TKH Group the solution provider

Press release - TKH Group N.V. (TKH)
H2 and full year results 2019

TKH realizes increase in turnover and result in 2019

Good progress 'Simplify & Accelerate'-program

Highlights second half 2019

- Turnover increases by 0.9% to € 736.4 million, organic -3.9%
- EBITA before one-off income and expenses increases by 5.5%, driven by higher turnover and an improved product mix – particularly at Building Solutions.
- ROS increases to 12.9% due to an improved product mix and cost efficiencies.
- Net profit before amortization and one-off income and expenses rises slightly by 0.3%.
- One-off expenses and impairments totaling € 23.3 million due to costs related to restructuring, integrations, acquisitions and divestments.
- Divestments:
  - Majority of industrial connectivity activities, recognized as 'discontinued activities' – book profit of € 38.9 million.
  - ZTC (China), recognized as 'assets held for sale', closed beginning 2020.

Financial highlights 2019

- Turnover increases by 2.2% to € 1,489.6 million, organic -1.9%.
- EBITA before one-off income and expenses declines by 1.5% – decline in Industrial Solutions due to market conditions, increase in Telecom and Building Solutions.
- Net profit before amortization and one-off income and expenses attributable to shareholders declines by 7.8% to € 105.3 million – in line with the previously communicated bandwidth (€ 102 - € 108 million).
- Dividend proposal: € 1.50 per (depositary receipt of an) ordinary share (2018: € 1.40).

Strategic highlights 2019

- Good progress 'Simplify & Accelerate' program:
  - Divestment activities on schedule: € 250 million turnover of the targeted € 300 to € 350 million in divestments already realized.
  - Integration of vision and security businesses proceeds well.
  - Growth in order book and outstanding quotations in subsea and Airfield Ground Lighting (AGL) activities.
  - Turnover share from vertical growth markets > 60%.
- Acquisitions of innovative technology companies ParkEyes, Commend AG, SVS-Vistek and FocalSpec.
- Increase in existing committed credit facility to € 500 million, from € 350 million, with unchanged conditions and duration.

Second half results

(in € million unless otherwise stated)	**H2 2019**	**H2 2018**	**Change in %**
Turnover [1)]	736.4	729.8	+ 0.9%
EBITA before one-off income and expenses [1, 2)]	94.9	89.9	+ 5.5%
Net profit before amortization and one-off income and expenses attributable to shareholders [1, 2, 3, 4)]	59.4	59.2	+ 0.3%
ROS [1, 2)]	12.9%	12.3%	

Full year results

(in € million unless otherwise stated)	2019	2018	Change in %
Turnover [1]	1,489.6	1,457.8	+ 2.2%
EBITA before one-off income and expenses [1, 2]	172.5	175.0	- 1.5%
Net profit before amortization and one-off income and expenses attributable to shareholders [1, 2,3,4]	105.3	114.2	- 7.8%
Net profit	113.9	108.7	+ 4.8%
Net earnings per ordinary share attributable to shareholders (in €)	2.72	2.58	+ 5.2%
ROS [1, 2]	11.6%	12.0%	
ROCE	17.4%	21.3%	
Dividend proposal (in €)	1.50	1.40	

1) In line with IFRS, the figures for 2018 and 2019 in this press release are presented on the basis of 'continued activities'. These are the figures excluding the divested industrial connectivity activities ('discontinued activities'). For more information about this divestment, we refer to 'discontinued activities', which is included in the financial statements. The figures in the profit and loss account and the cash flow statement in this press release have been adjusted to reflect the above, for comparative purposes.
2) The one-off expenses in 2019 relate to costs totaling € 18.3 million (2018: € 4.2 million) for restructuring, integrations, acquisitions and divestments.
3) For further details, we refer to the 'Overview of alternative performance indicators' included after the financial statements.
4) Amortization of intangible fixed assets related to acquisitions (after taxes).

Alexander van der Lof, CEO of technology company TKH: *"The past year was a turbulent one, due to geopolitical and social developments, which resulted in a reluctance to invest in a number of market segments. We booked good progress in our strategic transformation program 'Simplify & Accelerate'. We are now better positioned to take advantage of economies of scale and synergies. We are also well on track to achieve our return targets and to take our value creation to a higher level. TKH realized a ROS of 12.9% in the second half of the year, despite the headwinds we faced in a number of end markets, which means it is moving firmly in the direction of our ROS target of at least 15%, a target we raised mid-2019. Macroeconomic uncertainties have increased in recent months. So far, the impact of the coronavirus seems limited for TKH. This also applies to the nitrogen and PFAS crisis in the Netherlands and possible international trade barriers. It remains difficult to predict possible future consequences. The order book of the entire TKH Group provides a strong basis for further value creation, as a result of which TKH is well positioned for the medium term*."

Progress in realization of objectives and execution of strategy

In the year under review, we took an important step with the introduction of our 'Simplify & Accelerate' program. TKH sees the execution of the program as a high priority and it has broad support across the organization. The divestment of activities with limited organic growth potential is on track. We have already realized € 250 million of the intended € 300 to € 350 million turnover in divestments. In addition, TKH has reduced the number of operating companies through integration with a focus on economies of scale. This has resulted in a simplified organizational structure with fewer companies and a focus on activities with higher value creation potential.

The execution of the program resulted in one-off expenses of € 18.3 million in 2019 and an impairment of € 5.0 million. These expenses are related in particular to:

- The proposed decision to relocate the cable production in Ittervoort to Haaksbergen and the discontinuation of the poorly performing activities in the industrial connectivity portfolio.
- Integration of security activities and portfolio under the brand name TKH Security, the merger of the activities in Singapore, and the integration of our Parking activities and portfolio.
- Phasing out of the Dutch system integration activities.

- Integration of 2D vision activities and portfolio and increased commercial cooperation between 2D and 3D Vision.
- Implementation of cost-saving measures in the French and German Building connectivity activities.
- Integration of the TKH Airport Solutions organizations in the Netherlands, Germany and Denmark.
- Integration of Ognios (mission critical communication) in the Commend organization.
- Costs of the divestment of the Chinese operating company ZTC, manufacturer of copper data communications cables.
- Costs for the acquisition of Commend AG, ParkEyes, SVS-Vistek and FocalSpec.

