

Press Release

TKH Group N.V. (TKH)
First half 2008 results

Net profit TKH Group up 46.4% in 1st half

- Increase in turnover 1st half 2008 by 31.2% to € 504.8 million, of which 9.7% organic.
- High contribution of innovations to turnover (22.4%) is key driver for organic growth.
- EBITA increases by 68.6% to € 44.1 million.
- All solutions segments show strong organic profit growth.
- Strong contribution to profit growth from acquisitions second half 2007.
- Focus on solutions positively contributes to margin development (ROS).

Outlook

- Expected increase of net profit (before amortisation and before exceptional tax gain 2007) for the financial year 2008 of approximately 30%.

Key figures first half year (in € million unless otherwise stated)

	1st half year 2008	1st half year 2007	Difference as a %
Turnover	504.8	384.8	+ 31.2
EBITA	44.1	26.1	+ 68.6
Net result before amortisation ¹⁾	27.1	17.4	+ 55.9
Net result	25.5	17.4	+ 46.4
Net earnings per ordinary share before amortisation (in €)	0.77	0.51	+ 51.0
Net earnings per ordinary share (in €)	0.72	0.51	+ 41.2
Solvency	38.6%	46.3%	
ROS	8.7%	6.8%	

Key ratios second quarter figures (in € million unless otherwise stated)

	Q2 2008	Q2 2007	Difference as a %
Turnover	249.6	187.0	+ 33.5
EBITA	23.9	13.2	+ 80.8
Net result	13.9	9.2	+ 50.3
ROS	9.6%	7.1%	

¹⁾ Net result before amortisation of intangible non current assets related to acquisitions (after tax).

Alexander van der Lof, CEO of technology company TKH: "As a solutions provider, TKH has a healthy growth perspective. The transformation to the new segmentation in Solutions gives TKH a sharper focus and makes the company more transparent. With this transformation, the cohesion in activities is structured and organised better. This translates into greater efficiency of the company's solutions proposition. The margin increase to 9.6% during the second quarter confirms TKH Group's potential. The strategy of TKH offers a fair resistance against deteriorating economic circumstances."

Financial developments

Turnover in the first half of 2008 increased by € 120.0 million (+31.2%) to € 504.8 million (H1 2007: € 384.8 million). Organic growth accounted for 9.7%. Since 30 June 2007 CAE, NET, Pantaflex, SecurityWorks and Keyprocessor were acquired. Acquisitions accounted for 21.5% of the growth in turnover. All three solutions segments (Telecom, Building and Industrial Solutions) contributed to the growth in turnover, of which Building Solutions showed the largest increase. The distribution of turnover based on solutions was as follows: Telecom Solutions 17%, Building Solutions 35% and Industrial Solutions 48%.

The gross margin as a percentage of turnover slightly increased from 37.1% to 37.5%. Due to strict cost control and efficiency improvements, the operating costs excluding amortisation increased at a rate of 24.9% which is below turnover increase.

Depreciation of € 7.1 million was above the first half 2007 level (H1 2007: € 6.1 million) due to increased investment.

The operating result before amortisation and impairment of intangible assets (EBITA) was up 68.6%, to € 44.1 million in the first half of 2008 from € 26.1 million in the first half of 2007. The organic profit growth amounted to 33.1%. All solutions segments contributed significantly to the increase in profit.

Amortisation increased to € 3.2 million in the first half of 2008 (H1 2007: € 0.4 million), mainly due to acquisitions during the past 12 months.

The financial income and expenses increased from € 1.6 million during the first half 2007 to € 5.4 million in the first half 2008. This increase was largely due to increased bank debt, in combination with a negative currency effect amounting to € 0.7 million. The tax burden slightly decreased to 28.0% (H1 2007: 28.8%).

The net result before amortisation in the first half 2008 amounted to € 27.1 million, an increase of 55.9% compared to the comparable period in 2007 (H1 2007: € 17.4 million). Net profit in the first half 2008 amounted to € 25.5 million. This is a 46.4% increase compared with the equivalent period in 2007 (H1 2007: € 17.4 million). Earnings per share came in at € 0.72 (H1 2007: € 0.51) and earnings per share before amortisation amounted to € 0.77 (H1 2007: € 0.51).

Net bank debt increased by € 26.3 million compared with the 2007 closing date. This was mainly due to turnover growth and related working capital requirement, as well as investments. As a percentage of turnover, the working capital decreased to 21.5% (H1 2007: 22.9%). The solvency decreased to 38.6% (H1 2007: 46.3%), which was mainly related to the significantly higher financing requirements due to acquisitions. Despite the increased financing need TKH operates well within the financial ratios as agreed in the debt contracts.

The number of employees (FTE) as per 30 June 2008 was 3,804 (31 December 2007: 3,577).

Progress strategy implementation

The companies acquired in the past twelve months have made a positive contribution to TKH Group's strategic development. CAE, a French company, that was acquired during the second half of 2007, provides TKH with a key position in the French market and significantly reinforces TKH's European position as a whole. The growth of TKH group is further stimulated by its focus on increasing geographic overlap in activities. Access to the total TKH portfolio for all companies in the group and the mutual exchange of knowledge are additional growth drivers. This is particularly clear from the results development during the first half of 2008. As a technology company, it is essential to continuously develop, translating new technologies into new orders. The high proportion of innovation in turnover during the first half year of 2008 of 22.4%, demonstrates TKH Group's success. The innovations are a key driver for organic growth of TKH group.

Solutions segmentation

From 1 January 2008 onwards, TKH reports in a new structure based on the Telecom, Building and Industrial Solutions segments. The company initiated this new structure in 2003. TKH made solutions a focal point in its strategy and developed into a systems supplier with ICT and electrical technology as the company's core technologies. TKH adds value to its solutions in the form of engineering, assembly and system integration. Over 70% of components production is outsourced to external parties. This implies that in the past few years, TKH has transformed into a technology company with a very high share of innovations.

The completion of the new reporting structure and implementation of the solutions organisation provided an extra impulse to positioning solutions within the three solutions segments in the first half of 2008. This has ensured further optimisation of profitability per solutions segment and better portfolio management of the segments.

Developments per solutions segment

Telecom Solutions

Turnover within the Telecom Solutions segment increased by 18.1%, from € 74.5 million during the first half year of 2007 to € 87.9 million during the first half year of 2008. Of this total, € 12.0 million was achieved by the acquisition CAE. The organic increase in turnover amounted to 2.0%. The market conditions within Europe for both indoor telecom systems and optical fibre networks were excellent, while copper networks showed a decline.

The EBITA increased by 47.4%. It went up from € 8.3 million in the first half year of 2007 to € 12.3 million in the first half year of 2008. The operating result was boosted by a larger contribution from deliveries with high added value in the form of systems.

The margin (ROS) increased by 11.2% in the first half year of 2007 to 14.0% in the first half year of 2008.

Indoor telecom systems

Turnover increased, in particular in France and Germany. The need to further upgrade indoor networks to higher bandwidths had a positive impact on demand for peripheral equipment. In the Netherlands, turnover decreased due to a significant decline in demand for dect-telephones.

Fibre network systems

Turnover increased due to a growing demand for optical fibre. The investment priority for optical fibre networks further increased. The world market for optical fibre increased by approximately 20% during the first half year. Within Europe, various new contracts were achieved, increasing the order book for both active and passive optical fibre systems.

Copper network systems

Investments being shifted from copper to optical fibre networks had a negative impact on the growth of turnover in copper network systems.

Building Solutions

Turnover within the Building Solutions segment increased by 46.9% during the first half year, from € 118.2 million to € 173.7 million. The organic increase in turnover amounted to 10.8%, mainly due to the security solutions and the structured data cable systems within building technologies. Furthermore, turnover of connectivity systems showed positive development, whereas the turnover in cables with low added value was downsized. The acquisitions CAE, NET, SecurityWorks and Keyprocessor achieved a combined growth of 36.1% within Building Solutions.

