

## First Half Results 2023

# Continued growth underpins strong strategic positioning

## Financial highlights first half 2023

- Turnover increased by 5.3% to € 947.6 million (H1 2022: € 899.7 million). All segments contributed to the growth in turnover.
- Added value increased to 49.1% (H1 2022: 47.0%).
- EBITA before one-off income and expenses at € 119.8 million, up 3.6% (H1 2022: € 115.6 million), driven by EBITA growth at Smart Vision and Smart Connectivity systems; as expected, Smart Manufacturing systems recorded a decline in EBITA due to component shortages.
- Order book up 2.9% to € 999.9 million (December 31, 2022: € 971.9 million), strong growth in order book at Smart Manufacturing systems.
- ROS stable at 12.6% (H1 2022: 12.8%).

## Strategic highlights first half 2023

- Solid progress in the further rollout of € 200 million Strategic Investment Program, with planned capacity expansions on schedule.
- Further progress in strategic positioning across all segments to benefit from favorable underlying megatrends.
- Acquisition of machine vision software designer and provider Euresys, announced divestment of connectivity distribution activities in France.

## Outlook

- For the full year 2023, assuming full-year contribution from connectivity distribution activities in France, TKH expects an EBITA before one-off income and expenses of between € 237 million and € 247 million (2022: € 234.8 million).

## Key figures (in € million unless otherwise stated)

| Q2<br>2023 | Q2<br>2022 |   | H1<br>2023 | H1<br>2022 | Change<br>in % |
|------------|------------|---|------------|------------|----------------|
| 475.1      | 463.0      | Turnover  | 947.6      | 899.7      | + 5.3%         |
| 59.9       | 57.1       | EBITA before one-off income <sup>1)</sup>                           | 119.8      | 115.6      | + 3.6%         |
|            |            | Adjusted net profit <sup>2)</sup>                                   | 67.7       | 70.5       | - 4.0%         |
|            |            | Net profit  | 98.4       | 70.0       | + 40.6%        |
|            |            | Net earnings per ordinary share attributable to shareholders (in €) | 2.40       | 1.70       | + 41.3%        |
| 12.6%      | 12.3%      | ROS   | 12.6%      | 12.8%      |                |
|            |            | ROCE  | 19.9%      | 21.5%      |                |

1) One-off income of € 1.1 million in H1 2023 and € 9.3 million in H1 2022.

2) Net profit before amortization of intangible non-current assets related to acquisitions (after tax) and one-off income and expenses attributable to shareholders. This includes a one-off contribution of € 36.2 million from the divestment of the minority stake in CCG, closed in Q1 2023. For further details, see the "Overview of alternative performance indicators" included after the financial statements.

**Alexander van der Lof, CEO of technology company TKH:** “We continued to perform well in H1 2023 and managed to improve our added value across all segments as we strengthened our positioning. The demand for our technologies continues to grow, leading to further growth in turnover and EBITA for the group. We closed the half year with a record order book, mainly in Smart Manufacturing. We are seeing an easing of the supply chain issues of critical components at Smart Manufacturing, which has led to an improvement of Smart Manufacturing results during Q2, and we expect this trend to continue for the remainder of 2023. We also made good progress in reaching our ESG targets and see ESG as one of our main priorities.

We continue to focus on the execution of our Accelerate 2025 strategy. Our € 200 million Strategic Investment Program is progressing according to plan, with no delays in the construction of our capacity expansions. We acquired a leading high-tech machine vision software designer and provider, Euresys, and announced the divestment of our connectivity distribution activities in France, allowing us to put further strategic focus on our differentiating and innovative power in smart technologies to drive added value at higher levels.

We expect to continue to grow organically in H2 2023, largely driven by Smart Manufacturing. The market conditions for our 2D and 3D machine vision companies became more challenging during Q2 due to industry headwinds. The underlying market dynamics, however, remain strongly driven by automation, and we will continue to invest in strengthening our leading market positions. We will also continue to invest in strengthening our other core technologies to secure the longer term growth opportunities from the megatrends of automation, digitalization, and electrification.”

## Strategic developments first half 2023

In 2022, we launched our Strategic Investment Program to further increase our global production capacity to meet growing market demand in the fields of automation, digitalization, and electrification. The execution of these expansions started in the second half of 2022 and is progressing on schedule.

- Onshore and offshore power cables – the € 150 million investment plans to meet the additional demand for onshore and offshore connectivity are progressing well.
  - The expansion of our existing facilities in Lochem for the production of medium- and high-voltage cables is expected to become operational in phases starting in Q3 2023. We have been selected as one of the suppliers by system operator TenneT for the supply of high-voltage cables in the coming years.
  - The construction of the new inter-array cable plant in Eemshaven is progressing according to plan, and serial production is expected to start in Q2 2024. Ørsted, the world leader in offshore wind power, awarded TKH a major contract for the supply and termination of nearly 200 kilometers of inter-array and other cables, with production starting in Q4 2023. The current sales funnel for subsea cables is promising.
- Fibre optic cables: the new plant in Poland, which will increase our EU cabling capacity, eliminating the € 10 million of anti-dumping duties incurred in 2022, will be operational in Q3 2023.
- The new plant in Poland for specialized connectivity systems will be operational in Q3 2023.
- The additional capacity for Tire Building systems in Poland became operational in Q2 2023.

Of the total amount of € 200 million allocated for strategic investments, € 55 million was spent in H1 2023 and, together with the € 41 million in 2022, a total of € 96 million was spent.

