

Technology company TKH

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Strategy

Who we are and what we do

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.

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

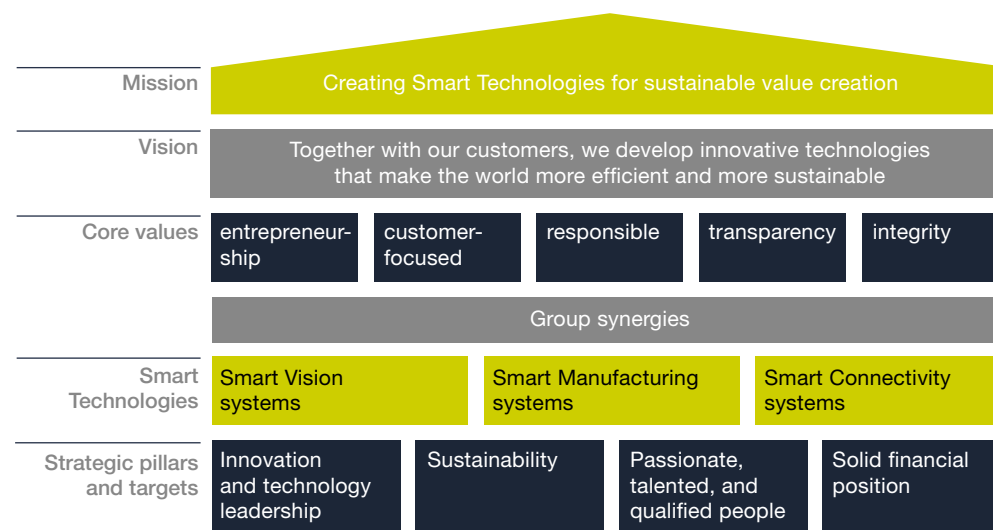
By integrating sustainability into our portfolio, operations, and supply chain, we contribute to the sustainability issues where we have the greatest impact and enable our customers to improve their sustainability performance.

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.



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.

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 (CO₂e emissions)

100%

carbon neutrality own operations by 2030 (scopes 1 and 2) – reduction of CO₂e 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.

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.

Integrity

we value honesty and act respectfully toward colleagues, customers, and other stakeholders.

Transparency

we strive for an open culture and act transparently.

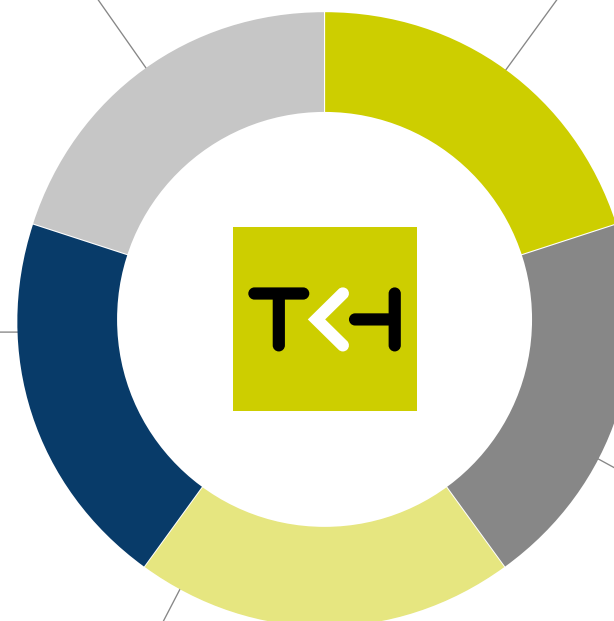
Core values

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.

Responsibility

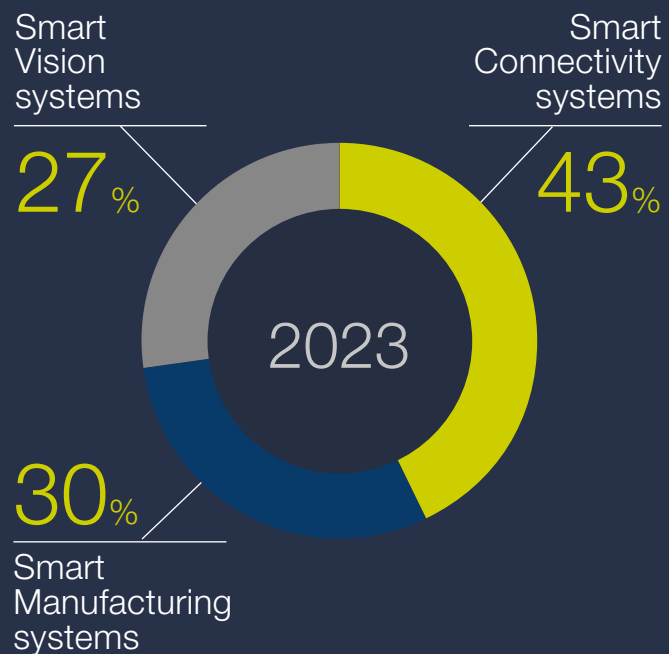
we are aware of external developments, promote a focus on sustainability, and we are committed to making a positive contribution to the environment and society. We make the appropriate decisions based on careful consideration and take responsibility for our decisions.



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

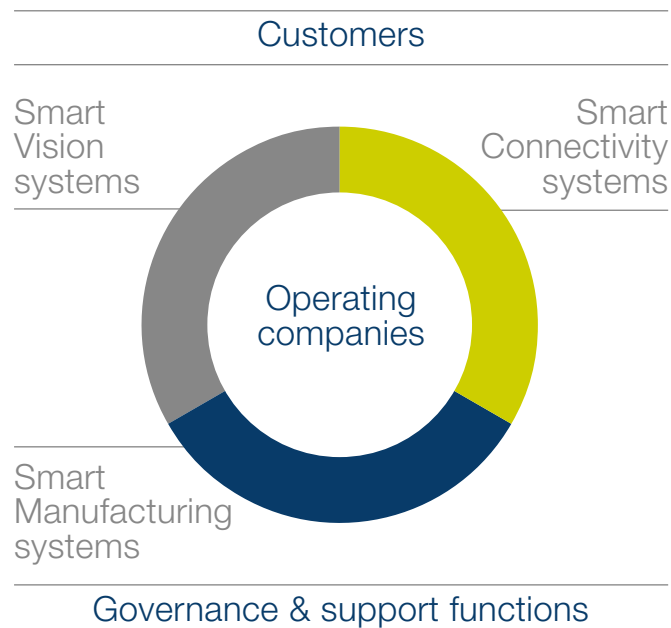
Digitalization

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 CO₂e 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 ₂ e 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



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 distribution/inspection system



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



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

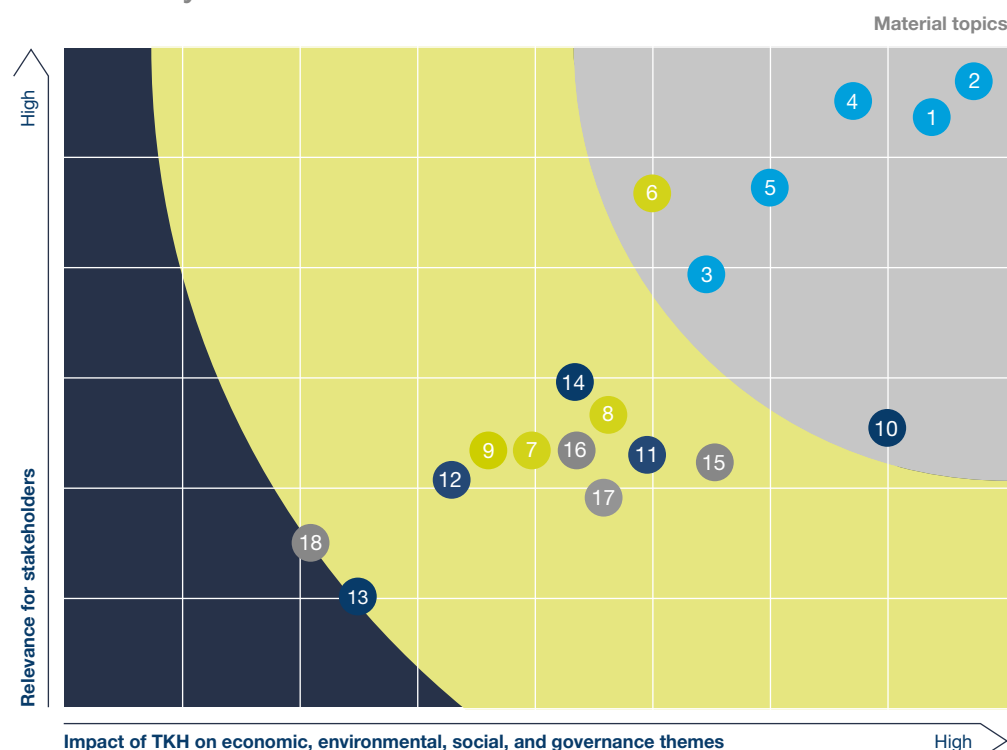
Our stakeholders are those groups and individuals who directly or indirectly influence the activities of TKH and our operating companies.

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



	Shareholders	Banks	Analysts	Customers	Suppliers	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	<ul style="list-style-type: none"> Crucially important for the success of TKH. The company's ambassadors. Most important "authorized capital". 	<ul style="list-style-type: none"> Good employment practices. Development opportunities and a good package of primary and secondary employment benefits. A safe and healthy working environment. 	<ul style="list-style-type: none"> Internet and intranet. Staff magazine. Employee satisfaction survey. Staff meetings. Conferences and seminars. Webinars. Performance reviews. 	<ul style="list-style-type: none"> Health and safety. Diversity. Sustainable employability. SDGs. IT & Security / Privacy. Strategic program. 	<ul style="list-style-type: none"> Commitment to the diversity of the workforce. Learning organization. Boost innovative capacity. Leadership and entrepreneurship. Integrity & zero tolerance.
Shareholders	<ul style="list-style-type: none"> Investment through a shareholding in TKH, thereby strengthening our capital position. 	<ul style="list-style-type: none"> Good return on investment with good dividend policy and long-term value creation. 	<ul style="list-style-type: none"> Internet. Financial reporting and annual reports. General meeting of shareholders. Investor days. Capital Markets Day. 	<ul style="list-style-type: none"> ESG. SDGs. Diversity. Strategic program. 	<ul style="list-style-type: none"> Long-term shareholdings.
Customers	<ul style="list-style-type: none"> Buy products and services. Develop sustainable package of products and services through collaboration. 	<ul style="list-style-type: none"> Offer innovative, high-tech technologies and comprehensive solutions. Good ROI for customers. 	<ul style="list-style-type: none"> Internet. Events, symposia, and trade fairs. Customer satisfaction survey. 	<ul style="list-style-type: none"> Sustainable product portfolio. SDGs. Customer satisfaction. 	<ul style="list-style-type: none"> Technological developments. Growth targets.
Suppliers	<ul style="list-style-type: none"> Supply of services and products for our business operations. 	<ul style="list-style-type: none"> Fair business practices and doing good business at market rates. 	<ul style="list-style-type: none"> Business associates. Negotiations. Code of supply and site visits. 	<ul style="list-style-type: none"> Sustainable product portfolio. SDGs. 	<ul style="list-style-type: none"> Technological developments. Sustainable procurement.
Analysts	<ul style="list-style-type: none"> With the aid of analysis and research, prepare profiles and ratings on the basis of which investors can make a selection for their investments. 	<ul style="list-style-type: none"> Honest and transparent communication about developments. 	<ul style="list-style-type: none"> Internet. Financial reporting and annual reports. IR meetings. Capital Markets Day. Reporting. 	<ul style="list-style-type: none"> Financial ratios. Sectoral developments. Strategic program. 	<ul style="list-style-type: none"> Long-term value creation and transparency.
Banks	<ul style="list-style-type: none"> Financial service providers with the aid of which TKH is able to achieve its growth targets. 	<ul style="list-style-type: none"> Creditworthy enterprise that is appropriately balancing risks against returns and complies with contractual agreements. 	<ul style="list-style-type: none"> Internet. Financial reporting and annual reports. Half-yearly discussions. 	<ul style="list-style-type: none"> Financial ratios. Risk analysis. 	<ul style="list-style-type: none"> Sustainable funding policy.
Public bodies	<ul style="list-style-type: none"> Act as initiator, facilitator of supply chain and other projects, and driver of sustainable initiatives. 	<ul style="list-style-type: none"> Boost the economic appeal in the region with respect to business office location and employment. Supply chain initiatives with a significant contribution to sustainability. 	<ul style="list-style-type: none"> Internet. Network and thematic meetings. 	<ul style="list-style-type: none"> Sustainable and other developments in the region. 	<ul style="list-style-type: none"> Strategic investment decisions.
Education and knowledge institutions	<ul style="list-style-type: none"> Influx of new talent in order to compensate for such things as a shortage of technical personnel. 	<ul style="list-style-type: none"> Providing a challenging work environment with ample development opportunities. Providing traineeships – work experience. 	<ul style="list-style-type: none"> Internet. Trade fairs and seminars. Social media. 	<ul style="list-style-type: none"> Relevance of education (in relation to the relevant discipline). Profiling TKH as an interesting employer. 	<ul style="list-style-type: none"> Sustainable workforce. Learning organization.
Community and sectoral organizations (including NGOs)	<ul style="list-style-type: none"> Possess an extensive network and knowledge of the positions in the supply chain. Expertise in specific sectors. 	<ul style="list-style-type: none"> Contribute ideas to and start up joint ventures. 	<ul style="list-style-type: none"> Internet. Reporting and reports. Annual reports. 	<ul style="list-style-type: none"> SDGs. Climate change. 	<ul style="list-style-type: none"> 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.
- Conservatism 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

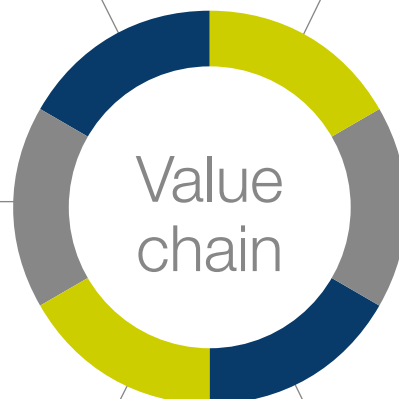
We employ operational management models that have been incorporated into an operational excellence program. In doing so, we aim to achieve optimal performance of our operational processes.

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.



Passionate, talented, and qualified people

An attractive and responsible employer.

Sustainability

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



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%
- CO₂e footprint reduction: 64.3% (compared to 2019)
- Waste main raw materials: 5.2%
- Recycling: 87.3%
- Customer satisfaction: 8.6

