

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

### 2 a. Presentation of the report of the Executive Board and the annual financial statements for the 2019 financial year

#### REPORT OF THE EXECUTIVE BOARD

SHAREHOLDER	QUESTION	ANSWER
ADD VALUE FUND:	Page 36: 'The first UNIX has been installed at a launching customer.' Have the initial experiences with this customer been satisfactory?	The initial experiences have been satisfactory, but the SAT has not been completed because of the COVID-19 situation.
PETER BEIJERS:	The number of orders for the subsea-cable plant in Lochem for the coming years is growing. Consequently, the capacity utilization rate will also increase. I assume that there will still be under-utilization and initial costs to start with. When does TKH expect the plant's results to reach the desired level?	The plant is expected to generate the desired return in 2021.
STICHTING SRB	When do you expect to reach break-even point there?	See above.
STICHTING SRB	Can you quantify the negative impact of the nitrogen and PFAS problems for TKH?	The nitrogen and PFAS problems had a negative effect on the turnover in Q4 2019 and Q1 2020. It is difficult to estimate what impact they will have over the whole of 2020.
TESLIN:	TKH has evolved from a product company to an enterprise that provides total solutions. Software is increasingly important for TKH, although the strategy is still always to supply a combination of software and hardware. That also calls for different competences within the organization. How is TKH ensuring that TKH's workforce keeps pace with these developments?	Software's share in our propositions is now over 30%. Over the last 15 years software has been deeply anchored in the expansion of our proposition. It is now one of the foundations of TKH's business and this has been accompanied by the establishment of the necessary structures to develop internal talent and to attract new talent on the basis of our management development program.
TESLIN:	With its organizational structure comprising numerous operating companies, TKH has a complex, and in some cases lengthy, supply chain. What measures does TKH take to ensure that suppliers, and the suppliers' suppliers, meet TKH's standards?	Our suppliers' standards are guaranteed by monitoring and auditing their quality systems.
VEB:	The half-year figures for 2019 came as an unpleasant surprise for shareholders. After all, the CEO had said at both the AGM in 2019 and the Capital Markets Day on 12 June 2019 that the future looked good for TKH with rising turnover and profits. The results in the first half of the year did not match those projections, which led to a substantial fall in the share price.  How does TKH explain this discrepancy between the guidance given in June and the half-year figures soon afterwards, which presented a very different picture?	The point of departure at the AGM was the outlook that was published with the annual results in March. That outlook clearly stated that a number of events would have a negative impact in the short term. The intention at the CMD was to announce the 'Simplify & Accelerate' program and TKH's long-term strategy and objectives. The guidance in June reported more ambitious targets for the medium term. With the knowledge of the reaction to the H1 results, we would have placed more emphasis on the short term.

SHAREHOLDER	QUESTION	ANSWER
VEB	The decline in turnover in Industrial Solutions ensues from a fall-off in demand for production systems for cables and car tires. The decline commenced – according to the press release on 23 April 2020 – in the fourth quarter of 2019 and continued in the first quarter of 2020.	
VEB	a) How does TKH see demand for tire production systems developing in the next one or two years? This partly in light of the recent decline in consumer confidence, which is already having an impact on car sales.	The situation will become clearer in the course of the coming quarters. It is still too soon to make a specific pronouncement on this point.
VEB	b) Does TKH expect automotive companies to postpone investments in tire systems for that reason? Has TKH received any signals that car makers wish to cancel orders?	Some investments by tire manufacturers are currently being postponed. Given the contracts we have, cancellation is very difficult and expensive. In certain situations, we are agreeing to postponement of delivery.
VEB	c) Falling sales could quickly hurt the margins. At what capacity utilization rate do the Industrial Solutions plants have to operate to remain at break-even level? At what utilization rate do the plants have to operate simply to fulfil the existing order book?	You are requesting too much information here. What we can say is that there is a substantial gap before break-even point is reached because a large proportion of the costs are variable.
VEB	d) How flexible can TKH be in reducing production capacity in Industrial Solutions? Is TKH investigating the possibilities of scaling down the existing production capacity (temporarily)? It is noted here that the capacity of the plant in Poland was expanded in 2018 in anticipation of increased demand in Eastern Europe.	The plant in Poland was not opened to meet the expected increased demand in Eastern Europe, but to reduce the dependence on China by having an extra production site where goods can be produced efficiently and at the desired cost level, while simultaneously limiting internal transport. Steps were already taken at the end of 2019 to reduce the capacity in the short term by laying off some of the flexible workforce.
VEB	In the Building Solutions division, TKH produces subsea and industrial cable systems, for example to connect offshore wind farms. The division is also producing lighting solutions for airport runways. TKH says that the costs still exceed the revenues in both activities.	
VEB	a) How important is scale for the subsea activities? At what sales volumes will subsea be profitable? And what measures can TKH take to bring the margins on subsea into line with the company-wide ROS target for the medium term of 15%?	In light of the high added value, a healthy return that meets the TKH standard can be achieved with turnover of € 30 million. The scale is therefore of limited importance.
VEB	b) Is the construction of new offshore wind farms expected to be delayed as a result of Covid-19, which is capturing all of the government's attention the moment? What consequences would that have for TKH's turnover in the medium term?	At present, there is no reason to expect any delay in the offshore wind projects due to a lack of policy attention on the part of the government.
VEB	c) How does TKH assess developments in connection with the roll-out of 5G in Europe, having regard to the public discussion about the safety of the technology, which has led to suspension of the roll-out in Switzerland? Does TKH expect similar debates in other European countries, and what consequences would that have for the financial results?	The non-roll-out of 5G would have limited effect on TKH, since the network operators will then focus on connecting every house to fiber optic cable.
VEB	d) How important is Building Solutions for implementing the long-term strategy of supplying technology solutions in growth markets? It is noted here that Building Solutions' capital requirements are relatively high, while at the same time it only makes a limited contribution to the result.	Building Solutions makes a substantial contribution to the result. In H2 2019, its ROS was 12.2%. Building Solutions also yielded a good return in Q1 2020, which was in line with the envisaged medium-term improvement in return and the outlook for these activities. The importance is great in terms of the envisaged substantial growth of the results in relation to the strategic vertical markets and the achievement of a better balance in the composition of TKH's results as a whole in order to reduce cyclicality.

