

# FULL YEAR RESULTS 2019 & COVID 19-UPDATE

June 2020

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# PROFILE

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

Through a combination of technologies, TKH offers superior solutions that support to 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.

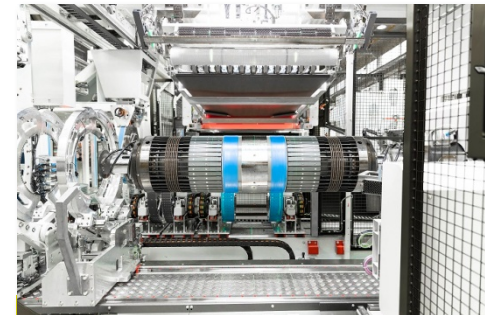
TKH operates on a global scale. Its growth is concentrated in Europe, North America and Asia.



TELECOM



BUILDING



INDUSTRIAL

# HIGHLIGHTS 2019

TURNOVER

€ 1.498,6

MILLION

NET DEBT / EBITDA

1,5

RATIO



NUMBER OF EMPLOYEES

5.980

FTE



INNOVATIONS

20,5%

OF TURNOVER



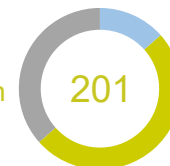
TELECOM SOLUTIONS

ROS

15,4%

€ mln

201



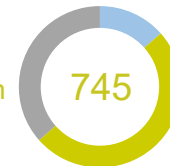
BUILDING SOLUTIONS

ROS

10,1%

€ mln

745



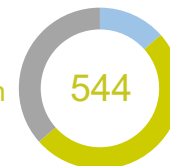
INDUSTRIAL SOLUTIONS

ROS

15,0%

€ mln

544





## TKH focuses on distinguishing potential for an above-average performance

- **Niche player** strategy – focus on high-grade solutions and relatively small markets with high margins
- High pricing power due to **innovative unique solutions**
- Selling **high return on investment** to customers
- Besides entering into partnerships, we focus on the development of advanced **proprietary technologies**
- High added value through **system integration**, service and solutions
- Commodity products used primarily as part of total solutions
- **Outsourcing** more than 70% of **capital intensive** production - flexible capacity is available and cost basis more variable
- Focus on **high-growth vertical markets** or **market share expansion** potential - optimal use of R&D-resources and investments to markets with largest potential
- **Spreading risk** across a large number of product/market combinations
- **Geographic focus for growth:** Europe, Asia, North America; limited number of export focus areas outside these territories
- **Acquisitions** in defined growth verticals

# BASIS FOR TKH STRATEGY

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## Goal:

- To bring TKH shareholders an above average **Return on Investment** with a limited risk on their investment, through a significant **above average performance of value creation** (share value development) and dividend yield

## Ambition:

- The **ideal investment** opportunity

## Shareholder structure:

- Focus on developing a shareholders base that feel attracted to the above mentioned goal – with a **long term perspective on shareholder commitment**
- High commitment from shareholders to future development of TKH – to support capital requirements and continuity TKH

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# HIGHLIGHTS & BUSINESS UPDATE

## 2019

(in million € unless stated otherwise)	HY2 2019	HY2 2018	Δ in %
Turnover <sup>1)</sup>	736.4	729.8	+0.9%
EBITA before one-off expenses <sup>1, 2)</sup>	94.9	89.9	+ 5.5%
ROS <sup>1, 2)</sup>	12.9%	12.3%	
Net profit before amortization and one-off income and expenses attributable to shareholders <sup>1, 2, 3)</sup>	59.4	59.2	+ 0.3%

(in million € unless stated otherwise)	2019	2018	Δ in %
Turnover <sup>1)</sup>	1,489.6	1,457.8	+2.2%
EBITA before one-off expenses <sup>1, 2)</sup>	172.5	175.0	-1.5%
ROS <sup>1, 2)</sup>	11.6%	12.0%	
Net profit before amortization and one-off income and expenses attributable to shareholders <sup>1, 2, 3)</sup>	105.3	114.2	-7.8%
Earnings per ordinary share	€ 2.72	€ 2.58	+5.2%
Dividend (proposal) per share	€ 1.50	€ 1.40	
ROCE	17.4%	21.3%	

1) The figures for 2018 and 2019 are presented based on 'continued operations' and thus excluding the divested industrial connectivity activities ('discontinued operations').

2) In 2019, the one-off expenses are € 18.3 million (2018: € 4.2 million) and impairments are € 5.0 million (2018: € 1.5 million).

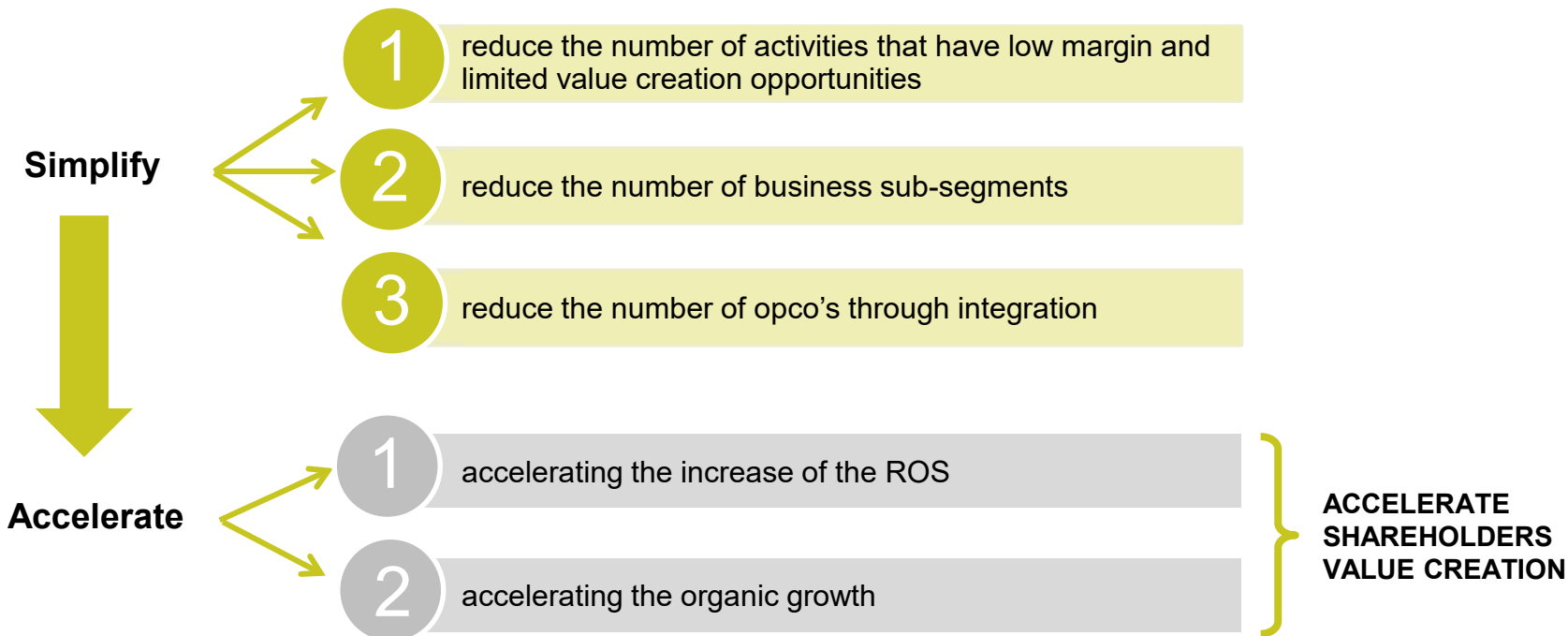
3) Amortization of intangible non-current assets related to acquisitions (after tax).

- Turnover growth of 2.2% (HY2: 0.9%) – Organic -1.9% (HY2: -3.9%)
- Decrease EBITA before one-off expenses by 1.5% (HY2: +5.5%) – ROS H2 increased to 12.9% due to better mix and cost efficiency
- Net profit before amortization and one-off income and expenses attributable to shareholders € 105.3 million (-7.8%) in line with communicated bandwidth of € 102 - € 108 million
- One-off expenses and impairments due to costs related to restructurings, integrations, acquisitions and divestments
- Acquisitions of innovative technology companies in vision & security:
  - Commend AG – mission critical communication
  - ParkEyes – parking guidance
  - SVS-Vistek – 2D machine vision
  - FocalSpec – 2D and 3D machine vision
- Divestments:
  - Majority of industrial connectivity activities ('discontinued operations') – net book profit of € 38.9 million
  - ZTC in China ('held for sale') – closed beginning 2020
- Increase of existing committed credit facility from € 350 million to € 500 million under unchanged conditions
- Dividend proposal: € 1.50 per (depository receipt of an) ordinary share











# 'SIMPLIFY & ACCELERATE' PROGRAM

## Bring TKH to a next stage of performance



# 'SIMPLIFY & ACCELERATE' PROGRAM – TURNOVER AND ROS IMPROVEMENT



AREA'S	BANDWIDTH TURNOVER DEVELOPMENT	BANDWIDTH ROS IMPROVEMENT TARGET >15%	REALIZED STEPS IMPACT ON TURNOVER AND ROS <sup>1)</sup>
<b>DIVESTMENTS</b>	 - € 300 - 350 million	 1.2 % - 1.6 %	Industrial connectivity (2019) € -175 million ZTC (2020) € -70 million
<b>INTEGRATION</b>		 0.8 % - 1.2 %	Restructuring and integration (2019) +0.2% Restructuring and integration (2020 - 2021) +0.5%
<b>INNOVATIONS &amp; FOCUS ON VERTICALS</b>	 + € 200 - 250 million	 2.0 % - 3.0 %	Increase order book and sales funnel, but costs in 2019 still ahead of benefits
<b>ACQUISITIONS</b>	 + € 100 - 150 million		Contribution of companies acquired in 2019 turnover € +20 million

1) Turnover development and ROS improvement are compared to 2018 figures published in March 2019.

