

Press release - TKH Group N.V. (TKH)

Q4 and annual results 2016

TKH ends 2016 with good fourth quarter

Highlights Q4

- Turnover up 5.1% at € 362.3 million, organic turnover growth 4.8%.
- Turnover Building Solutions and Industrial Solutions up 4.5% and 7.6% respectively, turnover decline of 1.7% at Telecom Solutions.
- Increase in EBITA of 15.9%, mainly driven by rise in EBITA Industrial Solutions due to increase in production volume.
- Healthy mix in activities and high turnover level results in ROS of 12.8%.
- Increase in net profit before amortization and one-off income and expenses of 10.3%.
- Visible recovery in order intake in tire building segment (Industrial Solutions) to € 89 million in Q4.

Highlights 2016

- Decline in turnover of 2.5% to € 1,341.0 million, organic turnover decline of 0.8%.
- Decline in EBITA of 3.3% due to lower production volumes at Industrial Solutions in the first nine months.
- Increase investments and R&D spending to strengthen technology base and further expand TKH's leading position.
- Decline in net profit before amortization and one-off income and expenses attributable to shareholders of 5.6% to € 94.4 million; slightly above the previously communicated bandwidth (€ 88 - € 93 million).
- Robust ROS of 10.9% and ROCE of 20.1%.
- The share of innovations in turnover was 19.0%, well above the target of 15%.
- Dividend proposal: € 1.10 per (depository receipt for an) ordinary share, equal to the dividend for 2015.

Fourth quarter results

(in € million, unless otherwise stated)	Q4 2016	Q4 2015	Change in %
Turnover	362.3	344.7	+ 5.1%
EBITA	46.2	39.9	+ 15.9%
Net profit before amortization and one-off income and expenses attributable to shareholders ^{1,2)}	30.8	27.9	+ 10.3%
ROS	12.8%	11.6%	

Full year results

(in € million, unless otherwise stated)	2016	2015	Change in %
Turnover	1,341.0	1,375.2	-2.5%
EBITA	146.5	151.5	-3.3%
Net profit before amortization and one-off income and expenses attributable to shareholders ^{1,2)}	94.4	99.9	-5.6%
Net result	87.3	88.3	-1.2%
Net earnings per ordinary share before amortization and one-off income and expenses attributable to shareholders (in €) ^{1,2)}	2.25	2.40	-6.3%
Net earnings per ordinary share attributable to shareholders (in €)	2.04	2.07	-1.4%
ROS	10.9%	11.0%	
ROCE	20.1%	22.1%	
Dividend proposal (in €)	1.10	1.10	

1) Amortization of intangible fixed assets related to acquisitions (after tax).

2) The one-off income and expenses in 2016 were impairments, on balance, of € 0.2 million (2015: €1.5 million) and tax income of € 3.0 million (2015: € 0.3 million). In Q4 2016, this amounted to, on balance, income of € 2.9 million (Q4 2015: € 0.8 million expense).

Alexander van der Lof, CEO of technology company TKH: *“We were able to close the year 2016 with a good fourth quarter, in which we saw a recovery of both turnover and order intake at Industrial Solutions, in particular in the sub-segment manufacturing systems. Thanks to preparations we had made in the preceding quarters in terms of the organization of the production capacity, we were able to realize the higher production volumes efficiently. Although order intake in China remains low, the order intake from the top five tire manufacturers increased in the fourth quarter. In Building Solutions, important steps were taken in preparation for the targeted growth in our vertical growth markets. We will start production on the first of our larger order in the new plant for subsea connectivity in the second quarter of 2017. In Machine Vision, we made a breakthrough with distinctive 3D technology for producers of consumer electronics of which we made the first deliveries in the fourth quarter. Higher R&D spending had a slightly negative impact on the ROS, but create a good perspective for the realization of the growth in our vertical growth markets.”*

Financial developments

In 2016, turnover declined by € 34.2 million (2.5%) to € 1,341.0 million (2015: € 1,375.2 million). Turnover declined organically by 0.8%. The divestment of Parking & Protection resulted in a 0.4% decline in turnover, while acquisitions accounted for a 0.1% increase in turnover. Lower raw materials prices had a negative impact of 0.9% on turnover. On average weaker foreign currencies vis-à-vis the euro had a negative impact of 0.5% on turnover.

Organic turnover in Industrial Solutions was down 3.7% in 2016, while the fourth quarter showed organic growth of 6.8%. At Telecom Solutions, turnover increased organically by 2.4% in 2016, while Building Solutions recorded organic turnover growth of 1.5%. The contribution from Industrial Solutions to overall turnover in 2016 declined to 44.5% from 45.6% in 2015, while the contribution from Building Solutions increased to 42.9% from 42.3%. Telecom Solutions saw its contribution increase to 12.6%, from 12.1%.

The gross margin rose to 47.1% in 2016, from 46.0% in 2015, thanks to an improved product mix and on average lower raw materials prices. Operating costs were 0.9% higher than in 2015. Operating costs as a percentage of turnover increased to 36.1% in 2016, from 34.9% in 2015. This relative increase was largely due to an increase in R&D spending, in particular at Building Solutions to prepare for the targeted growth in our vertical growth markets, combined with lower turnover levels. R&D spending increased to € 50.3 million in 2016 (2015: € 46.5 million). Depreciations came in at € 22.1 million and were € 0.7 million higher than in 2015, due to the higher level of investments.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) was down 3.3% at € 146.5 million in 2016, from € 151.5 million in 2015. The EBITA at Telecom Solutions was up 13.3%. At Building Solutions, the EBITA was down 3.5% and at Industrial Solutions the EBITA was 6.3% lower. ROS came in lower at 10.9% (2015: 11.0%).

Amortization costs increased by € 1.0 million to € 32.6 million in 2016, due primarily to higher R&D spending. In addition, TKH recognized impairments of on balance € 0.2 million.

In 2016, financial expenses declined by € 0.7 million to € 7.5 million. This improvement was due to a lower average outstanding net bank debt. Currency exchange rates had a negative impact of € 0.1 million in 2016, compared to a positive impact of € 0.4 million in 2015. The result from participations came in € 0.3 million higher.

The tax rate declined to 18.4% (2015: 20.6%) on the back of one-off tax income of on balance € 2.6 million, due to the recognition of a deferred tax asset as a result of the valuation of previously unrecognized tax losses. As in previous years, the application of the Dutch innovation box rate had a positive impact on the tax rate.

Net profit before amortization and one-off income and expenses attributable to shareholders amounted to € 94.4 million in 2016 (2015: € 99.9 million), a decline of 5.6%. Net result for 2016 fell to € 87.3 million (2015: € 88.3 million). Earnings per share before amortization and one-off income and expenses came in at € 2.25 (2015: € 2.40). Ordinary earnings per share were € 2.04 (2015: € 2.07).

The cash flow from operating activities was € 103.4 million (2015: € 181.6 million). This decline was due to an increase in working capital, while working capital declined in 2015. At year-end 2016, working capital as a percentage of turnover had risen to 13.4% (2015: 11.3%). Net investments in tangible fixed assets were € 45.5 million in 2016 (2015: € 38.5 million). A large proportion of these were investments in production facilities, including an expansion of capacity for the sub-segments vision & security systems, building connectivity systems and manufacturing systems. In addition, we invested € 28.9 million in intangible fixed assets in 2016 (2015: € 25.4 million), largely in R&D, patents, licenses and software. Expenditures related to acquisitions came in at € 0.8 million.

Solvency rose to 46.7% in 2016 (2015: 42.2%). The net bank debt calculated in line with the bank covenants stood at € 166.1 million at year-end 2016, up € 5.1 million from year-end 2015. The net debt/EBITDA ratio came in at 1.0. TKH operates well within the ratios agreed with its banks. At the end of 2016 an amended committed credit facility of € 350 million was negotiated with a group of banks, which was formalized in January 2017, with a term of five years and an option for two one-year extensions. The new facility is subject to the same financial covenants as the previous facility in terms of debt leverage, namely a maximum ratio of 3.0. The interest coverage ratio does not apply any more.

TKH had a total of 5,509 employees (FTEs) at year-end 2016 (2015: 5,387). In addition, the company had 439 temporary employees (FTEs) (2015: 441 FTEs). Based on the growth plans, further growth is expected in the coming years.