In H1 2023, we made strong progress in our strategic positioning, as part of our Accelerate 2025 program:

- We made further inroads in our digital transformation, upscaling, upskilling and strengthening the management of our shared technology service center in Poland, and setting-up an Artificial Intelligence hub in Amsterdam.
- In Machine Vision, we further positioned the TKH Vision group as a one-stop-shop technology partner for customers, invested in expanding the sales organization, and are preparing to open additional Solution Centers for TKH Vision, besides the one in Konstanz.
- In H1 2023, we finalized the divestment of our minority share in CCG with a one-off profit of € 36.2 million.
- 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, was completed on May 9. In 2022, Euresys realized an annual turnover of about € 27 million. TKH expects the acquisition to have a positive impact on TKH's earnings per share from 2023 onwards.
- On May 31, we announced the intended divestment of connectivity distribution activities in France, which includes the entities CAE Data and ID cables, for an enterprise value of € 118 million, to private equity company Argos Wityu SAS. Under the terms of the agreement, TKH will reinvest € 26.5 million to acquire a minority stake of 40% in the carve-out. The transaction is expected to be completed in Q3 2023, upon which a one-off net profit contribution of about € 20 million will be realized.

TKH continues to demonstrate a strong commitment to its ESG ambitions and made further progress in H1 2023 towards our key sustainability targets as set out in the Accelerate 2025 strategy program. We continued to reduce our net carbon footprint for scopes 1 and 2 in H1 2023, mainly through energy efficiency measures, a higher share of renewable energy, green certificates, and the ongoing transition of our fleet to electrical vehicles. The turnover related to the Sustainable Development Goals (SDG) stood at 69% (2022: 68%).

## Financial highlights second quarter 2023

Turnover increased by 2.6% to € 475.1 million (Q2 2022: € 463.0 million). Adjusted for acquisitions and currency effects, turnover increased 2.1% organically, with price effects accounting for 3.2%. EBITA before one-off income increased by 4.9% to € 59.9 million (Q2 2022: € 57.1 million). Order intake in the second quarter reached € 470.8 million, and ROS amounted to 12.6 % (Q2 2022: 12.3%).

## Financial developments first half 2023

Turnover in the first half of 2023 reached € 947.6 million, a 5.3% increase (H1 2022: € 899.7 million). Adjusted for acquisitions (+0.6%) and currency effects (-0.3%), turnover grew organically by 5.0%, with price effects accounting for 4.1% of turnover. All segments contributed to the organic growth in H1 2023, most notably Smart Connectivity systems. At Smart Vision systems, turnover in Q2 was negatively impacted by weaker market conditions and destocking by customers at Machine Vision.

The geographical distribution of turnover remained broadly in line with H1 2022. The turnover share in the Netherlands grew to 26% of total turnover (H1 2022: 24%), while the share in Europe, excluding the Netherlands, decreased slightly to 42% (H1 2022: 43%). In Asia, the share of turnover decreased to 16% (H1 2022: 18%), partly due to reshoring, while in North America turnover remained stable at 12% (H1 2022: 12%). The turnover share of the other geographical areas increased slightly to 4% (H1 2022: 3%).

The added value increased to 49.1% in the first half of 2023 (H1 2022: 47.0%) due the easing of supply chain constraints, combined with the effect of sales price increases implemented in this and previous periods. All segments increased their added value, in particular Smart Connectivity.

The order intake in the first half of 2023 continued to grow, resulting in an order intake of € 975.6 million (H 1 2022: € 955.9 million), and an order book at June 30, 2023 of € 999.9 million (December 31, 2022: € 971.9 million), an increase of 2.9%. The order book at Smart Manufacturing systems remained very strong at € 598.5 million (December 31, 2022: € 573.0 million), mainly driven by Tire Building systems, which benefitted from the effects of reshoring and the capex programs of tire manufacturers.

Operating expenses (excluding amortization and impairments) increased by 12.5% compared to the first half of last year. Exchange rates had a negative impact of 0.4%, whereas acquisitions had a positive effect of 0.5%. Personnel expenses increased by 12.1%, driven by the increase in headcount (by 532 FTEs in H1 2023, including the ramp-up of capacity related to strategic investments) and payroll increases.

EBITA (the operating result before amortization of intangible assets and one-off income and expenses) increased by 3.6 % to € 119.8 million in the first half of 2023, from € 115.6 million in H1 2022. In H1 2023, Smart Connectivity systems was the largest contributor to EBITA (43.4% of total).

ROS remained stable at 12.6% (H1 2022: 12.8%), with the EU anti-dumping duties on fibre optic cables, operational inefficiencies from the supply chain constraints at Tire Building systems, and weaker market conditions for the 2D and 3D machine vision companies all having a dampening effect on ROS. A one-off income of € 1.1 million was recorded in H1 2023 in relation to assets held for sale (H1 2022: one-off income of € 9.3 million).

Net interest expenses increased to € 8.9 million (H1 2022: € 3.4 million) due to higher interest rates combined with a higher outstanding debt. This was partly offset by lower foreign exchange losses. The result from associates of € 36.2 million relates to one-off contribution from the divestment of the remaining stake in CCG in Q1 2023.

The normalized effective tax rate decreased to 25.7% in the first half of 2023 from 26.3 % in H1 2022, primarily due to relatively higher profits at companies benefitting from R&D tax facilities.

Net profit before amortization and one-off income and expenses attributable to shareholders decreased by 4.0% to € 67.7 million (H1 2022: € 70.5 million) mainly due to higher interest expenses. Net profit, which includes the € 36.2 million one-off contribution from the divestment of a minority stake in CCG, increased by 40.6% to € 98.4 million (H1 2022: € 70.0 million).

