

Press release

TKH Group N.V. (TKH)
First half results 2016

Decline in results due to lower contribution Industrial Solutions

Highlights second quarter 2016

- Turnover drops 6.6% to € 333.3 million – organic decline in turnover 3.2%.
- Organic increase in turnover in Telecom Solutions (11.8%) and Building Solutions (2.6%).
- Organic decline in turnover in Industrial Solutions (12.0%), in accordance with previously reported lower order intake due to Chinese reluctance to invest.
- EBITA down 11.2%, largely due to lower turnover in Industrial Solutions.
- Higher EBITA in Telecom Solutions and Building Solutions.
- Postponed orders manufacturing systems sub-segment results in order intake of € 50 million in Q2 –expected recovery in order intake in the coming quarters.

Highlights first half 2016

- Turnover down 5.8% at € 650.1 million, organic decline 3.0%.
- Organic turnover decline of 7.3% in Industrial Solutions and 0.5% in Building Solutions.
- Organic turnover increase of 5.6% in Telecom Solutions.
- EBITA down 12.3%, largely due to lower turnover in Industrial Solutions.
- Net profit before amortization and one-off income and expenses attributable to shareholders down 12.8%.

Outlook

- Outlook for the full year 2016: a net profit before amortization and one-off income and expenses attributable to shareholders of between € 88 and € 93 million (2015: € 99.9 million).

Key figures second quarter

(in € million unless otherwise stated)	Q2 2016	Q2 2015	Change in %
Turnover ¹⁾	333.3	356.7	- 6.6
EBITA	33.6	37.8	- 11.2
Net profit before amortization ²⁾ and one-off income and expenses, attributable to shareholders	21.5	24.4	- 12.1
Net profit	18.8	21.3	- 12.0
ROS	10.1%	10.6%	

Key figures first half year

(in € million unless otherwise stated)	H1 2016	H1 2015	Change in %
Turnover ¹⁾	650.1	690.0	- 5.8
EBITA	64.8	73.8	- 12.3
Net profit before amortization ²⁾ and one-off income and expenses, attributable to shareholders	41.0	47.0	- 12.8
Net profit	35.9	41.3	- 13.2
Net earnings per ordinary share attributable to shareholders (in €)	0.83	0.97	- 14.4
Solvency ratio	44.2%	40.2%	
ROS	10.0%	10.7%	
ROCE	18.6%	20.1%	

¹⁾ The item 'movements in inventories finished products and work in progress' was reclassified in 2015 and is now recognized as operating expenses instead of net turnover.

²⁾ Of intangible fixed assets related to acquisitions (after taxes).

Alexander van der Lof, CEO of technology company TKH: *“The decline in the results in the second quarter was in line with the previous reported reduced order intake from China in the manufacturing systems sub-segment . The situation in China did not improve in the second quarter due to the postponement of a number of expected orders, also from the big five tire manufacturers. The outlook for the order intake in the second half of the year is better, due to a number of newly announced large-scale projects in which TKH is well positioned. In the second quarter, we were able to agree on a framework agreement with a major tire manufacturer. We have further adjusted our production capacity upwards with a view to the expected higher activity levels in the coming quarters. We also made a number of breakthroughs in the Building and Telecom Solutions segments and closed some major contracts that will result in an increase of turnover. The investments in R&D within Building Solutions were increased to accelerate the completion of a number of large R&D projects on the basis of positive feedback from pilot projects. Great interest is shown by customers in the form of concrete orders for the new technologies, including CEDD, machine vision, subsea-connectivity and light truck tire building systems. Investments in preparation for the targeted growth within the vertical growth markets create a lot of confidence for the future but are having a slightly negative impact on short-term ROS.”*

Financial developments second quarter

Turnover declined by € 23.4 million (6.6%) to € 333.3 million in the second quarter of 2016 (2015: € 356.7 million). The divestment of Parking & Protection resulted in a 0.4% decline in turnover. The on average weaker foreign currencies against the euro had a negative impact of 1.0% on turnover. Lower raw materials prices had a negative impact of 2.0% on turnover. On balance, the organic turnover decline was 3.2%.

The turnover decline in the second quarter was due entirely to Industrial Solutions and is a consequence of a lower order intake in the manufacturing systems sub-segment in recent quarters. The other segments, Telecom and Building Solutions, realized organic growth of 11.8% and 2.6% respectively.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) declined by 11.2% in the second quarter of 2016 to € 33.6 million (Q2 2015: € 37.8 million). Both Building Solutions' and Telecom Solutions' EBITA came in higher than in the second quarter of 2015, while Industrial Solutions recorded a clear decline in EBITA.

Net profit before amortization and one-off income and expenses attributable to shareholders fell by 12.1% to € 21.5 million (Q2 2015: € 24.4 million), as a result of the lower operating result.

The ROS for TKH came in at 10.1% in the second quarter of 2016 (Q2 2015: 10.6%).

Financial developments first half year

Turnover declined by 5.8% to € 650.1 million in the first half of 2016 (H1 2015: € 690.0 million). The divestment of Parking & Protection resulted in a drop in turnover in the first half year of 0.4%. Both weaker foreign currencies against the euro and a drop in raw materials prices had a negative impact on turnover of 0.7% and 1.8% respectively. The organic turnover decline was 3.0%.

The contribution from Industrial Solutions to overall turnover dropped to 44.9% in the first half year, from 46.7% in the year-earlier period. The contribution from Building Solutions was up slightly at 42.1%, from 41.7% of total turnover. The contribution from Telecom Solutions rose to 13.0%, from 11.7%.

The gross margin increased to 46.4% in the first half of 2016, from 46.0% in the first half of 2015. The higher margin was realized in Building and Industrial Solutions on the back of an improved product mix.

Operating costs were down 2.6% compared to the first half of 2015. However, operating costs as a percentage of turnover rose to 36.5% in the first half of 2016, from 35.3% in the first half of 2015. This relative increase was largely due to lower turnover levels in the manufacturing systems sub-segment, while investments in the required expansion of the organization in a number of specific vertical growth markets in the area of R&D, commerce and production capacity were higher.

Depreciations came in at € 10.1 million, down from € 10.9 million in the first half of 2015.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) fell by 12.3% to € 64.8 million in the first half of 2016, from € 73.8 million in the first half of 2015. EBITA in Telecom Solutions was up 16.0% compared to the first half of 2015. In Building Solutions, EBITA was down 3.7%, while Industrial Solutions recorded a drop in EBITA of 23.2%.

ROS fell to 10.0% in the first half of 2016, from 10.7% in the first half of 2015.

Amortization costs increased by € 0.5 million to € 15.9 million (H1 2015: € 15.4 million), due to higher investments in R&D made in recent years.

The financial result improved with € 2.0 million to a net amount of € 2.4 million in the first half of 2016. Interest expenses were € 0.8 million lower and a reduction in the negative currency exchange effects resulted in an improvement of € 0.9 million. The result from participations was up € 0.3 million.

The tax rate was 21.7% in the first half of 2016, compared with € 22.6% in the same period of 2015. The use of the Dutch innovation box facility once again had a positive impact on the overall tax rate.

Net profit before amortization and one-off income and expenses attributable to shareholders was down 12.8% at € 41.0 million in the first half of 2016 (H1 2015: € 47.0 million). Net profit fell to € 35.9 million in the first half of 2016 (H1 2015: € 41.3 million).

Net bank debt, calculated in accordance with the covenants agreed with the banks, increased by € 46.0 million from year-end 2015, to € 207.0 million. This increase was due to dividend payments, investments and the higher working capital due to seasonal effects. The net debt/EBITDA ratio came in at 1.3 and the interest coverage ratio stood at 23.7. This means that TKH is operating well within the bandwidth of the financial ratios agreed with its banks. The solvency ratio stood at 44.2% (H1 2015: 40.2%). Working capital increased to 14.4% at 30 June 2016, from 11.4% at year-end 2015, due to seasonal effects, but was considerably lower when compared to mid-2015 (18.2%).

At 30 June 2016, TKH had a total workforce (FTEs) of 5,433 (mid-2015: 5,337) and employed an additional 405 temporary staff at 30 June 2016 (mid-2015: 478).

Developments per solutions segment

Telecom Solutions

Profile

Telecom Solutions develops, produces and supplies systems ranging from basic outdoor infrastructure for telecom and CATV networks through to indoor home networking applications. The focus of the business is on the delivery of completely worry-free systems for its clients, thanks to the system guarantees it provides. Around 60% of the portfolio consists of hub-to-hub optical fibre and copper cable systems. The remaining 40%, consisting of components and systems in the field of connectivity and peripherals, is deployed primarily in network hubs

Key figures first half year Telecom Solutions

(in € million unless otherwise stated)

	H1 2016	H1 2015	Change in %
Turnover ¹⁾	84.1	80.4	+ 4.5
EBITA	9.2	8.0	+ 16.0
ROS	11.0%	9.9%	

¹⁾ The item 'movements in inventories finished products and work in progress' was reclassified in 2015 and is now recognized under operating costs instead of net turnover.

Turnover in the Telecom Solutions segment was up 4.5% at € 84.1 million. Currency exchange rates had a negative impact of 1.1% on turnover. Organic turnover growth was 5.6%. The organic turnover growth was realized in fibre network systems. The demand for optical fibre systems in the Netherlands and Poland declined, but this was more than offset by strong demand for optical fibre in China and growth in Germany and France.

EBITA was up 16.0% at € 9.2 million. ROS improved to 11.0%, from 9.9%, on the back of a higher capacity utilization rate in optical fibre production and higher added value in the indoor telecom systems sub-segment due to an improved product mix.

Indoor telecom & copper networks - home networking-systems, broadband connectivity, IPTV software solutions, copper cable, connectivity systems and components, active peripherals – turnover share 5.6%

Turnover was down 2.2% due to a continued decline in investment levels in copper networks. Indoor telecom is seeing growing demand, driven by higher consumer spending in the European market. The margin came in higher as a result of an improved product mix.

Fibre network systems - optical fibre, optical fibre cables, connectivity systems and components, active peripherals – turnover share 7.4%

Turnover was up by 10.5% despite a decline in demand in the Netherlands and Poland. In the Netherlands, the decline in demand is still not being offset by the installation of fibre optic networks in rural areas. In Poland, the decline in European subsidies had a negative impact on the willingness to invest. However, TKH recorded turnover growth in China, Germany and France. The higher capacity utilization level and the realized efficiency improvements had a positive impact on the result.

Building Solutions

Profile

Building Solutions develops, produces and delivers solutions in the field of efficient electro-technical technology, ranging from applications within buildings to technical systems which, linked to software, provide efficiency solutions for the care and security sectors. TKH's know-how in this segment is focused on vision technology and connectivity systems combined with efficiency solutions to reduce the throughput time for the realization of installations within buildings and industrial automation. In addition, TKH's focus in this segment is on intelligent video, intercom and access monitoring systems for a number of specific sectors, including elderly care, parking, marine, the oil & gas industry, tunnels and security for buildings and work sites.

Key figures first half year Building Solutions

(in € million unless otherwise stated)

	H1 2016	H1 2015	Change in %
Turnover ¹⁾	274.0	287.5	- 4.7
EBITA	28.9	30.0	- 3.7
ROS	10.6%	10.4%	

¹⁾ The item 'movements in inventories finished products and work in progress was reclassified in 2015 and is now recognized as operating expenses instead of net turnover.

Turnover in the Building Solutions segment fell by 4.7% to € 274.0 million, of which 0.9% is a result of the divestment of Parking & Protection. Currency exchange rates had a negative impact of 1.0% on turnover. In addition, lower raw materials prices had a negative impact of 2.3% on turnover. On balance, the organic drop in turnover came in at 0.5% in the first half year. A reluctance to invest had a negative impact on turnover in China and Poland. Organic turnover growth was 2.6% in the second quarter.

EBITA fell 3.7% to € 28.9 million, as a result of the drop in turnover. ROS improved slightly to 10.6% in the first half of 2016 (H1 2015: 10.4%).

Vision & Security systems - vision technology, systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration, care systems – turnover share 25.5%

Organic turnover decreased 0.1%. The reluctance to invest in China and Poland had a negative impact on turnover. On the other hand, turnover was up in Europe, primarily in the security segment. Turnover in parking solutions increased due to a growing demand for efficient and intelligent parking systems, based on vision technology.

The introduction of new, advanced vision-technology for the automation and inspection of production processes, in response to ever higher specifications, resulted in the first contracts. On the basis of feedback from customers, we see considerable potential for innovation within our vision technology, confirming our growth targets for the vertical growth market machine vision.

Connectivity systems - specialty cable (systems) for marine, rail, infrastructure, wind energy, as well as installation and energy cable for niche markets – turnover share 16.6%

Turnover fell organically by 1.1%. This was the result of a drop in market volume due to fewer large-scale projects in the construction and infra sector, as well as a drop in the marine, oil & gas markets. On the other hand, turnover was up in energy and data cable systems. Due to TKH's strong focus on margins and efficiency improvements, both added value and the result came in higher. The new plant for subsea cable systems was commissioned in the first half of 2016. In the second quarter, TKH started pilot productions. Series production is expected to start in the first quarter of 2017.

Industrial Solutions

Profile

Industrial Solutions develops, produces and delivers solutions ranging from specialty cable, plug and play cable systems to integrated systems for the production of car and truck tires. The company's know-how in the automation of production processes and improvements in the reliability of production systems gives TKH the differentiating potential to respond to the increasing desire to outsource the construction of production systems or modules in a number of specialized industrial sectors, such as tire manufacturing, robotics, medical and machine building industries.

Key figures first half year Industrial Solutions

(in € million unless otherwise stated)

	H1 2016	H1 2015	Change in %
Turnover ¹⁾	292.1	322.0	- 9.3
EBITA	32.8	42.7	- 23.2
ROS	11.2%	13.3%	

¹⁾ The item 'movements in inventories finished products and work in progress' was reclassified in 2015 and is now recognized as operating expenses instead of net turnover.

Turnover in the Industrial Solutions segment fell by 9.3% to € 292.1 million. Currency exchange rates had a negative impact of 0.2% on turnover. Turnover was down 1.8% due to lower average raw materials prices. Turnover fell by 7.3% organically. The drop in turnover was due entirely to the sub-segment manufacturing systems and was related to the previously reported lower order intake in 2015, which was in turn due to reluctance to invest in China. Turnover in the connectivity systems sub-segment developed positively and grew organically by 7.2%.

EBITDA was down 23.2% at € 32.8 million as a result of lower turnover and production capacity utilization, as well as investments in capacity expansion and higher R&D expenses. This in turn reduced ROS to 11.2% in the first half of 2016, from 13.3% in the first half of 2015.

Connectivity systems - specialty cable systems and modules for the medical, robot, automotive and machine building industries – turnover share 19.3%

Organic turnover growth came in at 7.2%. This turnover growth was realized in the medical and robot industries. Investments in R&D, making it possible for TKH to respond optimally to the trend of miniaturization and extending the life time of cable systems for advanced production systems, are clearly bearing fruit in these areas. The strong increase in the demand for robot systems is also having a positive impact on this front.

Manufacturing systems - advanced manufacturing systems for the production of car and truck tires, can washers, test equipment, product handling systems for the medical industry, machine operating systems – turnover share 25.6%

Turnover declined organically by 16.2%. This decline was the result of the reduced order intake in 2015 and the effect of a relatively large share in engineering activities prior to production as a consequence of new developed technology and continued breakthroughs among the top five tire manufacturers. TKH continued to increase production capacity in the second quarter in order to meet the expected increase in production levels in the second half of 2016. The reluctance to invest in China still has a negative impact on the order intake. In the second quarter, we saw the postponement of a number of projects, which resulted in a relatively low level of order intake of € 50 million. Despite the low order intake, the order book is well-filled, which will result in a higher production value in the coming quarters. In the second quarter, the tire manufacturing industry announced a number of major projects, for which TKH is well positioned and which may result in order intake.



Outlook

The outlook for the second half of the year in the market segments in which TKH operates, shows generally a more positive picture.

In Telecom Solutions, we expect turnover in line with the first half year. The demand for optical fibre in China will be lower in the second half of 2016, but we expect that this will be largely compensated by higher demand in Europe. We expect a different geographical distribution of turnover to lead to a lower result than in the first half of the year.

In Building Solutions, turnover will develop positively in the second half of the year. The order book and order intake in both connectivity and vision & security are at healthy levels and the outlook for potential orders is overall positive. On balance, we expect the result in the second half of the year to be higher than in the first six months.

In Industrial Solutions, turnover will be higher as a result of the well-filled order book in both connectivity and manufacturing systems. We expect the order intake for manufacturing systems in the second half of the year to exceed that of the first half year. We expect the result to be higher in the second half of the year than in the first half year.

On balance, and barring unforeseen circumstances, TKH expects net profit before amortization and one-off income and expenses attributable to shareholders of between € 88 million and € 93 million for the full year 2016 (2015: € 99.9 million).

Haaksbergen, 16 August 2016

Executive Board

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Agenda

3 November 2016	Trading update Q3 2016
7 March 2017	Publication full year results 2016
2 May 2017	Trading update Q1 2017
3 May 2017	General Meeting of Shareholders
15 August 2017	Publication half year results 2017
2 November 2017	Trading update Q3 2017

Profile

Technology firm TKH Group NV (TKH) is an internationally operating group of companies that specializes in developing and delivering innovative Telecom, Building and Industrial Solutions.

In doing so, TKH contributes to a safe environment and efficient, reliable processes for its customers.

The TKH core technologies -vision & security, communication, connectivity and manufacturing systems- are linked into total systems and solutions in our three Solutions segments. In this, we strive for far-reaching synergy and co-operation between our subsidiaries.

TKH has a thorough knowledge of processes and technologies, as well as insight into its customers' markets and processes. We offer our customers tailor-made solutions by making optimal use of our specialists' know-how in the fields of R&D, engineering, marketing, process development, project management and logistics.

TKH strives for strong market positions based chiefly on its own high-quality technologies and services, with an extensive regional and international spread. TKH and its subsidiaries operate on a global scale. Its growth is concentrated in Europe, North America and Asia. Employing 5,387 people, TKH achieved a turnover of €1.4 billion in 2015.

Consolidated profit and loss account

in thousands of euros

	<u>1st half year 2016</u>	<u>1st half year 2015</u>
Net turnover¹⁾	649,113	689,129
Other operating income	<u>1,015</u>	<u>854</u>
Total turnover	650,128	689,983
Changes in inventory of finished goods and work in progress ¹⁾	788	-283
Raw materials, consumables, trade products and subcontracted work	347,493	373,153
Personnel expenses	163,488	164,168
Depreciation	10,098	10,865
Amortization	15,946	15,454
Impairments	529	497
Other operating expenses	<u>63,494</u>	<u>68,251</u>
Total operating expenses	<u>601,836</u>	<u>632,105</u>
Operating result	48,292	57,878
Financial income	1,058	789
Financial expenses	-4,325	-4,856
Exchange differences	14	-905
Share in result of associates	<u>821</u>	<u>534</u>
Financial result	<u>-2,432</u>	<u>-4,438</u>
Result before taxes	45,860	53,440
Tax on profit	<u>9,966</u>	<u>12,100</u>
Net result from continued operations	35,894	41,340
Profit on discontinued operations	<u>0</u>	<u>0</u>
Net result	<u>35,894</u>	<u>41,340</u>
Attributable to:		
Shareholders of the company	34,850	40,332
Non-controlling interests	<u>1,044</u>	<u>1,008</u>
	<u>35,894</u>	<u>41,340</u>
Earnings per share attributable to shareholders		
Weighted average number of shares (x 1,000)	41,868	41,446
Weighted average number of shares for the purpose of diluted earnings per share (x 1,000)	42,086	41,637
Ordinary earnings per share before amortization (in €)	0.98	1.13
Ordinary earnings per share (in €)	0.83	0.97
Diluted earnings per share (in €)	0.83	0.97

¹⁾ The line item 'Changes in inventory of finished goods and work in progress' has been reclassified from turnover to expenses. The comparative figures have been restated.

Consolidated statement of comprehensive income

in thousands of euros

	<u>1st half year 2016</u>	<u>1st half year 2015</u>
Net result	35,894	41,340
Items that will not be reclassified subsequently to profit or loss (net of tax)		
Actuarial gains/(losses)	<u>0</u>	<u>-59</u>
	0	-59
Items that may be reclassified subsequently to profit or loss (net of tax)		
Currency translation differences	-3,513	12,906
Effective part of changes in fair value of cash flow hedges (after tax)	1,172	318
(De)/revaluation of available-for-sale financial assets	<u>-710</u>	<u>1,682</u>
	-3,051	14,906
Other comprehensive income (net of tax)	<u>-3,051</u>	<u>14,847</u>
Comprehensive income for the period (net of tax)	32,843	56,187
Attributable to:		
Shareholders of the company	31,795	55,148
Non-controlling interests	<u>1,048</u>	<u>1,039</u>
Total comprehensive income for the period (net of tax)	<u>32,843</u>	<u>56,187</u>

Consolidated balance sheet

in thousands of euros

	<u>30-06-2016</u>	<u>31-12-2015</u>
Assets		
<u>Non-current assets</u>		
Intangible non-current assets	393,115	400,264
Tangible non-current assets	201,722	192,186
Investment property	3,635	3,658
Financial non-current assets	22,754	22,754
Deferred tax assets	12,885	11,573
Total non-current assets	634,111	630,435
<u>Current assets</u>		
Inventories	206,084	194,240
Receivables	191,912	170,377
Amounts due from customers under construction contracts	74,751	74,160
Current income tax	3,751	2,555
Cash and cash equivalents	81,539	178,955
Total current assets	558,037	620,287
Total assets	<u>1,192,148</u>	<u>1,250,722</u>
Equity and liabilities		
<u>Group equity</u>		
Shareholders' equity	518,305	520,847
Non-controlling interests	8,104	8,570
Total group equity	526,409	529,417
<u>Non-current liabilities</u>		
Non-current liabilities	244,633	223,073
Deferred tax liabilities	49,912	51,127
Retirement benefit obligation	6,892	7,204
Financial liabilities	22,996	26,089
Provisions	3,657	3,700
Total non-current liabilities	328,090	311,193
<u>Current liabilities</u>		
Borrowings	53,138	126,234
Trade payables and other payables	226,194	209,357
Amounts due to customers under construction contracts	39,372	54,136
Current income tax liabilities	9,303	10,480
Financial liabilities	1,116	577
Provisions	8,526	9,328
Total current liabilities	337,649	410,112
Total equity and liabilities	<u>1,192,148</u>	<u>1,250,722</u>

Consolidated cash flow statement

in thousands of euros

	1 st half year 2016	1 st half year 2015
Cash flow from operating activities		
Operating result	48,292	57,878
Depreciation, amortization and impairment	26,573	26,816
Share and option schemes not resulting in a cash flow	2,018	1,606
Changes in provisions	-1,157	-3,758
Changes in working capital	-30,617	-51,548
Cash flow from operations	<u>45,109</u>	<u>30,994</u>
Interest paid	-3,267	-4,067
Income taxes paid	-14,866	-14,756
Net cash flow from operating activities (A)	<u><u>26,976</u></u>	<u><u>12,171</u></u>
Cash flow from investing activities		
Dividends received from non-controlling associates	653	551
Loans	-832	
Investments and divestments of tangible non-current assts	-22,619	-17,597
Investments and divestments of investment property	-7	-62
Divestments assets held for sale		3,050
Acquisition of subsidiaries		-46,078
Divestments of subsidiaries	2,182	
Acquisition of associates		-2,400
Investment in intangible non-current assets	-13,256	-11,499
Net cash flow from investing activities (B)	<u><u>-33,879</u></u>	<u><u>-74,035</u></u>
Cash flow from financing activities		
Dividends paid	-33,865	-28,548
Capital contribution by non-controlling interests		42
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	-273	
Acquisition of non-controlling interests	-134	-25,296
Sold shares for share and option schemes	-3,870	-4,731
Proceeds from long-term debts	21,560	74,023
Change in borrowings	12,916	13,869
Net cash flow from financing activities(C)	<u><u>-3,666</u></u>	<u><u>29,359</u></u>
Net decrease in cash and cash equivalents (A+B+C)	-10,569	-32,505
Exchange differences	-835	-749
Change in cash and cash equivalents	-11,404	-33,254
Cash and cash equivalents at 1 January ¹⁾	<u>64,701</u>	<u>90,332</u>
Cash and cash equivalents at 30 June ¹⁾	<u><u>53,297</u></u>	<u><u>57,078</u></u>

¹⁾ Short term borrowings that are part of a cash pool have been netted against cash and cash equivalents.

Consolidated statement of changes in group equity

In thousands of euros	Share capital	Share premium	Legal reserves	Revaluation reserves	Investment revaluation reserve	Transition reserve	Cash flow hedge reserve	Other reserves	Unappropriated profit	Total	Non-controlling interests	Total group equity
Balance at 1 January 2015	10,511	85,219	35,731	874	2,802	16,155	-4,625	253,263	82,822	482,752	17,174	499,926
Net result									40,332	40,332	1,008	41,340
Total other comprehensive income					1,682	12,875	-34	293		14,816	31	14,847
Total comprehensive income	0	0	0	0	1,682	12,875	-34	293	40,332	55,148	1,039	56,187
Appropriation profit last year								82,822	-82,822	0		0
Dividends	96	-96						-28,044		-28,044		-28,044
Dividends to shareholders of non-controlling interests								-504		-504		-504
Capital contribution									0	0	42	42
Acquisition of non-controlling interests								-18,011		-18,011	-10,406	-28,417
Share and option schemes (IFRS 2)								1,606		1,606		1,606
Purchased shares for share- and option schemes								-9,085		-9,085		-9,085
Sold shares for share- and option schemes								4,354		4,354		4,354
Change in legal reserve for participations for which economic ownership is acquired, but not legal ownership			-157					157		0		0
Capitalized development costs			4,639					-4,639		0		0
Balance at 30 June 2015	10,607	85,123	40,213	874	4,484	29,030	-4,659	282,212	40,332	488,216	7,849	496,065
Balance at 1 January 2016	10,607	85,123	34,917	874	4,162	20,920	-3,637	281,727	86,154	520,847	8,570	529,417
Net result									34,850	34,850	1,044	35,894
Total other comprehensive income					-710	-3,517	1,172			-3,055	4	-3,051
Total comprehensive income	0	0	0	0	-710	-3,517	1,172	0	34,850	31,795	1,048	32,843
Appropriation profit last year								86,154	-86,154	0		0
Dividends	102	-102						-32,021		-32,021		-32,021
Dividends to shareholders of non-controlling interests								-369		-369	-1,475	-1,844
Acquisition of non-controlling interests								-95		-95	-39	-134
Share and option schemes (IFRS 2)								2,018		2,018		2,018
Purchased shares for share- and option schemes								-8,278		-8,278		-8,278
Sold shares for share- and option schemes								4,408		4,408		4,408
Change in legal reserve for participations for which economic ownership is acquired, but not legal ownership			-965					965		0		0
Capitalized development costs			3,773					-3,773		0		0
Balance at 30 June 2016	10,709	85,021	37,725	874	3,452	17,403	-2,465	330,736	34,850	518,305	8,104	526,409

Notes to the interim financial report

1. Accounting principles for financial reporting

The interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015. The accounting principles applied for the valuation of assets and liabilities and the determination of result are the same as those applied in the consolidated financial statements as at and for the year ended 31 December 2015.

2. Judgments

The preparation of the condensed consolidated interim financial statements 2015 requires from management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

3. Statutory capital

The number of outstanding (depository receipts of) shares as per 31 December 2015 was the equivalent of 41,727,979. Due to the exercise of options rights and share schemes, a balance of 18,112 (depository receipts of) shares were delivered and sold in the first half of 2016. In addition, a stock dividend of 408,249 (depository receipt of) shares was paid out from the share premium reserve. As a result, the number of (depository receipts of) shares outstanding with third parties as per 30 June 2016 was 42,154,340.

4. Dividend

At the General Meeting of Shareholders 2016 the dividend over 2015 was declared at € 1.10 per (depository receipts of) ordinary share. The dividend was proposed at the option of shareholders in cash or as stock dividend. The dividend on the priority shares was declared at € 0.05 per share. The total amount in dividends paid in the first half of 2016 was € 32,020,944 and this amount was charged to the other reserves. For stock dividend an amount of € 102,062 was charged against the premium reserve.

5. Segmented information

in thousands of euros

	Telecom Solutions		Building Solutions		Industrial Solutions		Not Attributable		Total	
	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
1st half year Turnover	84,101	80,443	273,963	287,525	292,064	322,015			650,128	689,983
Segment EBITA ¹⁾	9,230	7,957	28,918	30,025	32,809	42,711	-6,190	-6,864	64,767	73,829
Amortization	-402	-374	-12,196	-12,360	-3,319	-2,637	-29	-83	-15,946	-15,454
One-off income and expenses ²⁾			-343	211	-186	-708			-529	-497
Segment operating result	8,828	7,583	16,379	17,876	29,304	39,366	-6,219	-6,947	48,292	57,878
Financial income and expenses									-3,253	-4,972
Share of result in associates									821	534
Tax on profit									-9,966	-12,100
Net result									35,894	41,340

¹⁾ EBITA: Operating result before amortization and impairment of non-current assets

²⁾ One off income and expenses relate to an impairment of fixed assets (€ 0.2 million), certain capitalized R&D projects (€ 0.1 million) and a release of a provision for put-options (€ 0.2 million)

6. Overview of net profit definitions

in thousands of euros	1st half year 2016	1st half year 2015
Net profit attributable to shareholders of the company	34,850	40,332
Net profit attributable to non-controlling interests	1,044	1,008
Net result	35,894	41,340
Amortization of acquisition related intangible non-current assets based on preliminary "purchase price allocations"	7,897	8,656
Taxes on the amortizations	-2,146	-2,334
One-off income and expenses	529	497
Tax on one-off income and expenses	-132	-124
Net result before amortization and one-off income and expenses	42,042	48,035
Attributable to non-controlling interests	-1,044	-1,008
Ordinary earnings before amortization and one-off income and expenses attributable to shareholders of the company	40,998	47,027

7. Divestment of a subsidiary

Early January TKH decided to divest its 51% stake in Parking & Protection B.V. ("P&P"). P&P focuses on the management and operations of parking facilities, particularly for hospitals and urban environments. The activities belong to the Building Solutions segment of TKH and are considered non-core, whereas the focus of TKH is on developing advanced own technologies and offering total solutions. TKH will further concentrate its activities on providing technology solutions for parking. The interest has been sold to Interparking Netherlands B.V. end March.

The transaction has no material impact on the earnings per share of TKH. In 2015 P&P realized a turnover of € 5.7 million and a net profit of € 0.3 million with 31 employees (FTEs). The results of P&P over 2016 till divestment of the interest has been disclosed as 'discontinued activities' and therefore are not included in the consolidated figures. The result on the divestment is nil due to a recognized provision for guarantees provided to the buyer.

8. Contingent liabilities

The contingent liabilities which are not reflected in the balance sheet, as reported in the financial statements for 2015, have not essentially changed in the first half 2016.

9. Events after balance sheet date

On 1 August 2016, TKH has reached agreement with HELLA KGaA Hueck & Co. ("HELLA") from Germany concerning the acquisition of the HELLA Airport Lighting business. The activities acquired comprises a market leading Airfield Ground Lighting ("AGL") portfolio based on innovative LED technology. The acquisition strengthens the strategic activities of TKH in its vertical growth market Tunnel & Infra. TKH and HELLA have already been successfully cooperating in the development and design of the CEDD (Contactless Energy & Data Distribution) technology of TKH, whereby the lighting fixtures of HELLA are part of the solution.

TKH has taken over the operating side in Nykøbing Falster (Denmark) and main assets from HELLA in Lippstadt (Germany), including intellectual property rights for AGL products. The Airport Lighting activities realized a turnover of about € 7 million in the financial year 2014/2015.

The HELLA Airport Lighting activities will be part of TKH's sub segment connectivity systems, within the business segment Building Solutions.

The purchase of € 0.7 million (excluding cash and cash equivalent obtained in the acquisition) is due in cash. The purchase method of accounting has not taken place yet due to the short timeframe. Consequently the precise amount of goodwill and acquired fair values of the assets and liabilities has not been finally determined. The goodwill will not be

deductible for income taxes. The acquisition of the airfield lighting activities will result in an increase of investments in the portfolio and the organization (commercial, R&D and production). As from 2018, the acquisition is expected to contribute positively to the earnings per share of TKH.

Except for the event mentioned, no events of fundamental significance for insight into the financial statements and the preceding period occurred after balance sheet date.

10. Risks

In our Annual Report 2015 we have extensively described certain risk categories and risk factors which could have an (adverse) impact on our financial position and results. Per 30 June the risk categories and risk factors have been reanalyzed and is concluded that these are still applicable.

11. Executive Board declaration

This report contains the interim financial report of TKH Group NV. The interim financial report ended 30 June 2016 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 31 December 2015.

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).

12. Signature of interim report

Haaksbergen, 16 August 2016

Executive Board
J.M.A. van der Lof MBA, *chairman*
E.D.H. de Lange MBA
A.E. Dehn

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