

Press release
TKH Group N.V. (TKH)

Clear impact COVID-19 on turnover and result in Q2 2020

Improved margin and lower cost level limit EBITA decline

Financial highlights first half 2020

- Turnover down 9.9% at € 679 million, organic decline 7.5%.
 - Strongest decline at Industrial Solutions and Telecom Solutions.
 - Minor organic decline at Building Solutions.
- EBITA before one-off income and expenses 11.0% lower at € 69 million.
- ROS virtually unchanged at 10.2% (H1 2019: 10.3%) supported by Building Solutions.
- One-off expenses totaling € 3.7 million due to restructuring, integrations and impairments of € 1.5 million.
- Net profit before amortization and one-off income and expenses attributable to shareholders declined by 21.6% to € 36.0 million.

Strategic highlights first half 2020

- Solid progress strategic development, driven by 'Simplify & Accelerate' program despite COVID-19:
 - Integration and focus on margin improvement well on track.
 - Completion divestment of ZTC (production of copper data communication cables in China) and Cruxin (system integration activities in the Netherlands).
 - Since the start of the program, € 260 million in turnover divested.
- Successful introduction and progress on innovations in the field of 3D vision-technology for 5G consumer electronics, UNIXX tire building technology and Indivion (medicine dosage and dispensing system) provide a strong foundation for growth and continued value creation.
- Substantial contracts won in subsea and Airfield Ground Lighting (CEDD/AGL) activities.
- Expansion production capacity for energy cable systems for energy networks due to strong demand – operational from Q3 2021.

Outlook

The current economic uncertainties have impact on TKH's operations and we expect this to continue in the second half of 2020. Forecast full year 2020: net profit from continued operations before amortization and one-off income and expenses attributable to shareholders of between € 63 million and € 69 million.

Key figures

(in € million unless otherwise stated)	H1 2020	H1 2019	Change in %
Turnover	679.0	753.2	-9.9%
EBITA before one-off expenses ¹⁾	69.0	77.6	-11.0%
Net profit before amortization and one-off income and expenses attributable to shareholders ^{1, 2,3)}	36.0	45.9	-21.6%
Net profit	26.6	42.8	-38.0%
Net earnings per ordinary share attributable to shareholders (in €)	0.63	1.02	-37.8%
ROS ¹⁾	10.2%	10.3%	
ROCE	16.0%	18.7%	

1) The one-off expenses for H1 2020 relate to costs for restructuring and integrations, totaling € 3.7 million.

2) For further details, we refer to the 'Overview of alternative performance indicators' included after the financial statements.

3) Amortization of intangible fixed assets related to acquisitions (after taxes).

Alexander van der Lof, CEO of technology company TKH: “*The past few months have been turbulent due to the COVID-19 outbreak. The health of our employees and the continuity of our activities were our main priority during this period. Although the impact has been considerable, we have come through the past few months reasonably well. Thanks to the solid progress we booked with our ‘Simplify and Accelerate’ program, we succeeded in increasing our gross margin and maintaining our ROS at virtually the same level as last year, despite a decline in turnover. In a number of markets, such as Tire Building and Parking, TKH has been affected by the consequences of the COVID-19 outbreak. We expect to feel the effects to continue in the coming period. TKH anticipated in time by reducing operational costs. On the other hand, the investments in innovation are paying off and will enable TKH to record growth in a number of key markets. Examples include the large orders we have won for subsea connectivity systems in offshore wind projects, Airfield Ground Lighting (CEDD/AGL) for Istanbul Sabiha Gökçen Airport and 3D vision technology for 5G consumer electronics. We also made a breakthrough with our medicine dosage and dispensing system, and thanks to specific interest we were able to initiate a large-scale roll-out of our high-quality Indivion system. In the coming months, we will continue to see (macro-economic) uncertainties, which will affect TKH the most in Industrial Solutions. Thanks to our innovations and our focus on growth markets, we still have good prospects for value creation in the medium term. It goes without saying that TKH will closely monitor developments and take measures where necessary.*”

COVID-19 situation

The COVID-19 outbreak has had a negative impact on TKH’s turnover and results since the start of the outbreak. The lockdowns in France, Italy and the US in April and May, for instance, had a major impact on our operations. From June onwards, following the easing of restrictions in these countries, we did see a resumption of deliveries, but not yet back to previous levels. The activity levels in China have recovered since March, COVID-19 had only a limited impact.

We introduced a large number of measures to monitor and prevent the impact of the COVID-19 virus, including:

- In the various countries where we are active, we took all the required measures in accordance with the guidelines of the (local) authorities to safeguard a healthy working environment for our employees, as well as the continuity of our company.
- Where necessary and when deemed appropriate, we made use of any government support and working time reductions. The impact of COVID-19-related government subsidies on the result in the first half of the year was limited to € 1.3 million.
- Increased attention to working capital management, limitations of investment levels where possible and cost saving measures.

The measures we introduced to provide a safe and healthy working environment resulted in lower productivity and utilization levels at our manufacturing companies. In addition, there was an impact of reduced demand, as customers had less capacity available to realize projects. In a number of market segments, investments were reduced and/or postponed. This was particularly evident with respect to investments in airports and parking garages and in the industrial sector.

Financial developments first half

Turnover fell by 9.9% to € 679.0 million in the first half of the year (H1 2019: € 753.2 million). On an organic basis, turnover fell by 7.5%. Raw materials prices and currency effects had a negative impact of 0.4% on turnover. Acquisitions added 2.9% to turnover, while divestments had a negative impact of 4.8%. Turnover declined organically in all segments, although this was limited in Building Solutions.

The gross margin increased to 49.4% (H1 2019: 47.4%). TKH realized this increase in Building Solutions. Divestments and acquisitions also had an impact on the gross margin.

Operating expenses declined by 4.7% compared with the first half of 2019. The implemented integrations, cost savings and reduced cost of sales due to lockdowns, accounted for a

significant share of the cost reductions. However, as a percentage of turnover, operating expenses increased to 39.3% in the first half of 2020, from 37.1% in the first half of 2019. The relative increase is related to the divestments in 2020 and lower productivity and utilization at our manufacturing companies as a result of COVID-19. Depreciations came in at € 22.9 million, € 0.6 million above the level in the first half of 2019, due to the higher investment levels in recent years.

Operating result before amortization of intangible assets and one-off income and expenses (EBITA) declined by 11.0% to € 69.0 million in the first half of 2020, from € 77.6 million in the first half of 2019. Building Solutions' EBITA was 25.2% higher. Telecom Solutions and Industrial Solutions saw EBITA decline by 23.1% and 35.7% respectively.

ROS remained virtually unchanged at 10.2% in the first half of 2020 (H1 2019: 10.3%) due to an improvement of the gross margin and a lower cost level.

Amortization costs rose by € 3.8 million due to the acquisitions in the second half of 2019, as well as the high level of investments in R&D in recent years. TKH recognized an impairment of € 1.5 million in the first half of the year due to COVID-19.

TKH's financial result improved by € 3.2 million, mainly as a result of a book profit on divestments.

The tax rate increased to 25.3% in the first half of 2020, from 23.2% in the first half of 2019, primarily due to divestments and lower profits at companies that charge lower tax rates.

Net profit from continued operations before amortization and one-off income and expenses attributable to shareholders declined by 21.6% to € 36.0 million (H1 2019: € 45.9 million). Net profit fell by 38.0% to € 26.6 million (H1 2019: € 42.8 million).

Net bank debt, calculated in accordance with the bank covenant, increased to € 357.6 million, up € 57.0 million from year-end 2019. This increase was primarily due to the dividend paid out, higher working capital and investments, but was partly offset by the proceeds from divestments. Working capital as a percentage of turnover increased to 16.6% (mid-2019: 16.5%). The postponement of the delivery of various projects, particularly in the Industrial Solutions segment, due to lockdowns at customers increased working capital by approximately € 40 million. At the same time, the deferral of tax payments obtained as at 30 June had an impact of € 22 million.

