

Press release

TKH Group N.V. (TKH)
Half-year results 2013

Healthy profit improvement in 2nd quarter

Highlights second quarter 2013

- Turnover up by 12.9% at € 301.9 million, organic growth 4.3%.
- Turnover growth at Industrial Solutions (17.2%) and Building Solutions (13.5%).
- Building Solutions books strong improvement in operating result with solid organic growth.
- Industrial Solutions operating result slightly lower due to initial costs for continued growth and innovations – record order intake tyre manufacturing systems.
- EBITA up by 80.5% – partly due to solid contribution Augusta and the impact of one-off expenses in 2012.

Highlights first half 2013

- Turnover rises by 11.6% to € 587.1 million, organic growth 1.3%.
- Gross margin improves to 40.9% from 40.2%.
- EBITA up by 28.4% due to acquisitions, impact of efficiency programmes and one-off expenses in 2012.

Outlook

- Forecast for full year 2013: net profit before amortisation and one-off income and expenses attributable to shareholders of between € 52 million and € 57 million (2012: € 47.5 million).

Key figures second quarter

| (in mln. € unless otherwise stated) | Q2 2013 | Q2 2012 ¹⁾ | Change in % |
|--|------------|--------------------------|----------------|
| Turnover | 301.9 | 267.3 | + 12.9 |
| EBITA before one-off expenses ²⁾ | 23.5 | 17.0 | + 38.1 |
| EBITA | 23.5 | 13.0 | + 80.5 |
| Net profit before amortisation and one off income and expenses attributable to shareholders ^{2) 3)} | 12.8 | 9.6 | + 33.0 |
| Net profit | 11.4 | 3.9 | + 192.9 |
| ROS | 7.8% | 6.4% | |

¹⁾ The comparable figures have been adjusted in connection with the amended standard IAS 19 Employee Benefits.

²⁾ The one-off expenses pertain to acquisition costs of € 4.0 million, which were booked in the second quarter of 2012.

³⁾ Net profit before amortisation of intangible fixed assets related to acquisitions (after tax).

Key figures first half

| (in mln. € unless otherwise stated) | H1 2013 | H1 2012 ¹⁾ | Change in % |
|--|------------|--------------------------|----------------|
| Turnover | 587.1 | 526.2 | + 11.6 |
| EBITA before one-off income and expenses | 42.7 | 37.3 | + 14.6 |
| EBITA | 42.7 | 33.3 | + 28.4 |
| Net profit before amortisation and one off income and expenses attributable to shareholders ^{2) 3)} | 22.9 | 22.0 | + 4.0 |
| Net profit | 19.4 | 15.0 | + 29.1 |
| Net earnings per ordinary share attributable to shareholders (in €) | 0.46 | 0.40 | + 15.0 |
| Solvency ⁴⁾ | 40.6% | 42.4% | |
| ROS | 7.3% | 7.1% | |
| ROCE | 15.9% | 16.6% | |

¹⁾ The comparable figures have been adjusted in connection with the amended standard IAS 19 Employee Benefits.

²⁾ The one-off expenses pertain to acquisition costs of € 4.0 million, which were booked in the second quarter of 2012.

³⁾ Net profit before amortisation of intangible fixed assets related to acquisitions (after tax).

⁴⁾ Corrected for the high cash position as per 30 June 2012 for the financial settlement of the acquisition of Augusta.

Alexander van der Lof, CEO of technology company TKH: *"The continued internationalisation and the focus on the vertical growth markets identified by TKH helped us to generate organic turnover growth in the second quarter, despite the economic headwinds. Building Solutions did see marked margin pressure in the Benelux due to overcapacity in those markets following a drop-off in demand. However, operating result improved strongly compared with the year-earlier period thanks to acquisitions and efficiency programmes executed in the second half of last year. ROS growth did lag our growth targets due to the difficult market conditions, especially in the connectivity segment. At Industrial Solutions, the high order intake for tyre manufacturing systems was positive. TKH increased its market share among the top-five tyre manufacturers and increased the order intake outside the top five. This increases the prospect of future turnover and operating result growth. TKH incurred relatively high costs in the first half of the year in preparation for the growth we plan to realise in the second half of the year. Cost levels will normalise in the second half of the year. TKH expects overall second-half results to be higher than in the first half."*

Financial results in the second quarter

Turnover rose by 12.9% to € 301.9 million in the second quarter (Q2 2012: € 267.3 million). Acquisitions added 9.8% to the quarter's turnover. Organic growth came in at 4.3%. A drop in raw materials prices had a negative impact on turnover of 1.2%.

Turnover at Industrial Solutions came in 17.2% higher. Turnover growth in the tyre manufacturing systems segment was especially high, due to the order intake, which has continued to increase since the second half of 2012. The second quarter saw record order intake levels of € 80 million. In view of this, TKH has taken additional measures to respond to this growth. At Building Solutions, turnover was 13.5% higher. The acquisition of Augusta Technologie made a strong contribution to this growth. Despite the challenging market conditions, organic turnover growth - corrected for a reduction in inventories and a drop in raw materials prices – came in at 3.1%. Turnover at Telecom Solutions fell by 0.3% due to the continuing drop in investments in copper networks. Telecom Solutions' optical fibre systems business booked turnover growth of 7.4%.

