Press release - TKH Group N.V. (TKH)
Q4 and full year results 2018

High organic turnover growth and strong profit increase in 2018

Highlights Q4

- Turnover increases by 11.3% to € 428.7 million, organic growth of 10.2%.
- Increase of 22.2% in EBITA before one-off expenses on the back of cost efficiency and product mix.
- ROS increase to 12.0%.
- Net profit before amortization and one-off income and expenses up 28.4%.
- Successful closing acquisition of Lakesight Technologies, strengthening position in vertical growth markets Machine Vision and Tunnel & Infra.

Highlights 2018

- Turnover increases by 9.8% to € 1,630.8 million, organic growth of 9.4%.
- High turnover growth of 12.0% in vertical growth markets.
- Strategy execution on track: strong investment discipline led to improved market position.
- Innovations account for 20.8% of turnover and provides strong foundation for the future.
- Increase of 23.5% in EBITA before one-off expenses – growth in all segments.
- Net profit before amortization and one-off income and expenses attributable to shareholders up 26.7% at € 121.1 million, in line with the previously communicated bandwidth (€ 116 million - € 122 million).
- Dividend proposal: € 1.40 per (depositary receipt of an) ordinary share (2017: € 1.20).

Fourth quarter results

(in € million, unless otherwise stated)	Q4 2018	Q4 2017[1)]	Change in %
Turnover	428.7	385.3	+11.3%
EBITA before one-off expenses [2)]	51.6	42.3	+22.2%
EBITA	51.6	37.7	+37.2%
Net profit before amortization and one-off income and expenses, attributable to shareholders [2,3,4)]	35.9	27.9	+28.4%
ROS	12.0%	11.0%	

Full year results

(in € million, unless otherwise stated)	2018	2017[1)]	Change in %
Turnover	1,630.8	1,484.8	+ 9.8%
EBITA before one-off expenses [2)]	184.6	149.4	+23.5%
EBITA	184.6	143.1	+29.0%
Net profit before amortization and one-off income and expenses, attributable to shareholders [2,3,4)]	121.1	95.6	+ 26.7%
Net profit	108.7	87.5	+ 24.2%
Net earnings before amortization and one-off income and expenses, attributable to shareholders, per ordinary share (in €) [2,3,4)]	2.88	2.27	+26.8%
Net earnings per ordinary share attributable to shareholders (in €)	2.58	2.05	+25.9%
ROS	11.3%	10.1%	
ROCE	21.3%	19.7%	
Dividend proposal (in €)	1.40	1.20	

1) The comparative figures for 2017 have been restated due to the retrospective application of IFRS 15 ‘Revenue from contracts with customers’.
2) The one-off expenses in 2017 were restructuring costs of € 6.3 million (Q4 2017: € 4.6 million).
3) For further details, we refer to the ‘Overview of alternative performance indicators’ included after the financial overviews.
4) Amortization of intangible non-current assets related to acquisitions (after taxes).

Alexander van der Lof, CEO of technology company TKH: *"In 2018 our strategy and focus led to the expected materialization of both turnover and profit growth. Again, innovations account for more than 20% of our turnover. We still faced a number of challenges, which were related to our high level of innovation. It is clear that our focus on vertical growth markets and core technologies has paid off. This quarter was the best quarter in TKH's history. A clear evidence of TKH's solid market position and innovative strength. We are on track to realize our medium term objectives."*

Progress in realization of objectives and execution of strategy

TKH has achieved success with the focus on the four core technologies and the seven vertical growth markets. With a strong investment discipline our market position improved further in 2018. We have invested mainly in continued innovation, strengthening our commercial and technical organizations and expansion of our production capacity:

- In mid-2018 we increased our production capacity for 3D smart-sensor technology and further expanded our commercial organization.
- In the fourth quarter, TKH acquired Lakesight Technologies, which further strengthened our position in the vertical growth markets Machine Vision and Tunnel & Infra. We have already launched the first synergy projects and this acquisition will contribute to TKH's earnings per share as of 2019.
- In December 2018, TKH acquired the start-up Ognios GmbH (Salzburg, Austria), that has a mission critical communications system certified according to the latest technological requirements, for in particular the Marine & Offshore market.
- We modernized and expanded our assembly facility for medical and industrial cable systems in Ukraine (industrial connectivity systems).
- In the third quarter, TKH took into use a new Chinese production facility for high-grade industrial cable systems (industrial connectivity systems).
- We doubled the capacity at our production facility for tire manufacturing systems in Poland, and this was taken into operation at the end of 2018 (manufacturing systems).
- At the end of 2018, we began the expansion of our fibre optic production capacity, which will be completed in mid-2019 (fibre network systems).

This year we will continue to build on the strong strategic foundations we have put in place. We will continue to focus on creating a healthy return on all the investments we have made in our innovations and growth building blocks in recent years. Our innovations have proven to be an effective response to the positive trends in investments in robot systems and the continued need for increased productivity, efficiency, safety and quality among the users of our technologies in the various market segments in which we operate. In a number of technologies, such as subsea cable systems and airfield ground lighting, good progress was made, but turnover and profit will have to materialize further.

Innovations, investments and focus on the vertical growth markets with our four core technologies in 2018 led to strong organic and profitable turnover growth, of 12.0% in the vertical growth markets and 7.4% in the other markets. The innovations we have developed in recent years are not only clearly successful in the seven vertical growth markets, but also in other markets. This resulted in an increase in ROS to 11.3% in 2018, from 10.1% in 2017.

Our economies of scale increases efficiency, which enables us to continue to improve the return through investments in R&D, production capacity and market positioning. The combination of the various strategic steps we have taken means we are on track to realize our medium-term target of a ROS of 12-13% and a ROCE of 21-23%.

Financial developments fourth quarter

Turnover increased by € 43.4 million (11.3%) to € 428.7 million in the fourth quarter of 2018 (Q4 2017: € 385.3 million). Lower raw materials prices had a negative impact of 1.1% and foreign currencies had a negative impact of 0.2% on turnover. Acquisitions contributed to turnover by 2.4%. On balance, organic turnover growth was 10.2% compared with the fourth quarter of 2017. Turnover at Telecom Solutions showed an organic turnover decline of 4.6%, while Building Solutions and Industrial Solutions both realized organic growth of 13.3% and 11.4% respectively.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) increased by 22.2% to € 51.6 million in the fourth quarter of 2018 (Q4 2017: € 42.3 million). Building Solutions recorded particularly strong growth in EBITA compared to the fourth quarter of 2017, while EBITA at Telecom Solutions declined. Higher turnover increased the cost efficiency of our operations and resulted in lower regular operating costs as a percentage of turnover. The ROS for the TKH group was 12.0% in the fourth quarter of 2018 (Q4 2017: 11.0%).

The net profit before amortization and one-off income and expenses attributable to shareholders increased by 28.4% to € 35.9 million (Q4 2017: € 27.9 million).

Financial developments full year 2018

Turnover increased by € 146.0 million (9.8%) to € 1,630.8 million in 2018 (2017: € 1,484.8 million). Organic turnover growth was 9.4%. Acquisitions contributed 0.9% to turnover. Higher raw materials prices had a positive impact of 0.1% on turnover, foreign currencies had a negative impact of 0.6%.

Telecom Solutions recorded organic turnover growth of 2.0% in 2018. At Building Solutions, organic turnover growth was 9.7% and 11.4% at Industrial Solutions.

The gross margin increased to 45.5% in 2018, from 45.0% in 2017. This increase was the result of a changed product mix and the normalization of start-up and replacement costs for new technologies.

Operating expenses were up 7.3% compared to 2017, which was largely due to the higher production level. We also expanded the production facility for tire manufacturing systems in Poland in the course of 2018 and took into operation a production facility in China for high-grade specialty cable systems. On the other hand, the start-up costs for new technologies and the strengthening of the organization were higher last year. R&D expenditure, of which 49.6% was capitalized as development costs (2017: 51.2%), was up slightly at € 60.8 million (2017: € 59.9 million). Acquisitions resulted in a 1.7% increase in expenses. Operating costs as a percentage of turnover declined to 34.1% in 2018, from 34.9% in 2017. Depreciation amounted to € 27.9 million in 2018, which was € 3.1 million higher than the level of 2017, due to the higher investment level in recent years.

The operating result before amortization of intangible assets and one-off income and expenses (EBITA) was € 184.6 million in 2018, up 23.5% from the € 149.4 million recorded the previous year. EBITA at Telecom, Building and Industrial Solutions was up 8.7%, 29.8% and 21.2% respectively. The ROS increased to 11.3% (2017: 10.1%).

Amortization came in € 3.8 million higher at € 40.3 million, primarily due to the acquisition of Lakesight Technologies and higher R&D investments in recent years. In addition, TKH recognized impairments of on balance € 1.5 million.

Financial expenses fell by € 0.4 million to € 6.4 million in 2018 due to the lower interest rates. However, TKH recorded a negative exchange rate effect of € 0.3 million in 2018 (2017: € 1.2 million). The result from other participations improved by € 0.9 million.

A partial release of the provision for earn-out and put-option obligations resulted in an income of € 0.5 million. In 2017, we recognized tax-exempt income of € 9.6 million, largely due to the sale of the share-interest in Nedap and the settlement in the squeeze-out procedure with the former minority shareholders of Augusta Technologies AG.

The tax rate for 2018 was 21.4% (2017: 18.9%). The tax rate in 2017 was impacted by the relatively high tax-exempt income as described above. In 2018, fiscal R&D facilities, such as the Dutch innovation box facility, also had a downward impact on the total effective tax rate.

Net profit before amortization and one-off income and expenses attributable to shareholders increased by 26.7% to € 121.1 million in 2018 (2017: € 95.6 million). The acquisition of Lakesight Technologies made no contribution to the result in 2018 yet, as the acquisition costs were higher than the result included in the consolidation over the relatively short remaining period of 2018. The net profit for 2018 amounted to € 108.7 million (2017: € 87.5 million). Earnings per share before amortization and one-off income and expenses came in at € 2.88 (2017: € 2.27). The ordinary earnings per share amounted to € 2.58 (2017: € 2.05).

The cash flow from operating activities stood at € 126.7 million in 2018 (2017: € 159.6 million). This decline was largely related to an increase in the working capital, compared to a decline in 2017. At year-end 2018, working capital as a percentage of turnover increased to 13.9% (2017: 11.4%), but remains within the targeted bandwidth of 12-15%. Net investments in tangible non-current assets came in at € 42.5 million in 2018 (2017: € 40.9 million). A major part of this was related to investments in production facilities. The investments in intangible non-current assets, mainly R&D, patents, licenses and software, amounting to € 35.2 million, more or less remained equal (2017: € 35.1 million). We spent € 116.2 million on acquisitions (2017: € 5.8 million), the majority of which was related to the acquisition of Lakesight Technologies.

Solvency declined to 42.4% in 2018 (2017: 47.0%) due to an increase in the balance sheet total as a result of the dividend payment, acquisitions and investments. The net bank debt, calculated in accordance with the financial covenants, increased to € 326.6 million at year-end 2018, an increase of € 168.8 million compared to year-end 2017. The net debt/EBITDA ratio stood at 1.5, which means TKH was operating well within the financial ratios agreed with its banks.

TKH had 6,533 employees (FTEs) at year-end 2018 (2017: 5,900). The company also had 496 (FTEs) temporary employees (2017: 522 FTEs).

Developments per solutions segment

Telecom Solutions

The core technologies connectivity, vision & security and mission critical communication are represented in Telecom Solutions. 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 € millions unless otherwise stated)	2018	2017	Change in %
Turnover	194.5	191.5	+ 1.6%
EBITA	28.1	25.9	+ 8.7%
ROS	14.5%	13.5%	

Turnover in the Telecom Solutions segment was 1.6% higher at € 194.5 million. Organic turnover growth was 2.0%, while foreign currencies had a negative impact of 0.4% on turnover. The growth was realized mainly in the fibre network systems sub-segment.

EBITA was up € 2.2 million. The ROS improved to 14.5% from 13.5%.

Fibre network systems - *optical fibre, optical fibre cables, connectivity systems and components, active peripherals – turnover share 7.7%*

This sub-segment saw organic turnover growth of 2.6%. The growth in turnover in optical fibre network systems was realized primarily in Germany, France and Poland. The ROS improved in line with turnover and as a result of the high capacity utilization level, improved efficiency and increased demand for complex cable specifications with higher gross margins. While growth in China has slowed down, the global demand for optical fibre is still strong. Our growth was hampered in 2018 by the limited availability of preforms, a semi-finished product used to draw optical fibres. However, TKH will benefit in 2019 from the capacity expansion for preforms at its joint venture partner. TKH is also further expanding its optical fibre production capacity. We expect this additional capacity to be fully operational in mid-2019.

Indoor telecom & copper networks - *home networking systems, broadband connectivity, IPTV software solutions, copper cable, connectivity systems and components, active peripherals – turnover share 4.3%*

Turnover in this sub-segment saw organic growth of 1.0%, with growth driven primarily by the broadband connectivity portfolio for the Benelux. The gross margin increased due to an improved product mix.

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 controls. Building Solutions also 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 € millions unless otherwise stated)	2018	2017 1)	Change in %
Turnover	703.7	636.2	+ 10.6%
EBITA before one-off expenses 2)	67.8	52.3	+ 29.8%
ROS	9.6%	8.2%	

1) The comparative figures for 2017 have been restated due to the retrospective application of IFRS 15 'Revenue from contracts with customers'.
2) The one-off expenses in 2017 are related to restructuring costs of € 6.1 million.

Turnover at the Building Solutions segment was 10.6% higher at € 703.7. Organic growth came in at 9.7%. Acquisitions contributed 2.0% to this growth. Foreign currencies had a negative impact of 1.2% on turnover, while higher raw materials prices had a marginal impact of 0.1% on turnover.

EBITA before one-off expenses increased by 29.8% to € 67.8 million. Start-up costs normalized, with the exception of subsea cable production and the development of the airfield ground lighting portfolio. ROS therefore improved to 9.6% in 2018, from 8.2% in 2017.

Vision & Security systems – *vision technology based on 2D and 3D smart sensor and laser technology, systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration, healthcare systems – turnover share 23.8%*

Turnover in this sub-segment increased organically by 6.1%. The vertical growth markets Parking and Tunnel & Infra accounted for a significant share of this growth. Parking's turnover increased in the field of parking guidance systems, and TKH won a number of large contracts in this segment.

In Machine Vision, organic turnover growth was limited due to the reluctance to invest in new production lines among consumer electronics manufacturers. The 3D smart-sensor technology segment recorded growth on the back of newly introduced systems that are proving successful in the market. With a view to our growth outlook, we substantially expanded our production capacity in the course of the year, which resulted in additional expenses in 2018.

Due to the program we initiated last year to increase the focus on our core activities and on improving returns, TKH terminated a number of activities in the security segment. This had a limited impact on the turnover in this segment.

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 wireless energy and data distribution – turnover share 19.3%*

Turnover in this sub-segment increased organically by 14.2%, driven by growth in a number of market segments. For instance, we saw continued growth in market volumes in the construction and infra sectors, as well as increased turnover in data cable systems.

In Tunnel & Infra, growth was driven by an increased investment demand for energy networks in connection with the need for alternative energy supplies. This had a positive effect on the demand for energy cables from network companies. We also recorded growth in airfield ground lighting ('AGL') systems. TKH successfully applied the new CEDD technology for AGL, which integrates various TKH technologies and competencies, in a number of projects last year.

Marine & Offshore recorded growth, partly due to the start-up of the new production facility for subsea cable systems. We also increased our market share in cable systems for the marine industry.

The costs of the CEDD / AGL and subsea activities are still ahead of the benefits.

Industrial Solutions

The core technologies connectivity, vision & security and smart manufacturing communication are represented in Industrial Solutions. TKH develops, produces and delivers solutions ranging from specialty cable, plug and play cable systems to integrated systems for the production of car and truck tires. 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 € millions unless otherwise stated)	2018	2017 [1)]	Change in %
Turnover	732.6	657.1	+ 11.5%
EBITA before one-off expenses [2)]	105.7	87.2	+ 21.2%
ROS	14.4%	13.3%	

1) The comparative figures for 2017 have been restated due to the retrospective application of IFRS 15 'Revenue from contracts with customers'.
2) The one-off expenses in 2017 are related to restructuring costs of € 0.2 million.

Turnover in the Industrial Solutions segment increased by 11.5% to € 732.6 million. Acquisitions contributed 0.1% to this growth. Foreign currencies had a negative impact of 0.1% on turnover. The on average higher raw material prices had a positive impact of 0.1% on turnover. Organic turnover growth came in at 11.4%.

EBITA increased by 21.2% as a result of higher turnover and production capacity utilization. The ROS improved to 14.4% (2017: 13.3%).

Connectivity systems – specialty cable systems and modules for the medical, robot, automotive and machine building industries – turnover share 18.3%

Organic turnover growth was 11.4% in this sub-segment. This growth is being strongly driven by growing demand for robot systems and automation trends in industrial production processes. Our cables and cable systems put us in an excellent position to respond to this demand, and this resulted in an increase in turnover. We also realized an increase in turnover in specialty cable systems in the medical industry.

Our investment in the new production facility for high-grade industrial cable systems in China progressed as planned and was taken into operation in the third quarter of 2018. In addition, we modernized and expanded the facility for medical and industrial cable assemblies in Ukraine. Both investments contributed to the growth realized in 2018.

Manufacturing systems – advanced manufacturing systems for the production of car and truck tires, can washers, test equipment, product handling systems for the medical industry, machine operating systems – turnover share 26.6%

Organic turnover growth increased 11.5% on the back of high order intake in 2017 and the first half of 2018, which raised engineering activity and production to a higher level. EBITA and ROS both improved, despite the continued high proportion of engineering for clients among the top-five tire manufacturers.

The 'best supplier' awards we received in the second half of the year from both Michelin and Pirelli is an confirmation of the outstanding quality of our organization and our position among the world's top-five tire manufacturers.

The order intake for the full year 2018 came in at € 334 million (2017: € 346 million). Delay in announced projects in amongst others the USA led to a slightly lower order intake in 2018 than in the year before. The share of the top-five tire manufacturers in order intake increased further. The order intake in China was at a low level and given the decline in capacity utilization in the tire manufacturing industry in that country, we do not expect this situation to change in the coming year.

At the end of 2018, TKH further increased the production capacity at its Polish production facility, to create more room for growth and flexibility at our production facilities, also with a view to international trade tariffs.

Dividend proposal

At the Annual General Meeting, TKH will propose the payment of a dividend of € 1.40 per (depositary receipt of a) share (2017: € 1.20). Based on the number of outstanding shares at year-end 2018, this results in a pay-out ratio of 48.6% of the net profit before amortization and one-off income and expenses attributable to shareholders and 54.2% of the net profit attributable to shareholders. TKH will propose the payment of a cash dividend to be charged to the reserves. The dividend will be payable on 13 May 2019.

Reporting TKH

As of 2019 TKH will report its results semi-annually, which is more in line with the long-term value creation that we strive for. Considering the economies of scale of our segments, we will publish the order book for the entire TKH Group on an annual basis in accordance with the relevant IFRS guidelines. Previously, TKH reported on the order intake of the manufacturing systems segment only.

Outlook

Barring unforeseen circumstances, we expect the following developments for each business segment in 2019.

Telecom Solutions
We expect continued growth of investments in optical fibre systems in Europe and China. As we have mainly invested in market penetration in Europe, and focussed on capacity expansions, we expect to be back on the path to growth mid-2019. In the coming quarters, we will review whether the current over-capacity for optical fibre in China will normalize as a result of the investment plans announced by the telecoms companies in that country. If this does not normalize, we expect this might (eventually) translate into some pressure on margins.

Building Solutions
Growth will be realized primarily in vision & security systems. With the acquisition of Lakesight Technologies in the fourth quarter of last year, we have added a broad portfolio of high-grade vision technologies for the industrial and mobility markets. We expect this to translate into growth in the Machine Vision segment. We also expect growth in Parking, largely on the back of further market penetration in North America and Europe with our parking management, guidance and communications systems. In the sub-segment connectivity systems, we expect further growth in the market segment Tunnel & Infra on the back of greater demand for investment in energy networks. The turnover in subsea cable systems and airport technologies (CEDD/AGL) could still be limited, because it was not until the fourth quarter of 2018 that full efforts could be made to acquire new orders.

Industrial Solutions
We are seeing some reluctance to invest in the industrial sector, which has an impact on the growth opportunities in the sub-segment connectivity systems. In the sub-segment manufacturing systems limited negative impact is expected on the order intake due to the situation in China, partly because the contribution to turnover from China was already at a very low level in 2018. The order book is well-filled and the outlook for order intake in the first half of 2019 is good, which is reflected by the projects already announced and investments carried over from 2018.

As usual, TKH will give a concrete profit forecast for the full-year 2019 at the presentation of its interim results in August 2019.

Haaksbergen, 5 March 2019

Executive Board

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The analyst meeting scheduled for 5 March 2019 at 13:00 hours will also be available via video-webcast (www.tkhgroup.com).

Financial calendar

6 May 2019	General Meeting of Shareholders
7 May 2019	Ex-dividend listing
8 May 2019	Ex-dividend
9 May 2019	Record date
13 May 2019	Dividend payable
13 August 2019	Publication interim results 2019

The TKH annual report for 2018 will be published in digital format on 22 March 2019 on the TKH website (www.tkhgroup.com).

Profile

Technology firm TKH Group NV (TKH) is an internationally operating group of companies that specializes in developing and delivering innovative Telecom, Building and Industrial Solutions based on four core technologies.

The four TKH core technologies - vision & security, mission critical communication, connectivity and smart manufacturing - are linked into total systems and solutions in our three Solutions segments. Within these business segments there is a strong focus on seven vertical growth markets - fiber optic networks, parking, care, tunnel & infrastructure, marine & offshore, machine vision and tire building industry - where the core technologies are positioned as onestop-shop for our customers. TKH strives for far-reaching synergy and co-operation between its subsidiaries. TKH has a thorough knowledge of processes and technologies, as well as insight into its customers' markets and processes.

TKH strives for strong market positions based chiefly on its own innovative core technologies and services. TKH and its subsidiaries operate 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 balance sheet

In thousands of euros	31-12-2018		31-12-2017 [1)]	
Assets				
Non-current assets				
Intangible non-current assets	544,098		392,152	
Tangible non-current assets	245,392		229,212	
Investment property	251		251	
Other associates	12,047		10,566	
Receivables	2,007		2,960	
Deferred tax assets	17,104		14,234	
Total non-current assets		**820,899**		**649,375**
Current assets				
Inventories	254,963		218,805	
Receivables	223,473		217,198	
Contract assets	140,135		94,606	
Contract costs	3,555		12,282	
Current income tax	1,081		2,805	
Cash and cash equivalents [2)]	83,180		87,719	
Total current assets		**706,387**		**633,415**
Total assets		**1,527,286**		**1,282,790**
Equity and liabilities				
Group Equity				
Shareholders' equity	646,459		594,357	
Non-controlling interests	1,190		8,440	
Total group equity		**647,649**		**602,797**
Non-current liabilities				
Non-current liabilities	238,537		187,335	
Deferred tax liabilities	60,398		43,388	
Retirement benefit obligation	7,984		8,172	
Financial liabilities	588		2,890	
Provisions	5,217		4,955	
Total non-current liabilities		**312,724**		**246,740**
Current liabilities				
Borrowings [2)]	170,569		57,350	
Trade payables and other payables	314,613		286,348	
Contract liabilities	57,032		60,267	
Current income tax liabilities	6,924		5,762	
Financial liabilities	4,831		11,781	
Provisions	12,944		11,745	
Total current liabilities		**566,913**		**433,253**
Total equity and liabilities		**1,527,286**		**1,282,790**

1) The comparative figures for 2017 have been restated due to the retrospective application of IFRS 15 ‘Revenue from contracts with customers’.

2) Including € 22.3 million (2017: € 42.0 million) cash and cash equivalents that are part of a cash pool.

Consolidated profit and loss account

In thousands of euros		2018		2017 [1]
Total turnover		**1,630,826**		**1,484,801**
Raw materials, consumables, trade products and subcontracted work	889,603		816,460	
Personnel expenses	380,770		353,791	
Other operating expenses	147,961		146,637	
Depreciation	27,908		24,774	
Amortization	40,313		36,466	
Impairments	1,543		1,754	
Total operating expenses		**1,488,098**		**1,379,882**
Operating result		**142,728**		**104,919**
Financial income		1,410		1,459
Financial expenses		-7,843		-8,326
Exchange differences		-291		-1,190
Share in result of associates		1,873		941
Result from available-for-sale financial assets				6,311
Change in value of financial liability for squeeze-out, earn-out and put options of shareholders of non-controlling interests		520		3,847
Result before tax		**138,397**		**107,961**
Tax on profit		29,661		20,431
Net result		**108,736**		**87,530**
Attributable to:				
Shareholders of the company		108,551		86,302
Non-controlling interests		185		1,228
		108,736		**87,530**
Earnings per share attributable to shareholders				
Ordinary earnings per share (in €)		2.58		2.05
Diluted earnings per share (in €)		2.57		2.04
Ordinary earnings per share before amortization and one-off income and expenses (in €) [2]		2.88		2.27
Ordinary earnings per share before amortization (in €) [2]		2.87		2.32

[1] The comparative figures for 2017 have been restated due to the retrospective application of IFRS 15 'Revenue from contracts with customers'.

[2] Non-IFRS compulsory disclosure.

Consolidated statement of comprehensive income

In thousands of euros		2018		2017 [1]
Net result		**108,736**		87,530
Items that may be reclassified subsequently to profit or loss (net of tax)				
Currency translation differences	-457		-11,926	
Currency translation differences in other associates	-149		-490	
Effective part of changes in fair value of cash flow hedges (after tax)	-5,903		5,034	
Revaluation of available-for-sale financial assets			795	
Reclassification to the profit and loss account of available-for-sale financial assets due to disposal			-5,837	
		-6,509		**-12,424**
Items that will not be reclassified subsequently to profit or loss (net of tax)				
Actuarial gains/(losses)	237		22	
		237		**22**
Other comprehensive income (net of tax)		**-6,272**		**-12,402**
Comprehensive income for the period (net of tax)		**102,464**		**75,128**
Attributable to:				
Shareholders of the company		102,307		73,938
Non-controlling interests		157		1,190
Total comprehensive income for the period (net of tax)		**102,464**		**75,128**

[1] The comparative figures for 2017 have been restated due to the retrospective application of IFRS 15 ‘Revenue from contracts with customers’.

Consolidated statement of changes in group equity

In thousands of euros	Total shareholders' equity	Non-controlling interests	Total group equity
Balance at 1 January 2017 before IFRS 15 restatement	**574,000**	**8,520**	**582,520**
IFRS 15 Restatement	1,335		1,335
Balance at 1 January 2017 after IFRS 15 restatement	**575,335**	**8,520**	**583,855**
Net result	86,302	1,228	87,530
Reclassification to the profit and loss account of available-for-sale financial assets due to disposal	-5,837		-5,837
Total other comprehensive income	-6,527	-38	-6,565
Total comprehensive income	**73,938**	**1,190**	**75,128**
Dividends	-46,237		-46,237
Dividends to shareholders of non-controlling interests	-527	-1,284	-1,811
Acquisition of non-controlling interests	-12	14	2
Share and option schemes (IFRS 2)	2,315		2,315
Purchased shares for share and option schemes	-17,496		-17,496
Sold shares for share and option schemes	7,041		7,041
Balance at 31 December 2017	**594,357**	**8,440**	**602,797**
IFRS 9 restatement	-812	-3	-815
Balance at 1 January 2018 after IFRS 9 restatement	**593,545**	**8,437**	**601,982**
Net result	108,551	185	108,736
Total other comprehensive income	-6,244	-28	-6,272
Total comprehensive income	**102,307**	**157**	**102,464**
Dividends	-50,435	-58	-50,493
Dividends to shareholders of non-controlling interests	-1,104		-1,104
Acquisition of non-controlling interests	7,346	-7,346	0
Share and option schemes (IFRS 2)	2,303		2,303
Purchased shares for share and option schemes	-13,482		-13,482
Sold shares for share and option schemes	5,979		5,979
Balance at 31 December 2018	**646,459**	**1,190**	**647,649**

Consolidated cash flow statement

In thousands of euros	2018	2017 [1]
Cash flow from operating activities		
Operating result	142,728	104,919
Depreciation, amortization and impairment	69,957	62,087
Share and option schemes not resulting in a cash flow	2,303	2,315
Result on disposals	-193	292
Changes in provisions	1,114	543
Changes in working capital	-55,169	26,104
Cash flow from operations	**160,740**	**196,260**
Interest received	1,410	1,461
Interest paid	-7,394	-8,091
Income taxes paid	-28,038	-30,044
Net cash flow from operating activities (A)	**126,718**	**159,586**
Cash flow from investing activities		
Dividends received from non-consolidated associates	243	634
Repayments on loans	971	
Loans		-483
Purchases of tangible non-current assets	-40,921	-44,118
Disposals of tangible non-current assets	894	1,000
Net cash flow on investments and divestments of investment property		1,240
Disposal available-for-sale financial asset		12,097
Acquisition of subsidiaries less cash and cash equivalents acquired	-116,229	-5,821
Acquisition of associates		-50
Investments in intangible non-current assets	-35,218	-35,064
Divestments in intangible non-current assets	33	226
Net cash flow from investing activities (B)	**-190,227**	**-70,339**
Cash flow from financing activities		
Dividends paid	-51,597	-48,048
Settlement of financial liabilities regarding put options of non-controlling interests, earn-out and squeeze-out	-251	-4,664
Acquisition of non-controlling interests	-9,000	316
Purchased shares for share and option schemes	-13,482	-17,496
Sold shares for share and option schemes	5,979	7,041
Proceeds from long-term debts	52,745	
Repayments on long-term debts		-27,158
(Repayments) / proceeds from other long-term debts	-1,779	380
Change in borrowings	99,642	-11,537
Net cash flow from financing activities (C)	**82,257**	**-101,166**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**18,748**	**-11,919**
Exchange differences	-3,556	-1,072
Change in cash and cash equivalents	**15,192**	**-12,991**
Cash and cash equivalents at 1 January	45,713	58,704
Cash and cash equivalents at 31 December	**60,905**	**45,713**

[1] The comparative figures for 2017 have been restated due to the retrospective application of IFRS 15 ‘Revenue from contracts with customers’.

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 applied in the financial statements for the year ended 31 December 2018. 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 TKH Group NV.

2. IFRS 9 and 15

As of 1 January 2018, the standards IFRS 9 *Financial instruments* and IFRS 15 *Revenue from Contracts with Customers* are applicable. TKH applies IFRS 9 from 1 January 2018 without any adjustment of the comparative figures. IFRS 15 has been applied retroactively, with the comparative figures for 2017 being restated. The impact of IFRS 15 on the consolidated profit and loss account 2017 is as follows:

In thousands of euros	2017	IFRS 15 restatement	2017 restated
Total turnover	**1,484,456**	**345**	**1,484,801**
Raw materials, consumables, trade products and subcontracted work	814,780	1,680	816,460
Personnel expenses	353,791		353,791
Other operating expenses	146,637		146,637
Depreciation	24,774		24,774
Amortization	36,466		36,466
Impairments	1,754		1,754
Total operating expenses	**1,378,202**	**1,680**	**1,379,882**
Operating result	**106,254**	**-1,335**	**104,919**
Result before tax	**109,296**	**1,335**	**107,961**
Tax on profit	20,744	-313	20,431
Net result	**88,552**	**-1,022**	**87,530**
Consolidated statement of comprehensive income			
Total comprehensive income for the period (net of tax)	76,178	-1,050	75,128
Ordinary earnings per share (in €)	2.08	-0.03	2.05
Diluted earnings per share (in €)	2.06	-0.02	2.04
Ordinary earnings per share before amortization and one-off income and expenses (in €)	2.30	-0.03	2.27
Ordinary earnings per share before amortization (in €)	2.34	-0.02	2.32

The impact of IFRS 15 on the consolidated balance sheet as at 31 December 2017 and the impact of IFRS 9 on the opening balance sheet as at 1 January 2018 is shown below.

In thousands of euros	31-12-2017	IFRS 15 restatement	Restated balance sheet 31-12-2017	IFRS 9 restatement	Restated balance sheet 1-1-2018
Assets					
Non-current assets					
Deferred tax assets	13,015	1,219	14,234	249	14,483
Current assets					
Inventories	233,626	-14,821	218,805		218,805
Receivables	217,377	-179	217,198	-1,061	216,137
Amounts due from customers under construction contracts	86,803	-86,803	0		0
Contract costs		12,282	12,282		12,282
Contract assets		94,606	94,606		94,606
Equity and liabilities					
Group Equity					
Total group equity	602,512	285	602,797	-812	601,985
Non-current liabilities					
Deferred tax liabilities	41,658	1,730	43,388		43,388
Current liabilities					
Amounts due to customers under construction contracts	60,267	-60,267	0		0
Contract liabilities		60,267	60,267		60,267
Provisions	7,456	4,289	11,745		11,745

3. Segmented information

	Telecom Solutions		Building Solutions		Industrial Solutions		Unallocated		Total	
In thousands euros	2018	2017 [1]	2018	2017 [1]	2018	2017 [1]	2018	2017 [1]	2018	2017 [1]
First half year										
Net turnover	**99,564**	**94,132**	**345,041**	**312,209**	**368,021**	**319,194**			**812,626**	**725,535**
Segment EBITA	15,777	11,153	34,427	26,901	51,663	40,561	-8,941	-7,891	92,926	70,724
One-off expenses										
Amortization	-566	-517	-13,786	-13,809	-4,253	-3,870	-12	-30	-18,617	-18,226
Impairments		114	-34	-97	-353	-139			-387	-122
Operating Result	**15,211**	**10,750**	**20,607**	**12,995**	**47,057**	**36,552**	**-8,953**	**-7,921**	**73,922**	**52,376**
Second half year										
Net turnover	**94,965**	**97,313**	**358,635**	**324,035**	**364,600**	**337,918**			**818,200**	**759,266**
Segment EBITA	12,362	14,730	33,410	25,376	54,077	46,680	-8,191	-8,067	91,658	78,719
One-off expenses				-6,124		-180				-6,304
Amortization	-598	-662	-16,515	-13,290	-4,575	-4,288	-8		-21,696	-18,240
Impairments	4	-3	-204	-1,315	-956	-314			-1,156	-1,632
Operating Result	**11,768**	**14,065**	**16,691**	**4,647**	**48,546**	**41,898**	**-8,199**	**-8,067**	**68,806**	**52,543**
Total										
Net turnover	**194,529**	**191,445**	**703,676**	**636,244**	**732,621**	**657,112**			**1,630,826**	**1,484,801**
Segment EBITA	28,139	25,883	67,837	52,277	105,740	87,241	-17,132	-15,958	184,584	149,443
One-off expenses				-6,124		-180				-6,304
Amortization	-1,164	-1,179	-30,301	-27,099	-8,828	-8,158	-20	-30	-40,313	-36,466
Impairments	4	111	-238	-1,412	-1,309	-453			-1,543	-1,754
Operating Result	**26,979**	**24,815**	**37,298**	**17,642**	**95,603**	**78,450**	**-17,152**	**-15,988**	**142,728**	**104,919**

[1] The comparative figures for 2017 have been restated due to the retrospective application of IFRS 15 ‘Revenue from contracts with customers’.

4. Overview of alternative performance indicators

In thousands of euros (unless stated otherwise)	2018	2017 [1)]
Weighted average number of (depositary receipts of) shares (x 1,000)	42,010	42,057
Effect of share options (x 1,000)	293	340
Weighted average number of (depositary receipts of) shares diluted (x 1,000)	**42,303**	**42,397**
Net profit	108,736	87,530
Less: Non-controlling interests	-185	-1,228
Net profit attributable to the shareholders of the company	**108,551**	**86,302**
Net profit	108,736	87,530
Amortization of intangible non-current assets from acquisitions	16,318	15,246
Taxes on amortization	-4,413	-4,130
Net profit before amortization	**120,641**	**98,646**
Less: Non-controlling interests	-185	-1,228
Net profit before amortization attributable to the shareholders of the company	**120,456**	**97,418**
Net profit before amortization	120,641	98,646
Restructuring costs		6,304
One-off income due to sale of Nedap shares		-5,837
Impairments	1,543	1,754
Change in value of financial liability for squeeze-out, earn-out and put options of shareholders of non-controlling interests	-520	-3,847
Tax impact on one-off expenses and benefits	-386	-2,015
One-off tax charge/(benefit)		1,817
Profit before amortization and one-off income and expenses	**121,278**	**96,822**
Less: Non-controlling interests	-185	-1,228
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company	**121,093**	**95,594**

1) The comparative figures for 2017 have been restated due to the retrospective application of IFRS 15 ‘Revenue from contracts with customers’.

Other applied definitions:
- Capital Employed: group equity plus long-term debts plus short-term debts to credit institutions minus cash and cash equivalents.
- EBITA: result before financial income and expenses, taxes, impairments and amortization.
- EBITDA: result before financial income and expenses, taxes, impairments, depreciations and amortization.
- ROCE (Return On Capital Employed): EBITA over the last twelve months divided by capital employed at the beginning of the period plus capital employed at the end of the period divided by two.
- ROS (Return On Sales): EBITA divided by the total turnover as a percentage.
- EBITA segment: Operating result before one-off income and expenses, amortization and impairment of intangible fixed assets.
- Debt leverage ratio (Net Debt / EBITDA): long-term liabilities plus current liabilities to credit institutions minus cash and cash equivalents divided by EBITDA.

5. 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 of 31 December 2018, which have not yet been published in compliance with legal requirements. These documents will be published ultimately at 22 March 2019. The annual accounts will be submitted to the General Meeting of Shareholders on 6 May 2019 for approval.

In accordance with Section 2:293 and 395 of the Dutch Civil Code, we report that our auditor, Ernst & Young Accountants LLP has issues an unqualified auditor’s report on the annual accounts dated 4 March 2019. For the understanding required to make a sound judgment as to the financial position and results of TKH Group N.V. and for a satisfactory understanding of the scope of the audit by Ernst & Young Accountants LLP, 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 Ernst & Young Accountants LLP. No audit was performed on the included quarter and half year figures (in the segmented information).