

Full year 2023 and Q4 2023 results

TKH delivers well on outlook

Highlights 2023

- Turnover increased by 3.2% organically to € 1,847.5 million, mainly as a result of strong performance in Smart Manufacturing systems
- Substantial increase of added value to 49.8%, underlining the strength of our businesses
- EBITA excluding one-off income and expenses increased 3.0% organically to € 237.0 million, in line with the outlook of € 230 - € 240 million
- ROS at 12.8%
- Adjusted net profit of € 130.5 million within outlook; EPS up +22.0%
- Order intake of € 1,834.9 million resulting in order book of € 970.1 million
- Continued focus on megatrends in automation, digitalization and electrification with significant strategic developments:
 - Strategic investment program of € 200 million nearing completion
 - Divestments resulted in a total one-off net profit contribution of € 54.8 million
 - Good progress on ESG targets, improved ratings, SDGs at 70% of turnover
 - Innovation at 16.1% of turnover
- High shareholder returns with completed share buyback programs of € 50 million and a proposed 2023 dividend of € 1.70 (2022: € 1.65)
- For 2024, we anticipate organic growth in turnover and EBITA, with a weak Q1 2024

Highlights fourth quarter 2023

- Turnover increased 1.2% organically to € 441.4 million, with a strong performance of Smart Manufacturing systems partly offset by continued destocking headwinds within Smart Vision and Smart Connectivity systems
- EBITA excluding one-off income and expenses increased 6.7% organically to € 62.9 million
- ROS increased to 14.3%

Key figures (in € million unless otherwise stated)

	FY 2023	FY 2022	Δ in %	Organic Δ in %
Turnover	1,847.5	1,816.6	+ 1.7%	+ 3.2%
Added Value	919.7	857.9	+ 7.2%	
EBITA excluding one-off income and expenses ¹⁾	237.0	234.8	+ 0.9%	+ 3.0%
Adjusted net profit ²⁾	130.5	143.6	- 9.1%	
Net profit ³⁾	165.8	137.1	+ 20.9%	
EPS (in €)	4.07	3.34	+22.0%	
ROS	12.8%	12.9%		
ROCE	19.8%	23.2%		

1) One-off net expenses in 2023 amounted to € 2.0 million (2022: one-off income of € 10.4 million), of which € 3.0 million net expenses in H2 2023 (H2 2022: one-off income of € 1.0 million).

2) Adjusted net profit is the net profit before amortization of intangible non-current assets related to acquisitions and one-off income and expenses attributable to shareholders. Amortization of intangible non-current assets related to acquisitions (after taxes) in 2023 of € 12.3 million (2022: € 12.6 million), of which € 6.5 million in H2 2023 (H2 2022: € 5.9 million).

3) Includes one-off profits from divestments of € 54.8 million in 2023 (2022: € 0), of which € 18.6 million in H2 2023. For further details, see the 'Overview of alternative performance indicators' included in the appendix to this press release.

Alexander van der Lof, CEO of technology company TKH: “We were able to present a better than expected result in Q4 due to an excellent performance in the Smart Manufacturing segment, where we saw an acceleration of deliveries in the last few months of the year due to a catch up of delayed deliveries related to earlier supply chain constraints. ROS in the fourth quarter was a strong 14.3%, despite the headwinds from continued destocking of Smart Vision and Smart Connectivity systems.

The supply chain issues in the first half of the year, along with the necessary costs related to the roll-out of the strategic investment program, compounded by the underutilization within Smart Vision and Smart Connectivity systems due to destocking in the second half of the year, had a strong temporary negative effect on ROS. We decided to maintain the cost level and capacity in Smart Vision and Smart Connectivity systems at higher turnover levels in anticipation of market opportunities when the destocking effects are over.

With passion and dedication, we have focused on the execution of our strategy and achievement of our targets. We made good progress in implementing the strategy and associated action plans. We are accelerating our divestment opportunities to be able to increase our focus as the core technologies continue to gain traction. Many milestones were reached, related to market positioning, the R&D roadmap, and the realization of our € 200 million strategic investment program. Additionally, we invested in our software expertise, with a strong focus on Artificial Intelligence (AI), for which we established a hub in Amsterdam to centrally develop AI software solutions for the TKH group entities.

We continue to see great opportunities for further growth and we are on the right track with our investments in these exciting segments. We are confident about the anticipated recovery of Smart Vision, the rebounding of the energy market conditions in the Netherlands and a good order book for Subsea cables, but due to the headwinds, in combination with the costs and the strategic investments to capture future growth, the 17% ROS target might take longer to realize. We expect further growth of revenues and EBITA for 2024, and are well positioned to benefit from the great opportunities that will arise from the megatrends automation, digitalization, and electrification.”

ESG

TKH continues to demonstrate a strong commitment to its ESG ambitions and has realized further progress in 2023 on its key sustainability targets as set out in the Accelerate 2025 strategic program. Our net carbon footprint for scopes 1 and 2 decreased by 64.3% in 2023 compared with the reference year 2019 (2022: 42.7%). This excludes acquired carbon offsets and was mainly driven by energy efficiency measures, a higher share of renewable energy and green certificates. During the year, we obtained improved ESG ratings, including a AA rating from MSCI and a B-score from CDP (the Carbon Disclosure Project). The percentage of turnover related to the Sustainable Development Goals (SDGs) was 70% (2022: 68%).