The Net debt/EBITDA ratio stood at 1.9 at end-June 2020, which means that TKH was operating well within the financial ratio agreed with its banks. Solvency amounted to 40.5% (H1 2019: 36.9%).

The number of permanent employees (FTEs) stood at 5,692 at 30 June 2020 (end 2019: 5,980 FTEs). In addition, TKH had 265 temporary employees at 30 June 2020 (end 2019: 310).

Developments per solutions segment

Telecom Solutions

Telecom Solutions encompasses the core technologies connectivity, vision & security and mission-critical communications. TKH develops, produces and supplies systems ranging from basic outdoor infrastructure for telecom and CATV networks through to indoor home networking applications. Around 40% of the portfolio consists of optical fibre and copper cable for hub-to-hub connectivity. The remaining 60%, consisting of components and systems in the field of connectivity and peripherals, is deployed primarily in network hubs – share in turnover 14.0%

Key figures

(in € mln)	H1 2020	H1 2019	Change in %
Turnover	95.1	102.8	-7.6%
EBITA	12.3	16.0	-23.1%
ROS	13.0%	15.6%	

Turnover in the Telecom Solutions segment declined by 7.6% to € 95.1 million. Currency exchange rates had a negative effect of 0.2%. On balance, turnover declined organically by 7.4%.

EBITA was down 23.1% at € 12.3 million. ROS declined to 13.0% in the first half of 2020 (H1 2019: 15.6%).

Fibre Optic Networks – In the first half of the year, the lockdown in Europe, particularly in France, had a significant negative impact on deliveries. Due to the obstacles created by the lockdown, TKH was unable to translate the increased demand for bandwidth in combination with the 5G-related demand into higher order intake. As a result, production was at a lower level, resulting in lower utilization. In China, we saw pressure on prices for optical fibre. At TKH, this price effect was offset by a higher share of its complementary connectivity portfolio.

Other markets – Growth was realized in broadband products for home offices. However, a number of projects were postponed as a result of COVID-19. In 2020, the production of the telecom copper cable portfolio, an area where turnover has already declined significantly in recent years, will be terminated.

Building Solutions

Building Solutions combines the core technologies vision & security, mission-critical communications and connectivity in comprehensive solutions for security and communications applications in and around buildings, as well as for industrial 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 (controls) and registration systems for a number of specific sectors, including healthcare, parking, marine and offshore, tunnels and airports – turnover share 50.8%.

Key figures

(in € mln)	H1 2020	H1 2019	Change in %
Turnover	344.9	364.8	-5.5%
EBITA before one-off expenses ¹⁾	36.4	29.1	+25.2%
ROS	10.6%	8.0%	

¹⁾ The one-off expenses in H1 2020 are costs for restructuring and integrations totaling € 3.6 million.

Turnover in the Building Solutions segment fell by 5.5% to € 344.9 million. Lower raw material prices had a negative impact of 0.7% on turnover. Acquisitions from 2019 contributed 5.9% to turnover. Divestments in 2020 reduced turnover by 9.9%. On balance, turnover declined organically by 0.8% in the first half of the year.

EBITA increased by 25.2% to € 36.4 million, mainly due to strong growth in Machine Vision. This resulted in an increase in ROS to 10.6% in the first half of the year (H1 2019: 8.0%).

Care - Despite increased demand for our communications technology for care alerts and elderly care, sales declined due to limited installation opportunities in care institutions as a result of COVID-19.

Marine & Offshore – Turnover increased on the back of orders for subsea connectivity systems won in 2019. In addition, we won new contracts with Offshore Wind Farm Kaskasi and Hollandse Kust Zuid, which means that capacity utilization will increase for the coming quarters. In addition, there are good prospects of new orders for offshore wind projects. The growth in subsea connectivity systems more than compensated for the drop in demand due to the stagnation in the construction of cruise ships.

Tunnel & Infra - Despite the obstacles, which installation technicians faced in carrying out their work, turnover remained stable due to an increased need for investments in energy networks among network companies. This had a positive impact on the demand for energy cable systems. We have decided to further expand our production capacity for these systems and expect to take this new capacity into operation from Q3 2021. The Airfield Ground Lighting (CEDD /AGL) technology felt the impact of COVID-19 and the related investment constraints at airports due to the drop in demand. Nevertheless, our AGL technology is still well positioned for new contracts, which was recently confirmed with a major order for Istanbul Sabiha Gökçen Airport.

Parking - In North America, TKH's main market for Parking solutions, TKH saw a significant negative impact on sales, as projects and tenders at airports and shopping centers were halted due to the effects of COVID-19. TKH anticipated a lower level of investment at customers by significantly reducing operational costs.

Machine Vision – in the first half of the year, a strong organic growth was booked, despite limitations created by lockdowns. In particular, there was an increase in demand for our 3D vision technology for new applications in the consumer electronics industry, which made a significant contribution to growth. The measures taken last year to achieve cost efficiencies through the integration of the 2D vision activities also contributed to higher EBITA and ROS this year.

Other markets - The building & construction market faced limitations in the execution of projects and the COVID-19 measures had an impact on production efficiency and output.

Industrial Solutions

Industrial Solutions encompasses the core technologies connectivity, vision & security and smart manufacturing. TKH develops, produces and delivers specialty cable and plug and play 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 deliver innovative, integrated production systems in a number of specialized industrial sectors, such as tire manufacturing, robot, medical and machine-building industries - turnover share 35.2%

Key figures

(in € mln)	H1 2020	H1 2019	Change in %
Turnover	239.0	285.6	-16.3%
EBITA	27.0	42.0	-35.7%
ROS	11.3%	14.7%	

Turnover in the Industrial Solutions segment fell by 16.3% to € 239.0 million. As a result of lower average raw material prices, turnover was down by 0.2%. Exchange rates had a negative effect of 0.1%. Organically, turnover fell by 16.0%.

EBITA was down 35.7% at € 27.0 million, mainly due to the postponement of the delivery of various projects to customers due to lockdown situations. ROS declined to 11.3% in the first half of 2020, from 14.7% in the first half of 2019.



Tire Building – Turnover was down due to the fact that the completion of various projects was postponed due to lockdowns at customers. The drop in demand from tire manufacturers led to the postponement of investments and thus to a lower order intake. The development of UNIXX (new tire-building platform) is progressing well, but the completion of delivery was delayed due to the temporary closure of the test site of the launching customer.

Care – After the successful delivery of Indivion at the end of 2019, the high-quality medicine dosage and dispensing system, a breakthrough in large-scale roll-out in Indivion technology from the US.

Other markets – Turnover in the industrial sector declined due to a reluctance to invest, particularly among machine manufacturers and in the robot industry. This had a negative impact on TKH's industrial connectivity activities, mainly due to the reduction of inventories.

Outlook

Macro-economic uncertainties have increased since the outbreak of COVID-19. We expect this to have an impact in the second half of 2020, as it did in the first half of the year. Barring unforeseen circumstances and an escalation in the aforementioned situations, we expect the following developments per business segment for the second half of 2020.

Telecom Solutions

We expect to see some recovery in the demand for fibre optic networks in Europe. TKH's strong market positions in Europe put us in a position to benefit from this recovery. We expect turnover and result to be comparable to the first half of 2020.

Building Solutions

Turnover in Marine & Offshore and Tunnel & Infra will be higher than in the first half of the year, driven by a well-filled order book. We expect growth in Machine Vision to level off after a strong first half of the year. On balance, we expect turnover and result to be comparable to the first half of the year.

Industrial Solutions

Turnover in Tire Building will decline due to postponed deliveries of existing contracts and a reluctance to invest among tire manufacturers. The latter will also have an impact on the expected order intake in the second half of the year. We expect a modest recovery in other markets, as the effects of inventory reductions will be more limited. On balance, we expect turnover and result to be lower than in the first half of the year.

The current economic uncertainties have an impact on TKH's activities and we expect this to continue in the second half of 2020. However, partly due to its solid financial position, TKH is optimally positioned to also benefit from the opportunities associated with its numerous innovations.

On balance and barring unforeseen circumstances, for the full year 2020 TKH expects net profit from continued activities before amortization and one-off income and expenses attributable to shareholders of between € 63 million and € 69 million.

Haaksbergen, 11 August 2020

Executive Board

For further information: J.M.A. (Alexander) van der Lof MBA,
Chairman Executive Board
tel: + 31 (0)53 5732903
Internet www.tkhgroup.com



Financial calendar

17 November 2020	Market Update
9 March 2021	Publication Annual results 2020
6 May 2021	General Meeting of Shareholders
17 August 2021	Publication interim results 2021

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 four core technologies within the three business segments, 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 5,980 people, TKH achieved a turnover of € 1.5 billion in 2019.

Consolidated profit and loss account

in thousands of euros	1st half year 2020	1st half year 2019
Total turnover	678,958	753,212
Raw materials, consumables, trade products and subcontracted work	343,278	395,920
Personnel expenses	188,225	191,995
Other operating expenses	59,218	65,480
Depreciation	22,886	22,253
Amortization	27,958	24,148
Impairments	1,537	70
Total operating expenses	643,102	699,866
Operating result	35,856	53,346
Financial income	206	445
Financial expenses	-4,024	-4,460
Exchange differences	-1,161	-479
Share in result of associates	-2,381	215
Result from sale of associates	5,596	0
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	545	-106
Result before tax	34,637	48,961
Tax on profit	8,087	11,262
Net result for the period from continued operations	26,550	37,699
Result after tax for the period from discontinued operations	0	5,150
Net result	26,550	42,849
Attributable to:		
Shareholders of the company	26,544	42,812
Non-controlling interests	6	37
	26,550	42,849
Earnings per share attributable to shareholders		
Ordinary earnings per share (in €)	0.63	1.02
Diluted earnings per share (in €)	0.63	1.02
Earnings per share attributable to shareholders from continued operations		
Ordinary earnings per share (in €) continued operations	0.63	0.90
Diluted earnings per share (in €), continued operations	0.63	0.90
Ordinary earnings per share before amortization and one-off income and expenses from continued operations (in €)	0.86	1.09
Ordinary earnings per share before amortization from continued operations (in €)	0.86	1.09

Consolidated statement of comprehensive income

in thousands of euros	1st half year 2020	1st half year 2019
Net result	26,550	42,849
Items that may be reclassified subsequently to profit or loss (net of tax)		
Currency translation differences	-4,574	832
Currency translation differences in other associates	-105	50
Effective part of changes in fair value of cash flow hedges (after tax)	103	688
Other comprehensive income (net of tax)	-4,576	1,570
Comprehensive income for the period (net of tax)	21,974	44,419
Attributable to:		
Shareholders of the company	21,989	44,364
Non-controlling interests	-15	55
Total comprehensive income for the period (net of tax)	21,974	44,419

Consolidated balance sheet

in thousands of euros	30-06-2020	31-12-2019
Assets		
Non-current assets		
Intangible non-current assets	585,260	596,404
Tangible non-current assets	224,157	230,938
Right-of-use assets	75,772	80,752
Other associates	26,035	28,635
Receivables	1,930	1,966
Deferred tax assets	19,627	20,962
Total non-current assets	932,781	959,657
Current assets		
Inventories	254,712	238,801
Receivables	189,605	176,535
Contract assets	144,210	115,692
Contract costs	4,304	1,896
Current income tax	1,421	1,589
Cash and cash equivalents	86,287	78,976
Total current assets	680,539	613,489
Assets held for sale	2,956	38,775
Total assets	1,616,276	1,611,921
Equity and liabilities		
Group Equity		
Shareholders' equity	654,182	704,516
Non-controlling interests	92	304
Total group equity	654,274	704,820
Non-current liabilities		
Interest-bearing loans and borrowings	463,646	415,803
Deferred tax liabilities	62,050	65,528
Retirement benefit obligation	5,852	5,759
Financial liabilities	4,076	4,971
Provisions	6,088	6,296
Total non-current liabilities	541,712	498,357
Current liabilities		
Interest-bearing loans and borrowings	60,985	54,927
Trade payables and other payables	287,160	257,367
Contract liabilities	38,192	49,187
Current income tax liabilities	8,892	11,824
Financial liabilities	3,437	3,682
Provisions	21,624	19,069
Total current liabilities	420,290	396,056
Liabilities directly associated with assets held for sale	0	12,688
Total equity and liabilities	1,616,276	1,611,921

In the comparative figures an amount of € 3.1 million has been reclassified from short-term interest-bearing loans and borrowings to trade payables and other payables.

Consolidated cash flow statement

in thousands of euros	1st half year 2020	1st half year 2019
Cash flow from operating activities		
Operating result from continued activities	35,856	53,346
Operating result from discontinued activities	7,189	
Depreciation, amortization and impairment	52,360	48,166
Share and option schemes not resulting in a cash flow	1,636	770
Result on disposals	21	-139
Changes in provisions	2,880	1,582
Changes in working capital	-40,223	-39,032
Cash flow from operations	52,530	71,882
Interest received	207	508
Interest paid	-3,491	-4,837
Income taxes paid	-11,502	-11,906
Net cash flow from operating activities (A)	37,744	55,647
Cash flow from investing activities		
Repayments on loans	36	971
Purchases of tangible non-current assets	-12,703	-17,933
Disposals of tangible non-current assets	575	302
Divestment of subsidiaries	21,154	
Acquisition of subsidiaries less cash and cash equivalents acquired		-18,362
Investments in intangible non-current assets	-17,707	-19,431
Divestments in intangible non-current assets	21	41
Net cash flow from investing activities (B)	-8,624	-54,412
Cash flow from financing activities		
Dividends paid	-62,655	-59,120
Settlement of financial liabilities regarding put options of non-controlling interests and earn-out	-594	-1,672
Acquisition of non-controlling interests		-10
Purchased shares for share and option schemes	-12,370	-12,396
Sold shares for share and option schemes	1,066	5,754
Payment of lease liabilities	-8,801	-8,422
Proceeds from long-term debts	50,064	95,528
(Repayments)/proceeds from other long-term debts	-20	-121
Change in borrowings	9,305	-22,325
Net cash flow from financing activities (C)	-24,005	-2,784
Net increase/(decrease) in cash and cash equivalents (A+B+C)	5,115	-1,549
Exchange differences	-2,879	-387
Change in cash and cash equivalents	2,236	-1,936
Cash and cash equivalents at 1 January	76,146	60,905
Cash and cash equivalents at 30 June	78,382	58,969
Cash and bank balances as included in the cash flow statement	78,382	58,969
Cash at companies assets held for sale		-3,680
Cash and bank balances in cash and interest pools	7,905	19,041
Cash and bank balances	86,287	74,330

Consolidated statement of changes in group equity

in thousands of euros	Total shareholders' equity	Non- controlling interests	Total group equity
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
Balance at 1 January 2020	704,516	304	704,820
Net result	26,544	6	26,550
Total other comprehensive income	-4,555	-21	-4,576
Total comprehensive income	21,989	-15	21,974
Dividends	-62,552		-62,552
Dividends to shareholders of non-controlling interests	-103		-103
Sold/closed non controlling interest		-197	-197
Share and option schemes	1,636		1,636
Purchased shares for share and option schemes	-12,370		-12,370
Sold shares for share and option schemes	1,066		1,066
Balance at 30 June 2020	654,182	92	654,274

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 2019, 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 2019 of the group.