EBITA rose by 38.1% to € 23.5 million in the second quarter. Building Solutions made a strong contribution to this growth, both organically and through acquisitions. The efficiency programmes launched in the second half of 2012 led to lower cost levels as a proportion of the turnover, which in turn led to an organic rise in ROS. Margin pressure in the connectivity systems segment and low activity levels at security systems for infrastructure projects did have a negative impact on ROS. Despite this, Building Solutions booked a strong improvement in ROS, which rose to 7.4%, from 1.5% in the second quarter of 2012. Industrial Solutions saw a slight drop in its operating result on the back of lower gross margins, due to the fact that many projects are currently in the early stages of production, as well as temporarily higher innovation costs for new customers and new technology. Telecom Solutions recorded a higher EBITA, as a result of improved efficiency levels and the impact of lower raw materials costs.

Financial results in the first half

Turnover came in 11.6% higher at € 587.1 million in the first half (H1 2012: € 526.2 million). Acquisitions accounted for 11.1% of the total turnover, while organic turnover growth came in at 1.3%. Lower raw materials prices had a negative impact of 0.9% on turnover in the first half.

In the first half of 2013, Building Solutions accounted for 41.1% of total turnover, up from 38.2% in the same period of 2012. This increase was largely due to the acquisitions made in 2012. As a result Industrial Solutions saw its share of total turnover drop to 45.2% from 46.3% in 2012 and the share accounted for by Telecom Solutions fell to 13.6% from 15.5% in the year earlier period.

The gross margin rose to 40.9% in the first half of 2013, from 40.2% in the year-earlier period, due to a better product mix, partly due to acquisitions, and the reduction of inventories at production locations.

Operating costs (excluding one-off costs) as a percentage of turnover fell to 32.1% in the first half of 2013, from 33.1% in 2012, excluding the impact of acquisitions. This was due to the impact of the efficiency programmes executed in the second half of 2012.

Depreciation charges came in at € 9.7 million and were higher than in the first half of 2012 (€ 8.0 million), largely due to depreciations at the companies acquired in 2012.

The operating result before amortisation of intangible fixed assets (EBITA) was up by 28.4% at € 42.7 million in the first half of 2013, compared with € 33.3 million in the first half of 2012. At Industrial Solutions, EBITA fell by 25.6% compared with the first half of 2012, mainly due to high costs levels and underutilisation in the first quarter in the run-up to the expected increase in order intake. Telecom Solutions saw EBITA rise by 10.4%, while at Building Solutions acquisitions and a strong organic improvement led to an increase in EBITA of 373% to € 16.7 million in the first half of 2013, from € 3.5 million in the same period of 2012.

ROS increased to 7.3% in the first half of 2013 (H1 2012: 7.1%). Amortisation was € 3.8 million higher at € 12.0 million (H1 2012: € 8.2 million) mainly as a result of the acquisition of Augusta.

Financial expenses increased by € 2.1 million to € 7.2 million in the first half of 2013. This rise was the result of higher outstanding interest-bearing debts and a negative exchange rate effect of € 0.6 million compared with the first half of 2012. The higher financial expenses were partly offset by exceptional income of € 0.4 million due to the release of an earn-out provision, as well as a higher result from participations totalling € 1.2 million.

The tax burden fell to 23.0% in the first half of 2013, from 25.8% in the first half of 2012. The tax burden in the first half of 2012 was affected by one-off non-deductible acquisition costs.

Net profit before amortisation and one-off income and expenses attributable to shareholders came in at € 22.9 million in the first half of 2013 (H1 2012: € 22.0 million). Net profit for the first half of 2013 came in 29.1% higher at € 19.4 million, compared with € 15.0 million in the year-earlier period.

Net bank debts increased by € 31.2 million from year-end 2012 to € 219.4 million. This increase was the result of higher working capital – due to seasonal influences – and higher levels of investment. Solvency stood at 40.6%, from 42.4% in the first half of 2012. The net debt/EBITDA ratio came in at 1.9 and the interest coverage ratio at 9.0, which puts TKH well within the financial ratios agreed with its banks. Working capital rose to 15.5% of turnover, compared with 13.5% as per 30 June 2012.

The number of employees with an employment contract (FTEs) stood at 4,683 at 30 June 2013 (year-end 2012: 4,736).

Developments per solutions segment

Telecom Solutions

Profile

Telecom Solutions develops, produces and delivers systems for applications from basic outdoor infrastructure for telecom and CATV networks to indoor home networking. The focus is on providing customers with care-free systems due to the system guarantees we provide. Around 40% of the portfolio consists of optical fibre and copper cable for node-to-node connections. The remaining 60%, consisting of components and systems in the field of connectivity and peripheral equipment, is used mainly in the network's nodes.

Telecom Solutions key figures first half

| (in mln. € unless otherwise stated) | H1 2013 | H1 2012 | Change in % |
|-------------------------------------|---------|---------|-------------|
| Turnover | 80.1 | 81.6 | - 1.8 |
| EBITA | 8.3 | 7.5 | + 10.4 |
| ROS | 10.3% | 9.2% | |

Turnover in the Telecom Solutions segment fell by 1.8% to € 80.1 million. The drop in turnover was due to a dip in investments in copper networks. This drop was partly offset by a 3.3% growth in optical fibre networks in the first half of 2013, thanks to growth in market share in both Europe and Asia.

EBITA came in € 0.8 million higher. ROS rose to 10.3% from 9.2% due to improved efficiency and the impact of lower raw materials prices.

Indoor telecom systems - home networking-systems, broadband connectivity, IPTV-software solutions – turnover share 4.2%

Turnover rose slightly by 1.5%. This growth was realised despite the reluctance among consumers in the Benelux region to make IT-related investments. The priority given to upgrading broadband connections offset consumers' reluctance to invest.

Fibre network systems – fibre optic, fibre optic cables, connectivity systems and components, active equipment – turnover share 7.0%

Turnover was up 3.3%, as a result of a further increase in investment levels in optical fibre networks. Turnover was lower in the first quarter, due to the long frost period in the early months of the year, but turnover picked up and was higher in the second quarter. European investments in 4G networks led to a slow-down in investments in optical fibre networks in a number of countries.

Copper network systems - copper cable, connectivity systems and components, active equipment – turnover share 2.4%

Turnover in this segment fell by 18.3%, in line with the higher priority given to optical fibre networks and 4G networks, and the consequent shift in investments.

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. The know-how focuses 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, the segment focuses on intelligent video, intercom and access monitoring systems for a number of specific sectors, including elderly care, parking, shipbuilding, marine, oil and gas industry, tunnels and security for buildings and work sites.

Building Solutions key figures first half

| (in mln. € unless otherwise stated) | H1 2013 | H1 2012 | Change in % |
|-------------------------------------|---------|---------|-------------|
| Turnover | 241.5 | 201.0 | + 20.2 |
| EBITA | 16.7 | 3.5 | + 373.4 |
| ROS | 6.9% | 1.8% | |

Turnover at Building Solutions was up 20.2% at € 241.5 million. Acquisitions accounted for growth of 21.8%. The organic growth corrected for a reduction of inventories came in at 2.4% in the first half of the year. Lower raw materials prices had a negative impact of 1.1% on turnover. The in 2012 initiated international positioning and the focus on a number of vertical growth market that are a good match for TKH's technological building blocks, resulted in organic growth, despite the challenging market conditions in the Benelux region.

EBITA rose to € 16.7 million, with contributions from both acquisitions and organic growth. Excluding acquisitions, operating result doubled in line with the efficiency programmes launched in 2012 and the growth realised. Pressure on margins in the connectivity segments had a negative impact on the efficiency and margin improvement programmes. The ROS nonetheless improved to 6.9% in 2013, from 1.8% in 2012.

Building technologies - energy-saving light and light switch systems, energy management systems, care systems, structured cabling systems – turnover share 7.6%

Turnover dropped by 4.6%, primarily as a result of a reluctance to invest in the building and construction sector. In the healthcare sector growth was realised because TKH technology provides an effective response to the growing need for efficiency solutions in this sector.

Vision & Security systems - Vision technology, systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration – turnover share 19.2%

Turnover increased by 67.5%, with the acquisition of Augusta accounting for the majority of this turnover growth. Organic turnover growth came in at 2.2%, with growth hampered by the reluctance to invest in the building and construction sector in the Benelux region, as well as in the traffic infrastructure sector.

Augusta's result dropped compared to the first half of 2012, due to a weaker first quarter. The second quarter was in line with the result booked in the same period of last year. In late 2012, TKH renewed its focus on the vertical growth markets it has identified in the vision and security segment, namely healthcare, parking, tunnels, ship building, oil and gas and machine vision markets. This will help the company to book further growth in this segment.

Connectivity systems - specialty cable (systems) for shipping, rail, infrastructure, solar and wind energy, as well as installation and energy cables for niche markets – turnover share 14.4%

Turnover increased 6.3%, corrected for inventory reductions and lower raw materials prices. The growth was realised mainly outside the Benelux region. Reduced market volume in the building and construction sector led to a sharp increase in competition and pressure on margins. Consequently, the growth in turnover combined with the efficiency programme we launched has not yet led to an improvement in ROS.

TKH has taken further steps to downsize its solar systems business due the low margins in this segment.

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 tyres. Its knowledge in the field of automation of production processes and the improvement of the reliability of production systems gives TKH the distinctive ability to respond to the need in a number of specialized industrial sectors, such as tyre manufacturing, robotics, medical and machine construction industries, to increasingly outsource the construction of production systems or modules.

Industrial Solutions key figures first half

| (in mln. € unless otherwise stated) | H1 2013 | H1 2012 | Change in % |
|-------------------------------------|---------|---------|-------------|
| Turnover | 265.5 | 243.7 | + 9.0 |
| EBITA | 23.6 | 31.7 | - 25.6 |
| ROS | 8.9% | 13.0% | |

Turnover in Industrial Solutions came in 9.0% higher at € 265.5 million. The acquisition of Augusta accounted for 6.0% of turnover growth. Organic turnover growth came in at 4.0%. Raw materials prices had a negative impact of 1.0% on turnover. Turnover in connectivity systems, corrected for lower raw materials prices, was down 1.0%. Manufacturing systems saw organic turnover growth of 9.1%, which was in line with the increased order intake since the second half of 2012.

EBITA fell by 25.6% to € 23.6 million. The majority of this drop was recorded in the first quarter, as we maintained capacity for growth and invested in new customers and new technology. These investments translated into a record order intake for the second quarter. This has in turn improved our market positioning in terms of continued growth in market share in the coming years.

Connectivity systems - specialty cable systems and modules for the medical, robot, automotive and machine building industries – turnover share 20.5%

Turnover dropped by 1.0%, corrected for a negative impact on turnover of 2.0% related to charged-on lower raw materials prices. The first quarter saw some reluctance to invest in capital goods in Europe, which led to a drop in turnover. This situation changed in the second quarter, resulting in organic growth of 3.7%. The increase in investments from the medical industry had a particularly marked positive impact on the recovery in the second quarter. We also saw a continuation of the trend towards outsourcing more complete modules and systems.

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 24.7%

Turnover in this segment increased by 21.5%, with 12.4% of this accounted for by the acquisition of Augusta's activities in this segment. Organic growth came in at 9.1%. The organic growth was realised in the second quarter, after a drop of 2.4% in the first quarter. Investments in maintaining capacity for future growth and new customers and new technology translated into strong growth in order intake, which reached the record level of € 80 million in the second quarter (Q2 2012: € 40 million). The market share among the top five tyre manufacturers in the industry continued to increase and also the order intake from outside the top five tyre manufacturers increased. The high cost levels combined with preparations for future growth and increasing our technological lead

resulted in a drop in ROS in the first half of the year. The relatively high proportion of projects currently in the early stages of the production cycle also had a negative impact on ROS.

Events after 30 June 2013

As announced on 29 July 2013, TKH has acquired all the shares in Park Assist Ltd., which has further boosted TKH's position in the field of vision technology for the parking market. With a staff of 36 employees, Park Assist realises annual turnover of more than € 15 million.

Outlook

The outlook is mixed for the second half of the year in the market segments in which TKH is active. The economic conditions in Europe remain poor.

In the Telecom Solutions segment, we expect a further increase in investments in optical fibre networks. Turnover in copper networks will continue to decline in line with the shift towards investments in optical fibre networks. For the second half of 2013, we expect results in line with the first half of the year.

In the Building Solutions segment, we expect the challenging market conditions to continue as a result of the lower investment levels in the building and construction sector. This is putting pressure on the margins in this segment and consequently is having a negative impact on profit. To counterbalance this, we have taken measures related to our increased focus on vertical growth markets. This will enable TKH to offer its various technological building blocks as integrated systems, increasing the potential for higher margins and continued growth. On balance, we expect the results for the second half of the year to be higher than in the first half of 2013.

For the Industrial Solutions segment, we expect turnover levels to rise in the second half of 2013, due to the higher order intake in recent quarters. The worldwide economic uncertainties and related reluctance to invest in capital goods makes it difficult to assess how order intake will develop in the coming quarters. At this moment, the outlook for order intake is positive. For the second half of 2013, we expect higher turnover and normalised cost levels to lead to a higher operating result than in the first half of the year.

On balance TKH expects, barring unforeseen circumstances, to realise net profit before amortisation and one-off income and expenses attributable to shareholders of between € 52 million and € 57 million for the full year 2013.

Haaksbergen, 21 August 2013

Executive Board

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Agenda

| | |
|-----------------|--------------------------------------|
| 6 November 2013 | Trading update Q3 2013 |
| 12 March 2014 | Publication full year results 2013 |
| 8 May 2014 | Trading update Q1 2014 |
| 14 May 2014 | General Meeting of Shareholders 2014 |
| 19 August 2014 | Publication interim figures 2014 |
| 6 November 2014 | Trading update Q3 2014 |

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 production systems – are interlinked to form complete systems and solutions in the solutions segments and associated vertical markets TKH has defined. 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 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's continuous focus on research and development gives the company a portfolio of products and services that guarantee technologically-advanced solutions. TKH and its various operating companies are active worldwide. Growth is concentrated in North West and Central and Eastern Europe and Asia. In 2012, TKH booked turnover of € 1.1 billion with a workforce of 4,736 employees.

Consolidated Profit and Loss account

in thousands of euros

| | <u>1st half year 2013</u> | <u>1st half year 2012</u> |
|---|--------------------------------------|--------------------------------------|
| Net-turnover ¹⁾ | 586,257 | 525,671 |
| Other operating income | <u>891</u> | <u>541</u> |
| Total turnover | 587,148 | 526,212 |
| Cost of raw materials, consumables, trade products and subcontracted work | 347,123 | 314,891 |
| Personnel expenses | 130,009 | 112,618 |
| Deprecation | 9,650 | 8,039 |
| Amortization | 11,975 | 8,159 |
| Other operating expenses | <u>57,648</u> | <u>57,401</u> |
| Total operating expenses | <u>556,405</u> | <u>501,108</u> |
| Operating result | 30,743 | 25,104 |
| Financial expenses | -7,186 | -5,057 |
| Change in value of provisions for earn-out and put options minority shareholders | 379 | |
| Share in result of associates | <u>1,215</u> | <u>158</u> |
| Result before tax | 25,151 | 20,205 |
| Tax on profit | 5,796 | 5,211 |
| Net result | <u><u>19,355</u></u> | <u><u>14,994</u></u> |
| Attributable to: | | |
| Shareholders of the company | 17,316 | 14,811 |
| Minority interest | 2,039 | 183 |
| | <u><u>19,355</u></u> | <u><u>14,994</u></u> |
| Earnings per share | | |
| Weighted average number of shares (x 1,000) | 37,777 | 37,413 |
| Weighted average number of shares for the purpose of Diluted earnings per share (x 1,000) | 37,875 | 37,540 |
| Ordinary earnings per share before amortization (in €) | 0.62 | 0.49 |
| Ordinary earnings per share (in €) | 0.46 | 0.40 |
| Diluted earnings per share (in €) | 0.46 | 0.40 |

¹⁾ Inclusive changes in inventory of finished goods, work in progress and construction contracts of -/€ 25.5 million (H1 2012: + € 11.9 million).

Comprehensive income

in thousands of euros

| | <u>1st half year 2013</u> | <u>1st half year 2012</u> |
|--|--------------------------------------|--------------------------------------|
| Result over the period | 19,355 | 14,994 |
| Currency translation differences | 1,255 | 2,033 |
| Effective portion of changes in fair value of cash flow hedges (after tax) | 2,500 | 7 |
| Actuarial Gains & Losses | 711 | -976 |
| Revaluation of available-for-sale financial assets | <u>355</u> | <u>997</u> |
| Net income/(expenses) recognized directly in equity | 4,821 | 2,061 |
| Total result for the period | <u><u>24,176</u></u> | <u><u>17,055</u></u> |
| Attributable to: | | |
| Shareholders of the company | 22,414 | 16,873 |
| Minority interest | <u>1,762</u> | <u>182</u> |
| Total result for the period | <u><u>24,176</u></u> | <u><u>17,055</u></u> |



Consolidated balance sheet

in thousands of euros

| | <u>30-06-2013</u> | <u>31-12-2012</u> |
|--|-------------------------|-------------------------|
| Assets | | |
| <u>Non-current assets</u> | | |
| Intangible non-current assets | 337,105 | 342,657 |
| Tangible non-current assets | 192,859 | 191,561 |
| Investment property | 3,140 | 3,480 |
| Financial non-current assets | 18,221 | 16,995 |
| Deferred tax assets | 12,513 | 13,971 |
| Total non-current assets | 563,838 | 568,664 |
| <u>Current assets</u> | | |
| Inventories | 198,580 | 196,658 |
| Receivables | 177,777 | 151,162 |
| Construction contracts for third parties | 36,225 | 48,380 |
| Current income tax | 2,585 | 1,546 |
| Cash and cash equivalents | 68,966 | 66,465 |
| Total current assets | 484,133 | 464,211 |
| Assets held for sale | 7,165 | 7,165 |
| Total assets | <u>1,055,136</u> | <u>1,040,040</u> |
| Equity and liabilities | | |
| <u>Group Equity</u> | | |
| Shareholders' equity | 367,684 | 364,429 |
| Minority interest | 60,385 | 60,394 |
| Total group equity | 428,069 | 424,823 |
| <u>Non-current liabilities</u> | | |
| Non-current liabilities | 197,195 | 202,445 |
| Deferred tax liabilities | 61,174 | 62,654 |
| Provision for pensions | 13,361 | 15,801 |
| Other provisions | 21,634 | 20,923 |
| Total non-current liabilities | 293,364 | 301,823 |
| <u>Current liabilities</u> | | |
| Borrowings | 99,337 | 59,564 |
| Trade payables and other payables | 214,223 | 215,695 |
| Construction contract for third parties | 14,598 | 31,940 |
| Current income tax liabilities | 1,637 | 778 |
| Provisions | 3,908 | 5,417 |
| Total current liabilities | 333,703 | 313,394 |
| Total equity and liabilities | <u>1,055,136</u> | <u>1,040,040</u> |

Consolidated cash flow statement

in thousands of euros

| | <u>1st half year 2013</u> | <u>1st half year 2012</u> |
|---|--|--|
| Cash flow from operating activities | | |
| Operating result | 30,743 | 25,104 |
| Depreciation, amortization and impairment | 21,625 | 16,198 |
| Share and option schemes not resulting in a cash flow | 1,553 | 1,313 |
| Changes in provisions | -2,053 | 109 |
| Changes in working capital | -31,761 | -11,198 |
| Cash flow from operations | <u>20,107</u> | <u>31,526</u> |
| Interest paid | -6,731 | -5,235 |
| Income taxes paid | -7,235 | -5,720 |
| Net cash flow from operating activities (A) | <u><u>6,141</u></u> | <u><u>20,571</u></u> |
| Cash flow from investing activities | | |
| Dividends received from non-consolidated associates | 511 | 416 |
| Purchase of tangible non-current assts | -9,264 | -14,144 |
| Disposals less purchases of investment property | 0 | -33 |
| Acquisition of subsidiaries | -3,272 | -30,026 |
| Acquisition of associates | 0 | -11,196 |
| Investments in intangible non-current assets | -4,223 | -3,890 |
| Net cash flow form investing activities (B) | <u><u>-16,248</u></u> | <u><u>-58,873</u></u> |
| Cash flow from financing activities | | |
| Dividends paid | -19,711 | -22,249 |
| Sold less purchased shares for share and option schemes | -1,986 | -1,963 |
| Proceeds from long-term debts | -5,250 | 128,939 |
| Change in borrowings | 39,773 | 13,998 |
| Net cash flow from financing activities (C) | <u><u>12,826</u></u> | <u><u>118,725</u></u> |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | 2,719 | 80,423 |
| Exchange differences | -218 | 807 |
| Change in cash and cash equivalents | <u>2,501</u> | <u>81,230</u> |
| Cash and cash equivalents at 1 January | <u>66,465</u> | <u>28,597</u> |
| Cash and cash equivalents at 30 June | <u><u>68,966</u></u> | <u><u>109,827</u></u> |

Consolidated statement of changes in group equity

in thousands of euros

| | Share capital | Share premium | Legal reserves | Revaluation reserve | Investment revaluation reserve | Translation reserve | Cash flow hedge reserve | Other reserves | Unappropriated profit | Total | Minority Interest | Total equity |
|---|---------------|---------------|----------------|---------------------|--------------------------------|---------------------|-------------------------|----------------|-----------------------|---------|-------------------|--------------|
| Balance at 1 January 2012 | 9,488 | 12,212 | 16,709 | 28,411 | 509 | 6,181 | -7,092 | 236,327 | 53,481 | 356,226 | 1,645 | 357,871 |
| Restatement IAS19R Employee Benefits (net of deferred taxes) | | | | | | | | 6,051 | | 6,051 | | 6,051 |
| Restated balance at 1 January 2012 | 9,488 | 12,212 | 16,709 | 28,411 | 509 | 6,181 | -7,092 | 242,378 | 53,481 | 362,277 | 1,645 | 363,922 |
| Profit for the year | | | | | | | | | 14,811 | 14,811 | 183 | 14,994 |
| Reclassification of put options held by minority shareholders | | | -840 | | | | | 840 | | | | |
| Change in cash flow hedges | | | | | | | 7 | | | 7 | | 7 |
| Revaluation of available-for-sale financial assets | | | | | 997 | | | | | 997 | | 997 |
| Actuarial gains and losses | | | | | | | | -976 | | -976 | | -976 |
| Exchange differences | | | | | | 2,034 | | | | 2,034 | -1 | 2,033 |
| Total result | | | -840 | | 997 | 2,034 | 7 | -136 | 14,811 | 16,873 | 182 | 17,055 |
| Appropriation profit last year | | | | | | | | 53,481 | -53,481 | | | |
| Dividends | 91 | -91 | | | | | | -22,249 | | -22,249 | | -22,249 |
| Dividends to minority shareholders | | | | | | | | | | | -407 | -407 |
| Share and option schemes (IFRS 2) | | | | | | | | 1,313 | | 1,313 | | 1,313 |
| Purchased shares for share and option schemes | | | | | | | | -6,186 | | -6,186 | | -6,186 |
| Sold shares for share and option schemes | | | | | | | | 4,223 | | 4,223 | | 4,223 |
| Capitalised development costs | | | 593 | | | | | -593 | | | | |
| Balance at 30 June 2012 | 9,579 | 12,121 | 16,462 | 28,411 | 1,506 | 8,215 | -7,085 | 272,231 | 14,811 | 356,251 | 1,420 | 357,671 |
| Balance at 1 January 2013 | 9,579 | 12,121 | 15,166 | 32,080 | 3,655 | 3,005 | -6,756 | 267,176 | 28,403 | 364,429 | 60,394 | 424,823 |
| Profit for the year | | | | | | | | | 17,316 | 17,316 | 2,039 | 19,355 |
| Reclassification of put options held by minority shareholders | | | 26 | | | | | -26 | | | | |
| Change in cash flow hedges | | | | | | | 2,500 | | | 2,500 | | 2,500 |
| Revaluation of available-for-sale financial assets | | | | | 355 | | | | | 355 | | 355 |
| Actuarial Gains and losses | | | | | | | | 711 | | 711 | | 711 |
| Exchange differences | | | | | | 1,532 | | | | 1,532 | -277 | 1,255 |
| Total result | | | 26 | | 355 | 1,532 | 2,500 | 685 | 17,316 | 22,414 | 1,762 | 24,176 |
| Appropriation profit last year | | | | | | | | 28,403 | -28,403 | | | |
| Dividends | 81 | -81 | | | | | | -18,037 | | -18,037 | | -18,037 |
| Dividends to minority shareholders | | | | | | | | -386 | | -386 | -1,288 | -1,674 |
| Share and option schemes (IFRS 2) | | | | | | | | 1,553 | | 1,553 | | 1,553 |
| option schemes | | | | | | | | -4,934 | | -4,934 | | -4,934 |
| Sold shares for share and option schemes | | | | | | | | 2,948 | | 2,948 | | 2,948 |
| Capitalised development costs | | | 2,909 | | | | | -2,909 | | | | |
| Acquisitions | | | | | | | | -303 | | -303 | -483 | -786 |
| Balance at 30 June 2013 | 9,660 | 12,040 | 18,101 | 32,080 | 4,010 | 4,537 | -4,256 | 274,196 | 17,316 | 367,684 | 60,385 | 428,069 |

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 2012. 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 2012.

New accounting standards

As from 1 January 2013 the amended IAS 19 Employee Benefits becomes effective (IAS 19R). IAS 19R must be applied retrospectively. Therefore the comparative numbers have been restated. IAS19R contains the following important changes for the financial statements of TKH:

- The option to defer actuarial gains and losses is removed. The actuarial gains and losses are directly recognized in Other Comprehensive Income.
- The interest cost on the defined benefit obligation and the expected return on plan assets are no longer recognized in operating result, but recognized in financial result.
- The expected return on plan assets is calculated against the rate used to discount the defined benefit obligation.

The application of IAS 19R has the following impact on equity and result:

| <i>in thousands euros</i> | <u>31-12-2012</u> | <u>30-06-2012</u> | <u>01-01-2012</u> |
|---------------------------------------|-------------------|-------------------|-------------------|
| Equity | 367,119 | 351,350 | 356,226 |
| IAS 19R impact (after deferred taxes) | -2,690 | 4,900 | 6,051 |
| Restated equity | <u>364,429</u> | <u>356,250</u> | <u>362,277</u> |

The impact on the result "Other Comprehensive Income" for the first half 2012 can be summarized as follows:

| | <u>Half year report 2012</u> | <u>Impact IAS 19R</u> | <u>Restated comparative figures 2012</u> |
|---|--------------------------------------|---------------------------|--|
| Personnel expenses | 112,414 | 204 | 112,618 |
| Total operating expenses | 500,904 | 204 | 501,108 |
| Operating result | 25,308 | -204 | 25,104 |
| Financial expenses | -5,028 | -29 | -5,057 |
| Tax on profit | 5,270 | -59 | 5,211 |
| Net result | 15,168 | -174 | 14,994 |
| Net income/(expenses) recognized directly in equity | 3,037 | -976 | 2,061 |
| Total result for the period | 18,205 | -1,150 | 17,055 |

2. Judgments

The preparation of the condensed consolidated interim financial statements 2013 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 2012.

3. Statutory capital

The number of outstanding (depository receipts of) shares as per 31 December 2012 was the equivalent of 37,661,922. As a result of the exercise of options rights and share schemes, a balance of 5,035 (depository receipts of) shares were delivered and sold in the first half of 2013. In addition, a stock dividend of 322,480 (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 2013 was 37,989,437.

4. Dividend

At the General Meeting of Shareholders the dividend over 2012 was declared at € 0.65 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 2013 was € 18,037,122 and this amount was charged to the other reserves. For stock dividend an amount of € 80,720 was charged against the premium reserve.

5. Segmented information

| | Telecom Solutions | | Building Solutions | | Industrial Solutions | | Not Attributable | | Total | |
|--|-------------------|---------|--------------------|---------|----------------------|---------|------------------|---------|----------------|---------|
| | H1 2013 | H1 2012 | H1 2013 | H1 2012 | H1 2013 | H1 2012 | H1 2013 | H1 2012 | H1 2013 | H1 2012 |
| 1st half year Turnover | 80,080 | 81,560 | 241,528 | 200,975 | 265,540 | 243,677 | 0 | 0 | 587,148 | 526,212 |
| Segment EBITA | 8,287 | 7,508 | 16,655 | 3,518 | 23,576 | 31,682 | -5,802 | -9,445 | 42,716 | 33,263 |
| Amortization | -487 | -501 | -8,543 | -5,212 | -2,859 | -2,372 | -84 | -74 | -11,973 | -8,159 |
| Segment operating result | 7,800 | 7,007 | 8,112 | -1,694 | 20,717 | 29,310 | -5,886 | -9,519 | 30,743 | 25,104 |
| Financial income and expenses | | | | | | | | | -7,186 | -5,057 |
| Share of result in associates | | | | | | | | | 1,215 | 158 |
| Change in value of provisions for earn-out and put options minority shareholders | | | | | | | | | 379 | |
| Tax on profit | | | | | | | | | -5,796 | -5,211 |
| Net result | | | | | | | | | 19,355 | 14,994 |

The comparative figures have been restated due to the retrospective application of IAS 19R.

6. Overview of net profit definitions

| <i>in thousands of euros</i> | 1st half year 2013 | 1st half year 2012 |
|---|--------------------------------------|--------------------------------------|
| Net profit attributable to shareholders of the company | 17,316 | 14,811 |
| Net profit attributable to minority shareholders | 2,039 | 183 |
| Net result | 19,355 | 14,994 |
| Amortization of acquisition-related intangible non-current assets based on "purchase price allocations" | 8,219 | 4,484 |
| taxes on the amortization | -2,295 | -1,316 |
| Acquisition costs | - | 4,000 |
| Change in provision for earn-out | -379 | |
| Net profit before amortization and exceptional expenses | 24,900 | 22,162 |
| Attributable to minority interest | -2,039 | -183 |
| Ordinary earnings before amortization and exceptional expenses attributable to shareholders of the company | 22,861 | 21,979 |

7. Acquisitions

During the first half of 2013 TKH acquired the following subsidiary:

| <u>Name subsidiary</u> | <u>Country</u> | <u>Legal ownership and control</u> | <u>Consolidation as from</u> | <u>Activity</u> |
|------------------------|----------------|------------------------------------|------------------------------|--------------------------------------|
| 3D3 Solutions Ltd. | Canada | 100,0% ¹⁾ | 30-4-2013 | Vision & Security Systems (Building) |

¹⁾ Acquisition through the Augusta Technologie AG, in which TKH holds an interest of 62.36% as of 30 June 2013.

On 30 April 2013 TKH acquired through its participation Augusta Technologie AG all shares in 3D3 Solutions Ltd. located in Vancouver (Canada). 3D3 Solutions is a young and innovative manufacturer of hardware and software in the area of three-dimensional scanning. The profitable company achieved a revenue of € 1.2 million in 2012 with an EBITDA margin of 17%. The company employs ten employees. 3D3 Solutions Ltd. was merged at acquisition date with the participation LMI Technologies Inc.

The purchase amount is paid in cash and contains an earn-out component for a period of 3 years. The maximum purchase price can amount USD 3.2 million. The transaction is accounted for according to the "purchase method of accounting". The goodwill of € 1.2 million has been paid because of synergy and profit expectations. The goodwill is not deductible for income taxes. The expenses related to the acquisition are very limited. The acquired company has contributed € 0.1 million to the operating result of TKH.

During the first half of 2012, TKH extended its share in Augusta Technologie AG by acquiring 150,343 for € 23.00 per share. Largest part has been acquired from the management team as a consequence of the execution of the stock options and the following purchase by TKH as mutual contractual agreed during the acquisition of Augusta.

8. Contingent liabilities

The contingent liabilities which are not reflected in the balance sheet, as reported in the financial statements for 2012, have not essentially changed in the first half 2013.

9. Events after balance sheet date

On 29 July 2013, TKH acquired all shares in Park Assist Pty Ltd. (hereafter Park Assist), located in New York City (USA). Park Assist is an innovative vision technology company which focuses on technology solutions for managing car parks, with offices in New York City (USA), Australia and United Kingdom. With the acquisition of Park Assist, TKH expands its geographical position in North America and Australia and acquires specific parking related video analytics technology to complete the existing technologies for parking solutions in the TKH Group. Park Assist uses own developed video analytics technology that is aimed at monitoring of parking lots and traffic streamlining in parking garages through which efficiency, utilization and the attractiveness of parking increases. Through the TKH technologies, Park Assist will be able to offer more complete parking solutions in their existing markets. The combined technologies enable parking organisations to increase their profitability and to match to the trends in parking for differentiated tariffs and higher customer satisfaction. Through the TKH network and the strong geographical presence of TKH in Europe and Asia, Park Assist will be able to accelerate growth and expansion of their market position in Europe and Asia.

Park Assist realises with 36 employees (FTEs) a turnover of more than € 15 million. The activities of Park Assist will be part of TKH's sub segment vision & security systems, within the business segment Building Solutions.

The purchase price has been paid in cash. The acquisition accounting has not yet taken place because of the short timeframe. Consequently the precise amount of goodwill and acquired fair values of the assets and liabilities is yet unknown. The goodwill paid is not deductible for tax purposes. TKH expects that the acquisition will have a positive effect on TKH's earnings per share as from the third quarter 2013.

Except for the acquisition mentioned before, 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 2012 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 2013 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 2012.

The Executive Board hereby declares that to the best of their knowledge, the interim financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting, 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, 21 August 2013

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.