Progress realization targets and implementation strategy

The past year, TKH kept a sharp focus on the core technologies and seven vertical growth markets, which are the growth pillars within the three Solutions segments and the basis of our growth targets.

In 2016 innovations once again made a significant contribution to TKH's turnover, at 19.0% (2015: 23.5%), and exceeded our goal of generating 15% of turnover from innovations launched in the market over the past two years.

In 2016, turnover growth in the vertical growth markets lagged somewhat behind expectations. The continued reluctance to invest within the Tire Building Industry in China and a decline in investments in the Marine & Offshore sector, had a negative short-term impact on our growth. Over the past year we took numerous steps to bolster the foundations for growth. With the introduction of new technologies and strengthening our market position in combination with further internationalization, we increase our future market share within the vertical growth markets. Thanks to these steps, the perspective for growth remains positive and we confirm the previously communicated expectation that growth will materialize from 2018. Based on our defined plans and the progress we have made, we expect to record turnover growth of € 300 to € 500 million in our vertical growth markets over the next three to five years.

We are on track to realize our medium-term ROS and ROCE targets of 11-12% and 20-22% respectively, which we increased in early 2016. Although this year the ROS and ROCE came in at the lower end of the bandwidth, the ROS of 12.8% in the fourth quarter confirms TKH's potential.

Developments per solutions segment

Telecom Solutions

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 network hubs.

Key figures

(in € millions, unless otherwise stated)	2016	2015	Change in %
Turnover	168.5	166.1	+ 1.4%
EBITA	17.9	15.8	+ 13.3%
ROS	10.6%	9.5%	

Turnover in the Telecom Solutions segment increased by 1.4% to € 168.5 million. Organic turnover growth stood at 2.4%, while currency effects had a negative impact of 1.0% on turnover. The organic growth came from the sub-segment fibre network systems. Demand for optical fibre network systems in the Netherlands and Poland was down, but this was more than offset by growth in Germany and strong demand for optical fibre in China.

EBITA increased by € 2.1 million on the back of higher capacity utilization and efficiency improvements in production. ROS improved to 10.6%, from 9.5%.

Fibre network systems - optical fibre, optical fibre cables, connectivity systems and components, active peripherals – turnover share 7.4%

Turnover in this sub-segment saw organic growth of 7.4%. The decline in demand for copper networks was not yet compensated by the construction of optical fibre networks in the Netherlands. In Poland, a decline in European subsidies had a negative impact on the willingness to invest, while an increase in turnover was recorded in Germany and in China. There was scarcity in the field of optical fibre on the Chinese market resulting in growth with healthy margins. The high capacity utilization and the ensuing efficiency had a positive impact on our result.

Indoor telecom & copper networks - home networking-systems, broadband connectivity, IPTV software solutions, copper cable, connectivity systems and components, active peripherals – turnover share 5.2%

Turnover in this sub-segment fell by 4.0%, largely due to a continued decline in investments in passive components for copper networks and a continued shift in the priority to invest in optical fibre networks. The margin improved on the back of an improved product mix.

Building Solutions

Building Solutions connects the core technologies vision & security, communications and connectivity in comprehensive solutions for security and communications applications in and around buildings, in medical applications, as well as for inspection, quality, product and process control. Building Solutions also focuses on efficiency solutions to reduce the throughput-time 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 care, parking, marine and offshore, tunnels and airports.

Key figures

(in € millions, unless otherwise stated)	2016	2015	Change in %
Turnover	574.9	581.6	- 1.2%
EBITA	62.4	64.6	- 3.5%
ROS	10.9%	11.1%	

Turnover within the Building Solutions segment fell by 1.2% to € 574.9 million. However, the segment booked organic growth of 1.5%. The divestment of Parking & Protection had a negative impact of 1.0% on turnover. Acquisitions had a positive impact on growth of 0.4%. Exchange rate effects had a negative impact of 0.9%. Lower raw materials prices also had a negative impact of 1.2% on turnover. A reluctance to invest resulted in a decline in turnover in China and Poland. In the fourth quarter of 2016 Building Solutions recorded an organic turnover increase of 4.5%, mainly driven by the sub-segment vision & security systems.

EBITA came in 3.5% lower at € 62.4 million. The start-up and development costs, largely for subsea cable systems, airfield ground lighting systems and the new machine vision portfolio, had a negative impact on the results. ROS fell to 10.9% in 2016, from 11.1% in 2015.

Vision & security systems – vision technology, systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration, care systems – turnover share 26.3%

Organic turnover growth in this sub-segment was 1.8%. TKH recorded a strong organic growth in the vertical growth market for parking technology. The order book stood at a record high ultimo 2016. In the Machine Vision vertical growth market, we realized a number of significant milestones in the development of the 2D and 3D portfolio. The breakthrough in our positioning with a number of large manufacturers of consumer electronics had a positive impact on the turnover as of the fourth quarter of 2016. Organic turnover growth in the sub-segment vision & security systems in the fourth quarter came in at 7.3%, mainly from the vertical growth markets Machine Vision and Parking. We increased R&D spending to further extend the lead we have in the field of our technology and to realize our growth objectives.

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 16.6%

Organic turnover growth in this sub-segment amounted to 0.9%. Market volume was lower due to a reduction in the number of large-scale projects in the construction and infra sector. Turnover in energy and data cable systems increased. Turnover in the vertical growth market Marine & Offshore declined as a result of the reluctance to invest in the oil and gas sector, which also affected the ship building industry. The higher order book ultimo 2016 on the back of growth in market share we realized and the focus on the offshore wind industry provides a good perspective for growth. The start-up and development costs for the launch of a new plant for subsea cable systems, as well as the airfield ground lighting systems and associated CEDD technology, had a negative impact on our result. Serial production of subsea cable will commence in the second quarter of 2017. The roll-out of the CEDD technology is scheduled in 2018.

Industrial Solutions

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

Key figures

(in € millions, unless otherwise stated)	2016	2015	Change in %
Turnover	597.6	627.4	- 4.8%
EBITA	79.5	84.8	- 6.3%
ROS	13.3%	13.5%	

Turnover in the Industrial Solutions segment fell by 4.8% to € 597.6 million. Exchange rate effects had a negative impact of 0.1% on turnover. The on average lower raw materials prices led to a 1.0% drop in turnover. Turnover declined organically by 3.7%. The turnover decline was entirely due to the sub-segment manufacturing systems and was related to the previously communicated reduced order intake due to reluctance to invest in China. Turnover and order intake recovered in the fourth quarter. Although order intake in China remains low, the order intake from the top five tire manufacturers increased in the fourth quarter.

EBITA declined by 6.3% across the year, but was up 37.3% in the fourth quarter when compared to the same period of 2015. Effective cost management, improved efficiency and more in-house products meant we were able to limit the decline in ROS. ROS came in at 13.3% in 2016 (2015: 13.5%).

Connectivity systems – specialty cable systems and modules for the medical, robot, automotive and machine building industries – turnover share 18.3%

Organic turnover growth was 6.2% in this sub-segment. This turnover growth was realized in the medical and robot industries. The investments in R&D, which enable TKH to come up with the most effective response to the trend towards miniaturization and increase the life of cable systems for advanced production systems, are clearly paying off, enabling TKH to capture new market positions. In addition, TKH benefited from a strong increase in demand for robot systems.

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 – turnover share 26.2%

This sub-segment saw an organic turnover decline of 9.7%. This was due to the lower order intake and the effect of a relatively large proportion of engineering activities prior to production which were the result of the newly developed technology and a further breakthrough among the top five tire manufacturers. We continued to increase production capacity towards the second half of the year to meet the expected rise in production levels. Turnover recovered in the fourth quarter, with growth of 8.1% compared to the same period of 2015. Lower production volumes in the first half of the year had a negative impact on results.

The reluctance to invest in China is still having a clear impact on the order intake. However, order intake in the fourth quarter did increase to € 89 million on the back of projects previously announced in the tire manufacturing industry outside Asia, plus an increase in order intake among the top five tire manufacturers. The cumulative order intake in 2016 amounted to € 281 million. The order book was well filled ultimo 2016 and a large number of projects for investments in the tire building industry have already been announced. We therefore expect capacity utilization to be high in the coming quarters. There is considerable market interest in the MILEXX, the new generation of systems for truck tire building. In addition, we booked solid progress with the UNIXX project. We will build a prototype in the course of 2017 and we expect to deliver the prototype to a launching customer in 2018. The start-up of the operations in Poland during 2016 went well and completion of the construction of the new plant for tire building systems in Poland is scheduled for 2017.