# 'SIMPLIFY & ACCELERATE' PROGRAM – GOOD PROGRESS



Key financial targets	Targets	2019	2018
	(mid-term)		
ROS	> 15%	11.6%	12.0%
ROCE	22% - 25%	17.4%	21.3%
NET debt / EBITDA	< 2.0	1.5	1.5

- > Good progress 'Simplify & Accelerate' program – high priority execution and widely supported within TKH
- > Growth order book and outstanding offers in subsea and Airfield Ground Lighting (AGL) activities
- > Divestment well on schedule: about € 250 million in turnover from intended € 300 to € 350 million already realized
- > Successful integration of vision and security companies – reduction number of operating companies through integration with focus on economies of scale – simplified organizational structure with fewer companies and focus on activities with higher value creation potential

- > Execution of program led to one-off expenses of € 18.3 million and impairments of € 5.0 million:
  - Intended decision to relocate cable production in Ittervoort to Haaksbergen and to end poorly performing activities of industrial connectivity portfolio
  - Integration of security activities and portfolio under TKH Security-brand, merger of activities in Singapore, and integration of Parking activities and portfolio
  - Reduction of Dutch system integration activities
  - Integration of 2D vision activities and portfolio and further commercial cooperation between 2D and 3D Vision
  - Implemented cost savings in 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 Commend organization
  - Acquisition and divestment costs

Integration projects and efficiency improvements will have a positive effect on result of € 7 to € 8 million annually, of which € 5 million to be realized in 2020

# VERTICAL MARKETS – BETTER POSITIONED TO UTILIZE ECONOMIES OF SCALE AND SYNERGIES

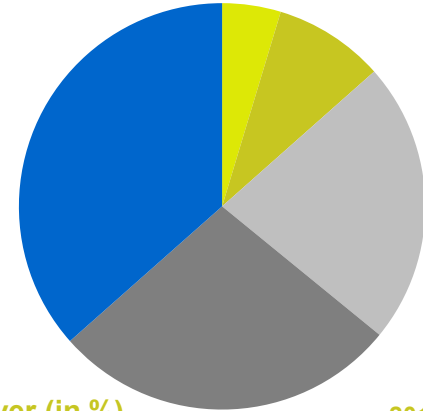







Turnover (in € millions)	2012	2018	2019	Growth scenarios	
Fibre Optics Network	80	134	137	175	200
Parking	20	58	59	150	200
Tunnel & Infra	30	96	133	150	200
Marine & Offshore	20	64	54	150	200
Care	30	57	58	70	100
Machine Vision	95	129	143	250	300
Tire Building Industry	175	331	330	450	550
<b>Growth verticals</b>	<b>450</b>	<b>869</b>	<b>914</b>	<b>1,395</b>	<b>1,750</b>
Other vertical markets	652	589	576	450	500
<b>Total</b>	<b>1,102</b>	<b>1,458</b>	<b>1,490</b>	<b>1,845</b>	<b>2,250</b>

The figures for 2018 and 2019 are presented based on 'continued operations' and thus excluding the divested industrial connectivity activities ('discontinued operations').

- > Growth target verticals: € 300 - € 500 million coming 3-5 years
- > Divestment non-vertical markets: minus € 300 - € 350 million – growth at GDP within non-verticals
- > Upgrade of growth bandwidth verticals in 2019:
  - Parking: addressable market increased – new technology smaller garages
  - Tunnel & Infra: potential increased for CEDD /AGL and energy infra projects
  - Marine & Offshore - upgrade: potential Subsea market increased and positive feedback USPs
- > Innovations (20.5% of turnover) have shown good progress in technology and market penetration
- > New key developments offer strong basis for growth and further value creation:
  - Machine vision for 5G smartphones production systems
  - UNIXX tire building technology
  - Subsea cable systems
  - CEDD / AGL connectivity technology
- > Turnover share of vertical growth markets > 60%
- > Due to good progress with 'Simplify & Accelerate' program, we are better positioned to utilize economies of scale and synergies – well on way to achieve targets

# DEVELOPMENTS PER SOLUTION 2019



Turnover (in %)	2019	2018
<b>Telecom Solutions</b>	<b>13.5%</b>	<b>13.4%</b>
 Indoor Telecom & copper Solutions	4.7%	4.8%
 Fibre Network Systems	8.8%	8.6%
<b>Building Solutions</b>	<b>50.0%</b>	<b>48.2%</b>
 Connectivity Systems	22.4%	21.6%
 Vision & Security Systems	27.6%	26.6%
<b>Industrial Solutions</b>	<b>36.5%</b>	<b>38.4%</b>
 Manufacturing Systems	36.5%	38.4%

(in million €)	2019	2018	Δ in %
Turnover	200.5	194.5	+ 3.0%
EBITA	30.8	28.1	+ 9.5%
ROS	15.4%	14.5%	



## Fibre network systems – turnover share 8.8%

- › Organic turnover growth: +4.7%
- › Slowdown in China was offset by growth in fiber optic network systems within Europe – mainly achieved in France and Germany
- › Price pressure in Chinese market compensated with lower purchase prices on raw materials for optical fiber and higher share connectivity portfolio – improvement gross margin
- › Expansion of fiber-optic production capacity completed in H2 2019
- › Slowdown in China more than compensated by turnover growth within Europe

## Indoor telecom & copper networks – turnover share 4.7%

- › Organic turnover growth: +0.1%
- › Growth stagnated in H2 due to less demand for broadband connectivity and connectivity components

(in million €)	2019	2018	Δ in %
Turnover	745.0	703.7	+ 5.9%
EBITA before one-off expenses <sup>1)</sup>	75.5	69.6	+ 8.5%
ROS <sup>2)</sup>	10.1%	9.9%	

1) The one-off expenses concern costs of € 17.2 million for restructuring, integration, acquisitions and divestments (2018: € 3.5 million).

2) ROS in H2 of 12.2%.



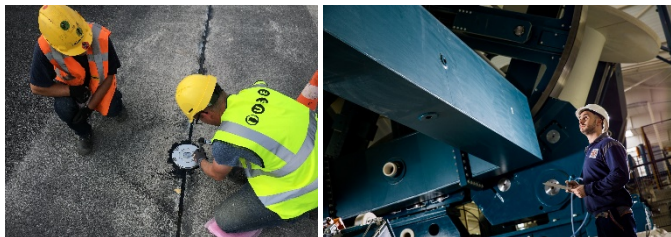
## Vision & Security systems - turnover share 27.6%

- Turnover increase by 5.8% – organic turnover decrease by -10.2%
- Machine Vision:
  - Reluctance in investments among producers of consumer electronics – also noticeable in other sectors – slight recovery in Q4 in consumer electronics, industrial automation and inspection sectors
  - First orders and deliveries for developed vision technology for new applications in consumer electronics industry for 5G networks – great interest for FocalSpec sensors, 3D technology acquired in Q4 – well positioned for expected strong increase in demand
- Parking:
  - Turnover from larger projects in parking guidance systems decreased
  - Important step with acquisition of ParkEyes – access to smaller and medium-sized parking garages – since end of 2019 also certified for US-market
- Tunnel & Infra:
  - Growth due to roll-out of vision-based traffic management solutions to US-market
- Integration of security-related activities under TKH Security-brand – phase out of Dutch system integration activities – limited organic revenue growth
- One-off expenses for restructuring, integration, phasing out of number of activities, acquisition costs and impairments – mainly related to machine vision, mission critical communication and security

(in million €)	2019	2018	Δ in %
Turnover	745.0	703.7	+ 5.9%
EBITA before one-off expenses <sup>1)</sup>	75.5	69.6	+ 8.5%
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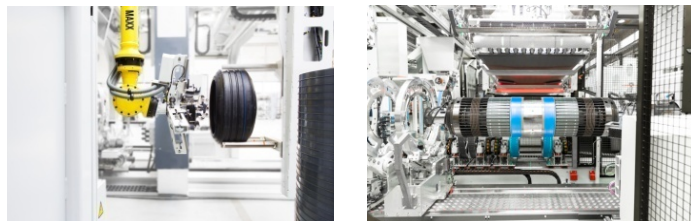
## Connectivity systems – turnover share 22.4%

- › Organic turnover growth: +6.6%
- › Tunnel & Infra:
  - › Good growth with higher market share in Airfield Ground Lighting (AGL) – increasing interest in innovative CEDD technology for AGL, in which various TKH technologies and competences are integrated – costs are still ahead of benefits
  - › Considerable growth in energy cable systems due to large investment needs for energy networks
- › Marine & Offshore:
  - › Lower turnover in subsea cable systems – as of Q4 2018 full focus on acquiring new orders – costs are still ahead of benefits
  - › Production started at end Q4 2019 for array connectivity systems for Windfarm 'Fryslân' (NL) – contract for second wind farm has been concluded and quotation portfolio has further increased – substantial growth potential for coming years
- › Nitrogen and PFAS problems for Dutch construction and infrastructure sector – negative impact on growth, especially in Q4
- › In Q4, announcement of intended decision to end cable production in Ittervoort and transfer of core activities to Haaksbergen. In addition, restructuring was carried out in Germany and France to increase cost efficiency – restructuring provisions and impairment loss for machinery



(in million €)	2019	2018	Δ in %
Turnover	544.2	559.5	- 2.7%
EBITA before one-off expenses <sup>1)</sup>	81.4	92.3	- 11.8%
ROS	15.0%	16.5%	

1) The one-off expenses concern costs of € 1.1 million for restructuring, (2018: € 0.3 million).



## Manufacturing systems – turnover share 36.5%

- Organic turnover growth: -2.8%
- Divestment majority of industrial connectivity activities in August – remaining connectivity activities are integrated into sub-segment manufacturing systems
- Demand for specialty cable and cable systems weakened in automotive and robot industry in Q4
- Tire Building:
  - Turnover at lower level in Q4, but entire 2019 at same level compared to 2018
  - Reluctance to invest among top 5 tire manufacturers due to negative developments in automotive industry – order book is higher than year ago due to increased order intake from other customers
  - Development of UNIXX-integrated tire building machine (new tire-building platform) is progressing well – first UNIXX has been installed at launching customer
- Updated Indivion, high-end automated medicine dosing and distribution system, delivered in Q4 to launching customer and now available for active sales

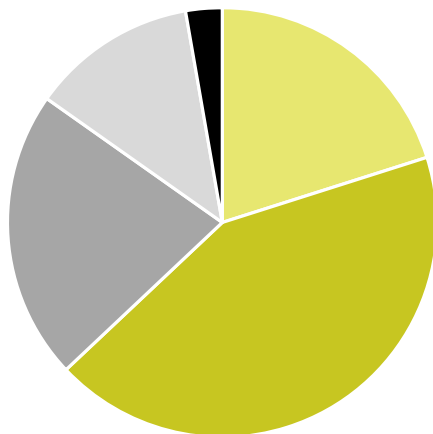
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# FINANCIAL PERFORMANCE 2019

- *Presented figures for 2019 are based on 'continued operations' (excluding divested majority of industrial connectivity activities) – comparative figures in P&L have been adjusted accordingly*