Share buyback programs

During 2023, TKH carried out two share buyback programs of € 25 million each. The first € 25 million share buyback program, repurchasing 556,859 (depository receipts of) shares at an average share price of € 44.90 was completed in September. On December 27, 2023, TKH completed the second € 25 million share buyback program, repurchasing 681,584 (depository receipts of) shares at an average share price of € 36.68. As of December 31, 2023, the total (depository receipt of) shares outstanding amounted to 42,198,429, of which 2,400,483 were treasury shares.

Dividend proposal

The 2024 General Meeting of Shareholders will be asked to approve the payment of a 2023 cash dividend of € 1.70 per (depository receipt for a) share (2022: € 1.65), amounting to a payout ratio of

51.8% of the net profit before amortization and one-off income and expenses attributable to shareholders and 40.8% of the net profit attributable to shareholders. The dividend will be payable on May 14, 2024.

Financial developments fourth quarter 2023

Key figures (in € million unless otherwise stated)	Q4 2023	Q4 2022	Δ in %	Organic Δ in %
Turnover	441.4	465.7	- 5.2%	+ 1.2%
EBITA excluding one-off income and expenses ¹⁾	62.9	64.0	- 1.7%	+ 6.7%
ROS	14.3%	13.7%		

1) One-off net expenses in Q4 2023 amounted to € 2.8 million (2022: one-off income of € 1.0 million).

In the fourth quarter of 2023, turnover increased organically by 1.2% and EBITA by 6.7% compared to Q4 2022. Smart Manufacturing systems performed exceptionally well in this quarter with turnover growing at 35.9%, mainly as a result of the acceleration of deliveries in Tire Building machines following the easing of supply chain constraints. Smart Vision and Smart Connectivity systems continued to be impacted by destocking at customers and weakness in several markets. ROS reached 14.3% in the quarter.

Financial developments full year 2023

Turnover reached € 1,847.5 million in 2023, an increase of 1.7% (2022: € 1,816.6 million). Adjusted for acquisitions, divestments and currency effects, turnover grew organically by 3.2%, with price effects accounting for 2.9% of the turnover. Smart Manufacturing systems was the strongest contributor to this growth, with a turnover growth of 16.8%. The divestment of TKH France at the end of Q3 2023 had a negative 1.8% impact on turnover (in Q4 2022 TKH France turnover amounted to € 32 million).

The geographical distribution of turnover shifted in favor of Asia. The turnover share in the Netherlands remained at 25% of total turnover (2022: 25%), while the share in Europe, excluding the Netherlands, declined to 39% (2022: 44%). In Asia, the turnover share grew to 19% (2022: 15%), due to a larger share of tire building machines delivered to Asia, while in North America turnover remained stable at 13% (2022: 13%). The turnover share of the other geographic regions amounted to 4% (2022: 3%).

The added value increased to 49.8% in 2023 (2022: 47.2%). All segments reported an increase in added value. Most notably Smart Connectivity's added value went from 37.8% in 2022 to 41.8% in 2023. The increase in added value was mostly attributable to higher operational costs being passed on to customers, a changed product mix, and the impact of acquisitions and divestments.

The order intake in 2023 amounted to € 1,834.9 million (2022: € 2,042.0 million), resulting in an order book at year-end of € 970.1 million, comparable level to the record year-end 2022 (€ 971.9). The order book at Smart Manufacturing systems reached € 631.3 million (2022: € 573.0 million). The order intake at Smart Manufacturing continues to be driven by Tire Building systems, which benefitted from the effects of reshoring and the capex programs of the tire manufacturers.

Operating expenses (excluding one-off income and expenses, amortization and impairments) increased by 9.6% compared to last year. Personnel expenses increased by 9.4% due to the expansion of the workforce, following the strategic investments, and payroll increases. Manufacturing

and housing costs as well as general costs also increased, due to (energy) price increases and start-up costs for our new factories. Currency effects had a limited impact.

EBITA excluding one-off income and expenses increased by 3.0% organically to € 237.0 million in 2023, from € 234.8 million in 2022. The divestment of TKH France at the end of Q3 2023 had a negative 2.2% impact on EBITA (in Q4 2022 TKH France EBITA amounted to € 5.1 million). ROS remained relatively stable at 12.8% (2022: 12.9%). Inflationary effects, EU anti-dumping duties on fibre optic cables, destocking at customers and start-up costs of our new factories all had a dampening effect on ROS. The ROS at Smart Manufacturing systems increased markedly to 15.8% (2022: 14.1%) driven by the strong turnover growth and the gradual easing of the supply chain constraints during 2023.

In 2023, one-off net expenses on EBITA-level amounted to € 2.0 million (2022: one-off income of € 10.4 million) and included, among others, reorganization costs in Smart Connectivity systems due to the closure of fibre optic cable manufacturing activities in China in Q4 2023, Smart Vision systems and acquisition and divestment costs.

Amortization increased to € 56.9 million (2022: € 54.6 million) due to the higher amortization of capitalized R&D, as a result of increasing investment in previous years. Impairments amounted to € 3.7 million (2022: € 0.5 million) and were mostly related to discontinued R&D projects.

Net financial expenses increased to € 22.1 million (2022: € 9.7 million), due to the combination of higher debt levels and higher interest rates. The results from associates amounted to € 51.5 million (2022: € 3.1 million), and includes the one-off net profit contributions from the divestments of CCG and TKH France in 2023.

The normalized effective tax rate decreased slightly to 24.6% in 2023 from 24.8% in 2022. TKH benefitted from R&D tax facilities in several countries.