Net interest-bearing debt, calculated in accordance with the bank covenants, increased by € 173.6 million from the level at year-end 2022 to € 480.8 million at June 30, 2023. Items which have affected the debt level are the increase in working capital (€ 101.2 million), net investments in property, plant and equipment of € 71.0 million (of which € 55 million is related to the strategic investment program), dividends paid (€ 67.5 million), acquisitions (€ 42.9 million) and investments in intangible assets (€ 25.5 million). Assets held for sale decreased by € 55.5 million. Cash flow from operating activities amounted to € 13.6 million (H1 2022: € -81.5 million) and improved due to lower working capital at June 30, 2023 (19.0% of turnover) compared to a year ago (20.4%). The net debt/EBITDA ratio stood at 1.7, well within the financial ratio agreed with our banks. Solvency decreased to 37.9% (H1 2022: 38.5%).

On June 30, 2023, TKH employed a total of 7,022 FTEs (June 30, 2022: 6,490 FTEs), of which 484 were temporary employees (H1 2022: 462 FTEs).

## Developments by technology segment

### Smart Vision systems

*TKH creates state-of-the-art vision systems, and vision technology accounts for about 87% of the turnover of the Smart Vision systems segment. This technology encompasses 2D and 3D Machine Vision and Security Vision systems. By combining these technologies with in-house software development, we create unique, smart, integrated plug-and-play systems and one-stop-shop solutions.*

#### Key figures (in € million unless otherwise stated)

|          | H1<br>2023 | H1<br>2022 | Change<br>in % |
|----------|------------|------------|----------------|
| Turnover | 250.2      | 234.8      | +6.6%          |
| EBITA    | 44.9       | 41.6       | +7.9%          |
| ROS      | 18.0%      | 17.7%      |                |

In H1 2023, the turnover of Smart Vision systems increased by 6.6% to € 250.2 million. Acquisitions had an upward impact of 2.1%. Adjusted for currency effects, turnover grew organically by 4.8%, with price effects accounting for 4.0% of turnover. The order book decreased to € 143.9 million (December 31, 2022: € 159.2 million). The added value increased from 58.1% to 59.6%. EBITA increased to € 44.9 million (+7.9%) and ROS improved to 18.0% (H1 2022: 17.7%).

**Vision Technology** – Security Vision turnover increased due to strong demand for security solutions for building applications and traffic monitoring systems. In Q2, the market conditions for both 2D and 3D Machine Vision weakened due to amongst others destocking at customers in a number of industries. The challenging operating environment for 2D and 3D machine vision companies is expected to continue.

### 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 72% of the turnover in the Smart Manufacturing systems segment.*

#### Key figures (in € million unless otherwise stated)

|          | H1<br>2023 | H1<br>2022 | Change<br>in % |
|----------|------------|------------|----------------|
| Turnover | 263.3      | 256.0      | +2.8 %         |
| EBITA    | 32.5       | 38.0       | -14.5 %        |
| ROS      | 12.3%      | 14.8 %     |                |

Adjusted for currency effects, turnover at Smart Manufacturing systems grew organically by 3.0%, with price effects amounting to 2.6%. The added value increased slightly from 48.7% to 49.5%. EBITA was down by 14.5% to € 32.5 million, while ROS decreased to 12.3% (H1 2022: 14.8%). Results in H1 2023 continued to be impacted by operational inefficiencies from delayed deliveries at Tire Building systems due to shortages of critical components. The order book grew by 4.5% and

peaked at € 598.5 million (December 31, 2022: € 573.0 million), with a significant contribution from Tire Building systems.

**Tire Building systems** – Order intake remained at a high level for both passenger and truck tire systems. Added value improved due to the easing of supply chain issues as well as the impact of selling price increases and cost savings during the six-month period under review. With the improved availability of critical components, the field service is fully engaged in installing the backlog on-site. In Q2 2023, the expansion of the plant in Poland came on steam. Our breakthrough UNIXX technology continues to gain traction in various modules and applications.

**Other** – Growth was achieved in Care with the rollout and series production of INDIVION orders. Customer interest in this technology was converted into repeat orders.

### 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 38% and 34% of the turnover of the Smart Connectivity systems segment.*

#### Key figures (in € million unless otherwise stated)

|   | H1<br>2023 | H1<br>2022 | Change<br>in % |
|---|------------|------------|----------------|
| Turnover                                  | 451.8      | 420.0      | +7.6 %         |
| EBITA before one-off income <sup>1)</sup> | 52.0       | 44.6       | +16.4 %        |
| ROS                                       | 11.5 %     | 10.6 %     |                |

1) One off income of € 1.1 million in H1 2023 and € 9.3 million in H1 2022.

Turnover in Smart Connectivity systems increased by 7.6 % to € 451.8 million in H1 2023. Adjusted for currency effects, turnover grew organically by 7.8%, with price effects amounting to 5.1%. The order book grew to € 257.5 million (December 31, 2022: € 239.7 million). Added value as a percentage of turnover increased from 38.5% to 41.1% in H1 2023, due to a different product mix and price increases. EBITA increased significantly by 16.4% to € 52.0 million (H1 2022: € 44.6 million). ROS increased to 11.5%.