The integration projects and improved returns will have an estimated positive impact of € 7 to € 8 million annually on the results from 2021 onwards. We expect to realize around € 5 million of this in 2020.

We also made good progress with our innovations in terms of both technology and market penetration. These now account for 20.5% of turnover. Key new developments include innovations in machine vision for 5G smartphone manufacturing systems, UNIXX tire building technology, subsea cable systems and CEDD/AGL connectivity technology. The new product launches and the contracts we acquired provide a strong basis for growth and continued value creation.

Financial developments second half of 2019

Turnover increased by € 6.6 million (0.9%) to € 736.4 million in the second half of 2019 (H2 2018: € 729.8 million). Acquisitions contributed 4.5%. Lower raw materials prices had a marginal impact of 0.1% on turnover, while exchange rates had a positive impact of 0.4%. On balance, we recorded an organic turnover decline of 3.9% compared with the second half of 2018. Industrial Solutions realized the largest organic decline (7,0%) as a result of disappointing market conditions. Building Solutions recorded an organic decline of 3.4% in turnover, while Telecom Solutions saw turnover increase by 2.8%.

The gross margin increased to 49.0% (H2 2018: 47.4%). However, operating expenses increased by 3.8% compared with the second half of 2018 as a result of acquisitions.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) increased by 5.5% to € 94.9 million in the second half of 2019 (H2 2018: € 89.9 million). Telecom and Building Solutions recorded particularly strong growth in EBITA compared to the second half of 2018, while EBITA at Industrial Solutions declined. The ROS for the TKH group was 12.9% in the second half of 2019 (H2 2018: 12.3%).

In the second half of 2019, financial expenses were € 3.1 million higher than the previous year. Interest expenses increased due to the application of IFRS 16 and a higher average outstanding bank debt. In addition, adverse currency effects had a negative impact of € 0.4 million (H2 2018: € 0.7 million gain).

The effective tax rate in the second half of 2019 was 23.2% and virtually unchanged from the first half of 2019, but higher than in the second half of 2018 (20.5%).

Net profit from continued activities before amortization and one-off income and expenses attributable to shareholders increased by 0.3% to € 59.4 million (H2 2018: € 59.2 million).

Financial developments full year 2019

Turnover increased by € 31.9 million (2.2%) to € 1.489,6 million in 2019 (2018: € 1,457.8 million). TKH recorded an organic decline in turnover of 1.9%. Acquisitions made a 3.9% contribution to turnover. Lower raw materials prices had a negative impact of 0.2% on turnover, while currency exchange rates had a positive impact of 0.4%.

At Telecom Solutions, organic turnover growth was 3.1% in 2019, while Building and Industrial Solutions saw declines of 2.7% and 2.8% respectively.

The gross margin rose to 48.2% in 2019, from 47.3% in 2018. This increase was partly due to a changed product mix, the normalization of start-up costs for new technologies and lower purchasing prices.

Operating expenses before one-off expenses increased by 6.0% compared with 2018, mainly due to acquisitions (+5.2%) and currency exchange effects (+0.6%). R&D expenses, 55.5% of which were capitalized as development expenses (2018: 49.6%), increased to € 63.2 million in 2019 (2018: € 60.8 million), due to the acquisition of technology companies. Operating expenses as a percentage of turnover increased to 36.6% in 2019, from 35.3% in 2018. This increase was mainly due to the expansion of production capacity in 2018 and lower production levels in 2019 for subsea and industrial cable systems. In the course of the year, we maintained capacity at a higher level than required in the short term, in view of the medium-term growth perspective. Depreciations amounted to € 45.3 million in 2019, up € 19.2 million when compared with 2018. This was due to the depreciation expense resulting from the capitalization of right-of-use assets as a result of the implementation of IFRS 16 Leases as of 1 January 2019 (+ € 16.1 million), as well as a higher investment levels than in previous years.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) amounted to € 172.5 million in 2019, down 1.5% from the € 175.0 million recorded the previous year. EBITA at Telecom and Building Solutions was up 9.5% and 8.5% respectively, while EBITA at Industrial Solutions declined by 11.8%. ROS dropped to 11.6% (2018: 12.0%).

The ‘Simplify & Accelerate’ program and the acquisition costs together resulted in one-off expenses of € 18.3 million (2018: € 4.2 million) for the full year 2019 and an impairment of € 5.0 million (2018: € 1.5 million).

Amortization costs were € 10.0 million higher at € 50.1 million, primarily due to acquisitions (+ € 6.8 million) and high R&D investments in recent years.

Financial expenses increased by € 3.8 million to € 10.1 million in 2019, due to the application of IFRS 16 and a higher average outstanding bank debt. Currency effects also had a negative impact of € 0.9 million (2018: negative impact of € 0.2 million). The result from other associates was € 1.5 million lower due to lower volumes and prices of preforms at associate and preform producer Shin-Etsu in China, while one-off expenses are still having a downward impact on the contribution from the new minority interest in Cable Connectivity Group.

The effective tax rate was 23.1% in 2019 (2018: 21.8%). Fiscal R&D facilities, such as the Dutch innovation box facility, had a downward impact on the overall tax rate. Non-deductible impairments increased the effective tax rate by 0.5% in 2019.

Net profit from continued activities before amortization and one-off income and expenses attributable to shareholders declined by 7.8% to € 105.3 million in 2019 (2018: € 114.2 million). The divestment of the majority of TKH’s industrial connectivity activities, recognized as ‘discontinued activities’, resulted in a gain of € 45.2 million (2018: € 10.8 million), including a net book profit of € 38.9 million.

Net profit for the full year 2019 amounted to € 113.9 million (2018: € 108.7 million). Earnings per share before amortization and one-off income and expenses amounted to € 2.51 (2018: € 2.72). The ordinary earnings per share amounted to € 2.72 (2018: € 2.58).

The cash flow from ordinary operations was € 182.2 million in 2019 (2018: € 126.7 million). In 2018, a significant increase in working capital had a negative impact on cash flow, while 2019 saw only a minor change in working capital. At year-end 2019, working capital as a percentage of turnover had declined to 13.0% (2018: 13.9%), and remained within the bandwidth set of 12-15%. Net investments in tangible fixed assets were lower than in previous years at € 30.6 million in 2019 (2018: € 40.0 million). A major part of this was related to investments in production facilities. Investments in intangible fixed assets for R&D, patents, licenses and software increased to € 40.4 million, largely due to the acquisition of the technology companies (2018: € 35.2 million). Total spending on acquisitions was € 65.5 million in 2019 (2018: € 116.2 million). The divestment of the majority of TKH's industrial connectivity activities generated proceeds of € 83.5 million. On the other hand, TKH acquired a 41.5% minority interest in Cable Connectivity Group for € 16.4 million.

Solvency improved slightly to 43.7% in 2019 (2018: 42.4%). TKH's net bank debt, calculated in accordance with the financial covenants, had declined to € 300.6 million at year-end 2019, down € 26.1 million compared to year-end 2018. The net debt/EBITDA ratio stood at 1.5, which means TKH was operating well within the financial ratio agreed with its banks.

TKH had 5,980 employees (FTEs) at year-end 2019 (2018: 6,533 FTEs). Divestments reduced the total number of employees by 606 FTEs. Acquisitions accounted for an increase of 161 FTEs. The company also had 310 (FTEs) temporary employees (2018: 482 FTEs).

Development per solutions segment

Telecom Solutions

Telecom Solutions represents the core technologies connectivity, vision & security and mission critical communication. TKH develops, produces and supplies systems ranging from basic outdoor infrastructure for telecom and CATV networks through to indoor home networking applications. 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 network hubs.

Key figures

(in € millions unless otherwise stated)	2019	2018	Change in %
Turnover	200.5	194.5	+ 3.0%
EBITA	30.8	28.1	+ 9.5%
ROS	15.4%	14.5%	

Turnover in the Telecom Solutions segment was 3.0% higher at € 200.5 million. Organic turnover growth was 3.1%, while currency exchange rates had a negative impact of 0.1% on turnover. Growth was realized primarily in the sub-segment fibre network systems.

EBITA was up € 2.7 million. The ROS improved to 15.4% from 14.5%

Fibre network systems - *optical fibre, optical fibre cables, connectivity systems and components, active peripherals – turnover share 8.8%*

This sub-segment saw organic turnover growth of 4.7%. The slowdown in growth in China was offset by growth in turnover in optical fibre network systems in Europe. This growth was recorded mainly in France and Germany. We were able to compensate for pressure on prices in the Chinese market through the lower purchasing prices of raw materials for optical fibre and a higher contribution to turnover from the connectivity portfolio. This resulted in an improvement in gross margin. We completed the expansion of the optical fibre production capacity in the second half of 2019.

Indoor telecom & copper networks - ***home networking systems, broadband connectivity, IPTV software solutions, copper cable, connectivity systems and components, active peripherals – turnover share 4.7%***

Turnover in this sub-segment saw organic growth of 0.1%. Growth stagnated in the second half of the year due to reduced demand for broadband connectivity and connectivity components.

Building Solutions

Building Solutions connects the core technologies vision & security, mission critical communications and connectivity in comprehensive solutions for security and communications applications in and around buildings, as well as for industrial inspection, quality, product and process controls. Building Solutions also focuses on efficiency solutions to reduce throughput times for the realization of installations within buildings, and on intelligent video, mission critical communications, evacuations, access (control) and registration systems for a number of specific sectors, including healthcare, parking, marine and offshore, tunnels and airports.

Key figures

(in € millions unless otherwise stated)	2019	2018	Change in %
Turnover	745.0	703.7	+ 5.9%
EBITA before one-off expenses [1)]	75.5	69.6	+ 8.5%
ROS	10.1%	9.9%	

1) The one-off expenses relate to the costs of € 17.2 million for restructuring, integrations, acquisitions and divestments (2018: € 3.5 million).

Turnover at Building Solutions was 5.9% higher at € 745.0 million. The segment saw an organic turnover decline of 2.7%. Acquisitions contributed 8.0% to the growth. Currency exchange rates had a positive impact of 0.8% on turnover, while lower raw materials prices had a negative impact of 0.3% on turnover.

EBITA before one-off expenses increased by 8.5% to € 75.5 million. EBITA improved significantly in the second half of 2019, when compared with the first half of the year, due to increased turnover and a higher gross margin. ROS improved slightly, to 10.1% in 2019, from 9.9% in 2018, and increased to 12.2% in the second half of the year.

Vision & Security systems – ***vision technology based on 2D and 3D camera sensor technology and 3D laser technology, systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration, healthcare systems – turnover share 27.6%***

Turnover in this sub-segment increased by 5.8%, but declined organically by 10.2%. In 2019, Machine Vision was affected by a reluctance to invest among consumer electronics manufacturers. This reluctance was also noticeable in other segments, although the fourth quarter saw a slight increase in the sectors consumer electronics, industrial automation and inspection. The vision technology TKH has developed for new applications in the 5G network-related consumer electronics industry resulted in the first contracts and deliveries. We also noted strong interest in this industry for the FocalSpec sensors, a 3D technology TKH acquired in the fourth quarter. These technologies put TKH in a good position to respond to the expected strong increase in demand for these applications.

In Parking, TKH saw a decline in turnover from larger projects in the field of parking guidance systems. A key step was made with the acquisition of ParkEyes, which gives us access to smaller and mid-sized car parks. In late 2019, the ParkEyes portfolio also gained certification for the US market.

In Tunnel & Infra, growth was driven by the roll-out of our vision-based traffic management solutions in the US market.

In 2019, we combined the activities of the security-related companies in TKH Security, which we will also be marketing as a brand. We also decided to phase out the Dutch system integration activities. This meant organic turnover growth was limited.

The 'Simplify & Accelerate' program resulted in one-off expenses and impairments for restructuring and integration operations and the phasing out of a number of activities. These expenses were primarily related to the machine vision, mission-critical communication and security activities. We also incurred acquisition costs.

Connectivity systems – *specialty cable (systems) for shipping, rail, infrastructure, wind energy, as well as installation and energy cable for niche markets, structured cabling systems and connectivity systems for wireless energy and data distribution – turnover share 22.4%*

Turnover in this sub-segment increased organically by 6.6%. A considerable amount of this growth came from the vertical growth market Tunnel & Infra. We also saw healthy growth as a result of the increase in our market share in Airfield Ground Lighting (AGL). We are seeing a continued increase in the interest in our innovative CEDD technology for AGL, which integrates various TKH technologies and competencies. Turnover in energy cable systems also saw continued strong growth, driven by major investment requirements for energy networks.

In Marine & Offshore, we saw a decline in turnover due to lower turnover of subsea cable systems, due to the fact that we were unable to focus fully on acquiring new orders until the fourth quarter of 2018. As a result of this, no production was involved in the first half year. At the end of the fourth quarter of 2019, we started production for the delivery of the array connectivity systems for the 'Fryslân' wind park in the Netherlands. In addition, we closed a contract for a second wind farm and saw a further increase in our quotation portfolio, which underlines the substantial growth potential of these activities for the coming years.

The costs of our CEDD/AGL and subsea activities are still exceeding the income from these activities.

Turnover in structured data cable systems was higher in 2019. However, the Dutch construction and infrastructure sector was confronted with the nitrogen and PFAS problem, which had a negative impact on turnover growth, especially in the fourth quarter.

In the fourth quarter of last year, we announced the proposed decision to end cable production in Ittervoort and transfer the core business to Haaksbergen. We are also implementing restructuring measures in Germany and France to increase cost efficiency. We recorded a reorganization provision and recognized an impairment on machinery in connection with these measures.

Industrial Solutions

Industrial Solutions represents the core technologies connectivity, vision & security and smart manufacturing. TKH develops, produces and delivers specialty cable and plug and play cable systems. TKH's know-how in the automation of production processes and improvements in the reliability of production systems gives the company the differentiating potential it needs in a number of specialized industrial sectors, such as tire manufacturing, robot, medical and machine-building industries.

Key figures

(in € millions unless otherwise stated)	2019	2018 [1)]	Change in %
Turnover	544.2	559.5	- 2.7%
EBITA before one-off expenses[2)]	81.4	92.3	- 11.8%
ROS	15.0%	16.5%	

1) The comparable figures for 2018 have been adjusted as a result of the discontinued industrial connectivity activities.
2) The one-off expenses relate to restructuring costs of € 1.1 million (2018: € 0.3 million).

Turnover in the Industrial Solutions segment declined by 2.7% to € 544.2 million. Currency exchange rates had a marginally positive impact of 0.1%, which was offset by on average lower raw materials prices. The segment saw an organic turnover decline of 2.8%.

EBITA declined by 11.8% as a result of lower turnover and production capacity utilization. The ROS declined in line with this to 15.0% (2018: 16.5%).

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, specialty cable systems and modules for the medical, robot, automotive and machine building industries – turnover share 36.5%*

TKH divested the majority of the industrial connectivity activities as of August 2019, since they were insufficiently aligned with our advanced technology strategy and continued focus on our vertical growth markets. The remaining industrial connectivity activities are limited in size and we have therefore integrated these in manufacturing systems. The demand for specialty cables and cable systems weakened in the automotive and robot industries in the fourth quarter.

Turnover in Tire Building was at a lower level in the fourth quarter, but for the year as a whole remained at the same level as the previous year. There was reluctance among the top-five tire manufacturers due to negative developments in the automotive industry. Nevertheless, the order book was higher at year-end 2019 than a year earlier, due to increased order intake from other customers. The development of the UNIXX integrated tire-building machine (new tire-building platform) is progressing well. The first UNIXX has been installed at a launching customer.

The renewed Indivion, a high-quality automated medicine dosing and distribution system, was delivered to a launching customer in the fourth quarter and is now available for active sales.

Dividend proposal

At its General Meeting, TKH will propose a dividend of € 1.50 per (depositary receipt of a) share (2018: € 1.40). Based on the number of outstanding shares at year-end 2019, this amounts to a pay-out ratio of 59.8% of the net profit before amortization and one-off income and expenses attributable to shareholders and 55.2% of the net profit attributable to shareholders. TKH will propose the payment of a cash dividend to be charged to the reserves. The dividend will be payable on 15 May 2020.

Nomination for appointment Supervisory Board

Mr. R.L. (Rokus) van Iperen will step down at the end of the General Meeting of 7 May 2020 in accordance with the current retirement schedule. Mr. Van Iperen is eligible for reappointment for a period of two years. The Supervisory Board nominates Mr. Van Iperen for reappointment by the General Meeting.

In view of the vacancy that will arise in 2021 for the position of Mr. P.P.F.C. Houben due to the expiration of his statutory term, the Supervisory Board has also decided, partly with a view to safeguarding the knowledge and thus the continuity of the Board, to propose to the General Meeting of 7 May 2020 that Mrs. M. (Marieke) Schöningh will be appointed as a member of the Supervisory Board. Mrs. Schöningh is Chief Operating Officer and Member of the Management Committee of SHV Energy, and has the Dutch nationality. Subject to the (re)appointment by the General Meeting, the number of members of the Supervisory Board will temporarily increase to six. Further information will be provided in the notice convening the General Meeting of Shareholders which will be published ultimately on 26 March 2020.

Outlook

Macroeconomic uncertainties have increased in recent months. The impact of the coronavirus on TKH seems limited so far, but is yet difficult to estimate. This also applies to the nitrogen and PFAS effects in the Netherlands and possible trade barriers. Barring unforeseen circumstances and an escalation in the aforementioned situations, we expect the following developments per business segment for the year 2020.

Telecom Solutions
We expect a further increase in investments in optical fibre networks in Europe. Since we have a good market position in Europe and have invested in capacity expansions, we expect to be able to realize growth. The current overcapacity in the Chinese market may translate into pressure on margins, but we expect this to be offset by a better product mix.

Building Solutions
In Machine Vision, we see continued reluctance to invest on the part of consumer electronics manufacturers and within the automotive sector due to macro-economic uncertainties. Nevertheless, we expect growth as a result of the continued roll-out of our new portfolio and the contribution from acquisition in 2019.
In addition, we expect growth in Parking due to a number of larger projects currently in the pipeline. In Marine & Offshore, we expect growth for subsea cable systems based on order intake and ongoing quotations and we intend to scale-up production. This will result in a higher coverage ratio and therefore an improvement of the result.
In Tunnel & Infra, we see continued growth in demand for cable systems from the energy sector, which will lead to further growth in turnover. We also expect to realize growth with the AGL portfolio for airports, with the share of our distinctive CEDD technology set to increase. In the other activities within Building Solutions, we expect an improvement in the result due to the effects of our 'Simplify & Accelerate' program.

