

Press release

TKH Group N.V. (TKH)
Half-year results 2012

TKH books lower profit on reduced turnover and retention of capacity for growth

Highlights first half 2012

- Turnover down 4.2% - Industrial Solutions sees turnover drop by 12.1%, in line with reduced order intake in 2011.
- EBITA down 27.8%, mainly due to extra costs of retaining capacity for growth, as well as acquisition costs.
- Healthy improvement in gross margin to 40.2% from 37.8%.
- Successful completion of turnover target security systems through acquisitions Aasset and Augusta.

Highlights Q2 2012

- Postponed investments in market solar and infrastructure projects had negative impact on turnover Building Solutions.
- Order intake Industrial Solutions in Q2 not yet at desired level.
- EBITA decreased mainly due to acquisition costs of € 4 million and € 5 million in expenses to retain the capacity.
- Stronger drop in net profit due to one-off tax effects, higher financial expenses and higher amortization charges.
- Successful completion takeover bid Augusta Technologie.
- Program started to bring costs more in line with turnover.

Outlook

- For the full year 2012, TKH expects to realize net profit of between € 45 and € 50 million before amortization and one-off income and expenses.

Key figures interim results

(in € million unless otherwise stated)

	1 st half 2012	1 st half 2011	Change in %
Turnover	526.2	549.3	- 4.2
EBITA	33.5	46.3	- 27.8
Net profit before amortization and one-off income and expenses ¹⁾	22.3	32.0	- 30.3
Net profit before amortization ²⁾	18.3	31.3	- 41.4
Net profit	15.2	28.9	- 47.6
Net earnings per ordinary share (in €)	0.40	0.77	- 48.0
Solvency ratio ³⁾	41.8%	43.5%	
ROS	6.4%	8.4%	
ROCE	16.7%	21.1%	

¹⁾ Net profit before amortization of acquisition-related intangible fixed assets (after taxes), one-off expenses relating to the acquisition of Augusta (2012) and Sigura (2011) and one-off tax income in 2011.

²⁾ Net profit before amortization of acquisition-related intangible fixed assets (after taxes).

³⁾ Corrected for the high level of cash and cash equivalents as per 30 June 2012 for the financial settlement of the Augusta acquisition.

Key figures second quarter results

(in € million unless otherwise stated)

	Q2 2012	Q2 2011	Change in %
Turnover	267.3	270.7	- 1.3
EBITA	13.2	23.3	- 43.2
Net profit before amortization and one-off income and expenses ¹⁾	9.8	16.8	- 41.4
Net profit before amortization ²⁾	5.8	15.0	- 61.2
Net profit	4.1	13.9	- 70.7
ROS	5.0%	8.6%	

¹⁾ Net profit before amortization of acquisition-related intangible fixed assets (after taxes), one-off expenses relating to the acquisition of Augusta (2012) and Siqua (2011) and one-off tax income in 2011.

²⁾ Net profit before amortization of acquisition-related intangible fixed assets (after taxes).

Alexander van der Lof, CEO of technology company TKH: "The decrease of the profit in the second quarter, linked with the lower turnover, is mainly the result of relatively high expenses anticipating on growth. TKH once again strengthened its foundation in the first half of the year. This was also thanks to the significant contribution from the acquisitions we made. One clear example is the expansion of the vision activities, which will allow TKH to claim a leading global position in vision activities. The investments in innovations, R&D and the commercial organization, as well as the retention of capacity supports TKH's growth strategy. In a rapidly changing market, our increased R&D efforts will give TKH a strong competitive edge. We are convinced that this gives TKH more potential in the coming years, particularly in view of the downturn in economic conditions."

Financial developments

In the first half of 2012, turnover dropped by 4.2% to € 526.2 million, from € 549.3 million in the first half of 2011. Of this total, 0.8% was due to a drop in raw materials prices passed on to our customers. Acquisitions increased turnover by 3.8%. Organic turnover fell by 7.2% on balance. In the second quarter, organic turnover dropped by 6.6%.

Turnover fell by 12.1% at Industrial Solutions, while turnover at Building Solutions was up 4.0% and turnover at Telecom Solutions increased by 3.4%. In the first half of 2012, the contribution from Industrial Solutions to overall turnover dropped to 46.3% from 50.5% in the same period in 2011, while the contribution from Telecom Solutions increased to 15.5%, from 14.4%, and from Building Solutions to 38.2% from 35.2%.

The gross margin increased to 40.2% in the first half of 2012 from 37.8% in the first half of 2011, thanks to the improved activity mix. All the solutions segments improved gross margins in the period under review.

The operating costs as a percentage of turnover increased to 33.8% in 2012, from 29.4% in the same period of 2011. This was due to acquisitions and in particular to the excess capacity in the Building Solutions division, which means cost levels are not in line with the current turnover level. In the second quarter a program has been started to bring the costs more in line with turnover. The acquisition costs, relating to the acquisition of the majority stake in Augusta Technologie, were € 4.0 million (2011: € 2.0 million relating to Siqua).

Total depreciations, at € 8.0 million, was up from the € 7.4 million reported in 2011 because of the higher level of investments in 2011 and 2012.

The operating result before amortization of intangible assets (EBITA) fell to € 33.5 million in the first half of 2012, a drop of 27.8% from the € 46.3 million reported in the first half of 2011. This drop was partly due to lower capacity utilization as a result of lower turnover. In addition, more than half the decline was due to the retention of capacity for growth, as well as acquisition costs.

EBITA at Industrial Solutions dropped by 14.3% compared with the first half of 2011. Telecom Solutions recorded an organic increase in EBITA of 15.9%. At Building Solutions, EBITA was down 59.5%.

The ROS dropped to 6.4%, from 8.4% in 2011.

Amortization charges increased by € 2.2 million to € 8.2 million, compared with € 6.0 million in the first half of 2011, due to investments in R&D, software and the acquisitions of companies such as Sigura, Mextal, KLS Netherlands and Aasset.

Financial expenses rose by € 1.5 million to € 4.9 million in the first half of 2012. The increase was due to the higher outstanding interest-bearing debt.

The tax burden rose to € 25.8% in the first half of 2012, from 21.8% in the first half of 2011. The latter year included a one-off gain related to the application of the innovation box for previous periods. The tax burden in the first half of 2012 was affected by one-off non-deductible acquisition costs. In the second half of 2012 a limited lower effective tax rate is expected.

In the first half of 2012, net profit before amortization came in at € 18.3 million, down from € 31.3 million in the first half of 2011. Net profit for the first half of the year fell to € 15.2 million, a drop of 47.6% compared with the € 28.9 million recorded in the first half of 2011.

Net bank debt increased by € 32.4 million to € 160.7 million, as a result of acquisitions and investments. The solvency ratio stood at 41.8%, compared with 43.5%, adjusted for the high cash position on 30 June 2012 held for the financial settlement of the acquisition of the stake in Augusta in July of this year. The net debt/EBITDA ratio was 1.5 and the interest coverage ratio was 10.6, which means TKH operates well within the financial ratios agreed with its banks. The working capital had fallen to 13.5% of turnover on 30 June 2012, compared with 14.8% as per 30 June 2011.

The number of people in permanent employment (FTE) as per 30 June 2012 was 4,255, up from 4,062 at year-end 2011.

Developments per solutions segment

Telecom Solutions

Profile

Telecom Solutions develops, produces and delivers systems for applications from basic outdoor infrastructure for telecom and CATV networks to indoor home networking. The focus is on providing customers with care-free systems due to the system guarantees we provide. Around 40% of the portfolio consists of optical fibre and copper cable for node-to-node connections. The remaining 60%, consisting of components and systems in the field of connectivity and peripheral equipment, is used mainly in the network's nodes.

Key figures first half year Telecom Solutions

(in € million unless otherwise stated)	1st half 2012	1st half 2011	Change in%
Turnover	81.6	78.9	+ 3.4
EBITA	7.5	6.5	+ 15.9
ROS	9.2%	8.2%	

Turnover within the Telecom Solutions segment rose by 3.4% to € 81.6 million. Organic turnover growth came in at 3.6%. This increase was largely due to fibre network systems, where TKH booked growth of 16.7%. The market in both Europe and Asia recorded growth.

EBITA rose by € 1.0 million, while ROS was up at 9.2%, from 8.2%, due to the growth in fibre network systems.

Indoor telecom systems - home networking-systems, broadband connectivity, IPTV-software solutions – turnover share 4.6%

Turnover showed a slight increase of 0.3%. Turnover remained stable in the face of a marked reluctance among consumers to spend on ICT. The high priority given to upgrading broadband connections compensated for the reluctance to invest.

Fibre network systems – fibre optic, fibre optic cable, connectivity systems and components, active equipment – turnover share 7.6%

Turnover increased by 16.7%. This strong growth was due to the continued worldwide increase in investment levels in fibre optic networks. The launch of the additional production capacity which will allow TKH to double its output within the next 12 months went according to plan. The Chinese market is showing particularly strong growth, which meant we were able to utilize the additional capacity quite effectively. The financing of investments in fibre optic networks in Europe also progressed well. The number of projects in the pipeline increased, which confirms that there is additional growth in the investments in fibre optic networks. TKH also launched various innovations aimed at improving efficiency in the installation and operation of networks.

Copper network systems – copper cable, connectivity systems and components, active equipment – turnover share 3.3%

Turnover in this segment fell 15.2%. Turnover in the segment was down, in line with the higher priority given to and accompanying shift in investments to fibre optic networks. This offset the revival that sparked a rise in turnover in the first half of 2011.

Building Solutions

Profile

Building Solutions develops, produces and delivers solutions in the field of efficient electro technical technology ranging from applications within buildings to technical systems which, linked to software, provide efficiency solutions for the care and security sectors. The know-how focuses on connectivity systems combined with efficiency solutions to reduce the throughput-time for the realization of installations within buildings. In addition, the segment focuses on intelligent video, intercom and access monitoring systems for a number of specific sectors, including elderly care, parking and security for buildings and work sites.

Key figures first half year Building Solutions

(in € million unless otherwise stated)	1st half 2012	1st half 2011	Change in%
Turnover	201.0	193.3	+ 4.0
EBITA	3.7	9.2	- 59.5
ROS	1.9%	4.8%	

Turnover within the Building Solutions segment increased by 4.0% to € 201.0 million. Acquisitions accounted for 9.8% growth while lower raw materials prices led to a turnover drop of 1.1%. Organic turnover fell by 4.8% in the first half of the year. This drop in turnover was due to the postponement of investments in the field of solar and infrastructure projects for energy networks and traffic technology. The other segments realized growth, despite a drop in demand for utility construction projects in the Benelux.

EBITA at Building Solutions dropped to € 3.7 million. The reduction in organic turnover and difficult market conditions in the building and construction sector had a negative impact on the results. This was largely due to the available production and commercial capacity which we are retaining in anticipation of higher turnover in the coming quarters and which means cost levels are not in line with current turnover. This had an impact of around € 5 million on the operating result. ROS dropped to 1.9% in 2012, from 4.8% in 2011.

Building technologies – energy-saving light and light switch systems, energy management systems, care systems, structured cabling systems – turnover share 8.8%.

Turnover rose by 15.7%. The care sector booked particularly strong growth. The focused approach and the effective alignment of the TKH portfolio to specific needs in this segment improved the market position. Mextal, acquired in 2011, also contributed to the growth in the care market. The past year's investments in product and market development paid off in this segment.

Security systems – systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration – turnover share 12.8%

Turnover increased by 17.2%. The acquisition of Aasset boosted our operating base, particularly in the French and German security markets. This acquisition made only a modest contribution to the results in the first half of 2012, as Aasset was consolidated only from 1 March 2012.

Within the security cluster, TKH made major headway in increasing the synergy between the security companies, through a further clustering of competencies and the focus of sales teams on specific markets. We invested heavily in innovations, in particular in the field of video management and video content analysis.

Postponed traffic infrastructure projects in Europe had a negative impact on growth.

Connectivity systems – specialty cable (systems) for shipping, rail, infrastructure, solar and wind energy, as well as installation and energy cable for niche markets – turnover share 16.6%

Turnover in this segment dropped by 8.9%. Of this decline, 2.1% was due to lower raw materials prices. The drop in market volume in the building and construction sector put pressure on margins. We were able to realize the targeted turnover growth in the building and construction sector. However, these gains have been offset by postponed investments in solar and infrastructure projects for energy networks and traffic technology.

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 tyres. Its knowledge in the field of automation of production processes and the improvement of the reliability of production systems gives TKH the distinctive ability to respond to the need in a number of specialized industrial sectors, such as tyre manufacturing, robotics, medical and machine construction industries, to increasingly outsource the construction of production systems or modules.

Key figures first half year Industrial Solutions

(in € million unless otherwise stated)	1st half 2012	1st half 2011	Change in%
Turnover	243.7	277.1	- 12.1
EBITA	31.7	37.0	- 14.3
ROS	13.0%	13.4%	

Turnover within the Industrial Solutions segment fell 12.1% to € 243.7 million. Raw material prices had a negative impact of 0.9% on turnover. Turnover within connectivity systems dropped slightly, while turnover in manufacturing systems fell in line with the reduced order intake over the past year.

EBITA was down 14.3% at € 31.7 million, in line with the drop in turnover. ROS fell to 13.0% in the first half of 2012, from 13.4% in the same period of 2011.

Connectivity systems – specialty cable systems and modules for the medical, robot, automotive and machine building industries – turnover share 23.6%

Turnover fell 4.6%. The lower raw materials prices had a negative impact of 1.9% on turnover. Demand from the robot, medical and machine building industry remained high, especially in Germany. The trend towards outsourcing the production of more complete modules and systems continued.

Manufacturing systems – advanced manufacturing systems for the production of car and truck tyres, can washers, product handling systems and machine operating systems - turnover share 22.7%

Turnover in this segment dropped by 18.7%, largely as a result of the reduced order intake for tyre building systems in 2011 and the first half of 2012. Despite the long-term plans for expansion investments, we have noted a reluctance to invest since last year. This means that the brief revival in the first quarter did not continue. In the second quarter, order intake, at around € 40 million, was at the lower level seen in 2011. The postponement of investment plans was particularly marked on the Asian continent. Orders from this region accounted for more than 70% of order intake in 2010.

We further extended our technological lead with the introduction of upgrades and a new generation of tyre building systems, launched on the market under the brand name Exxium[®]. We also introduced the MAXX[®] tyre-building technology at several new clients, making further headway in penetrating the car tyre industry and gaining market share.

Developments after 30 June 2012

As per 2 July 2012, TKH has a majority stake of 59.73% in Augusta Technologie, following the completion of the € 23 per share takeover offer. This acquisition is also a significant step for TKH in the field of vision technology and the associated market leadership that TKH is targeting. As of 2 July 2012, Augusta will be financially consolidated in TKH's results, with 60% of the activities included within Building Solutions and the remaining 40% within Industrial Solutions. TKH has considerably strengthened the distinguishing potential of its activities in recent years through the expansion of applications with vision systems as their core technology. TKH sees enormous growth potential in applications in which vision technology will be used, both now and in the future. The segments in which TKH vision technology is already being used are: security, parking technology, retail, traffic technology, tyre building systems and care and medical systems.

Outlook

The outlook for the second half of the year in the market segments in which TKH operates is varied.

In Telecom Solutions, we expect investments in fibre optic networks to continue to grow. European plans to increase the number of FttH connections are well under way and we are in a good position in the European market to grow in line with this expected market growth. Turnover in copper networks will continue to fall in line with the shift in investments to fibre optic networks.

In Building Solutions, we expect lower investments in the building and construction sector to result in a continuation of the current challenging market conditions. In 2011 and the first half of 2012, we made a concerted effort to realize growth in our market share for the coming years. On balance and partly on the basis of our distinguishing potential due to innovations, we expect to book growth, provided that the economic conditions in Europe do not deteriorate further. For the second half of the year, we are expecting a modest recovery in investments in solar and infrastructure projects.



In Industrial Solutions, turnover in the second half of 2012 will be lower than in the first half of the year, due to the reduced order intake in recent periods. Based on the current order portfolio and the investment projects we are aware of, we expect the order intake to be higher than in the first half, provided the global economic conditions do not deteriorate further.

As from 2 July 2012, Augusta Technologie, in which TKH has acquired a majority stake, is included in the consolidated figures of TKH group. The consolidation of Augusta Technologie is not included in the above outlook per segment.

On balance and barring unforeseen circumstances, for the full year 2012 TKH expects to realize a net profit available to shareholders of between € 45 and € 50 million, before amortization and one-off income and expenses.

Haaksbergen, 22 August 2012

Management Board

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Agenda

8 November 2012	Trading update Q3 2012
6 March 2013	Publication full year results 2012
6 May 2013	Trading update Q1 2013
7 May 2013	General Meeting of Shareholders
21 August 2013	Publication interim figures 2013
6 November 2013	Trading update Q3 2013

Profile

Technology company TKH Group NV (TKH) is an internationally active group of companies that specialises in the creation and delivery of innovative Telecom, Building and Industrial Solutions.

Telecom Solutions develops, produces and supplies systems ranging from outdoor infrastructure for telecom and CATV networks through to indoor home networking applications. TKH Telecom Solutions operates in three distinct sub-segments: optical fibre networks, copper networks and indoor telecom systems.

Building Solutions develops, produces and supplies solutions in the field of efficient electro-technology ranging from applications within buildings through to technical systems that – combined with software – provide efficiency solutions for among others the care, traffic and security sectors. Building Solutions operates in three distinct sub-segments: building technologies, security systems and connectivity systems.

Industrial Solutions, develops, produces and supplies solutions ranging from specialty cable, “plug and play” cable systems through to integrated systems for the production of care and truck tyres. Industrial Solutions operates in two distinct sub-segments: connectivity systems and manufacturing systems.

TKH's continuous focus on research and development gives the company a portfolio of products and services that guarantee technologically-advanced solutions. TKH and its various operating companies are active worldwide. Growth is concentrated in North West and Central and Eastern Europe and Asia. In 2011, TKH booked turnover of € 1.1 billion with a workforce of 4,062 employees.

Consolidated Profit and Loss account

in thousands of euros

	1 st half year 2012	1 st half year 2011
Net-turnover ¹⁾	525,671	548,244
Other operating income	<u>541</u>	<u>1,077</u>
Total turnover	526,212	549,321
Cost of raw materials, consumables, trade products and subcontracted work	314,891	341,413
Personnel expenses	112,414	104,293
Deprecation	8,039	7,423
Amortization	8,159	5,988
Other operating expenses	<u>57,401</u>	<u>49,850</u>
Total operating expenses	<u>500,904</u>	<u>508,967</u>
Operating result	25,308	40,354
Financial income and expenses	-5,028	-3,783
Share in result of associates	<u>158</u>	<u>452</u>
Result before tax	20,438	37,023
Tax on profit	5,270	8,078
Net result	<u><u>15,168</u></u>	<u><u>28,945</u></u>
Attributable to:		
Shareholders of the company	14,985	28,538
Minority interest	183	407
	<u><u>15,168</u></u>	<u><u>28,945</u></u>
Earnings per share		
Weighted average number of shares (x 1,000)	37,413	37,044
Weighted average number of shares for the purpose of Diluted earnings per share (x 1,000)	37,540	37,220
Ordinary earnings per share before amortization (in €)	0.49	0.83
Ordinary earnings per share (in €)	0.40	0.77
Diluted earnings per share (in €)	0.40	0.77

¹⁾ Inclusive changes in inventory of finished goods, work in progress and construction contracts of € 11.9 million (H1 2011: € 63.2 million),

Comprehensive income

in thousands of euros

	<u>1st half year 2012</u>	<u>1st half year 2011</u>
Result over the period	15,168	28,945
Currency translation differences	2,033	-3,272
Effective portion of changes in fair value of cash flow hedges (after tax)	7	2,042
Revaluation of available-for-sale financial assets	<u>997</u>	<u>0</u>
Net income/(expenses) recognized directly in equity	3,037	-1,230
Total result for the period	<u>18,205</u>	<u>27,715</u>
Attributable to:		
Shareholders of the company	18,022	27,308
Minority interest	<u>183</u>	<u>407</u>
Total result over the period	<u>18,205</u>	<u>27,715</u>



Consolidated balance sheet

in thousands of euros

	30-06-2012	31-12-2011
Assets		
<u>Non-current assets</u>		
Intangible non-current assets	229,677	204,228
Tangible non-current assets	176,490	167,665
Investment property	3,406	3,370
Financial non-current assets	24,586	12,637
Deferred tax assets	10,865	10,157
Total non-current assets	445,024	398,057
<u>Current assets</u>		
Inventories	186,582	164,803
Receivables	192,835	186,842
Cash and cash equivalents	109,827	28,597
Total current assets	489,244	380,242
Assets held for sale	7,165	7,165
Total assets	941,433	785,464
Equity and liabilities		
<u>Group Equity</u>		
Shareholders' equity	351,350	356,226
Minority interest	1,420	1,645
Total group equity	352,770	357,871
<u>Non-current liabilities</u>		
Non-current liabilities	252,441	123,502
Deferred tax liabilities	43,327	39,195
Provision for pensions	11,456	12,412
Other provisions	23,991	19,476
Total non-current liabilities	331,215	194,585
<u>Current liabilities</u>		
Borrowings	18,101	4,103
Trade payables and other payables	234,941	223,523
Current income tax liabilities	2,216	1,840
Provisions	2,190	3,542
Total current liabilities	257,448	233,008
Total equity and liabilities	941,433	785,464

Consolidated cash flow statement

in thousands of euros

	1 st half year 2012	1 st half year 2011
Cash flow from operating activities		
Operating result	25,308	40,354
Depreciation, amortization and impairment	16,198	13,411
Share and option schemes not resulting in a cash flow	1,313	1,360
Changes in provisions	-124	289
Changes in working capital	-11,198	-60,868
Cash flow from operations	31,497	-5,454
Interest paid	-5,206	-3,786
Income taxes paid	-5,720	-9,639
Net cash flow from operating activities (A)	20,571	-18,879
Cash flow from investing activities		
Dividends received from non-consolidated associates	416	452
Purchase of tangible non-current assts	-14,144	-9,700
Disposals less purchases of investment property	-33	0
Acquisition of subsidiaries	-30,026	-12,809
Acquisition of associates	-11,196	-4,179
Investments in intangible non-current assets	-3,890	-1,617
Net cash flow form investing activities (B)	-58,873	-27,853
Cash flow from financing activities		
Dividends paid	-22,249	-14,667
Sold less purchased shares for share and option schemes	-1,963	-1,490
Proceeds from long-term debts	128,939	70,000
Change in borrowings	13,998	-9,380
Net cash flow from financing activities (C)	118,725	44,463
Net increase/(decrease) in cash and cash equivalents (A+B+C)	80,423	-2,269
Exchange differences	807	-1,483
Change in cash and cash equivalents	81,230	-3,752
Cash and cash equivalents at 1 January	28,597	23,027
Cash and cash equivalents at 30 June	109,827	19,275

Consolidated statement of changes in group equity

in thousands of euros

	Share capital	Share premium	Legal reserves	Revaluation reserve	Investment revaluation reserve	Translation reserve	Cash flow hedge reserve	Other reserves	Unappropriated profit	Total	Minority Interest	Total equity
Balance at 1 January 2011	9,395	12,305	11,616	25,271	1,861	6,449	-6,029	216,392	40,205	317,465	1,565	319,030
Profit for the year									28,538	28,538	407	28,945
Reclassification of put options held by minority shareholders			-387					387		0		0
Change in cash flow hedges							2,042			2,042		2,042
Exchange differences						-3,245				-3,245	-27	-3,272
Total result	0	0	-387	0	0	-3,245	2,042	387	28,538	27,335	380	27,715
Appropriation profit last year								40,205	-40,205	0		0
Dividends	93	-93						-14,397		-14,397		-14,397
Dividends to minority shareholders										0	-270	-270
Share and option schemes (IFRS 2)								1,360		1,360		1,360
Purchased shares for share and option schemes								-5,095		-5,095		-5,095
Sold shares for share and option schemes								3,605		3,605		3,605
Capitalised development costs			-878					878		0		0
Balance at 30 June 2011	9,488	12,212	10,351	25,271	1,861	3,204	-3,987	243,335	28,538	330,273	1,675	331,948
Balance at 1 January 2012	9,488	12,212	16,709	28,411	509	6,181	-7,092	236,327	53,481	356,226	1,645	357,871
Profit for the year									14,985	14,985	183	15,168
Reclassification of put options held by minority shareholders			-840					840		0		0
Change in cash flow hedges							7			7		7
Revaluation of available-for-sale financial assets					997					997		997
Exchange differences						2,034				2,034	-1	2,033
Total result	0	0	-840	0	997	2,034	7	840	14,985	18,023	182	18,205
Appropriation profit last year								53,481	-53,481	0		0
Dividends	91	-91						-22,249		-22,249		-22,249
Dividends to minority shareholders										0		0
Acquisition of minority interests										0	-407	-407
Share and option schemes (IFRS 2)								1,313		1,313		1,313
Purchased shares for share and option schemes								-6,186		-6,186		-6,186
Sold shares for share and option schemes								4,223		4,223		4,223
Capitalised development costs			593					-593		0		0
Balance at 30 June 2012	9,579	12,121	16,462	28,411	1,506	8,215	-7,085	267,156	14,985	351,350	1,420	352,770

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 2011. 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 2011.

New accounting standards

As from 1 January 2013 the amended IAS 19 Employee Benefits becomes effective. IAS 19R must be applied retrospectively with restatement of comparative numbers. IAS19R contains certain important changes for the financial statements of TKH:

- The option to defer actuarial gains and losses will be terminated. The actuarial gains and losses are directly recognized in Other Comprehensive Income.
- The interest cost on the defined benefit obligation and the expected return on plan assets will no longer be presented in operating result, but presented in financial result.
- The expected return on plan assets is calculated against the rate used to discount the defined benefit obligation.

The application of the revised standard will have the following impact on equity and result in the half-year figures of 2012:

- Lower operating result with € 0.1 million and higher financial expenses of € 0.2 million, resulting in a lower net result of approximately € 0.2 million.
- Positive impact on equity of about € 4.0 million (net of taxes)
- Lower total result for the period in the Other comprehensive income statement of approximately € 7.8 million (net of taxes) caused by actuarial losses mainly due to a lower discount rate.

In the assessment of the impact of IAS 19R per 30 June 2012, changes in other key assumptions such as expected changes salary and benefit increases and discount rate have not been taken into account. Also, the consequences of risk sharing between employee and employer have not yet been taken into account. The final impact of IAS 19R will be determined at the end of the year based on a full actuarial valuation of all pension plans, including a reassessment of all key assumptions.

2. Judgments

The preparation of the condensed consolidated interim financial statements 2012 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 2011.

3. Statutory capital

The number of outstanding (depository receipts of) shares as per 31 December 2011 was the equivalent of 37,288,327. As a result of the exercise of options rights and share schemes, a balance of 6,838 (depository receipts of) shares were delivered and sold in the first half of 2012. In addition, a stock dividend of 366,757 (depository receipt 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 2012 was 37,661,922.

4. Dividend

At the General Meeting of Shareholders the dividend over 2011 was declared at € 0.75 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 2012 was € 21,666,742 and this amount was charged to the other reserves. For stock dividend an amount of € 91,689 was charged against the premium reserve.

5. Segmented information

	Telecom Solutions		Building Solutions		Industrial Solutions		Not Attributable		Total	
	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011
1 st half year Turnover	81,560	78,860	200,975	193,325	243,677	277,136	0	0	526,212	549,321
Segment EBITA	7,494	6,466	3,722	9,200	31,727	37,003	-9,476	-6,327	33,467	46,342
Amortization	-501	-570	-5,212	-3,771	-2,372	-1,647	-74	0	-8,159	-5,988
Segment operating result	6,993	5,896	-1,490	5,429	29,355	35,356	-9,550	-6,327	25,308	40,354
Financial income and expenses									-5,028	-3,783
Share of result in associates									158	452
Tax on profit									-5,270	-8,078
Net result									15,168	28,945

6. Overview of net profit definitions

<i>in thousands of euros</i>	1 st half year 2012	1 st half year 2011
Net profit attributable to shareholders of the company	14,985	28,538
Net profit attributable to minority shareholders	183	407
Net result	15,168	28,945
Amortization of acquisition-related intangible non-current assets based on "purchase price allocations"	4,484	3,350
taxes on the amortization	-1,316	-998
Net profit before amortization	18,336	31,297
Attributable to minority interest	-183	-407
Ordinary earnings before amortization attributable to shareholders of the company	18,153	30,890

7. Acquisitions

During the first half of 2012 TKH acquired the following subsidiaries:

Name subsidiary	Country	Legal ownership and control	Consolidation as from	Activity
Aasset Security International S.A,	France	100.0%	1 March 2012	Security Systems (Building)
Parking & Protection B.V.	Netherlands	51.0%	1 April 2012	Security Systems (Building)

Of these acquisitions, Aasset Security International S.A. (hereafter Aasset) is in size the most important one. Aasset, headquartered in Paris (France), has subsidiaries in France Germany, and branches in Italy and UK. Aasset has 88 employees (FTE) and an annual turnover of € 35 million. Aasset is a leading provider of security solutions and video surveillance and offers added-value services such as designing of architectures, development of specialized software and sourcing of equipment. The company is one of Europe's leading distributors of CCTV products. In France and Germany Aasset has a top 3 position in CCTV distribution. This acquisition accelerates TKH's strategic growth strategy

in the security segment. Aasset has a strong market position in France and Germany. Aasset's brand portfolio includes the brand name GRUNDIG in the German market and TKH will further position this brand within Europe. In addition, Aasset's access to the total TKH portfolio creates interesting growth potential for both Aasset and TKH. The activities of Aasset will be integrated in the sub-segment security systems, which is part of TKH's Building Solutions.

This acquisition is in line with TKH's objective to increase the turnover generated by the security solutions to 20% of the total turnover. The purchase amount is paid in cash.

In the first half of 2012, the acquisitions have contributed for € 13.2 million in the revenue and for € 0.1 million in the net profit of TKH. When these acquisitions had been effected at 1 January, the revenue would be € 532 million and net profit € 14.8 million. In the mentioned net profit figures is taken into account the amortization of the intangible non-current assets related to the acquisition.

The transaction is accounted for according to the "purchase method of accounting". The combined net assets acquired is comprised as follows:

	Book value	adjust ments	Fair Value
Intangible non-current assets	577	13,455	14,032
Tangible non-current assets	1,411		1,411
Inventories	7,396		7,396
Receivables	8,126		8,126
Cash/(borrowings)	-791		-791
Other provisions	-234		-234
Deferred tax liabilities	-51	-4,199	-4,250
Non-current liabilities	-10,373		-10,373
Acquired net assets	<u>6,061</u>	<u>9,256</u>	15,317
Acquired minority interest			407
Goodwill paid			<u>15,609</u>
Costs of acquisition			31,333
Bankdebt of the acquired company			<u>791</u>
Net payment			32,124
Putoption and earn out provision not paid yet			<u>-2,098</u>
Payment in cash			<u>30,026</u>

The acquisitions are shown combined, because of the limited size of Parking & Protection B.V. in relation to the total.

The goodwill has been paid because of synergy and profit expectations. The goodwill is not deductible for income taxes. The expenses related to the acquisition costs have been recognized in the first half of 2012 where 4.0 million.

8. Contingent liabilities

The contingent liabilities which are not reflected in the balance sheet, as reported in the financial statements for 2011, have not essentially changed in the first half 2012.

9. Events after balance sheet date

On 2 July 2012, TKH acquired a 59.73% interest share in Augusta Technologie A.G. (hereafter Augusta). Augusta Technologie AG (Augusta) is an integrated technology company with a focus on niche markets of digital image processing and optical sensors. The core Vision Technology segment focuses on the supply of digital cameras and optical sensor systems for automation and enhancing quality, safety and efficiency. It develops and produces both standard products and customer-specific systems for a broad range of

applications in a number of sectors including manufacturing, medical technology, multimedia, transport and security technology. Augusta stands out through its international presence and top customer service. Augusta perfectly complements TKH's existing activities in the vision and security system markets. Through this transaction TKH builds a leading vision technology group which strongly focuses on vertical markets such as intelligent traffic solutions, medical applications and industrial inspection. In addition, Augusta's other business units provide for high performance electronic solutions allowing TKH to offer their clients customized electronic subsystems. The geographic complementarity of TKH and Augusta provides stronger access to major American and Asian markets, in addition to TKH's European presence. The international footprint of TKH will increase considerably.

The Vision-activities of Augusta will be part of the segment security systems. The other divisions will be part of the segment manufacturing systems.

The purchase price of € 107.7 million has been paid in cash, of which € 11.2 million was already settled in the first half year. The committed credit facilities have been increased in April 2012 with € 100 million to € 350 million for the finance of this acquisition. For the determination of the financial covenants, the net debt/EBITDA-ratio and the interest coverage ratio, it has been agreed with the banks that the balance sheet and profit- and loss account of Augusta can be fully consolidated in the TKH-figures and the one-off acquisition costs can be excluded.

In the first half year 2012 Augusta generated a sales revenue of EUR 54.2 million, an EBITDA of € 10.0 million and a net profit of € 5.3 million. The acquisition accounting has not yet taken place because of the short timeframe. Consequently the precise amount of goodwill and acquired fair values of the assets and liabilities is yet unknown. The goodwill paid is not deductible for tax purposes. TKH expects that the acquisition will have a positive effect on TKH's earnings per share as from the third quarter 2012.

Except for the acquisition mentioned before, 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 2011 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 2012 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 2011.

The executive Board hereby declares that to the best of their knowledge, the interim financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting, 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, 22 August 2012

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.