Net profit before amortization of intangible non-current assets related to acquisitions and one-off income and expenses attributable to shareholders decreased by 9.1% to € 130.5 million (2022: € 143.6 million). Net profit increased 20.9% to € 165.8 million (2022: € 137.1 million). Earnings per share before amortization, one-off income and expenses amounted to € 3.21 (2022: € 3.50). Ordinary earnings per share were € 4.07 (2022: € 3.34).

Net bank debt according to bank covenants increased by € 162.0 million from year-end 2022 to € 469.2 million at year-end 2023. The main items affecting the debt level include the increase in working capital (€ 71.3 million), net investments in property, plant, and equipment of € 177.0 million (of which € 134.2 million is related to the strategic investment program), dividends paid (€ 67.7 million), share buybacks (€ 50.0 million), acquisitions (net € 70.5 million), and investments in intangible assets (€ 53.1 million). Divestments amounted to € 130.5 million in 2023, including the € 54.8 million in one-off profits. At year-end 2023 € 18.0 million assets were held for sale (year-end 2022: € 75 million). Cash flow from operating activities amounted to € 152.9 million (2022: € 116.2 million), an improvement largely due to a lower working capital increase in 2023 compared to a year earlier. Working capital stood at 16.7% of turnover (2022: 12.9%). The net debt/EBITDA ratio, calculated according to TKH's bank covenant, was 1.8, well within the financial ratio agreed with our banks. Solvency improved to 39.3% (2022: 38.0%).

At year-end 2023, TKH employed a total of 6,899 FTEs (2022: 6,607), of which 434 were temporary employees (2022: 409 FTEs).

Developments per technology segment

Smart Vision systems

Key figures (in € million unless otherwise stated)	FY 2023	FY 2022	Δ in %	Organic Δ in %
Turnover	500.5	499.7	+ 0.2%	- 1.8%
Added value	58.9%	58.5%		
EBITA excluding one-off income and expenses ¹⁾	85.9	95.5	- 10.1%	- 12.1%
ROS	17.2%	19.1%		
Order book	124.0	159.2	- 22.1%	
ROCE	15.6%	18.8%		

1) One-off net expenses for Smart Vision systems amounted to € 0.5 million in 2023 (2022: nil) of which € 0.5 million in Q4 2023 (Q4 2022: nil).

In 2023, turnover in Smart Vision systems increased marginally by 0.2% to € 500.5 million. Adjusted for acquisitions and currency effects, turnover decreased organically by 1.8%, with price effects accounting for a 3.2% increase of turnover. The order book decreased by 22.1% to € 124.0 million (2022: € 159.2 million). The added value increased slightly from 58.5% to 58.9%. Due to higher operating expenses combined with lower turnover growth, EBITA decreased to € 85.9 million (- 10.1%) and ROS reached 17.2%.

Vision Technology – Turnover in Security Vision achieved growth in 2023, due to winning a few larger projects for building applications and traffic monitoring security systems. The parking guidance systems showed an improved performance and a partial market recovery. The easing of supply chain shortages also supported the growth here. In Machine Vision, the performance at the start of the year was good, supported by the battery and solar market. In the second half of the year, Machine Vision experienced a large impact from destocking and in some areas a weaker demand due to reduced end user activity, mainly related to the factory automation market. Overall, the turnover for the Machine Vision declined throughout the year, for both 2D and 3D. During the year, we further strengthened our market positioning and cooperation within the group to take advantage of our one-stop-shop solutions and TKH Vision group's position as the technology partner for our customers. Specific developments were initiated to offer plug and play system integration, facilitated by software including AI propositions.

Smart Manufacturing systems

Key figures (in € million unless otherwise stated)	FY 2023	FY 2022	Δ in %	Organic Δ in %
Turnover	573.6	491.2	+ 16.8%	+ 17.1%
Added value	50.5%	49.9%		
EBITA	90.6	69.1	+ 31.2%	+ 31.8%
ROS	15.8 %	14.1%		
Order Book	631.3	573.0	+10.2%	
ROCE	66.0%	75.4%		

Smart Manufacturing systems showed strong turnover growth. Adjusted for currency effects, turnover grew organically by 17.1%, with price effects amounting to 1.8%. The order book grew by 10.2% compared to the previous year-end and peaked at € 631.3 million on December 31, 2023 (2022: € 573.0 million) with a significant contribution from Tire Building systems. The added value increased

slightly from 49.9% to 50.5%. EBITA was up 31.8% organically at € 90.6 million. The ROS expanded to 15.8% (2022: 14.1%).

Tire Building systems – Tire Building systems benefitted from the easing of supply chain constraints in the second half of 2023. As a result, a large inventory of incomplete machines could be completed and delivered to customers, adding to the strong operating performance. Order intake for both passenger and truck tire systems in 2023 continued to be high. Drivers for these growing levels of intake are investments related to the production of more sustainable tires, the rise of electric vehicles and the need for more automation. Also, a high level of activities within the Tire Building industry related to reshoring has been an important driver for the high order intake. The expansion of the factory in Poland started production and capacity was successfully ramped up in the second half of 2023. A further expansion of these production facilities are due to come on stream in the first half of 2024. At the beginning of 2024, an order was booked for a UNIXX system, on the back of the large interest in the market, which proves the success of this advanced technology and is a major milestone for further growth in this segment.

Other – The activities related to industrial automation as well as the other industrial activities developed well. New orders were received for the Indivion and further interest in this exceptional system has been generated.

Smart Connectivity systems

Key figures (in € million unless otherwise stated)	FY	FY	Δ in %	Organic Δ in %
	2023	2022		
Turnover	800.5	848.6	- 5.7%	- 1.5%
Added value	41.8%	37.8%		
EBITA excluding one-off income and expenses ¹⁾	81.1	87.3	- 7.1%	- 0.1%
ROS	10.1 %	10.3%		
Orderbook	214.8	239.7	- 10.4%	
ROCE	16.6%	22.4%		

2) One-off net expenses for Smart Connectivity systems amounted to € 0.6 million in 2023 (2022: income of € 8.1 million) of which € 2.2 million in Q4 2023 (Q4 2022: income of € 1.0 million).

Turnover in Smart Connectivity systems decreased 5.7% to € 800.5 million in 2023 (2022: € 848.6 million). The effect of the divestment of TKH France on this segment's turnover was a decrease of 3.8%. Adjusted for acquisitions, divestments and currency effects, turnover declined organically by 1.5%, with price effects amounting to + 3.2%. The order book decreased to € 214.8 million (2022: € 239.7 million). Added value as a percentage of turnover rose to 41.8% from 37.8% in 2022, mainly due to the effect of price increases to cover cost inflation and mix effects including the divestment. EBITA decreased marginally by 0.1% organically to € 81.1 million, mainly due to the divestment of TKH France and higher personnel and manufacturing expenses as a result of increased headcount in anticipation of the ramp-up in production capacities. In total, around 200 employees were hired for the ramp-up of the new production facilities. EU anti-dumping duties on fibre optic cables had a € 7.5 million negative impact on EBITA. Impacted by the divestment, lower volumes, and related underutilization in the second half of the year, ROS decreased to 10.1%.

Electrification – After a strong first half year, onshore energy cable turnover was impacted by destocking in the second half of 2023, due to delays encountered by the Dutch utility companies with the roll-out of their network infrastructure projects. The offshore Subsea cable capacity was underutilized in the second half of this year due to the postponement of an order. The new plant for



Subsea cables in Eemshaven is on schedule to be operational during the second quarter of 2024. The production of prototype cables has already started in Q1 2024 and is running smoothly. We are excited to see the success of our innovative dry design technology in Subsea gaining traction, as evidenced by the framework agreement with Vattenfall, and the prospects for new orders in the coming quarters. The strategic investment program also prepared TKH for substantial additional capacity in medium and high voltage onshore energy cable in anticipation of substantial growth in the coming years. It is not expected that this capacity will be fully utilized before 2025.

Digitalization – In the second half of 2023, digitalization was impacted by the doubling of the EU anti-dumping duties and the implementation of anti-dumping duties on optical fibre cables from China to the United Kingdom. As a result, TKH decided to close the cable production activities in China and transferred the capacity to the new fibre optic plant in Poland during Q3. This new fibre optic plant was officially opened early September and is rapidly ramping up production. The transition of production from China to Poland temporarily impacted output and cost levels.

Other – Revenues were driven by the strong demand for specialized and customized connectivity systems for the machine-building, robotics, and medical industries. The new specialty cable factory in Poland was officially opened in early September.

Outlook

TKH has made strong progress in its strategic positioning in 2023. With over 15% of turnover from innovations and the completion of the € 200 million strategic investment program, TKH is well positioned for further growth.

For Q1 2024, we anticipate Smart Manufacturing systems to grow compared to Q1 2023. Smart Vision and Smart Connectivity systems will face continued weak market demand. Overall, turnover and EBITA are expected to decrease in Q1 2024 compared to Q1 2023.

For the full year, we expect Smart Manufacturing systems to return to more normalized growth when compared to last year. In Smart Vision systems, we expect growth to return in the second half of 2024, on the back of market recovery. Within Smart Connectivity systems, we anticipate the destocking of onshore energy cables in the Netherlands to continue throughout the year. Barring unforeseen circumstances, we anticipate organic growth in turnover and EBITA in 2024.

TKH will provide a more specific outlook for the full year of 2024 at the presentation of its interim results in August 2024.

You can follow the presentation of the full-year results on March 5, 2024 at 10:00 CET via video webcast (www.tkhgroup.com).

Haaksbergen, March 5, 2024

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Calendar

May 6, 2024	Market Update Q1 2024
May 7, 2024	General Meeting of Shareholders
May 9, 2024	Ex-dividend date
May 10, 2024	Dividend record date
May 14, 2024	Payment of dividend
August 13, 2024	Publication Interim Results 2024
November 12, 2024	Market Update Q3 2024

About TKH

TKH Group N.V. (TKH) is a leading technology company. We specialize in the creation of innovative, client-centric technology systems that drive success in automation, digitalization, and electrification. By integrating hardware, software, and customer-focused insight, our smart technologies provide unique answers to customers' challenges. In doing so, we work to make the world better by creating ever more efficient and more sustainable systems.

With more than 7,000 employees, TKH pursues sustainable growth in a culture of entrepreneurship, working closely with customers to create one-stop-shop, plug-and-play innovations combined with software for Smart Vision, Smart Manufacturing, and Smart Connectivity technology.

Listed on Euronext Amsterdam (TICKER: TWEKA), we operate globally and focus our growth across Europe, North America, and Asia.

For further information, please visit www.tkhgroup.com.

Consolidated profit and loss account

in thousands of euros	2023	2022
Total turnover	1,847,532	1,816,615
Raw materials, consumables, trade products and subcontracted work	928,220	958,694
Personnel expenses	478,467	435,097
Other operating expenses	156,968	140,009
Depreciation and result on divestment of property, plant, and equipment	48,828	37,640
Amortization	56,860	54,550
Impairments	3,720	472
Total operating expenses	1,673,063	1,626,462
Operating result	174,469	190,153
Financial income	1,316	562
Financial expenses	-23,440	-10,307
Exchange differences	-750	-2,136
Share in result of associates	-3,309	3,075
Result on sale of associates and subsidiaries	54,802	
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	-146	-105
Result before tax	202,942	181,242
Tax on result	37,180	44,116
Net result	165,762	137,126
Attributable to:		
Shareholders of the company	165,704	137,083
Non-controlling interests	58	43
	165,762	137,126
Earnings per share attributable to shareholders		
Ordinary earnings per share (in €)	4.07	3.34
Diluted earnings per share (in €)	4.07	3.33
Ordinary earnings per share before amortization (in €)	4.38	3.65
Ordinary earnings per share before amortization and one-off income and expenses (in €)	3.21	3.50

Consolidated statement of comprehensive income

in thousands of euros	2023	2022
Net result	165,762	137,126
Items that may be reclassified subsequently to profit or loss (net of tax)		
Currency translation differences	-6,350	1,659
Currency translation differences in other associates	-532	-155
Effective part of changes in fair value of cash flow hedges (after tax)	3,718	-5,292
	-3,164	-3,788
Items that will not be reclassified subsequently to profit or loss (net of tax)		
Actuarial gains/(losses)	151	1,084
	151	1,084
Other comprehensive income (net of tax)	-3,013	-2,704
Comprehensive income for the period (net of tax)	162,749	134,422
Attributable to:		
Shareholders of the company	162,769	134,396
Non-controlling interests	-20	26
Total comprehensive income for the period (net of tax)	162,749	134,422

Consolidated balance sheet

in thousands of euros	31-12-2023	31-12-2022
Assets		
Non-current assets		
Intangible assets and goodwill	565,696	533,845
Property, plant and equipment	436,019	294,945
Right-of-use assets	84,012	75,312
Associates	35,987	12,204
Other receivables	752	613
Deferred tax assets	15,824	13,271
Total non-current assets	1,138,290	930,190
Current assets		
Inventories	403,259	385,913
Trade and other receivables	243,622	249,338
Contract assets	217,123	204,142
Contract costs	8,014	3,480
Current income tax	2,603	2,315
Cash and cash equivalents	93,697	184,559
Total current assets	968,318	1,029,747
Assets held for sale	21,171	108,506
Total assets	2,127,779	2,068,443
Equity and liabilities		
Group Equity		
Shareholders' equity	835,565	786,773
Non-controlling interests	148	168
Total group equity	835,713	786,941
Non-current liabilities		
Interest-bearing loans and borrowings	572,368	503,008
Deferred tax liabilities	57,722	52,468
Retirement benefit obligation	3,679	3,765
Other non-current financial liabilities	1,033	919
Provisions	12,740	6,798
Total non-current liabilities	647,542	566,958
Current liabilities		
Interest-bearing loans and borrowings	75,864	70,419
Trade payables and other payables	357,245	384,914
Contract liabilities	176,130	186,473
Current income tax liabilities	11,290	15,498
Other financial liabilities	1,639	2,985
Provisions	19,209	20,798
Total current liabilities	641,377	681,087
Liabilities directly associated with assets held for sale	3,147	33,457
Total equity and liabilities	2,127,779	2,068,443

Consolidated statement of changes in group equity

in thousands of euros	Total shareholders' equity	Non- controlling interests	Total group equity
Balance on January 1, 2022	721,930	53	721,983
Net result	137,083	43	137,126
Other comprehensive income	-2,687	-17	-2,704
Total comprehensive income	134,396	26	134,422
Capital contribution		89	89
Dividends	-61,791		-61,791
Share and option schemes	3,539		3,539
Purchased shares for share and option schemes	-18,382		-18,382
Sold shares for share and option schemes	7,081		7,081
Balance on December 31, 2022	786,773	168	786,941
Net result	165,704	58	165,762
Other comprehensive income	-2,935	-78	-3,013
Total comprehensive income	162,769	-20	162,749
Dividends	-67,696		-67,696
Share and option schemes	4,997		4,997
Purchased shares for share buyback program	-50,004		-50,004
Purchased shares for share and option schemes	-8,545		-8,545
Sold shares for share and option schemes	7,271		7,271
Balance on December 31, 2023	835,565	148	835,713



Consolidated cash flow statement

in thousands of euros	2023	2022
Cash flow from operating activities		
Operating result	174,469	190,153
Depreciation, amortization, and impairment	109,494	100,605
Share and option schemes not resulting in a cash flow	4,997	3,539
Result on disposals	-85	-9,374
Changes in provisions	-124	-3,354
Changes in working capital	-71,338	-116,347
Cash flow from operations	217,413	165,222
Interest received	1,317	561
Interest paid	-21,792	-9,197
Income taxes paid	-44,063	-40,424
Net cash flow from operating activities (A)	152,875	116,162
Cash flow from investing activities		
Investments in intangible assets	-53,128	-45,906
Divestments in intangible assets		13
Purchases of property, plant, and equipment	-177,761	-92,339
Disposals of property, plant, and equipment	705	533
Dividends received from associates		196
Repayments on loans	-139	135
Acquisition of associates	-27,624	
Acquisition of subsidiaries less cash and cash equivalents acquired	-42,913	-877
Divestments of assets held for sale		13,957
Divestment of associates and subsidiaries classified as held-for-sale less transferred cash	130,460	
Net cash flow from investing activities (B)	-170,400	-124,288
Cash flow from financing activities		
Dividends paid	-67,696	-61,791
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	-1,379	-4,039
Capital contribution non-controlling interests		89
Purchased shares for share buyback program	-50,004	
Purchased shares for share and option schemes	-8,545	-18,382
Sold shares for share and option schemes	7,271	7,081
Payment of lease liabilities	-16,537	-14,746
Proceeds from long-term debts	397,050	163,596
Repayments on long-term debts	-335,000	
(Repayments)/proceeds from other long-term debts	-1,005	-53
Change in short-term borrowings	86,628	-51,186
Net cash flow from financing activities (C)	10,783	20,569
Net increase/(decrease) in cash and cash equivalents (A+B+C)	-6,742	12,443
Exchange differences	-2,351	-2,073
Change in cash and cash equivalents	-9,093	10,370
Cash and cash equivalents at January 1	78,387	68,017
Cash and cash equivalents on December 31	69,294	78,387

Notes to the financial statements

Information by segment

In thousands euros	Smart Vision systems		Smart Manufacturing systems		Smart Connectivity systems		Other and eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
First half year										
Turnover	250,211	234,828	263,268	256,027	451,849	419,985	-17,719	-11,109	947,609	899,731
Added value	149,173	136,383	130,423	124,742	185,583	161,593	29	-33	465,208	422,685
Added value in %	59.6%	58.1%	49.5%	48.7%	41.1%	38.5%			49.1%	47.0%
EBITDA	53,020	49,290	37,049	42,049	63,992	55,794	-9,134	-8,019	144,927	139,114
EBITA	44,936	41,633	32,473	37,964	51,952	44,629	-9,591	-8,659	119,770	115,567
ROS	18.0%	17.7%	12.3%	14.8%	11.5%	10.6%			12.6%	12.8%
One-off income and expenses					1,058	7,078		2,258	1,058	9,336
Amortization	-19,848	-19,472	-5,396	-5,717	-1,671	-1,927			-26,915	-27,116
Impairments	-649	-27	4	-25		16	1		-644	-36
Operating result	24,439	22,134	27,081	32,222	51,339	49,796	-9,590	-6,401	93,269	97,751
Second half year										
Turnover	250,315	264,895	310,295	235,182	348,691	428,568	-9,378	-11,761	899,923	916,884
Added value	145,609	155,855	159,424	120,373	149,308	158,951	122	57	454,463	435,236
Added value in %	58.2%	58.8%	51.4%	51.2%	42.8%	37.1%			50.5%	47.5%
EBITDA	49,762	61,766	63,169	35,419	40,146	54,554	-10,534	-8,037	142,543	143,702
EBITA	40,950	53,903	58,163	31,132	29,180	42,702	-11,030	-8,501	117,263	119,236
ROS	16.4%	20.3%	18.7%	13.2%	8.4%	10.0%			13.0%	13.0%
One-off income and expenses	-508				-1,676	1,037	-857	-1	-3,041	1,036
Amortization	-22,814	-20,022	-5,582	-5,680	-1,543	-1,733	-6	1	-29,945	-27,434
Impairments	-2,796	-405	-87	-14	-193	-16		-1	-3,076	-436
Operating result	14,832	33,476	52,494	25,438	25,768	41,990	-11,894	-8,502	81,200	92,402
Full year										
Turnover	500,526	499,723	573,563	491,209	800,540	848,553	-27,097	-22,870	1,847,532	1,816,615
Added value	294,782	292,238	289,847	245,115	334,891	320,544	151	24	919,671	857,921
Added value in %	58.9%	58.5%	50.5%	49.9%	41.8%	37.8%			49.8%	47.2%
EBITDA	102,782	111,056	100,218	77,468	104,138	110,348	-19,668	-16,056	287,470	282,816
EBITA	85,886	95,536	90,636	69,096	81,132	87,331	-20,621	-17,160	237,033	234,803
ROS	17.2%	19.1%	15.8%	14.1%	10.1%	10.3%			12.8%	12.9%
One-off income and expenses	-508				-618	8,115	-857	2,257	-1,983	10,372
Amortization	-42,662	-39,494	-10,978	-11,397	-3,214	-3,660	-6	1	-56,860	-54,550
Impairments	-3,445	-432	-83	-39	-193		1	-1	-3,720	-472
Operating result	39,271	55,610	79,575	57,660	77,107	91,786	-21,484	-14,903	174,469	190,153
Other information										
Order book	124,035	159,174	631,285	572,989	214,784	239,744	1		970,105	971,907
ROCE	15.6%	18.8%	66.0%	75.4%	16.6%	22.4%			19.8%	23.2%

EBITDA and EBITA are excluding one-off income and expenses.

Order book

The following table shows the expected future revenue regarding contractual performance obligations that have not (or have only partially) been completed on the balance sheet date:

in thousands of euros	2023	2022
Expected to be recognized as revenue within 1 year	785,077	716,910
Expected to be recognized as revenue between 1 and 2 years	166,885	206,372
Expected to be recognized as revenue after 2 years	18,143	48,625
Total	971,105	971,907

Annual report

The consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in group equity, and consolidated cash flow statement included in this press release are based on the 2023 Financial Statements, which have not yet been published, in accordance with statutory requirements. The financial figures have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and are prepared in accordance with the principles that are applied in the Financial Statements for the year ended December 31, 2023. Further disclosures and a description of the accounting principles as required under IFRS are not included in these financial figures. For a full understanding, this press release should be read in conjunction with the 2023 Financial Statements of TKH Group N.V. The Annual Report will be published no later than March 25, 2024. The Annual Report will be submitted to the General Meeting of Shareholders on May 7, 2024 for approval.