Industrial Solutions
Within the industrial sector, there is a reluctance to invest, particularly among German machine manufacturers and in the robot industry, partly due to developments in the automotive industry. As a result, we expect a decline in turnover for industrial connectivity systems, partly due to a targeted discontinuation in part of the portfolio. Order intake in Tire Building declined in the second half of 2019, due to a reluctance to invest as a result of the difficult situation in the automotive industry. We expect a decline in both turnover and result in this segment.

As usual, TKH will give a more specific profit forecast for the full-year 2020 at the presentation of its interim results in August 2020.

Haaksbergen, 5 March 2020

Executive Board

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The analyst meeting scheduled for 5 March 2020 at 9:30 hours will also be available via videowebcast (www.tkhgroup.com).

Financial calendar

6 May 2020	Market Update
7 May 2020	General Meeting of Shareholders
11 May 2020	Ex-dividend
12 May 2020	Record date
15 May 2020	Dividend payable
11 August 2020	Publication interim results 2020
17 November 2020	Market Update

The TKH annual report 2019 will be published ultimately on 26 March 2020 in digital format on the TKH website (www.tkhgroup.com)

Profile

Technology firm TKH Group NV (TKH) is focused on high-end innovative technologies in high growth markets within three business segments: Telecom, Building and Industrial Solutions.

Through a combination of four core technologies within the three business segments, TKH offers superior solutions that support to increase the efficiency, safety and security of its customers. The technologies are offered together with software to create smart technologies and one-stop-shop solutions with plug-and-play integrated technologies.

TKH operates on a global scale. Its growth is concentrated in Europe, North America and Asia. Employing 5,980 people, TKH achieved a turnover of € 1.5 billion in 2019.

Consolidated profit and loss account

in thousands of euros		2019		2018 [1]
Total turnover		**1,489,642**		**1,457,754**
Raw materials, consumables, trade products and subcontracted work	771,483		767,811	
Personnel expenses	382,518		355,757	
Other operating expenses	136,144		137,218	
Depreciation	45,347		26,186	
Amortization	50,070		40,083	
Impairments	4,971		1,543	
Total operating expenses		**1,390,533**		**1,328,598**
Operating result		**99,109**		**129,156**
Financial income		533		1,574
Financial expenses		-9,789		-7,685
Exchange differences		-869		-242
Share in result of associates		419		1,873
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests		-57		520
Result before tax		**89,346**		**125,196**
Tax on profit		20,619		27,278
Net result for the period from continued operations		**68,727**		**97,918**
Result after tax from discontinued operations		45,200		10,818
Net result		**113,927**		**108,736**
Attributable to:				
Shareholders of the company		114,048		108,551
Non-controlling interests		-121		185
		113,927		**108,736**
Earnings per share attributable to shareholders				
Ordinary earnings per share (in €)		2.72		2.58
Diluted earnings per share (in €)		2.71		2.57
Earnings per share attributable to shareholders from continued operations				
Ordinary earnings per share (in €) continued operations		1.64		2.33
Diluted earnings per share (in €) continued operations		1.63		2.31
Ordinary earnings per share before amortization and one-off income and expenses (in €) continued operations		2.04		2.62
Ordinary earnings per share before amortization (in €) continued operations		2.51		2.72

[1] The comparative figures for 2018 have been restated as a result of discontinued operations.

Consolidated statement of comprehensive income

in thousands of euros		2019		2018
Net result		**113,927**		108,736
Items that may be reclassified subsequently to profit or loss (net of tax)				
Currency translation differences	3,452		-457	
Currency translation differences in other associates	50		-149	
Effective part of changes in fair value of cash flow hedges (after tax)	2,283		-5,903	
		5,785		**-6,509**
Items that will not be reclassified subsequently to profit or loss (net of tax)				
Actuarial gains/(losses)	-371		237	
		-371		**237**
Other comprehensive income (net of tax)		**5,414**		**-6,272**
Comprehensive income for the period (net of tax)		**119,341**		**102,464**
Attributable to:				
Shareholders of the company		119,458		102,307
Non-controlling interests		-117		157
Total comprehensive income for the period (net of tax)		**119,341**		**102,464**

Consolidated balance sheet

in thousands of euros	31-12-2019		31-12-2018	
Assets				
Non-current assets				
Intangible non-current assets	596,404		544,098	
Tangible non-current assets	230,938		245,392	
Right-of-use assets	80,752		0	
Investment property	0		251	
Other associates	28,635		12,047	
Receivables	1,966		2,007	
Deferred tax assets	20,962		17,104	
Total non-current assets		**959,657**		**820,899**
Current assets				
Inventories	238,801		266,961	
Receivables	176,535		223,473	
Contract assets	115,692		128,137	
Contract costs	1,896		3,555	
Current income tax	1,589		1,081	
Cash and cash equivalents	78,976		83,180	
Total current assets		**613,489**		**706,387**
Assets held for sale		38,775		0
Total assets		**1,611,921**		**1,527,286**
Equity and liabilities				
Group Equity				
Shareholders' equity	704,516		646,459	
Non-controlling interests	304		1,190	
Total group equity		**704,820**		**647,649**
Non-current liabilities				
Interest-bearing loans and borrowings	415,803		238,537	
Deferred tax liabilities	65,528		60,398	
Retirement benefit obligation	5,759		7,984	
Financial liabilities	4,971		588	
Provisions	6,296		5,217	
Total non-current liabilities		**498,357**		**312,724**
Current liabilities				
Interest-bearing loans and borrowings	58,050		170,569	
Trade payables and other payables	254,244		314,613	
Contract liabilities	49,187		57,032	
Current income tax liabilities	11,824		6,924	
Financial liabilities	3,682		4,831	
Provisions	19,069		12,944	
Total current liabilities		**396,056**		**566,913**
Liabilities directly associated with assets held for sale		12,688		0
Total equity and liabilities		**1,611,921**		**1,527,286**

Consolidated statement of changes in group equity

in thousands of euros	Total shareholders' equity	Non-controlling interests	Total group equity
Balance at 1 January 2018	**593,545**	**8,437**	**601,982**
Net result	108,551	185	108,736
Total other comprehensive income	-6,244	-28	-6,272
Total comprehensive income	**102,307**	**157**	**102,464**
Dividends	-50,435		-50,435
Dividends to shareholders of non-controlling interests	-1,104	-58	-1,162
Acquisition of non-controlling interests	7,346	-7,346	
Share and option schemes	2,303		2,303
Purchased shares for share and option schemes	-13,482		-13,482
Sold shares for share and option schemes	5,979		5,979
Balance at 31 December 2018	**646,459**	**1,190**	**647,649**
Net result	114,048	-121	113,927
Total other comprehensive income	5,410	4	5,414
Total comprehensive income	**119,458**	**-117**	**119,341**
Capital contribution		58	58
Dividends	-59,295		-59,295
Dividends to shareholders of non-controlling interests		-42	-42
Acquisition of non-controlling interests	-80	-785	-865
Share and option schemes	2,141		2,141
Purchased shares for share and option schemes	-12,395		-12,395
Sold shares for share and option schemes	8,228		8,228
Balance at 31 December 2019	**704,516**	**304**	**704,820**

Consolidated cash flow statement

in thousands of euros	2019	2018 [1)]
Cash flow from operating activities		
Operating result from continued operations	99,109	129,156
Operating result from discontinued operations	8,864	13,572
Depreciation, amortization and impairment	100,645	69,957
Share and option schemes not resulting in a cash flow	2,141	2,303
Result on disposals	-257	-193
Changes in provisions	7,906	1,114
Changes in working capital	75	-55,169
Cash flow from operations	**218,483**	**160,740**
Interest received	531	1,410
Interest paid	-9,374	-7,394
Income taxes paid	-27,431	-28,038
Net cash flow from operating activities (A)	**182,209**	**126,718**
Cash flow from investing activities		
Dividends received from non-consolidated associates	72	243
Repayments on loans	82	971
Purchases of tangible non-current assets	-31,273	-40,921
Disposals of tangible non-current assets	627	894
Divestments of investment property	251	
Divestment of subsidiaries	83,473	
Divestment of associates	163	
Acquisition of subsidiaries less cash and cash equivalents acquired	-65,465	-116,229
Acquisition of associates	-16,354	
Investments in intangible non-current assets	-40,527	-35,218
Divestments in intangible non-current assets	82	33
Net cash flow from investing activities (B)	**-68,869**	**-190,227**
Cash flow from financing activities		
Dividends paid	-59,337	-51,597
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	-4,682	-251
Capital contribution non-controlling interests	58	
Acquisition of non-controlling interests	-865	-9,000
Purchased shares for share and option schemes	-12,395	-13,482
Sold shares for share and option schemes	8,228	5,979
Payment of lease liabilities	-15,780	
Proceeds from long-term debts	99,013	52,745
(Repayments)/proceeds from other long-term debts	661	-1,779
Change in borrowings and bridge facility	-113,063	99,642
Net cash flow from financing activities (C)	**-98,162**	**82,257**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**15,178**	**18,748**
Exchange differences	63	-3,556
Change in cash and cash equivalents	**15,241**	**15,192**
Cash and cash equivalents at 1 January	60,905	45,713
Cash and cash equivalents at 31 December	**76,146**	**60,905**

in thousands of euros	2019	2018
Cash and bank balances as included in the cash flow statement	76,146	60,905
Cash at companies assets held for sale	-7,149	
Cash and bank balances in cash and interest pools	9,979	22,275
Cash and bank balances	**78,976**	**83,180**

[1)] The comparative figures for 2018 have been restated as a result of discontinued operations.

Notes to the financial statements

1. Accounting principles for financial reporting

These financial figures have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and are prepared using the principles, which are applied in the financial statements for the year ended 31 December 2019. Further disclosures and description of the accounting principles as required under IFRS are not included in the financial figures. For a full understanding, this press release should be read in conjunction with the financial statements 2019 for TKH Group NV.

2. IFRS 16 Leases

A change in the accounting principles relates to the application of IFRS 16 Leases. The application of IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. IFRS 16 provides for a lease accounting model whereby the lessee has to include the assets and liabilities in respect of lease agreements on the balance sheet. The presentation in the statement of profit and loss will also change because depreciation and interest expenses will replace the recorded costs for operating leases under operating expenses. The interest discount effect has an impact on the net result. In 2019, the sum of depreciation and interest charges is higher than when the old accounting policy had been continued. However, the impact of this on the net result is not material. It has been agreed with the banking group that the amendments based on IFRS 16 will have no impact on the bank covenant during the term of the current financing.

TKH has opted for a 'limited retrospective method', whereby the comparative figures will not be adjusted and the changes will be recognized in the opening balance of 2019. TKH has chosen the option to equate the initial value of the lease asset to the amount of the lease liabilities. As a consequence, the application of IFRS 16 has no impact on equity per 1 January 2019. In addition to the choice for the ‘ limited retrospective method’, TKH uses a number of exemptions:

- IFRS 16 is not applied to intangible assets.
- TKH has chosen to use the exemption to not re-assess on 1 January 2019 whether a contract is or contains a lease agreement.
- A single discount rate is used of a for a portfolio of contracts with fairly similar characteristics.
- Leases of assets with a low value or with a term of less than one year are excluded.
- TKH relies on the earlier assessment of loss-making contracts, which means that no impairment analysis has been performed on the initially recognized ‘ Right-of-use assets’.
- The service costs for lease objects are accounted separately and are not included in the assets and lease obligations.
- Subsequent known information is used in determining the lease term for contracts which contained options for extension or termination.

The impact of IFRS 16 on the consolidated opening balance sheet as of 1 January 2019 is as follows:

in thousands of euros	31-12-2018	IFRS 16 restatement	Restated balance sheet 1-1-2019
Assets			
Total non-current assets	820,899	87,800	908,699
Total current assets	706,387	739	707,126
Total assets	**1,527,286**	**88,539**	**1,615,825**
Equity and liabilities			
Total group equity	647,649		647,649
Total non-current liabilities	312,724	75,221	387,945
Total current liabilities	566,913	13,318	580,231
Total equity and liabilities	**1,527,286**	**88,539**	**1,615,825**

The impact of IFRS 16 on the consolidated profit and loss account of 2019 is as follows:

in thousands of euros	2019 excluding IFRS 16	IFRS 16 restatement	2019 including IFRS 16
Total turnover	**1,489,642**		**1,489,642**
Raw materials, consumables, trade products and subcontracted work	771,483		771,483
Personnel expenses	382,518		382,518
Other operating expenses	154,087	-17,943	136,144
Depreciation	29,225	16,122	45,347
Amortization	50,070		50,070
Impairments	4,971		4,971
Total operating expenses	**1,392,354**	**-1,821**	**1,390,533**
Operating result	**97,288**	**1,821**	**99,109**
Financial income and expenses	-7,792	-1,971	-9,763
Result before tax	**89,496**	**-150**	**89,346**
Tax on profit	-20,675	56	-20,619
Net result for the period from continued operations	**68,821**	**-94**	**68,727**

3. Segmented information

	Telecom Solutions		Building Solutions		Industrial Solutions		Unallocated		Total	
In thousands euros	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
First half year										
Net turnover	**102,831**	**99,645**	**364,786**	**346,430**	**285,595**	**281,884**			**753,212**	**727,959**
Segment EBITA	16,037	15,777	29,103	34,426	41,956	43,813	-9,532	-8,940	77,564	85,076
ROS	*15.6%*	*15.8%*	*8.0%*	*9.9%*	*14.7%*	*15.5%*			*10.3%*	*11.7%*
Amortization	-524	-567	-18,973	-13,784	-4,640	-4,168	-11	-12	-24,148	-18,531
Impairments			-19	-34	-51	-353			-70	-387
Operating result	**15,513**	**15,210**	**10,111**	**20,608**	**37,265**	**39,292**	**-9,543**	**-8,952**	**53,346**	**66,158**
Second half year										
Net turnover	**97,629**	**94,884**	**380,213**	**357,246**	**258,588**	**277,665**			**736,430**	**729,795**
Segment EBITA	14,789	12,362	46,366	35,158	39,403	48,451	-5,668	-6,054	94,890	89,917
ROS	*15.1%*	*13.0%*	*12.2%*	*9.8%*	*15.2%*	*17.4%*			*12.9%*	*12.3%*
One-off expenses			-17,174	-3,547	-1,130	-326		-338	-18,304	-4,211
Amortization	-423	-598	-21,620	-16,517	-3,873	-4,431	-6	-6	-25,922	-21,552
Impairments	92	4	-4,864	-204	-129	-956			-4,901	-1,156
Operating result	**14,458**	**11,768**	**2,708**	**14,890**	**34,271**	**42,738**	**-5,674**	**-6,398**	**45,763**	**62,998**
Full year										
Net turnover	**200,460**	**194,529**	**744,999**	**703,676**	**544,183**	**559,549**			**1,489,642**	**1,457,754**
Segment EBITA	30,826	28,139	75,469	69,584	81,359	92,264	-15,200	-14,994	172,454	174,993
ROS	*15.4%*	*14.5%*	*10.1%*	*9.9%*	*15.0%*	*16.5%*			*11.6%*	*12.0%*
One-off expenses			-17,174	-3,547	-1,130	-326		-338	-18,304	-4,211
Amortization	-947	-1,165	-40,593	-30,301	-8,513	-8,599	-17	-18	-50,070	-40,083
Impairments	92	4	-4,883	-238	-180	-1,309			-4,971	-1,543
Operating result	**29,971**	**26,978**	**12,819**	**35,498**	**71,536**	**82,030**	**-15,217**	**-15,350**	**99,109**	**129,156**

The comparative figures for 2018 have been restated as a result of discontinued operations.

4. Order book

The following table shows the expected future revenue with regard to contractual performance obligations that are not (or partially) completed on the balance sheet date:

in thousands of euros	2019	2018
Expected to be recognized as revenue within 1 year	394,292	400,299
Expected to be recognized as revenue between 1 and 2 years	20,333	34,832
Expected to be recognized as revenue after 2 years	8,785	8,320
Total	**423,410**	**443,451**

In the contractual performance obligations at 31 December 2018 is an amount of € 39.9 million included for the industrial connectivity activities that were divested in 2019.

5. Acquisitions

During 2019, TKH acquired the following companies:

Name subsidiary	Country	Legal ownership and control	Consolidation as from	Operating segment
Commend AG	Switzerland	100.0%	1 April 2019	Vision & security systems (Building)
ParkEyes S.L.	Spain	100.0%	1 April 2019	Vision & security systems (Building)
SVS-Vistek GmbH	Germany	100.0%	1 September 2019	Vision & security systems (Building)
FocalSpec Oy	Finland	100.0%	31 October 2019	Vision & security systems (Building)

The combined net assets acquired are comprised as follows:

	Total acquisitions 2019			Total acquisitions 2018		
in thousands of euros	Book value	Adjustments	Fair value	Book value	Adjustments	Fair value
Intangible non-current assets	3,670	41,614	45,284	4,917	72.752	77,669
Tangible non-current assets	784		784	2,570		2,570
Right-of-use assets		1,450	1,450			0
Loans and receivables	41		41	17		17
Inventories	8,048		8.048	8,309		8,309
Receivables	7,211		7,211	9,837		9,837
Cash and cash equivalents	3,106		3,106	3,640		3,640
Pensions			0	-174		-174
Provisions	-108		-108	-182		-182
Non-current liabilities	-5,844	-1,450	-7,294			0
Deferred tax	274	-10,341	-10,067	255	-18.001	-17,746
Borrowings			0	-35,027		-35,027
Current liabilities	-7,290		-7,290	-7,690		-7,690
Acquired net assets	**9,892**	**31,273**	**41,165**	**-13,528**	**54.751**	**41,223**
Goodwill paid			35,265			79,154
Purchase price			**76,430**			**120,377**
Contingent consideration			-7,859			-508
Cash and cash equivalents acquired			-3,106			-3,640
Purchase price paid			**65,465**			**116,229**

The fair value adjustments mainly concern acquired intangible assets such as intellectual property. The goodwill paid is attributable to the knowledge and skills of the workforce, expected synergy benefits through intensification of cooperation within the TKH group and alignment with TKH's strategic development. The recognized goodwill from the acquisitions is not tax deductible. The purchase price is paid in cash. For the acquisition of ParkEyes and FocalSpec, a conditional compensation based on earn-out has been agreed. This amount has been estimated based on expected future results.