Nominations for appointments Supervisory Board

During the General Meeting of 3 May 2017, Messrs H.J. Hazewinkel and P.P.F.C. Houben will step down in line with the prevailing retirement schedule. Mr. Houben is eligible for reappointment. Mr. Hazewinkel is not eligible for reappointment, as the maximum term on the board of three four-year terms has passed. Given that in 2018 the position of Mrs. M.E. van Lier Lels will also become available as a result of the expiry of the statutory term of office, the Supervisory Board has decided to nominate two new members. This way the expertise and thus the continuity within the Supervisory Board is safeguarded.

The Supervisory Board has decided to nominate Mr. Houben for reappointment and nominate Mrs. C.W. (Carin) Gorter and Mr. J.M. (Mel) Kroon as new members. Mrs. Gorter is professional supervisor and in the past amongst others Senior Executive Vice President, Head of Group Compliance, Security & Legal at ABN Amro. Mr. Kroon is chairman of the Executive Board of TenneT Holding B.V. Both nominees have Dutch nationality. These appointments will temporarily increase the number of members of the Supervisory Board to six.

In view of the resignation of Mr. Hazewinkel, the Supervisory Board also announces that as of the end of the upcoming General Meeting of Shareholders, current member of the Supervisory Board Mr. A.J.P. De Proft will be appointed as chairman of the Supervisory Board.

Dividend proposal

At the Annual General Meeting to be held on 3 May 2017, TKH will propose the payment of a dividend of € 1.10 per (depository receipt for a) share (2015: € 1.10). Based on the number of outstanding shares at year-end 2016, this amounts to a pay-out ratio of 49.2% of the net profit before amortization and one-off income and expenses attributable to shareholders and 53.1% of the net profit. TKH will propose the payment of a cash dividend to be charged to the reserves. The dividend will be payable on 10 May 2017.

Outlook

The global economic outlook is generally positive. At the same time, uncertainties such as the geopolitical developments, the economic developments in China and low oil prices continue to have a negative impact on the willingness to invest in certain sectors. In order to respond to the market developments, we decided in the course of 2016 to further increase our R&D efforts and focus on acceleration of the growth programs within our vertical growth markets. This has created a strong foundation to safeguard our growth ambitions for the coming years.

Based on the implementation of our growth plans, together with the defined building blocks for growth and associated roll-out of new technology, we see a better starting position for growth in 2017 compared to a year ago. The expectation is that growth will materialize from 2018. The steps taken in 2016, provides confidence that we are on the right track. This creates a solid basis for our expectation to again increase turnover in the defined seven vertical growth markets of € 300 million and € 500 million in the coming three to five years.

Barring unforeseen circumstances, we expect the following developments for the year 2017:

Telecom Solutions

We expect a further increase in investments in optical fibre networks in Europe and China. Due to our investments in market penetration within Europe in recent years, TKH's growth potential will be focused primarily on Europe. The scarcity of optical fibre in the Chinese market will decline in the course of 2017, which may result in pressure on margins.

Building Solutions

We expect the reluctance to invest in the oil and gas industry to continue. At the same time, we do see growth in the Marine & Offshore segment given the start of our subsea cable systems activities. In addition, the technological developments in the Machine Vision portfolio will enable TKH to further expand its market share with advanced technology.

Industrial Solutions

Investments in the industrial sector combined with robotization and automation are increasing, which means we expect to be able to realize growth in the sub-segment industrial connectivity systems. There is continuing reluctance to invest in China in the sub-segment manufacturing systems, but we see a large number of projects outside China that we expect to come to realization in the coming year. The order book at the start of 2017 is filled better than it was a year earlier, and on balance, we expect higher order intake in 2017 compared to last year.

As usual, TKH will give a concrete outlook for the full-year 2017 profit at the presentation of its interim results in August 2017.

Haaksbergen, 7 March 2017

Executive Board

For further information: J.M.A. (Alexander) van der Lof,
Chairman of the Executive Board
tel. + 31 (0)53 5732903
Internet: www.tkhgroup.com

Agenda

2 May 2017	Trading Update Q1 2017
3 May 2017	General Meeting of Shareholders
5 May 2017	Ex-dividend date
8 May 2017	Record date
10 May 2017	Dividend payable
15 August 2017	Publication interim results 2017
2 November 2017	Trading Update Q3 2017

Profile

Technology firm TKH Group NV (TKH) is an internationally operating group of companies that specializes in developing and delivering innovative Telecom, Building and Industrial Solutions based on four core technologies.

The four TKH core technologies -vision & security, communication, connectivity and manufacturing systems- are linked into total systems and solutions in our three Solutions segments. In this, we strive for far-reaching synergy and co-operation between our subsidiaries.

TKH has a thorough knowledge of processes and technologies, as well as insight into its customers' markets and processes. We offer our customers tailor-made solutions by making optimal use of our specialists' know-how in the fields of R&D, engineering, marketing, process development, project management and logistics.

TKH strives for strong market positions based chiefly on its own innovative core technologies and services. TKH and its subsidiaries operate on a global scale. Its growth is concentrated in Europe, North America and Asia. Employing 5,509 people, TKH achieved a turnover of € 1.3 billion in 2016.

Consolidated balance sheet

In Thousands of euros

	31-12-2016	31-12-2015
Assets		
Non-current assets		
Intangible non-current assets	395,521	400,264
Tangible non-current assets	213,103	192,186
Investment property	1,491	3,658
Financial non-current assets	25,170	22,754
Deferred tax assets	20,768	11,573
Total non-current assets	656,053	630,435
Current assets		
Inventories	206,949	194,240
Receivables	192,967	170,377
Amounts due from customers under construction contracts	100,568	74,160
Current income tax	1,433	2,555
Cash and cash equivalents ¹⁾	88,496	178,955
Total current assets	590,413	620,287
Assets held for sale		
Total assets	<u>1,246,466</u>	<u>1,250,722</u>
Equity and liabilities		
Group equity		
Shareholders' equity	574,000	520,847
Non-controlling interests	8,520	8,570
Total group equity	582,520	529,417
Non-current liabilities		
Non-current liabilities	213,913	223,073
Deferred tax liabilities	52,660	51,127
Retirement benefit obligation	7,957	7,204
Financial liabilities	9,655	26,089
Provisions	5,914	3,700
Total non-current liabilities	290,099	311,193
Current liabilities		
Borrowings ¹⁾	51,992	126,234
Trade payables and other payables	248,172	209,357
Amounts due to customers from construction contracts	45,794	54,136
Current income tax liabilities	7,370	10,480
Financial liabilities	13,217	577
Provisions	7,302	9,328
Total current liabilities	373,847	410,112
Total equity and liabilities	<u>1,246,466</u>	<u>1,250,722</u>

¹⁾ Including € 29.8 million (2015: €114.3 million) cash and cash equivalents that are part of a cash pool.

Consolidate profit and loss account

In Thousands of euros

	2016	2015
Net turnover	1,338,516	1,372,038
Other operating income	2,468	3,114
Total turnover	1,340,984	1,375,152
Changes in inventory of finished goods and work in progress	-2,094	10,281
Raw materials, consumables, trade products and subcontracted work	711,822	732,947
Personnel expenses	331,426	326,897
Depreciation	22,109	21,387
Amortization	32,568	31,615
Impairments	209	1,476
Other operating expenses	131,213	132,109
Total operating expenses	1,227,253	1,256,712
Operating result	113,731	118,440
Financial income	1,814	2,234
Financial expenses	-9,344	-10,464
Exchange differences	-125	422
Share in result of associates	933	657
Result before tax	107,009	111,289
Tax on profit	19,702	22,953
Net result	87,307	88,336
Attributable to:		
Shareholders of the company	85,707	86,154
Non controlling interests	1,600	2,182
	87,307	88,336
Earnings per share attributable to shareholders		
Weighted average number of shares (x 1,000)	42,004	41,579
Weighted average number of shares for the purpose of diluted earnings per share (x 1,000)	42,214	41,838
Ordinary earnings per share (in €)	2.04	2.07
Diluted earnings per share (in €)	2.03	2.06
Ordinary earnings per share before amortization and one-off income and expenses (in €)	2.25	2.40
Ordinary earnings per share before amortization (in €) ¹⁾	2.31	2.37

¹⁾ Non-IFRS compulsory disclosure.

Consolidated statement of comprehensive income

In Thousands of euros

	<u>2016</u>	<u>2015</u>
Net result	87,307	88,336
Items that may be reclassified subsequently to profit and loss (net of tax)		
Currency translation differences	835	4,678
Currency translation differences in other associates	-159	392
Effective part of changes in fair value of cash flow hedges (after tax)	1,044	988
(De)/revaluation of available-for-sale financial assets	<u>880</u>	<u>1,360</u>
	2,600	7,418
Items that will not be reclassified subsequently to profit and loss (net of tax)		
Actuarial gains/(losses)	<u>-560</u>	<u>-180</u>
	-560	-180
Other comprehensive income (net of tax)	<u>2,040</u>	<u>7,238</u>
Comprehensive income for the period (net of tax)	<u>89,347</u>	<u>95,574</u>
Attributable to:		
Shareholders of the company	87,754	93,087
Non-controlling interests	<u>1,593</u>	<u>2,487</u>
Total comprehensive income for the period (net of tax)	<u>89,347</u>	<u>95,574</u>

Consolidated statement of changes in group equity

<i>In Thousands of euros</i>	<u>2016</u>	<u>2015</u>
Balance at 1 January	529,417	499,926
Net result	87,307	88,336
Total other comprehensive income	2,040	7,238
Total comprehensive income for the period (net of tax)	89,347	95,574
Capital contribution	20	8
Dividends	-33,654	-28,071
Dividends to shareholders of non-controlling interests	-491	-619
Acquisitions of non-controlling interests	-142	-33,592
Reversal of revaluation	-453	
Share and option schemes (IFRS)	1,989	2,516
Purchased shares for share and option schemes	-8,277	-10,791
Sold shares for shares and option schemes	4,764	4,466
Balance as at 31 December	<u>582,520</u>	<u>529,417</u>

Consolidated cash flow statement

In Thousands of euros

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities		
Operating result	113,731	118,440
Badwill not resulting in an operational cash flow	-645	
Depreciation, amortization and impairment	56,729	55,735
Share and option schemes not resulting in a cash flow	1,989	2,516
Gain on disposal of tangible assets	-710	-1,256
Changes in provisions	-2,141	-542
Changes in financial liabilities	-613	-247
Changes in working capital	-27,864	43,424
Cash flow from operations	<u>140,476</u>	<u>218,070</u>
Interest received	1,814	2,234
Interest paid	-9,284	-9,964
Income tax paid	-29,595	-28,771
Net cash flow from operating activities (A)	<u>103,411</u>	<u>181,569</u>
Cash flow from investing activities		
Capital contribution	20	8
Dividend received from non-consolidated associates	578	659
Loans	-585	-1,520
Purchases of tangible non-current assets	-47,393	-39,683
Disposals of tangible non-current assets	2,066	2,478
Net cash flow on investments and divestments of investment property		-172
Divestments assets held for sale		3,050
Divestments of subsidiaries	2,663	
Divestment of associates	411	
Acquisition of subsidiaries	-761	-49,660
Acquisition of associates		-2,400
Investment in intangible non-current assets	-28,926	-25,386
Divestment of intangible non-current assets	141	
Net cash flow from investing activities (B)	<u>-71,786</u>	<u>-112,626</u>
Cash flow from financing activities		
Dividends paid	-34,145	-28,690
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	-745	-2,205
Acquisition of non-controlling interests	-142	-25,175
Purchased shares for share and option schemes	-8,277	-10,791
Sold shares for share and option schemes	4,764	4,466
Repayment of long-term debts	-11,365	-38,166
Proceeds from other long term debts	2,205	
Change in borrowings	9,453	7,743
Net cash flow from financing activities (C)	<u>-38,252</u>	<u>-92,818</u>
Net increase in cash and cash equivalents (A+B+C)	<u>-6,627</u>	<u>-23,875</u>
Exchange differences	630	-1,756
Cash and cash equivalents	<u>-5,997</u>	<u>-25,631</u>
Cash and cash equivalents at 1 January	<u>64,701</u>	<u>90,332</u>
Cash and cash equivalents at 31 December	<u>58,704</u>	<u>64,701</u>

Notes to the financial statements

1. Accounting principles for financial reporting

General

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 followed in the financial statements for the year ended 31 December 2016. 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 for the Group

2. Segmented information

	Telecom Solutions		Building Solutions		Industrial Solutions		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
First half year										
Net turnover	84,101	80,443	273,963	287,525	292,064	322,015			650,128	689,983
Segment EBITA ¹⁾	9,230	7,957	28,918	30,025	32,809	42,711	-6,190	-6,864	64,767	73,829
Amortization	-402	-374	-12,196	-12,360	-3,319	-2,637	-29	-83	-15,946	-15,454
Impairments			-343	211	-186	-708			-529	-497
Operating Result	8,828	7,583	16,379	17,876	29,304	39,366	-6,219	-6,947	48,292	57,878
Second half year										
Net turnover	84,431	85,685	300,940	294,090	305,485	305,377		17	690,856	685,169
Segment EBITA ¹⁾	8,647	7,817	33,488	34,614	46,734	42,136	-7,128	-6,865	81,741	77,702
Amortization	-426	-329	-12,427	-12,917	-3,772	-2,894	3	-21	-16,622	-16,161
Impairments	139		-1,540	-731	88	-248	1,633		320	-979
Operating Result	8,360	7,488	19,521	20,966	43,050	38,994	-5,492	-6,886	65,439	60,562
Total										
Net turnover	168,532	166,128	574,903	581,615	597,549	627,392		17	1,340,984	1,375,152
Segment EBITA ¹⁾	17,877	15,774	62,406	64,639	79,543	84,847	-13,318	-13,729	146,508	151,531
Amortization	-828	-703	-24,623	-25,277	-7,091	-5,531	-26	-104	-32,568	-31,615
Impairments	139		-1,883	-520	-98	-956	1,633		-209	-1,476
Operating Result	17,188	15,071	35,900	38,842	72,354	78,360	-11,711	-13,833	113,731	118,440

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

3. Overview of alternative performance indicators

<i>in Thousands of euros</i>	<u>2016</u>	<u>2015</u>
Net result	87,307	88,336
Less: Non-controlling interests	-1,600	-2,182
Attributable to shareholders of the company	<u>85,707</u>	<u>86,154</u>
Net result	87,307	88,336
Amortization of acquisition-related intangible assets based on "purchase price allocations"	15,723	17,283
Taxes on amortization purchase price allocations	-4,267	-4,690
Net profit before amortization	98,763	100,929
Less: Non-controlling interests	-1,600	-2,182
Net profit before amortization attributable to shareholders of the company	<u>97,163</u>	<u>98,747</u>
Net result before amortization	98,763	100,929
One-off gains		
Impairment	209	1,476
Tax effect on one-off expenses	-367	-282
One-off tax benefit	-2,650	
Net profit before amortization and one-off expenses	95,955	102,123
Less: Non-controlling interests	-1,600	-2,182
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company	<u>94,355</u>	<u>99,941</u>

Other definitions applied:

- Capital Employed: group equity plus non-current liabilities plus current borrowings minus cash and cash equivalents.
- Debt leverage ratio (net debt/EBITDA): non-current liabilities plus current borrowings minus cash and cash equivalents divided by EBITDA.
- EBITA: result before financial income and expenses, taxes, impairments and amortization.
- EBITDA: result before financial income and expenses, taxes, impairments, depreciation and amortization
- ROCE (Return on Capital Employed): EBITA over the last twelve months divided through Capital Employed at start date plus Capital Employed at end date divided by two.
- ROS (Return On Sales): EBITA divided by the total turnover as a percentage

4. 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 2016, which have not yet been published in compliance with legal requirements. These documents will be published ultimately at 12 March 2017. The annual accounts will be submitted to the General Meeting of Shareholders on 3 May 2017 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 issues an unqualified auditor's report on the annual accounts dated 6 March 2017. 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.