

Press release

TKH Group N.V. (TKH)
Results first half 2015

Increase net profit in first half 23%

Highlights second quarter 2015

- Turnover 3.2% higher at €353.7 million - organic decline of 3.1%.
- EBITA increased 12.7%, largely from Building Solutions.
- Sequential growth result Q2 compared to Q1 in all segments.
- Continued improvement in ROS, rises to 10.7%.
- Net profit before amortisation and one-off income and expenses attributable to shareholders rises by 13.4%.

Highlights first half 2015

- Turnover 5.1% higher at € 690.3 million, organic decline of 0.5%.
- Building Solutions books 6.2% organic increase in turnover based on success vertical growth markets.
- Organic decline in turnover Industrial Solutions of 5.4%, due to lower turnover in manufacturing systems segment in Asia – in accordance with previously communicated delayed deliveries.
- Improvement gross margin to 45.9% from 41.8%, due to a better product mix and insourcing.
- EBITA up 22.5% due to strong improvement in efficiency and a good product mix.

Outlook

- Forecast for the full year 2015: net profit before amortisation and one-off income and expenses attributable to shareholders of between € 93 million and € 98 million (2014: € 86.3 million).

Key figures second quarter

(in € millions unless otherwise stated)	Q2 2015	Q2 2014	Change in %
Turnover	353.7	342.7	+ 3.2
EBITA	37.8	33.6	+ 12.7
Net profit before amortisation and one-off income and expenses attributable to shareholders ¹⁾	24.4	21.5	+ 13.4
Net profit	21.3	20.0	+ 6.6
ROS	10.7%	9.8%	

¹⁾ Net profit before amortisation of intangible non-current assets related to acquisitions (after taxes).

Key figures first half

(in € millions unless otherwise stated)	1 st half 2015	1 st half 2014	Change in %
Turnover	690.3	657.1	+ 5.1
EBITA	73.8	60.2	+ 22.5
Net profit before amortisation and one-off income and expenses attributable to shareholders ¹⁾	47.0	37.1	+ 26.8
Net profit	41.3	33.5	+ 23.3
Net earnings attributable to shareholders per ordinary share (in €) ²⁾	0.97	0.83	+ 17.9
Solvency	41.3%	40.8%	
ROS	10.7%	9.2%	
ROCE	19.8%	17.5%	

¹⁾ Net profit before amortisation of intangible non-current assets related to acquisitions (after taxes).

²⁾ The weighted average number of outstanding shares increased by 3.3 million compared to 30 June 2014 largely due to the share issue on 20 November 2014.

Alexander van der Lof, CEO of technology company TKH: *"In the first half of 2015, we were once again able to improve our results, which is a clear evidence of our strong market positions due to focus on innovations. In the period under review, innovations accounted for more than 20% of turnover. Profit at Industrial Solutions increased despite delay in deliveries in China, due to the problems of Chinese tyre manufacturers faced with US import duties on their tyres. However, Building Solutions performed especially well, with a 60% increase in result, on the back of the success of our focus on the defined vertical growth markets. Our differentiating potential in recent years has had a positive impact on margins, which also showed a nice improvement in the period under review. Our advanced technology offers good prospects that could result in a substantial growth in market shares among a number of customers with large turnover potential in the years ahead. This puts us well on track to realise our long-term growth targets to grow over the next 3-5 years with € 300 million to € 500 million in the defined seven vertical growth markets."*

Financial developments second quarter

In the second quarter of 2015, turnover came in € 11.0 million (3.2%) higher at € 353.7 million (Q2 2014: € 342.7 million). Acquisitions accounted for 3.1% of turnover. Stronger foreign currencies compared to the euro had a positive impact on turnover of 2.3%, while on average higher raw materials prices added 0.9% to turnover. On balance, turnover declined by 3.1% organically.

The increase in turnover was realised by Building Solutions, with a rise of 15.9%. Turnover at Telecom Solutions and Industrial Solutions declined by 2.9% and 4.6% respectively.

The operating result before amortisation of intangible assets and one-off income and expenses (EBITA) increased by 12.7% to € 37.8 million in the second quarter of 2015 (Q2 2014: € 33.6 million). EBITA at Building Solutions increased considerably. At Telecom Solutions, EBITA also showed a marked increase, while EBITA at Industrial Solutions declined slightly.

Due to the higher operating result and reduced financial expenses, net profit before amortisation and one-off income and expenses attributable to shareholders was up 13.4% at € 24.4 million (Q2 2014: € 21.5 million).

The ROS for the TKH group increased to 10.7% in the second quarter of 2015 (Q2 2014: 9.8%).

Financial developments first half

In the first half of the year, turnover came in 5.1% higher at € 690.3 million (H1 2014: € 657.1 million). Acquisitions accounted for 3.1% of total turnover. Stronger foreign currency exchange rates compared to the euro, had a positive impact of 2.0% on turnover, while a drop in raw materials prices had a limited positive impact of 0.5% on turnover. Turnover declined by 0.5% organically.

Industrial Solutions' share in total turnover declined to 46.5% in the first half, from 50.9% in 2014. The contribution from Building Solutions in overall turnover rose to 41.7% from 36.8%, due to strong growth in vision & security systems. Telecom Solutions accounted for 11.8% of total turnover, down from 12.3% in 2014.

Innovations once again made a strong contribution of 21.5% to turnover.

The gross margin increased to 45.9% in the first half of 2015, from 41.8% in the first half of 2014, due to an improved product mix, the acquisition of Commend and less outsourcing to third parties.

Operating costs as a percentage of turnover rose to 35.2% in the first half of 2015, from 32.7% in the first half of 2014. Excluding acquisitions, operating costs would be 34.4% of turnover. The increase was largely due to a higher level of in-house production and thus reduced outsourcing to third parties, as well as an increase in R&D costs. The impact of the developments at Imtech is adequately provided for.

Depreciations amounted to € 10.9 million, which is at a higher level than in the first half of 2014 (€ 10.1 million), due to higher investment levels in recent years.

The operating result before amortisation of intangible assets and one-off income and expenses (EBITA) came in 22.5% higher at € 73.8 million in the first half of 2015, compared with € 60.2 million in the first half of 2014. EBITA at Building Solutions increased by 64.3% compared to the first half of 2014, as a result of the acquisition of Commend, turnover growth in vision & security and connectivity systems and the associated improvement in efficiency and capacity utilisation rates at the production locations. At Telecom Solutions, EBITA increased by 18.7%. Industrial Solutions recorded an improvement of 4.0% in EBITA.

The ROS rose to 10.7% in the first half of the year (H1 2014: 9.2%).

Amortisation charges came in € 2.5 million higher at € 15.5 million (H1 2014: € 12.9 million), due to the acquisition of Commend and higher R&D investments in recent years. The amortisation charges include the preliminary Purchase Price Allocations for the acquisition of Commend.

Financial expenses fell by € 0.1 million to € 4.4 million in the first half of 2015. Interest expenses declined by € 0.8 million, which was offset by negative currency exchange rate effects as a result of the weaker euro. The result from participations improved by € 0.3 million.

The tax rate increased to 22.6% in the first half of 2015, from 21.5% in the first half of 2014, because of a larger share of profits abroad. The application of the Dutch innovation box facility once again had a positive impact on the total tax rate.

Net profit before amortisation and one-off income and expenses attributable to shareholders rose by 26.8% to € 47.0 million in the first half of 2015 (H1 2014: € 37.1 million). Net profit for the first half of 2015 was up 23.3% at € 41.3 million (H1 2014: € 33.5 million).

TKH's net bank debt in accordance with the bank covenants, increased by € 121.2 million from the year-end 2014 figure to € 286.0 million. The increase was related to the squeeze-out of Augusta minority shareholders, the acquisition of Commend, dividend payments, investments and higher working capital due to cyclical influences. The net debt/EBITDA ratio came in at 1.6 and the interest coverage ratio at 21.7, which means TKH is operating well within the financial ratios agreed with the banks. Solvency stood at 41.3% (H1 2014: 40.8%). The working capital increased to 18.3% of turnover, compared with 15.8% at 30 June 2014.

As per 30 June 2015, TKH had 5,337 permanent employees (FTEs), up from 4,918 a year earlier. In addition, TKH had 478 temporary employees at 30 June 2015 (mid-2014: 483).

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 delivering completely worry-free systems for its clients, thanks to the system guarantees provided. Around 40% of the portfolio consists of hub-to-hub optical fibre and copper cable systems. The remaining 60%, consisting of components and systems in the field of connectivity and peripherals, is deployed primarily in the network hubs.

Key figures first-half results Telecom Solutions

(in € million unless otherwise stated)

	1 st half 2015	1 st half 2014	Change in %
Turnover	81.5	80.5	+ 1.2
EBITA	8.0	6.7	+ 18.7
ROS	9.8%	8.3%	

Turnover in the Telecom Solutions segment was up 1.2% at € 81.5 million. Turnover declined by 0.8% organically, while currency exchange rates had a positive impact of 2.0% on turnover. The organic decline was due to fibre network systems, which lagged behind the strong second quarter of 2014. The demand for fibre optic cable declined in the Netherlands and the increase in fibre optic projects in Poland and Germany could not fully compensate that decline. Turnover within indoor telecom & copper networks increased by 5.2%.

EBITA rose by 18.7% to € 8.0 million. The ROS improved to 9.8% from 8.3% due to efficiency advantages in production, cost savings and the continued international roll-out.

Indoor telecom & Copper networks - home networking systems, broadband connectivity, IPTV-software solutions, copper cable, connectivity systems and components, active peripherals – turnover share 5.4%

Turnover increased by 5.2% as a result of an increase in demand due to higher consumer spending in the European market. Demand also increased due to a rise in investments aimed at upgrading the copper network to higher transmission speeds in a number of countries.

Fibre network systems - optical fibre, optical fibre cables, connectivity systems and components, active peripherals – turnover share 6.4%

Turnover declined by 1.9%. The decline in demand was particularly marked in the Netherlands, due to a shift in priorities among customers towards investments in upgrading copper networks at the cost of optical fibre networks. The decline in demand in the Netherlands was largely offset by growth in demand in other countries, with Poland and Germany in particular. The proposed expansion of production capacity for optical fibre was successfully taken into operation and resulted in an improvement in efficiency and margin.

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 healthcare 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 realisation 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, oil & gas, tunnels and security for buildings and work sites.

Key figures first-half results Building Solutions

(in € million unless otherwise stated)

	1 st half 2015	1 st half 2014	Change in %
Turnover	287.8	242.3	+ 18.8
EBITA	30.0	18.3	+ 64.3
ROS	10.4%	7.5%	

Turnover in the Building Solutions segment increased by 18.8% to € 287.8 million. Acquisitions accounted for growth of 8.5%, while currency exchange rates had a positive impact of 3.4% on turnover. Higher raw materials prices had an impact of 0.7% on turnover. On balance, organic growth came in at 6.2%. Although the market conditions in the Benelux region did not improve, TKH realised organic growth in both connectivity systems and vision & security systems, of 3.4% and 8.5% respectively.

EBITA showed a strong increase of 64.3% to € 30.0 million, partly due to the acquisition of Commend and turnover growth in both segments. The ROS increased to 10.4% in the first half of 2015, compared with 7.5% in the first half of 2014.

Vision & Security systems – Vision technology, systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration, healthcare systems – turnover share 24.6%

Turnover rose by 27.0% largely due to the vision technology companies and the acquisition of Commend (+15.4%). Currency effects resulted in a turnover growth of 3.1%. The organic turnover and order intake improved in China and North America in particular. The vertical growth markets made a positive contribution to turnover growth and compensated for the persistent difficult market conditions in the Benelux. The vertical growth markets vision, parking and marine, oil & gas performed particularly well. Thanks to the high gross margin in this segment, the result increased more than proportionately due to the turnover growth.

Connectivity systems – specialty cable (systems) for shipping, rail, infrastructure, wind energy, as well as installation and energy cable for niche markets, structured cable systems – turnover share 17.1%

Turnover increased 8.6%, with 5.2% of this due to higher raw materials prices and currency effects. The vertical growth markets also had a positive impact and we were able to record growth despite lower market volumes in the building and construction sector. Thanks to a strong focus on efficiency improvements, TKH was able to realise this turnover growth at lower cost levels. The product mix also improved as a result of the focus on the vertical growth markets, where it is possible to realise above-average margins. The marine, oil & gas segment performed particularly well.

Industrial Solutions

Profile

Industrial Solutions develops, produces and delivers solutions ranging from specialty cable and plug and play cable systems to integrated systems for the production of car and truck tyres. 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 specialised industrial sectors, such as tyre manufacturing, robotics, and the medical and machine construction industries.

Key figured first-half results Industrial Solutions

(in € million unless otherwise stated)

	1 st half 2015	1 st half 2014	Change in %
Turnover	321.0	334.3	- 4.0
EBITA	42.7	41.1	+ 4.0
ROS	13.3%	12.3%	

Turnover in the Industrial Solutions segment decreased 4.0% to € 321.0 million. Currency effects had a positive impact of 1.0% on turnover. Due to average higher raw materials prices, turnover increased 0.4%. Organically, turnover was down by 5.4%. Production in the sub-segment manufacturing systems was at a lower level, mainly due to reluctance among Asian tyre manufacturers. This was offset to some degree by a number of large-scale projects involving measuring and control systems for the automotive and aerospace industries.

Despite the decline in turnover, EBITA came in 4.0% higher at € 42.7 million, due to effective cost controls, improved efficiency and a higher level of in-house production. As a result, the ROS increased to 13.3% in the first half of 2015, from 12.3% in the first half of 2014.

Connectivity systems - specialty cable systems and modules for the medical, robot, automotive and machine building industries – turnover share 17.5%

Turnover in the segment decreased 0.3% despite the positive impact of 1.3% from higher raw materials prices charged on to customers and currency effects. The focus on turnover with a higher margin led to a decline in turnover, but an increase in profit. TKH recorded turnover growth in the medical and robotics industries.

Manufacturing systems - advanced manufacturing systems for the production of car and truck tyres, can washers, test equipment, product handling systems for the medical industry, machine operating systems – turnover share 29.0%

Turnover declined 6.1%. The reluctance to invest among Chinese tyre manufacturers due to the US import duties on their tyres, which started in the fourth quarter of 2014, resulted in reduced order intake and deliveries. This resulted in a drop in order intake to € 60 million in the second quarter, compared to an order intake of € 85 million in the first quarter. Outside China, order intake and turnover increased in line with expectations. We also made further steps in our positioning among the top 5 tyre manufacturers. However, this had only a limited impact on order intake and turnover in the first half of the year. TKH expects to see less reluctance to invest among Chinese customers in the second half of 2015 due to efforts to relocate production capacity to other countries. Due to high order intake since early July and good prospects of an increase in demand outside China, we expect order intake in the second half of the year to exceed the order intake recorded in the first half.

Outlook

The outlook for the second half of the year is generally positive for the market segments in which TKH is active in.

In Telecom Solutions, TKH expects investments in optical fibre networks to remain at low levels in the Netherlands in the second half of the year. However, the rest of Europe and Asia offer sufficient growth perspective, which means TKH will still be able to realise growth in this segment in the second half of the year.

At Building Solutions, TKH expects the vertical growth markets to have the potential to realise further growth. However, the market conditions in the building and construction sector in the Benelux remain challenging, although it does seem as if the market has bottomed out. On balance, TKH expects the results in the second half of the year to be better than those recorded in the first half of the year.

The lower order intake in manufacturing systems in the first half of the year is having a negative impact on capacity utilisation in the second half of the year, which means that the result at Industrial Solutions will be in line with the first half, despite improvements in other segments within Industrial Solutions. The order intake, which has improved once again since July, and the expected positive development in order intake in the second half of the year, gives TKH a solid basis as from 2016.

On balance and barring unforeseen circumstances, for the full year 2015 TKH expects to achieve a net profit before amortisation and one-off income and expenses attributable to shareholders of between € 93 million and € 98 million (2014: € 86.3 million).

Haaksbergen, 18 August 2015

Executive Board

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Agenda

5 November 2015	Trading update Q3 2015
8 March 2016	Publication full year results 2015
25 April 2016	Trading update Q1 2016
26 April 2016	General Meeting of Shareholders 2016
16 August 2016	Publication half year results 2016
3 November 2016	Trading update Q3 2016

Profile

Technology company TKH Group NV (TKH) is an internationally active group of companies specialising in the creation and delivery of innovative Telecom, Building and Industrial Solutions.

The TKH core technologies – *vision & security, communications, connectivity and manufacturing systems* – are interlinked to form complete systems and solutions in the defined Solutions segments and associated vertical markets. TKH's goal is to use this interlinked approach to realise far-reaching synergies between the company's various business units.

Telecom Solutions develops, produces and supplies systems ranging from outdoor basic infrastructure for telecom and CATV networks through to indoor home networking applications. TKH Telecom Solutions operates in three distinct sub-segments: optical fibre networks, copper networks and indoor telecom systems.

Building Solutions develops, produces and supplies solutions in the field of vision & security, communications and connectivity technology that range from applications in buildings and the built environment through to integrated systems that, linked to software, provide efficiency solutions for sectors such as the construction, healthcare, parking, ship building, oil and gas, traffic and security sectors. Building Solutions operates in three distinct sub-segments: building technologies, vision & security systems and connectivity systems.

Industrial Solutions develops, produces and supplies solutions ranging from specialty cable, "plug and play" cable systems through to integrated systems for the production of car and truck tyres. The core technologies in this segment are vision technology, connectivity and system integration. Industrial Solutions operates in two distinct sub-segments: connectivity systems and manufacturing systems.

TKH aspires strong market positions – based mainly on own proprietary technologies and services – with a strong regional and international positioning. TKH and its various operating companies are active worldwide. Growth is concentrated in North West and Central and Eastern Europe and Asia. In 2014, TKH booked turnover of € 1.4 billion with a workforce of 5,030 employees.

Consolidated Profit and Loss account

in thousands of euros

	<u>1st half year 2015</u>	<u>1st half year 2014</u>
Net-turnover ¹⁾	689,412	656,288
Other operating income	<u>854</u>	<u>792</u>
Total turnover	690,266	657,080
Cost of raw materials, consumables, trade products and subcontracted work	373,153	382,128
Personnel expenses	164,168	144,288
Depreciation	10,865	10,131
Amortisation	15,454	12,932
Impairment	497	
Other operating expenses	<u>68,251</u>	<u>60,287</u>
Total operating expenses	<u>632,388</u>	<u>609,766</u>
Operating result	57,878	47,314
Financial expenses	-4,972	-4,842
Share in result of associates	<u>534</u>	<u>262</u>
Result before tax	53,440	42,734
Tax on profit	<u>12,100</u>	9,201
Net result	<u>41,340</u>	<u>33,533</u>
Attributable to:		
Shareholders of the company	40,332	31,460
Non-controlling interest	<u>1,008</u>	<u>2,073</u>
	<u>41,340</u>	<u>33,533</u>
Earnings per share		
Weighted average number of shares (x 1,000)	41,446	38,106
Weighted average number of shares for the purpose of Diluted earnings per share (x 1,000)	41,637	38,278
Ordinary earnings per share before amortisation (in €)	1.13	0.97
Ordinary earnings per share (in €)	0.97	0.83
Diluted earnings per share (in €)	0.97	0.82

¹⁾ Including changes in inventory of finished goods, work in progress and construction contracts of € 112.5 million (H1 2014: € 100.3 million).

Consolidated statement of comprehensive income

in thousands of euros

	<u>1st half year 2015</u>	<u>1st half year 2014</u>
Net result	41,340	33,533
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / (losses)	-59	2,201
Revaluation of property	<u>0</u>	<u>-272</u>
	-59	1,929
Items that may be reclassified subsequently to profit or loss		
Currency translation differences ¹⁾	12,906	726
Effective part of changes in fair value of cash flow hedges (after tax)	318	-502
Revaluation of available-for-sale financial assets	<u>1,682</u>	<u>10</u>
	14,906	234
Other comprehensive income	<u>14,847</u>	<u>2,163</u>
Total comprehensive income for the period	56,187	35,696
Attributable to:		
Shareholders of the company	55,148	33,343
Non-controlling interest	<u>1,039</u>	<u>2,353</u>
Comprehensive income for the period	<u><u>56,187</u></u>	<u><u>35,696</u></u>

¹⁾ The currency translation differences include translation differences on net investments, goodwill and purchase price allocations in currencies other than the euro. The relatively high differences in the first half of 2015 are mainly due to a weaker euro compared to the US dollar and Chinese Renminbi

Consolidated balance sheet

in thousands of euros

	<u>30-06-2015</u>	<u>31-12-2014</u>
Assets		
<u>Non-current assets</u>		
Intangible non-current assets	405,883	351,669
Tangible non-current assets	216,027	204,395
Investment property	8,610	8,494
Financial non-current assets	21,542	17,083
Deferred tax assets	11,660	11,054
Total non-current assets	663,722	592,695
<u>Current assets</u>		
Inventories	221,513	202,323
Receivables	214,359	170,813
Construction contracts for third parties	110,158	115,332
Current income tax	2,940	1,676
Cash and cash equivalents	57,078	90,332
Total current assets	606,048	580,476
Assets held for sale	0	3,050
Total assets	<u>1,269,770</u>	<u>1,176,221</u>
Equity and liabilities		
<u>Group Equity</u>		
Shareholders' equity	516,311	510,847
Non-controlling interest	7,849	17,174
Total group equity	524,160	528,021
<u>Non-current liabilities</u>		
Non-current liabilities	334,126	258,925
Deferred tax liabilities	64,793	57,613
Provision for pensions	5,764	6,680
Other provisions	26,699	17,098
Total non-current liabilities	431,382	340,316
<u>Current liabilities</u>		
Borrowings	18,106	4,237
Trade payables and other payables	239,964	241,803
Construction contract for third parties	38,098	41,495
Current income tax liabilities	10,007	10,613
Provisions	8,053	9,736
Total current liabilities	314,228	307,884
Total equity and liabilities	<u>1,269,770</u>	<u>1,176,221</u>

Consolidated cash flow statement

in thousands of euros

	<u>1st half year 2015</u>	<u>1st half year 2014</u>
Cash flow from operating activities		
Operating result	57,878	47,314
Depreciation, amortisation and impairment	26,816	23,064
Share and option schemes not resulting in a cash flow	1,606	1,307
Changes in provisions	-3,758	-1,958
Changes in working capital	-51,548	-48,520
Cash flow from operations	<u>30,994</u>	<u>21,207</u>
Interest paid	-4,067	-4,894
Income taxes paid	-14,756	-7,990
Net cash flow from operating activities (A)	<u><u>12,171</u></u>	<u><u>8,323</u></u>
Cash flow from investing activities		
Dividends received from non-consolidated associates	551	262
Purchases of tangible non-current assets	-17,597	-10,940
Disposals less purchases of investment property	-62	-4
Proceeds from sale of assets held for sale	3,050	0
Acquisition of subsidiaries	-46,078	-5,502
Acquisition of associates	-2,400	0
Investments in intangible non-current assets	-11,499	-8,666
Investments in other financial fixed assets	0	10
Net cash flow from investing activities (B)	<u><u>-74,035</u></u>	<u><u>-24,840</u></u>
Cash flow from financing activities		
Dividends paid	-28,548	-19,964
Capital contribution by non-controlling interests	42	0
Acquisition of non-controlling interests	-25,296	0
Sold less purchased shares for share and option schemes	-4,731	-1,787
Proceeds from long-term debts	74,023	11,180
Change in borrowings	13,869	12,300
Net cash flow from financing activities (C)	<u><u>29,359</u></u>	<u><u>1,729</u></u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	-32,505	-14,788
Exchange differences	-749	432
Change in cash and cash equivalents	<u>-33,254</u>	<u>-14,356</u>
Cash and cash equivalents at 1 January	<u>90,332</u>	<u>79,613</u>
Cash and cash equivalents at 30 June	<u><u>57,078</u></u>	<u><u>65,257</u></u>

Consolidated statement of changes in group equity

In thousands of euros

	Share capital	Share premium	Legal reserves	Revaluation reserves	Investment revaluation reserve	Translation reserve	Cashflow hedge reserve	Other reserves	Unappropriated profit	Total	Non-controlling interests	Total group equity
Balance at 1 January 2014	9,660	12,040	22,006	25,762	3,892	-477	-4,057	271,519	37,232	377,577	61,398	438,975
Net result									31,460	31,460	2,073	33,533
Total other comprehensive income				-272	10	475	-502	2,172		1,883	280	2,163
Total comprehensive income	0	0	0	-272	10	475	-502	2,172	31,460	33,343	2,353	35,696
Appropriation profit last year								37,232	-37,232	0		0
Dividends	85	-85						-18,120		-18,120		-18,120
Dividends to non-controlling interests								-311		-311	-1,533	-1,844
Issue of (depository receipts of) new ordinary shares										0		0
Acquisition of non-controlling interests										0		0
Share and option schemes (IFRS 2)								1,307		1,307		1,307
Purchased shares for share- and option schemes								-3,778		-3,778		-3,778
Sold shares for share- and option schemes								1,991		1,991		1,991
Change in legal reserve for participations for which economic ownership is acquired, but not legal ownership			272					-272		0		0
Capitalised development costs			1,295					-1,295		0		0
Balance at 30 June 2014	9,745	11,955	23,573	25,490	3,902	-2	-4,559	290,445	31,460	392,009	62,218	454,227
Balance at 1 January 2015	10,511	85,219	35,731	25,677	2,802	16,155	-4,625	256,642	82,735	510,847	17,174	528,021
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								82,735	-82,735	0		0
Dividends	96	-96						-28,044		-28,044		-28,044
Dividends to non-controlling interests								-504		-504		-504
Capital injection										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
Capitalised development costs			4,639					-4,639		0		0
Balance at 30 June 2015	10,607	85,123	40,213	25,677	4,484	29,030	-4,659	285,504	40,332	516,311	7,849	524,160

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 2014. 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 2014.

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 2014.

3. Statutory capital

The number of outstanding (depository receipts of) shares as per 31 December 2014 was the equivalent of 41,403,835. Due to the exercise of options rights and share schemes, a balance of 18,950 (depository receipts of) shares were delivered and sold in the first half of 2015. In addition, a stock dividend of 386,419 (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 2015 was 41,771,304.

4. Dividend

At the General Meeting of Shareholders 2015 the dividend over 2014 was declared at € 1.00 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 2015 was € 28,043,807 and this amount was charged to the other reserves. For stock dividend an amount of € 96,605 was charged against the premium reserve.

5. Non-controlling interests

The following material changes have occurred in the first half of 2015 in the non-controlling interests:

Name subsidiary	Country	Ownership and control 30-06-2015	Ownership and control 31-12-2014
Augusta Technologie AG	Germany	100.0%	91.2%
Commend International GmbH	Austria	74.0%	-
Schneider Intercom GmbH	Germany	100.0%	95.0%
Commend Benelux BV	Netherlands	100.0%	75.0%

In the beginning of January, TKH has acquired the Commend-group ("Commend"). As a result of this acquisition, the remaining non-controlling interests in the existing TKH-companies Schneider Intercom and Commend Benelux have been acquired. In addition, a 74% interest in Commend International has been obtained, for which a non-controlling interest of 26% has been accounted.

A put-option has been granted to the minority shareholder of the non-controlling interest in Commend International. This option starts at 1 January 2017 and ends at 31 December 2017. The option entitles the minority shareholder to sell the shares to TKH for € 9.0 million. Due to this put option, and related to the acquisition of Commend, TKH has recognised a provision for this amount. This provision was charged against equity.

In March 2015, the squeeze-out procedure to acquire the remaining non-controlling interests in Augusta Technologie AG has been completed. The non-controlling interest is has been acquired at € 31.15 per share.

The purchase price paid, including transaction costs, for the acquisition of the existing non-controlling interests has been recognised as a transaction with shareholders and is therefore charged against equity, whereas the non-controlling interest is adjusted for the proportional share of the net assets of Augusta Technologie, Schneider Intercom en Commend Benelux.

6. Segmented information

	Telecom Solutions		Building Solutions		Industrial Solutions		Not Attributable		Total	
	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014	H1 2015	H1 2014
1st half year Turnover	81,470	80,480	287,824	242,347	320,972	334,253			690,266	657,080
Segment EBITA ¹⁾	7,957	6,701	30,025	18,269	42,711	41,087	-6,864	-5,811	73,829	60,246
Amortisation	-374	-432	-12,360	-9,055	-2,637	-3,346	-83	-99	-15,454	-12,932
One-off income and expenses ²⁾			211		-708				-497	0
Segment operating result	7,583	6,269	17,876	9,214	39,366	37,741	-6,947	-5,910	57,878	47,314
Financial income and expenses									-4,972	-4,842
Share of result in associates									534	262
Tax on profit									-12,100	-9,201
Net result									41,340	33,533

¹⁾ EBITA: Operating result plus amortisation and impairment of immaterial fixed assets

²⁾ One off income and expenses relate to an impairment of some capitalised R&D projects (€ 0.7 million) and a release of a provision for earnout (€ 0.2 million)

7. Overview of net profit definitions

<i>in thousands of euros</i>	1st half year 2015	1st half year 2014
Net profit attributable to shareholders of the company	40,332	31,460
Net profit attributable to non-controlling interest	1,008	2,073
Net result	41,340	33,533
Amortisation of acquisition-related intangible non-current assets based on preliminary "purchase price allocations"	8,656	7,731
taxes on the amortisation	-2,334	-2,109
One-off income and expenses	497	0
Tax effect on one-off income and expenses	-124	0
Net profit before amortisation and one-off income and expenses	48,035	39,155
Attributable to non-controlling interests	-1,008	-2,073
Ordinary earnings before amortisation and one-off income and expenses attributable to shareholders of the company	47,027	37,082

8. Acquisitions

During the first half of 2015 TKH acquired the following subsidiaries:

<u>Nam subsidiary</u>	<u>Country</u>	<u>Ownership and control</u>	<u>Consolidation</u>	<u>Activity</u>
Commend International GmbH	Austria	74.0%	1-1-2015	Vision & Security
Commend UK Ltd	UK	100.0%	1-1-2015	Systems (Building)
Commend France SAS	France	100.0%	1-1-2015	
Commend Iberica SL	Spain	100.0%	1-1-2015	
Commend Italia Srl	Italy	100.0%	1-1-2015	
Commend Inc	USA	100.0%	1-1-2015	

In the beginning of January, TKH has acquired a controlling interest in Commend-group, of which the headquarters is established in Salzburg (Austria). Next to the above mentioned interests, TKH has expanded its existing interests in the subsidiaries Commend Benelux BV and Schneider Intercom GmbH to 100%. Furthermore, a 49% interest in Commend Australia has been acquired.

Commend is a leading technology company which focuses on in-house development and production of security and communication systems and is one of the largest providers in the field of high quality intercom systems globally. TKH and Commend have been successfully working together for more than 15 years, where TKH represents Commend in the Benelux, Germany, Poland and Southeast Asia. Commend group realises with over 300 employees a revenue of approximately € 45 million annually, of which approximately 25% is delivered to TKH. The activities strengthens TKH's subsegment vision & security and contributes to the profitability of the solution segment Building Solutions.

Transactions are accounted for according to a preliminary "purchase method of accounting". The combined net assets acquired is comprised as follows:

	<u>Book-value</u>	<u>Adjustments</u>	<u>Fair value</u>
Intangible non-current assets	13,486	25,130	38,616
Tangible non-current assets	1,142		1,142
Inventories	5,738	1,249	6,987
Receivables	10,299	626	10,925
Cash and cash equivalents	2,247		2,247
Long-term liabilities	-1,178		-1,178
Other provisions	-1,912		-1,912
Deferred taxes	0	-7,380	-7,380
Short-term liabilities	-5,094		-5,094
Acquired net assets	<u>24,728</u>	<u>19,625</u>	44,353
Acquired non-controlling interest			-5,879
Goodwill paid			<u>13,414</u>
Purchase price			51,888
Cash and cash equivalents acquired			-2,247
Still payable			<u>-3,563</u>
Payment in cash			<u>46,078</u>

The fair value adjustments mainly relate to acquired intangible assets such as intellectual property, brand names and customer relations. The goodwill paid is attributable to the skills and talent of the work force, increase of synergies due to cooperation within the TKH group and the alignment with the strategic development of TKH. None of the goodwill recognised is deductible for income tax purposes.

The purchase price has been paid in cash.

In the first half of 2015, the consolidated acquisitions have contributed for € 18.1 million in the revenue and € 2.8 million in the net result of TKH. In the mentioned net profit figures the financing charges and amortisation of the intangible non-current assets related to the acquisition are taken into account. The acquisition costs for external advice and legal costs recognised in the operating result are limited.

9. Contingent liabilities

In March 2015, the squeeze-out procedure to acquire the remaining non-controlling interests in Augusta Technologie AG has been completed. A number of minority shareholders have filed objections against the valuation in the subsequent objection period. If the objections will be justified, then this can result in an additional squeeze-out payment. Such payment, including related legal expenses, will be recognised as a transaction with shareholders and therefore be charged against equity.

The contingent liabilities which are not reflected in the balance sheet, as reported in the financial statements for 2014, have not essentially changed in the first half 2015.

10. Events after balance sheet date

On 13 August 2015, Royal Imtech NV has been declared bankrupt. The impact of the developments at Imtech is adequately provided for.

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.

11. Risks

In our Annual Report 2014 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.

12. Executive Board declaration

This report contains the interim financial report of TKH Group NV. The interim financial report ended 30 June 2015 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 2014.

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).

13. Signature of interim report

Haaksbergen, 18 August 2015

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.