6. Discontinued operations

On 16 July 2019, TKH reached agreement with Torqx Capital Partners on the sale of the majority of the industrial connectivity activities. The divestment is part of the 'Simplify and Accelerate' program announced on 12 June 2019 in which TKH has announced, among other things, that it will intensify the divestment of certain activities in order to support more targeted value creation. With this divestment an important strategic step has been taken. The divestment was completed on 15 August 2019. The main operating companies that were part of the divestment were Jobarco BV, Pantaflex BV and Capable BV (the Netherlands), TKD Kabel GmbH and Schrade Kabel & Elektrotechnik GmbH (Germany), TKH Kabeltechniek Sp. z.o.o. (Poland) and KC Industrie Srl (Italy). The activities have been continued from a newly established company under the name Cable Connectivity Group, in which TKH acquires a minority interest of 41.5%.

The net result of this group of companies for the past year is presented as result from discontinued operations. The comparative figures for the year 2018 in the profit and loss account have been adjusted accordingly. The same applies to the information per segment. The item result from discontinued activities comprises the operating results of the industrial connectivity activities as well as the results achieved on sale in 2019. The results of the discontinued activities can be specified as follows:

in thousands of euros	2019	2018
External turnover	**109,425**	**174,692**
Total operating expenses	-100,561	-161,119
Financial result	-320	-371
Result before tax	**8,544**	**13,202**
Tax on profit	-2,293	-2,384
Net result	**6,251**	**10,818**
Profit on disposal of discontinued operations	40,110	
Attributable tax expense	-1,161	
Result after tax from discontinued operations	**45,200**	**10,818**

The participation exemption applies to a large part of the profit from sales, for which no corporation tax is due.

The assets and liabilities on the balance sheet of the group of companies whose activities are not continued can be specified as follows at the time of sale:

in thousands of euros

Assets	
Intangible non-current assets	17,667
Tangible non-current assets	7,242
Right-of-use assets	5,574
Deferred tax assets	598
Inventories	35,072
Receivables	18,456
Contract assets	1,112
Current income tax	28
Cash and cash equivalents	9,095
Assets held for sale	**94,844**
Liabilities directly associated with assets held for sale	**41,225**
Net assets directly associated with disposal group	**53,619**
Profit on disposal of discontinued operations	38,949
Cash and cash equivalents disposed of	-9,095
Cashflow after tax from discontinued operations	**83,473**

Liabilities	
Non-current interest-bearing loans and borrowings	4,473
Deferred tax liabilities	289
Retirement benefit obligation	2,674
Provisions	76
Current interest-bearing loans and borrowings	
Trade payables and other payables	1,101
Current income tax liabilities	31,407
Provisions	1,143
Liabilities	62
Liabilities	**41,225**

7. Overview of alternative performance indicators

In thousands of euros (unless stated otherwise)	2019	2018 [1]
Weighted average number of (depositary receipts of) shares (x 1,000)	41,959	42,010
Effect of share options (x 1,000)	161	292
Weighted average number of (depositary receipts of) shares diluted (x 1,000)	**42,120**	**42,302**
Net profit	113,927	108,736
Less: Non-controlling interests	121	-185
Net profit attributable to the shareholders of the company	**114,048**	**108,551**
Result after tax from discontinued operations	-45,200	-10,818
Net profit attributable to the shareholders from continued operations	**68,848**	**97,733**
Amortization of intangible non-current assets from acquisitions	23,108	16,318
Taxes on amortization	-6,243	-4,130
Net profit before amortization from continued operations attributable to the shareholders of the company	**85,713**	**109,921**
One-off costs from restructurings, integrations, divestments and acquisitions	18,304	4,211
One-off costs from result of participations	841	
Impairments	4,971	1,543
Change in value of financial liability for earn-out and put options of shareholders of non-controlling interests	57	-520
Tax impact on one-off expenses and benefits	-4,577	-938
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company	**105,309**	**114,217**

[1] The comparative figures for 2018 have been restated due to discontinued operations.

Other applied definitions:

- Capital Employed: group equity plus long-term debts plus short-term debts to credit institutions minus cash and cash equivalents.
- EBITA: result before financial income and expenses, taxes, impairments and amortization and one-off income and expenses.
- EBITDA: result before financial income and expenses, taxes, impairments, depreciations and amortization and one-off income and expenses.
- One-off gains: income from the divestment of most of the industrial connectivity activities.
- One-off losses: costs related to restructuring, integration, acquisitions and divestments in the context of strategic programs.
- ROCE (Return On Capital Employed): EBITA over the last twelve months divided by capital employed at the beginning of the period plus capital employed at the end of the period divided by two.
- ROS (Return On Sales): EBITA divided by the total turnover as a percentage.
- Debt leverage ratio (Net Debt / EBITDA): long-term liabilities plus current liabilities to credit institutions minus cash and cash equivalents divided by EBITDA.

8. Annual report

The consolidated balance sheet, consolidated profit and loss account, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in group equity and consolidated cash flow statement, as included in this press release, are based on the annual accounts prepared of 31 December 2019, which have not yet been published in compliance with legal requirements. These documents will be published ultimately at 26 March 2020. The annual accounts will be submitted to the General Meeting of Shareholders on 7 May 2020 for approval.

In accordance with Section 2:293 and 395 of the Dutch Civil Code, we report that our auditor, Ernst & Young Accountants LLP has issued an unqualified auditor’s report on the annual accounts dated 4 March 2020. For the understanding required to make a sound judgment as to the financial position and results of TKH Group N.V. and for a satisfactory understanding of the scope of the audit by Ernst

& Young Accountants LLP, this press release should be read in conjunction with the annual accounts from which this press release has been derived, together with the auditor's report thereon issued by Ernst & Young Accountants LLP. No audit was performed on the included half year figures (in the segmented information).

Disclaimer

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

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