In accordance with Section 2:293 and 395 of the Dutch Civil Code, we report that our auditor, Ernst & Young Accountants LLP has issued an unqualified auditor's report on the Financial Statements. For a proper understanding of the financial position of TKH Group N.V. and the results of its operations, and for a proper understanding of the scope of the audit by Ernst & Young Accountants LLP, this press release should be read in conjunction with the Financial Statements from which this press release has been derived, together with the auditor's report thereon issued by Ernst & Young Accountants LLP.

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.

Appendix: Alternative performance measures

TKH uses alternative performance measures to measure and monitor its financial and operational performance. These measures are used in this Annual Report but are not defined in any law or in the International Financial Reporting Standards (IFRS). As far as non-IFRS financial measures are not used in the financial statements they have not been audited or reviewed by our external auditors.

The measures TKH deems to be relevant and reliable alternative performance measures are included in this chapter of the Annual Report. We consider these measures important supplemental measures of TKHs' performance and believe they are widely used in the industries in which TKH operates as a means of evaluating a company's performance. TKH believes that an understanding of its turnover development, profitability, financial strength and funding requirements is enhanced by reporting the following non-IFRS measures.

Added value

Total turnover less the cost of 'Raw materials, consumables, trade products and subcontracted work' for products sold and services delivered. Added value is presented as an absolute value, as well as a percentage from turnover.

Reference is made to the consolidated financial statements for a reconciliation and calculation. TKH deems this a relevant performance measure as it is an indicator of the pricing power TKH has in its specific markets and the ability to create added value for its customers.

Net profit before amortization of intangible non-current assets related to acquisitions (after tax) and one-off income and expenses attributable to shareholders (summarized as: 'Adjusted net profit')

TKH deems this measure useful in comparing the performance to other companies in comparable industries.

in thousands of euros (unless stated otherwise)

	2023	2022
Net profit	165,762	137,126
Less: Non-controlling interests	-58	-43
Net profit attributable to the shareholders of the company	165,704	137,083
Amortization of intangible non-current assets from acquisitions	16,522	17,267
Taxes on amortization	-4,244	-4,633
Net profit before amortization from continuing operations attributable to the shareholders of the company	177,982	149,717
One-off income and expenses	1,983	-10,372
Results from divestments and purchase price allocations in the result of associates	-51,891	1,013
Impairments	3,720	472
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	146	105
Tax impact on one-off expenses and benefits	-1,426	2,661
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company	130,514	143,596

Capital employed and ROCE (return on capital employed)

Capital employed: Group equity plus Interest-bearing loans and borrowings current and non-current, less total lease liabilities and less cash and cash equivalents.

Return on capital employed: is the EBITA for the last 12 months divided by the average of capital employed at the beginning and at the end of the period.

The measure provides useful information to management and investors to evaluate our ability to allocate capital to generate returns.

in thousands of euros	2023	2022
Group equity	835,823	786,941
add: Interest-bearing loans and borrowings, non-current	572,368	503,008
add: Interest-bearing loans and borrowings, current	75,864	70,419
minus: Total lease liabilities	-87,154	-82,077
minus: Cash and cash equivalents	-93,697	-184,559
Capital employed current year	1,303,204	1,093,732
Capital employed previous year	1,093,732	927,754
Average capital employed	1,198,468	1,010,743
EBITA	237,033	234,803
ROCE	19.8%	23.2%

Net interest bearing debt and Debt leverage ratio (net interest bearing debt/EBITDA)

Net interest bearing debt: Bank loans reported under non-current liabilities, plus lease liabilities, plus borrowings reported under current liabilities less cash and cash equivalents.

Debt leverage ratio: Net interest bearing debt according to bank covenants, divided by EBITDA according to bank covenants.

This measure provides insight in the financial solidity of TKH and is a measure of our ability to operate within the covenants set by our banks.

in thousands of euros	2023	2022
Net interest bearing debt	554,146	385,655
adjustment according to bank covenants	-84,952	-78,495
Net interest bearing debt according to bank covenants	469,194	307,160
EBITDA	287,470	282,816
adjustment according to bank covenants	-25,125	-12,818
EBITDA according to bank covenants	262,345	269,998
Debt leverage ratio	1.8	1.1

The 'adjustments according to bank covenants' mainly relate to the exclusion of some specific debt items from the calculation of the net interest bearing debt and some adjustments in determining EBITDA. All based on specific arrangements as included in the credit facilities with our banks.

Dividend payout ratio 'Adjusted net profit'

This ratio indicates the portion of net profit that is paid out to shareholders ((dividend/net profit before amortization and one-off income and expenses attributable to shareholders) times 100).

Dividend payout ratio 'Net profit'

This ratio indicates the portion of net result that is paid out to shareholders ((dividend/net result) times 100).

TKH deems this a useful measure for investors to compare our dividend yields and financial performance with peers.

	2023	2022
Proposed dividend per share	1.70	1.65
Ordinary earnings per share before amortization and one-off income and expenses (in €)	3.21	3.50
Payout ratio 'Adjusted net profit'	53.0%	47.2%
	2023	2022
Proposed dividend per share	1.70	1.65
Ordinary earnings per share (in €)	4.07	3.34
Payout ratio Net profit	41.7%	49.4%

EBITA and EBITDA and ROS (return on sales)

EBITA: Earnings before interest, taxes, impairments, and amortization, and one-off income and expenses.