2. Judgments

The preparation of the consolidated interim financial statements requires management to make judgments and estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, and income and expenses. Actual results may differ from these estimates. Next to the impact of COVID-19 mentioned below, the main sources for estimates used by management are the same as those used in preparing the 2019 consolidated financial statements.

3. Impact COVID-19

COVID-19 has had a negative impact on both TKH Group's turnover and results since the beginning of the outbreak. The lockdowns in France, Italy and the US, among others, had a significant impact in April and May. Following the easing of the measures in those countries in June, opportunities for deliveries have been re-emerging, but are not yet back at normal levels. In China, activity levels have recovered since March and has had only a limited impact.

A large number of measures have been taken to monitor and prevent the effects of the COVID-19 virus, such as:

- In the various countries where we are active, we have taken all the measures laid down in the directives of the various governments, to ensure we can safeguard the continuity of the company and the safety of the working environment.
- Where deemed necessary and appropriate, available government support and working time reductions have been used. The effect of COVID-19 government subsidies on the result in the first half of the year has been limited to € 1.3 million.
- Reinforced attention for working capital management, limiting investment levels where possible and cost-saving measures.

Isolation of the COVID-19 impact on first half results is difficult, but we believe the following is relevant to understanding the interim financial results:

- Due to measures aimed at working as safely and healthily as possible, productivity and coverage in the production companies was lower. There were also effects of lower demand, as customers had less capacity to realize projects. In a number of market segments investments were reduced or postponed. This particularly concerned investments for airports, parking garages and the industrial sector.
- No major restructuring provisions related to COVID-19 have been recognized.
- Cash flow from operating activities in the first half of the year was positively impacted by € 22 million due to deferred tax payments. This amount is expected to be repaid in the second half of 2020.
- The delivery of various projects, particularly in the Industrial Solutions segment, was postponed due to customer lockdown situations. This has impacted working capital upward and downward cash flow from operating activities for an estimated € 40 million.
- COVID-19 has been designated as a 'triggering event', therefore an impairment test has been performed on the carrying amounts of the fixed assets as of 30 June 2020. The assumptions in the calculation of the realizable value are based on the latest available forecasts for 2020 and beyond. Barring limited impairment on right-of-use assets, book values as of June 30, 2020 are considered recoverable.

4. Statutory capital

The number of outstanding (depositary receipts of) shares as per 31 December 2019 amounted to 41,994,865. Due to the exercise of options rights and share schemes, a balance of 328,341 (depositary receipts of) shares were purchased in the first half of 2020. As a result, the number of (depositary receipts of) shares outstanding with third parties as per 30 June 2020 was 41,666,524.

5. Dividend

At the General Meeting of Shareholders 2020 the dividend over 2019 was declared at € 1.50 per (depositary 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 2020 was € 62,552,207 and this amount was charged to the other reserves (H1 2019: € 58,771,724).

6. Segmented information

in thousands of euros	Telecom Solutions		Building Solutions		Industrial Solutions		Not attributable		Total H1 2019
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	
Total turnover	95,053	102,831	344,880	364,786	239,025	285,595	0	0	678,958
EBITA	12,334	16,037	36,447	29,103	26,958	41,956	-6,733	-9,532	69,006
ROS	13.0%	15.6%	10.6%	8.0%	11.3%	14.7%			77,564
One-off expenses			-3,629		-26				10.2%
Amortization	-560	-524	-22,655	-18,974	-4,731	-4,640	-12	-10	-24,148
Impairments			-1,384	-19	-153	-51			0
Operating result	11,774	15,513	8,779	10,110	22,048	37,265	-6,745	-9,542	35,856
									53,346

in thousands of euros	Total turnover	
	H1 2020	H1 2019
Vertical markets		
Fibre Optic Networks	64,480	71,193
Parking	20,064	28,251
Tunnel & Infra	66,659	66,953
Marine & Offshore	31,763	25,958
Care	25,673	33,592
Machine Vision	91,376	63,792
Tire Building Industry	141,933	171,212
Other vertical markets	237,010	292,261
Total turnover	678,958	753,212

