

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

Results first half 2017

**Further turnover growth driven by strengthened position in vertical growth markets**

**Highlights second quarter 2017**

- Turnover up 9.7% at € 365.5 million – organic growth 7.4%.
- Organic turnover growth in Telecom Solutions (10.9%), Building Solutions (7.9%) and Industrial Solutions (5.8%) on the back of strong contribution vertical growth markets.
- Higher start-up costs in vertical markets Marine & Offshore, Tunnel & Infra and Parking (Building Solutions) lead to 6.0% decrease in EBITA.
- Increase EBITA in Telecom Solutions and Industrial Solutions.
- Order intake manufacturing systems € 114 million – market recovery China and further growth of market share among top five tire manufacturers.
- Cost of settlement with minority shareholders in Augusta Technologie AG in squeeze-out procedure lower than expected.

**Highlights first half 2017**

- Turnover up 11.5% at € 725.2 million – organic growth 9.1%.
- Organic turnover increase in Telecom Solutions (12.3%), Building Solutions (10.1%) and Industrial Solutions (7.3%).
- EBITA up by 9.5%.
- Net profit before amortization and one-off income and expenses attributable to shareholders up 10.0%

**Outlook**

- Outlook for full-year 2017: net profit before amortization and one-off income and expenses attributable to shareholders of between € 92 and € 97 million (2016: € 94.4 million).

**Key figures second quarter**

(in € million unless otherwise stated)	Q2 2017	Q2 2016	Change in %
Turnover	365.5	333.3	+ 9.7
EBITA	31.6	33.6	- 6.0
Net profit before amortization and one-off income and expenses attributable to shareholders <sup>1) 2)</sup>	20.2	21.5	- 5.7
Net profit	21.3	18.8	+ 13.2
ROS	8.6%	10.1%	

**Key figures first half**

(in € million unless otherwise stated)	H1 2017	H1 2016	Change in %
Turnover	725.2	650.1	+ 11.5
EBITA	70.9	64.8	+ 9.5
Net profit before amortization and one-off income and expenses attributable to shareholders <sup>1) 2)</sup>	45.1	41.0	+ 10.0
Net profit	43.4	35.9	+ 21.0
Net earnings per ordinary share attributable to shareholders (in €)	1.02	0.83	+ 22.8
Net earnings per ordinary share before amortization and one-off income and expenses attributable to shareholders (in €) <sup>1) 2)</sup>	1.07	0.98	+ 9.2
ROS	9.8%	10.0%	
ROCE	19.8%	18.6%	

<sup>1)</sup> Amortization of intangible non-current assets related to acquisitions (after tax).

<sup>2)</sup> One-off net income of € 3.5 million largely as a result of the release of the financial liabilities for the squeeze-out of former minority shareholders in Augusta Technologie AG and earn-out.

Alexander van der Lof, CEO of technology company TKH: *“In the second quarter, turnover growth continued in all segments, largely driven by the growth in our vertical growth markets, in which we are well positioned to expand our new technologies. In line with the first quarter, a high order intake was booked in Tire Building Industry. The recovery from China continues and our market share in the top five tire manufacturers has expanded, which gives confidence for further growth. The increase in sales was not fully translated into the consolidated TKH-result due to additional costs in the second quarter. For the further development and positioning of our technologies in key growth markets, significant start-up costs had to be made. We expect these costs will also continue in the third quarter, although to a lesser extent. However, this will strengthen our starting position for profit growth for 2018. In addition, in April and July of this year, we strengthened our market positions through targeted acquisitions in Canada and Australia within our subsegment vision & security systems. The underlying developments are solid and we see a lot of interest in our distinctive technologies, such as our vision technology and the airfield ground lighting portfolio based on CEDD technology.”*

## Financial developments second quarter

Turnover in the second quarter of 2017 was € 32.2 million (9.7%) higher at € 365.5 million (Q2 2016: € 333.3 million). Higher raw materials prices accounted for an increase of 1.6% in turnover. Acquisitions accounted for 0.6% of the increase. The on average stronger foreign currencies against the euro had a positive impact of 0.1% on turnover. On balance, turnover increased organically by 7.4%.

