

press release

TKH Group N.V. (TKH)
Annual figures 2006

TKH Group's net profit up 36%

- Profit rise beats expectations thanks to strong fourth quarter.
- Turnover up 25.1% to € 685.5 million, organic growth 17.4%.
- Operating result improves by 35.4% to € 53.6 million.
- Innovations account for a record 29% of turnover.
- Positive trend in Cable Group due to specialty cable and system deliveries.
- Proposed dividend of € 2.10 per (depository receipt of) ordinary share.
- New targets for 2009; ROS 8 to 9% and ROCE 18 to 20%.
- Proposal for a 1 : 4 share split.

Outlook

- TKH expects growth of turnover and profit in 2007.

Key figures

(in millions of € unless otherwise stated)	2006	2005	% difference
Turnover	685.5	547.9	+ 25.1
Operating result (EBIT)	53.6	39.6	+ 35.4
Net profit	35.4	26.1*	+ 35.5
Net profit per ordinary share (in €)	4.22	3.18*	+ 32.7
Solvency	46.4%	47.2%	
ROS	7.8%	7.2%	
ROCE	17.1%	14.3%	
Dividend proposal (in €)	2.10	1.65	+ 27.3

Key figures in fourth quarter

(in millions of € unless otherwise stated)	Q4 2006	Q4 2005	% difference
Turnover	198.0	156.0	+ 26.9
Operating result (EBIT)	18.3	14.0	+ 30.7
Net profit	13.0	9.9*	+ 31.3
ROS	9.2%	9.0%	

* Before one off tax gain of € 7.5 million

Alexander van der Lof, CEO TKH: *"Thanks to a strong performance in the fourth quarter the result for the whole of 2006 exceeded our forecast. The Cable Group's strategy of focusing on total solutions, systems deliveries and niche markets made a particularly important contribution to the improvement of our results. Innovations also played a major part in the strong organic growth and accounted for a record 29% of turnover. Innovation has become the strength and distinguishing feature of TKH and will continue to be a central factor in our growth strategy in the years ahead."*

Financial developments

Turnover in 2006 was € 685.5 million (2005: € 547.9 million), an improvement of 25.1% over 2005. This was partly attributable to the acquisitions made in 2006. The organic turnover growth amounted to 17.4%. The effect of higher raw material prices was about 6%.

Added value rose by € 36.7 million, or 16.1%, to € 264.4 million, although added value as a percentage of turnover declined due to the higher raw material prices and came out at 38.6% (2005: 41.6%). The gross margin percentage of the Cable Group in particular came under pressure from the rising raw material prices. In the Machinery Group, the added value percentage also declined slightly due to a higher proportion of work that was outsourced. The Technical Trading Group's gross margin as a percentage of turnover improved thanks to the focus on innovations and total solutions.

The operating result rose by € 14.0 million to € 53.6 million, an increase of 35.4%. Operating costs rose more slowly than turnover and added value thanks to efficiency improvements and better capacity utilisation rates. The operating result as a percentage of turnover (ROS) rose to 7.8% (2005: 7.2%). This improvement was mainly attributable to the Cable Group.

Despite the impact of acquisitions and the increase in the working capital resulting from the expansion of activities and higher raw material prices, the net financial expenses were only slightly higher at € 3.7 million (2005: € 3.3 million).

In 2005 there was a one off tax gain of € 7.5 million. The tax burden rose slightly in 2006 to 29.3% (2005: 28.6% before one off tax gain). This was due to an increase in the share of the profit realised in Germany, where the tax burden is higher.

The net profit in 2006 increased by 35.5% to € 35.4 million (2005: € 26.1 million before the extraordinary tax gain). Ordinary earnings per share were € 4.22, an increase of 32.7% (2005: € 3.18 before one off tax gain). Even when taking into account the one off tax gain in 2005, earnings per share were up by 2.7%.

The balance sheet total increased by € 80.5 million in 2006 as a result of the growth of net working capital by € 20.8 million due the expansion of activities and due to acquisitions (€ 30.2 million). The working capital as a percentage of turnover declined from 21.0% to 19.8%.

Net bank debts at year-end 2006 were € 20.0 million higher than at the end of 2005, primarily because of the increased demand for working capital and the acquisitions made in 2006. Solvency declined slightly from 47.2% to 46.4%.

The number of employees (FTEs) at year-end 2006 was 2,961 (2005: 2,723).

Progress in meeting targets and implementing strategy

The focus on total solutions led to a further improvement in the margin during 2006. The 2006 targets of a ROS of at least 7% and a ROCE of at least 15% were largely exceeded. The ROS in 2006 was 7.8% and the ROCE was 17.1%.

The new targets for 2009 are to achieve a ROS of 8 to 9% and a ROCE of 18 to 20%. Given the strong focus on growth, the ROS and ROCE could come out at the lower end of these bandwidths.

The completion of four acquisitions in the first half of 2006 - ART, Funea, Schneider Intercom and Schrade Kabel- und Elektrotechnik - accelerated the reinforcement of the TKH portfolio and widened the geographical distribution of the turnover within TKH. In the second half of the year TKH increased its stake in Schneider Intercom from 65% to 85% and converted its 49% minority holding in ART into a 100% stake. At the beginning of 2007, TKH acquired a majority stake in USE system engineering in Haaksbergen, a company that has developed interesting technology for various applications relating to traffic engineering and building systems. USE has a turnover of roughly € 1 million.

The acquisitions represent a good fit with TKH's strategy of providing total solutions and offer prospects for healthy growth in turnover and result.

Solutions segmentation

TKH approaches the market from three business segments: Telecom, Building and Industrial Solutions.

Within the solutions segments the performance of the Building Solutions segment was particularly buoyant. The renewal of the TKH portfolio in this segment led to an increase in market share for various systems, including structured cabling systems for energy and data transfer.

The Telecom Solutions segment performed well in the field of home networking solutions, including 'plug and play' broadband solutions, wireless networks and DECT telephones. Investment was still sluggish in the outdoor telecom market and consequently growth in this market was modest.

The Industrial Solutions segment clearly benefited from a higher level of investment in the industry. Turnover grew mainly in the fields of systems for machine building, the medical industry and the shipbuilding industry.

Developments per group

Technical Trading Group

General

Turnover of the Technical Trading Group rose by 23.7% to € 239.6 million in 2006 (2005: € 193.8 million). Acquisitions accounted for 18.4% of this total (Funea and Schneider Intercom).

The organic turnover growth suffered from the lengthy preparation periods for the transition to ALL IP networks started by the operators of European telecommunication networks. This resulted in a slowdown in investment in conventional connectivity materials. Although TKH secured a number of orders for test set-ups and small-scale conversions to ALL IP, these were not large enough to offset the aforementioned decline in turnover.

Growth was realised due to increased consumer spending on broadband components and indoor ICT solutions. Turnover developed particularly positive in Germany, Poland and the Netherlands, mainly due to the innovations in systems for care of the elderly, CCTV systems, intercom systems and building cabling concepts.

Despite substantial investment in the development of new security and care concepts, the operating result improved by 22.8% to € 22.4 million (2005: € 18.3 million). As a result of our focus on complete solutions and the increased share of turnover accounted for by innovations, the added value improved. Innovations accounted for 23% of the turnover.

Telecom Solutions

There is still huge demand for bandwidth, driven by Triple Play developments and the associated trend towards ADSL2⁺, VDSL and ALL IP networks. There has been substantial investment in the development of ALL IP solutions for the outdoor telecom segment. However, most operators are still in the planning or testing phase for the roll-out of network upgrades. The TKH Group has meanwhile already received orders from all its existing operator customers, with the focus on technology to allow networks to be upgraded without disruption.

Building Solutions

Investment increased substantially in the installation and building sector. By providing innovations to meet the growing demand for security and efficiency in buildings, TKH increased its turnover by more than the market average. Innovations included concepts for access control, camera surveillance, concepts for central control rooms and systems for care of the elderly.

Despite the lengthy development periods in the market for the elderly care, TKH has invested heavily in this segment. It is clear that the existing concepts and innovations developed in the last few years offer excellent opportunities in this rapidly growing market. Various pilot projects were launched and a lot of attention was devoted to further expanding the portfolio and the technology.

Industrial Solutions

Investment picked up in the industrial sector. In the operating systems segment, a number of TKH's locations were put together to enable these activities to operate more efficiently. Growth in this segment was boosted by an increased outsourcing of control systems activities within TKH to European partners.

Cable Group**General**

The turnover of the Cable Group increased by 36.4% to € 327.7 million in 2006 (2005: € 240.2 million). The organic turnover growth was 33.7%. The acquisition of Schrade Kabel- und Elektrotechnik in Germany accounted for 2.7% of the increase in turnover. The steep rise in the prices of raw materials, particularly of copper, had an effect on turnover growth of 12.5%. Thanks to the improved market conditions, most of the increase in raw material prices could be passed on. Turnover growth was mainly realised in Europe and Asia. Market conditions in the European building and installation sector improved. With the many cable and cable system solutions it has introduced in recent years, TKH was able to increase its market share in Europe. Innovations accounted for 27.0% of turnover.

The Cable Group's operating result increased by 79.0% to € 26.1 million (2005: € 14.6 million). As a result of the higher capacity utilisation rate, increased efficiency and the relatively large share of innovations, operating result grew faster than turnover. The focus on high-grade solutions for niche markets resulted in a further improvement of the ROS to 8.0% (2005: 6.1%).

The plants operated at more than 90% of their capacity. Thanks to the efficiency improvements that TKH has made, substantial growth could be achieved with relatively limited investment. There was close cooperation within the Cable Group and with the other groups in TKH and this led to many new orders. Another positive factor was the decision to place the Cable Group in the Netherlands and China under one management board. The closer cooperation also helped to optimise the allocation of production capacity and development resources.

Telecom Solutions

The growth in the Telecom Solutions segment came to over 15%. This growth was realised by the increase in the demand for optical fibre and optical fibre cable systems. Worldwide demand for optical fibre and optical fibre cable increased by 26%. Growth lagged behind in Europe, but was strong in China, particularly in the second half of the year. The growth was driven by a substantial increase in demand for bandwidth for ALL IP networks. TKH was able to improve its margins due to above-average growth in the high-end segment. TKH again secured various orders for 'Fiber To The Home' (FTTH) solutions in 2006. Together they accounted for roughly 100,000 connections.

The investments in cable systems with copper conductors continued to decline, partly because copper cable solutions are only used on a limited scale for new building projects.

Building Solutions

The improved market conditions in the building and installation sector had a positive effect on the growth in this segment. Turnover increased by over 60%, a substantial share of which was accounted for by the position TKH has developed in a number of niche markets in recent years. Innovations in the field of fire-proof cabling systems and installation cable also contributed to the growth. Due to the substantial improvement in the capacity utilisation rate in the European cable industry, margins stabilised and actually improved in some segments. The shipbuilding sector performed well as investment rose sharply.

TKH expanded its marketing activities in some European countries. This led to higher turnover, particularly in Scandinavia and Germany. As a result of the successful penetration of these markets many specialty cables could be introduced, which had a positive effect on the margin.

Industrial Solutions

Partly because of the strong increase in European industrial activity, turnover in this segment grew by more than 30%. In particular, supply to the machinery equipment sector demonstrated healthy growth. The industrial sector in Europe is becoming more and more innovative. By answering this trend, as a group, with innovative ideas and comprehensive solutions, TKH increased its market share.

The capacity utilisation rate in specialty cable production again hit a high level. To further expand production capacity for specialty cable, investment has been put into new production facilities and new expansion plans have been developed. The move from standard cable capacity towards specialty cable capacity plays an important role in this process. The attractiveness of the specialty cable activities was underscored by the increase in margin. Also within these activities the focus on comprehensive and high value added solutions has clearly delivered success.

Machinery Group**General**

Turnover of the Machinery Group increased 5.1% to € 122.5 million (2005: € 116.6 million). Turnover for the second half of 2006 grew by 14.1%. More than 85% of turnover was generated in the tyre building systems segment. The order intake for 2006 as a whole increased by over 30%. The robust growth in order intake was due to the innovative strength of the solutions offered by the TKH Group. Furthermore, there was an increasing level of investment and an increasing element of outsourcing within the tyre building sector.

The operating result of the Machinery Group fell by 13.3% to € 12.6 million (2005: € 14.6 million). This was primarily due to the effects of the learning curve of the substantial share of innovations in turnover. Because some 50% of orders consisted of innovations introduced within the last two years, the engineering element was far higher than normal in 2006. This led to pressures on margin, because higher than normal start up costs incurred in 2006. In the first half of the year there were still periods of under-utilisation, while in the second half there were periods of peak utilisation, which led to inefficiencies. The ROS fell to 10.3% (2005: 12.5%).

Industrial Solutions

The strong growth in the order intake since the fourth quarter of 2005 has continued in 2006. Positive aspects are that a number of orders relate to deliveries for several years and that orders were received to supply complete factories with tyre building systems solutions. During 2006 preparations were made for the construction of additional capacity in China and a scheme for extending working hours was implemented. Furthermore, by manufacturing and testing machinery on a modular basis, inroads were made into reducing processing times and achieving better and more efficient utilisation of production facilities.

The first MTM (Modular Tyre Manufacturing) machine was delivered, as planned, in the second half of 2006. Modules from this concept represent a breakthrough in the field of flexible production of components used in car tyres. What is unique in this concept is that the flexible production does not come with increased costs. Since then, a number of new orders have been won for MTM modules. The interest in the MTM concept affected the order intake to only a limited extent in 2006. From mid 2007, a further increase is expected in the number of orders for MTM modules or complete MTM solutions.

