 | 32,284 |
| Capitalized development costs | -28,245 | -24,618 |
| Other personnel expenses | 17,364 | 14,854 |
| Personnel expenses | 382,518 | 355,757 |

The personnel expenses for 2019 include one-off costs of € 14 million related to restructurings resulting from the 'Simplify & Accelerate' program.

26 SHARE-BASED PAYMENTS

Stock option scheme settled in equity instruments

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

Executive Board

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

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

Other option beneficiaries

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

| Year of allocation | Exercise rate in € | Number at 01-01-2019 | Granted during the year | Expired during the year | Elapsed during the year | Exercised during the year | Number at 31-12-2019 | Exercise period |
|--------------------|--------------------|----------------------|-------------------------|-------------------------|-------------------------|---------------------------|----------------------|-----------------|
| 2014 | 25.30 | 52,912 | | -1,800 | | -51,112 | 0 | 2017-2019 |
| 2015 | 31.44 | 162,975 | | | | -65,370 | 97,605 | 2018-2020 |
| 2016 | 33.92 | 325,335 | | | -2,700 | -117,300 | 205,335 | 2019-2021 |
| 2017 | 41.19 | 233,375 | | | -4,562 | | 228,813 | 2020-2022 |
| 2018 | 52.25 | 240,584 | | | -8,910 | | 231,674 | 2021-2023 |
| 2019 | 46.02 | | 329,399 | | -3,056 | | 326,343 | 2022-2024 |
| Total | | 1,015,181 | 329,399 | -1,800 | -19,228 | -233,782 | 1,089,770 | |

At the end of 2019, the company owns 826,898 purchased (depository receipts of) shares to cover the option rights. These (depository receipt of) shares have been purchased against an average share price of € 45.10. The total purchase value is € 37,296,630. The average share price on the date at which the share options were exercised during the financial year was € 44.78. The options were granted during the financial year on 5 March 2019. The estimated fair value of the options granted in 2019 is € 1,989,570. The fair value was determined on the basis of a binomial valuation model with the following assumptions:

| | 2019 | 2018 |
|--|--------|-------|
| Fair value at the date of allocation (in €) | 6.04 | 7.02 |
| Expected volatility | 23.5% | 23.5% |
| Expected dividend | 3.0% | 3.0% |
| Risk free rate | 0.002% | 0.27% |
| Expected period to expiry of the option (in years) | 4.0 | 4.0 |

The current restrictions on the exercise of the options, the chances that employees will leave the company and possible personal considerations of option holders have been taken into account for the expected expiry period of the options. TKH has a reported total charge of €1,549,878 (2018: € 1,355,150) for these share-based payments which have been settled in equity instruments.

Other share-based payments

Based on the share scheme, (depository receipts of) shares have been allotted free of charge to the members of the Executive Board. During 2019 Mr. J.M.A. van der Lof was allotted 7,548 (depository receipts of) shares, Mr. E.D.H. de Lange 5,661, and Mr. H.J. Voortman 4,638 (depository receipts of) shares related to the performance for the year 2018. At the same time, the Executive Board members purchased respectively 7,548, 5,661 and 4,638 (depository receipts of) shares at the actual share price of € 44.87, 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 € 1,021,000 (2018: € 1,636,000) in the statement of profit and loss.

27 OTHER OPERATING EXPENSES

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

28 DEPRECIATION

in thousands of euros

| | 2019 | 2018 |
|---|---------------|---------------|
| Depreciation of tangible non-current assets | 29,482 | 26,372 |
| Depreciation of Right-of-use assets | 16,122 | |
| Result on disposal of tangible non-current assets | -257 | -186 |
| Depreciation | 45,347 | 26,186 |

29 AMORTIZATION

in thousands of euros

| | 2019 | 2018 |
|---|---------------|---------------|
| Amortization of intangible non-current assets | 26,962 | 23,765 |
| Amortization of intangible non-current assets from acquisitions as a result of 'Purchase Price Allocations' | 23,108 | 16,318 |
| Amortization | 50,070 | 40,083 |

30 IMPAIRMENT

in thousands of euros

| | Notes | 2019 | 2018 |
|---|-------|--------------|--------------|
| Impairment of intangible non-current assets | 3 | 1,988 | 1,521 |
| Impairment of tangible non-current assets | 4 | 1,044 | 22 |
| Impairment of assets held for sale | | 1,939 | |
| Impairment | | 4,971 | 1,543 |

The write-downs relating to onerous contracts with customers have been recorded in the operating expenses (see note 15).

31 RESEARCH AND DEVELOPMENT COSTS

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

| in thousands of euros | 2019 | 2018 |
|--|---------------|---------------|
| Research and development costs | 63,236 | 60,763 |
| Less: Capitalized development costs | -35,083 | -30,146 |
| Add: Amortization of development costs | 20,869 | 17,689 |
| Add: Impairment on capitalized development costs | 1,727 | 1,441 |
| Research and development costs accounted for in the profit and loss account | 50,749 | 49,747 |
| Government subsidies for research and development costs | -1,926 | -1,686 |

32 FINANCIAL INCOME AND EXPENSES

in thousands of euros

| | 2019 | 2018 |
|---|----------------|---------------|
| Exchange and translation differences, including the effect of realized cash flow hedges | -869 | -242 |
| Amortized transaction costs | -322 | -236 |
| Interest costs in defined benefit plans | -35 | -36 |
| Interest expense on lease liabilities | -1,971 | |
| Interest expenses | -7,461 | -7,618 |
| Fair value gain on debt instruments at fair value through P&L | | 205 |
| Interest income from debt instruments at fair value through P&L | 133 | 221 |
| Interest income | 400 | 1,353 |
| Financial income and expenses | -10,125 | -6,353 |

33 TAX

| in thousands of euros | Notes | 2019 | 2018 |
|--------------------------------|-------|---------------|---------------|
| Current tax | | 30,066 | 28,853 |
| Adjustments for previous years | | 574 | -312 |
| Deferred tax | 17 | -10,021 | -1,263 |
| Total tax on result | | 20,619 | 27,278 |

| in thousands of euros | Notes | 2019 | 2018 |
|---|-------|------------|---------------|
| Deferred taxes on revaluation of cash flow hedges | 17 | 862 | -2,175 |
| Deferred taxes on actuarial gains and losses | 17 | -116 | 81 |
| Total tax on other comprehensive income | | 746 | -2,094 |

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

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

| in thousands of euros (unless stated otherwise) | | 2019 | | 2018 |
|---|--|---------------|--------------|----------------|
| Result before tax | | 89,346 | | 125,196 |
| Tax calculated at the Dutch tax rate | | 22,337 | 25.0% | 31,299 |
| Correction due to tax effect for: | | | | |
| Tax participation exemption | | 333 | 0.4% | 312 |
| Non-deductible expenses | | 1,815 | 2.0% | 826 |
| Untaxed gains | | | | -136 |
| Advantages from tax facilities | | -5,122 | -5.7% | -5,684 |
| Write off/recognition of deferred taxes | | -4 | 0.0% | -655 |
| (Recognition)/derecognition of deferred tax asset for unused tax losses | | 242 | 0.3% | 1,701 |
| Settlement of income tax returns for previous years | | 574 | 0.6% | -312 |
| Differences in tax rates for foreign subsidiaries | | 945 | 1.1% | 919 |
| Change in statutory tax rate | | -258 | -0.3% | -900 |
| Other tax benefits | | -243 | -0.3% | -92 |
| Effective tax burden | | 20,619 | 23.1% | 27,278 |
| | | | | 21.8% |

The benefits from the tax facilities mainly concern benefits from tax R&D facilities. These facilities mainly relate to the Netherlands (innovation box), Canada (SR&ED), Austria and China and reduce the effective tax burden. The not full recognition of the unused tax losses resulted in a € 1.7 million charge in 2018. This burden was compensated by a release of deferred tax liabilities, that had been accrued for future

withholding taxes on dividends, and a tariff reduction in the Netherlands. From 2021 the nominal tax rate will drop from 25.0% to further to 21.7%. As a result of this future tariff reduction, a partial release of the deferred tax liabilities of € 0.9 million was recognized in 2018. The impact for 2019 of this rate reduction amounted to € 0.3 million.

34 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

| in thousands of euros (unless stated otherwise) | Notes | 2019 | 2018 ¹ |
|--|-------|----------------|-------------------|
| Weighted average number of (depository receipts of) shares (x 1,000) | | 41,959 | 42,010 |
| Effect of share options (x 1,000) | | 161 | 292 |
| Weighted average number of (depository receipts of) shares diluted (x 1,000) | | 42,120 | 42,302 |
| Net profit | | 113,927 | 108,736 |
| Less: Non-controlling interests | | 121 | -185 |
| Net profit attributable to the shareholders of the company | | 114,048 | 108,551 |
| Result after tax from discontinued operations | 37 | -45,200 | -10,818 |
| Net profit attributable to the shareholders of the company from continuing operations | | 68,848 | 97,733 |
| Amortization of intangible non-current assets from acquisitions | 3 | 23,108 | 16,318 |
| Taxes on amortization | | -6,243 | -4,130 |
| Net profit before amortization from continuing operations attributable to the shareholders of the company | | 85,713 | 109,921 |
| One-off costs for restructurings, integrations, divestments and acquisitions | | 18,304 | 4,211 |
| One-off costs in result of associates | | 841 | |
| Impairments | | 4,971 | 1,543 |
| Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests | 16 | 57 | -520 |
| Tax impact on one-off expenses and benefits | | -4,577 | -938 |
| Net profit before amortization and one-off income and expenses attributable to the shareholders of the company | | 105,309 | 114,217 |
| Earnings per share attributable to shareholders | | | |
| Ordinary earnings per share (in €) | | 2.72 | 2.58 |
| Diluted earnings per share (in €) | | 2.71 | 2.57 |
| Earnings per share attributable to shareholders from continued operations | | | |
| Ordinary earnings per share (in €) continued operations | | 1.64 | 2.33 |
| Diluted earnings per share (in €) continued operations | | 1.63 | 2.31 |
| Ordinary earnings per share before amortization (in €) continued operations ² | | 2.04 | 2.62 |
| Ordinary earnings per share before amortization and one-off income and expenses (in €) continued operations ² | | 2.51 | 2.72 |
| Earnings per share attributable to shareholders from discontinued operations | | | |
| Ordinary earnings per share (in €) discontinued operations | | 1.08 | 0.26 |
| Diluted earnings per share (in €) discontinued operations | | 1.07 | 0.26 |

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

¹ The comparative figures for 2018 have been restated due to discontinued operation

² Non IFRS compulsory disclosure

35 RELATED PARTIES

Trade transactions

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

| in thousands of euros | Sold to | | Bought from | | Trade receivables | | Trade payables | |
|--|--------------|--------------|---------------|---------------|-------------------|------------|----------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Cable Connectivity Group BV | 5,472 | | 4,432 | | 619 | | 540 | |
| Shin-Etsu (Jiangsu) Optical Preform Co. Ltd. | | | 11,001 | 18,801 | | | 924 | 3,729 |
| INC Ltd. | | | 3,234 | 3,144 | | | | 188 |
| Speed Elektronik Vertrieb GmbH | 232 | 292 | 241 | 149 | 2 | -2 | | 2 |
| Commend Australia Integrated Security and Communication Systems Pty Ltd. | 603 | 705 | | | 85 | 207 | | |
| NET Italia S.r.l. | 234 | 178 | | | 173 | 224 | | |
| Total | 6,541 | 1,175 | 18,908 | 22,094 | 879 | 429 | 1,464 | 3,919 |

Shareholdings of members of the Executive Board and the Supervisory Board

During the financial year J.M.A. van der Lof sold 20,096 (depository receipts of) shares, E.D.H. de Lange sold 11,322 (depository receipts of) shares at a stock price of € 44.47, 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 7,548, 5,661 and 4,638 (depository receipts of) shares at a stock price of € 44.87. Among the members of the Executive Board, Mr. J.M.A. van der Lof owned 138,147 (depository receipts of) shares, Mr. E.D.H. de Lange owned 91,468 (depository receipts of) shares and Mr. H.J. Voortman owned 20,723 (depository receipts of) shares at the end of 2019. Of the Supervisory Board, Mr. A.J.P. De Proft owned 2,000 (depository receipts of) shares at the end of 2019.

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.

| in thousands of euros | Total regular income (TRI) | | Bonus (STI) | | Share scheme (LTI) | | Pension | | Compensation for pension premium | | Total | |
|---------------------------|----------------------------|--------------|-------------|------------|--------------------|--------------|-----------|-----------|----------------------------------|------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | | |
| Executive Board | 1,404 | 1,318 | 494 | 601 | 856 | 1,252 | 70 | 82 | 240 | 210 | 3,064 | 3,463 |
| Supervisory Board | 285 | 234 | | | | | | | | | 285 | 234 |
| Total remuneration | 1,689 | 1,552 | 494 | 601 | 856 | 1,252 | 70 | 82 | 240 | 210 | 3,349 | 3,697 |

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.

36 ACQUISITIONS

During 2019 TKH acquired the following companies:

| Name subsidiary | Country | Legal ownership and control | Consolidation as from | Operating segment |
|-----------------|-------------|-----------------------------|-----------------------|--------------------------------------|
| Commend AG | Switzerland | 100.0% | 1 April 2019 | Vision & security systems (Building) |
| ParkEyes S.L. | Spain | 100.0% | 1 April 2019 | Vision & security systems (Building) |
| SVS-Vistek GmbH | Germany | 100.0% | 1 September 2019 | Vision & security systems (Building) |
| FocalSpec Oy | Finland | 100.0% | 31 October 2019 | Vision & security systems (Building) |

In April 2019, TKH acquired the shares in Commend AG, with offices in the Zurich and Geneva (Switzerland) districts. Commend AG is the value added reseller in Switzerland of mission critical communication systems of the Commend Group, which was acquired by TKH in 2015 and has its head office in Austria. With 23 employees, Commend AG realizes an annual turnover of approximately € 8 million. Within TKH, the activities of Commend AG will be part of the vision & security systems sub-segment within the Building Solutions business segment.

In April 2019, TKH acquired the shares in ParkEyes. ParkEyes is located in Malaga (Spain). ParkEyes is a technology company in the field of intelligent image-based solutions for parking facilities, using Artificial Intelligence. ParkEyes technology is complementary to TKH's existing technologies for parking solutions. By using the TKH network and the strong positioning of TKH in North America, Europe and Australia, ParkEyes is expected to be able to accelerate the growth and expansion of its market position. With 27 employees (FTE), ParkEyes realizes an annual turnover of approximately € 7 million. The activities within TKH will be part of the vision & security systems sub-segment within the Building Solutions business segment.

At the beginning of August 2019, TKH acquired the shares in SVS-Vistek. SVS-Vistek is a vision technology company that supplies innovative high-end technologies for imaging systems and is based in Seefeld (Germany). SVS-Vistek is mainly active in the industrial market and supplies machine vision solutions for inspection, measurement and process control that meet the high demands of various end markets, including flat-panel display, semi-conductor, electronics, automotive and intelligent traffic systems. With 56 employees, SVS-Vistek realizes an annual turnover of approximately € 20 million. The activities will be part of the vision & security systems sub-segment within the Building Solutions business segment within TKH.

At the end of October 2019, TKH acquired the shares in FocalSpec Oy. FocalSpec is an innovative optical metrology company based in Oulu (Finland) that designs and produces patented 'Line Confocal Imaging' (LCI) technology. With this acquisition, TKH expands its vision technology with leading confocal technology with applications in markets such as consumer electronics, battery, pharmaceuticals, semi-conductors and the medical sector. With 55 employees, FocalSpec achieved a turnover of € 6.5 million in the past year. The activities within TKH will be part of the vision & security systems sub-segment within the Building Solutions business segment.



The combined net assets acquired are comprised as follows:

| in thousands of euros | SVS-Vistek GmbH | | | Other | | | Total acquisitions 2019 | | | Total acquisitions 2018 | | |
|------------------------------------|-----------------|---------------|---------------|--------------|---------------|---------------|-------------------------|---------------|---------------|-------------------------|---------------|----------------|
| | Book value | Adjustments | Fair value | Book value | Adjustments | Fair value | Book value | Adjustments | Fair value | Book value | Adjustments | Fair value |
| Intangible non-current assets | 15 | 15,959 | 15,974 | 3,655 | 25,655 | 29,310 | 3,670 | 41,614 | 45,284 | 4,917 | 72,752 | 77,669 |
| Tangible non-current assets | 257 | | 257 | 527 | | 527 | 784 | | 784 | 2,570 | | 2,570 |
| Right-of-use assets | | 520 | 520 | | 930 | 930 | | 1,450 | 1,450 | | | 0 |
| Loans and receivables | | | 0 | 41 | | 41 | 41 | | 41 | 17 | | 17 |
| Inventories | 4,812 | | 4,812 | 3,236 | | 3,236 | 8,048 | | 8,048 | 8,309 | | 8,309 |
| Receivables | 2,040 | | 2,040 | 5,171 | | 5,171 | 7,211 | | 7,211 | 9,837 | | 9,837 |
| Cash and cash equivalents | 646 | | 646 | 2,460 | | 2,460 | 3,106 | | 3,106 | 3,640 | | 3,640 |
| Pensions | | | 0 | | | 0 | | | 0 | -174 | | -174 |
| Provisions | | | 0 | -108 | | -108 | -108 | | -108 | -182 | | -182 |
| Non-current liabilities | | -520 | -520 | -5,844 | -930 | -6,774 | -5,844 | -1,450 | -7,294 | | | 0 |
| Deferred tax | | -4,560 | -4,560 | 274 | -5,781 | -5,507 | 274 | -10,341 | -10,067 | 255 | -18,001 | -17,746 |
| Borrowings | | | 0 | | | 0 | | | 0 | -35,027 | | -35,027 |
| Current liabilities | -1,865 | | -1,865 | -5,425 | | -5,425 | -7,290 | | -7,290 | -7,690 | | -7,690 |
| Acquired net assets | 5,905 | 11,399 | 17,304 | 3,987 | 19,874 | 23,861 | 9,892 | 31,273 | 41,165 | -13,528 | 54,751 | 41,223 |
| Goodwill paid | | | 11,772 | | | 23,493 | | | 35,265 | | | 79,154 |
| Purchase price | | | 29,076 | | | 47,354 | | | 76,430 | | | 120,377 |
| Contingent consideration | | | 0 | | | -7,859 | | | -7,859 | | | -508 |
| Cash and cash equivalents acquired | | | -646 | | | -2,460 | | | -3,106 | | | -3,640 |
| Purchase price paid | | | 28,430 | | | 37,035 | | | 65,465 | | | 116,229 |

Besides SVS-Vistek, the acquisitions are shown jointly due to the limited individual size of FocalSpec, ParkEyes and Commend. The fair value adjustments mainly concern acquired intangible assets such as intellectual property. The fair value of the receivables acquired is largely the same as the contractual cash flows.

The goodwill paid is attributable to the knowledge and skills of the workforce, expected synergy benefits through intensification of cooperation within the TKH group and alignment with TKH's strategic development. The recognized goodwill from the acquisitions is not tax deductible. The purchase price is paid in cash. For the acquisition of ParkEyes and FocalSpec, a conditional compensation based on earn-out has been agreed. This amount has been estimated based on expected future results. The

actual compensation to be paid in the future can deviate positively or negatively on the basis of the future realization. Based on scenario analysis, the possible deviation is estimated at a maximum of € 2 million positive or negative. The acquisition costs that are recognized in the operating result amount to € 2.2 million and relate to external costs for M&A, legal advice and due diligence.

In 2019, the acquired companies contributed € 20.0 million in revenue and € 2.3 million net result to TKH's revenue and net result. If the acquisitions had taken place on 1 January 2019, the net turnover of TKH would have been € 1,507.9 million and the net profit would have been € 111.2 million. The aforementioned net profit amount takes into account the amortization of intangible fixed assets related to the acquisition.

37 DISCONTINUED OPERATIONS

On 16 July 2019, TKH reached agreement with Torqx Capital Partners on the sale of most of the industrial connectivity activities. The divestment is part of the 'Simplify & Accelerate' program announced on 12 June 2019 in which TKH has announced, among other things, that it will intensify the divestment of certain activities in order to support more targeted value creation. An important first step has been taken with this strategic move. The divestment was completed on 15 August 2019. The main operating companies that are part of the divestment are Jobarco BV, Pantaflex BV and Capable BV (the Netherlands), TKD Kabel GmbH and Schrade Kabel & Elektrotechnik GmbH (Germany), TKH Kabeltechnik Sp. z.o.o. (Poland) and KC Industrie Srl (Italy). The activities will be continued from a newly established company under the name Cable Connectivity Group, in which TKH acquires a minority interest of 41.5%.

The net result of this group of companies for the past year is presented as result from discontinued operations. The comparative figures for the year 2018 in the profit and loss account have been adjusted accordingly. The same applies to the information per segment. The item result from discontinued activities comprises the operating results of the industrial connectivity activities as well as the results achieved on sale in 2019. The results of the discontinued activities can be specified as follows:

| in thousands of euros | 2019 | 2018 |
|--|----------------|----------------|
| External turnover | 109,425 | 174,692 |
| Total operating expenses | -100,561 | -161,119 |
| Financial result | -320 | -371 |
| Result before tax | 8,544 | 13,202 |
| Tax on result | -2,293 | -2,384 |
| Net result | 6,251 | 10,818 |
| Profit on disposal of discontinued operations | 40,110 | |
| Attributable tax expense | -1,161 | |
| Result after tax from discontinued operations | 45,200 | 10,818 |

The participation exemption applies to a large part of the profit from sales, for which no corporation tax is due.

The cash flows from the discontinued activities, excluding the amount received on sale, can be specified as follows:

| in thousands of euros | 2019 | 2018 |
|-------------------------------------|---------------|--------------|
| Cash flow from operating activities | 248 | 13,513 |
| Cash flow from investing activities | -1,711 | -1,775 |
| Cash flow from financing activities | -419 | -5,741 |
| | -1,882 | 5,997 |

The assets and liabilities on the balance sheet of the group of companies whose activities are not continued can be specified as follows at the time of sale:

| in thousands of euros | |
|--|---------------|
| Assets | |
| Intangible non-current assets | 17,667 |
| Tangible non-current assets | 7,242 |
| Right-of-use assets | 5,574 |
| Deferred tax assets | 598 |
| Inventories | 35,072 |
| Receivables | 18,456 |
| Contract assets | 1,112 |
| Current income tax | 28 |
| Cash and cash equivalents | 9,095 |
| Assets held for sale | 94,844 |
| Liabilities | |
| Non-current interest-bearing loans and borrowings | 4,473 |
| Deferred tax liabilities | 289 |
| Retirement benefit obligation | 2,674 |
| Provisions | 76 |
| Current interest-bearing loans and borrowings | 1,101 |
| Trade payables and other payables | 31,407 |
| Current income tax liabilities | 1,143 |
| Provisions | 62 |
| Liabilities directly associated with assets held for sale | 41,225 |
| Net assets directly associated with disposal group | 53,619 |
| Profit on disposal of discontinued operations | 38,949 |
| Cash and cash equivalents disposed of | -9,095 |
| Cash flow after tax from discontinued operations | 83,473 |

38 NON-CASH TRANSACTIONS

There were no material non-cash transactions.

39 EVENTS AFTER BALANCE SHEET DATE

No events of fundamental significance, other than the events disclosed in note 12, for insight into the financial statements and the preceding period occurred after balance sheet date.

40 SERVICE FEES PAID TO EXTERNAL AUDITORS

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

| in thousands of euros | Ernst & Young Accountants LLP (Netherlands) | | Other parts of EY | | Total | |
|--|--|--------------|-------------------|------------|--------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Audit of the financial statements | 1,476 | 1,149 | 549 | 600 | 2,025 | 1,749 |
| Other auditing assignments | 5 | | | 3 | 5 | 3 |
| Tax consultancy | | | 18 | 21 | 18 | 21 |
| Service costs external auditors | 1,481 | 1,149 | 567 | 624 | 2,048 | 1,773 |

The higher fees paid to the external auditor relate to adjusted agreements regarding the regular audit budget with effect from 2019 and additional audit procedures as a result of the implementation of IFRS 16 and acquisitions. The decrease in the reimbursements for foreign EY components is explained by the fact that a number of operating companies are no longer in scope as a result of the divestment of the industrial connectivity activities.



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COMPANY BALANCE SHEET

As of 31 December before profit appropriation

| in thousands of euros | Notes | 2019 | 2018 |
|---------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible non-current assets | 2 | 148,002 | 131,302 |
| Tangible non-current assets | 3 | 731 | 692 |
| Financial non-current assets | 4 | 1,192,555 | 1,074,943 |
| Deferred tax assets | 5 | 813 | 775 |
| Total non-current assets | | 1,342,101 | 1,207,712 |
| Current assets | | | |
| Receivables on subsidiaries | | 45,798 | 106,184 |
| Other receivables | 6 | 4,176 | 2,062 |
| Cash and cash equivalents | 12 | 3,775 | 5,331 |
| Total current assets | | 53,749 | 113,577 |
| Total assets | | 1,395,850 | 1,321,289 |

| in thousands of euros | Notes | 2019 | 2018 |
|---------------------------------------|-------|------------------|------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | | 10,709 | 10,709 |
| Share premium | | 85,021 | 85,021 |
| Legal reserve | | 80,428 | 64,123 |
| Revaluation reserve | | 0 | 188 |
| Translation reserve | | 11,835 | 8,337 |
| Cash flow hedge reserve | | -1,179 | -3,462 |
| Retained earnings | | 403,654 | 372,992 |
| Unappropriated profit | | 114,048 | 108,551 |
| Total shareholders' equity | 7 | 704,516 | 646,459 |
| Provisions | | | |
| Deferred tax liabilities | 5 | 853 | 1,265 |
| Financial liabilities | 11 | 4,819 | 468 |
| Provisions | 10 | 6,237 | 3,010 |
| Total provisions | | 11,909 | 4,743 |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 12 | 339,357 | 237,292 |
| Total non-current liabilities | | 339,357 | 237,292 |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 12 | 38,376 | 166,030 |
| Payables to group companies | | 291,913 | 255,163 |
| Financial liabilities | 11 | 3,682 | 4,670 |
| Other current liabilities | | 6,097 | 6,932 |
| Total current liabilities | | 340,068 | 432,795 |
| Total equity and liabilities | | 1,395,850 | 1,321,289 |

COMPANY STATEMENT OF PROFIT AND LOSS

| in thousands of euros | Notes | 2019 | 2018 |
|--|-------|----------------|----------------|
| Net turnover | 14 | 9,016 | 8,691 |
| Wages and salaries | 15 | 8,494 | 9,228 |
| Social insurance contributions | | 1,074 | 1,234 |
| Depreciation | | 360 | 323 |
| Other operating expenses | | 10,417 | 9,860 |
| Total operating expenses | | 20,345 | 20,645 |
| Operating result | | -11,329 | -11,954 |
| Financial income | | 9,722 | 11,961 |
| Financial expenses | | -10,112 | -8,984 |
| Exchange differences | | -377 | 182 |
| Change in value of financial liability for earn-out and put-options of shareholders of non-controlling interests | | 63 | 520 |
| Result before tax | | -12,033 | -8,275 |
| Tax on result | 16 | -2,029 | -780 |
| Company result | | -10,004 | -7,495 |
| Share in result of participations from continued operations | | 78,852 | 105,228 |
| Share in result of participations from discontinued operations | | 45,200 | 10,818 |
| Share in result of participations after tax | | 124,052 | 116,046 |
| Net result | | 114,048 | 108,551 |

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 NON-CURRENT ASSETS

| | Goodwill | |
|--|----------------|----------------|
| in thousands of euros | 2019 | 2018 |
| Historical cost at 1 January | 132,992 | 51,865 |
| Accumulated amortization and impairment losses | 1,690 | 1,690 |
| Book value at 1 January | 131,302 | 50,175 |
| Acquisitions | 23,380 | 81,261 |
| Disposals | -6,745 | |
| Exchange differences | 65 | -134 |
| Book value at 31 December | 148,002 | 131,302 |
| Accumulated amortization and impairment losses | 1,690 | 1,690 |
| Historical cost at 31 December | 149,692 | 132,992 |

3 TANGIBLE NON-CURRENT ASSETS

| | Other equipment | |
|--|-----------------|--------------|
| in thousands of euros | 2019 | 2018 |
| Historical cost at 1 January | 2,404 | 2,398 |
| Accumulated depreciation and impairments | 1,712 | 1,653 |
| Book value at 1 January | 692 | 745 |
| Purchases | 399 | 301 |
| Disposals | | -31 |
| Depreciation | -360 | -323 |
| Book value at 31 December | 731 | 692 |
| Accumulated depreciation and impairments | 2,072 | 1,712 |
| Historical cost at 31 December | 2,803 | 2,404 |