All segments recorded an increase in turnover in the second quarter. Telecom, Building and Industrial Solutions realized organic growth of 10.9%, 7.9% and 5.8% respectively.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) declined by 6.0% to € 31.6 million in the second quarter of 2017 (Q2 2016: € 33.6 million). The EBITA at both Telecom and Industrial Solutions was higher when compared to the second quarter of 2016, while EBITA at Building Solutions declined. The decline in Building Solutions was due to the start-up costs for up scaling of new technologies and for strengthening our market positioning in the vertical growth markets Marine & Offshore, Tunnel & Infra and Parking. These costs peaked in the second quarter, while the associated turnover was still limited. TKH also incurred one-off costs related to technology upgrades .

TKH recorded a ROS of 8.6% in the second quarter of 2017 (Q2 2016: 10.1%). Excluding the above mentioned items, the ROS would have been in line with the first quarter of 2017 (10.9%).

The lower operating result led to a decline in net profit before amortization and one-off income and expenses attributable to shareholders of 5.7% to € 20.2 million (Q2 2016: € 21.5 million). However, net profit was up 13.2%, partly on the back of one-off net income of on balance € 3.5 million.

## Financial developments first half

Turnover increased by 11.5% to € 725.2 million in the first half of 2017 (H1 2016: € 650.1 million). Organic turnover growth amounted to 9.1%. Higher raw materials prices accounted for an increase of 1.8% in turnover, while on average stronger foreign currencies against the euro had a positive impact of 0.1% on turnover. Acquisitions accounted for turnover growth of 0.5%. All segments contributed to the growth in turnover.

The contribution of Industrial Solutions to overall turnover declined to 44.0% in the first half of 2017, from 44.9% in the year-earlier period. The contribution of Building Solutions to overall turnover increased to 43.0%, from 42.1% a year earlier. Telecom Solutions' contribution remained stable at 13.0%.

The gross margin declined to 45.6% in the first half of 2017, from 46.4% in the first half of 2016. The decline in margin was due to higher raw materials prices and one-off costs related to the upgrade of technology for parking guidance systems.

Operating costs were 9.6% higher compared to the first half of 2016. This increase was largely due to higher production levels, start-up costs for the subsea production capacity, as well as the expansion of the R&D and commercial organization. Acquisitions resulted in a 1.5% increase in costs. As a percentage of turnover, production costs declined to 35.8% in the first half of 2017, from 36.5% in the first half of 2016.

Depreciation amounted to € 11.9 million and were higher than in the first half of 2016 (€ 10.1 million), due to the high investment levels in recent years.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) was 9.5% higher at € 70.9 million in the first half of 2017, from € 64.8 million in the first half of 2016. The EBITA at Telecom Solutions was up 21.1%. At Building Solutions, the EBITA was down 7.5% and at Industrial Solutions the EBITA was 24.6% higher.

ROS came in lower at 9.8% (H1 2016: 10.0%).

Amortization increased by € 2.3 million to € 18.2 million (H1 2016: € 15.9 million), due to higher R&D spending in recent years.

The financial result declined by € 0.4 million to € 2.8 million in the first half of 2017. Interest expenses were up € 0.3 million due to an on average higher outstanding bank debt. Currency effects had a negative impact of € 0.3 million. The result from other participations was € 0.2 million higher.

At the end of July, TKH agreed a settlement with the former minority shareholders of Augusta Technologie AG in the squeeze-out procedure. This settlement was lower than anticipated and therefore resulted in one-off untaxed income of € 2.1 million due to a partial release of the financial liability. The financial settlement will be completed in August. In addition to this, a release has been made of earn-out liabilities. On balance, there was an one-off income of € 3.5 million.

The tax rate declined to 18.6% in the first half of 2017, from 21.7% in the first half of 2016. The releases of the squeeze-out and earn-out liabilities is tax exempt and therefore reduced the overall tax rate. Normalized tax burden was 20.3% (H1 2016: 22.0%). Fiscal R&D incentives such as the Dutch innovation box facility had a lowering impact on the overall tax rate. With effect from 2017, TKH has agreed on a new innovation box arrangement with the Dutch Tax Authorities that is in line with the revised innovation box regime. This arrangement is effective through 2022 and offers fiscal benefits comparable to the previous arrangement.

Net profit before amortization and one-off income and expenses attributable to shareholders rose by 10.0% to € 45.1 million in the first half of 2017 (H1 2016: € 41.0 million). Net profit was up 21.0% at € 43.4 million in the first half of 2017 (H1 2016: € 35.9 million).

Net bank debt, calculated in line with the bank covenants, increased by € 56.9 million to € 223.0 million compared to year-end 2016. This increase was related to the dividend pay-out, investments and higher working capital. Working capital was higher due to seasonal influences. Working capital as a percentage of turnover had increased to 14.5% at end-June 2017, from 13.4% at year-end 2016. The net debt/EBITDA ratio came in at 1.2, which means that TKH is operating well within the financial ratio agreed with the company's banks. Solvency amounted to 43.7% in the first half of 2017 (H1 2016: 44.2%).

The number of employees with a permanent contract (FTEs) stood at 5,766 at end-June 2017 (end-June 2016: 5,433 FTEs). In addition, TKH had a total of 491 temporary employees at end-June 2017 (end-June 2016: 405).

## 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 fiber 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 € million unless otherwise stated)	H1 2017	H1 2016	Change in in %
Turnover	94.2	84.1	+ 12.0
EBITA	11.2	9.2	+ 21.1
ROS	11.9%	11.0%	

Turnover in the Telecom Solutions segment increased by 12.0% to € 94.2 million. Currency effects had a negative impact of 0.3% on turnover. The organic increase in turnover amounted to 12.3%. This organic growth was realized in the fiber network systems sub-segment.

EBITA was 21.1% higher at € 11.2 million. ROS improved to 11.9% from 11.0% due to higher capacity utilization in optical fiber production and higher added value.

#### **Indoor telecom & Copper networks - home networking-systems, broadband connectivity, IPTV software solutions, copper cable, connectivity systems and components, active peripherals – turnover share 4.6%**

The turnover fell organically by 8.4% due to a further drop in investment levels in copper networks.

#### **Fiber network systems - optical fiber, optical fiber cables, connectivity systems and components, active peripherals – turnover share 8.4%**

The turnover saw organic growth of 28.2% due to the persistent high level of demand for optical fiber in China. On top of this, the turnover from fiber optic networks was higher in Germany, Poland and France. In France, TKH strengthened its sales organization and several orders were booked for a specifically for the French market designed portfolio. The growth in our market share due to these measures was largely seen in the second quarter of this year. TKH also recorded growth in the Nordics. The high utilization levels and the resultant efficiency benefits had a positive impact on results.

### Building Solutions

#### Profile

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)	H1 2017	H1 2016	Change in %
Turnover	312.0	274.0	+ 13.9
EBITA	26.7	28.9	- 7.5
ROS	8.6%	10.6%	

Turnover in Building Solutions segment was up 13.9% at € 312.0 million. Higher raw materials prices had an effect of 2.3% on turnover. Currency effects had an impact of 0.4%. Acquisitions accounted for 1.1% of the turnover. On balance, turnover rose organically by 10.1% in the first half of the year.

EBITA declined by 7.5% to € 26.7 million. The operating result was pressured by higher start-up costs related to the new subsea production capacity in Lochem and the development of the airfield ground lighting portfolio (CEDD). In addition to this, TKH incurred one-off costs for the upgrading of technology for parking guidance systems. ROS declined to 8.6% in the first half of 2017 (H1 2016: 10.6%).

**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 24.7%**

Turnover increased organically by 6.7%. A significant portion of this growth was realized in the vertical growth markets Machine Vision and Tunnel & Infra. In Machine Vision, TKH increased its market share among the manufacturers of consumer electronics. The newly developed innovative camera platform with ‘embedded vision’ for the automation and inspection of production processes generated positive feedback and has a lot of potential. In addition to this, TKH expanded the commercial and R&D organization within Machine Vision.

In the Tunnel & Infra market, TKH increased its market share in Norway with CCTV and communication solutions from its tunnel portfolio. Within Parking TKH saw a slowdown in order intake and delivery of parking guidance systems. The organization has been, in anticipation of expected growth, considerably expanded in this segment and this had a short-term negative impact on the results.

**Connectivity systems – specialty cable (systems) for shipping, rail, infrastructure, wind energy, as well as installation and energy cable for niche markets, structured cabling systems - turnover share 18.3%**

The organic turnover increase was 15.5%. This was partly the result of an increase in market volume in the construction and infra sector. Turnover in marine & offshore and data cable systems was also higher. In the vertical growth market Tunnel & Infra, TKH made solid progress with the new CEDD technology for airfield ground lighting, which integrates various TKH technologies and competencies. The strengthening of the operational organization and the expansion of R&D specifically targeting the airport market had a negative impact on results. Although the certification of the CEDD technology for large-scale projects will be completed at the end of this year, airports are already showing a great deal of interest in this disruptive technology. TKH also incurred higher start-up costs in Marine & Offshore for the new production facility for subsea cable systems in Lochem, while this is not yet generating turnover. This operation will contribute to turnover in the second half of 2017.

## 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 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)	H1 2017	H1 2016	Change in %
Turnover	319.0	292.1	+ 9.2
EBITA	40.9	32.8	+ 24.6
ROS	12.8%	11.2%	

Turnover in the Industrial Solutions segment increased by 9.2% to € 319.0 million. Turnover was 1.9% higher due to higher raw materials prices. Organic turnover growth was 7.3%. Turnover growth was largely accounted for by the sub-segment manufacturing systems and was related to the higher order intake in the past quarters.

EBITA was up by 24.6% at € 40.9 million, as a result of higher turnover and production capacity utilization. ROS consequently increased to 12.8% in the first half of 2017, from 11.2% in the first half of 2016.

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

Organic turnover growth was 1.2%. This turnover growth was realized in the medical and robot industries. Continued investments in R&D are enabling TKH to respond optimally to the trend towards the miniaturization and the extension of the lifespan of cable systems for advanced manufacturing systems. In addition, TKH has also benefited from a growing increase in the 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 and machine operating systems – turnover share 25.7%**

Organic turnover growth was 11.9%. This was due to the higher order intake in the past quarters, which led to higher levels of engineering activities and production. This in turn led to an improvement in both EBITA and ROS. In the second quarter, order intake amounted to € 114 million (H1 2017: € 228 million) in line with the first quarter. The order intake was driven by the continued recovery of order intake from China, as well as growth in TKH's market share among the top five tire manufacturers. Thanks to the higher order intake over the past quarters, TKH has a well filled order book. Due to the fact that the order book is filled with relatively large number of new machines, among others the MILEXX and customer-specific developments for the top five tire manufacturers, the share accounted for by engineering has increased sharply. This has a significant impact on the throughput time of orders, which means the higher order intake will primarily only just have a positive impact on higher production value and turnover as from 2018. The increase in turnover and the related overhead coverage and profit contribution were therefore still limited in the second quarter.

## Outlook

The outlook for the second half of the year in the market segments in which TKH is active shows generally a positive picture.

In Telecom Solutions, we expect demand for optical fiber in China and fiber optic networks in Europe to be in line with the first half of the year. Thereby we expect the result to also be in line with the result of the first half of the year.

In Building Solutions, turnover will increase in the second half of the year. The order book and order intake in both connectivity systems and vision & security systems is at a healthy level. Start-up costs will remain at a high level in the third quarter in line with the previous quarters. On balance, we expect the result in the second half of the year to show an improvement compared to the first half of the year.

In Industrial Solutions, turnover will increase compared to the first half of the year. Customer-specific developments and new technologies within manufacturing systems will require relatively high levels of engineering activities in the coming quarters, which means the positive impact of the increases in the order book and order intake will primarily only just be visible in the result as from 2018. Nevertheless, the result in the second half of the year will be higher than in the first half of the year.

On balance and barring unforeseen circumstances, for the full-year 2017 TKH expects net profit before amortization and one-off income and expenses attributable to shareholders of between € 92 million and € 97 million (2016: € 94.4 million).

Haaksbergen, August 15, 2017

Executive Board



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### Agenda

November 2, 2017	Trading Update Q3 2017
March 6, 2018	Publication annual results 2017
May 2, 2018	Trading Update Q1 2018
May 3, 2018	General Meeting of Shareholders
August 14, 2018	Publication interim results 2018
November 1, 2018	Trading update Q3 2018

### 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 profit and loss account

in thousands of euros

	<u>1<sup>st</sup> half year 2017</u>	<u>1<sup>st</sup> half year 2016</u>
<b>Net turnover</b>	<b>723,022</b>	649,113
Other operating income	<u>2,158</u>	<u>1,015</u>
<b>Total turnover</b>	<b>725,180</b>	650,128
Changes in inventory of finished goods and work in progress	<b>-8,847</b>	788
Raw materials, consumables, trade products and subcontracted work	<b>403,269</b>	347,493
Personnel expenses	<b>175,551</b>	163,488
Depreciation	<b>11,918</b>	10,098
Amortization	<b>18,226</b>	15,946
Impairments	<b>122</b>	343
Other operating expenses	<u><b>72,392</b></u>	<u>63,494</u>
Total operating expenses	<u><b>672,631</b></u>	<u>601,650</u>
<b>Operating result</b>	<b>52,549</b>	48,478
Financial income	<b>416</b>	1,058
Financial expenses	<b>-3,981</b>	-4,325
Exchange differences	<b>-309</b>	14
Share in result of associates	<b>1,063</b>	821
Change in value financial liabilities for earn-out and put options non-controlling interests	<u><b>3,585</b></u>	<u>-186</u>
<b>Result before taxes</b>	<b>53,323</b>	45,860
Tax on profit	<b>9,898</b>	9,966
<b>Net result</b>	<u><b>43,425</b></u>	<u>35,894</u>
Attributable to:		
Shareholders of the company	<b>42,934</b>	34,850
Non-controlling interests	<u><b>491</b></u>	<u>1,044</u>
	<u><b>43,425</b></u>	<u>35,894</u>
<b>Earnings per share</b>		
Weighted average number of shares (x 1,000)	42,076	41,868
Weighted average number of shares for the purpose of diluted earnings per share (x 1,000)	42,307	42,086
Ordinary earnings per share before amortization and one-off income and expenses (in €)	1.07	0.98
Ordinary earnings per share (in €)	1.02	0.83
Diluted earnings per share (in €)	1.01	0.83



## Consolidated statement of comprehensive income

in thousands of euros

	<u>1<sup>st</sup> half year 2017</u>	<u>1<sup>st</sup> half year 2016</u>
<b>Net result</b>	<b>43,425</b>	35,894
<b>Items that may be reclassified subsequently to profit or loss (net of tax)</b>		
Currency translation differences	-9,233	-3,513
Effective part of changes in fair value of cash flow hedges (after tax)	1,472	1,172
Revaluation of available-for-sale financial assets	<u>1,895</u>	<u>-710</u>
<b>Other comprehensive income (net of tax)</b>	<u>-5,866</u>	<u>-3,051</u>
<b>Comprehensive income for the period (net of tax)</b>	<b>37,559</b>	32,843
<b>Attributable to:</b>		
Shareholders of the company	<b>37,089</b>	31,795
Non-controlling interests	<u>470</u>	<u>1,048</u>
<b>Total comprehensive income for the period (net of tax)</b>	<u><b>37,559</b></u>	<u>32,843</u>

## Consolidated balance sheet

in thousands of euros

	<u>30-06-2017</u>	<u>31-12-2016</u>
<b>Assets</b>		
<u>Non-current assets</u>		
Intangible non-current assets	391,506	395,521
Tangible non-current assets	222,020	213,103
Investment property	251	1,491
Financial non-current assets	27,343	25,170
Deferred tax assets	24,277	20,768
<b>Total non-current assets</b>	<b>665,397</b>	656,053
<u>Current assets</u>		
Inventories	237,858	206,949
Receivables	215,208	192,967
Amounts due from customers under construction contracts	89,403	100,568
Current income tax	1,148	1,433
Cash and cash equivalents <sup>1)</sup>	78,598	88,496
<b>Total current assets</b>	<b>622,215</b>	590,413
<b>Total assets</b>	<b><u>1,287,612</u></b>	<b><u>1,246,466</u></b>
<b>Equity and liabilities</b>		
<u>Group equity</u>		
Shareholders' equity	554,501	574,000
Non-controlling interests	7,871	8,520
<b>Total group equity</b>	<b>562,372</b>	582,520
<u>Non-current liabilities</u>		
Non-current liabilities	235,486	213,913
Deferred tax liabilities	51,734	52,660
Retirement benefit obligation	8,206	7,957
Financial liabilities	6,293	9,655
Provisions	6,356	5,914
<b>Total non-current liabilities</b>	<b>308,075</b>	290,099
<u>Current liabilities</u>		
Borrowings <sup>1)</sup>	78,345	51,992
Trade payables and other payables	252,929	248,172
Amounts due to customers under construction contracts	56,109	45,794
Current income tax liabilities	11,414	7,370
Financial liabilities	11,441	13,217
Provisions	6,927	7,302
<b>Total current liabilities</b>	<b>417,165</b>	373,847
<b>Total equity and liabilities</b>	<b><u>1,287,612</u></b>	<b><u>1,246,466</u></b>

<sup>1)</sup> Including € 17.9 million (2016: € 29.8 million) cash and cash equivalents that are part of a cash pool.

## Consolidated cash flow statement

in thousands of euros

	1 <sup>st</sup> half year 2017	1 <sup>st</sup> half year 2016
<b>Cash flow from operating activities</b>		
Operating result	52,549	48,478
Depreciation, amortization and impairment	30,024	26,387
Share and option schemes not resulting in a cash flow	1,352	2,018
Changes in provisions	316	-1,157
Changes in working capital	-25,141	-30,617
Cash flow from operations	59,100	45,109
Interest paid	-3,565	-3,267
Income taxes paid	-10,800	-14,866
<b>Net cash flow from operating activities (A)</b>	<b>44,735</b>	<b>26,976</b>
<b>Cash flow from investing activities</b>		
Dividends received from non-controlling associates	1,063	653
Loans	-149	-832
Purchases and disposals of tangible non-current assets	-20,793	-22,619
Net cashflow on investments and divestments of investment property	1,240	-7
Acquisition of subsidiaries	-3,288	
Divestments of subsidiaries		2,182
Investment and divestments in intangible non-current assets	-15,792	-13,256
<b>Net cash flow from investing activities (B)</b>	<b>-37,719</b>	<b>-33,879</b>
<b>Cash flow from financing activities</b>		
Dividends paid	-47,631	-33,865
Settlement of financial liabilities for put options non-controlling interests and earn-out	-1,548	-273
Acquisition of non-controlling interests		-134
Purchased and sold shares for share and option schemes	-11,428	-3,870
Proceeds from long-term debts	21,573	21,560
Change in borrowings	38,283	12,916
<b>Net cash flow from financing activities(C)</b>	<b>-751</b>	<b>-3,666</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>6,265</b>	<b>-10,569</b>
Exchange differences	-4,233	-835
<b>Change in cash and cash equivalents</b>	<b>2,032</b>	<b>-11,404</b>
Cash and cash equivalents at 1 January <sup>1)</sup>	58,704	64,701
Cash and cash equivalents at 30 June <sup>1)</sup>	60,736	53,297

1) Short-term borrowings that are part of a cash pool have been netted against cash and cash equivalents.

## Consolidated statement of changes in group equity

In thousands of euros	Share capital	Share premium	Legal reserves	Revaluation reserves	Investment revaluation reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Unappropriated profit	Total shareholders' equity	Non-controlling interests	Total group equity
<b>Balance at 1 January 2016</b>	<b>10,607</b>	<b>85,123</b>	<b>34,917</b>	<b>874</b>	<b>4,162</b>	<b>20,920</b>	<b>-3,637</b>	<b>281,727</b>	<b>86,154</b>	<b>520,847</b>	<b>8,570</b>	<b>529,417</b>
Net result									34,850	34,850	1,044	35,894
Total other comprehensive income					-710	-3,517	1,172			-3,055	4	-3,051
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-710</b>	<b>-3,517</b>	<b>1,172</b>		<b>34,850</b>	<b>31,795</b>	<b>1,048</b>	<b>32,843</b>
Appropriation profit last year								86,154	-86,154	0		0
Dividends	102	-102						-32,021		-32,021		-32,021
Dividends to shareholders of non-controlling interests								-369		-369	-1,475	-1,844
Acquisition of non-controlling interests								-95		-95	-39	-134
Share and option schemes (IFRS 2)								2,018		2,018		2,018
Purchased shares for share- and option schemes								-8,278		-8,278		-8,278
Sold shares for share- and option schemes								4,408		4,408		4,408
Change in legal reserve for participations			-965					965		0		0
Capitalized development costs			3,773					-3,773		0		0
<b>Balance at 30 June 2016</b>	<b>10,709</b>	<b>85,021</b>	<b>37,725</b>	<b>874</b>	<b>3,452</b>	<b>17,403</b>	<b>-2,465</b>	<b>330,736</b>	<b>34,850</b>	<b>518,305</b>	<b>8,104</b>	<b>526,409</b>
<b>Balance at 1 January 2017</b>	<b>10,709</b>	<b>85,021</b>	<b>43,213</b>	<b>415</b>	<b>5,042</b>	<b>21,603</b>	<b>-2,593</b>	<b>324,883</b>	<b>85,707</b>	<b>574,000</b>	<b>8,520</b>	<b>582,520</b>
Net result									42,934	42,934	491	43,425
Total other comprehensive income					1,895	-9,212	1,472			-5,845	-21	-5,866
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,895</b>	<b>-9,212</b>	<b>1,472</b>	<b>0</b>	<b>42,934</b>	<b>37,089</b>	<b>470</b>	<b>37,559</b>
Appropriation profit last year								85,707	-85,707	0		0
Dividends								-46,239		-46,239	-1,116	-47,355
Dividends to shareholders of non-controlling interests								-273		-273	-3	-276
Share and option schemes (IFRS 2)								1,352		1,352		1,352
Purchased shares for share- and option schemes								-17,496		-17,496		-17,496
Sold shares for share- and option schemes								6,068		6,068		6,068
Change in legal reserve for participations			-237					237		0		0
Capitalized development costs			4,767					-4,767		0		0
<b>Balance at 30 June 2017</b>	<b>10,709</b>	<b>85,021</b>	<b>47,743</b>	<b>415</b>	<b>6,937</b>	<b>12,391</b>	<b>-1,121</b>	<b>349,472</b>	<b>42,934</b>	<b>554,501</b>	<b>7,871</b>	<b>562,372</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 2016. 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 2016.

TKH has not opted for an early adoption of IFRS 15 Revenues from Contracts. IFRS 15 will replace the standards IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new standard will be required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. IFRS 15 requires the identification of separate performance obligations (such as sales and maintenance) and the allocation of the transaction price to the performance obligations based on individual sales prices. This has an impact on the timing and amount of revenue to be recognized. In addition, a new provision regarding the recognition of revenue over a period of time has been introduced. Furthermore, there are, especially in the case of long-term contracts, several new disclosures required, such as the obligation to specify the turnover by nature and origin, as well as numerous reconciliations for assets and liabilities arising from contracts. TKH expects that the application of IFRS 15 will affect the moment of revenue recognition. This is mainly driven by the moment that TKH can fulfill the performance obligations as defined in IFRS 15. Analyzes are carried out in which the specific details of the contracts with customers are important. These analyzes have not yet been completed, so the impact can not be quantified yet

### 2. Judgments

The preparation of the condensed consolidated interim financial statements 2016 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 2016.

### 3. Statutory capital

The number of outstanding (depository receipts of) shares as per 31 December 2016 was the equivalent of 42,165,188. Due to the exercise of options rights and share schemes, a balance of 158,958 (depository receipts of) shares were purchased in the first half of 2017. As a result, the number of (depository receipts of) shares outstanding with third parties as per 30 June 2017 was 42,006,230.

### 4. Dividend

At the General Meeting of Shareholders 2017 the dividend over 2016 was declared at € 1.10 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 2017 was € 46,239,000 and this amount was charged to the other reserves.

## 5. Segmented information

in thousands of euros	Telecom Solutions		Building Solutions		Industrial Solutions		Not Attributable		Total	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
<b>Turnover</b>	<b>94,213</b>	84,101	<b>311,971</b>	273,963	<b>318,996</b>	292,064			<b>725,180</b>	650,128
Segment EBITA <sup>1)</sup>	<b>11,177</b>	9,230	<b>26,744</b>	28,918	<b>40,867</b>	32,809	<b>-7,891</b>	-6,190	<b>70,897</b>	64,767
Amortization	<b>-517</b>	-402	<b>-13,809</b>	-12,196	<b>-3,870</b>	-3,319	<b>-30</b>	-29	<b>-18,226</b>	-15,946
Impairments <sup>2)</sup>	<b>114</b>		<b>-97</b>	-343	<b>-139</b>				<b>-122</b>	-343
<b>Segment operating result</b>	<b>10,774</b>	8,828	<b>12,838</b>	16,379	<b>36,858</b>	29,490	<b>-7,921</b>	-6,219	<b>52,549</b>	48,478
Financial income and expenses									<b>-3,874</b>	-3,253
Share of result in associates									<b>1,063</b>	821
Change in value financial liabilities for earn-out and put options non-controlling interests									<b>3,585</b>	-186
Tax on profit									<b>-9,898</b>	-9,966
Net result									<b>43,425</b>	35,894

<sup>1)</sup> EBITA: Operating result before amortization of intangible non-current assets related to acquisitions and one-off income and expenses.

<sup>2)</sup> The one-off income and expenses relate to impairments of intangible non-current assets (€ 0.2 million) and a release of an impairment for tangible non-current assets (€ 0.1 million).

## 6. Overview of net profit definitions

in thousands of euros	1 <sup>st</sup> half year 2017	1 <sup>st</sup> half year 2016
Net profit attributable to shareholders of the company	<b>42,934</b>	34,850
Net profit attributable to non-controlling interests	<b>491</b>	1,044
<b>Net result</b>	<b>43,425</b>	35,894
Amortization of acquisition related intangible non-current assets based on preliminary "purchase price allocations"	<b>7,717</b>	7,897
Taxes on the amortizations	<b>-2,073</b>	-2,146
Impairments	<b>122</b>	343
Change in value financial liabilities for earn-out and put options non-controlling interests	<b>-3,585</b>	186
Tax on one-off income and expenses	<b>-32</b>	-132
<b>Net result before amortization and one-off income and expenses</b>	<b>45,574</b>	42,042
Attributable to non-controlling interests	<b>-491</b>	-1,044
<b>Ordinary earnings before amortization and one-off income and expenses attributable to shareholders of the company</b>	<b>45,083</b>	40,998

## 7. Acquisition

In mid-April, TKH acquired all shares of Redline CNC Ltd from Canada. Redline CNC is a manufacturer of camera housing. Redline CNC realizes an annual turnover of approximately € 3 million with 25 FTE. The company will be integrated into TKH operating company LMI Technologies ('LMI'). This vertical integration will enable LMI to anticipate faster on market demand because lead times can be shortened. The acquisition strengthens TKH's strategic activities in the vertical growth market Machine Vision. The company will be part of the TKH sub-segment vision & security systems, within the business segment Building Solutions. The purchase price of € 3.3 million has been paid in cash. The paid goodwill is not tax deductible.

## 8. Contingent liabilities

The contingent liabilities which are not reflected in the balance sheet, as reported in the financial statements for 2016, have not essentially changed in the first half 2017.

## 9. Events after balance sheet date

At the beginning of July 2017, TKH reached agreement on the acquisition of the shares of Jacques Technologies Pty Ltd, Australia ('Jacques'). Jacques is a regional leader in Australia and Southeast Asia in mission critical communication systems, which the company designs and manufactures. Jacques will benefit from synergies with the TKH Group, in particular the Command group. The activities of Jacques are part of the TKH sub-segment vision & security systems, within the business segment Building Solutions. In the financial year 2016/2017, the company realized a turnover of approximately € 4.2 million with 38 employees.

At the end of July 2017 an agreement was reached in the 'squeeze-out' procedure with the former minority shareholders of Augusta Technology AG regarding the payment of 'squeeze-out' compensation as well as the compensation for legal costs. This settlement was lower than anticipated, resulting in a one-off income of € 2.1 million in the half-year figures due to a partial release of the financial liability. The financial settlement will be completed in August.

Except for the event mentioned, 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 2016 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 2017 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 2016.

The Executive Board hereby declares that to the best of their knowledge, the interim financial statements 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, 15 August 2017

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.*