Dividend proposal

At the General Meeting of Shareholders to be held on 24 April 2007, TKH will propose a dividend of € 2.10 per (depository receipt of) ordinary share (2005: € 1.65). This represents a pay-out ratio of 49.8%. 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 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 10 May 2007. The dividend will be made available for payment, either in cash or stock, on 14 May 2007.

Proposal for share split

To increase the liquidity of the TKH shares, a proposal will be submitted to the General Meeting of Shareholders on 24 April 2007 to amend the articles of association and to split the (depository receipts of) ordinary shares of TKH four for one.

Outlook

The improved market conditions in the building and installation sector and the innovations which have been introduced in the healthcare and telecom sectors offer further growth potential for the Technical Trading Group. While the growth in the telecom sector offers perspective, this has not yet taken hold and is dependent on the speed with which the telecom operators in Europe upgrade the telecommunications networks.



For the Cable Group, the market conditions have improved. Developments in the area of specialty cable and the growth in niche market activities are proceeding well. After the strong growth in 2006, the potential for further improvement in margins in the coming years will be limited.

The Machinery Group's order intake developed well in 2006, growing by more than 30%. The increase in the order intake will result in higher turnover and an increase in profit in 2007. The extent to which profit increases depends on the "learning curve effects" of the newly introduced solutions, the efficiency-improvements and the speed with which capacity can be extended.

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

Haaksbergen, 8 March 2007

Executive Board

For further information:

J.M.A. (Alexander) van der Lof, MBA
Chairman of the Executive Board
Tel: +31 (0) 53 573 2901
Internet site: www.tkhgroup.com

Timetable

24 April 2007	Annual General Meeting of Shareholders
2 May 2007	Trading update Q1 2007
31 August 2007	Publication of the half-year report 2007
22 November 2007	Trading update Q3 2007



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 nature 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 36 companies in the TKH Group are active all over the world. Its growth is concentrated on North West and Eastern Europe and Asia. In 2006 TKH secured a turnover of € 686 million with 2,961 employees.

Consolidated Profit and Loss Account

in thousands of euros

	2006	2005
Net turnover	653,699	545,569
Changes in inventory of finished goods and work in progress	30,379	110
Other operating income	1,414	2,232
Total operating income	685,492	547,911
Costs of raw materials, consumables, trade products and subcontracted work	421,109	320,188
Personnel costs	136,361	120,137
Depreciation	9,550	12,455
Other operating expenses	64,893	55,566
Total operating expenses	631,913	508,346
Operating result	53,579	39,565
Financial income and expenses	-3,747	-3,343
Share in result non-consolidated participations	174	302
Result before tax	50,006	36,524
One off tax gain	0	-7,544
Tax for current financial year	14,640	10,433
Tax on profit	14,640	2,889
Net result	35,366	33,635
Attributable to:		
Shareholders of the company	35,043	33,450
Minority interest	323	185
	35,366	33,635
Earnings per share		
Weighted average number of shares (x 1,000)	8,310	8,137
Weighted average number of shares fully diluted (x 1,000)	8,484	8,361
Ordinary earnings per share, excl. one off tax gain (€)	4.22	3.18
Ordinary earnings per share (€)	4.22	4.11
Diluted earnings per share (€)	4.13	4.02

Consolidated balance sheet

in thousands of euros

	<u>2006</u>	<u>2005</u>
Assets		
<u>Non-current assets</u>		
Intangible non-current assets	44,320	23,543
Tangible non-current assets	121,838	118,851
Investment property	5,534	5,698
Financial non-current assets	2,850	2,748
Deferred tax assets	16,584	16,408
Total non-current assets	191,126	167,248
<u>Current assets</u>		
Inventories	119,750	103,673
Receivables	155,921	119,097
Cash and cash equivalents	9,970	6,221
Total current assets	285,641	228,991
Total assets	<u>476,767</u>	<u>396,239</u>
Liabilities		
<u>Group equity</u>		
Group equity	219,932	186,983
Minority interest	1,294	188
Total group equity	221,226	187,171
<u>Provisions</u>		
Deferred tax liabilities	18,335	24,316
Other provisions	18,385	21,529
Total provisions	36,720	45,845
Long-term liabilities	26,031	26,248
<u>Short-term liabilities</u>		
Trade debts and other payables	171,302	117,480
Current tax liabilities	21,488	19,495
Total short-term liabilities	192,790	136,975
Total liabilities	<u>476,767</u>	<u>396,239</u>

Consolidated cash flow statement

in thousands of euros

	2006	2005
Cash flow from operating activities		
Operating result	53,579	39,565
Depreciation	11,477	12,455
Result on divestments	-1,927	-108
Changes in provisions	-3,512	-1,465
Changes in working capital	-19,509	-29,140
Cash flow from operations	40,108	21,307
Interest received/(paid)	-3,762	-3,531
Income tax on profit received/(paid)	-17,796	12,270
Net cash flow from operations (A)	18,550	30,046
Cash flow from investing activities		
Dividends received from non-consolidated associates	174	0
Purchases of tangible non-current assets	-18,007	-11,936
Disposals of tangible non-current assets	1,471	662
Purchases less disposals of investment property	5,011	1,681
Acquisition of subsidiaries	-20,323	-18
Acquisition of associates	-276	-486
Acquisition of intangible non-current assets	-3,156	-1,418
Acquisition of other financial non-current assets	0	62
Net cash flow from investing activities (B)	-35,106	-11,453
Cash flow from financing activities		
Dividends paid	-5,245	-10,176
Share and option schemes	1,657	2,785
Repayment of long-term debts	-538	-150
Net cash flow from financing activities (C)	-4,126	-7,541
Net increase/(decrease) in cash and cash equivalents (A+B+C)	-20,682	11,052
Translation differences	678	-3,849
Change in available funds	-20,004	7,203
Cash and cash equivalents at 1 January	-23,134	-30,337
Cash and cash equivalents at 31 December	-43,138	-23,134
The balance of cash and cash equivalents at 31 December consists of:		
* Cash and cash equivalents	9,970	6,221
* Debts owed to credit institutions	-53,108	-29,355
Balance of cash and cash equivalents	-43,138	-23,134

Consolidated statement of changes in group equity

in thousands of euros

	2006	2005
Position as at 1 January	187,171	161,350
Profit in financial year	35,366	33,635
Changes in cash flow hedges	194	-962
Revaluations	1,975	1,302
Release of realised revaluations	0	0
Change in tax rates	790	5
Translation differences	-1,465	666
Share and option schemes	830	562
Total profit	37,690	35,208
Dividends paid	-5,245	-10,176
Share and option schemes	827	2,223
Deferred development costs	0	0
Acquisitions	783	0
Other changes	0	-1,434
Position at 31 December	221,226	187,171

Notes to the financial report

1 Accounting principles for financial reporting

The financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. For the accounting policies, we refer to the Annual Accounts 2005.

2 Authorised capital

The number of outstanding (depository receipts of) shares at 31 December 2005 was 8,183,029. As a result of exercised option rights and share schemes, 80,775 (depository receipts of) shares were delivered and sold during the year. Furthermore, a stock dividend of 164,826 (depository receipts of) shares was paid out of the share premium reserve. As a result the number of outstanding (depository receipts of) shares on 31 December 2006 was 8,428,630.

3. Segmentation per group

in thousands of euros

	2006			2005		
Turnover	2 nd half	1 st half	total	2 nd half	1 st half	total
Technical Trading Group	125,570	114,044	239,614	107,671	86,091	193,762
Cable Group	176,917	150,829	327,746	123,943	116,264	240,207
Machinery Group	66,677	55,856	122,533	58,427	58,215	116,642
Intra-company deliveries	-2,339	-2,062	-4,401	-1,199	-1,501	-2,700
Total turnover	366,825	318,667	685,492	288,842	259,069	547,911

Operating result

Technical Trading Group	12,713	9,722	22,435	9,729	8,543	18,272
Cable Group	14,544	11,565	26,109	8,901	5,689	14,590
Machinery Group	6,697	5,938	12,635	7,548	7,018	14,566
Other	-3,780	-3,820	-7,600	-4,317	-3,546	-7,863
Total operating result	30,174	23,405	53,579	21,861	17,704	39,565

4. Contingent liabilities

During 2006, there was no essential change in the contingent liabilities, as reported in the financial statements for 2005.

5. Events after the balance sheet date

No events of essential relevance for an insight have occurred after the balance-sheet date.

6. Annual Report

The Consolidated profit and loss account, Consolidated balance sheet, 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 as of 31 December 2006, which have not yet been published in compliance with legal requirements. In accordance with Section 2: 395 of the Dutch Civil Code, we report that our auditor, Deloitte Accountants B.V., has issued an unqualified auditor's report on the annual accounts. For the understanding required to make a sound judgement as to the financial position and results of TKH Group N.V. and for a satisfactory understanding of the scope of the audit by Deloitte Accountants B.V., 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 Deloitte Accountants B.V. on 7 March 2007. We expect to be able to publish these documents at the beginning of April 2007. The annual accounts will be submitted to the General Meeting of Shareholders on 24 April 2007 for approval.