In most segments within Building Solutions, market conditions were good, although market growth flattened out during the first half of 2008. In France, market conditions were less favourable than in the rest of Europe, which limited growth in that region.

EBITA rose by 108.4%, from € 6.7 million during the first half of 2007 to € 14.1 million during the first half of 2008. This significant increase was mainly caused by a substantial increase in activities with high added value, including security solutions and cable systems and the downsizing of activities with a low added value, such as commodity installation cable.

The margin (ROS) rose by 5.7% during the first half year of 2007 to 8.1% during the first half year of 2008.

Building Technologies

Turnover within building technologies showed positive development. In particular the structured cabling systems segment showed healthy growth. The trend towards higher transmission speeds for data communication systems leads to a strong substitution demand and higher quality requirements relating to the required specifications. Flexible installation and reduction of installation costs led to more complete systems and solutions and TKH Group is well-positioned to accommodate this. Additionally, increased demand for domotics solutions, among others aiming to decrease energy consumption and increase efficiency in the healthcare sector, was a growth driver.

Security systems

Lending high priority to investment in security solutions allowed for further growth of turnover within this segment. On one hand, investment is driven by the increasing social need for a safer environment and on the other by the need for further increases in efficiency within the safety sector. The acquisitions also contributed to the achieved growth.

Connectivity systems

The increase in turnover within this segment was limited by further decrease of low added value activities, like commodity installation cable. This did, however, substantially improve the margin. It also created more space to switch the present production capacity in this segment to higher value added products.

Industrial Solutions

Turnover within the Industrial Solutions segment rose by 26.6% during the first half year of 2008, from € 192.1 million during H1 2007 to € 243.2 million. The organic growth amounted to 12.0%. Industrial Solutions' two sub-segments, connectivity systems and manufacturing systems, both contributed to this growth, with manufacturing systems showing the highest growth. Growth on acquisitions was achieved by CAE and Pantaflex.

Market conditions were generally favourable within Industrial Solutions. The trend for outsourcing within the industrial sector was a positive factor.

The EBITA rose by 52.2%, from € 14.9 million during the first half of 2007 to € 22.7 million during the first half of 2008. Manufacturing systems significantly contributed to this result improvement, as the cost level normalised during the first half of 2008, whereas it was very high during the same period in 2007 due to high prototyping costs.

The margin (ROS) increased from 7.8% during the first half year of 2007 to 9.3% during the first half year of 2008.

Connectivity systems

Turnover in cable systems and specialty cable showed a healthy growth. During the second quarter, production was started in the new plant in Germany (Cottbus). The increase in production capacity responds well to a further increase in the order book within this segment.

Manufacturing systems

Order intake achieved an all-time high during the first half year of 2008. In particular the tyre manufacturing systems segment performed well with order intake amounting to over € 100 million during the first half year of 2008. The tyre manufacturing sector attached high priority to efficiency investments, to which TKH could respond with its innovations.

Outlook

The market conditions for Telecom Solutions are favourable. Investment priority for optical fibre networks further increases due to strong growth in the need for transmission speed and image quality. In contrast, demand for conventional solutions in telecom networks will further decline.

Within Building Solutions, innovations in the field of among other things security solutions and improved installation efficiency represent above-average growth opportunities. In a number of segments, market conditions have deteriorated. However, these developments have a limited impact on the developments within the Building Solutions segment, as most of the activities within the TKH group are positioned in growth segments.

Within Industrial Solutions, TKH benefits from the strong tendency to outsource to specialist companies, and the outlook is positive.

On balance, TKH expects the net result before amortisation and before the exceptional tax gain in 2007 to rise by approximately 30%, barring unforeseen circumstances. This would take the net result for the financial year of 2008 (after amortisation) up to approximately € 52 million.

Haaksbergen, 29 August 2008

Executive Board

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Agenda

20 November 2008	Trading update Q3 2008
11 March 2009	Publication Full year Results 2008
28 April 2009	Annual General Meeting
6 May 2009	Trading Update Q1 2009
27 August 2009	Publication half-year results 2009
12 November 2009	Trading Update Q3 2009

Profile

Technology company, TKH Group NV (TKH) is an internationally operating group of companies specialised in creating and supplying innovative Telecom, Building and Industrial Solutions.