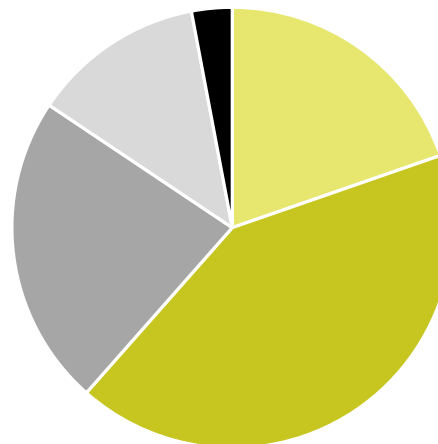
# GEOGRAPHICAL DISTRIBUTION OF TURNOVER

Geographical distribution of turnover (in %)



2019

	Netherlands	20
	Europe (other)	43
	Asia	22
	North America	13
	Other	2



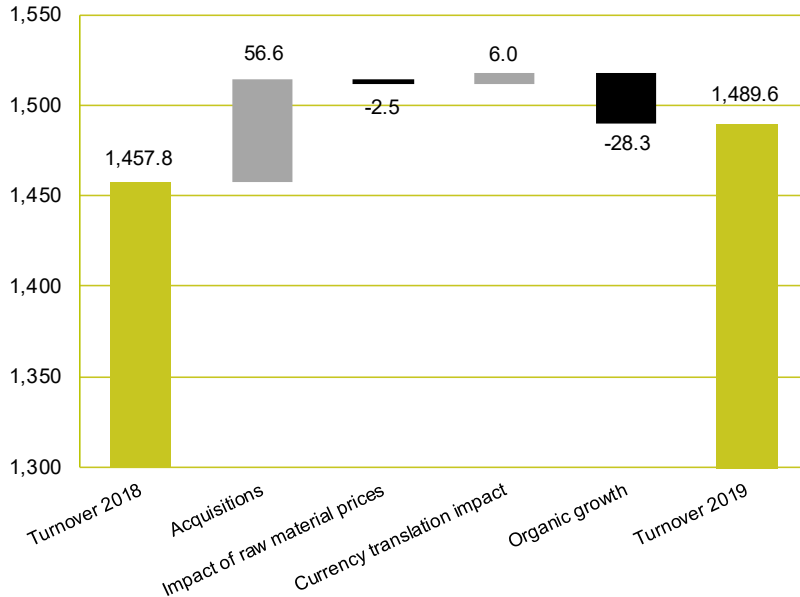
2018

	Netherlands	20
	Europe (other)	42
	Asia	23
	North America	13
	Other	3

# TURNOVER AND ADDED VALUE

(in € million)	2019		2018		Δ in %
<b>Turnover</b>	<b>1,489.6</b>		<b>1,457.8</b>		<b>+ 2.2%</b>
Raw materials and subcontracted work	-771.4		-767.9		
<b>Added value</b>	<b>718.2</b>	<b>48.2%</b>	<b>689.9</b>	<b>47.3%</b>	<b>+ 4.1%</b>

Change in turnover (in € million)

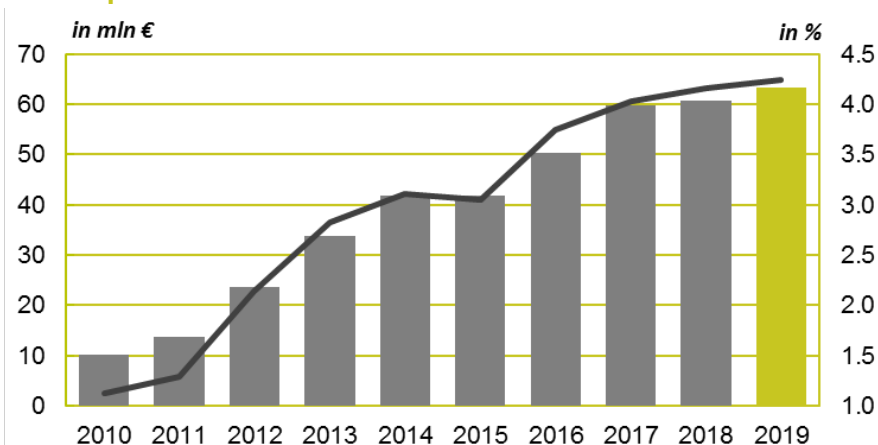


- Organic turnover growth of -1.9%
- Turnover from acquisitions of 3.9%:
  - Lakesight Technologies (2018)
  - Ognios (2018)
  - Commend AG
  - ParkEyes
  - SVS-Vistek
  - FocalSpec
- Limited impact from raw material prices (-0.2%) and foreign currencies (+0.4%)
- Gross margin increased to 48.2% (2018: 47.3%):
  - Change product mix
  - Normalization of start-up costs for new technologies
  - Lower purchase prices

# OPERATING EXPENSES AND EBITA

(in € million)	2019		2018		Δ in %
<b>Turnover</b>	<b>1,489.6</b>		<b>1,457.8</b>		<b>+ 2.2%</b>
Raw materials and subcontracted work	-771.4		-767.9		
<b>Added value</b>	<b>718.2</b>	<b>48.2%</b>	<b>689.9</b>	<b>47.3%</b>	<b>+ 4.1%</b>
Operating expenses	545.7	36.6%	514.9	35.3%	<b>+6.0%</b>
<b>EBITA before one-off income and expenses</b>	<b>172.5</b>	<b>11.6%</b>	<b>175.0</b>	<b>12.0%</b>	<b>-1.5%</b>

## R&D expenditure



- Operating expenses increased with 6.0%:
  - Consolidation of acquired companies (+5.2%)
  - Currency translation effects (+0.6%)
  - Expansion production capacity during 2018 for subsea and industrial cable systems and lower production level in 2019 – capacity maintained at higher level than required in short term due to medium-term growth perspective
  - R&D expenses increased slightly to € 63.2 million (2018: € 60.8 million) due to acquisition of technology companies – 55.5% capitalized as development costs (2018: 49.6%)

Cost to turnover ratio increased from 35.3% to 36.6%

- Depreciation increased with € 19.2 million to € 45.3 million:
  - Depreciation of right-of-use assets due to adoption of IFRS 16 Lease (€ +16.1 million)
  - High investment level in past years
- EBITA decreased by 1.5% – Telecom Solutions (+9.5%), Building Solutions (+8.5%) and Industrial Solutions (-11.8%)
- ROS: 11.6% (2018: 12.0%)

# ITEMS BELOW EBITA

(in € million)	2019		2018		Δ in %
<b>EBITA before one-off income and expenses</b>	<b>172.5</b>	<b>11.6%</b>	<b>175.0</b>	<b>12.0%</b>	<b>-1.5%</b>
One-off expenses	18.3		4.2		
Amortization	50.1		40.1		
Impairments	5.0		1.5		
<b>Operating result</b>	<b>99.1</b>		<b>129.2</b>		
Financial expenses	-10.1		-6.4		
Result from associates	0.4		1.9		
Change in value financial liabilities	-0.1		0.5		
<b>Result before taxes</b>	<b>89.3</b>		<b>125.2</b>		
Taxes	20.6		27.3		
<b>Net profit continuing operations</b>	<b>68.7</b>	<b>4.6%</b>	<b>97.9</b>	<b>6.7%</b>	<b>-29.8%</b>
Net profit discontinued operations	45.2		10.8		
<b>Total net profit</b>	<b>113.9</b>	<b>7.7%</b>	<b>108.7</b>	<b>7.5%</b>	<b>+4.8%</b>
<b>Net profit before amortization and one-off income and expenses attributable to shareholders</b>	<b>105.3</b>	<b>7.1%</b>	<b>114.2</b>	<b>7.8%</b>	<b>-7.8%</b>

- One-off expenses and impairments related to 'Simplify & Accelerate' program and acquisitions
- Increase of amortization due acquisitions and higher R&D investments in recent years
- Financial expenses rose by € 3.8 million due to:
  - Adoption of IFRS 16 Lease (€ +2.0 million)
  - Average higher outstanding bank debt.
  - Adverse currency effects of € 0.9 million (2018: € 0.2 million negative)
- Result from associates decreased due to lower volumes and prices of preforms at preform producer Shin-Etsu in China, while contribution from new minority interest in Cable Connectivity Group still depressed by one-off expenses
- Effective tax rate increased to 23.1% (2018: 21.8%)
  - Impacted by non-deductible impairments (+ 0.5%)
  - Fiscal R&D facilities, such as Dutch innovation box facility had a reducing effect on effective tax rate
- Divestment majority of industrial connectivity activities ('discontinued operations') resulted in a total net profit of € 45.2 million (2018: € 10.8 million) including net book profit of € 38.9 million

# BALANCE SHEET 31 DECEMBER 2019



(in € million)	31-12-2019	31-12-2018
Intangible non-current assets	596.4	544.1
Tangible non-current assets	230.9	245.4
Right-of-use assets	80.8	
Investment property		0.3
Other associates	28.6	12.0
Receivables	2.0	2.0
Deferred tax assets	21.0	17.1
<b>Total non-current assets</b>	<b>959.7</b>	<b>820.9</b>
Inventories	238.8	267.0
Receivables	176.5	223.5
Contract assets	115.7	128.1
Contract costs	1.9	3.6
Current income tax	1.6	1.1
Cash and cash equivalents	79.0	83.2
<b>Total current assets</b>	<b>613.5</b>	<b>706.4</b>
Assets held for sale	38.7	
<b>Total assets</b>	<b>1,611.9</b>	<b>1,527.3</b>

