TKH GROUP ANNUAL REPORT 2023

SMART TECHNOLOGIES

TKH Group
Annual Report 2023

European single electronic reporting format (ESEF) and PDF version
This copy of the annual financial reporting of TKH Group N.V. for the year ended 31 December 2023 is not presented in the ESEF-format as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815). The ESEF single reporting package is available at: https://www.tkhgroup.com/en/investors/annual-reports-presentations

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

Profile

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, we operate globally and focus our growth across Europe, North America, and Asia.

Message from the CEO

We are committed to deliver strong results on the back of our innovative technologies with high attractiveness and efficiency for our customers.

With passion and dedication, we have focused on the execution of our strategy and the targets we have set. We made good progress in implementing the strategy and all the action plans. Many milestones were reached related to market positioning and the R&D roadmap, including the realization of our € 200 million strategic investment program.

More than 200 new employees have seamlessly joined our team, bolstered by TKH's reputation as an appealing employer, in alignment with our strategic investment program. Our focus on employee satisfaction has proven to be of great value in creating ambassadors to support recruitment, and we are enthusiastic about the fact that we were able to further improve our employee satisfaction score from 7.6 to 7.8 in 2023. We believe that dedication and passion, combined with a high satisfaction score, make a difference in achieving our targets. The same applies to our customer satisfaction score, which remained at the very high level of 8.6.

Beyond this, our innovative power and high-quality service delivered a level of performance that in many cases exceeded customer expectations. As a result, we continued to gain market share in most of the markets in which we operate. Innovation remained at a high level, with 16.1% of our turnover coming from new product introductions in the last two years.

We continued to invest in our software capabilities 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. AI provides an additional opportunity to create solutions for our customers that deliver maximum performance and efficiency in their processes. Many AI positioning projects were initiated, and the first projects have already been completed.

ESG continued to be a high priority in our activities, as reflected in the significant improvement of several ESG ratings and dashboards. We made good progress against ESG goals, in particular increasing investments to reduce our carbon footprint in relation to scopes 1 and 2. Our technologies help to create a better and more sustainable world. It is in our DNA to recognize the importance of Environmental, Social, and Governance (ESG) as well as the United Nations Sustainable Development Goals (SDGs). Sustainability is embedded in our strategy and is seen as an opportunity to develop our technology to have a positive impact on our customers and the use of scarce energy resources.

The megatrends of automation, digitalization, and electrification continued to support our growth, but the impact of destocking in Smart Vision and Smart Connectivity systems led to a decline in demand in the second half of the year. A very strong performance in Smart Manufacturing systems compensated for the destocking effects, resulting in a better result in the second half of the year compared to the first half. In 2023, we achieved organic turnover growth of 3.2%, with added value increasing from 47.2% to 49.8%. We are enthusiastic about the progress of our Accelerate 2025 strategic program. The drive and passion we see in our operations and among our more than 7,000 employees globally to deliver results is extremely high. We continued our divestment program successfully completing the transaction to sell our commodity connectivity activities in France and our remaining interest in CCG. The one-off net profit related to these transactions was € 54.8 million, demonstrating that we created value during the time the activities were part of TKH. It is good to see that the new environment for these activities brings new opportunities for growth and good prospects for continuity.

We reinvested part of the proceeds from the divestments in two share buyback programs of € 25 million each and in the acquisition of Euresys, which we acquired to strengthen our Smart Vison segment. TKH's transformation has continued, increasing its value-creation potential as we focus on activities in high-growth markets. In the second half of the year, we decided to accelerate the divestment program we initiated, confirming our aim to achieve the upper range of the previously communicated target. The proceeds will be used primarily for share buyback programs and acquisitions that fit into our core business.

We were able to pass on cost inflation related to wage and energy expenses quite well, and we saw an increase in the added value as a percentage of turnover to cover inflation. The ROS was at 12.8%. 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.

Supply chain constraints required close cooperation with our suppliers and the creativity of our procurement teams to find solutions to material and component shortages. Inefficiencies and shortages eased during the course of the year.

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.

A special word to our team in Ukraine, who have managed to work under difficult circumstances. We have great respect for the way they are coping with the challenges in their daily lives.

We would like to thank our stakeholders for their trust and cooperation, which have been instrumental in achieving our current results and laying a solid foundation for the years ahead. In particular, we would like to thank our employees for their dedication, passion, and commitment to achieving the best possible results in sometimes challenging situations!

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

Highlights 2023

Key messages

Increase of turnover, EBITA and added value

- Organic turnover growth of 3.2%
- EBITA grew to € 237.0 million
- Added value increased substantially to 49.8% (2022: 47.2%) underlying the strength of our businesses

Many strategic milestones reached, related to

- Market positioning
- R&D roadmap
- Investments into software expertise with strong focus on artificial intelligence (AI)
- Two large divestments completed in 2023, resulting in a total one-off net profit contribution of € 54.8 million
- Two share buyback programs of € 50 million in total

Strategic Investment Program of € 200 million nearing completion

- New inter-array cable facilities in Eemshaven starting operational production in Q2 2024

Good progress on ESG

- High-priority investments resulted in 64.3% reduction of CO_2e footprint (scopes 1 and 2)
- Diversity ratio increased to 19.2% (females in executive and senior management teams)
- Employee satisfaction rate at all-time high of 7.8
- Improved ESG ratings
- Approximately 70% of turnover linked to SDGs

High innovative power, with innovations contributing 16.1% of turnover

Proposed dividend of € 1.70 (2022: € 1.65)

Financial highlights

Turnover in € millions

1,847.5

2022: 1,816.6

Added value

49.8%

2022: 47.2%

Return on Sales (ROS)

12.8%

2022: 12.9%

EBITA in € millions

237.0

2022: 234.8

Return on Capital Employed (ROCE)

19.8%

2022: 23.2%

Dividend proposal in € per share

1.70

2022: 1.65

Sustainability highlights

Net CO_2e footprint reduction (scopes 1 and 2)

64.3%

2022: 42.7%

Diversity female executive and senior management

19.2%

2022: 18.4%

Turnover linked to SDGs

70%

2022: 68%

Accident rate (LTIFR)

0.75

2022: 0.78

Employee satisfaction score

7.8

2022: 7.6

Customer satisfaction score

8.6

2022: 8.6

TKH worldwide

Turnover by region

The Netherlands
€ 455 million

Europe (other)
€ 717 million

Asia
€ 353 million

North America
€ 240 million

Other
€ 83 million

Technology company TKH

Strategy

Who we are and what we do

Mission	Creating Smart Technologies for sustainable value creation
Vision	Together with our customers, we develop innovative technologies that make the world more efficient and more sustainable
Core values	entrepreneurship; customer-focused; responsibility; transparency; integrity
	Group synergies
Smart Technologies	Smart Vision systems; Smart Manufacturing systems; Smart Connectivity systems
Strategic pillars and targets	Innovation and technology leadership; Sustainability; Passionate, talented, and qualified people; Solid financial position

TKH's strategy focuses on expanding our technology leadership in the markets in which we operate, where automation, digitalization, and electrification are driving future growth.

We specialize in the creation of innovative, customer-centric technology systems for high-growth markets where our differentiating technologies can make an impact.

We believe that innovation drives progress and success. By integrating our proprietary technologies with internally developed software and customer-focused insights, we develop Smart Technologies that create unique answers to our customers' challenges, helping them to work smarter, more successfully, and more sustainably. In doing so, we work to make the world better by creating more efficient and more sustainable systems.

TKH aims to be an attractive and responsible employer for our more than 7,000 employees globally. We encourage our people to take the initiative in a culture of entrepreneurship. Working together with passionate, talented, and qualified people is vital to achieving our mission of creating best-in-class Smart Technologies.

We operate in a socially responsible manner, continuously seeking to strengthen our contribution to a sustainable society. Socially responsible business practices with a strong environmental awareness are at the heart of everything we do. Almost 70% of our turnover relates to at least one UN Sustainable Development Goal. Our portfolio of smart technologies supports our customers in meeting their sustainability targets. And we continue to integrate sustainability policies into the business decision-making processes.

Built on a decentralized operating model, striving for a high level of entrepreneurship and a winning culture, our strategy is focused on accelerating growth in our three core market segments, Smart Vision, Smart Manufacturing and Smart Connectivity systems.

Strategic pillars

Innovation and technology leadership

Innovation is essential, so we continuously innovate to maintain our leading positions in the markets we operate in and to drive growth.

Sustainability

By integrating sustainability into our portfolio, operations, and supply chain, we contribute to the sustainability issues where we have the greatest impact and enable our customers to improve their sustainability performance.

Passionate, talented, and qualified people

We empower our committed, ambitious, passionate, talented, and qualified people to take the initiative that is vital to achieving our goals.

Solid financial position

We focus on resilience and sustainable long-term continuity through healthy balance sheet ratios. Strong cash flow from our operations enables us to create added value for all key stakeholders, while providing a sound investment for shareholders.

Key targets

Turnover

>2

in € billion in 2025

Return on Sales (ROS)

>17%

in 2025

Return on Capital Employed (ROCE)

22–25%

in 2025

Carbon footprint reduction (CO_2e emissions)

100%

carbon neutrality own operations by 2030 (scopes 1 and 2) – reduction of CO_2e footprint compared to reference year 2019

Female executive and senior management

>25%

by 2030

Accident rate (LTIFR)

<1.0

Core values

At TKH, we develop our technologies in a sustainable and socially responsible manner, using the expertise of our talented people. Our employees are committed to our key corporate values of entrepreneurship, customer-focus, responsibility, transparency, and integrity.

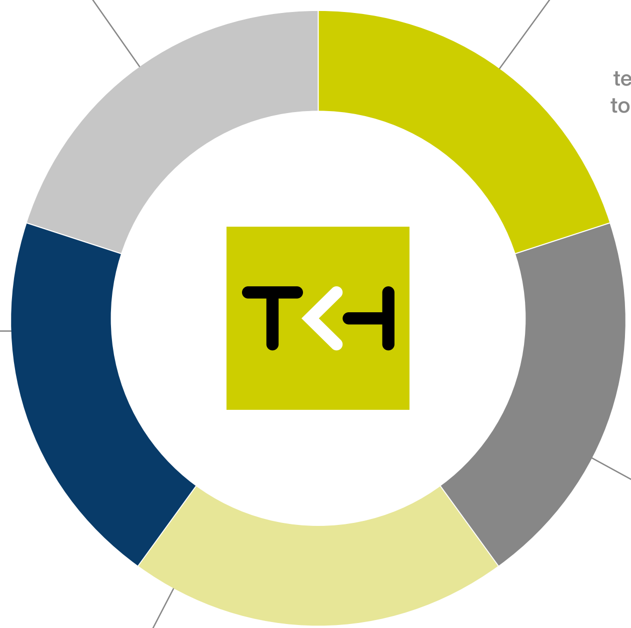
Core values

Entrepreneurship

we encourage an entrepreneurial mindset, trusting the talent and the passion of our people to take the initiative and responsibility for identifying new opportunities, and we are driven to excel in our roles and responsibilities.

Customer-focus

we develop innovative, client-centric systems by integrating hardware, software, and customer-focused insights. Our close partnerships and commitment helps us to deliver the technology that enable our customers to boost efficiency, achieve ambitions, and maintain success.



Integrity

we value honesty and act respectfully toward colleagues, customers, and other stake-holders.

Responsibility

we are aware of external developments, promote a focus on sustainability, and we are committed to making a positive contribution to the environment and society. We make the appropriate decisions based on careful consideration and take responsibility for our decisions.

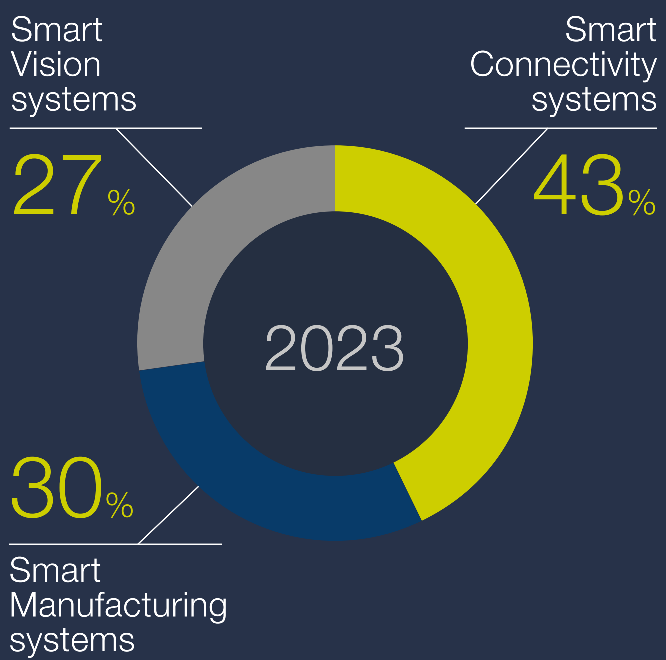
Transparency

we strive for an open culture and act transparently.

Smart Technologies

TKH's Smart Technologies are segmented into Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems.

Turnover per technology segment

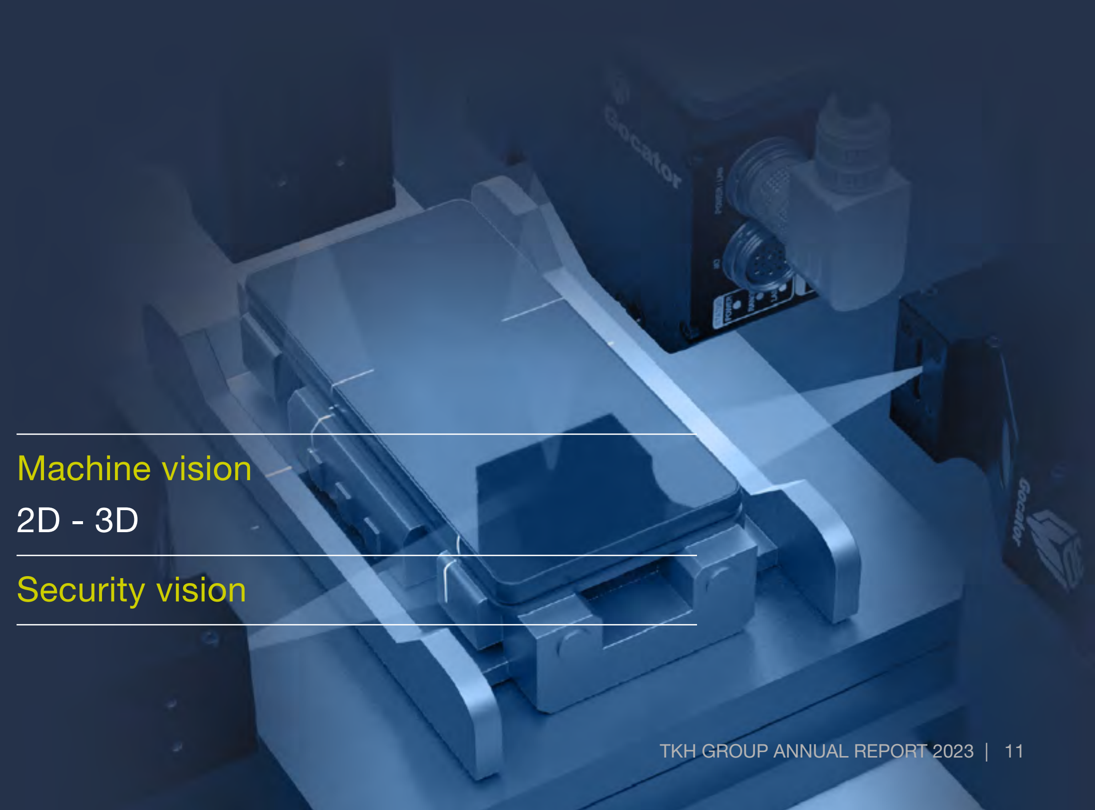


Smart Vision systems

TKH creates state-of-the-art Vision technology, which accounts for about 85% of the turnover of the Smart Vision systems segment. This technology includes 2D and 3D Machine Vision and Security Vision systems. Combining these technologies with internally developed software results in unique, smart, and integrated plug-and-play systems and one-stop-shop solutions for our customers.

We aim to create value for our customers by optimizing and further automating their processes using Vision technology. TKH's 2D and 3D Machine Vision technology systems are used to improve quality inspections, operations, and object monitoring in numerous industries, such as consumer electronics, factory automation, logistics, the wood industry, intelligent transport systems (ITS), and medical and life sciences.

Meanwhile, our Security Vision systems, combined with advanced communication technologies, enable customers to efficiently manage and control the urban environment. They also improve efficiency, safety and security in various markets, such as infrastructure and building security.



Machine vision

2D - 3D

Security vision

Smart Manufacturing systems

At TKH, we leverage our unique expertise to create superior manufacturing systems, capitalizing on our deep understanding of the automation production processes in different industries. Our systems and machines contribute to highly efficient manufacturing and processing.

There are four building blocks at the foundation of our unique Smart Manufacturing systems:
- High-level system and assembly engineering skills and know-how.
- Advanced in-house software development and engineering.
- Integration of TKH Smart Vision and Smart Connectivity technologies.
- Development of advanced control and analytical functions.

Our Smart Manufacturing systems are designed to create value for our customers by optimizing and further automating their processes, reducing inventory, increasing flexibility, and promoting highly efficient manufacturing. In addition, TKH delivers 24/7 services to enable customers to be efficient as possible. With our advanced systems we provide remote maintenance to our customers. Our Smart Manufacturing systems serve industries ranging from tire production for cars and trucks to factory automation and medicine distribution. Our Tire Building systems represent a share of about 75% of turnover within the Smart Manufacturing systems segment.

Tire Building systems

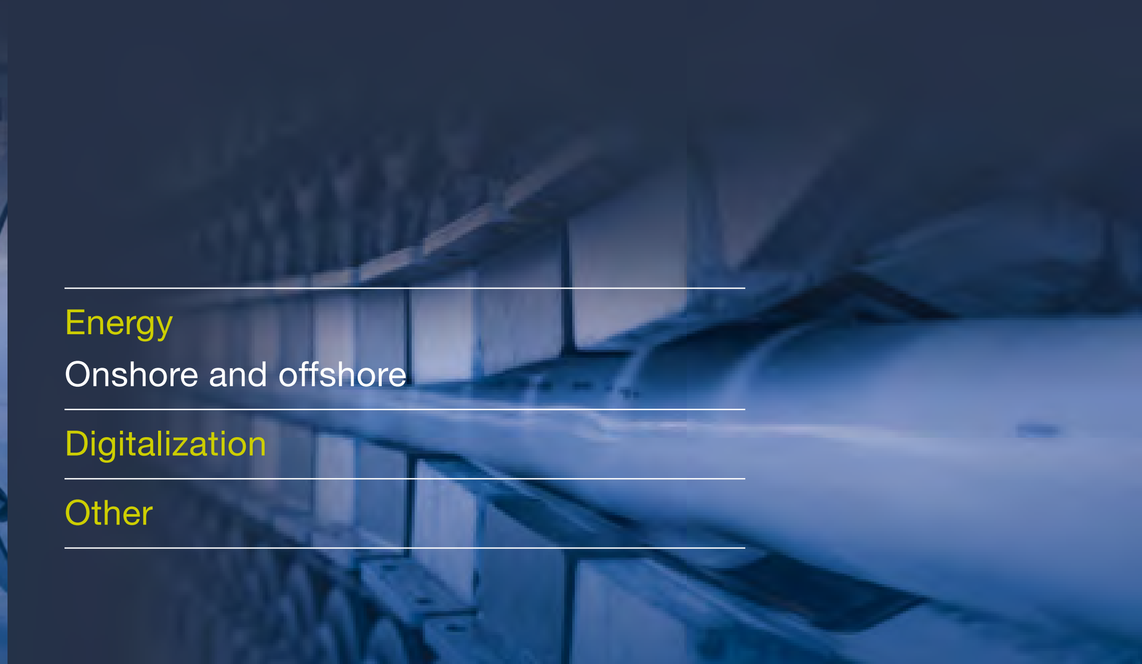
Other

Smart Connectivity systems

TKH creates advanced Smart Connectivity systems, engineering complete, unique solutions that combine our integrated system approach with our connectivity proposition.

Energy and Digitalization represent a share of about 39% and 33% of turnover of the Smart Connectivity systems segment respectively. Our Energy connectivity solutions are designed for on-shore and off-shore energy distribution. Digitalization represents Fibre Optic connectivity systems for data and communication networks. In addition to Energy and Digitalization, TKH produces specialized cable systems for industrial automation applications in high-tech environments.

In addition, TKH offers a unique connectivity technology for airfield ground lighting systems: Contactless Energy and Data Distribution (CEDD). This connectivity system consists of hardware components and intelligent software, to improve the efficiency and safety of specific airfield applications.



Energy
Onshore and offshore

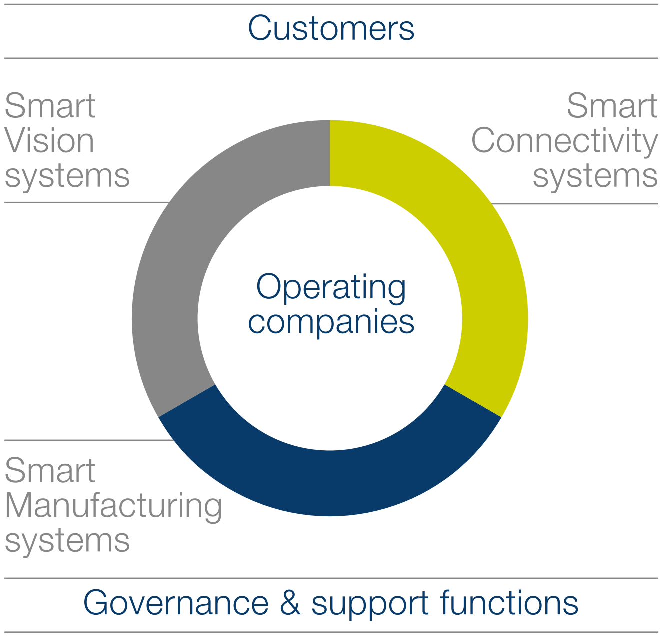
Digitalization

Other

Group synergies

With our decentralized operating model, we strive for a high level of entrepreneurship and a winning culture. We stimulate and incentivize group synergies, which are important for our value creation strategy. They enable us to support our operating companies in delivering innovative and unique solutions to customers at attractive cost levels.

Operating model



Our group synergies are mainly realized in the following areas:

- Integrated and combined technology systems across our three technology segments.
- Large-scale in-house software development through a centralized competence center, which serves operating entities in each segment with building blocks that can be used across multiple entities and segments.
- Centralized software development and AI leadership.
- A unique pool of talent that enables the transfer of skills and knowledge.
- Group functions that drive economies of scale through cooperation, innovation, and procurement.
- Group management, resources, and competencies to scale up initiatives across large business units.
- Corporate support in the area of treasury, legal, tax, and sustainability.
- Strong TKH branding and reputation, market access, and global footprint.

Governance model

Operating model

- Decentralized operating model.
- Operating companies close to customers – high level of customer intimacy.
- Delegated profit and loss responsibility and authority.
- SMART targets and strong monitoring system to control output.

Entrepreneurial culture

- Drive to win.
- Strong capitalization on new business opportunities.
- High-performance execution.
- Short lines of communication.
- Management development program and meetings.
- Inspiring environment.
- Diverse workforce.

Plan and rewards

- Strategy based on innovation and business opportunities.
- Clear business plan with SMART goals and road map.
- Compensation aligned with performance.
- Key employees participate in share-based compensation plans.

Accelerate 2025 strategic program

On the Capital Markets Day in November 2021, we launched our Accelerate 2025 strategic program. This program underlines the strong foundation and value potential of TKH by introducing renewed targets for 2025. In addition, TKH unveiled a new technology-focused segmentation, centered on Smart Technologies.

Accelerate 2025 includes actions to boost turnover and ROS by unlocking the full potential of our innovative technologies in the high-growth markets in which we operate. By leveraging our current market positions and the megatrends of automation, digitalization, and electrification, TKH is well positioned to take full advantage of the expected market growth. In addition, we will increase our focus on sustainability in our strategy, with strong ambitions and sustainability targets.

The Accelerate 2025 strategic program and targets are included in our strategic pillars.

Priorities Accelerate 2025

Areas	Bandwidth expected turnover	Bandwidth ROS by improvement Target > 17%[1]	Commentary
Organic Growth Cost Efficiency	> € 300 mln	> 2.5%	Scale effect - due to organic growth - on opex and cost of goods sold, productivity, and yield improvement programs.
Innovations	> € 200 mln	> 2.0%	Acceleration of our innovations in terms of turnover, benefit from learning curve and economies of scale, capital light future innovations.
Acquisitions	+ € 100 - € 150 mln		Acquisitions that strengthen our portfolio of proprietary technologies in the area of software, and/or strengthen our sales network.
Portfolio Management	- € 150 - € 200 mln	> 0.5%	Divestments that do not contribute towards achieving our long-term strategy and targets.

1 ROS improvement is based on reference ROS of 12%.

Accelerate organic growth
Increase our market share by unlocking the full potential of our innovative technologies and capitalizing on market growth driven by relevant megatrends.

Sustainability
Deliver a strong performance against our sustainability/ ESG targets, especially CO_2e neutrality in 2030 (scopes 1 and 2), and further develop a sustainable portfolio based on SDG principles.

Cost efficiency
Focus on translating organic growth into an added value conversion ratio of > 35%. Translate the increase in gross margin into a further increase in results with greater focus on return and cost ratio as a percentage of added value.

Innovations
Capitalize on our technology leadership by leveraging and accelerating growth from innovations and using the R&D pipeline. Bring key innovations to maturity with targeted profitability and limit the number of new "start-up" projects.

Acquisitions
Accelerate growth by acquiring companies with a turnover of € 100 – € 150 million turnover.

Portfolio management
Exit activities that offer limited potential for value creation, such as those with limited strategic fit or low ROS and organic growth potential.

TKH branding
Strengthen and expand TKH's branding and transition to an efficient external communication structure.

Talent empowerment
Ensure our workforce is an accurate reflection of our society with respect to diversity and inclusiveness. Continue to ensure the health and safety of our employees. Engage and retain employees. Promote transparency and openness.

Strategic pillars and targets

We defined four strategic pillars as the core foundation, incorporating our Accelerate 2025 strategic program and targets, to achieve our sustainable long-term growth strategy.

- Innovation and technology leadership
- Sustainability
- Passionate, talented, and qualified people
- Solid financial position

TKH is an innovative technology company

- More than 15% turnover realized by new innovations
- Creation of advanced technology systems
- 30% of our technology proposition is software driven
- 750 FTE in R&D and software development
- 1,400+ patents to secure value proposition
- Continuous acceleration & scaling of innovations

Innovation and technology leadership

Innovation is key to TKH's success. Investing in innovative technologies is vital to maintaining our position as a leading technology company and maximizing sustainable value for our stakeholders and the world around us.

Innovation and customer focus are key to keeping us at the forefront of creating best-in-class and innovative technologies and responding quickly and effectively to changing market trends. Our target is to generate more than 15% of our turnover from innovations that have been introduced in the prior two years. TKH generated € 297 million turnover in 2023 from innovations in our three core technology segments (16.1%). As a result, a major part of our technology portfolio is always in the early stages of the product life cycle, which is an essential strategic foundation for securing future growth. In addition to investing in our own technology development, we also invest in partnerships for specific specialisms and speed up the time-to-market for selected technology systems.

About 30% of our technology proposition is software-driven, developed by in-house engineers. In total, we employ more than 750 people in R&D and software development, and we have registered more than 1,400 patents to secure our value proposition. Continually accelerating and scaling our innovations is essential to maintaining our leading position and driving growth.

Investing in R&D and accelerating and scaling innovations are vital for future growth, and to maintaining and expanding our leadership positions in the niche markets in which we operate. In 2023, we spent € 70.7 million on R&D activities (2022: € 60.9 million).

KPI	Objective	Realization 2023
Innovation	At least 15% of turnover generated by portfolio introduced in the prior two years	16.1%

Sustainability

Our vision is to create unique, innovative, and differentiating technologies that accelerate the transition to a more sustainable world. We believe that increasing digitalization, automation, and electrification are paving the way to a world that is more environmentally sustainable. The world is facing a shortage of human resources and rising labor costs driving the demand for automation and "hands-off, eyes-off" manufacturing. The need to reduce carbon footprints by reducing waste and energy consumption in manufacturing is driving the need for advanced technologies. In addition, electrification requires more (renewable) energy generation. Together with our customers, TKH develops innovative, and client-centric technology systems to provide answers to these challenges. In doing so, we work to make the world better by creating more efficient and more sustainable systems.

TKH has a strong sustainable portfolio and has selected six Sustainable Development Goals (SDGs) to guide our approach to sustainability. Two of these focus on our internal operations and business practices, while the remaining four focus on our innovative product portfolio. TKH's innovative products make a significant contribution to the SDGs: approximately 70% of our portfolio's total turnover is linked to one of the SDGs that we have defined as relevant. In this way, we support our customers in achieving their sustainability goals and simultaneously provide a clear direction for our own company's sustainable development.

As we continue to expand our activities, integrating sustainability enables us to minimize energy use, GHG emissions, and waste. Raw materials are becoming scarce due to increasing demand, so we aim for a sustainable supply chain. We want to do business in a responsible way, through our focus on integrated governance and transparent sustainability reporting.

KPI	Objective	Realization 2023
Technological innovations with impact on sustainability (SDGs)	At least 70% of turnover linked to SDGs	70%
Carbon footprint (CO_2e emissions)	100% carbon neutrality in own operations by 2030 (scopes 1 and 2) – reduction of CO_2 footprint compared to reference year (2019)	64.3%
% waste of most relevant raw materials, compared to total relevant material consumption	< 5% waste	5.2%
Recycling most relevant raw materials	> 80% recycling (copper, aluminum, and plastics)	87.3%

Sustainable portfolio examples

Smart Vision systems

- 2D and 3D Vision technology which results in increase in productivity and improvement of quality
- Cybersecurity solutions for mission critical communication
- Traffic monitoring systems increase efficiency, safety, and security
- Mission-critical communication systems

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

Smart Manufacturing systems

- Tire Building Technology focuses on the environment and e-mobility leads to different tire requirements
- Advanced technology to lower waste and energy consumption levels in production
- Medication distibution/inspection system

3 GOOD HEALTH AND WELL-BEING
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Smart Connectivity systems

- Fibre optic cable systems
- Energy cable systems for the energy transition
- Subsea cable systems for offshore wind farms
- CEDD/Airfield ground lighting system; energy saving and increase of efficiency

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Passionate, talented, and qualified people

A key component of our strategy is a strong, diverse workforce of talented people, with the passion and drive to make things happen. Working together with talented and qualified people is vital to achieving our mission of creating best-in-class Smart Technologies.

We want to ensure that we have an attractive and safe workplace. Being an attractive and responsible employer is an important commitment that we take seriously. TKH offers an inspiring, safe, and healthy working environment for all our employees, and we are constantly striving to improve. We strongly believe that the diversity of our workforce will further strengthen the success of our defined strategy. Therefore, one of our priorities is therefore to promote and safeguard diversity within our organization. In addition, we continue to build on our strong employer brand to keep attracting the right talents and fill vacancies rapidly, especially in times of labor shortages.

TKH has an open business culture with a high level of entrepreneurship and short lines of communication. Our organization is also characterized by delegated authority, trust, and transparency.

KPI	Objective	Realization 2023
% of female members in executive and senior management teams	> 25% by 2030	19.2%
Accident rate (LTIFR)	< 1.0	0.75
Illness rate	< 4.0%	3.85%
Employee satisfaction score	> 7.5	7.8

Solid financial position

Creating added value for all key stakeholders while providing a sound investment for shareholders is a key pillar of TKH's operations. We do this with healthy balance sheet ratios and a strong cash flow from our operations, with a focus on sustainable long-term continuity of the company.

We aim to achieve an annual increase in earnings per share, and a debt leverage ratio of no more than 2.0. Generated cash will be reinvested in businesses with above-average growth potential and/or distributed to shareholders. Structural surpluses of cash can be used for share buyback programs, dividends, and/or strategic investments with an attractive return on investment.

TKH will expand through organic growth and acquisitions, with a geographic focus on Europe, North America, and Asia. Acquisitions will focus on structurally healthy companies that strengthen our portfolio of proprietary technologies or enhance our sales network. In the medium-term, we are targeting additional turnover of € 100 million to € 150 million through acquisitions, while continuing to manage our portfolio to reduce activities with lower margins and growth potential.

By focusing on higher-margin activities, organic growth combined with cost efficiency, acquisitions, and divestments, we want to be well positioned to take full advantage of the expected market growth and value potential of TKH. Our 2025 target for our ROS is above 17%. The range for the 2025 ROCE target is 22%–25%.

KPI	Objective	Realization 2023
Turnover	> € 2 billion by 2025	€ 1.8 billion
Return On Sales (ROS)	> 17% by 2025	12.8%
Return On Capital Employed (ROCE)	22% – 25% by 2025	19.8%
Net debt / EBITDA	< 2.0 annual target	1.8

The world around us

Megatrends

TKH operates in a dynamic environment. Trends and developments are key indicators for defining our strategy. TKH has identified a number of relevant megatrends that are driving our growth and shaping our strategy and innovations.

Automation

- Industry 4.0 is driving “hands-off, eyes-off” manufacturing – shortage of personnel.
- Technology systems are becoming increasingly complex, driving demand for larger-scale technology partners.
- Reshoring of production locations closer to customers.

Digitalization

- Cloud computing, big data, artificial intelligence, machine learning, and Internet of Things (IoT), requiring the continued development of higher-speed bandwidth networks.
- The boom in data acquisition applications with integrated smart technologies bringing high demand for cyber security in line with privacy regulations.

Electrification

- Global focus on reducing greenhouse gas emissions is accelerating the energy transition.

Market drivers and position

Market drivers per business segment

Smart Vision systems

- High demand for automation due to the move toward Industry 4.0 and "hands-off, eyes-off" manufacturing.
- Shortage of human resources and rising labor costs, driving demand for automation.
- Continued increase in demand for higher productivity, improved quality, and waste reduction.
- Advances in cloud computing, big data, artificial intelligence, and machine learning, leading to demand for new technology systems.
- Increased complexity of technology systems, driving demand for trusted technology partners.
- Increased need for safe and secure buildings and infrastructure.
- Increase in advanced IoT-based products, making automation a high priority.
- Trend toward advanced mobility technologies that support the increased need for enforcement and monitoring.

Smart Manufacturing systems

- Trend toward more local manufacturing to reduce inventories, requiring integrated tire manufacturing systems and enabling highly efficient production of small batch sizes.
- Supporting manufacturing through automation closer to end-customers, reducing carbon footprints, inventories, and lead times.
- Scarcity of human resources and rising labor costs, driving demand for automation.
- Demand for reduced waste and energy consumption in production, driving the need for advanced technologies.
- Increased volume and types of tires, requiring more flexibility in production.
- Greater focus on road safety and security, driving demand for high-quality tires.
- Reshoring of production locations closer to customers.

Smart Connectivity systems

- Electrification requires more renewable energy generation and large investments in the energy infrastructure.
- Public and private ESG ambitions, budgets, and targets, driving investments.
- Scarcity of natural resources, driving the growth in demand for electricity, both in general and as an alternative energy source to fossil fuels.
- Global demand for high-speed bandwidth and data traffic.
- Increased demand for connected assets (IoT).
- Need for advanced mobility, such as autonomous driving and ITS, leading to increased demand for data connectivity.
- Greater demand for monitoring of essential network elements.
- Growth and increased speed of automation technology, requiring reliable connectivity systems.

Market position per business segment

Smart Vision systems

- With our full range of Vision Technology, TKH is uniquely positioned to provide customized, one-stop-shop solutions, and integrated systems based on Smart Technologies.
- A global market and technology leader within 3D Machine Vision technology.
- Strong position in 2D Machine Vision technology.
- Leading position in high-end Security Vision technology.

Smart Manufacturing systems

- Global market leader in the Tire Building industry with > 70% market share.
- Unique positioning thanks to our integrated manufacturing systems, including advanced control and analytical functions.
- Differentiation, innovation, and technology leadership in Tire Building systems are all ahead of the competition.
- Integrated proprietary Vision Technology is a key driver for success in Smart Manufacturing systems.

Smart Connectivity systems

- Unique positioning thanks to our integrated systems approach and one-stop-shop offering combined with 24-hour deliveries.
- Market leader in the Benelux and strong position in North and Western Europe in Fibre Optics technologies.
- Advanced robotics and software engineering in Fibre-to-the-Home (FttH) solutions, differentiating TKH from competitors.
- Market-leader in the Netherlands in energy connectivity technology.
- Strong ESG focus, leading to unique positioning within energy segments.
- Market leader in the high-end industrial automation market and high-end medical market.

Competitive landscape

Developments in the industry in general and our competitive landscape in particular are important for TKH's positioning in the market. Customer patterns are changing, technological developments are accelerating, and there is an increasing demand for sustainable solutions and the consolidation of (industrial) sectors. Our geographic spread, high-quality innovative and proprietary technologies, and distinctive technological capabilities determine our competitive strength.

General market position

- TKH's market position is geographically diversified, with our growth primarily focused in Europe, North America, and Asia. This allows us to make targeted investment decisions and to be more active in specific niche markets.
- We differentiate ourselves by combining innovative technologies into unique, comprehensive, and one-stop-shop, plug-and-play solutions.
- Because of the distinctive character of our proprietary technologies, we operate mainly in niche markets, where our differentiated technologies enable us to have a leading position. In most of these markets, competition is fragmented among a range of competitors who do not offer the same integrated solutions or high-quality, one-stop-shop services.
- The barriers to market entry are high due to the advanced level of technology expertise needed, combined with significant capital requirements.

Our decentralized operating model and our entrepreneurial, customer-focused culture, coupled with our short lines of communication, enable our operating companies to respond swiftly and effectively to geopolitical and social developments that affect the challenges our customers face.

Stakeholder analysis

Our stakeholders are those groups and individuals who directly or indirectly influence the activities of TKH and our operating companies.

TKH regularly engages in dialogue with various stakeholders on topical and social issues. The different backgrounds of our stakeholders and their knowledge of TKH and the environment in which we operate is a good starting point for engaging in dialogue. It provides useful insights into stakeholders' interpretations of current issues affecting TKH.

We also use the dialogue to broaden our understanding of our stakeholders' needs and expectations. In addition, stakeholder engagement helps us to capitalize on opportunities and identify risks in a timely manner. The dialogue is also useful to clarify specific issues and thus build support for them or, in certain cases, to create understanding when an issue is less of a priority in our business.

In 2023, we conducted several stakeholder dialogues to verify and discuss the identified material themes from both a stakeholder and a TKH perspective. The results are included in the materiality matrix. Based on our stakeholder dialogues and a conducted survey, we have identified which material topics are relevant to which stakeholder group.

Materiality matrix

Material topics

	Shareholders	Banks	Analysts	Customers	Supliers	Employees	Society
Economic							
1 Financial stability, track record, & performance	•	•	•	•	•	•	
2 Technological innovations	•	•	•	•	•	•	
3 Sustainable capital allocation (in alignment with SDGs)		•	•				•
4 Customer satisfaction	•		•	•	•	•	
5 Market & geopolitics (supply chain, inflation, & Ukraine war)	•	•	•	•	•	•	•
Environment							
6 Responsible production			•	•	•	•	•
7 Resource efficiency (incl. waste & circularity)		•		•			•
8 Climate change & CO_2 footprint	•	•			•		•
9 Responsible procurement							•
Social							
10 Sustainable employment						•	•
11 Health & safe work environment				•	•	•	
12 Employee satisfaction	•					•	
13 Personal development opportunities						•	
14 Diversity & inclusiveness	•					•	
Governance							
15 Integrity, compliance, & human rights	•	•	•	•	•	•	•
16 Risk management	•	•	•	•	•	•	•
17 Privacy & IT Security	•	•	•	•	•	•	•
18 Tax	•	•	•	•	•	•	•

Stakeholder dialogs

	Relevance for TKH	Relevance for the stakeholder / most important expectations	Means of communication	Key topics in 2023	Supportive to our strategy
Employees	• Crucially important for the success of TKH. • The company's ambassadors. • Most important "authorized capital".	• Good employment practices. • Development opportunities and a good package of primary and secondary employment benefits. • A safe and healthy working environment.	• Internet and intranet. • Staff magazine. • Employee satisfaction survey. • Staff meetings. • Conferences and seminars. • Webinars. • Performance reviews.	• Health and safety. • Diversity. • Sustainable employability. • SDGs. • IT & Security / Privacy. • Strategic program.	• Commitment to the diversity of the workforce. • Learning organization. • Boost innovative capacity. • Leadership and entrepreneurship. • Integrity & zero tolerance.
Shareholders	• Investment through a shareholding in TKH, thereby strengthening our capital position.	• Good return on investment with good dividend policy and long-term value creation.	• Internet. • Financial reporting and annual reports. • General meeting of shareholders. • Investor days. • Capital Markets Day.	• ESG. • SDGs. • Diversity. • Strategic program.	• Long-term shareholdings.
Customers	• Buy products and services. • Develop sustainable package of products and services through collaboration.	• Offer innovative, high-tech technologies and comprehensive solutions. • Good ROI for customers.	• Internet. • Events, symposia, and trade fairs. • Customer satisfaction survey.	• Sustainable product portfolio. • SDGs. • Customer satisfaction.	• Technological developments. • Growth targets.
Suppliers	• Supply of services and products for our business operations.	• Fair business practices and doing good business at market rates.	• Business associates. • Negotiations. • Code of supply and site visits.	• Sustainable product portfolio. • SDGs.	• Technological developments. • Sustainable procurement.
Analysts	• With the aid of analysis and research, prepare profiles and ratings on the basis of which investors can make a selection for their investments.	• Honest and transparent communication about developments.	• Internet. • Financial reporting and annual-reports. • IR meetings. • Capital Markets Day. • Reporting.	• Financial ratios. • Sectoral developments. • Strategic program.	• Long-term value creation and transparency.
Banks	• Financial service providers with the aid of which TKH is able to achieve its growth targets.	• Creditworthy enterprise that is appropriately balancing risks against returns and complies with contractual agreements.	• Internet. • Financial reporting and annual reports. • Half-yearly discussions.	• Financial ratios. • Risk analysis.	• Sustainable funding policy.
Public bodies	• Act as initiator, facilitator of supply chain and other projects, and driver of sustainable initiatives.	• Boost the economic appeal in the region with respect to business office location and employment. • Supply chain initiatives with a significant contribution to sustainability.	• Internet. • Network and thematic meetings.	• Sustainable and other develop-ments in the region.	• Strategic investment decisions.
Education and knowledge institutions	• Influx of new talent in order to compensate for such things as a shortage of technical personnel.	• Providing a challenging work en-vironment with ample development opportunities. • Providing traineeships – work experience.	• Internet. • Trade fairs and seminars. • Social media.	• Relevance of education (in relation to the relevant discipline). • Profiling TKH as an interesting employer.	• Sustainable workforce. • Learning organization.
Community and sectoral organizations (including NGOs)	• Possess an extensive network and knowledge of the positions in the supply chain. • Expertise in specific sectors.	• Contribute ideas to and start up joint ventures.	• Internet. • Reporting and reports. • Annual reports.	• SDGs. • Climate change.	• Sustainable business operations. • Consolidate social initiatives.

SWOT analysis

We continuously review our business model and adapt our resources and capabilities to address risks and create new opportunities. The overview below summarizes our main insights and positions in the environments in which we operate.

Strengths that makes us stand out

- Creation of advanced innovative technologies and proprietary systems.
- Leading positions in the niche markets in which we operate.
- High pricing power through smart technologies, systems integration, and services.
- Risk diversification through various product/market combinations.
- Decentralized, customer-focused organizational structure, providing a high level of customer intimacy.
- Entrepreneurship is one of our core values.
- Sustainability proposition largely linked to SDGs.
- Strong brand and reputation in active markets.
- Robust balance sheet and liquidity position.
- Capital-light operations in Smart Vision and Smart Manufacturing systems.
- Optimal use of R&D resources and investments in markets with greatest potential.

Opportunities for growth

- High demand for automation due to move toward Industry 4.0.
- Development and integration of technologies that help improve efficiency and connectivity.
- Shortage of human resources and rising labor costs driving demand for automation.
- Demand for reduced waste and energy consumption in production, driving the need for advanced technologies.
- Electrification requires a boost in renewable energy generation.
- Global demand for high-speed bandwidth and data traffic infrastructure.
- Increased focus on intelligent security due to geopolitics and globalization.
- Technological developments enabling improved customer services and technologies.
- Improvement of cost ratio.

Weaknesses to improve

- Brand awareness in some markets where TKH's presence is still limited.
- Presence in North America and APAC for 2D Vision and Security Vision.
- Gender diversity, especially in executive and senior management positions.
- Dependence on worldwide supply chains for some of the raw materials and components.
- Limited liquidity in trading of TKH shares.

Threats we face

- Shorter product life cycles due to higher level of innovation.
- Conservativism in certain end markets to embrace our new disruptive technologies.
- Disruption by new technologies from competitors.
- Global delay in electrification.
- Protectionism of domestic markets by governments and other international geopolitical developments impacting supply chains and investments.
- Shortage of qualified staff, challenging labor market.
- Cost and wage inflation.
- Confidentiality, integrity and availability of networks, systems, and data.
- Declining number of dedicated small and midcap investment funds.

Long-term value creation

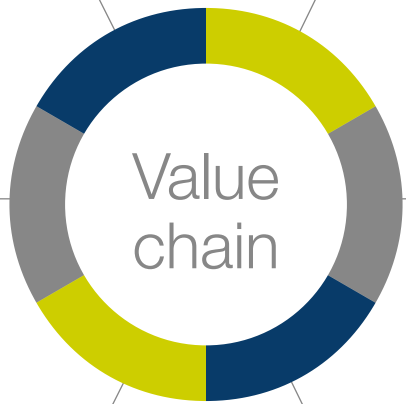
TKH's value creation process is dynamic and ongoing. It aims to use our business processes to respond to the needs of our stakeholders and to identify at an early stage any opportunities or risks driven by economic, geopolitical, environmental, sustainability, social, and technological trends. Using detailed R&D road maps, we focus on our customers' developments within our smart technology segments and, by effectively integrating our technologies with software, we create unique, innovative, and comprehensive systems suitable for multiple applications that improve efficiency and connectivity.

Circular economy & recycling

The composition of products constitutes the basis for optimal recycling. The return of materials, components and products to the appropriate value chain gives rise to a sustainable business model.

Research & Development

During the product development we use methods and processes which make allowances for environmental aspects, such as energy savings and recycling. We also expect our suppliers to act in a sustainable way.



Customers

Thanks to our technology platforms and contribution of specific product and market knowledge, we are able to provide our customers with the best possible solutions offering a favorable return on investment (ROI) and sustainable product portfolio.

Engineering & Operations

We employ operational management models that have been incorporated into an operational excellence program. In doing so, we aim to achieve optimal performance of our operational processes.

Logistics

We focus on organizing efficient, just-in-time logistical services for our customers, supported by one-stop-shop solutions and strong inventories.

Technologies & comprehensive solutions

TKH's core technologies are combined to create innovative, comprehensive systems to meet customer demand and enhance our market opportunities. The sustainability of our innovative product portfolio is crucial.

Input

Intellectual
R&D road map and technology and software development for a high-quality, innovative smart technology portfolio.

Products
Integrated technologies and software that create innovative, sustainable, and comprehensive systems, both capitalizing on market trends and ensuring efficiency and connectivity for customers.

Environment
For each decision we take in our business, we consider its potential environmental impact. TKH enters into active dialogue with our strategic suppliers in order to improve the sustainability of their products and processes.

Financial
Equity and loans to invest in proprietary technologies, our employees, and the growth of our business.

Human
Talented and skilled employees who reflect a diverse society. Providing a safe and inspiring workplace with opportunities for professional development.

Social and Relations
Close cooperation with stakeholders based on honesty, integrity, and openness. Contributing to and investing in the society around us.

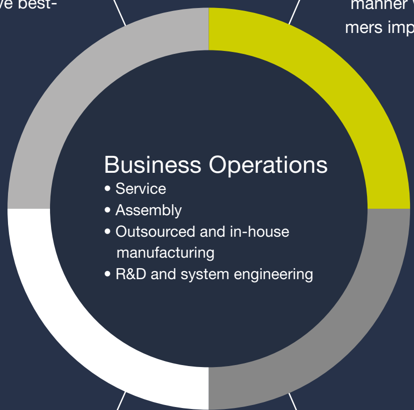
Business operations

Core values as a guideline for our actions
- Entrepreneurship
- Customer-focused
- Responsibility
- Transparency
- Integrity

Strategic pillars and targets

Innovation and technology leadership
A leading innovative technology player (operating in niche markets) that creates comprehensive best-in-class solutions.

Sustainability
Conducting business in a socially and environmentally responsible manner while enabling our customers improving their sustainability performance.



Passionate, talented, and qualified people
An attractive and responsible employer.

Solid financial position
Creating added value for all stakeholders while providing a solid investment for shareholders through healthy balance sheet ratios and a strong cash flow from our operations.

Core Technologies

Smart Vision Systems

Smart Manufacturing systems

Smart Connectivity systems

Output

Knowledge sharing and development
- New technologies and innovations.
- Protected technologies and IP rights through patents.
- Solid R&D road map.

Safe and sustainable product portfolio
- Innovative, reliable, and sustainable solutions.
- Contributing to a safe environment and efficient processes for our customers.
- Broad geographical distribution.

Business and operations
- Sustainable use of energy and raw materials.
- Operation in accordance with LEAN, Six Sigma Principles, ISO 14001, ISO 45001.
- Implementation of energy-saving and waste reduction programs.

Financial value
- A healthy balance sheet ratio and strong operational cash flow.
- An annual increase in earnings per share.

Attractive and responsible employer
- Investment in health and safety.
- Investment in training and development opportunities.
- Focus on diversity and inclusion.
- Ensuring honesty and openness.

Social & relations
- Good relationships with stakeholders.
- Social engagement.

Outcome

Innovation and technology leadership
- Turnover: € 1.8 billion
- Innovations: 16.1%
- R&D expenditure: € 70.7 million

Solid financial position
- ROS: 12.8%
- ROCE: 19.8%
- Net earnings per share: € 4.07
- Debt-leverage ratio: 1.8
- Proposed dividend per share: € 1.70

Passionate, talented, and qualified people
- Number of training hours/FTE: 42
- Employee satisfaction: 7.8
- LTIF: 0.75
- Illness rate: 3.85%
- Diversity: 19.2%

Sustainability
- Turnover connected to SDGs: 70%
- CO_2e footprint reduction: 64.3% (compared to 2019)
- Waste main raw materials: 5.2%
- Recycling: 87.3%
- Customer satisfaction: 8.6

Management report

Business developments

Strong strategic positioning in light of the global megatrends, with an excellent performance of the Smart Manufacturing segment, led to further growth during the year.

During the year, amidst challenging market circumstances, our technologies continued to gain traction on the back of the long-term megatrends automation, digitalization, and electrification. We again managed to improve our added value from 47.2% to 49.8%, underpinning our leading positions in the markets we operate in. Smart Manufacturing systems saw an acceleration of deliveries of a large inventory of incomplete Tire Building machines in the last few months of the year, as supply chain constraints eased. Despite the constraints encountered in the first half of 2023, this led to record results for Smart Manufacturing systems in 2023, with turnover up 16.8% and EBITA up 31.2%. In the course of the year, Smart Vision systems, most notably 2D and 3D machine vision, was affected by destocking at customers and adverse market conditions in certain end-markets. Security Vision on the other hand continued to record growth, on the back of certain larger infrastructure projects. Overall however, Smart Vision systems recorded a 0.2% growth in turnover, and a 10.1% decline in EBITA. EBITA was affected by the relatively high costs, as we continued to invest in our one-stop-shop and solutions offerings, thus keeping costs levels at elevated levels to capture the growth the market offers when demand returns. Smart Connectivity systems too was impacted by destocking at Dutch utility companies in the second half of 2023, higher cost levels associated with new hires and start-up costs related to the strategic investment program, underutilization of the subsea cable factory in the second half of 2023 and the costs associated with the relocation of production capacity from China to Poland in fibre optic cables. Overall, Smart Connectivity systems recorded a 5.7% decline in turnover and a 7.1% decline in EBITA.

In 2022, we launched our Strategic Investment Program to further increase our global production capacity to respond to the increased market demand in the fields of automation, digitization, and electrification. During the year, a large number of these projects were completed, without delays or significant cost overruns. The expansion of our existing facilities in Lochem for the production of medium and high voltage cables has become operational in phases in Q3 2023. During the year we have also been selected as one of the suppliers by systems operator TenneT for the supply of high voltage cables in the coming years. The new plant for fibre optic cables in Poland, which will increase our EU cabling capacity to eliminate the import duties on fibre optical cables imported from China, became operational as of Q3 2023. A new plant in Poland specializing in customized connectivity systems became operational in Q3 2023. The construction of additional capacity for Tire Building systems in Poland became operational early Q2 2023. The investment in a new plant for inter-array cables in Eemshaven is progressing well and is expected to start serial production in Q2 2024. During 2023, TKH was awarded a major contract by offshore wind power world leader Ørsted for the supply of nearly 200 kilometers of inter-array and other cables. Also, TKH signed a multi-year framework agreement with Vattenfall for the single source

Expansion Tire Building systems factory
Leszno, Poland

New fibre optic cable factory and
new factory for specialized connectivity systems
Rawicz, Poland

supply of 66 KV, bottom fixed inter-array cables for offshore wind farms in Europe developed by Vattenfall. The agreement, which took immediate effect at the beginning of November 2023, was signed for an initial period of 3 years and can be extended for a further 5 years. Once the completion of the Eemshaven facilities is finished, we will have delivered on our the strategic program within a record 1.5 year time frame.

We also delivered on milestones in aligning our portfolio towards our Accelerate 2025 strategic program. On February 1, we finalized the divestment of our minority share in CCG with a one-off profit of € 36.2 million. In May, we announced the acquisition of Euresys, a leading, innovative, high-tech designer and provider of software for 2D and 3D image analysis and video capture and processing. In 2023 Euresys realized a turnover of € 17 million and contributed to TKH's normalized earnings per share in 2023. At the end of September, 2023, we announced the closing of the divestment of TKH France, the connectivity distribution activities in France, which includes the entities CAE Data and ID cables, to private equity company Argos Wityu SAS. Under the terms of the agreement, TKH reinvested € 26.5 million to acquire a minority stake of 40% in the carve-out. The transaction resulted in a one-off net profit contribution of about € 19.6 million.

In total, these divestments resulted in a one-off net profit of € 54.8 million. Part of these proceeds were used for two share buyback programs during the year of € 25 million each. Together with the € 67.6 million in dividends we distributed, we have returned a total of € 117.6 million in cash to shareholders this year.

On November 14, 2023, we announced that we will further accelerate our divestment opportunities in the coming 12 months, to provide TKH with further room to invest in the core technologies as well as use the funds for further share buyback programs.

Also, we have made substantial investments 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. AI provides an additional opportunity to create solutions for our customers that deliver maximum performance and efficiency in their processes.

Early 2024, TKH announced the acquisition of JCAII, a company offering visual guidance software and equipment to airports and airlines, with a strong track record in airport de-icing technology. The acquisition complements TKH's CEDD connectivity technology. The transaction is expected to have a positive effect on TKH's earnings per share as per 2024.

Financial performance

Group financial performance

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%).

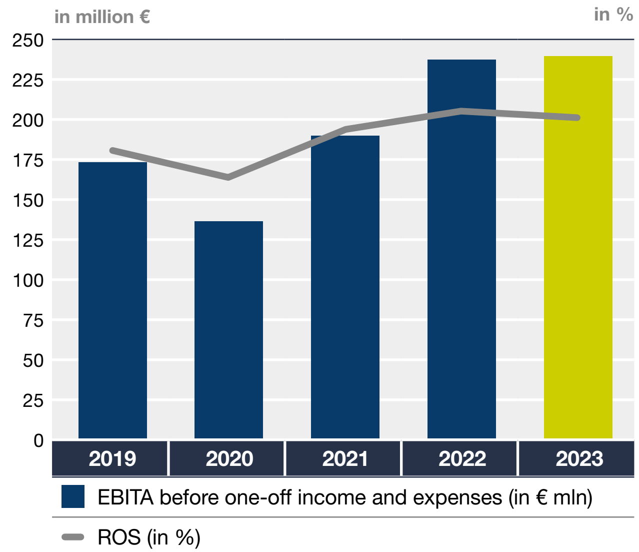
The added value increased to 49.8% in 2023 (2022: 47.2%). All segments reported an increase in added value. Most notably Smart Connectivity's added value went from 37.8% in 2022 to 41.8% in 2023. The increase in added value was mostly attributable to higher operational costs being passed on to customers,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

EBITA and ROS Development



The figures of 2019 are based on 'continued operations' and thus excluding the divested industrial connectivity activities.

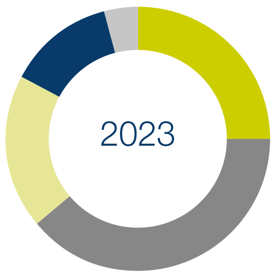
Inflationary effects, EU anti-dumping duties on fibre optic cables, destocking at customers and start-up costs of our new factories all had a dampening effect on ROS. The ROS at Smart Manufacturing systems increased markedly to 15.8% (2022: 14.1%) driven by the strong turnover growth and the gradual 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.

Geographical distribution of turnover

in %



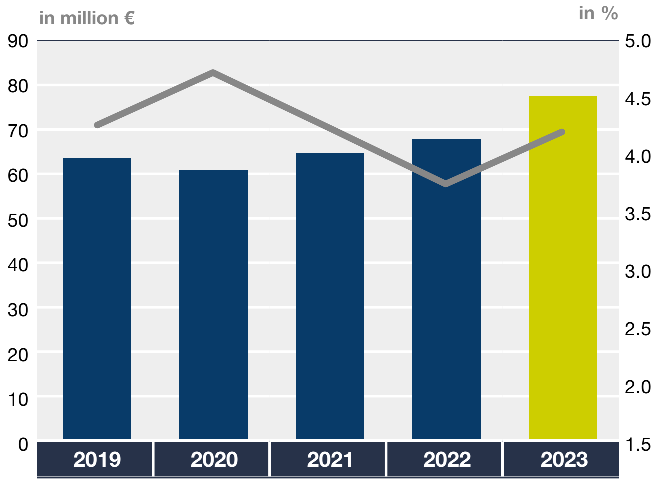
Netherlands	25
Europe (other)	39
Asia	19
North America	13
Other	4

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).

R&D expenditure



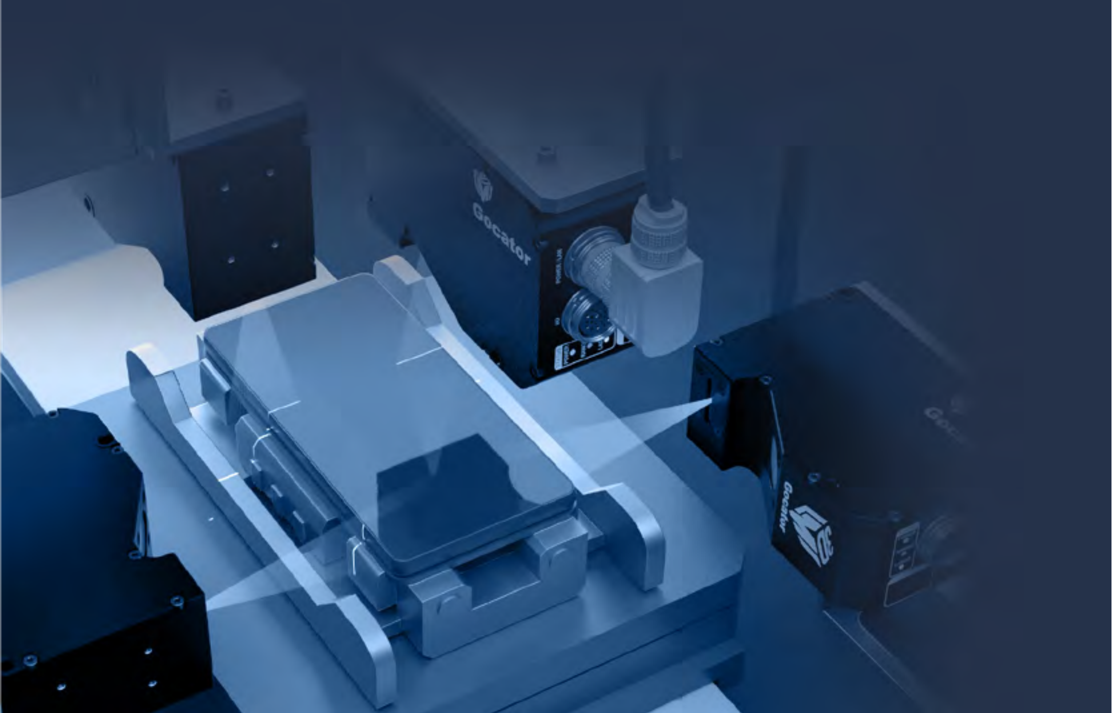
Net bank debt according to bank covenants increased by € 162.0 million from year-end 2022 to € 469.2 million at year-end 2023. The main items affecting the debt level include the increase in working capital (€ 71.3 million), net investments in property, plant, and equipment of € 177.0 million (of which € 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

TKH creates state-of-the-art Vision systems, and Vision technology represents about 85% of the turnover of the Smart Vision systems segment. This technology encompasses 2D and 3D Machine Vision and Security Vision systems. Combining these technologies with in-house software development allows us to create unique, smart, integrated plug-and-play systems, and one-stop-shop solutions.



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.

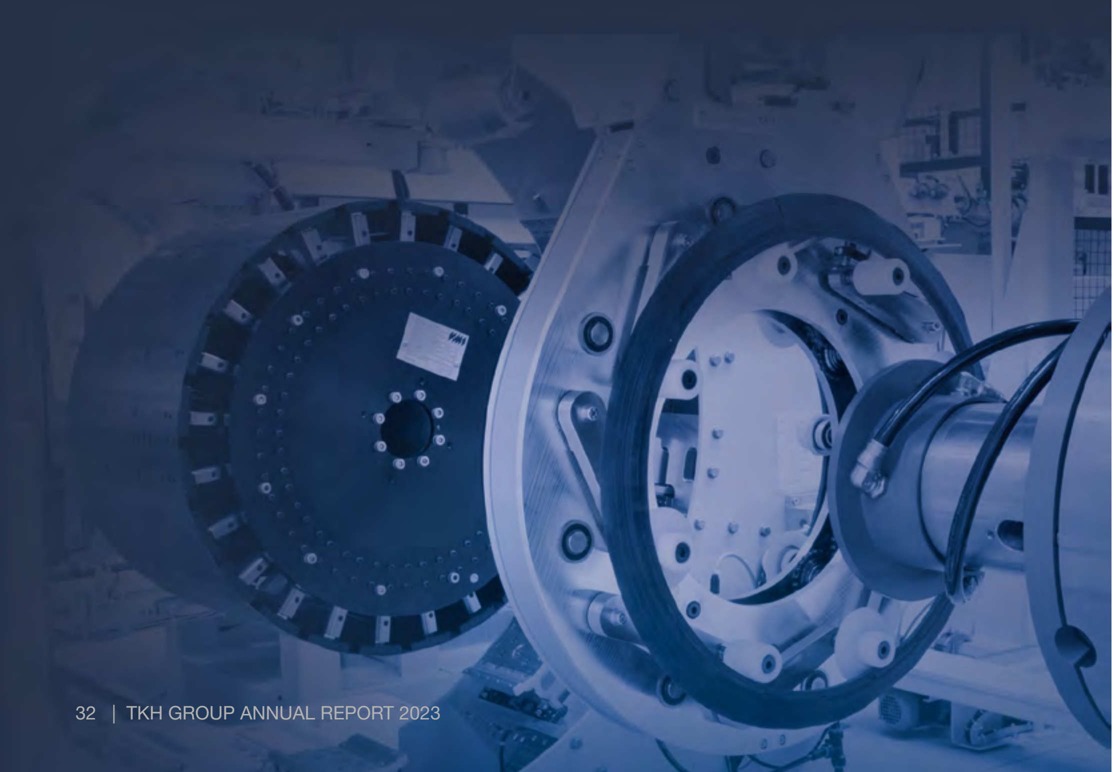
Key figures Smart Vision systems

in € million unless otherwise stated	2023	2022	Change in %	Organic change 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).

Smart Manufacturing systems

TKH leverages its unique expertise and deep understanding of automating production processes in specific industries to create superior manufacturing systems. TKH engineers complete manufacturing systems and machines that contribute to highly efficient processes. Tire Building systems account for 75% of the Smart Manufacturing systems segment turnover share.



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.

Key figures Smart Manufacturing systems

in € million unless otherwise stated	2023	2022	Change in %	Organic change 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 Connectivity systems

TKH manufactures advanced connectivity systems, and engineers complete Smart Connectivity systems with a unique, integrated system approach and sustainability proposition. Energy and Digitalization account for about 39% and 33% of the Smart Connectivity systems segment turnover share.

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.

Key figures Smart Connectivity systems

in € million unless otherwise stated	2023	2022	Change in %	Organic change in %
Turnover	800.5	848.6	- 5.7%	- 1.5%
Added value	*41.8%*	*37.8%*		
EBITA before one-off income [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%*		

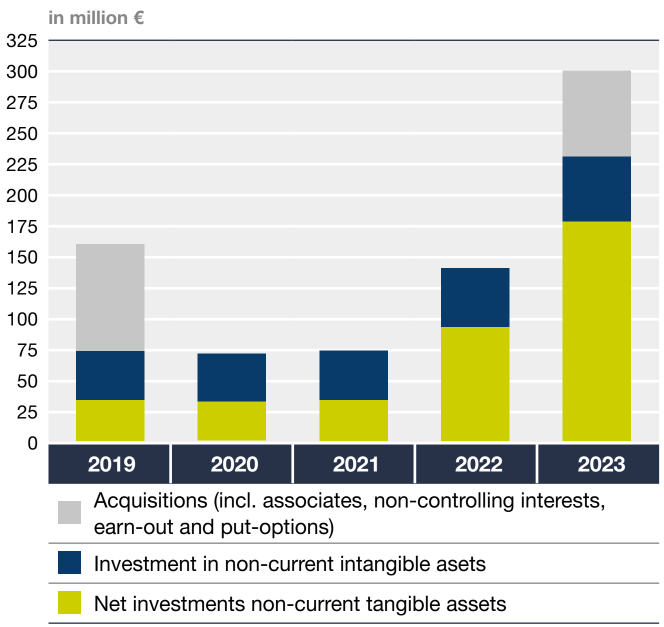
1 One-off net expenses for Smart Connectivity systems amounted to € 0.6 million in 2023 (2022: income of € 8.1 million) of which € 2.2 million in Q4 2023 (Q4 2022: income of € 1.0 million).

Acquisitions, divestments, and investments

Acquisitions are an important part of TKH's strategy and contributes to our long-term value creation by strengthening our business proposition.

We focus on acquiring structurally healthy companies that allow us to build our portfolio of proprietary technologies, or expand our geographic sales network within Europe, North America, and Asia. We aim to acquire a turnover of € 100 million to € 150 million in total within the medium term, at the same time as we manage our portfolio to reduce activities with lower margins and growth potential that do not contribute toward our long-term targets. We expect to accelerate our divestment opportunities in the coming 12 months.

Investments



Acquisitions & divestments

In May 2023, we further strengthened our leading position in Machine Vision with the acquisition of Euresys Group, a leading innovative high-tech designer and provider of software for 2D and 3D image analysis, as well as video capture and processing. We also made good progress with our divestment program. The divestment of our remaining stake in Cable Connectivity Group was closed in February 2023 and led to an one-off net profit of € 36 million. The divestment of the TKH France activities was closed in September 2023 and led to an one-off net profit of € 20 million. The TKH France activities will be continued in a newly established company in which TKH acquired a minority interest of 40%. The expenditure related to acquisitions amounted to € 0.9 million (2022: € 0.9 million).

At balance sheet date, an active program is in place to divest certain activities in our Smart Manufacturing segment related to customized electronic assemblies for the industrial and automotive market; accordingly, the associated assets and liabilities have been reclassified to assets and liabilities held for sale. Barring unforeseen circumstances, a transaction is expected within the upcoming 12 months.

Investments in property, plant and equipment

In 2023, the net investment in property, plant and equipment, excluding right-of-use assets, totaled € 177.1 million (2022: € 91.8 million). In 2022, we launched our Strategic Investment Program to further increase our global production capacity to respond to the increased market demand in the fields of automation, digitization, and electrification. The execution of these expansions started in the second half of 2022 and is progressing on schedule.

The investments specifically target:

- Onshore and offshore power cables – the € 150 million investment program to meet the additional demand for onshore and offshore connectivity are progressing according to plan:
  - The expansion of our existing facilities in Lochem for the production of medium and high voltage cables has become operational in Q3 2023.
  - The investment in a new plant for inter-array cables in Eemshaven is progressing well and is expected to start serial production in Q2 2024.
- Fibre optic cables: the new plant in Poland, which will increase our EU cabling capacity to eliminate the import duties on fibre optical cables imported from China, became operational as of Q3 2023; the import duties incurred in 2023 amounted to € 7.5 million.
- A new plant in Poland specializing in customized connectivity systems became operational in Q3 2023.
- The construction of additional capacity for Tire Building systems in Poland became operational early Q2 2023.

Out of the total amount of € 200 million allocated for strategic investments, € 124 million has been spent in 2023 (2022: € 41 million). In total, we expect these investments to generate an additional € 250 - € 300 million annual turnover in the coming years, the majority of which will be realized by Smart Connectivity systems.

Depreciation of property, plant and equipment totaled € 32.6 million in 2023 (2022: € 31.7 million).

Investments in intangible assets and goodwill

In 2023, € 53.1 million was invested in intangible assets and goodwill (2022: € 45.9 million). The most important investments related to the ongoing development of our technologies:

- 2D and 3D Machine Vision portfolio.
- (Vision) security and communication systems.
- New generation of Tire Building systems, like the UNIXX, FLEXX, and Revolute.
- Portfolio and production technology for connectivity systems focused on electrification.
- Automated system for patching and connecting within fibre optic networks.

The investments above do not only relate to hardware development, but also the development of smart software based on artificial intelligence. In addition, there are investments in software including ERP of € 9.2 million and patents and licenses of € 2.1 million.

Strategic Investment Program

Electrification

Offshore: new Subsea cable factory
Eemshaven, the Netherlands

Onshore: Expansion factory for medium and high voltage cables
Lochem, the Netherlands

Digitalization

New fibre optic cable factory
Rawicz, Poland

Automation

New factory for specialized connectivity systems
Rawicz, Poland

Expansion Tire Building systems factory
Leszno, Poland

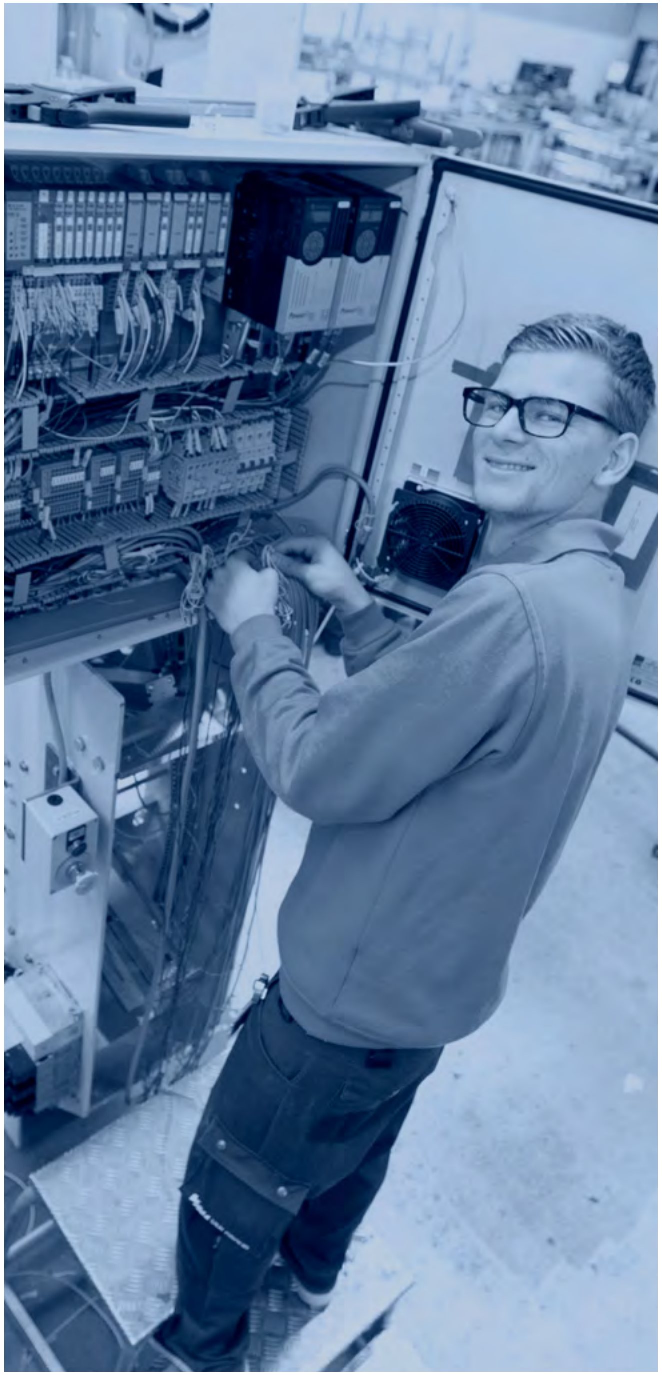
Outlook

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.



Sustainability statements

General disclosures

Our approach to sustainability

We aim to create long-term value for our stakeholders by creating Smart Technologies for a more efficient and sustainable world. We aim to do that by sustainable innovation, which is part of our DNA and key for our business, in combination with a focus on strategic areas of sustainability, which are increasingly integrated in our operations and supply chain.

Sustainability is a key element in our product portfolio and enables our customers to improve their sustainability performance

The world is facing a shortage of human resources and rising labor costs, driving the demand for automation and "hands-off, eyes-off" manufacturing. The need to reduce carbon footprints by reducing waste and energy consumption in manufacturing is driving the need for advanced smart technologies. In addition, electrification requires more (renewable) energy generation. Together with our customers, we create innovative and client-centric technology systems, to provide answers to these challenges. In doing so, we add value to make the world better by creating more efficient and more sustainable systems and contributing to the United Nations' Sustainable Development Goals (SDGs).

Integrating sustainability into our operations and supply chain

As we continue to expand our operations, integrating sustainability enables us to minimize energy use, GHG emissions, and waste. We want to ensure that we have an attractive and safe workplace. Raw materials are becoming scarce due to the increasing demand, which is way we aim for a sustainable supply chain. We want to do business in a responsible way by focusing on integrated governance and transparent sustainability reporting.
We want sustainability to be integrated throughout our business and supply chain. Therefore we inform and involve external and internal stakeholders about sustainability and empower them to contribute to the implementation of our sustainability strategy.

Sustainable Development Goals

The Sustainable Development Goals (SDGs), developed by the United Nations, are a blueprint for achieving a better and more sustainable future. TKH recognizes their importance and aims to contribute to the SDGs through its business operations and innovative product portfolio, in line with its long-term value creation process. To make an effective and targeted contribution through the SDGs, we focus on areas where we believe we can have the greatest impact and make the most direct contribution. Sustainability is a key element in our product portfolio and enables our customers to improve their sustainability performance. In this context, we are focusing on four SDGs. Sustainability is increasingly integrated in our operations and supply chain, with two other SDGs we focus on internal operations and business practices. Approximately 70% of our total turnover is linked to at least one of the SDGs. In this way, we support our customers in meeting their sustainability criteria and simultaneously provide clear evidence of the forward-thinking approach of our business.

Focus on innovative product portfolio

3 Good health and well-being

Ensure healthy lives and promote well-being for all at all ages

9 Industry, innovation and infrastructure

Build resilient infrastructure, promote sustainable industrialization and foster innovation

7 Affordable and clean energy

Ensure access to affordable, reliable, sustainable and modern energy

11 Sustainable cities and communities

Make cities inclusive, safe, resilient and sustainable

±70% of our turnover is linked to one or more of these SDGs

Focus on internal operations and business practices

8 Decent work and economic growth

Promote inclusive and sustainable economic growth, employment and decent work for all

12 Responsible consumption and production

Ensure sustainable consumption and production patterns

Good health and well-being

TKH's technologies and solutions support the care process, resulting in greater efficiency and reliability in the healthcare sector, for home care, professional care, and pharmaceutical companies.

Impact

When it comes to the continuously evolving technological support of the care process, TKH believes that care can become more efficient and reliable by tailoring technology more closely to each client. In fact, "tailor-made" is at the heart of TKH's care solutions for both extramural and intramural care. Our care technology platform, which includes customized alarm scenarios and smart sensors, facilitates the rapid and flexible connection of care systems to a comprehensive range of functions and applications for care needs. It also helps to make care delivery more user-friendly and accessible.

Our Smart Manufacturing technology responds to increasingly stringent quality measures imposed by the pharmaceutical industry to package different medicines with the highest precision. In addition, the risk of contamination of medicines is eliminated.

Examples of our innovative SDG portfolio

- Care technology platform
- Mission-critical communication systems
- Medication distribution and inspection system
- Special cable systems for medical equipment
- 2D Vision systems for medical equipment
- Blood pressure sensors
- Thermal camera systems

Affordable and clean energy

With its Connectivity technologies, TKH is developing innovative cable systems that contribute to the energy transition and the use of sustainable energy sources, including offshore wind farms. In this way, we contribute to Europe's energy reduction targets.

Impact

TKH's Connectivity technology plays a fundamental role in the distribution of green energy, such as wind power. Our innovative subsea cable concept, for example, connects wind turbines in offshore wind farms and is characterized by high performance, risk reduction, installation efficiency, and sustainable composition. With the trend towards electrification, there is a considerable need to upgrade and expand power grids; TKH's power cable systems offer a solution to alleviate this enormous demand.

Examples of our innovative SDG portfolio

- Energy cable systems for the energy transition
- Subsea cable systems for offshore wind farms

Industry, innovation and infrastructure

TKH has a strong reputation as an innovator in the tire building, robotics, and mechanical engineering industries. We pioneer technologies and innovations to capitalize on the pillars of "Industry 4.0", and the demand for increased productivity, and improved product quality and production processes. Our technology also makes infrastructure safer and more available.

Impact

TKH's Connectivity, Vision and Security technologies make it possible to build sustainable infrastructure that meets strict safety and efficiency standards. Our innovative vision and manufacturing systems also enable our customers to make products more efficiently, reliably and flexibly. Our Vision technology is used for inspection, quality, product, and process control in amongst others industrial automation, battery inspection, consumer electronics, and scientific research. TKH leverages its unique expertise and deep understanding of the automation of production processes for controlling and monitoring industrial processes, as well as comprehensive manufacturing systems for car and truck tire production.

Examples of our innovative SDG portfolio

- Fiber-optic cable systems
- Access control and security systems
- CEDD/Airfield Ground Lighting system
- Industrial 2D and 3D Vision systems
- Tire Building systems
- Special cable systems for robotics and mechanical engineering
- Test & measurement systems for e-mobility

Sustainable cities and communities

By combining communications and Security technology to develop innovative, comprehensive solutions for the built environment, we help to improve the efficiency, safety, and security of the systems used in and around cities.

Impact

TKH's technologies and resulting solutions help make cities safer. Our Security technology enables the built environment to be monitored and controlled with alarm systems, mission-critical communication systems, access and recording systems, and evacuation systems. Mobility security solutions focus on vehicle tracking, video analytics for public transport and security solutions on toll roads. In addition, TKH technologies improve efficiency, safety, and security in multi-story car parks, football stadiums, schools, and financial institutions.

Decent work and economic growth

Through knowledge sharing and our strong R&D focus, we offer a distinctive and innovative portfolio of high value-added products. Healthy balance sheet ratios and a solid operating cash flow also support TKH's growth strategy. Through good employment practices, we offer our employees a vibrant and safe working environment with ample development opportunities. We have set KPIs and targets on health and safety as well as employee satisfaction.

Impact

TKH is committed to providing a safe and inspiring work environment for our employees. We offer our employees the training and resources they need to perform their activities and develop their skills effectively. By sharing knowledge, TKH further develops its sustainable portfolio in response to market needs. Through our operational excellence programs, which systematically focus on both customer value and on making the best possible use of our people's knowledge and skills, we excel in our business operations. We have set KPIs and targets on training and education.

Responsible consumption and production

Through our business operations, TKH focuses on responsible operations and production, and on reducing our negative impact on the environment as much as possible. All our production companies are certified in accordance with the ISO 14001 environmental management system and work according to the LEAN principle to eliminate waste in the production process. We have set KPIs and targets on waste and recycling.

Impact

TKH's sustainability policy is designed to ensure that we continuously improve our environmental performance and minimize the negative impact of our operations on the environment. All of the raw materials used by TKH production companies are selected, to the greatest extent possible, to have little or no harmful effect on the environment from the initial design stage. TKH's production environment focuses on eliminating waste as much as possible, and sets targets for reducing waste and recycling raw materials. We regularly discuss sustainability opportunities and our Code of Supply with our suppliers.

Examples of our innovative SDG portfolio

- Mobility inspection systems and security solutions
- Mission-critical communication systems
- Parking guidance and security systems
- Connectivity systems

Examples internal operation/business practices

- Healthy balance sheet ratios and a solid operational cash flow
- ISO 9001 certification - quality management system
- ISO 45001 certification - occupational health and safety (OH&S) system
- KPIs and targets on health and safety

Examples internal operation/business practices

- ISO 14001 certification - environmental management system
- Work according to LEAN principle
- KPIs and targets on waste and recycling

EU Taxonomy disclosures

TKH's reporting on EU taxonomy activities follows Regulation EU 2020/852 of the European Parliament and of the Council. The EU Taxonomy Regulation is intended to serve as a standardized and mandatory classification system to determine which economic activities can be considered environmentally sustainable, and it requires companies to report on how and to what extent their activities are associated with such taxonomy-eligible activities. The Taxonomy Regulation is relatively new, and there are still significant uncertainties about its phased implementation after the second reporting year in 2022. However, the EU is expected to develop a comprehensive and detailed framework over the coming years.

The EU Taxonomy Regulation provides certain conditions for taxonomy alignment. The relevant activity must substantially contribute to one or more of the following six environmental objectives, while not significantly harming any of the others.

There are six environmental objectives under the EU Taxonomy:
- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

The Delegated Acts adopted under the EU Taxonomy Regulation provide technical screening criteria that must also be met to conclude on taxonomy alignment. In 2023, the second Delegated Act was published concerning activities significantly contributing to environmental objectives 3-6 above. For an economic activity to be considered environmentally sustainable under the EU Taxonomy, it must be determined whether it is taxonomy eligible and whether it is taxonomy aligned, and the proportion in the total turnover, capex and opex. We used the Regulation (EU) 2020/852, the Delegated Act (EU) 2021/2139, the Delegated Act (EU) 2021/2178, and the Delegated Act (EU) 2023/2486 for this assessment. In 2023, companies are required to report on to what extent the economic activities are eligibility (i.e. contributing to one or more of the 6 environmental objectives). Report on alignment is required for the first two environmental objectives.

EU Taxonomy turnover
Based on our assessment we concluded that only a very limited proportion of our turnover-generating activities should be included. The Taxonomy-eligible but not Taxonomy-aligned turnover was 0.3% in 2023 and related to data processing, hosting, and related activities. Because we do not meet the requirements of the EU Directive on Data Centre Energy Efficiency the technical screening criteria are not met. As a result this activity is considered to be eligible but not aligned. The remaining turnover is non-eligible (99.7%). The turnover is calculated based on the “total turnover” according to the consolidated statement of profit and loss. The total value of TKH's turnover amounts to € 1,847.5 million.

EU Taxonomy capex
We also assessed our capital expenditure. The reportable Taxonomy-eligible but not aligned capital expenditures in 2023 was 0.5% of the total capital expenditure in 2023 and related to data processing, hosting, and related activities. Because we do not meet the requirements of the EU Directive on Data Centre Energy Efficiency the technical screening criteria are not met. As a result, this activity is considered to be eligible but not aligned. The remaining capex is non-eligible (99.5%). The capital expenditure was determined based on the 2023 additions to property, plant and equipment, intangible assets, and additions to right-of-use assets, excluding any re-assessments and excluding goodwill (refer to note 3 intangible assets and goodwill, note 4 property, plant and equipment, and note 5 right-of-use assets of the financial statements). The total value of TKH's capex amounts to € 259.8 million.

EU Taxonomy opex
In 2023, we did not record reportable Taxonomy-eligible operational expenditures (0%). Not eligible operational expenditures were 100%. Operating expenses per the EU Taxonomy definition covers direct non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plants, and equipment. This differs from the definition of operating expenses in our financial statements. We used the following general ledger accounts in the operational expenditures assessment: R&D expenses, building maintenance, repair/maintenance, short-term leases, low-value leases, cost of machinery, cost of warehousing and furniture, and cost of manufacturing and housing. These costs are included in the other operating expenses (refer to note 25 of the financial statements). The total value of TKH's opex amounts to € 53.4 million.

Our EU taxonomy accounting policy includes references to the related line items in the consolidated financial statements, to avoid double counting between the various reporting categories and objectives. We will continue to monitor legislative developments and adapt our disclosures as necessary.

CSRD

We proactively started preparing for compliance with the Corporate Sustainability Reporting Directive (CSRD), and its detailed applications as included in the European Sustainability Reporting Standards (ESRS), which will apply to TKH from the reporting year 2024. We performed our materiality analysis based on the reporting requirements of the Global Reporting Initiative (GRI). As part of our efforts to start aligning with the requirements of CSRD, we conducted a double materiality assessment (DMA) in 2023 following the principles described in the ESRS. According to this concept, a topic is considered material if our impact on society or the environment is material (impact materiality) or if the topic gives rise to risks and opportunities that could have material consequences for our (future) financial performance or position (financial materiality).

The following steps were taken from the start of the DMA project to the sign-off of material topics:
- Defining the scope and objectives
- Identifying potential material sustainability matters (longlist of ESG topics)
- Determining definitions, thresholds and value chains
- Assessing of material sustainability matters (shortlist of ESG topics)
- Internal validation of assessment outcomes
- Validation by other internal and external stakeholders
- Signing-off on material topics by the Executive Board

In performing this assessment, we used the ESRS to generate a comprehensive longlist of potentially relevant topics, which we narrowed down to a shortlist of topics. For each topic on the shortlist we assessed the impacts, risks, and opportunities in the short, medium and long-term, as well as their respective materiality. The impact materiality score is calculated by the scale plus the scope plus the irremediable character (for negative impacts only) multiplied by the likelihood for potential impacts. The financial materiality score is calculated by financial size times likelihood for potential risks and opportunities. This assessment was carried out with input from executive and senior management at both TKH Group level and the operating company level, and with the support of an external advisor. In addition, internal subject matter experts provided input on the shortlisted topics. The process and outcome of the materiality assessment were discussed within the Audit Committee, approved by the Executive Board and communicated to the Supervisory Board. The first DMA resulted in the material ESG topics presented in the table.

The material topics identified are grouped into three categories: Environmental, Social, and Governance (ESG). In addition, we identified two company specific topics: sustainable innovation and AI and algorithm ethics. While most of the material ESG topics are in line with the materiality analysis based on the reporting requirements of the GRI from the prior year, we have identified AI and algorithm ethics as an additional ESG topic that requires attention because of changes in the execution of our strategy over the past year. Furthermore, we have now identified water use, compliance with environmental regulations, and human rights in the value chain as a distinct topic, which was previously included under respectively responsible production and responsible procurement.

For some of the topics identified, we have established appropriate key performance indicators (KPIs) and corresponding targets. We started the process to collect additional data for KPIs and targets on the remaining topics. The biggest challenges for 2024 are related to the scope 3 emissions, science based target setting, and obtaining relevant data from external parties in the value chains. Furthermore, in 2024 we will update the first DMA and will continue to engage with our stakeholders on material ESG topics.

Environmental	Social	Governance
GHG emissions, energy efficiency and consumption	Health and safety	Management of relationships with suppliers
Resource inflows, outflows and direct exploitation	Diversity	Business conduct
Waste (plastic, hazardous and non-hazardous)	Human rights in the value chain	
Waste recycling	Privacy for consumers/end users	
Compliance with environmental regulations		
Water use		

ESG ratings

We continuously improve and increasingly integrate sustainability in our operations and value chains. In 2023, this resulted in an improved score of our most important ESG ratings, reflecting our sustainability performance and commitment.

The following ESG ratings are available for TKH Group:
- Sustainalytics: score 20.1 (medium risk level)
- MSCI: score AA (leaders)
- CDP: climate score B (managing environmental impact)

In addition, a number of other ESG ratings are used by the operating companies, because these ESG ratings are better suited to their activities or because they are used within the value chain. In 2023, the operating companies VMI and TKF received a silver EcoVadis medal in recognition of their sustainability achievements.

Sustainability Statements

As part of the Accelerate 2025 strategic program, we continue to focus on sustainability in our strategy, with strong ambitions and non-financial targets for the coming years. We have a clear focus on the material ESG matters where TKH has the greatest impact on, with the aim of reducing the negative impact and/or increasing the positive impact of:
- CO_2e footprint
- Circular economy
- Attractive and safe workplace
- Responsible supply chain
- Responsible business

The key non-financial KPIs and performance are shown in the table below. Ernst & Young Accountants LLP (EY) provided limited assurance on these metrics.

Our sustainability information has been prepared with reference to the GRI. As part of our efforts to align with the upcoming CSRD, we have started to incorporate relevant reporting requirements of the ESRS where applicable and possible, such as water consumption and human rights in the value chain.

Key non-financial KPIs

ESG topic	KPI	Target	2023	2022
Environmental	Carbon footprint (CO_2e emissions)	100% carbon neutrality in own operations by 2030 (scopes 1 & 2) – reduction of CO_2 footprint compared to reference year (2019)	64.3%	42.7%
	% waste of most relevant raw materials, compared to total relevant material consumption	< 5% waste	5.2%	5.3%
	Recycling most relevant raw materials	> 80% recycling	87.3%	88.0%
Social	% of female members in executive and senior management teams	> 25% by 2030	19.2%	18.4%
	Accident rate (LTIFR)	< 1.0	0.75	0.78
	Illness rate	< 4.0%	3.85%	4.04%
	Employee satisfaction score	> 7.5	7.8	7.6
	Number of employees with disabilities and/or disadvantages on the labor market	Maintain at least current number	108	105
	Customer satisfaction score	Average score above benchmark (7.8)	8.6	8.6
Governance	Employees acting in accordance with Code of Conduct	Reporting of breaches of the Code of Conduct	3	0
	Code of Supply signed by suppliers	> 90% strategic suppliers signed up	91.9%	91.9%

Environmental

As a strategic priority, sustainability is firmly embedded in our day-to-day operations, and sustainability initiatives are being integrated into our organization. Our operating production companies have implemented the ISO standards that share common ground with sustainability goals, including the ISO 14001 environmental management system and the EN-16247 energy audit system, which is related to the European Energy Efficiency Directive.

Integrating sustainability enables us to minimize energy use, GHG emissions and waste. Raw materials are becoming scarce due to the increasing demand. As a company we want to take responsibility for our incoming products, which is why we aiming for a sustainable supply chain.

GHG emissions

Efficient energy consumption and the reduction of CO_2e emissions are important performance indicators for all our sites. Under the terms of the EU Energy Efficiency Directive (2012/27/EU), member states must ensure that large organizations undergo an energy audit to gather information on real-time energy consumption and gain insight into the potential for energy savings. At a country level, where applicable, TKH developed an integrated plan for energy efficiency to meet the requirements of this Directive. We use these reports for our energy reduction plan, among other things. We regularly monitor the identified potential for energy savings to ensure our progress and compliance with improvement plans. Energy-saving measures that have already been implemented include replacing conventional lighting with LED lighting, replacing central-heating boilers with energy-efficient models, replacing LPG lift trucks with electric lift trucks, monitoring and reducing energy peaks, and investing in energy from sustainable sources, such as solar panels. By constantly improving our production processes and procedures, and continuing to explore new, energy-efficient solutions, and investigating the opportunities to invest in self-generated electricity, we aim to address the energy factor wherever possible. By doing so, we are attempting to minimize both CO_2e emissions and energy costs.

The focus of TKH's CO_2e footprint reduction remains primarily on scopes 1 and 2, as these are within our direct control as they concern our own operations. We have expanded our internal dashboard to include components from scope 3. For scope 1 and 2, TKH calculates the energy use and the related CO_2e emissions, using conversion factors from reputable and authoritative sources. TKH uses tank-to-wheel emission factors. All conversion factors are reviewed annually and updated if necessary. The basis for consolidated energy consumption and CO_2e emissions is activity data, which in turn are based mostly on meter readings, invoices, and data provided by suppliers. Where reliable data is not available, TKH uses calculations or estimations obtained through reliable methods and input data.

In 2021, we set ourselves the target of 100% carbon neutrality by 2030 for our own operations (scopes 1 and 2). To report on progress, we compare the CO_2e footprint and relative reduction to the reference year of 2019, which represents TKH's activities prior to COVID-19.

Net carbon footprint by scope

in kg ton CO_2-equivalent unless otherwise stated	2023	2022	2019 (reference year)
Scope 1	6,285	6,342	8,642
Scope 2 (market based)	8,496	17,390	32,773
Total (scopes 1 and 2)	**14,781**	**23,732**	**41,415**
Net CO_2e footprint reduction (scopes 1 and 2)	*64.3%*	*42.7%*	
Turnover in million €	1,848	1,817	1,490
Carbon intensity rate *in kg ton CO_2e/turnover in million €*	8.0	13.1	27.8
Scope 3 – cat. 3. Fuel- and Energy-related activities	3,402	4,894	8,557
Scope 3 – cat. 5. Waste Generated in Operations	318	231	467
Scope 3 – cat. 6. Business Travel - by plane	6,059	3,337	5,633
Total (scope 3)	**9,779**	**8,462**	**14,657**
Net CO_2e footprint reduction (scope 3)	*33.3%*	*42.3%*	
Total (scopes 1, 2, and 3)	**24,560**	**32,194**	**56,072**
Net CO_2e footprint reduction (scopes 1, 2 and 3)	*56.2%*	*42.6%*	

In 2023, our net carbon footprint for scopes 1 and 2 decreased by 64.3% compared with the reference year, 2019 (2022: reduction of 42.7% compared to 2019). The reported figures do not include any acquired carbon offsets. At our sites, we reduced our scope 1 (direct) emissions. This was mainly driven by energy efficiency measures, our program to replace gas with alternative energy sources, the continuation of working from home, and mild winters. New buildings, such as our new subsea factory in Eemshaven in the Netherlands, are constructed without gas as much as possible. Emissions from transportation from own and/or controlled vehicles, which include emissions from lease cars, decreased by 12.1%. This is mainly due to the electrification of our lease car fleet and promoting online collaboration to limit travel as much as possible. Since 2022, new company cars leased in the Netherlands must be electrical, resulting in a share of electric cars of 42.4% of the total lease car fleet in the Netherlands. From 2024, all new lease cars within the group must be electric, with only a few exceptions. Our scope 2 emissions were further reduced as a result of a higher share of renewable energy, resulting from a shift to renewable energy sources and self-generated energy through solar panels installed on our buildings and properties, combined with purchased green certificates which was the main contributor in the reduction of scope 2 emissions. As a result, our carbon intensity rate for scopes 1 and 2 improved from 13.1 in 2022 to 8.0 in 2023.

In the year under review, we extended our scope 3 dashboard and included category 3 fuel- and energy-related activities, category 5 waste generated in own operations and category 6 business travel by plane. Category 3 is related to scope 1 and scope 2 consumption and therefore shows the same development. For further details, we refer to the paragraph below with regards to energy efficiency and consumption. We also included the CO_2e footprint of our waste produced, which includes copper, aluminium, plastics and other waste. For more information on waste we refer to the paragraph waste and recycling. The CO_2e footprint of business travel by air (category 6) increased compared to last year, partly due to the effects of fewer COVID-19 restrictions resulting in more exhibitions and fairs. Much of our business air travel is related to the installation of our tire building systems at customer sites around the world. As the level of activity increased, so did the amount of business air travel, although we choose direct flights where possible.

Taking into account scopes 1, 2 and 3, the net CO_2e footprint decreased by 56.2% compared to the reference year, 2019 (2022: reduction of 42.6% compared to 2019). In 2024, we will further expand our internal dashboard with other components included in scope 3.

Energy efficiency and consumption

Energy consumption focuses primarily on electricity (MWh) and natural gas (m3). At 83% of the total energy consumed (2022: 79%), electricity consumption is the largest in terms of absolute volume, owing to its use in the production process, lighting, ventilation, air-conditioning, and extraction systems. Gas accounts for 16% of the total energy consumption (2022: 20%) and is used for heating buildings and, to a lesser extent, for process heating. The decrease in gas consumption was mainly driven by energy efficiency measures and our GHG reduction program to replace gas with alternative energy sources (e.g. electricity). Consumption of diesel and fuel oil has declined in recent years and now accounts for only 1.2% of total energy consumption.

Energy consumption

in MWh unless otherwise stated	2023	2022	2019 (reference year)
Electricity consumption	74,049	73,222	74,367
Gas consumption	14,506	19,075	25,054
Fuel consumption	1,090	760	1,269
Total energy consumption	**89,645**	**93,057**	**100,690**
Renewable electricity share in total electricity consumption	58.7%	37.5%	2.2%
Turnover *in million €*	1,848	1,817	1,490
Energy intensity rate *in MWh/turnover in million €*	48.5	51.2	67.7

The total energy consumption was 13.2% lower than in the reference year 2019. The COVID-19 situation had an impact on this, as did the divestment of activities. The increased activity level and the announced strategic capital expenditure program will result in an increase in energy consumption. Combined with the energy reductions we achieved and the increase in turnover, this led to an improved energy intensity rate of 48.5 in 2023 compared to the reference year 2019 (67.7).

We increased our share of renewable energy from 2.2% in the reference year 2019 to 58.7% in 2023. This is mainly the result of purchased renewable energy, self-generated energy through solar panels installed on our buildings and properties, combined with purchased green certificates which was the main contributor in the reduction of scope 2 emissions.

In 2024, we will continue to focus on our GHG reduction program and increase the share of renewable energy to reduce our net CO_2e footprint. In addition, we will set up a compensation program to offset residual CO_2e emissions, with the aim of working toward our carbon neutrality target for scopes 1 and 2 by 2030.

Waste and recycling

Sustainable business practices also include the sustainable management of resources. Our Operational Excellence Program focuses on production efficiency, so we never lose sight of issues such as reducing energy consumption and the use of raw materials. At all our manufacturing sites, we aim to select raw materials and other materials that have little or no environmental impact from the design stage. Efficient management of materials and raw materials is important because of the consumption of valuable metals such as copper and aluminum, which are an essential part of the cable production process, and because of the waste that is inevitably generated. The main raw materials used by TKH are copper, aluminum, and plastic, which result in respectively waste streams. Other waste is mainly related to steel, wood, paper and other raw materials. The majority of the waste is classified as non-hazardous.

Our policy is to eliminate waste to the extent that it has the least impact on the environment. This also helps us to avoid unnecessary costs. We have adopted the two following approaches to this:

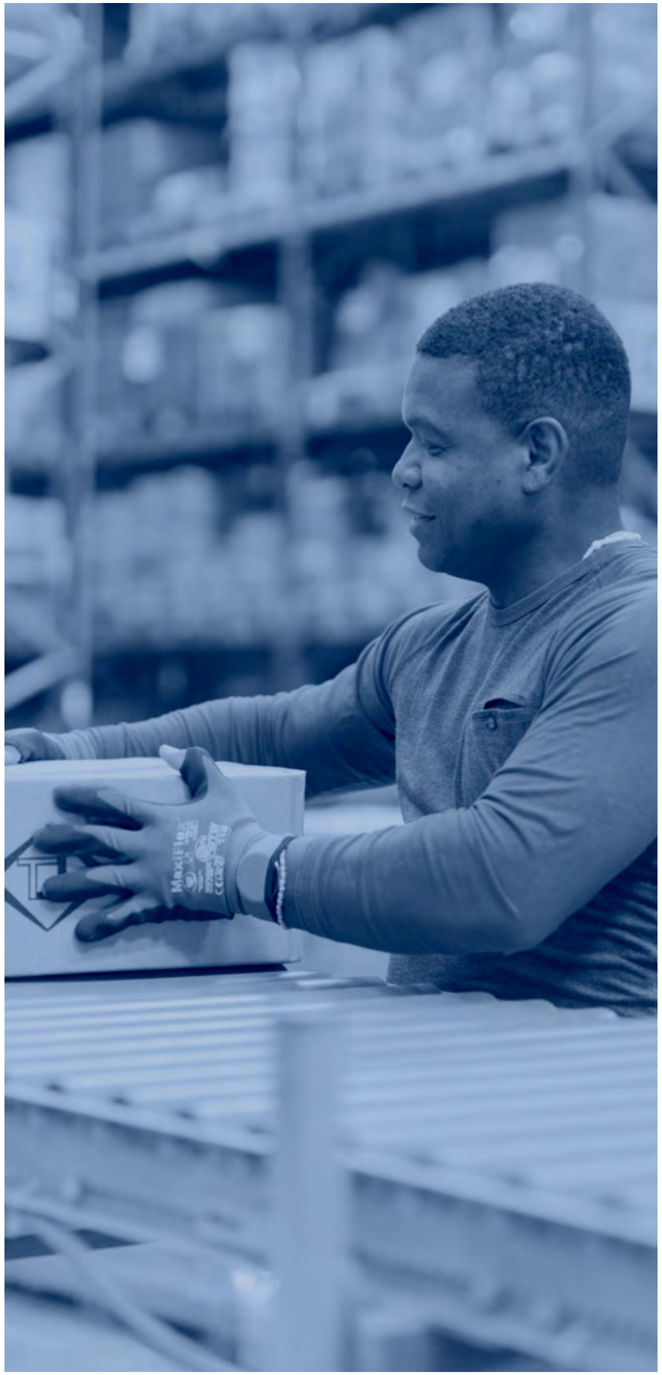
- Quantitative: we aim to reduce the amount of waste at source, structurally, by using the raw materials most efficiently and therefore increasing material productivity. We also reduce waste through process improvement and innovation.
- Qualitative: we aim to minimize the harmful effects of waste; this means maximizing the use of recycled materials and optimizing waste treatment through greater cooperation throughout the value chain.

Total waste from the most relevant raw materials (copper, aluminum and plastics), compared to total relevant material consumption, was 5.2% in the year under review, compared with 5.3% in the previous year and 5.2% in 2021, and close to the target set for a maximum of 5% waste compared with total consumption of materials. Although the total consumption of materials in tons of kilos increased in 2023 compared to 2022 – mainly due to increased activity levels and change in product mix – we were able to reduce the percentage of material waste compared to material consumption. This was driven by waste reduction and operational excellence programs focused on right-first-time production. The waste in 2023, expressed as a percentage of the consumption of materials, shows that measures to reduce waste have been implemented effectively, and that we are well on track to further reduce our waste streams.

Of the main raw materials, 87.3% of our total waste was recycled in 2023 (2021: 88.0%), while our target is to recycle at least 80%. Our copper supplier reprocesses pure copper waste into fully usable copper – so the figure for copper was 100% recycled waste. This also applies for the recycling of

Waste of most important raw materials

in kg ton	2023	2022
Copper	1,034	1,015
Aluminum	813	775
Plastic	1,110	893
Total waste most important raw materials	**2,957**	**2,683**
Waste compared to consumption	5.2%	5.3%
Recycling of waste	87.3%	88.0%
Other waste	942	641



aluminium. Plastics that have become unusable during the cable production process, but are suitable for recycling, are offered to waste processing companies for conversion into new raw materials. Mainly due to the product mix, we increased the use of plastics, which resulted in more plastic waste. As a result the total recycling percentage decreased. Cables (particularly odd lengths of cable) are sorted as much as possible, and we are looking into the possibility of completely recycling these cables – and the same applies to the plastics used in insulation and sheathing material.

In addition to price and quality, we consider sustainability criteria when selecting raw materials and other materials. Partnerships in the value chain also play a role in the successful introduction of sustainable product innovations. By working closely with our partners in the value chain, we will achieve the innovations needed to meet this goal. Sustainable cable composition is a high priority for cable manufacturing companies, and we continue to look for innovative manufacturing techniques and ways to improve efficiency in the value chain. We are engaged in discussions throughout the value chain on how to make processes and products more sustainable, so we can use resources more effectively. Approximately 34% of the copper we purchase is already recycled, which means that 34% of the copper we purchase contains recycled content. We aim to increase this percentage in the coming years, together with our copper wire suppliers, to reduce our CO_2e footprint.

In 2023, our cable production company TKF participated in the International Responsible Business Conduct (IRBC) agreement for the Renewable Energy Sector. While the renewable energy sector has achieved great progress on environmental and societal issues, including climate change, there are still numerous obstacles to overcome. As a prominent player in the cable production and telecom industry in the Netherlands, TKF understands the vital importance of sustainable practices and responsible behavior in an ever-evolving world. TKF has a responsibility as a supplier of subsea cables for offshore wind energy to bring the industry expertise to the forefront and acknowledge the hurdles faced by our company and many others involved in the renewable energy value chain. By participating in this agreement TKF is committed to collaborating with our stakeholders, as well as all others participating in the renewable energy agreement. We aim to identify and mitigate our own (including suppliers) risks and impacts on both society and the environment. We are also in continuous conversation with our main copper suppliers regarding a responsible supply chain. Our largest supplier in terms of purchase volume is part of "The Copper Mark" industry initiative. The Copper Mark is an initiative that requires a review of the sustainability standards at copper production sites including mines, smelters, and refineries. The Copper Mark covers the 32 sustainability criteria set out in the Responsible Minerals Initiative's (RMI) Risk Readiness Assessment and incorporates all major environmental, social and governance issues, such as child labor and occupational safety. The Copper Mark is also aligned with the United Nations Sustainable Development Goals (SDGs).

In the year under review, TKF received the first certificate for validation of raw material passports. The raw material passport was created a few years ago and makes it possible to clearly calculate the degree of circularity of a raw material and the CO_2 emissions. This certification validates the circularity data in raw material passports.

We are trying to reduce the environmental impact of our activities as much as possible by continuously measuring and improving our environmental performance. For example, at our production location TKF truck transport by night is very limited. As our activities may cause nuisance in the surrounding area, we make every effort to prevent or minimize this. To this end, we have drawn up several internal guidelines and implemented measures to reduce noise and odors. We register and manage (environmental) complaints, and inform those concerned in good time of corrective or preventive measures.

Life Cycle Assessment (LCA)

We use product life-cycle assessments as input for sustainable product innovations, including circularity. For example, our operating company VMI achieved a remarkable milestone by conducting a comprehensive Life Cycle Assessment for their MAXX tire building machine. This accomplishment marked a pioneering effort in the tire manufacturing industry, as VMI became the first manufacturer to undertake such an analysis specifically for tire building machines. This cradle-to-grave analysis examined the entire lifecycle of the machine, emphasizing aspects under VMI's control. EcoDesign is a crucial approach that VMI values, and VMI provides training on it to their lead engineers. This training equips engineers with the knowledge and tools to seamlessly incorporate environmental considerations into the product development process. EcoDesign essentially means finding a balance between environmental and economic factors. It's about making sure that environmental concerns are a fundamental part of every step in developing a product. This approach aims to create products that have the least possible negative impact on the environment throughout their entire life cycle, from the initial idea to when they're no longer in use. During the training, engineers focus on a strategy called life cycle design using a tool called the LIDS wheel. This strategy encourages engineers to think about a product's entire life cycle, including how it's made, how it's used, how it's maintained, and what happens to it when it's no longer needed. By embracing EcoDesign principles and using the LIDS wheel, VMI's lead engineers are better equipped to develop products that not only work well and make economic sense but also contribute positively to environmental sustainability. This commitment not only benefits VMI but also aligns with global efforts to make products that have a smaller impact on the environment.

Climate change

The potential impact of climate change on our strategy and our business model has received a great deal of attention in the year under review. Based on recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), we extensively analyzed the potential risks to our operations posed by climate change, and how these climate-related risks could be turned into opportunities, for instance through innovations in climate adaptation or climate-change mitigation. Our analysis identified four potential risk areas that could impact TKH's strategy and operations, which are presented in the table on the right.

In addition, we have specifically assessed physical (acute) climate change risks, including rising temperatures, resulting in flooding or extreme weather, and their impact on TKH's operations. Due to the locations of our (production) facilities, the risk is considered less relevant for TKH. However, physical (acute) climate change risks are part of the assessment when making business decisions, for example when changing locations or expanding our facilities or activities. We have also assessed the exposure of our strategic suppliers to any material first-order and second-order physical climate change impacts. This assessment includes impacts indirectly caused by the physical effects of climate change, such as a significant economic crisis due to physical damage to business, or human migration due to flooding.

The analysis also highlighted seven possible opportunity categories that we could use to increase our positive contribution in relation to climate change and climate change mitigation, which we have presented here.

Risk area	Risks
Laws and regulations	Future implementation of CO_2e taxation/pricing will mean higher operational and compliance costs
Technology	High investment costs to bring technology up to a level where it can meet the demand for products and services that can offer reduced emissions
Market demand and market change	Failure to meet the expectations of key stakeholders, including customers and investors, in relation to information on how we are addressing the challenges of climate change
Scarcity of resources	Increasing volatility in the price and availability of raw materials/resources and materials

Opportunity category	Opportunities
Efficient use of production processes	Further implementing more efficient production processes via our Operational Excellence Program
Use of energy sources with lower emissions	Further implementing CO_2e-neutral operations
Development of new products and services by means of R&D and innovation	Accessing markets with our innovations
Focus on zero-emissions products and services	Increasing turnover through demand for those of our innovations that result in lower emissions for our customers Differentiating ourselves from the competition
Participation in value chain (and other) programs for generation of sustainable energy	Contributing to the achievement of internationally agreed climate mitigation targets
Circular economy	Continuing to pursue waste-reduction targets and recycling ambitions to make a sustainable and demonstrable contribution to the circular economy
Participation in initiatives for renewable energy	Acquiring and leveraging our knowledge

We aim to continuously discuss the results of the analysis with our strategic stakeholders to gain a validated overview of the key threats and opportunities. In this way, we can gain insight into the acceptance and mitigation of threats, and we can take further steps to realize opportunities. To verify and discuss the results of the climate change assessment, we conducted several stakeholder dialogues in 2023. The results of the survey and the stakeholder dialogues did not result in material changes to the risks and opportunities identified. Therefore, the climate threat profile, a blueprint for how we aim to address climate change, remains valid. The climate risks we have identified are also embedded in the risk management system, so these issues are addressed at an organizational level.

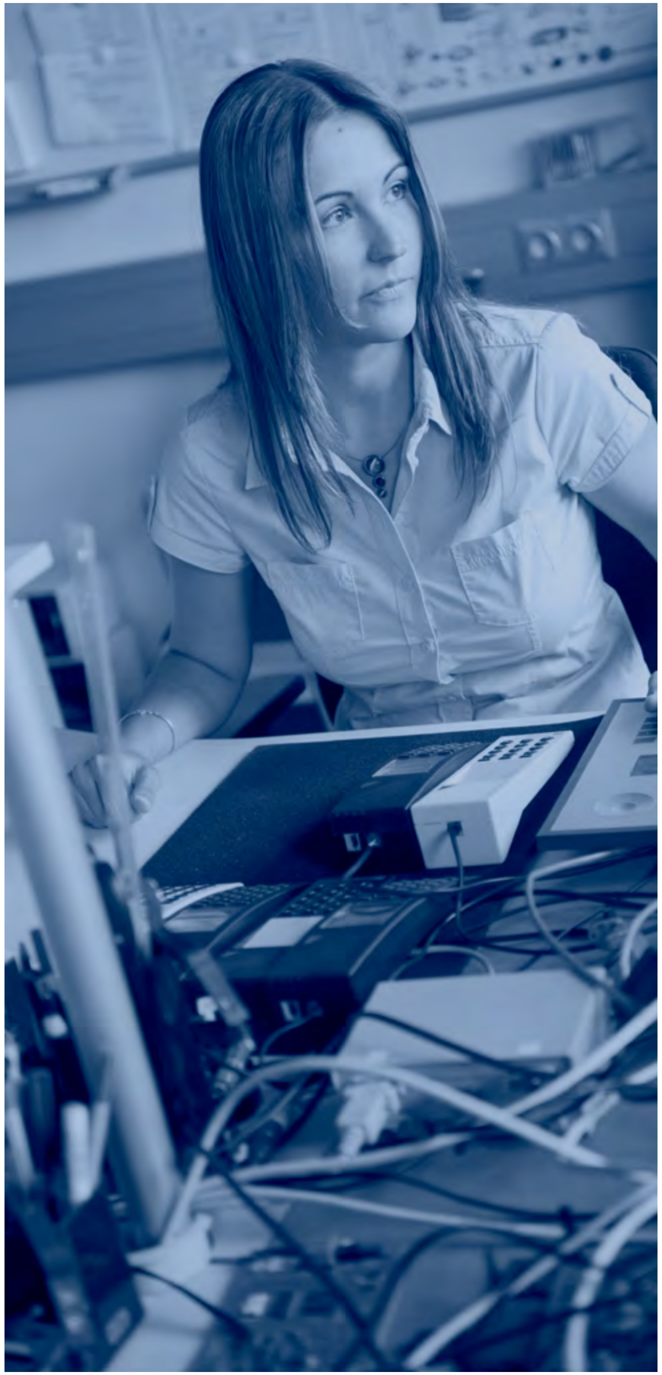
Water

TKH is not a water-intensive company. Water is mainly used at our production companies for cooling purposes. For our cable production activities, part of the water withdrawal is used in a closed system, which means the water is reused. This resulted in water saving of around 12,000 m^3. Water use at our other production sites and offices is limited. For a small minority of our offices, where water was often a shared facility, water withdrawal data was not available. Where possible, estimations have been added.

One of our production locations is located in a high water stress area, also a few other operating companies (office locations) are based in (extremely) high water stress areas, based on the Aqueduct Water Risk Atlas by WRI. Although our water withdrawal is limited compared to other industrial parties, we are aware that the total environmental impact of the full value chain could be substantial, especially upstream in the copper mining industry. Therefore, in 2024, we will conduct thorough assessments of our strategic suppliers to address potential water-related risks. We will utilize publicly accessible tools such as the Aqueduct Water Risk Atlas by WRI and WWF Water Risk Filter to define and respond to these risks.

Water withdrawal

	2023 in m^3	2023 in %
from areas with low stress levels	122,525	81.5%
from areas with low to medium stress levels	804	0.5%
from areas with medium to high stress levels	3,716	2.4%
from areas with high stress levels	22,629	15.1%
from areas with extremely high stress levels	735	0.5%
Total water withdrawal	**150,409**	**100.0%**
Turnover *in million €*	1,848	
Water intensity ratio *in m^3/turnover in million €*	81.4	



Social

The quality of both the organization and its employees are decisive factors in the success of TKH Group. We demand a lot from our employees, who have a clear idea of what is expected of them and how they can make an active contribution. It is our duty to be a good employer and to motivate and support our employees as much as possible, so they can carry out their work efficiently and with enthusiasm.

We provide our employees with a healthy work environment where safety comes first, and we give them opportunities to develop. Since 2021, the production locations of TKH are certified for the occupational health and safety (OH&S) management system, ISO 45001.

Organizational structure

TKH has a decentralized organizational structure, in which responsibility is distributed as far down the organization as possible. The Executive Board – the body bearing ultimate responsibility – is supported by the Management Board in the operational implementation of the strategy. In addition to the three members of the Executive Board, the Management Board consists of the Director of Finance & Control, the Director of Investor Relations & Corporate Communications, and the Company Secretary. The Executive Board is responsible for the decisions taken by the Management Board and bears ultimate responsibility in accordance with the company's Articles of Association.

During the year under review, further steps were taken to simplify the organizational structure, and to focus on activities with a greater value creation potential. The integration of the operating companies, with a focus on the benefits of economies of scale, will enable operational synergies to be exploited and existing expertise to be better leveraged. As a result, activities such as product development, procurement, marketing, communications, and sales can be clearly addressed – an approach that leads to consistency in both branding and customer service. The number of operating companies has been further reduced by divesting activities that, by their nature have narrow profit margins or limited value creation potential.

Culture and Risk Management

TKH has a culture that encourages entrepreneurship. Organizational risks associated with entrepreneurship are easily identified through a clear framework of responsibilities and authorizations. An open and transparent culture in the organization, coupled with the capacity to be self-critical, enables it to manage responsibilities and authorizations correctly and to identify risks in a timely manner. Risk management is firmly embedded in our management model. It is characterized by short lines of communication with the Executive Board and backed up by close monitoring of agreed objectives using a comprehensive KPI dashboard that is divided into weekly, monthly, and quarterly information. It also provides a clear overview of developments over a longer period of time. A solid frame of reference, such as budgetary and historical information, helps us to quickly and effectively identify deviations from agreements and adjust operations where necessary. This method is encouraged from the top down to ensure that it permeates all levels of the company. Every quarter – or, if necessary, every monthly or week - the management teams of the operating companies discuss a strategic scorecard based on highlights and lowlights for each business segment, as well as any related short- and medium-term action points. This provides insight into market, financial, commercial, and sustainability developments. The reports contain both quantitative and qualitative information and are structured according to TKH guidelines. This encourages transparent reporting on both positive and negative issues.

TKH aims to have an open business culture where employees are recognized and heard, and, in this respect, places great value on the integrity of its employees' conduct. We encourage an open, transparent, and professional attitude with our managers leading by example. The Executive Board and the management of the operating companies also lead by example and set the right values and standards in the organization. An important principle is achieving a balanced relationship in the company's senior ranks and ensuring that there is harmony in terms of personalities, expertise, and skills. Mutual respect is the basis for making well-considered decisions. A clear Code of Conduct, operational controls, and a zero-tolerance policy regarding matters of principle such as fraud, bribery, and corruption are also important tools to ensure that work is carried out in accordance with the right principles and agreements. Our open culture encourages employees to feel a sense of ownership in the company and to hold each other accountable for any undesirable or unacceptable behavior that is inconsistent with our standards and values. Cultural aspects are assessed through an employee satisfaction survey, which identifies areas for improvement. The Executive Board maintains direct contact with employees in all parts of the organization, for example by attending employee presentations, participating in project meetings, or taking part in informal gatherings.

Employee representation

The interests of the employees are represented at the level of the operating companies by the local Works Councils, and at the TKH group level by the Central Works Council. These councils ensure ongoing employee representation under the terms of the Works Councils Act (Wet op de Ondernemingsraden). During the year under review, the Executive Board and the Central Works Council held frequent, close consultations. Topics discussed included the results and organizational developments, progress on the strategic program including acquisitions and divestments, the budget, and TKH's annual report. An annual Works Council day is held on a regular basis to strengthen the ties between the various Works Councils of the Dutch operating companies and to promote the exchange of knowledge and experience. TKH considers consultation with the central works council and other works councils to be important and places great value on an open dialogue. We believe that an active approach to employee representation helps us to remain vigilant.

Employee satisfaction

It is very important to measure good employment practices. We have a long history of conducting employee satisfaction surveys within a four-year cycle combined with “are we on track” surveys during this cycle. The surveys provide important information regarding the motivation, satisfaction, and expectations of our employees. Follow-up surveys also measure the effects of improvements made in response to the findings. We carry out these surveys in collaboration with a specialized third-party research agency. Some operating companies have carried out a satisfaction survey focusing on (company) specific topics. Based on the results of the survey, we evaluate where we need to amend our working methods, policies and develop a robust action plan. The employee satisfaction score in 2023 was 7.8, reflecting surveys from 2020-2023 among 3,506 FTEs, representing 54% of the total FTEs at our own payroll excluding temporary personnel as of December 31, 2023. The employee satisfaction score has increased compared to 2022 (7.6), demonstrating the effectiveness of the measures and action plans implemented.

Healthy and safety

Safety management, including awareness and performance, is a top priority within the TKH Group, and preventing accidents and promoting a professional safety culture are an important part of this. We achieve the latter by being transparent about accidents and near-misses, so employees are more aware of potentially risky situations and can react quickly. The manufacturing companies provide information on safety within the organization, and clear work instructions are available on machine safety. Strict measures are taken to ensure that employees comply with requirements such as wearing safety shoes and protective clothing. We also encourage employees to alert each other to situations that could lead to dangerous incidents.

Safety is crucial for our operating companies. Due to the nature of their work, the TKH's manufacturing companies are certified under the ISO 45001 standard. This ISO standard covers requirements for an occupational health and safety (OH&S) management system, which means that OH&S risks can be managed and performance improved.

To make safety demonstrable, we focus on specific, measurable performance targets for safety measures, including LTIFR (Lost Time Injury Frequency Rate) and illness rate. We continued to focus on health and safety programs at our production facilities. Regular risk assessments are conducted to identify potential safety risks. In some cases, this resulted in the relocation of machinery or material storage to eliminate the risk. For certain activities with a higher safety risk, the employee concerned must first complete a special safety course. As part of an ongoing safety learning program, safety questions are asked on a weekly basis. The aim is to increase attention for and awareness of important health and safety topics. The LTIFR for 2023 decreased slightly to 0.75 compared to the previous year (2022: 0.78) and is below the target of <1.0. In 2023, there were 38 work-related incidents resulting in injury (2022: 46) of which 9 were occupational accidents resulting in absenteeism where replacement work was not possible (2022: 9). This confirms the need for continuous training and focus on safety issues in both our own organization and that of our suppliers. There were no fatalities in 2023, as in the two previous years. In 2024, our cable production company TKF aims to obtain the Safety Culture Ladder certification in addition to the ISO 45001 certification.

In 2023, the illness rate was 3.85%, which is below the previous year's level (2022: 4.04%) and slightly below the target of a maximum of 4.0%. Fewer cases of COVID-19 and flu-related illnesses had the greatest impact on the reduction of the illness rate.

Diversity and inclusiveness

TKH is an international group of companies with a workforce of many nationalities. In such an international environment, we take a broad view of diversity. The diversity policy at TKH focuses on a variety of abilities, skills, and nationalities, and we employ a mix of men and women, as well as a balanced age distribution. There is good job occupancy at the junior, middle, and senior levels. The current age structure also results in a manageable level of staff turnover due to retirement.

Distribution of employees by region

	total	male	female
Netherlands	2,458	2,106	352
Europe (other)	2,830	1,975	855
Asia	883	642	241
North America	498	362	136
Other	100	69	31
Total	**6,769**	**5,154**	**1,615**

Distribution of employees by age

	total	male	female
<20	41	32	9
20-29	988	788	200
30-39	1,907	1,450	457
30-49	1,821	1,329	492
50-59	1,415	1,073	342
>59	597	482	115
Total	**6,769**	**5,154**	**1,615**

The diversity of our workforce brings a wide range of skills to our business, which leads to greater objectivity and dynamism. We continue to believe that skills and experience should be the main criteria for selecting the right candidate. We have set up targeted programs with different approaches to make people aware of diversity and to better embed it in the organization. For example, there are programs for middle and senior management to achieve gender balance in jobs and consultation structures. Moreover, this is also important in the context of succession planning. Operating companies are responsible for improving the gender balance within their own organizations, and progress is closely monitored by the Executive Board.

Inclusiveness is also part of our diversity policy. In our recruitment policy, we are committed to providing a suitable work environment for people with a disability and/or disadvantage in the labor market. Disability is an umbrella term that covers illnesses/disorders, activity limitations, and participation restrictions. An illness/disorder is a problem in the function or structure of the body. An activity limitation is a difficulty encountered by an individual in executing a task or action. A participation restriction is a problem experienced by an individual in a range of everyday situations that results in a disadvantage in the labor market. TKH creates work experience opportunities for the long-term unemployed or people returning to the labor market. Workers from sheltered employment are used to performing repetitive work. In the year under review, the number of employees with a disadvantage in the labor market was 108 FTEs. Since 2022, TKH has been PSO certified ("prestatieladder socialer ondernemen"). This certificate isa quality mark that proves our organization has an above-average level of social entrepreneurship and focuses on the employment of vulnerable groups in the labor market. We have a proven record of contributing to an inclusive society. By participating in the PSO, organizations around TKH are also encouraged to do business in a more socially responsible way.

TKH has a strict policy of equal treatment for all employees regardless of race, nationality, ethnic background, age, religion, gender, sexual orientation, or disability. We have established a transparent process for recruiting new employees based on an appropriate profile. We do not differentiate between male and female employees' base salaries and apply market-based remuneration. There may be differences between countries depending on local market practices and tax and social security structure. We have a remuneration policy based on the requirements of the job, and the experience and skills of the individual.

Depending on the sector, for Dutch employees we adhere to the social conditions of employment as set out in a collective labor agreement. Agreement-related rules are implemented in those operating companies where there is no collective labor agreement. We apply a similar policy to foreign operating companies, in line with local laws and regulations. TKH ensures that such agreements are correctly drafted and observed, particularly regarding periods of notice, restraint-of-trade and non-compete clauses, and profit-sharing arrangements, and that the statutory notice periods and other provisions are observed. In the case of acquisition opportunities, the salary structure of the target company is one of the subjects examined during the due diligence process.

Distribution of employees by function and by gender

number of people unless otherwise stated	total	male	female	male %	female %	target
Total workforce (employees)	**6,769**	**5,154**	**1,615**	**76.1%**	**23.9%**	
Supervisory Board	5	3	2	60.0%	40.0%	1/3
Executive Board	3	3	0	100.0%	0.0%	1/3
Management Board	6	5	1	83.3%	16.7%	1/3
Executive and senior management	**349**	**282**	**67**	**80.8%**	**19.2%**	**25.0%**

At year-end 2023, the number of employees (in FTEs) was 6,899 (2022: 6,607 FTEs), of which 434 were temporary employees (2022: 409 FTEs).

In 2023, the proportion of women in our total workforce decreased slightly to 23.9% (2022: 24.3%). The male-to-female ratio was relatively high due to the technical and technological nature of our work and the labor market supply. However, women are increasingly choosing technical and technology-related careers, so we can continue to target and recruit more women for the positions in our organization.

TKH has strong ambitions and has set ambitious non-financial targets for the coming years. Among other things, we have set a diversity target, to increase the proportion of female employees in executive and senior management roles to at least 25% by 2030. These positions are defined as follows:

- Executive management: statutory management director level (reporting directly to the Executive Board).
- Senior management: managers who are members of the operating company's management team and responsible for specific business units or departments (e.g. finance, human resources, sales, marketing, legal, R&D, QHSE, supply chain and operations).

To recruit new (female) talent, TKH maintains close contact with business schools and universities. We are in contact with educational institutions that provide job-specific or management training courses. We offer internships, graduation projects, and short courses to attract potential talent at an early stage. In addition, we use targeted programs to attract more (female) students with limited or lower levels of education – such as those in vocational training – to give them an opportunity to improve their skills in practice, and to interest them in a possible job in our organization.

Recruitment of this kind is a high-priority area. There is an increasing shortage of qualified (female) personnel, especially in technical and technological positions. It will become more challenging to fill such positions in the coming years. However, we have seen that the positioning of our operating companies under the TKH brand has had a positive effect in attracting new employees. Employer branding is increasingly being used to reach and interest future talent. When recruiting external (female) candidates, we are increasingly using referral recruitment, i.e. asking our current employees to recommend new colleagues. By recruiting in this way, we have a higher chance of finding a match, as our employees can make a good assessment of a potential candidate's suitability for the position and fit with the organization. When capacity became available due to reduced demand or other constraints, employees were (in some cases temporarily) reassigned to fill other positions, where possible.

In 2023, the proportion of female executive and senior management employees increased to 19.2% from 18.4% in 2022. In the year under review, we expanded our diversity and inclusiveness program, which will continue in 2024 to meet our ambitious target of 25% by 2030. We initiated specific programs to recruit women, including a trainee program for young women. Through this program, female employees have the opportunity to work in different (technical and technological) positions combined with a specific development program to further develop their other skills including management skills and personal development. We have also established specific working groups to promote women within our organizations. In this way, we aim to increase the inflow and throughput of female employees within our organizations.

The Executive Board, Management Board and Supervisory Board aim for diversity in their composition in terms of age, gender, background, expertise, occupational experience, and nationality, taking into account the statutory requirements. In terms of gender diversity, the Supervisory Board has a balanced composition of at least 1/3 female members and at least 1/3 male members. The Executive Board consists of three members, all of whom are male. The Management Board consists of six members, of which five are male and one female. TKH will strive to ensure that new appointments to the Executive Board, Management Board, and Supervisory Board are made with the aim of having of at least 1/3 female members and at least 1/3 male members.

Personal development opportunities

Talent and management development are of great strategic value. Our employees' skills and backgrounds are matched as closely as possible to the strategic developments at TKH and, where necessary, we provide education and training to help employees grow in their jobs or take the next step in their careers. At the same time, we are mindful of the need to retain critical skills to pursue our strategic agenda in technological development and innovation. Yearly performance interviews are conducted to discuss performance and opportunities for further development. In 2023, 76% of all employees received a performance review (2022: 72%). This is not 100% because not all of the employees are eligible for performance review, for example because they just have been hired and the one-year period has not yet passed.

Our employees are encouraged to develop in the direction of their choice. Education and training are an indispensable part of maintaining our knowledge base. We provide training budgets to further develop our employees' skills and enhance their employability. We organize internal training, with the help of external experts so that it is as close as possible to TKH's normal practice. New employees go through introduction programs, including product training.

In collaboration with Nyenrode Business University in Breukelen, the Netherlands, a Management Development (MD) program has been developed for those identified as having high potential for accelerated career advancement. Candidates are nominated by the management teams of the operating companies based on predetermined selection criteria. The Executive Board plays a proactive role in the MD program. In 2023, we launched a new MD program. In this 2023-2024 MD program, selected candidates gain in-depth knowledge of topics such as strategy and leadership, business development and value creation, business processes and sustainability, and also work on business cases to put this into practice.

In 2023, significantly more hours were spent on training and other courses than in 2022. Fewer COVID-19 restrictions meant that more training courses could be held, in addition to virtual training. In addition, the number of FTEs increased in 2023, resulting in more training hours. Our new production facilities, in particular, require training and education before operators can begin. On average, FTEs spent 42 hours in training in 2023 (2022: 29 hours per FTE). In 2023, we further scaled up awareness and training programs on ESG material themes (e.g. the Corporate Sustainability Reporting Directive), including health and safety, IT security, sanctions, and our Code of Conduct, among other topics.

Customer satisfaction

High-quality technologies, solutions, and corresponding services are essential to our commercial impact. Customer interests play a central role in the way we conduct and implement operational activities and developments. We measure, monitor, and evaluate customer loyalty and appreciation through customer satisfaction surveys on a four-year cycle. Based on the outcomes, we can take specific action better serve our customers. Our average customer satisfaction survey score for 2023 is 8.6 (2022: 8.6), which is above the benchmark score of 7.8. Through training and skills management, standardization of processes, and further improvement of our availability, information systems, and 24-hour service, we aim to provide an even better customer experience.

Management Board

- Alexander van der Lof MBA (Executive Board, *chairman & CEO*)
- Elling de Lange MBA (Executive Board, *CFO*)
- Harm Voortman MSc (Executive Board)
- Jacqueline Lenterman
- Gertjan Sleeking
- Derk Postma

Central Works Council

- Olaf Karsten (VMI), *chairman*
- Gerard Roolvink (TKF), *secretary*
- Alicia Wiersma (EKB)
- Jan Jaap Derksen (VMI)
- Maurice Fliescher (Intronics)
- Onno Verkerk (TKH Security)
- Louis Scholten (TKF)

Governance

TKH conducts its business according to the principles of honesty, integrity, accountability, and transparency. We use dedicated events (e.g. investor roadshows and employee meetings), and relevant channels (e.g. our annual report and social media) to share our sustainability strategy, programs, and performances.

Continuous stakeholder engagement through open dialogue and knowledge sharing, is important in an innovation-driven industry and helps us to identify areas for improvement. We are committed to complying with relevant sustainability laws and regulations that are in force.

Risk Management and Internal Control Framework

TKH has embedded its risk management policy at all levels of the organization. This involves an Internal Control Framework (ICF) based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2017). TKH uses this framework to analyze and evaluate the strategic, operational, financial, and compliance risks for its operating companies. TKH's risk management policy reflects the organization's size and decentralized structure. The components of this risk management policy are assessed by Internal Audit. An open, transparent culture with sufficient critical capacity is a prerequisite for an organization to properly manage risks, responsibilities, and competencies. TKH considers a suitable risk management model to be an important tool for creating sustainable long-term value. A continuous focus on risk awareness is a key element of TKH's culture. The pursuit of a balanced risk profile is embedded in this culture through short lines of communication and is supported by closely monitoring agreed objectives through a comprehensive Key Performance Indicator (KPI) dashboard. More information can be found in the Risk Management and Management Statement sections.

Ethical business practices

TKH highly values the integrity of its employees' conduct. Clear guidelines, operational control, and a zero-tolerance policy regarding matters of principle, such as fraud, bribery, and corruption, ensure that work is carried out in accordance with the appropriate principles and agreements. We have a Code of Conduct in place to ensure that every employee acts in accordance with TKH's guidelines. The Code of Conduct uses the OECD Guidelines as a reference framework. Employees confirm in writing that they will act in accordance with the Code of Conduct, which is linked to a sanctions policy in the event of unacceptable behavior. The managers of our operating companies are responsible for implementing the Code of Conduct in their organizations. The Code of Conduct has been signed by 96.5% (2022: 97.7%) of the total number of employees. The target of 100% has not been achieved, partly due to a longer than expected lead time for new employees to sign the Code. We are in close contact with the operating companies, and we are establishing clear rules to eliminate such delays as soon as possible. The Internal Audit team ensures that every part of our organization complies with our Code of Conduct. It works closely with TKH's Compliance Officer and Legal Advisor. Among other things, the Internal Control Framework is used to effectively monitor and assess potential bribery and corruption risks. The Code of Conduct can be downloaded from the TKH website.

Employees are expected to be aware of the core values underlying our actions and our risk profile, and to take responsibility for any potential risks they take. They are also expected to adhere to the TKH culture and to act in accordance with TKH's Code of Conduct. This Code of Conduct is fundamental to everything we do and describes how we act as a company, how we make decisions, and how we deal with different dilemmas within our company. TKH Group is committed to an open culture where employees can openly discuss any concerns, problems, or violations of the Code of Conduct. The Whistleblower Procedure provides for a clear course of action for employees who wish to raise issues or concerns such as a possible criminal offense or violation of the law, a violation of TKH's internal policies and/or procedures, giving or receiving a bribe, disclosure of confidential information, dishonesty or unethical behavior (such as discrimination, (sexual) harassment, bullying, etc.), and tax-related issues. Reports are reviewed and investigated by the local Confidential Officer and/or the Group Compliance Officer. If deemed necessary, disciplinary and corrective measures are taken. External parties can also report to the Group Compliance Officer. A report will not affect the position of the whistleblower if the report is made in accordance with the procedure established for that purpose. In 2023, one report was received through the Whistleblower Procedure. This report is still under investigation by an external researcher specialized in the relevant research topic. In addition, two employees violated the Code of Conduct. As a result, the employees involved were dismissed after various conversations and measures to improve their behavior and to ensure that they would act in accordance with the Code of Conduct. It is difficult to draw clear conclusions about the level of awareness of acting with integrity and the possibility of reporting wrongdoing. We believe it is important to promote an open and transparent culture and to measure these issues in employee satisfaction surveys.

We also expect our suppliers to adopt a zero-tolerance policy on issues that are material to us. Our principles are set out in a Code of Supply, which covers such issues as human rights, the environment, occupational health and safety, compliance with law and regulations, and ethical behavior. Our requirements are also set out in the Code of Supply and focus on the forementioned issues. Any supplier with an annual purchase volume of more than € 1 million must sign the Code of Supply. The Code of Supply has been signed by 91.9% (2022: 91.9%) of the total number of suppliers in scope. Within a maximum of two years after signing the Code of Supply, an assessment of the supplier in question must be carried out to review the items stipulated in the Code. Internal Audit has included the auditing of processes related to the Code of Supply in its work program.

Unfortunately, we have been scammed in four instances, in which a fraudster impersonated an existing customer. As a result, products were delivered for which no payment was made. The impact is not material, but it confirms that the organization must continue to focus on proper implementation of key internal controls and checks.

We have included provisions regarding the respect and protection of human rights in both our Code of Conduct and our Code of Supply. Our policy is not to tolerate any violation of human rights. We use the OECD Guidelines as a reference framework to enable us to quickly identify potential risks. These OECD Guidelines refer to the Universal Declaration of Human Rights, which states that all parties in society, including companies, have an obligation to respect and protect human rights. As part of the assessment we carry out with suppliers as part of our Code of Supply, we ask suppliers about their human rights record and discuss possible areas where discrimination, the right to social security, and the risk of child labor in the value chain. The assessments carried out with suppliers have not revealed any violations of human rights. In case of violations, the business relation will be reconsidered. Privacy is an important human rights principle.

People must be able to live in freedom without everyone knowing everything about them. The Privacy Act, including the General Data Protection Regulation (GDPR) gives people more rights – and organizations more obligations – to handle personal data carefully. Internal Audit covers human rights as part of its auditing activities and asks our managers about their compliance with human rights and whether any potential human rights conflicts could arise, especially in the value chain in which we operate.

In 2023, we specifically focused on responsible lobbying, political activities, and donations. In particular, TKH does not engage in political activity or political representation and does not make any payment to political parties in relation to its public representation. In 2023, TKH was not involved in sponsoring local, regional, or national political campaigning. TKH is not a lobbying company and therefore does not employ any lobbyists. However, we are members of trade associations, business coalitions, and other organizations that are dedicated to important industry-related topics, or work on standardization.

Anti-competitive behavior and sanctions

TKH is fully committed to combating anti-competitive behavior by providing all parties with the same information, setting realistic requirements, and establishing clear contract conditions. We also avoid any activities that conflict with legislation. To ensure this, internal guidelines drawn up for strategic management within the TKH Group must be followed. The guidelines contain rules on decision-making procedures and internal authorizations. The TKH Code of Conduct also applies in this respect. It goes without saying that we comply with applicable competition legislation. Internal Audit has an important role to play in monitoring our compliance with laws and regulations. If sanctions are imposed on our company by authorities, we will explain the cause and the corrective measures been taken. In 2023, we did not incur any sanctions.

Privacy and IT security

Increased awareness of potential cyber risks has placed IT & Security high on the strategic agenda, and a clear IT security policy has been developed at TKH. In addition, IT audits have been carried out at the operating companies, based on which action plans have been developed to address vulnerabilities in the IT systems. As a result of the IT audits, cybersecurity and cyber risks have been given a high priority in the organization and awareness of potential risks has been increased. Communication on cybersecurity takes place through regular newsletters, for example. Penetration tests have also been carried out at some operating companies to determine whether the organization is sufficiently resilient to potential digital attacks. These tests have provided insights into potential vulnerabilities in our IT infrastructure and their potential consequences. The ultimate goal is to implement secure processes and effective controls and to create a safe and honest culture. In 2023, we placed increasing emphasis on the risk of ransomware and our resilience should such an event occur, as well as the upcoming EU NIS2 Directive, which will be implemented into national law by EU Member States in 2024. The topic is a recurring item on the agenda in meetings of the Executive Board and Audit Committee meetings. As a result, this topic continues to receive the attention it deserves. IT & Security is part of the immediate focus area of the Internal Audit team. Several security incidents occurred during the year under review. By responding in a timely manner with a team of cybersecurity experts, we ensured that these incidents did not result in significant data leaks, cause significant or permanent damage, or impact business continuity. However, these incidents reinforce the need to remain vigilant to IT Security risks. Further information about IT security is included in the Risk Management section.
European legislation on the protection of private data, the General Data Protection Regulation (GDPR), imposes strict rules on the use of personal data and the storage of such information. One of the requirements is the establishment of a processing register that shows what personal data is being used or stored, where, and for what purpose. The establishment of this register provides insight into and control over the organization’s data processing and the related privacy controls. An internal privacy policy has also been drawn up and implemented in the organization. Internal Audit, in collaboration with the internal Legal Advisor (who is also the Data Privacy Officer), ensures the proper application of GDPR legislation within the organization.

Taxes

General

Tax is an integral part of our sustainability strategy which, in turn, is part of our business strategy. Tax is included in the materiality assessment for sustainability purposes and is an element of our ESG policy.

The tax policy is aligned with TKH’s organizational values and forms an important part of TKH’s ESG policy. The tax strategy is regularly discussed with and signed off by the Executive Board. Bodies such as the OECD provide guidelines on international tax matters, which TKH follows. This is reflected, for example, in TKH’s tax position, which shows that taxes are paid where there is significant economic activity and value creation. For TKH, this is one of the relevant elements in the context of a fair-share tax contribution.

TKH focuses on compliance with applicable tax laws, regulations, and ethical standards in the countries in which we operate, and we pay our taxes in accordance with the letter and the spirit of tax laws and regulations. TKH’s tax department is guided by TKH’s core values, does not engage in aggressive tax planning (including tax havens as defined by the OECD), and seeks to limit tax risks. The tax department has global responsibility for the tax position of TKH Group, particularly in relation to corporate income tax, restructuring, and transfer pricing. In carrying out this task, the long-term considerations and interests of TKH’s various stakeholders are taken into account.

Tax systems around the world and their application are becoming increasingly complex. To keep abreast of these developments and comply with them, we provide our tax department with continuous training, and internal training modules are regularly organized for selected departments of the various TKH operating companies, focusing on technical and other tax issues, including tax dilemmas.

We continuously invest in technologies to improve data management, and thus the overall quality of direct and indirect tax compliance, control, and reporting. We strongly believe in the benefits that technology can offer to in providing earlier access to tax-relevant data, particularly as the legal and regulatory environment is rapidly evolving and tax authorities are increasingly embracing digitalization. In recent years, the Tax Function has evolved from a manually-oriented function to a more data-driven, digitally-enabled one.

Working together with tax authorities

We strive to build strong, mutually respectful relationships with the tax authorities based on transparency and trust. We therefore believe in an open and constructive dialogue, both with the Dutch tax authorities and those in other countries. In the Netherlands, this was made explicit through the “horizontal monitoring” covenant, which was renewed in December 2022. Under horizontal monitoring, the company's relationship with the authorities is based on trust, mutual understanding, and transparency. In this context, it provides an opportunity for the parties to discuss potential tax uncertainties and keep each other informed of developments and their tax implications, thereby giving companies more certainty about their tax position, improving the quality of tax returns and ensuring that double taxation is avoided.

As of 2024, TKH has been selected for Individual Customer Management, which is being applied to the hundred largest and most complex organizations in the Netherlands, such as multinationals and listed companies. The application of the Individual Customer Management should be considered a continuation of the way of working under horizontal monitoring. In the course of 2024, Individual Customer Management will be given further content and context. In this respect, TKH actively cooperates with the Dutch Tax and Customs Administration to share the potential tax impact of new initiatives with them, and, if necessary, to embed them in a ruling. This ensures that the tax classification of new initiatives is in line with TKH's tax policy and meets the expectations of the Dutch Tax and Customs Administration. It also ensures that activities are taxed only once at a generally accepted tax rate where the business is conducted.

International tax developments

TKH submits an annual Country-by-Country (CbC) report to the Dutch Tax and Customs Administration. This report is made available through the appropriate channels to the tax authorities of the countries in which TKH operates. In addition, TKH is subject to the so-called Mandatory Disclosure Rules (DAC6), which require TKH and the advisors involved to report selected cross-border tax arrangements. During the period under review, no reportable arrangements were disclosed.

TKH is within the scope of the OECD's Pillar Two model rules. Pillar Two legislation went into effect in the Netherlands effective on 31 December 2023 for financial years starting on or after this date (e.g. financial year 2024). Under this legislation, the group is liable to pay a top-up tax equal to the difference between the effective tax rate per jurisdiction and the minimum rate of 15%. Based on an assessment of the financial years 2021 - 2023, most of the group entities have an effective tax rate that exceeds 15%. There are three jurisdictions that may be at risk of having an effective tax lower than 15% in the future. For these countries, a more detailed assessment of the additional taxation due has been made and it has been determined that it is not material.

Taxes paid by region

The following table shows the tax paid in 2023 by region. The tax paid often differs from the calculated tax burden due to prepayments that differ from the final tax burden. This may be caused by temporary differences, deferred taxes, and uncertain tax positions.

Corporate Income Tax

Amounts in thousands of euros	The Netherlands	Europe (other)	Asia	North America	Other countries	Amortization PPA [1]	Total
General information							
Aggregated revenues realized by the companies in the region without elimination of intercompany transactions	1,091,400	760,299	281,195	188,519	16,007		2,337,420
Result on ordinary activities before tax	107,006	58,004	21,136	25,646	7,998	-16,141	203,649
Property, plant and equipment	284,830	121,175	29,029	6,384	5,319	-10,718	436,019
Number of own FTE	2,299	2,689	892	488	97		6,465
Income taxes (paid)/received							
Income tax to be (paid)/received at January 1, 2023	-1,875	-6,318	-374	-4,111	-505		-13,183
Income taxes paid	-12,031	-19,432	-2,868	-8,456	-434		-43,221
Income tax to be (paid)/received at December 31, 2023	-704	-4,108	-2,725	-50	-1,101		-8,688

1 Amortization of intangible non-current assets from acquisitions.

Governance

Members of the Executive Board

J.M.A. (Alexander) van der Lof MBA
Chairman of the Executive Board, CEO

Dutch nationality, male, 1958
Term 2001-present

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

E.D.H. (Elling) de Lange MBA
Member of the Executive Board, CFO

Dutch nationality, male, 1965
Term 2008-present

Elling de Lange joined TKH in 1998, having previously been a member of the Board of C&C Partners in Poland. In 2002, he was appointed Financial Director of the Chinese cable production companies TFO and ZTC, and in 2003 he took the position of CEO. Since 2006, Mr. De Lange has also been responsible for the Dutch and Chinese cable production companies. Mr. De Lange has been a member of the Executive Board and Chief Financial Officer (CFO) of TKH Group since 2008. Prior to joining TKH Group, he held various international management positions at Ballast Nedam.

H.J. (Harm) Voortman Msc
Member of the Executive Board

Dutch nationality, male, 1966
Term 2022-2026

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

Members of the Supervisory Board

P.W.B. (Peter) Oosterveer
Dutch nationality, male, 1957
Chairman

2022 first appointment,
Chairman since October 2023
2026 end of term

Chairman of the Selection and Nomination Committee
Member of the Audit Committee
Member of the Remuneration Committee

Current other positions:
- Chairman of the Supervisory Board, kanker.nl
- Advisor Goldman Sachs Asset Management International

Previous positions:
- CEO and Chairman of the Executive Board, Arcadis N.V.

J.M. (Mel) Kroon
Dutch nationality, male, 1957
Vice-chairman

2017 first appointment
2025 end of term

Member of the Selection and Nomination Committee
Member of the Audit Committee

Current other non-Executive Board positions:
- Chairman of the Supervisory Board, Attero B.V.
- Chairman of the Supervisory Board, Eneco Groep N.V.

Current other positions:
- Non-Executive Board Member, Urenco Ltd & UCN B.V.
- Member of the Supervisory Board, LVNL
- Member of the Supervisory Board, KVSA B.V.
- Advisor, Mitsubishi Corporation
- Board Member, German-Dutch Chamber of Commerce DNHK
- Advisor, Improved
- Member of the Supervisory Board, Montel SA
- Chairman Advisory Board, GIGA Storage B.V.

Previous positions:
- Chairman of the Executive Board, TenneT Holding B.V.

C.W. (Carin) Gorter
Dutch nationality, female, 1963
Member

2017 first appointment
2025 end of term

Chairman of the Audit Committee
Chairman of the Remuneration Committee

Current other non-Executive Board positions:
- Vice-Chairman of the Supervisory Board, Basic-Fit N.V., Chairman of the Audit and Risk Committee (2016)
- Member of the Supervisory Board, Coöperatie TVM U.A., Chairman of the Audit and Risk Committee (2013)
- Member of the Supervisory Board, DAS, Chairman of the Audit and Risk Committee (2019)
- Member of the Supervisory Board, NTS (Nederlandse Transplantatie Stichting) (2020)
- Member of the Supervisory Board, Ebusco Holding N.V., Chairman of the Audit Committee (2021)

Current other positions:
- Owner, Carin Gorter Advies & Toezicht

Previous positions:
- Senior Executive Vice President & Head of Group Compliance, Security & Legal, ABN AMRO

A.M.H. (Marieke) Schöningh
Dutch nationality, female, 1963
Member

2020 first appointment
2024 end of term

Member of the Remuneration Committee

Current positions:
- Member of the Executive Board and COO, ProRail

Current other positions:
- Chairman of the Advisory Board of the Erasmus School of Economics

Previous positions:
- Member of the Management Board and COO, SHV Energy

R.L. (Rokus) van Iperen
Dutch nationality, male, 1953
Member

2011 first appointment
2024 end of term

Current other non-Executive Board positions:
- Chairman of the Supervisory Board, Princess Máxima Center for Pediatric Oncology

Previous positions:
- President and CEO, Canon Europe Ltd.
- Senior Managing Executive Officer, Canon Inc.
- Chairman of the Executive Board, OCÉ N.V.

Smart Vision systems

Report of the Supervisory Board

The Supervisory Board oversees the way the Executive Board defines and implements TKH's strategy to achieve the identified objectives of the company and its affiliated companies. In doing so, the Supervisory Board is provided with financial, commercial, operational, sustainability, and governance information, thereby focusing on the interests of all the company's stakeholders.

The Supervisory Board advises the Executive Board and oversees the Executive Board's relationship with stakeholders, including shareholders. The members of the Executive Board are appointed by the General Meeting of Shareholders on a binding recommendation drawn up by the Supervisory Board. The Supervisory Board is governed by by-laws, which include rules covering such matters as its working method, tasks, decision-making, and competencies.

Composition and diversity

The Supervisory Board is composed in such a way that the knowledge, experience, and understanding of current and anticipated future topics at TKH, as well as the markets and activities relevant to the company, are well represented. Each member of the Supervisory Board possesses specific expertise required to fulfill his or her supervisory role. The Board's effectiveness is determined by the team's composition in terms of knowledge and competencies, as well as the cooperation between its members. In addition to regular plenary strategy discussions, each member of the Supervisory Board has his or her own focus area in relation to TKH's activities or end market and supervises the way the Executive Board defines and implements TKH's strategy. Continuity in the composition and operation of the Supervisory Board is also invaluable, given its overall accountability for the consideration of various strategic interests aimed at sustainable long-term value creation. In accordance with the Dutch Corporate Governance Code (the "Code"), the Supervisory Board therefore applies a maximum term of office of 12 years. In addition, as part of the annual (self-)evaluation and prior to each reappointment, an assessment is made to determine whether the profile for the overall composition of the Supervisory Board is "up-to-date," and whether the expertise, competencies, and contribution of the candidate in question are suitable. An introduction program is in place for new members of the Supervisory Board, which considers the expertise and knowledge that the member brings to the Supervisory Board. The introduction program focuses on the general strategy, financial and sustainability reporting, and the organizational structure and activities of TKH.

The Supervisory Board aims for diversity in its composition in terms of age, gender, background, expertise, professional experience, and nationality, considering statutory requirements. These elements are also included in the profile drawn up by the Supervisory Board for any new members. In terms of composition, the Supervisory Board complies with the quota stipulated in Dutch company law of a b alanced distribution of at least 1/3 female and 1/3 male members, insofar as these seats are allocated to natural persons. The Board supports the view that diversity contributes to objective and sound decision-making, whereby diversity is not only considered important in terms of gender but also in terms of expertise, competencies, and background. The composition of the Supervisory Board is such that its members can act critically and independently of one another, the Executive Board, and any individual interests. In the opinion of the Supervisory Board, all members meet the independence requirements stipulated in best-practice provisions 2.1.7 up to 2.1.9 of the Code.

The chairman and the composition of the committees have changed in the past year. Mr. Oosterveer has been appointed as chairman of the Supervisory Board, succeeding Mr. Van Iperen. Mr. Van Iperen had requested to step down from his position as chairman of the Supervisory Board for health reasons. Mr. Van Iperen will nevertheless continue to serve as a Supervisory Board member and will retire as originally planned in accordance with the applicable retirement schedule, reaching the maximum term of office at the AGM 2024.

Meetings during the year under review

In 2023, six regular meetings were held, which were all attended by the Executive Board. The Supervisory Board meetings were well attended in 2023. All Supervisory Board members were present during the Supervisory Board meetings, with the exception of one member unable to attend one meeting and another member who was unable to attend most of the 2023 meetings in person for health reasons. Despite his personal situation, this member was able to have frequent interaction with the other members of the Supervisory Board about the items on the agenda.
In addition to the regular meetings, three closed meetings took place, attended only by the Supervisory Board members. During the year under review, there were no subjects on the agenda that could have potentially given rise to conflicts of interest. The 2022 annual financial statements were discussed in the presence of the external auditor.
In preparation for the Supervisory Board meetings, as well as to discuss other relevant matters during the year, the chairman of the Supervisory Board maintained regular contact with the chairman of the Executive Board. The Supervisory Board supervises and advises the Executive Board based on agenda items that recur at every meeting, and on specific subjects relevant for discussion at any given time.

Company visits

At least one regular meeting is held annually at the location of a TKH operating company. Such a company visit allows the Supervisory Board to meet with local management and employees and to gain a better understanding of TKH's activities, technological developments, and organizational capacity. The Board is updated on local developments and possible challenges faced by local management. Company visits, presentations, demonstrations, and guided tours are always part of the program. Particular attention is also paid to the local company culture.

In 2023, the Supervisory Board has visited the TKH operating companies C&C Partners and TKH Technology in Poland. It also visited the new state-of-the-art production facility of TKF for fiber optic cable, as well as the new production facility for specialized connectivity systems of E&E, both in Poland. The expansion of the factory for VMI's tire building systems in Poland was also visited. In addition, the Supervisory Board visited the new subsea cable factory in Eemshaven, the Netherlands, which was under construction throughout the year. During these company visits, the Supervisory Board was informed about technological and project developments, market developments, and other company-specific developments and topics. Specific attention was paid to artificial intelligence (AI) and the possibilities of applying AI in the existing product portfolio and using AI in future applications.

Supervisory Board visit to new Subsea cable factory in Eemshaven, the Netherlands

During the visit to the new factories, special attention was paid to the progress of the construction, risks, expenditures, and safety issues. The subsequent guided tour through the factories provided insight into the construction and production process. The Supervisory Board greatly values these company visits and, in particular, the meetings with local management and employees, as they provide a deeper and more comprehensive understanding of local activities and the company culture. The Supervisory Board also appreciates the openness and transparency of the presentations and discussions.

Regular meetings

Recurring agenda items, concerning topics such as business and financial developments, the progress of the Accelerate 2025 strategy program, sustainability, technological, organizational, and market developments, as well as investor relations, are discussed at each regular meeting. In 2023, specific attention was paid to the further development of the sustainability strategy, the revised Corporate Governance Code, the Remuneration Policy for 2024, the divestment of the cable connectivity activities in France, and the acquisitions of Euresys S.A. and JCAI Inc. Further attention was paid to supply chain management, cost inflation of (raw) materials and labor, the impact of increasing interest rates and a possible recession, and the influence of global economic and geopolitical developments on the implementation of TKH's strategy, financial position, and results. Finally, specific attention was paid to the valuation of TKH and the opportunities to further unlock the value potential of the company. Where appropriate, the chairperson of the relevant Board committee explains the most important findings of each meeting. The content of the press releases concerning the annual and half-year results is discussed with the full Supervisory Board prior to publication.

The "strategic scorecard" was used at each meeting to discuss the progress of strategic initiatives and business developments, including the order book, the competitive environment in which TKH operates, potential business risks, and how these risks are managed. In this context, the Board was also frequently updated on the progress of innovation projects. The Supervisory Board was furthermore updated on the progress of the Strategic Investment Program 2022-2023 as part of the execution of the Accelerate 2025 strategy program. This strategic capital expenditure program will increase TKH's production capacity to respond to the higher market demand for automation, digitalization, and electrification:

- Subsea connectivity systems (new factory in Eemshaven, the Netherlands)
- Medium- and high-voltage cables (expansion in the Netherlands)
- Fibre optic cables (new factory in Poland)
- Specialized connectivity systems (new factory in Poland)
- Tire building systems (expansion in Poland)

Throughout the year, a "deep dive" presentation was given by the Executive Board concerning TKH's Airport Solutions activities. More insight was gained into the proposition of the Airport Solutions activities, (development of) the product portfolio, general market developments, achievements, challenges, installed projects, and the sales funnel.

The Supervisory Board is regularly updated on the progress of sustainability initiatives and developments. Last year, specific attention was paid to the increasing relevance of non-financial information with a focus on the Corporate Sustainability Reporting Directive (CSRD) and related European Sustainability Reporting Standards (ESRS). Progress on the defined key non-financial KPIs was discussed, including the progress made toward the target of CO_2e neutrality (scopes 1 and 2) by 2030 and diversity of the workforce. Special attention was also paid to the double materiality assessment and the CSRD implementation plan for 2024. For the Supervisory Board, this confirmed that sustainability is a top priority within the organization and an integral part of (strategic) business decisions.

Topics of Supervisory Board Meetings in 2023

Q1	Q2	Q3	Q4
• Business review • Financial results and press release • Progress of strategic program • Investments and divestments • Supervisory Board committees • Explanation of audit report • AGM preparation/dividend proposal • Acquisition of Euresys S.A. • Divestment of cable connectivity activities in France	• Business review • Financial results • Progress of strategic program • Investments and divestments • Supervisory Board committees • Preparation for AGM • Divestment of cable connectivity activities in France	• Business review • Financial results and press release • Progress of strategic program • Investments and divestments • Supervisory Board committees • Acquisition of JCAI Inc. • Divestment of cable connectivity activities in France • Company visit to Eemshaven, the Netherlands • Remuneration Policy • Revised Corporate Governance Code	• Business review • Financial results • Progress of strategic program • Investments and divestments • Supervisory Board committees • Budget and Investment Plan 2024 • Company visit in Poland • HR topics including management development • Sustainability Strategy and update including EU Taxonomy, CSRD, and ESRS • Remuneration Policy • Deep dive TKH Airport Solutions • Valuation of TKH

Supervisory Board visit new production facility of TKF for fibre optic cable and new production facility for specialized connectivity systems of E&E, in Poland

Closed meetings

The Supervisory Board met three times in the absence of the Executive Board. The most important topics of discussion were:

- Explanation by the Remuneration Committee of the Remuneration Policy for the Executive Board and Supervisory Board and the remuneration proposal for the Executive Board.
- The 2024 Remuneration Policy, including proposed changes compared to the existing Remuneration Policy, as proposed by the Remuneration Committee.
- Evaluation of the performance of the Supervisory Board, its committees, and its individual members.
- Composition of the Executive Board and the Supervisory Board and its committees – formal nominations for (re) appointments to the Supervisory Board to the 2024 AGM.

Culture and organization

TKH has an entrepreneurial culture with a focus on technological development and a proactive approach to the market. Given its decentralized organizational structure, responsibilities are delegated deep within the organization. The Executive Board leads by example and provides guidance on norms and values. To supervise the cultural aspect, the Supervisory Board makes company visits to gain insights into the situation in the organization, for example, and the management of risks through discussions with and presentations by local management. Consultation with the Central Works Council is also an important part of the assessment of company culture. TKH applies different methods and systems to identify and manage risks. Potential risks and risk management systems are regularly discussed with the Executive Board, and openness about risks is strongly encouraged.

HR and safety

HR developments are discussed at least once a year with the Executive Board, with particular emphasis on management development (program), employee satisfaction, employer branding, diversity, and other relevant HR topics.

In 2023, special attention was paid to diversity and the implementation of action plans to increase the proportion of females in executive and senior management teams. The Supervisory Board devotes considerable attention to safety in the organization. Accidents and near-miss accidents are reported using safety indicators, for example. Since 2021, TKH has implemented ISO 45001 for all production companies. For the Supervisory Board, this is a confirmation that safety has been defined as one of the organization's top priorities, demonstrated through increased safety awareness in the organization and enabling employees to take responsibility for safety.

Contact with the Central Works Council

The Supervisory Board maintains annual contact with the Central Works Council about TKH's strategy and topics of interest to the individual Works Councils. These topics include staff continuity and employability, safety, and cooperation between operating companies. In the context of the Central Works Council's (strengthened) right of recommendation, when there are vacancies in the Supervisory Board, a dialogue is initiated with a view to obtain input for reappointment of existing members or appointing new members. The members of the Supervisory Board have great respect for the professionalism with which the Central Works Council deals with important issues and offers sound advice. The Board regards consultation with the Central Works Council as being open, constructive, and valuable. For the Supervisory Board, consultation with the Central Works Council is also an important element in assessing the culture within TKH's organizations.

Committees

The Supervisory Board of TKH has three committees: the Selection and Nomination Committee, the Remuneration Committee, and the Audit Committee. The committees all have their own set of rules governing their conduct.

Selection and Nomination Committee

The Selection and Nomination Committee consists of Mr. P.W.B. Oosterveer (chairman) and Mr. J.M. Kroon.
The Selection and Nomination Committee held two formal meetings in 2023. The committee also had frequent (virtual) contact on current topics, in particular regarding the preparation and selection of a new member of the Supervisory Board, including ensuring that the knowledge and expertise within the Supervisory Board remains appropriate. Management development and succession planning is also an important topic of discussion within the TKH organization.
The Selection and Nomination Committee reported to the Supervisory Board on the most important results of each of its meetings and consultations.

Remuneration Committee

The Remuneration Committee consists of Mrs. C.W. Gorter (chairman), Mrs. A.M.H. Schöningh, and Mr. P.W.B. Oosterveer. With the appointment of Mrs. A.M.H. Schöningh as a member of the Supervisory Board at the 2020 AGM, the Central Works Council exercised its enhanced right of recommendation, so that Mrs. Schöningh automatically becomes a member of the Remuneration Committee in accordance with the legal provision article 2:160a of the Dutch Civil Code. The Remuneration Committee held seven formal meetings in 2023. The Remuneration Committee also had frequent (virtual) contact during the past year.
The chairman also had telephone consultations with the committee's external adviser as part of the Committee's preparatory work on benchmarking the remuneration package of the Executive Board and the Supervisory Board against the relevant reference group, the review of the composition of the reference group, and the preparation of the revised Remuneration Policy 2024. The achievement of the Executive Board's targets was assessed, based on which the committee presented a proposal for a decision on the remuneration of the Executive Board to the Supervisory Board during a closed meeting. The targets for the Executive Board for the current financial year have also been discussed and defined.

In 2023, the Remuneration Committee conducted a thorough review of the Remuneration Policy. The review focused, among other things, on the remuneration structure, KPIs, long-term value creation including sustainability, and the composition of the reference group. In addition, relevant legislative and regulatory developments such as the CSRD and the revised Dutch Corporate Governance Code was assessed. The review also included current market practice, societal trends and expectations, and developments in corporate governance. Based on the outcome of this review, the Remuneration Committee developed a draft Remuneration Policy 2024, which was discussed in an open dialogue with relevant stakeholders. A proposal for a revised Remuneration Policy for the Executive Board will be submitted to the AGM in 2024. More information can be found in the "Remuneration Report" section.

The Remuneration Committee reported the most important findings of each of its meetings and consultations to the Supervisory Board.

Audit Committee

The Audit Committee consists of Mrs. C.W. Gorter (chairman), Mr. J.M. Kroon, and Mr. P.W.B. Oosterveer. Mrs. Gorter also sits on the committee as an expert in the preparation and audit of the financial statements.

The Audit Committee held five regular meetings in 2023. The Audit Committee meetings were held in the presence of the external auditor, as well as the CFO, the Director Internal Audit, the Manager Internal Audit, and the Director of Finance & Control of TKH. TKH's Tax Director was present at two meetings to explain national and international tax developments and specific tax matters of importance to TKH, such as the application of the Dutch innovation box scheme, Pillar Two, tax compliance including the Tax Control Framework and risk management issues. The Audit Committee discussed the audit plan, on the basis of which the audit activities have been carried out, with the external auditor. The scope and materiality of the audit plan, as well as the key risks in the annual reporting that the external auditor has identified in the audit plan, were also discussed. During the year under review, the external auditor's audit approach and performance was reevaluated in consultation with the Audit Committee.
In addition, at each meeting, the Director Internal Audit provided an explanation of his findings concerning the internal audit activities. The company's internal risk management and control system is an ongoing concern for the Audit Committee. In 2023, a "deep dive" presentation was delivered on the implementation of the CSRD and related ESRS, on the setup, double materiality assessment, material ESG matters, timing, and challenges. Other topics discussed within the committee's remit included impairment analyses and the impact of changes in the International Financial Reporting Standards (IFRS) on the income statement and balance sheet including disclosures (financial statements). Due to the relevance of IT & Security to both the day-to-day operations and TKH's business model in the context of software development and R&D, this topic is given high priority at every Audit Committee meeting.

In the year under review, there was a discussion of the key audit matters identified by the external auditor as having the greatest impact on the audit approach and activities during the audit. The key audit matters identified include the recognition of revenue over time and the related valuation of contract assets and contract liabilities, and the valuation of capitalized development costs related to innovation projects in development. Specific focal points in the audit include the valuation of goodwill, non-compliance with laws and regulations, specifically (commission) payments to third-party agents and non-routine transactions in high-risk countries, the valuation and disclosure of acquisitions and divestments, the valuation of deferred tax assets, the valuation of a specific right of use asset, and the planned capital expenditures and related commitments at year-end 2023, including accounting for start-up costs and decommissioning liability for the new subsea factory in Eemshaven, the Netherlands.

In the year under review, increased attention was devoted to developments in non-financial information, including the EU Taxonomy requirements and the CSRD and related ESRS. Internal Audit developed and conducted review activities focusing on the non-financial KPIs included in TKH's 2023 Annual Report. This was also in preparation for the audit of non-financial KPIs by the external auditor. TKH appointed Ernst & Young Accountants LLP (EY) to provide independent assurance of the report to reassure TKH's stakeholders about TKH's non-financial information. TKH has received limited assurance for the KPIs included in the Sustainability Statements paragraph of the 2023 Annual Report. During the reporting year, further attention was also paid to supply chain management, cost inflation of (raw) materials and labor, the impact of interest rate volatility and a possible recession, and the influence of global economic and geopolitical developments on the execution of TKH's strategy, financial position, and results. During one of the meetings, specific attention was paid to the company's Treasury Policy.

Supervisory Board visit at C&C Partners in Poland

Forensic expertise is used when drawing up the audit plan and performing audit activities to gain a clearer picture of the possible risks of fraud and review internal control measures, also given the increasing attention being paid to fraud and corruption in society. The Audit Committee discussed the company's fraud risk assessment, including inherent fraud risks, identified significant risks, and other risks and attention areas.

The external auditor explained the interim update letter with findings in reporting, and administrative organization and internal control, where relevant to the audit of the financial statements. The main topics discussed were the valuation of development costs concerning a specific asset, withholding tax, the divestment and processing of TKH's remaining stake in the Cable Connectivity Group, the divestment of cable connectivity activities in France, the planned capital expenditures, the valuation of assets including inventories at one of the subsidiaries, the valuation of a specific right of use asset, the new facility agreement, and the acquisition and processing of the acquisition of Euresys S.A. In addition, IT control measures and cybersecurity, fraud and non-compliance management, the financial closing process related to ESEF reporting, Pillar Two, and findings at operating companies that needed to be followed up were discussed. The external auditor also updated its audit plan to reflect recent developments, including the reassessment of materiality levels and scoping. Finally, relevant developments in the EU concerning non-financial information and reporting were discussed, including the CSRD and related ESRS requirements for 2024.

The Audit Committee evaluates the performance of the external auditor annually, regarding the quality of the audit activities, the adequacy and implementation of the audit engagement, and the quality and depth of the reports, as well as any additional contributions. The committee discusses its findings with the external auditor and with the Executive Board and Supervisory Board. The Audit Committee also evaluates the internal audit function. The input for the evaluations includes the follow-up on the points of attention and improvement of the audit activities as formulated by the external auditor and TKH regarding the previous financial year. The Audit Committee also advises the Supervisory Board on the nomination for the (re)appointment of the external auditor and prepares the selection of the external auditor. In doing so, it considers the Executive Board's observations. The Audit Committee then submits a proposal to the Supervisory Board for commissioning the external auditor to audit TKH's financial statements.

In accordance with best practice provision 1.7.4 of the Code, the Audit Committee held a meeting with the external auditor in 2023 without the presence of the Executive Board. It was established that the external auditor was independent of TKH.

The Audit Committee reported the most important findings of its meetings to the Supervisory Board.

Evaluation

The Supervisory Board also convened a closed meeting to discuss its own performance and that of its committees and individual members. The evaluation covered the Board's composition, independence, expertise, and team effectiveness, as well as the quality of information provision, the role of the chairman, and relations with the Executive Board. Based on the evaluation, it was concluded that the Supervisory Board as a whole, as well

Supervisory Board visit at VMI Group in Poland

as its individual members, functioned well. This honest and open relationship is characterized by mutual respect. The members complement each other sufficiently in their advisory and supervisory role toward the company and cover a wide range of relevant expertise. The available and desired expertise and knowledge within the Board was also discussed. It was established that there is a good working relationship between the Supervisory Board and the Executive Board, and that they are also sufficiently critical of each another. Communication from the Executive Board to the Supervisory Board takes place in an open, professional, and constructive manner so Supervisory Board members have a strong understanding of strategic and operational issues. It was also established that no member of the Executive Board has more than two “demanding” supervisory positions as defined in the Dutch Management and Supervision Act. The Supervisory Board has no indication of any kind of conflict of interest between the company and members of the Executive Board. The chairman of the Supervisory Board discussed the findings with the chairman of the Executive Board.

During the closed meetings, the points in the Code’s best-practice provision regarding the independence of the Supervisory Board (2.1.7), its individual members (2.1.8), and the chairman (2.1.9) were also assessed. It was concluded that all members of the Supervisory Board are independent.

Financial statements 2023

The report of the Executive Board and the 2023 financial statements were submitted to the Supervisory Board in accordance with the provisions in Article 31 of the Articles of Association. The financial statements were submitted for audit to Ernst & Young Accountants LLP, which subsequently issued an unqualified auditor’s report on the financial statements based on the audit.

The Supervisory Board discussed the financial statements with the Executive Board in the presence of the external auditor, and subsequently approved the financial statements on March 4, 2024. The Supervisory Board submits the financial statements for the 2023 financial year to the AGM and recommends adopting the financial statements. The Supervisory Board believes that the financial statements constitute a sound basis for the account given by the Executive Board of its management and by the Supervisory Board of its supervision of the management. The Supervisory Board also proposes that the proposed appropriation of profits be approved and that the Executive Board be discharged in respect of the policies pursued and the Supervisory Board in respect of the supervision exercised.

Haaksbergen, March 4, 2024

On behalf of the Supervisory Board,
P.W.B. Oosterveer, *Chairman*

Attendance at meetings of the Supervisory Board and its committees

Meeting	Supervisory Board	Audit Committee	Remuneration Committee	Selection and Nomination Committee
P.W.B. Oosterveer	6/6	5/5	3/3	1/1
R.L. van Iperen [1]	1/6		0/4	0/1
J.M. Kroon	5/6	5/5		2/2
C.W. Gorter	6/6	5/5	7/7	
A.M.H. Schöningh	6/6		5/7	

1 Mr. Van Iperen was unable to attend most of the 2023 meetings in person for health reasons. Despite his personal situation, this member was able to have frequent interaction with the other members of the Supervisory Board about the items on the agenda.

Remuneration report

This Remuneration Report describes the implementation of the Remuneration Policy for the members of the Executive Board and the Supervisory Board.

Letter from the Remuneration Chair

On behalf of the Remuneration Committee, I am pleased to present the 2023 Remuneration Report, which provides a summary of the remuneration policies for the Executive Board and the Supervisory Board and an explanation about how they were applied in 2023. No changes have been made to the policies for 2023.

The Renumeration Policies were proposed by the Supervisory Board for adoption by the 2020 General Meeting of Shareholders, with effect from January 1, 2020. The Renumeration Policy for the members of the Executive Board and the Supervisory Board were adopted by the AGM with 96.99% and 99.92% respectively.

The Remuneration Policy supports TKH to attract and retain the talent to allow TKH to deliver on the strategy as defined by the Accelerate 2025 strategy program and to meet its financial and operational objectives. It is designed to also provide fair, competitive, and responsible remuneration in a transparent manner, while at the same time demonstrating the desired values and behavior to satisfy all stakeholders.

The past year was not without challenges. But despite the global geopolitical tensions and the ongoing war in the Ukraine, combined with continued high inflation, supply chain disruptions and headwind because of destocking effects at customers, TKH delivered a solid performance. The company put additional focus on the impact of climate change and reinforced its sustainability strategy.

Looking ahead to 2024

It was the last year of the current Remuneration Policy. In Q2 2023, the Remuneration Committee started a fundamental review of the Remuneration Policy for the Executive Board and the Supervisory Board. The following principles were leading in this process:

- Incentivizing behavior toward the achievement of the strategy of TKH
- Being competitive to attract and retain the right talent
- Consider stakeholder's perspective and societal developments
- Comply with good corporate governance practices
- Performance criteria being measurable, transparent and auditable

We have spent considerable effort in engaging with our stakeholders, taking their comments into consideration and refining our perspectives on internal and external expectations, all supported by an external advisor. During the review of the Remuneration Policy we continued the dialogue with the Executive Board to gain their perspective and feedback to ensure that we are measuring the things that matter, that we compare ourselves with the right companies and that the targets we set are ambitious but realistic. The review focused among other things on the remuneration structure, KPIs and metrics, long-term value creation including sustainability and the composition of the reference group. In addition relevant legislative and regulatory developments and the revised Corporate Governance Code were assessed. The review also included market practices, societal trends and expectations and developments in corporate governance.

We have also engaged in active dialogue with the Workers Council as well as with governance organizations, proxy advisors and major shareholders on the envisaged changes. More information on these stakeholder engagements will be included in the convocation documents for the 2024 AGM including the full proposal for the revised Remuneration Policy for the Executive Board and Supervisory Board.

I would like to thank our shareholders and other stakeholders for their engagement and for sharing their views on the executive remuneration. We trust that our shareholders will support the 2024 Remuneration Policy for the Executive Board and Supervisory Board which we intend to submit for adoption at our 2024 AGM.

C.W. Gorter
Chair of the Remuneration Committee

Remuneration Policy of the Executive Board

The remuneration payable to the members of the Executive Board consist of the following:

	Total Remuneration
Basic salary (TRI)	Total regular Income. Attracts, engages, and retains Executive Board members to deliver on TKH's strategic objectives.
Short-Term Incentive (STI)	An annual performance bonus. Contributes to the short-term financial and non-financial performance objectives of TKH.
Long-Term incentive (LTI)	Incentive in the form of a share plan aligning the objectives of the Executive Board member with the long-term growth strategy and stakeholders' interests of TKH.
Pension	A pension commitment including the right to benefits in the event of poor health or disability, and a widows' and orphans' pension in the event of death.
Other benefits	Business allowances in accordance with what is generally accepted within the TKH organization.

	Long-Term incentive (LTI)
Share Plan	Members of the Executive Board receive shares based on the achievement of targets.
Personal investment	Members of the Executive Board receive shares on the condition that they personally invest in the same number of shares as they receive under the LTI plan. By personally investing in the same number of shares as they are awarded under the LTI, each member of the Executive Board invests a significant amount of money in a way that prudently manages risk but still encourages an entrepreneurial spirit to create long-term value. As a result, the interests of the Executive Board and the shareholders remain aligned.

The Remuneration Policy aims to provide a competitive remuneration package to attract, motivate, and retain qualified managers for a publicly listed company, while keeping in mind the company's size and unique characteristics. The policy recognizes the internal and external context as well as TKH's business needs and sustainable long-term strategy. It is designed to stimulate sustainable long-term value creation for TKH and its affiliated companies, taking into account the provisions for good corporate governance. The policy aims to improve the company's performance, using financial and non-financial performance measures, combined with the careful assessment of risks and the right entrepreneurial spirit. It is reviewed for market conformity at least once every three years, on the basis of information provided by external experts. In addition, internal remuneration ratios are taken into account by ensuring that the remuneration ratio in the second tier is appropriate and in line with market standards. Based on the targets set, the Remuneration Committee performs scenario analyses of the STI and LTI targets.

Our Remuneration Policy and corporate strategy are aligned with specific short-term and long-term targets that link the remuneration of each member of the Executive Board to the success of the company. The size of the LTI in relation to the total remuneration package, as well as the requirement that members of the Executive Board must invest at their own expense in the same number of shares as they receive under the LTI, are important factors in creating sustainable long-term value and continuity for the company.

Reference group

To attract qualified executives to the Executive Board, and to retain the current members of the Executive Board on a long-term basis, the company takes external reference data into account when determining appropriate remuneration levels. A specific reference group has been established for this purpose. With reference to the AMX companies on Euronext Amsterdam, we primarily make comparisons with companies that are more or less equivalent to TKH in terms of complexity, size, and the international scope of their business portfolio. The Remuneration Committee, supported by external experts, regularly evaluates this reference group to ensure that its composition remains appropriate. A peer group of international industry peers is also used to provide an additional assessment of sector-specific developments.

AMX		International sector peers
Aalberts Industries	Fagron	Prysmian
Air France-KLM	Fugro	Basler
Arcadis	PostNL	Cognex
Basic-Fit	SBM Offshore	Keyence
Corbion	Vopak	

While external market data provides a useful context, it is ultimately the responsibility of the Remuneration Committee and the Supervisory Board to determine appropriate remuneration packages that reflect the specific context and requirements of the company, as well as the skills and capabilities of the individual members of the Executive Board.

The external market data is therefore used to inform, rather than determine, decision-making. The Remuneration Committee evaluates the external market data and, if necessary, makes recommendations to the Supervisory Board for approval.

In 2023, as part of the preparation for our upcoming submission of the updated Remuneration Policy, we have started an extensive review of the peer group. We aim to present the updated Remuneration Policy for approval by the 2024 AGM.

Targets for STI and LTI

The annual targets for the STI and LTI relate to TKH's business plan as reflected in the financial and non-financial targets of the Accelerate 2025 strategic program.

The Supervisory Board sets the targets, along with their respective weighting and criteria, for any given year in line with the company's strategy and general structure. In the process, the Board considers both financial and non-financial factors, along with personal targets, in addition to the following:

- Targets must be derived from the company's strategy, including the Accelerate 2025 strategic program.
- Emphasis should be placed on targets that are essential for long-term sustainable value creation.
- Past performance, business prospects, and conditions should be taken into account.
- Stakeholder expectations should be considered.

While financial and non-financial targets focus on achieving the overall strategic business objectives and sustainability ambitions, personal targets should relate to the specific role of the Executive Board as a collective, and to each individual member on the Executive Board. Factors considered for personal targets include the company's mission and identity, its overall Environmental, Social, and Governance (ESG) targets, and any important strategic issues for the coming year.

Among other things, the external assessment and the Remuneration Policy are used to formulate the proposal for the remuneration of the members of the Executive Board. In accordance with the Corporate Governance Code, the Remuneration Committee takes note of the views of the individual Executive Board members on the level and structure of their own remuneration. The remuneration for the members of the Executive Board was externally reviewed in the reporting year, at which point it was concluded that the TRI, STI, and LTI policies are consistent with the objectives set. The Supervisory Board believes that the total remuneration package strikes a good balance to achieve TKH's strategic targets. The package encourages the members of the Executive Board to deliver solid results and implement the company's strategy in a realistic but ambitious manner. There has been no deviation from the decision-making process for the implementation of the Remuneration Policy.

Targets financial

Turnover
>2 in € billion in 2025

Return on Sales (ROS)
>17% in 2025

Net debt / EBITDA
<2.0

Return on Capital Employed (ROCE)
22-25%

non-financial

Carbon neutrality own operations
100% scopes 1 and 2 by 2030

Employee satisfaction
>7.5

Illnes rate
<4%

Strategic suppliers assesed
>90%

Female executive and senior management
>25% by 2030

Recycling
>80% copper, aluminium and PVC

Waste
<5%

Accident rate (LTIFR)
<1.0

Application of the Policy in 2023

1 Basic salary (TRI)

Once a year, the Supervisory Board determines whether and by how much the base salaries need to be adjusted, taking into account market developments, the remuneration structures of similar companies in the reference group, TKH's results, and wage developments within the TKH Group. The base salaries have been increased by 5.5% with effect from January 1, 2023 based in part on the external assessment. The base salary for individual members of the Executive Board is below the median for the reference group and in accordance with the Remuneration Policy and intended position.

2 Performance bonus (STI)

Variable remuneration is an essential part of the remuneration package for Executive Board members in terms of rewarding short-term results in line with strategic objectives. The STI is based on annual financial and non-financial performance measures including personal targets. On the recommendation of the Remuneration Committee, the Supervisory Board sets the targets and criteria for earning a performance bonus in advance of the reporting year. Once the reporting year has ended, the size of the performance bonus is determined by the Supervisory Board, based on the results achieved and the criteria set. Depending on the degree to which the targets have been met, the STI can range from 0% to (a maximum of) 60% of the TRI. Performance "at target" results in a performance bonus of 40% of the TRI. Differences in the STIs received by members of the Executive Board may be based on the final scores for their personal quantitative and qualitative targets.

STI performance of the Executive Board in 2023

The STI for members of the Executive Board based on achievement of the 2023 targets is presented in the table below. Payment of the variable remuneration to members of the Executive Board is subject to the condition that the targets upon which the performance bonus is based or the circumstances under which the bonus was originally determined, are accurate. For 2023, there was no full or partial recovery of a bonus as referred to in article 135 subsection 8.

A Financial targets and performance 2023 (80% weighting)

TKH achieved a turnover of € 1,847.5 million and EBITA of € 237.0 million in 2023. The performance, normalized for acquisition and divestments, resulted in a performance pay-out of 25.4% for turnover and 51.2% for EBITA.

B Sustainability/ESG targets and performance 2023 (10% weighting)

As part of the Accelerate 2025 strategic program, nine key sustainability/ESG targets have been defined for 2025 and 2030. Each KPI has the same weighting (1/9). The performance and progress in 2023 against the defined KPIs are as follows:

- 100% carbon neutrality of own operations (scopes 1 and 2) by 2030 (1/9 weighting): In 2023, a further reduction in the CO_2e footprint was achieved, resulting in a CO_2e footprint reduction of 64.3% compared to the reference year 2019 (2022: 42.7%). TKH is well on track to achieve the target of 100% by 2030 (scopes 1 and 2).
- <5.0% waste (1/9 weighting): Waste percentage compared to material usage is at 5.2%, which is close to the target of 5%. Waste as a percentage is in line with last year, despite the increased level of activities. The waste percentage for copper and aluminium was reduced in 2023. The waste percentage for plastics increased, which is mainly related to the product mix.
- >80% recycling (1/9 weighting): In 2023, 87.3% of the most important raw materials were recycled (2022: 88.0%). The small decrease was mainly related to the lower recycling rates for plastics.

Details actual payout level (STI)

		Bandwith payout level				Targets			Performance					
Plan	Target	Weight	Minimum	On-target	Maximum	Threshold 0%	On-target 100%	Maximum 150%	Performance	Performance payout	Actual payout % of TRI	Minimum	On-target	Maximum
STI 2022	Turnover (in millions)	30%	5%	30%	45%	€ 1,577	€ 1,856	€ 1,949	€ 1,848	25.4%	10.2%			
	EBITA (in millions)	50%	10%	50%	75%	€ 198	€ 233	€ 245	€ 237	51.2%	20.5%			
	Financial targets	**80%**	**15%**	**80%**	**120%**					**76.6%**	**30.6%**			
	Sustainability / ESG targets (9 KPIs)	**10%**	**2.5%**	**10%**	**15%**		See commentary			**13.0%**	**5.2%**			
	Other and personal targets (4 KPIs)	**10%**	**2.5%**	**10%**	**15%**		See commentary			**14.4%**	**5.8%**			
	Overall performance ratio	**100%**	**20%**	**100%**	**150%**					**104.0%**	**41.6%**			

Details Sustainability / ESG Targets

KPI	Target	Performance
Environment		
B1 Carbon neutrality own operations - target 2030 (1/9 weighting)	100%	64.3%
B2 Waste (1/9 weighting)	<5%	5.2%
B3 Recycling (1/9 weighting)	>80%	87.3%
Social		
B4 Diversity - target 2030 (1/9 weighting)	25%	19.2%
B5 LTIFR (1/9 weighting)	<1.0	0.75
B6 Ilness rate (1/9 weighting)	<4%	3.85%
B7 Employee satisfaction (1/9 weighting)	>7.5	7.8
Governance		
B8 Strategic suppliers assessed (1/9 weighting)	>90%	91.9%
B9 Enhance sustainability policies and procedures (1/9 weighting)	enhanced	enhanced

- >25% female executive and senior management by 2030 (1/9 weighting): The share of women in executive and senior management teams increased in 2023 from 18.4% to 19.2% and is well on track to meet the target of 25% by 2030.
- <1.0 LTIFR (1/9 weighting): To make safety demonstrable, emphasis is placed on specific, measurable performance targets for safety measures, including LTIFR (Lost Time Injury Frequency Rate). Further action was taken on health and safety programs at the production facilities. The LTIFR figure for 2023 decreased slightly from 0.78 to 0.75 and is below the target of <1.0.
- <4.0% illness rate (1/9 weighting): The illness rate decreased from 4.04% to 3.85% and is below the target of <4.0%.
- >7.5 employee satisfaction (1/9 weighting): The employee satisfaction score in 2023 of 7.8 was above the target of 7.5 and above last year's score (7.6). In addition, in 2023 more companies were included in the employee satisfaction survey.
- >90% of strategic suppliers assessed (1/9 weighting): 91.9% of the strategic suppliers have been assessed against the Code of Supply, exceeding the target of >90%.
- Enhance sustainability policies and procedures (1/9 weighting): Further important improvements have been implemented concerning the internal ESG dashboard and ESG policies. In 2023, the Sustainability Reporting Manual was updated and new CSRD requirements were partially integrated. Finally, assurance was obtained from EY for the key non-financial KPIs included in TKH's 2023 Annual Report.

Details other and personal targets

KPI	Target	Performance
C1 Execution Accelerate 2025 strategy program	Good progress	See commentary
C2 Financial position: net debt/EBITDA <2.0	<2.0	1.8
C3 Innovations >15% of turnover	>15%	16.1%
C4 Personal targets	See commentary	See commentary

The performance in 2023 against sustainability/ESG targets results in an overall performance ratio of 13.00%.

C Other and personal targets and performance in 2023 (10% weighting)

In addition to the financial and sustainability/ESG targets, four other and personal targets have been defined for 2023. Each KPI has the same weighting (1/4). The performance and progress in 2023 against the defined KPIs are as follows:

- Implementation of the Accelerate 2025 strategy program (1/4 weighting): In 2023, good progress was made on the implementation of the Accelerate 2025 strategic program. The € 200 million Strategic Investment Program is progressing according to plan, with no delays in the construction of the capacity expansions. TKH acquired Euresys, a leading high-tech developer and supplier of machine vision software, and completed the divestment of the connectivity distribution activities in France, allowing TKH to further focus its strategy on differentiation and innovation in smart technologies to create higher value.
- Financial position: net debt/EBITDA <2.0 (1/4 weighting): The net debt/EBITDA ratio, calculated in accordance with TKH's bank covenant, stood at 1.8, well within the financial ratio agreed with our banks and well within the target of 2.0.
- Innovation >15% of turnover (1/4 weighting): The innovations as percentage of turnover was 16.1%, above the target of 15%. TKH continued to invest in strengthening core technologies to secure the longer-term growth opportunities from the megatrends of automation, digitalization, and electrification.
- Personal targets (1/4 weighting): The personal targets defined for 2023 are related to specific business topics and relate to specific business issues and are not disclosed in detail due to (commercially) sensitive information.

The achievement of the other and personal targets results in 2023 results in an overall average performance ratio of

14.38%, consisting of the following performance ratios for each member of the Executive Board:
- 14.25% for J.M.A. van der Lof MBA
- 14.25% for E.D.H. de Lange MBA
- 14.63% for H.J. Voortman MSc

The total average performance in 2023 regarding sustainability/ESG and other and personal targets is 27.38% compared to the maximum of 30%.

D Overall performance 2023

The performance percentages times 40% generates the actual payout percentage of TRI. This resulted in award payouts in € 1,000 (STI) of the following values for:
- J.M.A. van der Lof MBA: 103.9% x 40% x TRI = 317
- E.D.H. de Lange MBA: 103.9% x 40% x TRI = 238
- H.J. Voortman MSc: 104.2% x 40% x TRI = 230

3 Share plan (LTI)

The long-term variable remuneration aims to align the interests of the Executive Board members with the long-term interests of TKH's shareholders. For that purpose, a share plan was enacted that provides for a long-term incentive (LTI). Under the share plan, members of the Executive Board receive shares based on the achievement of targets.

Conditions and personal investment by the members of the Executive Board

Members of the Executive Board receive shares on the condition that they personally invest in the same number of shares as they receive under the LTI plan. By personally investing in the same number of shares as they are awarded under the LTI, each member of the Executive Board invests a significant amount of money in a way that prudently manages risk but still encourages an entrepreneurial spirit to create long-term value. As a result, the interests of the Executive Board and the shareholders remain aligned.
The shares in question are to be held as a long-term investment and may not be transferred for a period of three years after having been granted. The share plan involves a financial investment by the Executive Board because the individual members must buy the same number of shares as they receive under the LTI. Due to this financial investment for the members of the Executive Board, it is stipulated that the shares must be held for at least three years, as this plan requires a private investment commitment from the individual members of the Executive Board.

KPIs and multipliers

The amount of remuneration depends on the performance on the following KPIs:
- Return on Capital Employed (ROCE)
- Return on Sales (ROS)
- Stock price developments for TKH shares compared to the AMX index of Euronext Amsterdam (relative stock price developments)

The development of the ROS and ROCE in relation to the pre-defined targets, as well as the share price development over the past three years in relation to the AMX index, which is relevant for the company, may result in a share allotment. The focus of the company's strategy is to increase the ROS and ROCE through growth in activities related to high-end technologies where relatively high margins can be achieved. The ROS and ROCE are important criteria for monitoring the implementation of the differentiating power that the company is developing with the technology base of the group and the ongoing transformation towards achieving the ROS and ROCE targets. Furthermore, the development of the company's share price in relation to the AMX index is an important confirmation of the shareholders' appreciation of the strategy and of the Executive Board's alignment with the goals of long-term shareholders.
The performance period for ROS and ROCE is one year, and the performance ranges are determined at the beginning of the year, taking into account the medium-term targets. The performance period for the relative stock price development is three years. For the 2023 allocation, this entailed reviewing the period from January 1, 2021, to December 31, 2023.
- The applicable performance range for the ROS is 0.50 to 1.50, with an "at target" level of 1.0. The score received for this KPI generates the "multiplier A".
- The applicable performance range for the ROCE is also 0.50 to 1.50, with an "at target" level of 1.0. The score for this KPI is also equal to "multiplier B".
- The performance range for the relative stock price developments runs from 0.75 to 1.5, with an "at target" of 1.0. This score is converted into "multiplier C", which ranges from 0.5 to 1.8, with 1.0 being the "at target" multiplier.

Multipliers are calculated for each KPI to determine the amount of the allocation for the total LTI. These multipliers are then multiplied by the standard allocation. The standard award is net and equivalent to 50% of the TRI. The gross value of the standard award is thus approximately equal to the TRI. The minimum payout of an LTI award in any given year is 0.25 x the standard award. In that case, the members of the Executive Board must also personally invest 0.25 x the standard allocation. This is an important factor in creating long-term value and continuity for the company, and it aligns the interests of the Executive Board with those of shareholders. The maximum payout is 2.7 x the standard award.

Performance 2023

The following multipliers were achieved for each KPI based on actual overall performance against the performance ranges.

TKH achieved an ROS of 12.8% in 2023, resulting in a multiplier for ROS (A) of 1.13. The ROCE in 2023 was 19.8%, resulting in a multiplier for ROCE (B) of 1.5, the maximum. The multiplier for the relative stock price developments (C) was 1.02 based on the stock price development of TKH shares compared to the AMX index of Euronext Amsterdam

Details actual payout level (LTI)

		Bandwith payout level			Targets			Performance					
Plan	Target	Minimum multiplier	On-target multiplier	Maximum multiplier	Threshold 0%	On-target 100%	Maximum 150%	Performance	Performance multiplier	Actual payout % of TRI	Minimum	On-target	Maximum
LTI 2022	A ROS	0.50	1.00	1.50	11.6%	12.6%	13.6%	12.8%	1.13				
	B ROCE	0.50	1.00	1.50	17.8%	18.8%	19.8%	19.8%	1.50				
	C Relative stock price development	0.50	1.00	1.80	0.50	1.00	1.80	index 1.01	1.02				
	Overall performance ratio	**Performance multiplier: A*B*C**							**1.73**	**86%**			

over the last three years (index of 101%). These multipliers for each KPI resulted in a total multiplier for the LTI of 1.73 (A*B*C = 1.13*1.50*1.02), which meant that 1.73 x of the standard award was granted.

This resulted in award payouts in € 1,000 of the following net values for:

- J.M.A. van der Lof MBA: 1.73 x 50% x TRI = 662
- E.D.H. de Lange MBA: 1.73 x 50% x TRI = 497
- H.J. Voortman MSc: 1.73 x 50% x TRI = 478

Members of the Executive Board receive shares on the condition that they personally invest in the same number of shares as they receive under the LTI plan. This results in a personal investment in € 1,000 in TKH certificates of shares with the following values for:

- J.M.A. van der Lof MBA: 662
- E.D.H. de Lange MBA: 497
- H.J. Voortman MSc: 478

The corresponding gross values are listed in the table showing “total remuneration” in section 6 of this Remuneration Report. The number of certificates of shares associated with the net award will be calculated based on the average closing price over the three trading days following the time of publication of the annual figures. The awarded shares as well as the individually purchased shares in accordance with the LTI plan are included in the Executive Board share ownership table.

Executive Board share ownership

	Balance 1/1	Awarded shares	Individually purchased shares	Disposal (at least 3 years in portfolio)	Balance at 31/12
J.M.A. van der Lof MBA					
2022 [1]	122,147	14,373	14,373	-32,746	118,147
2023 [1]	118,147	6,547	6,547	-18,594	112,647
E.D.H. de Lange MBA					
2022 [1]	95,789	10,780	10,780	-32,340	85,009
2023 [1]	85,009	4,910	4,910	-14,730	80,099
H.J. Voortman MSc					
2022 [1]	26,153	9,782	9,782	-9,782	35,935
2023 [1]	35,935	4,456	4,456	-4,456	40,391

1 Achieved in the previous financial year and paid out in the following financial year.

No option rights are awarded to members of the Executive Board. Any option rights held by a member of the Executive Board were acquired during the period in which he was already employed by TKH but had not yet become a member of the Executive Board. These option rights can be exercised in accordance with the TKH share option scheme during the applicable exercise periods. In this respect, H.J. Voortman has option rights that apply to the period before he became a member of the Executive Board. The movement and balance of the outstanding option rights awarded to him are shown in the table below. For more information on the share option scheme, we refer you to note 24 in the annual financial statements.

4 Pensions

The Remuneration Committee is responsible for ensuring that the members of the Executive Board are provided with a pension that is in line with market practice and consistent with the provisions made for similar positions. In addition, the pension arrangements include the right to benefits in the event of poor health or disability, and a widows’ and orphans’ pension in the event of death. All this is provided on terms and conditions comparable to those applicable to participants in the collective pension fund – i.e. the company’s employees. The associated costs, up to the maximum allowed under tax law, are included in pension costs. The pension compensation refers to any portion exceeding the maximum allowed under tax law (2023: € 128,810).

Option rights H.J. Voortman MSc

Year of award	Exercise price in €	Number as at 01-01-2023	Awarded during the year	Movement during the year	Expired during the year	Exercised during the year	Number as at 31-12-2023	Exercise period
2018	52.25	8,400			-8,400		0	2021-2023
Total		8,400	0	0	-8,400	0	0	

5 Other employee benefits

The members of the Executive Board are entitled to certain business allowances in accordance with what is generally accepted within the TKH organization, and limited to an expense allowance, car, and (mobile) telephone. No loans, advances, or guarantees are provided to members of the Executive Board. Additional governance-related activities are not subject to any additional conditions or remuneration.

6 Total remuneration

The table below lists the various gross remuneration components and relative percentages of fixed and variable remuneration of the members of the Executive Board.

7 Pay ratio

In formulating the Remuneration Policy for the Executive Board, one of the factors the Supervisory Board takes into account is the organization's pay ratio. The Supervisory Board believes that there should always be a reasonable balance between the remuneration of the members of the Executive Board and the remuneration of the other employees. The internal pay ratio is understood to mean the ratio between the total annual remuneration of the CEO on the one hand, and, on the other hand, the average annual remuneration of the employees of the company and group companies whose financial data are consolidated by the company, where:

- The total annual remuneration of the CEO includes all the remuneration components (such as fixed remuneration, variable cash remuneration (bonus), the share-based part of the remuneration, social contributions, pension, expense allowance, etc.) included in the consolidated annual accounts on an IFRS basis.
- The average annual remuneration of the employees is determined by dividing the total wage costs for the financial year (as included in the consolidated annual accounts on an IFRS basis) by the average number of FTEs during the financial year. The labor mix had an important impact on the average total remuneration of employees in 2023, in addition to inflation effects.
- The value of the share-based component of the remuneration is determined at the grant date in accordance with the applicable rules under IFRS.

The pay ratio for 2020 is significantly lower due to the lower value of STI and LTI as part of the remuneration. This led to a significant reduction in remuneration in 2020 and, consequently, to a relatively low pay ratio for 2020. The pay ratio for 2022 is lower compared to 2021 due to the lower value of LTI, mainly as a result of a lower multiplier for the relative stock price development. The pay ratio for 2023 is 43.0 and higher compared to 2022, mainly due to the higher value to the LTI.

8 Comparative information on remuneration and company performance

The table on the next page shows a five-year comparison of the changes in the remuneration of the Executive Board and the company's performance.

Total Remuneration Executive Board

	Basic salary (TRI)		Variable income (STI) [1]		Share plan (LTI) [1]		Pension		Pension compensation		Total		Variable share in the total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
J.M.A. van der Lof MBA	763	723	317	423	1,135	512	50	44	222	198	2,487	1,900	58.4%	49.2%
E.D.H. de Lange MBA	573	542	238	318	852	384	23	22	79	76	1,764	1,342	61.8%	52.3%
H.J. Voortman MSc	552	492	230	287	821	348	23	22	75	67	1,700	1,216	61.8%	52.3%
Total remuneration	**1,887**	**1,758**	**785**	**1,028**	**2,808**	**1,244**	**95**	**88**	**376**	**341**	**5,951**	**4,458**	**60.4%**	**51.0%**

1 Achieved in the previous financial year and paid out in the following financial year. As amounts are expressed in thousands of euros, totals may not add up precisely due to rounding.

Comparative information on Remuneration and Company performance

(in € 1,000 unless stated otherwise)	2023	2022	2021	2020	2019
Remuneration Executive Board [1]					
J.M.A. van der Lof MBA	2,215	1,658	2,237	902	1,134
E.D.H. de Lange MBA	1,663	1,244	1,678	676	850
H.J. Voortman MSc	1,603	1,127	1,523	614	772
Company performance					
ROS	12.8%	12.9%	12.4%	10.5%	11.6%
Organic turnover growth	3.2%	18.0%	15.9%	-9.9%	-1.9%
EBITA	237	235	190	129	154
CO_2e reduction (vs. 2019)	64.3%	42.7%	29.8%		
CO_2e reduction (vs. 2015)				5.8%	5.4%
Illness rate of employees	3.85%	4.04%	3.56%	3.51%	3.26%
Average remuneration per FTE	58	57	55	50	49
CEO pay ratio	**43.0**	**33.7**	**45.3**	**22.4**	**27.0**

1 Based on TRI, STI, and LTI.

9 Personal loans
The company does not grant personal loans or guarantees to Executive Board members.

10 Change of control
There is no “change of control” clause in the employment contracts of the members of the Executive Board.

11 Severance pay
The maximum severance payment in the event of dismissal is one year's salary (TRI). No severance pay is made in the event of premature termination of the contract by the member of the Executive Board or in the event of willful misconduct or negligence on the part of the member of the Executive Board.

Remuneration Policy of the Supervisory Board

This policy aims to provide a competitive compensation package to attract, motivate, and retain qualified members of the Supervisory Board for a publicly listed company, while taking into account the size and unique characteristics of the company. TKH is a leading technology company focused on advanced innovative technology systems in high-growth markets. The company strives to be an attractive employer and a solid investment for its shareholders, with corporate social responsibility forming a central part of this. This policy was developed in the context of national and international market trends and in line with legal requirements, best practices in corporate governance, the social context of remuneration practices, and the interests of the company’s shareholders and other stakeholders. The remuneration package was reviewed for market conformity in 2023 and will be reviewed at least once every three years on the basis of information provided by external experts.

The company's Remuneration Policy is guided by the principles of equity and transparency. The remuneration structure is designed to encourage the satisfactory performance of the Supervisory Board members’ duties and is not dependent on the company’s financial results. The Supervisory Board acknowledges its responsibility to act in accordance with the identity, mission, and core values of the company. In this context, it has been decided to opt for fixed compensation without any variable remuneration components to ensure that members can remain independent and objective in fulfilling their role of implementing the company’s corporate strategy and objectives, and creating long-term value and sustainability for the company. The full Remuneration Policy is available on the TKH website.

Application of the Policy in 2023

1 Remuneration

The Remuneration Policy aims to reward members of the Supervisory Board in line with the market, based on their activities, experience, and the related allocation of tasks within the Board and its committees. The remuneration is periodically assessed externally with the same reference group as for the Executive Board. The remuneration of a member of the Supervisory Board is not linked to the company's performance. No shares and/or rights to shares are granted to members of the Supervisory Board. Any shares held by a member of the Supervisory Board are for long-term investment purposes. The General Meeting of Shareholders adopted the remuneration of the Supervisory Board in 2020, with effect from January 1, 2020.

The remuneration of the Supervisory Board is based on the following amounts:

Chairman of the Supervisory Board	€ 65,199
Member of the Supervisory Board	€ 48,899
Chairman of the Audit Committee	€ 10,867
Member of the Audit Committee	€ 7,607
Chairman of the Remuneration Committee / Selection and Appointment Committee	€ 8,693
Member of the Remuneration Committee / Selection and Appointment Committee	€ 6,520

The remuneration of the Supervisory Board has been increased by 5.5% with effect from January 1, 2023 based in part on the external assessment. If circumstances require members of the Supervisory Board to perform significantly more activities than usual, they will receive a fee of € 1,000 per half-day for these activities. The chairman and the composition of the committees changed in the past year. Mr. Oosterveer was appointed chairman of the Supervisory Board, succeeding Mr. Van Iperen. Mr. Van Iperen has requested to step down from his position as chairman of the Supervisory Board for health reasons. Mr. Van Iperen will continue to serve as a Supervisory Board member and will retire according to the applicable schedule of retirement, as originally planned, reaching the maximum term of office at the AGM 2024.

Total remuneration Supervisory Board

(x € 1,000)	Regular remuneration	Remuneration membership committees	Total 2023	Total 2022
P.W.B. Oosterveer [1], *chairman*	52	10	62	36
R.L. van Iperen	62	13	75	69
J.M. Kroon	49	14	63	60
C.W. Gorter	49	19	68	64
A.M.H. Schöningh	49	7	56	52
A.J.P. De Proft [2]				23
Total remuneration	**261**	**63**	**324**	**304**

1 As of May 2022.
2 Up to and including May 2022.

As amounts are expressed in thousands of euros, totals may not add up precisely due to rounding.

2 Total remuneration

The table on the right lists the total remuneration paid to individual members of the Supervisory Board.

3 Share ownership of the Supervisory Board

The current members of the Supervisory Board do not own any (depository receipts for) shares in TKH.

4 Comparative information on remuneration

The table below shows a five-year comparison of the changes in the remuneration of members of the Supervisory Board.

Comparitive information on remuneration

(x € 1,000)	2023	2022	2021	2020	2019
P.W.B. Oosterveer [1], *chairman*	62	36			
R.L. van Iperen	75	69	53	53	53
J.M. Kroon MBA	63	60	58	58	57
C.W. Gorter	68	64	60	58	52
A.M.H. Schöningh [2]	56	52	51	34	
A.J.P. De Proft [3]		23	68	68	68
P.P.F.C. Houben [4]			23	55	55
Total remuneration	**324**	**304**	**313**	**326**	**285**

1 As of May 2022.
2 As of May 2020.
3 Up to and including May 2022.
4 Up to and including May 2021.

Smart Connectivity systems

Corporate Governance

TKH Group N.V., a public limited liability company under Dutch law, applies the two-tier board regime. The management of the company is delegated to the Executive Board under the supervision of the Supervisory Board. The general powers of the Executive Board derive from legislation and regulations, and are laid down in TKH's articles of association. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure of TKH and compliance with the Dutch Corporate Governance Code ("Code").

The Dutch Corporate Governance Code was revised and published on December 20, 2022. This Code applies to the financial year beginning on or after January 1, 2023. The revised Code has been discussed within the Executive Board and Supervisory Board, and the changes compared to the previous Code have been implemented. For example, the issue of stakeholder engagement has been re-evaluated and an amended policy has been published on the website.

TKH applies the principles and best practice provisions of the Code and attaches great value to the Code. In a few cases, TKH deviates from the Code; the reasons for each of these deviations are described below.

Term of appointment of the Executive Board

The terms of appointment for the current CEO and CFO are not limited to the four-year term prescribed by the Code. TKH takes the position that contractual agreements made in the past cannot be modified, that existing employment contracts should be respected, and that the limitation of the appointment is not appropriate. It should be noted, however, that performance is assessed annually and the term of appointment is evaluated on an ongoing basis.

However, the maximum four-year term of appointment does apply to the third member of the Executive Board. A maximum term of four years also applies to newly appointed members of the Executive Board, and the best practice provision is applied in such cases.

Share plan

There is a share plan for the Executive Board, but no share option scheme. The share plan involves a financial contribution by the Executive Board as the individual members have to purchase the same number of shares as they are awarded within the framework of the plan. Because this involves a financial contribution from Executive Board members, it has been determined that the shares must be held for at least three years. Additionally, as this scheme requires a private investment obligation of the individual members of the Executive Board, the Supervisory Board believes that it is reasonable and fair to adhere to a term of three years, and not a term of five years.

Internal Audit function

TKH has an Internal Audit function, but the position of this department has not been fulfilled completely independently in accordance with the Code. The Internal Audit team has been expanded in early 2024, which will further strengthen its independent position. According to best practice provision 1.3.2 of the Code, the functioning of the internal audit function should be assessed at least every five years by an independent third party. The evaluation of the Internal Audit function is conducted internally on a yearly basis. The external evaluation is scheduled for 2025.

General Meeting of Shareholders

A General Meeting of Shareholders is held annually. Extraordinary General Meetings are held as often as the Executive Board or Supervisory Board deems desirable and also as often as shareholders and/or holders of depositary receipts, representing at least 10% of the issued capital, request the Executive Board or Supervisory Board in writing to do so, specifying the items to be discussed. With regard to invoking a response time concerning proposals for fundamental strategy changes, TKH has applied the legal provision in Article 2:114b of the Dutch Civil Code with regard to a 250-day reflection period, above the 180 days specified in the Code. The basic principle here is to ensure that the operation and effectiveness of the measures that companies can take to respond adequately to proposals for fundamental strategy changes are safeguarded.

Depository receipts of shares

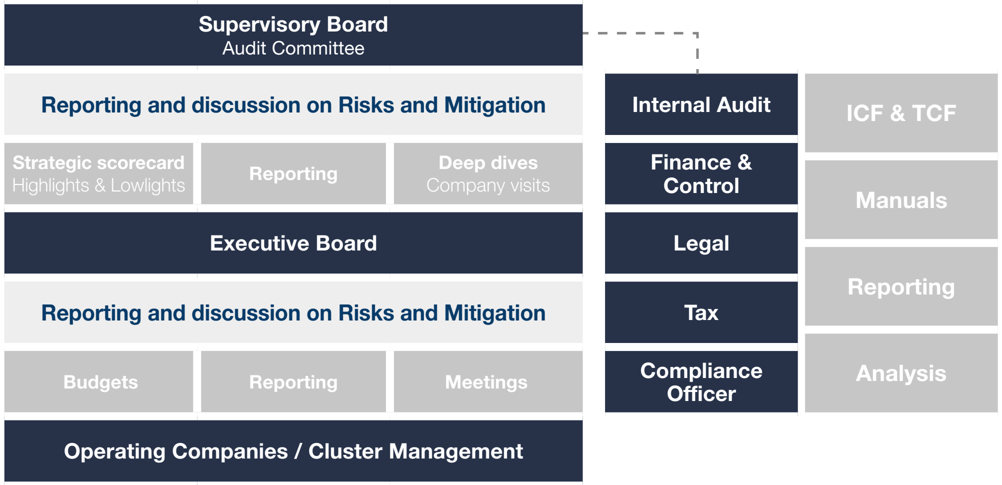
Stichting Administratiekantoor TKH Group (“TKH Trust Foundation Office”) holds ordinary shares in the company. In exchange for these shares, TKH Trust Foundation Office issues depositary receipts for those shares. The voting rights to the shares are vested in TKH Trust Foundation Office. Upon request, TKH Trust Foundation Office will authorize the holders of depositary receipts to vote for the shares for which the holder holds depositary receipts at a General Meeting specified in the proxy, to the exclusion of TKH Trust Foundation Office. The authorization is unrestricted and is therefore not subject to any exchange-ability limit. TKH Trust Foundation Office is not required by law (article 2:118a of the Dutch Civil Code) to grant the proxy, and may withdraw a proxy that has been given if a) a hostile public offer is announced or made (or is expected to be made), b) one or more persons possess at least 25% of the depositary receipts and/or shares, or c) in the opinion of TKH Trust Foundation Office, the voting right of a holder of a depositary receipt is fundamentally in conflict with the interest of the company. In the event of one of these scenarios, TKH Trust Foundation Office must notify the holders of depositary receipts and explain the reasons behind their actions. The company considers the issue of depositary receipts for shares as an important measure to protect the interests of shareholders, holders of depositary receipts and other stakeholders. This means that the company’s intellectual property and its commercial interests are protected, which is also important for sustainable long-term value creation for our stakeholders. Although the Code states that the issue of depositary receipts is not intended to be used as a protective measure, TKH expressly chooses to take this form of protective measure and acts in accordance with the applicable law in Article 2:118a of the Dutch Civil Code. This is in derogation of the principle of the Code.

TKH Trust Foundation Office exercises the rights attached to the shares in such a way that the interests of the company, its associated businesses, and all its stakeholders are protected to the greatest extent possible, instead of focusing primarily on the interests of the holders of depositary receipts, as defined in best-practice provision 4.5.5 of the Code. The TKH Trust Foundation Office thus exercises its voting right in line with legal provision Article 2:118a of the Dutch Civil Code. In the General Meeting of Shareholders, the Board of TKH Trust Foundation Office may, on request, issue a statement of its intended voting conduct. A detailed explanation of TKH's Corporate Governance structure can be found on the TKH website.

Risk Management

The Executive Board is responsible for complying with all relevant primary and secondary legislation and for managing the risks associated with the company's activities through the implementation of appropriate internal risk management, control, and auditing systems. This involves surveying and analyzing the risks related to the company's strategy and activities, establishing the risk appetite, and defining the necessary measures to manage and monitor the risks. The Executive Board is accountable to the Supervisory Board for setting up effective and well-functioning internal risk management and control systems.

Risk Management structure



Risk Management structure

TKH has embedded its risk management policy in all levels of the organization. This involves using risk management and control systems that contain the following key components:

- An Internal Control Framework (ICF) based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2017). TKH uses this framework to analyze and evaluate the strategic, operational, financial, and compliance risks for its operating companies.
- The TKH Manual containing:
  - regulations and guidelines for decision-making procedures and authorization levels for the management of our operating companies;
  - guidelines on the treasury policy (cash and foreign exchange management), as well as various rules of conduct, such as policy approval procedures, a Code of Conduct for staff members, a whistleblower procedure, and a privacy policy; and
  - guidelines for internal management and control measures including IT controls, internal and external financial reporting, insurance, and how to deal with claims.
- A "strategic scorecard", which is issued every quarter or more frequently if necessary. It features "high-lights" and "low-lights", and (potential) risks per business segment. It also contains related short- and medium-term action points for discussion between the Executive Board and management of the operating companies.

TKH's risk management policy reflects the organization's size and decentralized structure. The components of this risk management policy are assessed by Internal Audit, focusing only on continuing operations. The main risks of each operating company are identified and analyzed, and their potential impact on the operating company is determined. For specific issues, including IT & Security, external specialists are engaged on a project basis. The results of these assessments are discussed with the Executive Board. The most important findings of the assessments conducted by Internal Audit are discussed with the Audit Committee of the Supervisory Board. We follow the guidelines of the Institute of Internal Auditors (IIA) to ensure the internal audit function meets the IIA standards as closely as possible.

The Executive Board, internal Legal Advisor, Director Finance & Control, Tax Director, and Compliance Officer also evaluate the risk management system. The design and operation of the risk management and control systems for financial reporting are also assessed by the external auditor in the context of the audit of the financial statements. The outcome and impact on the external auditor's audit strategy are discussed with the Executive Board and the Audit Committee.

Smart Manufacturing systems

Risk culture

An open, transparent culture with sufficient critical capacity is a prerequisite for an organization to properly manage risks, responsibilities, and competencies. TKH considers a suitable risk management model to be an important tool for creating sustainable long-term value. A continuous focus on risk awareness is a key element of TKH's culture. The pursuit of a balanced risk profile is embedded in this culture through short lines of communication and is supported by closely monitoring agreed objectives through a comprehensive Key Performance Indicator (KPI) dashboard.

Employees are expected to be aware of the core values underlying our actions and our risk profile and to feel responsible for the (potential) risks they take. They are also expected to adhere to the principles of TKH's culture and to act in accordance with TKH's Code of Conduct. At the same time, we are committed to ensuring a safe work environment in which our employees can excel, regardless of their background, gender, or position. The Code of Conduct is fundamental to everything we do and describes how we act as a company and within the company, how we make decisions, and how we deal with different dilemmas. The Code of Conduct is published on our website. We have established a procedure that enables employees to report any suspicion of conduct that is unlawful and violates the Code of Conduct, including behavior related to sexual harassment, gender inequality, and abuse of power. Reports are reviewed and investigated by the local Confidential Officer and/or the Group Compliance Officer. If deemed necessary, disciplinary and mitigating measures are taken. External parties can also report to the Group Compliance Officer.

Developments in 2023

In 2023, we evaluated our internal risk management system and made several improvements. The activities carried out by Internal Audit did not lead to any material findings at group level with regard to the administrative organization and internal control. When deficiencies in the administrative organization and internal control are observed, areas for improvement are identified. The 2023 findings included the payment process, supplier master data management, minor reconciliation differences in financial and sustainability reporting and internal controls carried out including documentation. Continuous monitoring enables us to adapt the internal risk management and control system to changing internal and external conditions as necessary. In 2023, we focused on further embedding the Internal Control Framework in our operating companies and on further standardizing controls within the operating companies.

For operating companies whose size, technology, and risks, such as privacy and reputation, are important in the context of implementing the TKH strategy, IT & Security risks have been identified and recommendations have been made to further mitigate these risks. These risks and their follow-up are frequently discussed with the Executive Board and the Audit Committee. Several security incidents occurred during the year under review. By responding in a timely manner with a team of cybersecurity experts, we ensured that these incidents did not result in significant data leaks, cause significant or permanent damage, or impact business continuity. However, these incidents confirm the need to be constantly vigilant to IT & Security risks. In 2023, we placed increasing emphasis on the risk of ransomware and our resilience should such an event occur. Furthermore, we have carried out an initial analysis of the impact of the EU NIS2 Directive.

In 2023, we continued to review non-financial KPIs with a focus on the non-financial KPIs included in TKH's Annual Report 2023. The reviews identified further areas for improvement and optimization, which were addressed properly at various levels of the group. No material deficiencies were identified. We also continued to develop the review activities related to non-financial information including preparation for the inclusion of enhanced requirements related to the Corporate Sustainability Reporting Directive (CSRD) and related European Sustainability Reporting Standards (ESRS), which will apply from 2024.

Finally, in 2023 we performed specific internal audits on the implementation of the Tax Control Framework related to VAT at selected operating companies in the Netherlands. We also paid specific attention to the application of the sanctions regulation by operating companies with the highest risk due to their international customer base.

Risk profile and risk appetite

We have identified the most important risks and divided them into four categories: strategic risks, operational risks, financial and reporting risks, and compliance risks. For each risk, we then assess its potential impact on the organization and the probability that this risk will occur. The impact includes financial and non-financial factors such as reputation.

It is the duty of the Executive Board to weigh the business opportunities against the expectations and interests of stakeholders. Decisions to change or refine our business models are made by the Executive Board in accordance with TKH's risk appetite. A balance is explicitly sought between acceptable risk, on the one hand, and entrepreneurship conducted in the context of long-term value creation, on the other hand.

Risk overview

As part of the strategic process, we have identified four strategic pillars:
- Innovation and technology leadership
- Passionate, talented, and qualified people
- Sustainability
- Solid financial position

Based on these strategic pillars, we have determined our strategic direction and defined specific objectives to manage the strategic process. The risk connectivity matrix shows the most important risks for TKH and the pillar from which these risks are addressed. In addition, a link has been made with the materiality themes for TKH and our stakeholders, as shown in the materiality matrix (see the Stakeholders section).

Other relevant risks

In addition to the key risks included in the risk connectivity matrix, we have identified other risks that are also included in TKH's internal risk management system. These include, among other things, the following risks:
- Disasters in production facilities e.g. accidents in production facilities that threaten business continuity.
- Infringement of intellectual property (IP) rights of and by third parties.
- Inadequate funding.
- Impact of a (global) pandemic on the world economy, the (end) markets in which TKH is active, and its business operations.

Risk connectivity matrix – Our main risks

risk area	risk category and topics	risk description	strategic pillar	material themes	risk trend	risk appetite
Strategic	**1. Market & Geopolitics** • Geopolitics • Conflict Russia-Ukraine • Market developments • Recession	Influence of global economic, market and geopolitical developments on the execution of the strategy and financial position and results of TKH.	Solid financial position	1 Financial track record & performance	increased	medium
	2. Portfolio • Innovation • Technology development	Threat to TKH's long-term value creation due to insufficient technology development and innovation.	Innovation and technology leadership	2 Technological innovations 3 Sustainable capital allocation (in alignment with SDGs)	equal	medium
	3. M&A agenda • Acquisitions • Integration • Divestments	Failure to successfully integrate (acquired) and/or divest companies can result in lower than expected profit contribution and the risk of impairment. Changing M&A market circumstances (e.g. interest developments) can impact (the timing of) our divestment and growth strategy program.	Solid financial position	1 Financial track record & performance	equal	medium
Operational	**4. Sustainability** • CO_2 footprint • Waste management • Climate change • ESG (CSRD) • SDGs	Possible impact of climate change on our strategy and business model. Unsustainable business operations can have an adverse effect on the environment as well as on the (future) business. Future implementation of CO_2 tax/pricing could mean an increase in operational and compliance costs. Non-compliance with ESG and CSRD topics and not meeting ESG and CSRD targets can impact our operations and reputation.	Sustainability	3 Sustainable capital allocation (in alignment with SDGs) 6 Responsible production 7 Resource efficiency (incl. waste & circularity) 8 Climate change & CO_2 footprint 9 Responsible procurement	increased	low
	5. IT & Security • IP protection • Continuity of operations • Cybersecurity • Privacy and GDPR	Risk of breach of data availability, confidentiality, and integrity (including IP).	Innovation and technology leadership	17 Privacy & IT Security	increased	low
	6. Personnel • Scarcity • Development opportunities • Healthy and safe work environment	Scarcity of well-qualified personnel and inability to retain qualified personnel. Health and safety incidents can cause risks for employees and lead to business stagnation. Inability to reach young potential employees can result in shortage of staff.	Passionate, talented, and qualified people	10 Sustainable employment 11 Health & safe work environment 12 Employee satisfaction 13 Personal development opportunities 14 Diversity & inclusiveness	equal	low
	7. Supply Chain • Raw materials • Components • Energy	Important raw materials such as copper, aluminum and plastics, and technical (electronical) components have long delivery times or are unavailable or only available in limited quantities. Also, limited availability of (green) energy results in (potential) shortages of energy and higher price levels.	Solid financial position	1 Financial track record & performance 5 Market & geopolitics (supply chain, inflation & Ukraine war) 7 Resource efficiency (incl. waste & circularity)	decreased	low
	8. Project Management	Risk of projects not being delivered according to specification, agreements, time schedule, and planned margins.	Solid financial position	1 Financial track record & performance	equal	low
Financial and reporting	**9. Currencies**	Volatility of currencies, which can put pressure on profit margins.	Solid financial position	1 Financial track record & performance	equal	medium
	10. Interest	Volatility of interest rates, which can put pressure on net result.	Solid financial position	1 Financial track record & performance	new in 2023	medium
	11. Cost inflation • Raw materials • Components • Labor costs • Energy costs	Inflation of costs, including (volatility of) raw material prices, components and labor costs, which can put pressure on profit margins.	Solid financial position	1 Financial track record & performance 5 Market & geopolitics (supply chain, inflation & Ukraine war)	equal	medium
	12. Reporting • Financial reporting • Non-financial reporting	Risk that TKH's financial and non-financial reporting contains material errors, and that new reporting requirements cannot be met timely and accurately.	Solid financial position	1 Financial track record & performance 15 Integrity, compliance & human rights	equal	low
Compliance	**13. Legal & Regulatory** • Sanctions • Fraud, bribery, corruption • Use of agents • Non-compliancy with law and regulations • Human rights, child labor	Damage (including reputation) due to violation of legislation and regulations including export and sanctions regulations, unfair competition, fraud, corruption, and bribery.	Sustainability	15 Integrity, compliance & human rights	equal	avoiding
	14. Tax	Damage (including reputation) due to violation of tax legislation and regulations.	Solid financial position Sustainability	1 Financial track record & performance 15 Integrity, compliance & human rights	equal	avoiding

▲ increased ═ equal ▼ decreased * new in 2023 ● avoiding ● low ● medium ● high

Strategic

1 Market & Geopolitics

The impact of global economic and geopolitical developments (such as the Russia-Ukraine war) on the implementation of the strategy and the financial position and results of TKH. Economic and political confrontations between world powers (trade tariffs, availability and price of energy), the erosion of trade agreements, and the impact of (global) inflation as well as a potential recession may impact TKH's turnover and results.

Our specific risk mitigation measures:

- Diversification of activities across multiple product/market combinations.
- Internal efficiency programs and cost reduction programs.
- Energy reduction programs and conversion to alternative energy sources.
- Flexible shell by making use of temporary staff and by outsourcing the production of mainly commodity products and product modules.
- Geographical spread across Europe, North America, and Asia with multiple production sites, with a tendency to bring production capacity closer to end markets where possible.
- Solid financial balance sheet and position.
- Ongoing attention to risk analysis in the implementation of the strategy and strategy transformation program.

2 Portfolio

Insufficient technological development and innovation can threaten TKH's long-term value creation. These risks may emerge in the following areas:

- The pace of technological development.
- Conservativism in certain end markets to embrace our new disruptive technologies.
- The execution of the R&D roadmap.
- Our competitor's new technologies.
- Our payback capacity.
- The harmonization of niche specifications into standardized commodity products and technologies.

Our specific risk mitigation measures:

- Generate at least 15% of our turnover from innovations that have been introduced in the last two years.
- Acquisitions to strengthen market position and/or product portfolio.
- Spend approximately 4% of our turnover on R&D in the last few years.
- Focus continuously on innovation and executing the roadmap, including time-to-market.
- Ensure that the Executive Board and local management frequently discuss technology and innovation developments.
- Capitalize on technology leadership by leveraging and accelerating growth from innovations and by utilizing the R&D pipeline. Bring key innovations to maturity with targeted profitability and limit the number of new and large "start-up" projects.
- Increase our market share by unlocking the full potential of our innovations and disruptive technologies by capitalizing on market growth driven by relevant megatrends.

3 M&A Agenda

Failure to successfully integrate acquired companies or execute divestments of business activities can result in lower-than-expected profit contributions and the risk of impairment. Changing M&A market circumstances (e.g. interest rate developments) may impact (the timing of) our divestment and growth strategy program.

Our specific risk mitigation measures:

- Apply necessary procedures and guidelines and organize sufficient expertise for valuations and due diligence.
- Ensure rapid integration of acquired companies into TKH's reporting and control systems.
- Harmonize business processes and systems where necessary and desirable.
- Continue to focus on identifying, creating and exploiting synergies.
- Ensure continued focus on portfolio management. Restructure or exit activities with limited potential for value creation: limited strategic fit, low return on sales, and organic growth potential.

Operational

4 Sustainability

The potential impact of climate change and other relevant sustainability topics such as CO_2 emissions and waste management on our strategy, business model, and reputation. Unsustainable business operations have an adverse effect on the environment and on the (future) business. Future implementation of CO_2 tax/pricing could mean an increase in operational and compliance costs.

Our specific risk mitigation measures:

- Based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), we are carrying out a comprehensive analysis of potential climate change risks and how these risks can be converted into opportunities.
- Continue to optimize our production processes via our operational excellence program.
- Deliver a strong performance on our ESG targets, in particular CO_2 neutrality by 2030 (Scopes 1 and 2), and further develop a sustainable portfolio based on SDG criteria.
- Improve relevant ESG ratings by external rating agencies.
- Diversity and inclusiveness program.
- Continue to work towards achieving our waste reduction and recycling target so we can make a responsible and demonstrable contribution to the circular economy.
- More information can be found in the “Sustainability Statements” section.

5 It & Security

IT & Security concerns the risk of a breach of data availability, confidentiality, and integrity (including IP). This also includes cyberattacks that compromise data (including IP) to disrupt business operations and infrastructure. The following elements are important in this respect:

- A decentralized IT landscape.
- The use of multiple ERP systems.
- The continuity of production sites.
- The protection of developed technologies (IP protection).
- Data protection legislation, including GDPR.

Our specific risk mitigation measures:

- TKH has issued guidelines outlining the requirements for an ICT infrastructure, including key IT controls, partly within the context of cybercrime risks.
- Companies in the same region or cluster are encouraged to achieve economies of scale in the field of ICT.
- IT managers from key operating companies discuss important IT developments, trends, and risks.
- The internal and external (IT) security environment is tested by a specialized external agency.
- Internal guidelines on data protection are established.
- Awareness of the need for information security is raised through ongoing training and frequent newsletters on relevant (cyber) topics (Security Awareness Program).
- Internal Audit oversees the implementation of data protection guidelines.
- The risks are identified for operating companies with a high and medium risk in this area, based on size, technology, and reputation, and recommendations were made to further mitigate these risks. These risks and the monitoring of risk management are regularly discussed with the Executive Board and the Audit Committee.
- Specific assessments of the risk of ransomware and our resilience should such an event occur.

6 Personnel

A shortage of highly qualified personnel and the inability to retain qualified personnel can impact the (progress of the) of TKH’s strategy. Health and safety incidents can create risks for employees and cause business to stagnate. Inability to reach young potential employees can lead to staff shortages.

Our specific risk mitigation measures:

- Performance/talent management programs in each operating company.
- Annual Management Development Programs.
- Conduct regular employee satisfaction surveys.
- Use our good reputation as an attractive employer to recruit talented employees.
- Set up cooperation programs between operating companies and training institutes.
- Diversity and inclusiveness programs.
- Use employer branding and referral recruitment to reach and engage future talent.
- Increase attention on safety by tightening safety standards and creating even greater safety awareness, and by implementing ISO 45001.
- Facilitate healthy and safe home-working practices.
- Communicate frequently with our employees through various channels about relevant general and business developments, and our impact on ESG topics.

7 Supply chain

A situation where important raw materials such as copper, aluminum, steel and plastics, and technical (electronic) components have long delivery times, are unavailable or only available in limited quantities, as well as the limited availability of energy and price increases related to raw materials and energy can put pressure on profit margins.

Our specific risk mitigation measures:

- Increase our inventory of critical raw materials and components where applicable.
- Redesign products to increase the use of alternative materials and components with better availability/pricing.
- Use alternative suppliers.
- Adapt terms and conditions in purchase and sales contracts.

Financial and reporting

- Optimize (regional) portfolio and local manufacturing footprint.
- Introduce energy reduction programs and switch to alternative energy sources.
- Develop cooperation programs between operating companies to discuss developments, trends, and risks and to leverage buying power and knowledge within the group and business segments.
- Ensure that developments, including inventory positions and purchasing conditions concerning important raw materials and components are discussed frequently between the Executive Board and local management.

8 Project management

Inadequate project management can result in the risk that projects will not be delivered to specification, on time, to budget and within agreed margins.

Our specific risk mitigation measures:

- Invest in qualified staff, training, and education. Ensure sufficient knowledge and professional competence.
- Ensure that guidelines and procedures are in place for the approval of projects with an above-average risk, project management, and adequate project administration.
- Make sure important projects are discussed at quarterly meetings between the Executive Board and local management.
- Monitor large projects with an above-average risk on a regular basis, if necessary with increased involvement of the Executive Board and/or Management Board and legal counsel.
- Constantly evaluate lessons learned and incorporate them into the risk model, which may lead to strict acceptance criteria.

9 Currencies

Currency volatility, which can put pressure on profit margins.

Our specific risk mitigation measures:

- Treasury Statute that establishes a currency risk management approach, including responsibilities, authorizations, and reporting.
- Material exchange rate risks are hedged in accordance with the Treasury Statute if these risks cannot be passed on in the market.
- Exchange rate risk arising from the translation of net investments into currencies other than the euro is generally not hedged. Monetary assets and liabilities in the same currency are netted as much as possible to reduce exposure.
- Time differences between the settlement of forward transactions and sales and purchase contracts are managed by using foreign currency bank accounts or by rolling over forward contracts.

10 Interest

Interest rate volatility, which can put pressure on the net result.

Our specific risk mitigation measures:

- The interest rate policy is determined at corporate level.
- A treasury statute that establishes a currency risk management approach, including responsibilities, authorizations, and reporting.
- Balances with credit institutions are compensated to minimize interest charges.
- Long-term financing is obtained at variable rates, where appropriate, fixed by means of interest rate swaps.
- Reduce our working capital where applicable by means of working capital reduction programs per operating company.
- We have prepared a budget that includes projections of cash flows and liquidity requirements for the coming year. This forecast takes into account current market conditions, possible changes in results based on these conditions, and interest and currency volatility.

11 Cost inflation

Cost inflation including (volatility of) raw material prices, components, energy, and labor costs can put pressure on profit margins.

Our specific risk mitigation measures:

- Periodically analyze the impact of price changes per operating company based on a standard template.
- Frequently adjust market price lists where applicable.
- Redesign products to use alternative materials and components with better prices.
- Optimize (regional) portfolio and local manufacturing footprint in line with labor cost developments.
- Introduce operational excellence programs to improve (labor) efficiency.
- Develop energy saving and efficiency programs and eliminate (part of) price risks through medium-term energy contracts.
- Use alternative modes of transportation to optimize transport efficiency and costs.

Specific risk-mitigating measures for raw material prices related to copper and aluminum:

- The copper and aluminum positions of each operating company are monitored for the economic stock levels, stock prices, rate of turnover, and the expected relationship between copper prices and selling prices (price elasticity).
- Copper and aluminum price developments are factored into the selling price of products and/or services where possible, or temporarily hedged on the futures market.
- Raw material purchases for larger projects are hedged to eliminate price risks for customers.

Compliance

- Copper and aluminum price developments, economic stock positions, and hedges are reviewed every month within a multi-disciplinary committee, including TKH's CFO.
- Derivatives can be used to a limited extent to hedge the price risk on free inventories.
- Important raw materials, such as copper, are purchased forward to eliminate price risks on the sale of finished products, if:
  - a sales contract is concluded at a fixed price;
  - delivery does not take place within one month; and
  - a significant amount of the raw material is needed for production.

12 Reporting

The risk that TKH's financial and non-financial reporting contains material errors. These reporting risks mainly relate to the following material items in the financial statements:

- Turnover – timing of turnover recognition.
- Goodwill and purchase price allocation – valuation and impairment testing.
- Development costs – valuation and impairment testing.
- Inventory – valuation.
- Contract assets and liabilities – valuation.
- Business combinations / held for sale – recognition and valuation of acquisitions and divestments.
- Non-financial KPIs.

Our specific risk mitigation measures:

- Internal procedures and guidelines for internal and external financial reporting and assurance.
- Availability of a Sustainability Reporting Manual.
- TKH has developed internal guidelines in accordance with IFRS, including requirements for the capitalization of development costs.
- Regular controller meetings are organized to discuss important reporting topics.
- Training and education of (financial) staff.
- Regular impairment testing, including the annual strategic planning.
- Use of business intelligence tools to gain early insight into risks.
- Representation letter and in-control statement for each operating company.
- Internal Audit performs financial audits and internal audits on non-financial information.
- Assurance by the external auditor on the financial statements.
- Limited assurance by the external auditor on the achievement of selected key non-financial KPIs.

13 Legal & Regulatory

Failure to comply with laws and regulations – including internal guidelines – can result in damage. Examples include:

- Unfair competition, export violations, and sanctions programs that can result in significant penalties and reputational damage.
- Global operations and the use of agents who may expose TKH to local bribery and corruption risks.
- Undesirable or unethical conduct by employees that results in unacceptable behavior towards other employees or fraud-related issues.
- Violations of human rights and child labor regulations, including by suppliers.

Our specific risk mitigation measures:

- Internal guidelines include internal control measures, management responsibilities, and authorization requirements.
- Internal guidelines on compliance with sanctions and export regulations, including a checklist.
- Monitoring of financial flows by TKH, including by:
  - monitoring transactions through the central treasury system;
  - establishing banking authorizations; and
  - setting credit limits for each operating company, with no local credits allowed with banks outside of TKH's banking group, unless approved by TKH.
- The use of banks prescribed by TKH unless another bank is required locally because only a local bank can provide the required service.
- Controller meetings and the international management meeting will address the issues of sanctions, fraud, corruption, payment frameworks, and bribery by means of theory and case studies.
- The working relationship with agents and intermediaries is governed by guidelines and contracts.
- Through the TKH Code of Conduct, our employees are aware that they should adhere to our business ethics and confirm this by signing this Code of Conduct.

- Employees can report suspicions of misconduct through a whistleblower policy. Such reports will not have any consequences for the position of whistleblowers, provided they follow the procedure established for this purpose. External parties can also report to the Group Compliance Officer.
- In all layers of our company, compliance with internal guidelines relating to integrity and behavior is strictly monitored (zero tolerance).
- Through the TKH Code of Supply, our strategic suppliers are aware that they should follow our business ethics and confirm this by signing this Code of Supply. Compliance with this code is verified during supplier audits.
- Strengthen internal legal skills and capacity.
- Internal Audit conducts internal audits on non-financial information focusing on the most important risks, including supplier assessments and internal policies (e.g. related to sanctions).

14 Tax

TKH is exposed to tax risks that could result in double taxation, penalties, and interest payments. The source of the risks could arise from local tax rules and regulations as well as international and EU regulatory frameworks (amongst others European ATAD directives, DAC initiatives, country-by-country reporting and Pillar Two). These include, but are not limited to, transfer pricing risks on internal cross-border deliveries of goods and services, tax risks related to acquisitions and divestments, tax risks related to permanent establishments, tax risks related to tax loss, interest and tax credits carried forward, and potential changes in tax laws that could result in higher tax expenses and payments. These risks can have a significant impact on (local) financial tax results, which, in turn, could adversely affect TKH's financial position and results.

Our specific risk mitigation measures:

- Centralized monitoring of compliance in relation to developments in (new) legislation and regulations in the area of tax laws (both national and international), sanctions regimes, and general tax and legal developments, with a focus on specific risks in the areas of transfer pricing, compliance with international standards such as Pillar Two, permanent establishment, and VAT.
- Availability and development of transfer pricing documentation in accordance with OECD Guidelines and compliance with local regulations.
- Periodic monitoring of the financial performance of operating companies in accordance with the transfer pricing documentation.
- Maintaining good relations with tax authorities based on mutual respect, transparency, and trust.
- Making use of external (tax) advisors for specialized subjects.
- Further rollout, monitoring and continuous update of the Tax Control Framework.
- Tax reporting, including standardized tax reporting packages for determining the tax position, which are also used for determining the tax position in the financial statements, as well as "country-by-country" reporting.
- The use of theory and case studies during internal training activities to address a broad spectrum of tax issues (including customs) and tax dilemmas.

Risk quantification and sensitivity analysis

For the most important risks, we have, where possible, quantified the impact on the result and financial position of TKH should these risks occur. A sensitivity analysis is also included. The financial statements, including note 20, outline TKH's objectives and policy regarding the use of financial instruments for risk management, also in the context of hedging risks associated with all major types of transactions to which TKH is exposed, related to capital, liquidity, interest, currency, credit, and price risks.

Going concern and outlook

We have prepared a budget that includes projections of cash flows and liquidity requirements for the coming year. This forecast takes into account current market conditions, possible changes in results based on these conditions, as well as our ability to adjust our cost structure in response to changing economic conditions and turnover levels. Our budget also takes into account the total amount of cash and cash equivalents and credit facilities available as at December 31, 2023, the possibility of renewing financing agreements and attracting additional financing, and whether we are operating within the financial ratio agreed with the banks in the covenant. On this basis, we believe that our available funds at the end of 2023 will be sufficient to finance our activities, investments, and existing contractual obligations for at least the next 12 months.

Risk quantification and sensitivity analysis

	change	impact	on	assumptions	relates to risk
Turnover	1%	€ 9.2 million	EBITA	No adjustment of operating costs.	1, 2, 3, 9, 11
Raw material price copper	10%	€ 1.8 million	EBITA	No derivatives to hedge price risks.	11
Gross margin	1%	€ 18.5 million	EBITA	No adjustments of operating costs.	1, 2, 3, 8, 9, 11
Operating costs	1%	€ 7.4 million	EBITA	No adjustment of turnover/gross margin.	Operational and financial risks
Currencies – financial instruments	10%	€ 10.4 million	Result before tax	All other variables remain constant.	9
Currencies – financial instruments	10%	€ 33.3 million	Group equity	All other variables remain constant.	9
Interest	1%	€ 5.6 million	Result before tax	Net bank debt including deduction of interest rate swaps held at variable interest rates.	Financial risks
Interest – financial instruments	1%	€ 1.2 million	Group equity	Based on concluded interest rate swaps.	Financial risks

Management statement

The Executive Board is responsible for the design and effectiveness of the internal risk management and control systems. The purpose of these systems is to identify and effectively manage the most significant risks to which the company is exposed.

During the year under review, Internal Audit assessed the administrative organization and internal control systems of TKH and its associated businesses, with a focus on the most important risks and current themes. No material shortcomings were found in the administrative organization and internal control. Improvements identified were related to non-material shortcomings. The Director of Internal Audit discussed the results of these audits with the Executive Board and reported the main findings to the Audit Committee. These activities did not result in any material findings at the group level regarding the administrative organization and the level of internal control. Based on the financial results for the 2023 reporting year and the expectations for the 2024 reporting year, the Executive Board has assessed the company's going concern assumption. Current market conditions and business plans for 2024 have been taken into account. The Executive Board has also assessed the key strategic, operational, financial, reporting, and compliance risks, as well as the design and effectiveness of the internal risk management and control systems, as described in the Risk Management section of this annual report.

The effectiveness and performance of the internal risk management and control systems are discussed each year with the Audit Committee and the Supervisory Board. Taking into account the aforementioned risks and measures designed to manage them, and in accordance with the best practice provision 1.4.3 of the Dutch Corporate Governance Code, the Executive Board confirms that to the best of its knowledge:

i the management report (within the meaning of section 2:391 of the Dutch Civil Code) provides sufficient insight into any shortcomings in the operation of the internal risk management and control systems related to strategic, operational, reporting, and compliance risks;
ii the aforementioned systems provide reasonable assurance that the financial reporting does not contain any errors of material importance;
iii the current situation justifies financial reporting on a going concern basis; and
iv the report describes the material strategic, operational, reporting, and compliance risks and uncertainties that are relevant to the expectation of the company's continuity for a period of 12 months after the preparation of the report.

In view of the above, the Executive Board confirms that it is in compliance with best practice provision 1.4.2 of the Dutch Corporate Governance Code. It should be noted that the above does not imply that the internal risk management and control systems provide certainty as to the achievement of operational, sustainability, and financial business objectives, nor can they completely prevent all misstatements, inaccuracies, errors or losses, incidents, fraud, or non-compliance with rules and regulations.
With reference to Section 5.25c(2c) of the Financial Supervision Act (Wft), the Executive Board declares that to the best of its knowledge:

- the financial statements provide a true and fair view of the assets, liabilities, financial position, and profit of TKH and the companies included in the consolidation;
- the management report gives a true and fair view of the situation on December 31, 2023, the state of affairs at TKH and its affiliated companies during 2023 (the details of which are presented in the financial statements), and that the management report describes the fundamental risks facing the company.

Haaksbergen, the Netherlands, March 4, 2024

J.M.A. van der Lof MBA, *Chief Executive Officer*
E.D.H. de Lange MBA, *Chief Financial Officer*
H.J. Voortman MSc, *Member of the Executive Board*

TKH Shares

Listing on the stock exchange

TKH's (depositary receipts of) shares have been listed on the Euronext Amsterdam stock exchange since 1953, under the ticker symbol TWEKA and are included in the mid-cap index (AMX). Options on TKH shares are listed on NYSE Liffe, the European derivatives business of Euronext (ticker symbol: TKG). TKH shares are also included in the Next 150 Index, established by Euronext.

TKH joined the Euronext Tech Leaders segment, launched by Euronext in June 2022, which is Euronext's initiative to increase the visibility and appeal of high-growth and leading technology companies to international investors. Euronext Tech Leaders consists of more than 100 high-growth and leading companies listed on Euronext markets.

TKH's shares issued and outstanding

	2023	2022
Ordinary shares (nominal value € 0.25 each)	**42,198,429**	**42,198,429**
of which depositary receipts	42,077,884	42,082,712
of which registered shares	120,545	115,717
Priority shares (nominal value € 1.00 each)	**4,000**	**4,000**
Total shares issued	**42,202,429**	**42,202,429**
of which held by the company	2,400,483	1,197,647

The number of depositary receipts of shares has decreased by 4,828 compared to December 31, 2022 due to the conversion of 4,828 depositary receipts of shares into ordinary shares. At the end of 2023, the company held 2,400,483 of its own depositary receipts of shares. The company may acquire depositary receipts of shares in its own capital for purposes such as employee share and option plans. In 2023, the company executed two share buyback programs of € 25 million each. The company purchased 1,238,443 of its own depositary receipts of shares for a total amount of € 50 million.

The registered ordinary shares, with the exception of the registered shares of the company, have been transferred by notarial deed to Stichting Administratiekantoor TKH Group ("Stichting Administratiekantoor"), which issues depositary receipts for the shares to the ultimate investors. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power of attorney to the holders of the depositary receipts. The holders of depositary receipts are entitled to receive power of attorney to vote for the shares corresponding to the depositary receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depositary receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the Board of Stichting Administratiekantoor in various situations specified by law (see also Corporate Governance section). In this case, Stichting Administratiekantoor may (again) exercise the voting right for all shares for which depositary receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depositary receipts for shares is governed by administrative conditions. The protection provided by the use of depositary receipts is based on the 1% rule. The depositary receipts can be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes both indirectly and directly held shares. However, this does not apply to the transfer of ordinary shares to the company itself.

Except as described under "Other information", the priority shares do not carry any special rights. The company has granted Stichting Continuïteit TKH an option to acquire preference shares up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference shares are issued or up to 100% of the sum of the other outstanding shares at the time the preference shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a declaration to that effect with the Chamber of Commerce. Stichting Continuïteit TKH has not acquired any cumulative preference shares in TKH in 2023.

Further information on the capital structure of TKH is included in note 7 to the company's financial statements. This information is incorporated by reference in the management report.

Trading information

The following key figures per (depositary receipt of) share apply in relation to the listing on Euronext Amsterdam.

	2023	2022
Annual turnover of shares	20,161,005	19,633,987
Highest price	€ 49.10	€ 54.90
Lowest price	€ 33.64	€ 31.24
Closing price	€ 39.50	€ 37.16
Net earnings per share	€ 4.07	€ 3.34
Dividend	€ 1.70	€ 1.65
Price-earnings ratio as at the end of the financial year	9.7	11.1
Dividend yield on closing price	4.3%	4.4%
Market capitalization at end of financial year (in millions)	€ 1,572	€ 1,524

Shareholders

Under the Dutch Financial Supervision Act, shareholdings of 3% or more must be disclosed to the Dutch Authority for the Financial Markets ("AFM"). Based on the AFM register until the beginning of 2024, the following shareholders hold a stake of 3% or more in TKH.

Mandatory disclosing party	Interest	Date of last disclosure
Goldman Sachs Group Inc.	3.01%	January 4, 2024
TKH Group N.V.	5.00%	November 24, 2023
FMR LLC	3.10%	March 3, 2023
Janus Henderson Group plc	3.03%	June 23, 2022
AllianceBernstein L.P.	3.03%	January 20, 2022
Vinke Amsterdam B.V.	5.84%	May 28, 2020
Lucerne Capital Management, LLC	5.62%	August 20, 2019
Teslin Participaties Coöperatief U.A.	5.01%	July 6, 2017
ASR Nederland NV	5.11%	October 6, 2008

Dividend policy

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

The total dividend paid in 2023 of € 67.4 million amounted to a dividend payout ratio of 47.2% of the net profit before amortization and one-off income and expenses attributable to shareholders. The dividends were issued to the holders of (depositary receipts of) shares in cash.

Investor relations

TKH's investor relation activities are designed to ensure that current and potential shareholders, analysts, and other stakeholders are provided with timely, complete, and consistent information. TKH's investor relations activities focus on helping the market understand our business, our strategy, our markets, and our financial and sustainability performance. TKH is committed to transparent reporting. We communicate through our half-year and full-year earnings releases and presentations, market updates, quarterly analyst calls, the annual report, and other information published on our investor relations website. We host live webcast presentations of our half-year and full-year results, hold the Annual General Meeting of Shareholders, and have frequent contact with major and other shareholders, interested institutional investors, and analysts through roadshows, conferences, company visits, and one-on-one discussions. TKH's activities comply with the applicable regulations and guidelines of Euronext Amsterdam and the Dutch Authority for the Financial Markets ("AFM"), the Dutch financial markets regulator.

Contact

For further information, please contact Jacqueline Lenterman, Director of Investor Relations and Corporate Communications at +31(0)535732900, j.lenterman@tkhgroup.com.

More information about TKH and its operating companies is available on our website at https://www.tkhgroup.com.

Financial 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

Sustainable Portfolio

Innovative solutions for a sustainable future

TKH has a strong reputation as an innovator of Smart Technologies, with which we have been distinctive in growth markets for years. Our technologies go beyond the latest market trends, and an essential element in developing our innovative portfolio is sustainability.

Being aware of the environment starts in the design phase, where the first cornerstones are defined by selecting the suitable raw materials. TKH provides Smart Technologies composed to distinguish ourselves on sustainability criteria. The technologies of TKH are focused on three important megatrends – automation, digitalization, and electrification. We believe that innovation powers progress and drives success. By integrating our proprietary technologies with in-house developed software and customer-focused insights, we develop Smart Technologies that create unique answers to our customers' challenges, helping them to work smarter, more successfully, and more sustainable. In doing so, we work to make the world better by creating more efficient and more sustainable systems.

The Sustainable Development Goals (SDGs), developed by the United Nations, are a blueprint for achieving a better and more sustainable future. TKH recognizes their importance and aims to contribute to the SDGs through its innovative product portfolio in line with its long-term value creation process. About 70% of our total turnover is linked to one of the selected SDGs. It is not only about supporting our own purposes, but TKH also supports its key stakeholders in achieving their sustainability criteria. We immerse ourselves in what customers, partners, and society expect from us and offer sustainable solutions with which we want to exceed these expectations. Doing so, we give a clear direction to the importance of our sustainable portfolio in the future.

Smart Technologies

Smart Vision systems

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

Smart Manufacturing systems

3 GOOD HEALTH AND WELL-BEING
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Smart Connectivity systems

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

±70% of our turnover is linked to one or more of these SDGs

Focus on innovative product portfolio

3 Good health and well-being

Ensure healthy lives and promote well-being for all at all ages

3 GOOD HEALTH AND WELL-BEING

7 Affordable and clean energy

Ensure access to affordable, reliable, sustainable and modern energy

7 AFFORDABLE AND CLEAN ENERGY

9 Industry, innovation and infrastructure

Build resilient infrastructure, promote sustainable industrialization and foster innovation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 Sustainable cities and communities

Make cities inclusive, safe, resilient and sustainable

11 SUSTAINABLE CITIES AND COMMUNITIES

LMI's Next-Generation 3D Measurement and inspection platform

Technology segment	Smart Vision systems
Megatrend	Automation
SDG	9

In May of 2023, LMI Technologies officially released its much-anticipated GoPxL® IIoT Vision Inspection Software. GoPxL is LMI's next-generation embedded software application that helps customers simplify, centralize, and enhance their quality control systems and ultimately improve inspection results.

GoPxL represents the culmination of 30-plus years of experience and expertise in embedded machine vision software development informed directly by feedback from customers who use LMI products. Every detail was considered in its design, from the reimagined modern web-based user interface and new features like searchable tools, embedded tool help, multi-layer profiling support, and the ability to build custom Human Machine Interfaces (HMIs) for displaying and reporting Gocator sensor data.

GoPxL software allows customers to:
- Develop end-to-end, web-based, inline measurement and inspection solutions deployed on Gocator® 3D Smart Sensors.
- Leverage a combination of on-sensor measurement filters and tools running on Gocator's industry-leading laser, snapshot, and line confocal sensors.
- Solve a wide range of industrial inspection tasks with greater productivity and efficiency.
- Using GoHMI, create a custom end-user interface connected to Gocator sensor outputs that is easily deployed on the production floor and accessed using a web browser on PC, touchscreen, or mobile device.

UNIXX Belt Maker

The UNIXX Belt Maker produces high quality endless steel belts by means of an innovative and accurately controlled extrusion process that can handle a wide range of compounds.

The unique flexibility of the system exactly fits the global trend towards shorter production runs and a greater diversity of tire specifications to be produced.

The system is optimally suited for hands-off, eyes-off production. Scrap and waste from angle- and compound changes are reduced because of the limited width of the extruded strip. Next to this, the automated and accurately controlled process produces a consistent high quality belt.

The highly efficient extrusion and cutting process, reduced waste and scrap, lower energy consumption and minimum operator involvement, result in a lower overall cost per produced square meter steel belt compared to the conventional belt making process.

The VMI UNIXX Belt Maker allows for the production of thinner belts to reduce tire weight and rolling resistance without compromising tire performance, contributing to a lower fuel consumption and CO_2e emission levels.

The VMI UNIXX Belt Maker gives our customers the following advantages:
- Ultimate flexibility.
- High quality steel belt.
- Low environmental impact.
- Reduced operating costs.

Technology segment	Smart Manufacturing systems
Megatrend	Automation
SDG	9

Commend Symphony Giving cities a voice

In the challenging landscape of urban development, Commend Symphony is at the forefront of promoting smart and safe cities with its Advanced Intercom Solutions – flagship of innovation in the field of security and communication technology. In 2023, Commend has once again raised the bar in urban security, combining cutting-edge technology with the principles of sustainability and efficiency, such as those embodied in the United Nations Sustainable Development Goals (SDGs).

As cities worldwide strive towards becoming smarter and more sustainable, Commend's Symphony portfolio has emerged as a critical component in this transformative journey. The Advanced Intercom Solutions not only enhance urban security but also contribute significantly to making cities more inclusive, resilient, and sustainable. By integrating public transport networks, emergency services, urban infrastructure, and audio data analysis, Commend's systems ensure a safer, better connected and brighter urban environment.

An important key proposition in this context is the Evergreen philosophy. This demonstrates Commend's commitment to sustainability in every aspect of the product lifecycle. Key factors in this regard include sustainable production practices, exceptional long life of solutions and products, upgradeability, data privacy and cyber resilience. In light of its use in critical infrastructures, this last aspect is becoming increasingly important. In addition, the combined functionality of Symphony's multi-purpose devices eliminates the need to install multiple devices, resulting in significant savings and operational and maintenance efficiencies for these solutions.

As we look to the future, Commend's Symphony Advanced Intercom Solutions are not just about creating safer cities but shaping the sustainable urban landscapes of tomorrow. Through innovation and a relentless commitment to safety, Commend is focusing its efforts to help pave the way for a smarter, safer, and more sustainable world.

Technology segment	Smart Vision systems
Megatrend	Digitalization
SDG	3 and 11

CEDD® AGL technology

Technology segment	Smart Connectivity systems
Megatrend	Digitalization
SDG	9

TKH Airport Solutions continues to demonstrate its consistent commitment to sustainability by making improvements in enhancing airport operations by utilizing TKH's CEDD AGL technology.

Energy consumption
A crucial step for lowering the energy consumption in the airport facilities is incorporation of TKH's CEDD AGL technology. When comparing to the standard LED AGL systems, sustainable CEDD AGL has a remarkable reduction of up to 70% in energy consumption, which represents our goal of minimizing environmental impact and maximizing resource utilization.

Faster installation
Our commitment to sustainability continues through to the installation stage, where TKH's CEDD AGL systems provide rapid deployment with far less civil work required. Since there are no secondary circuits, transformer, transformer pits or deep cans are not required. This reduces the amount of resources and materials used, which in turn lowers the amount of CO_2 emissions during construction. In addition, civil installation works can be lowered to 20% in comparison with traditional LED AGL installation costs.

Optimizing traffic at the airfield
CEDD AGL technology is highly suitable for implementing traffic guidance systems such as 'Follow-the-Greens', a method that guides pilots to the correct runway and approach path by using synchronized lighting signals. This will lead to a significant reduction of NOx and CO_2 at the airfield because of improved traffic fluency.

The integrated system installed at Memphis Airport, which builds on successful collaboration with JCAII, is a prime example of TKH's dedication to sustainability and performance. By reducing waiting time for aircrafts, limiting overhead expenses, and decreasing reliance on radio communication, TKH Airport Solutions generates generating significant improvements in operational efficiency at the same time as lowering carbon emissions.

Offshore wind farm cable technology

Technology segment	Smart Connectivity systems
Megatrend	Electrification
SDG	7

The demand for (green) energy is growing in connection with the ongoing electrification, which means wind parks are getting larger and the demand for connectivity solutions is rising. As part of TKH's strategic program Accelerate 2025 TKH has built a new (second) Subsea factory, in Eemshaven, the Netherlands. The new building is gas-free and 500 solar panels have been installed, which will later be expanded with even more solar panels.

With this production expansion, TKF focuses specifically on the production of inter-array Subsea cables, which connect the wind turbines and offshore wind farms with the substations. The innovative cable concept is easy to install compared to commonly used yarn-bitumen cables, and provides the customer with installation efficiency, cost savings, and a reduction in risks during cable installation. Our innovative cable specifications are composed of durable materials. A high carbon footprint reduction is achieved based on increased recyclability (in and out) and fossil free powered production. With the construction of this new factory, TKF is also getting ready for developments towards 132 kV and floating wind farms including new innovations such as optical strain monitoring. From the moment the factory is in operation, 1,200 kilometers of Subsea cable can be produced per year.

In 2023, TKH and Vattenfall established multi-year framework agreement for the supply of inter-array cables for offshore wind farms in Europe. This agreement covers the supply of 66 kV inter-array cables and will apply to all bottom-fixed European wind farms developed by Vattenfall in the coming years. The first projects to be called off will be for the German Nordlicht cluster. The contract is initially signed for three years and can be extended by five more years.

Consolidated financial statements

Consolidated statement of profit and loss

in thousands of euros	Notes	2023		2022	
Total turnover	22		**1,847,532**		**1,816,615**
Raw materials, consumables, trade products and subcontracted work		928,220		958,694	
Personnel expenses	23	478,467		435,097	
Other operating expenses	25	156,968		140,009	
Depreciation and result on divestment of property, plant and equipment	26	48,828		37,640	
Amortization	27	56,860		54,550	
Impairments	28	3,720		472	
Total operating expenses			**1,673,063**		**1,626,462**
Operating result			**174,469**		**190,153**
Financial income	30		1,316		562
Financial expenses	30		-23,440		-10,307
Exchange differences	30		-750		-2,136
Share in result of associates	6		-3,309		3,075
Result on sale of associates and subsidiaries	34		54,802		0
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	14		-146		-105
Result before tax			**202,942**		**181,242**
Tax on result	31		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	32				
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 €) [1]			4.38		3.65
Ordinary earnings per share before amortization and one-off income and expenses (in €) [1]			3.21		3.50

1. Non IFRS measure.

Consolidated statement of comprehensive income

in thousands of euros	Notes	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 associates		-532		-155	
Effective part of changes in fair value of cash flow hedges (after tax) [1]		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) [1]	16	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**

1. For the impact of taxes is referred to note 31.

Consolidated balance sheet

in thousands of euros	Notes	31-12-2023		31-12-2022	
Assets					
Non-current assets					
Intangible assets and goodwill	3	565,696		533,845	
Property, plant and equipment	4	436,019		294,945	
Right-of-use assets	5	84,012		75,312	
Associates	6	35,987		12,204	
Other receivables	8	752		613	
Deferred tax assets	15	15,824		13,271	
Total non-current assets			**1,138,290**		**930,190**
Current assets					
Inventories	7	403,259		385,913	
Trade and other receivables	8	243,622		249,338	
Contract assets	9	217,123		204,142	
Contract costs	9	8,014		3,480	
Current income tax		2,603		2,315	
Cash and cash equivalents [1]	10	93,697		184,559	
Total current assets			**968,318**		**1,029,747**
Assets held for sale	34		21,171		108,506
Total assets			**2,127,779**		**2,068,443**

in thousands of euros	Notes	31-12-2023		31-12-2022	
Equity and liabilities					
Group Equity					
Shareholders' equity	11	835,565		786,773	
Non-controlling interests	12	148		168	
Total group equity			**835,713**		**786,941**
Non-current liabilities					
Interest-bearing loans and borrowings	17	572,368		503,008	
Deferred tax liabilities	15	57,722		52,468	
Retirement benefit obligation	16	3,679		3,765	
Other non-current financial liabilities	14	1,033		919	
Provisions	13	12,740		6,798	
Total non-current liabilities			**647,542**		**566,958**
Current liabilities					
Interest-bearing loans and borrowings [1]	18	75,864		70,419	
Trade payables and other payables	19	357,245		384,914	
Contract liabilities	9	176,130		186,473	
Current income tax liabilities		11,290		15,498	
Other financial liabilities	14	1,639		2,985	
Provisions	13	19,209		20,798	
Total current liabilities			**641,377**		**681,087**
Liabilities directly associated with assets held for sale	34		3,147		33,457
Total equity and liabilities			**2,127,779**		**2,068,443**

1. Including € 24.5 million (2022: € 106.2 million) cash and cash equivalents that are part of cash and interest pools. These cash and cash equivalents are not netted in the consolidated balance sheet.

Consolidated statement of changes in group equity

in thousands of euros	Share capital	Share premium	Legal reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Unappropri-ated profit	Total share-holders' equity	Non-controlling interests	Total group equity
Balance at 1 January 2022	**10,554**	**85,021**	**92,542**	**15,251**	**1,049**	**422,301**	**95,212**	**721,930**	**53**	**721,983**
Net result							137,083	137,083	43	137,126
Other comprehensive income				1,521	-5,292	1,084		-2,687	-17	-2,704
Total comprehensive income	**0**	**0**	**0**	**1,521**	**-5,292**	**1,084**	**137,083**	**134,396**	**26**	**134,422**
Appropriation profit last year						95,212	-95,212	0		0
Capital contribution								0	89	89
Dividends						-61,791		-61,791		-61,791
Share and option schemes						3,539		3,539		3,539
Purchased shares for share and option schemes						-18,382		-18,382		-18,382
Sold shares for share and option schemes						7,081		7,081		7,081
Change in legal reserve for participations			2,508			-2,508		0		0
Capitalized development costs			7,065			-7,065		0		0
Balance at 31 December 2022	**10,554**	**85,021**	**102,115**	**16,772**	**-4,243**	**439,471**	**137,083**	**786,773**	**168**	**786,941**
Net result							165,704	165,704	58	165,762
Other comprehensive income				-6,804	3,718	151		-2,935	-78	-3,013
Total comprehensive income	**0**	**0**	**0**	**-6,804**	**3,718**	**151**	**165,704**	**162,769**	**-20**	**162,749**
Appropriation profit last year						137,083	-137,083	0		0
Dividends						-67,696		-67,696		-67,696
Share and option schemes						4,997		4,997		4,997
Purchased shares for share buy-back program						-50,004		-50,004		-50,004
Purchased shares for share and option schemes						-8,545		-8,545		-8,545
Sold shares for share and option schemes						7,271		7,271		7,271
Change in legal reserve for participations			7,329			-7,329		0		0
Capitalized development costs			5,717			-5,717		0		0
Balance at 31 December 2023	**10,554**	**85,021**	**115,161**	**9,968**	**-525**	**449,682**	**165,704**	**835,565**	**148**	**835,713**

Consolidated cash flow statement

in thousands of euros	Notes	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	3	-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	6	-27,624	
Acquisition of subsidiaries less cash and cash equivalents acquired	34	-42,913	-877
Divestments of assets held for sale			13,957
Divestment of associates and subsidiaries classified as held-for-sale less transferred cash	34	130,460	
Net cash flow from investing activities (B)		**-170,400**	**-124,288**

in thousands of euros	Notes	2023	2022
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	14	-1,379	-4,039
Capital contribution non-controlling interests			89
Purchased shares for share buy-back 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	18	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 1 January		78,387	68,017
Cash and cash equivalents at 31 December	10	**69,294**	**78,387**

Notes to the Consolidated financial statements

1 Material accounting principles

General
Technology firm TKH Group N.V. has been incorporated and domiciled in Haaksbergen, the Netherlands. TKH Group N.V. has its registered office and factual seat at Spinnerstraat 15, 7481 KJ in Haaksbergen in the Netherlands and is registered in the trade register under number 06045666. The consolidated financial statements of TKH Group N.V. (hereafter 'TKH') have been drawn up in accordance with the International Financial Reporting Standards ('IFRS') adopted by the European Commission and applicable on the accounting period that begun on 1 January 2023. The company financial statements are part of the financial statements of TKH. The financial statements have been prepared based on the historical cost basis, except for the valuation at fair value of investment property, derivatives and share-based payments. All transactions in financial instruments are recognized at transaction date. To the extent that alternative performance measures are used these are explained in the glossary, which is included in the 'Other information'.

Going concern
TKH has prepared the financial statements on the basis that it will continue to operate as a going concern.

Comparative figures
Comparative figures may have been reclassified for comparability purposes. If considered to be material, the relevant disclosure has been added to the applicable note.

New accounting principles and interpretations
As from 1 January 2023 the following amendments of standards and new interpretations are effective:
- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The adoption of the amendments and improvements did not have material impact on the financial statements. Regarding Pillar Two reference is made to note 31.
TKH has not opted for an early adoption of the following new standards, amendments to standards and new IFRIC interpretations, which are mandatory for accounting periods that begin on or after 1 January 2024:
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- Lack of Exchangeability – Amendments to IAS 21 (starting 1 January 2025)

TKH expects that the adoption of the other new standards and amendments in future periods will not have a material impact on its financials statements.

Consolidation
The consolidated financial statements include the annual accounts of all subsidiaries over which TKH has or can exercise control. Control is achieved when TKH is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. An overview of consolidated entities is included in the 'Other information'. If facts and circumstances indicate that there are changes to one or more of the three elements of control, TKH re-assesses whether or not it controls a subsidiary. Consolidation of a subsidiary begins when TKH obtains control over the subsidiary and ceases when TKH loses control of the subsidiary.

Profit or loss and each component of other comprehensive income (hereafter 'OCI') are attributed to the shareholders of TKH and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting principles in line with TKH's accounting principles. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If TKH loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in the statement profit and loss.

Segment reporting
TKH is organized along the lines of our three technologies: Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems. The internal and external segment reporting as follows this structure. For these segments, discrete financial information is available that the Executive Board, the highest operational decision-makers, evaluates regularly. The Executive

Board decides on the allocation of resources and reviews the performance of the three segments. These performances are reviewed and reported to the level of operating result. The accounting principles that are applied to these consolidated financial statements also apply to the business segments. The transaction prices for deliveries between segments are determined on an arm's length basis. The results, assets and liabilities of a segment include both items directly linked to that segment as items that can reasonably and consistently be allocated to that segment. Besides the information about the operating segments, selective information by geographic region is disclosed. In the overview of 'Consolidated entities', as part of the 'Other information', is shown in which of the segments the different subsidiaries operate.

Foreign currencies

The consolidated financial statements are presented in euros, which is also the functional currency of the holding. Transactions in foreign currencies are translated into the respective functional currencies of the entities of the group, at the prevailing exchange rate at transaction date. In foreign currency denominated monetary assets and liabilities at the balance sheet date are translated at the exchange rate prevailing at that date. The result of the conversion occurring exchange differences on monetary items, are recorded in the statement of profit and loss.
Assets and liabilities of foreign subsidiaries with a functional currency other than the euro are translated at the exchange rates prevailing at the balance sheet date. The profit and loss accounts of foreign subsidiaries are translated using the weighted average monthly exchange rates over the year under review. Goodwill and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates at the balance sheet date. The exchange differences arising from the translation are recognized through OCI as a separate item in equity. Exchange differences recorded through OCI are reclassified to the statement of profit and loss as part of the result on diposal in the period in which the related entities are disposed of.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date at fair value and the amount of any non-controlling interests in the acquiree, in exchange for control of the acquiree. Acquisition related costs are recognized in the statement of profit and loss as incurred.
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the net amounts of the identifiable assets acquired and the liabilities assumed at acquisition date. If the amount is negative, a badwill (bargain purchase gain) is recognized immediately as benefit in the statement of profit and loss.
Non-controlling interests are reported separately from the group result and group equity. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. TKH has elected to recognize this effect in retained earnings. When a non-controlling shareholder has an unconditional right to sell its shares to TKH according to a contractual agreed formula ('put option'), a liability is recognized by TKH for the shares to be purchased. The liability is recognized at the present value of the estimated future cash outflow. A legal reserve is accounted for the interest in the equity of the subsidiary of which the economic ownership has been obtained, but not yet the legal ownership. Adjustments after the first recognition on the value of the financial liability for put options and earn-out payments are recognized directly into the statement of profit and loss.

Intangible assets and goodwill

Goodwill

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

Other intangible assets

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

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

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

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

Property, plant and equipment

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

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

Land is not depreciated. Other equipment includes furniture, IT-hardware and transport equipment. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Right-of-use assets

For new agreements, TKH considers whether the contract is or contains a lease. A lease is defined as a contract or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. To apply this definition, TKH assesses whether the contract meets three important criteria, namely:

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

At commencement date of the lease, TKH recognizes an asset and a lease liability in the balance sheet. The right of use is valued at cost, which consists of the initial valuation of the lease obligation, any initial direct costs incurred by TKH, an estimate of any costs for dismantling and removing the asset at the end of the lease, and all lease payments made before the commencement date of the lease (after deduction of received incentives). The Right-of-use assets are amortized on a straight-line basis from the commencement date of the lease to the first of the end of the useful life of the right of use or the end of the lease period or over the useful life if the underlying asset is (expected) to be acquired. TKH assesses the asset for impairment when such indicators exist.

On the commencement date, TKH values the lease obligation at the present value of the lease payments unpaid on that date, discounted using the interest rate implicit in the lease if it is readily available or the incremental borrowing rate. Lease payments that are included in the measurement of the lease obligation consist of fixed payments, variable payments based on changes in an index or price, amounts that are expected to be paid under a residual value guarantee and payments that arise from extension options that are reasonably certain to be exercized. After the initial valuation, the obligation is lowered for payments and increased for interest. The obligation is determined again in the event of changes in underlying provisions. When the lease obligation is remeasured, the corresponding adjustment is reflected in the asset or in the result if the asset has already been reduced to zero.

TKH has chosen to apply the exemption for short-term leases and for leasing assets with a low value. Instead of including a right of use and lease obligation, the payments related to these are recognized as a charge in the income statement on a straight-line basis over the lease period.

Impairment

At least annually, the company reviews its tangible and intangible non-current assets to determine whether there are indications that those assets have suffered an impairment loss. If there is any such indication the recoverable value of the asset is estimated to determine the extent of the impairment loss. If the asset does not generate cash itself, the company determines the recoverable value of the smallest cash-generating unit to which the asset belongs. The recoverable amount is the fair value less cost of disposal or the value in use, whichever is higher. The value in use is based on the estimated future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the asset is written down to its recoverable amount. An impairment loss is recognized immediately in the statement of profit and loss. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, with the exception of goodwill, but never higher than the carrying amount that would have been determined when no impairment loss has been recognized. The increase is recognized immediately in the statement of profit and loss.

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

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

Contract assets
A contract asset is the right to consideration in exchange for products or services transferred to the customer. If TKH performs by transferring products or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration. Upon completion of the performance obligation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

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

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

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

Financial assets
Financial assets are at initial recognition classified in one of three groups for the subsequent measurement:
- amortized cost,
- fair value with change in value through OCI or
- fair value with change in value through profit or loss.

The classification of a financial asset on initial recognition depends on the contractual cash flow characteristics and the business model of TKH to manage it. A financial asset can only be classified and valued at amortized cost or fair value through OCI if it generates cash flows that consist solely of repayment of principal and interest ('SPPI') on the outstanding principal. This assessment is called the SPPI test and is performed at instrument level. The business model refers to the way in which TKH manages its financial assets to generate cash flows. The business model determines whether cash flows arise from the collection of contractual cash flows, the sale of financial assets or both. Purchases or sales of financial assets that require delivery of assets established by regulation or convention in the market place (regular way trades) are recognized on the trade date, the date that TKH commits to purchase or sell the asset. Financial assets at amortized cost are then measured using the effective interest method ("EIR") and tested for impairment. Gains and losses are recognized in the income statement when the asset is no longer recognized, adjusted or written off. The financial assets at amortized cost mainly comprise trade receivables.

Derecognition of financial assets

A financial asset is derecognized when:
- The rights to receive cash flows from the asset have expired, or;
- TKH has transferred its rights to receive cash flows from the asset or has assumed an obligation

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

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

Impairment of financial assets

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

For trade receivables and contract assets, TKH applies a simplified approach in calculating ECLs. Therefore, TKH does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. TKH has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A further explanation is included in note 20.

Financial liabilities

Financial liabilities are classified, at initial recognition, as

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

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

Financial liabilities at fair value through profit or loss

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

Loans and borrowings

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

Other payables

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Derivatives

Derivative financial assets and financial liabilities ('derivatives') are recognized in the balance sheet when TKH concludes a contract for such an instrument. Derivatives are stated at fair value on the contract date and are then measured at the prevailing fair value at subsequent reporting dates. Changes in the fair value of derivatives that are designated and effective as hedges of future cash flows are recognized directly in the OCI and accounted for as a separate item in equity. The ineffective portion is recognized immediately in the statement of profit and loss. If the cash flow from an existing commitment or an expected future transaction results in the recognition of an asset or liability, at the time the asset or liability is recognized the associated gains or losses on the hedging instrument that had previously been recognized in the OCI are included in the valuation of the asset or the liability. For hedges that do not result in the recognition of an asset or a liability, the gains or losses recognized in the OCI are recognized in the statement of profit and loss in the same period as the underlying hedged transaction is recognized in the statement of profit and loss. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized immediately in the statement of profit and loss. Hedge accounting is discontinued when the hedge instrument expires, is sold, exercised or no longer qualifies for hedging. The cumulative gains or losses on that hedging instrument recognized up to that time in equity are recognized in the statement of profit and loss when the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gains or losses recognized in the OCI are transferred to the statement of profit and loss.

Assets and directly associated liabilities held for sale and discontinued operations

Assets held for sale

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

Discontinued operations

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

- represents a separate major line of business or geographical business area;
- is part of a coordinated plan to dispose of a separately important business activity or geographical area; or
- is a subsidiary, which has been taken over solely for the purpose of resale.

Discontinued operations are excluded from the results from continuing operations and are presented as a single amount in the line 'Result after tax from discontinued operations' in the profit and loss account. All other notes to the financial statements include amounts for continuing operations, unless otherwise indicated.

Provisions

General

Provisions are recognized when (a) TKH has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (c) a reliable estimate can be made of the amount of the obligation. Provisions are recognized based on the expected expenditure required to settle the obligation. Long-term provisions, with the exception of the provision for deferred tax, are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, an increase in the provision as a finance cost is recognized due to the passage of time.

Pensions

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

per pension scheme. In the calculation of the present value of economic benefits any minimum funding obligations that apply are taken into account. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest on defined benefit obligations are accounted for as interest expense as part of the financial expenses. When pension entitlements are changed under a pension plan, the change in pension entitlements related to past service or the gain or loss on that change is recognized directly in the statement of profit and loss.
Pension costs, including pension costs on past service and the impact of settlements and curtailments are recognized as personnel costs.

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

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

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

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

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

Deferred tax
Deferred tax relates to temporary differences between the value in the financial statements and the value for tax purposes. No deferred tax is recognized for non-deductible goodwill and subsidiaries and associates included in the participation exemption. Deferred tax assets are only recognized to the extent that it is probable that they can be realized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. In assessing the recoverability of deferred tax assets, TKH relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Changes in deferred tax are recognized immediately in the statement of profit and loss, with the exception of deferred tax that relates to items that are recognized in the OCI or directly in equity.
TKH offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover
The turnover includes the net turnover, as well as other revenues. Net turnover is the revenue from products and services delivered to third parties during the year under the deduction of discounts, bonuses and stock returns. Revenue is measured on the basis of the consideration set out in a contract with a customer. Products are regularly sold with volume discounts based on total sales over a period of one year. Revenues from these sales are recognized on the basis of the price specified in the contract, after deduction of the estimated volume discounts. Revenue is only recognized to the extent that it is highly probable that a reversal will not take place. A refund liability, included in the other current liabilities, is recognized for expected volume discounts payable to customers in connection with sales made until the end of the reporting period. There is no financing element applicable because the sales take place with a relatively short credit term, which is consistent with market practice.
The obligation to repair or replace defective products under the standard warranty conditions is recognized as a warranty provision. In addition, TKH offers to a limited extent an extended warranty that is sold together with products and systems. Two performance obligations can be

distinguished in such contracts, namely the delivery of products and services and the service-type warranty. Using the relative stand-alone sales price method, a portion of the transaction price is allocated to the service-type warranty and recognized as a contract liability. Revenue is recognized on a straight-line basis over the period in which the service-type warranty is granted based on the time elapsed.

The turnover of TKH consists of products and services within the business segments Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems that are delivered to customers as a separate product/service or as a total solution. TKH recognizes revenue when control of a product or service is transferred to a customer. In the following overview the revenue recognition per segment is further elaborated.

Segment	Products and services	Nature and timing of fulfillment of performance obligations
Smart Vision systems	Vision technology represents about 85% of the turnover of the Smart Vision systems segment and consists of 2D & 3D machine Vision and Security Vision technology. The technologies are combined with software to create smart technologies and one-stop-shop solutions with plug-and-play integrated systems. Our Machine Vision technology systems improve quality inspection, operation, and object monitoring within various industries such as consumer electronics, factory automation, ITS, medical and life sciences. Our Security Vision systems, combined with advanced communication technologies, enable the customers to manage and control the urban environment efficiently. Simultaneously, the technologies improve sustainability factors, safety and security in various markets such as Infrastructure, Parking and Building security.	A large part of the revenue in Smart Vision systems is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance. A receivable is recognized at that moment because the consideration has become unconditional and only the passage of time is required before the payment is due. To a lesser degree also the following revenue streams exist: • *Customer-specific products and systems (including software products):* Customer-specific products and systems: A number of products and systems are designed or adapted to customer-specific requirements. TKH recognizes turnover over a period if (i) the customer has control during the creation or improvement of the product / system or (ii) a product/ system is created without alternative use and TKH has an enforceable right to payment for the work performed. Examples of (i) include parking guidance that are built up and commissioned on-site. Examples of (ii) are amongst others machine vision cameras constructed for a specific customer application and by TKH integrated security and communication systems. If the two conditions mentioned above are not met, revenue is only recognized at transfer date. For customer-specific systems, installation can be part of the transaction price. A distinction is made between configuration and the physical installation. The configuration is an integral part of the system sold, while the installation is often regarded as a separate service that is usually outsourced to third parties. The installation services to be delivered are separately identifiable and accordingly the transaction price is attributed to the system and the installation based on the relative stand-alone selling prices. Installation is a performance obligation that is fulfilled over time. If revenue is recognized over a period, this is based on the stage of completion of the contract. The progress is determined on the basis of the input method based on a cost price method. Which means, the part of the contract costs incurred for the work that has been carried out to date in relation to the estimated total contract costs. For the payments due by the customer, which according to the contract cannot yet be invoiced, a contract asset is recognized for the period in which the work has been carried out. This contract asset reflects the right to compensation for work performed to date. If more is invoiced than has been performed to date, a contract liability is recorded. Contract liabilities are recognized as revenue when TKH performs under the contract. • *Maintenance and licenses:* Maintenance and licenses are part of the transaction price for a number of products and systems. These relate to activities that may have to be carried out during a certain period after sale. This period can thereafter be extended by the customer at then applicable prices. Maintenance and licenses are considered as a separate service. A part of the transaction price is therefore allocated to these services based on their stand-alone selling price. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sale transaction and is subsequently recognized as revenue on a straight-line basis over the contract period.

Segment	Products and services	Nature and timing of fulfillment of performance obligations
Smart Manufacturing systems	TKH engineers complete manufacturing systems and machines that contribute to super-efficient manufacturing and processing. Systems engineering and assembly, control and analysis software, as well as connectivity and vision technology, are the basic building blocks for the distinctive Smart Manufacturing systems supplied to various industries such as car and truck tire production, factory automation, and care solution by providing medicine distribution machines. Tire Building systems represents about 75% turnover share of Smart Manufacturing systems segment.	The majority of the revenue within Smart Manufacturing systems qualifies as *Customer-specific products and systems* for which recognition is already described at Smart Vision systems. Examples are tire building, medicine distribution and industrial automation systems. In contrast to Smart Vision systems, for the tire building activities the installation is regarded as an integral part of the performance obligation to the customer, because on-site systems are constructed, configured and tested by employees. The remainder of the revenue relates to standardized products and is accounted for when the products are transferred to the customer in accordance with the delivery conditions of the sales contract and there is no unfulfilled obligation that could affect the customer's acceptance *Sales commissions:* Agents are used, who earn a sales commission on the revenue collected. These incremental costs for obtaining a contract are directly related to the sales that were realized in a certain period. The sales commissions, mostly paid before start of the contract, are capitalized as contract costs and amortized over the expected contract period.
Smart Connectivity systems	TKH makes advanced Connectivity systems and engineers complete Smart Connectivity systems with a unique integrated system approach and sustainability proposition. Energy and Digitalization represent about 39% and 33% turnover share of the Smart Connectivity systems segment. Our connectivity systems are developed for on-shore and off-shore energy distribution. Our Fibre Optic connectivity systems are manufactured for data and communication networks. In addition, TKH produces specialized cable systems for diverse industrial automation applications in high-tech environments, such as the industrial, marine & offshore and medical sectors. Our advanced connectivity technology for contactless energy and data distribution (CEDD) for airfield ground lighting systems is a connectivity system consisting of both hardware components and software, to further improve the efficiency and safety of specific airfield applications.	The majority of revenue relates to *standardized products* and are accounted for in a similar way as described above. Customer-specific products and systems for which there is no enforceable right to payment for the work that has already been performed, are also recognized as revenue in the same way. *Customer-specific products and systems* are accounted for in the same way in Smart Vision systems. Examples are special cable and cable systems for machines, robots, medical applications and subsea cable systems.

Operating expenses

General

The cost of production and other expenses directly related to ordinary operational activities, which underlie the turnover, are stated as operating expenses.

Government subsidies

Government subidies are recognized when there is reasonable assurance that the grant will be received and all conditions will be met. Government subsidies are recognized in the statement of profit and loss in the same period as the expenses to which they relate. The subsidy is deducted from the related costs. Grants related to fixed assets are deducted from these assets and credited to the profit and loss account over the expected useful life of the asset concerned.

Share-based payments

TKH has a stock option and a share scheme, which both qualify as share-based payments:

- The stock options are settled in equity instruments. They are valued at fair value at the date they were granted. The fair value is calculated by using an option pricing model that takes into account market related vesting conditions attached to the granting of the options. The fair value is charged to the profit and loss account over the period between the granting of the options and the time that the share options vest, adjusted for the expected number of share options to be exercised.
- The shares issued free of charge are also settled in equity instruments and are measured at the grant date at fair value. The fair value is determined based on the prevailing share price at the time of grant. The fair value is charged to the profit and loss account in the year to which the grant relates.

Financial income and expenses

Financial income and expenses comprise the interest received from or paid to third parties relating to the year under review. Interest is recognized according to the effective interest method. The interest income and the interest expenses on bank accounts that belong to one and the same interest compensation system are set off. The interest balance of the interest combination is stated under interest income or interest expenses. Financial expenses related to the construction of property, plant and equipment have been recognized as part of the asset. Translation differences on sale and purchase transactions are classified under financial income and expenses.

Tax

Tax is calculated on the result before tax, taking into account the prevailing tax rates and tax legislation in the different countries. Tax is accounted for in the statement of profit and loss, unless it relates to items directly recognized in the OCI, in which case taxes are also accounted for in the OCI. In addition to the tax directly payable or receivable for the reporting year, the item also includes the changes in the deferred tax assets and liabilities and adjustments to tax assessments from previous years.

Non-controlling interest

This item comprises the share of third parties in the results and equity of subsidiaries according to TKH's accounting principles.

Cash flow statement

The cash flow statement has been drawn up using the indirect method. With this method, the operating result is adjusted for items in the statement of profit and loss that have no impact on receipts and payments in the year under review and changes in items in the balance sheet and statement of profit and loss whose income and expenses are not considered to belong to the operational activities. The cash position in the cash flow statement consists of cash and cash equivalents less short-term borrowings included in cash pools as this is part of the daily cash management.
Cash flows in foreign currencies are converted at an average exchange rate. Exchange differences with respect to cash and cash equivalents are presented separately in the cash flow statement. Income taxes, paid and received interest are included in the cash flow from operating activities. Received dividends are included in the cash flow from investment activities, while paid dividends are included in the cash flow from financing activities. The purchase price of acquisitions is included in the cash flow from investing activities, to the extent that payment has taken place in cash or cash equivalents. Cash and cash equivalents that are present in the acquired subsidiaries are subtracted from the purchase price. Transactions, which do not involve a cash exchange, are not included in the cash flow statement. The payments of the lease terms are presented as repayments on loans for the repayment component of debt (cash flow from financing activities) and as paid interest for the interest component (cash flow from operating activities). Payment of lease installments that are not included in the lease obligation included in the balance sheet (including leases of assets with a low value or with a term of less than one year) are included under cash flow from operating activities. Payments and proceeds on borrowings are presented on a net basis due to the high flexibility and turnover in relation to utilizations and repayments.

2 Significant judgments, estimates and assumptions

In preparing the consolidated financial statements management has made judgments, estimates and assumptions. These judgments, estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses and disclosed contingent assets and liabilities at the date of the financial statements. The actual outcome can vary from these judgments, estimates and assumptions. All assumptions, expectations and forecasts used as a basis for judgments in the consolidated financial statements are as good as possible a reflection of the forecast of TKH. Management is of the opinion that a reasonable basis exists for the assumptions, expectations and forecasts. Judgments are related to known and unknown risks, uncertainties and other factors that can lead to future results and performances that significantly vary from those forecasted. Significant judgments, estimates and assumptions are described hereafter.

Fair values

TKH periodically reviews the significant fair value changes regarding specific positions in the financial statements. In case external information is used to determine the fair value, TKH reviews the evidence obtained from these third parties to verify if these valuations meet IFRS requirements, including the level of hierarchy of the fair values in which these valuations are classified. TKH applies the following hierarchy for determining the fair value of financial instruments:

- Level 1: Price quotations on active markets for identical assets and liabilities.
- Level 2: Other inputs than quoted prices included in level 1, that are either directly or indirectly observable for the asset or liability. TKH makes use of derivatives valuation reports of financial institutions. These valuations are checked with interest rates, interest curves and exchange rates that are regularly published.
- Level 3: Calculations that use input variables that have a significant effect on the fair value and that are not based on available market quotations. Here TKH may use valuations by independent appraisers.

The table below shows the hierarchy and carrying amounts of the assets and financial instruments that are recognized in the balance sheet at fair values:

in thousands of euros	Notes	Hierarchy	2023	2022
Assets				
Financial assets at fair value through P&L		Level 3	407	407
Interest rate swaps	20	Level 2		97
Foreign currency forward contracts	20	Level 2	1,182	40
Commodities (derivatives)	20	Level 2	1,085	381
Total			**2,674**	**925**
Liabilities				
Interest rate swaps	20	Level 2	155	
Foreign currency forward contracts	20	Level 2	2,610	5,704
Commodities (derivatives)	20	Level 2	181	891
Total			**2,946**	**6,595**

The fair value of the financial assets measured at fair value with recognition of the change in value through the statement of profit and loss is calculated on the basis of expected cash flows discounted at the estimated market interest rate. Credit risks are taken into account in this market interest rate. TKH has concluded derivatives with various financial institutions with an investment grade rating. Interest rate swaps, forward exchange contracts and forward contracts on commodities are valued based on present value calculations using market data, such as the credit quality of counterparties, base spreads, spot and forward prices, yield curves and forward curves. More information about the assumptions for the determination of the fair value is included in the relevant explanatory notes.

Price, credit, interest and currency risks

Note 20 contains information about these risks.

Intangible assets and goodwill related to acquisitions

In the financial statements a material amount has been reported for intangible non-current assets acquired in an acquisition. The first recognition of these assets at fair value has been determined on the basis of valuation models. The outcomes are largely dependent on management estimates with respect to the assumptions used (such as growth percentages, royalty fees, economic life) and future expectations. The difference between the purchase price and the acquired net fair value of the identifiable assets and liabilities is recognized as goodwill. Note 1 and 3 includes information about intangible assets and goodwill.

Impairments and valuation of tax-losses

Information about impairment testing is included in note 3. TKH regularly invests in R&D (capitalized development costs), production facilities and new, innovative processes with the aim of developing a distinctive product portfolio. Particularly where TKH still has a small market position, the degree of management estimates with regard to learning curve developments, capacity utilization and development of returns is higher. On the other hand, management involvement is larger. TKH has valued tax deductible losses, whereby the entity concerned has incurred a loss in the current and/or previous financial year. In these cases, the recognition and measurement of these deductible losses are based on financial forecasts supported by a profitable order book. It should be noted that these deductible losses often originate from the start-up period of new activities and/or innovations.

Contracts with customers

TKH develops, produces or configures products and systems on behalf of customers on which revenue is recognized over a period of time. As a result, profit is recognized over time based on the expected profit on the contract and the estimated level of progress. This estimate makes use of detailed calculations that are specified for each performance obligation in a contract. Based on the realization and estimates of project managers and controllers, new estimates are drawn up periodically for each contract. These are reviewed by local management and then used as the basis for the costs and revenue to be recognized. In a new innovative portfolio and/or production process, the uncertainty in management estimates can be significantly higher than in other projects due to the lack of historical experience figures and the learning curve that needs to be going through.

Financial liabilities for earn-out and put option agreements

In the financial statements, financial liabilities are recognized for obligations related to earn-out agreements and put options granted to shareholders of non-controlling interests. The financial liabilities for earn-out and put options are based on estimates of future operating results and are derived from business plans of the companies concerned.

Other provisions

The other provisions relate amongst others to onerous contracts, warranty liabilities, claims, jubilee arrangements and restructuring liability. These provisions are based on estimates and available information. With regard to onerous contracts with customers, reference is made to the previous paragraph 'contracts with customers'. With regard to the restructuring liability further reference is made to note 13.

Extension options of lease contracts

When TKH has the option of renewing a lease, management uses its judgment to determine whether it is reasonably certain that an option would be exercised. Management takes into account all the facts and circumstances, including their past experience and any costs that will be incurred to change the asset if no extension option is taken, to determine the lease term.

Geopolitical developments

Geopolitical developments (such as the Russia-Ukraine conflict), economic and political confrontations between world powers (trade tariffs, availability and price of energy), the erosion of trade agreements, climate change and the impact of (global) inflation as well as a potential recession can impact TKH’s turnover and results. Reference is made to the paragraph ‘Risk management’ as included in the Management report for further disclosures on these risks. These risks have been weighed in making judgements and applying estimates, amongst other valuation of customer contracts, impairment analysis and determining the useful live of our assets.

Climate change

TKH has considered the impact of climate change scenario’s (including rising temperatures, resulting in flooding or extreme weather) on the estimates and judgements used in preparing the financial statements. The following items were considered:

- The impact on the residual values and useful lives of assets
- Recognition and measurement of provisions and contingencies
- Impairment indications and the forecast of cash flows used in the impairment testing of goodwill and non-current assets.

No material impact from (acute) climate change risks on the financial reporting was identified and as a result the valuation of assets and/or liabilities was not significantly impacted. Due to the locations of our (production) facilities and the nature of our activities, the risk is considered limited for TKH for the foreseeable future from a valuation and impairment perspective.

3 Intangible assets and goodwill

in thousands of euros	Notes	Goodwill		Brand names, customer relations and intellectual property		Development costs		Patents, licenses, software and trademarks		Total	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Historical cost at 1 January		**303,067**	**300,812**	**290,841**	**287,945**	**292,876**	**269,309**	**75,626**	**68,441**	**962,410**	**926,507**
Accumulated amortization and impairment losses		2,323	2,323	205,411	187,269	165,173	149,599	55,658	50,254	428,565	389,445
Book value at 1 January		**300,744**	**298,489**	**85,430**	**100,676**	**127,703**	**119,710**	**19,968**	**18,187**	**533,845**	**537,062**
Purchases and capitalization						41,847	37,843	11,281	8,063	53,128	45,906
Acquisitions	34	17,866	853	18,003	1,107	2,783		11		38,663	1,960
Reclassification from property, plant and equipment	4					456		1		457	0
Reclassification to assets held for sale		-115						-252		-367	0
Reclassifications			102		39	225	-15	-226	-126	-1	0
Disposals									-13	0	-13
Amortization	27			-16,522	-17,131	-33,522	-30,827	-6,816	-6,226	-56,860	-54,184
Impairment losses	28					-1,790	-48			-1,790	-48
Exchange differences		-440	1,300	-238	739	-688	1,040	-13	83	-1,379	3,162
Book value at 31 December		**318,055**	**300,744**	**86,673**	**85,430**	**137,014**	**127,703**	**23,954**	**19,968**	**565,696**	**533,845**
Accumulated amortization and impairment losses		2,323	2,323	199,633	205,411	197,861	165,173	60,815	55,658	460,632	428,565
Historical cost at 31 December		**320,378**	**303,067**	**286,306**	**290,841**	**334,875**	**292,876**	**84,769**	**75,626**	**1,026,328**	**962,410**

The impairments of development costs relate to discontinued R&D projects due to unfavorable technological and/or market developments.
Goodwill is allocated to reporting segments, which are considered as cash generating units ('CGU') for goodwill impairment testing purposes. Impairment is assessed at this level. The goodwill is allocated as follows:

in thousands of euros	Goodwill		Discount rate before tax		Functional currency
CGU	2023	2022	2023	2022	
Smart Vision systems	257,909	240,478	10.5%	11.4%	EUR/USD
Smart Manufacturing systems	9,603	10,530	12.0%	12.4%	EUR
Smart Connectivity systems	50,543	49,736	10.3%	10.9%	EUR
Total	**318,055**	**300,744**			

The recoverable amount of the cash generating units, in which goodwill has been reported, is based on the value in use. The value in use is based on estimated future cash flows. These forecasts are derived from the internal business plans, which are drawn up annually and have a horizon of five years. These business plans contain financial budgets and have been prepared by local management and are approved by the Executive Board. Cash flows after the financial budget period have been extrapolated, taken into account an annual growth of 2.00% (2022: 2.17%). The future cash flows are discounted at the discount rate shown in the table, which is based on the risk profile of the CGU. Based on the assumptions, the impairment test did not lead to impairments at year-end 2023.
Inherent to the applied calculation methodology, a change in the assumptions can lead to a different conclusion regarding impairment. For all CGU's a sensitivity analysis was performed, in which:

- absolute EBITDA decreases by 10%, or
- the discount rate increases by 1%, or
- the annual growth rate after the financial budget period decreases by 0.5%.

Other parameters remain constant. The amounts relate to the impact on the recoverable amount based on the sensitivity analysis. This sensitivity analysis does not take any cost savings into account in order to maintain profitability.

in millions of euros	Decrease EBITDA by 10%	Increase discount rate by 1%	Decrease growth rate by 0.5%	Combination of all assumptions
Smart Vision systems	-150.0	-152.6	-57.5	-314.8
Smart Manufacturing systems	-109.0	-101.2	-38.2	-221.0
Smart Connectivity systems	-192.9	-218.9	-86.9	-436.3

These scenarios do not lead to an impairment in any of the CGUs in connection with the available headroom between the recoverable amounts and the carrying amounts.
The market capitalization of TKH amounted to € 1.572 million on December 31, 2023 and was significantly higher than the book value of the net assets of TKH.

4 Property, plant and equipment

		Land and buildings		Machinery and installations		Other equipment		Operating assets in progress		Total	
in thousands of euros	Notes	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Historical cost at 1 January		**199,912**	**194,223**	**269,248**	**264,300**	**159,380**	**147,717**	**74,452**	**5,281**	**702,992**	**611,521**
Accumulated depreciation and impairments		101,688	96,381	186,902	180,925	118,974	111,245	483	483	408,047	389,034
Book value at 1 January		**98,224**	**97,842**	**82,346**	**83,375**	**40,406**	**36,472**	**73,969**	**4,798**	**294,945**	**222,487**
Purchases		20,732	6,230	24,888	10,715	19,983	15,600	114,428	73,019	180,031	105,564
Acquisitions		5,112		51		493				5,656	0
Disposals			-44	-283	-236	-239	-214	-98		-620	-494
Depreciation	26	-7,198	-6,650	-12,134	-12,190	-13,242	-12,687			-32,574	-31,527
Impairments	28	-76		-193		-6	-25	-426		-701	-25
Reclassifications		5	-32	-475		-17	24	478	8	-9	0
Reclassification from/to intangible assets	3			23		535		-1,015		-457	0
Reclassification to assets held for sale	34	-495		-2,246		-7,642		-336		-10,719	0
Exchange differences		100	-576	-779	-348	-57	-92	1,203	-44	467	-1,060
Commissioning of assets in progress		21,883	1,454	4,336	1,030	8,736	1,328	-34,955	-3,812	0	0
Book value at 31 December		**138,287**	**98,224**	**95,534**	**82,346**	**48,950**	**40,406**	**153,248**	**73,969**	**436,019**	**294,945**
Accumulated depreciation and impairments		101,644	101,688	184,503	186,902	124,759	118,974	910	483	411,816	408,047
Historical cost at 31 December		**239,931**	**199,912**	**280,037**	**269,248**	**173,709**	**159,380**	**154,158**	**74,452**	**847,835**	**702,992**

The purchases in 'Operating assets in progress' relate for a large part to our Strategic Investment Program to further increase our global production capacity to respond to the increased market demand in the fields of electrification, most noticeably with our new plant for inter-array cable in Eemshaven. In 2023 an amount of € 5.0 million (2002: nil) was capitalized relating to borrowing costs.

5 Right-of-use assets

TKH has lease contracts for various land and buildings, vehicles and other equipment used in its activities. Land and building lease agreements generally have a duration of between 3 and 29 years, while vehicles and other equipment generally have a duration of between 3 and 5 years.

		Land and buildings		Machinery and installations		Other equipment		Total	
in thousands of euros	Notes	2023	2022	2023	2022	2023	2022	2023	2022
Book value at 1 January		**69,415**	**62,245**	**73**	**7**	**5,824**	**6,545**	**75,312**	**68,797**
Purchases		13,960	16,087	121	75	4,508	2,928	18,589	19,090
Acquisitions		346				578		924	0
Disposals		-74	-312			-219	-178	-293	-490
Reassesment		7,390	3,011			675	-400	8,065	2,611
Depreciation	26	-12,723	-11,373	-66	-9	-3,550	-3,058	-16,339	-14,440
Impairments	28	-1,230	-380				-1	-1,230	-381
Exchange differences		-341	137			-8	-12	-349	125
Reclassification to assets held for sale	34	-618				-49		-667	0
Book value at 31 December		**76,125**	**69,415**	**128**	**73**	**7,759**	**5,824**	**84,012**	**75,312**

The impairments relate to the vacancy of rented buildings, as a result of a too low occupancy and/or a slowdown in revenue growth from rented buildings.

In 2023, the costs related to variable lease payments that were not included in the lease obligation amounted to € 3.2 million (2022: € 2.9 million). The costs of leasing assets with a low value amounted to € 0.2 million (2022: € 0.2 million) and the costs of leases with a term of less than one year amounted to € 1.7 million (2022: € 1.8 million). There are no leases with a residual value guarantee and as at December 31, there are no obligations with regard to lease agreements that have not yet been started.
See note 18 for the lease liability. See note 30 for the interest charges on lease obligations. See the consolidated cash flow statement for the lease payments. The total cash outflow from leases in 2023 was € 21.6 million.

6 Associates

TKH owns direct or indirect the following relevant associates:

	Place	Country	Ownership and control		Operating segment
Name of associate			2023	2022	
Speed Elektronik Vertrieb GmbH	Schwelm	Germany	25.0%	25.0%	Smart Connectivity systems
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.	Jiangyin	PR China	12.5%	12.5%	Smart Connectivity systems
Commend Australia Integrated Security and Communication Systems Pty Ltd.	Melbourne	Australia	49.0%	49.0%	Smart Vision systems
Traff Is BV	Hedel	Netherlands		33.3%	Smart Connectivity systems
P + S Technik GmbH	Ottobrunn	Germany	23.2%	23.2%	Smart Vision systems
SCS Wagram Holding	Paris	France	40.0%		Smart Connectivity systems

At the end of September 2023 TKH divested its TKH France activities to private equity group Argos Wityu. The activities have been continued by a newly established company under the name SCS Wagram Holding, in which TKH acquired a minority interest of 40%. The financial data included below are preliminary figures for the period of the interest.
The determination of the fair value of the acquired net assets is still in progress. The remeasurement included in the valuation of this associate is included in the legal reserve for participations.
Despite the 12.5% interest in the associate Shin-Etsu (Jiangsu) Optical Preform Co. Ltd., TKH has significant influence over the financial and operating policies. The associate is an important manufacturer of preforms (semi-finshed product for the production of fibre optics) for TKH. The strategic shareholding is linked to a right to 50% of the production capacity of this plant. TKH provides one of the three Supervisory Board members.

The overview below shows the summarized financial information of the associates on the basis of the most recent available information, where the financial data are included based on the share of interest in these companies. Of the 'summarized financial information' a large part relates to Shin-Etsu (Jiangsu) Optical Preform Co.Ltd.

in thousands of euros	Assets	Liabilities	Turnover	Net result	Other comprehensive income	Share in result of associates
Summarized financial information 2023 of SCS Wagram Holding	55,671	32,194	11,844	-1,153		-1,153
Summarized financial information 2023 excl SCS Wagram Holding	18,145	5,618	5,999	-2,315		-2,156
Summarized financial information 2022	19,196	6,992	7,212	-237		-267

The interest in Cable Connectivity Group B.V. was reclassified to Assets held for sale in 2022.
Movements in the associates are as follows:

in thousands of euros	2023	2022
Balance at 1 January	**12,204**	**28,699**
Acquisition of an interest	27,624	
Share in result of associates	-3,309	3,075
Dividend received		-196
Reclassification to Assets held for sale		-19,219
Exchange differences	-532	-155
Balance at 31 December	**35,987**	**12,204**

7 Inventories

in thousands of euros	2023	2022
Raw materials	181,800	162,970
Work in progress	70,794	59,834
Finished goods	150,665	163,109
Inventories	**403,259**	**385,913**

An amount of € 776.8 million is reported in the statement of profit and loss for costs of raw materials, consumables and finished goods (2022: € 833.0 million). A part of inventories is valued at lower net recoverable amount. The book value of these written-down inventories is € 53.3 million (2022: € 27.0 million). The total write-down on inventories, based on aging analysis and sales statistics, in 2023 recognized in the statement of profit and loss is € 9.6 million (2022: € 7.0 million).

8 Trade and other receivables

in thousands of euros	Notes	2023	2022
Trade accounts receivable		218,074	220,826
Loss allowance	20	-5,997	-6,300
Derivatives	20	2,266	518
Receivables from related parties	33	1,077	509
Prepayments and accrued income		13,038	15,892
Other short-term receivables		15,164	17,893
Long-term receivables		752	613
Receivables		**244,374**	**249,951**

The amounts on the left are expected to be settled within 12 months. The receivables are mainly held according to a 'held-to-collect' business model. For the other part TKH applies non-recourse factoring that transfers the ownership of the trade receivables and the associated risks to a factoring company. At the end of 2023 receivables with an amount of € 40.9 million are sold to a factoring company (2022: € 45.4 million) and were subsequently derecognized. The trade receivables are non-interest bearing and generally have a payment term between 14 and 90 days. Credit risk is further described in note 20.

9 Contract assets

The following table provides information on receivables, capitalized contract costs, contract assets and contract liabilities from contracts with customers.

in thousands of euros	2023	2022
Trade accounts receivable	218,074	220,826
Contract assets	217,123	204,142
Contract liabilities	-176,130	-186,473
Refund liabilities from customer volume rebates	-13,826	-15,238
Contract costs	8,014	3,480

The contract assets mainly relate to the rights of TKH to consideration for work performed, but which have not yet been invoiced on balance sheet date. The contract assets are reclassified to receivables when the rights become unconditional. The contract liabilities mainly relate to the advance payment received from customers, of which the revenues are recognized at the performance of the contracted work. A large part of the contract assets and liabilities relates to the segment Smart Manufacturing systems. The changes in the balance of contract assets and liabilities during the financial year are as follows:

	Contract assets		Contract liabilities	
in thousands of euros	2023	2022	2023	2022
Revenue recognized that was included in the contract liability balance at the beginning of the period			186,473	127,044
Increases due to cash received, excluding amounts recognized as revenue during the period			-176,130	-186,473
Transfers from contract assets recognized at the beginning of the period to receivables	-204,142	-150,131		
Increases as a result of changes in the measure of progress	217,123	204,142		

The commissions paid to agents for obtaining the contracts are expected to be recovered and are therefore capitalized as contract costs. Capitalized commissions are amortized when the related revenue is recognized. In 2023, amortization amounted to € 4.8 million (2022: € 5.2 million), which is included in the statement of profit and loss under raw materials, consumables, trading products and outsourced work.

There was no impairment in the financial year in respect of the capitalized contract costs. The restitution obligations for agreed customer volume discounts are mostly annual bonuses based on revenue tables. The accrual is calculated based on historical figures, revenue already realized and the outstanding order book.

The following table shows the expected future revenue with respect to contractual performance obligations that have not yet (or partially) been satisfied at balance sheet date.

in thousands of euros	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	**970,105**	**971,907**

10 Cash and cash equivalents

in thousands of euros	2023	2022
Cash and bank balances as included in the cash flow statement	69,294	78,387
Cash at companies assets held for sale	-57	-63
Cash and bank balances in cash and interest pools	24,460	106,235
Cash and bank balances	**93,697**	**184,559**

Cash and cash equivalents consist of cash and bank balances and deposits that are direct available on demand.

11 Equity

The group equity is disclosed in the Consolidated statement of changes in group equity and in note 8 of the company-only financial statements.

12 Non-controlling interest third parties

Some subsidiaries are or were not fully owned by TKH during the year at any time. Theses third party non-controlling interests are not significant:

	Result non-controlling interests		Cumulative non-controlling interests	
	2023	2022	2023	2022
Various non-controlling interests	58	43	148	168

13 Other provisions

The long-term provisions have been discounted. The increase of the provision in the year as a result of expiration of time and adjustment of the discount rate is not significant. The short-term provisions have not been discounted since the effect is not material. The short-term part of the provision is mainly related to reorganizations and warranties. The term of the other provisions is as follows:

in thousands of euros	2023	2022
Other long-term provisions	12,740	6,798
Other short-term provisions	19,209	20,798
Other provisions	**31,949**	**27,596**

The breakdown and movement of the other provisions is as follows:

in thousands of euros	Warranty	Employee liabilities	Onerous contracts	Dismantling	Other	Total
Balance at 31 December 2022	**6,364**	**3,281**	**12,212**	**261**	**5,478**	**27,596**
Additions	4,482	448	3,446	4,637	3,796	16,809
Releases	-1,745	-40	-5,309		-2,150	-9,244
Acquisitions	140					140
Utilized	-1,707	-209	-1,313		-54	-3,283
Other reclassifications	151					151
Exchange differences	-40	-12	-127	3	-44	-220
Balance at 31 December 2023	**7,645**	**3,468**	**8,909**	**4,901**	**7,026**	**31,949**

Provision for warranties

The provision for warranties is related to warranties on delivered products and services under the standard warranty conditions. The purpose of the provision is to cover costs arising if products and services supplied do not meet the agreed specifications and quality requirements under normal conditions of use. The provision is based on judgments by using historical warranty data relating to comparable products and services and known warranty claims at balance sheet date. In general the recorded liabilities are expected to arise in the next one to three years.

Employee liabilities

The provision for employee liabilities mainly relates to defined jubilee arrangements and is in general long-term.

Onerous contracts

The provision for onerous contracts mainly relates to contracts with customers, from which the revenue is recognized over a period of time. This mainly concerns contracts in the segment Smart Manufacturing systems, which relate to new technologies and sometimes in combination with newly acquired customers. Because of the strategic importance of these contracts for the future revenue and profit development of TKH, these have been accepted with a negative or a limited margin at order acceptance. The duration of a project under such a contract is normally shorter than one year, but for larger framework agreements, subprojects can be executed and concluded in different years. Additions and releases to this provision are mostly presented as costs of 'Raw materials, consumables, trade products and subcontracted work'.

Dismantling obligation

The provision mainly relates to the costs to restore leased assets to its original condition as required by the terms and conditions of that specific lease. The provision is valued at the best estimate of the future expenditure that would be required to restore the assets. This is a long-term provision, which has been discounted at a rate of 4.66%.

Other items

The other items also relate to reorganizations, claims, matters of dispute, guarantees which are expected to be claimed and other contractual obligations. The restructuring provision relates mainly to the lay-off of employees and the remaining term is less than 1 year. The recognized provisions have been based on the best estimate, made on the basis of currently available information and will mainly have a term no longer than one year. There is no asset recognized for expected compensation fees from third parties in relation to the reported provisions.

14 Other financial liabilities

The movement of the financial liabilities is as follows:

in thousands of euros	Earn-out	Put options of holders of non-controlling interests	Total
Balance at 31 December 2022	**2,904**	**1,000**	**3,904**
Payment for acquisitions from previous years	-1,379		-1,379
Change in value through the profit and loss account	50	96	146
Exchange differences	1		1
Balance at 31 December 2023	**1,576**	**1,096**	**2,672**

in thousands of euros	2023	2022
Term shorter than 1 year	1,639	2,985
Term between 1 and 5 years	1,033	919
Financial liabilities	**2,672**	**3,904**

Earn-out

For several acquisitions, contractual arrangements have been made about earn-out payments, when certain targets are realized. The liability for earn-out payments has been determined on the basis of fair value of the expected future cash outflows.

Put options of holders of non-controlling interests

TKH has option rights on several non-controlling interests held by local management of subsidiaries of TKH. Besides, TKH has a liability to buy these shares when local management decides to offer these shares. A financial liability has been recognized for this obligation. On the balance sheet date, the following option rights and liabilities are outstanding:

Name of subsidiary	Percentage	Option exercisable as from
EFB Nordics A/S	10.0%	1 January 2014

The liability is based on the discounted value of the expected future cash outflows. The expected maturity of the above mentioned liabilities is equal to the period as from 31 December 2023 till the first possibility to exercise. The amount to be paid depends on the future results of the aforementioned subsidiaries. The year of the cash outflow is dependent on a decision to exercise by TKH or the option owner. An amount of €0.8 million has a maturity of shorter than 1 year.

15 Deferred tax

The deferred tax assets and liabilities relate to the following items of which the movements are also shown:

in thousands of euros	Property, plant and equipment and leases	Intangible assets and goodwill	Inventories and construction contracts	Provisions	Unused tax losses and credits	Financial instruments	Undis-tributed intragroup profits	Other	Total
Balance at 1 January 2022	**909**	**-51,985**	**-4,220**	**783**	**13,477**	**-279**	**-2,731**	**3,358**	**-40,688**
(Charge)/credit to other comprehensive income				-316		1,798			1,482
(Charge)/credit to profit or loss	-7	1,344	-607	7	-1,959		1,015	566	359
Acquisitions		-350							-350
Balance at 31 December 2022	**902**	**-50,991**	**-4,827**	**474**	**11,518**	**1,519**	**-1,716**	**3,924**	**-39,197**
(Charge)/credit to other comprehensive income				-15					-15
(Charge)/credit to profit or loss	-2,681	2,136	-51	697	711	-1,349	-1,144	4,068	2,387
Reclassification to assets held for sale			92						92
Reclassification to current income tax liabilities				-817					-817
Acquisitions		-4,348							-4,348
Balance at 31 December 2023	**-1,779**	**-53,203**	**-4,786**	**339**	**12,229**	**170**	**-2,860**	**7,992**	**-41,898**

Certain deferred tax assets and liabilities have been offset in accordance with the applicable principles in IFRS. The deferred tax assets and liabilities are recognized in the balance sheet as follows:

in thousands of euros	2023	2022
Deferred tax assets stated under non-current assets	15,824	13,271
Deferred tax liabilities stated under non-current liabilities	-57,722	-52,468
Deferred taxes	**-41,898**	**-39,197**

TKH has unused tax losses for which no deferred tax assets have been recognized because realization is uncertain. These unused tax losses can be compensated with future profits. Based on current tax legislation, these unused and unrecognized tax losses have the following terms:

in thousands of euros	2023	2022
Term infinite	47,006	49,551
Term longer than 10 years	15,268	11,812
Term between the 5 and 10 years		3
Term shorter than 5 years		5
Unrecognized tax losses and credits	**62,274**	**61,371**

The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, TKH has determined that it cannot recognize deferred tax assets on the tax losses carried forward. The unrecognized unused tax losses represent a value of € 14.6 million at the end of 2023 (2022: € 14.5 million) based on the applicable tax rates.

TKH has valued tax deductible losses, whereby the entity concerned has incurred a loss in the current and/or previous financial year. In these cases, the recognition and measurement of these deductible losses are based on financial forecasts supported by a profitable order book. It should be noted that these deductible losses often originate from the start-up period of new activities and/or innovations.

16 Pensions

Defined contribution plans

TKH's pension plans in the Netherlands differ per subsidiary. The pension scheme of a number of subsidiaries has been placed with the industry pension fund PME and PMT respectively. As of January 1, 2020, the employees of the other Dutch subsidiaries have a so-called individual defined contribution scheme, which is managed by Nationale-Nederlanden.The employees of the foreign subsidiaries are members of industry or state-managed pension plans. The subsidiaries are only required to pay a certain percentage of the salary costs to the concerning industry or state managed pension plans. These pension schemes classify as defined contribution plan. The pension schemes in the Netherlands, to the extent not already covered by the industry pension schemes, are recognized as a defined contribution scheme in the financial statements. The total pension expense recognized in 2023 related to the defined contribution plans amounts to € 20.7 million (2022: € 17.5 million). The industry pension plans are included in this pension expense. TKH expects for 2024 a pension expense of € 21.5 million for all defined contribution plans, of which about € 14.3 million relates to industry pension schemes.

Defined benefit plans

Multi-employer union plans

In the Netherlands 2,079 employees of TKH participate in the multi-employer union plans of ‘Pensioenfonds van de Metalektro’ (‘PME’) and 'Pensioenfonds Metaal & Techniek' ('PMT') in accordance with the collective bargaining agreements applicable for the industry in which the TKH companies operate. These collective bargaining agreements have no expiration date. PME covers approximately 1,400 companies and 340,000 participants and PMT approximately 34,000 companies and 1,400,000 participants. The pension rights of each employee are based upon the employee’s average salary during employment (depending on coverage ratio). TKH’s contribution to the multi-employer union plans are far less than 5% of the total contribution to the plans. The pension funds are subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations. The multi-employer union plans have reported the following coverage ratio at year-end:

	2023	2022
coverage ratio of PME	113.3%	111.7%
coverage ratio of PMT	109.8%	108.1%

The actual coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities. The coverage ratio is the average coverage ratio over the past 12 months. There are no additional contribution requirements for participating companies to prevent indexation cuts or lowering of pensions. The schemes qualify as defined benefit plans because the companies bear the risk that in the negotiation of the level of pension contributions after 2023 the social partners take the amount of a surplus or a deficit in the industry pension fund as part of the negotiations. As a result, future premiums may be somewhat related to deficits or surpluses that relate to pension entitlements accrued in the past. This concerns shortages or surpluses of current and former employees of TKH but also of other companies. In addition, there is no consistent and reliable basis for allocating the pension liability, assets and costs to individual companies participating in the industry pension scheme. TKH therefore classifies the multi-employer plans as if it were defined contribution plans (in line with IAS19.34), reference is made to the paragraph above. TKH’s net periodic pension cost for the multi-employer plan over a financial period is equal to the required contribution for that period.

Other pension schemes

There are some individual defined benefit plans abroad for a small number of participants. These defined benefits are accrued in the subsidiaries and are not covered by plan assets. The duration of the defined benefit obligations of these arrangements will be, on average, 10 years at December 31, 2023. Furthermore, there is legislation for the Austrian employees obligating to pay a onetime compensation at the end of the employment for employees working for the subsidiary before January 1, 2003. The amount of compensation depends on the years of service and the average salary in the last 3 years of service. The actuarial calculations for the pension schemes are performed by actuaries.

The following assumptions have been applied in the actuarial calculations:

	2023	2022
Discount rate before tax	3.2-4.2%	3.5-3.8%
General percentage salary increase	2.5%	2.5%

The following amounts are recognized in the balance sheet with respect to all defined benefit plans:

in thousands of euros	2023	2022
Present value of the defined benefit obligations	3,679	3,765
Fair value of the plan assets		
Net pension obligation	**3,679**	**3,765**

17 Non-current liabilities

in thousands of euros	Notes	2023	2022
Debts to credit institutions	18	498,879	431,746
To be amortized transaction costs for the credit facility		-1,819	
Long term lease liabilities (Right-of-use assets)		73,100	68,049
Other non-current liabilities		2,208	3,213
Interest-bearing loans and borrowings		**572,368**	**503,008**

The credit margin on the non-current debts to credit institutions is variable and dependent on the net-interest bearing debt/EBITDA, including the amount of the draw downs from the credit facility. On average the margin is 1.5%. The interest is variable and based on Euribor or SOFR.

The material subsidiaries are guarantor for the obtained financing. No additional securities were provided. See note 20 more details on the capital and liquidity risk.

18 Net interest-bearing debt

in thousands of euros	Notes	Term	Interest	Amount 2023	Amount 2022
Bank loans reported under non-current liabilities	17	2.1-4.1 years	Euribor + margin	498,879	431,746
Long term lease liabilities (Right-of-use assets)	17	1-29 years	2.5%	73,100	68,049
Short term lease liabilities (Right-of-use assets)		< 1 year	2.5%	14,054	14,028
Borrowings reported under current liabilities		< 1 year	Euribor/SOFR + margin	61,810	56,391
Cash and cash equivalents	10	< 1 year	Euribor/SOFR - margin	-93,697	-184,559
Net interest-bearing debt				**554,146**	**385,655**

At year-end 2023, € 24.5 million of the cash and cash equivalants forms part of cash and interest pools (2022: € 106.2 million). The interest on the borrowings is variable and based on Euribor or SOFR. The credit margins differ per credit institution, duration and country and vary from 1.0% to 1.5% (2022: 0.3% to 1.5%). The material subsidiaries are guarantor for the obtained financing from credit institutions. No special securities were provided. The credit margin for lease liabilities differ per right-of-use asset, duration and country with a weighted average of 2.5%. The obligations arising from leasing are guaranteed by the lessor's property right on the leased assets. See note 20 for more details on the capital and liquidity risk.

The overview below shows the changes in the interest-bearing liabilities arising from financing activities:

in thousands of euros	Borrowings reported under current liabilities 2023	Borrowings reported under current liabilities 2022	Bank loans reported under non-current liabilities 2023	Bank loans reported under non-current liabilities 2022	Total lease liabilities (Right-of-use assets) 2023	Total lease liabilities (Right-of-use assets) 2022	Total 2023	Total 2022
Balance at 1 January	**56,391**	**34,630**	**431,746**	**268,010**	**82,077**	**75,487**	**570,214**	**378,127**
Cash flows from financing activities	86,628	-51,186	62,050	163,543			148,678	112,357
Proceeds/(repayments) from cash pools	-81,775	73,381					-81,775	73,381
Payment of lease liabilities					-16,537	-14,746	-16,537	-14,746
Non-cash changes:								
- Acquisition of subsidiaries	340		2,413	140	924		3,677	140
- Reclassification to liabilities held for sale					-685		-685	0
- New leases and reassesments					21,724	17,570	21,724	17,570
- Amortized transaction costs			527				527	0
- Interest					1,746	1,695	1,746	1,695
- Effect of changes in exchange rates	226	-434	324	53	-2,095	2,071	-1,545	1,690
Balance at 31 December	**61,810**	**56,391**	**497,060**	**431,746**	**87,154**	**82,077**	**646,024**	**570,214**

The withdrawals and repayments of cash pools relate to changes in cash pools presented under cash and cash equivalents (note 10).

19 Trade and other payables

in thousands of euros	Notes	2023	2022
Trade creditors		201,351	232,608
Advance receipts		5,440	4,442
Other taxes and social insurance contributions		25,355	30,418
Derivatives	20	2,946	6,595
Refund liabilities from customer volume rebates	9	13,826	15,238
Other payables and accruals		108,327	95,613
Trade payables and other payables		**357,245**	**384,914**

The other payables and accruals relate to, among others, personnel bonuses to be paid, commissions, holidays and holiday allowances as well as accruals for invoices to be received. At the end of 2023, a number of suppliers made use of supply chain finance (reversed factoring) for a total of € 44.1 million (2022: € 46.3 million), which is recognized as trade payables.

20 Financial instruments and risks

General

The main financial risks faced by TKH relate to the capital and liquidity risk, interest risk, currency risk, credit risk and price risk. TKH's financial policy is aimed at minimizing the effects of fluctuations in currency exchange and interest rates on its results in the short-term and following market rates in the long-term. TKH uses derivatives to manage the financial risks relating to the business operations and does not undertake speculative positions. Financial risks and the control by management of these risks are disclosed in the chapter 'Risk management' in the annual report.

Capital and liquidity risk

External financing is contracted by the holding for the entire TKH Group. On February 13, 2023, TKH signed a new sustainability-linked € 625 million multicurrency committed credit facility, consisting of a revolving credit facility ("RCF") of € 500 million and a term loan of € 125 million. The new RCF replaces the previous committed RCF of € 500 million, which has been in place since January 2017. The new revolving credit facility of € 500 million has a maturity of 5 years, with two one-year extension options, subject to the banks' approval. The term loan of € 125 million has a maturity of 3 years. This refinancing is secured at comparable conditions to the previous committed credit facility. A sustainability-linked adjustment will provide for a maximum discount or premium of 2.5 basis points on the credit margin. After balance sheet date the execution of an one-year entension of the RCF has been agreed with the banks.

Next to the committed facility, there are uncommitted facilities with several banks for a total of € 310 million (2022: € 326 million). TKH has per December 31, 2023 unused available committed credit facilities of € 130 million (2022: € 70 million) and unsued available uncommitted credit facilities for a total of € 142 million (2022: € 287 million). The available credit facilities are reduced for the outstanding bank guarantees. The maximum credit facility per subsidiary is determined centrally.
In the credit facility the following financial covenant is agreed, which is tested on a quarterly basis:

	Covenant	Realization 31-12-2023	Realization 31-12-2022
Net debt compared to EBITDA (debt leverage ratio)	< 3.0	1.8	1.1

The debt leverage ratio is calculated excluding the impact of IFRS 16 Leases. Furthermore, it has been agreed with the banks that in the calculation of the debt leverage ratio acquisitions may be consolidated pro forma for 12 months. TKH uses internally a debt leverage ratio up to 2.0. TKH operates within the banks' required covenant at the end of 2023.

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2023 based on agreed repayment periods:

in thousands of euros	Average interest	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	Contractual cash flows	Book value
Bank loans reported under non-current liabilities	5.4%		6,735	20,205	570,687		597,627	498,879
Lease liabilities (Right-of-use assets)	2.5%		5,280	11,720	41,429	44,325	102,754	87,154
Financial liabilities	1.5%			1,639	1,283		2,922	2,672
Borrowings reported under current liabilities	5.4%	61,880					61,880	61,810
Trade creditors			201,351				201,351	201,351
Other payables excluding derivatives			122,153				122,153	122,153
Interest rate swaps (derivatives)			-91	-273	-1,444		-1,808	155
Foreign currency forward contracts (derivatives)			33,315	66,196	44,486		143,997	1,428
Commodities (derivatives)			-475	-444	15		-904	-904
Financial liabilities		**61,880**	**368,268**	**99,043**	**656,456**	**44,325**	**1,229,972**	**974,698**

The following table provides an overview of the liquidity risk for the financial liabilities of TKH at the end of 2022 based on agreed repayment periods:

in thousands of euros	Average interest	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	Contractual cash flows	Book value
Bank loans reported under non-current liabilities	1.5%		1,619	4,857	432,286		438,762	431,746
Lease liabilities (Right-of-use assets)	2.1%		6,210	11,040	37,768	41,522	96,540	82,077
Financial liabilities	1.5%			2,985	1,169		4,154	3,904
Borrowings reported under current liabilities	1.0%	56,403					56,403	56,391
Trade creditors			232,608				232,608	232,608
Other payables excluding derivatives			110,851				110,851	110,851
Interest rate swaps (derivatives)			-97				-97	-97
Foreign currency forward contracts (derivatives)			50,924	49,133	56,684		156,741	5,664
Commodities (derivatives)			595	-71	-14		510	510
Financial liabilities		**56,403**	**402,710**	**67,944**	**527,893**	**41,522**	**1,096,472**	**923,654**

The cash flows in these statements are not discounted. The cash flows are based on the interest rates and the exchange rates at the end of the year. The cash flows for interest rate swaps are based on the contracted fixed interest rates compared to the variable interest rate at balance sheet date. The interest rate swap and commodity derivatives are net settled. Currency contracts are gross settled. The following table shows the corresponding reconciliation of these amounts and their book value:

in thousands of euros	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	31-12-2023 Total
Incoming		32,467	65,723	44,406		142,596
Outgoing		-33,315	-66,196	-44,486		-143,997
Net	**0**	**-848**	**-473**	**-80**	**0**	**-1,401**
Discounted at contractual bank rates		-1,060	-458	90		-1,428

in thousands of euros	Payable on demand	<3 months	>3 months <1 year	1-5 years	>5 years	31-12-2022 Total
Incoming		48,439	46,679	55,569		150,687
Outgoing		-50,924	-49,133	-56,684		-156,741
Net	**0**	**-2,485**	**-2,454**	**-1,115**	**0**	**-6,054**
Discounted at contractual bank rates		-1,816	-2,955	-893		-5,664

Interest risk

The interest risk policy aims at minimizing the interest rate risks associated with the financing of the company and thus at the same time optimizing the net interest costs. Long-term financing has been obtained with a floating-rate and will partly be fixed by means of interest rate swaps, whereby TKH aims to fix 40-70% of the interest associated with the borrowing. During the past period of strong interest rates movements, TKH has chosen to hedge the interest rate risk below this mentioned bandwidth. The following table provides an overview of the, for hedging purposes, agreed interest rate swaps:

	Average contracted interest rate		Nominal amount		Fair value	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022	2023	2022
Maturity <1 year		0.45%		25,000		97
Maturity between 2 and 5 years	2.45%		25,000		-155	

Cash flow hedge accounting has been applied to all interest rate swaps mentioned above. There was no material ineffectiveness in relation to these hedges. The following sensitivity analysis of borrowings, bank credits and cash and related interest rate swaps to interest rate movements assumes an immediate 1% change in interest rates for all currencies and maturities, with all other variables held constant. A raise of the interest rates with 1% would result in:

- Additional interest costs of about € 5.6 million per year as a result of financing and cash with a floating interest rate (2022: € 3.6 million). The impact is reduced by existing interest rate swaps.
- An increase of the fair value of the financial instruments with about € 1.2 million (2022: € 0.1 million) as a result of the contracted interest rate swap. This raise would be recognized in the hedging reserves of the equity through the consolidated statement of comprehensive income

Currency risk

It is TKH's general policy to hedge currency risks on purchases if these risks cannot be charged to the market. Purchase transactions in foreign currencies are hedged when the sales prices are already fixed in case of material transactions. Sales transactions in foreign currencies are fully hedged in case of material transactions. The main currencies that cause this exposure are the USD and CNY. Foreign currency forward contracts are applied to minimize the exposure of fluctuations in the currency rates. These contracts mainly have a term to maturity of less than one year. In addition to the currency risk on the purchase and sale transactions, there is a currency risk resulting from the translation of net investments in TKH subsidiaries denominated in functional currencies other than euros. The main currencies that cause this exposure are the USD, CNY, and PLN. These risks are partially hedged by financing some of these investments in local currency. The remaining risk is not hedged. The carrying amounts of monetary assets and liabilities specified to currencies are as follows:

	Euro		USD		CNY		Other currencies		Total	
in thousands of euros	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Receivables	336,445	297,135	94,553	116,316	13,051	17,817	16,695	22,206	460,744	453,474
Cash and cash equivalents	33,723	121,435	18,881	22,318	20,012	17,219	21,081	23,588	93,697	184,560
Non-current interest-bearing loans and borrowings	-572,368	-503,008							-572,368	-503,008
Current interest-bearing loans and borrowings	-65,783	-29,834	-6,493	-35,702	-1,193	-1,188	-2,395	-3,695	-75,864	-70,419
Trade payables and other payables	-391,617	-446,146	-86,058	-62,830	-31,277	-36,666	-24,422	-25,745	-533,374	-571,387
Total	**-659,600**	**-560,418**	**20,883**	**40,102**	**593**	**-2,818**	**10,959**	**16,354**	**-627,165**	**-506,780**

On balance sheet date, TKH has entered into foreign currency forward contracts:

	Average contract rate		Nominal amount in foreign currency		Fair value	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022	2023	2022
Cash flow hedges of balance positions						
Sell USD with settlement within 3 months	1.10	1.14	-6,160	-11,368	177	-128
Buy CNY with settlement within 3 months	7.60	7.11	155,081	158,773	-875	-737
Cash flow hedges						
Sell USD with settlement within 3 months	1.10	1.14	-453	-6,169	1	-510
Sell USD with settlement between 3 months and 1 year	1.09	1.14	-32,402	-20,873	519	-1,670
Sell USD with settlement after 1 year	1.11	1.09	-49,157	-60,459	90	-893
Buy USD with settlement between 3 months and 1 year	1.11		3,769		25	
Buy GBP with settlement between 3 months and 1 year		0.88		540		-6
Buy CNY with settlement within 3 months	7.61	7.12	52,772	86,402	-363	-441
Buy CNY with settlement between 3 months and 1 year	7.64	7.10	255,908	205,626	-1,002	-1,279
Total					**-1,428**	**-5,664**

Time differences between the settlement of the forward contracts and the sale and purchase contracts are anticipated by the use of foreign currency bank accounts or the rollover of forward contracts. The translation risk on financial instruments, when the euro will decrease with 10% compared to all other currencies, with all other variables held constant, would be expected to have an influence of € 10.4 million negative on the result before tax (2022: € 2.6 million negative). The foreign currency forward contracts are taken into account in this calculation. The impact of a decrease of the euro on the shareholders' equity is larger because of the net investments in foreign subsidiaries with another functional currency. The impact of this is approximately € 33.3 million positive (2022: € 28.9 million positive). An increase of the euro with 10% will have the opposite influence, namely a positive influence of € 10.4 million on the result before tax and a negative influence of € 33.3 million on equity.

Price risk

An important raw material for TKH is copper and aluminium. The price risk of copper and aluminium is limited by a continuously monitoring of sales prices against the development of the purchase price where price changes are passed on to customers. Important raw materials such as copper, aluminum, steel and PVC are purchased with forward delivery contracts, to reduce the price risk on the sale of finished products, provided that:

- a sales contract with a fixed price has been entered into,
- delivery will not take place within one month, and
- an important quantity is required for production.

With physical purchases on long-term against a fixed price in advance, TKH made limited use of derivatives to hedge price risks on free inventories and to fix purchase prices of copper regarding large sales orders with delivery times exceeding one month, if not covered by a long-term purchase. On balance sheet date TKH has entered into the following derivatives for raw materials:

in thousands of euros (unless stated otherwise)	Average contract rate 2023	Average contract rate 2022	Quantity in metric tons 2023	Quantity in metric tons 2022	Fair value 2023	Fair value 2022
Cash flow hedges						
Buy Copper with settlement within 3 months	6.89	7.82	2,112	1,456	374	95
Buy Copper with settlement between 3 months and 1 year	7.12	7.41	1,886	245	395	112
Buy Copper with settlement between 1 and 3 years	7.73	7.49	391	43	-18	14
Buy Aluminium with settlement within 3 months	2.07	2.34	1,833	4,061	101	-690
Buy Aluminium with settlement between 3 months and 1 year	2.10	2.35	512	466	49	-41
Buy Aluminium with settlement within 1 and 3 years	2.28		203		3	
Total					**904**	**-510**

A decrease of the copper price with 10% would have a negative impact of approximately € 1.8 million on the result (2022: € 1.5 million negative) if all other factors and conditions remain the same. This is caused by the free stock, for which price risk is not hedged, which will then be sold at a lower price.

Credit risk

The financial assets of the group mainly consist of cash and cash equivalents, trade receivables, contract assets and other receivables. The credit risk for cash and cash equivalents is outstanding at major international system banks. The credit risks mainly relate to trade receivables and contract assets. However, it concerns a risk that is spread over a large number of customers that operate in several countries and in different markets. At balance sheet date there was no concentration of credit risk for material amounts. Part of the risk is insured at credit insurance companies. In addition, part of the risk is transferred to factoring companies. The credit risks insurances and factoring is in particular related to receivables on customers in the reporting segment Smart Connectivity systems. These customers are mainly located in the Netherlands and Germany. In addition, for large projects to foreign customers bank guarantees, advanced payments (towards a bank guarantee) or confirmed irrevocable 'Letter of Credit' are used. The maximum exposure to credit risk is represented by the carrying amounts of contract assets and financial assets that are recognized in the balance sheet, including derivatives with a positive market value.

An impairment analysis is performed at each balance sheet date, whereby the expected credit losses are calculated using a provision matrix. The percentages in the provision matrix are initially based on historical losses for various customer segments (geographic region, customer type, rating and coverage by, for example, credit insurance).The historical credit risk percentages in the matrix are then adjusted with forward-looking information. If the predicted economic conditions are expected to deteriorate, which may lead to an increase in the number of defaults, the historical credit risk rates will be adjusted. On each reporting date, the historical observed credit risk percentages are updated and changes in estimates are analyzed. The assessment of the correlation between historical observed credit risk percentages, predicted economic conditions and expected credit losses is a management estimate. The actual future credit losses may differ. Below is shown the age of the trade receivables, contract assets and the expected credit losses.

in thousands of euros	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2023 Total
Book value	357,210	61,814	7,258	6,491	3,370	2,958	6,573	445,674
Expected credit loss rate	0.1%	0.4%	1.2%	8.2%	4.9%	18.4%	60.9%	
Loss allowance	414	251	90	531	164	545	4,002	5,997

in thousands of euros	Not overdue	Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	Older than 365 days	31-12-2022 Total
Book value	339,106	58,128	10,518	5,706	11,038	3,469	6,941	434,906
Expected credit loss rate	0.1%	0.3%	0.9%	3.4%	0.3%	20.1%	66.6%	
Loss allowance	452	203	99	194	30	696	4,626	6,300

There are no significant overdue account receivables that are not largely covered by credit insurances or payment guarantees or for which no provision has been recognized. The movement of the allowance for doubtful debts is as follows:

in thousands of euros	2023	2022
Balance at 1 January	**6,300**	**6,377**
Aditions	1,148	882
Releases	-565	-682
Acquisitions	1	
Reclassification to assets held for sale	-18	
Utilized	-827	-249
Other reclassifications	-28	-47
Exchange differences	-14	19
Balance at 31 December	**5,997**	**6,300**

21 Contingent liabilities

Framework agreements have been concluded with some suppliers for the availability of some important raw materials. There are no long-term purchase obligations.

in thousands of euros	2023	2022
Bank guarantees provided to third parties	110,463	103,429
Corporate guarantees provided to banks	13,784	14,133
Purchase obligations arising from orders for property plant and equipment	37,567	80,232

The majority of the outstanding bank guarantees relate to down payments and performance guarantees issued to customers relating to constructions contracts. The related advance payments received from customers are presented as part of contract liabilities.

Claims

TKH and its subsidiaries are involved in a number of legal proceedings. According to the information currently available and legal advice received, TKH expects any adverse effects from the outcome of these legal proceedings to be adequately covered by other provisions or insurance.

22 Information by segment

The management structure and segment reporting of TKH is organized along the lines of our three technologies: Smart Vision systems, Smart Manufacturing systems and Smart Connectivity systems. In the overview of ‘Consolidated entities’, as part of the ‘Other information’, is shown in which of the segments the different subsidiaries operate. In the annual report, a detailed overview of the activities by business segment is shown.

Operating segments	Smart Vision systems		Smart Manufacturing systems		Smart Connectivity systems		Other and eliminations		Total	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Geographic segments										
Netherlands	45,170	40,256	47,675	47,488	361,787	361,835	12	33	454,644	449,612
Europe (other)	209,390	205,460	141,397	184,656	366,215	410,356	1	53	717,003	800,525
Asia	114,300	118,463	201,183	107,526	37,685	42,347	-1		353,167	268,336
North America	105,725	109,773	128,307	116,070	5,559	7,796	23	24	239,614	233,663
Other	15,097	18,570	49,691	29,945	18,316	15,964			83,104	64,479
External turnover	**489,682**	**492,522**	**568,253**	**485,685**	**789,562**	**838,298**	**35**	**110**	**1,847,532**	**1,816,615**
Inter-segment	10,844	7,201	5,310	5,524	10,978	10,255	-27,132	-22,980	0	0
Total turnover	**500,526**	**499,723**	**573,563**	**491,209**	**800,540**	**848,553**	**-27,097**	**-22,870**	**1,847,532**	**1,816,615**

Operating segments	Smart Vision systems		Smart Manufacturing systems		Smart Connectivity systems		Other and eliminations		Total	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Timing of revenue recognition										
Revenue at a point-in-time	444,656	451,884	99,118	97,077	654,330	699,558	21	27	1,198,125	1,248,546
Revenue over time	40,624	35,114	468,931	388,482	134,827	138,252			644,382	561,848
Inter-segment	10,844	7,201	5,310	5,524	10,978	10,255	-27,132	-22,980	0	0
Revenues from contracts with customers	**496,124**	**494,199**	**573,359**	**491,083**	**800,135**	**848,065**	**-27,111**	**-22,953**	**1,842,507**	**1,810,394**
Other revenues	4,402	5,524	204	126	405	488	14	83	5,025	6,221
Total turnover	**500,526**	**499,723**	**573,563**	**491,209**	**800,540**	**848,553**	**-27,097**	**-22,870**	**1,847,532**	**1,816,615**
Raw materials, consumables, trade products and subcontracted work	205,744	207,485	283,716	246,094	465,649	528,009	-27,248	-22,894	927,861	958,694
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
Depreciation	16,896	15,520	9,582	8,372	23,006	23,017	953	1,104	50,437	48,013
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
Segment operating result	**39,271**	**55,610**	**79,575**	**57,660**	**77,107**	**91,786**	**-21,484**	**-14,903**	**174,469**	**190,153**
Other information										
Investments in intangible assets, property, plant and equipment, Right-of-use assets, including acquisitions	92,229	38,807	34,114	34,618	167,711	97,822	2,937	1,273	296,991	172,520
Employees (FTE)	2,142	1,998	1,954	1,819	2,274	2,291	95	90	6,465	6,198
Balance sheet										
Assets	801,964	761,444	474,075	461,327	790,353	634,231	4,229	90,724	2,070,621	1,947,726
Assets held for sale			21,171			108,506			21,171	108,506
Associates	2,764	2,738			33,220	9,464	3	2	35,987	12,204
Total assets	**804,728**	**764,182**	**495,246**	**461,327**	**823,573**	**752,201**	**4,232**	**90,726**	**2,127,779**	**2,068,436**
Total liabilities	**190,671**	**203,856**	**314,612**	**331,538**	**239,764**	**277,445**	**547,168**	**468,830**	**1,292,215**	**1,281,669**
Capital employed previous year	528,933	488,804	111,584	71,645	430,069	350,350	23,146	16,955	1,093,732	927,754
Capital employed current year	574,414	528,933	163,169	111,584	544,566	430,069	20,945	23,146	1,303,094	1,093,732
Return on Capital Employed (ROCE)	*15.6%*	*18.8%*	*66.0%*	*75.4%*	*16.6%*	*22.4%*			*19.8%*	*23.2%*

EBITDA and EBITA are exluding one-off income and expenses. Reference is made to note 32 for a further detail on the one-off income and expenses.
The geographic split of turnover is based on the customer-location.
Added value is calculated by deducting 'Raw materials, consumables, trade products and subcontracted work' from 'Total turnover'.
TKH has no individual customers representing 10% or more of the consolidated turnover. Other revenues relate to other services provided to third parties, such as rental, insurance payments and charged costs.

	Non-current assets [1]		Employees (FTE)	
in thousands of euros (unless stated otherwise)	2023	2022	2023	2022
Geographic segments				
Netherlands	481,377	335,540	37%	36%
Europe (other)	512,746	457,213	42%	40%
Asia	40,977	45,084	13%	14%
North America	72,301	69,019	7%	8%
Other	15,065	10,063	1%	2%
Total	**1,122,466**	**916,919**	**100%**	**100%**

1 The non-current assets are shown excluding the deferred tax assets.

23 Personnel expenses

in thousands of euros	2023	2022
Wages and salaries	368,950	335,656
Share-based payments	6,247	4,133
Social insurance contributions	61,968	54,957
Pension costs	20,777	17,891
Temporary labor	33,250	34,924
Capitalized development costs	-32,876	-30,413
Other personnel expenses	20,151	17,949
Personnel expenses	**478,467**	**435,097**

24 Share-based payments

Stock option scheme settled in equity instruments

Option rights to (depositary receipts of) ordinary shares of TKH are granted to the management of the subsidiaries. The rights can never be exercised until after the publication of the company's annual results three calendar years following the year in which the rights were granted, and have an exercise period of two years. Partly to avoid abuse of inside knowledge, the conditions for participation have been laid down in an internal regulation and have been accepted in writing by the participants.

Executive Board

No option rights are granted to the members of the Executive Board and the Supervisory Board. Mr. H.J. Voortman has been awarded options in the period before being appointed as a member of the Executive Board. The movement and balance of the outstanding option rights granted to him is as follows:

Year of allocation	Exercise price in €	Number at 01-01-2023	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2023	Exercise period
2018	52.25	8,400			-8,400		0	2021-2023
Total		**8,400**	**0**	**0**	**-8,400**	**0**	**0**	

Other option beneficiaries

The movement and balance of the outstanding option rights granted to the other option beneficiaries are as follows:

Year of allocation	Exercise price in €	Number at 01-01-2023	Granted during the year	Expired during the year	Elapsed during the year	Exercised during the year	Number at 31-12-2023	Exercise period
2018	52.25	217,079			-217,079		0	2021-2023
2019	46.02	252,460				-28,465	223,995	2022-2024
2020	32.28	304,066			-1,956	-158,268	143,842	2023-2025
2021	37.88	330,424			-2,250		328,174	2024-2026
2022	44.52	351,142					351,142	2025-2027
2023	45.16	0	370,434				370,434	2026-2028
Total		**1,455,171**	**370,434**	**0**	**-221,285**	**-186,733**	**1,417,587**	

At the end of 2023, the company owns 1,162,040 purchased (depositary receipts of) shares to cover the option rights. These (depositary receipt of) shares have been purchased against an average share price of € 41.74. The total purchase value is € 48,500,407. The average share price on the date at which the share options were exercised during the financial year was € 46.13. The options were granted during the financial year on March 7, 2023. The estimated fair value of the options granted in 2023 is € 4,332,509. The fair value was determined on the basis of a binomial valuation model with the following assumptions:

	2023	2022
Fair value at the date of allocation (in €)	11.68	10.09
Expected volatility	35.8%	36.3%
Expected dividend	3.0%	3.0%
Risk free rate	3.502%	0.397%
Expected period to expiry of the option (in years)	4.0	4.0

The current restrictions on the exercise of the options, the chances that employees will leave the company and possible personal considerations of option holders have been taken into account for the expected expiry period of the options. TKH has a reported total charge of € 3,250,187 (2022: € 2,709,255) for these share-based payments which will be settled in equity instruments.

Other share-based payments

Based on the share scheme, (depositary receipts of) shares have been allotted to the members of the Executive Board. During 2023 Mr. J.M.A. van der Lof was allotted 6,547 (depositary receipts of) shares, Mr. E.D.H. de Lange 4,910, and Mr. H.J. Voortman 4,456 (depositary receipts of) shares related to the performance for the year 2022. At the same time, the Executive Board members purchased respectively 6,547, 4,910 and 4,456 (depositary receipts of) shares at the actual share price of € 45.57, all in accordance with the regulation of the share scheme. As a result of the share-based payments, TKH has recognized a total charge of € 2,996,652 (2022: € 1,424,205) in the statement of profit and loss.

25 Other operating expenses

Other operating expenses include overhead, selling, accommodation and manufacturing expenses.

26 Depreciation

in thousands of euros	2023	2022
Depreciation of property, plant and equipment	32,574	31,700
Depreciation of Right-of-use assets	16,339	15,314
Result on disposal of property, plant and equipment	-85	-9,374
Depreciation	**48,828**	**37,640**

27 Amortization

in thousands of euros	2023	2022
Amortization of intangible assets	40,338	37,283
Amortization of intangible assets from acquisitions as a result of 'Purchase Price Allocations'	16,522	17,267
Amortization	**56,860**	**54,550**

28 Impairment

in thousands of euros	Notes	2023	2022
Impairment of intangible assets and goodwill	3	1,790	48
Impairment of property, plant and equipment	4	701	25
Impairment Right-of-use assets	5	1,230	381
Onerous contracts		-1	18
Impairment		**3,720**	**472**

29 Research and development costs

The total operating expenses over the financial year include the following item

in thousands of euros	2023	2022
Research and development expenditure	77,235	67,877
Less: Capitalized development costs	-41,847	-37,843
Add: Amortization of development costs	33,522	30,827
Add: Impairment on capitalized development costs	1,790	48
Research and development costs accounted for in the profit and loss account	**70,700**	**60,909**
Government subsidies for research and development costs	4,925	4,261

30 Financial income and expenses

in thousands of euros	2023	2022
Exchange and translation differences, including the effect of realized cash flow hedges	-750	-2,136
Amortized transaction costs	-527	
Interest costs in defined benefit plans	-51	-17
Interest expense on lease liabilities	-1,746	-1,695
Interest expenses	-21,116	-8,595
Interest income from debt instruments at fair value through P&L	72	88
Interest income	1,244	474
Financial income and expenses	**-22,874**	**-11,881**

31 Tax

in thousands of euros	Notes	2023	2022
Current tax		39,475	46,282
Adjustments for previous years		92	-1,807
Deferred tax	15	-2,387	-359
Total tax on result		**37,180**	**44,116**

The taxes that are included directly in the statement of other comprehensive income are shown below.

in thousands of euros	Notes	2023	2022
Deferred taxes on revaluation of cash flow hedges	15		-1,798
Deferred taxes on actuarial gains and losses	15	15	316
Total tax on other comprehensive income		**15**	**-1,482**

The tax rate is calculated at the prevailing tax rates in each country. The tax rate over the year can be reconciled with the profit before tax as follows:

in thousands of euros (unless stated otherwise)	2023		2022	
Result before tax	**202,942**		**181,242**	
Tax calculated at the Dutch tax rate	52,359	25.8%	46,760	25.8%
Correction due to tax effect for:				
Tax participation exemption	-13,652	-6.7%	-667	-0.4%
Non-deductible expenses	2,278	1.1%	1,170	0.6%
Non-taxable income	-80	0.0%	-57	0.0%
Advantages from tax facilities	-5,440	-2.7%	-4,275	-2.4%
Write off / recognition of deferred taxes	1,209	0.6%	-1,761	-1.0%
(Recognition)/derecognition of deferred tax asset for unused tax losses	145	0.1%	3,108	1.7%
Settlement of income tax returns for previous years	92	0.0%	-1,807	-1.0%
Differences in tax rates for foreign subsidiaries	774	0.4%	1,013	0.6%
Change in statutory tax rate	-483	-0.2%	710	0.4%
Other tax benefits	-22	-0.1%	-78	0.0%
Effective tax rate	**37,180**	**18.3%**	**44,116**	**24.3%**

The effective tax rate decreased compared to last year. The change is mainly attributable to the following circumstances:

- A significant decreasing effect is resulting from the application of the Dutch participation exemption on the divestments of shareholdings that took place during 2023. When this would be normalized, the effective tax rate would be approx. 24.6%.
- Higher non-deductible expenses mainly related to share based payments increase the effective tax rate.
- The benefits from tax R&D facilities decrease the effective tax rate and during 2023 these benefits increased. The R&D facilities mainly relate to the Netherlands (innovation box), Canada (SR&ED), China and Austria;
- The recognition of a deffered tax liability for withholding taxes had in 2023 a negative impact on the effective tax rate, whereas in 2022 a release of deferred tax liabilities, due to the upstream of dividends within the group, lowered the effective tax rate.
- Last year, tax losses were not fully recognized, which resulted in a higher effective tax rate of 1.7%. The impact in 2023 is very limited;
- The settlement of income tax returns for previous years for several legal entities in different countries was limited in 2023 (2022: benefit of € 1.8 million);
- Differences in tax rates for foreign subsidiaries causes on balance a higher effective tax rate. This mainly applies to our subsidiaries in Germany, Italy, France and USA; and
- Changes in statutory tax rates applied in the calculation of deferred taxes resulted in a tax benefit of € 0.5 million (2022: tax charge of € 0.7 million).

TKH is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been enacted in the Netherlands effective as from 31 December 2023 for financial years starting on or after this date (e.g. financial year 2024). Under the legislation, the group is liable to pay a top-up tax for the difference between their (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. Based on an assessment of the financial years 2021 - 2023, most of the group entities have an effective tax rate that exceeds 15%. There are three jurisdictions that may be at risk to have an effective tax lower than 15% going forward. For these countries, a more detailed assessment has taken place of the additional taxation due, and this was considered not material.

The TKH Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

32 Earnings per share attributable to shareholders

in thousands of euros (unless stated otherwise)	Notes	2023	2022
Weighted average number of (depositary receipts of) shares (x 1,000)		40,666	41,057
Effect of share options (x 1,000)		86	104
Weighted average number of (depositary receipts of) shares diluted (x 1,000)		**40,752**	**41,161**
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	3	16,522	17,267
Taxes on amortization		-4,244	-4,633
Net profit before amortization attributable to the shareholders of the company		**177,982**	**149,717**
One-off income and expenses		1,983	-10,372
Result from divestments, one-off expenses 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	14	146	105
Tax impact on one-off income, expenses and impairments		-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**
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 €) [1]		4.38	3.65
Ordinary earnings per share before amortization and one-off income and expenses (in €) [1]		3.21	3.50

1. Non IFRS measure

The one-off income and expenses in 2023 mainly relates to restructuring, acquisition and divestment costs. The one-off income in 2022 mainly relates to the sale of real estate formerly classified as 'Held for sale'. The number of (depositary receipts of) shares outstanding with third parties as per December 31, 2023 was 39,801,946. (2022: 41,004,782). The amount of own shares held by TKH amounts to 2,400,483 per 31 december 2023, which represents 5.69% (2022: 2.84%) of the total outstanding shares.

33 Related parties

Trade transactions

During the year trade transactions with non-consolidated related parties have taken place. These transactions were concluded at market prices, taking into account discounts for volumes and the existing relationship between the parties. The following transactions with related parties occurred during the year:

in thousands of euros	Sold to		Bought from		Trade receivables		Trade payables	
	2023	2022	2023	2022	2023	2022	2023	2022
CAE Data SAS	913		96		795		330	
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.			25,589	22,331			8,075	7,910
Speed Elektronik Vertrieb GmbH	416	233	9	83	60	23		13
Commend Australia Integrated Security and Communication Systems Pty Ltd.	598	629			153	79		
Total	**1,927**	**862**	**25,694**	**22,414**	**1,008**	**102**	**8,405**	**7,923**

Shareholdings of members of the Executive Board and the Supervisory Board

During the financial year Mr. J.M.A. van der Lof sold in total 18,594 (depositary receipts of) shares at an average stock price of € 45.89, Mr. E.D.H. de Lange sold 14,730 (depositary receipts of) shares at a stock price of € 45.57 and Mr. H. Voortman sold 4,456 (depositary receipts of) shares at a stock price of € 45.57, in accordance with the share scheme. In addition, Messrs. J.M.A. van der Lof, E.D.H. de Lange and H.J. Voortman purchased under the share scheme respectively 6,547, 4,910 and 4,456 (depositary receipts of) shares at a stock price of € 45.57. Among the members of the Executive Board, Mr. J.M.A. van der Lof owned 112,647 (depositary receipts of) shares, Mr. E.D.H. de Lange owned 80,099 (depositary receipts of) shares and Mr. H.J. Voortman owned 40,391 (depositary receipts of) shares at the end of 2023.

Remuneration of the Executive Board and the Supervisory Board

The remuneration payable to the members of the Executive Board comprises a basic salary (TRI), pension and a variable element, comprising an annual performance bonus (STI) and a long-term bonus (LTI) scheme entailing a share scheme. The remuneration of the Supervisory Board consists of a fixed remuneration and a remuneration for participation in a committee. The various remuneration components are explained below, as well as the amount charged to the legal entity and its subsidiary or group companies.

	Total regular income (TRI)		Bonus (STI)		Share scheme (LTI)		Pension		Compensation for pension premium		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Executive Board	1,887	1,758	785	1,028	2,808	1,244	96	88	375	341	5,951	4,458
Supervisory Board	325	304									325	304
Total remuneration	**2,212**	**2,062**	**785**	**1,028**	**2,808**	**1,244**	**96**	**88**	**375**	**341**	**6,276**	**4,762**

The breakdown of the remuneration per person and according to the various remuneration components is included in the remuneration report that is part of the annual report.

34 Business combinations

Acquisitions

On 8 May 2023, TKH acquired 100% of the shares in Euresys, a leading innovative high-tech designer and provider of software for 2D and 3D image analysis, as well as video capture and processing. Its main markets are computer vision, machine vision, factory automation, and medical imaging. Euresys technology complements TKH's existing and differentiating proprietary Machine Vision technologies, and adds strong software expertise, interface technologies and know-how to our capabilities. Euresys employs 82 people and realizes an annual turnover of about € 23 million (about € 17 million from acquisition date) with an EBITA and ROS at a minimum in line with our Smart Vision segment. Besides its head office in Liège (Belgium), it has operations in Germany, US, Japan, Singapore and China. The activities are part of the Smart Vision Systems segment.

The purchase price, net asset valuation and fair value adjustments are as follows:

	Euresys		
in thousands of euros	Book value	Adjustments	Fair value
Intangible assets	2,794	18,003	20,797
Property, plant and equipment	5,656		5,656
Right-of-use assets		924	924
Inventories	4,990		4,990
Trade and other receivables	4,878		4,878
Cash and cash equivalents	10,779		10,779
Provisions	-140		-140
Non-current liabilities	-2,737	-600	-3,337
Deferred tax	153	-4,501	-4,348
Borrowings	-340	-324	-664
Current liabilities	-3,709		-3,709
Acquired net assets	**22,324**	**13,502**	**35,826**
Goodwill paid			17,866
Purchase price			**53,692**
Contingent consideration			0
Cash and cash equivalents acquired			-10,779
Purchase price paid			**42,913**

The goodwill paid is attributable to the knowledge and skills of the workforce, expected synergy benefits through intensification of cooperation within the TKH Group and alignment with TKH's strategic development. The recognized goodwill is not tax deductible. The purchase price is paid in cash. The acquisition has a positive effect on TKH's earnings per share as per 2023.

Divestments

In November 2022 TKH reached an agreement with third parties on the sale of its minority 41.5% stake in Cable Connectivity Group B.V. This company was created in August 2019, through the divestment of the majority of TKH's industrial connectivity systems. The transaction was subject to customary regulatory approval end of 2022 and has been closed on February 1, 2023. It resulted in a one-off profit contribution of € 36 million for TKH in 2023.

At the end of September 2023 TKH announced that the divestment of its TKH France activities to private equity group Argos Wityu has been closed. TKH France distributes connectivity solutions for the building & construction industry mainly in France and contains the entities CAE Data SAS and ID Cables SAS. The activities will be continued by a newly established company under the name SCS Wagram Holding, in which TKH acquired a minority interest of 40%. The cash outflow from acquisition of associates of € 27.6 million as mentioned in the cashflow statement is related to this acquisition of a minority interest.
The transaction results in a one-off net profit contribution of about € 20 million for TKH in 2023. Following the closing of this divestment, TKH France will no longer be consolidated in TKH Group's results. In 2023 until end of September, the turnover of TKH France totaled € 95.8 million with a recurring EBITA of € 12.9 million and 180 FTEs.

In December 2023, TKH has sold its 100% share in Isolectra Communications Technology Sdn Bhd, located in Malaysia. The company generated around € 1 million turnover in 2023. The divestment generated a small loss.

The reconciliation between the result on divestment and the cash flow is as follows:

in thousands of euros	2023
Net assets at the time of divestment	**102,080**
Result on sale of associates and subsidiaries	54,802
Cash and cash equivalents divested	-26,422
Cash flow from divestments	**130,460**

Assets and directly associated liabilities held for sale

As part of the Strategic program Accelerate 2025 TKH has decided in 2023 to start an active program to sell certain activities within Smart Manufacturing Systems related to electronic assemblies for the industrial and automotive market. Accordingly the associated assets and liabilities have been reclassified in 2023 to assets and liabilities held for sale. Besides working capital, the production facilities are also an important part of this value. The amount of allocated goodwill has been based on applying the relative value method. A sale of these activities is highly probable within the upcoming 12 months. TKH expects a one-off net profit upon sale.
The assets and liabilities classified as held for sale end of 2022 relate to Cable Connectivity Group B.V and the TKH France activities, which were both divested in 2023.

The main categories of assets and liabilities classified as held for sale are as follows:

in thousands of euros	2023	2022
Assets		
Intangible assets and goodwill	1,179	34,116
Property, plant and equipment	10,718	1,769
Right-of-use assets	667	10,324
Associates	0	19,219
Other receivables	0	478
Deferred tax assets	398	0
Inventories	4,363	31,034
Trade and other receivables	2,071	11,380
Contract assets	1,718	0
Current income tax	0	123
Cash and cash equivalents	57	63
Assets held for sale	**21,171**	**108,506**
Liabilities		
Non-current interest-bearing loans and borrowings	536	8,072
Deferred tax liabilities	490	1,059
Retirement benefit obligation	0	911
Current interest-bearing loans and borrowings	149	2,137
Trade payables and other payables	1,972	20,752
Current income tax liabilities	0	526
Liabilities directly associated with assets held for sale	**3,147**	**33,457**
Net assets directly associated with held for sale	**18,024**	**75,049**

35 Non-cash transactions

There were no material non-cash transactions, besides lease transactions as mentioned in note 5

36 Events after balance sheet date

On 23 January 2024, TKH acquired 100% of the shares in JCAI Inc. JCAI offers state-of-the-art guidance software and equipment that provides airports with the tools needed to ensure the aircraft is directed automatically over the tarmac, allowing for maximization of throughput, whilst balancing safety. JCAII has established a strong track record in the airport de-icing area, its patented technology coordinating visual guidance, real time data and operational messaging to both flight and ground crew. JCAII's software is currently deployed across many airports as well as airlines. Through the combination of JCAII's activities with TKH we will be able to boost the growth of both JCAII and the TKH CEDD connectivity technology.

JCAII is based in Toronto, Canada and employs 35 people of which the majority is related to R&D and software development. The annual turnover of JCAII amounted to CAD 13.7 million, with 25% of turnover derived from recurring software sales. The initial purchase price of about € 20 million is paid in cash and is financed from existing resources. In addition a contingent consideration has been agreed for the acquisiton on the basis of (growth of) future results in the next three years, with a minimum of nil and a maximum of about € 35 million. The transaction is expected to have a positive effect on TKH's earnings per share as per 2024. The determination of the fair value of the acquired net assets and the contingent consideration is not finalized per the date of this report given the short time frame between acquisition and publication of the annual report.

37 Service fees paid to external auditors

The service fees paid to the external auditor EY, recognized as other operating expenses, can be specified as follows:

	Ernst & Young Accountants LLP (Netherlands)		Other parts of EY		Total	
in thousands of euros	2023	2022	2023	2022	2023	2022
Audit of the financial statements	1,352	1,255	663	691	2,015	1,946
Other assurance engagements	86	82	18	5	104	87
Tax fees			10		10	0
Other non-assurance engagements			8		8	0
Servicecosts external auditors	**1,438**	**1,337**	**699**	**696**	**2,137**	**2,033**

Company financial statements

Company statement of profit and loss

in thousands of euros	Notes		2023		2022
Net turnover	15		**13,231**		**11,804**
Wages and salaries	16	13,340		10,952	
Social insurance contributions		1,366		1,220	
Depreciation and result on divestment of property, plant and equipment		302		218	
Other operating expenses		10,916		8,696	
Total operating expenses			**25,924**		**21,086**
Operating result			**-12,693**		**-9,282**
Financial income			4,084		580
Financial expenses			-15,595		-4,075
Exchange differences			11		-272
Change in value of financial liability for earn-out and put-options of holders of non-controlling interests			-96		-658
Result before tax			**-24,289**		**-13,707**
Tax on result	17		-3,802		-2,634
Company result			**-20,487**		**-11,073**
Share in result of participations			186,191		148,156
Net result			**165,704**		**137,083**

Company balance sheet

As of 31 December before profit appropriation

in thousands of euros	Notes	2023		2022	
Assets					
Non-current assets					
Intangible assets and goodwill	2	211,145		171,267	
Property, plant and equipment	3	595		439	
Right-of-use assets	4	2,525		80	
Financial non-current assets	5	945,677		864,572	
Deferred tax assets	6	858		789	
Total non-current assets			**1,160,800**		**1,037,147**
Current assets					
Receivables on subsidiaries		122,669		41,066	
Other receivables	7	11,986		13,448	
Cash and cash equivalents	13	2,116		6,192	
Total current assets			**136,771**		**60,706**
Total assets			**1,297,571**		**1,097,853**

in thousands of euros	Notes	2023		2022	
Equity and liabilities					
Shareholders' equity					
Share capital		10,554		10,554	
Share premium		85,021		85,021	
Legal reserve		115,161		102,115	
Translation reserve		9,968		16,772	
Cash flow hedge reserve		-525		-4,243	
Retained earnings		449,682		439,471	
Unappropriated profit		165,704		137,083	
Total shareholders' equity	8		**835,565**		**786,773**
Provisions					
Deferred tax liabilities	6	879		618	
Provisions	11	46,378		34,130	
Total provisions			**47,257**		**34,748**
Non-current liabilities					
Interest-bearing loans and borrowings	13	2,325		50	
Total non-current liabilities			**2,325**		**50**
Current liabilities					
Interest-bearing loans and borrowings	13	23,916		31	
Payables to group companies		379,640		269,265	
Other financial liabilities	12	1,484		1,908	
Other current liabilities		7,384		5,078	
Total current liabilities			**412,424**		**276,282**
Total equity and liabilities			**1,297,571**		**1,097,853**

Notes to the company financial statement

1 Accounting principles

The company financial statements of TKH Group N.V. (TKH) are prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, TKH makes use of the option provided in Article 2:362 sub 8 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result for the separate financial statements of TKH are the same as those for the consolidated financial statements. For a description of these accounting principles, reference is made to the accounting principles of the consolidated financial statements.

Investments in subsidiaries are valued at net asset value. The net asset value is determined on basis of the valuation principles, as described in note 1 of the consolidated financial statements. The net asset value of subsidiaries consists of cost price, exclusive goodwill, the share of TKH in the sum of the assets, liabilities and provisions of the subsidiary, plus the share in the result of the subsidiary since the takeover that is attributed to TKH, less the received dividends.

The expected credit losses as prescribed in *IFRS 9 Financial Instruments* on receivables on group companies are included in the carrying amount of the participations.

2 Intangible assets and goodwill

	Goodwill	
in thousands of euros	2023	2022
Historical cost at 1 January	**172,957**	**172,518**
Accumulated impairment losses	1,690	1,690
Book value at 1 January	**171,267**	**170,828**
Acquisitions	17,866	
Transfer within the group	21,917	
Exchange differences	95	439
Book value at 31 December	**211,145**	**171,267**
Accumulated impairment losses	1,690	1,690
Historical cost at 31 December	**212,835**	**172,957**

The ‘Transfer within the group’ relates to an internal goodwill reallocation following the divestment of the TKH France activities.

3 Property, plant and equipment

	Other equipment	
in thousands of euros	2023	2022
Historical cost at 1 January	2,482	2,247
Accumulated depreciation and impairments	2,043	1,901
Book value at 1 January	**439**	**346**
Purchases	301	283
Disposals		-11
Depreciation	-145	-179
Book value at 31 December	**595**	**439**
Accumulated depreciation and impairments	**2,188**	**2,043**
Historical cost at 31 December	**2,783**	**2,482**

4 Right of use assets

	Buildings		Other equipment		Total	
in thousands of euros	2023	2022	2023	2022	2023	2022
Historical cost at 1 January			**212**	**212**	**212**	**212**
Accumulated depreciation and impairments			132	93	132	93
Book value at 1 January	**0**	**0**	**80**	**119**	**80**	**119**
Purchases	2,461		141		2,602	0
Depreciation	-83		-74	-39	-157	-39
Book value at 31 December	**2,378**	**0**	**147**	**80**	**2,525**	**80**
Accumulated depreciation and impairments	83		206	132	289	132
Historical cost at 31 December	**2,461**	**0**	**353**	**212**	**2,814**	**212**

5 Financial non-current assets

	Subsidiaries		Associates		Total	
in thousands of euros	2023	2022	2023	2022	2023	2022
Balance at 1 January	**833,809**	**804,431**	**30,763**	**28,103**	**864,572**	**832,534**
Acquisition and/or incorporation of subsidiaries and associates	35,894	88	27,624		63,518	88
Disposals	-105,486		-19,219		-124,705	0
Capital contribution	69,882	54,198			69,882	54,198
Result	134,820	145,116	-3,430	3,040	131,390	148,156
Dividend received	-68,578	-163,797		-196	-68,578	-163,993
Change in cash flow hedge reserves	3,815	-5,584			3,815	-5,584
Transfer within the group		-772			0	-772
Actuarial gains/(losses) from defined benefit plans	71	1,074		10	71	1,084
Other changes	-134				-134	0
Reclassification provision subsidiaries and associates	12,425	206			12,425	206
Exchange differences	-6,058	-1,151	-521	-194	-6,579	-1,345
Balance at 31 December	**910,460**	**833,809**	**35,217**	**30,763**	**945,677**	**864,572**

The difference between the abovementioned result on subsidiaries and associates and the result as included in the company statement of profit and loss relates to the result on divestment of subsidiaries and associates as disclosed in note 34 of the consolidated financial statements.

6 Deferred tax

The deferred tax assets and liabilities are related to the following items:

in thousands of euros	Undistributed intragroup profits	Tax writedown of loans	Financial instruments	Total
Balance at 1 January 2022	**-581**	**814**	**76**	**309**
(Charge)/credit to other comprehensive income			-101	-101
(Charge)/credit to profit or loss	-37			-37
Balance at 31 December 2022	**-618**	**814**	**-25**	**171**
(Charge)/credit to profit or loss	-261	69		-192
Balance at 31 December 2023	**-879**	**883**	**-25**	**-21**

Certain deferred tax assets and liabilities are offset in accordance with the principles provided in IFRS. The deferred taxes are recognized in the balance sheet as follows:

in thousands of euros	2023	2022
Deferred tax assets stated under non-current assets	858	789
Deferred tax liabilities stated under non-current liabilities	-879	-618
Deferred taxes	**-21**	**171**

7 Other receivables

in thousands of euros	2023	2022
Taxes and social security premiums	10,414	12,381
Other receivables	1,572	1,067
Other receivables	**11,986**	**13,448**

8 Equity

For the movement schedule is referred to the consolidated statement of changes in group equity. The company only movement schedule for equity, excluding the movement of the non-controlling interests, is the same.

Authorized capital

	x1,000	2023 € '000	2022 € '000
The authorized capital consists of:			
Ordinary shares	59,984		
Cumulative preference financing shares	10,000		
Convertible cumulative preference financing shares	10,000		
Cumulative preference protective shares	60,000		
Each nominal € 0.25	**139,984**	**34,996**	**34,996**
Priority share	4		
Each nominal € 1.00	**4**	**4**	**4**
Authorized capital		**35,000**	**35,000**
Of which not issued		24,446	24,446
Issued capital [1]		**10,554**	**10,554**

1. Concerns 4,000 priority and 42,198,429 (depositary receipts of) shares.

The number of outstanding (depositary receipts of) shares with third parties as per December 31, 2022 amounted to 41,004,782. Due to the exercise of options rights and share schemes, a balance of 35,607 (depositary receipts of) shares were sold in 2023. In 2023 TKH completed two share buyback programs, both initiated after a divestment and to return additional capital to shareholders. TKH has repurchased 1,238,443 of its own depositary receipts of shares for € 50.0 million at an average share price of € 40.38. As a result, the number of (depositary receipts of) shares outstanding with third parties as per December 31, 2023 was 39,801,946.
The amount of own shares held by TKH amounts to 2,400,483 per 31 december 2023, which represents 5.69% (2022: 2.84%) of the total outstanding shares.
The registered ordinary shares, with the exception of the register-shares in the company, have been transferred to Stichting Administratiekantoor TKH Group ('Trust Foundation'), which issues depositary receipts of shares to the ultimate capital providers. Stichting Administratiekantoor is the party entitled to the shares and also exercises the voting right, unless it has granted power

of attorney to the holders of the depositary receipts. The holders of depositary receipts are entitled to receive a power of attorney to cast a vote on the shares corresponding to the depositary receipts they own. Stichting Administratiekantoor remains entitled to vote for the shares for which the holders of depositary receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the executive committee of Stichting Administratiekantoor in various situations specified in the law (see also Corporate Governance). In that case Stichting Administratiekantoor may (again) exercise the voting right for all shares for which depositary receipts have been issued. The relationship between Stichting Administratiekantoor and the holders of depositary receipts of shares is governed by the administrative conditions. The protection afforded by the use of depositary receipts is based on the 1% rule. The depositary receipts may be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes shares owned indirectly as well as directly. However, this does not apply to the transfer of ordinary shares to the company itself. Every transfer of preference financing shares, convertible preference financing shares and preference protective shares must be approved by the Executive Board. The Executive Board may only grant its approval with the approval of the Supervisory Board.

Besides from what is mentioned in the 'Other information', no special rights are attached to the priority shares.

The company has granted the Stichting Continuïteit TKH ('Continuity Foundation') an option to take preference protective shares for up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference protective shares are issued or 100% of the sum of the other outstanding shares at the time that the preference protective shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a statement to that effect with the Chamber of Commerce.

Share premium reserve

The share premium reserve is fully exempt from Dutch taxes on distribution.

Legal reserve

The legal reserve relates to:

in thousands of euros	2023	2022
Capitalized development costs	100,447	94,730
Legal reserve for participations	14,714	7,385
Legal reserve	**115,161**	**102,115**

The legal reserve is not available for distribution to the company's shareholders.

Revaluation reserves

The revaluation reserves are not available for distribution to the company's shareholders.

Hedging and translation reserve

The hedging and translation reserves are legal reserves and not available for distribution to the company's shareholders.

9 Dividend

TKH recognizes a liability to pay a dividend when the distribution is no longer at the discretion of the company. A dividend payment is due under Dutch law if approved by the shareholders. At that moment, the amount is recognized directly in equity. At the General Meeting of shareholders in 2023 the dividend for the year 2022 was declared at € 1.65 per (depositary receipt of) ordinary share. The dividend was paid in cash. The dividend on the priority shares was declared at € 0.05 per share. The total amount of dividends paid in 2023 was € 67,697,249 and this amount was charged to the retained earnings.

After December 31, 2023, the Executive Board has proposed a dividend. With regard to Article 33 of the Articles of Association, the Executive Board proposes to the holders of (depositary receipts of) ordinary shares a dividend of € 1.70 per (depositary receipt of) ordinary share. The dividend proposal is subject to approval at the annual general meeting and has not been recognized in the balance sheet and does not impact the corporate income tax.

10 Share-based payments

The share-based payments are disclosed in note 24 of the consolidated financial statements.

11 Other provisions

in thousands of euros	2023	2022
Liability for subsidiaries with negative equity	45,872	33,622
Other long-term provisions	506	508
Total of other long- and short-term provisions	**46,378**	**34,130**

For more background details about other long-term provisions see note 13 of the consolidated financial statements.

12 Other financial liabilities

in thousands of euros	Earn-out	Put options of holders of non-controlling interests	Total
Balance at 1 January 2023	**1,158**	**750**	**1,908**
Change in value through the profit and loss account	96		96
Payment for acquisitions from previous years	-520		-520
Balance at 31 December 2023	**734**	**750**	**1,484**

For more details about the financial liabilities see note 14 of the consolidated financial statements.

13 Net interest-bearing debt

in thousands of euros	2023	2022
Bank loans reported under non-current liabilities	2,325	50
Borrowings reported under current liabilities	23,916	31
Cash and cash equivalents	-2,116	-6,192
Net interest-bearing debt	**24,125**	**-6,111**

For more details about the facilities, conditions and securities see notes 10, 17, 18 and 20 of the consolidated financial statements.

14 Contingent liabilities

Under Article 2:403, paragraph 1 sub f of the Dutch Civil Code the company has assumed joint and several liability for debts arising from the legal actions for all Dutch subsidiaries of which TKH owns directly or indirectly 100% of the shares. The declarations to that effect have been deposited for inspection at the office of the Chamber of Commerce in the place where the legal entity for which the guarantee was given has its registered office.

The company is formally a guarantor for a total sum of € 13.8 million (2022: € 26.6 million) for bank credit and bank guarantee facilities provided to a number of foreign subsidiaries. This facility was called on for a sum of € nill million (2022: € 13.6 million) at the end of 2023. The company and the majority of its 100% owned Dutch subsidiaries form a tax group for the corporate income tax. Consequently, the company is liable for the income taxes of these subsidiaries.

15 Turnover

The turnover is related to the charged head office costs in the year for services provided to subsidiaries of the company.

16 Wages and salaries

The share-based payments and remuneration of key management are included in notes 24 and 33 of the consolidated financial statements.
The number of employees amounted to FTE 26 end of 2023. (2022: 25)

17 Tax

in thousands of euros	Notes	2023	2022
Current tax		-3,675	-2,527
Adjustments for previous years		-319	-144
Deferred tax	6	192	37
Total tax on result		**-3,802**	**-2,634**

The reconciliation of the tax expense in the year with the result before tax is as follow:

in thousands of euros (unless stated otherwise)	2023		2022	
Result before tax	**-24,289**		**-13,707**	
Tax calculated at the Dutch tax rate	-6,267	25.8%	-3,536	25.8%
Correction due to tax effect for:				
Non-deductible expenses	1,614	-6.6%	1,010	-7.4%
Other non-deductible costs	459	-1.9%		
Adjustments prior year other	450	-1.9%		
Settlement of income tax returns for previous years	-319	1.3%	-144	1.1%
Taxes on (un)distributed profits of foreign subsidiaries	261	-1.0%	36	-0.3%
Effective tax rate	**-3,802**	**15.7%**	**-2,634**	**19.2%**

18 Signature of the financial statements

Haaksbergen, March 4, 2024

Executive Board
J.M.A. van der Lof MBA, *chairman*
E.D.H. de Lange MBA
H.J. Voortman Msc

Supervisory Board
P.W.B. Oosterveer, *chairman*
J.M. Kroon
C.W. Gorter
A.M.H. Schöningh
R.L. van Iperen

Other information

Profit appropriation

As no protection preference and financing preference shares were outstanding or issued, within the meaning of Articles 33.1, 3, 4, 5, 6, paragraphs b and c, 8, 9 and, 12 below, only the articles governing the profit appropriation in relation to the outstanding shares are included here.

Article 33 of the articles of association reads as follows:

2. The company may make distributions to the shareholders and other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the paid-up and called-up part of the capital, plus the reserves that must be maintained pursuant to the law or the Articles of Association.

6a. From any profit remaining after the application of the previous paragraphs, five percent (5%) of the nominal amount of the priority shares shall, if possible, be distributed on such priority shares. No further distribution shall be made on the priority shares.

7. If in any year the profit is not sufficient to make the distributions referred to above in paragraph 6 of this article, the provisions in paragraph 6 and in paragraph 10 shall not apply in the subsequent financial years until the deficit has been made up. Subject to the approval of the Supervisory Board, the Executive Board is authorized to resolve to distribute an amount equal to the deficit referred to in the previous sentence against the reserves.

10. The Executive Board shall, with the approval of the Supervisory Board, set aside as much of the remaining profit as it deems necessary. To the extent that the profit has not been retained in accordance with the previous sentence, it shall be at the disposal of the General Meeting, either in whole or in part appropriation to the reserves or in whole or in part for distribution to the holders of ordinary shares in proportion to their holdings of ordinary shares.

For other provisions of the Articles of Association, please refer to TKH's website: www.tkhgroup.com.

Proposal for profit appropriation

in thousands of euros

Net profit attributable to shareholders € 165,704.

In accordance with Article 33 of the Articles of Association, we propose paying the holders of (depositary receipts of) ordinary shares a dividend of € 1.70 per (depositary receipt of) ordinary share.

The dividend will be made available for payment on May 14, 2024.

The dividend for 4,000 priority shares has been set at € 0.05 per share of € 1.00.

Consolidated entities

A list of all subsidiaries is available at the Chamber of Commerce (the Netherlands). TKH Group N.V. is registered in the Trade Register under No. 06045666.

The most important (group of) entities included in the consolidated financial statements of TKH are listed below, including the segment in which they operate. All of the subsidiaries are wholly owned, unless indicated otherwise. The following German subsidiaries included in TKH's consolidated financial statements make use of the exemption in § 264 (3), § 264 (b) HGB to prepare, audit, and publish individual annual accounts. TKH Deutschland GmbH is not required to prepare consolidated annual accounts pursuant to § 291 HGB.

TKH Security GmbH, Allied Vision Technologies GmbH, TKF GmbH, Augusta Technologie GmbH i.L., Chromasens GmbH, Dewetron Deutschland GmbH, EEB Kabeltechnik GmbH, EFB Elektronik GmbH, EFB Elektronik Real Estate B.V. & Co KG, Ernst & Engbring GmbH, HE System Electronic GmbH, IV-Tec GmbH, Lakesight Technologies Holding GmbH, Lakesight Technologies German Holding GmbH, LMI Technologies GmbH, Sensor to Image GmbH, New Electronic Technology GmbH, Profipatch GmbH, Schneider Intercom GmbH, SVS-Vistek GmbH, Texim Europe GmbH, TKD Immobilien GmbH, TKH Airport Solutions GmbH, TKH Deutschland GmbH, TKH Deutschland Verwaltungs GmbH, TKH Grundstücksverwaltungs B.V. & Co KG, TKH Deutschland Service GmbH, TKH Technologie Deutschland AG.

The following UK subsidiaries are controlled and consolidated by the group, where the Directors have taken the exemption from having an audit of their financial statements for the year ended December 31, 2023. This exemption is made in accordance with the UK Companies Act, S479A.

Commend UK Ltd., TKH Security UK Ltd., TKH Security Ltd.

Smart Vision systems		Smart Manufacturing systems		Smart Connectivity systems		TKH Group Support
Alphatronics	Allied Vision	Dewetron	Texim Europe	E&E	Isolectra	TKH Group
C&C Partners	Chromasens	EKB	VMI	EFB	TFO	TKH Finance
Commend Group	LMI Technologies	HE System Electronic		Intronics	TKF	TKH Logistics
Mextal	Net GmbH			TKH Airport Solutions	CAE [2]	TKH Artifical Intelligence
TKH Security	SVS-Vistek					
Techno Specials	Euresys [1]					
Tattile						

1 Consolidated as from May 2023.
2 Consolidated up to and including September 2023.

Independent auditor's report

To: the shareholders and supervisory board of TKH Group N.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements for the financial year ended 31 December 2023 of TKH Group N.V. based in Haaksbergen, the Netherlands. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of TKH Group N.V. as at 31 December 2023 and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of TKH Group N.V. as at 31 December 2023 and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2023
- The following statements for 2023: the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in group equity and consolidated cash flow statement
- The notes comprising material accounting policy information and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2023
- The company statement of profit and loss for 2023
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of TKH Group N.V. (hereinafter also referred to as the company or the group) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

TKH Group N.V. is an internationally operating technology company and heads a group of operating companies and we have tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment. We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 9.5 million (2022: EUR 9.3 million)
Benchmark applied	4% of earnings before interest, taxes, impairments and amortization (EBITA) (2022: 4% of EBITA)
Explanation	We applied earnings before interest, taxes, impairments and amortization (EBITA) as benchmark as in our perception, it is an important and stable performance indicator for the company and the users of the financial statements.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.
We agreed with the supervisory board that misstatements in excess of EUR 440,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

TKH Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Following our assessment of the risk of material misstatement to the consolidated financial statements, we have selected sixteen components which required an audit of the complete set of financial information (full scope components). Furthermore, we selected nine components requiring audit procedures on specific account balances that we considered had the potential for the greatest impact on the group financial statements, either because of the size of these accounts or their risk profile (specific scope components). The audit of the Dutch operating companies within the scope of the group audit was performed by ourselves. With the exception of four operating companies in Germany and one in Finland, the audit of the foreign operating companies in scope of our audit were performed by teams of EY Global member firms. We provided the foreign component teams with detailed instructions and the component teams performed their audit procedures on the basis of those instructions and reported the results of their audit procedures to us.

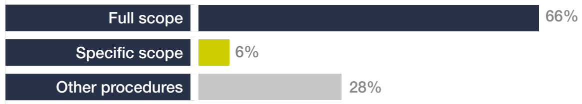
Component performance materiality was determined using professional judgment, based on the relative size of the component and our risk assessment. Component performance materiality did not exceed EUR 2.6 million and the majority of our component auditors applied a performance materiality that is significantly less than this threshold. We performed audit procedures ourselves on certain accounting areas managed centrally, such as goodwill and other intangibles of acquired companies, business combinations and valuation of deferred tax assets arising from unused tax losses.

We have performed physical site visits to components in Belgium, Germany, and Poland, where we have had sessions with local management and/or the component auditors. We discussed the business activities, the identified significant risks and performed a review on relevant parts of the component auditor's key audit documentation. Furthermore we reviewed key working papers of EY component auditors in Canada and Germany using the EY electronic audit file platform. We have had regular conferencing calls with the all the component auditors and evaluated their reporting.

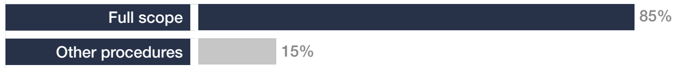
For the remaining components, we performed selected other procedures, including analytical reviews and test of details to respond to potential risks of material misstatements to the financial statements that we identified.
As a result of our scoping of the consolidated financial statement, specific account balances and the performance of audit procedures at different levels in the organization, our actual coverage varies per financial statement account balance and the depth of our audit procedures per account balance varies depending on our risk assessment.

Accordingly, our audit coverage, for selected account balances included in the key audit matters stated below and the measurement basis of our materiality, are summarized as follows:

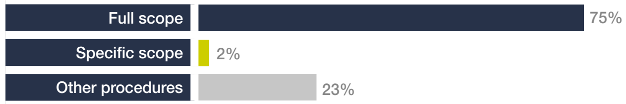
EBITA



Over-time revenue



Capitalized development cost



By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client like TKH Group N.V. We included specialists in the areas of IT audit (including cybersecurity), corporate governance (including remuneration), sustainability, IFRS accounting, valuation of goodwill and intangible assets of acquired companies, real estate, share based payments, taxes and forensics.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda. Issues such as CO_2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets (stranded assets) and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO_2 footprint.

Management summarized the TKH Group N.V.'s commitments and obligations, and reported in the section 'Sustainability statements' of the management report how TKH is addressing climate-related and environmental risks.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and the TKH Group N.V.'s commitments and (constructive) obligations, are taken into account in estimates and significant assumptions. Furthermore, we read the management report and considered whether there is any material inconsistency between the non-financial information in section 'Sustainability statements' and 'Risk Management' and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at 31 December 2023.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company. and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes.

We refer to section 'Risk Management' of the management report for management's (fraud) risk assessment and section 'Report of the Supervisory Board' in which the supervisory board reflects on this (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.
We incorporated elements of unpredictability in our audit.

We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all companies. For these risks we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note 1 'Accounting principles' to the financial statements.
We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

The following fraud risk identified required significant attention during our audit.

We considered available information and made enquiries of relevant executives, directors (including internal audit, head legal affairs, and compliance officer) and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Presumed risk of fraud in revenue recognition	
Fraud risk	We presumed that there are risks of fraud in revenue recognition. We evaluated the pressure and incentive from quantitative targets and expectations from shareholders as revenue is considered one of the key performance indicators. We evaluated that a material misstatement may result from the over-time revenue from contracts with customers in particular, through inappropriate estimations around the percentage of completion, including the cost to come and the expected result of the projects.
Our audit approach	We describe the audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter "Over-time revenue recognition, and related valuation of contract assets and contract liabilities".

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the executive board, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

Given the company is a global organization, operating in multiple jurisdictions, in our assessment of the risk of non-compliance with laws and regulations, we also considered the potential risk from TKH Group N.V.'s interactions with third-party distributors. We refer to section 'Risk Management' in the management board report. Our audit approach included the following steps:

- Obtain an understanding of the environment and the company to enable the detection of non-compliance with laws and regulations related to bribery and corruption;
- Obtain an understanding of the internal control environment and the measures for mitigating those risks (by the company) in the light of applicable anti-corruption laws and regulations;
- Executed substantive audit procedures in order to obtain adequate evidence for the mitigation of the risk of non-compliance with laws and regulations related to bribery and corruption.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Over-time revenue recognition, and related valuation of contract assets and contract liabilities	
Risk	Revenue is one of the key performance indicators of the company's performance and considered a focus of the users of the financial statements. TKH Group N.V. manufactures products, which vary from special cable systems to integrated systems for the manufacturing of car and truck tires, whereby revenues have a fixed contract price and are recognized over-time. This results in the recognition of contract assets and liabilities per reporting date and prompting management to make estimates of the percentage of completion of the projects, as well as the cost to come and the expected result of the projects. This process involves relative complex estimations and requires judgment. Over-time revenue is recognized in all three segments, being Smart Vision systems, Smart Connectivity systems and Smart Manufacturing systems. As mentioned in the section 'Our audit response related to fraud risks' above we identified a fraud risk of accelerating revenues through inappropriate estimations around the percentage of completion, including the cost to come and the expected result of the projects. Given the focus of users of the financial statements and the identified fraud risk, we consider improper revenue recognition a key audit matter. Further reference is made to section 'Turnover' in the notes to the consolidated financial statements , and note 22, 'Information by segment', to the consolidated financial statements.
Our audit approach	Our procedures included, among others, auditing the application of the revenue recognition standard IFRS 15 'Revenue from Contracts with Customers', and whether the accounting policies have been applied consistently. We have obtained and updated our understanding of the revenue recognition process within the different segments, and evaluated the company's controls relevant to revenue recognition. Furthermore, we have conducted the following substantive audit procedures with respect to the identified risks: • We evaluated management's assessment in relation to revenue recognition of projects recorded over-time, by challenging the assumptions, performing back-testing procedures on previous assessments, evaluating the percentage of completion and auditing the adequacy of capitalized costs on projects; • We performed margin analyses per significant revenue stream and product line; • We performed test of details on individual revenue transactions in which we tested the proper identification of contractual arrangements, allocation of revenue to the specific arrangements and cut-off; • We evaluated management's estimate of the cost to come, including discussion with project managers and reconciliations to supporting evidence; • We evaluated the adequacy of revenue-related disclosures, including the disclosures related to contract assets and contract liabilities.
Key observations	We consider management's assumptions relating to determine the percentage of completion of the projects, including the cost to come and the expected result of the projects to be within an acceptable range.

Our audit response related to going concern

As disclosed in section Going concern in note 1 'Accounting principles' to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the executive board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the executive board exercising professional judgment and maintaining professional skepticism. We considered whether the executive board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matters did not change.

Valuation of capitalized development costs related to new innovation projects in development	
Risk	TKH Group N.V. is investing in the development of new technologies. At 31 December 2023, the total carrying value of capitalized product development cost amounted to EUR 137 million. As such, TKH Group N.V. has capitalized a significant amount of product development costs, in accordance with IAS 38 'Intangible assets'. Management is required, for projects which are in development, to test these capitalized development costs for impairment at least annually, or more frequently if there is an indication for impairment. We focused on the development projects related to new innovation projects which are in development as these do not yet generate sales and as such there is a higher level of judgment involved in setting the significant assumptions in determining the value in use to support the carrying value. We identified a higher risk of overstatement of the capitalized development costs, specifically related to new innovation projects which are in development phase, and given the amounts involved, we consider this a key audit matter. Further reference is made to section 'Intangibles assets and goodwill' in the notes to the consolidated financial statements , and note 3, 'Intangible assets and goodwill', to the consolidated financial statements.
Our audit approach	Our procedures included, among others, auditing the application of the intangible assets standard IAS 38 'Intangible assets', and whether the accounting policies have been applied consistently. We have obtained and updated our understanding of the impairment process, and evaluated the company's controls relevant to the impairment process. Furthermore, we have conducted the following substantive audit procedures with respect to the identified risks : • We assessed and tested the assumptions, methodology (discounted cash flow model) and data used by the company in calculating the value in use of the investments in new innovation projects in development; • We performed a sensitivity analysis by stress testing key assumptions, among others, discount rate and expected growth rates, to consider the degree to which the assumptions would need to change before an impairment would have to be recognized. Based on these sensitivity analysis, our main focus was on those development projects in new innovations with limited headroom; • We gained a more in-depth understanding of the development stage of these projects in new innovations as well as the projected financial information used in management's assessment of whether the value in use exceeds the carrying value; • We assessed and tested the key assumptions with our main focus on discount rate, market size and share and expected development costs by comparing to historical or market information; • We performed backtesting procedures on previous impairment analysis on the key assumptions in management's forecast; • We evaluated the adequacy of the company's disclosures relating to capitalized development costs.
Key observations	We consider management's assumptions to be within a reasonable range. We agree with management's conclusion that the carrying value of the development costs related to new innovation projects in development is reasonable.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. The executive board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the general meeting as auditor of TKH Group N.V. on 14 May 2014, as of the audit for the year 2015 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

TKH Group N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in the XHTML format, including the (partially) marked-up consolidated financial statements as included in the reporting package by TKH Group N.V., complies in all material respects with the RTS on ESEF.

The executive board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the executive board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.
We performed our examination in accordance with Dutch law, including Dutch Standard 3950N, "Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument" (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:
- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF.
  - Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the executive board is responsible for such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:
- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 4 March 2024
Ernst & Young Accountants LLP
Signed by W.M. Braakman

Limited assurance report of the independent auditor on selected non-financial key performance indicators

To: the shareholders and supervisory board of TKH Group N.V.

Our conclusion

We have performed a limited assurance engagement on selected non-financial key performance indicators (hereinafter: the selected indicators) in the annual report for the year 2023 of TKH Group N.V. at Haaksbergen.

Based on our procedures performed and the assurance information obtained, nothing has come to our attention that causes us to believe that the selected indicators are not prepared, in all material respects, in accordance with the applicable criteria as included in the section “Criteria”.

The selected indicators consist of the following as included in the table on page 42 of the annual report:

- Carbon Footprint (CO_2e emissions)
- Percentage waste of most relevant raw materials, compared to total relevant material consumption
- Recycling most relevant raw materials
- Percentage of female members in executive and senior management teams
- Accident Rate (LTIFR)
- Illness rate
- Employee satisfaction score
- Number of employees with disabilities and/or disadvantages on the labor market
- Customer satisfaction score
- Employees acting in accordance with Code of Conduct
- Code of Supply signed by suppliers

Basis for our conclusion

We have performed our limited assurance engagement on the selected indicators in accordance with Dutch law, including Dutch Standard 3000A ’Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)’ (Assurance engagements other than audits or reviews of historical financial information (attestation engagements)). Our responsibilities in this regard are further described in the section ‘Our responsibilities for the assurance engagement on the selected indicators’ of our report.

We are independent of TKH Group N.V. in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics for Professional Accountants).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Criteria

The criteria applied for the preparation of the selected indicators are the criteria developed by TKH Group N.V. and are disclosed in the “Non-financial Reporting Process and Methods” section of the annual report. The comparability of selected indicators between entities and over time may be affected by the absence of a uniform practice on which to draw, to evaluate and measure this information. This allows for the application of different, but acceptable, measurement techniques.

Consequently, the selected indicators need to be read and understood together with the criteria applied.

Corresponding information not assured

The selected indicators for the period up to and including 2020 have not been part of an assurance engagement. Consequently, the corresponding selected indicators and thereto related disclosures for the period up to and including 2020 are not assured. Our conclusion is not modified in respect of this matter.

Limitations to the scope of our assurance engagement

Our assurance engagement is restricted to the selected indicators. We have not performed assurance procedures on any other information as included in the annual report in light of this engagement.

The selected indicators include prospective information such as ambitions, strategy, plans, expectations and estimates. Prospective information relates to events and actions that have not yet occurred and may never occur. We do not provide assurance on the assumptions and achievability of this prospective information.

The references to external sources or websites are not part of our assurance engagement on the selected indicators. We therefore do not provide assurance on this information. Our conclusion is not modified in respect of these matters.

Responsibilities of the executive board and the supervisory board for the selected indicators

The executive board is responsible for the preparation of the selected indicators in accordance with the criteria as included in the section "Criteria" of our report. The executive board is also responsible for selecting and applying the criteria and for determining that these criteria are suitable for the legitimate information needs of the intended users, considering applicable law and regulations related to reporting. The choices made by the executive board regarding the scope of the selected indicators and the reporting policy are summarized in section "Non-financial Reporting Process and Methods" of the annual report.

Furthermore, the executive board is responsible for such internal control as it determines is necessary to enable the preparation of the selected indicators that are free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the reporting process of the selected indicators of TKH Group N.V.

Our responsibilities for the assurance engagement on the selected indicators

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Our assurance engagement is aimed to obtain a limited level of assurance to determine the plausibility of the selected indicators. The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance that is obtained when a reasonable assurance engagement is performed.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

Our assurance engagement included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of the sector, insight into relevant sustainability themes and issues and the characteristics of the company as far as relevant to the selected indicators
- Evaluating the appropriateness of the criteria applied, their consistent application and related disclosures on the selected indicators. This includes the evaluation of the reasonableness of estimates made by the executive board
- Obtaining through inquiries a general understanding of the internal control environment, the reporting processes, the information systems and the entity's risk assessment process relevant to the preparation of the selected indicators, without testing the operating effectiveness of controls
- Identifying areas of the selected indicators where misleading or unbalanced information or a material misstatement, whether due to fraud or error, is likely to arise. Designing and performing further assurance procedures aimed at determining the plausibility of the selected indicators responsive to this risk analysis. These procedures consisted amongst others of:
    - Making inquiries of management and relevant staff at corporate and business level responsible for the sustainability strategy, policy and results relating to the selected indicators
    - Interviewing relevant staff responsible for providing the information for, carrying out controls on, and consolidating the data in the selected indicators
    - Obtaining assurance evidence that the selected indicators reconcile with underlying records of TKH Group N.V.
    - Reviewing, on a limited sample basis, relevant internal and external documentation
    - Considering the data and trends in the information submitted for consolidation at corporate level
- Reading the information in the annual report that is not included in the scope of our assurance engagement to identify material inconsistencies, if any, with the selected indicators
- Considering whether the selected indicators are presented and disclosed free from material misstatement in accordance with the criteria applied.

Amsterdam, 4 March 2024
Ernst & Young Accountants LLP
Signed by J. Niewold

Stichting Administratiekantoor TKH Group

The purpose of Stichting Administratiekantoor TKH Group ("TKH Trust Foundation Office") is to acquire and hold in trust ordinary shares in TKH Group N.V. ("TKH"), a public company with its registered office in Haaksbergen (the Netherlands), in exchange for the allocation of convertible, registered depositary receipts for shares. In accordance with the provisions of article 7.1.3 of the Terms and Conditions of TKH Trust Foundation Office governing the shares of TKH, TKH Trust Foundation Office reports on the activities during the year under review (2023) exclusively in relation to the administration of shares for which depositary receipts were issued. The total nominal value of the ordinary shares of TKH held in administration amounted to € 10,519,471.00 on December 31, 2023, in exchange for which 42,077,884 depositary receipts for shares[1], with a nominal value of € 0.25 each, were issued.

Meetings of the Board

The Board of TKH Trust Foundation Office met three times during the financial year. The topics discussed in the meeting on March 23 were the Annual General Meeting of Shareholders ("AGM") 2023 and the TKH Annual Report 2022. The annual accounts 2022 of TKH Trust Foundation Office have been discussed, approved, and adopted. The retirement schedule was also discussed. During the meeting, the procedure was confirmed for the vacancy due to arise in mid-2023, following Mr. J.S.T. Tiemstra's end of term (who is available for reappointment). The Board reappointed Mr. Tiemstra as a member of the Board of TKH Trust Foundation Office for a period of two years commencing on July 1, 2023.

1 The number of depositary receipts for shares has decreased by 4,828 compared to December 31, 2022, due to the conversion of 4,828 depositary receipts for shares into ordinary shares.

During the meeting on April 25, the agenda items of the AGM 2023 were discussed. The Board decided on its preliminary voting intentions prior to the actual deliberations of the meeting. Holders of depositary receipts for shares in the capital of the company were given the opportunity to vote independently on the agenda items voted on at the AGM in respect of the shares represented by their depositary receipts and subject to the relevant statutory provisions. Holders of depositary receipts of shares collectively representing 54.5% of the capital entitled to vote requested a proxy from TKH Trust Foundation Office to vote independently on the shares in question by giving voting instructions to TKH Trust Foundation Office. TKH Trust Foundation Office voted for the remaining 31.6% of the capital entitled to vote. The Board of TKH Trust Foundation Office decided to vote in favor of all agenda items for those shares for which no voting instructions were received.

In the meeting of October 4, 2023, the Executive Board of TKH gave an explanation of the published interim figures for 2023. The budget for the next financial year of TKH Trust Foundation Office was also discussed and approved.

The Board of TKH Trust Foundation Office

The Board of TKH Trust Foundation Office currently consists of three independent members:

- Mr. G.W.Ch. Visser, *Chairman*
- Mr. J.S.T. Tiemstra
- Mr. C.M. Jaski

The personal details of the members of the Board and the retirement schedule can be found on the TKH Trust Foundation Office website.

Contact details

Address: Spinnerstraat 15, 7481 KJ Haaksbergen (the Netherlands)
Website: www.stichtingadministratiekantoortkh.com
Email: stak@tkhgroup.com

Haaksbergen, March 25, 2024

TKH Trust Foundation Office
The Board

Statement of independence

The Executive Board of TKH Group N.V. and the Board of TKH Trust Foundation Office, jointly and severally, state that they are of the opinion that TKH Trust Foundation Office is a legal entity that is independent of TKH Group N.V. within the meaning of Section 5.71(1)(d) of the Financial Supervision Act.

Haaksbergen, March 25, 2024
TKH Group N.V.
The Executive Board

Haaksbergen, March 25, 2024
TKH Trust Foundation Office
The Board

Stichting Continuïteit TKH

The purpose of Stichting Continuïteit TKH ("Continuity Foundation") is to serve the interests of TKH Group N.V. ("TKH") and all the businesses affiliated with TKH, in such a way that those interests are safeguarded to the greatest possible extent and that any influences which could undermine the independence, continuity, or identity of TKH and its affiliated companies in conflict with those interests are averted to the greatest possible extent, as well as to avoid any activities related to or conductive to the above.

By means of a call option, TKH has granted the Continuity Foundation the right to acquire cumulative protective preference shares in TKH, subject to a maximum of 50% of the amount of the other shares outstanding at the time of the placement of the protective shares, or 100% should the limitation on the conversion of depositary receipts cease to apply. The protective shares should not remain outstanding longer than is strictly necessary. In the event that TKH shareholders acquire a degree of control that is considered undesirable and is not in the interests of TKH and its affiliated companies, or there is a danger of them doing so, TKH's Executive and Supervisory Board will be at liberty – among other things – to determine their degree of control, to consider and explore possible alternatives, and to elaborate on these if necessary. The Continuity Foundation did not acquire any cumulative protective preference shares in TKH in 2023.

TKH has also granted the Continuity Foundation the right to initiate an inquiry procedure in the event that the Continuity Foundation believes there are grounds to doubt the policy pursued by TKH and the state of affairs prevailing in TKH, and that in invoking this right it would be acting in the interests of TKH and the businesses associated with it.

The Board of the Continuity Foundation

The Board of the Continuity Foundation consists of:

- Mr. M.P. Nieuwe Weme, *Chairman*
- Ms. S. Drion
- Mr. A. Nühn MBA
- Mr. A.J.M. van der Ven

Haaksbergen, March 25, 2024
Continuity Foundation
The Board

Statement of Independence

The Executive Board of TKH Group N.V. and the Board of the Continuity Foundation, jointly and severally, state that they are of the opinion that the Continuity Foundation is a legal entity that is independent of TKH Group N.V. within the meaning of Section 5.71(1)(c) of the Financial Supervision Act.

Haaksbergen, March 25, 2024
TKH Group N.V.
The Executive Board

Haaksbergen, March 25, 2024
Continuity Foundation
The Board

Non-financial reporting process and methods

Reporting criteria: GRI Standards

The non-financial information included in this annual report has been prepared with reference to the Global Reporting Initiative (GRI) standards. We focus on topics that have been an integral part of our Environmental, Social, and Governance (ESG) policy. An overview of the GRI disclosures covered in this report is available on TKH's website (www.tkhgroup.com/en/csr). This overview provides more information on the nature and scope of reporting per GRI disclosure (e.g. quantitatively or qualitatively). The content and definition of the non-financial information included in this report are based on the materiality analysis whereby TKH focuses on the most material topics that are closely linked to TKH's strategy and business operations. The GRI guidelines have been used to define and set our KPIs. These guidelines stress the need to make an accurate assessment of the issues that are sufficiently important for a company to report on. The significance (materiality) of the issues that are ultimately selected is determined by analyzing the impact of the key data on people, the environment, and society, in relation to the value stakeholders attach to these issues. The results are presented in the materiality matrix included in the chapter stakeholder analysis. We monitor our objectives using a dashboard in our internal reporting system and evaluate the results every quarter during meetings with our operating companies. ESG is also part of the annual budgeting process.

Reporting period and reporting frequency

In the Report of the Executive Board (which is part of the TKH annual report 2023), we provide an overview of, among other things, our sustainability performance during the year under review from December 1, 2022 up to and including November 30, 2023. KPIs related to HR data are based on the calendar year 2023. This report presents both quantitative and qualitative data. TKH uses a different reporting period for some of the KPIs because the process requires more time as a result of the operating and reporting structure. This ensures that the reported data are reliable and adequate.

Reporting process

The annual report 2023, including all material aspects, is prepared by the Executive Board and discussed with the Supervisory Board. TKH uses the Cognos reporting system for non-financial information (including CO_2e, energy consumption, waste, safety, suppliers and HR), which is the same system used for the financial reporting. The reporting processes and definitions used by TKH have been formalized in our Sustainability Reporting Manual, which provides guidance on how to collect, consolidate, and report data.

Scope and changes compared to last year

The ESG policy was updated in 2023. The policy changes, mainly related to updates of the GRI standards, the ESRS, and our CO_2e footprint calculation, are described below for each specific topic. There are no material changes to the measurement processes compared to past reporting. For some sustainability criteria, the divestment of activities or the integration of companies has impacted our sustainability performance. Where relevant, these effects are explained. There have been no material changes in structure or ownership of consolidated entities either. Unless otherwise stated, the data are based on all our domestic and international operating companies. We explicitly mention it when this is not the case. The acquired operating companies will start reporting on ESG in accordance with the TKH reporting structure in the year following the acquisition. Companies in which TKH has a minority ownership stake, including joint ventures, are not included in the sustainability statements. We consolidated data for the non-financial report using the same system as for the consolidated financial data.

Reporting non-financial key performance indicators

This chapter provides further information on TKH's main non-financial key performance indicators. Other quantitative indicators, disclosures on the reporting scope, and methods used are given elsewhere in this report.

Energy consumption and CO_2e emissions

To measure and report the CO_2e emissions, we use the different scopes of the Greenhouse Gas (GHG) Protocol.

- Scope 1 covers the direct CO_2e emissions caused by the fuels that we purchase and consume, and mainly concerns gas, gasoline, and diesel (including company cars).
- Scope 2 covers the indirect CO_2e emissions from electricity consumption.
- Scope 3 covers the indirect CO_2e emissions from business travel by plane (category 6), waste generated from operations (category 5), and fuel- and energy-related activities (category 3).

We continue to focus primarily on Scopes 1 and 2, because these are within our direct control as they concern our own operations. We have expanded our internal dashboard and calculation model with components from Scope 3. TKH calculates the energy consumption and CO_2e emissions associated with our energy consumption using conversion factors from reputable and authoritative sources (www.co2emissiefactoren.nl). TKH uses tank-to-wheel emission factors for scopes 1 and 2, and the well-to-tank (WTT) emission factors for scope 3. For the calculation of CO_2e emissions from business travel for scope 3, TKH uses well-to-wheel (WTW) emission factors. TKH calculates the emissions for scope 3 category 5 waste generated in own operations, based on DEFRA conversion factors, assuming that half of the other waste is landfilled and half is combusted. All conversion factors are reviewed annually and updated if necessary. The energy consumed by forklifts is considered negligible and is therefore not included in TKH's overall energy consumption and related CO_2e emissions. The consolidated energy consumption and CO_2e emissions are based on activity data, which in turn are based mostly on meter readings, invoices, and data provided by suppliers. Where reliable data are not available, TKH uses calculations or estimates based on reliable methods and input data. The reported CO_2e emission reductions are compared to the reference year 2019.

The EU Energy Efficiency Directive (2012/27/EU) requires member states to ensure that large companies undergo an energy audit. The energy audit is a systematic, four-yearly approach to gathering information about a company's current energy consumption. We use input from those TKH operating companies that fall within the defined scope and are required to carry out a mandatory energy audit for our reporting on energy reductions and future improvement plans.

Waste and recycling

The scope of waste and recycling reporting covers the main raw materials leaving TKH's production sites, mainly based on waste tickets and data provided by suppliers. We use reliable methods to either measure, calculate, or estimate waste in our reporting. The main raw materials we use are copper, plastic, and aluminum.

Environmental compliance

The products supplied by TKH comply with the European REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation and RoHS (Restriction of Hazardous Substances in Electrical and Electronic Equipment) directive. REACH is a European system for registering, evaluating (risks to people and the environment), and authorizing chemical substances in Europe. RoHS is a European directive that prohibits the use of certain hazardous substances in electrical and electronic devices.

Suppliers

TKH reports the percentage of strategic suppliers that agree to comply with TKH's Code of Supply. Strategic suppliers are defined as external suppliers with an annual purchase volume of over € 1 million a year.

Customer satisfaction

The customer satisfaction score reported (maximum score of 10) is based on the outcome of the most recent customer satisfaction surveys conducted by an external research company. Each year, a number of operating companies conduct the survey. A survey reflects the customer base of the respective operating company. The customer satisfaction score reported in 2023 reflects surveys from the period 2020-2023 and is based on the weighted average of the responses from all customers in this period.

Human rights

In the context of human rights, TKH conducts its business activities in accordance with the Universal Declaration of Human Rights. We refer readers to our Code of Conduct and the Code of Supply (both can be downloaded from our website www.tkhgroup.com). We rely on the OECD Guidelines to steer us on issues such as supply chain responsibility, human rights, child labor, and the environment.

Transparency

We provide input to the Transparency Benchmark information platform, an initiative of the Ministry of Economic Affairs and Climate. The Dutch government asks companies to be transparent about their ESG policies and activities. Through the Transparency Benchmark, the ministry sheds light on how the largest Dutch companies report on their ESG activities. We also consult the “spearhead letters” from advocates on issues related to sustainability and governance, such as those from VBDO, Eumedion, and VEB, as a guideline for further transparency.

Business conduct

TKH has selected the number of reported breaches of the Code of Conduct as a KPI for business conduct. The scope includes all employees on TKH's payroll. The Code of Conduct is published on our website. We have established a procedure, our published whistleblower procedure, that enables employees to report any suspicion of conduct that is unlawful and/or contrary to the Code of Conduct. Reports are reviewed and investigated by the local Confidential Officer and/or the Group Compliance Officer. If deemed necessary, disciplinary and mitigating measures are taken. External parties can also report to the Group Compliance Officer.

Human resources (HR)

HR data are obtained every quarter. HR data are derived from the HR accounts held by TKH's operating companies. The following methodology is used to calculate TKH's illness rate. All entities within TKH report the number of days of absence (at least one day) divided by the number of total working days, resulting in a percentage. All cases of absence related to illness are included except pregnancy leave. Following this, in order to calculate the illness rate at consolidated level, the reported percentage by each entity is multiplied by the number of FTE working at the entity as per 31 December of the reporting year. Next, the consolidated balance is divided by the total number of FTE at TKH as per 31 December of the reporting year. Through this, the weighted average illness rate is calculated at a consolidated level. The reported illness rate covers all employees on TKH's payroll, excluding employees of third-party contractors and joint ventures. The illness rate is reported at group level and not specified by region or gender.

The number of employees with a disability and/or disadvantage in the labor market covers all employees on TKHs payroll excluding third party contractors and joint ventures as per 31 December of the reporting year. Disability is an umbrella term that covers illnesses/disorders, activity limitations, and participation restrictions. An illness/disorder is a problem in the function or structure of the body. An activity limitation is a difficulty encountered by an individual in executing a task or action. A participation restriction is a problem experienced by an individual in participating in life situations that result in a disadvantage on the labor market.

The 2023 employee satisfaction score (maximum 10) is based on the outcome of the most recent employee satisfaction surveys conducted by an external research company. Each year, a number of operating companies conduct the survey. The employee satisfaction score reported in 2023 reflects surveys from the period 2020-2023 among 3,506 FTEs, representing 54% of the total FTEs at our own payroll excluding temporary personnel, and is based on the weighted average of the responses from all employees in this period.

The sustainability report contains data on the gender balance in executive and senior management positions. These positions are defined as follows:

- Executive management: statutory management director level (reporting directly to the Executive Board).
- Senior management: managers who are members of organization’s management team and responsible for specific business units or departments (e.g. finance, marketing, and production).
- Middle management: the link between the senior management and the lower operational levels of the organization.
- Operational workforce: other staff.

Safety

TKH defines its Lost Time Injury Frequency Rate (LTIFR) as the number of incidents resulting in at least one day’s absence from work without the possibility of any replacement, per million hours worked. Reportable incidents are based on actual occurrences and are never extrapolated or estimated. Despite a range of measures and an open safety culture, there is an inherent risk of under-reporting accidents, because of self-reporting of accidents (in most cases). Reported hours are measured, calculated, or estimated. The absolute number of serious accidents reported covers all employees on TKH’s payroll, excluding employees of third-party contractors and joint ventures. The LTIFR is reported at group level and not specified by region or gender.

Verification and internal control

The data has been audited for plausibility and progress by the responsible company officers using the Cognos financial reporting model. The data has been verified by TKH’s financial department. All reported differences greater than 10% compared with the previous year have been explicitly investigated. TKH's Internal Audit Department carries out internal audits on the processes to be carried out and the accuracy of the data as a permanent part of its work program. Internal Audit has paid specific attention in its audit work to compliance with the Code of Conduct in our operating companies and the implementation of the Code of Supply at strategic suppliers. External expertise is sought for specific sustainability issues. TKH appointed Ernst & Young Accountants LLP (EY) to provide independent assurance on non-financial KPIs to provide assurance to TKH’s stakeholders on TKH’s non-financial information. TKH has obtained limited assurance for the KPIs included in the “Sustainability Statements” section on page 41 of the annual report 2023.

Trends

In our business operations, we focus on external and internal factors, analyzing trends that can affect our activities and operations. We then assess the opportunities and threats and see how we can add value for our stakeholders, the environment and society in general.

Stakeholder dialogues and materiality matrix

TKH regularly engages in dialogue with various stakeholders on topical and social issues. The different backgrounds of our stakeholders and their knowledge of TKH and the environment in which we operate is a good starting point for engaging in dialogue. It provides useful insights into stakeholders' interpretations of current topics affecting TKH and topics being affected by TKH. We also use the dialogue to broaden our understanding of our stakeholders’ needs and expectations. In addition, stakeholder engagement helps us to make better use of opportunities and identify risks in a timely manner. The dialogue is also useful to clarify specific issues and thus build support for them or, in certain cases, to create understanding when an issue is given less priority in our business operations. The results of these dialogues are also included in the review of the materiality matrix. The Executive Board is closely involved in determining which topics are material themes and how much weight they are ultimately given by TKH.

The results of the stakeholder dialogues are included in the materiality matrix in the stakeholder analysis part of this annual report. We have ranked the topics that were considered important to all stakeholder groups (vertical axis), those that have the greatest impact on TKH (horizontal axis), and those that are priorities in our strategic roadmap. We measure and report on material issues. Issues that are considered less or not material are managed in our organization, without further numerical substantiation in the annual report.

The sources we consult to identify and review material aspects each year include:

- Strategic stakeholder dialogues
- Investor relations meetings on ESG
- General governance assumptions
- Topics suggested by civil society organizations such as VBDO, VEB, and Eumedion
- Guidelines from the Global Reporting Initiative (GRI) and international guidelines such as the OECD’s Guidelines for Multinational Enterprises and the UN’s Sustainable Development Goals
- Sustainability rating agencies such as the Carbon Disclosure Project (CDP), MSCI, Sustainalytics, and EcoVadis

External reporting

We have provided input to the CDP, MSCI, EcoVadis, and Sustainalytics. In terms of the circular economy, we endorse the objectives set by the Netherlands in the circular innovation program "Plastic and rubber in the underground infrastructure," as well as the "Mission Statement Fair Infra" issued by Dutch infrastructure companies.

Dilemmas

Various groups are developing an increasing number of sustainability initiatives that require a greater contribution from industry. We accept this responsibility, but continue to link it to our business operations, so we can also make a material contribution to the sustainability initiatives and thus create the necessary support. In some cases, this leads to a conscious decision not to focus on certain issues or to refrain from participating when asked. In certain markets, price is still a key driver, and there may be implicit reasons for reducing ESG efforts. In such situations, it is a challenge to convince stakeholders of the importance of sustainability, which may drive up the price. Reducing our energy consumption calls for the careful coordination of our manufacturing processes, and these processes, in turn, are dictated by current demand. Over the past few years, we have focused strongly on reducing energy consumption, as a result of which, we have successfully implemented several reduction plans. It is therefore becoming increasingly challenging to develop new reduction plans to achieve greater savings. Furthermore, the expansion of our production facilities and the consolidation of our activities into one site have increased our energy consumption relative to the output produced, as this consumption is not yet fully offset by the return on these investments. The amount of waste we produce is also subject to a "learning curve" as our production equipment needs to be properly aligned with the production of innovative, high-quality new cable types. The quality requirements of the product are a priority in that respect, and this can tip the balance away from our waste reduction targets. Increasingly, we are being asked to provide data on external information platforms and portals. Due to price-sensitive (inside) information and competition-sensitive information, it is not always possible to honor all requests. We take a selective approach to lending our cooperation and make considered decisions about the information we publish. In the case of external ratings on sustainability, TKH is often rated by peers in the production/manufacturing industry. TKH's activities focus increasingly on in-house technology development, in which the software component plays an increasingly important part. For this reason, the ratings give a distorted picture and require additional communication by our organization.

ESG in the organization

To safeguard the ESG policy, the Executive Board is directly involved in ESG developments in the TKH organization, and executive remuneration is linked to ESG and sustainability performance (see also "Remuneration Report"). TKH's Director of Sustainability is responsible for developing and implementing the ESG strategy and policies for the TKH Group. ESG is a standard item on the agenda at TKH's Management Board meetings, where the Director of Sustainability has a seat. There is close cooperation with the Director of Finance & Control, who is also a member of the Management Board. There is also close cooperation with TKH's Internal Audit Department in relation to the auditing of ESG issues during the internal audits. New ESG initiatives are preferably developed in working groups. This expedites the building of support within the TKH Group and makes implementation more efficient and effective. Commercial managers are always involved in value chain initiatives to guarantee a pragmatic approach. In conducting the stakeholder dialogues, we work with executives from our operating companies, business line managers, account managers, and HR. Contact persons of the Confidential Officers rely on the operation of the TKH Code of Conduct and the associated whistleblower regulations. If a report is made to an operating company that identifies unacceptable behavior, the Confidential Officer of the operating company will immediately notify the Compliance Officer of TKH Group, who is the central point of referral for integrity issues. The latter, acting together with the Executive Board, will deal with the report and, if desired, will consult the company Confidential Officer of the subsidiary in question. After reviewing report, the Executive Board will make a decision in consultation with the board of the operating company in question or a representative of that board. The whistleblower scheme can be downloaded from the TKH website. We discuss issues concerning the Code of Supply with purchasing managers. If a supplier fails to meet one or more of the requirements in the code, action must be taken to ensure that the supplier will become compliant in an effective and efficient way as soon as possible. If the supplier refuses to cooperate or fails to make sufficient progress toward complying with the code, TKH will reconsider its partnership with that supplier. In certain cases, local conditions may prevent the supplier from meeting particular requirements of the code. In such cases, we engage in dialogue to work towards a satisfactory solution. In such discussions, best practices are shared with the supplier in question to help them make improvements and share ideas. The purchase manager has a leading role in this. The Code of Supply and the assessment form can be downloaded from the TKH website.

The Executive Board discusses ESG and sustainability progress with the various operating companies at least once a quarter. This is based on financial and non-financial reports, both of which cover ESG. We have embedded the KPIs concerning ESG in our Cognos financial reporting system, making them an integral part of our information system. Progress on ESG is also discussed with the Supervisory Board at least once a year, and future developments and the appropriate follow-up steps are explained.

For more information on TKH's sustainability program, please contact TKH's Director of Sustainability Derk Postma (d.postma@tkhgroup.com). Please feel free to send any feedback on this report to this e-mail address. Up-to-date information on sustainability can also be found on our website: www.tkhgroup.com/csr.

EU taxonomy turnover table

				Substantial contribution criteria						Do no significant harm criteria									
Economic activities	Code	Absolute turnover	Proportion of turnover, 2023	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover, 2022	Category enabling activity	Category transitional activity
		€ million	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)																			
Of which enabling																			
Of which transitional																			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Data processing, hosting and related activities	8.1	5	0.3%	N	N/EL	N/EL	N/EL	N/EL	N/EL								0.3%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		5	0.3%														0.3%		
Turnover of Taxonomy-eligible activities (A.1 + A.2)		5	0.3%														0.3%		
B. Taxonomy non-eligible activities																			
Turnover of Taxonomy non-eligible activities (B)		1,842	99.7%														99.7%		
Total (A+B)		**1,848**	**100.0%**														**100.0%**		

EU taxonomy capex table

				Substantial contribution criteria						Do no significant harm criteria									
Economic activities	Code	Absolute capex	Proportion of capex, 2023	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaption	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) capex, 2022	Category enabling activity	Category transitional activity
		€ million	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)																			
Of which enabling																			
Of which transitional																			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Data processing, hosting and related activities	8.1	1	0.5%	N	N/EL	N/EL	N/EL	N/EL	N/EL								0.5%		
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1	0.5%														0.5%		
Capex of Taxonomy-eligible activities (A.1 + A.2)		1	0.5%														0.5%		
B. Taxonomy non-eligible activities																			
Capex of Taxonomy non-eligible activities (B)		259	99.5%														99.5%		
Total (A+B)		**260**	**100.0%**														**100.0%**		

Y Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective.
N No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective.
N/EL not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

EU taxonomy opex table

Economic activities				Substantial contribution criteria						Do no significant harm criteria									
	Code	Absolute opex	Proportion of opex, 2023	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) opex, 2022	Category enabling activity	Category transitional activity
	€ million	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	**T**
A. Taxonomy eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)																			
Of which enabling																			
Of which transitional																			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Data processing, hosting and related activities	8.1	0	0.0%	N	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0.0%														0.0%		
Opex of Taxonomy-eligible activities (A.1 + A.2)		0	0.0%														0.0%		
B. Taxonomy non-eligible activities																			
Opex of Taxonomy non-eligible activities (B)		53	100.0%														100.0%		
Total (A+B)		**53**	**100.0%**														**100.0%**		

Y Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective.
N No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective.
N/EL not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

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 believes that 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 note 22 of 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')

Reference is made to note 32 of the consolidated financial statements for a reconciliation and calculation. TKH deems this measure useful in comparing the performance to other companies in comparable industries.

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	Notes	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	18	-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	22	237,033	234,803
ROCE		**19.8%**	**23.2%**

Net interest bearing debt and Debt leverage ratio (net interesting 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	Notes	2023	2022
Net interest bearing debt	18	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	22	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.

	Notes	2023	2022
Proposed dividend per share	9 comp	1.70	1.65
Ordinary earnings per share before amortization and one-off income and expenses (in €)	32	3.21	3.50
Payout ratio 'Adjusted net profit'		**53.0%**	**47.2%**

	Notes	2023	2022
Proposed dividend per share	9 comp	1.70	1.65
Ordinary earnings per share (in €)	32	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 note 22 of 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.

	Notes	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.

	Notes	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 note 32 of 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.

	Notes	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	22	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 note 9 of 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.

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.

	Notes	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'.

	Notes	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%

	Notes	Smart Vision Systems	Smart Manufacturing Systems	Smart Connectivity Systems	Total 2023	Total 2022
Total Turnover current year	22	500,526	573,563	800,540	1,847,532	1,816,615
Total Turnover previous year	22	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%**

10 years overview

In millions of euros	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Consolidated statement of profit and loss										
Turnover	**1,847**	**1,817**	**1,524**	**1,289**	**1,490**	**1,458**	**1,485**	**1,341**	**1,375**	**1,346**
Raw materials, consumables, trade products and subcontracted work	928	959	787	655	771	768	817	710	743	770
Added value	**919**	**858**	**737**	**634**	**718**	**690**	**668**	**631**	**632**	**576**
Personnel expenses	476	435	378	345	369	352	347	331	326	296
Other operating expenses	156	140	124	108	133	137	147	131	133	124
EBITDA	**287**	283	**235**	**181**	**216**	**201**	**174**	**169**	**173**	**156**
Depreciation [3]	50	48	45	46	45	26	25	22	22	20
EBITA before one-off income and expenses	**237**	**235**	**190**	**136**	**171**	**175**	**149**	**147**	**151**	**136**
One-off income and expenses	2	-10	0	7	18	4	6			9
EBITA	**235**	**245**	**190**	**129**	**154**	**171**	**143**	**147**	**151**	**145**
Impairments	4	0	2	4	5	2	2	1	1	1
Amortization	57	55	51	54	50	40	37	33	32	26
Operating result	**174**	**190**	**137**	**71**	**99**	**129**	**104**	**113**	**118**	**118**
Financial result	29	-9	-6	-14	-10	-4		-7	-7	-10
Fair value changes of financial liability for earn-out and put options of holders of non-controlling interests	0	0	-2	0	0	0	4	1		
Result on ordinary activities before taxes	**203**	**181**	**129**	**57**	**89**	**125**	**108**	**107**	**111**	**108**
Taxes	37	44	34	15	20	27	20	20	23	22
Net result for the period from continued operations	**166**	**137**	**95**	**42**	**69**	**98**	**88**	**87**	**88**	**86**
Result after tax from discontinued operations			0	0	45	11				
Non-controlling interests	0	0	0	0	0	0	1	1	2	3
Attributable to shareholders	**166**	**137**	**95**	**42**	**114**	**109**	**87**	**86**	**86**	**83**

Key figures	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EBITA/Turnover (ROS) [3,4]	12.8	12.9	12.4	10.5	11.6	12.0	10.1	10.9	11.0	10.0
Net result before amortization and one-off income and expenses/Group equity [3,4]	15.6	19.9	15.8	10.6	14.9	17.6	16.1	16.5	19.3	17.8
EBITA/Average capital employed (ROCE)	19.8	23.2	20.5	14.0	17.4	21.3	19.7	20.1	22.1	21.2
Net debt/EBITDA ratio [3,4]	1.8	1.1	0.9	1.6	1.5	1.4	0.9	1.0	0.9	1.0
Net result before amortization and one-off income and expenses/Turnover [3,4]	7.1	7.9	7.5	5.5	7.1	7.8	6.5	7.2	7.4	6.6

1 The comparative figures for 2018 have been restated due to discontnued operations.
2 The comparative figures for 2017 have been restated due to retrospective application of IFRS 15 ‘Revenue from contracts with customers’.
3 After restatement as a result of change in accounting principles for land and buildings and prior period restatements for the years 2014 up to 2016.
4 Before one-off income and expenses. The one-off in 2023 mainly concern restructuring, acquisition and divestment costs. The one-off income in 2022 mainly concern book profit on sale of buildings. The one-off income and expenses in 2020 mainly concern restructuring costs and integrations of € 8.9 million, book profit and sale of buildings of € 2.0 million and impairment losses of € 4.0 million. The one-off income and expenses in 2019 were restructuring and acquisition costs of € 18.3 million, impairments of € 1.5 million and impairment losses of € 5.0 million.

In millions of euros	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Consolidated balance sheet										
Intangible assets and goodwill	566	534	537	577	596	544	392	395	400	352
Property, plant and equipment [3]	436	295	222	220	231	246	229	215	196	176
Right-of-use assets	84	75	69	77	81					
Financial non-current assets	52	26	45	42	52	31	28	46	34	28
Total non-current assets	**1,138**	**930**	**873**	**916**	**960**	**821**	**649**	**656**	**630**	**556**
Inventories	403	386	295	237	239	267	219	207	194	202
Trade and other receivables	471	459	341	286	300	356	327	295	248	288
Cash and Cash equivalents	94	185	100	122	79	83	88	88	179	145
Total current assets	**968**	**1,030**	**736**	**645**	**618**	**706**	**634**	**590**	**621**	**635**
Assets held for sale	21	109	88	5	39					3
Total assets	**2,128**	**2,068**	**1,697**	**1,566**	**1,617**	**1,527**	**1,283**	**1,246**	**1,251**	**1,194**
Shareholders' equity [3]	836	787	722	662	705	647	594	574	521	483
Non-controlling interests	0	0	0	0	0	1	9	9	9	17
Group equity	**836**	**787**	**722**	**662**	**705**	**648**	**603**	**583**	**530**	**500**
Provisions [3]	93	84	90	86	97	86	69	74	71	68
Non-current interest-bearing loans and borrowings	572	503	334	410	416	239	187	214	223	259
Current interest-bearing loans and borrowings	76	70	48	57	58	171	57	52	126	59
Other financial liabilities	3	4	7	8	9	5	15	23	27	14
Other current liabilities	545	587	460	343	319	378	352	300	274	294
Liabilities directly associated with assets held for sale	3	33	37	0	13					
Total equity and liabilities	**2,128**	**2,068**	**1,697**	**1,566**	**1,617**	**1,527**	**1,283**	**1,246**	**1,251**	**1,194**

Other information in euros (unless stated otherwise)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Solvency (in %)	39	38	43	42	44	42	47	47	42	42
Investments in property, plant and equipment	179	105	30	28	32	42	41	46	38	34
Depreciations of property, plant and equipment	33	32	30	30	29	28	24	23	23	20
Cash flow from operating activities	153	116	199	188	182	127	160	103	182	95
Number of shares outstanding and held by third parties at year end (x 1,000)	39,798	41,001	41,178	41,487	41,999	42,003	42,045	42,161	41,724	41,400
Net result per ordinary share of € 0.25	4.07	3.34	2.31	1.14	2.72	2.58	2.05	2.04	2.07	2.14
Net profit before amortization and one-off income and expenses from continued operations attributable to shareholders	3.21	3.50	2.77	1.69	2.51	2.72	2.27	2.25	2.40	2.23
Dividend per share	1.70	1.65	1.50	1.00	1.50	1.40	1.20	1.10	1.10	1.00
Highest share price	49.10	54.90	56.15	51.30	55.05	60.15	56.68	38.14	40.50	27.18
Lowest share price	33.64	31.24	37.88	23.42	38.82	38.36	36.45	28.47	25.35	22.13
Share price at year-end	39.50	37.16	55.50	39.54	49.90	40.70	52.93	37.59	37.44	26.36

1 The comparative figures for 2018 have been restated due to discontnued operations.
2 The comparative figures for 2017 have been restated due to retrospective application of IFRS 15 'Revenue from contracts with customers'.
3 After restatement as a result of change in accounting principles for land and buildings and prior period restatements (see Accounting Principles) for the years 2014 up to 2016.

Editor and text
TKH Group NV, Haaksbergen

Design
Monter, Amsterdam

Photography
Maarten de Groot (page 4,59)

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