SHAREHOLDER	QUESTION	ANSWER
VEB	Intangible assets account for a significant share of TKH's balance sheet. Over the period 2010-2019 this balance sheet item increased by 15% annually (CAGR). The increase is equally substantial in relation to the development of turnover over the same period.	
VEB	a) How does TKH judge the growing share of intangible assets on the balance sheet (more than a third of the balance sheet total)? Does TKH feel comfortable with the relatively high amount for intangible assets?	By virtue of its own R&D and through acquisitions, TKH has greatly enlarged its innovative portfolio in the last ten years and that has been reflected not only in turnover growth, but also in a significant improvement in the gross margin during that period. There is a good balance between the perspective created by the size of the intangible assets and the current level of that item.
VEB	b) Why has TKH not published the results of the goodwill sensitivity analysis this year, as it did in the annual report for 2018?	Under the terms of IAS 36.134(f), that information is only required if "a reasonably possible change in a key assumption [...] would cause the carrying amount to exceed its recoverable amount". Since that does not apply to TKH, the analysis was not included.
VEB	c) Have there been any changes in the headroom and impairment-sensitivity per Cash Generating Unit (CGU)? Please explain.	There have naturally been changes due to acquisitions, divestments, updates of expectations and WACC. However, there is still more than enough headroom in all 'cash generating units'.
VEB	d) To what extent do the intangible assets represent a threat to TKH's capacity to create economic value in the long term? It is noted here that the ratio between ROIC and WACC, as an indicator of economic value creation, has been under pressure for years, largely as a result of the increasing share of intangible assets.	There has been investment in new portfolio through internal R&D and acquisitions in recent years. Some of these portfolios have come to market in the last two years and have not yet been able to contribute fully. The 'Simplify & Accelerate' program introduced last year indicates how we believe the results can be increased to the new targets.
VEB	e) Will progress with TKH's divestment program under "Simplify & Accelerate" eventually face constraints, for example because the proceeds from business units are lower than the book value and therefore lead to a book loss?	To date, TKH has already realized € 260 million of the envisaged € 350 million in turnover, whereby the divestments in the first quarter of 2020 are included. Because of the current market conditions, the divestment program is not being fully rolled out, so it would be premature to give an answer at this point in time.
VEB	f) Because of the COVID-19 crisis, many businesses are facing a fall-off in demand and uncertainty about the future. Can TKH make an estimate of what both of these aspects mean for the sustainability of the valuation of the intangible assets? When does TKH discuss these matters with the external accountant?	At the moment, we are unable to make an estimate of the long-term effects of the COVID-19 situation in relation to the sustainability and valuation of the fixed assets. Discussions are held with the external accountant whenever there is a situation that could give rise to an impairment, as well as during regular meetings with the accountant.
VEB	In 2019, the implementation of the "Simplify & Accelerate" program led to one-off costs of € 18.3 million and impairments of € 5 million. In which business units will there be integration in the coming years? What will the costs and benefits be?	Most will occur in Building Solutions, in both connectivity systems and vision & security. The benefits of the integration were reported in November 2019 and amount, after realization, to roughly € 7-8 million in a full year.
VEB	The industrial connectivity activities are being sold to Torqx Capital Partners via a newly formed corporation (Cable Connectivity Group), in which TKH will have a minority stake of 44%. What agreements have been made with Torqx on the timeline and/or conditions for the sale of the remaining stake?	No specific timeline has been agreed. TKH has a "drag along – tag along"-agreement with Torqx.
VEB	TKH transferred its receivables to a factoring company for a sum of €38.7 million in 2019. Why was this expensive form of financing chosen?	We have been using non-recourse factoring for a number of years, although less in 2019 than in preceding years. The interest rate is competitive compared with the interest on the committed credit facility.

