

## Press release

TKH Group N.V. (TKH)  
Q4 and full-year 2013 results

# **Profit growth driven by focus on core technologies and vertical growth markets**

## Highlights Q4

- Organic turnover growth of 1.9%.
- EBITA before one-off expenses 15.6% higher thanks to sharp results improvement at Building Solutions and Industrial Solutions.
- Increase of ROS to 11.0%
- One-off charge of € 7.2 million related to additional efficiency improvement programme at Building Solutions.

## Highlights 2013

- Turnover up 8.7% at € 1.2 billion, organic growth 4.2%.
- EBITA before one-off expenses 16.3% higher at € 99.8 million.
- Net profit before amortisation and one-off income and expenses up by 17.7%.
- Record order intake at Industrial Solutions – further breakthrough in positioning in tyre-manufacturing industry.
- Focus on vertical growth markets contributes to increase in ROS.
- Dividend proposal € 0.75 per (depository receipt for an) ordinary share.

## **Fourth quarter**

(in mln € unless otherwise stated )	<b>Q4 2013</b>	<b>Q4 2012<sup>4)</sup></b>	<b>Change in %</b>
Turnover	304.4	300.1	+ 1.4
EBITA before one-off expenses <sup>1)</sup>	33.4	28.9	+ 15.6
EBITA	26.2	20.7	+ 26.6
Net profit before amortisation <sup>2)</sup> and one-off income and expenses attributable to shareholders <sup>3)</sup>	20.4	16.2	+ 26.0
ROS	11.0%	9.6%	

## **Full year**

(in mln € unless otherwise stated)	<b>2013</b>	<b>2012<sup>4)</sup></b>	<b>Change in %</b>
Turnover	1,197.8	1,102.4	+ 8.7
EBITA before one-off expenses <sup>1)</sup>	99.8	85.8	+ 16.3
EBITA <sup>4)</sup>	92.6	73.6	+ 25.8
Net profit before amortisation <sup>2)</sup> and one-off income and expenses attributable to shareholders <sup>3)</sup>	55.9	47.5	+ 17.7
Net profit	41.7	30.6	+ 36.0
Net profit per ordinary share attributable to shareholders (in €)	0.98	0.76	+ 28.9
Solvency	40.7%	40.8%	
ROS	8.3%	7.8%	
ROCE	15.9%	15.9%	
Dividend proposal 2013 (in €)	0.75	0.65	

1) The one-off charges are primarily related to reorganisation costs of € 7.2 million (2012: € 12.2 million reorganisation costs and acquisition costs), which have been charged entirely to the fourth quarter of 2013 (2012: € 8.2 million).

2) Amortisation of acquisition-related intangible fixed assets (after taxes).

3) The one-off income and expenses for 2013 of on balance € 6.7 million are related to the above-mentioned reorganisation costs of € 7.2 million, an impairment of € 0.2 million, the release of provisions for earn-out and put options of € 0.1 million, as well as the tax benefit of € 2.2 million (2012: € 9.9 million net).

4) Comparable figures have been restated in relation with the change in accounting principles for IAS19R Employee benefits.

Alexander van der Lof, CEO of technology company TKH: *“Despite the economic headwinds, TKH booked strong growth in both turnover and profit. So we are confident that TKH is in a good position for the year ahead. Certainly given that the economy currently looks to be on the road to recovery and given that in recent quarters order intake improved in most of the segments in which TKH is active. The profit improvement over the course of the year was also thanks to our focus on the seven high-growth vertical markets we have identified and on which we have focused our efforts for the past 12 months. This has enabled us to take full advantage of the opportunities in these markets. Combining our strengths in the high-growth vertical markets has also deepened the synergies between the technologies and the companies in the group. Thanks to this, TKH is even stronger and fitter.”*

## Financial developments

Turnover came in € 95.5 million higher (8.7%) at € 1,197.8 million in 2013 (2012: € 1,102.4 million). Acquisitions accounted for 5.7% of turnover. Lower raw materials prices had a negative impact of 1.2% on turnover. On balance, organic turnover growth came in at 4.2%.

Building Solutions booked the strongest turnover growth, with 12.2% higher turnover. Turnover at Industrial Solutions was up 10.7%. Telecom Solutions on the other hand saw turnover drop by 6.2%. In the full year 2013, the share of turnover accounted for by Industrial Solutions increased to 46% from 45%, while the share of Building Solutions rose to 41% from 40%. The share accounted for by Telecom Solutions fell to 13% from 15%. Innovations once again made a strong contribution to turnover, accounting for 21.2% of turnover in 2013 (2012: 21.2%).

The gross margin rose slightly to 41.7% in 2013 from 40.9% in 2012, due to acquisitions. Operating costs, excluding one-off charges and acquisitions, as a percentage of turnover fell to 32.6% in 2013, from 33.1% in 2012, thanks to the efficiency improvement measures taken in 2012. Depreciation came in € 2.0 million higher than in 2012 (€ 17.5 million), largely due to the acquisition of Augusta and higher investment levels in 2012 and 2013.

TKH's operating result before amortisation of intangible assets and one-off income and expenses (EBITA) came in 16.3% higher at € 99.8 million in 2013, compared with € 85.8 million in 2012. At Building Solutions, EBITA came in 74.4% higher, with just over half of this growth due to acquisitions. At Industrial Solutions, EBITA fell by 2.4% due to a weak first half year. In the second half of the year, Industrial Solutions booked a 23.6% increase in EBITA. At Telecom Solutions, EBITA was 4.3% lower than in 2012. ROS for the TKH group as a whole rose to 8.3%, from 7.8% in 2012.

In the fourth quarter of 2013, TKH launched an additional efficiency improvement programme, largely related to the deterioration of the market conditions in the building and construction industry and TKH's desire to book continued improvement in the return on sales in the Building Solutions segment. TKH took a one-off charge of € 7.2 million for this efficiency improvement programme. TKH expects these measures to result in annual savings of approximately € 5 million from 2014 onwards.

EBITA including this one-off charge came in € 19.0 million higher (25.8%) at € 92.6 million.

Amortisation charges increased by € 4.2 million to € 25.1 million (2012: € 20.9 million) due to the acquisition of Aasset Security, Augusta Technologie and Park Assist. TKH also took an impairment charge of € 0.2 million.

Financial income and expenses rose to € 15.2 million in 2013, from € 12.1 million in 2012. This increase was largely the result of higher amortisation of capitalised financing costs. These included a one-off charge of € 1.6 million, due to refinancing. In addition, currency exchange had a negative impact of € 0.6 million compared with 2012. As a result of the change in IFRS related to pension schemes, the interest component is now reported under financial expenses, which had a negative impact of € 0.4 million. Interest expenses dropped slightly by € 0.2 million to € 11.2 million.

The result from participations came in at € 1.4 million in 2013, thanks largely to positive results from the Chinese participation Shin-Etsu (Jiangsu) Optical Preform and dividends received.

TKH recorded extraordinary income of € 0.1 million, due to the release of the provision for earn-out and put options held by minority shareholders.

The tax rate fell to 22.5% in 2013, from 23.9% in 2012. As in 2012, the application of the Dutch innovation box facility had a positive impact on the tax rate.

Net profit before amortisation and one-off income and expenses attributable to shareholders came in at € 55.9 million in 2013 (2012: € 47.5 million), a rise of 17.7%. Net profit for 2013 rose to € 41.7 million (2012: € 30.6 million). Earnings per share before amortisation and one-off income and expenses amounted to € 1.48 (2012: € 1.27). The ordinary earnings per share came in at € 0.98 in 2013 (2012: € 0.76).

Operational cash flow rose to € 78.6 million in 2013 (2012: € 75.2 million). In 2013, working capital as a percentage of turnover came in at 13.2%, virtually unchanged from the 13.1% recorded in the previous year. Net investments in property and equipment came in at € 18.7 million in 2013 (2012: € 25.7 million). A large portion of this was related to investments in TKH's production facilities. In addition, TKH invested a net € 15.5 million in acquisitions and participations and € 16.8 million in intangible fixed assets, largely accounted for by R&D, patents and licences (2012: € 14.1 million). TKH's net bank debt decreased € 2.6 million to € 185.6 million by year-end 2013, compared with year-end 2012. Solvency fell to 40.7% (2012: 40.8%). TKH is operating well within the financial ratios agreed with its banks. The net debt/EBITDA ratio stood at 1.5 and the interest coverage ratio at 10.9.

TKH had a total workforce of 4,802 (FTEs) at year-end 2013 (2012: 4,736). The increase in the number of employees was largely due to the sharp increase in activities at Industrial Solutions.

## Progress in realisation of targets and strategy

TKH's strategy, launched in late 2012, of focussing on four core technologies - *connectivity, vision, communications and manufacturing systems* – in combination with seven vertical high growth markets – *optical fibre networks, parking, tunnels, care, marine - oil & gas, industrial machine vision and tyre manufacture* – has added a new dimension to TKH's market positioning and potential. TKH sees a growth perspective of € 300 million to € 500 million in turnover in three to five years for these seven vertical growth markets. This was based on the normalised 2012 turnover of € 450 million for these seven vertical markets, including the full effect of acquisitions in 2012. In 2013,

TKH increased turnover by € 50 million in these markets.

By choosing to focus on these high-growth vertical markets, TKH has put itself in a good position to improve ROS and ROCE. TKH also sees growth potential in the other markets segments, partly thanks to efficiency measures we have taken and partly thanks to growth we can realise on the back of improved market conditions or TKH's improved market position, which creates scale-related efficiencies.

The ROS before one-off income and expenses rose to 8.3% in 2013, from 7.8% in 2012. After a weak first quarter, the remainder of the year showed a steady increase, as ROS increased to 11.0% in the fourth quarter, from 9.6% in the same period of 2012. It should be noted, however, that the fourth quarter is traditionally the best performing in terms of seasonal patterns. The above means TKH once again moved closer to its target of a ROS bandwidth of 9-10% over the full year.

The increase in ROS had a positive impact on the ROCE, partly thanks to the fact that the growth in results was largely due to organic growth, combined with a limited increase in invested capital. The acquisition of the majority stake in Augusta in 2012 led to a drop in ROCE in 2012. Due to investments and the capitalisation of the technology base we have created in recent years, ROCE was 15.9% in 2013 (2012: 15.9%).

The innovation component in TKH's turnover remained high at 21.2% and was once again well above TKH's target of generating 15% of its turnover from innovations launched on the market over the past two years.

## Developments per solutions segment

### Telecom Solutions

#### Profile

*Telecom Solutions develops, produces and supplies systems ranging from basic outdoor infrastructure for telecom and CATV networks through to indoor home networking applications. The focus of the business is on the delivery of completely worry-free systems for its clients, thanks to the system guarantees it provides. Around 40% of the portfolio consists of hub-to-hub optical fibre and copper cable systems. The remaining 60%, consisting of components and systems in the field of connectivity and peripherals, is deployed primarily in the network hubs.*

#### Key figures Telecom Solutions

(in mln € unless otherwise stated)	2013	2012	Change in %
Turnover	156.8	167.1	- 6.2
EBITA <sup>1)</sup>	14.1	14.7	- 4.3
ROS	9.0%	8.8%	

1) Before one-off charges of € 0.5 million in 2013 and € 0.4 million in 2012

Turnover in the Telecom Solutions segment dropped 6.2% to € 156.8 million. This decline was largely due to a 27.8% drop in turnover from copper networks on the back of an accelerated shift towards optical fibre networks. This drop was offset somewhat by a 0.7% increase in turnover from optical fibre systems. The telecom sector has made investments in 4G networks a high priority, which has led to lagging investments in both copper networks and optical fibre networks.

EBITA was down by € 0.6 million. The ROS increased to 9.0%, from, 8.8% thanks to improved efficiency and the impact of lower raw materials prices.

**Indoor telecom systems - home networking-systems, broadband connectivity, IPTV software solutions – turnover share 4.1%**

Turnover was down slightly, by 2.3%. The decline was recorded in the second half of the year, due to the cut-back in turnover from the underperforming parts of the portfolio and reluctance among consumers in the Benelux region to invest in IT. The resultant drop in turnover was partly offset thanks to the priority put on upgrading broadband connections.

**Fibre network systems - optical fibre, optical fibre cables, connectivity systems and components, active peripherals – turnover share 7.0%**

Turnover showed a limited increase of 0.7%. Investments in 4G networks within Europe led to delays in investments in optical fibre networks in various countries. However, the previously announced investments and preparations for a large-scale roll-out of FttH (Fibre-to-the-Home) networks within Europe are still on the horizon. Optical fibre technology remains the technology of choice for a future-proof broadband network.

TKH developed new ideas to further reduce the costs per connection and the operational costs related to the network. One example was the introduction of robot systems based on vision technology in the optical fibre network hubs. This introduction progressed well and offers a good perspective to TKH's international positioning.

**Copper network systems – copper cable, connectivity systems and components, active peripherals – turnover share 2.0%**

Turnover in this segment dropped by 27.8%. This decline in turnover was in line with the increased priority given to optical fibre networks and 4G networks and the ensuing shift in investments to these networks. The relevance of the copper network system activities is still extremely limited due to the sharp decline in turnover and TKH's focus is therefore largely on supplying parts and maintenance for the existing networks.

## 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. TKH's know-how in this segment is focused on vision technology and connectivity systems combined with efficiency solutions to reduce the throughput-time for the realisation of installations within buildings. In addition, TKH's focus in this segment is on intelligent video, intercom and access monitoring systems for a number of specific sectors, including elderly care, parking, marine, oil & gas, tunnels and security for buildings and work sites.*

### Key figures Building Solutions

(in mln. € unless otherwise stated)	2013	2012	Change in %
Turnover	490.0	436.9	+ 12.2
EBITA <sup>1)</sup>	39.4	22.5	+ 74.7
ROS	8.0%	5.2%	

1) Before one-off charges of € 6.6 million in 2013 and € 7.6 million in 2012

Turnover in the Building Solutions segment was up 12.2% at € 490.0 million.



Acquisitions accounted for 10.9% of this growth, while organic growth came in at 2.7%. Reduced raw materials prices had a negative impact of 1.4% on turnover. Market conditions in the building and construction sector were challenging, which put pressure on margins in the connectivity segment in particular. The growth strategy in the selected vertical markets - *care, marine - oil & gas, parking, tunnels and machine vision* – led to organic growth in the segment as a whole, despite a shrinking market in the building and construction sector.

EBITA increased to € 39.4 million, partly through acquisitions. Excluding acquisitions, EBITA was up 33.8% in line with the efficiency programmes we launched in 2012 and the growth we realised. In the fourth quarter of 2013, TKH decided to introduce an additional efficiency improvement programme. EBITA in the second half of the year was clearly higher than in the first half. The margin pressure in the connectivity segment had a negative impact on the programmes aimed at efficiency and margin improvements. The ROS nonetheless increased to 8.0% in 2013, from 5.2% in 2012.

***Building technologies – energy-saving light and light switch systems, energy management systems, care systems, structured cabling systems – turnover share 7.3%***

Turnover dropped by 5.9%, primarily as a result of a reluctance to invest in the building and construction sector. Growth was booked in the healthcare sector due to the fact that TKH's technology is an effective response to the growing demand for efficiency solutions in this sector. The VieDome video communications platform, aimed at supporting remote healthcare, and the vision-technology-based system for the blister packaging and distribution of medications give TKH a solid position in this sector. The reduced construction volume led to a decline of more than 15% in the data networks market, which resulted in a drop in TKH's turnover in the field of structured data networks. Turnover from energy-saving lighting systems for underground parking garages continued to increase on the back of the trend among clients to reduce their CO<sub>2</sub> footprint. The combination of guiding and lighting technology puts TKH in a unique proposition in this field.

***Vision & Security systems – Vision technology, systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration – turnover share 19.5%***

Turnover in this segment came in 32.4% higher. The acquisition of Augusta made a major contribution to this growth in turnover. Turnover increased 4.0% organically, as growth came under pressure from the reluctance to invest in the building and construction sector in the Benelux, as well as in traffic infrastructure.

Augusta's results improved in the second half of the year, when compared to the first half, due to improved market conditions in the end-markets that are relevant to Augusta. The focus on the vertical growth markets introduced in late 2012 put the company in a successful position, especially in combination with demand from customers for integrated solutions. Our customers see considerable added value in the engineering expertise that enables us to come up with integrated systems, as well as our specific know-how of processes and the needs of end-users. TKH expanded its R&D capacity considerably to increase its technological lead.

***Connectivity systems – specialty cable (systems) for shipping, rail, infrastructure, wind energy, as well as installation and energy cable for niche markets – turnover share 14.1%***

Turnover increased by 3.6%, corrected for inventory reductions and reduced raw materials prices. This growth was largely realised outside the Benelux region. The reduced volume in the building and construction sector led to fierce competition and put

pressure on margins. As a result, the growth in turnover combined with the efficiency improvement programmes that were launched have not yet resulted in the targeted return on sales. The growth in the second half of the year in our defined vertical markets and the alignment with the core technologies vision & security and communications did lead to a strong improvement in the results in the course of the year. We have decided to terminate the solar system activities completely due to the low returns.

## 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. The company's know-how in the automation of production processes and improvements in the reliability of production systems gives TKH the differentiating potential to respond to the increasing desire to outsource the construction of production systems or modules in a number of specialised industrial sectors, such as tyre manufacturing, robotics, medical and machine construction industries.*

### Key figures Industrial Solutions

(in mln. € unless otherwise stated)	2013	2012	Change in %
Turnover	551.0	497.6	+ 10.7
EBITA	58.5	59.9	- 2.4
ROS	10.6%	12.0%	

Turnover in the Industrial Solutions segment came in 10.7% higher at € 551 million. The acquisition of Augusta boosted turnover by 3.0%, while turnover increased by 9.1% organically. Raw materials prices had a negative impact of 1.4% on turnover. Manufacturing systems booked particularly strong turnover growth, while connectivity systems also recorded a slight increase in turnover. The second half of the year showed a clear improvement compared to the first half of the year, largely driven by improved market conditions in the industrial sector and TKH's cutting edge technologies.

EBITA fell slightly by 2.4% to € 58.5 million, despite higher turnover. The major turnover contribution from new technology created an imbalance in the capacity utilisation at TKH's various production facilities, which in turn led to higher than usual cost levels, partly on account of a major increase in the hiring of temporary staff in the Netherlands. Costs in the first half of 2013 were also higher due to capacity maintained in anticipation of expected growth and because of investments in new clients and new technologies. These investments translated into a stronger market position and record order intake.

### **Connectivity systems – specialty cable systems and modules for the medical, robot, automotive and machine building industries – turnover share 20.2%**

Turnover came in 1.2% higher, corrected for a negative impact of 2.8% from lower raw materials prices charged on to customers. The first half of the year saw some reluctance in Europe to invest in capital goods, which resulted in a drop in turnover. This changed in the second half, resulting in organic growth of 12%. Investments increased in both the robotics sector and the medical sector. Positive developments in the German automotive sector also translated into a higher order intake among industry suppliers. We saw a continuation of the trend towards supplying complete systems to meet customers' demands and this had a positive impact on our turnover growth.

***Manufacturing systems – advanced manufacturing systems for the production of car and truck tyres, can washers, test equipment, product handling systems for the medical industry, machine operating systems – turnover share 25.8%***

Turnover was up 19.5%, with 5.7% of this accounted for the acquired Augusta operations. Organic growth came in at 13.8%. The organic growth was largely due to improved market conditions for investments in capital goods. Order intake increased strongly from mid-2012 and in the second half of 2013 we booked record order intake of more than € 160 million in the tyre manufacturing segment. Our greatest success has been with the new technology launched since 2012, which was a major step forward in terms of the quality, productivity and flexibility of the manufacturing systems. This resulted in a further breakthrough in our position in the tyre manufacturing industry. We also saw a further strengthening of our position among the five major tyre manufacturers. The major share of turnover from new technologies did, however, create an imbalance in the capacity utilisation among our production facilities, which led to higher than usual costs and meant we were able to produce a smaller proportion of systems in Asia. Preparations were made for a further structural increase in our production capacity, both in Asia and in the Netherlands. We were able to meet demand thanks to a high number of temporary hires and the leasing of external facilities. This did result in some inefficiencies, which are likely to normalise again in the second half of 2014, thanks to the further expansion of our own production capacity.

## **Dividend proposal**

At the Annual General Meeting to be held on 14 May 2014, TKH will propose the payment of a dividend of € 0.75 per (depository receipt for a) share (2012: € 0.65). This amounts to a pay-out ratio of 50.7% of the net profit before amortisation and one-off income and expenses, and 76.5% of the net profit. TKH will propose the payment of an optional dividend in cash or in shares, which will be charged to the reserves. TKH will determine the dividend payment in shares one day after the end of the optional period on the basis of the average price of TKH shares during the last five trading days of the optional period, which shall end on 3 June 2014. The dividend will be payable, in cash or in shares, on 6 June 2014.

## **Appointment Supervisory Board members**

During the General Meeting of Shareholders of TKH on 14 May 2014, Ms. M.E. Van Lier Lels and Mr. P. Morley MSc. will be stepping down as members of the Supervisory Board on the basis of the prevailing retirement scheme. Ms. Van Lier Lels is eligible for reappointment. Mr. Morley is not eligible for reappointment because the maximum period of three terms of four years has been reached.

The Supervisory Board has decided to nominate Ms. Van Lier Lels for reappointment. In addition the Supervisory Board nominates for appointment as new member of the Supervisory Board Mr. Antoon De Proft, CEO of IMEC (European research centre in Leuven – Belgium), CEO of Quest For Growth, board member of Barco and former CEO of ICOS Vision Systems. Mr. De Proft has the Belgian nationality.



## Outlook

The market conditions are volatile in the segments in which TKH operates. On the one hand, the global economic situation is showing signs of improvement in a number of market segments compared with last year. On the other hand, the general economic situation is still fragile, as market developments, especially in Asia, are still uncertain.

Within Telecom Solutions, following the realisation of investments in 4G networks, the investments in optical fibre networks will again increase. Due to the current overcapacity at a number of manufacturers of optical fibre, margins will remain under a certain amount of pressure in the first half of 2014, in line with margin development in the second half of 2013.

At Building Solutions, we expect to see a continued drop in investments in the building and construction sector, and the market conditions will continue to be challenging. On the other hand, we could see growth in a number of the vertical markets TKH is focusing on, thanks to TKH's trend-setting core technologies and the positive trends with regard to investments in these markets.

At Industrial Solutions, in 2013, we saw a strong increase in order intake in the sub-segment manufacturing systems. There are also signs that investments in the industrial sector will be higher in 2014 compared with last year. If the order intake develops positively in the course of the year, we could see an increase in profit.

In view of the continued economic uncertainty in a number of segments, it is too early to give a full-year 2014 profit forecast for the entire TKH group. As usual, TKH will aim to give a profit forecast for the full year at the presentation of its first-half results in August 2014.

Haaksbergen, 12 March 2014

Executive Board

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## Agenda

8 May 2014	Trading update Q1 2014
14 May 2014	General Meeting of Shareholders 2014
16 May 2014	Ex-dividend date
20 May 2014	Dividend record date
21 May until 3 June 2014	Optional period
3 June 2014	Determination stock dividend exchange ratio (after closing stock exchange)
6 June 2014	Cash dividend made payable and delivery stock dividend
19 August 2014	Publication interim figures 2014
6 November 2014	Trading update Q3 2014

## Profile

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

The TKH core technologies – vision & security, communications, connectivity and manufacturing systems – are interlinked to form complete systems and solutions in the solutions segments and associated vertical markets. TKH's goal is to use this interlinked approach to realise far-reaching synergies between the company's various business units.

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 vision & security, communications and connectivity technology that range from applications in buildings and the built environment through to integrated systems that, linked to software, provide efficiency solutions for sectors such as the construction, healthcare, parking, ship building, oil and gas, traffic and security sectors. Building Solutions operates in three distinct sub-segments: building technologies, vision & 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 car and truck tyres. The core technologies in this segment are vision technology, connectivity and system integration. 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 2013, TKH booked turnover of € 1.2 billion with a workforce of 4,802 employees.

## Consolidated balance sheet

in thousands of Euros

	2013	2012 <sup>1)</sup>
<b>Assets</b>		
<u>Non-current assets</u>		
Intangible non-current assets	349,125	342,657
Tangible non-current assets	188,523	191,561
Investment property	10,103	3,480
Financial non-current assets	17,795	16,995
Deferred tax assets	12,550	13,971
<b>Total non-current assets</b>	<b>578,096</b>	<b>568,664</b>
<u>Current assets</u>		
Inventories	185,447	196,658
Receivables	152,532	151,162
Construction contracts for third parties	78,272	48,380
Current income tax	3,364	1,546
Cash and cash equivalents	79,613	66,465
<b>Total current assets</b>	<b>499,228</b>	<b>464,211</b>
Assets held for sale	0	7,165
<b>Total assets</b>	<b><u>1,077,324</u></b>	<b><u>1,040,040</u></b>
<b>Equity and liabilities</b>		
<u>Group equity</u>		
Shareholders' equity	377,577	364,429
Minority interest	61,398	60,394
<b>Total group equity</b>	<b>438,975</b>	<b>424,823</b>
<u>Non-current liabilities</u>		
Non-current liabilities	258,558	202,445
Deferred tax liabilities	59,850	62,654
Provision for pensions	18,852	15,801
Other provisions	24,727	20,923
<b>Total non-current liabilities</b>	<b>361,987</b>	<b>301,823</b>
<u>Current liabilities</u>		
Borrowings	15,242	59,564
Trade and other payables	213,471	215,695
Construction contracts for third parties	38,735	31,940
Current income tax liabilities	717	778
Provisions	8,197	5,417
<b>Total current liabilities</b>	<b>276,362</b>	<b>313,394</b>
<b>Total equity and liabilities</b>	<b><u>1,077,324</u></b>	<b><u>1,040,040</u></b>

<sup>1)</sup> After restatement as a result of change in accounting principles for defined benefit plans (IAS 19R)

## Consolidated profit and loss account

in thousands of Euros

	2013	2012 <sup>1)</sup>
Net turnover	1,196,024	1,102,895
Change in inventories of finished goods and work in progress	-395	-2,717
Other operating income	2,216	2,204
<b>Total turnover</b>	<b>1,197,845</b>	<b>1,102,382</b>
Costs of raw materials, consumables, trade products and subcontracted work	698,771	651,758
Personnel expenses	268,639	242,029
Depreciation	19,462	17,494
Amortisation	25,068	20,876
Impairment	179	3,318
Other operating expenses	118,350	117,466
<b>Total operating expenses <sup>2)</sup></b>	<b>1,130,469</b>	<b>1,052,941</b>
<b>Operating result</b>	<b>67,376</b>	<b>49,441</b>
Financial income and expenses <sup>3)</sup>	-15,176	-12,116
Change in value of provisions for earn out and put-options minority shareholders	85	2,965
Share in result of associates	1,441	-67
<b>Result before tax</b>	<b>53,726</b>	<b>40,223</b>
Income tax	12,073	9,605
<b>Net result</b>	<b>41,653</b>	<b>30,618</b>
Attributable to:		
Shareholders of the company	37,232	28,404
Minority interest	4,421	2,214
	<b>41,653</b>	<b>30,618</b>
<b>Earnings per share</b>		
Weighted average number of shares (x1,000)	37,862	37,512
Weighted average number of shares (x1,000) for the Purpose of diluted earnings per shares (x1,000)	37,973	37,623
Ordinary earnings per share before amortisation and one Off income and expenses (in €) <sup>3)</sup>	1.48	1.27
Ordinary earnings per share before amortisation (in €) <sup>4)</sup>	1.30	1.00
Ordinary earnings per share (in €)	0.98	0.76
Diluted earnings per share (in €)	0.98	0.75

<sup>1)</sup> After restatement as a result of change in accounting principles for defined benefit plans (IAS 19R)

<sup>2)</sup> In the operating expenses of 2013 is included impairments and one-off expenses of 7.2 million as a result of restructuring and acquisitions (2012 12.2 million)

<sup>3)</sup> In the financial income and expenses is a one off charge of € 1.6 million included for the write-off of the capitalized transaction costs because of the refinancing in 2013

<sup>4)</sup> Non IFRS compulsory note.

## Consolidated statement of profit and loss and other comprehensive income

<i>in thousands of Euros</i>	<u>2013</u>	<u>2012 <sup>1)</sup></u>
<b>Net result</b>	<b>41,653</b>	<b>30,618</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Actuarial gains / (losses)	-2,763	-8,461
Revaluation of real estates	<u>-1,376</u>	<u>4,462</u>
	<b>-4,139</b>	<b>-3,999</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences	-5,206	-3,177
Effective part of changes in fair value of cash-flow hedges (after tax)	2,699	406
(De)/revaluation of assets held for sale	<u>237</u>	<u>3,146</u>
	<b>-2,270</b>	<b>375</b>
<b>Other comprehensive income</b>	<b><u>-6,409</u></b>	<b><u>-3,624</u></b>
<b>Total comprehensive income for the period</b>	<b><u><u>35,244</u></u></b>	<b><u><u>26,994</u></u></b>
<b>Attributable to:</b>		
Shareholders of the company	32,391	24,850
Minority interest in the result	<u>2,853</u>	<u>2,144</u>
<b>Total comprehensive income for the period</b>	<b><u><u>35,244</u></u></b>	<b><u><u>26,994</u></u></b>

<sup>1)</sup> After restatement as a result of change in accounting principles for defined benefit plans (IAS 19R)



## Consolidated statement of changes in group equity

*in thousands of Euros*

	<u>2013</u>	<u>2012 <sup>1)</sup></u>
<b>Balance as at 1 January</b>	<b>424,823</b>	357,871
Change IAS19R Employee Benefits (after deferred taxes)	<u>0</u>	<u>6,051</u>
<b>Changed balance as at 1 January</b>	<b>424,823</b>	363,922
Net result	<b>41,653</b>	30,618
Other comprehensive income	<u>-6,409</u>	<u>-3,624</u>
Total comprehensive income for the period	<b>35,244</b>	26,994
Dividends		
	<b>-18,017</b>	-21,667
Dividends to minority shareholders	<b>-2,336</b>	-1,091
Acquisition of minority interests through acquisitions	<b>-449</b>	56,923
Share and option schemes (IFRS 2)	<b>1,982</b>	1,743
Purchased shares for share and option schemes	<b>-5,411</b>	-6,236
Sold shares for share and option schemes	<u><b>3,139</b></u>	<u>4,235</u>
<b>Balance as at 31 December</b>	<u><b>438,975</b></u>	<u>424,823</u>

<sup>1)</sup> After restatement as a result of change in accounting principles for defined benefit plans (IAS 19R)

## Consolidated cash flow statement

*in thousands of Euros*

	2013	2012 <sup>1)</sup>
<b>Cash-flow from operating activities</b>		
Operating result	67,376	49,441
Depreciation, amortisation and impairments	45,219	42,080
Share and option schemes not resulting in cash flow	1,982	1,743
(Gain)/loss on sale or disposal of tangible assets	-510	-198
Changes in provisions	4,105	552
Changes in working capital	-8,717	4,766
Cash flow from operations	<u>109,455</u>	<u>98,384</u>
Interest paid	-11,665	-11,433
Income tax paid	-19,237	-11,702
<b>Net cash flow from operating activities (A)</b>	<u><u>78,553</u></u>	<u><u>75,249</u></u>
<b>Cash flow from investing activities</b>		
Dividend received from non-consolidated associates	544	484
Investment in tangible non-current assets	-21,205	-26,481
Divestment in tangible non-current assets	2,356	1,200
Result on investment and divestments of investment property	128	-466
Acquisition of subsidiaries	-15,544	-95,810
Acquisition of associates	0	-249
Investment in intangible non-current assets	-16,848	-14,113
<b>Net cash flow from investing activities (B)</b>	<u><u>-50,569</u></u>	<u><u>-135,435</u></u>
<b>Cash flow from financing activities</b>		
Dividends paid	-20,353	-22,758
Purchase shares for share and option schemes	-5,411	-6,236
Sold shares for share and option schemes	3,139	4,235
New long-term debts	312,314	70,591
Repayment of long-term debts	-259,000	0
Change in short-term borrowings	-44,322	55,461
<b>Net cash flow from financing activities (C)</b>	<u><u>-13,633</u></u>	<u><u>101,293</u></u>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<u>14,351</u>	<u>41,107</u>
Exchange differences	-1,203	-3,239
<b>Change in cash and cash equivalents</b>	<u>13,148</u>	<u>37,868</u>
Cash and cash equivalents at 1 January	<u>66,465</u>	<u>28,597</u>
Cash and cash equivalents at 31 December	<u><u>79,613</u></u>	<u><u>66,465</u></u>

<sup>1)</sup> After restatement as a result of change in accounting principles for defined benefit plans (IAS 19R)

## Notes to the financial statements

### 1. Accounting principles for financial reporting

These financial figures have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and are prepared using the principles which are followed in the financial statements for the year ended 31 December 2013. Further disclosures and description of the accounting principles as required under IFRS are not included in the financial figures. For a full understanding this press release should be read in conjunction with the financial statements for the Group.

### 2. Segmented information

	Telecom solutions		Building solutions		Industrial solutions		Unallocated		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b><u>First half year</u></b>										
Net turnover	<b>80,080</b>	81,560	<b>241,528</b>	200,975	<b>265,540</b>	243,677	<b>-1</b>		<b>587,147</b>	526,212
EBITA exclusive exceptionals	<b>8,287</b>	7,508	<b>16,655</b>	3,518	<b>23,576</b>	31,682	<b>-5,801</b>	-5,445	<b>42,717</b>	37,263
Exceptional items								<b>-4,000</b>		-4,000
Segment EBITA <sup>1)</sup>	<b>8,287</b>	7,508	<b>16,655</b>	3,518	<b>23,576</b>	31,682	<b>-5,801</b>	-9,445	<b>42,717</b>	33,263
Amortisation	<b>-488</b>	-502	<b>-8,543</b>	-5,212	<b>-2,860</b>	-2,373	<b>-84</b>	-72	<b>-11,975</b>	-8,159
Impairments										
Operating Result	<b>7,799</b>	7,006	<b>8,112</b>	-1,694	<b>20,716</b>	29,309	<b>-5,885</b>	-9,517	<b>30,742</b>	25,104
Financial Income and expenses									<b>-7,185</b>	-5,057
Result associates									<b>1,215</b>	158
Change in value provision for earn-out and putoptions minority share									<b>379</b>	
Taxes									<b>-5,796</b>	-5,211
Net result									<b>19,355</b>	14,994
<b><u>Second half year</u></b>										
Net turnover	<b>76,753</b>	85,565	<b>248,408</b>	235,876	<b>285,504</b>	253,950	<b>33</b>	779	<b>610,698</b>	576,170
EBITA exclusive exceptionals	<b>5,814</b>	7,230	<b>22,724</b>	19,017	<b>34,889</b>	28,216	<b>-6,341</b>	-5,908	<b>57,086</b>	48,555
Exceptional items	<b>-532</b>	-402	<b>-6,647</b>	-7,567				-214	<b>-7,179</b>	-8,183
Segment EBITA <sup>1)</sup>	<b>5,282</b>	6,828	<b>16,077</b>	11,450	<b>34,889</b>	28,216	<b>-6,341</b>	-6,122	<b>49,907</b>	40,372
Amortisation	<b>-529</b>	-507	<b>-9,698</b>	-9,205	<b>-2,814</b>	-3,077	<b>-52</b>	72	<b>-13,093</b>	-12,717
Impairments		-170	<b>-179</b>	-2,874		-273		-1	<b>-179</b>	-3,318
Operating Result	<b>4,753</b>	6,151	<b>6,200</b>	-629	<b>32,075</b>	24,866	<b>-6,394</b>	-6,051	<b>36,634</b>	24,337
Financial Income and expenses									<b>-7,991</b>	-7,059
Result associates									<b>226</b>	-225
Change in value provision for earn-out and putoptions minority share									<b>-294</b>	2,965
Taxes									<b>-6,277</b>	-4,394
Net result									<b>22,298</b>	15,624
<b><u>Total</u></b>										
Net turnover	<b>156,833</b>	167,125	<b>489,936</b>	436,851	<b>551,044</b>	497,627	<b>32</b>	779	<b>1,197,845</b>	1,102,382
EBITA exclusive exceptionals	<b>14,101</b>	14,738	<b>39,379</b>	22,535	<b>58,465</b>	59,898	<b>-12,142</b>	-11,353	<b>99,803</b>	85,818
Exceptional items	<b>-532</b>	-402	<b>-6,647</b>	-7,567				-4,214	<b>-7,179</b>	-12,183
Segment EBITA <sup>1)</sup>	<b>13,569</b>	14,336	<b>32,732</b>	14,968	<b>58,465</b>	59,898	<b>-12,142</b>	-15,567	<b>92,624</b>	73,635
Amortisation	<b>-1,017</b>	-1,009	<b>-18,241</b>	-14,417	<b>-5,674</b>	-5,450	<b>-136</b>		<b>-25,068</b>	-20,876
Impairments		-170	<b>-179</b>	-2,874		-273		-1	<b>-179</b>	-3,318
Operating Result	<b>12,552</b>	13,157	<b>14,312</b>	-2,323	<b>52,791</b>	54,175	<b>-12,279</b>	-15,568	<b>67,376</b>	49,441
Financial Income and expenses									<b>-15,176</b>	-12,116
Result associates									<b>1,441</b>	-67
Change in value provision for earn-out and putoptions minority share									<b>85</b>	2,965
Taxes									<b>-12,073</b>	-9,605
Net result									<b>41,653</b>	30,618

<sup>1)</sup> EBITA: Operating result plus amortisation and impairment of immaterial fixed assets

### 3. Overview of net profit definitions

*in thousands of Euros*

	<u>2013</u>	<u>2012</u>
Net result	<b>41,653</b>	30,618
Less: Minority interests in the result	<b>-4,421</b>	-2,214
Attributable to share holders of the company	<b>37,232</b>	28,404
<b>Net result</b>	<b>41,653</b>	30,618
Amortisation of acquisition-related intangible assets based on "purchase price allocations"	<b>16,601</b>	12,815
Taxes on the amortisation	<b>-4,621</b>	-3,646
Net profit before amortisation	<b>53,633</b>	39,787
Less: Minority interests in the result	<b>-4,421</b>	-2,214
<b>Net profit before amortisation contributable to shareholders of the company</b>	<b>49,212</b>	37,573
Net result before amortisation	<b>53,633</b>	39,787
Change in provision for earn-out and put options minority shareholders	<b>-85</b>	-2,965
Restructuring costs	<b>7,066</b>	7,969
Acquisitions costs	<b>113</b>	4,214
Amortisation of capitalised financing costs because of refinancing	<b>1,600</b>	
Impairments	<b>179</b>	3,318
Impairments in result participations		200
Tax effect on impairments and restructuring costs	<b>-2,195</b>	-2,825
<b>Net profit before amortisation and one-off income and expenses</b>	<b>60,311</b>	49,698
Net profit attributable to minority interests	<b>-4,421</b>	-2,214
<b>Net profit before amortisation and one-off income and expenses attributable to the shareholders of the company</b>	<b>55,890</b>	47,484

### 4. Annual report

The consolidated balance sheet, consolidated profit and loss account, consolidated statement of profit and loss and other comprehensive income, 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 2013, which have not yet been published in compliance with legal requirements. These documents will be published ultimately at 31 March 2014. The annual accounts will be submitted to the General Meeting of Shareholders on 14 May 2014 for approval.

In accordance with Section 2:393 and 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 dated 11 March 2013. 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.