

QUESTIONS AND ANSWERS AGM 2021



2. REPORT OF THE EXECUTIVE BOARD, ANNUAL FINANCIAL STATEMENTS, DIVIDEND AND DISCHARGE

a. Presentation of the report of the Executive Board and the annual financial statements for the 2020 financial year

REPORT OF THE EXECUTIVE BOARD

SHAREHOLDER	QUESTION	ANSWER
MR. RIENKS	<p>1. Electric cars</p> <p>It seems very likely that the electric car will form an enormous growth market in the coming years, which also offers great opportunities for newcomers.</p> <ul style="list-style-type: none"> • Is TKH considering making parts for electric cars? • And for self-driving cars? • What is TKH already making, which can be used in electric cars • Will TKH benefit from the enormous growth in the number of electric cars? 	<p>TKH has a limited position in the field of e-mobility with specific parts. With the current core technologies, there is no direct connection to the market for electric and self-driving cars. For the time being we will keep our focus on the current core technologies. We do benefit indirectly from the electrification trend through the cable systems we supply for offshore wind and onshore infrastructure. In addition, the production of tires for electric vehicles requires adjustments to the tire building systems, which are supplied as a retrofit package for existing installations.</p>
MR. RIENKS	<p>2. Parking</p> <p>You report a significant drop in turnover regarding your parking segment and you are talking about limited recovery in the coming years.</p> <ul style="list-style-type: none"> • Does Parking still meet the requirements that TKH sets for vertical markets? • Will things still work out well in the long term, for example five years? • What is the next step? • You are thinking of merging parking organization with your security organization. Why would that help? • How do you see those synergies? Please explain. • Or is it better for TKH to exit this market? Why continue with it? 	<p>TKH currently sees a good perspective for the parking market, despite the limited willingness to invest in the short term. We expect investments to return in the next 1-2 years. Hence there is a substantial value creation perspective. The merger with the security organization leads to a broader portfolio that can be offered within the parking segment. The security technology is often supplied to buildings where parking is also required. The combination leads to synergies in sales and R&D. For the latter, software and cameras are used for both security and parking solutions and joint development yields an advantage of scale.</p>

SHAREHOLDER	QUESTION	ANSWER
MR. RIENKS	<p>3. UNIXX</p> <p>TKH is developing a new tire building system called UNIXX. You are talking about a breakthrough in this groundbreaking new technology. I think I have already understood that the new machines lead to significant cost savings for the tire factories, as they are faster to adjust for a different type of tire. They have a much shorter turn-around time and smaller batches per type of tire can be produced at a time. This leads to stock reduction at the factories.</p> <ul style="list-style-type: none"> • To be sure, can you explain once more; why are all tire factories going to buy UNIXX? • Why is it revolutionary? Better than the previous generation? • Can you therefore make a higher profit margin on the machines than before? • How long will you continue to supply machines from the previous generations? • How big is TKH's lead over the competition? When will it come into the market with something similar? • Is UNIXX protected by patents? 	<p>The UNIXX technology gives tire manufacturers the opportunity to be more flexible in responding to market demands at costs comparable to the current technology. The tendency is that smaller modules can be used to produce locally and therefore save a lot of working capital. The production of components that are used in tires are integrated into the UNIXX system which ultimately also realizes the assembly of the components to achieve a complete tire, where previously these were individual processes. The UNIXX system will be used alongside conventional processes where the flexibility of production plays a major role. The profit margin will not immediately be higher, because the cost price per tire may not be higher or only slightly higher. The order value is due to the expanded scope, approximately 2.5 to 3 times as large. The lead is very large over competitors and the question is whether the smaller players have the capital to develop these complex machines. There are also various patents incorporated in the UNIXX technology.</p>
VEB	<p>1 Has TKH considered delaying its investments in order to make the available technology more profitable and generate more cash flow?</p>	<p>TKH has delayed investments where possible. Despite the lower profit compared to 2019, cash flow was higher than in 2019.</p>
VEB	<p>2 Fiber optics, tire building and parking are known growth markets for TKH, also in the difficult year of 2020.</p> <p>a What is the reason for the limited order intake b from big-5 tire manufacturers for the new UNIXX system?</p> <p>b What measures can TKH take to avoid structural price pressure on fiber optics from Asia?</p> <p>c Due to the slow turnover recovery at Parking, is TKH considering adjusting the turnover forecast (150-200 million Euro)?</p>	<p>a) The UNIXX system has not been released for sale until the SAT is finalized with the launching customer. The low order intake from the big -5 tire producers is the result of their focus on cash generation and therefore a limitation of investments for the short-term.</p> <p>b) The measures that TKH is taking to absorb price pressure is to add innovative components to the total systems that are supplied by us and to offer a service that protects against price pressure.</p> <p>c) There is no reason to adjust the medium-term target downwards at this time.</p>
VEB	<p>3 What is the reason for placing 405 million euros in receivables (including their financing) in TKH Finance B.V.?</p>	<p>It is not an unusual structure to place financing in a separate entity that provides financing for the entire group. Both the TKH holding and this Finance B.V. are included in the same (Dutch) structure and is therefore not structured from a tax point of view, but mainly to have the financing in a separate entity, which provides better insight into the financing of subsidiaries.</p>
VEB	<p>FOLLOW-UP QUESTION AT AGM 6 MAY 2021:</p> <p>When placing the receivables (€ 405 million) in TKH Finance, have any changes been made to the covenants for transferred financing instruments?</p>	<p>To gain a better insight into the financing of subsidiaries the financing is placed in the entity TKH Finance B.V. (100% subsidiary of TKH Group NV). There are no consequences associated with regards to our bank covenants, as the financing remains in the total structure of TKH.</p>
VEB	<p>4 What are the reasons for capital contributions to operating companies that are already fully owned by TKH Group N.V.?</p>	<p>According to local laws and regulations in certain countries, it is mandatory to maintain a minimum equity capital. In addition, the financial structure and therefore equity may be linked to conditions for participation in tender processes. Also, in the case of companies in a start-up phase, negative equity can or is improved by a capital contribution. Finally, a capital contribution was made to finance a 2019 acquisition, which was originally financed with a group loan.</p>

SHAREHOLDER	QUESTION	ANSWER
VEB	5 The Industrial Solutions segment has been struggling for several years in a row with declining turnover and gross margin. According to TKH's strategy - aimed at growth and high margins - this unit could possibly qualify for divestment. How does the board view Industrial's long-term role within the company?	The growth prospects for this segment look good. Since 2019, however, this segment has been hit hard by the restrictions in investments in capital goods over the past two years, as is the case for more companies and in particular in the automotive sector. The value creation perspective is great once the market will recover, which has been the case since the fourth quarter of 2020.
VEB	6 To win contracts - for example in Asia - TKH sometimes gives discounts or accepts orders at a loss. Furthermore, it can be concluded from the annual report that 334 million turnover has been booked in Manufacturing. Can the board indicate - for this revenue part - what the impact has been of discounts on the ROS?	TKH rarely accepts contracts with a loss. The size of a contract can of course lead to a discount, but on the other hand, efficiency is also achieved, whereby in most cases the effect of the discount is offset. There is therefore no negative effect on the ROS.
VEB	7 Has the Supervisory Board considered not increasing the fixed salaries (TRI) of the Executive Board members in the past crisis year?	The consideration not to increase salaries has certainly also been made. A very careful consideration has taken place by Remuneration Committee and also within the entire Supervisory Board.
VEB	8 Can the Supervisory Board explain what the discussions in the audit committee were about on the subject of IFRS 9.	These discussions were mainly focused on the evaluation of the provision for debtors and then specifically in the context of COVID-19 effects, which did not result in additional actions.
VEB	9 Can the Supervisory Board indicate where it thinks that the greatest challenges lie for TKH when it comes to participating in the energy transition?	The biggest challenges are in converting the production equipment to an environment where gas is no longer used. The energy transition is positive for TKH when it comes to the necessary investments for the infrastructure to transport electricity.

SUSTAINABILITY

SHAREHOLDER	QUESTION	ANSWER
VBDO	1 One of TKH's strategic priorities is to achieve CO ₂ neutrality in the medium term. VBDO appreciates this ambition, but also wants to emphasize that setting a concrete timeline in this area is essential for achieving this goal. The importance of this objective for TKH, its stakeholders and its shareholders can be clearly seen from the materiality matrix. In addition, TKH identifies new legislation in the field of CO ₂ emissions as a risk. Setting interim goals with a concrete timeline will significantly reduce this risk. Can TKH promise to formulate interim objectives with a concrete timeframe regarding CO ₂ neutrality for scope 1 and 2? In addition, TKH indicated during the AGM last year that in 2021 there would be more transparency in the field of climate risks by means of a TCFD report. When can VBDO expect this report?	We will use the next 12 months to carry out further analyzes so that we can formulate our carbon neutrality plans in specific terms, which also include objectives and action plans. With regard to the commitment made during the 2020 AGM with regard to climate risks, we took a number of important steps in the course of 2020, including performing an analysis of climate risks and opportunities. In accordance with the commitment, we will further shape this in 2021 through a stakeholder dialogue, follow-up plans and reporting on this.

SHAREHOLDER	QUESTION	ANSWER
VBDO	2 VBDO notes that TKH only evaluates the first layer of the chain with regard to human rights risks and working conditions. VBDO understands the logistical challenge of evaluating suppliers deeper in the chain, but also wants to emphasize that the most significant human rights risks occur deeper in the chain. This is specifically relevant for TKH, as there are currently widely supported legislative proposals in both the Dutch and the European Parliament regarding obliging companies to act proactively against human rights violations and environmental damage in production chains. During the AGM in 2020, TKH made a commitment to report more transparently on its research and actions regarding working conditions in the chain. VBDO has not yet observed any change in this. Can TKH inform us about the progress of this pledge, especially research beyond the first link of the chain?	During our evaluation of suppliers, we mainly focus on our direct suppliers, where we also look further into the chain, where possible, and point out and test our direct supplier for aspects that are not only related to human rights and working conditions, but the entire spectrum of corporate responsibility. We will perform another evaluation on this to analyze whether we can further optimize the process and the reporting on this.
VBDO	3 “Talent empowerment is one of TKH's four strategic pillars. TKH specifically mentions the diversity of its employees as a driver of dynamism, objectivity and success. Research by McKinsey shows that companies that perform well in diversity have significantly better financial results. In addition, we see a trend that employees with a technical education are on average becoming increasingly diverse. VBDO does not yet see any clear objectives in the field of gender and would like to emphasize that this is essential to achieve TKH's ambitions. In the coming year, does TKH want to report on the gender balance in mid-management and management and set a target for these two essential components for steering the male / female ratio?	We see diversity as an important theme and point of attention within our sustainability agenda. We will continue to use 2021 to further formulate plans and objectives with regard to this so that we can provide more concrete information about this in the coming 12 months.

EXTERNAL AUDITOR EY

SHAREHOLDER	QUESTION	ANSWER
VEB	10 Can the auditor indicate how the assumptions for assessment of intangible assets have been actively challenged and substantiated by outside experts?	<p>The assumptions for the assessment of intangible assets have been actively challenged and supported by:</p> <ul style="list-style-type: none"> • Determining, on the basis of observation, whether the capitalized costs met the criteria for capitalization. • Testing the main assumptions and assumptions made by management by making a comparison with the underlying business plans in connection with historical performance, the plausibility of management's estimates with regard to the strategy, the useful life in relation to expected technological developments, future expected revenues / cash flows, external market reports and discount rates for the relevant development projects. • Checking the appropriateness of disclosures in relation to capitalized development costs. <p>We have performed the above with EY specialists on IFRS reporting and valuations included in the engagement team. We have not made use of external experts.</p>

b. Remuneration report for the 2020 financial year (advisory vote)

SHAREHOLDER	QUESTION	ANSWER
VEB	The VEB is of the opinion that the remuneration report of TKH does not yet provide sufficient insight. For example, it cannot be deduced how the final score on the applicable performance targets relates to the predetermined target. The VEB calls on TKH to provide additional information from the 2021 remuneration report on the implementation of the remuneration policy in order to better align with the Shareholders' Directive and the associated guidelines.	We will investigate the possibilities of being even more transparent here. However, we believe that the achievement of the objectives is clearly presented and the percentage of achievement related to the "at target" objectives can be seen as a good indicator of performance.

7. Proposal to appoint the executive Board as the competent authority to decide on:

a1. the issuance of ordinary shares and cumulative financing preference shares (vote)

a2. the restriction or exclusion of shareholders' pre-emptive rights with respect to the issuance of shares referred to under a1. (vote)

SHAREHOLDER	QUESTION	ANSWER
VEB	The VEB is critical of granting in advance the option to exclude the pre-emptive right of certain shareholders. Because TKH does not substantiate the allocation of such a mandate, the VEB votes against this agenda item.	Our starting point is to properly represent the interests of our shareholders and in the exceptional case that this should come up for discussion, we will make proper considerations if we make use of our authority.