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	30-06-2020	31-12-2019
Expected to be recognized as revenue within 1 year	382,985	394,292
Expected to be recognized as revenue between 1 and 2 years	12,102	20,333
Expected to be recognized as revenue after 2 years	4,137	8,786
Unsatisfied performance obligations	399,224	423,411

The contractual performance obligations as of 31 December 2019 include the in 2020 divested companies for an amount of € 13.7 million. The decrease in the contractual performance obligations mainly occurred in Industrial Solutions, while in Building Solutions there was an increase.

8. Overview of net profit definitions

in thousands of euros (unless stated otherwise)	1st half year 2020	1st half year 2019
Net result	26,550	42,849
Less: Non-controlling interests	-6	-37
Net profit attributable to the shareholders	26,544	42,812
Result after tax from discontinued operations		-5,150
Net profit attributable to the shareholders of the company from continuing operations	26,544	37,662
Amortization of intangible non-current assets from acquisitions	12,741	11,135
Taxes on amortization	-3,412	-3,067
Net profit before amortization from continuing operations attributable to the shareholders of the company	35,873	45,730
One-off costs for restructurings and integrations	3,655	
Result from divestments and purchase price allocations in the result of associates	-3,264	
Impairments	1,537	70
Fair value changes of financial liability for earn-out and put options of shareholders of non-controlling interests	-545	106
Tax impact on impairments and one-off expenses and benefits	-1,298	-18
Net profit before amortization and one-off income and expenses attributable to the shareholders of the company	35,958	45,888

9. Divestments of subsidiaries

TKH reached an agreement with third parties in November 2019 regarding the conditional takeover of 100% of the shares of the operating company Zhangjiagang Twentsche Cable Co. Ltd. ('ZTC'), in Zhangjiagang (China). ZTC specializes in the production of copper data communication cables. In the 1st half of 2019, the total turnover of ZTC amounted to € 33.8 million with an EBITA of € 2.4 million. ZTC's activities belonged to the business segment Building Solutions. The transaction was completed in January 2020 and resulted in a one-off net profit contribution of € 5.5 million in the first half of 2020. This consists of a result on the sale of € 3.5 million, as well as a release from the legal reserve for translation differences of € 2.0 million.

In December 2019, TKH decided to divest the activities of Cruxin BV, belonging to the business segment Building Solutions. Cruxin's system integration activities have historically had strategic value for TKH in marketing proprietary technologies, but are now competing in too many markets with TKH's customers. In addition, the activities no longer fitted into TKH's risk profile. This resulted in a letter of intent in January 2020. The transaction was completed in April 2020. As a result of the intended divestment and the expected proceeds, an impairment of € 1.9 million was already recognized in 2019. The closing of the transaction in the first half of 2020 had no significant impact on results.

10. Contingent liabilities

As of 2019, the rental and lease obligations are included in the balance sheet as (discounted) lease obligations in accordance with IFRS 16, except for the lease with a small amount or short term.

The contingent liabilities which are not reflected in the balance sheet, as reported in the consolidated financial statements for 2019, have not essentially changed in the first half 2020.

11. Events after balance sheet date

There have been no events in the past interim period that are material to the understanding of this interim report.

12. Risks

The 2019 annual report describes in detail certain risk categories and risk factors that could have a (negative) impact on TKH's financial position and results. On June 30, 2020, the risk categories and risk factors were re-analyzed and it was concluded that, besides to what has already been stated above regarding COVID-19, they still apply.

13. Executive Board declaration

This report contains the interim financial report of TKH Group NV. The interim financial report ended 30 June 2020 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 2019.

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).

14. Signature of interim report

Haaksbergen, 11 August 2020

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.