4 FINANCIAL NON-CURRENT ASSETS

| in thousands of euros | Consolidated subsidiaries | | Other associates | | Receivables on subsidiaries | | Total | |
|---|---------------------------|----------------|------------------|---------------|-----------------------------|----------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Balance at 1 January | 750,214 | 485,130 | 11,274 | 9,771 | 313,455 | 510,772 | 1,074,943 | 1,005,673 |
| Acquisition and/or incorporation of subsidiaries and associates | 23,999 | 96,068 | 16,342 | | | | 40,341 | 96,068 |
| Disposals | -9,086 | | | | | | -9,086 | 0 |
| Capital contribution | 24,090 | 132,373 | | | -21,725 | -118,297 | 2,365 | 14,076 |
| Result | 78,470 | 114,159 | 382 | 1,887 | | | 78,852 | 116,046 |
| Result after tax from discontinued operations | 8,950 | | | | | | 8,950 | 0 |
| Dividend received | -52,619 | -60,371 | -42 | -320 | | | -52,661 | -60,691 |
| Change in cash flow hedge reserves | 2,399 | -5,859 | | | | | 2,399 | -5,859 |
| Liquidation | -181 | -240 | | | | | -181 | -240 |
| Loans granted less repayments | | | | | 40,276 | -91,518 | 40,276 | -91,518 |
| Actuarial gains/(losses) from defined benefit plans | -370 | 576 | | | | | -370 | 576 |
| Reclassification provision subsidiaries and associates | 1,058 | -10,905 | | | 2,253 | 12,498 | 3,311 | 1,593 |
| Exchange differences | 3,375 | -717 | 41 | -64 | | | 3,416 | -781 |
| Balance at 31 December | 830,299 | 750,214 | 27,997 | 11,274 | 334,259 | 313,455 | 1,192,555 | 1,074,943 |

In 2018 and 2019, the company acquired a direct interest in a number of subsidiaries through a transfer of the shares within the group structure, in addition to the acquisitions. This explains the relatively high acquisition. An overview of directly and indirectly held interests in subsidiaries is included in 'Other Information'. In 2019, TKH acquired a minority interest in Cable Connectivity Group BV, to which TKH has sold the majority of its industrial connectivity activities. In addition, a number of loans to subsidiaries have been contributed in capital. This resulted in a reclassification from receivables to consolidated subsidiaries. Concerning the receivables on subsidiaries, an at arm's length interest rate is charged with a credit risk premium ranging from 1.2% 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 | Unused tax losses and credits | Financial instruments | Total |
|---|--|-----------------------------|-------------------------------------|--------------------------|-------------|
| Balance at 1 January 2018 | -864 | 222 | 1,367 | 102 | 827 |
| (Charge)/credit to other comprehensive income | | | | 14 | 14 |
| (Charge)/credit to profit or loss | -401 | 437 | -1,367 | | -1,331 |
| Balance at 31 December 2018 | -1,265 | 659 | 0 | 116 | -490 |
| (Charge)/credit to other comprehensive income | | | | 38 | 38 |
| (Charge)/credit to profit or loss | 412 | | | | 412 |
| Balance at 31 December 2019 | -853 | 659 | 0 | 154 | -40 |

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 | 2019 | 2018 |
|---|------------|-------------|
| Deferred tax assets stated under non-current assets | 813 | 775 |
| Deferred tax liabilities stated under non-current liabilities | -853 | -1,265 |
| Deferred taxes | -40 | -490 |

6 OTHER RECEIVABLES

| in thousands of euros | 2019 | 2018 |
|------------------------------------|--------------|--------------|
| Taxes and social security premiums | 2,170 | 146 |
| Other receivables | 2,006 | 1,916 |
| Other receivables | 4,176 | 2,062 |

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

| | 2019 | 2018 | |
|--|----------------|---------------|---------------|
| | x1,000 | € '000 | € '000 |
| The authorized capital consists of: | | | |
| Ordinary shares | 59,984 | | |
| Cumulative preference financing shares | 10,000 | | |
| Convertible cumulative preference financing shares | 10,000 | | |
| Cumulative preference protective shares | 60,000 | | |
| Each nominal € 0.25 | 139,984 | 34,996 | 34,996 |
| Priority share | 4 | | |
| Each nominal € 1.00 | 4 | 4 | 4 |
| Authorized capital | | 35,000 | 35,000 |
| Of which not issued | | 24,291 | 24,291 |
| Issued capital ¹ | | 10,709 | 10,709 |

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

The issued capital did not change during the year. The registered ordinary shares, with the exception of the register-shares in the company, have been transferred to Stichting Administratiekantoor TKH Group ('Trust Foundation'), which issues depository receipts of shares to the ultimate capital providers. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power of attorney to the holders of the depository receipts. The holders of depository receipts are entitled to receive a power of attorney to cast a vote on the shares corresponding to the depository receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depository receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the executive committee of Stichting Administratiekantoor in various situations specified in the law (see also Corporate Governance). In that case Stichting Administratiekantoor may (again) exercise the voting right for all shares for which depository receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depository receipts of shares is governed by the administrative conditions. The protection afforded by the use of depository receipts is based on the 1% rule.

The 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.

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 | 2019 | 2018 |
|----------------------------------|---------------|---------------|
| Capitalized development costs | 75,430 | 63,300 |
| Legal reserve for participations | 4,998 | 823 |
| Legal reserve | 80,428 | 64,123 |

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

Revaluation reserves

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

Hedging and translation reserve

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

8 DIVIDEND

TKH recognizes a liability to pay a dividend when the distribution is no longer at the discretion of the company. A dividend payment is due under Dutch law if approved by the shareholders. At that moment, the amount is recognized directly in equity. At the General Meeting of shareholders in 2019 the dividend for the year 2018 was declared at € 1.40 per (depository receipt of) ordinary share. The dividend was paid in cash. The dividend on the priority shares was declared at € 0.05 per share. The total amount of dividends paid in 2019 was € 58,771,724 and this amount was charged to the retained earnings.

After 31 December 2019, the Executive Board has proposed a dividend. With regard to Article 33 of the Articles of Association, the Executive Board proposes to the holders of (depository receipts of) ordinary shares a dividend of € 1.50 per (depository receipt of) ordinary share. The dividend proposal has not been recognized in the balance sheet and does not impact the corporate income tax.

9 SHARE-BASED PAYMENTS

The share-based payments are disclosed in note 26 of the consolidated financial statements.

10 OTHER PROVISIONS

| in thousands of euros | 2019 | 2018 |
|---|--------------|--------------|
| Liability for subsidiaries with negative equity | 6,176 | 2,865 |
| Other long-term provisions | 61 | 145 |
| Total of other long- and short-term provisions | 6,237 | 3,010 |

For more background details about other long-term provisions see note 15 of the consolidated financial statements.

11 FINANCIAL LIABILITIES

| in thousands of euros | Earn-out | Put- options of shareholders of non-controlling interests | Total |
|---|--------------|--|--------------|
| Balance at 1 January 2019 | 976 | 4,162 | 5,138 |
| Change in value through the profit and loss account | -132 | 69 | -63 |
| Purchases | 7,859 | | 7,859 |
| Payment for acquisitions from previous years | -507 | -3,926 | -4,433 |
| Balance at 31 December 2019 | 8,196 | 305 | 8,501 |

For more details about the financial liabilities see note 16 of the consolidated financial statements.

12 NET INTEREST BEARING DEBT

| in thousands of euros | 2019 | 2018 |
|---|----------------|----------------|
| Bank loans reported under non-current liabilities | 340,000 | 238,000 |
| To be amortized transaction costs for the credit facility | -643 | -708 |
| Borrowings reported under current liabilities | 38,376 | 166,030 |
| Cash and cash equivalents | -3,775 | -5,331 |
| Net interest bearing debt | 373,958 | 397,991 |

For more details about the facilities, conditions and securities see notes 11, 19, 20 and 22 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 € 44.5 million (2018: € 34.3 million) for bank credit and bank guarantee facilities provided to a number of foreign participating interests. This facility was called on for a sum of €1.0 million (2018: € 2.4 million) at the end of 2019.

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 26 and 35 of the consolidated financial statements.

16 TAX

| in thousands of euros | Notes | 2019 | 2018 |
|--------------------------------|-------|---------------|-------------|
| Current tax | | -1,747 | -2,023 |
| Adjustments for previous years | | 130 | -88 |
| Deferred tax | 5 | -412 | 1,331 |
| Total tax on result | | -2,029 | -780 |

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

| in thousands of euros (unless stated otherwise) | 2019 | | 2018 | |
|--|----------------|--------------|---------------|-------------|
| Result before tax | -12,033 | | -8,275 | |
| Tax calculated at the Dutch tax rate | -3,008 | 25.0% | -2,069 | 25.0% |
| Correction due to tax effect for: | | | | |
| Non-deductible expenses | 1,170 | -9.7% | 966 | -11.7% |
| Untaxed gains | -365 | 3.0% | -130 | 1.6% |
| Write off/recognition of deferred taxes | | | 139 | -1.7% |
| Settlement of income tax returns for previous years | 130 | -1.1% | -88 | 1.1% |
| Taxes on (un)distributed profits of foreign subsidiaries | 44 | -0.3% | 402 | -4.9% |
| Effective tax burden | -2,029 | 16.9% | -780 | 9.4% |

17 SIGNATURE OF THE FINANCIAL STATEMENTS

Haaksbergen, 4 March 2020

Executive Board

J.M.A. van der Lof MBA, *chairman*

E.D.H. de Lange MBA

H.J. Voortman MSc

Supervisory Board

A.J.P. De Proft MSc, *chairman*

J.M. Kroon MBA, *vice-chairman*

P.P.F.C. Houben

R.L. van Iperen

C.W. Gorter





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REGULATION FOR PROFIT APPROPRIATION

Since no protection preference and financing preference shares were outstanding or issued, within the meaning of Articles 33.1, 3, 4, 5, 6 paragraph b and c, 8, 9 and 12 of the articles of association of TKH only the articles governing the profit appropriation in relation to the outstanding shares are included here.

Article 33 of the articles of association reads as follows:

2. The company may make distributions to the shareholders and other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the paid-up and called-up part of the capital plus the reserves that must be maintained pursuant to the law or the articles of association.
- 6 a. From any profit remaining after application of the previous paragraphs five percent (5%) of the nominal amount of the priority shares shall, if possible, be distributed on such priority shares. No further distribution shall be made on the priority shares.
7. If in any year the profit does not suffice to make the distributions referred to above in paragraph 6 of this article, the provisions in paragraph 6 and in paragraph 10 shall not apply in the subsequent financial years until the deficit has been made up. Subject to the approval of the Supervisory Board, the Executive Board is authorised to resolve to distribute an amount equal to the deficit referred to in the previous sentence charged to the reserves.
10. Of the profit remaining thereafter, the Executive Board shall, subject to the approval of the Supervisory Board, reserve as much as it deems necessary. In so far as the profit is not reserved under application of the previous sentence, it shall be at the disposal of the general meeting, either fully or partially for reservation, or fully or partially for distribution to holders of ordinary shares proportionately to their holding of ordinary shares.

For other provisions of the articles of association we refer to TKH's website: www.tkhgroup.com.

PROPOSAL FOR PROFIT APPROPRIATION

In thousands of euros

Net profit attributable to shareholders: € 114,048.

In accordance with Article 33 of the articles of association, we propose paying the holders of (depository receipts of) ordinary shares a dividend of € 1.50 per (depository receipt of) ordinary share.

The dividend will be made available for payment on 15 May 2020.

The dividend for 4,000 priority shares has been set at € 0.05 per share of € 1.00.

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders and Supervisory Board of TKH Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements for the year ended 31 December 2019 of TKH Group N.V., based in Haaksbergen.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of TKH Group N.V. as at 31 December 2019 and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- The accompanying company financial statements give a true and fair view of the financial position of TKH Group N.V. as at 31 December 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2019;
- The following statements for 2019: the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in group equity and the consolidated cash flow statement;
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December, 2019;
- The company profit and loss account for 2019;
- The notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibility' for the audit of the financial statements section of our report.

We are independent of TKH Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

Our understanding of the business

TKH Group N.V. is an internationally operating technology company and heads a group of operating companies. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities, as set out in the section "Scope of the group audit". We paid particular attention in our audit to a number of areas driven by the activities of the group, the transactions during the year, as well as on our risk assessment, as set out in the "key audit matters" section.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

| | |
|-------------------|---|
| Materiality | € 6.0 million (2018: € 6.5 million) |
| Benchmark applied | Result before tax (adjusted) 5% (2018: result before tax 5%) |
| Explanation | We consider result before tax to be the most appropriate benchmark for TKH Group N.V., given the relevancy for the stakeholders. Based on our professional judgment, we have determined the materiality for the financial statements as a whole at € 6.0 million. In determining the materiality, we have assumed 5% of the result before tax from continuing and discontinued activities, in which we for 2019 have taken into account a number of one-off transactions with respect to the 'Simplify & Accelerate' program. |

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 0.3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.



Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of the Executive Board, management (including the internal auditor, the head of legal affairs, the compliance officer and the directors of operating companies within the scope of the group audit) and the Supervisory Board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and misappropriation of assets. Furthermore, as TKH Group N.V. is a global company which is operating in multiple jurisdictions, we considered the risk of bribery and corruption.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in note 2 to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the Executive Board, reading minutes, inspection of reports of the internal auditor and the head of legal affairs, made enquiries of the compliance officer and performing substantive tests of details of classes of transactions, account balances or disclosures. We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations from the Executive Board that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Scope of the group audit

TKH Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of TKH Group N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

The group audit focused, in particular, on the holding and the operating companies which are significant in terms of size and financial impor-

tance or for which significant risks or more complex activities (such as construction contracts and research and development) apply. The audit of the Dutch operating companies within the scope of the group audit are performed by ourselves. With the exception of two operating companies in Germany, the audit of the foreign operating companies in scope were performed by EY audit teams. We provided the component teams with detailed instructions and the component teams performed their audit procedures on the basis of those instructions and reported the results of their audit procedures to us. We interacted regularly with all component teams throughout the audit. In addition, we visited operating companies and / or component teams in Denmark, Germany, France, Italy and the Netherlands. On this basis we directed and supervised the group audit and we were able to address the significant observations in our group audit. The procedures in relation to the consolidation of the group, the impact of TKH Group N.V.'s 'Simplify & Accelerate' program on the consolidated financial statements, the assessment of the valuation of goodwill and intangible fixed assets of acquired companies, the acquisitions and the explanatory notes in the financial statements are performed centrally. In total, the aforementioned procedures represent 79% (2018: 74%) of the total assets, 75% (2018: 69%) of the result before tax in absolute values and 70% (2018: 70%) of the group's revenue.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists and internal audit

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of TKH Group N.V. We included specialists in the areas of IT audit (including cybersecurity), corporate governance (including remuneration), IFRS accounting, valuation of goodwill and intangible fixed assets of acquired companies, share based payments, taxes, forensic auditors and actuaries.

General audit procedures

Our audit further included among others:

- performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;



- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matter “Acquisition Lakesight”, which was included in our last year’s auditor’s report, is not considered a key audit matter for the year under review as the acquisition and its accounting are completed in 2018.

Due to the impact of the ‘Simplify & Accelerate’ program on the consolidated financial statements of TKH Group N.V., we have identified the accounting treatment of the first results of that program as a key audit matter for this year.

These matters are addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

‘SIMPLIFY & ACCELERATE’ PROGRAM

We refer to the following notes: 12 assets held for sale, 15 other provisions, 30 impairment, 37 discontinued operations and the related accounting principles and assumptions in note 1 and 2 of the consolidated financial statements.

RISK

As part of the ‘Simplify & Accelerate’ program TKH Group N.V. decided to:

- divest the majority of companies within the cash generating unit “Industrial connectivity systems”, Zhangjiagang Twentsche Cable Co. Ltd. (‘ZTC’) and Cruxin B.V.;
- closure of the cable production activities in Ittervoort, in which the core activities will be transferred to Haaksbergen.

Divestments

The determination of the timing of the financial recognition of the divestments, the classification as ‘assets held for sale’ in the balance sheet and as ‘discontinued operations’ in the profit or loss account, as well as the recognition of the transaction result on the divestments and the separate disclosure of the result from discontinued operations is significant to our audit.

Closure

The closure of the cable production activities in Ittervoort has led to the recognition of a restructuring provision and an impairment of tangible non-current assets. We focused on this closure and its accounting treatment because it is material to the financial statements.

OUR AUDIT APPROACH

Divestments

We have performed audit procedures in relation to the contractual conditions, stipulations applying to the transfer of control and economic risks, transaction results and on the recognition in the financial statements as ‘assets held for sale’ and ‘discontinued operations’.

Closure

The recognized restructuring provision and the impairment are based on the assumptions out of the restructuring plan which is prepared by TKH. We have verified the appropriateness of the accounting treatment in accordance with the assumptions of the restructuring plan. We also have performed procedures with respect to explanatory notes as included in the financial statements.

KEY OBSERVATIONS

We concur with the accounting treatment of the implications of the ‘Simplify & Accelerate’ program.

We are of the opinion that the explanatory notes are adequate.



VALUATION OF DEVELOPMENT COSTS AND NEW BUSINESS ACTIVITIES

We refer to the following notes: 3 intangible non-current assets, 4 tangible non-current assets, 30 impairment and the related accounting principles and assumptions in note 1 and 2 of the consolidated financial statements.

RISK TKH Group N.V. is investing in the development of new technologies. In accordance with the requirements of IAS 16 or IAS 38 TKH capitalizes the costs. On a yearly basis TKH Group N.V. assesses in accordance with IAS 36 whether there is an indication for impairment. This is a relative complex estimation process, especially for investments in new innovative projects and new business activities, and is to a large extent dependent on subjective factors. We have therefore identified the valuation of development costs and assets in relation to new business activities as a key audit matter. TKH Group N.V. concludes, based on internal analysis, that the capitalized costs meet the requirements of IAS 16 or IAS 38 and that in accordance with IAS 36 there is no indication for impairment, other than the amount of € 4.9 million as explained in note 30 of the financial statements.

OUR AUDIT APPROACH We obtained internal analysis of the company for our audit of the capitalized development costs including new innovative projects and/or business activities. We assessed whether capitalized projects are separately identifiable; whether capitalized costs are a fair reflection of the actual cost; whether the projection of future economic benefits and cash flows is reasonable, including the technical feasibility, the intention to complete and the possibility to execute the projects on a commercial basis.

Additionally we audited the explanatory notes for development costs and assessed the related estimations.

KEY OBSERVATIONS We concur with the valuation of development costs, including new innovative projects and business activities, in the financial statements.

We are of the opinion that the explanatory notes are adequate.

REVENUE RECOGNITION, INCLUDING THE SELECTED TIMING OF RECOGNITION

We refer to the related accounting principles and assumptions in note 1 and 2 of the consolidated financial statements.

RISK Given the variety of revenue categories of TKH Group N.V. we identified cut-off and completeness of revenue recognition as a key audit matter.

OUR AUDIT APPROACH

We obtained and confirmed our understanding of the revenue recognition process, including the timing of revenue recognition, based on analyses prepared by TKH Group N.V. with respect to IFRS 15 'Revenue from Contracts with Customers'.

We performed walkthroughs for the significant revenue categories in order to evaluate the internal controls associated to the related risks. In addition we have performed, among others, the following substantive audit procedures:

- data analysis in which specific trends, cut-off aspects and correlations (e.g. turnover - receivables - cash and cash equivalents) are analyzed;
- margin analyses for each significant segment and product line; and
- test of details in respect of individual turnover transactions, where we traced transactions from the initiation stage up to and including recognition.

KEY OBSERVATIONS

We concur with the revenues as recognized by TKH Group N.V. in its financial statements.

We are of the opinion that the explanatory notes are adequate.

VALUATION OF CONTRACT ASSETS AND LIABILITIES

We refer to note 10 contract assets and to the related accounting principles and assumptions in note 1 and 2 of the consolidated financial statements.

RISK A number of operating companies of TKH Group N.V. produces orders which are specifically negotiated with customers resulting in the recognition of contract assets and liabilities per balance sheet date and prompting management to make estimates of the percentage of completion of the contracts, as well as the expected result of the contracts. This process involves relative complex estimations and is highly dependent on subjective factors. We therefore identified the valuation of contract assets and liabilities as a key audit matter.

OUR AUDIT APPROACH

Our procedures mainly include substantive procedures which were performed at the level of the operating companies, depending on the nature and size of the contracts.

Our audit procedures focused on, among others:

- the capitalization of costs on projects;
- the estimation of the 'percentage of completion';
- changes in project forecasts, including interim revisions, if any;
- back testing on prior assumptions of management.

KEY OBSERVATIONS

We consider the estimates of management, to determine the valuation of the contract assets and liabilities, as reasonable and the explanatory notes are adequate.



REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- report of the Executive Board;
- profile;
- TKH at a glance;
- message from the CEO;
- members Supervisory Board;
- report from the Supervisory Board;
- remuneration report;
- the TKH share;
- section; and
- other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 and Section 2:135b of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements. Management is responsible for the preparation of the other information, including the Executive Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Section 2:135b of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of TKH Group N.V. on 14 May 2014 as of the audit for the year 2015 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements we have provided a report of factual findings in connection with the divestment of the majority of companies within the cash generating unit "Industrial connectivity systems". Outside the Netherlands very limited other procedures are being provided to operating companies in respect to their Corporate Income Tax declaration. The services within the Netherlands as well as outside the Netherlands comply with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of ethics for professional accountants, a regulation with respect to independence).

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Zwolle, 4 March 2020

Ernst & Young Accountants LLP
Signed by A.E. Wijnsma



STICHTING ADMINISTRATIEKANTOOR TKH GROUP

(TKH Trust Office Foundation)

The objective of the Stichting Administratiekantoor TKH Group ('Stichting Administratiekantoor') is to acquire and hold in trust ordinary shares in TKH Group N.V., a public company which has its registered office in Haaksbergen (the Netherlands), in exchange for the allocation of convertible, registered depositary receipts for shares. In accordance with the provisions of Article 9 of the Trust Terms and Conditions governing the shares of TKH Group N.V., Stichting Administratiekantoor reports on the activities during the year under review, related to the administration of shares for which depositary receipts have been issued. The total nominal value of the ordinary shares of TKH Group N.V. held in administration amounted to € 10,672,987.25 on 31 December 2019, in exchange for which 42,691,949 depositary receipts for shares¹ with a nominal value of € 0.25 each have been issued.

MEETINGS OF THE EXECUTIVE COMMITTEE

The Executive Committee of Stichting Administratiekantoor met three times during the financial year. At the meeting on 28 March the topics on the agenda of the 2019 General Meeting of Shareholders were discussed and the company provided an explanation of the TKH 2018 annual report. Stichting Administratiekantoor's 2018 financial statements were also discussed, approved and subsequently adopted. The Executive Committee reappointed Mr. Tiemstra as member of the Executive Committee of Stichting Administratiekantoor for a period of four years commencing on 1 July 2019. The meeting took place at the production site for subsea cable systems in Lochem. After the meeting, a general presentation on TKH's subsea cable systems was given, followed by a guided tour. At the meeting on 6 May 2019, the agenda items of the 2019 General Meeting of Shareholders were discussed and the Executive Committee decided on its preliminary voting intentions, in advance of the deliberations at the meeting itself. In the meeting of 19 September, the company explained the published half-year figures for 2019 and the 'Simplify & Accelerate' strategic transformation program. The schedule of retirement was discussed as well as the procedure to be followed for the vacancy that will arise in 2020.

At the 2019 General Meeting of Shareholders the holders of depositary receipts of shares in the capital of the company were allowed to vote independently in respect of the shares corresponding with their depositary receipts and subject to the relevant statutory provisions.

At the meeting, 99.7% of the company's issued capital was represented. 66.2% of the holders of depositary receipts for shares requested a proxy from Stichting Administratiekantoor to vote independently on the shares in question. Prior to the meeting, 48.7% of the holders of depositary receipts gave voting instructions to Stichting Administratiekantoor. During the 2019 General Meeting of Shareholders, Stichting Administratiekantoor voted for the remaining 33.8% of the issued capital represented at the meeting. After considering all the relevant factors, Stichting Administratiekantoor voted in favour of all of the items on the agenda which were put to a vote.

EXECUTIVE COMMITTEE OF STICHTING ADMINISTRATIEKANTOOR

Stichting Administratiekantoor's Executive Committee currently has three independent members:

- Mr. H.L.J. Noy, chairman
- Mr. J.S.T. Tiemstra
- Mr. G.W.Ch. Visser

Mr. Noy was chairman of the Executive Board and CEO of ARCADIS N.V. He is currently chairman of the Supervisory Board of Fugro N.V. and of Royal BAM Groep N.V.

Mr. Tiemstra is director/owner of 'drs. J.S.T. Tiemstra Management Services BV'. He is currently member of the Supervisory Board of ABN AMRO N.V. and of Royal Haskoning DHV.

Mr. Visser was a civil-law notary / partner at Allen & Overy and subsequently affiliated with the University of Groningen. He is currently a non-executive director of ParkLane Insight B.V., chairman of Stichting De Bron and member of daily management of Stichting Ubbo Emmius Fonds, the Groningen University Foundation.

SCHEDULE OF RETIREMENT

In accordance with the Schedule of Retirement of the Foundation, Mr. H.L.J. Noy will retire in 2020 and will be eligible for reappointment for a further term of two years. Mr. Noy has been a member of the Executive Committee of Stichting Administratiekantoor since 2012, and has been its chairman since 2015. He has offered himself for reappointment. In the opinion of the other board members, Mr. Noy meets the requirements for this position. In the context of governance, Mr. Noy represents the interests of all stakeholders, and those of the

shareholders and holders of depositary receipts in particular, in an objective and professional manner. Mr. Noy possesses managerial and financial knowledge and expertise. As former CEO of a large listed company, he has extensive experience with the organization of an internationally operating company such as TKH. Mr. Noy meets the requirements of independence, as stipulated in the articles of association of Stichting Administratiekantoor.

By means of its website, Stichting Administratiekantoor has given the holders of depositary receipts of shares the opportunity to put forward names of possible candidates that fit the profile. In the absence of another suitable candidate, the Board intends to reappoint Mr. H.L.J. Noy as a member of the Executive Committee, in the position of chairman, with effect from 1 July 2020 for a period of two years, taking into account the desired continuity of the Executive Committee.

CONTACT DETAILS

- Address: Spinnerstraat 15, 7481 KJ Haaksbergen.
- Website: www.stichtingadministratiekantoorTKH.com.
- Email: stak@tkhgroup.com.

Haaksbergen, 2 March 2020
Stichting Administratiekantoor TKH Group

The Executive Committee

STATEMENT OF INDEPENDENCE

The Executive Board of TKH Group N.V. and the Executive Committee of Stichting Administratiekantoor hereby state that, jointly and severally, they are of the opinion that Stichting Administratiekantoor TKH Group is a legal entity which is independent of TKH Group N.V. within the meaning of Section 5.71(1)(d) of the Financial Supervision Act.

Haaksbergen, 2 March 2020
TKH Group N.V.

Executive Board

Haaksbergen, 2 March 2020
Stichting Administratiekantoor TKH Group

The Executive Committee

¹ The number of depositary receipts for shares has increased by 10,431 compared to 31 December 2018 due to the conversion of ordinary shares into depositary receipts for shares.

STICHTING CONTINUÏTEIT TKH

(TKH Continuity Foundation)

The objective of Stichting Continuïteit TKH (hereinafter: “Stichting Continuïteit”) is to look after the interests of TKH Group N.V. (“TKH”) and all the businesses associated with it in such a way that those interests are secured as far as possible and to resist as far as possible any influences which could affect the independence, continuity or identity of TKH and its businesses contrary to those interests, as well as to do anything related or conducive to the above.

By means of a call option TKH has conferred on Stichting Continuïteit the right to acquire cumulative protective preference shares in TKH subject to a maximum of 50% of the amount of the other shares outstanding at the time of placement of the protective shares, or 100% should the limitation on conversion of depositary receipts cease to apply. The protective shares will not be left on issue longer than is strictly necessary. In the event that TKH shareholders actually acquire a degree of control which is regarded as undesirable or is not in the interests of TKH and its businesses, or there is a danger of them doing so, TKH’s executive and supervisory boards shall be at liberty to determine their position in relation to such degree of control, to consider and explore possible alternatives and to elaborate on them if necessary. Stichting Continuïteit did not acquire any cumulative protective preference shares in TKH in 2019.

TKH has also conferred on Stichting Continuïteit the right to initiate an inquiry procedure in the event that Stichting Continuïteit is of the opinion that there are good grounds to doubt the policy pursued by and state of affairs prevailing in TKH and believes that by invoking this right it would be acting in the interests of TKH and the businesses associated with it.

EXECUTIVE COMMITTEE OF STICHTING CONTINUÏTEIT

The Executive Committee of Stichting Continuïteit consists of:

- Mr. M.P. Nieuwe Weme, *chairman*
- Mrs. S. Drion
- Mr. A. Nühn MBA
- Mr. A.J.M. van der Ven

Haaksbergen, 2 March 2020

Stichting Continuïteit TKH

The Executive Committee

STATEMENT OF INDEPENDENCE

The Executive Board of TKH Group N.V. and the Executive Committee of Stichting Continuïteit TKH state that, jointly and severally, they are of the opinion that Stichting Continuïteit TKH is a legal entity which is independent of TKH Group N.V. within the meaning of Section 5.71(1) (c) of the Financial Supervision Act.

Haaksbergen, 2 March 2020

TKH Group N.V.

Executive Board

Haaksbergen, 2 March 2020

Stichting Continuïteit TKH

The Executive Committee



CONSOLIDATED ENTITIES

| Name | Place | Country | Ownership 31-12-2019 ¹ | Ownership 31-12-2018 ¹ | Telecom Solutions | Building Solutions | Industrial Solutions |
|--|--------------------|-------------|--------------------------------------|--------------------------------------|----------------------|-----------------------|-------------------------|
| Alphatronics B.V. | Nijkerk | Netherlands | 100.0% | 100.0% | | ● | |
| BB Lightpipe B.V. | Doetinchem | Netherlands | 100.0% | 100.0% | | ● | |
| B.V. Twentsche Kabelfabriek bv Elspec | Haaksbergen | Netherlands | 100.0% | 100.0% | ● | ● | ● |
| Capable B.V. | De Kwakel | Netherlands | | 100.0% | | | ● |
| Capassy B.V. | Breda | Netherlands | | 100.0% | | | ● |
| Commend Benelux B.V. | Prinsenbeek | Netherlands | 100.0% | 100.0% | | ● | |
| Cruxin B.V. | Capelle a/d IJssel | Netherlands | 100.0% | 100.0% | | ● | |
| EKB Groep B.V. | Beverwijk | Netherlands | 100.0% | 100.0% | | | ● |
| Eldra B.V. | Ittervoort | Netherlands | 100.0% | 100.0% | | ● | ● |
| Flexposure B.V. ^{2 3} | Beesd | Netherlands | | 70.0% | | ● | |
| Intronics B.V. | Barneveld | Netherlands | 100.0% | 100.0% | ● | ● | ● |
| Isolectra B.V. | Capelle a/d IJssel | Netherlands | 100.0% | 100.0% | | ● | |
| Jobarco B.V. | Benthuizen | Netherlands | | 100.0% | | | ● |
| Keyprocessor B.V. ³ | Amsterdam | Netherlands | | 100.0% | | ● | |
| LMI Technologies B.V. | Kerkrade | Netherlands | 100.0% | 100.0% | | ● | |
| Mextal B.V. ² | Nuenen | Netherlands | 95.0% | 95.0% | | ● | |
| Park Assist Europe B.V. | Beesd | Netherlands | 100.0% | 100.0% | | ● | |
| Sigura B.V. | Gouda | Netherlands | 100.0% | 100.0% | | ● | |
| Speeq B.V. ³ | Capelle a/d IJssel | Netherlands | | 100.0% | | ● | |
| Texim Europe B.V. | Haaksbergen | Netherlands | 100.0% | 100.0% | ● | ● | ● |
| TKH Airport Solutions B.V. ² | Haaksbergen | Netherlands | 75.0% | 75.0% | | ● | |
| TKH Finance B.V. | Haaksbergen | Netherlands | 100.0% | | | | |
| TKH Innovations B.V. | Haaksbergen | Netherlands | 100.0% | 100.0% | | ● | |
| TKH Logistics B.V. | Haaksbergen | Netherlands | 100.0% | 100.0% | ● | ● | ● |
| TKH Logistics Vastgoed B.V. | Haaksbergen | Netherlands | 100.0% | 100.0% | ● | ● | ● |
| TKH Parking Technology B.V. | Beesd | Netherlands | 51.0% | 51.0% | | ● | |
| TKH Security B.V. ³ | Amsterdam | Netherlands | 100.0% | 100.0% | | ● | |
| TKH Security Solutions B.V. ³ | Haaksbergen | Netherlands | | 100.0% | | ● | |
| VDG Security B.V. ³ | Zoetermeer | Netherlands | | 100.0% | | ● | |
| VMI Holland B.V. | Epe | Netherlands | 100.0% | 100.0% | | | ● |
| Capable N.V. | Gent | Belgium | | 100.0% | | | ● |
| Intronics Belgium N.V. | Herentals | Belgium | 100.0% | 100.0% | ● | ● | ● |
| Techno Specials N.V. | Gent | Belgium | 100.0% | 100.0% | | ● | ● |
| Texim Europe BVBA | Brussel | Belgium | 100.0% | 100.0% | ● | ● | ● |
| EFB Nordics A/S | Ballerup | Denmark | 100.0% | 100.0% | ● | ● | |
| TKH Airport Solutions A/S | Nykøbing Falster | Denmark | 100.0% | 100.0% | | ● | |
| Aasset Security GmbH | Erkrath | Germany | 100.0% | 100.0% | | ● | |
| Allied Vision Technologies GmbH | Stadtroda | Germany | 100.0% | 100.0% | | ● | |
| Chromasens GmbH | Konstanz | Germany | 100.0% | 100.0% | | ● | |
| Dewetron Elektronische Messgeräte GmbH | Wernau | Germany | 100.0% | 100.0% | | | ● |
| EEB Kabeltechnik GmbH | Forst | Germany | 100.0% | 100.0% | | | ● |



| Name | Place | Country | Ownership 31-12-2019 ¹ | Ownership 31-12-2018 ¹ | Telecom Solutions | Building Solutions | Industrial Solutions |
|--|----------------------------|---------|--------------------------------------|--------------------------------------|----------------------|-----------------------|-------------------------|
| EFB Elektronik GmbH | Bielefeld | Germany | 100.0% | 100.0% | ● | ● | ● |
| EFB Elektronik Real Estate B.V. & Co. KG | Bielefeld | Germany | 100.0% | 100.0% | ● | ● | ● |
| Ernst & Engbring GmbH | Oer-Erkenschwick | Germany | 100.0% | 100.0% | | | ● |
| FocalSpec GmbH | Berlin | Germany | 100.0% | | | ● | |
| HE System Electronic Beteiligungs GmbH | Veitsbronn | Germany | | 100.0% | | | ● |
| HE System Electronic GmbH | Veitsbronn | Germany | 100.0% | 100.0% | | | ● |
| IV-Tec GmbH | Freiburg | Germany | 100.0% | 100.0% | | ● | |
| Lakesight Technologies Holding GmbH | Unterschleissheim | Germany | 100.0% | 100.0% | | ● | |
| LMI Technologie GmbH | Teltow | Germany | 100.0% | 100.0% | | ● | |
| Mikrotron GmbH | Unterschleissheim | Germany | 100.0% | 100.0% | | ● | |
| New Electronic Technology GmbH | Finning | Germany | 100.0% | 100.0% | | ● | |
| Schneider Intercom GmbH | Erkrath | Germany | 100.0% | 100.0% | | ● | |
| Schrade Kabel- und Elektrotechnik GmbH | Allmendingen | Germany | | 100.0% | | | ● |
| SVS-Vistek GmbH | Seefeld | Germany | 100.0% | | | ● | |
| Texim Europe GmbH | Quickborn | Germany | 100.0% | 100.0% | ● | | ● |
| TKD Immobilien GmbH | Nettetal | Germany | 100.0% | 100.0% | | | ● |
| TKD Kabel GmbH | Nettetal | Germany | | 100.0% | | | ● |
| TKD Kabel Real Estate B.V. & Co KG | Nettetal | Germany | 100.0% | 100.0% | | | ● |
| TKF GmbH | Teltow | Germany | 100.0% | 100.0% | ● | | |
| TKH Airport Solutions GmbH | Nettetal | Germany | 100.0% | 100.0% | | ● | |
| TKH Deutschland GmbH | Nettetal | Germany | 100.0% | 100.0% | | | |
| TKH Deutschland Verwaltungs GmbH | Nettetal | Germany | 100.0% | 100.0% | | | |
| TKH Grundstücksverwaltungs B.V. & Co. KG | Nettetal | Germany | 100.0% | 100.0% | | ● | ● |
| TKH Security Solutions GmbH | Erkrath | Germany | 100.0% | 100.0% | | ● | |
| TKH Technologie Deutschland AG | Nettetal | Germany | 100.0% | 100.0% | | | |
| Aasset France SAS | Argenteuil | France | 100.0% | 100.0% | | ● | |
| CAE Data SAS | Wissous | France | 100.0% | 100.0% | ● | ● | ● |
| ID Cables SAS | Wissous | France | 100.0% | 100.0% | ● | ● | ● |
| HPM Cables Sarl | Chaon | France | | 90.0% | | | ● |
| MAN SAS | Wissous | France | 100.0% | 100.0% | ● | ● | ● |
| TKF SAS | Wissous | France | 100.0% | 100.0% | ● | | |
| Commend France SAS | Saint Ouen | France | 100.0% | 100.0% | | ● | |
| Dewetron France SARL | Chilly Mazarin | France | 100.0% | 100.0% | | ● | |
| FocalSpec Oy | Oulu | Finland | 100.0% | | | ● | |
| TKH Finland Oy | Riihimäki | Finland | 100.0% | 100.0% | ● | | |
| LMI Technologies Ltd. | Dublin | Ireland | 100.0% | 100.0% | | ● | |
| Aasset Security Italia | Conegliano | Italy | 100.0% | 100.0% | | ● | |
| Commend Italia Srl. | Carobbio Degli Angeli (BG) | Italy | 100.0% | 100.0% | | ● | |
| KC Industrie Sarl | Villanova sull' Arda | Italy | | 94.5% | | | ● |
| TKD Italia Srl. | Ozzano Dell Emilia | Italy | | 70.0% | | | ● |
| Tattile Srl. | Mairano (Brescia) | Italy | 100.0% | 100.0% | | ● | |
| Akutron LLC | Kiev | Ukraine | 100.0% | 100.0% | | | ● |



| Name | Place | Country | Ownership 31-12-2019 ¹ | Ownership 31-12-2018 ¹ | Telecom Solutions | Building Solutions | Industrial Solutions |
|--|-----------------|-------------|-----------------------------------|-----------------------------------|-------------------|--------------------|----------------------|
| Commend International GmbH | Salzburg | Austria | 100.0% | 74.0% | | ● | |
| Dewetron Elektronische Messgeräte GmbH | Graz | Austria | 100.0% | 100.0% | | | ● |
| EFB Elektronik Austria GmbH | Wien | Austria | 100.0% | 100.0% | ● | ● | ● |
| Ognios GmbH | Wals-Siezenheim | Austria | 100.0% | 100.0% | | ● | |
| C&C Partners Sp. z o.o | Leszno | Poland | 100.0% | 100.0% | ● | ● | |
| C&C Technology Sp. z o.o | Leszno | Poland | 100.0% | 100.0% | | ● | |
| TKD Polska Sp. z.o.o | Warschau | Poland | | 100.0% | | | ● |
| TKH Kabeltechnik Polska Sp. z.o.o | Leszno | Poland | | 100.0% | | | ● |
| VMI Poland Sp. z.o.o | Leszno | Poland | 100.0% | 100.0% | | | ● |
| Commend Iberica S.L. | Barcelona | Spain | 100.0% | 100.0% | | ● | |
| Imagina Artificial Intelligence SL | Malaga | Spain | 100.0% | | | ● | |
| INEC Espana SA | Malaga | Spain | 100.0% | 100.0% | ● | ● | ● |
| ParkEyes SL | Malaga | Spain | 100.0% | | | ● | |
| Siqura SL | Madrid | Spain | 100.0% | 100.0% | | ● | |
| Commend AG | Fehraltorf | Switzerland | 100.0% | | | ● | |
| EFB Elektronik Ltd. | Istanbul | Turkey | 90.0% | 90.0% | ● | ● | |
| Commend Güvenlik ve İletişim Sistemleri Ltd. Şti. | Istanbul | Turkey | 85.0% | 85.0% | | ● | |
| Commend UK Ltd. | Stansted | UK | 100.0% | 100.0% | | ● | |
| Siqura Ltd. | Rotherham | UK | 100.0% | 100.0% | | ● | |
| Park Assist Ltd. | London | UK | 100.0% | 100.0% | | ● | |
| Commend Scandinavia AB | Tierp | Sweden | 80.0% | 100.0% | | ● | |
| VMC Elteknik AB | Strängnäs | Sweden | 100.0% | 100.0% | ● | ● | |
| Multi Media Connect (Aust) Pty Ltd. | Tuggerah | Australia | 100.0% | 85.0% | | ● | |
| Park Assist Holdings Pty Ltd. | Sydney | Australia | 100.0% | 100.0% | | ● | |
| Park Assist Pty Ltd. | Sydney | Australia | 100.0% | 100.0% | | ● | |
| Jacques Technologies Pty Ltd. | Brisbane | Australia | 100.0% | 100.0% | | ● | |
| VMI South America Ltda. | Sao Paulo | Brazil | 100.0% | 100.0% | | | ● |
| Allied Vision Technologies Inc. | Burnaby | Canada | 100.0% | 100.0% | | ● | |
| LMI Technologies Inc. | Vancouver | Canada | 100.0% | 100.0% | | ● | |
| Redline CNC Manufacturing Inc. | Vancouver | Canada | 100.0% | 100.0% | | ● | |
| Allied Vision Technologies (Shanghai) Co. Ltd. | Shanghai | China | 100.0% | 100.0% | | ● | |
| Dewetron Test and Measurement Equipment (Beijing) Co. Ltd | Beijing | China | 100.0% | 100.0% | | | ● |
| Dewetron Test and Measurement Equipment (Shanghai) Co. Ltd | Shanghai | China | 100.0% | 100.0% | | | ● |
| E&E Cable (Zhangjiagang) Co. Ltd | Zhangjiagang | China | 100.0% | 100.0% | | | ● |
| FocalSpec Asia Ltd. | Hong Kong | China | 100.0% | | | ● | |
| FocalSpec China Co, Ltd. | Suzhou | China | 100.0% | | | ● | |
| LMI (Shanghai) Trading Co. Ltd. | Shanghai | China | 100.0% | 100.0% | | ● | |
| TKD China Co. Ltd. | Zhangjiagang | China | | 100.0% | | | ● |
| TKH Building Solutions Shanghai Co. Ltd. | Shanghai | China | 100.0% | 100.0% | | ● | |
| Twentsche (Nanjing) Fibre Optics Co. Ltd. | Nanjing | China | 100.0% | 100.0% | ● | | |
| VMI (Yantai) Machinery Co. Ltd. | Yantai | China | 100.0% | 100.0% | | | ● |
| VMI Ltd. | Yantai | China | 100.0% | 100.0% | | | ● |
| Zhangjiagang Twentsche Cable Co. Ltd. | Zhangjiagang | China | 100.0% | 100.0% | | ● | |
| Isolectra Communications Technology Sdn Bhd | Shah Alam | Malaysia | 100.0% | 100.0% | ● | ● | |
| VMI SEA Office Sdn Bhd | Shah Alam | Malaysia | 100.0% | 100.0% | | | ● |
| Ithaca SA | Casablanca | Morocco | 100.0% | 100.0% | | ● | |



| Name | Place | Country | Ownership 31-12-2019 ¹ | Ownership 31-12-2018 ¹ | Telecom Solutions | Building Solutions | Industrial Solutions |
|-------------------------------------|-------------|----------------------|--------------------------------------|--------------------------------------|----------------------|-----------------------|-------------------------|
| LMI Technologies Co. Ltd. | Tokyo | Japan | 100.0% | | | ● | |
| NET Japan Co. Ltd. | Yokohama | Japan | 90.0% | 90.0% | | ● | |
| SVS-Vistek K.K. | Yokohama | Japan | 100.0% | | | ● | |
| Multi Media Connect (N.Z.) Pty Ltd. | Paraparaumu | New Zealand | 100.0% | 85.0% | | ● | |
| Allied Vision Technologies Pte Ltd. | Singapore | Singapore | 100.0% | 100.0% | | ● | |
| Commend South East Asia Pte Ltd. | Singapore | Singapore | 100.0% | 100.0% | | ● | |
| Isolectra Far East Pte Ltd. | Singapore | Singapore | 100.0% | 100.0% | ● | ● | |
| LMI Technologies yuhan hoesa | South Korea | South Korea | 100.0% | 100.0% | | ● | |
| VMI Thailand | Thailand | Thailand | 100.0% | 100.0% | | | ● |
| CMF Taiwan | Taiwan | Taiwan | 60.0% | 60.0% | | ● | |
| Commend Middle East FZE | Dubai | United Arab Emirates | 100.0% | 74.0% | | ● | |
| Allied Vision Technologies Inc. | Boston | USA | 100.0% | 100.0% | | ● | |
| Commend Inc. | New York | USA | 100.0% | 100.0% | | ● | |
| Dewetron America Inc. | Wakefield | USA | 100.0% | 95.0% | | | ● |
| FocalSpec Inc. | Santa Clara | USA | 100.0% | | | ● | |
| Kaweflex Wire and Cable Inc. | Cincinnati | USA | | 100.0% | | | ● |
| LMI Technologies Inc. | Detroit | USA | 100.0% | 100.0% | | ● | |
| NET USA Inc. | Highland | USA | 100.0% | 100.0% | | ● | |
| Park Assist LLC | New York | USA | 100.0% | 100.0% | | ● | |
| SVS-Vistek Inc. | Carrolton | USA | 100.0% | | | ● | |
| TKH Security Solutions USA Inc. | Germantown | USA | 100.0% | 100.0% | | ● | |
| VMI Americas Inc. | Stow | USA | 100.0% | 100.0% | | | ● |

1 Economic ownership is equal to the legal ownership, unless mentioned differently.

2 Economic ownership is 100%.

3 The companies merged in 2019.

4 The aforementioned German subsidiaries included in TKH's consolidated financial statements make use of the exemption in § 264 (3), § 264 (b) HGB to prepare, audit and publish individual annual accounts. TKH Deutschland GmbH & Co. KG is not required to draw up consolidated annual accounts pursuant to § 291 HGB.



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SUSTAINABILITY STATEMENTS AND REPORTING SYSTEM

PROCEDURES, STANDARDS AND GUIDELINES

In the report of the Executive Board (which is part of the TKH annual report), we provide an account of, among other things, our sustainability performance during the year under review from 1 January 2019 up to 31 December 2019. The publication date of the report is 26 March 2020. We focus on topics that have been an integral part of our Corporate Social Responsibility (CSR) policy. We report in line with the Global Reporting Initiative (GRI) 'core' (the GRI index can be found on TKH's website). The content and definition of the report are based on the materiality analysis whereby TKH, in its choices regarding the depth and definition of the CSR report, focuses on the topics that are most material and that have a strong relationship with TKH's strategy and business operations. The GRI guidelines were used to define and set our KPIs. In the GRI guidelines, it is important that a company makes an estimate of issues that are of sufficient importance to merit reporting. The significance (materiality) of the issues to be selected is determined through analysis of the impact of the key data on people, the environment and society, in relation to the value stakeholders attach to those issues. We monitor our objectives based on a dashboard in our internal reporting system and evaluate the results every quarter, in meetings with our operating companies. CSR is also part of the annual budgeting process.

In addition to the themes in the materiality matrix, some SDGs have been defined on which we believe we can have the greatest impact, so that we can directly contribute to these. These SDGs focus on affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), industry, innovation and infrastructure (SDG 9) and responsible consumption and production (SDG 12). We have linked existing goals to these SDGs in order to ensure that there is a structural focus on the themes.

The principle of Integrated Reporting is further implemented in the management report of the Annual Report 2019. We use the IIRC (International Integrated Report Council) model by which we provide insight on how to create value within the TKH group. This is explained further in the Report of the Executive Board on the basis of qualitative and quantitative information. In compiling the CSR report, we used information and results derived from our monthly internal reporting

structure and available from our organizations as part of their compliance with the ISO 14001 environmental management system, the OHSAS 18001 health & safety management system, the ISO 50001 standard for energy performance, the CSR Performance Ladder and the Dutch Corporate Governance Code and the Sustainable Development Goals. In addition, we used the findings and recommendations on the basis of providing information on the CDP platform, Ecovadis, Vigeo and MSCI.

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

- Scope 1 covers the CO₂ emissions caused by fuels that we purchase and consume by ourselves, and concerns mainly gas, petrol and diesel.
- Scope 2 covers CO₂ emissions from electricity consumption.
- Scope 3 emissions covers CO₂ from fleet (commuting), waste generated from own operations and transportation of goods.

Our focus remains primarily on scope 1 and 2, because most of our emissions occurs within those scopes. We have expanded our internal dashboard with scope 3 components, but have not yet implemented a scope extension for CO₂ emissions in our calculation model. In calculating the CO₂ impact of its operations in 2019, TKH relies as much as possible on the list of emission factors drawn up by SKAO, Stimular, Connekt Environment Centre and the Ministry of Infrastructure and the Environment, which offers reliable, verifiable source for almost all emission factors.

From the European directive on energy efficiency (2012/27 / EU) the obligation applies to member-states to ensure that large companies undergo an energy audit. The energy audit is a systematic, four-yearly approach with the aim of gathering information about the current energy consumption of a company. We use the input from those TKH operating companies that belong to the defined scope and must carry out a mandatory energy audit, for the reporting on energy reduction and improvement plans to be implemented.

The products delivered by TKH comply with the European directives REACH (Registration, Evaluation and Authorization of Chemicals) and ROHS (Restriction of Hazardous Substances). REACH is a European

system for registering, evaluating (risks to people and the environment) and authorizing chemical substances in Europe. ROHS is a European directive that prohibits certain hazardous substances from being used in electrical and electronic devices.

In the context of human rights, TKH acts in the business activities according to the 'Universal Declaration of Human Rights'. We refer to our code of conduct and the code of supply (both of which can be downloaded from the website www.tkhgroup.com). We support the OECD guidelines that provide us with guidance regarding such issues as supply chain responsibility, human rights, child labour and the environment. We have provided our input on the Transparency Benchmark information platform, an initiative of the Ministry of Economic Affairs and Climate. The Dutch government asks companies to be transparent about their CSR policies and activities. Through the Transparency Benchmark, the ministry offers insight into the way in which the largest Dutch companies report on their CSR activities. TKH has achieved a 27th position with a relative score of 70%. We also take the spearhead letters from advocates on themes related to sustainability and governance, such as those from VBDO, Eumedion and VEB, as a guideline for further transparency. We have provided our input to the Carbon Disclosure Project (CDP), MSCI, Vigeo and S&P Dow Jones Indices. For the circular economy we focus on the defined ambitions that the Netherlands has set in the Circular Innovation Program "Plastic and rubber in the underground infrastructure" and the Dutch Infrastructure companies in their "Mission Statement Fair Infra".

We have used data from Statistics Netherlands for the benchmark data on absenteeism. The benchmark data for the employee and customer satisfaction survey came from research firm Integron. For benchmarking employee satisfaction and NPs in an international perspective, we use 'The Global Employee Engagement Index™'. For benchmarking the NPs for customer satisfaction, the NPs score of Integron was used, which is based on the Dutch market.

The Executive Board is intensively involved in the CSR strategy and the implementation of the policy. Interactions with our operating companies ensure that 'best practices' are shared internally so that we can continuously improve our performance.

OVERVIEW KPIs AND OBJECTIVES

STRATEGIC PILLARS TKH

INNOVATIVE & VALUE CREATION



KPIs

OBJECTIVES

MATRIX-NR.















| | | |
|---|---|--------|
| Portfolio at an early stage of the product life cycle. | At least 15% of turnover, that is introduced in the previous two years. | 4 |
| Net interest-bearing debt / EBITDA (debt leverage ratio). | <2.0. | 5 |
| Return On Sales (ROS). | >15% medium-term. | 5 |
| Return On Capital Employed (ROCE). | 22-25% medium-term. | 5 |
| Solvency. | >35%. | 5 |
| Number of hours spent on education and training per FTE. | At least 16 hours / year per FTE. | 11 |
| Accident rate (Lost Time Injury Frequency; LTIF). | <1.0. | 10 |
| Total absenteeism compared to the number of FTEs. | <4.0%. | 10 |
| Employee satisfaction survey. | At least in accordance with the benchmark (7.1). | 9 |
| Number of employees who have signed the TKH code of conduct. | 100%. | 14 |
| Code of conduct. | No breaches. | 14 |
| Number of employees with disabilities and / or distance to the labor market. | Maintain current number. | 12, 13 |
| Total energy consumption in kWh / turnover. | 5% reduction in 2020 compared to 2015.* | 16 |
| Carbon footprint (CO ₂ emissions). | 2.5% reduction in 2020 compared to 2015.* | 16 |
| Fleet: CO ₂ standard, expressed in grams / km. | <95 grams / km (average) in 2020. | 16 |
| Total waste most relevant raw materials, compared to total material consumption. | <5% of annual material consumption. | 17 |
| Recycling most relevant raw materials. | >50%. | 17 |
| Customer satisfaction research. | Average score above benchmark (7.8). | 18 |
| Total number of product-related complaints that are completed within 5 business days. | >60%. | 18 |
| Number of complaints received that are related to environmental requirements. | No complaints. | 14 |
| Percentage of signed code of supply (suppliers' purchase volume from € 1 million). | 100%. | 14 |
| % assessments conducted at strategic suppliers. | Within 2 years after signing the code of supply. | 14 |
| Amount of community investments, expressed as % of net profit before one-off income and expenses. | 0.2% - 1.0% of net profit before non-recurring income and expenses. | 20 |

BEING RESPONSIBLE





TRENDS IN CSR

| TREND | OUR ADDED VALUE/ OPPORTUNITIES | TARGETS | POSSIBLE RISKS | STRATEGIC PILLAR TKH | SDG |
|--|--|--|--|---|---|
| Technology developments — need to innovate faster and to maintain or improve competitiveness. | Targeted acquisition policy - Innovative capability and investment in R&D. | Targeted acquisition policy with good alignment between technologies - R&D Roadmap. Integration of companies with strengthening R&D Roadmap. | Acquired companies are not successfully integrated. Speed of competitors' technological developments with more perspective. | INNOVATIVE |   |
| Rise of robotics, autonomous transport, artificial intelligence and machine learning. | Balanced and sustainable product portfolio. | Innovation target. | Speed of competitors' technological developments with more perspective. Risks of cybercrime. | INNOVATIVE |  |
| Growing demand for efficiency and providing integrated solutions. | Innovative capability and investment in R&D. Knowledge of the market and customers' wishes. | Customer satisfaction. | Reputational damage because we do not sufficiently satisfy customers' expectations, resulting in underperformance of result and turnover development. | INNOVATIVE |  |
| Global populations are generally older, wealthier, increasingly live in urban areas, and are more and more connected through technology. | Core technologies are combined into total solutions and tailored to efficiency, comfort and safety. | Expected growth in the vertical growth markets for the next 3-5 years from € 300 to € 500 million. | Geopolitical, global situation. | INNOVATIVE |  |
| As a result of digitization, jobs will disappear, but many new jobs will also be created. | Interesting employer with a focus on entrepreneurship and development opportunities, as well as good employment practices, ethics and integrity. | Education and training. Employee satisfaction. Integrity/general organizational principles. | Inability to retain qualified personnel. Undesirable or unethical behaviour on the part of employees that leads to reputational damage. | TALENT EMPOWERMENT & BEING RESPONSIBLE |   |
| Work and private life will be integrated in new lifestyles. | The size and nature of the company creates opportunities for a broad working group. | General organizational principles. | No or insufficient match between the wishes and requirements of employer and employees, which may lead to conflicts. | BEING RESPONSIBLE |  |
| Global agreements on climate - energy systems from renewable, sustainable energy sources. | A product portfolio that responds to sustainability issues such as renewable energy sources. | Innovation target, R&D roadmap. Active participation in chain initiatives. | Dependence on subsidies for projects. | INNOVATIVE & BEING RESPONSIBLE |   |
| Awareness of the need to counteract climate change effects. - collaboration in the chain is necessary. | Knowledge of the operation and the markets in which we operate. Active value chain approach. | Active participation in value chain initiatives. Code of supply and assessments at suppliers. | Dependence upon customers and suppliers Non-compliance with legislation and regulations by chain partners. Image or reputational damage of value chain partners. | BEING RESPONSIBLE |   |
| Resources are becoming depleted. Fossil fuels are becoming scarce. Attention to design in order to recover high-quality raw materials. | Waste reduction and recycling. Energy and CO ₂ reduction program. Circular economy. | Targets for reducing CO ₂ emissions. Recycling waste. | Important raw materials are unavailable or available in limited quantities. Commodity price volatility. | BEING RESPONSIBLE |   |



STAKEHOLDER DIALOGUES

TRENDS

In our business operations, we focus on the external and internal environmental factors, analyzing trends that can affect our activities and operations. We then make an assessment of the opportunities and threats and see how we can provide added value for our stakeholders and society in general. The table 'Trends in CSR' shows our added value in the field of CSR for each trend and how we steer this internally by setting concrete goals.

STAKEHOLDER DIALOGUES

TKH regularly enters into dialogue with a various group of stakeholders on topical and social issues. The varied backgrounds and the knowledge of the stakeholders about TKH and the environment in which we operate is a good starting point for conducting the dialogue. It provides useful insights into stakeholders' interpretations of current topics that affect TKH. We also use the dialogues to broaden our insights into the needs and expectations of the stakeholders. In addition, stakeholder engagement helps us to make better use of opportunities and identify risks in a timely manner. A dialogue is also used to clearly explain specific themes in order to increase support for them or, in certain cases, to create understanding when a theme is given less priority in our business operations. The results of the dialogues are also included in the review of the materiality matrix.

The Executive Board is closely involved in determining material themes and the final weighting given to them by TKH. Among other things, the dialogues in the year under review have led that a higher relevance was given to some themes, among others to climate change, IT & Security and (gender) diversity in the workforce. Social themes that are considered to be less or not relevant by both our stakeholders and TKH are not further explained in the annual report. These include the local presence and socially responsible procurement themes. An overview of the key topics in 2019 with various stakeholders is included in the report of the Executive Board. In addition, the ranking of topics that have been determined as important for all stakeholder groups (vertical axis) and that are most impactful for TKH (horizontal axis) has been set aside in addition to the prioritization from the strategic roadmap. We measure and report on material issues. The subjects that are designated as less or non-material are managed in our organization without further numerical substantiation in the annual report.

THEME

DIALOGUE IN 2019

| THEME | DIALOGUE IN 2019 |
|---|--|
| BUSINESS-DEVELOPMENT | <ul style="list-style-type: none"> We had discussions with suppliers and customers in order to jointly contribute to sustainability issues including high-quality recycle and circular cable types. We are deploying our knowledge of the market and technologies that support or improve our customers' business, and of sustainable product composition. The SDGs have been a recurring topic of conversation in talks with customers and suppliers. |
| GOOD EMPLOYMENT PRACTICES | <ul style="list-style-type: none"> TKH further highlighted vitality programs at operating companies that focus on the health and vitality of employees. A healthy and safe working environment was a recurring theme during employee meetings and 1-on-1 conversations with employees. We believe it is important that employees can share their concerns and contribute ideas for improvements. During the Works Council Day in October 2019, topical themes were shared with local Works Councils, including developments in the field of sustainability. The Works Council Day is also a unique opportunity for Works Councils to exchange knowledge and experience between each other. We have provided presentations and guided tours for schoolchildren and students to introduce them to our technologies and activities, and to enthuse them about TKH as a possible future employer. Over the past year, TKH brought the SDGs to the attention of the employees in order to create awareness of the theme. |
| INVESTOR RELATIONS | <ul style="list-style-type: none"> A Capital Markets Day was organized in June 2019 with an explanation of the 'Simplify & Accelerate' strategy program. Developments within a few vertical markets have also been explained. Via an in-house exhibition, attendees were informed about the latest technologies and innovations within the TKH Group through among other things live demonstrations. In 2019, the CEO, CFO and the Director Corporate Development participated road shows and conferences in which talks were held with (potential) investors. In addition to financial and strategic topics, discussions increasingly focus on sustainability issues. During the publication of the annual and interim figures, analyst meetings were held that could also be followed on webcasts. |
| VALUE CHAIN INITIATIVES | <ul style="list-style-type: none"> We once again participated in sector initiatives aimed at the circular economy and value chain innovation programs. One of these was the innovation program 'Plastic and rubber in the underground infrastructure', in which we committed ourselves to the ambition for 100% circular use of materials in the underground infrastructure by 2040. As a supplier of cable systems, we are a consulting partner for Dutch infrastructure companies that focus on the 'Fair Infra' mission statement. The aim is to accelerate the transition to sustainable energy. We participate in steering and working groups of trade organizations that serve as platforms for monitoring developments in technologies and the market. As a participant in regional industrial platforms and student network groups, we focus on regional developments in employment and strengthening the economic position. Last year, we again discussed compliance with the guidelines set out in our code of supply with suppliers. In addition to allowing us insight into developments in the value chain, it also provides us with timely insight into potential risks. In the reporting year, discussions with chain partners were used to explain the SDGs and explore opportunities for joint initiatives. Agreements have also been made with suppliers about recycling and topics related to the circular economy. |
| REVIEW OF CURRENT SUSTAINABILITY THEMES AND POLICY | <ul style="list-style-type: none"> In 2019, TKH participated in several sustainability benchmarks such as the Carbon Disclosure Project (CDP), Vigeo and MSCI. Through participation we try to gain insight into our sustainability performance vis-à-vis our peers, so that we can further improve it. |



In the identification of material aspects and the annual review of these, we consult among others the following sources:

- Outcomes of the stakeholder dialogues.
- Investor relations meetings about ESGs.
- General governance assumptions.
- Topics suggested by civil society organizations such as VBDO, VEB, Eumedion.
- Guidelines from Global Reporting Initiative (GRI) and international guidelines like OECD and SDG.
- Sustainability rating agencies such as CDP, Vigeo, MSCI and Ecovadis.
- Dutch Transparency benchmark.

TKH Group is an active member of industrial and branch organizations.

- FTTH Council in Europe, North America, the Middle East, North Africa, Latin America and Asia-Pacific. This non-profit organization is established to accelerate Fibre To The Home (FTTH) technology. Members are manufacturers, system designers, consultancies and academic organizations.
- The International Cable makers Federation (ICF) represents the largest part of the worldwide production capacity of the Wire & Cable Industry. As Federation of the world's leading wire and cable producers, this provides a worldwide forum for members to increase the visibility of the industry by highlighting the relevance of its products and technologies, as well as its contribution to the sustainable progress of the society.
- EMVA: is represented in more than 20 countries with the aim to promote the development and use of machine vision technology and to support the interests of its members.
- Retread tire Association: association for suppliers of the renewal and tire repair industry.

MAIN CATEGORIES OF SUPPLIERS

The activities of the operating companies of TKH are diverse, so that they also work with various suppliers. For the cable production activities, the same raw material suppliers are used as much as possible in order to be able to utilize economies of scale and to make agreements on sustainability in the context of origin and recycling. Where possible, framework agreements are concluded with suppliers of NPR goods.

SCOPE AND CHANGES COMPARED TO LAST YEAR

The CSR policy is not adjusted in 2019. If policy changes are applied, these are explained in the report to the specific topic. Compared to previous reporting, there are no changes in the system of measuring.

In the year under review, 8 companies were divested due to the strategic transition program. In accordance with the IFRS requirements, the results of the companies are classified as 'discontinued operations'. The comparative figures for 2018 have also been adjusted accordingly. For some sustainability criteria, the divestment of activities has an impact on sustainability performance. Where this is important, the effects of the divestments are explained.

There have also been no changes in structure or ownership. Unless otherwise stated, the data are based on all our domestic and foreign operating companies. Where this is not so, this is explicitly mentioned. The operating companies acquired will start reporting on CSR in accordance with the TKH reporting structure in the year following acquisition. Companies in which TKH has a minority ownership interest are not included in the report. Consolidation of data occurred along the same lines as the system used in the financial consolidation. Any estimates made are based on historical information. During the year under review, there were no changes to the legal structure, ownership or supply chain of the organization.

DILEMMAS

Sustainability initiatives are increasingly being developed by various target groups that require an increased contribution from industry. We take responsibility in this, but we continue to relate it to our business operations so that we can also make a material contribution to the sustainability initiatives and thus create the necessary support. In some cases, this leads to conscious choices to not implement themes or not collaborate, even though we are asked to do so. In certain markets, the price factor is still decisive, and there may be implicit reasons for reducing CSR efforts. In such situations, it is a challenge to convince the stakeholder of the importance of sustainability which, as a result, exceeds the price axis.

Reducing our energy consumption calls for thorough co-ordination of our manufacturing, which in turn is dictated by current demand. Over the past few years, we have concentrated a lot on energy reduction, which has resulted in the successful implementation of many saving plans. It is therefore a growing challenge to define new reduction plans and make major savings. Furthermore, the expansion of production facilities has resulted in a further increase in energy consumption compared to the output produced as this consumption cannot yet be fully compared with the return that these investments will yield due to 'learning curve' effects.

The amount of waste is also influenced by 'learning curve' effects due to a thorough alignment of the production equipment with the production of innovative, high-quality new cable types. The quality requirement of the product is leading in this and may have a negative impact on the waste reduction ratio.

We are increasingly asked to provide information on external information platforms and portals. Due to price-sensitive (inside) information and competition-sensitive information, it is not always possible to honour all requests. We take a selective approach to lending our co-operation and make considered choices regarding the information posted. In the case of external ratings on sustainability, TKH is often rated by peers in the production/manufacturing industry. TKH's activities are increasingly focused on in-house technology development, in which the software component plays an increasingly important part. For this reason, the ratings give a distorted picture and call for additional communication by our organization.

INTERNAL AUDIT

The data have been audited by the responsible company officers as to plausibility and progress using the Cognos financial reporting model. Data were verified by TKH's financial department. All reported differences greater than 10% compared with the previous year have been explicitly investigated. TKH's Internal Audit carries out audit reviews on the processes to be performed and the accuracy of the data as a permanent part of its work program. Internal Audit has spent specific attention during its audit work on compliance with the code of conduct within our operating companies and the implementation of the code of supply at strategic suppliers. For specific sustainability issues, external expertise is hired. TKH does not have the CRS report verified externally. At the moment, the priority lies in investing time and commitment in implementing sustainability within the organization.

CSR IN THE ORGANIZATION

To safeguard the CSR policy, the Executive Board is directly involved in CSR developments within the TKH organization and personal targets are linked to CSR performance (see also 'Remuneration Report'). TKH's Company Secretary (also Compliance Officer) is responsible for developing and implementing CSR for the TKH Group. CSR is a standard item on the agenda at meetings of the Management Board, on which the Company Secretary has a seat. There is close collaboration with the Director Finance & Control, who is also a member of the Management Board, due to reporting on CSR issues at the operating companies. There is also close co-operation with TKH's Director Internal Audit in relation to his auditing of CSR themes during the audit reviews.



New CSR initiatives are preferably developed in working groups. This expedites the building of support within the Group and makes implementation more efficient and effective. Initiatives in the value chain are always attended by commercial managers in order to guarantee a pragmatic approach. In conducting the stakeholder dialogues, we work with executives from our operating companies, business line managers, account managers and HR.

Contacts with the confidential officers rely on the operation of the TKH code of conduct and the associated Whistleblowers regulations. If a report is made to an operating company that is qualified as inadmissible behaviour, the confidential officer of the operating company will promptly notify the Compliance Officer of TKH Group, who is the central point of referral for integrity issues. The latter, acting together with the Executive Board, will deal with the report and, if desirable, will consult the company confidential officer of the operating company concerned. After the report has been investigated, the Executive Board will make a decision in consultation with the board of the operating company concerned or a representative of that board. The whistleblower scheme can be downloaded from the TKH website.

With purchasing managers, themes are discussed that concern the code of supply. If a supplier fails to meet one or more of the requirements in the code, action has to be taken how the supplier will become compliant in an effective and efficient way and as soon as possible. If the supplier refuses to co-operate or fails to make sufficient progress toward complying with the code, TKH will reconsider its partnership with that supplier. In certain cases, local conditions may prevent the supplier from meeting particular requirements of the code. In such a case, we enter into dialogue to work towards a satisfactory solution. In such conversations, best practices are shared with the supplier concerned, in order to guide him in making improvements and to share ideas. The purchase manager has a pioneering role in this. The Company Secretary as the person responsible for CSR is frequently involved in such discussions. The code of supply as well as the assessment form can be downloaded via the TKH website.

The Executive Board discusses progress in CSR at least every quarter with the (clusters of) operating companies. This is based on financial and non-financial reports in which CSR is included. We have embedded CSR in our Cognos financial reporting system so that it is an integral part of our information system. At least once a year, the progress in the field of CSR is also discussed with the Supervisory Board and future developments and the associated follow-up steps are explained.

For more information about TKH's sustainability program, please contact Renate Dieperink MBA (r.dieperink@tkhgroup.com). Please feel free to send any feedback you may have on this report to this e-mail address. For up-to-date information on sustainability, you can also consult our website: www.tkhgroup.com/csr.



GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures are measures TKH uses to measure and monitor its operational performance. These measures are used in this Annual Report 2019 but are not defined in any law or in IFRS. The European Securities and Markets Authority (ESMA) have issued guidelines that apply as from 3 July 2016 for the use and disclosure of alternative performance measures. The terms TKH sees as an alternative performance measure are included in this chapter of the Annual Report. The alternative performance measures are marked with * and includes a definition as required by the ESMA directive.

Bandwidth the transmission capacity of a media, expressed in the number of bits per second. The maximum transmission capacity is 1 Gigabit per second for copper and 600 Gigabit per second for optical fibre.

BEPS (Base Erosion and Profit Shifting) the negative effect of tax evasion. The OECD works on behalf of the G20 two years on the so-called BEPS project, which makes recommendations to prevent such harmful tax practices. The aim of the plan is that profits are taxed in the country in which the activities are performed and the added value is created.

Broadband connection a collective name for a connection with a high transport capacity. Technically, such a connection can be established by a COAX modem, an ADSL modem or using a Fibre To The

Home connection. The latter solution currently offers the fastest (internet) connection.

Building Solutions solutions in the area of efficient electrical applications within buildings through to technical systems that, combined with software, provide efficiency solutions for the care, parking, infra and security sector.

Cable accessories products with a direct relation to cable and the installation of cable. For example attachment materials (cable caterpillars, swivels, cable terminals, connectors), coding and marking systems (markers, heat shrink tubing, connectors) and tools (cutting, stripping and crimping of lugs).

Capex (Capital Expenditure) investments in tangible and intangible non-current assets. Capex spending is the one-time investment.*

Capital Employed group equity plus long-term debt plus short-term borrowings less cash and cash equivalents.*

Data communication communication of digital information between computers.

Debt leverage ratio (Net debt / EBITDA) Long-term debt plus short term borrowings minus cash and cash equivalents divided by EBITDA.*

Dividend payout ratio this ratio indicates what portion of the net profit is paid out to shareholders. (Dividend / net profit after tax) x 100.*

EBITA result before interest, taxes, impairments and amortization.*

EBITDA result before interest, taxes, impairments, depreciation and amortization.*

Electro technical engineering / electronics is engaged in active and nonlinear components (transistors, electron tubes and other semiconductors). In electrical networks, active components resistors, capacitors, coils are merged into switches.

Fibre To The Home the last piece of the network to the user is fitted with optical fibre cable.

ICT (information and Communication Technology) rapidly progressing integration is occurring between information technology, that is to say computers, and data and telecommunication. Indoor telecom telecommunication facilities in the home.

Industrial Solutions consist of advanced solutions for production automation, car and truck tire building systems and industrial applications in the area of specialty cable and cable accessories.

Industry 4.0 improving the efficiency of production through the integration of machinery to the internet. Production will be adjusted so that more is produced, fewer mistakes and more service oriented production is possible.

Innovations TKH at least 15% of revenues realized from innovations introduced in the previous two years.*

Installation cable cable for installations for power supply with a tension of maximum 1,000 Volts.

Internet of Things (IoT) (temporary) connecting devices to the internet to transfer data.

LEAN a method to prevent all waste from the production process looking at the value added in a production process. The customer demand is thereby leading within the production process.

Net Promotor Score (NPS) measures the internal (ESS) and external (CSS) reputation.

Net result per share net result / weighted average shares outstanding. This ratio indicates how much profit a company has available per share.*

Operational Excellence the pursuit of excellence results in operational processes. This is done through a high efficiency and optimum quality of the processes, via a low failure rate and waste percentage, reduction of

production costs, full control over the process flows, an innovative and flexible organization as well as to meet customer needs.

Opex (Operating Expenditures) operating expenses. Opex expenses are the recurring costs of a product or system.*

Optical fibre cable is a cable with one or more coated conductors of very pure glass for the transfer of signals on a carrier wave of light; applied in data and telecommunication.

Optical fibre production optical fibre is produced in a 25-meter high drawing tower in conditioned ultraclean conditions.

Outdoor telecom telecommunication facilities outside the home.

Passive and active components in data and telecommunication a difference is made between components which do and do not need power.

Point of Presence (POP) this is the center (heart) of the network where all connections are made and active equipment is installed and operated.



Preform is a tube of glass and can be compared with a large model of an optical fibre. The preform is much shorter and thicker than the optical fibre, but otherwise an exact copy. The optical fibre is created by pulling out the preform. This is done by inserting the end of the preform in a furnace to be heated to above 2,000°C. At the bottom of the preform a glass drop appears. This is picked up and formed into an optical fibre by pulling the fibre till it has the desired diameter.

Recyclate collective name for all kinds of products that are the result of a completed recycling process and can be applied without further processing in a production process of semi-finished or finished products.

ROCE Return On Capital Employed, being the EBITA for the last twelve months divided by capital employed at the beginning of the period plus capital employed at the end of the period divided by two.*

ROS (Return on Sales) EBITA divided by total revenues as a percentage.*

Solvency percentage of the equity relative to the total liabilities.*

Specialty cable cable for specific applications or custom made for the customer. These cables are often highly flexible, resistant to chemicals or combine different kinds of optical fibres with copper conductors.

Subsea cables consist of three aluminum or copper conductors for conveying the generated energy and a fibre optic cable, intended to send measurement data to the connected systems.

Sustainable Development Goals (SDGs) In 2015, 193 countries committed to the Sustainable Development Goals of the United Nations (SDGs). These goals form an action plan for a sustainable world without poverty.

System concepts TKH increasingly specializes in the integration of individual components into total systems. Such systems offer the client a lot of added value and operational safety.

Task Force on Climate-related Financial Disclosures (TCFD) a list of recommendations for benchmarking companies on (financial) risks and opportunities due to climate change.

Technology the systematic way of applying new, scientific or other organized knowledge for practical purposes. Further information about the TKH core technologies vision & security, mission critical communication, connectivity and smart manufacturing can be found in the report of the Executive Board.

Telecommunication infrastructure the entity of cables, plugs, cabinets, etc. that is required to connect telephone, Internet, mobile phone exchanges.

Telecom Solutions consists of solutions ranging from a basic infrastructure to home networking applications, both for outdoor telecom and indoor telecom (ICT) markets.

Total solution by acting as a one-stop-shopping supplier for projects, the operating companies of TKH deliver a complete packet of products, including advice, project management, installation, training and maintenance.

Total Cost of Ownership (TCO) the sum of Capex and Opex. The Capex expenditure is often high initially but over the life of a system, the Opex will eventually be the largest cost component of TCO.*

Vertical market is a market in which goods and services are offered which is specific to an industry, trade, profession or other group of customers with specific needs. It differs from a horizontal market, where vendors offer a wide range of goods and services to a large group of customers with a wide range of needs. Further information on the vertical growth markets of TKH -Fibre Optic Networks, Care, Tunnel & Infra, Parking, Marine & Offshore, Machine Vision and Tire Building Industry- can be found in the report of the Executive Board.



TEN YEARS OVERVIEW

In millions of euros

| | 2019 | 2018 ¹ | 2017 ² | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|--------------|-------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| Consolidated statement of profit and loss | | | | | | | | | | |
| Total turnover | 1,490 | 1,458 | 1,485 | 1,341 | 1,375 | 1,346 | 1,198 | 1,102 | 1,061 | 894 |
| Raw materials, consumables, trade products and subcontracted work | 771 | 768 | 817 | 710 | 743 | 770 | 699 | 652 | 649 | 545 |
| Personnel expenses | 369 | 352 | 347 | 331 | 326 | 296 | 277 | 234 | 210 | 174 |
| Depreciation ² | 45 | 26 | 25 | 22 | 22 | 20 | 19 | 17 | 15 | 14 |
| Other operating expenses | 133 | 137 | 147 | 131 | 133 | 124 | 103 | 113 | 95 | 88 |
| Total operating expenses | 1,318 | 1,283 | 1,336 | 1,194 | 1,224 | 1,210 | 1,098 | 1,016 | 969 | 821 |
| EBITA before one-off income and expenses | 172 | 175 | 149 | 147 | 151 | 136 | 100 | 86 | 92 | 73 |
| One-off income and expenses | 18 | 4 | 6 | | | 9 | -7 | -12 | -2 | |
| EBITA | 154 | 171 | 143 | 147 | 151 | 145 | 93 | 74 | 90 | 73 |
| Impairments | 5 | 2 | 2 | 1 | 1 | 1 | | | | |
| Amortization | 50 | 40 | 37 | 33 | 32 | 26 | 26 | 21 | 13 | 11 |
| Operating result | 99 | 129 | 104 | 113 | 118 | 118 | 67 | 53 | 77 | 62 |
| Financial result | -10 | -4 | | -7 | -7 | -10 | -13 | -12 | -7 | -7 |
| Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests | | | 4 | 1 | | | | | | |
| Result on ordinary activities before taxes | 89 | 125 | 108 | 107 | 111 | 108 | 54 | 41 | 70 | 55 |
| Taxes | 20 | 27 | 20 | 20 | 23 | 22 | 12 | 10 | 16 | 14 |
| Net result for the period from continued operations | 69 | 98 | 88 | 87 | 88 | 86 | 42 | 31 | 54 | 41 |
| Result after tax from discontinued operations | 45 | 11 | | | | | | | | |
| Non-controlling interests | | | 1 | 1 | 2 | 3 | 5 | 3 | 1 | 1 |
| Attributable to shareholders | 114 | 109 | 87 | 86 | 86 | 83 | 37 | 28 | 53 | 40 |

Key figures (in % unless stated otherwise)

| | 2019 | 2018 ¹ | 2017 ² | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------|-------------------|-------------------|------|------|------|------|------|------|------|
| EBITA/Turnover (ROS) ^{3 4} | 11.6 | 12.0 | 10.1 | 10.9 | 11.0 | 10.0 | 8.3 | 7.8 | 8.7 | 8.2 |
| Net result before amortization and one-off income and expenses/Group equity ^{3 4} | 14.9 | 17.6 | 16.1 | 16.5 | 19.3 | 17.8 | 13.7 | 11.7 | 16.5 | 13.9 |
| EBITA/Average capital employed (ROCE) | 17.4 | 21.3 | 19.7 | 20.1 | 22.1 | 21.2 | 15.9 | 15.9 | 21.5 | 20.0 |
| Net debt/EBITDA ratio ^{3 4} | 1.5 | 1.4 | 0.9 | 1.0 | 0.9 | 1.0 | 1.5 | 1.6 | 0.9 | 0.7 |
| Net result before amortization and one-off income and expenses/Turnover ^{3 4} | 7.1 | 7.8 | 6.5 | 7.2 | 7.4 | 6.6 | 5.0 | 4.5 | 5.6 | 5.0 |

¹ The comparative figures for 2018 have been restated due to discontinued operations.

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

³ After restatement as a result of change in accounting principles for land and buildings and prior period restatements (see Accounting Principles) for the years 2014 up to 2016. The years 2010 up to 2013 have not been restated.

⁴ Before one-off income and expenses. The one-off income and expenses in 2019 mainly concern restructuring and acquisition costs of € 18.3 million and impairment losses of € 5.0 million. The one-off income and expenses in 2018 were restructuring and acquisition costs of € 4.2 million, impairments of € 1.5 million and a release of provisions for earn out and put options of € 0.5 million.



In millions of euros

| | 2019 | 2018 ¹ | 2017 ² | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|--------------|-------------------|-------------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
| Consolidated balance sheet | | | | | | | | | | |
| Intangible non-current assets | 596 | 544 | 392 | 395 | 400 | 352 | 349 | 343 | 204 | 168 |
| Tangible non-current assets ³ | 231 | 246 | 229 | 215 | 196 | 176 | 199 | 195 | 171 | 157 |
| Right-of-use assets | 81 | | | | | | | | | |
| Financial non-current assets | 52 | 31 | 28 | 46 | 34 | 28 | 30 | 31 | 23 | 19 |
| Total non-current assets | 960 | 821 | 649 | 656 | 630 | 556 | 578 | 569 | 398 | 344 |
| Inventories | 239 | 267 | 219 | 207 | 194 | 202 | 185 | 197 | 165 | 138 |
| Receivables | 295 | 356 | 327 | 295 | 248 | 288 | 234 | 201 | 187 | 165 |
| Cash and Cash equivalents | 79 | 83 | 88 | 88 | 179 | 145 | 80 | 66 | 29 | 23 |
| Total current assets | 613 | 706 | 634 | 590 | 621 | 635 | 499 | 464 | 381 | 326 |
| Assets held for sale | 39 | | | | | 3 | | 7 | 7 | 7 |
| Total assets | 1,612 | 1,527 | 1,283 | 1,246 | 1,251 | 1,194 | 1,077 | 1,040 | 786 | 677 |
| Shareholders' equity ³ | 705 | 647 | 594 | 574 | 521 | 483 | 378 | 364 | 356 | 317 |
| Non-controlling interests | 0 | 1 | 9 | 9 | 9 | 17 | 61 | 60 | 2 | 2 |
| Group Equity | 705 | 648 | 603 | 583 | 530 | 500 | 439 | 424 | 358 | 319 |
| Provisions ³ | 97 | 86 | 69 | 74 | 71 | 68 | 112 | 105 | 75 | 54 |
| Non-current interest-bearing loans and borrowings | 416 | 239 | 187 | 214 | 223 | 259 | 259 | 202 | 124 | 55 |
| Current interest-bearing loans and borrowings | 58 | 171 | 57 | 52 | 126 | 59 | 15 | 60 | 4 | 32 |
| Financial liabilities | 9 | 5 | 15 | 23 | 27 | 14 | | | | |
| Other current liabilities | 314 | 378 | 352 | 300 | 274 | 294 | 252 | 249 | 225 | 217 |
| Liabilities directly associated with assets held for sale | 13 | | | | | | | | | |
| Total equity and liabilities | 1,612 | 1,527 | 1,283 | 1,246 | 1,251 | 1,194 | 1,077 | 1,040 | 786 | 677 |

Other information in euros (unless stated otherwise)

| | 2019 | 2018 ¹ | 2017 ² | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|--------|-------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|
| Solvency (in %) | 44 | 42 | 47 | 47 | 42 | 42 | 41 | 41 | 46 | 47 |
| Investments in tangible non-current assets | 32 | 42 | 41 | 46 | 38 | 34 | 19 | 25 | 22 | 21 |
| Depreciations of tangible non-current assets | 29 | 28 | 24 | 23 | 23 | 20 | 19 | 17 | 15 | 14 |
| Cash flow from operating activities | 182 | 127 | 160 | 103 | 182 | 95 | 79 | 75 | 47 | 55 |
| Number of shares outstanding and held by third parties at year end (x 1,000) | 41,999 | 42,003 | 42,045 | 42,161 | 41,724 | 41,400 | 37,985 | 37,658 | 37,284 | 36,885 |
| Net result per ordinary share of € 0.25 | 2.72 | 2.58 | 2.05 | 2.04 | 2.07 | 2.14 | 0.98 | 0.76 | 1.44 | 1.10 |
| Net profit before amortization and one-off income and expenses from continued operations attributable to shareholders | 2.51 | 2.72 | 2.27 | 2.25 | 2.40 | 2.23 | 1.48 | 1.27 | 1.63 | 1.21 |
| Dividend per share | 1.50 | 1.40 | 1.20 | 1.10 | 1.10 | 1.00 | 0.75 | 0.65 | 0.75 | 0.61 |
| Highest share price | 55.05 | 60.15 | 56.68 | 38.14 | 40.50 | 27.18 | 26.40 | 20.86 | 23.80 | 19.61 |
| Lowest share price | 38.82 | 38.36 | 36.45 | 28.47 | 25.35 | 22.13 | 18.55 | 15.41 | 13.24 | 12.52 |
| Share price at year-end | 49.90 | 40.70 | 52.93 | 37.59 | 37.44 | 26.36 | 25.40 | 19.50 | 16.95 | 19.61 |

¹ The comparative figures for 2018 have been restated due to discontinued operations.

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

³ After restatement as a result of change in accounting principles for land and buildings and prior period restatements (see Accounting Principles) for the years 2014 up to 2016. The years 2010 up to 2013 have not been restated.



The Annual Report in English is a translation of the official Dutch version. In the event of differences and/or inconsistencies, the official Dutch Annual Report 2019 will take precedence.

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For actual information about TKH Group and our sustainability developments please visit our website: www.tkhgroup.com.

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