**Energy** – The demand for renewable energy sources and the expansion of the energy network infrastructure continued to drive turnover growth in energy connectivity in H1 2023. At the end of the period under review, order intake for onshore energy cables gradually weakened due to destocking by utility companies coupled with delays in electrification projects. Subsea systems were a major contributor to Energy's turnover growth due to short lead times. Ørsted, the world leader in offshore wind power, awarded a major contract for the supply and termination of nearly 200 kilometers of inter-array and other cables, with production starting in Q4 2023.

**Digitalization** – Turnover was stable as the focus was on margin, leading to an improved result, despite the impact of the anti-dumping duties on imports of fibre optic cables from China into the EU totaling € 4.9 million in H1 2023. On August 1, 2023, the EU doubled the anti-dumping duties to 62%. The new plant in Poland will become operational in Q3 2023 and will eliminate the anti-dumping duties when fully operational.





**Other** – TKH's specialized and customized connectivity systems for the machine-building, robotics, and medical industries continued to grow in H1 2023, with shorter lead times. The new plant in Poland for specialty cable will come on stream in Q3 2023.

## Outlook

TKH expects the following developments per business segment:

### Smart Vision systems

- Turnover and EBITA in H2 2023 are expected to grow compared to H1 2023, while the challenging market conditions may dampen this growth.

### Smart Manufacturing systems

- Turnover and EBITA are expected to grow in H2 2023 compared to H1 2023, driven by the strong order book and the easing of supply chain constraints at Tire Building systems.

### Smart Connectivity systems

- Turnover and EBITA in H2 2023 are expected to be lower than H1 2023 due to destocking and project delay effects of onshore energy cables, temporary underutilization of subsea in Q3 and higher anti-dumping duties (assuming a full-year contribution from cable connectivity distribution activities in France).

On balance and barring unforeseen circumstances, TKH expects EBITA before one-off income and expenses to be between € 237 million and € 247 million (2022: € 234.8 million), assuming a full-year contribution from the connectivity distribution activities in France, translating into a net profit before amortization and one-off income and expenses attributable to shareholders of between € 131 million and € 139 million (2022: € 143.5 million) for the full year 2023.

The presentation of the half year results on August 15, 2023 can be followed via live webcast at 10:00 CET ([www.tkhgroup.com](http://www.tkhgroup.com)).

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## Calendar

November 14, 2023      Trading Update Q3 2023

## About TKH

The TKH Group is a leading technology company. We specialize in the development of innovative, client-centric systems that drive success in automation, digitalization, and electrification.

By integrating hardware, software, and customer-focused insight, our smart technologies provide unique answers to client challenges. In doing so, we work to make the world better by creating ever more efficient and more sustainable systems.



Our more than 7,000 employees drive sustainable growth in a culture of entrepreneurship, working closely with customers to create one-stop-shop, plug-and-play innovations for Smart Vision, Smart Manufacturing, and Smart Connectivity technology.

Listed on Euronext Amsterdam (TICKER: TWEKA), we operate globally and focus our growth across Europe, North America, and Asia.

For further information, please visit [www.tkhgroup.com](http://www.tkhgroup.com).



## Consolidated profit and loss account

| in thousands of euros   | 1 <sup>st</sup> half year 2023 | 1 <sup>st</sup> half year 2022 |
|---|--------------------------------|--------------------------------|
| <b>Total turnover</b>   | <b>947,609</b>                 | <b>899,731</b>                 |
| Raw materials, consumables, trade products and subcontracted work   | 482,401                        | 477,046                        |
| Personnel expenses  | 241,653                        | 215,551                        |
| Other operating expenses  | 78,628                         | 68,019                         |
| Depreciation and result on divestment of property, plant, and equipment <sup>1)</sup>                               | 24,099                         | 14,212                         |
| Amortization  | 26,915                         | 27,116                         |
| Impairments   | 644                            | 36                             |
| <b>Total operating expenses</b>   | <b>854,340</b>                 | <b>801,980</b>                 |
| <b>Operating result</b>   | <b>93,269</b>                  | <b>97,751</b>                  |
| Financial income  | 543                            | 120                            |
| Financial expenses  | -9,489                         | -3,524                         |
| Exchange differences  | -589                           | -2,168                         |
| Share in result of associates   | 70                             | 2,144                          |
| Result on sale of associates  | 36,164                         |                                |
| Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests |                                | -76                            |
| <b>Result before tax</b>  | <b>119,968</b>                 | <b>94,247</b>                  |
| Tax on result   | 21,541                         | 24,228                         |
| <b>Net result</b>   | <b>98,427</b>                  | <b>70,019</b>                  |
| Attributable to:  |                                |                                |
| Shareholders of the company   | 98,415                         | 69,996                         |
| Non-controlling interests   | 12                             | 23                             |
|   | <b>98,427</b>                  | <b>70,019</b>                  |
| <b>Earnings per share attributable to shareholders</b>  |                                |                                |
| Ordinary earnings per share (in €)  | 2.40                           | 1.70                           |
| Diluted earnings per share (in €)   | 2.40                           | 1.70                           |
| Ordinary earnings per share before amortization and one-off income and expenses (in €)                              | 1.65                           | 1.72                           |

<sup>1)</sup> One-off income of € 1.1 million in H1 2023 and a one-off income of € 9.3 million on the sale of property in H1 2022.

