

Press Release

TKH Group N.V. (TKH)
annual figures 2005

Excellent result TKH Group

- Turnover increases by 19.2% to € 547.9 million, 7.7% of which is organic growth.
- Operating result rises 19.8% to € 39.6 million.
- Net profit, before one-off tax gain of € 7.5 million, rises by 32.0% to € 26.1 million (2004: € 19.8 million).
- Improvement in EBIT margin (ROS) in the Technical Trading Group and the Cable Group as a result of successful progress in implementation of solution strategy.
- Innovations account for 22.0% of turnover.
- Proposed dividend of € 1.65 per (depository receipt of) ordinary share.

Key figures¹

(in € million unless otherwise stated)	2005	2004	% difference
Turnover	547.9	459.6	+ 19.2
Operating result (EBIT)	39.6	33.0	+ 19.8
Net profit before tax gain	26.1	19.8	+ 32.0
Net profit after tax gain	33.6	19.8	+ 70.2
Net profit per ordinary share (in €)			
- before tax gain	3.18	2.44	+ 30.3
- after tax gain	4.11	2.44	+ 68.3
Solvency	47.2%	46.2%	
ROS	7.2%	7.2%	
ROCE	14.3%	13.4%	
Dividend proposal (in €)	1.65	1.25	+ 32.0

Key figures fourth quarter¹

(in € million unless otherwise stated)	Q4 2005	Q4 2004	% difference
Turnover	156.0	135.6	+ 15.1
Operating result (EBIT)	14.0	11.5	+ 21.6
Net profit (excl. tax benefit)	9.9	6.7	+ 47.9
ROS	9.0%	8.5%	

Alexander van der Lof, CEO of TKH: "Results improved in the fourth quarter due to better than expected organic turnover growth. The organic growth realised in sub-markets where the market conditions are still difficult is further proof of the potential of the TKH Group with its high quality service and problem-solving capacity. The strategy based on providing innovative solutions has resulted in a significant renewal of the portfolio and a healthy development of the operating margin."

¹ From 1 January 2005 the TKH Group presents its financial statements in accordance with the International Financial Reporting Standards (IFRS). The comparative figures for 2004 have also been adapted to comply with IFRS.

Financial developments

Turnover in 2005 was € 547.9 million (2004: € 459.6 million), 19.2% higher than in 2004, partly as a result of acquisitions made in the fourth quarter of 2004 and in 2005. Organic turnover growth was 7.7%.

The added value rose by € 33.2 million, or 17.1%, to € 227.7 million. There was slight pressure on the added value as a percentage of turnover, which came to 41.6%, (2004: 42.3%). The gross margin of the Cable Group was under pressure due to the higher raw material prices and lower sales prices as a result of overcapacity in the market. The gross margins as a percentage of turnover of both the Technical Trading Group and the Machinery Group improved as a result of their focus on innovations and supplying total solutions.

The operating result increased by € 6.5 million, or 19.8%, to € 39.6 million. The increase in personnel costs and depreciation was lower than in turnover and added value. This positive development was compensated to a certain extent by a rise in the other operating expenses. However, the operating result as a percentage of turnover remained stable at 7.2 %.

The net financial expenses totalled € 3.3 million, practically the same as in 2004 (€ 3.4 million), despite the acquisitions at the end of 2004 and an increase in working capital as a result of the expansion of activities and higher raw material prices.

The tax burden for the whole of 2005, was influenced by lower tax rates in several countries, the settlement of accumulated deductible losses incurred abroad in the past against profits and a one-off tax gain. The tax burden, before one-off tax gain, fell to 28.6% (2004: 33.6%). Agreement reached with the Dutch Tax Authorities (Nederlandse Belastingdienst) regarding the fiscal treatment of the impairment of the investments in China, recognised in the consolidated financial statement for 2002, yielded a one-off tax gain of € 7.5 million. This brought the net tax for 2005 to € 2.9 million, which was 7.9% of the result before tax.

Net profit for 2005 totalled € 33.6 million. Without the one-off tax gain the net profit would have totalled € 26.1 million, representing an improvement of 32.0% compared to 2004.

Ordinary earnings per share came in at € 4.11 (2004: € 2.44). Excluding the one-off tax gain, the earnings per share were € 3.18, which is 30.3% higher than in 2004.

During the year under review the balance sheet total increased by € 48.8 million, mainly as a result of the increase in working capital by € 21.1 million. This increase was mainly due to the expansion of activities and a higher valuation of raw materials and inventory because of higher raw material prices. The working capital as a percentage of turnover rose slightly from 20.5% to 21.0%.

At year-end 2005 bank debts were € 7.9 million lower than at the end of 2004, primarily because of the positive cash flow from operations. The solvency ratio rose from 46.2% to 47.2%. As a result of the transition to IFRS and the impact on the solvency rate, it was decided to take this impact into account in determining the required solvency rate and to lower this from a minimum of 40% to a minimum of 35%.

The number of employees (FTEs) at year-end 2005 was 2,723 (2004: 2,541).

Progress in the implementation of the strategy

The strategy in 2005 was aimed at continuing TKH's transformation from a supplier of products to a solutions provider and the focused expansion of the Telecom, Building and Industrial Solutions segments. The focus was on accelerating the pace of introduction of innovative solutions at an early stage of the life cycle. Measures were also taken to further increase the geographic overlap in the portfolio of activities. The development of the portfolio and the cooperation between the groups in providing solutions strengthened TKH's position in promising projects and enabled it to increase the number of orders secured for total solutions with a higher added value.

In order to strengthen its positioning in providing innovations in Telecom and Building Solutions for a number of markets, TKH further expanded its sales capacity. The preliminary investments made in this context are expected to generate accelerated growth in these segments in the medium and long term.

The change of name from N.V. Twentsche Kabel Holding to TKH Group "the solution provider" implemented in May 2005 is intended to further emphasise TKH's strategic focus on solutions. The name change marked an important step, both internally and externally, in the further positioning and development of the TKH Group.

The companies acquired in 2004 made a healthy contribution to the group's results. The results of these companies benefited greatly, in part because they were integrated in TKH's strategy and in particular as a result of the strong synergy within the TKH group.

Developments per group

Technical Trading Group

General

The turnover of the Technical Trading Group increased by 30.6% to € 193.8 million in 2005 (2004: € 148.4 million). This was achieved almost entirely through acquisitions (30.3%).

Although organic turnover declined during the first half of 2005 it bounced back in the second half of the year as consumer spending on broadband components and indoor ICT solutions picked up. Increased investments in the upgrading of outdoor networks also had a positive effect. The organic growth of turnover was negatively affected by a conscious reduction in the level of activity in South East Asia.

The growth in turnover was particularly strong in the Netherlands, Germany and Poland, primarily due to innovations introduced in recent years including the ICT solutions for care of the elderly, CCTV systems, VoIP telephony and intercom systems.

The operating result increased by 40.1% to € 18.3 million (2004: € 13.0 million). The margins improved thanks to the focus on providing complete solutions with increased added value and the greater contribution to turnover from innovations. Innovations accounted for 23.6% of turnover.

Telecom Solutions

Investments in the outdoor telecom segment increased because of the growing demand for bandwidth, which was driven by developments in the field of Triple Play and the accompanying shift towards ADSL2⁺, VDSL and ALL IP networks. In particular investments by telecom operators and CATV companies in their network nodes had a positive effect.

The major developments with respect to indoor telecom solutions related to the introduction of innovations for VoIP solutions and indoor communication solutions. Although consumer spending on ICT peripherals was lower in the first half of 2005 than in 2004, TKH's turnover fell only slightly thanks to the many innovations. There was an evident increase in consumer spending in the second half of the year and turnover in the indoor telecom solutions segment rose accordingly. Good progress was made with the Ocilion solution for Time Shifted IPTV, which was introduced in 2004, and pilot projects commenced in the Netherlands, Sweden and Poland.

Building Solutions

There was a slight increase in investments in the installation and building sector. TKH enjoyed stronger growth of turnover than the market average in this sector as a result of innovations in response to the growing demand for efficient solutions for buildings, such as access control systems, concepts for central control rooms and systems for care for the elderly.

TKH believes that the elderly care market is a promising market, although it will take some time to develop it. Various pilot projects were initiated and a lot of attention was given to the further development of the portfolio.

Industrial Solutions

The level of investment increased in the industrial sector. A major priority in this sector is to increase the efficiency of industrial activities and this resulted in a further increase in turnover in this segment. Turnover in the MES (Manufacturing Execution Systems) concept and in steering systems for the modernisation of machinery recorded particularly strong growth. Software accounted for a larger share of the turnover in 2005, which meant that the added value increased and the margins improved.

Cable Group**General**

The Cable Group's turnover increased by 21.2% to € 240.2 million in 2005 (2004: € 198.1 million). The improvement was solely due to organic growth. The steep rise of raw materials prices, particularly of copper, had an effect on turnover growth by 6.2%. During the course of 2005 it became easier to pass on the higher raw material costs in the selling price.

The realized growth was achieved through investments in the development of the portfolio and intensive marketing in Europe. The introduction of new products enabled the company to enter new markets. The focus on total solutions resulted in substantial growth of the market share in Western and Eastern Europe in the field of solutions for optical fibre networks. The most significant increases in turnover were achieved in Germany, Scandinavia and Eastern Europe.

The Cable Group's operating result improved by 52.4% to € 14.6 million (2004: € 9.6 million). The increased capacity utilisation rate and improved efficiency compensated for the pressure on margins. The share of innovations in the turnover increased to 20.5%, which

had a positive effect on the operating result. With the focus on speciality cable and niche markets, the Cable Group's ROS reached a healthy level of 6.1% (2004: 4.8%). The decline in the margins in the installation cable and optical fibre cable segments stabilised in the second half of 2005 due in part to increased demand.

The capacity utilisation rate in the plants improved to around 85%. Closer cooperation within the Cable Group led to optimisation of product allocation.

Telecom Solutions

Worldwide demand for optical fibre and optical fibre cable increased by 19%. This increase was driven by the rapid growth in demand for bandwidth for All IP networks. There were many new investment initiatives for optical fibre networks in Europe, principally from new players seeking to enter the market as providers of communication infrastructure. By virtue of the added value it provides in the form of consultancy, engineering and products with the right composition TKH secured a lot of new orders and increased its market share in Europe.

The activities in China progressed well. The strong focus on Europe meant that more than 70% of the capacity was devoted to the European market. The increase in the capacity utilisation rate of the production facilities and a tight focus on the niche markets for optical fibre solutions had a positive effect on the growth of the operating result.

The demand for copper cable weakened as operators increasingly concentrated on making better use of the existing copper network when upgrading networks. In most new building developments the networks are optical fibre rather than copper.

Building Solutions

The market conditions in the building sector improved slightly. The decline in the margins for installation cable stabilised and most of the increase in the raw material prices could be passed on in the prices during the second half of 2005. The volume growth in the European market was limited to around 5%, but the TKH Group's turnover growth exceeded this figure thanks to the many innovations it introduced and by successfully increasing its market shares in Germany and Scandinavia. A large proportion of the increase in turnover was achieved in the installation cable segment. Growth was particularly strong in the shipbuilding sector thanks to a substantial higher investment level, while the demand for solutions for a safer environment also had a positive effect.

Industrial Solutions

The investment levels continued to improve in the industrial markets relevant for TKH, with the machine construction sector in Europe enjoying particularly healthy growth. The European industrial sector is becoming increasingly innovative in order to survive. By responding to this development with innovative concepts and total solutions the TKH Group was able to further strengthen its position and increase its market share.

The capacity utilisation rate in speciality cable production was again high. TKH invested in new facilities to increase production capacity for speciality cable and plans for further expansion. An important aspect of these plans is to convert production capacity from standard cable to speciality cable.

Machinery Group

General

Although the increase in the turnover of the Machinery Group was a modest 1.0%, the figure of € 116.6 million (2004: € 115.5 million) matched the high level of 2004 when turnover had grown by more than 40%. Organic turnover declined slightly in 2005 by 5.8%. The tyre building system segment accounted for more than 80% of the turnover. New tyre concepts and a constant focus on increasing the efficiency of the manufacturing of car and truck tyres led to a high level of investment in the tyre manufacturing industry, which resulted in an increase in the order intake in the closing months of 2005. The share of innovations in turnover increased to 22.5%.

The operating result of the Machinery Group declined by 7.5% to € 14.6 million (2004: € 15.7 million). The lower result was caused by pressure on the margins due to the strength of the euro and the relatively high level of costs for after-sales service during the completion of projects in 2005.

Industrial Solutions

Following the explosive growth of the last few years, in 2005 a lot of attention was given to gearing capacity to the prospects for growth of the segments that the Machinery Group operates in. In the first half of 2005 this led to a certain sluggishness in order intake, partly because a number of clients were unable to absorb the high level of investment into increased production and start up 'greenfield' plants. The situation normalized in the second half of 2005 and investment picked up again in the second half of 2005.

The trend with manufacturers of car and truck tyres, to outsource the development and production of tyre building machines to specialist suppliers was confirmed by the sharp increase in the number of requests for machines. Where in the past the TKH Group was called on mainly to cushion peaks in investment requirements, the group's capacity is now being used on a more structural basis. The company's innovative solutions are a major factor in this regard, as is the cooperation with our clients and the trust they have in us.

The development of the new generation machines according to the MTM (Modular Tyre Manufacturing) concept – designed to make the production of car tyres more flexible – progressed well. Modules from this concept represent a breakthrough in the production of components that are used in car tyres. The acquisition of A-Z Extrusion in 2004 made a significant contribution to the unique patented MTM production concepts. In 2005 several orders were secured for modules from the MTM concept. The first order for a complete MTM system will be delivered in the first half of 2006. The tyre manufacturing industry has shown a lot of interest in this concept.

A number of our clients in the product handling systems segment significantly increased their level of investment. The turnover and operating result improved. The strategy of concentrating on a limited number of markets and solutions has borne fruit. The cooperation within the group was also intensified by allocating specific developments for tyre-building modules to this segment.



Dividend proposal

At the General Meeting of Shareholders to be held on 3 May 2006, TKH will propose a dividend of € 1.65 per (depository receipt of) ordinary share (2004: € 1.25). This represents a pay-out ratio of 40%. In order to support the financing for the envisaged growth, shareholders will be offered the option of a stock dividend or a cash dividend to be charged against reserves. The value of the proposed stock dividend will be approximately 2 to 4% higher than the cash dividend. The stock dividend will be determined one day after expiry of the option period and will be based on the average share price during the last five trading days of the option period which will end on 22 May 2006. The dividend will be made available for payment, either in cash or stock, on 26 May 2006.

Outlook

The measures taken in the Technical Trading Group to accelerate the rate of growth in the coming years are expected to lead to a higher cost level in 2006. The innovations introduced in the growth segments of communications, security, comfort and care offer prospects for growth.

The trading conditions for the Cable Group are expected to remain difficult, partly due to the higher raw material prices and competitive conditions. Developments in the area of speciality cable and the expansion of niche market activities are progressing well, which has a positive effect on the margins.

The order intake in the Machinery Group is progressing well and has shown a particularly strong increase in the last three months. However, the group will still feel the effects of the sluggish order intake in 2005 during the first quarter of 2006.

In light of the developments outlined above, the TKH Group is confident of further growth of turnover and results.

Haaksbergen, 9 March 2006

Executive Board

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Agenda

14 April 2006	TKH annual report 2005 available on the website
2 May 2006	Trading update Q1 2006
3 May 2006	Annual General Meeting of Shareholders
24 August 2006	Publication of half-year report 2006
23 November 2006	Trading update Q3 2006



Profile

TKH Group NV (TKH) is an internationally operating group of companies that as a solution supplier has specialised in creating and supplying innovative Telecom, Building and Industrial Solutions.

The activities in the form of technologies, know-how, products and added value such as consulting, development, assembly and delivery of systems, form the building blocks for innovative solutions. These activities are concentrated in three groups: the Technical Trading Group, the Cable Group and the Machinery Group.

At TKH it is the solutions that play the central role, not the kind of activity (group).

The Telecom Solutions consist of solutions ranging from basic infrastructure to home networking applications, for both the outdoor and indoor telecom (ICT) -markets.

The Building Solutions comprise solutions ranging from efficient electrical engineering to ICT systems for the health care sector. In this segment TKH concentrates on cable systems and networks, intercom systems, nurse paging systems, access control and electricity distribution.

The Industrial Solutions consist of advanced solutions for production automation, car and truck tyre building systems and industrial applications in the field of speciality cable and cable accessories.

The 33 companies in the TKH Group are active all over the world. Its growth is concentrated on North West and Eastern Europe and Asia. In 2005 TKH secured a turnover of € 547.9 million with 2,723 employees.

Consolidated Profit and Loss Account

in thousands of euros

	<u>2005</u>	<u>2004</u>
Net turnover	545,569	416,706
Changes in inventory of finished goods and work in progress	110	41,205
Other operating income	<u>2,232</u>	<u>1,711</u>
Total turnover	547,911	459,622
Costs of raw materials, consumables, trade products and subcontracted work	320,188	265,109
Personnel costs	120,137	104,027
Depreciation	12,455	13,043
Other operating expenses	<u>55,566</u>	<u>44,404</u>
Total operating expenses	<u>508,346</u>	426,583
Operating result	39,565	33,039
Financial income and expenses	-3,343	-3,396
Share in result non-consolidated companies	<u>302</u>	<u>105</u>
Result before tax	36,524	29,748
One off tax gain	-7,544	0
Tax in current financial year	<u>10,433</u>	<u>9,986</u>
Tax on profit	2,889	9,986
Net result	<u><u>33,635</u></u>	<u><u>19,762</u></u>
Attributable to:		
Shareholders of the company	33,450	19,762
Minority interest	185	0
	<u><u>33,635</u></u>	<u><u>19,762</u></u>
Earnings per share		
Weighted average number of shares (x 1,000)	8,137	8,091
Weighted average number of shares Fully diluted (x 1,000)	8,361	8,347
Ordinary earnings per share	4.11	2.44
Diluted earnings per share	4.00	2.37

Consolidated balance sheet

in thousands of euros

	<u>2005</u>	<u>2004</u>
Assets		
<u>Non-current assets</u>		
Intangible non-current assets	23,543	23,878
Tangible non-current assets	118,851	115,165
Available-for-sale assets	5,698	7,493
Financial non-current assets	2,748	2,324
Deferred tax assets	16,408	14,759
Total non-current assets	167,248	163,619
<u>Current assets</u>		
Inventories	103,673	85,076
Receivables	119,097	91,865
Cash and cash equivalents	6,221	6,879
Total current assets	228,991	183,820
Total assets	<u>396,239</u>	<u>347,439</u>
Liabilities		
<u>Group Equity</u>		
Group Equity	186,983	160,399
Minority interest	188	0
Total Group Equity	187,171	160,399
<u>Provisions</u>		
Deferred tax liabilities	24,316	16,065
Other provisions	21,529	24,497
Total provisions	45,845	40,562
Long-term liabilities	26,248	26,398
<u>Short-term liabilities</u>		
Trade and other payables	117,480	109,142
Current tax liabilities	19,495	10,938
Total short-term liabilities	136,975	120,080
Total liabilities	<u>396,239</u>	<u>347,439</u>

Segmentation per group

in thousands of euros

	2005			2004		
	2 nd half	1 st half	total	2 nd half	1 st half	total
Turnover						
Technical Trading Group	107,671	86,091	193,762	82,034	66,380	148,414
Cable Group	123,943	116,264	240,207	105,397	92,736	198,133
Machinery Group	58,427	58,215	116,642	61,491	54,049	115,540
Inter company sales	-1,199	-1,501	-2,700	-1,459	-1,006	-2,465
Total turnover	<u>288,842</u>	<u>259,069</u>	<u>547,911</u>	<u>247,463</u>	<u>212,159</u>	<u>459,622</u>
Operating result						
Technical Trading Group	9,729	8,543	18,272	7,265	5,782	13,047
Cable Group	8,901	5,689	14,590	5,499	4,073	9,572
Machinery Group	7,548	7,018	14,566	7,687	8,060	15,747
Other	-4,317	-3,546	-7,863	-2,776	-2,551	-5,327
Total operating result	<u>21,861</u>	<u>17,704</u>	<u>39,565</u>	<u>17,675</u>	<u>15,364</u>	<u>33,039</u>

Consolidated cash flow statement

in thousands of euros

	2005	2004
Cash flow from operating activities		
Operating result	39,565	33,038
Depreciation	12,455	13,131
Changes in provisions	-1,465	1,179
Changes in working capital	-29,140	-23,783
Cash flow from operations	21,415	23,565
Interest (paid)/received	-3,531	-3,870
Income tax on profit (paid)/received	12,270	-2,298
Net cash flow from operations	30,154	17,397
Cash flow from investing activities		
Dividends received from non-consolidated subsidiaries	0	105
Purchase of tangible non-current assets	-11,936	-11,852
Disposals of tangible non-current assets	554	369
Balance of purchases and disposals of available-for-sale assets	1,681	-635
Acquisition of subsidiaries	-18	-15,500
Acquisition of investment in an associate	-486	-1,907
Acquisition of intangible non-current assets	-1,418	0
Acquisition of other financial non-current assets	62	128
Net cash flow from investing activities	-11,561	-29,292
Cash flow from financing activities		
Dividends paid	-10,176	-8,091
Share and option schemes	2,785	0
Long-term debts incurred	0	0
Redemption of long-term debts	-150	-414
Net cash flow from financing activities	-7,541	-8,505
Net increase / decrease in cash and cash equivalents	11,052	-20,400
Translation differences and revaluations	-3,849	1,142
Change in available funds	7.203	-19.258
Cash and cash equivalents at 1 January	-30,337	-11,079
Cash and cash equivalents at 31 December	-23,134	-30,337
The balance of cash and cash equivalents at 31 December consists of:		
Cash	6,221	6,879
Debts owed to credit institutions	-29,355	-37,216
Balance of cash and cash equivalents	-23,134	-30,337

Consolidated statement of changes in group equity

in thousands of euros

	2005	2004
Position as at 31 December in previous financial year	160,399	149,116
First time adoption IAS 32 and 39 Financial Instruments	951	0
Position as at 1 January	161,350	149,116
Profit in financial year	33,635	19,762
Revaluations	1,302	0
Translation differences	666	-2,030
Share and option schemes	2,785	0
Dividends paid	-10,176	-8,091
Change in hedging reserve	-962	0
Change in tax rates	5	1,212
Other changes	-1,434	430
Position as at end of current financial year	187.171	160.399

Accounting principles

From 1 January 2005 the TKH Group presents its financial statements in accordance with the International Financial Reporting Standards (IFRS). The comparable figures for 2004 have also been adapted to comply with IFRS.

More information on the adjustments can be found in the interim report 2005.