At TKH the solutions play the central role, not the kind of activity. In the business segments Telecom Solutions, Building Solutions and Industrial Solutions, basic technologies in the field of ICT and electro technology from the various business units, often in partnership with suppliers, are consolidated into total solutions.

Specialists in the field of marketing, process development, design, engineering and logistics add consultancy and project implementation to offer a tailor made solution. These locally developed concepts are subsequently offered internationally, in order to optimally capitalize on the expertise and knowledge within TKH.

The Telecom Solutions consist of solutions ranging from basic infrastructure to home networking applications, for both the outdoor and indoor telecom (ICT) -markets. TKH Telecom Solutions can be divided into three sub segments: Fibre Networks, Copper Networks and Indoor Telecom Systems.

The Building Solutions comprise solutions ranging from efficient electrical engineering to ICT systems for the care sector. Building Solutions can be divided into three sub segments: Building Technologies, Security Systems and Connectivity Systems.

The Industrial Solutions consist of advanced manufacturing systems for the car and truck tyre manufacturing industry and connectivity systems for the medical, robot, automotive and machine building industry.

Continuous focus on research and development provides a product and services portfolio that safeguards technologically advanced solutions. With its group companies, TKH group is active all over the world. Its growth is concentrated on Northwest, Central and Eastern Europe and Asia. In 2007 TKH secured a turnover of € 837.8 million with 3,577 employees.

Consolidated Profit and Loss Account

in thousands of euros

	1 st half 2008	1 st half 2007
Net turnover	471,429	337,114
Changes in inventory of finished goods and work in progress	32,651	47,080
Other operating income	690	586
Total operating income	504,770	384,780
Costs of raw materials, consumables, trade products and subcontracted work	315,270	242,219
Personnel expenses	91,999	76,041
Depreciation	7,144	6,107
Amortisation	3,233	387
Other operating expenses	46,297	34,281
Total operating expenses	463,943	359,035
Operating result	40,827	25,745
Financial income and expenses	-5,367	-1,566
Share in result of associates	-107	246
Result before tax	35,353	24,425
Tax on profit	9,901	7,045
Net result	25,452	17,380
Attributable to:		
Shareholders of the company	25,244	17,387
Minority interest	208	-7
	25,452	17,380
Earnings per share		
Weighted average number of shares (x 1,000)	34,849	33,981
Weighted average number of shares for the purpose of diluted earnings per share (x 1,000)	35,010	34,294
Ordinary earnings per share before amortisation (in €)	0.77	0.51
Ordinary earnings per share (€)	0.72	0.51
Diluted earnings per share (€)	0.72	0.51

Consolidated balance sheet

in thousands of euros

	30-06-2008	31-12-2007
Activa		
<u>Non-current assets</u>		
Intangible non-current assets	161,792	147,110
Tangible non-current assets	148,152	142,473
Investment property	2,490	2,549
Financial non-current assets	3,412	3,517
Deferred tax assets	4,927	4,853
Total non-current assets	320,773	300,502
<u>Current assets</u>		
Inventories	157,785	144,759
Receivables	238,814	202,464
Cash and cash equivalents	5,823	9,653
Total current assets	402,422	356,876
Assets held for sale	1,240	1,240
Total assets	724,435	658,618
Liabilities		
<u>Group equity</u>		
Group equity	278,493	264,648
Minority interest	1,236	1,205
Total group equity	279,729	265,853
<u>Long term liabilities</u>		
Long term liabilities	86,818	86,306
Deferred tax liabilities	34,058	28,820
Pension provisions	12,996	13,144
Other provisions	9,426	4,457
Long term liabilities	143,298	132,727
<u>Short-term liabilities</u>		
Credit institutions	110,599	87,864
Trade debts and other payables	164,655	148,222
Current tax liabilities	12,081	5,629
Provisions	14,073	18,323
Total short-term liabilities	301,408	260,038
Total liabilities	724,435	658,618

Consolidated cash flow statement

in thousands of euros

	1 st half 2008	1 st half 2007
Cashflow from operating activities		
Operating result	40,827	25,745
Depreciation and amortisation	10,455	6,494
Results on desinvestments	-78	
Changes in provisions	-1,893	-1,362
Changes in working capital	-30,817	-31,051
Cash flow from operations	18,494	-174
Interest paid	-5,596	-1,313
Income tax on profit paid	-2,960	-5,209
Net cash flow from operations (A)	9,938	-6,696
Cash flow from investing activities		
Dividends received from non-consolidated associates	48	135
Investments in non-current assets and assets held-for-sale	-13,351	-14,864
Disposals in non-current assets and assets held-for-sale	747	3,319
Result on investments and desinvestments of investment property	59	0
Acquisition of subsidiaries	-9,119	-2,387
Acquisition of associates	-375	0
Acquisition of other intangible non-current assets	-3,008	-1,886
Acquisition of other financial non-current assets	0	-186
Net cash flow from investing activities (B)	-24,999	-15,869
Cash flow from financing activities		
Dividends paid	-11,929	-7,960
Purchase of shares	-597	-1,414
Share and option schemes	541	-457
Receipts from long term finance facilities	512	76
Short term debt credit institutions	22,735	27,163
Net cash flow from financing activities (C)	11,262	17,408
Net decrease in cash and cash equivalents (A+B+C)	-3,799	-5,157
Exchange differences	-31	813
Change in available funds	-3,830	-4,344
Cash and cash equivalents at 1 January	9,653	9,970
Cash and cash equivalents at 30 June	5,823	5,626

Consolidated statement of changes in group equity

in thousands of euros

	Issued share capital	Share premium	Statutory reserve	Revaluation reserve	Translation reserve	Cash-flow hedge reserve	Other reserve	Total	Minority interest	Total equity
Balance as at 1 January 2007	8,632	6,068	3,146	23,961	6,074	183	172,520	220,584	642	221,226
Profit in financial year							44,918	44,918	188	45,106
Reclassification for putoptions held by minority shareholders			190				-190	0		0
Changes cash-flow hedges						1,185		1,185		1,185
Revaluations				781				781		781
Release realised revaluation				-715			715	0		0
Change in tax rates				42				42		42
Exchange differences					-108			-108		-108
Share and option schemes							-1,232	-1,232		-1,232
Total profit	0	0	190	108	-108	1,185	44,211	45,586	188	45,774
Dividends paid	119	-119					-7,967	-7,967	-439	-8,406
Issue of new shares	100	6,900						7,000		7,000
Sold less purchased shares with respect to share and option schemes							-452	-452		-452
Capitalised development costs			3,086				-3,086	0		0
Acquisitions			-103					-103	814	711
Other changes								0		0
Balance as at 31 December 2007	8,851	12,849	6,319	24,069	5,966	1,368	205,226	264,648	1,205	265,853
Profit in financial year							25,244	25,244	208	25,452
Reclassification for put options held by minority shareholders			53					53	-53	0
Changes in cash-flow hedges						656		656		656
Exchange differences					-247			-247		-247
Share and option schemes							541	541		541
Total profit	0	0	53	0	-247	656	25,785	26,247	155	26,402
Dividends paid	166	-166					-11,805	-11,805	-124	-11,929
Sold less purchased shares with respect to share and option schemes							-597	-597		-597
Capitalised development costs			2,143				-2,143	0		0
Balance as at 30 June 2008	9,017	12,683	8,515	24,069	5,719	2,024	216,466	278,493	1,236	279,729

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. The accounting policies are disclosed in the annual financial statements 2007.

The figures in the interim financial report have not been audited.

2. Statutory capital

The number of outstanding (depository receipts of) shares as per 31 December 2007 was the equivalent of 34,626,012. As a result of the exercise of options rights and share schemes, a balance of 5,254 (depository receipts of) shares were delivered and sold in the first half of 2008. In addition, a stock dividend of 662,300 (depository receipts of) shares was paid out from the share premium reserve. As a result, the number of (depository receipts of) shares outstanding with third parties as per 30 June 2008 was 35,293,566.

3. Dividend

At the General Meeting of Shareholders the dividend over 2007 was declared at € 0.66 per (depository receipt of) ordinary share. The dividend was proposed at the option of shareholders in cash or as a 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 2008 was € 11,805,024 and this amount was charged to the other reserves. For stock dividend an amount of € 166,575 was charged against the share premium reserve.

4. Information by segment

	1 st half 2008	1 st half 2007	2 nd half 2007
Turnover			
Telecom Solutions	87,912	74,460	81,107
Building Solutions	173,701	118,222	156,448
Industrial Solutions	243,157	192,098	215,477
Total turnover	504,770	384,780	453,032
EBITA²⁾			
Telecom Solutions	12,298	8,342	10,290
Building Solutions	14,065	6,751	15,338
Industrial Solutions	22,732	14,940	18,164
Non-allocated income and expenses	-5,035	-3,901	-4,030
Total EBITA	44,060	26,132	39,762

²⁾ Operating result before amortisation and impairment of intangible non-current assets.

5. Net profit

	1st half year 2008	1st half year 2007
Net profit	25,452	17,380
Amortisation of acquisition-related intangible assets	2,400	-
Taxes on the amortisation	- 762	-
Net profit before amortisation	27,090	17,380
Attributable to minority interest	-208	7
Net profit before amortisation attributable to the shareholders of the company	26,882	17,387

6. Acquisitions

During the first half of 2008, TKH acquired the following interest:

Name participation	Country	Ownership and control ³⁾	Consolidated as from	Activity
Keyprocessor B.V.	Netherlands	90.9%	1 april 2008	Building Solutions

³⁾ Economic ownership is 100%.

The minority shareholders in the above-mentioned company have granted TKH an option to acquire the remaining shares. In addition, TKH has an obligations to purchase the shares if local management offers these shares for sale. The option rights can be exercised as from 1 January 2010. The option right has been recognised in the balance sheet.

7. Contingent liabilities

The contingent liabilities which are not reflected in the balance sheet, as reported in the financial statements for 2007, have not essentially changed in the first half of 2008.

8. Events after balance sheet date

On 8 August 2008, TKH reached agreement on the acquisition of 85% of the shares in AVO Techniek B.V., in the Netherlands. AVO Techniek realises with 50 staff an annual turnover of € 6.5 million. The activities will be part of the segment manufacturing systems of TKH, which is part of the business segment Industrial Solutions.

With the exception of the aforementioned acquisition, no events took place after the balance sheet date that significantly impact the insight into the recent most recent interim period.

9. Signature of semi-annual report

Haaksbergen, 28 August 2008

Executive Board
J.M.A. van der Lof MBA, *chairman*
E.D.H. de Lange MBA

TKH Solutions-segmentation first half year 2008

Segments	Sub-Segments	Business-Model					Markets
Telecom Solutions	17%	R&D and System engineering	Inhouse Manufacturing	Outsourced Manufacturing	Assembling	Service	<ul style="list-style-type: none"> > Telecom operators > Cable operators > Service providers > Telecom installers > Telecom retailers > Housing associations
	Indoor telecom systems 5%						
	Fibre network systems 6%						
	Copper network systems 6%						
Building Solutions	35%						<ul style="list-style-type: none"> > Non residential (installers and whole sale) > Government > Traffic infrastructure > Care institutions > Parking organisation > Marine and offshore > Rail > Utility companies
	Building technologies 8%						
	Security systems 7%						
	Connectivity systems 20%						
Industrial Solutions	48%						<ul style="list-style-type: none"> > Machinery building industry > Process industry > Tyre building industry > Medical industry > Robot industry > Automotive industry > Can making industry
	Connectivity systems 28%						
	Manufacturing systems 20%						