## Consolidated statement of comprehensive income

| in thousands of euros  | 1 <sup>st</sup> half year 2023 | First half year 2022 |
|--|--------------------------------|----------------------|
| <b>Net result</b>  | <b>98,427</b>                  | <b>70,019</b>        |
| <b>Items that may be reclassified subsequently to profit or loss (net of tax)</b>      |                                |                      |
| Currency translation differences   | -5,548                         | 12,201               |
| Currency translation differences in other associates                                   | -562                           | 398                  |
| Effective part of changes in fair value of cash flow hedges (after tax)                | -678                           | -7,647               |
|  | <b>-6,788</b>                  | <b>4,952</b>         |
| <b>Items that will not be reclassified subsequently to profit or loss (net of tax)</b> |                                |                      |
| Actuarial gains/(losses)   | 140                            | 10                   |
|  | <b>140</b>                     | <b>10</b>            |
| <b>Other comprehensive income (net of tax)</b>   | <b>-6,648</b>                  | <b>4,962</b>         |
| <b>Comprehensive income for the period (net of tax)</b>                                | <b>91,779</b>                  | <b>74,981</b>        |
| <b>Attributable to:</b>  |                                |                      |
| Shareholders of the company  | 91,821                         | 74,967               |
| Non-controlling interests  | -42                            | 14                   |
| <b>Total comprehensive income for the period (net of tax)</b>                          | <b>91,779</b>                  | <b>74,981</b>        |

## Consolidated balance sheet

| in thousands of euros                                     | 30-06-2023       | 31-12-2022       |
|---|------------------|------------------|
| <b>Assets</b>   |                  |                  |
| <b>Non-current assets</b>                                 |                  |                  |
| Intangible assets and goodwill                            | 570,715          | 533,845          |
| Property, plant and equipment                             | 358,838          | 294,945          |
| Right-of-use assets                                       | 72,754           | 75,312           |
| Associates  | 11,711           | 12,204           |
| Other receivables   | 651              | 613              |
| Deferred tax assets                                       | 14,792           | 13,271           |
| <b>Total non-current assets</b>                           | <b>1,029,461</b> | <b>930,190</b>   |
| <b>Current assets</b>                                     |                  |                  |
| Inventories   | 431,881          | 385,913          |
| Trade and other receivables                               | 277,773          | 249,338          |
| Contract assets   | 162,600          | 204,142          |
| Contract costs  | 3,439            | 3,480            |
| Current income tax  | 1,115            | 2,315            |
| Cash and cash equivalents                                 | 99,865           | 184,559          |
| <b>Total current assets</b>                               | <b>976,673</b>   | <b>1,029,747</b> |
| Assets held for sale                                      | 96,009           | 108,506          |
| <b>Total assets</b>                                       | <b>2,102,143</b> | <b>2,068,443</b> |
| <b>Equity and liabilities</b>                             |                  |                  |
| <b>Group Equity</b>                                       |                  |                  |
| Shareholders' equity                                      | 795,779          | 786,773          |
| Non-controlling interests                                 | 126              | 168              |
| <b>Total group equity</b>                                 | <b>795,905</b>   | <b>786,941</b>   |
| <b>Non-current liabilities</b>                            |                  |                  |
| Interest-bearing loans and borrowings                     | 596,799          | 503,008          |
| Deferred tax liabilities                                  | 58,484           | 52,468           |
| Retirement benefit obligation                             | 3,811            | 3,765            |
| Other non-current financial liabilities                   | 917              | 919              |
| Provisions  | 6,622            | 6,798            |
| <b>Total non-current liabilities</b>                      | <b>666,633</b>   | <b>566,958</b>   |
| <b>Current liabilities</b>                                |                  |                  |
| Interest-bearing loans and borrowings                     | 61,619           | 70,419           |
| Trade payables and other payables                         | 352,433          | 384,914          |
| Contract liabilities                                      | 149,182          | 186,473          |
| Current income tax liabilities                            | 16,781           | 15,498           |
| Other financial liabilities                               | 1,589            | 2,985            |
| Provisions  | 19,663           | 20,798           |
| <b>Total current liabilities</b>                          | <b>601,267</b>   | <b>681,087</b>   |
| Liabilities directly associated with assets held for sale | 38,338           | 33,457           |
| <b>Total equity and liabilities</b>                       | <b>2,102,143</b> | <b>2,068,443</b> |

## Consolidated statement of changes in group equity

| in thousands of euros                         | Total<br>shareholders'<br>equity | Non-<br>controlling<br>interests | Total<br>group<br>equity |
|---|----------------------------------|----------------------------------|--------------------------|
| <b>Balance on January 1, 2022</b>             | <b>721,930</b>                   | <b>53</b>                        | <b>721,983</b>           |
| Net result                                    | 69,996                           | 23                               | 70,019                   |
| Other comprehensive income                    | 4,971                            | -9                               | 4,962                    |
| <b>Total comprehensive income</b>             | <b>74,967</b>                    | <b>14</b>                        | <b>74,981</b>            |
| Dividends                                     | -61,564                          |                                  | -61,564                  |
| Share and option schemes                      | 1,460                            |                                  | 1,460                    |
| Purchased shares for share and option schemes | -18,460                          |                                  | -18,460                  |
| Sold shares for share and option schemes      | 7,217                            |                                  | 7,217                    |
| <b>Balance on June 30, 2022</b>               | <b>725,550</b>                   | <b>67</b>                        | <b>725,617</b>           |
| <b>Balance on January 1, 2023</b>             | <b>786,773</b>                   | <b>168</b>                       | <b>786,941</b>           |
| Net result                                    | 98,415                           | 12                               | 98,427                   |
| Other comprehensive income                    | -6,594                           | -54                              | -6,648                   |
| <b>Total comprehensive income</b>             | <b>91,821</b>                    | <b>-42</b>                       | <b>91,779</b>            |
| Dividends                                     | -67,467                          |                                  | -67,467                  |
| Share and option schemes                      | 1,197                            |                                  | 1,197                    |
| Purchased shares for share buy-back program   | -15,708                          |                                  | -15,708                  |
| Purchased shares for share and option schemes | -8,545                           |                                  | -8,545                   |
| Sold shares for share and option schemes      | 7,708                            |                                  | 7,708                    |
| <b>Balance on June 30, 2023</b>               | <b>795,779</b>                   | <b>126</b>                       | <b>795,905</b>           |