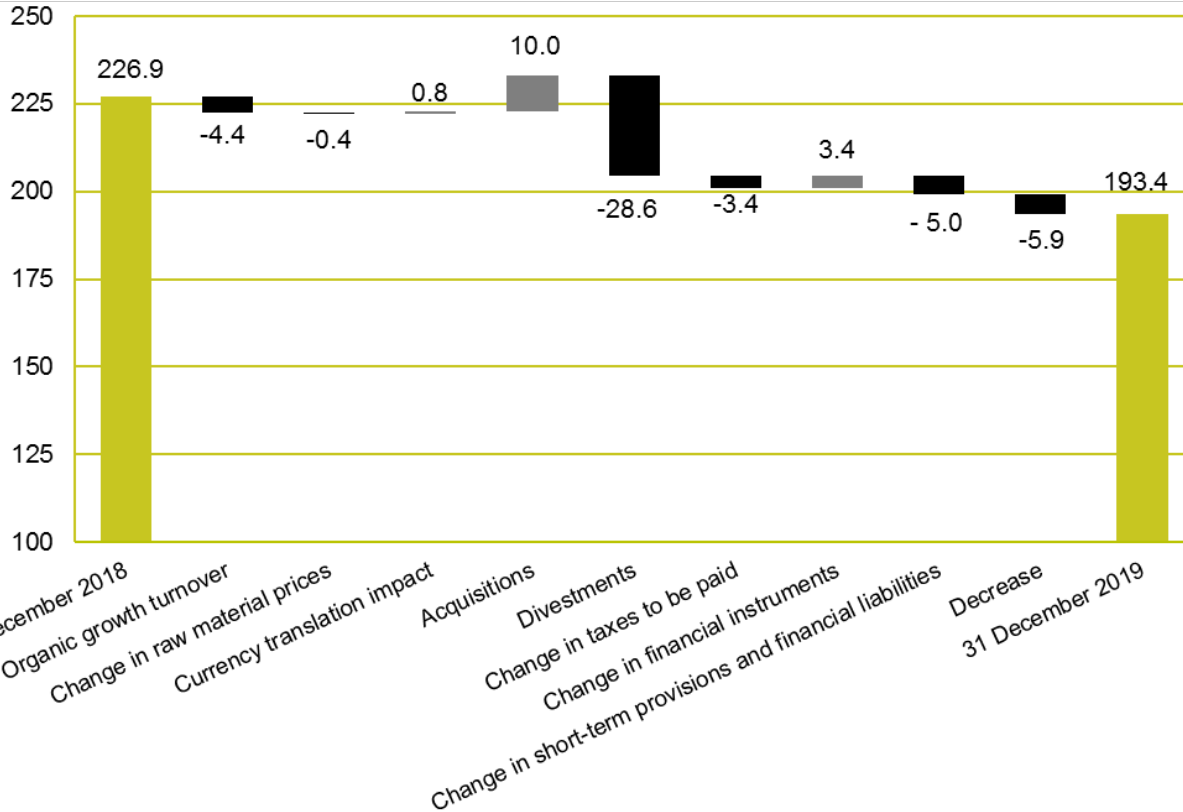
- › Right-of-use assets relate to recognition of user rights from lease agreements in the balance sheet – non-current liabilities increased for payment obligation under these agreements
- › Cash and cash equivalents includes € 10.0 million (2018: € 22 million) that are part of a balance and interest compensation schemes
- › Solvency of 43.7% (2018: 42.2%) – IFRS 16 effect of -1.8%

(in € million)	31-12-2019	31-12-2018
Shareholders' equity	704.5	646.5
Non-controlling interests	0.3	1.2
<b>Total group equity</b>	<b>704.8</b>	<b>647.6</b>
Interest bearing loans and borrowings	415.8	238.5
Deferred tax liabilities	65.5	60.4
Retirement benefit obligation	5.8	8.0
Financial liabilities	5.0	0.6
Provisions	6.3	5.2
<b>Total non-current liabilities</b>	<b>498.4</b>	<b>312.7</b>
Interest bearing loans and borrowings	58.1	170.6
Trade payables and other payables	254.2	314.6
Contract liabilities	49.2	57.0
Current income tax liabilities	11.8	6.9
Financial liabilities	3.7	4.8
Provisions	19.1	12.9
<b>Total current liabilities</b>	<b>396.1</b>	<b>566.9</b>
Liabilities directly associated with assets held for sale	12.6	
<b>Total equity and liabilities</b>	<b>1,611.9</b>	<b>1,527.3</b>

- › Financial covenants:
  - › Net debt, based on financial covenant as agreed with banks, of € 300.6 million (2018: € 326.6 million)
  - › Net debt/EBITDA of 1.5 (31 December 2018: 1.5)

# WORKING CAPITAL

## Changes in working capital (in € million)



Working capital as percentage of turnover decreased to 13.0% (2018: 13.9%)

Use of non recourse factoring:

31-12-2019	€ 38.7 million
30-06-2019	€ 50.2 million
31-12-2018	€ 52.6 million

Use of supply chain finance:

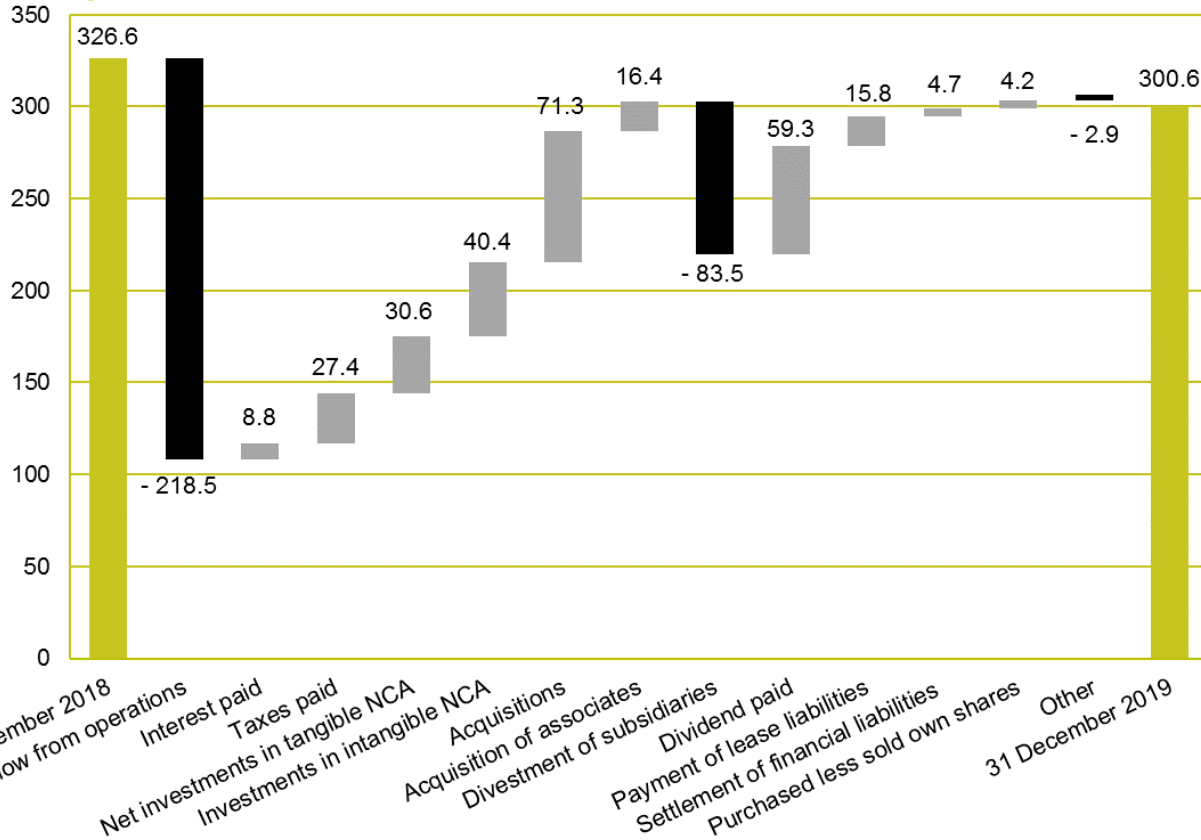
31-12-2019	€ 24.8 million
30-06-2019	€ 43.4 million
31-12-2018	€ 32.5 million

Decrease off-balance instruments partly due to divestments (majority industrial connectivity activities and ZTC)



# NET DEBT DEVELOPMENT

Change in net debt (in € million)



- High cash flow from operations of € 218.5 million – minimal impact from change in working capital
- Investment level in tangible assets of € 30.6 million below recent years (2018: € 40.0 million)
- Investments in intangible assets of € 40.4 million, mainly in R&D
- Acquisitions relate to Commend AG, ParkEyes, SVS-Vistek and FocalSpec
- Acquisition of associate is mainly related to the non-controlling interest in Cable Connectivity Group
- Divestment of majority industrial connectivity activities reduced net debt with € 83.5 million

# FREE CASH FLOW

(in € million)	2019	2018	2017
Operating result from continued operations	99.1	129.2	104.9
Operating result from discontinued operations	8.9	13.5	
Operating result <sup>1)</sup>	108.0	142.7	104.9
Depreciation, amortization and impairment	100.6	70.0	62.1
<b>EBITDA adjusted</b>	<b>208.6</b>	<b>212.7</b>	<b>167.0</b>
Change in working capital	0.1	-55.2	26.1
Taxes paid	-27.4	-28.0	-30.0
Other	9.8	3.2	3.1
<b>Cash flow from operations before interest</b>	<b>191.1</b>	<b>132.7</b>	<b>166.2</b>
Payment of lease liabilities	-15.8		
Capital expenditure (tangible)	-30.6	-40.0	-43.1
Capital expenditure (intangible)	-40.4	-35.2	-34.8
<b>Free Cash Flow ('FCF')</b>	<b>104.3</b>	<b>57.5</b>	<b>88.3</b>
EBITDA to FCF conversion	50.0%	27.0%	52.7%

1) Including one-off expenses and impairments.

- Substantial growth in FCF compared to previous years
- FCF-conversion improved due to stable working capital, compared to an increase in 2018, and lower capital expenditure in non-current tangible assets
- Payments for acquisitions and proceeds from divestments have not been included in FCF

# TKH UPDATE / COVID-19

## June 2020

## COVID-19-situation

- The health of our people remains our top priority - all the measures laid down in the directives of the various governments have been taken, to ensure we can safeguard the continuity of the company and the safety of the working environment.
- Decline in absenteeism from mid-May onwards - still higher than average in the production environment due to measures taken to make working as safe and healthy as possible - productivity and capacity utilization levels lower than usual – we expect this situation to continue the coming months.
- COVID-19 has had a negative impact on turnover and result - lockdowns in France, Italy and US had a significant impact in April and May - opportunities for deliveries have been re-emerging, but are not yet back at normal levels. In China activity levels have recovered since March and has had a limited impact.

## Highlights Market Update

- Based on turnover realized up to and including May 2020 and the estimates for June, turnover in the first half of 2020 is set to decline organically by between 8% and 9% compared with H1 2019 - decline will be strongest at Industrial Solutions and Telecom Solutions and to a lesser extent at Building Solutions.
- The operational profit before one-off income and expenses (EBITA) will decline between 13% and 16% in the first half of 2020 - decline will be strongest at Industrial Solutions and Telecom Solutions and to a lesser extent at Building Solutions.
- A one-off charge of € 3 - 5 million will be taken in the second quarter, in the context of cost-savings measures.
- TKH continues to operate well within the financial ratio agreed with its banks.

## Highlights Market Update

### Telecom Solutions

- › Fibre Optic Networks – lockdowns in Europe, and in France in particular, had a significant negative impact on deliveries in April and May – we expect to normalize in the coming months and recovery in the roll-out of fibre optic networks.

### Building Solutions

- › Care - slightly decline turnover April and May - increased demand for our communications solutions for care alerts and elderly care - installation possibilities at healthcare facilities limited. Growing interest in large-scale investments in INDIVION technology from US.
- › Marine & Offshore – production value lower in April and May - decline turnover shipbuilding market and cruise ship segment in particular. Additional large-scale contract for subsea connectivity systems 'Hollandse Kust Zuid' - capacity utilization is well covered for the coming quarters - good prospects of new contracts for offshore wind projects.
- › Tunnel & Infra – decline turnover April and May as projects stagnated - CEDD/Airfield Ground Lighting (AGL)-technology growth is expected to slow as a result of COVID-19 and related investment constraints at airports. Increase demand energy cable systems for energy networks – expansion production capacity - to become operational in Q2 2021

- › Parking – freeze on projects in North America (airports and shopping malls) due to COVID-19 negative effect turnover April and May – significant reduction operating costs to anticipate lower investment level in in the parking segment in the upcoming quarters.
- › Machine Vision – growth recorded in Q1 2020 continued, despite restrictions due to lockdowns - growth mainly realized within the 3D vision segment.
- › Other markets – restrictions execution of projects and COVID-19 measures in building & construction segment impact on production efficiency and output - a modest recovery in the coming months is expected.

### Industrial Solutions

- › Tire Building – decline turnover as delivery of a number of projects postponed due to lockdown situations at customers - restrictions have now been reduced - postponement of investments tire manufacturers due to drop in demand - order intake is expected to decline in the coming quarters.
- › Other markets – turnover industrial connectivity activities under pressure due to reluctance to invest at machine builders and robotics industry - modest recovery coming months is expected as the impact of inventory reductions will be more limited or no longer an issue.

# OUTLOOK

- The economic uncertainty resulting from the COVID-19 outbreak are having an impact on TKH's activities and this is likely to continue in the second half of 2020.
- Partly as a result of its solid financial position, TKH is optimally positioned to also benefit from the opportunities associated with its numerous innovations.
- TKH will publish the definitive results for the first half of 2020 on 11 August 2020, together with a new update on the developments within TKH Group.

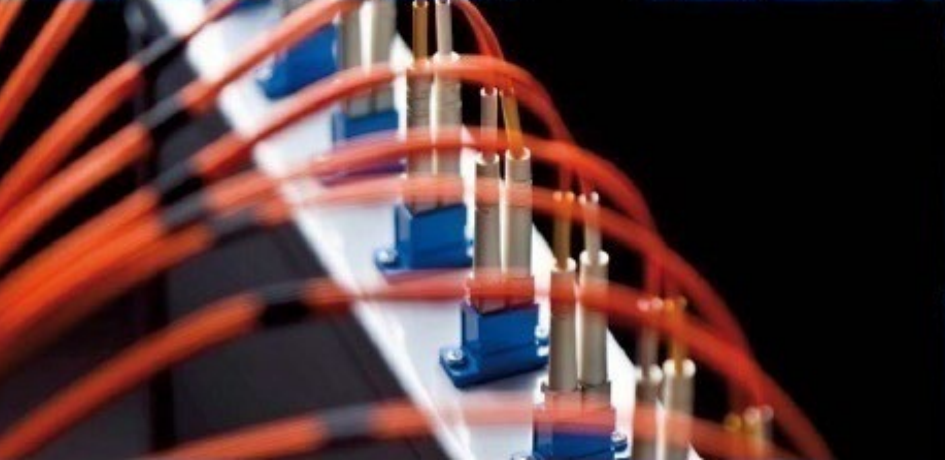
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# ANNEX I: CORE TECHNOLOGIES





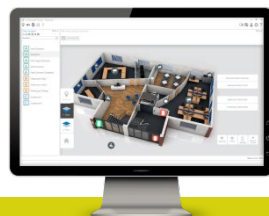
Innovative technology  
makes the difference





## Vision & Security

- 2D and 3D camera sensor technology
- 3D laser scan technology
- Intelligent traffic systems via camera technology
- Video surveillance systems
- Video management and -analysis
- Parking guiding and control systems
- Access control & registration systems



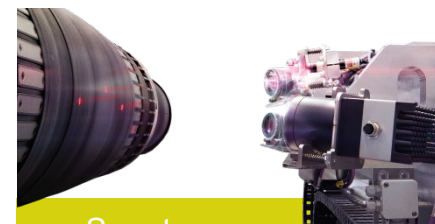
## Mission Critical Communication

- Mission critical communication
- Intercom systems
- (Personal) alarm systems
- Evacuation systems
- Emergency systems
- Building management & monitoring
- Public address
- Audio systems



## Connectivity

- Subsea & marine cable systems
- Optical fibre connectivity
- Contactless energy & data connectivity
- Specialty cable systems
- Drag chain systems
- MultiMediaConnect
- Energy, building & Infra and installation connectivity



## Smart Manufacturing

- Medicine distribution
- Tire assembling
- Tire component systems
- Passenger & Truck tire systems
- Vision inspection
- Product handling
- Production automation

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# ANNEX II: VERTICAL GROWTH MARKETS



# TKH – VERTICAL GROWTH MARKETS – FIBRE OPTIC NETWORKS



Turnover (in € millions)	2012	2017	2018	Bandwidth growth scenario	
Fibre Optics Network	80	127	134	175	200

## Growth drivers

- › Data use through the impact of information and communication technology on the way we live our lives continues to grow
- › Internet has become a basic service, like gas, water and electricity
- › Developments such as the 'Internet of Things', 'Industry 4.0' and 'Internet of Vehicles' will require a high (mobile) internet speed - emergence of 5G internet
- › 24-hour availability is becoming more established and accepted
- › Several European countries have announced investment plans for rollout of FttH projects to meet the strong increasing need for bandwidth

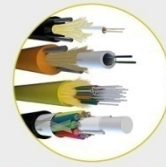
## Position

- › Integrated solutions – connectivity – security
- › High knowledge level of network requirements customers
- › Cost leadership
- › Strong innovative power
- › Resources prepared for growth with available and exiting capacity

# Fibre optic networks



Handholes



Fibre Optic Cable

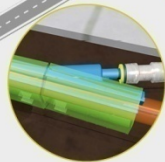
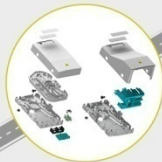


Modular Cables & Duct



Fibre-strike

Boxes

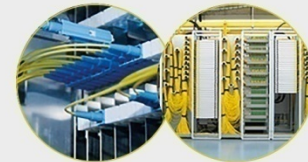


Street Cabinets

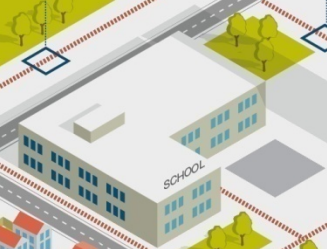
Smart Cabinet Security  
Functionality Control &  
access control



Semi-automated  
Fibre Management ODF



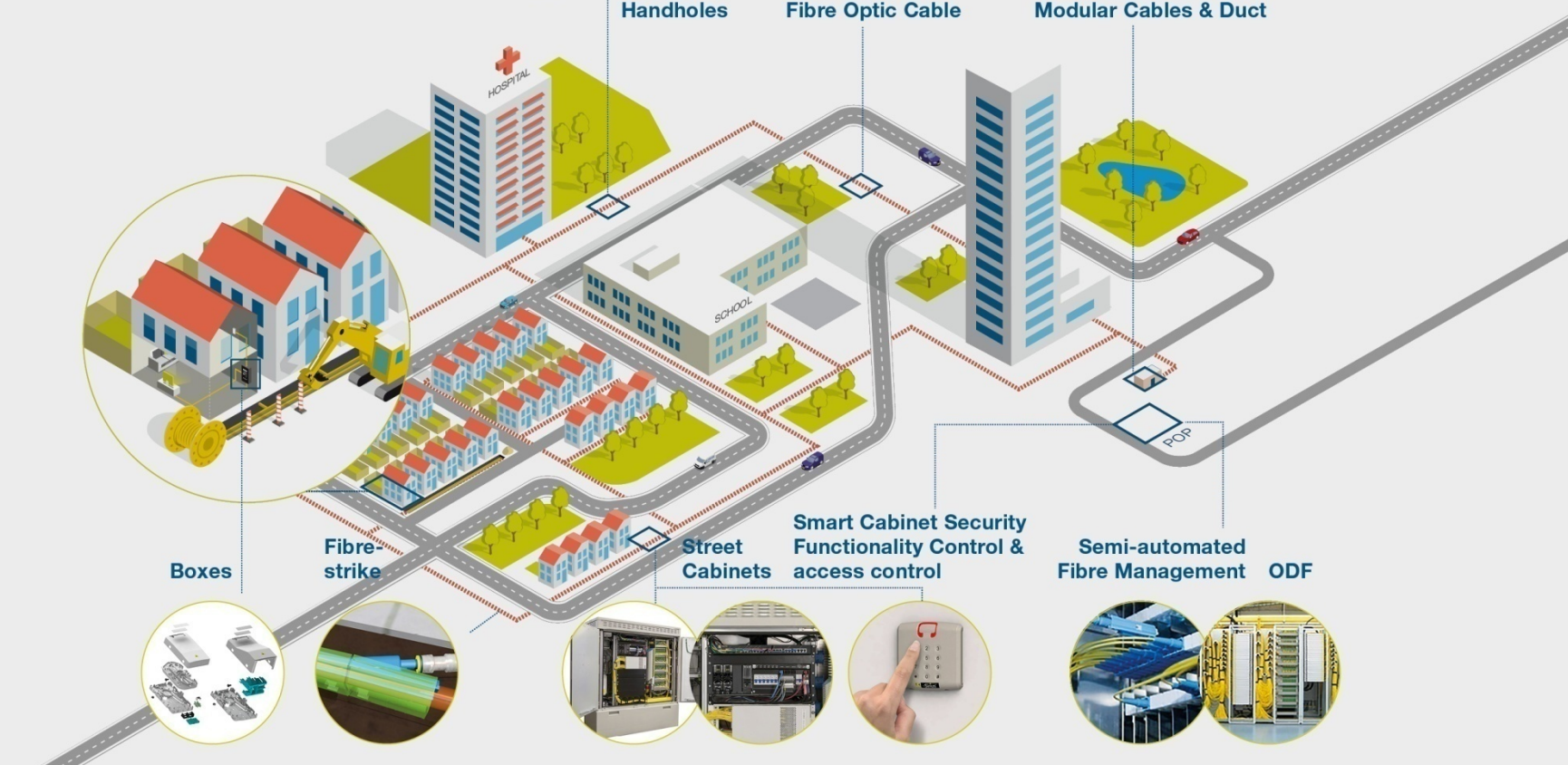
HOSPITAL



SCHOOL



POP





Turnover (in € millions)	2012	2017	2018	Bandwidth growth scenario	
Care	30	52	58	70	100

## Growth drivers

- › Life expectancy is continually increasing and healthcare spending will increase sharply due to more and better, but also more expensive care – therefore, the demand for technologies for care solutions is increasing
- › Changing healthcare funding: shifting from the government to the institutions and healthcare insurers
- › Innovation in the field of domotics, diagnostics, e-health and self-testing for prevention and screening, provide new business in the sector.
- › Shortage of skilled workers
- › Informal caregivers play an important role and, together with the client and the healthcare professionals, are equal partners - technology support is necessary for the required information exchange
- › The demand for medicines (volume) has been growing as a result of demographic developments, while the cost of care will have to be lowered
- › Increase central task of preparing medicines in a remote location - acceptance of robotics in pharmacy wholesale

## Position

- › Smart Care concept with centralized management and community platform
- › End to end, modular care platform including service concept with data hosting to increase care efficiency and quality
- › Viedome is leading care concept in NL with increasing service model – selected international roll-out (Germany, France)

# Care

Connectivity



Nurse call systems



Automated dose dispensing



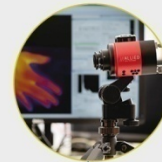
Tele care: social alarm audio/video & smart sensors



Mission critical communication systems



2D and 3D Vision technology for medical imaging, dental & endoscopy applications



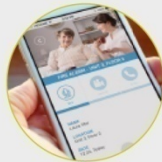
Alarm management



Access control systems



Tele care: personal alarm, wandering system



# TKH – VERTICAL GROWTH MARKET – PARKING

## Turnover developments and targets

Turnover (in € millions)	2012	2017	2018	Bandwidth growth scenario	
Parking	20	47	58	150	200



## Growth drivers

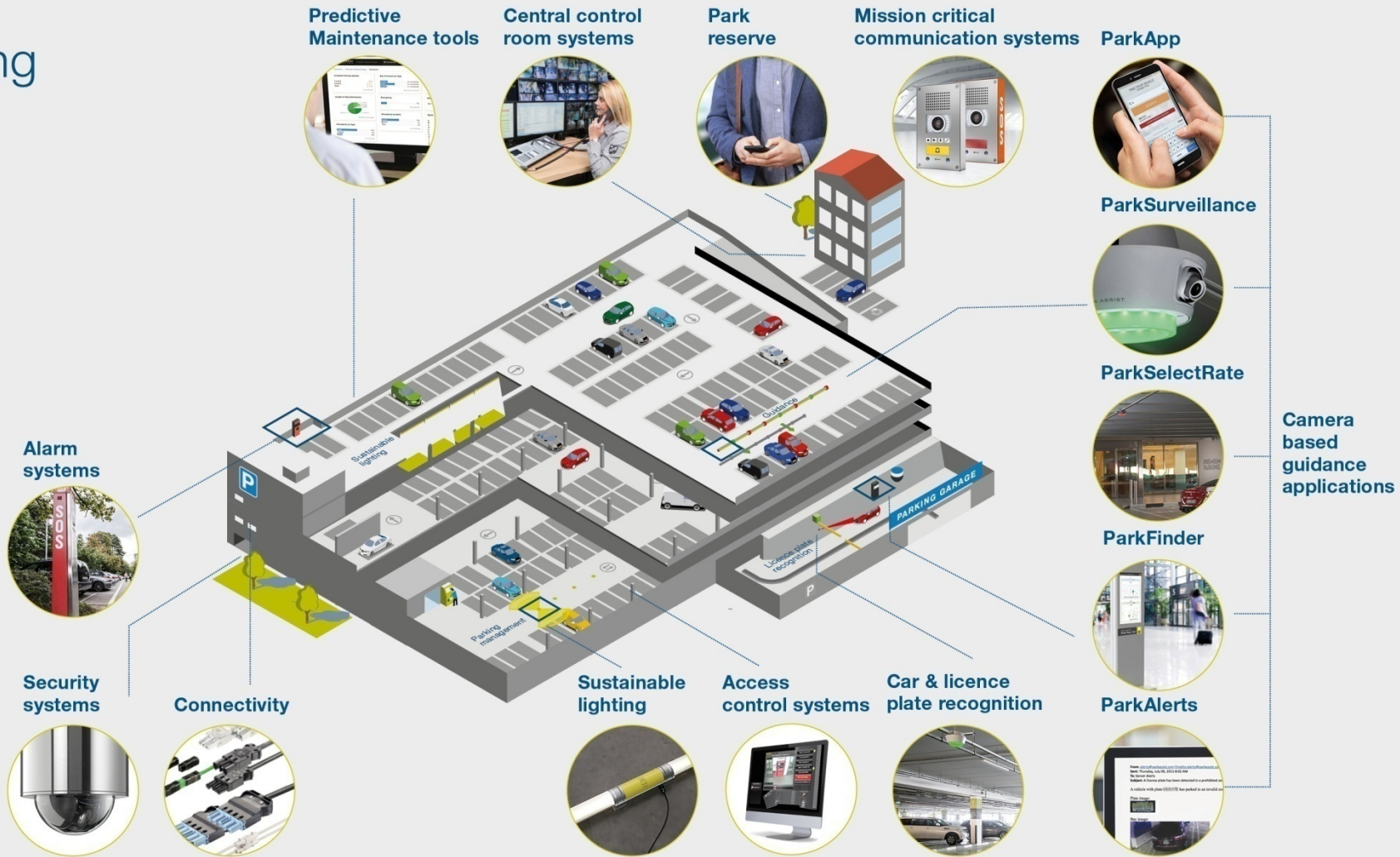
- Frictionless parking is a key trend for the future of parking which needs new technology
- The addressable market for the TKH technologies is growing fast because technologies become efficient for smaller parking
- High priority for parking owners and operators to increase the in general low utilisation rate of parking garages
- High priority to work with revenue enhancing technologies related to differentiated and variable pricing per parking space
- Increased level of security to cope with the increased level of thefts – communication and video based monitoring systems
- Need to reduce the Co<sub>2</sub> footprint – through efficient guiding systems that streamline the traffic in the parking garage
- Preparation for autonomous driving cars ask for sensor infra structure and guiding
- Demand for efficiency solutions to lower the OPEX – central control rooms and automatic call handling
- Demand for more comfort and convenience for parkers to improve the parking garage competitive position

## Position

- Strong worldwide installed base with parking operators as well as hospitals, airports, shopping malls, retail and event locations
- Available disrupting technologies that meet the requirements of today and the future in parking
- Technologies available that drive efficiency through centralization, smart maintenance, yield management and modular parking solutions
- Strong worldwide sales organization – with especially strong position in the segment of bigger parking garages >2,000 spaces



# Parking



## Turnover developments and targets

Turnover (in € millions)	2012	2017	2018	Bandwidth growth scenario	
Tunnel & Infra <sup>1)</sup>	30	78	98	150	200



<sup>1)</sup> In 2017, revenue of € 29.9 million related to energy cable has been reclassified from Other vertical markets to Tunnel & Infra.

## Growth drivers

- › Sizable investment in tunnel technology in Europe for new and existing tunnels planned for the next few years
- › Increasing demand for technologies due to strict legislation, regulations and requirements: evacuation - communication - detection - identification - security
- › Principals are shifting responsibilities to the contractors - formation of alliances between principals and contractor so that parties have a common interest in cost control
- › Availability is paramount (reduced down time) for infrastructure: tunnels, airports and roads.

## Position

- › Highly integrated security solutions, designed for infrastructure and tunnels
- › Total security concepts (video and communication) – number 1 position in Benelux
- › Disruptive airfield lighting solution based on CEDD technology
- › TKH advanced technologies require less maintenance and deliver more efficiency

# Tunnel & Infra

Mission critical communication systems



Central control room systems



Video management systems



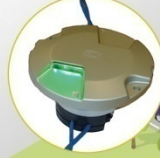
Sustainable lighting



Evacuation systems



CEDD



Emergency telephone



Alarm systems



Leakage detection



Access control systems



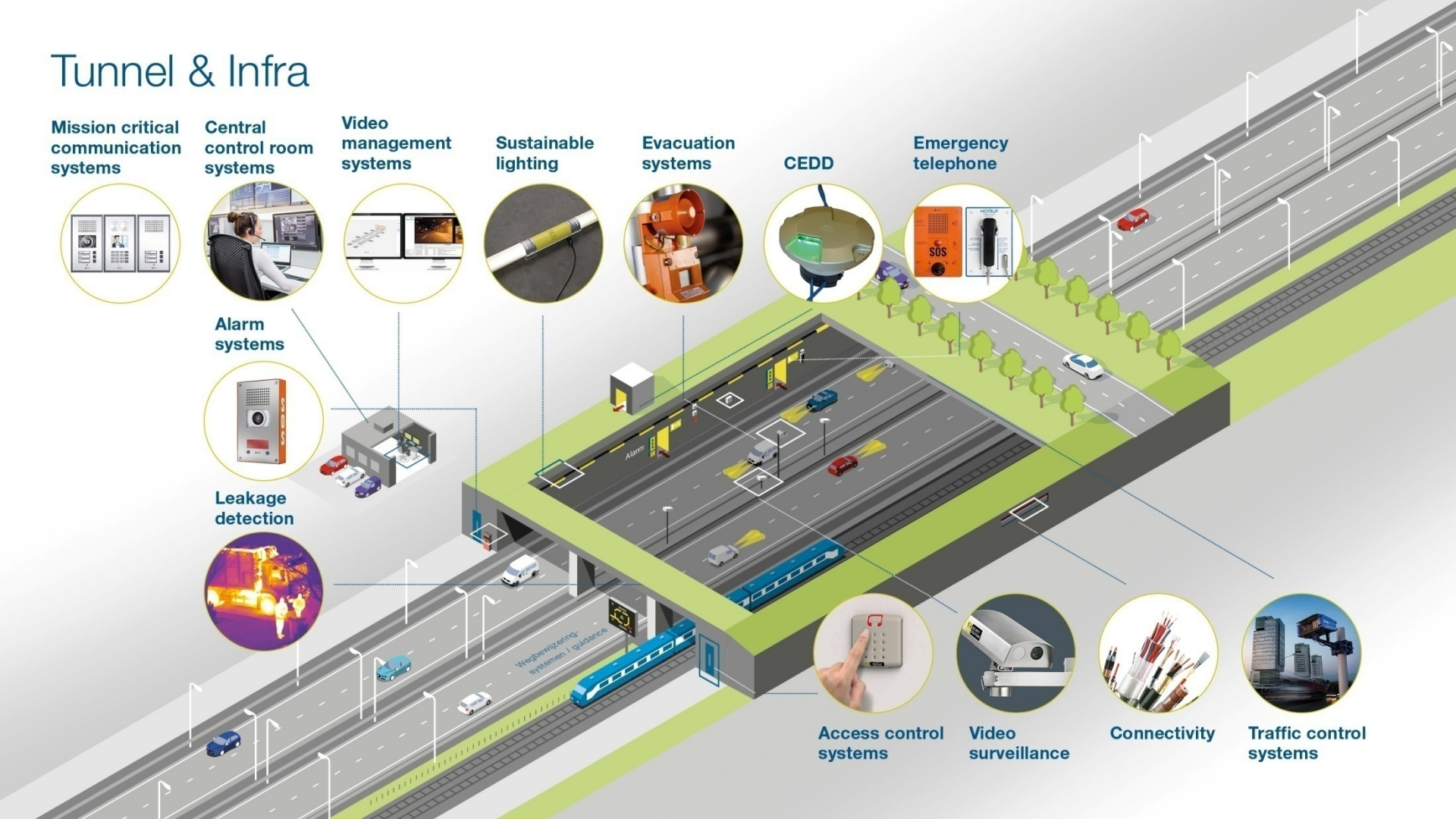
Video surveillance



Connectivity



Traffic control systems





# Tunnel & Infra Airport

Airfield  
Ground  
Lighting

AIRSIDE

LANDSIDE

Vision based  
process control

Central control  
room systems

Facial  
recognition



Security  
systems

Connectivity

Parking  
management

Mission critical  
communication  
systems

Access  
control systems

# TKH – VERTICAL GROWTH MARKET – MARINE & OFFSHORE



## Turnover developments and targets

Turnover (in € millions)	2012	2017	2018	Bandwidth growth scenario	
Marine & Offshore	20	58	69	150	200



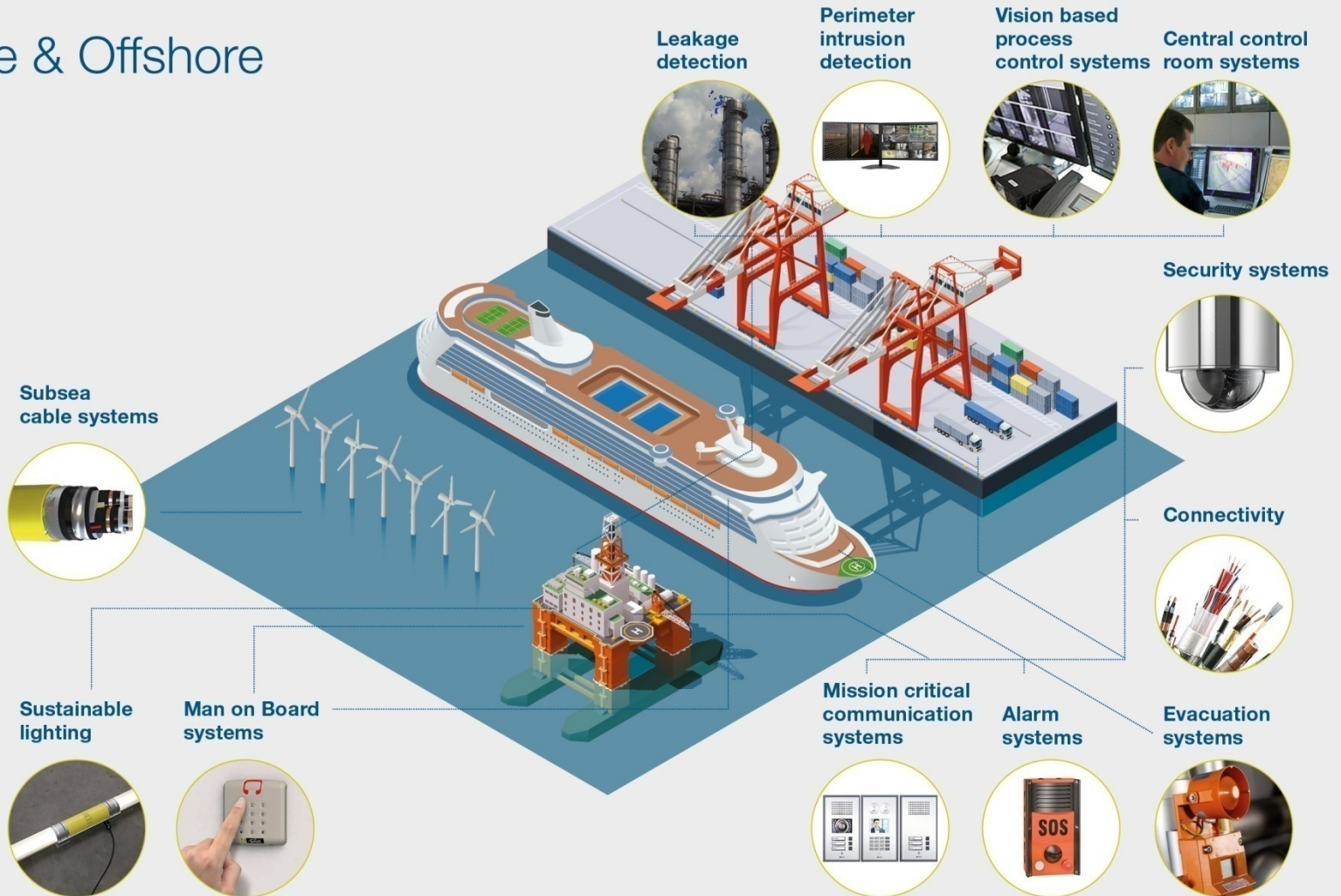
## Growth drivers

- › Large increase global generated power by wind power
- › Demand for larger cargo ships and need for efficient external site management
- › Increase in the building of quality ships, cruise liners and luxury yachts
- › Increase of remote control and secure of unmanned operations on platforms
- › A lot of attention for safety on platforms via special 'zone' certification.
- › Modification of supply chain due to limited storage capacity on shipyards and platforms and high cost of downtime
- › High demands on system availability under various environmental conditions, such as extreme temperatures, humidity, oil, salt water

## Position

- › Addressing Safety & Security in certification rich environment
- › Vessel attendance system, smart camera solutions incl. thermal, leakage detection, ATEX housing and mission critical communication
- › Subsea cable solutions - completing portfolio in data connectivity, power cables and safety
- › Expanding in international large accounts

# Marine & Offshore



## Turnover developments and targets

Turnover (in € millions)	2012	2017	2018	Bandwidth growth scenario	
Machine Vision	95	128	129	250	300

## Growth drivers

- › Demand for vision technology is increasing due to trend towards industrial automation and robotics need
- › Continued increased demand for more productivity and improvement of quality of products and manufacturing processes
- › Vision technology is a superior alternative for the control of production systems and for detection, inspection and identification that cannot be seen by the human eye
- › Strong increase of new applications where vision technology will be applied and adopted
- › Data from the camera can be decentral stored and computed in real time through embedded technology
- › Because of strict regulations to the quality of food and medicines, vision technology offers the solution because of the 100% traceability and 'fail / pass' application

## Position

- › Technology leadership in many application areas
- › Market leader for high-end systems and one stop shop solutions
- › Strong innovation and R&D competence with breakthrough technology for 3D inspection and embedded technology
- › Strong worldwide sales organization with key account structure for individual customer management
- › Recognized by leading Industrial application companies worldwide as key supplier



# Machine Vision

Surgery robot

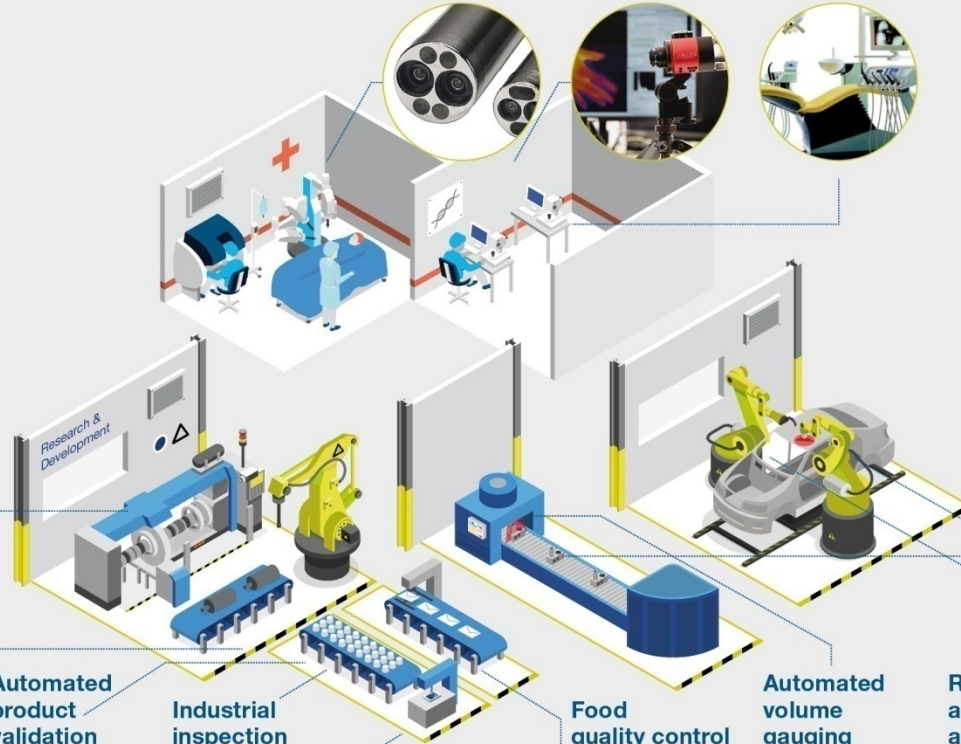
Medical 3D imaging

Medical Inspection

Area & agricultural scanning



Tyre scanning



Additive manufacturing:  
high-speed monitoring



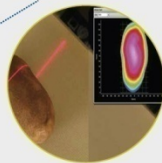
Wood processing



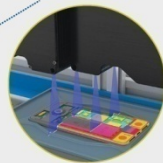
Quality control



Automated product validation



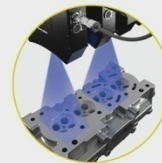
Industrial inspection



Food quality control



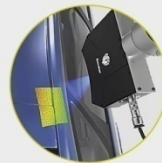
Automated volume gauging



Robotic automotive assembly



Automotive assembly





# TKH – VERTICAL GROWTH MARKETS – TIRE BUILDING



Turnover (in € millions)	2012	2017	2018	Bandwidth growth scenario	
Tire Building Industry	175	295	333	450	550

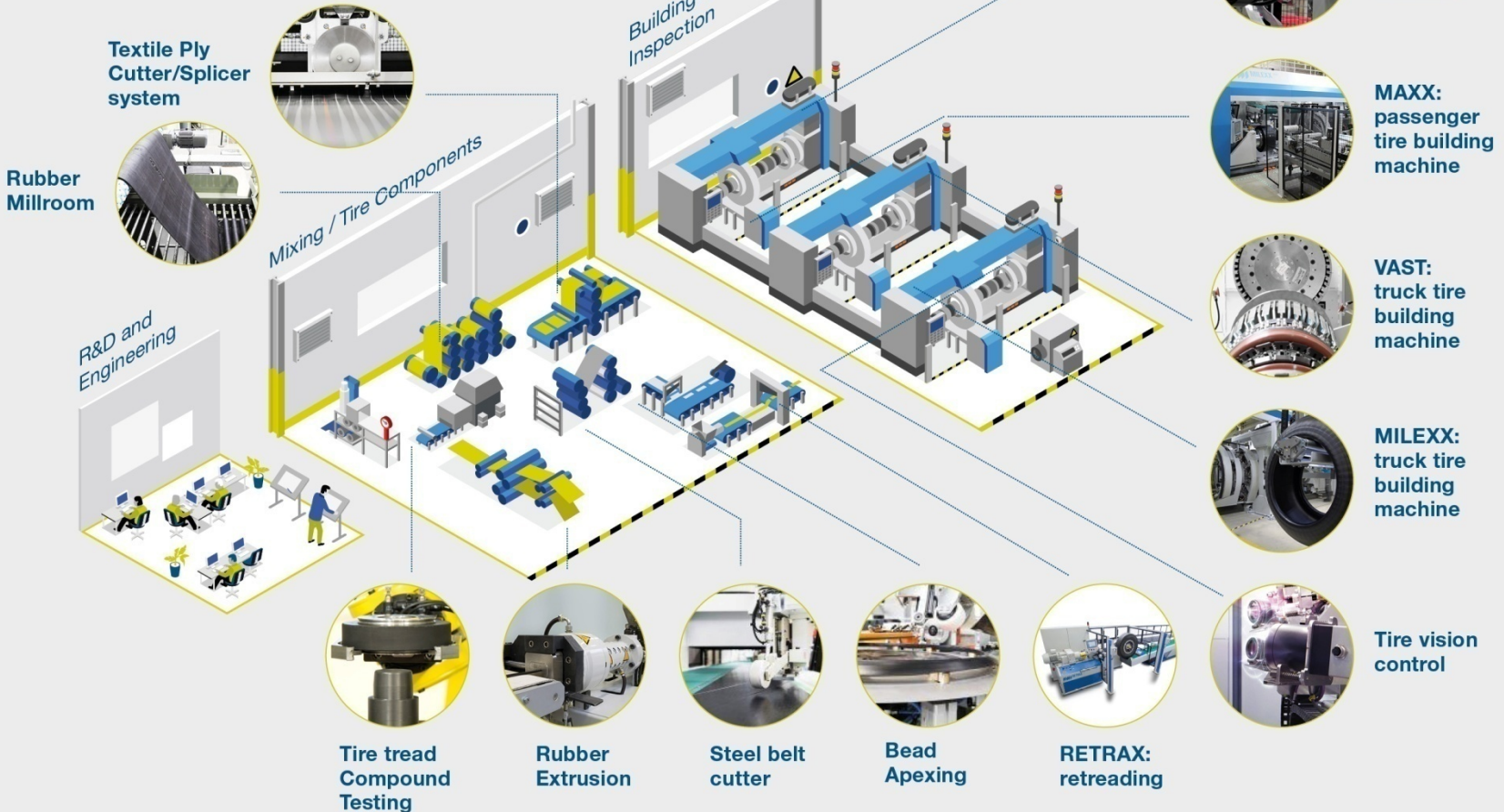
## Growth drivers

- High priority of the tire manufacturing industry to replace existing technology with an emphasis on high productivity, efficiency, waste reduction, quality improvement and smaller batches
- The number of types of tire for passenger cars has increased more than tenfold in recent decades. This calls for more flexible production methods
- The trend towards ever larger tire dimensions and towards safer, better-quality tires requires technological developments
- Local production - innovations have become essential to reduce the working capital requirement in the supply chain of the tire manufacturing industry
- Over 70% of the existing tire manufacturing systems are older than 15 years
- Due to the high prices of raw materials, there is a need for a more efficient use of materials in the production of tires which asks for high tech manufacturing systems
- Due to rising labour costs, demands for manufacturing systems with higher productivity and high operator independence – ‘eyes & hands off’ manufacturing

## Position

- Market share TKH in outsourced market: > 70%
- Total market share including top five tire manufacturers: > 20% – target >50%
- Technology leadership through high level of R&D - protected with patents and high innovation level
- Proprietary vision technology strong differentiator for the technology leadership

# Tire building industry



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# ANNEX III: INNOVATIONS



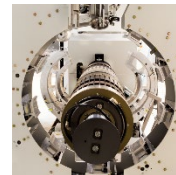
# TECHNOLOGICAL EDGE IN TIRE BUILDING MACHINES THANKS TO SMART TECHNOLOGY

TKH's success in its tire building machines is primarily the result of constant R&D and 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 building systems.



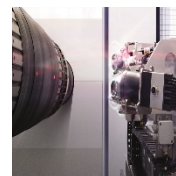
## BENEFITS FOR R&D:

- Modules instead of complete machines
- Quicker go to market - lower costs
- Better utilization of resources



## BENEFITS FOR PRODUCTION

- Increased standardization less errors
- Flexibility production location
- Lower costs due to series effect



## BENEFITS TO THE CUSTOMER

- Future-proof investment
- Simplified homogenization process
- Lower training requirements





# UNIXX: A REVOLUTIONARY DEVELOPMENT IN THE FIELD OF TIRE BUILDING SYSTEMS

UNIXX offers an unprecedented solution, especially in economic terms. The development is based on Industry 4.0 and the 'Smart Factory' principle. Combining this with a very high level of automation, data-generation and data-processing will result in a highly flexible and reliable new generation of tire building machines. Thanks to 'advanced building technology', this could be described as a pioneering development for the sector.

## NEW GENERATION

- Full track & trace
  - Fitting 'Industry 4.0'
  - Shorter new tire development process
  - Global leadership in assembly used to increase our scope to include component manufacturing
- 
- Flexible and straightforward logistics
  - Lower energy consumption & waste
  - Ability to handle advanced high tech components
  - Extreme level of automation
  - Unprecedented process control
  - Increased tire quality by more accurate components

# CEDD/AGL: REVOLUTIONARY LIGHTING SYSTEM FOR AIRFIELDS

CEDD/AGL 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



## INNOVATIVE CONNECTIVITY CONCEPT

- Lower OPEX
- Energy reduction ~50%
- Preventive maintenance



## CONTACTLESS DISTRIBUTION

- Easy & quick installation
- High safety & efficiency
- Smart and smooth maintenance
- Spark-free



# SUBSEA CABLE SYSTEMS: A FUNDAMENTAL ROLE IN THE ENERGY TRANSITION

A well-considered, distinguishing cable concept that connects wind turbines in wind farms at sea with each other and that can be fully adapted to meet the challenges of array-wiring, with complete focus on risk management and saving installation time.

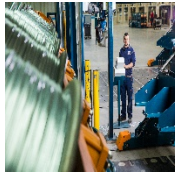


## INNOVATIVE & SUSTAINABLE CABLE CONCEPT

- Good electro-magnetic shield - 3x800 mm<sup>2</sup>, up to 72 kV
- Installation efficiency through innovative sealing kit
- No lead and bitumen / 100% watertight
- No risk of leaching chemicals or metals
- Easy and clean recoveries possible
- Good recyclability after clean recoveries

## INNOVATIVE MANUFACTURING PROCES

- State-of-the-art manufacturing facility
- Automatic quality control production processes
- Long lengths - high installation flexibility, lowering risks and costs

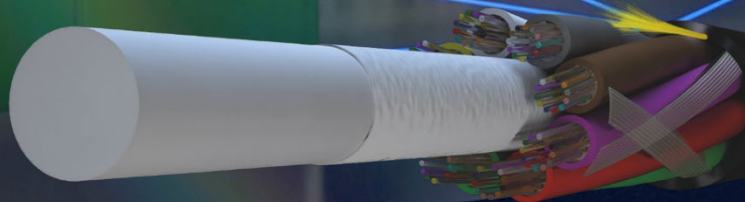




# TOTAL SOLUTION FOR MODERN FIBRE OPTIC NETWORKS

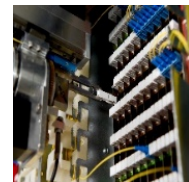
Fibre optic networks are expected to provide high reliability and lower response times. For this purpose, TKH has its ACE solution for modern fibre optic networks which, in addition to optical fibre cables, also includes connectors, pipes, sleeves, fibre management systems, security and robotic systems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

ELY MANAGED



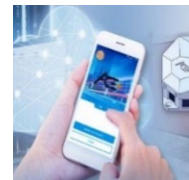
## ROBOTIC MEASURING SOLUTION

- Time efficiency
- Accuracy
- Ease of installation
- Lowers OPEX
- Eliminates human errors



## SMART CABINET CONTROL

- Remote control tilt and temperature
- Reliability, efficiency and safety





# SMART 3D MACHINE VISION FOR 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.



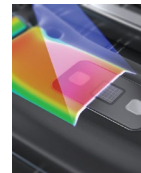
## CELL PHONE COVER GLASS ASSEMBLY INSPECTION

- Deliver 3D shape data on both specular and diffuse materials in a single scan, with complete scan, measure and control inspection speed up to 10 kHz



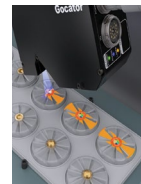
## FIT AND FINISH INSPECTION

- Generates 3D data of specular and diffuse targets at 8  $\mu\text{m}$  X resolution and 0.2  $\mu\text{m}$  Z repeatability



## GEOMETRIC DIMENSIONING AND TOLERANCING

- inspects mated components like transparent plastic and metal



# MACHINE VISION – MOBILITY

## EXTERNAL-SIGHT ON-BOARD SYSTEM



Identify obstacles

Track checking

Passenger safety



TKH Group the solution provider <

#### Disclaimer

Statements included in this press release that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements are only predictions and are not guarantees. Actual events or the results of our operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "will", "should", "expect", "could", "intend", "plan", "anticipate", "estimate", "believe", "continue", "predict", "potential" or the negative of such terms and other comparable terminology.

The forward-looking statements are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements.