

### Press release

TKH Group N.V. (TKH)  
Results first half 2014

## TKH books sharp rise in profit

### Highlights second quarter 2014

- Turnover rises by 13.5% to € 342.7 million, almost entirely organic.
- Turnover growth driven primarily by Industrial Solutions (+27.8%).
- Order intake Industrial Solutions stays at high level.
- EBITA up by 42.5%, driven mainly by Industrial Solutions.
- Efficiency programmes 2013 contribute to results improvement at Building Solutions.
- Significant improvement of ROS to 9.8%.
- Net profit before amortisation up by 68.4%, due in part to lower tax burden and lower financial expenses.

### Highlights first half 2014

- Turnover rises by 11.9% to € 657.1 million, organic rise 12.8%.
- Gross margin increases to 41.8% from 40.9% thanks to improved product mix.
- EBITA up by 41.0% due to organic turnover growth, strongly improved efficiency and effective cost control.

### Outlook

- Outlook for the full year 2014: a net profit before amortisation and one-off income and expenses attributable to shareholders of between € 75 and € 82 million (2013: € 55.9 million).

### Key figures second quarter

(in mln. € unless otherwise stated)	Q2 2014	Q2 2013	Change in %
Turnover	342.7	301,9	+ 13.5
EBITA	33.6	23.5	+ 42.5
Net profit before amortisation and one off income and expenses attributable to shareholders <sup>1)</sup>	21.5	12.8	+ 68.4
Net profit	20.0	11.4	+ 75.3
ROS	9.8%	7.8%	

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

### Key figures first half

(in mln. € unless otherwise stated)	H1 2014	H1 2013	Change in %
Turnover	657.1	587.1	+ 11.9
EBITA	60.2	42.7	+ 41.0
Net profit before amortisation and one off income and expenses attributable to shareholders <sup>1)</sup>	37.1	22.9	+ 62.2
Net profit	33.5	19.4	+ 73.3
Net earnings per ordinary share attributable to shareholders (in €)	0.83	0.46	+ 80.4
Solvency	40.8%	40.6%	
ROS	9.2%	7.3%	
ROCE	17.5%	15.9%	

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

Alexander van der Lof, CEO of technology company TKH: *"The strong improvement in profit and the continued increase in order intake in the second quarter confirm that TKH is in an excellent strategic position. Our customers are taking a noticeable interest in the innovations within our four core technologies. The connection of TKH's core technologies and our proposition as one-stop shop for those combined technologies in particular puts TKH in a unique position. The demand from clients for complete systems is fully in line with TKH's vertical market approach. We offer our clients distinctive technologies that make those clients more secure and more efficient. The high level of organic growth we have realised proves that we are a strong international player with excellent prospects for continued organic growth that will be driven primarily by the vertical growth markets we have identified. We also expect profit in the second half of the year to exceed the figure for the first half"*.

### Financial developments in the second quarter

Turnover rose almost entirely organic, by 13.5% to € 342.7 million in the second quarter (Q2 2013: € 301.9 million). The strongest rise in turnover was seen at Industrial Solutions, where turnover came in 27.8% higher. The biggest rise in turnover was in the segment tyre manufacturing systems, due to the strong increase in order intake noted since the second half of 2012. The order intake was again at a high level in the second quarter of this year. Turnover at Building Solutions came in 2.8% higher, acquisitions in this segment lifted turnover by 1.2%. However, turnover at Telecom Solutions fell by 0.9% due to falling demand in the segment copper network systems.

TKH's gross margin improved to 41.8% in the second quarter of 2014, compared with 40.6% in the second quarter of 2013, thanks to a better product mix.

Operating costs as a percentage of turnover fell to 32.1% in the second quarter of 2014, from 32.8% in the second quarter of 2013. The operating result before amortisation of intangible assets (EBITA) rose by 42.5% to € 33.6 million in the second quarter of 2014, from € 23.5 million in the second quarter of 2013. Industrial Solutions booked the strongest increase in EBITA. The main driver of this increase was the strong rise in turnover and improved efficiency in the manufacturing systems segment. EBITA at Telecom Solutions came in lower, although this was compared to

the exceptionally strong second quarter of 2013. EBITA was higher at Building Solutions, largely due to the efficiency measures TKH has taken and the focus on the company's vertical growth markets.

Thanks to lower financial expenses, a lower tax burden and a higher operating result, net profit before amortisation and one-off income and expenses attributable to shareholders came in 68.4% higher.

ROS rose to 9.8%, compared with 7.8% in the year-earlier period.

### **Financial developments in the first half**

Turnover in the first half was up by 11.9% at € 657.1 million (H1 2013: € 587.1 million). Acquisitions accounted for 0.4% of total turnover. The drop in raw materials prices had a negative impact of 1.3% on turnover. Turnover increased organically by 12.8% in the first half.

Industrial Solutions' share of total turnover increased to 50.9% in the first half of 2014, compared with 45.2% in the first half of 2013. Building Solutions' share of total turnover fell to 36.8% from 41.1% due to the strong growth at Industrial Solutions. Telecom Solutions' share fell to 12.3% from 13.6%.

The gross margin rose to 41.8% in the first half of 2014, from 40.9% in the first half of 2013, thanks to an improved product mix.

Operating costs (excluding one-off expenses) as a percentage of turnover fell to 32.7% in the first half of 2014, from 33.6% in the first half of 2013. This was due to higher capacity utilisation at TKH's production locations and the efficiency programmes implemented in the second half of 2013.

At € 10.1 million, depreciation came in higher than in the first half of 2013 (€ 9.7 million) due to higher investment levels in recent years.

The operating result before the amortisation of intangible assets (EBITA) came in 41.0% higher at € 60.2 million in the first half of 2014, compared with € 42.7 million in the first half of 2013. EBITA at Industrial Solutions was up 74.3% compared to the first half of 2013, largely due to higher turnover and improved efficiency and capacity utilisation at TKH's production locations. At Building Solutions, EBITA rose by 9.7% to € 18.3 million in the first half of 2014, from € 16.7 million in the first half of 2013. Telecom Solutions saw its EBITA decrease by 19.1%.

ROS rose to 9.2% in the first half of 2014, from 7.3% in the year-earlier period.

Amortisation charges were up by € 1.0 million at € 12.9 million (H1 2013: € 12.0 million), largely due to investments in R&D.

Financial expenses fell by € 2.3 million to € 4.8 million in the first half of 2014. This improvement was the result of lower interest expenses following the renewal of TKH's credit facility as per October 2013, the expiration of interest rate swaps and favourable currency effects of € 0.5 million compared with the first half of 2013. The lower interest expenses were offset by lower income from participations, the income from which was positively affected by currency effects in 2013.

The tax rate fell to 21.5% in the first half of 2014, from 23.0% in the first half of 2013. In 2014, TKH renewed a significant agreement with the Dutch tax authority on the innovation box facility, which will now run to year-end 2018.

Net profit before amortisation and one-off income and expenses attributable to shareholders came in at € 37.1 million in the first half of 2014 (H1 2013: € 22.9 million). Net profit for the first half of 2014 rose to € 33.5 million (H1 2013: € 19.4 million), an increase of 73.3%.

TKH's net bank debt, calculated in accordance with the banking covenants, increased by € 37.7 million from year-end 2013 to € 223.3 million. This increase is related to higher working capital utilisation, due to seasonal influences, and dividend payments. Solvency came in at 40.8% (H1 2013: 40.6%). The Net debt/EBITDA-ratio came in at 1.6 and the interest coverage ratio at 14.6, well within the financial ratios TKH has agreed with its banks. The working capital rose to 15.8% of turnover, compared with 15.5% as per 30 June 2013.

As per 30 June, TKH had a total of 4,918 permanent employees (FTEs) (end-June 2013: 4,683). In addition, TKH had a total of 452 temporary employees as per 30 June 2014 (end-June 2013: 305).

## Developments per solutions segment

### Telecom Solutions

#### Profile

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

#### Key figures Telecom Solutions

(in mln € unless otherwise stated)

	H1 2014	H1 2013	Change in %
Turnover	80.5	80.1	+ 0.5
EBITA	6.7	8.3	- 19.1
ROS	8.3%	10.3%	

Turnover in the Telecom Solutions segment increased slightly by 0.5% to € 80.5 million despite a strong decline in the sub-segment copper network systems. Turnover in optical fibre network systems improved, partly on the back of projects in China, Poland and Germany.

EBITA was down € 1.6 million as a result of margin pressure due to overcapacity and the acquisition of a number of strategic projects. ROS dropped to 8.3%, from 10.3%.

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

Turnover in this segment was up 11.5% due to an expansion of the product portfolio and a slight increase in consumer spending in the European market.

**Fibre network systems - optical fibre, optical fibre cables, connectivity systems and components, active peripherals – turnover share 6.8%**

Turnover in the segment was up 8.5%. Growth was driven primarily by China, Poland and Germany. The acquisition of some strategic optical fibre projects pressured the margin, but these projects offer TKH the perspective of higher growth levels. Overcapacity at a number of manufacturers resulted in a slight decline in sales prices. The expected increase in demand in China will reduce this overcapacity. TKH started an investment to further increase the efficiency of its optical fibre production capacity in China and expects to complete this project at the end of the first quarter of 2015.

**Copper network systems – copper cable, connectivity systems and components, active peripherals – turnover share 1.3%**

Turnover in this segment declined by 41.9% in line with the higher priority for and higher investments in optical fibre networks and 4G networks. As from 1 January 2015, this sub-segment will be combined with the indoor telecom systems segment due to its limited scope.

## Building Solutions

### Profile

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

### Key figures Building Solutions

(in mln. € unless otherwise stated)

	H1 2014	H1 2013	Change in %
Turnover	242.3	241.5	+ 0.3
EBITA	18.3	16.7	+ 9.7
ROS	7.5%	6.9%	

Turnover within the Building Solutions segment was up 0.3% at € 242.3 million. Acquisitions boosted growth by 0.9%. Lower raw materials prices had a negative impact of 1.7% on turnover. Organic growth came in at 1.1% in the first half of the year.

EBITA increased to € 18.3 million. The result improved on the back of the efficiency programmes launched in 2013 and the growth realised. ROS rose to 7.5% in the first half of 2014, from 6.9% in the same period of 2013.

**Building technologies – energy-saving light and light switch systems, energy management systems, care systems, structured cabling systems – turnover share 6.8%**

Turnover was up 0.8% in this segment. The second quarter was stronger compared to the first quarter, due to new key contracts in the vertical growth markets Tunnel & Infra and Parking. The focus on integrated solutions in specific markets is bearing fruit. There is still a reluctance to invest in the Dutch healthcare sector due to government changes in healthcare policy.

**Vision & Security systems – Vision technology, systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration – turnover share 18.1%**

Turnover in this segment rose 5.9%, largely thanks to the vision technology companies. Turnover and order intake improved in China, Germany and France. The increasing internationalisation of the roll-out of the security portfolio is also contributing to the growth. This compensated for the reluctance to invest we are seeing in the building and construction sector in the Benelux.

In the first half of the year, we strengthened the organisation in the fields of R&D, production and commerce to create a basis for above-average growth in the years to come.

**Connectivity systems – specialty cable (systems) for shipping, rail, infrastructure, wind energy, as well as installation and energy cable for niche markets – turnover share 11.9%**

Turnover in this segment dropped by 7.2% due to a decline in market volume in the building and construction sector. Lower raw materials prices had a negative impact of 4.9%. In addition, energy and network companies maintained a lower level of investments. Despite fierce competition, TKH was able to improve its margin thanks to the efficiency programmes TKH implemented and the focus on growth markets such as Tunnel & Infra and Marine, Oil & Gas.

## 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. The company's know-how in the automation of production processes and improvements in the reliability of production systems gives TKH the differentiating potential to respond to the increasing desire to outsource the construction of production systems or modules in a number of specialised industrial sectors, such as tyre manufacturing, robotics, medical and machine construction industries.*

### Key figures Industrial Solutions

(in mln. € unless otherwise stated)

	H1 2014	H1 2013	Change in %
Turnover	334.3	265.5	+ 25.9
EBITA	41.1	23.6	+ 74.3
ROS	12.3%	8.9%	

Turnover in the Industrial Solutions segment rose by 25.9% to € 334.3 million. Raw materials prices had a negative impact of 1.2% on turnover. Organic turnover growth came in at 27.1%. Turnover corrected for lower raw materials prices increased by 3.8% in connectivity systems. Turnover in manufacturing systems was up 46.5% and is in line with the growth in order intake.

EBITA came in 74.3% higher at € 41.1 million. This substantial increase in EBITA was due to higher turnover, greater efficiency and an improved distribution of the capacity utilisation across the available production locations.

**Connectivity systems – specialty cable systems and modules for the medical, robot, automotive and machine building industries – turnover share 18.5%**

Turnover in this segment was up 3.8%, corrected for the negative impact of raw materials prices of 2.8% on turnover. Improved market conditions had a positive impact on order intake in the second quarter. The trend of outsourcing more complete modules and systems continued in the period under review. In response to this trend, TKH is investing in an integrated solution based on vision and connectivity technology. TKH also received the first orders for the newly-developed drag chain portfolio for the industrial market.

**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 32.4%**

Turnover in this segment was up 46.5%. Investments in new technology and production capacity translated into a considerable growth in order intake and turnover, with order intake in excess of € 200 million in the first half of 2014. TKH continued to increase its market share in the top five tyre manufacturers in the industry and the order intake outside that top five also increased. The improved capacity utilisation at the various production locations led to a higher margin.

## **Developments after 30 June 2014**

As announced on 11 July 2014, TKH has increased its interest in Augusta Technologies AG to around 91%. On that basis, TKH has launched a merger-squeeze-out procedure to acquire the remaining shares in the company, which are currently held by minority shareholders.

TKH aims to further accelerate the cooperation between the vision technology companies within the TKH Group and Augusta, to enable the roll-out of a joint strategy in this field.

TKH financed this in July acquired additional interest in Augusta from credit facilities already at its disposal.



## Outlook

The outlook for the second half of the year in the market segments in which TKH is active is generally positive, despite the continued fragility of general economic conditions and geopolitical situation.

In the Telecom Solutions segment, we expect a further increase in investments in optical fibre networks. Turnover in copper networks will continue to decline as a result of the shift in investments towards optical fibre networks. We expect the result in the second half of 2014 in this segment to be in line with the result for the first half of the year.

In the Building Solutions segment, we expect the investment levels in the building and construction sector to remain low. At the same time, the vertical growth markets offer sufficient perspective for continued growth and higher margins. On balance, we expect the result in the second half of the year to be higher than in the first six months of 2014.

The high order intake in Industrial Solutions is expected to keep turnover in the second half of the year in that segment at the same high level as in the first half. Worldwide economic uncertainties make it difficult to forecast the development of order intake in the coming quarters. At this time, the outlook for order intake is positive. We expect the result in the second half of the year to be at least in line with the result recorded in the first half of 2014.

On balance and barring unforeseen circumstances, for the full year 2014 TKH expects to book a net profit before amortisation and one-off income and expenses attributable to shareholders of between € 75 million and € 82 million.

Haaksbergen, 19 August 2014

Executive Board

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## Agenda

6 November 2014	Trading update Q3 2014
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.

## Consolidated Profit and Loss account

in thousands of euros

	<u>1<sup>st</sup> half year 2014</u>	<u>1<sup>st</sup> half year 2013</u>
<b>Net-turnover</b> <sup>1)</sup>	<b>656,288</b>	586,257
Other operating income	<u>792</u>	<u>891</u>
<b>Total turnover</b>	<b>657,080</b>	587,148
Cost of raw materials, consumables, trade products and subcontracted work	<b>382,128</b>	347,123
Personnel expenses	<b>144,288</b>	130,009
Deprecation	<b>10,131</b>	9,650
Amortisation	<b>12,932</b>	11,975
Other operating expenses	<u><b>60,287</b></u>	<u>57,648</u>
<b>Total operating expenses</b>	<u><b>609,766</b></u>	<u>556,405</u>
<b>Operating result</b>	<b>47,314</b>	30,743
Financial expenses	<b>-4,842</b>	-7,186
Change in value of provisions for earn-out and put options minority shareholders	<b>0</b>	379
Share in result of associates	<u><b>262</b></u>	<u>1,215</u>
Result before tax	<b>42,734</b>	25,151
Tax on profit	<b>9,201</b>	5,796
<b>Net result</b>	<u><b>33,533</b></u>	<u>19,355</u>
Attributable to:		
Shareholders of the company	<b>31,460</b>	17,316
Minority interest	<b>2,073</b>	2,039
	<u><b>33,533</b></u>	<u>19,355</u>
<b>Earnings per share</b>		
Weighted average number of shares (x 1,000)	38,106	37,777
Weighted average number of shares for the purpose of Diluted earnings per share (x 1,000)	38,278	37,875
Ordinary earnings per share before amortisation (in €)	0.97	0.62
Ordinary earnings per share (in €)	0.83	0.46
Diluted earnings per share (in €)	0.82	0.46

<sup>1)</sup> Inclusive changes in inventory of finished goods, work in progress and construction contracts of € 100.3 million (H1 2013: -/- € 25.5 million).

**Consolidated statement of comprehensive income**

in thousands of euros

	<u>1<sup>st</sup> half year 2014</u>	<u>1<sup>st</sup> half year 2013</u>
<b>Net result</b>	<b>33,533</b>	<b>19,355</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Actuarial gains / (losses)	2,201	711
Revaluation of property	-272	0
	<u>1,929</u>	<u>711</u>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Currency translation differences	726	1,255
Effective part of changes in fair value of cash flow hedges (after tax)	-502	2,500
Revaluation of available-for-sale financial assets	10	355
	<u>234</u>	<u>4,110</u>
<b>Other comprehensive income</b>	<u>2,163</u>	<u>4,821</u>
<b>Total comprehensive income for the period</b>	<b>35,696</b>	<b>24,176</b>
<b>Attributable to:</b>		
Shareholders of the company	33,343	22,414
Minority interest	2,353	1,762
<b>Comprehensive income for the period</b>	<u>35,696</u>	<u>24,176</u>

## Consolidated balance sheet

in thousands of euros

	<u>30-06-2014</u>	<u>31-12-2013</u>
<b>Assets</b>		
<u>Non-current assets</u>		
Intangible non-current assets	351,419	349,125
Tangible non-current assets	189,256	188,523
Investment property	10,081	10,103
Financial non-current assets	17,730	17,795
Deferred tax assets	12,351	12,550
<b>Total non-current assets</b>	<b>580,837</b>	578,096
<u>Current assets</u>		
Inventories	195,120	185,447
Receivables	189,864	152,532
Construction contracts for third parties	81,096	78,272
Current income tax	1,785	3,364
Cash and cash equivalents	65,257	79,613
<b>Total current assets</b>	<b>533,122</b>	499,228
<b>Total assets</b>	<b><u>1,113,959</u></b>	<b><u>1,077,324</u></b>
<b>Equity and liabilities</b>		
<u>Group Equity</u>		
Shareholders' equity	392,009	377,577
Minority interest	62,218	61,398
<b>Total group equity</b>	<b>454,227</b>	438,975
<u>Non-current liabilities</u>		
Non-current liabilities	269,738	258,558
Deferred tax liabilities	55,270	59,850
Provision for pensions	14,744	18,852
Other provisions	24,598	24,727
<b>Total non-current liabilities</b>	<b>364,350</b>	361,987
<u>Current liabilities</u>		
Borrowings	27,542	15,242
Trade payables and other payables	213,210	213,471
Construction contract for third parties	40,107	38,735
Current income tax liabilities	7,095	717
Provisions	7,428	8,197
<b>Total current liabilities</b>	<b>295,382</b>	276,362
<b>Total equity and liabilities</b>	<b><u>1,113,959</u></b>	<b><u>1,077,324</u></b>

## Consolidated cash flow statement

in thousands of euros

	<u>1<sup>st</sup> half year 2014</u>	<u>1<sup>st</sup> half year 2013</u>
<b>Cash flow from operating activities</b>		
Operating result	47,314	30,743
Depreciation, amortisation and impairment	23,064	21,625
Share and option schemes not resulting in a cash flow	1,307	1,553
Changes in provisions	-1,958	-2,053
Changes in working capital	-48,520	-31,761
Cash flow from operations	<u>21,207</u>	<u>20,107</u>
Interest paid	-4,894	-6,731
Income taxes paid	-7,990	-7,235
<b>Net cash flow from operating activities (A)</b>	<u><u>8,323</u></u>	<u><u>6,141</u></u>
<b>Cash flow from investing activities</b>		
Dividends received from non-consolidated associates	262	511
Purchase of tangible non-current assts	-10,940	-9,264
Disposals less purchases of investment property	-4	0
Acquisition of subsidiaries	-5,502	-3,272
Investments in intangible non-current assets	-8,666	-4,223
Investments in other financial fixed assets	10	0
<b>Net cash flow form investing activities (B)</b>	<u><u>-24,840</u></u>	<u><u>-16,248</u></u>
<b>Cash flow from financing activities</b>		
Dividends paid	-19,964	-19,711
Sold less purchased shares for share and option schemes	-1,787	-1,986
Proceeds from long-term debts	11,180	0
Repayments of long-term debts	0	-5,250
Change in borrowings	12,300	39,773
<b>Net cash flow from financing activities (C)</b>	<u><u>1,729</u></u>	<u><u>12,826</u></u>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>-14,788</b>	<b>2,719</b>
Exchange differences	432	-218
<b>Change in cash and cash equivalents</b>	<u><b>-14,356</b></u>	<u><b>2,501</b></u>
Cash and cash equivalents at 1 January	<u><b>79,613</b></u>	<u><b>66,465</b></u>
Cash and cash equivalents at 30 June	<u><u><b>65,257</b></u></u>	<u><u><b>68,966</b></u></u>

## Consolidated statement of changes in group equity

*in thousands of euros*

	Share capital	Share premium	Legal reserves	Revaluation reserves	Investment revaluation reserve	Translation reserve	Cashflow hedge reserve	Other reserves	Unappropriated profit	Total	Minority interest	Total group equity
<b>Balance at 1 January 2013</b>	<b>9,579</b>	<b>12,121</b>	<b>15,166</b>	<b>32,080</b>	<b>3,655</b>	<b>3,005</b>	<b>-6,756</b>	<b>267,175</b>	<b>28,404</b>	<b>364,429</b>	<b>60,394</b>	<b>424,823</b>
Net result									17,316	17,316	2,039	19,355
Total other comprehensive income				0	355	1,532	2,500	711		5,098	-277	4,821
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>355</b>	<b>1,532</b>	<b>2,500</b>	<b>711</b>	<b>17,316</b>	<b>22,414</b>	<b>1,762</b>	<b>24,176</b>
Appropriation profit last year								28,404	-28,404	0		0
Dividends	81	-81						-18,037		-18,037		-18,037
Dividends to minority shareholders								-386		-386	-1,288	-1,674
Acquisition of minority shareholders								-303		-303	-483	-786
Share and option schemes (IFRS 2)								1,553		1,553		1,553
Purchased shares for share- and option schemes								-4,934		-4,934		-4,934
Sold shares for share- and option schemes								2,948		2,948		2,948
Change in legal reserve for participations for which economic ownership is acquired, but not legal			26					-26		0		0
Capitalised development costs			2,909					-2,909		0		0
<b>Balance at 30 June 2013</b>	<b>9,660</b>	<b>12,040</b>	<b>18,101</b>	<b>32,080</b>	<b>4,010</b>	<b>4,537</b>	<b>-4,256</b>	<b>274,196</b>	<b>17,316</b>	<b>367,684</b>	<b>60,385</b>	<b>428,069</b>
<b>Balance at 1 January 2014</b>	<b>9,660</b>	<b>12,040</b>	<b>22,006</b>	<b>25,762</b>	<b>3,892</b>	<b>-477</b>	<b>-4,057</b>	<b>271,519</b>	<b>37,232</b>	<b>377,577</b>	<b>61,398</b>	<b>438,975</b>
Net result									31,460	31,460	2,073	33,533
Total other comprehensive income				-272	10	475	-502	2,172		1,883	280	2,163
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-272</b>	<b>10</b>	<b>475</b>	<b>-502</b>	<b>2,172</b>	<b>31,460</b>	<b>33,343</b>	<b>2,353</b>	<b>35,696</b>
Appropriation profit last year								37,232	-37,232	0		0
Dividends	85	-85						-18,120		-18,120		-18,120
Dividends to minority shareholders								-311		-311	-1,533	-1,844
Share and option schemes (IFRS 2)								1,307		1,307		1,307
Purchased shares for share- and option schemes								-3,778		-3,778		-3,778
Sold shares for share- and option schemes								1,991		1,991		1,991
Change in legal reserve for participations for which economic ownership is acquired, but not legal			272					-272		0		0
Capitalised development costs			1,295					-1,295		0		0
<b>Balance at 30 June 2014</b>	<b>9,745</b>	<b>11,955</b>	<b>23,573</b>	<b>25,490</b>	<b>3,902</b>	<b>-2</b>	<b>-4,559</b>	<b>290,445</b>	<b>31,460</b>	<b>392,009</b>	<b>62,218</b>	<b>454,227</b>

## 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 2013. 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 2013.

### 2. Judgments

The preparation of the condensed consolidated interim financial statements 2014 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 2013.

### 3. Statutory capital

The number of outstanding (depository receipts of) shares as per 31 December 2013 was the equivalent of 37,989,437. As a result of the exercise of options rights and share schemes, a balance of 6,097 (depository receipts of) shares were delivered and sold in the first half of 2014. In addition, a stock dividend of 341,376 (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 2014 was 38,336,910.

### 4. Dividend

At the General Meeting of Shareholders 2014 the dividend over 2013 was declared at € 0,75 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 2014 was € 18,120,266 and this amount was charged to the other reserves. For stock dividend an amount of € 85,344 was charged against the premium reserve.

### 5. Segmented information

	Telecom Solutions		Building Solutions		Industrial Solutions		Not Attributable		Total	
	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013
<b>1<sup>st</sup> half year Turnover</b>	<b>80,480</b>	80,080	<b>242,347</b>	241,528	<b>334,253</b>	265,540	<b>0</b>	0	<b>657,080</b>	587,148
Segment EBITA <sup>1)</sup>	<b>6,701</b>	8,287	<b>18,269</b>	16,655	<b>41,087</b>	23,576	<b>-5,811</b>	-5,802	<b>60,246</b>	42,716
Amortisation	<b>-432</b>	-487	<b>-9,055</b>	-8,543	<b>-3,346</b>	-2,859	<b>-99</b>	-84	<b>-12,932</b>	-11,973
<b>Segment operating result</b>	<b>6,269</b>	7,800	<b>9,214</b>	8,112	<b>37,741</b>	20,717	<b>-5,910</b>	-5,886	<b>47,314</b>	30,743
Financial income and expenses									<b>-4,842</b>	-7,186
Share of result in associates									<b>262</b>	1,215
Change in value of provisions for earn-out and put options minority shareholders									<b>0</b>	379
Tax on profit									<b>-9,201</b>	-5,796
<b>Net result</b>									<b>33,533</b>	19,355

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

## 6. Overview of net profit definitions

<i>in thousands of euros</i>	<u>1<sup>st</sup> half year 2014</u>	<u>1<sup>st</sup> half year 2013</u>
Net profit attributable to shareholders of the company	<b>31,460</b>	17,316
Net profit attributable to minority shareholders	<b>2,073</b>	2,039
<b>Net result</b>	<b>33,533</b>	19,355
Amortisation of acquisition-related intangible non-current assets based on "purchase price allocations"	<b>7,731</b>	8,219
taxes on the amortisation	<b>-2,109</b>	-2,295
Change in provision for earn-out	<b>0</b>	-379
<b>Net profit before amortisation and exceptional expenses</b>	<b>39,155</b>	24,900
Attributable to minority interest	<b>-2,073</b>	-2,039
<b>Ordinary earnings before amortisation and exceptional expenses attributable to shareholders of the company</b>	<b>37,082</b>	22,861

## 7. Acquisitions

During the first half of 2014 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>
GF Messtechnik GmbH <sup>1)</sup>	Germany	100.0% <sup>1)</sup>	30-6-2014	Vision & Security Systems (Building)

<sup>1)</sup> Acquisition through Augusta Technologie AG, in which TKH holds an interest of 62,39% as of 30 June 2014.

On 23 June 2014 TKH acquired through its participation Augusta Technologie AG all shares in GF Messtechnik GmbH ("GFM"), located in Berlin (Germany). GFM is a leading provider of SD-measuring systems based on optical surface metrology and will expand the competences of TKH. The portfolio embraces as well 3D-measuring systems as 3D-sensors and also the related measurement and application software. The products are applied in the industrial measurement technology such a life science and biometrics.

The profitable company achieved a revenue of € 5.4 million in 2013 with an EBITDA margin of 13%, GFM employs 30 employees.

The purchase amount is paid in cash and contains an earn-out component. The maximum purchase price can amount € 6.3 million. The transaction is accounted for according to the "purchase method of accounting". The goodwill of € 0.1 million has been paid because of synergy and profit expectations. The goodwill is not deductible for income taxes. The expenses related to the acquisition, as there are acquisition- and integration costs are very limited.

## 8. Contingent liabilities

The contingent liabilities which are not reflected in the balance sheet, as reported in the financial statements for 2013, have not essentially changed in the first half 2014.

## 9. Events after balance sheet date

As announced on 11 July 2014, TKH has increased its interest in Augusta Technologies AG to around 91%. On that basis, TKH has launched a merger-squeeze-out procedure to acquire the remaining shares in the company, which are currently held by minority shareholders.

TKH aims to further accelerate the cooperation between the vision technology companies within the TKH Group and Augusta, to enable the roll-out of a joint strategy in this field.

TKH financed the acquisition of the additional interest in Augusta from credit facilities already at its disposal.

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 2013 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 2014 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 2013,

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, 19 August 2014

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.*