EBITDA: Earnings before interest, taxes, impairments, depreciation, and amortization, and one-off income and expenses.

ROS: EBITA divided by total turnover as a percentage.

Reference is made to the consolidated financial statements for a reconciliation and calculation.

Measures as EBITA and EBITDA are broadly used by analysts, rating agencies and investors in their evaluations. One-off income and expenses are excluded when using a measure to improve insight in the underlying operational performance of our activities.

Innovations %

Last 12 months turnover from new products launched in the previous two years, divided by last 12 months turnover. TKH positions itself as an innovative technology company. This measure provides useful information of the ability of TKH to bring innovations to the market and translate these in turnover.

in thousands of euros (unless stated otherwise)	2023	2022
Turnover from innovations	297,461	373,651
Total Turnover	1,847,532	1,816,615
Turnover from innovations %	16.1%	20.6%

Normalized effective tax rate

Tax on result divided by Result before tax less the impact of Share in result of associates, Result on sale of associates and subsidiaries and Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests.

The mentioned elements can hinder the insight in the tax burden TKH incurs as those are non-taxable. Therefore the normalized effective tax rate is deemed an useful measure in reporting our tax burden.

in thousands of euros (unless stated otherwise)	2023	2022
Result before tax	202,942	181,242
minus: Share in result of associates	-3,309	3,075
minus: Result on sale of associates and subsidiaries	54,802	
minus: Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	-146	-105
Normalized result before tax	151,595	178,272
Tax on result	37,180	44,116
Normalized effective tax rate	24.6%	24.8%

One-off income and expenses

Income and expense items of such nature, size and/or frequency of occurrence that their disclosure is relevant to explain TKH performance, including impairments, restructuring costs and gains and losses from acquisition and disposal. One-off income and expenses are identified both within the operating result, result of associates, result from divestments and fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests.

One-off income and expenses are excluded when using as a measure to improve insight in the underlying performance of our activities.

Reference is made to the consolidated financial statements for further details.

Operating expenses excluding one-off expenses, amortization and impairments

This relates to the operating expenses excluding one-off expenses, amortization and impairments. This is used when reconciling between Added value and EBITA.

in thousands of euros	2023	2022
Total Operating expenses	1,673,063	1,626,462
minus: Raw materials, consumables, trade products and subcontracted work	928,220	958,694
minus: One-off income and expenses	1,983	-10,372
minus: Amortization	56,860	54,550
minus: Impairments	3,720	472
Operating expenses (excluding one-off expenses, amortization and impairments)	682,280	623,118

Order book and order intake

Expected future turnover with respect to contractual performance obligations that have not yet (or partially) been satisfied at balance sheet date.

Reference is made to the consolidated financial statements for further detail.

The order intake is calculated as follows:

in thousands of euros	2023	2022
Order book at 1 January	971,907	746,563
Acquisitions and divestments	10,788	
Turnover	-1,847,532	-1,816,615
Order intake	1,834,942	2,041,959
Order book at 31 December	970,105	971,907

Organic turnover growth

Growth of turnover corrected for the impact of acquisitions, divestments and foreign exchange effects from translating turnover in foreign currencies.

This is used as a measure to improve insight in and comparability of our turnover development which can potentially be hindered by the effects of acquisitions, divestments and foreign exchange effects.

in thousands of euros (unless stated otherwise)	Smart Vision Systems	Smart Manufacturing Systems	Smart Connectivity Systems	Total 2023	Total 2022
Total Turnover current year	500,526	573,563	800,540	1,847,532	1,816,615
Total Turnover previous year	499,723	491,209	848,553	1,816,615	1,523,773
Turnover growth	0.2%	16.8%	-5.7%	1.7%	19.2%
Impact of acquisitions, divestments and foreign exchange effects	2.0%	-0.3%	-4.2%	-1.5%	1.2%
Organic turnover growth	-1.8%	17.1%	-1.5%	3.2%	18.0%

The organic turnover growth include price effects. Price effects are calculated by comparing sales prices for comparable products with the comparative period of 12 months ago.

**Solvency**

Percentage of the Total group equity relative to the Total equity and liabilities. This percentage is presented to express the financial strength of TKH.

in thousands of euros (unless stated otherwise)	2023	2022
Total group equity	835,713	786,941
Total equity and liabilities	2,127,779	2,068,443
Solvency	39.3%	38.0%

Turnover related to the sustainable development goals

Total of TKH's portfolio's turnover linked to one of the 17 SDGs (Sustainable Developments Goals), adopted by all United Nations Member States in 2015. This is calculated by allocating TKH's portfolio based on internal reporting of turnover by end-market combined with portfolio information included in quarterly reports of operating companies. This measure provides useful information about the ability of TKH to bring portfolio to the market which is connected to one of the SDGs. Reference is made to the chapter 'Sustainability statements' which includes a paragraph 'Sustainable Development Goals'.

in thousands of euros (unless stated otherwise)	2023	2022
Turnover linked to SDGs	1,296,403	1,242,556
Total Turnover	1,847,532	1,816,615
Turnover linked to SDGs %	70.2%	68.4%

Working capital ratio

Working capital ratio is calculated by dividing working capital by turnover.

in thousands of euros (unless stated otherwise)	2023	2022
Current assets	968,318	1,029,747
Less: Cash and cash equivalents	-93,697	-184,559
Current liabilities	-641,377	-681,087
Add: Current interest-bearing loans and borrowings	75,864	70,419
Working capital	309,108	234,520
Turnover	1,847,532	1,816,615
Working capital ratio	16.7%	12.9%