SHAREHOLDER	QUESTION	ANSWER
MR. RIENKS	<p>Divestments. The aim is to sell activities with an annual turnover of € 300-350 million that no longer fit in with TKH's strategy. Activities representing turnover of € 250 million have already been sold. The proceeds have exceeded expectations. Now that the divestment of activities is so successful, it seems appealing to raise the target, for example to € 600 million. How do you feel about that? Are there candidates for divestment that could yield that amount? A major advantage would be that there would be less debt with the bank and more room to acquire promising companies in the seven growth sectors.</p>	<p>Decisions on divestments are linked to the prospect of organic growth and the return on invested capital. From the perspective of value creation, there is no reason to add further divestments from the perspectives of value creation at the moment.</p>
MR. RIENKS	<p>Lengthy period of very low oil prices. The oil price has been very low recently and I would not be surprised if it remained low for several more years. This will lead, among other things, to the freezing of investments by oil companies. What are the implications of the persistently low oil price for TKH?</p>	<p>They are currently limited – the position in and relevance of oil and gas-related investments is modest.</p>
MR. RIENKS	<p>Geopolitical developments and their influence on TKH's important markets. You have already mentioned geopolitical developments several times. Last year, I posed a question about them at the shareholders' meeting. At the time, you were not concerned about this. You did not think they would cause serious problems. There is now greater clarity about Brexit and the conflict between the United States and China, the two most important developments in this domain. They are leading to protectionism and import tariffs. There was also the news that a prominent Dutch firm, ASML, was not being granted a permit to export advanced machines to China. Are you still unconcerned about these developments? Or will they now have a negative impact on TKH? And what parts of the business will be affected by them?</p>	<p>We will not be immune to the geopolitical situation and that has always been recognized. However, the impact is mitigated by the production-allocation policy and the spreading of risk over multiple product/market combinations. We will not emerge unscathed from the consequences of an economic crisis ensuing from the conflict between China and the US, or from the impact of COVID-19 on economic growth.</p>
MR. RIENKS	<p>Priority shares. According to the annual report, there are 4,000 priority shares outstanding, which are held by the Stichting Prioriteit. According to the minutes, last year's shareholders' meeting was attended by two shareholders who together own 3,650 priority shares. How is that possible? What happened with the other 350 priority shares that were not registered for participation? Who is the second owner of priority shares, besides Stichting Prioriteit? Who are the managers of that foundation?</p> <p>It is also unclear to me what the special rights attached to these shares are. According to the articles of association, the priority shares have four votes each and are entitled to an annual dividend of 5 cents per share. I could not find any other special rights in the articles of association. What did I miss? What, according to you, is the usefulness of these shares for TKH? Why do you not abolish them? After all, there is still the Stichting Continuïteit and the Stichting Administratiekantoor to protect against a hostile takeover.</p>	<p>No special rights are assigned to the priority shares any longer. The priority shares are related to the founders of the company and they will automatically lapse on inheritance and cannot be unilaterally withdrawn by the company. It is therefore not a defensive construction. The majority of the priority shares are now owned by the Stichting, which explains the high level of representation at the AGM.</p>

## COVID-19/TKH UPDATE

SHAREHOLDER	QUESTION	ANSWER
ADD VALUE FUND	Interim update: With regard to COVID-19: 'However, TKH is optimally positioned to serve its customers and has the agility to respond to changing market conditions. TKH's solid financial position and well-filled order book provide a good starting position and offers sufficient room to resist this uncertain period.' Question: COVID-19 is leading to postponement/delay of projects. On page 33 of the annual report we read: 'In the course of the year, we maintained capacity at a higher level than required in the short term because of the medium-term growth perspective.' In other words, TKH accepts short-term losses from underutilization, but will try to contain them in light of the corona crisis. In that context –fall-off in demand in the short term versus medium-term growth perspective – what is the strategy with respect to maintaining capacity (and underutilization losses to be expected)?	A balancing act is crucial in this regard –costs and capacity must not be allowed to rise too high in the short term, but the cost of re-establishing capacity must also be carefully considered. Well-trained and experienced people will be needed to restore capacity to its former levels. Those costs are substantial and therefore have to be set off against the temporary reduction of the costs. TKH's experienced team is perfectly capable of dealing with this issue and has been shown to have made the right choices in earlier crises.
ADD VALUE FUND	Machine Vision has a 9.6% share of the turnover. Vision & Security reported a decline in organic turnover of 10% in 2019. In Q1 2020 a clear growth is noted compared to the same period in 2019, primarily in the 3D-Vision segment. In China demand has recovered reasonably well. There was an increase in demand for our vision technology for new applications especially in consumer electronics. Question: is a structural improvement of the outlook for Machine Vision plausible? All of TKH's acquisitions in 2019 were in this segment. Will these acquisitions contribute to the growth of turnover and results in 2020?	With the uncertainty surrounding the COVID-19 situation, it is impossible to predict whether growth will be possible. It depends on too many factors – however, the outlook is bright having regard to the starting position based on the innovations and applications.
ADD VALUE FUND	Tire Building: Turnover declined in line with expectations in Q1 2020. The delivery of some projects is being postponed due to COVID-19 because of lockdown situations at some customers. The order book increased in Q1 2020, on the back of a good order intake. Question: Do you feel it is plausible that growth will accelerate in this segment as soon as the lockdown ends, and will TKH then be in a position to supply customers? How is the relationship with the top-5 tire producers developing? Is this category's share of the turnover likely to increase further?	Growth could accelerate – as was the case in 2010 after the crisis in 2008/2009 – but not in the short term. We will put ourselves in a position to realize substantial growth as soon as the market picks up. Relations with the top-5 are developing very well, although those companies are currently making the deepest cuts in investments. The top-5's share of the order intake will therefore be lower in 2020.
STICHTING SRB	Among the orders to be delivered, is delivery in general, and of tire-building machines in particular, having to be postponed?	See above.
STICHTING SRB	A large part of your turnover depends on government budgets. We expect that governments will make substantial spending cuts after the corona crisis, and that infrastructure will not be spared. If that does happen, what is the maximum impact it could have on TKH's results?	Only a small part of TKH's turnover depends on government budgets.
ADD VALUE FUND	Could you give an indication of the anticipated tax burden in 2020?	The tax burden will be higher than in 2019, but it is too early to give a precise indication.
ADD VALUE FUND	Could you give an indication of the anticipated Capex in 2020?	Capex will be (significantly) lower than in 2019, particularly the investments in tangible assets.
ADD VALUE FUND	In light of the corona crisis, is it conceivable that the working capital turnover ratio will fall below the indicated minimum of 12% in the 2020 financial year?	There are numerous possible scenarios, but we see no need to adjust the existing bandwidth of 12-15% working capital as a percentage of the turnover.
PETER BEIJERS	Some general questions, naturally determined in part by the COVID-19 situation:	
	a) Where possible, TKH is taking measures to reduce costs and is limiting investment levels. To what extent is it also possible to make savings on R&D activities without it having a negative effect on the long-term outlook?	It is difficult to reduce the R&D costs without adversely affecting the long-term outlook. It is the very last option we would choose to make savings

SHAREHOLDER	QUESTION	ANSWER
STICHTING SRB	<p>You are cutting back on investment, which is a praiseworthy measure.</p> <p>However, saving on R&amp;D could backfire. Are you also going to make savings there? If so, by how much, on what programs, and for what reason? Will the decision be influenced by the possible postponement of orders?</p>	See above.
PETER BEIJERS	b) To what extent can employees work at home? It seems to me that this would be impossible at the production locations.	All production locations are still operating at the moment. With the measures taken to minimize the threat of infection, production can continue. However, the absenteeism rate is higher than normal. For jobs where it is possible to work at home, the system is functioning well.
PETER BEIJERS	c) Is a (substantial) reduction in the number of flexible workers possible in order to control costs?	There is still room to lower costs by reducing the number of flexible workers.
PETER BEIJERS	d) Postponement of some orders by customers: does this mean that TKH's inventories are higher for some activities in anticipation of a resumption of deliveries, which also means higher financing costs for TKH. Or is that not a problem?	Up to now, this has only been the case to a limited extent. Where possible, reductions have also been made in the supply chain and in production.
PETER BEIJERS	e) Have any of TKH's activities been adversely affected by a shortage of parts because suppliers are unable to deliver?	There have been no material disruptions due to shortages of parts. For some activities, this risk was anticipated early on and larger inventories were stockpiled as a precaution.
TESLIN:	<p>TKH announced a new strategy in mid-2019. The intention is to enhance value creation and make the company more transparent. Teslin is positive about the strategy and the steps that have already been taken. The divestment of the industrial cable activities and the acquisitions in Machine Vision stand out in particular. TKH says that divestments will probably be less attractive in the coming period due to the consequences of the current corona pandemic. The consolidation of entities under a single brand will also be more difficult because of the 'social distancing' measures. On the other hand, the crisis might yield interesting opportunities for acquisitions. Where and to what extent will the corona pandemic delay your strategic agenda? Do you see any opportunities and if so, where?</p>	The strategic agenda has only suffered minor delays and they relate mainly to the remainder of the divestment program. Opportunities could arise for strategic acquisitions and for capturing market share from weaker competitors.
STICHTING SRB	<p>However, you are sure to have a list of companies that you are interested in and on which you have performed the necessary analyses. If any of these companies were to come onto the market at an interesting price, would you make an offer? There are undoubtedly other factors to be considered in that decision. Could you tell us what they might be?</p> <p>Could you tell us for what total amount over the entire year you might decide to make acquisitions?</p> <p>The same question applies for further investments.</p>	See above. We cannot specify the options or the sums involved. We will be cautious with any investment decisions to ensure that we retain sufficient headroom to withstand worst-case scenarios.

SHAREHOLDER	QUESTION	ANSWER
VEB	The coronavirus and the measures taken by governments are hitting TKH's customers hard. The turnover of the automotive industry, the building sector, car parks and airports has practically disappeared. Furthermore, the falling oil price is leading to a lower level of investment for subsea, which could be permanent. Although the lockdown in China only had a limited impact on TKH in the first quarter of 2020, the aftermath of the pandemic will very probably have a greater impact in the coming quarters. In the 2019 annual report, TKH describes four risk areas and eleven risks. TKH also reports the trend in relation to each of those risk factors compared with the preceding year.	
VEB	a) Has TKH meanwhile conducted any stress tests in relation to the corona pandemic? If so, what is the forecast impact on the operating results and cash flow, liquidity and solvency?	Certainly. We are producing scenarios to estimate the impact on those items. They have not shown that we need to take additional measures other than those that have already been reported and published. Naturally, the scenarios are frequently updated. Since we are not yet issuing a specific outlook for the year, we will also not discuss the impact on the specific financial parameters you have mentioned.
VEB	b) If the analysis of the risk factors, the mitigating measures and the risk trend were to be performed again today, for which risk factors would the risk trend and mitigating actions change, and why?	The risk trend for 1. Market & Geopolitics, 5. IT & Security, 6. Personnel and 8. Raw Materials would be climbing faster. However, this has no major implications for the mitigating measures, since they are already embedded in the organization or are already planned. One exception is the safety measures that have already been taken for the workforce and to enable our activities to continue.
VEB	c) Is the current order portfolio sufficiently robust? How does TKH assess the current risk of postponement or cancellation of orders by customers?	There is a risk of postponement and cancellation of orders and it would also have an impact. By virtue of the spread of our activities across multiple product/market combinations, the consequences will vary and the impact will therefore be smaller.
VEB	d) Is TKH making use of government measures such as subsidies for continued payment of salaries?	TKH is not currently making use of the schemes for continued payment of salaries in the Netherlands.
VEB	Is the enterprise's continuity guaranteed in the worst-case scenario? In that scenario, will TKH continue to comply with the bank covenants? In what scenario is there a threat of an eventual serious liquidity squeeze, or even a liquidity deficit?	In the scenarios that we have assessed up to now, including a worst-case scenario, we see no problems arising with continuity or with covenants.
STICHTING SRB	TKH is financially sound. Nevertheless, in light of the highly uncertain times we are living in we wonder whether TKH has performed a corona-related stress test to form an impression of the debt and liquidity, cash flow and liquid assets for the interest charges and debt redemption and the business model's crisis resistance. If so, did you explore various scenarios and is the continuity of the enterprise still guaranteed in the worst-case scenario? What radical measures might eventually be needed?	See above.
VEB	Is the headroom under the existing credit facilities sufficient, does TKH have access to sufficient committed and uncommitted credit lines, or does TKH foresee a scenario where additional financing will have to be raised?	From the scenarios we have assessed up to now, including a worst-case scenario, we see no need to raise additional financing.
VEB	What was the motivation for expanding the credit facility to € 500 million even before the Covid-19 outbreak in Europe?	The credit facility was raised in Q4 2019 from € 350 million to € 500 million for the redemption of a "bridging loan" of € 100 million.

SHAREHOLDER	QUESTION	ANSWER
VEB	If TKH is to rebound strongly from the crisis, it is essential that it maintains, and preferably increases, its technological edge. Is TKH able to say whether the R&D budget will be maintained at the level in 2019, will it be increased, or, given the circumstances, will it have to be reduced?	At present, TKH sees no reason to reduce the R&D budget. However, the integration of companies will have some positive effects on the efficiency of the R&D expenditures.

## RISK MANAGEMENT AND INTERNAL CONTROL

SHAREHOLDER	QUESTION	ANSWER
VEB	TKH reports that although the Internal Audit Department did not arrive at any material findings regarding the company's administrative organization and internal controls, the explanatory notes seem to suggest that the IAD found some shortcomings and recommended improvements. Could the Executive Board and the Supervisory Board make a statement on the IAD's analyses, findings and recommendations?	It would be going too far to discuss in detail all the analyses, findings and recommendations that were made. Briefly, the points made related to optimizing internal processes in the area of the financial close process, internal management and internal control, and improving the efficiency of processes. There was also input in relation to non-financial information and CSR.
VEB	The annual report also states that in 2019 processes absent in operating companies were incorporated in the Internal Control Framework (ICF). What measures were these?	The Internal Control Framework (ICF) covers both primary processes and so-called support processes. Primary processes are procurement, production and sales processes, for example. The expansion in 2019 related to the addition of some support processes, such as the legal process, for our most important operating companies.
VEB	According to the explanatory notes, some other processes that are missing at other operating companies will be integrated into the ICF during the current financial year. What are those processes?	In 2019, all of the remaining processes of the most important operating companies were incorporated into the ICF. The integration in 2020 will relate mainly to the other operating companies, whose processes have not yet been (fully) incorporated in the ICF. These include both primary and support processes (see above) and can differ from one operating company to another, depending on which processes are applicable and which are already covered by the ICF.

## SUSTAINABILITY

SHAREHOLDER	QUESTION	ANSWER
VEB	TKH says that it will give greater priority to sustainability. TKH specifically mentions a number of dilemmas, such as the observation that "in certain markets the price factor is still decisive" and the efforts therefore have to be reduced.	
VEB	a) In what areas does TKH face this constraint?	Because of 'learning curve' effects in the product development and start-up phases of the production process, there are constraints in terms of reducing energy use and waste.
VEB	b) How does TKH feel about the frequent assertion that in terms of controlled improvement of their sustainability, companies should focus exclusively on the topics that stakeholders consider most relevant or the themes with the highest level of materiality?	TKH adopts a similar approach by focusing, on the basis of a materiality matrix, on those topics that are material for TKH and for its stakeholders. In that context, it is guided by the most relevant topic that is defined as material by both the stakeholders and TKH.



SHAREHOLDER	QUESTION	ANSWER
VEB	Another observation in this context is that most sustainability rating agencies do not reward companies for improving their sustainability (in the form of higher ESG scores) if they do not focus on the aspects of sustainability that are regarded as most important by the stakeholders.	See previous answer. By introducing stakeholder dialogues, which provide important input for the materiality matrix, TKH is aware of the sustainability-related topics that are most important to stakeholders. We weigh these topics against the relevant strategic and operational themes for TKH in order to arrive at a joint definition of the sustainability themes over which TKH can exert direct influence through its business operations or strategy.
VBDO	1: VBDO would like to compliment TKH Group on the first steps it has taken towards implementing the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD). The VBDO sees potential risks, but also opportunities, for TKH Group, for example in promoting the gathering of climate-related information through the use of drones, sensors and other information technology. The annual report states that the outcomes of the analysis carried out by TKH Group will in time be discussed with stakeholders so that action can be taken (AR, 51). Can TKH Group promise that it will report the results of this climate-related analysis and discuss them with stakeholders in 2020?	TKH intends to organize a stakeholder dialogue, in which one of the issues discussed will be the TCFD.
VBDO	2: This year, VBDO would specifically like to know how companies guarantee and promote improvements in working conditions in the chain. TKH Group says it carried out self-assessments at suppliers and found no violations of human rights (AR, 56). VBDO sees that the Code of Supply self-assessment covers various aspects of working conditions, but has no insight into the entire due diligence process and the results. Is TKH Group willing to provide more information in next year's annual report about how the company deals with the risks at suppliers, and what proactive measures it takes to improve working conditions at its suppliers?	This information is already included in the annual report. We will look at it again.
VBDO	3: VBDO compliments TKH Group on the efforts it makes to engage people with a disadvantage on the labor market in the organization (AR, 46). TKH Group says the company operates a strict policy of equal treatment for all employees, but does not publicize this policy externally. TKH Group reports on the age and gender profile of the workforce in the annual report, but there is no comprehensive diversity profile for the entire organization (AR, 45-46). In addition to age and gender, VBDO feels that a comprehensive diversity policy should also encompass occupational disabilities, cultural background, religion, nationality and sexual preference. Can TKH Group provide more insight into its ambitions for the diversity policy in 2020 and its willingness to report on the results to its stakeholders?	TKH pursues a strict policy of equal treatment for all employees regardless of race, nationality, ethnic background, age, religion, gender, sexual nature or handicap. TKH will not expand its reporting on this issue.

## 2e. Proposal to declare the 2019 dividend and to make it payable (vote)

SHAREHOLDER	QUESTION	ANSWER
ADD VALUE FUND	Page 41: The pay-out over 2019 has been increased from 55% to 60%. This is surprising in light of the corona crisis. Why did you decide on an increase under these circumstances? Can we assume that the pay-out ratio over the current financial year will be maintained at the higher level?	On the basis of the net result, including non-recurring income and expenses, the pay-out ratio has only risen slightly. We are unable to say anything about the pay-out ratio for this financial year at the moment.
PETER BEIJERS:	The dividend proposal implies payment of € 1.50 in cash. We see that some other Dutch companies have reduced or scrapped the dividend. Did TKH consider amending the dividend proposal, for example paying the dividend not in cash, but in shares? That would be a way of strengthening TKH's cash position.	The proposed dividend has been reviewed several times in recent weeks against the scenarios that we believe could apply for TKH. We found that those scenarios leave sufficient room to maintain the dividend proposal.
VEB	Was consideration given to not distributing a dividend in light of the crisis? How confident is TKH that paying the dividend will not later prove to have been the wrong decision? Was distributing the dividend in the form of shares (or depositary receipts of shares) considered?	The proposed dividend has been reviewed several times in recent weeks against the scenarios that we believe could apply for TKH. We found that those scenarios leave sufficient room to maintain the dividend proposal.

## 3. REMUNERATION POLICY

### 3a. Proposal to adopt the Executive Board Remuneration Policy (vote)

SHAREHOLDER	QUESTION	ANSWER
VEB	What were the Supervisory Board's reasons for initially looking at AMX companies for the composition of the peer group? Is it not more appropriate to look at technology companies with a similar international footprint to TKH? To put it bluntly: is it really logical to compare a young company that runs fitness centers with a company that produces tire systems?	The most important reason for using the AMX as a benchmark is that it was felt to provide the best reference for the Dutch labor market; in fact, an additional test is carried out using specific peers.
VEB	A number of aspects of the remuneration policy are not sufficiently clear from the proposal. To determine whether the board members qualify for the awarding of shares (as part of the LTI), three variables are considered: the ROS, the ROCE and the development of the share price.  However, there is no explanation of how the Supervisory Board determines the so-called performance ranges (threshold, target and maximum) for those LTI performance targets. It is also unclear how the multiplier as a result of the scores on the three targets is arrived at.  a) Can the Supervisory Board elaborate on both these points?	No specific explanation is given because the Supervisory Board considers it to be its responsibility to determine the range and does not wish to create any specific expectations regarding the timing for meeting the targets. However, the realization of these predetermined criteria is assessed by an accountant.
VEB	b) Is it correct that board members can receive an LTI award under any circumstances? After all, the proposal creates the impression that the multiplier for each individual criterion is always greater than zero.	It is correct that there is in principle always an LTI. This is also appropriate for the required performance. If the performance is inadequate, the relevant board member is dismissed and the right to an LTI lapses.
VEB	c) In the proposed system, board members qualify for an LTI award if, for example, the performance on ROS is good, but the ROCE has (substantially) declined during the relevant period. What is the rationale behind the choice of this method?	For strategic reasons, the ROCE may sometimes have to decline in the short term. That is the case, for example, with acquisitions that could be of major strategic value for the ROCE in the long term, but which have a negative effect in the medium term.
VEB	d) Would it not be more correct to include a separate score, and associated LTI award, for each criterion in the remuneration policy instead of multiplication by the three multipliers?	We believe the current method is sufficiently transparent.

SHAREHOLDER	QUESTION	ANSWER
VEB	e) Why has a period of three years been adopted for retaining shares rather than a longer period, for example five years after they have been awarded? In other words, is three years not too short a period to align the remuneration structure with the company's long-term business strategy? Please present the thoughts of the remuneration committee.	The holding period is three years because the board members themselves invest or have invested 50% of the price of the shares. In fact, the average period of investment is longer than five years in practice.

### 3b. Proposal to adopt the Supervisory Board Remuneration Policy (vote)

SHAREHOLDER	QUESTION	ANSWER
VEB	Since the AGM in 2019, the remuneration policy for the Supervisory Board has included the possibility of a variable component. If circumstances require members of the Supervisory Board to perform "substantially" more work than normal, they may receive an additional fee for each part of a day.	
VEB	a) What was Supervisory Board's reason for opting for this variable component? TKH has chosen a policy on the remuneration of the members of the Supervisory Board that clearly differs from those of other Dutch listed companies. TKH is the only company to include such a variable component in its remuneration policy.	The variable component will only apply in exceptional situations. TKH opts for transparency and clarity towards shareholders for the event that such a situation arises in order to avoid having to account for the payment afterwards.
VEB	b) Does the Supervisory Board feel that this remuneration structure is reconcilable with the prevailing view on good governance, which is that members of supervisory boards should receive a fixed fee for their work?	The fixed fee is based on a normal situation. The Supervisory Board feels that is important to have the option, in exceptional circumstances, of paying the members an additional fee for an excessive volume of work so that they can also be required to give the necessary priority to the work.

## 8. ANY OTHER BUSINESS AND CLOSE.

	<b>QUESTION MEETING 28 MARCH 2019</b>	<b>ANSWER</b>
<b>SRB</b>	You discussed topics of the agenda for the AGM 2019 and the company has explained the 2018 annual report. Which topics for the agenda were subject to discussion.	During this meeting the agenda of the AGM is explained, which is also publicly available at that time. In addition, the Executive Board explained the state of affairs within the company on the basis of publicly available information, such as the press release and the analyst presentation on the annual figures for 2018.
<b>SRB</b>	Has there been any discussion about this in the board? What questions have been asked? Were the answers satisfactory or were there still discussions?	The agenda has been discussed and questions have been asked about the themes on the agenda. A substantive discussion was conducted.
<b>SRB</b>	Who were present on behalf of the company?	The CEO and CFO of the Executive Board.
<b>SRB</b>	After the meeting there was a general presentation about subsea cable systems and a guided tour. What were your general impressions?	General impressions were good and the management was impressed by the factory.
<b>SRB</b>	Have you asked questions? If so, which questions? And what were the answers to your questions? Were these satisfactory or were there still discussions?	The questions asked were related to the presentation given and the guided tour. No particular points were raised and no information was shared other than what is publicly known.

	<b>QUESTION MEETING 6 MAY 2019</b>	<b>ANSWER</b>
<b>SRB</b>	You determined the provisional voting behavior at the AGM, pending the deliberations during the AGM. Were there still moments of doubt during the AGM 2019 in which you thought: "Should we still vote as expected"?	There was no reason to change the voting behavior.

	<b>QUESTION MEETING 19 SEPTEMBER 2019</b>	<b>ANSWER</b>
<b>SRB</b>	During the meeting, the company explained the half-year figures 2019 and the strategic transformation program "Simplify & Accelerate".	
<b>SRB</b>	Who were present on behalf of the company?	The CEO and CFO.
<b>SRB</b>	What questions have been asked? Were the answers satisfactory or were there still discussions?	During this meeting, the Executive Board explained the state of affairs within the company on the basis of publicly available information, such as the press release and the analyst presentation about the half-year figures 2019. Questions were asked about the themes on the agenda and a substantive discussion was conducted.
<b>SRB</b>	What is the procedure for the vacancy in 2020?	The Board discussed the vacancy that arose in the Board at its meeting in September 2019 and decided to publish an announcement of the vacancy that arose on its website in January 2020 and –simultaneously- give holders of depository receipts of shares the opportunity to submit names of potential candidates. No reactions were received to this announcement, so at the meeting of Stichting Administratiekantoor on 31 March 2020, the Board took note of this and the other directors decided to the re-appointment.