## Consolidated cash flow statement

| in thousands of euros   | 1 <sup>st</sup> half<br>year 2023 | 1 <sup>st</sup> half<br>year 2022 |
|---|-----------------------------------|-----------------------------------|
| <b>Cash flow from operating activities</b>  |                                   |                                   |
| Operating result  | 93,269                            | 97,751                            |
| Depreciation, amortization, and impairment  | 51,719                            | 50,799                            |
| Share and option schemes not resulting in a cash flow   | 1,197                             | 1,460                             |
| Result on disposals   | -56                               | -9,448                            |
| Changes in provisions   | -1,212                            | 720                               |
| Changes in working capital  | -101,166                          | -197,314                          |
| <b>Cash flow from operations</b>  | <b>43,751</b>                     | <b>-56,032</b>                    |
| Interest received   | 544                               | 120                               |
| Interest paid   | -11,226                           | -3,524                            |
| Income taxes paid   | -19,498                           | -22,078                           |
| <b>Net cash flow from operating activities (A)</b>  | <b>13,571</b>                     | <b>-81,514</b>                    |
| <b>Cash flow from investing activities</b>  |                                   |                                   |
| Investments in intangible assets  | -25,507                           | -21,821                           |
| Purchases of property, plant, and equipment   | -71,253                           | -28,182                           |
| Disposals of property, plant, and equipment   | 291                               | 326                               |
| Dividends received from associates  |                                   | 66                                |
| Repayments on loans   | -38                               | 114                               |
| Divestments of assets held for sale   | 55,522                            | 13,958                            |
| Acquisition of subsidiaries less cash and cash equivalents acquired                                 | -42,914                           |                                   |
| <b>Net cash flow from investing activities (B)</b>  | <b>-83,899</b>                    | <b>-35,539</b>                    |
| <b>Cash flow from financing activities</b>  |                                   |                                   |
| Dividends paid  | -67,467                           | -61,564                           |
| Settlement of financial liabilities regarding put options of non-controlling interests and earn-out | -1,379                            | -4,016                            |
| Purchased shares for share buyback program  | -15,708                           |                                   |
| Purchased shares for share and option schemes   | -8,545                            | -18,460                           |
| Sold shares for share and option schemes  | 7,708                             | 7,217                             |
| Payment of lease liabilities  | -7,667                            | -7,756                            |
| Proceeds from long-term debts   | 427,355                           | 144,351                           |
| Repayments on long term debts   | -335,000                          |                                   |
| (Repayments)/proceeds from other long-term debts  | 281                               | -478                              |
| Change in short-term borrowings   | 61,591                            | 60,353                            |
| <b>Net cash flow from financing activities (C)</b>  | <b>61,169</b>                     | <b>119,647</b>                    |
| <b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>                                 | <b>-9,159</b>                     | <b>2,594</b>                      |
| Exchange differences  | -4,950                            | 4,900                             |
| <b>Change in cash and cash equivalents</b>  | <b>-14,109</b>                    | <b>7,494</b>                      |
| Cash and cash equivalents at January 1  | 78,387                            | 68,017                            |
| <b>Cash and cash equivalents on June 30</b>   | <b>64,278</b>                     | <b>75,511</b>                     |
| Cash and bank balances as included in the cash flow statement                                       | 64,278                            | 75,511                            |
| Cash at companies' assets held for sale   | -82                               | -726                              |
| Cash and bank balances in cash and interest pools   | 35,669                            | 34,193                            |
| <b>Cash and cash equivalents in balance sheet</b>   | <b>99,865</b>                     | <b>108,978</b>                    |

## Notes to the interim financial report

### Accounting principles for financial reporting

The accounting policies for the valuation of assets and liabilities and determination of the result (hereafter 'valuation principles') are the same as the accounting principles applied for the consolidated financial statements 2022. Annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Section 2: 362 sub 9 of the Dutch Civil Code (Dutch Civil Code).

The interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements 2022 of the group.

### Judgements

The preparation of the consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, and income and expenses. Actual results may differ from these estimates. The main sources for estimates used by management are the same as those used in preparing the 2022 consolidated financial statements.

### Acquisition

On 9 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 employs 82 people and realizes an annual turnover of about € 27 million. 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 preliminary fair value adjustments are as follows:

| in thousands of euros              | Book value    | Adjustments   | Fair value    |
|------------------------------------|---------------|---------------|---------------|
| Intangible assets and goodwill     | 2,794         | 18,003        | 20,797        |
| Property, plant and equipment      | 5,744         |               | 5,744         |
| Inventories                        | 4,990         |               | 4,990         |
| Trade and other receivables        | 4,790         |               | 4,790         |
| Cash and cash equivalents          | 10,778        |               | 10,778        |
| Non-current liabilities            | -2,877        |               | -2,877        |
| Deferred tax                       | -683          | -4,501        | -5,184        |
| Current liabilities                | -4,046        |               | -4,046        |
| <b>Acquired net assets</b>         | <b>21,490</b> | <b>13,502</b> | <b>34,992</b> |
| Goodwill paid                      |               |               | 18,701        |
| <b>Purchase price</b>              |               |               | <b>53,693</b> |
| Cash and cash equivalents acquired |               |               | -10,777       |
| <b>Purchase price paid</b>         |               |               | <b>42,916</b> |

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. TKH expects that the acquisition will have a positive effect on TKH's earnings per share as per 2023.

### Assets and directly associated liabilities held for sale

The assets and directly associated liabilities held for sale relate to the other associate Cable Connectivity Group B.V. ("CCG") and the subsidiary TKH France SAS.

- In November 2022, TKH reached an agreement on the sale of its minority 41.5% stake in CCG. The transaction has been closed on February 1, 2023 and resulted in a one-off profit contribution of € 36.2 million in Q1 2023.
- On May 31, 2023, TKH reached an agreement on the divestment of our connectivity distribution activities in France, comprising CAE Data SAS and ID Cables SAS, for an Enterprise Value of € 118 million to the newly created company SCS Wityu Holding SAS ("SCS Wityu"), that will be controlled by private equity group Argos Wityu SAS. Under the terms of the agreement, TKH will invest € 26.5 million in SCS Wityu to acquire a minority stake of 40%. The transaction is expected to close in H2 2023. The turnover of these activities totaled € 129.3 million in 2022 with an EBITA of € 19.6 million and 186 FTEs.

The main categories of assets and liabilities classified as held for sale are as follows:

| in thousands of euros  | June 30,<br>2023 | December 31,<br>2022 |
|--|------------------|----------------------|
| <b>Assets</b>  |                  |                      |
| Intangible assets and goodwill                                   | 34,255           | 34,116               |
| Property, plant, and equipment                                   | 1,957            | 1,769                |
| Right-of-use assets  | 10,509           | 10,324               |
| Other associates   |                  | 19,219               |
| Other receivables  | 932              | 478                  |
| Deferred tax assets  | 1,442            |                      |
| Inventories  | 29,455           | 31,034               |
| Trade and other receivables                                      | 17,377           | 11,380               |
| Current income tax   |                  | 123                  |
| Cash and cash equivalents  | 82               | 63                   |
| <b>Assets held for sale</b>                                      | <b>96,009</b>    | <b>108,506</b>       |
| <b>Liabilities</b>   |                  |                      |
| Non-current interest-bearing loans and borrowings                | 7,390            | 8,072                |
| Deferred tax liabilities   | 2,816            | 1,059                |
| Retirement benefit obligation                                    | 923              | 911                  |
| Current interest-bearing loans and borrowings                    | 2,376            | 2,137                |
| Trade payables and other payables                                | 24,497           | 20,752               |
| Current income tax liabilities                                   | 336              | 526                  |
| <b>Liabilities directly associated with assets held for sale</b> | <b>38,338</b>    | <b>33,457</b>        |
| <b>Net assets directly associated with held for sale</b>         | <b>57,671</b>    | <b>75,049</b>        |

### Statutory capital

The number of outstanding (depository receipts of) shares as per December 31, 2022 amounted to 41,004,782. Due to the exercise of options rights and share schemes, a balance of 32,682 (depository receipts of) shares were sold in the first half of 2023. TKH announced on March 7, 2023 a share buyback program for an amount of € 25 million. Up to June 30, 2023 TKH has repurchased 344,624 of its own depository receipts of shares for € 15.7 million at an average share price of € 45.58. As a result, the number of (depository receipts of) shares outstanding with third parties as per June 30, 2023 was 40,692,840.



## Dividend

At the General Meeting of Shareholders 2023, the dividend over 2022 was declared at € 1.65 per (depository receipts of) ordinary share. The dividend on the priority shares was declared at € 0.05 per share. The total amount in dividends paid in the first half of 2023 was € 67,467,656 and this amount was charged to the other reserves (H1 2022: € 61,563,806).

## Order book

The following table shows the expected future revenue regarding contractual performance obligations that have not (or have only partially) been completed on the balance sheet date:

| in thousands of euros                                      | June 30,<br>2023 | December 31,<br>2022 | June 30,<br>2022 |
|--|------------------|----------------------|------------------|
| Expected to be recognized as revenue within 1 year         | 757,814          | 716,910              | 779,779          |
| Expected to be recognized as revenue between 1 and 2 years | 197,376          | 206,372              | 18,419           |
| Expected to be recognized as revenue after 2 years         | 44,692           | 48,625               | 4,568            |
| <b>Total</b>   | <b>999,882</b>   | <b>971,907</b>       | <b>802,766</b>   |

## Contingent liabilities

The contingent liabilities which are not reflected in the balance sheet, as reported in the consolidated financial statements for 2022, have not essentially changed in the first half 2023.

## Segmented information

|                          | Smart Vision systems |                | Smart Manufacturing systems |                | Smart Connectivity systems |                | Other and eliminations |                | Total          |                |
|--------------------------|----------------------|----------------|-----------------------------|----------------|----------------------------|----------------|------------------------|----------------|----------------|----------------|
| In thousands euros       | H1<br>2023           | H1<br>2022     | H1<br>2023                  | H1<br>2022     | H1<br>2023                 | H1<br>2022     | H1<br>2023             | H1<br>2022     | H1<br>2023     | H1<br>2022     |
| <b>Turnover</b>          | <b>250,211</b>       | <b>234,828</b> | <b>263,268</b>              | <b>256,027</b> | <b>451,849</b>             | <b>419,985</b> | <b>-17,719</b>         | <b>-11,109</b> | <b>947,609</b> | <b>899,731</b> |
| Added value              | 149,173              | 136,383        | 130,423                     | 124,742        | 185,583                    | 161,593        | 29                     | -33            | 465,208        | 422,685        |
| Added value in %         | 59.6%                | 58.1%          | 49.5%                       | 48.7%          | 41.1%                      | 38.5%          |                        |                | 49.1%          | 47.0%          |
| EBITDA                   | 53,020               | 49,290         | 37,049                      | 42,049         | 63,992                     | 55,794         | -9,134                 | -8,019         | 144,927        | 139,114        |
| <b>EBITA</b>             | <b>44,936</b>        | <b>41,633</b>  | <b>32,473</b>               | <b>37,964</b>  | <b>51,952</b>              | <b>44,629</b>  | <b>-9,591</b>          | <b>-8,659</b>  | <b>119,770</b> | <b>115,567</b> |
| ROS                      | 18.0%                | 17.7%          | 12.3%                       | 14.8%          | 11.5%                      | 10.6%          |                        |                | 12.6%          | 12.8%          |
| One-off income           |                      |                |                             |                | 1,058                      | 7,078          |                        | 2,258          | 1,058          | 9,336          |
| Amortization             | -19,848              | -19,472        | -5,396                      | -5,717         | -1,671                     | -1,927         |                        |                | -26,915        | -27,116        |
| Impairments              | -649                 | -27            | 4                           | -25            |                            | 16             | 1                      |                | -644           | -36            |
| <b>Operating result</b>  | <b>24,439</b>        | <b>22,134</b>  | <b>27,081</b>               | <b>32,222</b>  | <b>51,339</b>              | <b>49,796</b>  | <b>-9,590</b>          | <b>-6,401</b>  | <b>93,269</b>  | <b>97,751</b>  |
| <b>Other information</b> |                      |                |                             |                |                            |                |                        |                |                |                |
| Order book               | 143,875              | 161,573        | 598,490                     | 362,009        | 257,516                    | 279,184        | 1                      |                | 999,882        | 802,766        |
| Employees (FTE)          | 2,116                | 1,939          | 1,887                       | 1,752          | 2,446                      | 2,251          | 89                     | 86             | 6,538          | 6,028          |

EBITDA and EBITA are before one-off income and expenses.

## Overview of alternative performance indicators

| in thousands of euros (unless stated otherwise)   | H1 2023        | H1 2022       |
|---|----------------|---------------|
| Net profit  | 98,427         | 70,019        |
| Less: Non-controlling interests   | -12            | -23           |
| <b>Net profit attributable to the shareholders of the company</b>   | <b>98,415</b>  | <b>69,996</b> |
| Amortization of intangible non-current assets from acquisitions   | 7,717          | 9,158         |
| Taxes on amortization   | -1,951         | -2,459        |
| <b>Net profit before amortization from continuing operations attributable to the shareholders of the company</b>      | <b>104,181</b> | <b>76,695</b> |
| One-off income and expenses   | -1,058         | -9,336        |
| Result from divestments and purchase price allocations in the result of associates                                    | -36,164        | 608           |
| Impairments   | 644            | 36            |
| Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests   |                | 76            |
| Tax impact on one-off expenses and benefits   | 103            | 2,444         |
| <b>Net profit before amortization and one-off income and expenses attributable to the shareholders of the company</b> | <b>67,706</b>  | <b>70,523</b> |

Other definitions used:

- Added value: total turnover less the cost of materials and subcontracted work for products sold and services delivered.
- Capital employed: group equity plus long-term debts plus short-term debts to credit institutions less cash and cash equivalents.
- Debt leverage ratio (Net Debt / EBITDA): long-term liabilities plus current liabilities to credit institutions less cash and cash equivalents divided by EBITDA.
- EBITA: earnings before financial income and expenses, taxes, impairments and amortization, and one-off income and expenses.
- EBITDA: earnings before financial income and expenses, taxes, impairments, depreciations and amortization, and one-off income and expenses.
- ROCE (Return on Capital Employed): EBITA over the last 12 months divided by capital employed at the beginning of the period plus capital employed at the end of the period divided by two.
- ROS (Return on Sales): EBITA divided by the total turnover as a percentage.

## Events after balance sheet date

There have been no events in the past interim period that are material to the understanding of this interim report.

## Risks

The 2022 annual report describes in detail certain risk categories and risk factors that could have a (negative) impact on TKH's financial position and results. On June 30, 2023, the risk categories and risk factors were re-analyzed and it was concluded that they are still relevant.

## Executive Board declaration

This report contains the interim financial report of TKH Group NV. The interim financial report ended June 30, 2023 consists of the condensed consolidated interim financial statements, the interim director's report and Executive Board declaration. The information in this interim financial report is unaudited. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in



conjunction with the consolidated financial statements of TKH for the year ended December 31, 2022.

The Executive Board hereby declares that to the best of their knowledge, the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the interim director's report gives a fair review of the information required pursuant to section 5:25d (8)/(9) of the Dutch Financial Markets Supervision Act ('Wet op het financieel toezicht').

### **Signature of interim report**

Haaksbergen, August 15, 2023

Executive Board

J.M.A. van der Lof, MBA, chairman

E.D.H. de Lange, MBA

H.J. Voortman, Msc

*The figures in the interim financial report have not been audited.*

#### **Disclaimer**

Statements included in this press release that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements are only predictions and are not guarantees. Actual events or the results of our operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "will," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential," or the negative of such terms and other comparable terminology.

The forward-looking statements are based upon our current expectations, plans, estimates, assumptions, and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements.