

# TKH Group NV - Annual General Meeting of Shareholders 2022

April 26, 2022



# Profile



TKH Group NV (TKH) is a leading technology company focused on advanced innovative technology systems in high-growth markets.

Our mission is to create best-in-class technologies in the field of Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems. TKH aims to create sustainable value for all its stakeholders and provides disruptive technologies that improve efficiency, sustainability, safety, and security.

The technologies are combined with internally developed software to create Smart Technologies and one-stop-shop solutions with plug-and-play integrated systems. TKH employs over 6,000 people and operates globally, with its growth concentrated in Europe, North America, and Asia.

TKH is listed on Euronext Amsterdam with the ticker symbol TWEKA. TKH reports in three segments: Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems.



# Key messages 2021



**Simplify & Accelerate program from 2019 led to strong focus on activities with higher ROS and higher organic growth, bringing ROS target of >15% in sight**

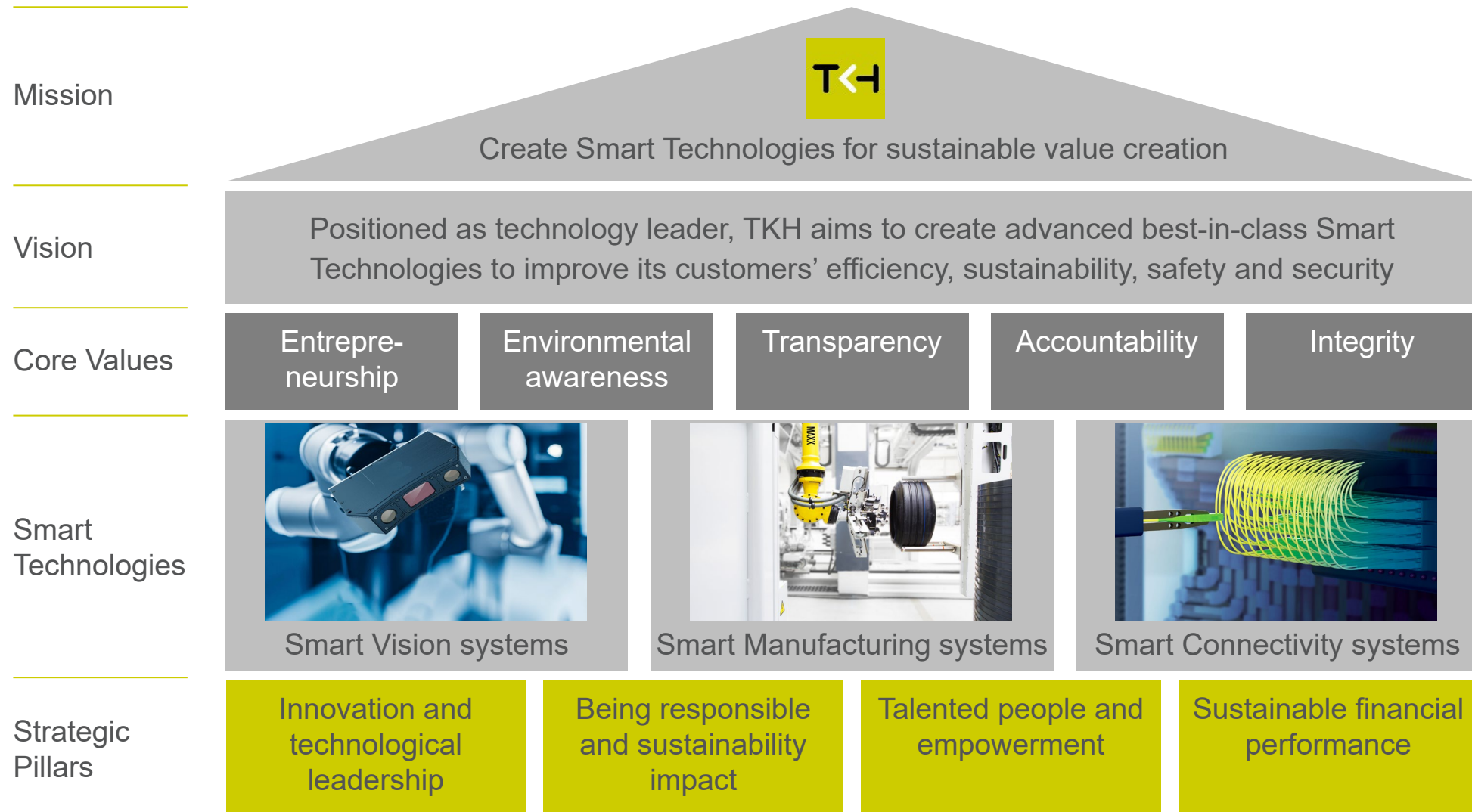
**Strong post-COVID recovery during 2021 shows strong market position and successful strategy of the TKH Group**

**Introducing a new simplified segmentation delivering increased transparency on value creation of activities**

**Prioritizing ESG in our strategy and actions, driven to improve our impact on sustainability**

**Ready for next phase of value creation: launching new program Accelerate 2025 with new strategic priorities and targets**

# Strategic model



# Well positioned to benefit from relevant megatrends

The relevant megatrends act as important growth drivers and shape the future of our strategy and Smart Technologies

Well positioned to benefit from relevant megatrends

## AUTOMATION & DIGITALIZATION

- › Industry 4.0 – ‘Hands-off, eyes-off’ manufacturing – lack of human resources
- › Technology systems tend to be more complex, which drives demand for larger scale technology partners
- › Cloud computing, big data, artificial intelligence, machine learning and IoT ask for continuous development of higher speed bandwidth networks

## SUSTAINABILITY

- › Increased focus on ESG drivers & targets drive public and private ESG ambitions and investments
- › Strong governmental ambitions and focus on existing policies (IPSS, SDGs, Paris AG)
- › Global attention for the reduction of Greenhouse gas emissions leads to acceleration of Energy transition

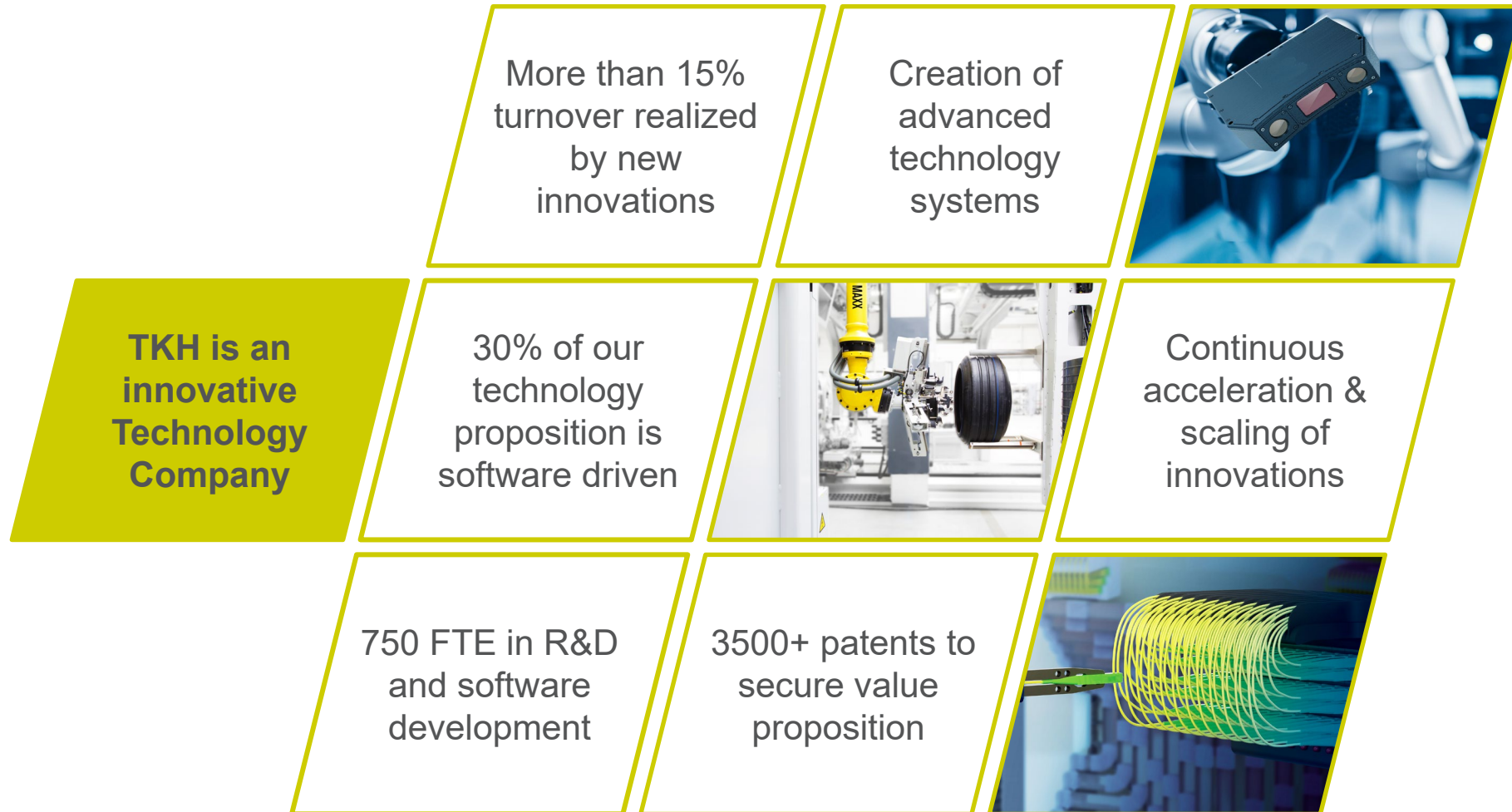
## SAFETY & SECURITY

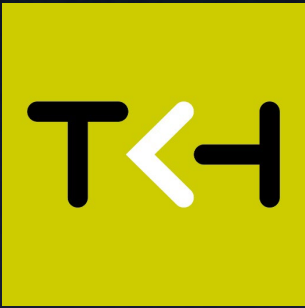
- › Exploding amount of data acquisition applications with integrated smart technologies and high demand for cyber security aligned with privacy regulation
- › Enlarged security focus due to geopolitics and globalization – lack of sufficient surveillance officers
- › Smart Cities & Infrastructure for safe & secure environment

# We are an innovative and leading technology company



The innovative and disruptive Smart Technologies of TKH deliver value





# TKH Corporate Video



 **TKH Corporate Video 2021**  
from TKH Group NV

02:43

 vimeo

The video player interface shows a central TKH logo on a dark blue background with digital patterns. On the right side, there are icons for heart, clock, and share. At the bottom, there is a play button, a progress bar, and a signal strength indicator.



# HIGHLIGHTS 2021



# Highlights 2021

| (in million € unless stated otherwise)   | H2<br>2021 | H2<br>2020 | Δ in % |
|--|------------|------------|--------|
| Turnover   | 797.9      | 610.4      | +30.7% |
| EBITA before one-off expenses <sup>1)</sup>  | 105.2      | 66.5       | +58.1% |
| ROS <sup>1)</sup>  | 13.2%      | 10.9%      |        |
| Net profit before amortization and one-off income and expenses attributable to shareholders <sup>1, 2)</sup> | 64.5       | 34.4       | +87.6% |

| (in million € unless stated otherwise)   | 2021    | 2020    | Δ in %  |
|--|---------|---------|---------|
| Turnover   | 1,523.8 | 1,289.4 | +18.2%  |
| EBITA before one-off expenses <sup>1)</sup>  | 189.6   | 135.5   | +39.9%  |
| ROS <sup>1)</sup>  | 12.4%   | 10.5%   |         |
| Net profit before amortization and one-off income and expenses attributable to shareholders <sup>1, 2)</sup> | 113.9   | 70.3    | +62.0%  |
| Net profit   | 95.2    | 47.5    | +100.4% |
| Earnings per ordinary share  | € 2.31  | € 1.14  | +103.0% |
| Dividend (proposal) per share  | € 1.50  | € 1.00  |         |
| ROCE   | 20.5%   | 14.0%   |         |

1) One-off expenses in 2020 of € 6.9 million, of which € 3.2 million in H2 2020.

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

- Order book increased by +74.3% to € 746.6 million due to high order intake of € 1,842 million (2020: € 1,294 million)
- Turnover up +18.2% (H2 2021: +30.7%) – Organic growth +15.9% (H2 2021: +27.5%) – Strong recovery in most markets
- EBITA before one-off's +39.9% (H2 2021: +58.1%)
  - Strong increase in all segments
  - ROS increased to 12.4% (H2 2021: 13.2%)
- Net profit before amortization and one-off income and expenses attributable to shareholders of € 113.9 million (+62.0%), above communicated bandwidth of € 106 - € 112 million
- Dividend proposal: € 1.50 per (depository receipt of an) ordinary share (2020: € 1.00)
- High market demand related to megatrends – Preparation for expansion production capacity and capital investments in 2022 and 2023

**DEVELOPMENTS PER  
SMART TECHNOLOGY SEGMENT**

# Smart Vision systems

| (in million €)                              | 2021  | 2020  | Δ in %  |
|---|-------|-------|---------|
| Turnover                                    | 429.8 | 393.0 | + 9.4%  |
| EBITA before one-off expenses <sup>1)</sup> | 73.8  | 62.1  | + 18.9% |
| ROS   | 17.2% | 15.8% |         |

1) One-off expenses in 2020 of € 3.1 million due to reorganization costs.

- Organic turnover growth +10.5%
- Strong order book growth +91.1% to € 139.3 million
- Supply constraints slightly impacted turnover – Secured most of required components or redesigned products to include components that were more widely available
- Added value decreased from 59.1% to 58.3% due to negative impact from higher purchase prices on secured components, but compensated by volume growth

## Vision Technology

- Strong growth Machine Vision in all regions and end markets
  - Maintained leading market position in 3D Vision for consumer electronics and wood industry
  - Significant growth in battery, logistics, and semiconductor industry
  - Alvium portfolio with embedded vision solutions (2D Vision) is gaining traction and sales are growing
- High growth in markets like (video) communication and traffic monitoring systems
- Low investment levels at parking garages, shopping malls, and airports

## We create state-of-the-art vision systems

Portfolio examples



3D  
Machine Vision



2D  
Machine Vision



2D Vision &  
Communication

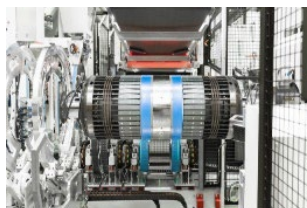
# Smart Manufacturing systems

| (in million €)                              | 2021  | 2020  | Δ in %  |
|---|-------|-------|---------|
| Turnover                                    | 419.1 | 349.5 | + 19.9% |
| EBITA before one-off expenses <sup>1)</sup> | 59.4  | 41.4  | + 43.5% |
| ROS   | 14.2% | 11.8% |         |

1) One-off expenses in 2020 of € 0.3 million due to reorganization costs.

## We create superior Manufacturing systems

Portfolio examples



Tire Building systems



Care systems



Industrial Automation systems

- Substantial organic turnover growth +19.9%
- Significant order book growth +62.7% to € 369.7 million
- Added value increased slightly from 48.7% to 49.0%

### Tire Building

- Record order intake in 2021 – Broadly supported by intake from Asian customers as well as tier 1 tire manufacturers
- Production capacity was scaled up to cope with high order intake – Contributed to strong improvement in turnover and result
- Site acceptance of UNIXX platform delayed due to COVID-19, but industrialization phase is progressing well – Several modules sold and successfully commissioned at customers sites
- Commercial launch of complete UNIXX platform is scheduled for 2022
- Several orders booked for new Revolute (combination of fully automated tire component preparation and bead assembly) and FLEXX belt maker

### Other

- High growth in Care, driven by roll-out of INDIVION technology in North America – Service organization in North America is scaling up to support further growth
- Growth in turnover and results realized in industrial automation

# Smart Connectivity systems

| (in million €)                              | 2021  | 2020  | Δ in %  |
|---|-------|-------|---------|
| Turnover                                    | 692.3 | 565.6 | + 22.4% |
| EBITA before one-off expenses <sup>1)</sup> | 73.2  | 45.2  | + 61.9% |
| ROS   | 10.6% | 8.0%  |         |

1) One-off income and expenses in 2020 of € 4.3 million due to reorganization and integration costs.

- > Organic turnover growth +16.4%
- > Strong order book growth +85.3% to € 237.6 million
- > Slightly decrease added value to 40.4% (2020: 40.8%), mainly due to higher raw material prices
- > Increase EBITA and ROS due to turnover growth and higher production utilization

## Energy

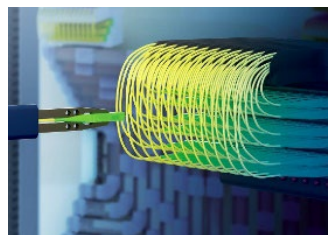
- > Strong demand for energy connectivity systems driven by demand for renewable energy sources and expansion of current network infrastructure
- > Higher production output due to production capacity expansion for medium voltage energy cables during Q3 2021
- > Significant increase in production utilization for subsea cable activities
- > Demand for Airfield Ground Lighting (CEDD/AGL) impacted by investment limitations at airports due to COVID-19

## We create advanced Connectivity systems

Portfolio examples



Subsea connectivity



Patch robot



Fibre Optics connectivity

# Smart Connectivity systems

| (in million €)                              | 2021  | 2020  | Δ in %  |
|---|-------|-------|---------|
| Turnover                                    | 692.3 | 565.6 | + 22.4% |
| EBITA before one-off expenses <sup>1)</sup> | 73.2  | 45.2  | + 61.9% |
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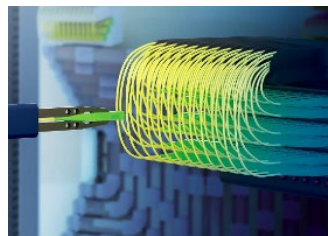
1) One-off income and expenses in 2020 of € 4.3 million due to reorganization and integration costs.

## We create advanced Connectivity systems

Portfolio examples



Subsea connectivity



Patch robot



Fibre Optics connectivity

### Digitalization

- Increase turnover due to high investment priority for fibre networks in Europe and reduced impact from lockdowns on clients' installation capacities – strong recovery in France and Germany
- Impact on price levels from Chinese overcapacity of optical fibre reduced in H2 2021 – offset by higher share connectivity system portfolio
- In Q4 2021, EU imposed anti-dumping duties on imports of optical fibre cables from China – very limited impact on 2021 results
- Substantial growth realized in data network and broadband products, especially in France and Germany

### Other

- Substantial growth in specialized connectivity systems for machine-building and robotics industry
- Building and construction market grew in H1, but stabilized in H2 due to limitations in supply and production capacity

**“ACCELERATE 2025”**

**STRATEGIC PRIORITIES AND TARGETS**

# Strategic priorities Accelerate 2025

## Strategic priorities that support the realization of targets

|                                  |  |
|----------------------------------|--|
| <b>Accelerate organic growth</b> | Increase our market share by unlocking the full potential of our innovations and disruptive technologies by taking advantage of the market growth driven by relevant megatrends. |
| <b>Sustainability</b>            | Deliver a strong performance with regards to our ESG targets – CO2 Neutral in 2030 (scope 1 - 2) – enhance sustainable portfolio, 70% turnover connected to SDGs.                |
| <b>Cost efficiency</b>           | Focus on leveraging the organic growth into an added value conversion ratio of >35%.   |
| <b>Innovations</b>               | Leverage and accelerate growth from innovations and utilize R&D pipeline.  |
| <b>Acquisitions</b>              | Increase the activity level to acquire € 100 - € 150 million turnover to accelerate growth.  |
| <b>Portfolio management</b>      | Exit activities that offer limited potential for value creation – strategic fit, low ROS and organic growth activities.  |








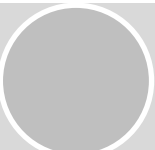


# Key targets Accelerate 2025

New program underlines strong foundation and value creation potential.

| Metric                | Updated mid-term targets 2025  | Realization 2021                       | Commentary  |
|-----------------------|--------------------------------|--|---|
| Turnover              | > € 2 billion                  | € 1.5 billion                          | Target takes into account divestments and acquisitions  |
| ROS (EBITA margin)    | > 17%                          | 12.4%                                  | Focus on technologies with higher added value<br>Benefit from incremental value by turnover growth, maturity of technologies and high added value conversion factor |
| ROCE                  | 22-25%                         | 20.5%                                  | Transition towards increasingly capital-light business model driven by focus on more 'Smart' Technologies (Software driven and recurring business models)           |
| Carbon footprint      | 100% carbon neutrality by 2030 | 29.8% reduction to reference year 2019 | 100% carbon neutrality for own operations by 2030 (scopes 1 & 2)  |
| Diversity             | > 25% by 2030                  | 17.7%                                  | % female in Executive & Senior Management   |
| Accident rate (LTIFR) | < 1.0                          | 0.7                                    | Annual target   |

# Roadmap to ROS target Accelerate 2025

Well positioned to benefit from megatrends, Accelerate 2025 includes actions to boost turnover and ROS by unlocking the full potential of our innovations and disruptive technologies.

| Areas                              | Bandwidth expected turnover impact  | Contribution to ROS improvement target > 17% <sup>1)</sup>                                   | Commentary  |
|------------------------------------|---|--|---|
| ORGANIC GROWTH/<br>COST EFFICIENCY |  > € 300 million       |  > 2.5%   | Scale effect -due to organic growth-on opex and cost of goods sold, productivity & yield improvement programs                       |
| INNOVATIONS                        |  > € 200 million       |  > 2.0%   | Acceleration of our innovations in terms of turnover, benefit from learning curve and economies of scale                            |
| ACQUISITIONS                       |  € 100 – 150 million  |          | Acquisitions that strengthen our portfolio of proprietary technologies in the area of software, and/or strengthen our sales network |
| PORTFOLIO MANAGEMENT               |  € 150 – 200 million |  > 0.5% | Divestments that do not contribute towards achieving our long-term strategy & targets   |

1) ROS improvement is based on LE 2021: ROS >12%

# HIGHLIGHTS Q1 2022

# Market Update Q1 2022

## TKH reports record performance in Q1 2022

| (in million € unless stated otherwise) | Q1<br>2022 | Q1<br>2021 | Δ in % |
|--|------------|------------|--------|
| Turnover                               | 436.7      | 332.7      | +31.3% |
| EBITA                                  | 58.5       | 31.9       | +83.6% |
| ROS                                    | 13.4%      | 9.6%       |        |

### Financial highlights

- Further strong increase in turnover and results compared to previous quarters.
  - Organic turnover in Q1 2022 of 28.3%.
  - All segments contributed to significant growth, with especially strong recovery in Smart Manufacturing systems.
  - Supply-chain challenges and recent lockdowns in Asia had limited impact on TKH's activities.
  - Significant increase of EBITA to a record level.
  - Substantial ROS improvement
- Order book remained at a high level and even increased slightly from year-end 2021.

### Other highlights

- Expansion production capacity, to respond to increased market demand in Energy, Digitalization, and Tire Building systems – Additional capital investments in 2022 and 2023 for:
  - Subsea connectivity systems (new factory at Dutch sea harbor)
  - 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)

# FINANCIAL PERFORMANCE 2021

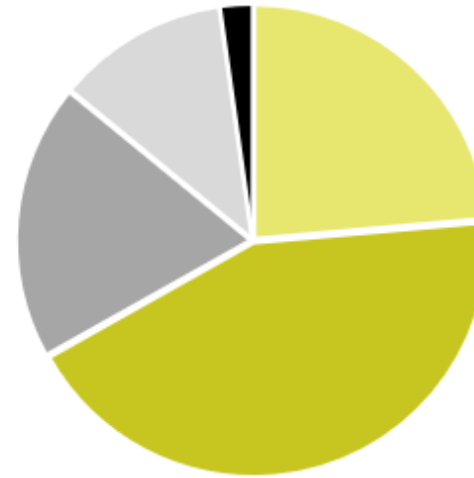
# Geographical distribution of Turnover

Geographical distribution of turnover (in %)



2021

|  |                |    |
|--|----------------|----|
|  | Netherlands    | 22 |
|  | Europe (other) | 45 |
|  | Asia           | 19 |
|  | North America  | 11 |
|  | Other          | 3  |



2020

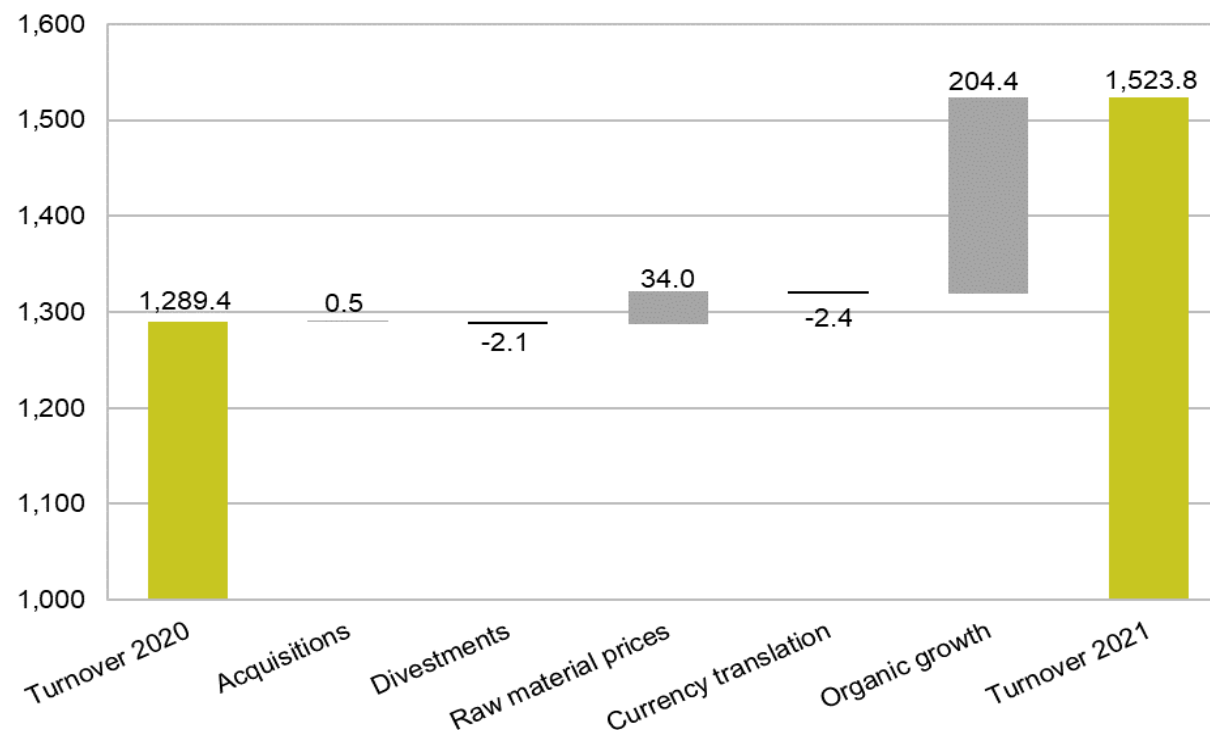
|  |                |    |
|--|----------------|----|
|  | Netherlands    | 24 |
|  | Europe (other) | 43 |
|  | Asia           | 19 |
|  | North America  | 12 |
|  | Other          | 2  |

# Turnover and added value

| (in € million)                       | 2021           |              | 2020           |              | Δ in %         |
|--------------------------------------|----------------|--------------|----------------|--------------|----------------|
| <b>Turnover</b>                      | <b>1,523.8</b> |              | <b>1,289.4</b> |              | <b>+ 18.2%</b> |
| Raw materials and subcontracted work | - 787.3        |              | - 655.0        |              |                |
| <b>Added value</b>                   | <b>736.5</b>   | <b>48.3%</b> | <b>634.4</b>   | <b>49.2%</b> | <b>+ 16.1%</b> |

- Organic turnover growth of +15.9% (2020: -9.9%)
  - All segments contributed with double-digit organic growth
  - Impact from higher raw materials (copper and aluminum) prices of +2.6% – Pricing power to pass on for most price increases
  - Limited turnover impact from foreign currencies
  - Innovations at high level with 19.8% turnover share

## Change in turnover (in € million)



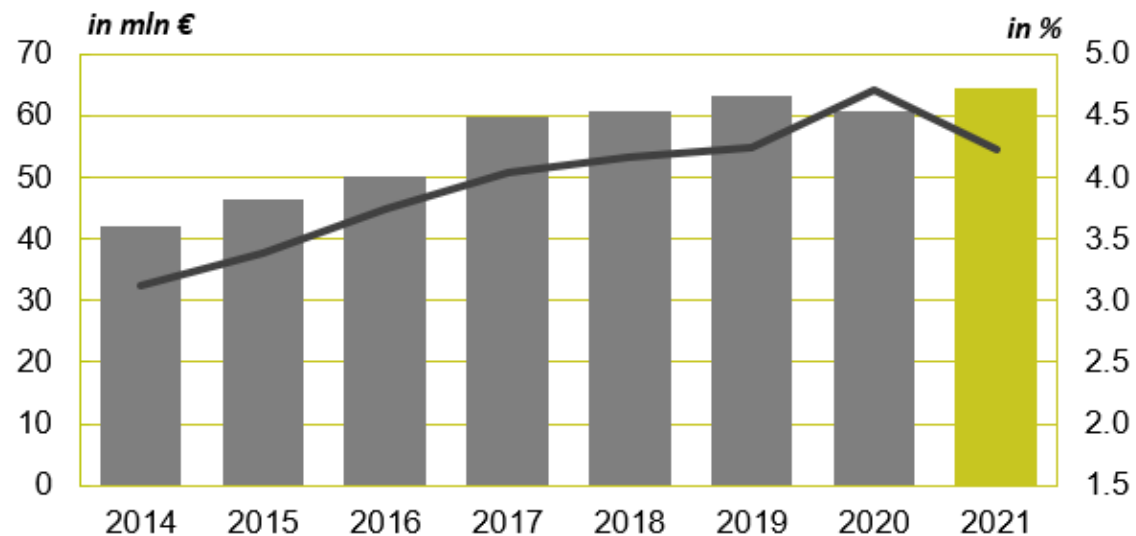
- Successfully navigated supply chain challenges
  - Negative impact on turnover of € 20 – € 30 million
  - Increased stock levels and larger supply of replacements for components
  - Redesigned some of our products
  - Contracted alternative suppliers
- Gross margin decreased to 48.3% (2020: 49.2%) mainly due to:
  - Shift in product mix with larger share in Smart Connectivity systems
  - Increased raw material and component prices

# Operating expenses and EBITA

| (in € million)                                  | 2021           |              | 2020           |              | Δ in %        |
|---|----------------|--------------|----------------|--------------|---------------|
| <b>Turnover</b>                                 | <b>1,523.8</b> |              | <b>1,289.4</b> |              | <b>+18.2%</b> |
| Raw materials and subcontracted work            | - 787.3        |              | - 655.0        |              |               |
| <b>Added value</b>                              | <b>736.5</b>   | <b>48.3%</b> | <b>634.4</b>   | <b>49.2%</b> | <b>+16.1%</b> |
| Operating expenses                              | 546.9          | 35.9%        | 498.9          | 38.7%        | <b>+9.6%</b>  |
| <b>EBITA before one-off income and expenses</b> | <b>189.6</b>   | <b>12.4%</b> | <b>135.5</b>   | <b>10.5%</b> | <b>39.9%</b>  |

- Operating expenses increased with 9.6%
  - Cost to turnover ratio decreased to 35.9% (2020: 38.7%)
    - Implemented integrations and cost savings
    - Higher productivity and capacity utilization in TKH's production companies
    - Selling expenses still low due to COVID-19 restrictions
  - R&D expenditure increased to € 64.4 million (2020: € 60.6 million)
- EBITA increased by 39.9%
  - Smart Vision systems: +18.9%
  - Smart Manufacturing system: +43.5%
  - Smart Connectivity systems: +61.9%
- ROS: 12.4% (2020: 10.5%)
  - Improvement in H2 compared to H1 2021 from 11.6% to 13.2% (H2 2020: 10.9%)
  - Improvement supported by all segments

## R&D expenditure





# Items below EBITA

| (in € million)   | 2021         |              | 2020         |              | Δ in %         |
|--|--------------|--------------|--------------|--------------|----------------|
| <b>EBITA before one-off income and expenses</b>  | <b>189.6</b> | <b>12.4%</b> | <b>135.5</b> | <b>10.5%</b> | <b>+39.9%</b>  |
| One-off expenses   |              |              | 6.9          |              |                |
| Amortization   | 51.1         |              | 53.7         |              |                |
| Impairments  | 1.6          |              | 4.0          |              |                |
| <b>Operating result</b>  | <b>136.9</b> |              | <b>70.9</b>  |              |                |
| Financial expenses   | -8.3         |              | -10.4        |              |                |
| Share in result of associates  | 2.1          |              | -3.2         |              |                |
| Result on sale of subsidiaries   |              |              | 5.5          |              |                |
| Change in value financial liabilities  | -1.8         |              | 0.1          |              |                |
| <b>Result before taxes</b>   | <b>128.9</b> |              | <b>62.9</b>  |              |                |
| Taxes  | 33.7         |              | 15.4         |              |                |
| <b>Net profit</b>  | <b>95.2</b>  | <b>6.2%</b>  | <b>47.5</b>  | <b>3.7%</b>  | <b>+100.4%</b> |
| <b>Net profit before amortization and one-off income and expenses attributable to shareholders</b> | <b>113.9</b> | <b>7.5%</b>  | <b>70.3</b>  | <b>5.5%</b>  | <b>+62.0%</b>  |

- > Impairments largely related to 'Simplify & Accelerate' program and COVID-19 effects
- > Amortization on certain purchase price allocations (PPA's) from past acquisitions has ended – Partly offset by higher amortization on capitalized development costs
- > Interest expenses decreased by € 2.1 million, due to lower net debt and improvement in FX results
- > Increased result from associate CCG, which includes € 1.6 million amortization on PPA's
- > Effective tax rate at 26.2% (2020: 25.4%)
  - > High profit contribution from companies in high tax rate countries
  - > Relative lower benefit from R&D tax facilities due to change in legislation
  - > Lower non-taxable benefits and higher non-deductible expenses

# Balance sheet 31 December 2021

| (in € million)                  | 31-12-2021     | 31-12-2020     |
|---------------------------------|----------------|----------------|
| Intangible assets and goodwill  | 537.1          | 577.3          |
| Property, plant and equipment   | 222.5          | 219.9          |
| Right-of-use assets             | 68.8           | 77.4           |
| Associates                      | 28.7           | 25.5           |
| Other receivables               | 0.7            | 1.9            |
| Deferred tax assets             | 15.3           | 14.3           |
| <b>Total non-current assets</b> | <b>873.1</b>   | <b>916.3</b>   |
| Inventories                     | 294.7          | 236.7          |
| Trade and other receivables     | 185.3          | 157.4          |
| Contract assets                 | 150.1          | 124.2          |
| Contract costs                  | 4.6            | 3.3            |
| Current income tax              | 1.3            | 1.8            |
| Cash and cash equivalents       | 100.1          | 121.6          |
| <b>Total current assets</b>     | <b>736.2</b>   | <b>645.0</b>   |
| Assets held for sale            | 88.2           | 4.6            |
| <b>Total assets</b>             | <b>1,697.5</b> | <b>1,565.9</b> |

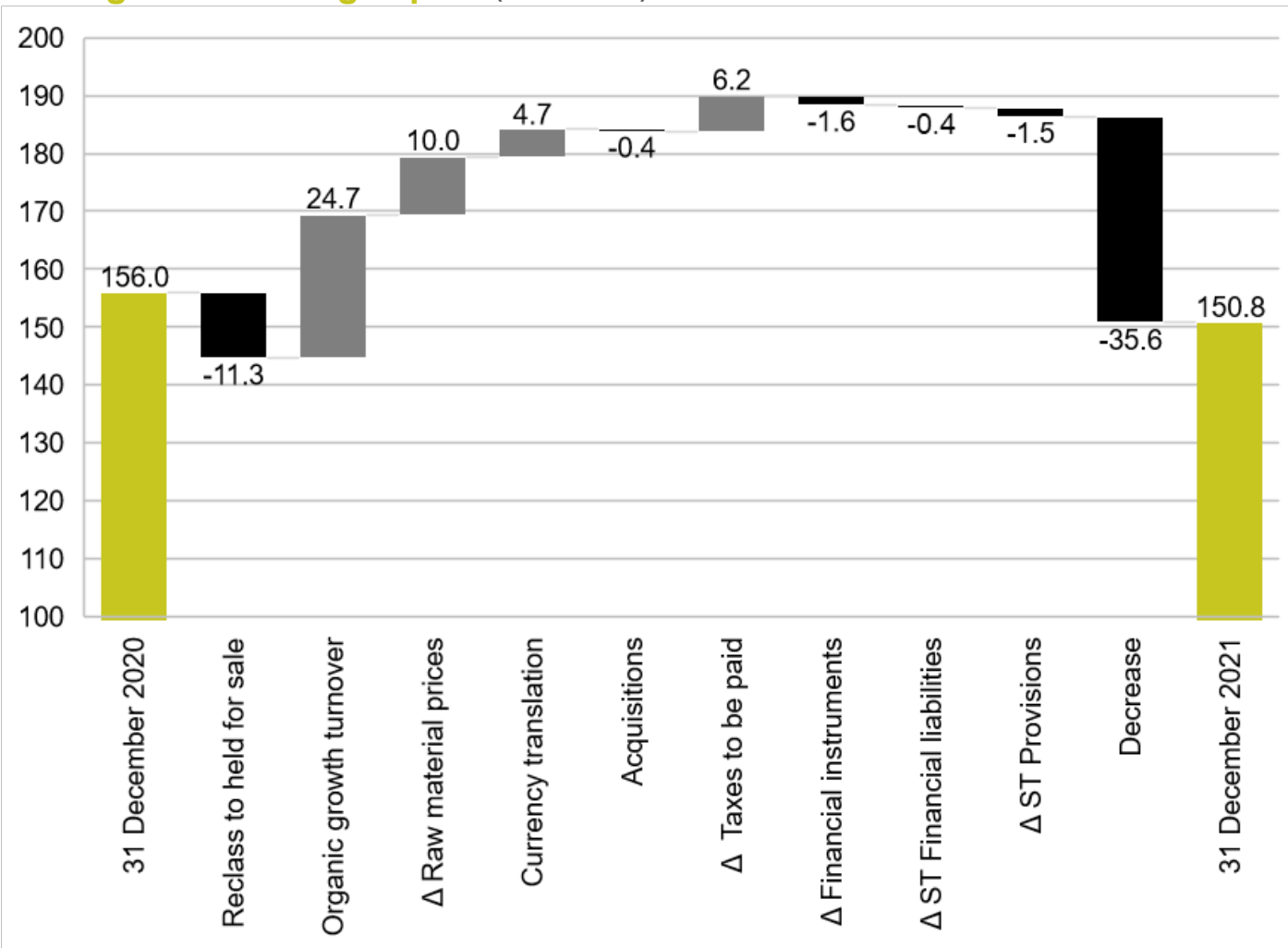
- Cash and cash equivalents includes € 32.9 million (2020: € 56.0 million) that are part of a balance and interest compensation schemes
- Assets held for sale increased due to the start of an active program to divest certain activities

| (in € million)  | 31-12-2021     | 31-12-2020     |
|---|----------------|----------------|
| Shareholders' equity                                      | 721.9          | 661.8          |
| Non-controlling interests                                 | 0.1            | 0.1            |
| <b>Total group equity</b>                                 | <b>722.0</b>   | <b>661.9</b>   |
| Interest bearing loans and borrowings                     | 333.8          | 409.5          |
| Deferred tax liabilities                                  | 56.0           | 55.1           |
| Retirement benefit obligation                             | 4.7            | 5.9            |
| Financial liabilities                                     | 2.2            | 3.4            |
| Provisions  | 8.8            | 5.7            |
| <b>Total non-current liabilities</b>                      | <b>405.4</b>   | <b>479.6</b>   |
| Interest bearing loans and borrowings                     | 47.6           | 57.1           |
| Trade payables and other payables                         | 324.7          | 258.8          |
| Contract liabilities                                      | 127.0          | 73.9           |
| Current income tax liabilities                            | 7.8            | 11.0           |
| Financial liabilities                                     | 5.0            | 4.5            |
| Provisions  | 20.7           | 19.1           |
| <b>Total current liabilities</b>                          | <b>532.9</b>   | <b>424.4</b>   |
| Liabilities directly associated with assets held for sale | 37.2           | 0.0            |
| <b>Total equity and liabilities</b>                       | <b>1,697.5</b> | <b>1,565.9</b> |

- Solvency of 42.5% (2020: 42.3%)
- Financial covenants:
  - Net debt, based on financial covenant as agreed with banks, of € 205.4 million (2020: € 261.8 million)
  - Net debt/EBITDA of 0.9 (2020: 1.6)

# Working capital

## Changes in working capital (in € million)



› Working capital as percentage of turnover decreased to 10.1% (2020: 12.1%)

› Use of non-recourse factoring:

|            |                |
|------------|----------------|
| 31-12-2021 | € 47.9 million |
| 30-06-2021 | € 47.5 million |
| 31-12-2020 | € 43.6 million |

› Use of supply chain finance:

|            |                |
|------------|----------------|
| 31-12-2021 | € 43.6 million |
| 30-06-2021 | € 42.8 million |
| 31-12-2020 | € 27.5 million |

Increase due to higher volumes and raw material prices

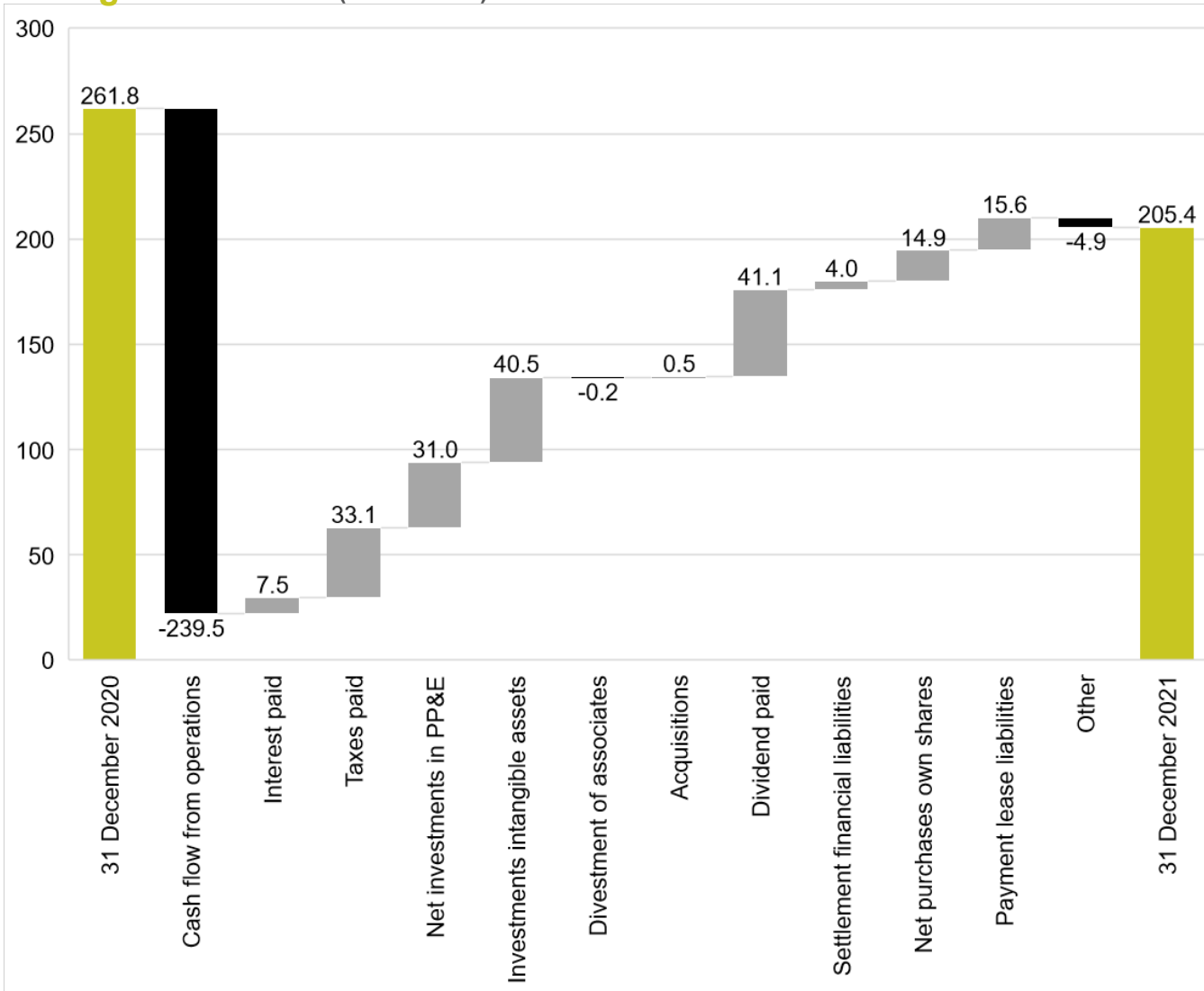
› COVID-19 effects on working capital have been reduced:

- › Payment in 2021 of € 22 million deferred tax payments originated from 2020
- › Delivery and commissioning in 2021 of postponed projects, particularly in Smart Manufacturing systems

*Amounts and percentages shown above include assets and liabilities reported under 'held for sale'*

# Net debt development

Change in net debt (in € million)



- Strong positive cash flow from operations, supported by a decrease in working capital
- Net-investments in property, plant and equipment and intangible assets of € 71.5 million, mainly in:
  - Investments in R&D
  - Expansion, replacement and upgrade of production capacity
- Cash dividend of € 1.00 paid per (depository receipt of) ordinary share in 2021
- Purchased shares include remainder € 17.9 million for share buyback program started in November 2020 (of in total € 25 million)

# Free cash flow

| (in million €)                                   | H1<br>2021   | H2<br>2021   | 2021         | 2020         | 2019         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Operating result 1)</b>                       | <b>58.6</b>  | <b>78.3</b>  | <b>136.9</b> | <b>70.9</b>  | <b>108.0</b> |
| Depreciation, amortization and impairment        | 47.9         | 50.1         | 98.0         | 103.1        | 100.6        |
| <b>EBITDA adjusted</b>                           | <b>106.5</b> | <b>128.4</b> | <b>234.9</b> | <b>174.0</b> | <b>208.6</b> |
| Change in working capital                        | 0.8          | -4.3         | -3.5         | 42.5         | 0.1          |
| Taxes paid                                       | -13.8        | -19.3        | -33.1        | -19.9        | -27.4        |
| Other  | -0.5         | 8.7          | 8.2          | -0.1         | 9.8          |
| <b>Cash flow from operations before interest</b> | <b>93.0</b>  | <b>113.5</b> | <b>206.5</b> | <b>196.5</b> | <b>191.1</b> |
| Payment of lease liabilities                     | -8.9         | -6.7         | -15.6        | -16.0        | -15.8        |
| Capital expenditure (tangible)                   | -15.0        | -16.0        | -31.0        | -29.4        | -30.6        |
| Capital expenditure (intangible)                 | -19.6        | -20.9        | -40.5        | -39.2        | -40.4        |
| <b>Free Cash Flow ('FCF')</b>                    | <b>49.5</b>  | <b>69.9</b>  | <b>119.4</b> | <b>111.9</b> | <b>104.3</b> |
| EBITDA to FCF conversion                         | 46.5%        | 54.4%        | 50.8%        | 64.3%        | 50.0%        |

- > The FCF conversion can be affected by developments in working capital. Working capital ratio for the periods included in the overview are:
  - > 2019: 13.0%
  - > 2020: 12.1%
  - > 2021: 10.1%
- > Payments for acquisitions and proceeds from divestments have not been included in FCF
- > FCF-conversion is traditionally lower in the first half year and stronger in second half

1) Including one-off expenses and impairments.

# Previous segmentation: Solutions

## Telecom Solutions

| (in million €)         | 2021  | 2020  | Δ in %  |
|------------------------|-------|-------|---------|
| Turnover               | 219.2 | 183.1 | + 19.7% |
| EBITA before one-off's | 29.3  | 23.1  | + 27.0% |
| ROS                    | 13.4% | 12.6% |         |

> Organic turnover growth of +19.8%

## Building Solutions

| (in million €)                       | 2021  | 2020  | Δ in %  |
|--------------------------------------|-------|-------|---------|
| Turnover                             | 782.8 | 672.5 | + 16.4% |
| EBITA before one-off's <sup>1)</sup> | 96.2  | 77.3  | + 24.5% |
| ROS                                  | 12.3% | 11.5% |         |

1)One-off expenses in 2020 of € 8.6 million.

> Organic turnover growth of +12.6%

## Industrial Solutions

| (in million €)                       | 2021  | 2020  | Δ in %  |
|--------------------------------------|-------|-------|---------|
| Turnover                             | 521.8 | 433.7 | + 20.3% |
| EBITA before one-off's <sup>1)</sup> | 77.2  | 47.3  | + 63.1% |
| ROS                                  | 14.8% | 10.9% |         |

1)One-off income in 2020 of € 1.7 million.

> Organic turnover growth of +19.3%

**PRIORITIZING ESG  
IN OUR STRATEGY AND ACTIONS,  
DRIVEN TO IMPROVE OUR IMPACT ON  
SUSTAINABILITY**

# Unique sustainable portfolio for our customers

Improve sustainability by providing customers with a unique sustainable portfolio and differentiate with a sustainability focus in our positioning

## Sustainable portfolio examples

| TKH SMART VISION SYSTEMS   | TKH SMART MANUFACTURING SYSTEMS  | TKH SMART CONNECTIVITY SYSTEMS  |
|--|--|---|
| <ul style="list-style-type: none"> <li>➤ 2D and 3D Vision technology which results in increase in productivity and improvement of quality</li> <li>➤ Cyber security solutions for mission critical communication</li> <li>➤ Parking guidance systems increase efficiency, safety and security</li> </ul> | <ul style="list-style-type: none"> <li>➤ Tire Building Technology focus on environment and e-mobility leads to different tire requirements</li> <li>➤ Advanced technology to lower waste and energy consumption levels in production</li> <li>➤ Medication distribution/inspection system</li> </ul> | <ul style="list-style-type: none"> <li>➤ Fibre optic cable systems</li> <li>➤ Energy cable systems for the energy transition</li> <li>➤ Subsea cable systems for offshore wind farms</li> <li>➤ CEDD/Airfield ground lighting system; energy saving and increase of efficiency</li> </ul> |

### SDGs



Annual Report 2021: ±70% turnover linked to SDGs



# Key non-financial targets

## Targets mid-term (2025) & long-term (2030)

| Environment |  |
|-------------|--|
|             | 100% carbon neutrality own operations by 2030 (scopes 1 & 2) |
|             | > 80% recycling (copper, aluminum and PVC)                   |
|             | < 5% waste   |
| Social      |  |
|             | > 25% female Executive & Senior Management by 2030           |
|             | < 1.0 LTIF   |
|             | < 4.0% illness rate  |
|             | > 7.5 employee satisfaction                                  |
| Governance  |  |
|             | > 90% strategic suppliers assessed                           |
|             | Enhance (sustainability) policies and procedures             |

## Selection of defined and ongoing actions

- > Strengthen governance by expanding sustainability functions on group level and throughout the organization
- > Increase share of sustainable portfolio and its capital allocation
- > Energy efficiency programs to reduce CO2 footprint
- > Assurance on 11 key non-financial KPIs
- > Supply chain initiatives - circularity
- > Expand diversity and inclusiveness program
- > ISO 45001 implementation for all production facilities

# OUTLOOK

# Outlook

The improved market circumstances for our technologies, combined with our capability to increase manufacturing capacity and utilization leads to a positive outlook for our business. Based on these developments, we anticipate further organic growth of turnover and result in 2022 in all segments.

Barring any unforeseen circumstances, such as a worsening of the current supply chain challenges, sustained disruption from COVID-19, or the geopolitical situation and conflict surrounding Ukraine and Russia, TKH expects the following developments per business segment in 2022.

## Smart Vision systems

- Strong demand for 2D and 3D Machine Vision technologies expected to continue into 2022, thanks to combination of targeted programs in key markets and improved market conditions.
- For Security Vision, expected gradual recovery of parking industry.
- Increase investments in research & development and capacity expansion.

## Smart Manufacturing systems

- Order intake for Tire Building technologies expected to continue at high level, driven by products such as MAXX, MILEXX and Revolute. Additional investments in operational capacity will be executed to fulfill anticipated demand.
- Turnover in care will grow further, driven by successful launch and ramp-up of INDIVION technology.
- In other markets, mainly industrial automation systems, expected continuation of growth in 2022, facilitated by production capacity expansion.

## Smart Connectivity systems

- Demand in energy infrastructure market continues to grow rapidly – Expansion of capacity for energy cables in Q3 2021 and well filled order book will support turnover increase in 2022.
- Turnover in digitalization is expected to increase, driven by rising fibre prices and growing need for bandwidth in Europe.
- To respond to high market demand, we have decided to prepare for expansion of production capacity and additional capital investments in 2022 and 2023.

As usual, TKH will provide a more specific profit forecast for the full year of 2022 at the presentation of its interim results in August 2022.

# Ukraine and Russia

We are deeply concerned about the crisis in Ukraine, and in particular for our 128 employees and their families in the area of Kiev. We are monitoring the situation carefully and will support them as much as possible in this difficult and uncertain time.

## TKH subsidiary in Ukraine

- TKH has one subsidiary in the area of Kiev (Ukraine), active in assembly of specialized connectivity systems with a turnover of € 7 million, realized within the group
- Operations have been halted and partly transferred to Poland and Germany – Preparing to restart production in Ukraine in next few days
- Per end of March, this subsidiary has about € 4 million assets, mainly related to machinery and inventory

## Other activities

- The other activities exposed to Ukraine and Russia mainly involve Smart Manufacturing systems
- In 2021, TKH realized in Ukraine about € 1 million (2020: € 1 million) and in Russia € 10 million (2020: € 21 million) turnover
- TKH has an order book of € 11 million related to Russian and Ukrainian customers
- Value of contract assets is limited, and related products can be redesigned and sold to other customers
- Outstanding receivables on Russian and Ukrainian customers are small



