

Press release

TKH Group N.V. (TKH)

TKH trading update 3rd quarter 2014

Highlights third quarter

- Turnover up 11.1% at € 340.2 million, rise almost entirely organic.
- Turnover growth from Industrial Solutions (22.3%) and Telecom Solutions (6.5%).
- Turnover down slightly at Building Solutions (-0.1%), but order intake higher.
- Order intake Industrial Solutions continued at high level.
- EBITA up 48.6%, primarily due to Industrial Solutions.
- Significant increase in ROS to 10.3%.
- Net profit before amortisation up by 83.8%, partly due to reduced tax burden and reduced financial expenses.

Highlights first nine months

- Turnover up 11.6% at € 997.3 million, rise almost entirely organic.
- EBITA up 43.7%, due to organic turnover growth, strong efficiency improvements and effective cost management.

Outlook

- Increase in the expected net profit before amortisation and one-off income and expenses attributable to shareholders for the full year 2014 of the previous forecast bandwidth of between € 75 and € 82 million to between € 80 and € 85 million.

Key figures third quarter

(in € millions unless otherwise stated)

	Q3 2014	Q3 2013	Change in %
Turnover	340.2	306.3	11.1
EBITA	35.2	23.7	48.6
ROS	10.3%	7.7%	
Net profit before amortisation ¹⁾ attributable to shareholders	23.2	12.6	83.8

Key figures first nine months

(in € millions unless otherwise stated)

	9 months 2014	9 months 2013	Change in %
Turnover	997.3	893.4	11.6
EBITA	95.4	66.4	43.7
ROS	9.6%	7.4%	
Net profit before amortisation ¹⁾ and one-off income and expenses attributable to shareholders	60.3	35.5	69.9

¹⁾ Net profit before amortisation of intangible fixed assets related to acquisitions (after tax).

Alexander van der Lof, CEO of technology company TKH: *"Both turnover and profit showed solid growth in the third quarter. The markets in which TKH operates did not weaken despite the geopolitical situation and the slowdown of growth in Europe. In addition, our competitive position improved on the back of the previously defined focus on core technologies and vertical growth markets. The order intake increased in most segments or continued at a high level. We are therefore in a solid position to realise continued growth and expand TKH's international market position on the basis of our innovative technologies and integrated solutions."*

Developments in the third quarter

Turnover in the third quarter of 2014 rose by 11.1% to € 340.2 million (Q3 2013: € 306.3 million). Acquisitions contributed 0.7% to turnover. Reduced raw materials prices charged-on had a negative impact of just 0.1% on turnover. On balance, organic turnover growth came in at 10.5%.

The operating result before amortisation of intangible assets (EBITA) was up 48.6% to a record € 35.2 million in the third quarter of 2014 (Q3 2013: € 23.7 million). In particular the increase in gross margin to 42.8% from 40.6%, thanks to the improved product mix and focus on differentiating technology, contributed to the improvement in the operating result.

Operating costs were higher in the third quarter of 2014 due to the growth in turnover and the higher level of activity. Costs as a percentage of turnover realised fell to 32.4% in the third quarter of 2014 from 32.9% a year earlier.

ROS improved in the third quarter of 2014 to 10.3% (Q3 2013: 7.7%).

Net profit before amortisation attributable to shareholders increased by 83.8% to € 23.2 million in the third quarter (Q3 2013: € 12.6 million). In addition to the significant increase in the operating result, a reduced tax burden and lower financial expenses contributed to this increase.

Working capital increased by € 19.2 million in the third quarter compared to 30 June 2014 due to the turnover growth realised. As per 30 September 2014, working capital as a percentage of turnover stood at 16.8% (30 September 2013: 16.2%).

Net bank debt calculated in accordance with the bank covenants stood at € 284.5 million at the end of the third quarter of 2014, an increase of € 61.2 million from 30 June 2014. This increase was due to the expansion of the stake in Augusta Technologie AG ("Augusta") in the third quarter to 91.2% from 62.3%, plus an increase in the working capital. The net debt / EBITDA ratio came in at 1.9 and the interest coverage ratio was 18.4, which means TKH is operating well within the financial ratios agreed with the banks.

Solvency decreased to 35.3% at 30 September 2014 (30 June 2014: 40.8%) due to the fact that under IFRS goodwill paid on the additional stake acquired in Augusta is deducted from equity.

Telecom Solutions

Telecom Solutions saw turnover increase to € 41.3 million, up 6.5% from € 38.8 million in the third quarter of 2013. As in previous quarters, turnover in the copper network systems sub-segment declined strongly. This was due to a continued shift in priorities among telecom operators towards investments in optical fibre network systems and 4G networks. This decline was offset by growth in the sub-segments optical fibre systems and indoor telecom systems.

The increase in turnover combined with a modest increase in costs resulted in an improvement in EBITA in the third quarter of 2014 compared to the same period of last year.

Building Solutions

Turnover in Building Solutions fell slightly, by 0.1% to € 125.5 million in the third quarter of 2014, from € 125.7 million in the year earlier period. Acquisitions accounted for 1.7% growth. While reduced raw materials prices had a negative impact of 0.2% on turnover. On balance, the organic drop in turnover came in at 1.6%. Turnover increased in the sub-segments building technologies and vision & security systems. In the sub-segment connectivity systems, turnover fell due to a continued decline in the building and construction market in the Benelux. However, the business did see an increase in order intake thanks to TKH's successful international positioning in the oil, gas and marine sector. TKH decided to increase production capacity with specific capabilities for submarine cables in order to boost the company's position in the oil and gas industry, one of the defined vertical growth markets, and wind turbine parks. The additional production capacity will be available in the fourth quarter of 2015 and will lead to a capex of over € 20 million.

EBITA increased in comparison to the third quarter of 2013 on the back of improvements in the product mix and lower costs.

Industrial Solutions

Turnover in the Industrial Solutions segment came in at € 173.3 million, up 22.3% from € 141.7 million in the third quarter of 2013. Raw materials prices had a negative impact of 0.1% on turnover. On balance, the organic growth in turnover came in at 22.4%. The increase in turnover was realised by the sub-segment manufacturing systems, due to continued growth within the top five of the tyre manufacturing industry and strong demand from Asia. Order intake in manufacturing systems for the year to date totalled more than € 300 million and continued at a high level. Turnover in the sub-segment connectivity systems was in line with the figures from last year.

EBITA increased significantly thanks to the strong increase in turnover and high efficiency levels.



Developments in the first nine months of the year

Turnover in the first nine months of 2014 was 11.6% higher at € 997.3 million. Lower charged-on raw materials prices had a negative impact of 0.9% on turnover. The contribution from acquisitions to turnover was 0.5%. On balance, the organic increase in turnover came in at 12.0%.

EBITA for the first nine months of the year was 43.7% higher at € 95.4 million (first nine months of 2013: € 66.4 million). Net profit before amortisation attributable to shareholders rose by 69.9% to € 60.3 million in the first nine months of 2014 (first nine months of 2013: € 35.5 million).

Outlook

TKH's activities are developing in line with the outlook published in August 2014, when the company published its half year results for 2014.

Based on the results booked in the first nine months of 2014 and the outlook for the coming months, and barring unforeseen circumstances, TKH expects net profit before amortisation and one-off income and expenses attributable to shareholders for the full year 2014 of between € 80 million and € 85 million.

Haaksbergen, 6 November 2014

Executive Board

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Agenda

10 March 2015	Publication full year results 2014
6 May 2015	Trading update Q1 2015
7 May 2015	General Meeting of Shareholders 2015
18 August 2015	Publication interim results 2015
5 November 2015	Trading update Q3 2015



Profile

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

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

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

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

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

TKH aspires strong market positions – based mainly on own proprietary technologies and services – with a strong regional and international positioning. TKH and its various operating companies are active worldwide. Growth is concentrated in North West and Central and Eastern Europe and Asia. In 2013, TKH booked turnover of € 1.2 billion with a workforce of 4,802 employees.