

Press release
TKH Group N.V. (TKH)

Higher turnover but lower result in the first half of 2019
Strong turnover and profit growth expected in the second half

Financial highlights¹

- Turnover rises by 3.5% to € 753.2 million – organic growth +0.1%.
- Turnover was pressured by a low investment level at consumer electronics producers and lower number of larger projects.
- EBITA declines by 8.8% to € 77.6 million due to higher costs in preparation for turnover growth in the second half of the year.
- Net profit before amortization and one-off income and expenses attributable to shareholders down by 16.6% to € 45.9 million.

Strategic highlights

- Introduction of 'Simplify & Accelerate' program with focus on further value creation.
- Acquisitions of innovative technology companies ParkEyes and Commend AG (both April).
- Agreement reached on divestment of majority of industrial connectivity activities, now reported as 'discontinued operations'.
- Good progress with integration of vision and security companies.

Outlook

- Organic increase of order book per 30 June 2019 by 13.0% compared with 31 December 2018; offers good perspective for strong growth in turnover and profit in the second half of the year.
- Outlook full year 2019: Net profit from continued operations before amortization and one-off income and expenses attributable to shareholders of between € 106 and € 112 million (2018: € 110.3 million).

Key figures

(in mln. € unless otherwise stated)	H1 2019	H1 2018	Change in %
Turnover ¹	753.2	728.0	+3.5%
EBITA ¹	77.6	85.1	-8.8%
Net profit before amortization and one-off income and expenses attributable to shareholders ^{1,2}	45.9	55.0	-16.6%
Net profit	42.8	54.9	-22.0%
Net earnings per ordinary share attributable to shareholders (in €)	1.02	1.30	-21.8%
Net earnings per ordinary share before amortization and one-off income and expenses attributable to shareholders (in €) ^{1,2}	1.09	1.31	
ROS ¹	10.3%	11.7%	
ROCE	18.7%	20.8%	

¹ In line with IFRS the figures over the first half of 2019 in this press release are presented based on 'continued operations'. This concerns the figures excluding the divested industrial connectivity activities ('discontinued operations'). For more details about this divestment, reference is made to 'discontinued operations', which is included after the financial statements. The comparable figures in the profit and loss account and cash flow statement over the first half of 2018 have been restated in this press release.

² For a more detailed specification, please see "Overview of alternative performance criteria", which you will find after the financial statements.

Alexander van der Lof, CEO of technology company TKH: *“In the past period, TKH took a number of significant initial steps in the execution of its ‘Simplify & Accelerate’ program. The envisaged divestment of the majority of its industrial connectivity activities and the acquisition of companies with innovative vision technology will intensify TKH’s technology focus on hardware in combination with software and artificial intelligence. In addition, TKH has made progress in the integration of activities enabling the company to make even better use of economies of scale. With the cost level in the first half year, TKH anticipated on the expected growth in the second half year. Furthermore, the cost level was higher due to integration costs which were implemented in line with the ‘Simplify & Accelerate’ program. This had a dampening effect on the result. Based on the higher order book and a number of projects in the pipeline we expect to increase both turnover and result compared with the first half of the year.”*

Financial developments in the first half

Turnover increased by 3.5% to € 753.2 million in the first half of 2019 (H1 2018: € 728.0 million). Turnover increased organically by 0.1%. Lower raw materials prices had a negative impact of 0.3% on turnover, while on average stronger foreign currencies compared with the euro had a positive translation effect of 0.5% on turnover. Acquisitions accounted for a 3.2% increase in turnover. Telecom Solutions and Industrial Solutions both recorded an organic growth in turnover. Building Solutions saw a slight decline.

The gross margin increased slightly to 47.4% (H1 2018: 47.2%).

Operating costs increased by 8.1% when compared with the first half of 2018. The operating costs of the acquired companies resulted in a 4.8% increase in costs, while currency exchange rates had a positive impact of 0.7%. As a percentage of turnover, operating costs increased to 37.1% in the first half of 2019, from 35.5% in the first half of 2018. This increase was largely due to higher operating costs levels at TKH’s production plants, driven by the expansion of production capacity in the course of 2018 and preparations for the growth expected in the second half of this year. Depreciations amounted to € 22.3 million and were € 9.7 million higher than the level seen in the first half of 2018. This was largely related to the depreciation of rights of use assets due to the implementation of IFRS 16 Leases as of 1 January 2019.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) fell by 8.8% to € 77.6 million in the first half of 2019, from € 85.1 million in the first half of 2018. At Telecom Solutions, EBITA increased by 1.6%. Building Solutions and Industrial Solutions recorded a decline of 15.5% and 4.2% respectively.

The ROS declined to 10.3% in the first half of 2019 (H1 2018: 11.7%).

Amortization costs increased by € 5.6 million due to acquisitions and the higher investments in R&D in recent years.

The financial result fell by € 2.1 million. Interest expenses rose by € 1.2 million, largely due to the application of IFRS 16. This was offset by a more favorable currency exchange impact of € 0.5 million. The result from other associates fell by € 1.4 million, due to the lower volumes and prices of preforms at the associate, preform producer Shin-Etsu in China.

With 23.0% the tax rate was equal to the first half year of 2018.

Net profit from continued operations before amortization and one-off income and expenses attributable to shareholders declined by 16.6% to € 45.9 million (H1 2018: € 55.0 million). Net profit decreased by 22.0% to € 42.8 million (H1 2018: € 54.9 million).

TKH's net bank debts, calculated in accordance with the bank covenant, increased by € 79.7 million compared with year-end 2018 to stand at € 406.3 million. This increase was related to the payment of dividends, the acquisition of ParkEyes and Commend AG, investments and higher working capital. Working capital as a percentage of turnover increased to 16.5% (mid-2018: 16.4%). The net debt/EBITDA ratio stood at 1.9, which meant that TKH was operating well within the financial ratio agreed with its banks. Solvency stood at 36.9% (H1 2018: 43.1%).

The total number of employees with a permanent contract (FTEs), excluding the discontinued industrial connectivity activities, stood at 5,950 at end-June 2019 (mid-2018: 5,518 FTEs). In addition, TKH had a total of 415 temporary employees as per 30 June 2019 (mid-2018: 527).

Developments per solutions segment

Telecom Solutions

Telecom Solutions encompasses the key technologies connectivity, vision & security and mission critical communication. TKH 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 network hubs.

Key figures

(in mln.)	H1 2019	H1 2018	Change in %
Turnover	102.8	99.6	+3.2%
EBITA	16.0	15.8	+1.6%
ROS	15.6%	15.8%	

Turnover in the Telecom Solutions segment increased by 3.2% to € 102.8 million. Currency exchange rates had a negative impact of 0.1%. On balance, turnover increased organically by 3.3%.

EBITA was up by 1.6% at € 16.0 million. The ROS decreased slightly to 15.6% in the first half of 2019 (H1 2018: 15.8%).

Fibre network systems - optical fibre, optical fibre cables, connectivity systems and components, active peripherals – turnover share 8.8%

Turnover increased organically by 4.0%. The growth slowdown in China was more than offset by the growth in turnover in fibre network systems in Europe. Due to the higher share of the connectivity portfolio in the product mix, TKH was able to improve the gross margin, despite the price pressure in the Chinese market. The expansion of the optical fibre production capacity is on schedule. The extra capacity will be available in the second half of 2019.

Indoor telecom & Copper networks - home networking systems, broadband connectivity, IPTV software solutions, copper cable, connectivity systems and components, active peripherals – turnover share 4.8%

Turnover increased organically by 2.0% and was largely realized in the broadband connectivity portfolio for the Benelux and Germany.

Building Solutions

Building Solutions connects the core technologies vision & security, mission critical communications and connectivity in comprehensive solutions for security and communications applications in and around buildings, in medical applications, as well as for inspection, quality, product and process control systems. In addition to this, Building Solutions focuses on efficiency solutions to reduce throughput times for the realization of installations within buildings, and on intelligent video, mission critical communications, evacuations, access (control) and registration systems for a number of specific sectors, including healthcare, parking, marine and offshore, tunnels and airports.

Key figures

(in mln.)	H1 2019	H1 2018	Change in %
Turnover	364.8	346.4	+5.3%
EBITA	29.1	34.4	-15.5%
ROS	8.0%	9.9%	

Turnover in the Building Solutions segment increased by 5.3% to € 364.8 million. Lower raw materials prices had a negative impact of 0.4% on turnover. Currency exchange rates had a positive impact of 0.8%. Acquisitions accounted for 6.8% of the turnover, although ParkEyes and Commend AG still made a very limited contribution in the first half of the year. On balance, turnover declined organically by 1.9% in the first half of the year. This decline was mainly accounted for by Machine Vision due to lower investments by producers of consumer electronics, and a lower number of larger projects in some other segments.

EBITA fell by 15.5% to € 29.1 million, largely due to high cost levels in anticipation of the expected strong increase in activity levels in the second half of the year. As a result, the ROS declined to 8.0% in the first half of 2019 (H1 2018: 9.9%).

Vision & Security systems – vision technology based on 2D and 3D camera sensor technology and 3D laser technology, CCTV systems, video/audio analysis and detection, intercom, access control and registration, central control room integration, healthcare systems – turnover share 25.9%

Turnover increased by 5.3%. Organically the turnover decreased by 9.1%. Machine Vision was affected by a reluctance to invest among producers of consumer electronics. This reluctance was also notable in other sectors in terms of shifts of projects. Thanks to TKH's earlier investments in innovations and positioning in growth markets, such as the market for solar panels and batteries, turnover improved in the course of the first half. TKH initiated measures to reduce the operating costs of its Machine Vision activities through the realization of cost efficiencies by integrating the 2D vision activities following the acquisitions made in the past period. This resulted in additional costs.

Turnover for larger projects reduced in Parking. TKH took a significant step with the acquisition of ParkEyes. The technology of ParkEyes is complementary to the technology of TKH, which now also gives TKH a broad portfolio for smaller to medium-sized parking garages.

TKH is making good progress in the integration of its security-related businesses. These activities will be combined in TKH Security and marketed under that brand.

Lakesight Technologies made a good contribution to growth in the Tunnel & Infra segment. The roll-out of our vision-based traffic management solutions in the US market gained traction.

Connectivity systems – specialty cable (systems) for marine, rail, infrastructure, wind energy, as well as installation and energy cable for niche markets, structured cabling systems and connectivity systems for contactless energy and data distribution - turnover share 22.6%

Turnover increased organically by 6.3%. The increased need to invest in energy networks from network companies had a positive impact on the demand for power cable systems. TKH also recorded growth in turnover from data cable systems.

Marine & Offshore recorded a decline in turnover due to lower turnover from subsea cable systems. This was due to the fact that TKH started to focus fully on the acquisition of new contracts as of the fourth quarter of 2018. However, TKH did record turnover growth in cable systems for the marine industry.

In the vertical growth market Tunnel & Infra, TKH recorded solid growth by increasing its market share in airfield ground lighting (AGL) systems. We saw continued growth in the demand for our innovative CEDD technology for AGL, which integrates various TKH technologies and competencies, and the positive outlook of continued growth was confirmed by a sharp increase in our quotation portfolio.

Industrial Solutions

Industrial Solutions develops, produces and delivers integrated systems for the production of car and truck tires, as well as specialty cable systems. TKH's know-how in the automation of production processes and improvements in the reliability of production systems gives the company the differentiating potential it needs to respond to the increasing desire to outsource the construction of production systems or modules in a number of specialized industrial sectors, such as tire manufacturing, robotics, and the medical and machine building industries.

Key figures

(in mln.)	H1 2019	H1 2018 ¹⁾	Change in %
Turnover	285.6	281.9	+1.3%
EBITA	42.0	43.8	-4.2%
ROS	14.7%	15.5%	

¹⁾ The comparable figures for 2018 have been adjusted as a result of the discontinued industrial connectivity activities.

Turnover in the Industrial Solutions segment increased by 1.3% to € 285.6 million. On average lower raw materials prices had a negative impact of 0.1% on turnover. Turnover increased organically by 1.4%.

EBITA fell by 4.2% to € 42.0 million due to lower production capacity utilization within connectivity and by higher costs for a number of innovation projects. The ROS consequently fell to 14.7% in the first half of 2019, from 15.5% in the first half of 2018.

Manufacturing systems – advanced tire manufacturing production systems for the car and truck tire manufacturing industries, can washers, testing equipment, product handling systems for the medical industry and machine operating systems, specialty cable systems and modules for the medical, robotics, automotive and machine building industries – turnover share 37.9%

The decision was taken to divest the majority of the industrial connectivity activities because they were insufficiently aligned with the progressive technology strategy and introduced further focus on the vertical growth markets. This ultimately led to the agreement with TorqX Capital

Partners on 16 July 2019. The remaining connectivity activities are limited in size and have therefore been integrated in the manufacturing systems sub-segment.

The demand for specialty cables and cable systems weakened in the automotive and robotics industries. This was partly offset by growth in the medical industry (Care).

Turnover in Tire Building was higher, while the order book also increased further. The share of the top five tire manufacturers in order intake was at a high level, as was the share of MILEXX (truck tire manufacturing systems), for which there is a lot of interest in the market. The development of UNIXX (new tire-building platform) is progressing well, but the completion of delivery did result in extra costs in the first half of the year and some of these will continue into the third quarter.

Outlook

Barring unforeseen circumstances, TKH expects the following developments per business segment in the second half of 2019.

Telecom Solutions

At Telecom Solutions, we expect the demand for fibre optic networks to remain high in Europe. Thanks to its strong market positions in Europe, TKH will benefit from this demand. In addition, the capacity expansions we have initiated will become available in the second half of 2019. We expect turnover and result to improve slightly compared with the first half of the year.

Building Solutions

At Building Solutions, turnover will develop positively in the second half of 2019. The order book and order intake are at a healthy level for both connectivity and vision & security and the outlook for potential orders is generally positive. On balance, we expect turnover and especially result to be significantly higher than in the first half of this year.

Industrial Solutions

At Industrial Solutions, we expect to see a slight decline in turnover and result, despite the increase in the order book. We are seeing the geographical reallocation of investments in several projects in the tire building industry outside the top five tire manufacturers, which will result in shifts of some projects to 2020. At the same time, this is expected to a good starting point for 2020.

Barring unforeseen circumstances, on balance TKH expects a net profit from continued operations, before amortization and one-off income and expenses attributable to shareholders of between € 106 million and € 112 million for the full year 2019 (2018: € 110.3 million), with which a strong increase in result in the second half of the year is expected.

Haaksbergen, 13 August 2019

Executive Board

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Financial calendar

6 March 2020	Publication annual results 2019
7 May 2020	General Meeting of Shareholders
11 August 2020	Publication interim results 2020

Profile

Technology firm TKH Group NV (TKH) is focused on high-end innovative technologies in high growth markets within three business segments: Telecom, Building and Industrial Solutions.

Through a combination of technologies, TKH offers superior solutions that support to increase the efficiency, safety and security of its customers. The technologies are offered together with software to create smart technologies and one-stop-shop solutions with plug-and-play integrated technologies.

TKH operates on a global scale. Its growth is concentrated in Europe, North America and Asia. Employing 6,533 people, TKH achieved a turnover of € 1.6 billion in 2018.

Consolidated profit and loss account

in thousands of euros	1st half year 2019	1st half year 2018
Total turnover	753,212	727,959
Raw materials, consumables, trade products and subcontracted work	395,920	384,195
Personnel expenses	191,995	178,692
Other operating expenses	65,480	67,422
Depreciation	22,253	12,574
Amortization	24,148	18,531
Impairments	70	387
Total operating expenses	699,866	661,801
Operating result	53,346	66,158
Financial income	445	700
Financial expenses	-4,460	-3,525
Exchange differences	-479	-956
Share in result of associates	215	1,635
Fair value changes of financial liability for squeeze-out, earn-out and put options of shareholders of non-controlling interests	-106	-98
Result before tax	48,961	63,914
Tax on profit	11,262	14,690
Net result for the period from continued operations	37,699	49,224
Result after tax for the period from discontinued operations	5,150	5,694
Net result	42,849	54,918
Attributable to:		
Shareholders of the company	42,812	54,815
Non-controlling interests	37	103
	42,849	54,918
Earnings per share attributable to shareholders		
Weighted average number of (depository receipts of) shares (x 1,000)	41,946	42,016
Weighted average number of (depository receipts of) shares diluted (x 1,000)	42,097	42,347
Ordinary earnings per share (in €)	1.02	1.30
Diluted earnings per share (in €)	1.02	1.29
Earnings per share attributable to shareholders from continued operations		
Ordinary earnings per share (in €) continued operations	0.90	1.17
Diluted earnings per share (in €), continued operations	0.90	1.16
Ordinary earnings per share before amortization and one-off income and expenses from continued operations (in €)	1.09	1.31

Consolidated statement of comprehensive income

in thousands of euros	1st half year 2019	1st half year 2018
Net result	42,849	54,918
Items that may be reclassified subsequently to profit or loss (net of tax)		
Currency translation differences	882	2,483
Effective part of changes in fair value of cash flow hedges (after tax)	688	-4,627
Other comprehensive income (net of tax)	1,570	-2,144
Comprehensive income for the period (net of tax)	44,419	52,774
Attributable to:		
Shareholders of the company	44,364	52,671
Non-controlling interests	55	103
Total comprehensive income for the period (net of tax)	44,419	52,774

Consolidated balance sheet

in thousands of euros	30-06-2019	31-12-2018
Assets		
Non-current assets		
Intangible non-current assets	545,525	544,098
Tangible non-current assets	241,277	245,392
Tangible right-of-use assets	74,349	0
Investment property	251	251
Other associates	12,294	12,047
Receivables	2,005	2,007
Deferred tax assets	17,984	17,104
Total non-current assets	893,685	820,899
Current assets		
Inventories	253,150	254,963
Receivables	236,170	223,473
Contract assets	147,253	140,135
Contract costs	2,158	3,555
Current income tax	818	1,081
Cash and cash equivalents	74,330	83,180
Total current assets	713,879	706,387
Assets held for sale	93,948	0
Total assets	1,701,512	1,527,286
Equity and liabilities		
Group Equity		
Shareholders' equity	625,831	646,459
Non-controlling interests	1,235	1,190
Total group equity	627,066	647,649
Non-current liabilities		
Non-current liabilities	399,795	238,537
Deferred tax liabilities	63,366	60,398
Retirement benefit obligation	5,325	7,984
Financial liabilities	3,585	588
Provisions	5,462	5,217
Total non-current liabilities	477,533	312,724
Current liabilities		
Borrowings	158,371	170,569
Trade payables and other payables	302,311	314,613
Contract liabilities	69,229	57,032
Current income tax liabilities	5,937	6,924
Financial liabilities	3,268	4,831
Provisions	13,767	12,944
Total current liabilities	552,883	566,913
Liabilities directly associated with assets held for sale	44,030	0
Total equity and liabilities	1,701,512	1,527,286

Consolidated cash flow statement

in thousands of euros	1st half year 2019	1st half year 2018
Cash flow from operating activities		
Operating result from continued activities	53,346	66,158
Operating result from discontinued activities	7,189	7,764
Depreciation, amortization and impairment	48,166	32,603
Share and option schemes not resulting in a cash flow	770	1,927
Result on disposals	-139	-151
Changes in provisions	1,582	-496
Changes in working capital	-39,032	-85,930
Cash flow from operations	71,882	21,875
Interest received	508	638
Interest paid	-4,837	-3,526
Income taxes paid	-11,906	-15,836
Net cash flow from operating activities (A)	55,647	3,151
Cash flow from investing activities		
Dividends received from non-consolidated associates		107
Repayments on loans	971	764
Purchases of tangible non-current assets	-17,933	-18,507
Disposals of tangible non-current assets	302	358
Acquisition of subsidiaries less cash and cash equivalents acquired	-18,362	-670
Investments in intangible non-current assets	-19,431	-16,929
Divestments in intangible non-current assets	41	
Net cash flow from investing activities (B)	-54,412	-34,877
Cash flow from financing activities		
Dividends paid	-59,120	-51,498
Settlement of financial liabilities regarding put options of non-controlling interests, earn-out and squeeze-out	-1,672	-165
Acquisition of non-controlling interests	-10	-9,000
Purchased shares for share and option schemes	-12,396	-13,458
Sold shares for share and option schemes	5,754	5,625
Payment of lease liabilities	-8,422	
Proceeds from long-term debts	95,528	92,613
(Repayments)/proceeds from other long-term debts	-121	
Change in borrowings	-22,325	16,959
Net cash flow from financing activities (C)	-2,784	41,076
Net increase/(decrease) in cash and cash equivalents (A+B+C)	-1,549	9,350
Exchange differences	-387	284
Change in cash and cash equivalents	-1,936	9,634
Cash and cash equivalents at 1 January	60,905	45,713
Cash and cash equivalents at 30 June	58,969	55,347

in thousands of euros	1st half year 2019	1st half year 2018
Cash and bank balances as included in the cash flow statement	58,969	55,347
Cash at companies assets held for sale	-3,680	
Cash and bank balances in cash and interest pools	19,041	43,213
Cash and bank balances	74,330	98,560

Consolidated statement of changes in group equity

in thousands of euros	Total shareholders' equity	Non- controlling interests	Total group equity
Balance at 1 January 2018 before IFRS 9 restatement	594,357	8,440	602,797
IFRS 9 Restatement	-812		-812
Balance at 1 January 2018 after IFRS 9 restatement	593,545	8,440	601,985
Net result	54,815	103	54,918
Total other comprehensive income	-2,141	-3	-2,144
Total comprehensive income	52,674	100	52,774
Dividends	-50,434		-50,434
Dividends to shareholders of non-controlling interests	-1,054	-10	-1,064
Acquisition of non-controlling interests	7,346	-7,346	0
Share and option schemes	1,927		1,927
Purchased shares for share and option schemes	-13,458		-13,458
Sold shares for share and option schemes	5,625		5,625
Balance at 30 June 2018	596,171	1,184	597,355
Balance at 1 January 2019	646,459	1,190	647,649
Net result	42,812	37	42,849
Total other comprehensive income	1,552	18	1,570
Total comprehensive income	44,364	55	44,419
Dividends	-58,772		-58,772
Dividends to shareholders of non-controlling interests	-348		-348
Acquisition of non-controlling interests		-10	-10
Share and option schemes	770		770
Purchased shares for share and option schemes	-12,396		-12,396
Sold shares for share and option schemes	5,754		5,754
Balance at 30 June 2019	625,831	1,235	627,066

Notes to the interim financial report

1. Accounting principles for financial reporting

The accounting policies for the valuation of assets and liabilities and determination of the result (hereafter 'valuation principles') are the same as the accounting principles applied for the consolidated financial statements 2018, with the exception of the new or amended standards and interpretations described hereafter. Annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Section 2: 362 sub 9 of the Dutch Civil Code (Dutch Civil Code).

The interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements 2018 of the group.

2. Implemented new or changed standards and interpretations

A change in accounting policies in 2019 is the application of the new standard IFRS 16 *Leases*. This standard introduces a lease accounting concept where right-of-use assets and payment liabilities of lease contracts are included in the balance sheet. Lease obligations are based on the present value of remaining lease payments (adjusted for the effects of prepayments, accruals and provisions).

TKH has implemented IFRS 16 with the modified retrospective approach. The comparative figures have not been restated, and changes have been processed in the opening balance of 2019. TKH has applied for the transition option to measure the initial value of the right-of-use asset at an amount equal to the lease liability. For this reason, the implementation will not result in a equity impact on 1 January 2019.

TKH applies for a number of recognition exemptions and practical expedients. IFRS 16 will not be applied on intangible assets. In addition, the lessee accounting model is not applied to leases with a duration of less than a year or a low value. Service costs for lease objects are separated from the lease contracts and not included in the right-of-use asset and lease liabilities valuation.

The impact of IFRS 16 on the consolidated opening balance sheet as at 1 January 2019 is as follows:

in thousands of euros	31-12-2018	IFRS 16 restatement	Restated balance sheet 1-1-2019
Assets			
Total non-current assets	820,899	86,691	907,590
Total current assets	706,387		706,387
Total assets	1,527,286	86,691	1,613,977
Equity and liabilities			
Total group equity	647,649		647,649
Total non-current liabilities	312,724	74,112	386,836
Total current liabilities	566,913	12,579	579,492
Total equity and liabilities	1,527,286	86,691	1,613,977

The impact of IFRS 16 on the consolidated balance sheet as at 30 June 2019 is as follows:

in thousands of euros	30-06-2019 excluding IFRS 16	IFRS 16 restatement	30-06-2019 including IFRS 16
Assets			
Total non-current assets	819,336	74,349	893,685
Total current assets	713,879		713,879
Assets held for sale	88,641	5,307	93,948
Total assets	1,621,856	79,656	1,701,512
Equity and liabilities			
Total group equity	627,360	-294	627,066
Total non-current liabilities	413,186	64,347	477,533
Total current liabilities	542,633	10,250	552,883
Liabilities directly associated with assets held for sale	38,677	5,353	44,030
Total equity and liabilities	1,621,856	79,656	1,701,512

The presentation the consolidated profit and loss account also changes, because the lease costs that were previously included in the other operating expenses, are replaced by depreciation and interest expenses. The net result changes due to the interest discounting effect. The sum of depreciation and interest expense in 2019 are higher than lease costs under the old method. The effect of this on the net result however is not material.

The impact of IFRS 16 on the consolidated profit and loss account of the first half year 2019 is as follows:

in thousands of euros	H1 2019 excluding IFRS 16	IFRS 16 restatement	H1 2019 including IFRS 16
Total turnover	753,212		753,212
Raw materials, consumables, trade products and subcontracted work	395,920		395,920
Personnel expenses	191,995		191,995
Other operating expenses	74,247	-8,767	65,480
Depreciation	14,197	8,056	22,253
Amortization	24,148		24,148
Impairments	70		70
Total operating expenses	700,577	-711	699,866
Operating result	52,635	711	53,346
Financial income and expenses	-3,426	-959	-4,385
Result before tax	49,209	-248	48,961
Tax on profit	-11,216	-46	-11,262
Net result for the period from continued operations	37,993	-294	37,699

The impact of IFRS 16 on the consolidated cash flow statement of the first half year 2019 is as follows:

in thousands of euros	H1 2019 excluding IFRS 16	IFRS 16 restatement	H1 2019 including IFRS 16
Cash flow from operating activities	47,225	8,422	55,647
Cash flow from investing activities	-54,412		-54,412
Cash flow from financing activities	5,638	-8,422	-2,784
Net increase/(decrease) in cash and cash equivalents	-1,549		-1,549

TKH has agreed with the banking group that the IFRS 16 changes will not have any impact on the bank covenant during the term of the current financing.

3. Judgments

In preparing the consolidated interim financial statements, management has made judgments, estimates and assumptions. These judgments, estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses and disclosed contingent assets and liabilities at the date of the interim financial statements. The actual outcome can vary from these judgments, estimates and assumptions. The key sources used for judgments, estimates and assumptions were the same as those that applied to the consolidated financial statements as per 31 December 2018.

4. Statutory capital

The number of outstanding (depository receipts of) shares as per 31 December 2018 amounted to 42,006,707. Due to the exercise of options rights and share schemes, a balance of 82,317 (depository receipts of) shares were purchased in the first half of 2019. As a result, the number of (depository receipts of) shares outstanding with third parties as per 30 June 2019 was 41,924,390.

5. Dividend

At the General Meeting of Shareholders 2019 the dividend over 2018 was declared at € 1.40 per (depository receipts of) ordinary share. The dividend on the priority shares was declared at € 0.05 per share. The total amount in dividends paid in the first half of 2019 was € 58,772,000 and this amount was charged to the other reserves (H1 2018: € 50,434,000).

6. Segmented information

in thousands of euros	Telecom Solutions		Building Solutions		Industrial Solutions		Not attributable		Total	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Total turnover	102,831	99,645	364,786	346,430	285,595	281,884			753,212	727,959
EBITA	16,037	15,777	29,103	34,426	41,956	43,813	-9,532	-8,940	77,564	85,076
ROS	15.6%	15.8%	8.0%	9.9%	14.7%	15.5%			10.3%	11.7%
Amortization	-524	-567	-18,974	-13,784	-4,640	-4,168	-10	-12	-24,148	-18,531
Impairments			-19	-34	-51	-353			-70	-387
Operating result	15,513	15,210	10,110	20,608	37,265	39,292	-9,542	-8,952	53,346	66,158

7. Order book

The following table shows the expected future revenue with regard to contractual performance obligations that are not (or partially) completed on the balance sheet date:

in thousands of euros	30-06-2019	31-12-2018
Unsatisfied performance obligations	463,681	403,597

8. Overview of net profit definitions

in thousands of euros (unless stated otherwise)	1st half year 2019	1st half year 2018
Net profit attributable to the shareholders of the company	42,812	54,815
Net profit attributable to non-controlling interests	37	103
Net profit	42,849	54,918
Amortization of intangible non-current assets from acquisitions	11,135	7,518
Taxes on amortization	-3,067	-2,028
Impairments	70	387
Fair value changes of financial liability for squeeze-out, earn-out and put options of shareholders of non-controlling interests	106	98
Tax impact on impairments and one-off expenses and benefits	-18	-97
Result after tax for the period from discontinued operations	-5,150	-5,694
Profit before amortization and one-off income and expenses from continued operations	45,925	55,102
Less: Non-controlling interests	-37	-103
Profit before amortization and one-off income and expenses from continued operations attributable to shareholders of the company	45,888	54,999

9. Acquisitions

On 11 April 2019, TKH acquired 100% of the shares in Commend AG, with offices in the Zurich and Geneva (Switzerland) districts. Commend AG is the value added reseller in Switzerland that sells mission critical communication systems of the Commend Group that was acquired by TKH in 2015 with its headquarters in Austria. With 24 employees, Commend AG realizes an annual turnover of about € 8 million. The activities of Commend AG will be part of TKH's sub-segment vision & security systems, within the business segment Building Solutions.

On 12 April 2019, TKH acquired 100% of the shares in ParkEyes. ParkEyes is based in Malaga (Spain). ParkEyes is a technology leader in the field of image-based parking facility solutions based on Artificial Intelligence. The technologies of ParkEyes are complementary to TKH's existing technologies and parking solutions. By using the TKH network and the strong positioning of TKH in North America, Europe and Australia, ParkEyes is expected to be able to accelerate the growth and expansion of its market position. With 41 employees (FTE), ParkEyes realizes an annual turnover of approximately € 6 million. The activities will be part of TKH's sub-segment vision & security systems, within the business segment Building Solutions.

The aggregated purchase price, net asset valuation and preliminary fair value adjustments are as follows:

in thousands of euros	Book value	Adjustments	Fair value
Acquired net assets	3,462	9,684	13,146
Goodwill paid			9,554
Purchase price			22,700
Purchase price still due			-3,000
Cash and cash equivalents acquired			-1,338
Purchase price paid			18,362

10. Discontinued operations

The decision was taken to divest the majority of the industrial connectivity activities, because they do not sufficiently align with the group strategy. This eventually resulted into an agreement on 16 July 2019 with Torqx Capital Partners. The main subsidiaries that will be divested are Jobarco BV, Pantaflex BV and Capable BV (the Netherlands), TKD Kabel GmbH and Schrade Kabel & Elektrotechnik GmbH (Germany), TKH Kabeltechnik Sp. Z.o.o. (Poland) and KC Industrie Srl (Italy).

The assets and liabilities of the activities that are held for sale are separately presented in the balance sheet of 30 June 2019, and the net result of the discontinued activities of the first half year 2019 is presented as result of discontinued operations. The comparative figures of the first half year 2018 are accordingly restated in the profit and loss account. The same applies to the segment information included in this half year report. The intercompany deliveries between the TKH companies and the industrial connectivity activities have not been eliminated, because it is expected that the trade relationships will be continued after divestment.

The activities will be sold to a newly founded holding entity and are based on an enterprise value of € 113 million. Subsequently TKH will acquire about 44% share in the divested group for an amount of € 16.4 million. The result on the divestment transaction will be included in the second half year 2019 result. The book profit on sale is dependent of the closing date and the year-to-date results by then, and is estimated to be at least € 30 million.

The results of the discontinued operations in the past half years were as follows:

in thousands of euros	H1 2019	H1 2018
Turnover	91,871	93,203
Intercompany deliveries from and to continuing activities	7,680	8,536
External turnover	84,191	84,667
Total operating expenses	77,002	76,903
Financial result	-279	-149
Result before tax	6,910	7,615
Tax on profit	1,760	1,921
Net result	5,150	5,694

The cash flows of the discontinued operations in the past half years were as follows:

in thousands of euros	H1 2019	H1 2018
Cash flow from operating activities	3,411	-162
Cash flow from investing activities	-559	-991
Cash flow from financing activities	-4,740	2,140
	-1,888	987

The assets and liabilities of the discontinued operations are separately presented in TKH's consolidated balance sheet under "Assets held for sale" and "Liabilities associated with the assets held for sale". These items comprise of the following elements:

in thousands of euros		30-06-2019
Assets classified as held for sale		
Non-current assets		
Intangible non-current assets	17,000	
Tangible non-current assets	6,904	
Tangible right-of-use assets	5,307	
Receivables	120	
Deferred tax assets	687	
Total non-current assets		30,018
Current assets		
Inventories	36,123	
Receivables	23,111	
Contract assets	988	
Current income tax	28	
Cash and cash equivalents	3,680	
Total current assets		63,930
Total assets classified as held for sale		93,948
Liabilities classified as held for sale		
Non-current liabilities		
Non-current liabilities	4,507	
Deferred tax liabilities	387	
Retirement benefit obligation	2,783	
Provisions	74	
Total non-current liabilities		7,751
Current liabilities		
Borrowings	1,589	
Trade payables and other payables	33,386	
Current income tax liabilities	1,275	
Provisions	29	
Total current liabilities		36,279
Total liabilities classified as held for sale		44,030

11. Contingent liabilities

As of 2019, rental and lease obligations that were presented as contingent liabilities in the consolidated financial statements 2018, are included in the lease liabilities on the balance sheet at their (discounted) value in accordance with IFRS 16. Exceptions are short term leases and leases with low value.

The contingent liabilities which are not reflected in the balance sheet, as reported in the consolidated financial statements for 2018, have not essentially changed in the first half 2019.

12. Events after balance sheet date

On 16 July 2019, TKH has entered into an agreement with Torqx about the sale of industrial connectivity activities. Further notes to this divestment are included before.

On 31 July 2019, TKH announced that it has reached agreement on the acquisition of 100% of the shares in SVS-Vistek GmbH ("SVS-Vistek"), a vision technology company providing

innovative high-end technologies for imaging systems, located in Seefeld (Germany). SVS-Vistek primarily serves the industrial markets, offering machine vision solutions for inspection, measurement and process control and fulfils demanding requirements of a variety of end markets, including flat panel display, semiconductor, electronics, automotive and intelligent traffic systems. With 60 employees, SVS-Vistek realizes an annual turnover of about € 20 million. The activities of SVS-Vistek will be part of TKH's sub-segment vision & security systems, within the business segment Building Solutions. The acquisition of SVS-Vistek is expected to be closed in the third quarter of 2019. The acquisition will contribute to the earnings per share of TKH as of the closing date.

13. Risks

In our Annual Report 2018 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 2019 the risk categories and risk factors have been reanalyzed and is concluded that these are still applicable.

14. Executive Board declaration

This report contains the interim financial report of TKH Group NV. The interim financial report ended 30 June 2019 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 2018.

The Executive Board hereby declares that to the best of their knowledge, the interim financial statements 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).

15. Signature of interim report

Haaksbergen, 13 August 2019

Executive Board

J.M.A. van der Lof MBA, *chairman*

E.D.H. de Lange MBA

H.J. Voortman Msc

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

Disclaimer

Statements included in this press release that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements are only predictions and are not guarantees. Actual events or the results of our operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "will", "should", "expect", "could", "intend", "plan", "anticipate", "estimate", "believe", "continue", "predict", "potential" or the negative of such terms and other comparable terminology.

The forward-looking statements are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements.