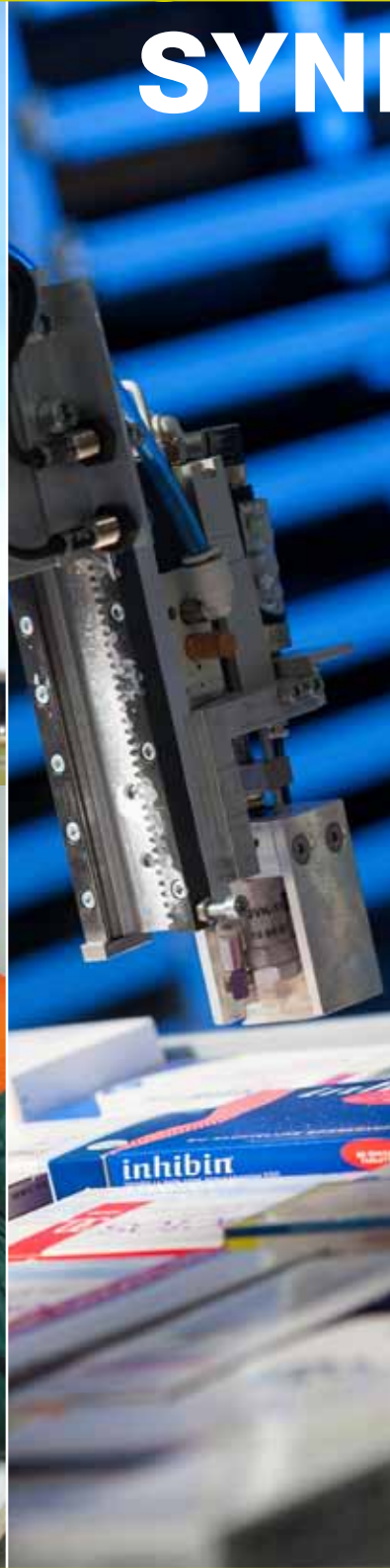


COOPERATION

SYNERGY



COOPERATION AND SYNERGY

When two companies in the same group produce cables, cooperation is obvious. But cooperation in the TKH Group goes a bit further than that. And it gets more intensive every year.

Companies also work together because they serve the same market, such as in the case of parking or security, for example. Or they acquire major orders thanks to the contribution of sister companies, as Isolectra did recently.

Even companies that differ widely from each other cooperate. Take VMI and TKF for example – one manufacturing tyre building machines and the other cable systems. They exchange insights into how you can make a production company leaner.

In Poland, C&C Partners sell softsecurity solutions from TKH Group companies in the Netherlands. The recently acquired Siqura is ensuring the accelerated international expansion of the entire security cluster. And TKF is working with one of its big customers in a completely new way.

So it's not surprising that this publication is about cooperation. About cooperation that makes it possible to achieve advantages of scale and to develop advanced (technical) knowledge. About cooperation that enables TKH to formulate an answer to the increasingly complex demands of society. About cooperation that leads to synergy.

ANNUAL REPORT 2011

Telecom Solutions

- Indoor telecom systems
- Fibre network systems
- Copper network systems



Telecom Solutions

Building Solutions

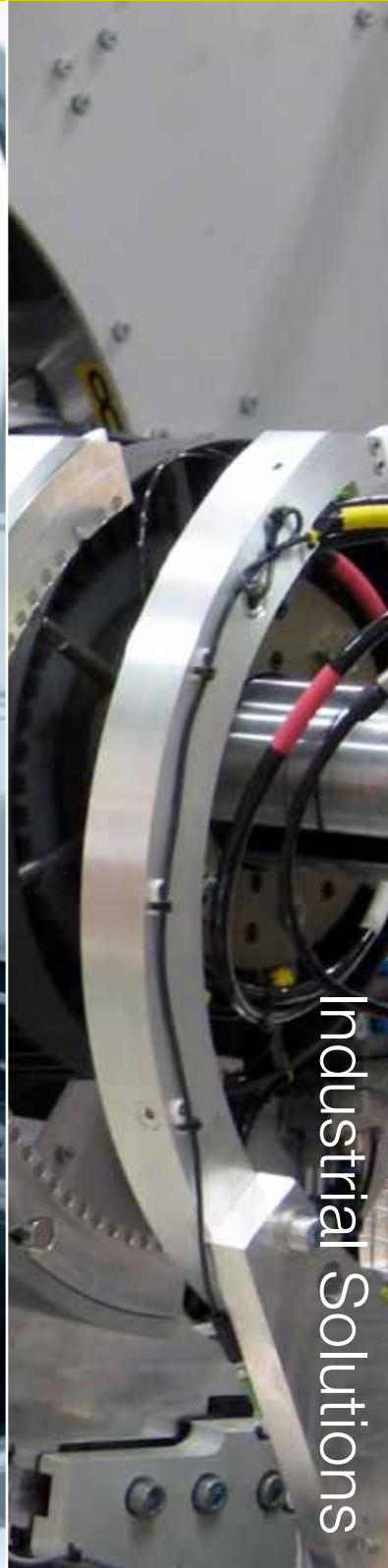
- Building technologies
- Security systems
- Connectivity systems



Building Solutions

Industrial Solutions

- Connectivity systems
- Manufacturing systems



Industrial Solutions

MISSION STATEMENT

TKH INTENDS TO BE AN INNOVATIVE LEADING NICHE PLAYER BY PROVIDING TELECOM, BUILDING AND INDUSTRIAL SOLUTIONS BASED ON TECHNOLOGICALLY ADVANCED SYSTEM CONCEPTS, PRODUCTS AND RELATED SERVICES.

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FOREWORD

TKH has a high ambition level. We are therefore pleased to announce that the € 1 billion turnover level was exceeded in 2011. More importantly, a new record for profit was also realised.

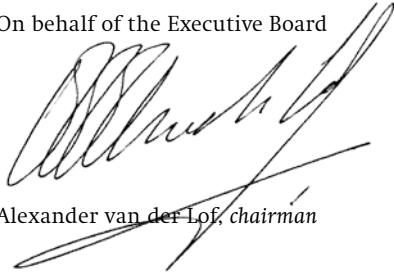
This record has been accompanied by a further strengthening of the positioning and the foundations of the TKH Group. The success within the industrial segment has made it possible to invest further in the other Building and Telecom Solutions segments, with additional efforts being made and extra costs being incurred especially to be prepared in the coming years for any more difficult market conditions and in order to be able to achieve further growth in promising sectors such as security, care and communication.

The market opportunities combined with our innovative power offers many opportunities for further growth. Based on this, the following milestone for the coming years to double the turnover to € 2 billion has entered the picture. In this respect, the increasing scale will lead to greater efficiency and offers the potential to further improve margins. The main priority of the focus will be on profitable turnover, coupled with a high degree of innovation.

The bar has once again been raised internally in order to achieve the best possible performance with talent management. The people in our organisation will make the difference, with their talent, motivation and especially the entrepreneurship that is central to our business.

We are very grateful to our employees, customers, business partners, the Supervisory Board and the shareholders for the confidence they have shown in us and the support they have given to our efforts to enable TKH to grow and achieve our ambitions.

On behalf of the Executive Board



Alexander van der Lof, *chairman*

KEY FIGURES

in millions of euros (unless stated otherwise)	2011	2010	2009	2008	2007
Operations					
Turnover ¹	1,061	894	726	997	838
EBITA ²	90	73	41	76	66
Net result	54	41	3	50	45
Net result before exceptional income and expenses and amortisation ²	59	44	18	47	46
Cash flow from operating activities	47	55	152	53	38
Net investments ³	22	21	11	32	29
Depreciation on tangible non-current assets ⁴	15	14	16	17	13
Balance sheet					
Shareholders' equity ⁵	358	319	282	293	266
Liabilities	428	358	360	428	396
Non-current assets	398	344	329	343	303
Current assets	380	326	305	375	357
Ratios					
Shareholders' equity/total assets %	45.6	47.1	43.9	40.7	40.2
Shareholders' equity/non-current assets	0.9	0.9	0.9	0.9	0.9
EBITA/total turnover % (ROS) ²	8.5	8.2	5.6	7.6	7.9
EBITA/average capital invested % (ROCE)	21.5	20.0	9.8	16.5	15.3
Net result/total turnover % ²	5.6	5.0	2.5	5.0	4.9
Net result/shareholders' equity % ²	16.5	13.9	6.4	16.3	15.5
Employees					
Number at year-end	4,062	3,706	3,564	3,882	3,577

in euros (unless stated otherwise)	2011	2010	2009	2008	2007
per ordinary share of € 0.25 ⁶					
Shareholders' equity	9.60	8.65	7.77	8.32	7.67
Net result	1.44	1.10	0.07	1.43	1.30
Net result before exceptional items and amortisation	1.57	1.21	0.49	1.34	1.34
Cash flow from operating activities	1.27	1.50	4.20	1.51	1.09
Dividend	0.75	0.61	0.50	0.66	0.66
Highest share price	23.80	19.61	13.95	17.41	23.41
Lowest share price	13.24	12.52	6.35	7.04	13.62
Share price at year-end	16.95	19.61	13.95	8.00	14.96
Ordinary shares outstanding at year-end (x 1.000) ⁶	37,284	36,885	36,293	35,290	34,638

1 Turnover including change to inventory finished products, work in progress and other operating income.

2 Before exceptional income and expenses. In 2009 there is an impairment of € 3.7 million before taxes and restructuring costs of € 12.2 million. In 2008, this concerns the partial release of the impairment of € 3.6 million (before taxes) and the exceptional tax gain of € 2.5 million.

3 Including minority interests.

4 Excluding the release of the impairment of € 4.0 million in 2008.

5 Investments in tangible non-current assets.

6 Calculations are based upon the number of shares held by third parties, whereby the split of the (depository receipt of) ordinary shares as of 14 May 2007 has been taken into account.

HIGHLIGHTS 2011

Turnover

TURNOVER UP BY 18.8%
TO € 1.1 BILLION, ORGANIC
GROWTH 15.5%.

1,061 MLN €

EBITA

SHARP RISE IN EBITA BY 22.8%
TO € 90.1 MILLION DUE TO THE
INDUSTRIAL SOLUTIONS
SEGMENT.

90.1 MLN €

Innovations

TURNOVER CONTRIBUTION
FROM INNOVATIONS 22.8%.

22.8%

Result Building Solutions

STRENGTHENING OF THE ORGA-
NISATION AND MARKET POSITIONS,
AS WELL AS ONE-OFF ACQUISITION
AND INTEGRATION COSTS IMPACT
BUILDING SOLUTIONS RESULTS.

Acquisitions

ACQUISITIONS IN BUILDING
SOLUTIONS GIVE TKH STRONGER
FOUNDATION.

Dividend proposal

DIVIDEND PROPOSAL € 0.75 PER
(DEPOSITARY RECEIPT FOR AN)
ORDINARY SHARE.

0.75 €

Highlights Q4

TURNOVER UP BY 2.6% -
ORGANIC GROWTH 1.6%.

2.6%

Highlights Q4

EBITA DOWN BY 10.6% IN THE
FOURTH QUARTER - ROS OF 9.0%.

9.0%

Highlights Q4

WEAKENING MARKET
CONDITIONS IN THE
INDUSTRIAL SECTOR.

Highlights Q4

CHALLENGING MARKET CONDITIONS,
WITH PRESSURE ON MARGINS IN
CONNECTIVITY SEGMENT WITHIN
BUILDING SOLUTIONS.

PROFILE

- Turnover € 1.1 billion
- Innovative total solutions
- Telecom, Building and Industrial Solutions
- Internationally operating group

Technology company TKH Group NV (TKH) is an internationally operating group of companies specialising in creating and supplying innovative Telecom, Building and Industrial Solutions.

At TKH it is the solutions play the central role, not the kind of activity. In the Telecom Solutions, Building Solutions and Industrial Solutions business segments, basic technologies in the area of ICT and electrical engineering from the various operating companies are merged into total solutions, usually in partnership with suppliers.

Specialists in the field of marketing, process development, design, engineering and logistics add advice and project implementation to offer a tailor made solution. These locally developed concepts are subsequently offered internationally, in order to optimally capitalize on the expertise and knowledge within TKH.

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

Building Solutions develops, produces and supplies solutions in the field of efficient electrical engineering ranging from applications within buildings through to technical systems that –combined with software– provide efficiency solutions for the care and security sectors. TKH's know-how focuses on connectivity systems in combination with efficiency solutions aimed at reducing the throughput time of installation realisation in buildings. In addition, the segment focuses on intelligent video, intercom and access management systems for a number of specific sectors, including elderly care, parking and security for buildings and grounds.

Industrial Solutions, develops, produces and supplies solutions ranging from specialty cable, “plug and play” cable systems through to integrated systems for the production of car and truck tyres. The know-how in the field of automation of production processes and improving the reliability of production systems gives TKH a distinctive ability to respond to the need of a number of specialist industrial sectors, such as tyre manufacturing, robot, medical and machine manufacturing industries, to increasingly outsource the construction of production systems or modules.

Continuous research and development yields a range of products and services that guarantees technologically advanced solutions. The companies in the TKH Group are active all over the world. The group's growth is concentrated in Northwest, Central and Eastern Europe and in Asia. In 2011 TKH had 4,062 employees; its turnover was € 1.1 billion.

OBJECTIVES AND STRATEGY

- Annual increase earnings per share
- Innovative strength one of the cornerstones for further growth
- Turnover growth achieved both organically and by means of acquisitions
- Geographically spread of activities

TKH's objective is to achieve a healthy annual increase in earnings per share. We achieve this through growth of turnover and by striving to establish a strong position in the high-potential market segments of Telecom Solutions, Building Solutions and Industrial Solutions. We regard communication, security, care and efficiency as important growth markets within these segments.

Providing solutions is at the heart of TKH's strategy. In addition we strive for a high return on investment for our clients. We are to a significant degree driven by the efficient way in which solutions are achieved within the group, but above all in cooperation with third parties. The basic technologies and know-how within the TKH Group play an important role in this. TKH focuses on securing a leading position in niche markets.

Innovative strength is one of the cornerstones for further growth at TKH. For innovations that were introduced during the two preceding years our aim is to account for at least 15% of turnover. A constant effort to innovate leads to a range of products and services that guarantees technologically advanced solutions. In addition to cooperation with third parties, TKH focuses increasingly on investments in the development of own technologies.

Turnover growth is achieved both organically and by means of acquisitions. Expanding successful TKH activities to new geographic markets and transferring knowledge from competence centres increase the prospect of additional growth. TKH wants to increase the geographical overlap in its activities from 60% to 70%.

As a result of acquisitions and successful organic growth in Europe the share of the activities outside the Netherlands is steadily increasing. The emphasis with acquisitions lies on structurally healthy companies with a strong position in segments that are important for TKH. In its drive to increase added value TKH is also actively strengthening its portfolio by acquiring companies that can offer interesting technology in the growth markets of communication, security, care and efficiency.

TKH understands the importance of diversity and a geographic spread of its activities. In geographic terms, the focus for growth lies on Northwest, Central and Eastern Europe and Asia. Within the TKH strategy, we effectively exploit opportunities for growth and limit the (financial) risks. Healthy balance sheet ratios and a strong operational cash flow are high on the list of priorities for the company's development. TKH strives for a solvency ratio of at least 35%.

The shift to activities with greater added value and therefore potentially higher margins, together with the growing share of activities showing above-average performance, gives TKH the confidence to set its long-term target for ROS to a bandwidth of 9% to 10%. The company's long-term goal for the ROCE lies within a bandwidth of 18% to 20%.

TKH is aware of its responsibilities and obligations towards all stakeholders in the company in achieving its objectives and implementing its strategy.

THE TKH SHARE

- Listing NYSE Euronext Amsterdam
- Classified in Small Cap Index (AScX)
- Attractive return on dividend, pay-out between 40% and 70%
- Active Investor Relations policy

Listing

TKH shares are listed on the NYSE Euronext Amsterdam. The TKH share is included in the Small Cap index (AScX). In addition, the TKH share is part of the Next 150 index which has been established by Euronext.

TKH's equity structure

The ordinary shares in the company, except the register shares, have been transferred to the Stichting Administratiekantoor TKH Group (Foundation Administration Office for TKH Shares) by means of a notarised deed. Stichting Administratiekantoor TKH Group has provided depositary receipts in exchange for these shares. Additional information about these depositary receipts for shares is provided on pages 43 and 114.

Our priority shares are managed by Stichting Prioriteit (Foundation Priority Shares), which is made up of the company's directors. This foundation is not entitled to alienate, pledge or otherwise encumber these shares. No special rights have been assigned to these priority shares.

As stated on page 114, Stichting Continuïteit TKH (Foundation Continuity TKH) has been granted an option to acquire protective preference shares, which would, if the option is exercised, allow the foundation to acquire a maximum of 50% of the total issued capital.

At the end of 2011 there were 37,935,257 paid-up ordinary shares with nominal value of € 0.25, of which the company held 650,930, and 4,000 priority shares with a nominal value of € 1.00.

	2011	2010
Number of ordinary shares	37,935,257	37,563,849
Number of ordinary shares outstanding with third parties	37,284,327	36,884,585
Annual turnover in shares	13,729,528	8,429,603
Highest price	€ 23.80	€ 19.61
Lowest price	€ 13.24	€ 12.52
Share price at year-end	€ 16.95	€ 19.61
Net earnings per share	€ 1.44	€ 1.10
P/E ratio (at year end)	11.77	17.88
Dividend yield on closing price	4.42%	3.11%
Market capitalization at year-end (x € mln)	643.0	736.6

Disclosure of major shareholdings in listed companies

Within the framework of the disclosures of major shareholdings in listed companies, the Financial Markets Authority (AFM) published the following list of major shareholdings in TKH.

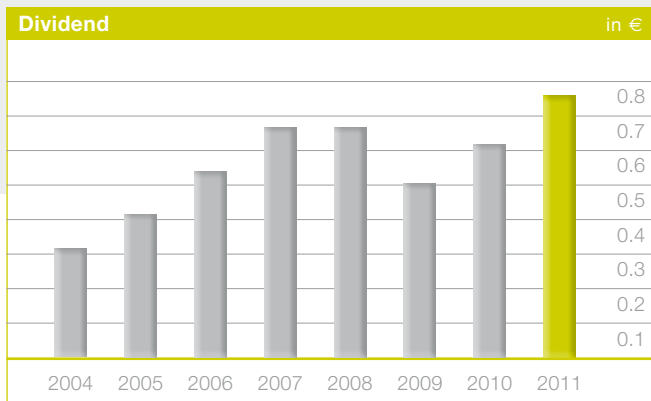
Person obliged to notify	Holding	date of disclosure
ASR Nederland NV	5.11%	06-10-2008
Breedinvest BV	5.20%	01-11-2006
Darlin NV	5.29%	01-11-2006
Delta Deelnemingen Fonds NV	10.09%	07-08-2007
Delta Lloyd Levensverzekering NV	5.46%	06-05-2011
Fidelity Investments	9.34%	01-11-2006
Kempen Oranje Participaties	3.77%	04-04-2011
Navitas BV	5.75%	01-11-2006

Issue of shares

Shares are issued pursuant to a resolution of the Executive Board. The resolution is subject to the approval of the Supervisory Board. The extent of the Executive Board's power in this respect is established by resolution of the General Meeting of Shareholders and extends to not more than all shares in the current or future authorised capital that have not yet been issued. At the General Meeting of Shareholders on 24 May 2011 this authorisation was extended until 24 November 2012, with the understanding that the authorisation relates to the issue of shares, regardless of the type or series, including granting of rights to subscribe for shares, subject to the following. This authorisation is granted for all shares, with the exception of the cumulative protective preference shares, up to ten percent (10%) of the total nominal value of the issued ordinary shares at the moment of issue, plus ten percent (10%) of the total nominal value of the issued ordinary shares at the moment of issue if they are issued as part of a merger or acquisition. For the cumulative protective preference shares, the authorisation is granted to extending to not more than all shares in the current or future authorised capital. The restriction or exclusion of the pre-emption right to the ordinary shares and cumulative financing preference shares.

Purchase by the company of its own shares

The company may acquire (depositary receipts of) ordinary shares in the company for consideration, pursuant to a resolution of the Executive Board and subject to the conditions prescribed in the articles of association, for a price for (depositary



receipts of) ordinary shares lying between the sum equal to the nominal value that they represent and the sum equal to one hundred and ten percent (110%) of the market price. The resolution is subject to the approval of the Supervisory Board. During the General Meeting of Shareholders on 24 May 2011 the Executive Board was granted authorisation to acquire the company's own shares for a period of 18 months from that date.

Dividend policy

TKH aims to generate an attractive return for its shareholders, which is also reflected in an appropriate dividend policy. Healthy balance sheet ratios are very important for the continuity of the company. In determining the dividend to be paid TKH takes into account the amount of profit the company needs to retain to realise its medium to long term plans on the basis of a solvency of at least 35%. Based on the growth targets for the coming years, TKH's aim is for a pay-out of between 40% and 70%.

Staff options and share scheme

Staff option rights to (depository receipts of) ordinary shares in TKH are awarded to the management of TKH and the management of its group companies. Further information on this subject will be given on page 115 of this annual report. There is a share scheme in place for the Executive Board (see page 106).

Preventing insider trading

In view of its listing on the NYSE Euronext Amsterdam, TKH is obliged to have a regulation to prevent the use of inside knowledge by its managers and employees, as well as other 'insiders'. The statutory provisions in force in the Netherlands concerning inside knowledge and market manipulation are laid down in the Financial Supervision Act. TKH has adapted its existing insider dealing regulation to this legislation in accordance with the model of the Association of Securities Issuing Organisations (VEUO). The group of persons to whom this regulation applies in connection with the information available to them has agreed in writing to observe the regulation. Mrs R. Dieperink, the company secretary, serves as the company's compliance officer and ensures that the legislation relating to inside knowledge and other compliance risks are observed.

Investor Relations

J.M.A. van der Lof MBA, *chairman of the Executive Board and CEO*

More information about TKH and its group companies is also available on the company's website at www.tkhgroup.com or from the company secretary, Mrs R. Dieperink MBA.

Investor Relations policy

The TKH Investor Relations Policy aims to maintain contacts with (potential) shareholders of TKH, institutional investors, analysts and financial journalists. The aim is to provide these group relevant financial and other information in time and to the best of our ability, to give them a broader insight into the company and its sector. To this end, having regard to the relevant limitations, it is observed that relevant information is provided equally and simultaneously to all interested parties and that it is accessible to them. Besides the annual report, the interim report and financial reports, TKH maintains such contacts through meetings, roadshows and company visits.

The Dutch Association of Investor Relations (NEVIR) awards annual prizes for the Best Companies in the field of Investor Relations as well as the Best Investor Relations professionals. In January 2012, Alexander van der Lof received the Award for Best IR-professional, category AScX / Other companies over 2011. TKH was also nominated as Best IR-company (AScX/Other), with which she belongs to the top three best IR-companies.

Key dates

9 May 2012	Trading update Q1 2012
15 May 2012	General Meeting of Shareholders
17 May 2012	Listing ex-dividend
21 May 2012	Record date
22 May up to and including 4 June 2012	Option period
5 June 2012	Announcement of exchange ratio for stock dividend
7 June 2012	Dividend payable
22 August 2012	Q2 and half-year results 2012
8 November 2012	Trading update Q3 2012

SUPERVISORY BOARD



H.J. (Herman) Hazewinkel (26-07-1949), chairman

First appointment	2005
Term limit	2013
Nationality	Dutch
Main position	former chairman of the Executive Board VolkerWessels
Current position	chairman of Supervisory Board Reggefiber BV chairman of Supervisory Board Heisterkamp Beheer BV member of Supervisory Board Royal Boskalis Westminster NV member of Supervisory Board Schiphol Group NV member of Supervisory Board Zeeman Groep BV member of Supervisory Board Zorgpunt Holding BV member of Supervisory Board Soweco NV member of Executive Committee, Stichting ING Aandelen member of Executive Committee, Stichting Administratiekantoor "Slagheek" member of Supervisory Board, Dutch Symphony Orchestra



P.P.F.C. (Philip) Houben (09-06-1950)

First appointment	2009
Term limit	2013
Nationality	Dutch
Main position	former chairman of the Executive Board Wavin NV
Current position	chairman of Nederlandse Vereniging Participatiemaatschappijen chairman of Supervisory Board Unit4 NV



R.L. (Rokus) van Iperen (19-09-1953)

First appointment	2011
Term limit	2016
Nationality	Dutch
Main position	chairman of the Executive Board OCÉ NV
Current position	chairman of Supervisory Board Technical University of Eindhoven Netherlands chairman of Supervisory Board Academic Hospital of Maastricht Netherlands member of the Board of Directors RTI International Metals, Inc. Pittsburgh;



M.E. (Marika) van Lier Lels (19-10-1959)

First appointment	2006
Term limit	2014
Nationality	Dutch
Main position	professional supervisor / independent director former COO, Schiphol Group NV
Current position	member of Supervisory Board, Royal KPN NV member of Supervisory Board, USG People NV member of Supervisory Board, Reed Elsevier NV member of Supervisory Board, Maersk BV member of the Council for Transport and Water Management member of the Advisory Council for Science and Technology member of Committee, Netherlands Bureau for Economic Policy Analysis chairwoman Supervisory Board, Foundation Nature and Environment member Foundation Aegon



P. (Patrick) Morley M.Sc. (13-07-1956)

First appointment	2002
Term limit	2014
Nationality	Irish
Main position	member of Executive Board, Telegraaf Media Group NV
Current position	member of Supervisory Board, Trans Link Systems BV member of the Advisory Council for Science and Technology

REPORT OF THE SUPERVISORY BOARD

We are pleased to present the annual financial statements prepared by the Executive Board for the financial year 2011 to the shareholders for approval. The annual financial statements were submitted to Deloitte Accountants for auditing. The unqualified auditor's report can be found on page 118 of the annual report.

The Supervisory Board recommends that the General Meeting of Shareholders approves these financial statements and agrees to the dividend proposal, which can be found on page 117 of the annual report. The Supervisory Board has discussed the financial statements with the Executive Board in the presence of the external auditor. The Supervisory Board is of the opinion that the financial statements constitute a sound basis for the account that the Executive Board must give of its management and the Supervisory Board must give of its supervision of the management.

Meetings during the year under review

In 2011 the Supervisory Board had five regular meetings with the Executive Board. The meetings were attended by all of the members of Supervisory Board.

At these meetings attention was devoted to the financial reports, investor relations, developments in the organisation, investments and technological developments as well as the market conditions in the different business segments. The implemented organisational changes, the creation of clusters of companies and the integration of activities, as well as the commercial strength to realise growth opportunities, were also discussed.

In two meetings, there was an in-depth discussion about the strategic positioning of TKH, especially that of Building Solutions. The point of departure of TKH's strategy is to achieve growth both organically and through acquisitions. During the year under review, considerable attention was paid to acquisition opportunities with discussions about the strengthening of TKH in the defined growth areas as well as about the geographical and technological focus areas.

In March, the Supervisory Board visited the TKH 'Security Experience Center' in Amsterdam. Here, the Board was informed about the strategic positioning of the security segment as well as about the organisational and technological developments. Insight was obtained into how the basic building blocks within the security cluster lead to specific innovative solutions in the market. At this meeting, the annual financial statements - as part of the TKH annual report - was discussed and the external auditor provided an explanation of its findings during the audit on the annual figures. Topics discussed during the meeting in May included (result) developments in the first quarter and the General Meeting of Shareholders. In August, topics discussed included the halfyear result and the Audit Committee reported on the discussion with the external auditors about the interim audit.

In October, attention was devoted to the developments in the HR field, especially the Management Development programme and the employee satisfaction programme. The growth and further strengthening of the TKH organisation was discussed as well as the regular succession of senior management. During this meeting, the LEAN programme at TKF was also explained with the associated action plans. Based on a tour of the production environment, the Supervisory Board gained insight into how the programme has been introduced on the workflow by means of the 'lean daily management' model and how it is controlled.

The budget and investment plan for 2012 was discussed in the December meeting. The policy on Corporate Social Responsibility (CSR) was then also explained. The Board was informed about the initiatives taken, the progress of CSR projects as well as about guidelines and forms of reporting. The Board finds that CSR receives a lot of attention within TKH.

The new financing arrangements with the banks also received special attention during the year. Besides the financing structure itself, the agreed financial covenants and conditions were considered. The Supervisory Board believes that this refinancing has provided a solid basis for the financing of the business activities and growth ambitions for the coming years.

In addition to the meetings of the full Board with the Executive Board described above, individual members of the Supervisory Board held discussions with the members of the Executive Board on topical issues, but also on specific subjects such as innovation and technological developments.

A consultative meeting of the Central Works Council was attended by a delegation from the Supervisory Board. The 2010 annual report was then discussed together with the company's general course of affairs. By means of this consultation, the Supervisory Board are, for example, kept in touch with issues concerning employees. The Supervisory Board regards the consultation with Central Works Council as constructive and valuable.

Functioning and composition

The Supervisory Board also convened an extraordinary meeting to discuss its own performance and that of its committees and of the Executive Board. The evaluation of the functioning of the Executive Board and its individual members was prepared on the basis of a discussion with the relevant members and the Appointment and Remuneration Committee and the Chairman of the Supervisory Board. Feedback was given on the outcome of

these discussions during the extraordinary meeting. The evaluation of the functioning of the Supervisory Board, the committees and individual members was performed in a plenary session on the basis of information provided by individual members to the Chairman. The Board established that the Supervisory Board and the Executive Board have a good working relationship. At this meeting the Board addressed the points set out in best practice provision III.1.7 of the Dutch Corporate Governance Code. It was established that every member of the Supervisory Board is independent within the meaning of best practice provision III.2.2 of the Code.

During the year, particular attention was paid to the composition of the Supervisory Board, partly in view of the vacancy on the Board that has not yet been filled. With regard to the profile and competences of the Supervisory Board, the Board has determined that these are in line with the requirements (as explained on page 43 of the annual report), but that in the context of the vacancy in the Board, additional expertise is required in the technological field, besides management knowledge and experience. Following a careful selection procedure, Mr Rokus van Iperen, CEO of OCÉ NV, expressed his willingness to serve on the Supervisory Board. The Supervisory Board has unanimously concluded that the knowledge and experience of Mr Van Iperen corresponds with the formulated profile and that the competences within the Board have thus been brought into line.

The Extraordinary General Meeting of Shareholders on 14 December 2011 ratified the nomination by means of the appointment of Mr Van Iperen for a period of four years. With this appointment, the Supervisory Board again consists of five members. Mrs M.E. (Marika) van Lier Lels has been appointed vice-chairman.

Composition of the Executive Board

As a result of the strong international growth of TKH, with an increasing number of (clusters of) companies, the composition of the Executive Board was also discussed. It was observed that the ambitions can more easily be guaranteed by expanding the Executive Board. On 1 August 2011, the Supervisory Board appointed Mr A.E. (Arne) Dehn as member of the Executive Board after the General Meeting of Shareholders had been notified of this proposed appointment on 7 July 2011. Mr Dehn has specific responsibility for the Building Solutions segment. With this appointment, each member of the Executive Board has responsibility for a specific Solution area.

Committees

TKH's Audit Committee met twice during the year under review. The external auditor attended all of these meetings. An important agenda item at every meeting of the Committee is the company's internal risk management and control system. Subjects that were also dealt with included the new financial structure, taxation, pensions, impairment analyses and future IFRS guidelines. The

external auditor's findings concerning the audit of the annual figures and the review of the internal control procedures were also discussed in detail. When performing the auditing activities, the external auditor also made use of the work of the internal auditor of TKH in 2011. The Audit Committee evaluates the functioning of the external auditor on the quality of the audits, the sufficiency and implementation of the audit engagement, the quality and depth of the reporting as well as the additional input. The Audit Committee evaluates the findings with the external auditor, the Supervisory Board and the Executive Board. The Audit Committee found that there was a good working relationship between the external auditor and internal auditor. The Audit Committee advised the Supervisory Board, among other things, on the recommendation to the shareholders of the reappointment of Deloitte Accountants as the independent accountant for the 2011 financial year. The Audit Committee comprises Mr Philip Houben, who has taken over the chairmanship of Mrs van Lier Lels as of March 2012, and Mr Herman Hazewinkel as financial expert within the meaning of the Corporate Governance Code. Mr Elling de Lange MBA, CFO of TKH, serves as an advisor.

The Appointment and Remuneration Committee met three times last year. In addition to the nomination of a candidate for the Supervisory Board and the appointment of a third member of the Executive Board, the committee discussed the matter of the remuneration of the Supervisory Board and the cooperation and communication between the Executive Board and the Supervisory Board, as well as the functioning of the Executive Board and the remuneration policy of the Executive Board. The remuneration report, setting out the remuneration policy and the remuneration of the members of the Executive Board, can be found on page 105-106. The members of the Appointment and Remuneration Committee are Mrs Marika van Lier Lels (chairwoman) and Mr Patrick Morley M.Sc.

The Supervisory Board would like to express its appreciation of the exceptional efforts made by the Executive Board and all the employees of TKH in the development of the TKH group. A lot of emphasis during the year under review was placed on bringing the organisation more into line with the growth opportunities and the growth ambitions. At the same time, a lot of effort was made in the field of strengthening the technology base of TKH. This called for dedication and decisiveness from people. We wish to thank the Executive Board and TKH's employees for all the efforts they have made during the past year and wish them every success in the realisation of all opportunities and challenges in 2012.

Haaksbergen, 12 March 2012

On behalf of the Supervisory Board
H.J. Hazewinkel, *chairman*

EXECUTIVE BOARD

E.D.H. (Elling) de Lange
Chief Financial Officer

J.M.A. (Alexander) van der Lof
Chief Executive Officer

A.E. (Arne) Dehn
Member of the Executive Board



Executive Board	Solutions	Strategic Committee	TKH Staff
<p>J.M.A. van der Lof MBA 53, Dutch</p> <p>E.D.H. de Lange MBA 46, Dutch</p> <p>A.E. Dehn 42, German</p>	<p>Telecom Solutions E.D.H. de Lange MBA</p> <p>Building Solutions A.E. Dehn</p> <p>Industrial Solutions J.M.A. van der Lof MBA</p>	<p>J.M.A. van der Lof MBA – TKH E.D.H. de Lange MBA – TKH A.E. Dehn - TKH L. Klick – E&E ir. J.J. Spanjer – TKH Manufacturing H. Schreitter – EFB H. Möhle – Cross Hardware O. Frias – TKH France R. Dieperink-Gielink MBA – TKH</p>	<p>Financial Affairs G.A. Sleeking</p> <p>Personnel and Organisation E.D.H. de Lange MBA R. Dieperink-Gielink MBA</p> <p>Company secretary/CSR R. Dieperink-Gielink MBA</p>

REPORT OF THE EXECUTIVE BOARD

The growth of both turnover and result confirm the good starting position of TKH. It is encouraging that we have once again succeeded in breaking records for both turnover and profit. In fact, breaking through the € 1 billion turnover barrier can be regarded as a major milestone in the history of the TKH Group.

The economic climate hindered growth in a number of segments in which TKH operates. However, due to our innovative strength, it was possible to compensate for this and achieve growth in market share in the segments in which TKH is active.

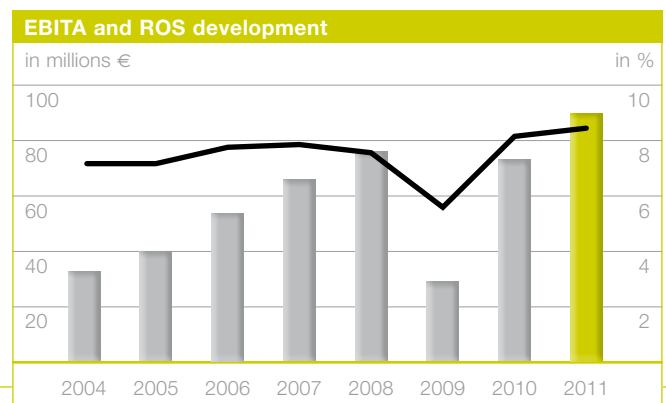
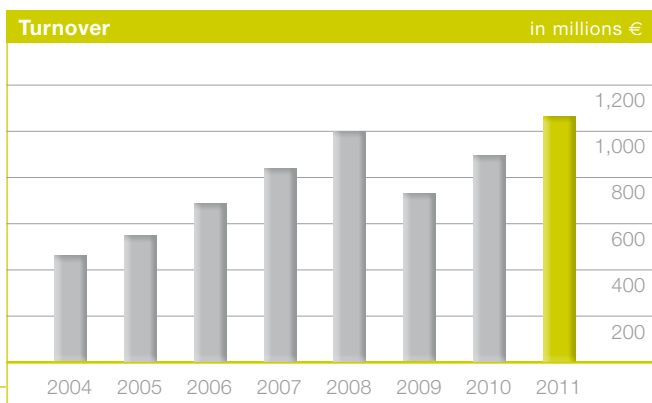
Particularly within Building Solutions, it was noticeable that the level of investment in the building and construction sector in Europe was lower. Many steps were taken to strengthen the internal organisation so as to be prepared to continue working at full power on expanding the TKH Group's market position in the coming years to compensate for any further deterioration of the market. In particular, our efforts to strengthen cohesion between the companies by further integrating activities and creating clusters have improved the ability of TKH to realise its growth ambitions.

In the second half of 2011, market conditions in the industrial segment were negatively affected by restraint in investment due to global economic uncertainty. As a result, order intake decreased and the delivery of orders was delayed somewhat. Positive in this respect was the continued strong desire among our customers to invest in increasing productivity, improving product quality and structurally expanding capacity based on the expected trends for demand for products in the coming years – investments that can be achieved with capital goods from the TKH portfolio. The number of outstanding offers - the 'sales funnel' - grew, but due to a delay in the conversion of the offers into actual orders, order intake in the fourth quarter was lower than in the previous year. The effects of the economic uncertainty expected in the third quarter had a limited negative impact in the fourth quarter. The consequences presented quite a different picture compared to 2008 - the previous crisis period - due to the stronger position of TKH and the better financial position of most of its customers.

The strategic agenda also received the necessary attention in 2011. The distinctiveness of TKH's activities has increased further, making it possible to develop the leading positions in the niches in which it operates and to occupy new positions. Good progress has been made in transforming the group. A lot has been invested in order to achieve our objectives in the coming years, particularly in the security segment. The development of the TKH group's ROS still has considerable potential because of the shift in the mix of activities and the positioning of parts of the portfolio in more interesting markets. Increasing distinctiveness through innovation was an important area of attention in designing our organisation. The ROS increased from 8.2% in 2010 to 8.5% in 2011, once again coming closer to the bandwidth target of 9% to 10%.

A strong improvement in margin combined with strict control of working capital made it possible to achieve an ROCE of 21.5% (2010: 20.0%). Consequently, the target bandwidth of 18% to 20% was exceeded. This is not a reason to adjust the bandwidth, however, since a further focus on acquisitions in the coming years may have a downward effect during the first few years following acquisition. However, within the existing activities of TKH, there is still potential for improving the ROCE, with various programmes being deployed.

TKH's financial position was strengthened by concluding a new financing agreement with six banks. At the end of 2011, TKH agreed a new 5-year € 250 million committed credit facility. In addition, the uncommitted credit facilities were renewed and increased. As a result, TKH has funding up to a bandwidth of € 100 to € 150 million for acquisitions. Acquisitions in conjunction with the geographic expansion of our activities and technological development will have a high priority, with a focus on security systems.



■ EBITA — ROS

Parking Solutions

Santon Parking⁺

Industrial Solutions

VMI Group

Innovations accounted for a large share of the turnover at 22.8% (2010: 20.9%) and once again demonstrate the success of the TKH Group. These innovations are an important driver of organic growth in the TKH Group.

Stimulated by the Solution Boards, cooperation within solution segments was good. The ensuing synergy had a positive effect on results. The 'competence centres' in the solutions segments greatly helped the transfer of knowledge within the group, thereby improving the positioning of innovations within the TKH Group with a view to widening the geographic spread in the key markets in which TKH operates.

Organic growth also benefited from the geographic expansion of the TKH portfolio. The share of turnover achieved outside the Netherlands grew from 72% in 2010 to 73% in 2011. Particularly, growth in Asia had an important positive impact on the international growth of the group. Asia's share increased from 15% in 2010 to 17% in 2011. The share of turnover in the USA also increased as a result of expanding security activities. Preparations were also made for expanding activities in Brazil for our tyre building systems.



FINANCIAL DEVELOPMENTS

Turnover rose by € 167.6 million (18.8%) to € 1,061.1 million, from € 893.5 million in 2010. Higher raw materials prices charged on to customers accounted for 1.4% of this rise in turnover. Acquisitions accounted for 3.4% of turnover in 2011, while the divestment of the GSM business in 2010 resulted in a drop in turnover in 2011. On balance, organic growth came in at 15.5% in 2011.

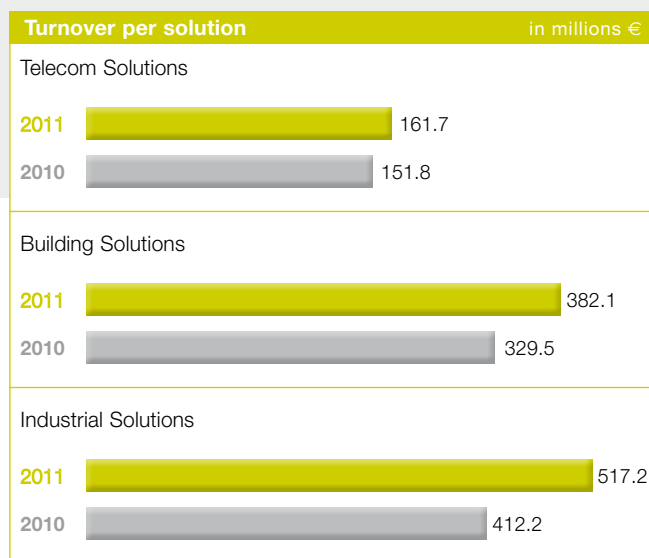
Turnover growth was strongest in Industrial Solutions at 25.5%. Turnover within Building Solutions rose by 16.0% and was up by 6.6% in Telecom Solutions. Excluding the impact of the divestment of the Polish GSM business, turnover was up 12.1% in this segment. Over the full year 2011, the contribution to total turnover from Industrial Solutions rose to 49% from 46%, while the contribution from Telecom Solutions fell to 15% from 17% and Building Solutions decreased to 36% from 37%. Innovations again made a significant contribution to increases in turnover, accounting for some 23% of turnover in 2011, up from 21% in 2010.

The gross margin fell slightly to 38.9% in 2011, from 39.0% in 2010. Operating expenses as a percentage of turnover fell to 30.4% in 2011 from 30.8% in 2010, despite higher costs as a result of acquisitions and investments in innovations and the commercial organisation. Improved cost efficiency was partly due to higher business activity levels.

At € 15.3 million, depreciations were higher than in 2010 (€ 13.6 million) due to higher investment levels in 2010 and 2011.

TKH's operating result before amortisation of intangible assets (EBITA) rose by 22.8% to € 90.1 million in 2011, from € 73.4 million in 2010. The EBITA at Industrial Solutions rose sharply compared with 2010. At Telecom Solutions, EBITA fell as a result of the divestment of the GSM activities in the third quarter of 2010. Excluding this divestment, Telecom Solutions booked a 19.8% organic rise in EBITA. Building Solutions booked a 12.9% drop in EBITA, largely due to one-off acquisition and integration costs of € 2 million, as well as the strengthening of R&D and the sales organisation and pressure on margins in the connectivity segment.

ROS rose to 8.5% in 2011, from 8.2% the previous year. This rise was realised despite the integration costs and investments in the organisation and is a direct result of the high innovation level at TKH, as well as improved coverage and efficiency, primarily within Industrial Solutions.



Amortisation costs were up by € 1.7 million to € 13.1 million, compared with € 11.4 million in 2010, due to investments in R&D, software and patents (+ € 0.7 million) and the acquisition of Alphatronics in 2010 and Siqura, Mextal, FlexPosure and KLS Netherlands (+ € 1.0 million).

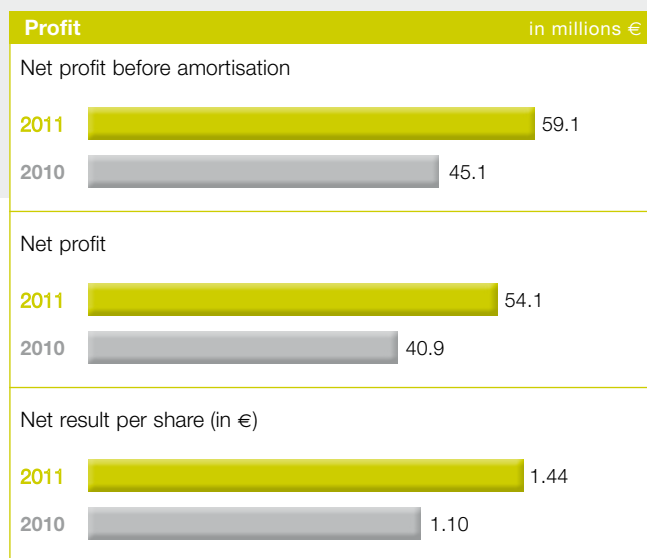
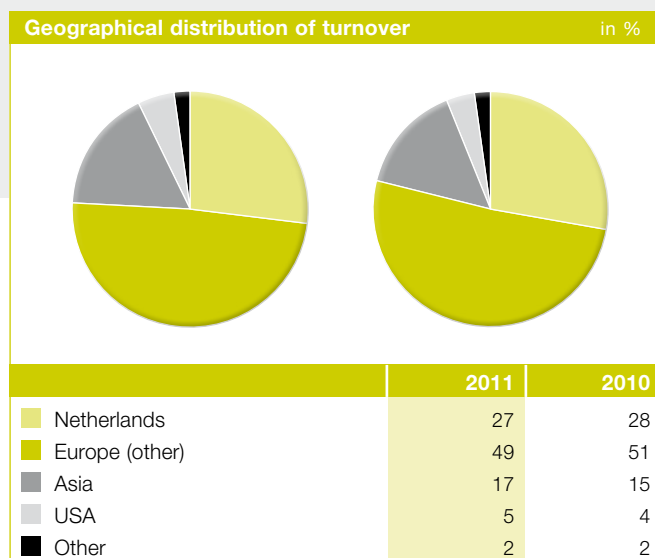
Financial expenses rose to € 7.5 million in 2011 from € 7.1 million in 2010. This increase was largely due to higher outstanding interest-bearing debt, despite a positive currency effect of € 0.4 million compared with 2010. The result from participations rose by € 0.2 million to € 0.1 million.

The tax burden fell to 22.3% in 2011 from 24.7% in 2010, largely as a result of the application of the Dutch innovation box. This includes a one-off benefit for previous years. The normalised tax burden came in at around 25%.

Net profit before amortisation came in at € 59.1 million in 2011, compared with € 45.1 million in 2010. Net profit rose to € 54.1 million in 2011, an increase of 32.3% from the € 40.9 million recorded in 2010. Ordinary earnings per share came in at € 1.44, compared with € 1.10 in 2010.

Operational cash flow fell to € 47.4 million in 2011, from € 55.2 million in 2010, due to an increase in working capital. In 2011, working capital as a percentage of turnover rose to 11.6%, from 9.9% in 2010.

Net investments in real estate and equipment came in at € 21.9 million in 2011. A large part of this was related to investments in production facilities. TKH invested another € 34.5 million in acquisitions and participations. At year end 2011, net bank debt stood at € 100.5 million, an increase of € 36.6 million from year-end 2010. Solvency fell to 45.6%



from 47.1% in 2010. TKH is operating well within the financial ratios agreed with its banks. The net debt/EBITDA ratio came in at 0.9 and the interest coverage ratio at 13.0. At year-end 2011, TKH closed a new € 250 million five-year committed credit facility. The company also renewed and raised its non-committed credit facilities.

At year-end 2011, TKH had a workforce of 4,062 FTEs, up from 3,706 a year earlier.

DIVIDEND PROPOSAL

At the Annual General Meeting of Shareholders to be held on 15 May 2012, TKH will propose to pay a dividend of € 0.75 per (depository receipt for a) share, compared with € 0.61 in 2010. This is equivalent to a pay-out ratio of 52.1% of net profit. TKH will propose that the dividend be paid out optionally in cash or shares and be charged to the reserves. The pay-out of the dividend in shares will be determined one day after the end of the optional period on the basis of the average share price in the last five trading days of said optional period, which will end on 4 June 2012. The dividend will be payable, either in cash or in shares, on 7 June 2012.

ACQUISITIONS, INVESTMENTS AND DIVESTMENTS

Part of TKH's strategy is to achieve growth both organically and through acquisitions. In its acquisitions policy TKH focuses on structurally healthy companies with a strong position in the Telecom, Building and Industrial Solutions segments that are important to us. The acquisitions policy is based on filling in the 'blanks', with a geographic focus on Northwest, Central and Eastern Europe and Asia. TKH is also increasingly looking for candidates with technology that will supplement TKH's existing portfolio and strengthen its position in the existing solution segments. In light of TKH's objective of increasing the share of its total turnover accounted for by security solutions to 20%, the company's priority will be on acquisitions in that segment. TKH's aim is to make an average of between one and three acquisitions a year, each representing turnover of between € 10 million and € 50 million.

As a result of the ambition to further strengthen TKH and to enable further growth, as well as the strong financial position, high priority was given to acquisition opportunities in 2011. The list of potential acquisition candidates was intensively revised and further expanded.

The following acquisitions were realised in 2011.

On 27 January 2011, the acquisition of Optelecom-NKF, Inc., established in Germantown, USA was completed. Optelecom-NKF, now operating under the name Siquira BV with its headquarters in Gouda, is a global supplier of advanced video surveillance solutions. The addition of Siquira has significantly strengthened the starting position for TKH to acquire larger

Siqura
Acquisition January 2011

KLS Netherlands
Acquisition October 2011



contracts by means of high-quality proprietary technology. Its activities have been merged into TKH's security cluster, which is part of the Building Solutions business segment. This acquisition is consistent with the objectives of TKH to further expand the turnover of security systems to 20% of the total turnover. Siqura generates an annual turnover of € 25 million.

At the end of June 2011, a 90% stake was acquired in Mextal BV in Nuenen. Mextal specialises in providing total solutions within the healthcare sector. The point of departure is that the various systems for observation, (acoustic) monitoring, visual communication, social alarms and videocare can be integrally offered within a total concept. Mextal's activities have been integrated in the building technologies sub-segment, which falls under Building Solutions. Mextal generates an annual turnover of more than € 5 million.

At the end of July 2011, TKH acquired a 70% stake in FlexPosure BV in Tiel. FlexPosure provides complete software-based solutions for the full integration of video surveillance and security, security management and building management. FlexPosure's activities have been integrated in the security systems sub-segment, which falls under Building Solutions. FlexPosure generates an annual turnover of € 3 million.

In October 2011, TKH reached agreement on taking over a majority shareholding of 57.5% in KLS Netherlands ('KLS') which has branches in Almere and Hoozeveen. KLS supplies unique technology for the distribution of medicines from the manufacturer to the consumer. It develops and produces systems and software for both wholesalers, pharmacists and consumers. KLS technology makes it possible to achieve major improvements in efficiency in the medicine dispensing chain in the form of higher productivity, fewer medication errors and higher therapy loyalty. The activities of KLS have been integrated in the building technologies sub-segment, which falls under Building Solutions. The annual turnover of KLS exceeds € 5 million.

Investments

In 2011, the net investment in non-current assets totalled € 21.9 million (2010: € 15.4 million). The most important investments related to the expansion of production capacity for tyre building systems in China, expansion of capacity for the production of optical fibre in China, as well as the expansion of production capacity for specialty cable in the Netherlands and Germany. Depreciation on non-current assets totalled € 15.3 million in 2011 (2010: € 13.6 million).

PERSONNEL AND ORGANISATION

TKH has a decentralised organisational structure, based on the business segments Telecom, Building and Industrial Solutions. This structure allows TKH to respond quickly and flexibly to opportunities in the market. TKH's operations are characterised by short lines of communication, delegation of authority and entrepreneurship. Responsibility is assigned as deeply as possible in the organisation to encourage local entrepreneurship. This structure creates greater transparency for the operating companies. It promotes internal synergy so that knowledge and experience are optimally exchanged within the group.

Synergy and cooperation

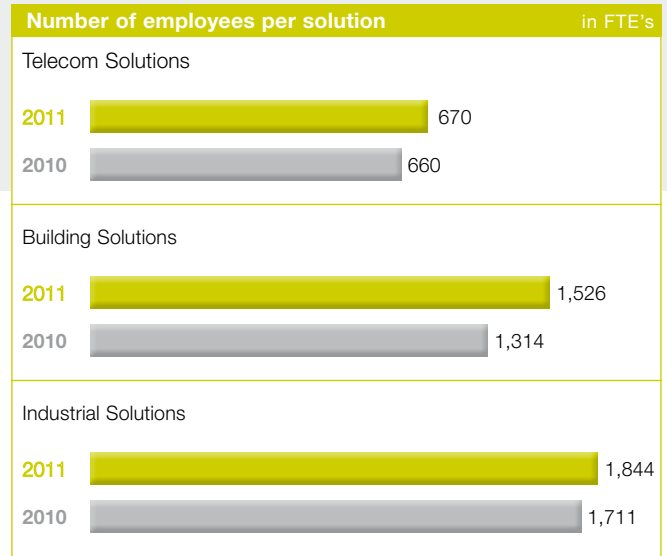
The quality of both the organisation and the employees is a decisive factor in the success and growth of the TKH Group. We therefore demand a lot of our employees. In turn, the employees are clear about what is expected of them and what their work is helping to achieve. TKH's strategy, and the ensuing challenging but realistic targets, focus on a market-driven, innovative approach. The market-driven approach leads to a bundling of the strengths of our operating companies and a clear cohesion in our activities. Creating a fine working environment with open communication is important to stimulate synergy and cooperation.

The mutual synergy is also reinforced by grouping the TKH companies with overlapping activities and portfolios into a cluster. In this context, a security cluster had been established with product development (R&D), marketing and communication activities, as well as sales support activities being jointly organised. This strategy also ensures consistency in branding and customer approach, while positioning in a number of specific vertical markets is realised by means of the combined strength. The companies active in the field of parking solutions are accommodated in the 'Parking Solutions' cluster. This cluster acts as the 'competence centre' for parking solutions within the TKH Group and works closely together with the security cluster.

With the acquisition of Mextal, at the end of June 2011, it was decided to integrate the existing TKH activities in the healthcare sector, which were performed by TKH Care Solutions, with those of Mextal. This allows us to serve our customers even better with a wider product range and clear communication. The TKH healthcare solutions under the brand name 'Realive' are thus grouped under the existing Mextal brand names.

Talent and management development

The entrepreneurial spirit in TKH and the scale of the business units appeal to many employees, who regard the company as a



place where they can achieve personal growth with a large degree of independence and responsibility. The innovative nature of TKH also contributes to its appeal. Accordingly, the TKH Group has a reputation as an interesting company to work for. Close scrutiny was paid to the preservation of knowledge, expertise and skills when adjustments were made to the organisation in line with the changing circumstances of the past few years. This has guaranteed the continuity of the organisation and in 2011 it was possible to build further upon the existing foundations in order to substantiate the ambitions for growth.

TKH feels it is important that companies can learn from each other and selects individual operating companies or clusters of companies as a benchmark for the entire group. To this end, TKH has, for example, been awarding a prize for the 'best performing TKH company' since 2007. In 2011, the prize was awarded to VMI Group on the basis of the change that it managed to achieve in the improvement of turnover and profit in 2010, together with its sharp increase in market share and the high proportion of innovations combined with a successful operational excellence programme under the heading of 'lean operations'. The criteria used in selecting the winner are financial performance, business development, innovative capacity and the level of entrepreneurship displayed by the company.

TKH pays considerable attention to the continued investment in its people in order to make a contribution towards enabling them to realise their personal goals and to achieve their ambitions. The company has developed a Management Development (MD) programme for young TKH managers with potential in association with Nyenrode Business School in Breukelen. In addition to the theoretical training, the MD programme also gives the participants an opportunity to share their practical knowledge about TKH and our activities. The starting point for the composition of the group is that a variety of cultures and

Twentsche Kabelfabriek
Haaksbergen

VMI Group
Yantai

identities are represented. The participants have a particular ambition and growth potential. The age limit for participation has been set at 40 years in view of the programme's objective of identifying young potential. By means of this MD programme, the connection with the TKH Group is intensifying and the synergy of an internationally operating company is optimally utilised. Following the successful completion of the programme in 2010, a second programme focusing on business development and commerce started in 2011. It started with 20 participants representing five different countries. For the first group of the MD programme, follow-up sessions are organised to keep the group involved in further developments at TKH. This group also serves as an ambassador for forthcoming programmes. The Executive Board is closely involved in this programme and has, for example, provided guest lectures.

In 2011, TKH organised the 'Innovation Challenge' together with Imtech: a two-day network meeting between the two companies, which ultimately successfully ended with the selection and detailed elaboration of the 'smart schools' business case. Twenty participants from the two organisations participated in this meeting, during which a business case was developed in mixed teams. A prerequisite was that the theme had to be innovative in an emerging market, with both companies being able to gain an advantage. The 'Innovation Challenge' has led to a unique exchange of knowledge and expertise.

In its search for new talent, TKH maintains close contacts with business schools and universities. TKH is one of the participating companies in the University of Twente's Scholarship Programme. In this way we hope to be able to attract highly trained talented individuals. Simultaneously, the university can develop its international activities still further.

Operational Excellence

The Operational Excellence programme has been widely introduced throughout the TKH organisation. The LEAN programme is regarded within TKH as an important basis for operational excellence. Following the success of this programme at VMI, a further rollout within the companies in the TKH group has been realised. With LEAN, a flat hierarchy is employed with considerable accountability and competence assigned to the 'base'. The status of the process is visible everywhere and at all times by means of the 'zone control' and visual management instruments. Besides LEAN, the T.O.C. (Theory of Constraints) and the Six Sigma quality programme have the full attention of the manufacturing companies. These programmes have, among



other things, led to a further reduction in delivery periods, increased productivity, improved delivery reliability and the control and reduction of working capital.

Employee satisfaction

In 2011, an employee satisfaction survey was held throughout TKH. The survey is intended to provide an insight into the motivation, satisfaction, expectations and experiences of the employees. It also represents an attempt to discover how committed and loyal the employees are and how they feel about the organisation. Based on the results of the survey, the operating companies themselves defined areas for improvement, formulated both short-term and long-term actions and implemented these.

Meetings

During their annual management meeting, the members of the Executive Board and senior management discussed the company's strategic development, innovation, operational excellence and Corporate Social Responsibility. In addition, attention was also devoted to the developments with respect to social media. The aim of this session was three-fold: to inform the group what social media is, create awareness of the power of social media for our corporate reputation and to explore how social media can be of added value for TKH. The session marks the beginning of a broader social media strategy for TKH.

The Solution Boards, consisting of managers from the operating companies, held a number of meetings during the year under review. The Solution Boards concentrate mainly on portfolio management, business development and measures to optimise the profitability of their solutions segment, for example by enhancing the coherence of the activities.

The Strategic Committee assists the Executive Board with the implementation of strategic issues with attention being paid to matters such as acquisitions and organisational and management development. In 2011, the members of the Strategic Committee were involved in discussions of potential acquisitions and provided important advice on choices to be made in relation to development of the portfolio and organisational measures. The absenteeism rate in 2011 was 3.05%, which is thus at the same level as in 2010. In addition to the prevention of sick leave, we largely focused on the return of employees who had been unable to participate in the labour process temporarily.

The number of permanent employees (FTEs) at the end of 2011 was 4,062 (2010: 3,706 FTEs).

Members Central Works Council

Mr G. Töpfer (VMI), <i>chairman</i>
Mr A.W. Broekman (VMI)
Mr A.A.G.M. ten Hagen (TKF)
Mr H. Hennen (Eldra)
Mr A. Bezemer (Isolectra)
Mr A. de Feiter (EKB)
Mr W. Hermelink (Siqura)
Mr G. Roolvink (TKF) and also official secretary

Central Works Council

In 2011, there was excellent and intensive consultation between the Executive Board and the Central Works Council. Many issues were addressed including acquisitions, developments and changes in the organisation and the employee satisfaction survey. The Central Works Council was closely involved in filling the vacancy on both the Supervisory Board and the Executive Board, being given the opportunity to make recommendations for the vacancy on the Supervisory Board. The Central Works Council indicated that it would not make use of its due right of recommendation and welcomed the nomination of Mr Van Iperen as a member of the Supervisory Board and of Mr Dehn as a member of the Executive Board. The Executive Board appreciates the positive and constructive manner in which the deliberations with the Central Works Council took place. One meeting of the Central Works Council was attended by a delegation from the Supervisory Board. TKH attaches a lot of importance to its discussions with the Central Works Council and to an open dialogue. We are of the opinion that an enterprising approach to worker representation ensures the attentive conduct of operations.

SWOT ANALYSIS **The following is a list of TKH's strengths and weaknesses, opportunities and threats.**

Strengths are

- providing total solutions in the form of complete systems, including engineering, service and maintenance;
- strong positions in the growth markets of communication, care, security and efficiency;
- stand-out innovations with its own technologies, and increasingly its own brands;
- a good reputation and financial strength;
- benefits of scale through spread of technologies over different product-market combinations and geographic markets;
- a highly flexible niche player, which enables it to offer specific solutions for customers efficiently;
- production capacity is highly flexible, because more than 70% of the capital-intensive production is outsourced;
- partnerships with suppliers of specific technology products or solutions;
- successful acquisition policy and effective integration of acquired companies in the organisation;
- an organisational model that gives priority to local entrepreneurship and innovative strength;
- internal cooperation consolidates strengths and yields economies of scale;
- the quality and commitment of our staff.

Opportunities are

- possibilities to increase market share through ability to stand out in a number of promising segments;
- positioning in segments with above-average growth;
- increase in geographic overlap in TKH from 60% to >70%;
- geographic expansion outside existing core markets;
- capacity and financial resources for acquisitions;
- expansion of portfolio for existing customers by offering total solutions;
- a large proportion of solutions are still in the early stage of their life cycle;
- the growing share of software in solutions and service component.

Weaknesses are

- International position parking solutions
- dependence on governments measures in solar segment
- brand awareness in a number of geographical markets

Threats are

- possible new technologies from competitors with better prospects than TKH's technologies;
- harmonisation of niche specifications into standard commodity solutions;
- scarcity of highly qualified, technical specialists in the short and medium term;
- shortage of raw materials and fluctuating raw material prices and currency rates;
- a severe economic slowdown.

This SWOT analysis implies the following In terms of specific challenges.

Strengths that can be used to seize opportunities are:

- the company's financial strength can be used to make acquisitions and to generate organic growth in the promising market segments in which TKH operates;
- TKH's European positioning, scale and innovations can be used to profit optimally from the possibilities to increase market share on the basis of its distinctive capabilities.

Strengths that can be used to stave off threats are:

- by using the company's healthy financial position to develop innovations in an effort to maintain a constant lead with our own technologies and distinctive capabilities it will be possible fend off the competition;
- spreading activities over different product-market combinations and geographic markets will make TKH less vulnerable to an economic slowdown;

- our good reputation as an attractive employer can be used to recruit talented employees.

Transform the following weaknesses into strengths:

- International parking position - increasing presence in several international markets through cooperation with the security cluster;
- Dependence on government measures solar investments - implement developments that increases the return on investment for solar applications;
- Brand awareness - set up a number of references in markets where brand awareness is limited and an intensive market positioning through participation in exhibitions and via organisation of seminars as well as the development and implementation of a strategic social media policy.

CORPORATE SOCIAL RESPONSIBILITY

Planet concern for the environment and climate - the impact of business on the natural environment.

People the social aspect of the business - consequences of the business for people.

Profit the economic side of business – a precondition for the company’s survival.

Positioning the place and distinctiveness of the company in the world in which it operates - safeguarding its reputation.



TKH attaches considerable importance to corporate social responsibility. We are aware of our social duty and have named Corporate Social Responsibility (CSR) as one of the strategic priorities for the coming years. In its policy on CSR, TKH takes account of the effect of its activities and business operations in four domains: People, Planet, Profit and Positioning.

The Ps are the guiding principles for formulating CSR policy and provide the impetus for reporting on developments in the context of sustainability. Characteristic of TKH is our realistic and pragmatic approach in this respect. We regard CSR as an integral part of business operations. We aim to make a clear contribution to a responsible society, but then in our own, responsible manner. With this approach, programmes that have already commenced are continued and, where appropriate, accentuated on the basis of CSR principles. An example is the operational excellence programme, where there is an overlap of issues with respect to CSR themes, including programmes that are designed for efficiency in production processes, such as the LEAN programme. Production capacities have been positioned in a different manner in recent years due to the integration of locations. The focus on CSR issues is an important element in such programmes and these are taken into account wherever possible during their implementation. This enables us to realise our ambitions in the context of efficiency and sustainability.

The ambition of TKH is to be a ‘runner-up’ in the field of CSR: complying with relevant CSR themes in the medium term, while striking a proper balance between short-term and long-term results and without losing sight of the company’s interests. The possibility of integrating CSR in general policy issues has been examined while simultaneously making it more transparent and

verifiable. We have looked at what is happening around us in the field of sustainability and what our stakeholders find relevant in this context, in part because our customers increasingly regard sustainability as an integral element of ‘award criteria’. Although we have had to accept that it is impossible to be entirely comprehensive in view of the variety of activities within our group and among customers and suppliers, our ambition is to enable CSR to flourish at every level of our organisation. One of the ways we are meeting the demands of our customers is by implementing the CO₂ performance ladder. In addition, we have examined which of the standards in the field of CSR, that are acceptable for TKH, can form the basis for sustainable business practice. In 2011, a start was made with the implementation of the CSR Performance Ladder certification standard in order to objectively demonstrate the process of sustainable development. During the process it was observed that it is desirable for TKH to further optimise its dashboard with performance indicators before continuing with the performance ladder. The implementation of the dashboard runs parallel with the sessions within the framework of the LEAN programme, for which performance indicators – which are very similar to CSR indicators – have also been introduced and which are also based on the GRI (Global Reporting Initiative) guidelines, NEN-EN 16001:2009 and carbon footprint (carbon trust standard).

Based on the 4 Ps, an indication is given below of which goals have been formulated and what progress has been made with the implementation of CSR policies in the organisation. In this way we also aim to kindle enthusiasm among our employees and stimulate the dissemination of sustainable and responsible business practice as a standard of behaviour within our company.

PLANET The impact of business on the natural environment.

Subject	Goal	Result
ISO 14001	From 2011, all production-related TKH companies have implemented the ISO 14001 environmental management standard and have been certified for this.	All production-related TKH companies, as well as a number of non-production-related companies, have been certified ISO 14001.
Energy reduction	25% reduction in energy consumption in 2015 (2008: base year).	Reduction 2011: 16.4%.
Reduction of CO₂ emissions	25% reduction in CO ₂ emissions in 2015 (2008: base year).	Reduction 2011: 16.0%.
Vehicle fleet CO₂ emissions	From 2012, the average CO ₂ emission of newly purchased leased cars may amount to a maximum of 135 g/km.	The average CO ₂ emission of new cars deployed in 2011: 136.1 g/km.
Consumption of paper and printed matter	A saving of 30% in the consumption of paper and printed matter (2008: base year).	<ul style="list-style-type: none"> • Reduction number of printers. • Printer settings are adjusted. • Awareness about printing behavior.

- The goal for all production-related TKH companies to have implemented and be certified for the ISO 14001 environmental management standard was already achieved in 2010. In 2011, a number of non-production-related TKH companies have also achieved ISO 14001 certification. The result of this certification is that TKH companies and their employees are familiar with environmental policy. The next step is for our companies and their employees to put forward ideas for improving the environment and for there to be awareness of the impact of work on the environment. The challenge is to structure the organisation in such a way that the activities cause as little environmental pollution as possible. Examples that are applied at TKH in the environmental field are:
 - Reduction of the use of hazardous substances in the production process.
 - Reduction of water consumption in the production process.
 - Asbestos surveys in accordance with SC-540 and remediation if necessary.
 - Measurement of air quality and emissions in accordance with The Netherlands Emission Guidelines for Air (NER) and making improvements if necessary.
 - By means of the operational excellence programme, TKH continually focuses on a reduction in waste. The 'Theory of Constraints' programme focuses on efficiency in production capacity. This has an effect on energy consumption, for example. The Six Sigma Quality programme leads to reduction of waste.
 - At some TKH operating companies, numerous improvement projects are being performed via the LEAN programme. LEAN is a method for eliminating all waste from the production process and examines the value added in a production process. Here, the customer's perspective is paramount within the production process. The LEAN programme not only produces an enormous improvement in operations, but also leads to awareness about sustainability.
- An energy reduction programme has started for all companies with insight being provided into the consumption of fuel (litres), electricity (kWh) and natural gas (m³). Electricity consumption is proportionately by far the most important, particularly because of its use in the production process. Gas is used for heating buildings. Diesel and fuel oil are used for heating buildings in the Asian and Scandinavian countries. With 2008 as base year, the goal is to achieve 25% energy savings in 2015. In addition to the fact that energy saving is better for the environment and climate, the introduction of the programme will result in savings on the gas and electricity bills. The reduction of total energy consumption in 2011 is 16.4% compared to the base year 2008. The following measures have resulted in a reduction in energy consumption.
 - Integration of the TKF Lochem production site in the Haaksbergen production site.
 - Reduction in the number of sites in France.
 - During the programme for the integration of production sites, modifications have also been made that lead to the reduction of energy consumption, such as the replacement of lighting systems and windows and the additional insulation of buildings.
 - Solar energy systems have been installed on the VMI production halls in Epe.
 - Outdated heating systems have been replaced by more energy efficient systems.
 - EFB in Bielefeld has installed eco-efficient lifts in its warehouse. A potential 25% saving of energy consumption can thus be realised.
- By means of the inspection of energy consumption it is also possible to gain insight into the CO₂ footprint, being the total of CO₂ emissions per year. TKH intends to further reduce CO₂ emissions. The goal is a 25% reduction in 2015, with 2008 again

applying as base year. The CO₂ emissions for 2011 decreased 16.0% compared to 2008. Energy carriers that make a significant contribution to the 2011 Carbon Footprint are purchased electricity, gaseous and other fossil fuels and, to a lesser extent, passenger car traffic. The reduction target for CO₂ emissions can be achieved by reducing the gas and energy consumption in buildings and in production processes and by means of transport. In addition, investments in new applications of sustainable concepts and techniques will be investigated in more detail, including insulation measures, new lighting systems and energy efficient heating and air conditioning systems. In 2010, TKH started with the implementation of the certification process for the CO₂ performance ladder. This instrument was designed to help companies gain insight into their own CO₂ production in order to eventually realise a reduction. In 2011, two operating companies successfully completed the certification process for level 3. We have applied for certification of the CO₂ performance ladder to demonstrate to customers and other stakeholders that we want to organise ourselves professionally in order to reduce CO₂ emissions.

- ‘Greening’ of the vehicle fleet will also contribute to a reduction of CO₂ emissions. The goal is for the newly purchased vehicle fleet to comprise entirely of A, B or C label related CO₂ standards, which are usual in the Netherlands. From 2012, the average CO₂ emission of newly purchased leased cars may amount to a maximum of 135 g/km. According to European directives, this must be reduced to 95 g/km in 2020. The average CO₂ emission per g/km of TKH’s existing Dutch lease fleet in 2011 was 148.5 g/km (2010: 155 g/km). The lease cars newly deployed in 2011 had an average CO₂ emission of 136.1 g/km. The following actions have been defined in order to achieve the desired goal:
 - By setting limits for CO₂ emissions per lease category and fuel type, TKH stimulates the use of energy-efficient cars and, where possible, alternative fuels.
 - Employees are reminded of fuel saving measures.
- An additional goal is to realise savings of 30% in the consumption of paper and printed matter in 2015. The intention is to also realise a reduction in CO₂ emissions by using printers more efficiently and to replace old printers with energy-efficient printing systems. A TKH-wide framework agreement for printers and photocopiers has been concluded, such that only equipment that meets the reduction targets will be used. Other communication possibilities, such as stimulating the digital transmission of correspondence and invoices, will also be examined. TKH has produced a summary of its 2010 annual report, which has yielded savings in printing costs. In 2011, a start was also made with the implementation of Social Media. By using Social Media, saving can be realised in printed communications. With respect to overall paper consumption, it is stipulated that our operating companies use environmentally friendly paper in accordance with the FSC standard.

LEAN programme



Social Media



PEOPLE Consequences of entrepreneurship for our people.

Subject	Goal	Result
Core Values and Code of Conduct	Raise internal awareness of the TKH core values and the Code of Conduct and ensure that employees act in accordance with the code.	Code of Conduct is made available to all employees. Furthermore, a lot of attention is paid to optimising the internal communication.
Good employership and a healthy, safe and stimulating working environment	Providing insight into motivation, satisfaction, expectations and experiences of employees, as well as insight in the area of commitment and loyalty of employees and how they perceive the organisation.	Performance of an employee satisfaction survey shows a satisfaction score of 7.3.
Personal development and career opportunities	Full implementation of talent management for each operating company.	<ul style="list-style-type: none"> • Talent management has been implemented in more than 40% of the companies. • (Technical) Education and training plans for each company. • TKH-wide MD programme.

- Respects the culture and customs of the country of establishment, without losing sight of its own objectives and values. The way in which TKH Group wants to stand in the world is determined by its core values that are derived from the mission and our ambition: commitment, professionalism, solid investment, cooperation & respect and society & integrity. The TKH Group operating companies endorse these core values. They are as it were the prerequisites for our actions and they are outlined in the TKH Code of Conduct. The Code of Conduct can be downloaded from the TKH website.
- Part of the Code of Conduct is a whistleblowers scheme. All employees of the TKH Group may report suspicions of wrongful conduct within TKH. Such a report shall have no consequences for (the position of) the reporter if the report is made according to the procedure established for such purpose. Employees can turn to a counsellor appointed for this purpose within their own organisation or to the TKH counsellor.
- Satisfied and committed employees are in our opinion an important element in the success of a company. TKH is devoted to good employership and pays constant attention to a healthy and stimulating working environment. In order to measure this good employership, an employee satisfaction survey was conducted in the TKH operating companies in 2011. The survey is intended to provide an insight into the motivation, satisfaction, expectations and experiences of the employees. It also represents an attempt to discover how committed and loyal the employees are and how they feel about the organisation. The average response from the TKH participating operating companies was 86%, which can be considered as high. The average satisfaction score within

TKH is 7.3, while the benchmark score is 7.2. In general, the TKH employees are loyal towards the organisation where they work. Safety, cooperation, work and working conditions are themes that are highly appreciated. Based on the results of the survey, the operating companies define their own areas for improvement, formulate short-term and long-term actions and implement them.

- Every operating company is responsible for providing a safe working environment for employees. TKH is committed to preventing any form of personal injury and/or damage to human health. The theme of safety is discussed during the regular consultation with the operating companies and is one of the topics in employee satisfaction survey.
- In the case of absenteeism, the immediate managers are primarily responsible for assisting their sick employee(s). The support during absence from work focuses mainly on the short and medium-term absenteeism and aims to reduce this. This is partly achieved by maintaining frequent contact. The absenteeism support stimulates the employees' own responsibility. The rate of absenteeism in 2011 was 3.05% (2010: 3.05%).
- TKH believes it is important that employees continue to develop in order to also create opportunities for growth and expand career opportunities. As is also stated on page 22, in association with Nyenrode Business School, a start was made in 2011 with the second Management Development Programme, which this year focuses on business development and commerce. The operating companies must include an annual actionplan in the strategic plans for education and training and must make a budget

TKH Sports Day 2011
Haaksbergen



MD Programme
Nyenrode Business School



available for this. Furthermore, in-house training courses are held on a regular basis and employees from the group train their colleagues at sister companies.

- Attracting and retaining talent has high priority in the organisation. Through talent management, we want continuous improvement, commit and inspire our employees. This is not associated to a level or function. Several TKH companies has implemented talent management into the organisation.
- In 2011, a TKH Sports Day was organised for the eleventh time for all employees from the TKH operating companies. More than 1,700 employees participated in this. The TKH Sports Day is the perfect opportunity for colleagues within the group to meet one another and strengthen internal contacts.

TKH is an international group of companies with a workforce that consists of many nationalities. A diversity of nationalities within the separate companies, as well as within the entire group, is so self-evident for our company that we do not have a special diversity policy. When appointing new employees, TKH chooses the most suitable candidate with no distinction as to gender, nationality or otherwise. We attach great importance to this and give a lower priority to ratios with respect to full-time/part-time and male/female employees. In our appointment policy we consider people with physical disabilities and are also committed to offering an attractive working environment to this group of employees. We provide workplaces for employees with physical disabilities and wherever possible remove restrictions. For other initiatives and objectives in the field of People, please refer to the Personnel and Organisation chapter on pages 21-23 of this Annual Report.

PROFIT Precondition for the company's survival.

Subject	Goal	Result
Innovative strength is one of the cornerstones for further growth	At least 15% of the turnover should consist of innovations, being new products of services that have been introduced in the two previous years.	2011: 22.8%.
Turnover growth by means of both organic growth and acquisitions	<p>Organic growth</p> <ul style="list-style-type: none"> • by means of distinctiveness, innovation and high level of service, so that TKH grows faster than the market. • positioning in markets with above average growth. • additional growth opportunities by means of geographic expansion. <p>Acquisitions</p> <ul style="list-style-type: none"> • At least one to three acquisitions a year with turnover per acquisition of between € 10 million and € 50 million. 	<p>Organic growth in 2011 was 15.5%.</p> <p>In 2011, TKH successfully completed four acquisitions.</p>
Financial targets	<p>The long-term financial target is focused on healthy balance sheet ratios and the following ratios:</p> <ul style="list-style-type: none"> • ROS: 9% to 10%. • ROCE: 18% to 20%. 	In 2011 ROS amounted 8.5% and ROCE 21.5%.
Socially Responsible Procurement	Set sustainability criteria in procurement processes, which are derived from the TKH Code of Conduct.	In 2011, it was examined in more detail how socially responsible procurement can be embedded in the CSR policies and criteria were formulated.

- In 2011, TKH has continued to focus on investment in innovation, entrepreneurship and on maintaining and expanding the customer base. At least 15% of the turnover must consist of innovations. In 2011, the innovation rate reached 22.8%. The commercial organisation was also strengthened further in the year under review. This focus has in part led to increased profitability during the year. Acquisitions also contribute to this profitability. As a result of the implemented organisational changes, the clustering of companies and integration of production sites, the organisation structure is more efficiently designed and we can respond even more vigorously to market opportunities.
- By pooling the purchasing requirements and sharing knowledge in this area, we achieve synergies in the procurement field. In recent years, TKH has wherever possible consolidated the purchasing of raw materials, components and products as part of the TKH product and systems portfolio. In addition, purchasing agreements have been combined for 'non-product related' (NPR) goods and services and, for example, energy is purchased centrally in the Netherlands. Socially Responsible Procurement is receiving increasing attention and is also stimulated by customers by means of a so-called 'Code of Supply'. TKH has also set sustainability criteria for its procurement processes, which are derived from the TKH Code of Conduct.
- Other initiatives and objectives in relation to Profit are reported in the chapter on Objectives and Strategy on page 9 and in the Report of the Executive Board starting on page 16.

POSITIONING **Safeguarding our reputation.**

Subject	Goal	Result
Sustainable customer and product portfolio	Focused development of products and solutions that are distinctive and lead to a sustainable positioning for our customers.	Innovations focused on sustainability.
Sharing knowledge and internal communication	Optimisation of knowledge sharing and internal communication, thereby reinforcing commercial strength and introducing professionalism.	<ul style="list-style-type: none"> • Organising meetings on specific areas of expertise. • Joint presentations by TKH companies at exhibitions. • Code of Conduct. • TKH staff magazine 'Inspire'. • Annual report. • Launching of the TKH intranet.
Supporting good causes	Increasing social commitment and creating opportunities for TKH's stakeholders. Increasing name recognition and employee involvement.	In 2011, TKH has again supported various good causes that comply with the criteria.

- TKH strives for a balanced and sustainable customer and product portfolio with innovative concepts that meet both customer and market demand. We want a thorough understanding and knowledge of the (market) segments and (potential) customers. The internal organisation concerned with customer and market-oriented thinking is also a spearhead in the policy and is, for example, expressed in a further professionalisation of the account management and, increasingly, a combined internal approach to marketing strategy and marketing. The clustering of companies plays an important role in this respect.
- TKH's innovations will increasingly be matched to trends in sustainability. Examples include energy efficient lighting, solar systems, domotics systems that incorporate the measurement of energy consumption, and our systems for the health care sector. A project team has been formed which under the name Leanergetics® will develop sustainable production processes and products in the field of cable systems.
- Sharing knowledge is an important aspect of TKH's effort to promote synergy between the companies in the group and hence exploit commercial opportunities more effectively. We organise various meetings where knowledge can be shared, including management meetings, Solution Board meetings and meetings within the framework of the Management Development programme. TKH operating companies jointly present themselves at exhibitions, also achieving integration in the area of customer demand and supply. TKH pays increasing attention to the sharing of knowledge by optimising internal communication. The TKH staff magazine 'Inspire', the TKH annual report and interim report are therefore distributed to all employees within the group. In addition, at the end of 2011 a start was made with the design of a TKH intranet. The aim of this intranet is to enable our employees to quickly find the information they desire and facilitate the sharing of knowledge. With the intranet we also want to increase involvement between TKH companies and employees.
- TKH is continuously improving its services and where necessary improving customer satisfaction. Targets have been set in accordance with the findings from the 'customer value performance' survey and specific improvements have been instituted. The aim is to be in an even better position to further improve customer satisfaction. Increasing customer satisfaction will also enable us to increase customer loyalty.
- TKH participates in sector-wide initiatives relating to CSR. We attend meetings organised by the industry and by Fenedex on the subject of CSR and sustainability, as well as conferences and seminars.
- In the context of human rights, TKH finds it natural to act to our business according the 'Universal Declaration of Human Rights' which, among others, states that all parties in society - including companies - are obliged to respect human rights and protect it. To make the subject negotiable during discussion and negotiations at procurement activities, we aim to gain insight to potential unfavourable effects on human rights that are directly related to our business.
- TKH specifically supports various good causes. The company's sponsorship is based on a sense of social commitment and commercial considerations. One of the aims of TKH's sponsorship is to create opportunities for TKH's stakeholders. We also use sponsorship to enhance our name recognition, to publicise our solutions or to increase employment involvement. There is a distinction between the sponsorship at holding company

Beurs Elektrotechniek 2011
Exhibition in Utrecht



Solar Team Twente
World Solar Challenge Australië



level and the sponsorship arranged by individual operating companies, which are usually local initiatives.

- Since 2010, TKH has sponsored the Alzheimer's Foundation. TKH supports one member of a team of researchers who are conducting three or four years of research into methods of treating the disease for the Alzheimer's Foundation.
- In 2011, TKH sponsored the Solar Team Twente: a team of students from Saxion Hogeschool Enschede and the University of Twente participated in the World Solar Challenge in Australia with a solar car designed and built by themselves.
- TKH sponsors 'De Opkikker', a foundation that organises outings for families with children with a long-term illness, and Hopeful Hearts in Nanjing (China), a foundation that arranges life-saving operations for children with heart defects in China.
- TKH provides financial support for cultural initiatives, including the international piano competition for young musicians, the Dutch Bach Society and local music festivals.
- Athletic achievements by employees on behalf of good causes are also financially supported, including participation in the Alpe d'HuZes.
- TKH operating company Intronic in Barneveld (the Netherlands) founded the 'Bits for Kids' Foundation. This organisation is currently establishing a boarding school for children from the age of seven on the island of Bubaque in West Africa. TKH operating company Solinq has contributed to the building by means of the donation of a solar energy system for the supply of power and light. DHL Express transported the system sponsored by Solinq to Bubaque without charge.

Corporate Social Responsibility is firmly embedded in the TKH organisation and is incorporated in the operating companies' business plans. In the coming year, we will work hard to build further on our policy towards Corporate Social Responsibility. The four Ps will remain the basic principles and continue to form the basis for the elaboration of the policy.

OUTLOOK

The market conditions in the segments in which TKH operates show a mixed picture. It is unclear at this point what impact the economic conditions will have in the coming year.

At Telecom Solutions, we expect to see a continued increase in investments in optical fibre networks. European plans for the roll-out of fibre-to-the-home (FTTH) connections are now further advanced and our market share in the European market puts us in a very good position to grow in line with market growth. Turnover in copper networks will continue to fall in line with the shift in investments to optical fibre networks.

At Building Solutions, we expect market conditions to be challenging due to lower levels of investment in the construction industry. In 2011, TKH put a lot of effort into creating the conditions that will enable the company to win market share in the coming years. On balance, we expect that our ability to differentiate TKH through its innovations will help us to realise growth, provided economic conditions in Europe do not deteriorate further.

At year-end 2011, the order portfolio at Industrial Solutions was lower than at the end of the previous year. However, the investment programmes announced within the industrial sector do promise a return to growth in the order portfolio, provided global economic conditions do not worsen. We expect the lower order portfolio at year-end 2011 to have a negative impact on turnover and profitability in this segment in 2012.

In view of the uncertain economic conditions, it is still too early to issue a profit forecast for TKH as a Group for 2012. As usual, TKH will strive to give a profit forecast for the full year 2012 at the presentation of its first half results.



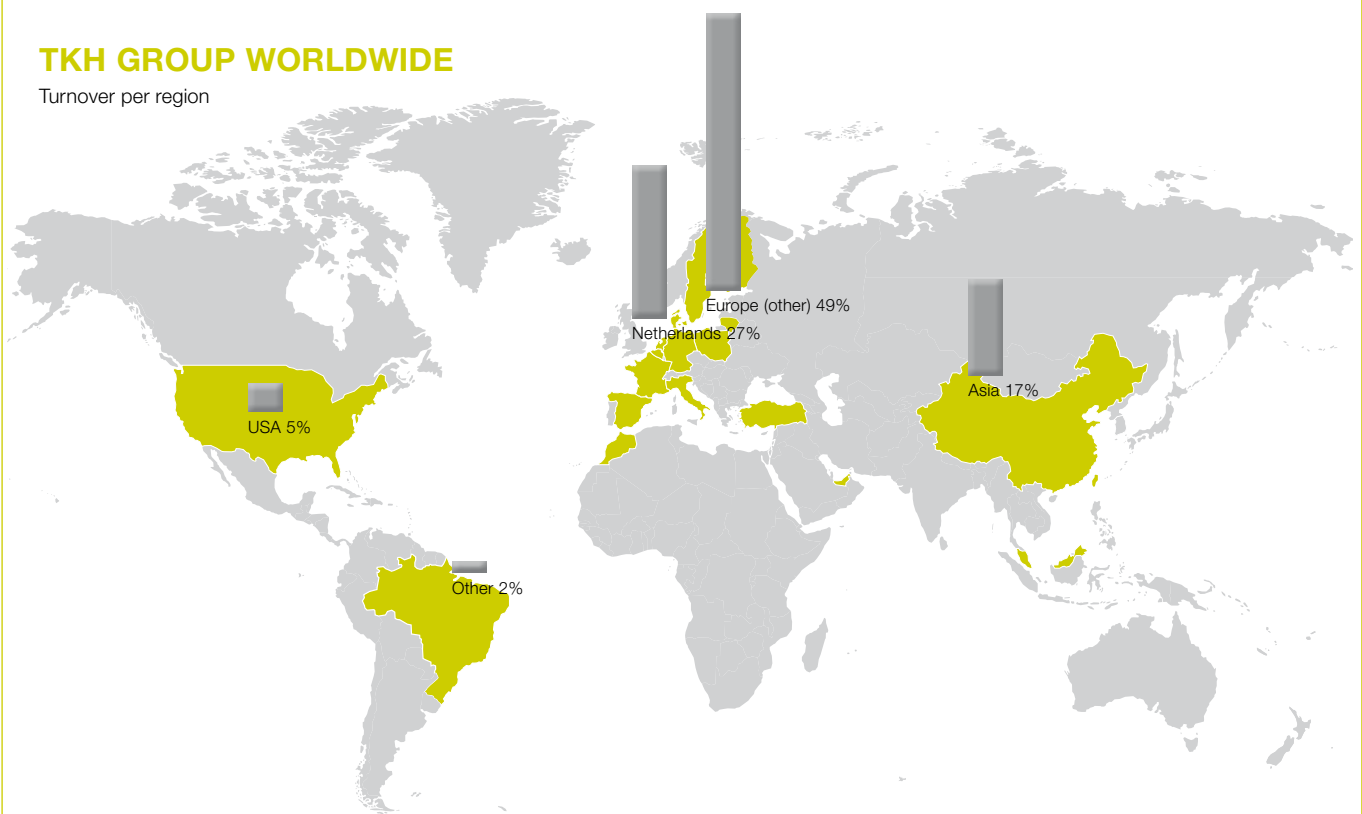
OVERVIEW PER BUSINESS SEGMENT

TKH's corporate structure has been tailored entirely to the business segments Telecom, Building and Industrial Solutions. The aim of the business segments is to provide the best possible total solutions for the markets in which they operate. This structure creates greater transparency for the operating companies. It promotes internal synergy and creates an inspiring environment that encourages the operating companies to share their experience and knowledge and so grasp opportunities in the market.

Solutions Boards, consisting of managers of TKH companies, aim at an on solution based strategy which has to lead to a optimization of the activities within the solution concerned. These Solution Boards focus primarily on portfolio management, business development and optimization of the profitability of the solution segment by means of increasing the cohesion.

TKH GROUP WORLDWIDE

Turnover per region



In the Telecom, Building and Industrial Solutions business segments, TKH integrates the group's basic ICT and electrical engineering technologies into total solutions.

TKH strives to apply basic technologies and knowledge of those technologies and procedures in different business segments. Capacity in the area of system integration, engineering, service and maintenance, logistics, assembly and production is also shared within and among the three business segments. Software is an increasingly important element of the integrated solutions.

- As part of our effort to optimise ROCE and the flexibility of our capacity, TKH tries to outsource as much of the capital-intensive production as possible. We aim to retain capital-intensive production capacity in-house where this is necessary for strategic reasons. That applies for the

production of specialty cable, optical fibre, and optical fibre cable. The company carries out roughly 30% of the capital-intensive production internally.

- Components and products are purchased from various suppliers and then assembled into systems in-house as far as possible.
- TKH develops distinctive technologies itself and in collaboration with suppliers. Whenever TKH works in partnership with third parties it tries to retain ownership of the technology or stipulate that third parties will supply the technology exclusively to TKH in the countries where it operates.

Telecom Solutions

- Indoor telecom systems
- Fibre network systems
- Copper network systems

Markets

- Telecom operators
- Cable operators
- Service providers
- Telecom installers
- Telecom retailers
- Housing association



Building Solutions

- Building technologies
- Security systems
- Connectivity systems

Markets

- Building and construction market
- Government
- Traffic infrastructure
- Care institutions
- Parking organisations
- Marine and offshore
- Rail
- Energy companies

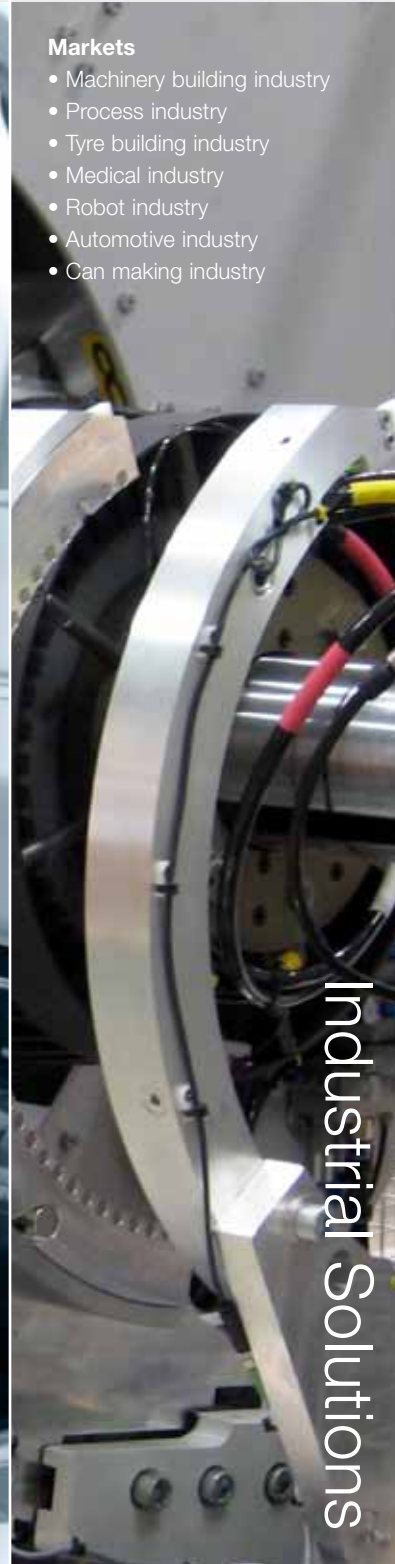


Industrial Solutions

- Connectivity systems
- Manufacturing systems

Markets

- Machinery building industry
- Process industry
- Tyre building industry
- Medical industry
- Robot industry
- Automotive industry
- Can making industry



TKH has worldwide 4,062 employees. The head quarter of TKH Group NV is in Haaksbergen (the Netherlands). TKH has 70 subsidiaries in 20 countries.

- Belgium
- Brazil
- China
- Denmark
- Finland
- France
- Germany
- Italy
- Lithuania
- Malaysia
- Morocco
- Netherlands
- Poland
- Singapore
- Spain
- Sweden
- Taiwan
- Turkey
- United Arab Emirates
- USA

TELECOM SOLUTIONS

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

Turnover at the Telecom Solutions segment rose by 6.6% to € 161.7 million. The divestment in the third quarter of 2010 of the GSM activities in Poland had a negative impact of 5.7% on turnover on 2011. Turnover rose by 12.1% organically. Growth in turnover came from the segments fibre network systems and indoor telecom systems. The copper network systems segment booked a drop in turnover.

EBITA was down compared with 2010, largely as a result of a one-off gain of € 2 million in the third quarter of 2010 due to the divestment of the GSM activities. Excluding this divestment, EBITA was up year-on-year in every quarter of 2011, and rose by 19.8% over the full year.

Indoor telecom systems

Turnover was up 5.9% in this segment, thanks to higher consumer spending and a higher priority on investments in multimedia systems and peripherals for upgrading broadband connections.

Fibre network systems

Turnover was up 18.3% in this segment, primarily due to strong second and fourth quarters. It was easier to obtain financing for investments in optical fibre networks in 2011 than in the previous year. The number of project in the pipeline increased, which confirmed that there is still potential growth in the investment in optical fibre networks.

KEY FIGURES TELECOM SOLUTIONS

in € mln (unless stated otherwise)

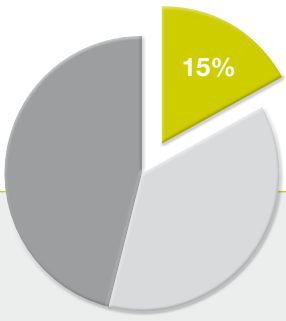
	2011	2010	Change in %
Turnover	161.7	151.8	+ 6.6
EBITA	13.0	13.9	- 6.9
ROS	8.0%	9.2%	
Number of FTE's	670	660	

The worldwide demand for optical fibre rose by 9% in 2011. The growth in volume at TKH was more or less in line with market growth. The expansion of production capacity for optical fibre in China to over 4.5 million kilometres that TKH started in 2011 will be operational in early 2012. In addition, the first quarter 2012 will see the opening of the new Chinese production facility for the manufacturing of preforms - a joint venture between three parties in which TKH has a 12.5% stake. These investments have strengthened TKH's position in the global market for optical fibre systems.

Copper network systems

Turnover in this segment fell by 9.5%. Excluding the drop in turnover due to the divestment of the GSM activities, turnover rose by 7.8%. This increase was primarily due to the strong growth in connectivity systems thanks to increased levels of investment in the maintenance of copper networks.

Segment Sub-segment	Share	Business model					Markets
		R&D and System engineering	Inhouse Manufacturing	Outsourced Manufacturing	Assembling	Service	
Telecom Solutions	15%						Telecom operators
							Cable operators
Indoor telecom systems	4%						Service providers
							Telecom installers
Fibre network systems	7%						Telecom retailers
							Housing association
Copper network systems	4%						



Indoor telecom systems

Home networking systems, broadband connectivity, IPTV-software solutions.

Fibre network systems

Fibre optic, fibre optic cable, connectivity systems and components, active equipment.

Copper network systems

Copper cable, connectivity systems and components, active equipment.

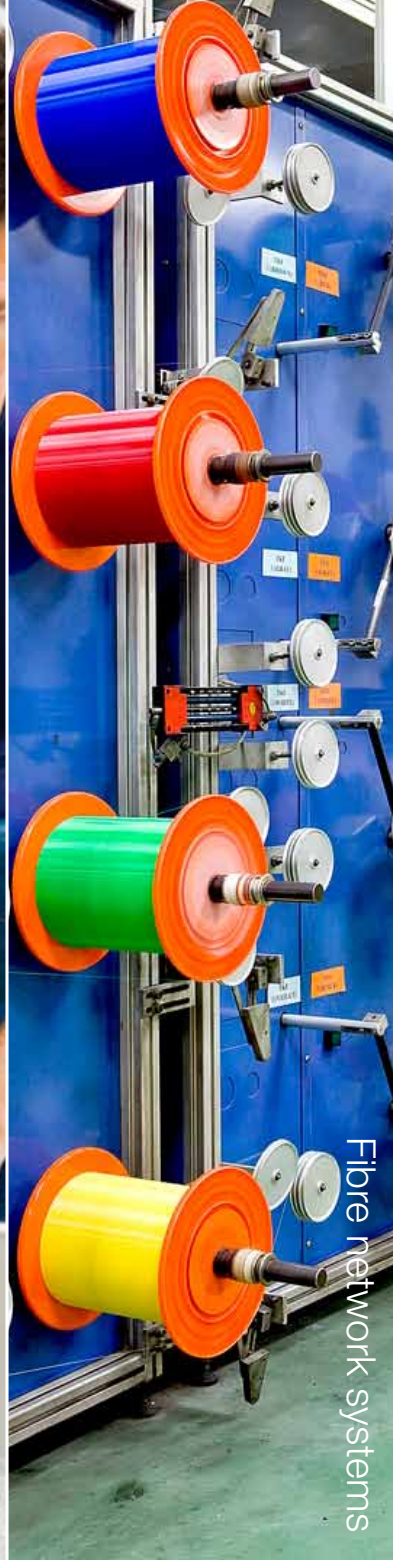
15% of TKH's overall turnover

Telecom Solutions accounts for 15% of TKH's overall turnover. In geographic terms, the principal markets are Northwest, Central and Eastern Europe and Asia.



Telecom Solutions

Indoor telecom systems



Fibre network systems



Copper network systems

BUILDING SOLUTIONS

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

Turnover at the Building Solutions segment rose to € 382.1 million, an increase of 16.0% from 2010. Acquisitions accounted for 8.9% of this growth, while increased raw materials prices accounted for 1.7%. Including a one-off gain accounted for as turnover in 2010, related to the relocation of a production facility in China, organic growth came in at 6.7%. All segments contributed to this growth. The security segment recorded the largest rise in turnover, partly due to the acquisition of Alphatronics and Siquira.

EBITA fell in 2011 to € 18.5 million. Difficult market conditions due to lower activity levels in the construction sector had a negative impact on results. Margins were under pressure in the connectivity segment. In addition, TKH incurred one-off costs of € 2.0 million in the first half of 2011 related to the acquisition and integration of Siquira. In 2011, TKH also invested heavily in innovations and in R&D and its commercial organisation. These investments improved TKH's ability to realise further market share growth. Margins (ROS) fell to 4.8% in 2011, from 6.4% in 2010. In the fourth quarter of 2011, ROS stood at 5.6%.

Building technologies

Turnover in this segment was up 16.3%, due to acquisitions and the expansion of TKH's market share in the utilities sector. This expansion was largely thanks to the innovations TKH launched in the field of care systems and to the rising demand for efficiency solutions in the field of energy and structured cable systems aimed at cutting installation times. TKH increased investments in product and market development to further strengthen the company's position in this very promising segment.

Security systems

Turnover rose by 34.5% in this segment. The high-grade in-house technology obtained through the acquisition of Siquira has greatly improved TKH's chances of winning larger, international contracts. TKH's ability to differentiate itself, especially in the

KEY FIGURES BUILDING SOLUTIONS

in € mln (unless stated otherwise)

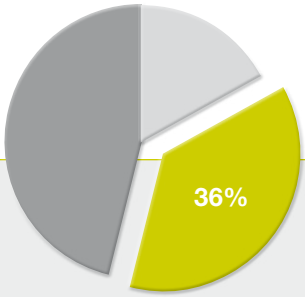
	2011	2010	Change in %
Turnover	382.1	329.5	+ 16.0
EBITA	18.5	21.2	- 12.9
ROS	4.8%	6.4%	
Number of FTE's	1,526	1,314	

field of video analysis and detection systems and integrated security solutions, has enabled the company to gain new market positions. The company has also increased its R&D and marketing power by combining activities in the security cluster. The one-off costs related to the acquisition and integration of Siquira had a negative impact on results. TKH also continued the positioning of security solutions in the market for parking and tunnels and was rewarded with a number of excellent contracts. The positioning in the market for tunnel technology is especially promising, in view of the high investment levels expected in Europe in the coming years.

Connectivity systems

Turnover in this segment was 6.0% higher than the previous year, with half of this increase due to higher raw materials prices. Market conditions were challenging due to the lower volumes in the construction sector and the resultant pressure on margins. TKH invested heavily in the development of its portfolio, its services and its organisation, to enable TKH to strengthen its market position and increase its market share in the niche markets in which the company operates. This resulted in a number of new contracts in the second half of 2011, primarily in the European market, which will lead to higher activity levels in 2012. TKH expanded its production capacity through LEAN programmes, creating the capacity for continued growth. Turnover in solar solutions fell in the fourth quarter due to the German government's reluctance to extend subsidies.

Segment Sub-segment	Share	Business model					Markets
Building Solutions	36%	R&D and System engineering	Inhouse Manufacturing	Outsourced Manufacturing	Assembling	Service	Building and construction market
Building technologies	8%						Government
Security systems	11%						Traffic infrastructure
Connectivity systems	17%						Care institutions
							Parking organisations
		Marine and offshore					
		Rail					
		Energy companies					



Building technologies

Energy-saving light and light switch systems, energy management systems, care systems, structured cabling systems.

Security systems

Systems for CCTV, video/audio analysis and detection, intercom, access control and registration, central control room integration.

Connectivity systems

Specialty cable, connectivity components and systems for shipping, rail, infrastructure, solar and wind energy as well as installation and energy cable for niche markets.

36% of TKH's overall turnover
 Building Solutions accounts for 36% of TKH's overall turnover. In geographic terms, the principal markets are Northwest, Central and Eastern Europe and Asia.



Building Solutions

Building technologies



Security systems



Connectivity systems

INDUSTRIAL SOLUTIONS

Industrial Solutions, develops, produces and delivers solutions ranging from specialty cable, plug and play cable systems to integrated systems for the production of car and truck tyres. Its knowledge in the field of automation of production processes and the improvement of the reliability of production systems gives TKH the distinctive ability to respond to the need in a number of specialised industrial sectors, such as tyre manufacturing, robotics, medical and machine construction industries, to increasingly outsource the construction of production systems or modules.

Turnover at the Industrial Solutions segment rose to € 517.2 million, with 1.6% of the increase due to higher raw materials prices. The increase in turnover was largely thanks to a number of successful innovations, in both connectivity systems and manufacturing systems.

EBITA rose to € 69.6 million in 2011. The strong rise in turnover and related improvement in coverage and efficiency led to a sharp rise in EBITA. The ROS climbed to 13.5% in 2011, from 11.6% in 2010.

Connectivity systems

Turnover was up 17.4% in this segment. Higher raw materials prices had a positive impact of 3.1% on turnover. In the fourth quarter of 2011, turnover dropped due to a reluctance to invest in the industrial sector. Despite this, demand from the robot, medical and machine building industries remained high, primarily in Germany. Demand continued to increase for complete modules and systems, which enabled TKH to win market share in this segment.

Manufacturing systems

Turnover rose by 34.0% in this segment, with growth primarily driven by the tyre building systems segment. This growth was largely realised in Asia. The tyre manufacturers that opt for TKH's technology are constantly winning ground in their markets due to the high quality levels and production efficiency of the technology.

KEY FIGURES INDUSTRIAL SOLUTIONS

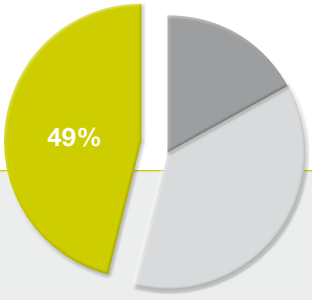
in € mln (unless stated otherwise)

	2011	2010	Change in %
Turnover	517.2	412.2	+ 25.5
EBITA	69.6	47.8	+ 45.5
ROS	13.5%	11.6%	
Number of FTE's	1,844	1,711	

In addition to our Asian clients, several western tyre manufacturers have announced investment programmes aimed at capacity and efficiency improvements. The second half of 2011 saw a marked slowdown in the translation of outstanding tenders into concrete orders. The high investment levels announced by the tyre manufacturing industry did not translate into a higher order intake in the fourth quarter of 2011. However, TKH's market share remained at the same level as in 2010. The order intake amounted to € 80 million in the second half of the year and was in line with the level seen in the first half of 2011, but markedly lower than in the previous year. The outlook for investments from the tyre manufacturing industry remains positive, which means the delays in orders looks to be short-lived.

The other segments in manufacturing systems all booked a rise in order intake and increases in turnover.

Segment Sub-segment	Share	Business model					Markets
		R&D and System engineering	Inhouse Manufacturing	Outsourced Manufacturing	Assembling	Service	
Industrial Solutions	49%						Machinery building industry
							Process industry
Connectivity systems	23%						Tyre building industry
							Medical industry
Manufacturing systems	26%						Robot industry
							Automotive industry
							Can making industry



Connectivity systems

Specialty cable systems and modules for the medical, robot, automotive and machine building industries.

Manufacturing systems

Advanced manufacturing systems for the production of car and truck tyres, can washers, product handling systems and machine operating systems.

49% of TKH's overall turnover

Industrial Solutions accounts for 49% of TKH's overall turnover. In geographic terms, the principal markets are Northwest, Central and Eastern Europe and Asia.



Industrial Solutions

Connectivity systems



Manufacturing systems

CORPORATE GOVERNANCE AT TKH

The Executive Board and the Supervisory Board attach great importance to compliance with the principles of integrity, accountability and transparency in the management of the company. The Executive Board and Supervisory Board are guided in this regard by the Dutch Corporate Governance Code.

On 10 December 2008, the Corporate Governance Monitoring Committee (the 'Committee') published the updated Dutch Corporate Governance Code (Government Gazette 3 December 2009, no. 18499), based on the Dutch Corporate Governance Code which was published on 9 December 2003. The updated Code (the 'Code') replaces the Dutch Corporate Governance Code from 2003 and entered into force on 1 January 2009.

TKH regards the updated code as a new target for the future expansion and deepening of the company's existing Corporate Governance structure. The Executive Board and the Supervisory Board are responsible for the Corporate Governance structure at TKH and compliance with the Code. TKH complies with the majority of the recommendations in the Code. In this chapter we provide a brief outline of these recommendations and an explanation of the main points on which the company departs from the Code with a careful statement of its reasons for doing so and a description of proposed measures designed to further improve the Corporate Governance structure.

Outlines of the Corporate Governance structure

TKH Group NV (hereinafter referred to as 'TKH') is a public limited company under Dutch law. The management of the company lies with the Executive Board under the supervision of the Supervisory Board. In the course of the company's expansion, activities abroad have grown relatively faster than those in the Netherlands. The majority of the employees therefore now work in other countries. Consequently, the company is no longer subject to the regime applicable to dual-board entities (Section 2:153(3b) of the Netherlands Civil Code). In its meeting on 28 April 2009, the General Meeting of Shareholders agreed that TKH will voluntarily apply the full regime applicable to dual-board entities (Sections 2:158 to 2:164 of the Netherlands Civil Code), with the undertaking from TKH that this topic will again be put on the agenda when the number of employees in the Netherlands amounts to 45% or less than the total number of employees during a continuous period of two years. At the General Meeting of Shareholders on 24 May 2011, this point was again explained and it was stated that more than 45% of the employees were working in the Netherlands at the end of the financial year.

Executive Board

The Executive Board is charged with managing the company, which means, among other things, that it is responsible for achieving the company's objectives, the strategy and associated risk profile, the development of results and corporate social responsibility issues that are relevant to the business. The

Executive Board is also responsible for compliance with all relevant primary and secondary legislation, for managing the risks associated with the company's activities and for financing the company. Based on the current structure of TKH, the Executive Board has three members. For practical reasons, the Executive Board has created an internal division of duties, which indicates the responsibilities of individual members for specific functional and business areas. The Executive Board, as well as each individual member of the Executive Board, are independently authorised to represent the company.

TKH endorses the principles relating to 'Role and procedure' (II.1), 'Remuneration' (II.2) and 'Conflicts of interest' (II.3) as set out in the Code, unless otherwise mentioned below. TKH also endorses the accompanying best practice provisions. TKH has the following reservations:

- The best practice provision concerning the maximum term of office of four years (II.1.1) is not adhered to for two members of the Executive Board, Messrs J.M.A. van der Lof MBA and E.D.H. de Lange MBA. Mr Van der Lof has been employed by TKH since 1982 and was appointed as a member of the Executive Board in 1998, well before the Code came into force in 2004. Mr De Lange has been employed by TKH since 1998 and was appointed as a member of the Executive Board in 2008. TKH's point of view with respect to them both is that existing contractual agreements cannot be broken and that existing contracts of employment are respected. The best practice provision applies to Mr Dehn, who entered into service at TKH on 1 August 2011 and was appointed as a member of the Executive Board. Mr Dehn's four-year term of appointment terminates after the first General Meeting of Shareholders that will be held following the elapse of four years after his appointment.
- Best practice provision II.1.10 relating to timely and close involvement of the Supervisory Board in a takeover process if a takeover bid for the (depository receipts of) shares in the company is prepared and best practice provision II.1.11 with respect to the immediate discussion with the Supervisory Board of a third competing bidder in a takeover bid, apply and are included in an internal scenario.
- The remuneration policy is presented on page 105-106 of the annual report. A scenario analysis prior to the drafting and adoption of the remuneration policy has been added as an element of the policy. There is a share plan rather than a share option plan for the members of the Executive Board. The share plan involves a financial contribution by the Executive Board since the individual members must buy the same number of shares as the number that are awarded 'free of charge' within the framework of the plan. Due to their own investment it is

stipulated that the shares must be held for at least three years (best practice provision II.2.4. and II.2.5.). With respect to best practice provision II.2.8, the severance payment is a maximum of one year's salary. The existing employment contracts of the members of the Executive Board do not include a 'change of control' clause (best practice provision II.2.14).

- With respect to the provisions of chapter II.2 relating to the remuneration policy and report (best practice provisions II.2.10 to II.2.15), for an explanation of these provisions we refer to the remuneration report on page 105-106. If there is a change in the value of a conditional award of variable remuneration components for the Executive Board (best practice provision II.2.10), this will be reported in the remuneration report.

Supervisory Board

The role of the Supervisory Board is to supervise the policies of the Executive Board and the general affairs of the company and its affiliated enterprises and to assist the Executive Board by providing advice. In performing its duties, the Supervisory Board shall be guided by the interests of the company and its affiliated businesses and shall take into account the relevant interests of the company's stakeholders. The Supervisory Board shall also have due regard for corporate social responsibility issues that are relevant to the company. The Supervisory Board currently consists of five members. The members of the Supervisory Board are appointed by the General Meeting of Shareholders upon the recommendation of the Supervisory Board, with the Executive Board, the Central Works Council and the General Meeting of Shareholders all having a right of recommendation. Account is taken of the criteria referred to in the profile when nominating candidates. The members of the Supervisory Board are appointed for a period of four years, after which reappointment may follow. A member of the Supervisory Board can only be reappointed twice for a full term after a first term of office. The time of resignation of members of the Supervisory Board is recorded in a retirement schedule. The Supervisory Board appoints from among its members a chairman and vice-chairman to replace the Chairman should the occasion arise. The vice-chairman is also contactperson for individual members of the Supervisory Board and Executive Board concerning the functioning of the chairman. TKH endorses the principles and underlying best practice provisions set out in chapter III of the Code as they relate to the Supervisory Board and applies them, unless otherwise stated below.

- The Supervisory Board has a profile in which the relevant aspects with respect to diversity in the composition of the Supervisory Board and the specific objectives pursued by the Supervisory Board in terms of diversity are addressed on the basis of best practice provision III.3.1. The current composition of the Supervisory Board is the point of departure for the annual evaluation by the Supervisory Board. At the moment, there is diversity in the Supervisory Board in terms of representation of both men and women and representation of more than one nationality.

- Principle III.5 on the 'composition and role of three key Committees in the Supervisory Board' provides that a separate Remuneration Committee and a separate Selection and Appointment Committee must be appointed. In view of the current size of the Supervisory Board and the allocation of tasks among its members, TKH has combined the two committees in a single committee (Appointment and Remuneration Committee). With regard to best practice provision III.5.13 concerning the possible use of the services of a remuneration consultant, the Appointment and Remuneration Committee has assured itself that the relevant consultant does not provide advice to the directors of the company.

General Meeting of Shareholders

A General Meeting of Shareholders is held annually. Extraordinary General Meetings are held as often as considered desirable by the Executive Board or Supervisory Board and also as often as requested in writing to the Executive Board or Supervisory Board by shareholders and/or holders of depositary receipts, representing at least 10% of the issued capital, with a specification of the topics to be discussed. TKH endorses the principles and underlying best practice provisions formulated in chapter IV of the Code and relating to the shareholders and applies them, unless stated otherwise below.

- Depositary receipts for shares (principle IV.2): Ordinary shares in the company, with the exception of registered shares, are transferred by notarial deed to the Stichting Administratiekantoor TKH Group ("Stichting Administratiekantoor"). In exchange for these shares the Stichting Administratiekantoor issues depositary receipts for those shares. The voting rights to the shares are vested in the Stichting Administratiekantoor. At their request, the Stichting Administratiekantoor must give the holders of depositary receipts authorisation to cast a vote, to the exclusion of the authoriser, on the shares for which the holder has depositary receipts at a General Meeting specified in the proxy. The authorisation is unrestricted and is therefore not subject to any exchangeability limit. The Stichting Administratiekantoor is not required by law (Section 2:118a of the Netherlands Civil Code) to grant the proxy or may withdraw a proxy that has been given if a) a hostile public offer is announced or made or is expected to be made, b) one or more persons possess at least 25% of the depositary receipts and/or shares, or c) in the opinion of the Stichting the voting right of a holder of a depositary receipt is fundamentally in conflict with the interest of the company. If the Stichting Administratiekantoor avails of one of these possibilities, it must notify the holders of depositary receipts stating reasons. The current Executive Committee of the Stichting Administratiekantoor consists entirely of independent members. The Stichting must exercise the rights attached to the shares in such a way that the interests of the company and its associated businesses and all its stakeholders are protected as well as possible. No depositary receipts have been issued for the cumulative preference financing shares, the cumulative preference protection shares or the priority shares.

- TKH's articles of association have been amended in accordance with the legal amendments designed to promote the use of electronic communication means in decision-making by legal entities and allows the Executive Board to decide that shareholders may exercise their voting rights before the General Meeting of Shareholders by electronic means. TKH introduced the e-voting system for the General Meeting of Shareholders in May 2012. (Principle IV.1).
- On cost grounds TKH does not comply with the provision (best practice provision IV.3.1.) that all shareholders should be able to follow the analyst meetings, presentations to (institutional) investors and press conferences at the same time by means of webcasting, telephone lines or otherwise. TKH publishes its financial calendar on the website, which also reports on analyst and press meetings. The presentations are placed on the website of TKH. TKH has an Investor Relations policy which it has posted on its website (best practice provision IV.3.13). By providing relevant financial and other information properly and in a timely fashion, the applicable restrictions are observed and care is taken that relevant information is provided equally and simultaneously to all stakeholders and that it is available to them on its website.

Financial reporting and external auditor

TKH endorses the principles (and the accompanying best practice provisions) relating to 'Financial reporting' (principle V.1.), 'Role, appointment, remuneration and assessment of the functioning of the external auditor' (principle V.2.) and 'Relationship and communication by the external auditor with the bodies of the company' (principle V.4.), and applies them. The Audit Committee reviews annually the functioning of the external auditor. Part of the evaluation is the recommendation to the General Meeting of Shareholders of the appointment of the external auditor for the next financial year. The Supervisory Board, on the proposal of the Audit Committee, looks at least in the year anticipating the change in the external auditor partner, the need to establish a procedure for a tender with respect to the auditors' engagement.

TKH has appointed an internal auditor. The internal auditor falls under the responsibility of the Executive Board and has access to the external auditor and to the chairman of the Audit Committee (principle V.3. and best practice provision V.3.2).

CORPORATE GOVERNANCE STATEMENT

This is a statement concerning Corporate Governance as referred to in article 2a of the Decree laying down additional requirements for annual reports [Vaststellingsbesluit nadere voorschriften inhoud jaarverslag] effective as of 1 January 2010 (the 'Decree'). The information required to be included in this Corporate Governance statement pursuant to articles 3, 3a and 3b of the Decree can be found in the following chapters, sections and pages of this annual report 2011 and are deemed to be included and repeated in this statement:

- the information concerning compliance with the Dutch Corporate Governance Code as required by article 3 of the Decree can be found in the chapter on 'Corporate Governance at TKH';
- the information concerning the main features of the internal risk management and control systems relating to the financial reporting process as required by article 3a sub a of the Decree can be found in the chapter on 'Risk Management';
- the information regarding the functioning of General Meeting and the main authorities and rights of the shareholders and holders of depositary receipts in shares as required by article 3a sub b of the Decree can be found in the chapter on 'Corporate Governance at TKH';
- the information regarding the composition and functioning of the Executive, Board, the Supervisory Board and its Committees as required by article 3a sub c of the Decree can be found in the chapter on Corporate Governance, the 'Report of the Supervisory Board' and on pages 12 and 15;
- the information referred to in the Takeover Directive (Article 10) Decree as required by article 3b of the Decree can be found in the chapter on 'Corporate Governance at TKH', 'The TKH Share' and in the notes to the company financial statements.

This Corporate Governance statement can also be found on TKH's website: www.tkhgroup.com.

RISK MANAGEMENT

The risk management policy of TKH is an integral part of its strategic policy and receives constant attention.

Risk management and control systems

The most important components of our internal risk management and control systems in the year under review were:

- Analysis and evaluation of our strategic, financial reporting and operational risks for each operating company. This analysis and evaluation is based on the Internal Control Framework of the 'Committee of Sponsoring Organisations of the Treadway Commission' (COSO). The internal control measures have been identified and documented for the major risks. The most important risks are integrated in the internal reporting models. In addition, the effectiveness of the major risk management and control systems are assessed.
- The TKH Manual includes:
 - a Code of Conduct and whistleblowers scheme;
 - insider trading regulations;
 - guidelines on responsibilities and authorisations for investments and specific transactions;
 - guidelines for the minimum internal controls that must exist for each process;
 - guidelines for the hedging of financial risks;
 - guidelines for the internal reporting to the Executive Board;
 - transfer pricing guidelines.
 - guidelines for insurances that should be concluded centrally and locally and how to deal with claims.
 - guidelines for the internal and external financial reporting.
- Extensive budget and report process according to TKH's guidelines, whereby the monthly results are analysed in relation to the budget and the forecast for the entire year is revised if necessary. At least once a quarter the results, the outlook and the risks identified for each operating company are discussed by the Executive Board and local management.
- Detailed procedures for important processes of each operating company.
- Insurance policies have been taken out for the usual risks which will enable the financial consequences of disasters to be cushioned as far as possible.

Besides the internal controls, the operation of the internal risk management control systems for external financial reporting is also assessed by the external accountant in the context of the audit of the annual financial statements. The results of this audit are discussed with the Executive Board and the Audit Committee of the Supervisory Board.

TKH has a cascade system of 'Letters of Representation' and 'In-Control Statements'. The management and controllers of the operating companies confirm to the best of their knowledge:

- that the strategic, financial and operational risks have been analysed and assessed;
- that the risk management and control systems with respect to external financial reporting risks functioned adequately in the preceding year;
- the accuracy and completeness of the information presented in the internal annual reports;
- the correct application of the TKH accounting principles as included in the TKH Manual.

Strategic, operational, financial and compliance risks

General

TKH's strategy focuses on supplying innovative solutions for customers in the Telecom, Building and Industrial Solutions segments. We focus on niche markets in Northwest, Central and Eastern Europe and Asia. We expand through organic growth and by virtue of acquisitions. This strategy of focusing our core activities on the specified business segments, the geographic spread of our operations and the diversity of our customers and suppliers mitigate the influence of cyclical and incidental positive and negative trends. TKH manages the risks it is exposed to as effectively as possible by making carefully considered choices and spreading its activities across different markets.

Financing

TKH pursues an active policy with respect to maintaining solid balance sheet ratios. This is apparent, among other things, from the financial ratios and the attention the company devotes to managing its working capital. At the end of December 2011, TKH agreed a new committed credit facility of € 250 million with six banks. The committed facility of € 250 million is a revolving and standby facility with considerable flexibility regarding withdrawals and repayments. This new facility has a term of five years and replaces the existing committed bilateral bank facilities totalling € 125 million, the largest tranche of which would expire in August 2012. In addition, the uncommitted facilities with the group of banks have been renewed. The new credit agreement has similar financial covenants as the old facilities.

TKH has committed credit facilities of € 250 million and uncommitted credit facilities of € 260 million. As of 31 December 2011, TKH had freely available credit facilities totalling € 340 million, taking into account bank guarantees that have been issued. The amount of credit available for each subsidiary is determined centrally.

Financiale ratios	Bank covenants	Current ratios
Net debt / EBITDA	< 3.0	0.9
Interest coverage ratio	> 4.0	13.0

Production facilities

TKH operates with a range of production facilities at various locations. The regional distribution of these production activities allows the company to cope with any interruption to business due to a disaster at a particular location. Any such disasters are also covered by consequential loss insurance.

Exchange rate

Due to the growing internationalisation of purchasing, sales and production, and to the volatility of the currencies, exchange rate risks are increasing, particularly with regard to the Chinese renminbi, the US dollar and the Japanese yen. Where possible, receipts in foreign currencies are used for payments in the same currencies. With regard to purchases in foreign currencies, the company tries as far as possible to gear the conditions of sale to them. The company uses derivative financial instruments to limit the remaining exchange rate risks. The Executive Board is closely involved in both the formulation and implementation of the policy. The aim is to finance foreign investments in local currencies and so avoid translation risks as much as possible.

Interest

The interest policy is determined at corporate level. The aim is to find a good balance between the development of TKH's financing requirements and the expected development of interest rates in the short, medium and long term. In addition, balances with credit institutions are compensated to minimise interest charges. This policy is implemented in compliance with strict rules and in close consultation with the Executive Board.

Pensions

For the non-branch-related pension schemes TKH has concluded a group pension contract for the Dutch operating companies with Nationale Nederlanden on the basis of a so-called guarantee contract. One element of this contract is that TKH's share of the interest profit is based on the company's own separate investment deposit. Developments in interest rates and the prices of the equity investments form the basis for the surplus interest payable to TKH. Nationale Nederlanden guarantees that the accrued pensions will be paid out for life to the participants, naturally subject to the condition that TKH has met its premium payment obligations. A disappointing development of the investment portfolio does not affect Nationale Nederlanden's payment guarantee. The pension contract with Nationale Nederlanden ends on 1 January 2013. During 2012, a new pension agreement will be negotiated. It is expected that the premiums will increase significantly as a result of a lower discount rate and an increased life expectancy. Most of the employees are covered by the industry pension schemes of the Metalektro and Metaal en Techniek pension funds. These pension funds had cover ratios of 90% and 88.5% respectively at the end of 2011.

Raw materials

The risks relating to the availability and the development of prices of raw materials are limited as far as possible by purchasing raw materials from several carefully selected suppliers and by concluding multi-year contracts with the suppliers of important raw materials. The price risk relates mainly to the economic stock positions. The following measures are taken to manage the price risks associated with raw materials:

- Economic stock positions are limited as far as possible.
- The copper positions of each subsidiary are monitored for the economic stock positions, stock prices, rate of turnover and expected relationship between copper prices and selling prices (price elasticity).
- Price developments are incorporated as far as possible in the selling price of products and/or services or where possible hedged on the futures market.
- Every month price developments, economic stock positions and hedges are discussed by a committee made up of members from various disciplines and chaired by TKH's CFO.
- Derivatives are employed to a limited extent in order to hedge the price risk on free inventory.

Market

In North-West, Central and Eastern Europe and in Asia we increasingly act as a supplier of total solutions. Consequently, TKH is forming a growing number of strategic relationships with customers and suppliers, which limits the market risk. This trend is a response to our customers' desire to reduce the number of suppliers with a view to cost reduction and more effective product development. TKH devotes a lot of attention to economic developments. Business plans are continually reviewed in light of trends and developments using a weekly dashboard for the most important performance indicators, including turnover and order book, so that the company can identify risks in good time and take appropriate action.

Competition

TKH increasingly focuses on niche markets and supplying customised total solutions. As a result, the competition in each product-market combination is limited.

Technology

The activities of the development departments of the various companies within the TKH Group are always geared towards the development of optimum technology which is reliable and at the same time safeguards TKH's strong competitive position. For the external development of products and concepts which could be of strategic importance, TKH sometimes provides subordinated financing in return for exclusivity.

Credit risks

The group's financial assets consist mainly of cash and bank balances, trade debtors and other receivables. The credit risk for cash and cash equivalents is small because cash pooling

agreements have been concluded and on balance there are largely net bank debts outstanding. The principal credit risks relate to trade debtors. However, the risk is spread over a large number of customers. Part of the risk is insured with credit insurance companies. For projects involving large orders mainly for international customers, TKH also uses bank guarantees, advance payments (against a bank guarantee) or confirmed irrevocable Letters Of Credits. The subsidiaries pursue an active debtors policy, subject to internal credit limits. Furthermore, the development of the payment periods of debtors of each subsidiary are analysed at group level every month.

Acquisitions

One of TKH's objectives is to achieve growth both organically and through acquisitions. TKH is constantly searching for potential acquisition candidates which would fit in with TKH's strategy and generate growth of earnings per share. Although TKH has a lot of experience with acquisitions and the associated financial, integration and other risks, the risks attached to acquisitions are greater than those associated with the organic growth of existing subsidiaries, however thorough the prior due diligence. The point of departure is that TKH will integrate companies that are acquired in its management systems within two months so that they quickly fall under central supervision and control.

Environment

TKH's environmental policy concentrates first and foremost on preventing or limiting the negative effects of its activities and products on the environment. We closely monitor our compliance with environmental legislation. The production companies actively pursue a policy in accordance with ISO 14001. This underlines the company's ambition of not only manufacturing and supplying a high-quality product but also protecting the environment as far as possible.

ICT

The ICT infrastructure of TKH is organised in such a way that the ICT requirements of its decentralised, global organisation are provided for in a reliable and secure manner. The companies within the TKH group are individually responsible for their own local infrastructure and its support. Companies from the same region are stimulated to share their knowledge in the ICT field in order to generate scale advantages. TKH uses firewalls and other security systems. In addition, TKH has an ICT contingency plan.

Raw material Copper



ICT infrastructure



MANAGEMENT STATEMENT

The Executive Board is responsible for the design and effectiveness of the internal systems of risk management and control. The purpose of these systems is to identify and effectively manage the significant risks to which the company is exposed. However, they can never provide an absolute guarantee that the group will achieve its objectives and cannot entirely prevent major errors or losses, incidents of fraud or actions in breach of laws and regulations.

The Executive Board regularly assesses and analyses:

- the strategic, operational, financial and compliance risks;
- the structure and effectiveness of the internal systems of risk management and control as described in the previous section.

Such analyses have been carried out with subsidiaries during business planning and quarterly review processes. Trends and developments are also monitored and analysed at meetings of the Executive Board, the Strategic Committee and the Solutions Boards. The findings from these analyses are shared with the Audit Committee and the Supervisory Board.

Taking into account the aforementioned risks and the measures designed to manage them, and in accordance with the best practice provision II.1.5. of the Corporate Governance Code, the Executive Board declares that to the best of its knowledge:

- the risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance;
- the risk management and control systems worked properly in the year under review.

With reference to Article 5.25c (2c) of the Wft, the Executive Board declares that to the best of its knowledge:

- the annual financial statements in the annual report give a true and fair view of the assets, liabilities, financial position and profit of TKH and the companies included in the consolidation;
- the annual report gives a true and fair view of the situation on 31 December 2011, the state of affairs at TKH and its subsidiaries during 2011, the details of which are presented in the annual financial statements, and that the annual report describes the fundamental risks facing the company.

Haaksbergen, 13 March 2012

J.M.A. van der Lof MBA
Chief Executive Officer

E.D.H. de Lange MBA
Chief Financial Officer

A.E. Dehn
member of the Executive Board

COOPERATION

SYNERGY



When two companies in the same group produce cables, cooperation is obvious. But cooperation in the TKH Group goes a bit further than that. And it gets more intensive every year.

Companies also work together because they serve the same market, such as in the case of parking or security, for example. Or they acquire major orders thanks to the contribution of sister companies, as Isolectra did recently.

Even companies that differ widely from each other cooperate. Take VMI and TKF for example – one manufacturing tyre building machines and the other cable systems. They exchange insights into how you can make a production company leaner.

In Poland, C&C Partners sell soft-security solutions from TKH Group companies in the Netherlands. The recently acquired Siqura is ensuring the accelerated international expansion of the entire security cluster. And TKF is working with one of its big customers in a completely new way.

So it's not surprising that this publication is about cooperation. About cooperation that makes it possible to achieve advantages of scale and to develop advanced (technical) knowledge. About cooperation that enables TKH to formulate an answer to the increasingly complex demands of society. About cooperation that leads to synergy.

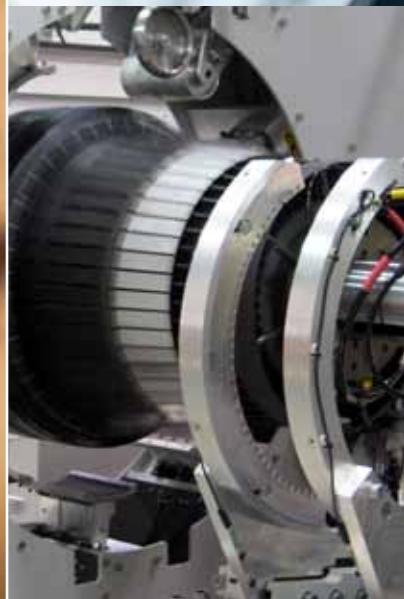


COOPERATION LEADING TO GREATER SYNERGY



TKH GROUP Alexander van der Lof

'We create a single solution
from different building blocks'



The cooperation between the companies in the TKH Group is becoming more intensive all the time as they share knowledge, develop complex technologies and explore export markets together. ‘Our aim is to be a reliable one-stop shop for customers’.

‘Although there are 70 companies in the TKH Group, it is not a conglomerate’, says CEO Alexander van der Lof. ‘The structure of the group is not always clear to outsiders. There is an enormous amount of cooperation and synergy between the operating companies.’

More steps were taken last year to further increase the cohesion of the group, he says. ‘We are organising more deeply.’ For example, TKH has made further progress in integrating technologies developed by individual companies. ‘We are creating innovative solutions from different building blocks in the group. Integrating companies and departments also allows us to operate on a larger scale and achieve significant benefits in terms of efficiency.’

KNOWLEDGE OF CUSTOMERS

Just as important as the synergy in the area of technology is the sharing of knowledge about customers and markets. ‘We want to make things as easy as possible for customers. To achieve that, it is important for us to know a lot about the customer. In some respects, we know more than the customer itself.’

This is also the reason why the clusters are organised according to the concept of vertical markets: not selling a single product to a wide range of clients, but clustering everything according to a particular sector, such as parking. Meanwhile, in the background the parking cluster can cooperate with the security cluster, since the technology used has different applications, but for the customer there is always one specific contact point.

‘We are a one-stop shop’, says Van der Lof. ‘One address for orders, one invoice and one responsible official. The benefit for customers is that the chance of disruption is minimal. And if something does go wrong, they know where to go; not to different parties that refer to each other, but to a single, reliable contact person.’

He notes that this is a growing demand of customers. ‘They want a single master contract, with uniform conditions. They don’t want to have to negotiate with ten separate companies. In that context, it helps that we have a good reputation not only for innovation and reliability, but also in terms of service and warranties.’

EXPORTING TOGETHER

An important reason for the close cooperation within the group is the internationalisation that many of the operating companies are engaged in. ‘A concept cannot simply be copied in another country,’ says Van der Lof. ‘You always face local requirements and specific legislation. This requires a lot of knowledge. We have that knowledge and we share it.’

This was one of the reasons why TKH last year acquired Siquira, an important addition to the security cluster. Siquira has a large international network that the other companies can now profit from.

The growth of TKH makes, it is easier to retain knowledge within the group. VMI, the producer of tyre building machines, is one example of that. The company has developed numerous unique technologies. Some of them have been patented, but that is not always possible. By working with suppliers in the TKH Group, the knowledge that has been developed remains within the group. A similar example is the e-Centre, the crown jewel in the domotics segment. After earlier adventures with external partners, TKH now develops products entirely in-house. There are some external suppliers, but the intellectual property is owned entirely by the group.

SHARING EXPERIENCES

The cross-fertilisation sometimes extends beyond companies in similar domains. For example, take the partnership between TKF and VMI. TKF employs a specialist in pack-

aging, who also provides expert advice for VMI. At the same time, TKF benefits from VMI’s experience with the LEAN programme, in which it systematically analysed production processes in order to find ways of preventing waste. ‘We started by adopting that system in the production companies,’ says Van der Lof. ‘But it is so successful that we are now also using it for administrative processes, such as purchasing and supply chain management. The operating companies adopt this type of technique from one another.’

COOPERATION SYNERGY

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MEASURING MORE ACCURATELY THAN A HUMAN BEING COULD

KLS Bert Draaijer

‘With the vision technology that we have developed, we can recognise the appearance of medicines based on sixteen parameters’



However different companies may be, they all have the same reasons for committing to vision technology. It increases the efficiency of industrial and logistical processes and can also lead to a more accurate end-result. That's why they join forces.

One of the TKH Group's most recent acquisitions is KLS Netherlands, a company that specialises in automation for the pharmaceutical sector and has a lot of know-how in the field of vision technology. 'We help pharmaceutical companies to work more safely and efficiently,' says managing director Bert Draaijer. For example, KLS improves logistics at chemist's shops, leaving the chemist with more time to do the job that he was trained for: advising customers. 'We've used vision technology to robotise our entire internal logistics,' explains Draaijer. 'The average chemist's gets deliveries once a day and then all the boxes and pots end up on a conveyor belt. Our vision technology recognises all of these separate medicines on the basis of size, dimensions, weight, etc. The software then operates a robot that stores the medicines.' Retrieving the medicines is also automatic.

The same technology can be used to organise the medicines at patient level outside the chemist's shop – on an industrial estate, for example. This is so-called 'central filling'. 'Eighty per cent of the medication is repeat prescriptions,' says Draaijer. 'So you can organise that much more efficiently than now.' For the last step in delivery, KLS has produced the 'medicomat': 'A sort of ATM but then for dispensing medicines.' The customer is informed by e-mail or text message from the chemist's that medicines are ready to be picked up and can then get them from the automatic dispenser at any time he or she likes with the aid of a temporary PIN code. KLS started in the Danish market, where the chemist's shops are bigger than in the Netherlands, making it easier to achieve advantages of efficiency. But now this technology is also being used in the Netherlands – in The Hague, Alkmaar and the region around Zwolle, among other places.

INCREASING THERAPY COMPLIANCE

A second line that KLS is developing – also using vision technology – is the tailor-made packing of medicines. The patient no longer needs to organise the medicines himself; all of that is done for him. Small plastic bags contain the exact combination of medicines with instructions on when they should be taken.

Packaging medicines in the right way means that the equipment must recognise them, even without a box. 'With the vision technology that we have developed, we can recognise the appearance of medicines based on sixteen parameters such as shape, surface texture, colour, size, etc. This enables us to work more precisely than a human being could.' As the last step, a sort of roll-holder or dispenser makes sure that the patient actually takes the medicines at the right time. If this is not done, a signal is transmitted to the patient, his or her family, or assistance, for example. 'That makes a big difference to therapy compliance,' says Draaijer. 'For example, epilepsy patients really must take their medicines at the right time – that must be exact.'

At the moment, KLS is testing the technology for promoting therapy compliance in practice, under the project name IDQare. 'It has already been amply proven that IDQare contributes to reducing medication and that nursing requires less time. We now want to know for sure whether we have covered all of the possible scenarios. We are going to refine the concept further on the basis of user information.'

THE SOUND REPUTATION OF TKH HELPS

Thanks to the acquisition by TKH, KLS hopes to grow further. 'We want to roll out our technology across Europe in cooperation with relevant partners.' Among other things, Draaijer thinks that the association

with Domotica is interesting – a field in which TKH is very active. He also says that KLS is trying to extend cooperation on vision technology within the TKH Group. 'We already have close contact with VMI about this,' he says. He also thinks it very likely that some TKH companies will take over part of the production in the future, especially because KLS itself has no production facilities. And he will then have no fears that the expertise that they have built up will be leaked. He's thinking, for example, of the German NET that became known for its vision technology in the Da Vinci robot that allows surgeons to carry out prostate operations remotely. Or of a company like EKB – active in machine control and automation systems for industry. That could help as it provides 24-hour support. 'All options like those are being investigated.'

He now already benefits greatly from TKH's reputation as a sound company. 'The parties that we're talking to ask for a risk profile. That's only logical because we supply machines that are part of the primary process. They want commitment for at least five years. Now that we're part of the TKH Group, that's suddenly not a problem anymore.'

Medicine dispenser
KLS Netherlands



VISION IS CORE TECHNOLOGY

For VMI, which makes tyre building systems, among other things, vision is core technology. ‘We realised years ago that knowledge of vision had to be one of our core competences, says R&D-manager Kees Janszen. One major reason for this is that the requirements for car tyres are becoming ever stricter. ‘The end-product must be increasingly closer to the ideal size. And to ensure that, you have to check the measurements of every product. Of course you can’t do that with a calliper rule so you have to constantly measure electronically and store the results.’ In fact random samples are no longer enough. Every tyre must be good. If there’s a bad weld, that can’t be seen with the naked eye, it could be deadly. Customers also want to check the quality measurements of all production stages prior to the tyre-building process. In theory, they want to go back to the very beginning: the ball of natural rubber. Vision systems are playing an increasingly important role in this as an integral part of production control. One last reason why VMI has so strongly committed itself to vision is the rise in the price of raw materials. This means that tyres are becoming increasingly thinner, which makes them extra fragile during the vulcanisation process. ‘Touch a tyre and it can lead to deforming,’ says Janszen. ‘Which is one more reason for using vision to check them.’

ITS OWN TECHNOLOGY

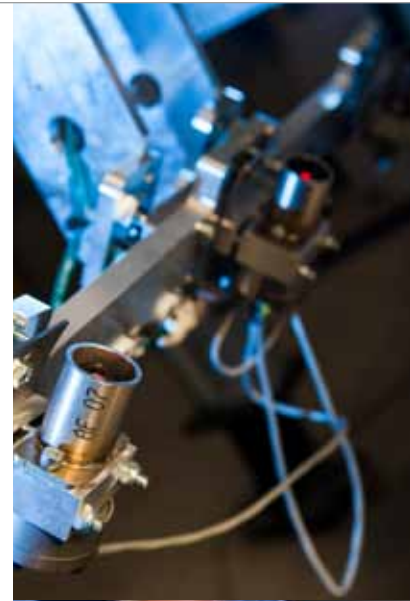
It turned out that VMI could not use the available vision technology. ‘Rubber is a difficult material because it’s black. And it tends to be glossy before the vulcanisation process. With classic lighting, mistakes creep in.’ For this reason, VMI developed its own technology using laser projection. ‘That gives us a high degree of reliability,’ says Janszen. VMI has now been developing the technology for about seven years. ‘We’ve reached a high level of development and we’re happy that we invested in it in time. The number of applications is still increasing.’ For example, vision plays a role in correctly positioning every piece of rubber. The machine deposits it and measures whether it is correctly positioned at the last moment,

when the rubber no longer moves. This position may be further corrected. ‘The challenge is all about accuracy. That also applies to a company like KLS.’

KEEPING KNOW-HOW IN THE GROUP

Janszen thinks that the technology that VMI has developed is ready to be applied by other TKH subsidiaries. ‘For welds in cables, for example.’ For his part, he would like to work more closely with the TKH subsidiary NET in the future, in order to develop a new platform together. Certainly, the fact that the German company is part of the same group has two major advantages for him. Firstly, it guarantees continuity in the joint venture. ‘That is really important for us because we offer our customers life-long support. If a camera in one of the machines breaks down after a few years, we want to be able to provide a solution.’ The second reason is that in this way it is easier for him to keep know-how within the company. ‘In doing that, we are consciously bucking a trend. Early supplier involvement in product development is a trend,’ he says. ‘But I don’t know if it’s always the right direction in which to head. You can probably shorten the development time for a new product but it also brings risks. There is often leakage of your intellectual property via suppliers so you would want to develop and produce specific core technology in-house, where it’s better protected.’ Janszen believes that there are a lot of suppliers who would like nothing better than a guided tour of VMI in Epe. ‘The power of TKH is that we can keep know-how in the group. We certainly should not neglect to do that. The community is part of our power.’

Vision technology
VMI Group





VISION

Vision control systems are very high-performance camera or laser-guided systems that identify and remove products with errors without adversely affecting the efficiency of the (handling) process. Vision control systems also detect these products quickly and accurately in any position and from every angle. The vision control system transfers the actual 'coordinates' to the control of the robot(s), for example.

VMI Kees Janszen

'We realised years ago that knowledge of vision had to be one of our core competences.'

SAVING ENERGY WILL BE FUN AFTER ALL



TKH GROUP Adrie van Schie

CROSS HARDWARE Jan van Gameren

‘If you want to set your own priorities,
you have to have complete control’



e-Centre

Cross Hardware



When saving energy is no longer a tiresome obligation but is associated with comfort and security, more people will take the step. This is one of the benefits that the e-Centre offers. A smart Domotica solution produced under the TKH label.

Everyone recognises the importance of saving energy but it's not always easy to be interested in it. For most people, switching off all the equipment when you leave the house is a bit too much to ask. Now TKH has a solution in the form of the e-Centre – an intelligent box in the home that can control and connect all sorts of equipment. All you need to do is simply tell the e-Centre that you're leaving the house or going to bed and the relevant setting will come into operation. The e-Centre ensures that the instructions that the user has programmed in will be precisely carried out, such as switching off any equipment that is on stand-by, switching on the lighting or switching on the alarm, etc. 'If you link energy to security and comfort, that's when you are actually going to save energy,' is the opinion of Jan van Gameren, who has been leading the development of the e-Centre in recent years.

MORE THAN A SMART METER

The e-Centre can also show residents their energy consumption. It's possible to fit an 'eye' to the electricity meters to provide a real-time view of consumption and even to analyse your personal consumption. 'This goes a step further than the smart meters that the government wanted to introduce a few years back,' says Van Gameren. 'We combine smart metering with raising the level of comfort and security in the home. This will make it attractive to consumers.' And all of that for a very acceptable consumer price. All of the equipment connected to the e-Centre can be controlled by the e-Centre itself or by smartphone, tablet or Internet. Did you forget to set the alarm? You can still do it remotely. It is even possible to view camera images when you're on holiday. The e-Centre is part of TKH's Domotica line called e-Domesticon. Another part of this is TKF's Powerclick – a new way

of supplying electricity to your home. With this, there is a ring main through the house to which the owner can connect a socket at any point. This is easy to do and can always be changed later. 'This is not just attractive for home-owners,' says Van Schie. It's also attractive to contractors. 'Given the current housing market, they would like to supply a home with a few extras.' Another solution produced by TKH Group is the structured cabling solution – Multimedia Connect – for connecting such things as data networks, telephony and digital television.

INTELLECTUAL PROPERTY

Developing e-Domesticon required close cooperation between several companies in the TKH Group, including Cross Hardware, EKB and USE. 'The e-Centre is entirely owned by the TKH Group', says Adrie van Schie, who was involved in the project as a consultant from TKH. 'Including all the intellectual property. We have complete freedom to develop the e-Centre further as we like without having to first reach agreement with other parties. This speeds things up enormously.' 'If you want to set your own priorities, you have to have complete control,' adds Van Gameren. A careful look was taken at the expertise available in the TKH Group. This does not mean that there were no external suppliers – components were assembled externally, for example – but these suppliers are not partners in the sense of owning part of the intellectual property. 'The short distance and lines of communication also make us more flexible,' says Van Schie. 'And that shortens our time to market.'

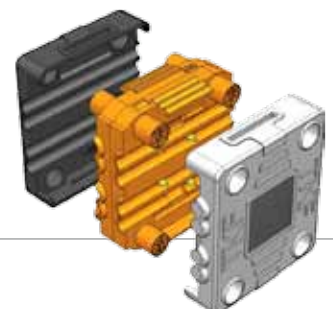
DETECTING MOVEMENT

Van Gameren and Van Schie not only want to market the e-Centre for the consumer market, but for business use as well. Via energy suppliers, for example. 'It's attractive

E-CENTRE

The e-Centre is an intelligent box in the home that can control various equipment and connect them together. The e-Centre ensures that exactly happens what the user has pre-programmed. This can be: all equipment on standby completely turn off, turn down the heating, adjust lighting, switch on the alarm etcetera. Via your smart phone or tablet you can also control the system and from a distance you can check who is standing at the door.

for them to make this available to their customers,' says Van Gameren. Or via telecom providers who could add a fourth feature to their existing triple-play (cable TV, Internet and telephony) in the form of home automation. Other future expansions are in the fields of care and security. Clearly this will lead to further cooperation within the TKH Group, in this case with companies in the security cluster. 'There are still lots of fun things possible,' says Van Gameren.

Powerclick
TKF

COOPERATION IN A CHANGING PARKING MARKET

The TKH Group recently merged all of its activities for the parking sector into a single cluster, following the model adopted for TKH Security Solutions. This is also the cluster that TKH Parking Solutions works closest with – at least in technological terms. ‘The marketing is totally different.’

Security and parking – which are now two separate clusters within the TKH Group – were originally linked together in Keyprocessor, the company that focuses on security and which previously had a separate division for parking solutions. The activities for the parking sector were finally spun off into a separate company, Scanton Parking+, which the TKH Group also acquired, 18 months after it had bought Keyprocessor. Once again there was plenty of scope for cooperation and synergy. The cooperation occurs mainly in the area of technology, says Rob Rietveld, the director of the parking cluster. ‘The software we use for access control comes from Keyprocessor, as does some of the hardware.’ He also works with other companies in the TKH group, such as VDG and Siquira, which supply video technology, including software for image analysis. This software can be used to identify an ‘event’, such as a person acting suspiciously in a car park, for example, in which case the operator can assess whether further action needs to be taken. Image analysis can also be used for licence-plate recognition. A close partner is BB-Lightconcepts, which supplies an innovative lighting solution. The system consists of long tubes with a special film that can distribute light over long distances. Consequently, only a few light sources are needed. The system is ideal for car parks because the light yield is very even, which enhances the sense of safety. Furthermore, the LED lamps can

easily be dimmed when there is no one in the garage, so that substantial energy saving can be achieved compared with fluorescent lamps. TKH Parking Solutions also supplies intercom systems and solutions for car park management. With one central management system a manager can control several parking garages from a single centre, even if the car parks use different systems since the special software can communicate with all of the systems.

STRATEGIC CHOICE

‘We try to use TKH technology whenever possible,’ says Rietveld. ‘Although much of it is supplied by the security cluster, there is a reason why there are two separate clusters: the marketing is different.’ ‘It is really a strategic choice to arrange the clusters according to market segments,’ says Rietveld. ‘We look at things from the customer’s perspective, and the considerations of customers in the parking market are totally different than those of customers in the security segment.’ Car park managers want to earn money. ‘Security is not necessarily a money-making activity, since there are other factors that are also relevant.’ This means that very different demands have to be met in terms of maintenance and service of a system. Parking systems generate money and that places special demands on the reaction time of the organisation. ‘The handling of the money flows is specific to the parking market.’

PARKING CLUSTER

TKH Group aims to strengthen its positioning in the parking market. As from 1 January 2012 the activities of the Scanton Parking+, FlexPosure and BB-Lightconcepts are bundled into a newly formed TKH parking cluster. Through this parking cluster organisation, the TKH activities are more focused on differentiated and integrated parking solutions. The individual brands of companies and solutions will remain.

Payment terminal
Scanton Parking+





SCANTON PARKING+ Rob Rietveld

'Increase in scale keeps technology affordable; that in turn allows us to develop new technologies'

INTERNATIONAL GROWTH

The most important reason why TKH has bundled all of its parking activities in a single cluster since 1 January 2012 is its ambition to achieve international growth. ‘The increase in scale keeps technology affordable; that in turn allows us to develop new technologies.’ As a cluster TKH Parking Solutions is currently drawing up a joint road map in which the various companies will complement one another. For example, only one service desk will be needed which everyone can use.

LESS STREET FURNITURE

Rietveld is certain that a lot is going to change in the parking market in the coming years. ‘Opposition to cameras is weakening; people actually feel unsafe now if there is no camera somewhere.’ Consequently, a growing number of functions can be automated: the camera will provide the recognition and will in future be able to report where the driver has parked his car. ‘Ultimately, there will be fewer terminals in the garage,’ Rietveld expects. ‘Perhaps there will be no more barriers. And no payment terminals either, because all payments are deducted automatically.’ But that is just a pipe dream for the moment. Scanton has actually just developed a brand new payment terminal with a fantastic touch screen, very clear instructions and which even returns banknotes. Rietveld: ‘This terminal is also very attractive for our export market.’

PREMIUM PARKING

Parking new-style is called Premium Parking. Scanton is currently implementing this system, which offers benefits for both the motorist and the manager of the car park.

With Premium Parking, a garage will offer various additional options. For example, motorists will be able to reserve a parking space in advance via Internet. When you arrive the camera in the barrier recognises your registration plate and you are automatically directed to a free space with the help of directions on screens and light signs. The parking fee is automatically withdrawn from your account. Even if you have not registered in advance, the system can direct you to empty parking spaces. ‘Searching for a space is the biggest irritant for motorists,’ says Rietveld. ‘And the manager wants the optimal occupancy.’

It is even possible to start differentiating between different types of parking spaces: small and large spaces with corresponding rates, for example. Or special parking spaces for women located nearer the exit. The system will also be able to tell if a person is badly parked or is taking up too much space and adjust the fee accordingly. It will also put an end to another major irritation: not being able to find your car. The camera has scanned your registration plate so the system knows where your car is. The terminal can easily tell you where you have to go. If, despite all this technology, something unexpected happens or you have forgotten something, you can simply press the button on the intercom to speak to the operator, who will be able to resolve any problem remotely.



Lighting solution
BB-Lightconcepts



Diva solution
VDG Security



‘Opposition to cameras is weakening;
people actually feel unsafe now if there
is no camera somewhere.’

MINIMISING RISKS FOR CUSTOMERS



ISOLECTRA Werner Hulst

‘We are providing a solution in which
the risk of disrupted service is minimal’

The government is coming to private parties with increasingly complex requirements, in the field of infrastructure among others. Contractors are responsible for the final result and are held accountable for them. The TKH Group helps them to minimise their risks.

Isolectra was originally a trading company supplying high-quality technical products. This background is standing the company in good stead now that the market is setting different requirements than it used to, explains Werner Hulst, who has been the managing director of Isolectra since the autumn of 2010. Or it might be better to say that the fact that Isolectra does not make its own products, keeps the company flexible. Because of this, it can react quickly to market developments, and particularly to the government wanting to place more complex orders with a single contractor. This is the case with infrastructural projects, for example. 'It used to be so that the Department of Public Works (RWS) produced a design and then all of the parties involved received the specifications,' says Hulst. Nowadays, public-private partnerships (PPPs) are becoming increasingly common. 'RWS is challenging the market to come out with an adequate solution and then holds the market entirely responsible for the result.' For example, in the field of infrastructure this means that market parties must guarantee the availability of a stretch of road or a tunnel, and that their fee is linked to that. 'RWS' request is very abstract. And that makes it difficult for contractors because it means that they have to translate a number of things – from a system, via a final design to an implementation design. For a contractor involved in a complex project, it makes it attractive to collaborate with a major party such as TKH, which has a lot of knowledge at its disposal.'

COMBINING KNOWLEDGE

In such cases, Isolectra combines the knowledge available in the TKH Group and presents solutions that also originate with sister companies. This will make use of the knowledge of product development available in the TKH Group and also of specific sectors and user information. 'For example, we have a very detailed know-

ledge of life-cycles. That's important knowledge if a tunnel has to stay open for 25 years and a contractor gets a fine of ten thousand euros for every 15 minutes that a lane is not available.' So TKH helps contractors to cover their risks. 'We are in a position to provide a solution in which the risk of disrupted service is minimal,' says Hulst.

STRICTER REGULATIONS

Regulations have become slightly stricter. The lessons learned from the inquest into the Schiphol fire have had a major effect on this. Although, strictly speaking, the fire had nothing to do with the infrastructure, regulations for tunnels were still tightened. 'From a technical point of view, a tunnel is not so complicated. What makes it complicated are the strict regulations. Although statistically the risk of a serious incident is small, a large tunnel fire can have grave consequences. For this reason, you must be able to guarantee that the operator in a tunnel can be understood, even if a truck is thundering past.'

One example of an order that Isolectra acquired through combining knowledge is for controlling bridges and locks in Zeeland (MOBZ 3 and 4). The intention is that control will be increasingly remote, so that there is always a bridgmaster 'present' and boats do not need to wait a long time before continuing on their way. Isolectra supplies all communications equipment to the contractor, Cofely, that is responsible for converting the nautical control centre, locks and bridges. This means, among other things, video equipment to view the situation on-site, audio equipment and intercom facilities to hail ships and recreational vessels at the relevant bridge or lock in Zeeland. 'Our proposition was taken seriously for three reasons: we collaborate on the design and contribute know-how, we provide reliability guarantees, and we help with processes based on our systems engineering methodology.'

BENEFIT FROM RECENT ACQUISITIONS

Among companies that Isolectra works with is its sister company Sigura, a preferred supplier of RWS for video transmission, including encoding and decoding. 'They enjoy a fantastic position,' says Hulst, 'and they have an excellent reputation for reliability.' In addition, Hulst can rely on sister companies such as VDG and Commend Benelux, which supply camera and intercom technology respectively. 'We've benefitted greatly from TKH's recent acquisitions. Otherwise we would never have got this order.' The contribution of Isolectra itself consists of integrating technology and of project and process management. 'We are the people with the know-how – the consultancy club. We understand RWS' requirements and translate these at a detailed level.' In the future, Hulst expects to benefit even more from synergy within the group. 'Eldra supplies traffic cables. BB-Lightconcepts has amazing lighting solutions that are very suitable for tunnels. EKB can help with switch-boxes, USE with dynamic evacuation systems and TKF with electricity cables and optical fibre cables for communications. Eighty per cent of the tunnel technology can be supplied by TKH.' The financial capacity of TKH also plays a part. 'And that means we can guarantee continuity.' Hulst believes that as a group of companies, you have a leading position. 'Because we combine our strengths in a smart way, we can reduce dependencies and risks for our customers.'

Dynamic evacuation system

USE System Engineering



A SINGLE MARKET PROFILE



As the companies in the security cluster become more closely entwined, it is easier for them to take advantage of one another's technical know-how. But equally importantly, they promote themselves as a single group.

The cooperation within the security cluster has progressed enormously in the last year. One of the reasons for this was the acquisition of Siquira, which is, among other things, the Directorate-General for Public Works and Water Management's preferred supplier for the transmission of video (including encoding and decoding), a technology which is also very important for security-solutions. Siquira is the largest company in the security cluster and has an extensive international network. While the Netherlands accounts for roughly 90% of the sales of the other companies in the cluster, Siquira generates 85% of its turnover abroad.

'Siquira has an extensive international market', says Tom Overwijn, Siquira's managing director, who is also now ultimately responsible for TKH's security cluster. 'Our international network was an important reason for the acquisition. It meant the match was very good.'

Siquira brings the number of companies in the cluster to five. Like Siquira, VDG produces camera technology, but concentrates more on the software. Another of the major players is Keyprocessor, which specialises in security management and access control, among other things. The other companies are Alphantronics, which produces burglar alarms, and SecurityWorks, which focuses on the retail market. There is intensive cooperation between these companies. Technologies that VDG has developed for image analysis are now used in Siquira's camera solutions. Various companies also take advantage of Keyprocessor's expertise, even outside the security cluster, since many of its solutions are also relevant for the parking cluster for example.

SHARING KNOWLEDGE

The Building Solutions segment, which includes the security cluster, has now appointed a Chief Technology Officer (CTO) to promote further cooperation in the field of technology. 'He creates the synergy', explains Arne Dehn, who recently joined the Executive Board with responsibility for Building Solutions. 'We share best practices and use each other's expertise.' A specific result in that context is the development of software in Poland, where TKH operating company C&C Partners is established. It has become a software centre, which does work for the security cluster. 'We try to help the individual companies to grow faster than they could on their own,' says Dehn. 'By cooperating in specific areas they increase their innovative capacity and reduce their time-to-market. You could describe it as a way of saving on the costs of hiring consultants. We use the knowledge that already exists in the group and distribute it to all of the companies.'

SUPPORT FROM THE NETHERLANDS

With the acquisition of Siquira, TKH has taken a major step into international markets. The security cluster now carries on all of its international activities under the same name: TKH Security Solutions, followed by the name of the country concerned. It is already an impressive list of names. Starting with TKH Security Solutions Germany, the list has now been extended with among others France, Spain, Denmark, Sweden and USA. 'We have chosen to adopt a single market profile,' says Overwijn. 'Since 1 January 2012 all of the sales offices abroad have had the same name.' In the Netherlands, where the individual companies have established a strong position and have their own sales

channels, they have retained their own names. All of the offices abroad receive assistance from a single support centre in the Netherlands. Although it is not established at a single physical location – since the companies are spread around the country – it does function as a single centre that can answer any enquires.

INTEGRATION THAT ADDS VALUE

On the day of the interview an international sales training takes place at the TKH Experience Centre (the centre of expertise for the security cluster). The session opened with a briefing on the new strategy, before the participants started discussing current issues in detail. What solutions and products do they have in their portfolio? What are the unique selling points? And how should they respond to critical enquires from customers? 'We are keen to ensure that they do not have to keep reinventing the wheel,' says Overwijn. 'So we share experiences for the few days that they are here. Then we arrange regular web conferences to keep them up to date with the latest developments.'

Through this cooperation in developing solutions TKH increases its value for customers. 'That does not mean that everything is being integrated,' Dehn explains. 'We don't simply merge companies if it has no added value.' According to him, a crucial factor is an understanding of the market. 'Without that, integration will never succeed. We analyse vertical markets and carefully identify that market's needs. We then use our understanding of that market to pursue integration that genuinely adds value.'



TKH SECURITY SOLUTIONS Tom Overwijn

'We try to help the individual companies to grow faster than they could on their own'



BONDS THAT CROSS BORDERS



TKF Wim Bank

‘If you trust each other,
that provides opportunities’

C&C PARTNERS Marek Niemczyk

‘Good cooperation starts with people.
If they understand each other well,
that’s already a big plus-point’

ACE concept

TKF



Although some sister companies are separated by distances of hundreds of kilometres, the bond between them is often very close. The nice thing about it is that ‘there’s no one who says that we have to work together. There’s no excessive regulation.’

INTERNATIONAL COOPERATION

In recent years, C&C Partners from Poland has made a strategic change. Was the company’s focus in the beginning of this century on telecom-related activities, now the product portfolio consists mainly of high-quality solutions in the Building Solutions segment. C&C Partners could achieve this turnaround by working closely together with other TKH-companies. In this way, the TKH solutions could put successfully into the Polish market. C&C focuses on security solutions, intercom systems, structured cabling systems but also on optical fibre solutions.

The company where Marek Niemczyk works, C&C Partners in Leszno (Poland) was founded by two Dutchmen. They went to Poland at the beginning of the nineteen-nineties, ‘which was pretty courageous,’ says Niemczyk, ‘because the conditions here were rather primitive.’ He met the two founders as early as 1991 and shortly later he joined the company. Niemczyk is now managing director and C&C Partners is a well-known and respected player in Poland with branches throughout the country. Originally C&C Partners was a trading company that supplied high-quality technology to the domestic market, mostly equipment purchased from one firm: Krone in Germany. Krone also supplied the Dutch market via Isolectra, which is how C&C came into contact with Isolectra. Isolectra not only set an important example for the Polish company; it also recommended the takeover of C&C Partners. ‘We had to find our own way and become less dependent on one supplier,’ says Niemczyk. ‘And they helped us with that.’

KNOWLEDGE OF THE LOCAL MARKET

Since the takeover in 1998, C&C Partners has established a close relationship with many companies in the TKH Group. One of these is BV Twentsche Kabelfabriek (TKF) in Haaksbergen, where our interview took place. ‘We support them with our knowledge of cables,’ says Wim Bank, Telecom director. ‘They have knowledge of the local market; we leave things entirely to C&C in that respect.’ They both consider it a good, close relationship. ‘If you trust each other, that provides opportunities,’ says Bank. ‘Then 1 plus 1 soon make 3.’

Cooperation between the companies started in 2004 and entered a new phase a few years ago when C&C in Poland began to position optical fibre networks. For this,

the Polish company used the ACE concept developed by TKF. It’s not the easiest of products to sell – in the Netherlands it also took a number of years before the market was ready for it – but now sales are starting to shape up. ‘It’s also good for our reputation to have optical fibre cable solutions in our package,’ says Niemczyk. ‘Customers value it if you’re an innovative player, and we achieve that with ACE. C&C is a company that people have a lot of confidence in. We have a good relationship with our customers, we know what they want and we provide a guarantee on everything we supply.’ Niemczyk believes that cooperation within TKH is only getting better. The TKH Group has made good acquisitions in the security cluster, which are also interesting for the Polish market. Companies in the security cluster have a wealth of expertise that Niemczyk can market in his homeland.

SOFTWARE FROM POLAND

C&C has become more than just an ‘innovative sales firm’. The company also helps to develop new solutions. For example, since the middle of 2011 there has been a team of software engineers for the same security cluster. ‘Poland has good engineers,’ says Niemczyk, ‘and those are difficult to recruit elsewhere.’ Of course the cost aspect played a part too.

MORE FREEDOM

The nice bit about working together is that this has not been imposed from above. ‘TKH is not a group where everything is steered centrally,’ says Niemczyk. ‘We have a lot of freedom to arrange things in our own way. There’s no one who says how we should do things and there is no excessive regulation. That would be bad for the spirit of the relationship.’ Bank compares it with the Rijnland model which, unlike the Anglo-Saxon model, is much

more focussed on the long term and stable growth. ‘It’s about trust and long-term relationships.’ ‘Good cooperation starts with people,’ says Niemczyk. ‘If they understand each other well, that’s already a big plus-point.’ So it’s not surprising that there was an enormous Polish contingent at the TKH Sports Day last year. In addition, C&C acts as an intermediary for purchasing. ‘To purchase well you need knowledge of the local market,’ says Bank. ‘That’s why we are happy to use C&C.’

Security solution

Siqua



EVERYTHING SHOULD CONTRIBUTE TO THE RESULT FOR THE CUSTOMER

VMI Guido Roncken

‘You can’t change everything at the same time. It’s a moving train and you shouldn’t change its course too quickly’

Product innovation is not enough. It's just as important to innovate your processes. Various TKH companies are sharing their experiences with using LEAN. 'We've always used bits of the LEAN philosophy. What's new is that we now do it consistently.'

'If you want to be at the top, you have to innovate,' says Guido Roncken, COO at VMI. 'That means constantly improving your products but also – and that's just as important – that you're innovative with your business processes.' That's what Roncken has been doing since 2007 at VMI, a company that is particularly known for its tyre-building systems. In that year he started a programme by the name of LEAN200, in which the 200 stood for the turnover target at the time. 'We wanted to see the turnover grow to 200 million euros, with the same production capacity.' That meant that VMI would see what profit could be achieved by a smarter organisation of the operational process, by making it leaner. 'In particular, LEAN means looking at wastage. You try to eliminate that. At a company like VMI, which has been in existence for 65 years, all sorts of routines and procedures have developed over time. You have to look at those critically. Then you will always see that some things have become unnecessary and that all sorts of step in the process can be more simple.'

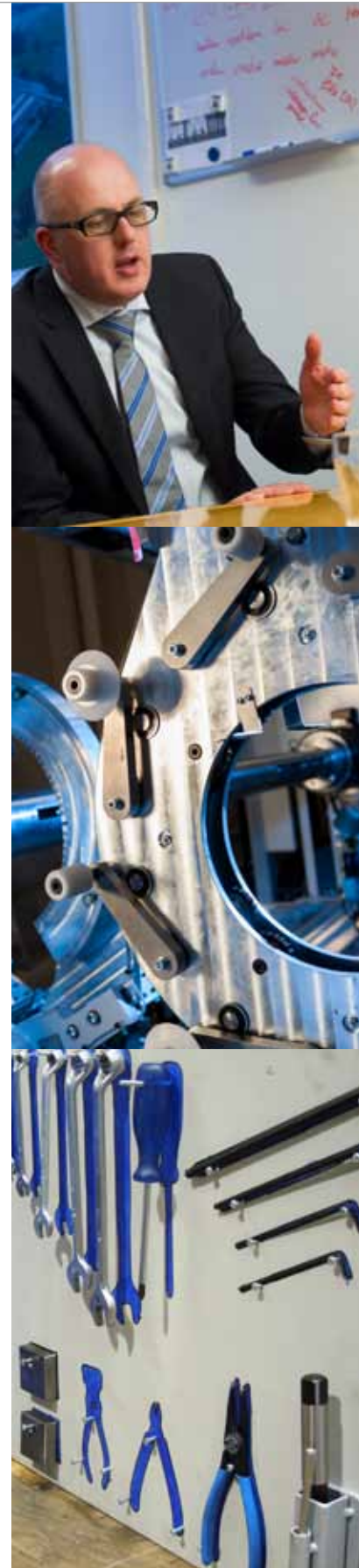
ELIMINATING WASTAGE

The philosophy behind LEAN comes from Toyota that has conducted major pioneering work in this area. But Roncken believes that a lot can still be learned from companies such as Baldwin, that a hundred years ago was already able to produce all sorts of locomotives, each one different, on a production line, with a fast turnaround. 'Then it's like reading a sort of history book, but a lot of the principles are the same. Everything revolves around preventing wastage.' In fact, he explains, LEAN puts the customer first. 'You have to eliminate everything that does not contribute to the end-result for the customer. The customer does not want to pay for that.' Since then, VMI has benefitted considerably from LEAN. For example, there have been improvements in the warehouse,

where certain tasks used to involve thirty actions, and now require only ten. 'Scan, deliver, finished.' The entire testing process for new machines has also been considerably simplified. 'Before, we had to test the entire machine, which meant connecting seven or eight major components. Then we pressed a button and saw whether it worked.' Then the entire machine had to be dismantled for transport to the customer. Now the testing is modular – by component – with software to simulate the other components.

MANAGEMENT PHILOSOPHY

VMI is the furthest advanced in the TKH Group in applying LEAN, which is why there has been a lot of interest from other operating companies, such as TKF, for example. 'We've been busy implementing LEAN since 2011,' says director operations Harry Oortwijn. In fact, TKF has been involved in comparable things for a long time already, such as smart packaging for instance, but Oortwijn prefers not to regard that as part of LEAN. 'LEAN is really a management philosophy,' he thinks. 'It's one that goes further than ad-hoc cost savings. It's a structured approach that consciously involves the contribution of everyone in the team.' Whether it's called LEAN or not, the fact remains that VMI has already benefitted greatly from TKF's knowledge of packaging. The cable manufacturer employs a special packaging expert who is lent out to VMI one day a week. 'It's very interesting to see how they've tackled that,' says Roncken. 'We probably also had a certain amount of corporate blindness, so you might say that our eyes were opened.' Roncken has also learned a lot from TKH Logistics that has designed a fully automated warehouse. 'We were able to approximately copy the principle. Moreover, they can now take over some of our work in busy periods.'





HEALTHY UNDERSTANDING

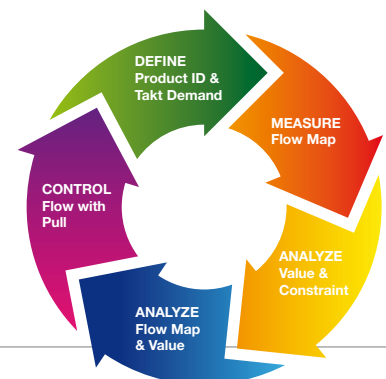
At TKF, they are very satisfied with the results achieved by LEAN in so short a time. 'In the first year, customer complaints fell and reliability of delivery rose to 97%. Turnaround time was reduced by 42% by reducing waiting time between processes. This also meant that delivery times could be reduced by a third. At the same time, thanks to these improvements, productivity rose by 15%, although this was not the focus of the programme,' says a satisfied Oortwijn. 'We have created visual management, for example,' he says. 'The machine operator on the shop floor directly sees the status of the major processes. This allows him to react faster than he would otherwise have been able.' Because production speed increased, other processes had to speed up too. Acquiring orders faster, for example. Oortwijn managed to achieve this by making the offer process LEAN. Various parts of this process that normally took place consecutively – with a waiting time between - now take place concurrently. In simple terms, the people concerned put their heads together once a day. When you put it so simply, LEAN almost seems like a question of just using your common sense. And yet it is more than that. 'We have always applied bits of the LEAN philosophy,' says Oortwijn. 'What's new is that we now do it consistently. We take small steps every day.' Roncken confirms this. 'One LEAN philosophy that we use is called 'Kaizen'. This means that you take very small steps that together lead to a big result. Our LEAN programme consists of well-organised, manageable projects with their own logic and structure.'

RESISTANCE VANISHED QUICKLY

In the beginning, there was a certain amount of resistance at VMI, Roncken recalls. 'People said things like "But we've been doing that for years" or "We tried that once". It only gets interesting when you've had a few successes. Then people see that it benefits them too because they don't have to move something three times - just put it in the right place once. That's when things really speed up.' Now criticism has changed direction. 'People are now critical of current processes. They say things like "If we can change this, can't we change that too?"' It's at times like that when you see the importance of a structured approach. 'You can't change everything at the same time. It's a moving train and you shouldn't change its course too quickly,' says Roncken. Moreover, LEAN is not the final objective. 'If you organise everything too well, there's no longer any space for product innovation. For example, we have now halved the number of engineering hours per million of turnover. It would not be good to reduce this further. We always want to leave room for exceptional business and good ideas.'

Method Kaizen

LEAN programme





LEAN

LEAN is a method to minimise all waste from the production process and focuses on adding value in a production process. LEAN's starting point is that the focus lies only on those activities who brings added value to the process. This leads to cost reductions, quality improvement, increasing flexibility and reduction of production time. Important criteria for the LEAN projects include among others that improvements must be in line with the strategic and tactical plan and the projects should show results within at least 4 months.

TKF Harry Oortwijn

‘LEAN is really a management philosophy, it goes further than ad-hoc cost savings’

A ONE-STOP SHOP FOR ALL CABLES



TKF Jeroen Krak

'We really looked beyond our own portfolio and thought from the customer's point of view'



IMTECH Dik Geelen

'You're more inclined to invest in a relationship if you know that it's going to last a long time'

If you want to provide convenience for your customers, the logical next step is to offer a solution that covers all of their needs. That's what BV Twentsche Kabelfabriek (TKF) did at Imtech. 'We now have a one-stop shop for cables.' This relationship of mutual trust also offers other benefits.

The basic question in Imtech's purchasing strategy for cable was 'Can we make our purchasing smarter and cheaper by combining our cable requirements, providing volume guarantees and making partner choices?' This was a logical question for a company like Imtech whose activities include installations for buildings, industry and infrastructural projects.

'We use more than a hundred different kinds of cable,' says procurement director Dik Geelen. 'Installation cable, ground cable, low and medium-voltage marine cable, varying from a few tens of metres to many kilometres. Cables are one of our top-5 materials purchased.'

In order to provide for its cable needs in a smarter way, Imtech formulated a general question that it addressed to about ten parties: 'How can you optimally supply our many needs?' At the same time, Imtech was prepared 'to discuss the distribution channel'. For us, it was about finding out how our needs could be best supplied.' The timing of this question turned out to be extremely good: TKF had just started to prepare a proposition in which it also supplied certain logistical services. 'For years we had primarily focused on supplying good products,' says sales director Jeroen Krak. 'In the last year and a half, we have been focusing on our customer's needs in a broader way.'

For example, TKF has started to offer services that are becoming increasingly more important for its customers, such as labelling, cutting and packing cables. 'We want to be more than just a cable supplier.' With this in mind, TKF formulated a proposition that fitted Imtech's demands exactly – something in which Alexander van der Lof played an active role – resulting in both parties concluding a single-source contract. TKF is now the sole cable supplier for Imtech Nederland, Imtech Traffic & Infra and Imtech Marine. 'We really looked

beyond our own portfolio and thought from the customer's point of view,' says Krak. 'We are drawing on all sources to supply one customer with a multitude of applications.'

INSIGHT INTO PRICE FLUCTUATIONS

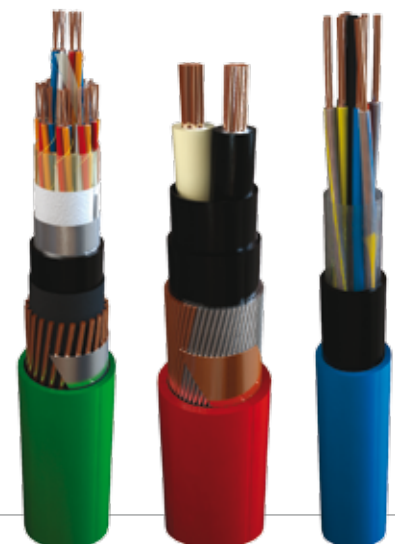
Imtech also used to be customer before. 'If they asked for something that we couldn't supply, we referred them to another TKH company. Now we go a step further: TKF arranges their entire cable needs. Ninety per cent comes from the TKH Group, among others from TKF, Eldra, Jobarco, TKD and CAE. We purchase the other ten per cent.' Some of this is from parties that used to supply direct to Imtech. 'We now have a one-stop shop,' says Geelen. The advantages of this include the fact that – owing to expansion of its logistical services – TKF can supply our most popular products within 24 hours, cut to size and labelled. And there is also more openness in the relationship. 'We were not just interested in the price. We also wanted more transparency: to understand how price fluctuations arise and how, for example, they correspond to developments in the raw materials market. TKF knows more about that than we do and we have agreed that Imtech will have access to this knowledge.'

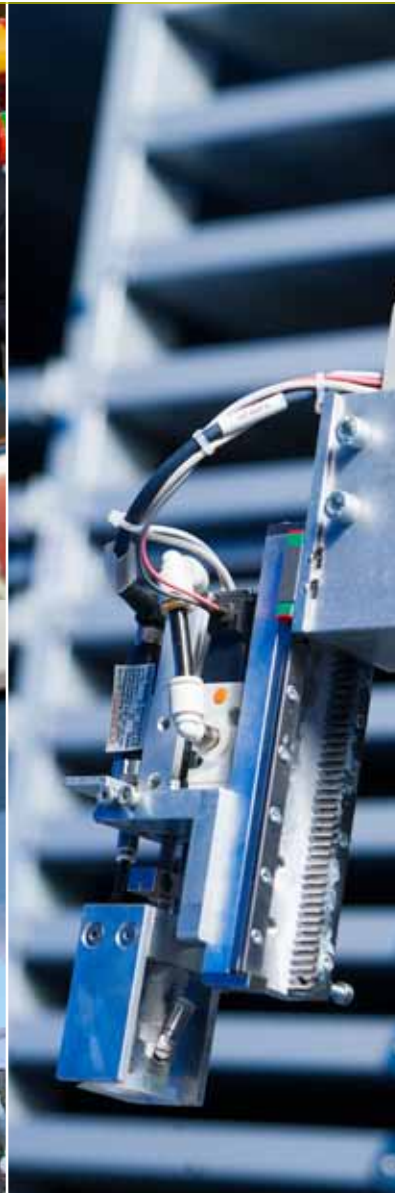
A SHARED PLATFORM

Both organisations now have a deeper view of each other. 'That implies a certain reciprocity and therefore a certain dependence,' says Krak. 'It also means sharing good times and bad times, based on the idea that you both have to earn a good living.' Krak knows that in a relationship built on trust, you are more ready to make an effort for each other. 'You're more inclined to invest in a relationship if you know that it's going to last a long time – more so than if, every year, you have to see whether you're still doing business with each other.' 'For us, a one-and-one relationship like this one is pretty unique,' says Geelen.

'We haven't sworn eternal allegiance to each other but we have expressed the intention of going further together.' The two gentlemen also see future possibilities in other areas. Next year will see an examination of the cable needs of foreign Imtech divisions. And most probably there will be other TKH clusters for which such a joint venture will be interesting. Geelen thinks that the nicest thing about such a relationship is that together you create a platform for new developments, such as sustainability for example. "Green" is one of the priority areas in all Imtech divisions. And, of course, "green" cable is part of that. We are now so close to TKH that, as the launching customer, we're more likely to be asked to contribute to developing innovations. We're going to look at what we may achieve in this together. That would never have happened in the traditional customer-supplier relationship.'

Cables
TKF





FINANCIAL STATEMENTS 2011

CONSOLIDATED BALANCE SHEET

At 31 December before profit appropriation

in thousands of euros	Note	2011	2010
Assets			
Non-current assets			
Intangible non-current assets	4	204,228	167,770
Tangible non-current assets	5	167,665	153,737
Investment property	6	3,370	3,363
Financial non-current assets	7	12,637	11,346
Deferred tax assets	16	10,157	7,782
Total non-current assets		398,057	343,998
Current assets			
Inventories	8	164,803	137,336
Receivables	9	186,842	165,260
Cash and cash equivalents	11	28,597	23,027
Total current assets		380,242	325,623
Assets held for sale	12	7,165	7,165
Total assets		785,464	676,786

Equity and liabilities			
Group Equity			
Shareholders' equity	13	356,226	317,465
Minority interest		1,645	1,565
Total group equity		357,871	319,030
Non-current liabilities			
Non-current liabilities	18	123,502	55,000
Deferred tax liabilities	16	39,195	30,337
Provision for pensions	17	12,412	12,016
Other provisions	15	19,476	8,511
Total non-current liabilities		194,585	105,864
Current liabilities			
Borrowings	19	4,103	31,943
Trade payables and other payables	20	223,523	211,554
Current income tax liabilities		1,840	5,523
Provisions	15	3,542	2,872
Total current liabilities		233,008	251,892
Total equity and liabilities		785,464	676,786

CONSOLIDATED PROFIT AND LOSS ACCOUNT

in thousands of euros	Note	2011	2010
Net turnover ¹		1,060,179	884,727
Other operating income		902	8,793
Total turnover	23	1,061,081	893,520
Cost of raw materials, consumables, trade products and subcontracted work		648,597	544,970
Personnel expenses	25	209,790	174,216
Depreciation	27	15,276	13,605
Amortisation	28	13,055	11,375
Impairment	29	0	335
Other operating expenses	30	97,311	87,342
Total operating expenses		984,029	831,843
Operating result		77,052	61,677
Financial income and expenses	31	-7,490	-7,140
Share in result of associates		82	-105
Result before tax		69,644	54,432
Tax on profit	32	15,563	13,556
Net result		54,081	40,876
Attributable to:			
Shareholders of the company		53,481	40,205
Minority interest		600	671
Earnings per share	33	54,081	40,876
Weighted average number of shares (x 1,000)		37,146	36,662
Weighted average number of shares for the purpose of diluted earnings per share (x 1,000)		37,293	36,704
Ordinary earnings per share before amortisation (in €) ²		1.57	1.21
Ordinary earnings per share (in €)		1.44	1.10
Diluted earnings per share (in €)		1.43	1.10

¹ Inclusive changes in inventory of finished goods, work in progress and construction contracts of € 85.6 million (2010: € 53.2 million).
² Non-IFRS disclosure.

COMPREHENSIVE INCOME

in thousands of euros	2011	2010
Result over the period	54,081	40,876
Currency translation differences	-251	2,819
Effective portion of changes in fair value of cash flow hedges (after tax)	-1,063	797
Revaluation of property	2,479	1,000
Revaluation of available-for-sale financial assets	-1,352	1,861
Change in tax rates	0	103
Net income/(expenses) recognised directly in equity	-187	6,580
Total result for the period	53,894	47,456
Attributable to:		
Shareholders of the company	53,294	46,785
Minority interest	600	671
Total result over the period	53,894	47,456

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

in thousands of euros	Share capital	Share premium	Legal reserve	Revaluation reserve	Investments revaluation reserve	Translation reserve	Cash-flow hedge reserve	Other reserves	Unappropriated profit	Total	Minority interest	Total equity
Balance at 1 January 2010	9,256	12,444	13,668	23,770	0	3,640	-6,826	221,932	2,652	280,536	1,324	281,860
Profit for the year									40,205	40,205	671	40,876
Reclassification of put options held by minority shareholders			56					-56		0		0
Change in cash flow hedges							797			797		797
Revaluation of property				1,000						1,000		1,000
Release realised revaluation				398				-398		0		0
Change in tax rates				103						103		103
Revaluation of available-for-sale financial assets					1,861					1,861		1,861
Exchange differences						2,809				2,809	10	2,819
Total result	0	0	56	1,501	1,861	2,809	797	-454	40,205	46,775	681	47,456
Appropriation profit last year								2,652	-2,652	0		0
Dividends	139	-139						-9,598		-9,598		-9,598
Dividends to minority shareholders								-566		-566	-412	-978
Acquisition of minority interests										0	-28	-28
Share and option schemes (IFRS 2)								821		821		821
Purchased shares for share and option schemes								-2,010		-2,010		-2,010
Sold shares for share and option schemes								1,507		1,507		1,507
Capitalised development costs			-2,108					2,108		0		0
Balance at 31 December 2010	9,395	12,305	11,616	25,271	1,861	6,449	-6,029	216,392	40,205	317,465	1,565	319,030
Profit for the year									53,481	53,481	600	54,081
Change in cash flow hedges							-1,063			-1,063		-1,063
Revaluation of property				2,479						2,479		2,479
Release realised revaluation				661				-661		0		0
Revaluation of available-for-sale financial assets					-1,352					-1,352		-1,352
Exchange differences						-268				-268	17	-251
Total result	0	0	0	3,140	-1,352	-268	-1,063	-661	53,481	53,277	617	53,894
Appropriation profit last year								40,205	-40,205	0		0
Dividends	93	-93						-14,188		-14,188		-14,188
Dividends to minority shareholders								-309		-309	-379	-688
Acquisition of minority interests										0	-158	-158
Share and option schemes (IFRS 2)								1,597		1,597		1,597
Purchased shares for share and option schemes								-5,221		-5,221		-5,221
Sold shares for share and option schemes								3,605		3,605		3,605
Capitalised development costs			5,093					-5,093		0		0
Balance at 31 December 2011	9,488	12,212	16,709	28,411	509	6,181	-7,092	236,327	53,481	356,226	1,645	357,871

CONSOLIDATED CASH FLOW STATEMENT

in thousands of euros	Note	2011	2010
Cash flow from operating activities			
Operating result		77,052	61,677
Depreciation, amortisation and impairment		28,623	26,279
Share and option schemes not resulting in a cash flow		1,597	821
(Gain)/loss on sale or disposal of tangible assets		-292	-964
Changes in provisions		-2,449	-6,138
Changes in working capital		-31,622	-7,012
Cash flow from operations		72,909	74,663
Interest paid		-7,928	-7,157
Income taxes paid		-17,546	-12,306
Net cash flow from operating activities	(A)	47,435	55,200
Cash flow from investing activities			
Dividends received from non-consolidated associates		456	70
Purchases of tangible non-current assets		-24,271	-20,977
Disposals of tangible non-current assets		2,408	2,917
Disposals less purchases of investment property		0	-12
Disposals of assets held for sale		0	2,649
Acquisition of subsidiaries	35	-31,295	-12,192
Acquisition of associates		-3,176	-1,183
Investments in intangible non-current assets		-7,671	-3,813
Acquisition of other financial non-current assets		0	-6,262
Net cash flow from investing activities	(B)	-63,549	-38,803
Cash flow from financing activities			
Dividends paid		-14,876	-10,576
Purchased shares for share and option schemes		-5,221	-2,010
Sold shares for share and option schemes		3,605	1,507
Proceeds from long-term debts		123,502	0
Repayments of long-term debts		-55,000	-17,000
Change in borrowings		-27,840	-9,001
Net cash flow from financing activities	(C)	24,170	-37,080
Net increase/(decrease) in cash and cash equivalents	(A+B+C)	8,056	-20,683
Exchange differences		-2,486	156
Change in cash and cash equivalents		5,570	-20,527
Cash and cash equivalents at 1 January		23,027	43,554
Cash and cash equivalents at 31 December		28,597	23,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

General

The consolidated financial statements of TKH Group N.V. (hereafter "TKH") have been drawn up in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Commission and applicable as at 31 December 2011. The company financial statements are part of the consolidated financial statements of TKH. For the company profit and loss account of TKH, use is made of the exemption pursuant to Article 2:402 Book 2 of the Netherlands Civil Code. The financial statements have been prepared based on the historical cost basis, except for the valuation at fair value of property, available-for-sale financial assets, derivative financial instruments and share-based payments. All transactions in financial instruments are recognised at transaction date.

Consolidation

The consolidated financial statements include the annual accounts of all subsidiaries over which TKH has control. TKH has control if it can determine the financial and operating policies of an entity so as to obtain benefits from its activities. A list of consolidated entities is included on page 126 and 127. The results of group companies that are acquired are recognised in the year of acquisition from the effective date that control is acquired. All intra-group transactions and balances are eliminated in the consolidation.

Segmentation

The information is segmented into the operating segments Telecom, Building and Industrial Solutions of which discrete financial information is available that is evaluated regularly by the highest operational decision-makers. The Board decides on the allocation of resources and reviews the performance of the Solutions. These benefits are reviewed and reported to the level of operating profit. The solutions are based on the product/market combinations in which TKH companies operate. The accounting principles that are applied to these consolidated financial statements also apply to the business segments. The transaction prices for deliveries between segments are determined on a commercial basis. The results, assets and liabilities of a segment include both items directly linked to that segment as items that can reasonably and consistently be allocated to that segment. Besides the information about the operating segments, selective information by geographic region is disclosed.

Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the entities of the group, at the prevailing exchange rate at transaction date. In foreign currency denominated monetary assets and liabilities at the balance sheet date are translated at the exchange rate prevailing at that date. The as a result of the conversion occurring

exchange differences on monetary items, are recorded in the profit and loss account. Non monetary assets and liabilities in foreign currencies, which are recorded at fair value, are translated at exchange rates prevailing at the date that the fair values were determined.

Assets and liabilities of foreign subsidiaries are translated at the exchange rates prevailing on balance sheet date. The profit and loss accounts of foreign subsidiaries are translated using the weighted average monthly exchange rates over the year under review. Exchange differences arising from the translation are credited or charged to the translation reserve (equity). These exchange differences are recognised in the profit and loss account as income or expense in the period that the activities are disposed of.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisitiondate fair values of the assets transferred, liabilities incurred and the equity interests TKH issued in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If the amount is negative, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Minority interests are reported separately from the group result and group equity. When a minority shareholder has a right to sell its shares to TKH according to a contractual agreed formula ("put option"), a liability is recognised for the shares to be

purchased. The liability is recognised at the expected present value of the future cash outflow. The consolidation is prepared on the basis of the economic ownership that TKH has acquired. A legal reserve is accounted for the interest in the equity of the subsidiary of which the economic ownership has been obtained, but not yet the legal ownership. Adjustments after balance sheet date on the value of the liability for put options and earn-out payments are recognised directly into the profit and loss account.

Business combinations that took place prior to 1 January 2010 are accounted for in accordance with the previous version of IFRS 3. This means that adjustments in the value in the liability for put options and earn-out are recognised directly into goodwill. For acquisitions after 1 January 2010, changes in the provisions for earn-out and put-options are directly recognised in the profit- and loss account. Advisory cost related to acquisitions are directly recognised as costs.

Intangible non-current assets

Goodwill

Goodwill, as the difference between the purchase price and the company's interest in the net asset value (on the basis of the total of the fair value of assets acquired and liabilities assumed) of acquired participations, is capitalised. Goodwill is allocated to cash-generating units. Goodwill is not amortised. Instead, it is tested at least annually for impairment. Any impairment loss is recognised in the profit and loss account as soon as it occurs and is not reversed in subsequent periods.

On sale of a subsidiary, the goodwill is included in the determination of the profit or loss on a disposal.

Other intangible non-current assets

Expenditure for research is charged to the profit and loss when incurred. Expenditure for development is capitalised if the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development costs can be measured reliably.

Development costs are not capitalised if they are directly reimbursed by third parties.

Other intangible non-current assets are valued at historical cost less amortisation. The amortisation is on a straight-line basis over their expected useful life. The expected useful life is as follows:

- Capitalised development costs: 3-5 years;
- Patents, licenses and trademarks: 3-10 years;
- Acquired customer relationships: 7-17 years;
- Acquired brand names: 10-15 years.
- Acquired intellectual property: 5-10 years

Tangible non-current assets

Lease

A lease is classified as a financial lease if the terms of the lease transfer practically all the risks and rewards of ownership of an asset. All other lease agreements are classified as operating leases. Assets acquired as financial lease are valued at the lower of the fair value and the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Payments made under an operating lease are recognised in the profit and loss account in the period to which they relate. Benefits arising from entering into an operating lease are spread over the term of the lease.

Property, plant and equipment

Land and buildings used for business operations are stated at fair value. The fair value is based on the replacement value less depreciation or lower market value. The replacement value and the market value are derived from the most recent valuation reports. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

The remaining useful life is determined in the valuation. The revaluation is depreciated over the remaining useful life.

Any revaluation increase or decrease of land and buildings is recognised in the revaluation reserve, subject to a provision for deferred tax liabilities, except where the revaluation reserve for a specific asset is negative, in which case the balance is reported as an impairment loss. A revaluation which eliminates the impairment loss is recognised directly in the profit and loss account. The depreciation on buildings that has been revalued is calculated by the straight-line method and recognised in the profit and loss account.

Other plant and equipment includes machinery, furniture, transport equipment and cars and operating assets in progress. These assets are stated at cost less accumulated depreciation and any impairment losses. The other plant and equipment are written off from the moment they are ready for their intended use.

The expected useful life of tangible non-current assets is:

- Land: infinite;
- Buildings: 30-33 years;
- Machinery and installations: 5-15 years;
- Other equipment: 3-10 years.

Depending on the type of asset, a remaining value between 0-10% is accounted for.

Investment property

The investment property are business premises and houses not used for own business operations. These assets are stated at fair value. Gains and losses due to changes in the fair value are recognised directly in the profit and loss account in the period that the change in value occurs.

Financial non-current assets

Associates

The associates in which TKH has significant influence in the financial and operating policy decisions, but no control, are valued according to the equity method. Under the equity method, the share in the profit or loss of the associate is recognised in the profit and loss account. The share in the associate is determined based on TKH's share in the net assets of the associate, including the paid goodwill at acquisition and less any impairment loss. Dividend from associates is recognised when the shareholders' right to receive payments have been established.

Available-for-sale financial assets

Listed shares that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value. Fair value is based on the stock price at balance sheet date. Gains and losses due to changes in the fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve for available-for-sale financial assets. Where the investment is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends are recognised in profit or loss when the shareholder's right to receive the dividends is established.

Impairment

At least every year the company reviews its tangible and intangible assets to determine whether there are indications that those assets have suffered an impairment loss. If there is any such indication the recoverable value of the asset is estimated to determine the extent of the impairment loss. If the asset does not generate cash itself, the company determines the recoverable value of the smallest cash-generating unit to which the asset belongs. The recoverable amount is the fair value less cost to sell or the value in use, whichever is higher. The value in use is based on the estimated discounted value of future cash flows using a discount rate based on current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the asset is recognised at the recoverable amount. An impairment loss is recognised immediately in the profit and loss account, unless the asset concerned is carried at a revalued amount, in which case the impairment loss is first deducted from the revaluation reserve. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, with the exception of goodwill, but never higher than the carrying amount that would have been determined when no impairment loss has been recognised. The increase is recognised immediately in the profit and loss account. If this increase relates to a revalued asset where the write down is not recorded in the profit and loss account, then the increase is recorded directly in the revaluation reserve.

Inventories

Inventories are stated at the lower of cost and net realisable value. The net realisable value is the estimated sales price in normal course of business less estimated cost of completion and selling expenses. The cost of raw materials and consumables is based on the average purchase price and cost incurred in bringing the inventories to their present location and condition. The cost of semi-manufactured and finished product comprises the direct materials and direct labour costs as well as a surcharge for the indirect production costs.

Construction contracts

If the outcome of a construction contract for third parties can be reliably determined, then the revenue and costs are reported in proportion to completion at the balance sheet date. The stage of completion is calculated on the basis of the related costs incurred for services provided in comparison to the total expected project costs, unless this is not representative for the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they can be determined reliably and settlement is likely. If the outcome of a construction contract can not be measured reliably, revenue is accounted for the costs incurred if it is probable that the benefits will be realised. Contract costs are recognised as expenses in the period that they occur. If the expected project costs exceed the project revenue, then the expected loss is provided directly and deducted from the construction contracts. Construction contracts, consisting of the balance of costs incurred, profits and losses taken less amounts invoiced, are stated as a receivable when the balance is positive. If the balance of costs incurred, profits and losses taken less invoiced amounts on a project is negative, it is stated as a liability for that particular project.

Receivables

Receivables are recognised at face value less provisions for bad debts. This valuation approaches the fair value of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term deposits.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale. Assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Assets held for sale are not depreciated.

Revaluation reserve

The realised part of the depreciation on tangible non-current assets is released in favour of the other reserves. When a

revalued asset is sold, the revaluation reserve is transferred to the other reserves

Provisions

General

Provisions are recognised for obligations resulting from past events, for which it is probable that they will require a settlement and whose size can be reasonably and reliably estimated. Provisions are measured at management's best estimate. Long-term provisions are discounted to present value, with the exception of the provision for deferred tax.

Pensions

Premiums for defined contribution plans are recognised as liabilities in the period to which they relate. For defined benefit pension plans, the net liability is calculated per scheme by estimating the retirement benefit obligation that employees are entitled to in exchange for the their services rendered during the financial year and previous years. The retirement benefit obligations are discounted and the fair value of the plan assets are deducted from the obligation. The retirement benefit obligations and the costs of the defined benefit plans are calculated according to the "Projected Unit Credit Method", with actuarial calculations being made at balance sheet date. Actuarial gains and losses are not included, unless the net accrued not-recognised actuarial gains and losses at the end of the preceding reporting year were greater than the highest of:

- 10% of the present value of the gross liabilities arising from the defined benefit plan; and
- 10% of the fair value of the plan assets on that date.

The portion that exceeds the limit is recognised in the profit and loss account prorated over the expected average remaining working lives of the participants.

When defined benefit plans are improved, the part related to past services is amortised on a straight-line basis over the average period until the benefits become vested.

Jubilee bonuses

The net liability for jubilee bonuses is the amount of future benefits that relate to services from employees during the financial year or previous periods. The liability is calculated according to the "Projected Unit Credit Method" and is discounted to its present value. The discount rate is equal to the defined benefit scheme.

Deferred tax

Deferred tax relates to temporary differences between the value in the financial statements and the value for tax purposes. No deferred tax is recognised for non deductible goodwill and associates included in the participation exemption. Deferred tax assets are only recognised to the extent that it is probable that they can be realised. Deferred tax is calculated at the tax rates that are expected to apply when they are settled.

Changes in deferred tax are recognised immediately in the profit and loss account, with the exception of changes in the tax rates of deferred tax on revaluations, the effects of which are recognised directly in equity.

Interest bearing liabilities

Interest bearing liabilities are initially measured at fair value, after deducting related transaction costs, and subsequently measured at amortised costs, using the effective interest rate method.

Other liabilities and accruals

These are valued at face value, which approaches the fair value of other liabilities.

Derivative financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when TKH concludes a contract for such an instrument.

Derivative financial instruments are stated at fair value on the contract date and are then reported at the prevailing fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. The ineffective portion is recognised immediately in the profit and loss account. If the cash flow from an existing commitment or an expected future transaction results in the recognition of an asset or liability, at the time the asset or liability is recognised the associated gains or losses on the hedging instrument that had previously been recognised in equity are included in the valuation of the asset or the liability. For hedges that do not result in the recognition of an asset or a liability, the gains or losses recognised in equity are recognised in the profit and loss account in the same period as the underlying hedged transaction is recognised in the profit and loss account. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account. Hedge accounting is discontinued when the hedge instrument expires, is sold, exercised or no longer qualifies for hedging. The cumulative gains or losses on that hedging instrument recognised up to that time in equity are recognised in the profit and loss account when the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are transferred to the profit and loss account.

Turnover

The turnover of TKH consist of goods, services and projects within Telecom, Building and Industrial Solutions that can be offered to customers as a separate product/service or as total solution. Total turnover comprises the net turnover, the change in inventories of finished product and work in progress as well as other operating income. Net turnover comprises the

amounts in the reporting year from the supply of goods and services to third parties less discounts and taxation levied on the turnover. The change in inventories of finished product and construction contracts concerns the production companies and projects within TKH.

The supply of goods is recognised as turnover if the following conditions are met:

- The significant risks and rewards of ownership of the goods are transferred to the buyer;
- TKH does not retain involvement and effective control over the sold goods usually associated with ownership;
- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to TKH;
- The costs incurred or to be incurred related to the transaction can be reliably measured;

Turnover on work in progress is recognised in accordance with the accounting principles described under “construction contracts” (see before). Services primarily relate to project management, installation, service and maintenance. If the result of a transaction in which services are performed can be estimated reliably, then the revenue relating to those transactions are included for the stage of completion at the balance sheet date. The result of a transaction can be estimated reliably when all the following conditions are met:

- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to TKH;
- The extent to which the services have been performed at the reporting date can be reliably determined;
- The costs incurred or to be incurred related to the transaction can be reliably measured.

The profit recognition based on stage of completion is determined as follows:

- Installations include relatively low fees with a quick turn-around and are therefore recognised after completion;
- Service and maintenance fees are recognised for the stage of completion.

Operating expenses

General

The cost of production and other expenses directly related to ordinary operational activities which underlie the operating income are stated as operating expenses.

Government subsidies

Government subsidies are recognised in the profit and loss account in the same period as the expenses to which they relate. The subsidy is deducted from the related costs. Subsidies relating to non-current assets are stated as amounts received in advance and credited to the profit and loss account over the expected useful life of the asset concerned.

Share-based payments

The share-based payments are settled in equity instruments. They are valued at fair value at the date they were granted. The fair value is determined using an option pricing model that takes into account market-related vesting conditions attached to the granting of the options. The fair value is written off against the profit and loss account over the period between the granting of the options and the time that the share options vest, adjusted for the expected number of share options to be exercised.

Financial income and expenses

Financial income and expenses comprise the interest received from or paid to third parties relating to the year under review. Interest is recognised according to the effective interest method. The interest income and the interest expenses on bank accounts that belong to one and the same interest combination are set off. The interest balance of the interest combination is stated under interest income or interest charges.

Translation differences on sale and purchase transactions are classified under financial income and expenses. Financial expenses related to the construction of tangible non-current assets have not been recognised as part of the asset.

Tax

Tax is calculated on the result before tax, taking into account the prevailing tax rates and tax legislation in the different countries. Tax is accounted for in the profit and loss account, unless it relates to items directly recognised in equity, in which case taxes are also accounted for in equity. In addition to the tax directly payable or receivable for the reporting year, the item also includes the changes in the deferred tax assets and liabilities and adjustments to tax assessments from previous years.

Minority interest

This item comprises the share of third parties in the results and equity of subsidiaries according to TKH’s accounting principles.

Cash flow statement

The cash flow statement has been drawn up using the indirect method. With this method, the net result is adjusted for items in the profit and loss account that have no impact on income and expenses in the year under review and changes in items in the balance sheet and profit and loss account whose income and expenses are not considered to belong to the operational activities.

The cash position in the cash flow statement comprises cash and cash equivalents. The purchase price of acquisitions is included under the cash flow from investing activities. Transactions which do not involve a cash exchange are not included in the cash flow statement.

2 EFFECT OF NEW ACCOUNTING STANDARDS

The following amendments and interpretations are effective as of 1 January 2011:

- Improvements in IFRS (Issued by the IASB in May 2010)
- Amendment on IAS 12 Deferred tax: Recovery of Underlying Assets.
- Amendment on IAS 24 Related Party Disclosure.
- Amendment on IFRIC 14: Prepayment of a Minimum Funding Requirement.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The adoption of these new standards, amendments to standards and new IFRIC interpretations do not have a material impact on TKH's financial statements.

TKH did not opt for early adoption of the following new standards, amendments to standards, and new IFRIC interpretations, which are mandatory for annual periods beginning on or after 1 January 2012 or later years:

- IFRS 9 Financial Instruments and subsequent amendments (amendments to IFRS 9 and IFRS 7)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements

- IFRS 12 Disclosures of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Amendment on IAS 12 Deferred tax: Recovery of Underlying Assets
- Amendment on IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- Amendment on IAS 1: Presentation of Items of Other Comprehensive Income
- Amendment on IAS 19 Employee Benefits
- Amendment on IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Amendment on IAS 32: Offsetting Financial Assets and Financial Liabilities
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine

TKH expects that the adoption of these new standards, amendments to standards and new IFRIC interpretations in future periods will have no material impact on TKH's financial statements, based on its current activities.

3 ESTIMATES AND JUDGEMENTS

In preparing the consolidated financial statements management has made estimates and judgements. These estimates and judgements affect the reported amounts of assets and liabilities, revenues and expenses and disclosed contingent assets and liabilities at the date of the financial statements. The actual outcome can vary from these estimates and judgements. All assumptions, expectations and forecasts used as a basis for estimations in the consolidated financial statements are as good as possible a reflection of the forecast of TKH. Management is of the opinion that for the assumptions, expectations and forecasts a reasonable basis exists. Estimates are related to known and unknown risks, uncertainties and other factors that can be impacted such that future results and performances significantly vary from those forecasted. Important estimates are:

Price-, credit-, interest- and currency risks

Note 21 contains information about these risks.

Goodwill

Note 1 and 4 include information about the valuation of goodwill and the impairment test on goodwill.

Intangible non-current asset related to acquisitions

In the financial statements has been reported an material amount for intangible non-current assets obtained in an

acquisition. The first recognition of these assets at fair value has been determined on the basis of valuation models. The outcomes are mainly dependent on the applied assumptions (percentage of growth, royalty fees, useful lives) and future expectations.

Tangible non-current assets, investment property and assets held for sale

TKH possesses property for own use and available for sale. The property is recorded at fair value based on taxations of independent valuers.

Pensions

Note 1 and 17 include assumptions used for the calculation of the pension expenses and the provision for pensions. Changes in the assumptions, like the discount rate and expected return on plan assets, can have a substantial influence on these balances. An increase in the discount rate with 1% would result in a decrease of the defined benefit obligation of about 18%.

Other provisions

Provisions are recognised in the financial statements for guarantee liabilities, claims, earn-out contracts, granted put options to minority shareholders, assets of subsidiaries and associates, jubilee bonuses, impairment and onerous purchase contracts. These provisions are based on estimates and available information.

4 INTANGIBLE NON-CURRENT ASSETS

in thousands of euros	Goodwill		Development costs		Brandnames, customer relations and intellectual property		Patents, licenses and trademarks		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Balance at 1 January	125,627	122,113	9,881	11,990	27,285	30,546	4,977	2,624	167,770	167,273
Additions and capitalisation			3,794	1,781			3,877	2,032	7,671	3,813
Reclassification of software from tangible non-current assets								1,876	0	1,876
Acquisitions	18,338	1,825	4,465	250	18,489	2,754	183		41,475	4,829
Amortisation			-3,819	-3,805	-7,098	-6,015	-2,138	-1,555	-13,055	-11,375
Impairment losses				-335					0	-335
Adjustment for earn-out liabilities	-11	500							-11	500
Adjustment for put options held by minority shareholders	378	1,181							378	1,181
Exchange differences		8							0	8
Balance at 31 December	144,332	125,627	14,321	9,881	38,676	27,285	6,899	4,977	204,228	167,770
Accumulated amortisation and impairment losses	2,891	2,891	12,964	9,145	25,171	18,073	5,837	3,699	46,863	33,808
Historical cost	147,223	128,518	27,285	19,026	63,847	45,358	12,736	8,676	251,091	201,578

The additions for brand names, customer relations and intellectual property concern the fair value which is allocated to these intangible non-current assets of acquired companies.

Goodwill has been allocated to cash-generating units being operational entities. On business-segment level, goodwill is allocated as follows:

in thousands of euros	2011	2010
Telecom Solutions	32,150	32,120
Building Solutions	82,956	64,660
Industrial Solutions	29,226	28,847
	144,332	125,627

The realisable value of the cash generating units in which goodwill has been reported, is the higher of the fair value less cost to sell or the value in use. The value in use is based on the estimated discounted value of future cash flows. These forecasts are derived from the internal business plans, which are drawn up annually and have a horizon of 3 up to 5 years. These business plans contain financial budgets and have been prepared by

local management and approved by the Executive Board. Cash flows after the financial budget period have been extrapolated, taken into account a growth of 3%. A discount rate before taxes has been used varying from 11.3% to 13.4%. The discount rate is based on the WACC of TKH complemented with a risk premium valid for the cash generating unit.

5 TANGIBLE NON-CURRENT ASSETS

in thousands of euros	Land and buildings	Machinery and installations	Other equipment	Operating assets in progress	Total
Balance at 1 January 2010					
Actual book value	89,831	34,214	22,323	1,561	147,929
Changes in 2010					
Purchases	6,860	6,221	6,860	1,036	20,977
Acquisitions		84	181		265
Disposals	-1,190	-1,093	-634		-2,917
Revaluations	1,349				1,349
Depreciation	-3,458	-4,339	-6,740		-14,537
Exchange differences	1,444	871	183	49	2,547
Reclassifications to assets held for sale			-1,876		-1,876
Other reclassifications	47	26	-73		0
Total changes	5,052	1,770	-2,099	1,085	5,808
Balance at 31 December 2010					
Historical cost	130,558	175,601	105,503	2,629	414,291
Accumulated depreciation on historical cost	-69,766	-139,617	-85,279	17	-294,645
Book value based on historic cost	60,792	35,984	20,224	2,646	119,646
Total unrealised revaluation	34,091				34,091
Actual book value	94,883	35,984	20,224	2,646	153,737
Changes in 2011					
Purchases	5,064	6,741	9,016	3,582	24,403
Acquisitions	37	229	737		1,003
Disposals	-179	-1,474	-463		-2,116
Revaluations	3,539				3,539
Depreciation	-3,540	-4,842	-7,153		-15,535
Exchange differences	942	1,570	100	22	2,634
Total changes	5,863	2,224	2,237	3,604	13,928
Balance at 31 December 2011					
Historical cost	135,622	182,342	114,519	6,211	438,694
Accumulated depreciation on historic cost	-72,506	-144,134	-92,058	39	-308,659
Book value based on historic cost	63,116	38,208	22,461	6,250	130,035
Total unrealised revaluation	37,630				37,630
Actual book value	100,746	38,208	22,461	6,250	167,665

Building and land are valued once every 3-5 years by independent valuers. The valuation was conducted in accordance with internationally accepted methods of valuation. The fair values have been determined based on the following methods:

- **Comparative method:**

This method compares the object with similar sales and/or rental transactions if sufficient transaction data is known. The method is based on the assessment of the market, the location and the property itself

- **Imputed rent capitalisation method:**

This method determines the unofficial sales value using the gross market rental value of rentable floor area of

buildings and/or land, less property related business expenses and relates this to an under current market conditions deemed realistic net return. This return is based on the assessment of the market, the location and the property itself. For the property the yield ranges between 8% to 10% and the rental value factor is between 9 and 12.

- **Replacement method:**

In determining the replacement value, is taken into account the nature and purpose of buildings and/or land, the encountered technical and functional obsolescence and the impact of changes.

When possible, the value is based on the average of the three valuation methods above. The comparative method is in practice for factory buildings, depending on the location, less applicable.

In the tangible non-current assets is included financial lease for a bookvalue of € 2.1 million. The accompanying financial debt included in borrowings, amounts to € 1.6 million. Buildings and land with a book value of € 0.3 million have been pledged to secure bank facilities.

6 INVESTMENT PROPERTY

in thousands of euros	2011	2010
Balance at 1 January	3,363	3,334
Purchases		12
Change in fair value	-33	-32
Exchange differences	40	49
Balance at 31 December	3,370	3,363

The method of valuation is comparable to land and buildings under tangible non-current assets, but only the comparative method and/or imputed rent capitalisation method are applied.

7 FINANCIAL NON-CURRENT ASSETS

in thousands of euros	Other associates		Available-for-sale financial assets		Total	
	2011	2010	2011	2010	2011	2010
Balance at 1 January	3,223	2,112	8,123		11,346	2,112
Acquisition of an interest	3,018	1,119		6,262	3,018	7,381
Share in result of associates, excluding dividend received from available-for-sale financial assets	-249	-105			-249	-105
Revaluation of available-for-sale financial assets			-1,353	1,861	-1,353	1,861
Dividend received	-125	-70			-125	-70
Acquisition of a controlling interest		36			0	36
Other changes		131			0	131
Balance at 31 December	5,867	3,223	6,770	8,123	12,637	11,346

The group owns the following relevant other associates:

Name of associate	Place	Country	Ownership and control		Activity
			2011	2010	
Scanton Parking+ B.V.	Houten	The Netherlands	49.0%	49.0%	Building Solutions
Speed Elektronik Vertrieb GmbH	Schwelm	Germany	25.0%	25.0%	Telecom Solutions
INC Ltd.	Taipei	Taiwan	33.3%	33.3%	Telecom/Building
JenDiagnost GmbH	Kahla	Germany	25.0%	25.0%	Building Solutions
Linjator AB	Visby	Sweden	40.0%	40.0%	Telecom Solutions
NET Italia S.r.l.	Brescia	Italy	49.0%	0.0%	Building Solutions
Shin-Etsu (Jiangsu) Optical Preform Co. Ltd.	Jiangyin	PR China	12.5%	12.5%	Telecom Solutions
Star Industry	Hong Kong	PR China	40.0%	40.0%	Building Solutions

The overview below shows the summarised financial information on the basis of the most recent available information.

in thousands of euros	Assets	Liabilities	Turnover	Net result
Summarised financial information of the material associates	14,791	6,736	19,340	-642

8 INVENTORIES

in thousands of euros	2011	2010
Raw materials	34,395	26,724
Work-in-progress	18,220	17,959
Finished goods	112,188	92,653
	164,803	137,336

A part of inventories is valued at lower net realisable value. The book value of these written-down inventories is € 10 million. The total write-down on inventories, based on aging analyses,

in 2011 recognised in the Profit and Loss account is € 2 million (2010: € 1.8 million).

9 RECEIVABLES

in thousands of euros		2011	2010
Trade accounts receivable		127,937	117,334
Allowance for doubtful debts		-4,614	-4,157
		123,323	113,177
Construction contracts for third parties	10	46,258	38,509
Derivative financial instruments	21	428	589
Other receivables and prepayments		16,833	12,985
		186,842	165,260
The aging analyses of trade accounts receivable of which the payment term has expired, but which have not been impaired, is as follows:			
60 - 90 days		2,611	2,735
90 - 180 days		4,584	4,449
180 - 365 days		3,199	3,542
Older than 365 days		609	1,223
		11,003	11,949

The movement of the allowance for doubtful debts is as follows:

in thousands of euros	2011	2010
Balance at 1 January	4,157	4,547
Additions	1,848	888
Releases	-1,153	-1,016
Acquisitions	38	35
Withdrawal	-294	-337
Exchange differences	18	40
Balance at 31 December	4,614	4,157

in thousands of euros	2011	2010
The aging analyses of the allowance for doubtful debts, is as follows:		
60 - 90 days	963	12
90 - 180 days	643	2,096
180 - 365 days	328	345
Older than 365 days	2,680	1,704
	4,614	4,157

10 CONSTRUCTION CONTRACTS FOR THIRD PARTIES

in thousands of euros		2011	2010
Amounts due from contract customers, stated under receivables	9	46,258	38,509
Amounts owed to contract customers, stated under current liabilities	20	-35,347	-30,669
		10,911	7,840
Construction contracts incurred plus recognised profits and losses		250,730	182,350
Less: invoiced amounts		-239,819	-174,510
		10,911	7,840

The amounts are expected to be settled within 12 months. At 31 December 2011 advance payments and performance guarantees have been provided to customers for a total amount

of € 23.9 million (2010: € 25.9 million). These guarantees have been reported under contingent liabilities (ref. 22).

11 CASH AND CASH EQUIVALENTS

in thousands of euros	2011	2010
Cash and bank balances	28,597	23,027

The cash and bank balances are free on hand.

12 ASSETS HELD FOR SALE

in thousands of euros	2011	2010
Balance at 1 January	7,165	8,850
Disposals		-1,685
Balance at 31 December	7,165	7,165

The assets held for sale include business premises in the Netherlands. The properties are on sale because of relocation of

activities. It is expected that sales will be settled within one year.

13 EQUITY

The group equity is equal to the shareholders' equity. See the consolidated statement of changes in equity for a breakdown of the group equity and the disclosure notes to the company balance sheet.

14 DIVIDEND

For further details is referred to the company's financial statements.

15 PROVISIONS

in thousands of euros		2011	2010
Deferred taxes	16	39,195	30,337
Pensions	17	12,412	12,016
Other long-term provisions		19,476	8,511
Other short-term provisions		3,542	2,872
		74,625	53,736

The provisions for tax and pensions are generally long-term.

The specification and movement of the other provisions is as follows:

in thousands of euros	Warranty	Earn-out	Put options of minority shareholders	Employee liabilities	Onerous contracts	Restructuring	Other	Total
Balance at 1 January 2011	2,272	314	4,074	1,215	281	540	2,687	11,383
Additions	2,153			4		424	111	2,692
Acquisition	414		13,900					14,314
Withdrawal	-1,557	-201		-35		-543		-2,336
Releases	-445			-11	-203		-67	-726
Adjustment on paid goodwill		-11	378					367
Reclassification							-2,676	-2,676
Balance at 31 December 2011	2,837	102	18,352	1,173	78	421	55	23,018

in thousands of euros	2011	2010
Term of the other provisions shorter than 1 year	3,542	2,872
Term longer than 5 years	587	608

The long-term provisions have been discounted. The increase of the provision as a result of expiration of time and adjustment of the discount rate is minor. The short-term provisions have not been discounted since the effect is not material.

Provision for guarantees

The provision for guarantees is related to guarantees issued contractually on products and services supplied. The purpose of the provision is to cover possible costs arising if products and services supplied do not meet the agreed quality requirements under normal conditions of use. The provision is based on estimates made on the basis of historic guarantee data relating to comparable products and services. In general the accrued liabilities are expected to arise in the next one to two years.

Earn-out

For several acquisitions, contractual arrangements have been made about earn-out payments, when certain target are realised. The liability for earn out payments has been determined on the basis of expected fair value of the future cash outflows. The liability is short term.

Put options of minority shareholders

TKH has option rights on several minority shares held by local management of subsidiaries of TKH. Besides, TKH has a liability to buy these shares when local management decides to offer these shares. A provision has been recognised for this obligation based on the expected discounted value of the future cash outflows.

It concerns the following option rights and liabilities:

Name of subsidiary	Percentage	Exercisable as from
Schneider Intercom GmbH	10.0%	1 July 2009
EKB Zuid B.V.	10.0%	1 January 2011
Bekker & Business Holding B.V.	20.0%	1 January 2011
SecurityWorks B.V.	10.0%	1 January 2011
Pantaflex B.V.	8.0%	1 January 2013
USE System Engineering B.V.	25.0%	1 January 2014
Ithaca	49.0%	24.5% per 1 November 2011 and 24.5% per 1 November 2016
Mextal B.V.	10.0%	1 January 2016
Flexposure B.V.	30.0%	1 January 2019
KLS Netherlands B.V.	42.5%	27.5% as from 1 January 2015, 1.3% as from 1 January 2017, 13.5% as from 1 January 2019 and 0.7% as from 1 January 2020

The expected maturity of the above mentioned liabilities is equally to the period as from 31 December 2011 till the first possibility to exercise.

Employee liabilities

The provision for employee liabilities in relation to defined jubilee and reward arrangements is long-term.

Onerous contracts

This relate to a commodity purchasing contract and a lease contract with a lower sublet price. The provision has a maturity of till 3 years.

Restructuring liability

The restructuring provision relates to the lay-off of employees. The liability will be settled within 1 year.

Other provisions

The other provisions relate to claims, matters of dispute, guarantees which are expected to be claimed and other contractual obligations. These liabilities consist of amounts at which a conviction by an independent party will probably lead to compensation. The recognised provisions have been based on the best estimate, made on the basis of present available information and will mainly have a term no longer than 1 year.

16 DEFERRED TAX

The deferred tax assets and liabilities relate to the following items. The movements are also presented:

in thousands of euros	Revaluation of property	Intangible non-current assets	Inventories and work in progress	Difference fiscalcommercial impairment	Jubilee and pension provision	Unused tax losses	Financial instruments	Other	Total
Balance at 1 January 2010	-8,257	-11,045	-4,861	-4,647	2,619	1,708	2,334	39	-22,110
(Charge)/credit to equity	-347						-302		-649
(Charge)/credit to profit or loss	-67	1,079	-1,842	1,509	-555	669		100	893
Acquisitions		-689							-689
Balance at 31 December 2010	-8,671	-10,655	-6,703	-3,138	2,064	2,377	2,032	139	-22,555
(Charge)/credit to equity	-1,192						361		-831
(Charge)/credit to profit or loss		2,488	-932	-4,636	-50	1,452		-22	-1,700
Acquisitions		-4,735				783			-3,952
Balance at 31 December 2011	-9,863	-12,902	-7,635	-7,774	2,014	4,612	2,393	117	-29,038

Certain deferred tax assets and liabilities have been offset in accordance with the applicable principle in the IFRS.

The deferred tax assets and liabilities are recognised in the balance sheet as follows:

in thousands of euros		2011	2010
Deferred tax assets stated under non-current assets		10,157	7,782
Deferred tax liabilities stated under provisions	15	-39,195	-30,337
		-29,038	-22,555

TKH has unused tax losses, which have not been recognised as realisation is uncertain. These unused tax losses can be

compensated with future profits. Based on current tax legislation, these tax losses have the following terms:

in thousands of euros		2011	2010
Term infinite		2,219	1,818
Term longer than 10 years		212	0
Term between the 5 and 10 years		1,471	2,749
Term shorter than 5 years		2,803	2,983
		6,705	7,550

17 PENSIONS

Defined contribution plan

In the Netherlands the majority of the employees are covered by the industry pension scheme of Metalektro and Pensioenfonds Metaal & Techniek. These schemes qualify as a defined benefit plan. However, the industry pension funds were unable to supply the necessary information. Among the reasons they mentioned the fact that there is no reliable and consistent basis for allocating the liabilities, the fund's investments and the costs to the member companies and that the actuarial risks are limited. Consequently, TKH does not know what its share is in the surplus or deficit of the industry pension fund. For these reasons the schemes are treated as a defined contribution plan. In the fourth quarter report from Metalektro and Metaal &

Techniek is stated that their coverage ratio at the end of 2011 is 90% and 88.5% (including increase in life expectancy) on the basis of their accounting principles. These industry pension funds have announced that pensions will not be raised on 1 January 2012 and pension premiums will increase in 2012. If the coverage ratio will not recover sufficiently in 2012, than the pension rights could be decreased as from 1 April 2013.

The employees of the foreign subsidiaries are members of industry or state-managed pension plans. The group companies are only required to pay a certain percentage of the salary costs to the state managed pension plans.

in thousands of euros		2011	2010
For defined contribution plans a charge is included of:		5,843	5,385

Defined benefit plan

The group has defined benefit and top-up pension plans for primarily Dutch employees. The plans differ from one company to another and relate mainly to average salary schemes. The pension schemes are managed by a pension insurance company.

The actuarial calculations are made by actuaries of Tower Watson.

The following principles are adopted in the actuarial calculations:

		2011	2010
Discount rate		5.4%	5.6%
Expected return on plan assets		4.4%	4.4%
Expected rate of salary increases		3.5%	3.5%
Expected rate of increase in social insurance contributions		2.0%	2.0%
Future pension increases		1.5%	2.0%

The discount rate is based on the Rate:Link-method developed by Towers Watson. The Rate:Link-method is determined based on all available information of AA-bonds. The long-term AA-bonds have at year-end relatively high yields due to the volatility of the financial markets. Therefore, TKH has applied a

prudential reduction of 0.3% on the discount rate as determined by the Rate:Link method.

The following amounts are recognised in the balance sheet with respect to the defined benefit pension plans:

in thousands of euros	2011	2010
Present value of the defined benefit obligations	52,985	52,170
Fair value of the plan assets	-56,386	-50,611
	-3,401	1,559
Net actuarial gains not recognised in the balance sheet	15,813	10,457
Net pension obligations included under provisions	12,412	12,016

The following amounts are recognised in the profit and loss account with respect to the defined benefit plans:

in thousands of euros	2011	2010
Pension costs allocated to the year of service	1,599	1,305
Interest costs	2,875	2,625
Expected return on plan assets	-2,137	-2,046
Actuarial gains	-342	-93
Past service costs	17	17
	2,012	1,808

The change in the present value of the defined benefit obligations is as follows:

in thousands of euros	2011	2010
Balance at 1 January	52,170	51,561
Pension costs allocated to the year of service	1,599	1,305
Interest costs	2,875	2,625
Contributions by participants	552	581
Actuarial gains	-2,301	-1,911
Benefits paid	-1,910	-1,808
New / changed schemes		-183
Balance at 31 December	52,985	52,170

The change in the fair value of the plan assets is as follows:

in thousands of euros	2011	2010
Balance at 1 January	50,611	43,698
Expected return on plan assets	2,137	2,046
Actuarial gains (losses)	3,278	3,870
Contributions by employer	1,340	1,811
Contributions by participants	552	581
Entitlements paid	-1,532	-1,330
New / changed schemes		-65
Balance at 31 December	56,386	50,611

The amounts in the financial year and previous year are as follows:

in thousands of euros	2011	2010	2009	2008
Present value of the defined benefit obligation	52,985	52,170	51,561	45,460
Fair value of the plan assets	-56,386	-50,611	-43,698	-38,811
Net obligation	-3,401	1,559	7,863	6,649
Effect of experience adjustments on the defined benefit obligation	-2,194	-1,873	-3,176	4,564
Effect of experience adjustments on the plan assets	3,282	3,927	1,198	-2,001

The plan assets are managed by a pension insurance company.

The fair value of the plan assets can be specified as follows:

	2011	2010
Equities	20%	20%
Bonds	80%	80%
Other investments	0%	0%
Cash and short-term deposits	0%	0%
	100%	100%

The expected return is calculated on the basis of the weighted average of the expected returns of the individual categories of the plan assets, taking into account their shares in the investment portfolio. The actual return on the plan assets was € 5.4

million (2010: € 5.9 million).

TKH expects to pay a contribution of € 2.0 million (including employee contributions) to the defined benefit plans in 2012.

18 NON-CURRENT LIABILITIES

in thousands of euros		2011	2010
Debts to credit institutions	19	125,000	55,000
Amortised cost for the closing of the credit facility		-1,498	0
		123,502	55,000

19 DEBTS TO CREDIT INSTITUTIONS

	Terms	Interest	Amount	Amount
in thousands of euros			2011	2010
Credit facility	5,0 years	Euribor + margin	125,000	25,000
Credit facility	n.a.	Euribor + margin		30,000
Liabilities reported under non-current liabilities			125,000	55,000
Debts to credit institutions reported under current liabilities	< 1 year	Euribor + margin	4,103	31,943
Cash and cash equivalents			-28,597	-23,027
Net interest bearing liabilities			100,506	63,916

No special security was provided for the financing.

20 TRADE AND OTHER PAYABLES

in thousands of euros		2011	2010
Trade creditors		112,717	109,686
Amounts due to construction contracts	10	35,347	30,669
Deferred income		2,667	
Other taxes and social insurance contributions		10,718	10,832
Derivative financial instruments	21	10,064	8,622
Other payables and accruals		52,010	51,745
		223,523	211,554

21 FINANCIAL INSTRUMENTS

General

The main financial risks faced by TKH relate to the interest risks, currency risks and price risks. TKH's financial policy is aimed at minimizing the effects of fluctuations in currency-exchange and interest rates on its results in the short term and following market rates in the long term. TKH uses financial derivatives to manage the financial risks relating to the business operations. The company does not undertake speculative positions.

For financial risks and the control of these risks is referred to the report of the Executive Board on page 45-47.

Capital and liquidity risk

TKH uses for solvency (group equity/total assets) a target of at least 35%. At year-end this target is more than met. End 2011, TKH has concluded a new committed credit facility of € 250 million with a group of banks. This concerns a revolving and standby facility, which provides a high flexibility to draw downs and repayments. The new facility has a

term of 5 years and replaces the existing bilateral committed bank facilities of € 125 million in total, of which the largest tranche was due to mature in August 2012. Furthermore, the uncommitted facilities with the group of banks have been renewed. The uncommitted facilities amount in total € 260 million.

At 31 December 2011 TKH has unused credit facilities in total of € 340 million (2010: € 220 million). Herewith is taken into account the provided bank guarantees. The maximum credit facility per subsidiary is determined centrally.

In the credit agreements the following financial ratios have been agreed:

Net debt compared to EBITDA < 3,0

Interest coverage ratio > 4,0

TKH operates within these ratios.

The following table provides an overview of the liquidity risk in the financial obligations of TKH.

in thousands of euros	Average interest	Bookvalue	Contractual cash flows	< 3 months	> 3 months < 1 year	1-5 years	> 5 years
Financial assets		215,011	215,011	180,318	34,694		
Long-term liabilities	2.8%	-123,502	-125,000	-849	-2,547	-137,087	
Current borrowings	2.1%	-4,103	-4,125	-4,125			
Trade creditors		-112,717	-112,717	-96,712	-16,005		
Other payables exclusive derivate financial instruments		-52,010	-52,010	-52,010			
Interest rate swaps (derivates)	3.9%	-8,908	-8,794	-942	-2,452	-4,625	-775
Foreign currency forward contracts (derivates)		-728	-728	-208	-506	-14	
		-86,957	-88,363	25,472	13,184	-141,726	-775

The cash flows in this statement are not discounted. The cash flows are based on the interest rates and the exchange rates at the end of the year. The interest rate is increased compared to

previous year due to a higher credit spread and a change from 1M Euribor to 3M Euribor.

Interest risk

The interest risk policy aims at minimising the interest rate risks associated with the financing of the company and thus at the same time optimising the net interest costs. Long term

financing has been obtained with a floating rate and will eventually be fixed by means of interest rate swaps.

in thousands of euros	Average interest rate		Nominal Amount		Fair value	
	2011	2010	2011	2010	2011	2010
Maturity < 1 year						
Maturity between 1 and 2 years	4.39%		50,000		-1,367	
Maturity between 2 and 5 years	3.49%	4.09%	25,000	75,000	-2,930	-8,361
Maturity > 5 years	3.06%	3.28%	50,000	50,000	-4,611	195
			125,000	125,000	-8,908	-8,166

Cash flow hedge accounting has been applied to these interest rate swap. There was no material ineffectiveness in relation to these hedges. The following sensitivity analysis of borrowings and related interest rate swaps to interest-rate movements assumes an immediate 1% change in interest rates for all currencies and maturities from their level on 31 December 2011, with all other variables held constant. A raise of the interest rates with 1% would result in:

- An additional interest income of about € 0.2 million as a result of financing with a floating interest rate.
- An increase of the fair value of the financial instruments with about € 4.3 million as a result of the contracted interest rate swap. This raise would be recognised in the hedging reserves of the equity.

Currency risk

It is TKH policy to hedge currency risks on purchases if these risks cannot be charged to the market. The currency risk resulting from the conversion of TKH's net investment in entities in currencies other than euro, will be covered by investment in local currency financing, if possible. The remaining risk is not hedged. Sales transactions in foreign currencies are fully hedged in case of material transactions. The main currency that causes this exposure is the USD. Foreign currency forward contracts are applied to restrict the exposure of changes in the currency rates. These contracts have mainly a term to maturity of less than one year.

The carrying amounts of monetary assets and liabilities specified to currencies, are as follows:

in thousands of euros	EUR		USD		Other currencies		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Receivables	154,577	140,380	9,248	6,426	23,017	18,454	186,842	165,260
Cash and cash equivalents	17,288	10,356	2,279	4,023	9,030	8,648	28,597	23,027
Non-current liabilities	-123,502	-55,000					-123,502	-55,000
Current borrowings	-481	-14,627	-3,473	-9,293	-149	-8,023	-4,103	-31,943
Trade and other payables	-194,528	-184,429	-5,869	-4,146	-23,126	-22,979	-223,523	-211,554
	-146,646	-103,320	2,185	-2,990	8,772	-3,900	-135,689	-110,210

On balance sheet date TKH has entered into contracts for foreign currency forward contracts:

	Average interest rate		Nominal amount (x 1,000)		Fair value (in thousands of euros)	
	2011	2010	2011	2010	2011	2010
Cash flow hedges of balance sheet positions						
Buy USD with settlement within 3 months	1.34		1,495		70	
Sell USD with settlement within 3 months	1.43	1.41	1,928	1,012	-134	-41
Buy JPY with settlement within 3 months		114.15		174,000		85
Cash flow hedges						
Sell USD with settlement within 3 months	1.41	1.39	7,238	3,457	-432	-113
Sell USD with settlement within 3 months and 1 year	1.40	1.31	10,151	19,611	-576	196
Sell USD with settlement within 1 – 2 years	1.37	1.31	345	584	-14	6
Buy CNY with settlement within 3 months	8.79		33,361		288	
Buy CNY with settlement within 3 months and 1 year	8.53		13,549		70	
					-728	133

Time differences between the settlement of the forward contracts and the sale- and purchase contracts are anticipated by the use of foreign currency bank accounts or the roll over of forward contracts.

The translation risk on financial instruments, when the currency rate of the USD compared to the Euro will decrease with 10% per 31 December 2011, with all other variables held constant, would be expected to have no material influence on the result and equity. In this calculation is taken into account the foreign currency forward contracts.

Price risk

An important raw material for TKH is copper. The price risk of copper is limited by a continuous monitoring of sales prices against the development of the purchase price where price changes are passed on to customers. Important raw materials such as copper, steel, aluminium and PVC are purchased with forward delivery contracts, to reduce the price risk on the sale of finished products, provided that:

- a sales contract with a fixed price has been entered into,
- delivery will not take place within one month, and
- an important quantity is required for production.

TKH made limited use of financial derivatives to hedge price risks on free inventories

Credit risk

The financial assets of the group mainly consist of cash, trade receivables and other receivables. The credit risk for cash and cash equivalents is small, because there is a net debt position for most important credit institutions. The credit risks mainly relate to trade receivables. It concerns however a risk that is spread over a large number of customers, that operate in several countries and different industries. At balance sheet date there was no concentration of credit risk for material amounts.

A part of the risk is insured at credit insurance companies. This are mainly receivables on customers in the subsegment manufacturing systems and customers in France and Germany. In addition, for large projects to foreign customers bank guarantees, advanced payments (towards a bank guarantee) or confirmed irrevocable "Letter of Credits" are used. The maximum exposure to credit risk is represented by the carrying amounts of financial assets that are recognised in the balance sheet, including derivative financial instruments with a positive market value.

There are no significant overdue debtor payment terms, for which no provision has been recognised.

in thousands of euros	2011	2010
Movement of the cash flow hedge reserve		
Balance at 1 January	-6,029	-6,826
Gains / (Losses) on cash flow hedges	-410	580
Transfer to Profit and Loss account	-653	217
Balance at 31 December	-7,092	-6,029

Fair value of derivative financial instruments

Cash flow hedge accounting has been applied for the derivative financial instruments. There was no material ineffectiveness

in relation to these hedges. At the balance sheet date the fair value of the derivative financial instrument is as follows:

in thousands of euros	Receivables		Liabilities	
	2011	2010	2011	2010
Interest rate swaps		195	8,908	8,361
Foreign currency forward contracts	428	394	1,156	261
	428	589	10,064	8,622

Fair value of financial instruments

The carrying amount of trade receivables and other receivables approaches the fair value, as a possible uncollectible amount is accounted for by a fair value adjustment. The carrying amount of cash and cash equivalents, trade creditors and other payables approaches the fair value. The fair value of interest bearing long-term debts approaches the amortised cost, because it bears

a floating interest and the interest rate swap is recognised at fair value. The fair value and the book value of derivative financial instruments is based on calculations, quoted market prices or price quotations of financial institutions. Active markets are available for the derivatives used. The foreign currency forward contracts and interest rate swaps qualify as level 2 instruments.

22 CONTINGENT LIABILITIES

Frame work agreements have been concluded with respect to the availability of some important raw materials. There are no long-term purchase obligations.

in thousands of euros	2011	2010
Bank guarantees provided to third parties	25,296	30,888
Purchase obligations arising from orders for tangible non-current assets	1,338	5,000
Investment obligation for financial non-current assets		3,470
Operating lease and rent obligations		
TKH has liabilities for the operational lease of cars and the rent of premises.		
Minimum operating lease and rent payments recognised as an expense during the year	13,150	11,447
At balance sheet date TKH has the following outstanding operating lease and rent obligations:		
Expiry date within 1 year	9,705	9,273
Between 1 and 5 years	22,624	20,154
Expiry date after 5 years	4,000	3,079
	36,329	32,506

Claims

TKH and its consolidated subsidiaries are involved in a number of legal proceedings. According to the information currently available and legal advice received, TKH expects any

adverse effects from the outcome of these legal proceedings to be adequately covered by other provisions or insurance.

23 TURNOVER

in thousands of euros	2011	2010
Sales of goods and products	703,640	642,657
Turnover from construction contracts for third parties and services	356,539	242,070
Other operating income	902	8,793
Total turnover	1,061,081	893,520

The other operating income in 2010 include income from the sale of the GSM-activities in Poland and compensation receipts for the reallocation of a factory in China.

24 INFORMATION BY SEGMENT

TKH Group is organised in three operational segments: Telecom Solutions, Building Solutions and Industrial Solutions. The Solutions are based on the product/market combinations the TKH companies operate in. In the appendix on page 126 and 127 is shown in which solutions the

different subsidiaries operate in. In the annual report on page 34 is a detailed overview of the activities by business-segment. TKH reports its primary business segment information on the basis of these solutions.

PRIMARY BUSINESS SEGMENTS

in thousands of euros	Telecom Solutions		Building Solutions		Industrial Solutions		Elimination and other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Turnover										
External turnover	161,730	151,755	382,147	329,546	517,204	412,219			1,061,081	893,520
Inter-segment turnover									0	0
Total turnover	161,730	151,755	382,147	329,546	517,204	412,219			1,061,081	893,520
Result										
Segment recurring EBITA	12,959	13,918	18,498	21,234	69,589	47,844			101,046	82,996
Impairment						-335			0	-335
Amortisation	-1,119	-913	-7,851	-6,192	-3,900	-4,098	-185	-172	-13,055	-11,375
Segment operating result	11,840	13,005	10,647	15,042	65,689	43,411	-185	-172	87,991	71,286
Unallocated income and expenses									-10,939	-9,609
Operating result									77,052	61,677
Financial income and expenses									-7,490	-7,140
Share of result of associates									82	-105
Tax on profit									-15,563	-13,556
Net result									54,081	40,876

in thousands of euros	Telecom Solutions		Building Solutions		Industrial Solutions		Elimination and other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Other information										
Purchases ¹	10,137	3,421	53,885	20,096	10,530	6,369		10	74,552	29,896
Depreciation and amortisation ¹	3,936	3,244	13,741	11,480	10,407	9,924	247	332	28,331	24,980
(Reversal of) impairment losses recognised in the profit and loss account						335			0	335
Employees	670	660	1,526	1,314	1,844	1,711	22	21	4,062	3,706
Balance sheet										
Assets	120,549	114,223	316,325	244,910	314,430	295,484	21,129	11,782	772,433	666,399
Assets held for sale							7,164	7,164	7,164	7,164
Other associates	253	553	1,154	1,332	4,460	1,338			5,867	3,223
Consolidated total assets									785,464	676,786
Liabilities of the segment	37,387	38,645	81,549	67,601	151,650	157,859	157,007	93,651	427,593	357,756

in thousands of euros	Non-current assets ²		Turnover	
	2011	2010	2011	2010
Geographic segments				
Netherlands	184,901	140,679	289,958	245,615
Europe (other)	149,996	150,990	515,699	459,970
Asia	41,187	34,243	180,004	131,941
USA	3,267	440	54,862	38,510
Other regions and eliminations	1,779	1,744	20,558	17,484
	381,130	328,096	1,061,081	893,520

¹ In intangible and tangible non-current assets
² Non-current assets excluding deferred tax asset

25 PERSONNEL EXPENSES

in thousands of euros		2011	2010
Wages and salaries		150,805	131,314
Social insurance contributions		24,687	21,085
Pension costs	17	7,855	7,193
Temporary labour		18,840	8,651
Other personnel expenses		7,603	5,973
		209,790	174,216

26 SHARE-BASED PAYMENTS

For a disclosure of the share-based payments is referred to the company's financial statements.

27 DEPRECIATION

in thousands of euros		2011	2010
Depreciation of tangible non-current assets		15,535	14,537
Result on disposal of tangible non-current assets		-292	-964
Changes in fair value of investment property		33	32
		15,276	13,605

28 AMORTISATION

in thousands of euros		2011	2010
Amortisation of intangible non-current assets		5,957	5,360
Amortisation of intangible non-current assets from acquisitions as a result of "Purchase Price Allocations"		7,098	6,015
		13,055	11,375

29 IMPAIRMENT

in thousands of euros		2011	2010
Impairment of intangible non-current assets		0	335
		0	335

30 OTHER OPERATING EXPENSES

Other operating expenses include overhead, selling, accommodation and manufacturing expenses.

The total operating expenses over the financial year include the following items:

in thousands of euros		2011	2010
• Research and development costs, excluding those cost paid by customers		9,764	8,843
• Government subsidies for training costs		-1,424	-1,161

31 FINANCIAL INCOME AND EXPENSES

in thousands of euros	2011	2010
Exchange and translation differences, inclusive the effect of realised cash flow hedges	438	17
Interest income	1,818	495
Interest charges	-9,746	-7,652
	-7,490	-7,140

32 TAX

in thousands of euros	2011	2010
Current tax	13,863	14,449
Deferred tax	1,700	-893
Total tax on profit	15,563	13,556

The tax burden is calculated at the prevailing tax rates in each country. The tax burden over the year can be reconciled with the profit before tax as follows:

	2011		2010	
	€ '000	%	€ '000	%
Profit before tax	69,644		54,432	
Tax calculated at the Dutch tax rate	17,411	25.0%	13,880	25.5%
Correction due to tax effect for:				
Fiscal participation exemption	-21	0.0%	27	0.0%
Non deductible expenses	579	0.8%	183	0.3%
Advantages from tax facilities	-5,140	-7.4%	-190	-0.3%
Losses on which no deferred tax asset is recognised	3,291	4.7%	720	1.3%
Recognition of deferred tax asset for unused tax losses from the past or profits set off against tax losses in the past		0.0%	-688	-1.3%
Settlement of the returns for income tax for previous years	-1,871	-2.7%	-549	-1.0%
Change in tax rate of deferred tax assets and liabilities	0	0.0%	-176	-0.3%
Differences in tax rates for foreign subsidiaries	1,314	1.8%	349	0.5%
Effective tax burden	15,563	22.2%	13,556	24.7%

33 EARNINGS PER SHARE

in thousands of euros	2011	2010
Weighted average number of (depository receipts of) shares (x 1,000)	37,146	36,662
Effect of share options (x 1,000)	147	42
Weighted average number of (depository receipts of) shares diluted (x 1,000)	37,293	36,704
Net profit	54,081	40,876
Less: Minority interests	-600	-671
Net profit attributable to the shareholders of the company	53,481	40,205

in thousands of euros	2011	2010
Net profit	54,081	40,876
Amortisation of intangible non-current assets from acquisitions	7,098	6,015
Taxes due to amortisation	-2,095	-1,824
Net profit before amortisation	59,084	45,067
Less: Minority interests	-600	-671
Net profit before amortisation attributable to the shareholders of the company	58,484	44,396
Ordinary earnings per share before amortisation (in €) ¹	1.57	1.21
Ordinary earnings per share (in €)	1.44	1.10
Diluted earnings per share (in €)	1.43	1.10

¹ Non-IFRS disclosure

34 RELATED PARTIES

Trade transactions

During the year no important trade transactions with non-consolidated related parties have taken place. As far as these transactions have occurred, the transactions were concluded at market prices, taking into account discounts for volumes and the existing relationship between the parties.

For product and concept development outside TKH, which can have a strategic importance, subordinated loans have in some cases been provided in exchange of exclusivity. The fair value of these loans is at the end of 2011 € 1.0 million (2010: nil).

35 REMUNERATION REPORT

This report issued by the Remuneration Committee details the remuneration policy and the remuneration received by the members of the Executive Board. The remuneration policy is formulated by the Remuneration Committee and approved by the Supervisory Board. The remuneration policy was adopted by the General Meeting held on 28 April 2005. Any future significant policy changes will be submitted to the General Meeting. The Remuneration Committee has drawn up and acts in accordance with regulations governing matters such as compliance with the provisions of the Dutch Corporate Governance code.

Remuneration policy

The policy aims at providing a competitive compensation package to attract, motivate and retain qualified managers for a publicly listed company, while considering TKH's size and unique characteristics. The compensation package is measured periodically against market trends using information provided by external experts. The compensation package is structured so that both short- and long-term goals are maintained. The Remuneration Committee prepares as of 2010 according to the determined targets, scenario analysis in relation to the STI and LTI that should be achieved.

Remuneration

The remuneration payable to the members of the Executive Board comprises a basic salary (Total Regular Income = TRI), pension, a variable element comprising an annual performance bonus (STI), and a long-term bonus (LTI) scheme entailing a share scheme

Basic salary (Total Regular Income = TRI)

The remuneration payable to members of the Executive Board was subject to an external measurement against market trends in 2011 and adjusted accordingly.

Performance bonus (Short Term Incentive: STI)

Variable remuneration represents a major component of the remuneration package for the Executive Board. The performance bonus is related to targets and criteria. Yearly, the targets and criteria, on which the performance bonus is based, are set. The amount of the performance bonus is determined by the extent to which targets and criteria are met. The maximum performance bonus has been set at 50% of basic salary (TRI). The Remuneration Committee sets the performance bonus amount on the basis of the targets and criteria that have been met. The realisation of 50% of the maximum bonus is based on EBITA-targets and 30% is based on autonomous revenue growth targets. The other 20% of the maximum bonus is determined by the realisation of personal targets and criteria. Realisation of

the targets results in a bonus of 35% of basic salary (TRI). The Supervisory Board has the discretionary power to depart from the set targets where exceptional circumstances arise. The realisation of the targets and criteria for 2011 resulted in 100% of the maximum performance bonus for the Executive Board, equal to 50% of basic salary (TRI).

There is no “change of control” paragraph in the employment contract of the members of the Executive Board.

Share scheme (Long Term Incentive: LTI)

A share scheme which provides for a long-term bonus scheme has been launched in connection with long-term targets. The scheme enables members of the Executive Board to acquire shares free of charge on the basis of predetermined long-term targets, in return for which the members of the Executive Board are required to purchase for own account the same number of shares for the price quoted on the stock exchange at that moment. The scheme lays down that both ROCE and ROS increases and corporate growth attained in terms of turnover and result, in compliance with the long-term target set and the interim milestones specified, can result in share allotment. The share allotment also depends on the performance of the TKH share price in comparison to the ASX-index. The long-term targets for the Executive Board relate to the TKH-objectives set in this annual report (page 9).

The scheme sets a maximum allotment of 32,000 (depository receipts of) shares per Executive Board member per annum. The shares in question are to be held as a long-term investment and may not be sold for a period of three years. The shares are allotted within one month after publication of the annual figures. As from 2004 options are no longer allocated to Executive Board members and the option scheme was replaced

with the above-mentioned share scheme. Based on the realised targets for 2010 Mr J.M.A. van der Lof has been allotted 28.142 (depository receipts of) shares and Mr E.D.H. de Lange 21.107 shares in March 2011. At the same time the Executive Board has purchased the same number of shares for the price quoted on the stock exchange at that moment. In the overview above the allotted shares have been converted to the value on the basis of share price at the moment of allotment and grossed up for the payroll tax liability.

Peer Group

The Remuneration Committee consults independent remuneration advisors to match remuneration data from companies from the peer group with remuneration data of TKH. The labour market peer group consists of the following companies: Aalberts, Accel, Draka-Prismian, Gamma Holding, Group Schneider (France), Imtech, Leoni (Germany), Kendrion, Nedap, Ten Cate and Wavin.

Pension

The Remuneration Committee supervise that Executive Board members' pension is in line with generally accepted standards and ensures that it is compatible with the pension schemes available for similar posts. In addition the pension arrangements include the right to benefit in the case of poor health or invalidity and a widow's and orphan's pension in the event of death subject to conditions similar to those applicable to participants in the collective pension fund.

Personal loans

The company grants no personal loans or guarantees to Executive Board members.

in thousands of euros	TRI		Bonus (STI)		Share scheme (LTI) ¹		Pension		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Remuneration of Executive Board										
Directors:										
J.M.A. van der Lof MBA	400	375	200	188	1,013	457	109	105	1,722	1,125
E.D.H. de Lange MBA	300	281	150	141	588	259	41	31	1,079	712
A.E. Dehn ²	96		48				11		155	
Total remuneration	796	656	398	329	1,601	716	161	136	2,956	1,837

¹ See notes to the share scheme. The LTI recorded in the financial year relate to the realisation of the targets in the previous year

² Since 1 August 2011

Remuneration policy of the Executive Board

The General Meeting adopted the remuneration of the members of the Supervisory Board in 2011. The remuneration of a member of the Supervisory Board does not depend on the company's results. The remuneration of the chairman of the Supervisory Board was € 42,500 and of the members of the Supervisory Board € 32,500. The annual remuneration for every participation in a Committee of the Supervisory Board is € 7,000 for the chairman and € 5,000 for other members. No options are granted to the members of the Supervisory Board.

Shareholdings of members of the Executive Board and the Supervisory Board

Among the members of the Executive Board, Mr J.M.A. van der Lof owned 190,647 (depository receipts of) shares. Mr E.D.H. de Lange owned 108,322 (depository receipts of) shares and Mr A.E. Dehn nil (depository receipts of) shares at the end of 2011. During the financial year Mr J.M.A. van der Lof sold 56,284 (depository receipts of) shares at a stock price of € 18.74, in accordance with the rules. In addition Mr J.M.A. van der Lof and Mr E.D.H. de Lange purchased under the share scheme respectively 28,142 and 21,107 (depository receipts of) shares at a stock price of € 18.74. No member of the Supervisory Board owned depository receipts of shares at the end of 2011.

Appointment and termination of the Executive Board and the Supervisory Board

The Supervisory Board appoints the Executive Board, taking into account article 162 of Book 2 of the Dutch Civil Code, which is applicable to the company. The Supervisory Board acknowledges the General Meeting of an intended appointment of a member of the Executive Board. A member of the Executive Board is only dismissed after a hearing with the General Meeting about the intended dismissal.

The General Meeting appoints candidates for the Supervisory Board after nomination by the Supervisory Board. One third of the members of the Supervisory Board is nominated by the Supervisory Board based on a recommendation of the Central Works Council, unless the Supervisory Board has an objection against the recommendation on grounds of the expectation that the candidate is incompetent for the fulfilment of the tasks or that the Supervisor Board will not have an appropriate composition. The Supervisory Board has drawn up a retirement schedule to stimulate an equal appointment process. At reappointment a comparison with the profile of the Supervisory Board is made. Members can serve maximum for three terms of four years in the Supervisory Board.

in euros	Fixed fee	membership fee	Total	
			2011	2010
Remuneration of Supervisory Board				
Members of the Supervisory Board				
H.J. Hazewinkel, chairman	42,500	5,000	47,500	40,000
P. Morley Msc	32,500	5,000	37,500	30,000
P.P.F.C. Houben	32,500		32,500	25,000
M.E. van Lier Lels	32,500	14,000	46,500	37,000
R. van Iperen ¹	1,250		1,250	
A. van der Velden ²				32,000
Total remuneration	141,250	24,000	165,250	164,000

¹ Since 14 December 2011

² Till 19 October 2010

35 ACQUISITIONS

During 2011 TKH acquired the following subsidiaries:

Name subsidiary	Country	Legal ownership and control	Consolidation as from	Activity
IV Tec GmbH	Germany	100.0%	1 January 2011	Security systems (Building)
Optelecom-NKF Inc. (renamed Siquira)	USA / Netherlands	100.0%	1 February 2011	Security systems (Building)
Mextal B.V.	Netherlands	90.0%	1 July 2011	Building technologies (Building)
Flexposure B.V.	Netherlands	70.0%	1 August 2011	Security systems (Building)
KLS Netherlands B.V.	Netherlands	57.5%	1 November 2011	Building technologies (Building)

The in size largest acquisitions are:

Optelecom-NKF Inc. (renamed Siqura)

End of January 2011 TKH acquired a 100% interest in Optelecom-NKF, Inc., at Germantown, the United States, after a successful public offer on the outstanding shares listed on the Nasdaq. Optelecom-NKF (renamed Siqura) realises with 120 employees (FTE), of which 70% is employed in the Netherlands, a revenue of about € 25 million per year. The activities of Siqura activities are integrated in TKH's security cluster, which is part of the business sector Building Solutions. Siqura's portfolio is complementary to TKH's existing portfolio. This acquisition is also in line with TKH's objective to increase the turnover generated by the security solutions.

Mextal B.V.

Early July, TKH acquired a 90% interest in Mextal B.V. based in Nuenen, the Netherlands. Mextal specialises in the delivery of total solutions in the healthcare sector. The company's strategy is to offer various systems for observation, (acoustic) surveillance, image-based communications, social alarms and video care, integrated within a total concept. The acquisition of Mextal strengthens TKH's product portfolio of healthcare solutions. Mextal has 24 employees (FTEs) and reports an annual turnover of more than € 5 million.

KLS Netherlands B.V.

TKH has taken a majority stake of 57.5% in KLS Nederland ('KLS') located in Almere and Hoogeveen. This interest has been acquired by capital contribution paid in cash on newly issued shares to TKH. KLS delivers unique technology for medicine distribution from producer to consumer. By joining TKH, KLS can realise a further breakthrough in its aim to become a leading international player in the healthcare sector. The combination of existing technologies, concepts and production facilities of the TKH Group will lead to accelerated growth at KLS. For TKH, KLS means a strengthening of TKH's ambition to grow in the care sector by delivering technology to enable more efficient care. The current turnover of KLS amounts to over € 5 million annually, realised with 21 employees (FTE).

In 2011, the acquisitions have contributed for € 27 million in the revenue and for € 0.2 million in the net profit of TKH. When these acquisitions had been effected at 1 January, the revenue would be € 1,069 million and net profit € 52.7 million. In the mentioned net profit figures is taken into account the amortisation of the intangible non-current assets related to the acquisition.

Transactions in which a majority share has been acquired are accounted for according to the "purchase method of accounting". The combined net assets acquired is comprised as follows:

in thousands of euros	Optelecom-NKF Inc. (Siqura)			Other acquisitions			Total acquisitions		
	Book value	Adjustments	Fair value	Book value	Adjustments	Fair value	Book value	Adjustments	Fair value
Intangible non-current assets	155	6,761	6,916	4,494	11,727	16,221	4,649	18,488	23,137
Tangible non-current assets	367		367	636		636	1,003		1,003
Inventories	3,181		3,181	970		970	4,151		4,151
Receivables	4,840		4,840	2,987		2,987	7,827		7,827
Cash / (borrowings)	-5,895		-5,895	-2,809		-2,809	-8,704		-8,704
Other provisions	-311		-311	-103		-103	-414		-414
Deferred tax liabilities	-88	-1,690	-1,778	758	-2,932	-2,174	670	-4,622	-3,952
Current liabilities	-3,214		-3,214	-1,882		-1,882	-5,096		-5,096
Acquired net assets	-965	5,071	4,106	5,051	8,795	13,846	4,086	13,866	17,952
Goodwill paid			2,485			15,853			18,338
Cost of acquisition			6,591			29,699			36,290
Bankdebt/(cash and cash equivalents) acquired			5,895			2,809			8,704
Net cash outflow			12,486			32,508			44,994
Less: Provision for earn out recognised, but not yet paid out						-13,900			-13,900
Payments for acquisition in previous years						201			201
Payment in cash			12,486			18,809			31,295

The other acquisitions are shown combined, because of the limited size of the acquired companies compared to TKH.

The fair value of the receivables do not differ materially of the contractual value. The paid goodwill is attributable to the skills and talent of the work force, expected synergies due to cooperation within the TKH group and the alignment with

the strategic development of TKH. None of the goodwill recognised is deductible for income tax purposes.

TKH has in total recognised € 1.0 million acquisition costs in the operating result for external advise and legal expenses. These expenses are mainly related to the acquisition of Optelecom-NKF (Siquira).

36 NON-CASH TRANSACTIONS

There were no material non-cash transactions.

37 EVENTS AFTER BALANCE SHEET DATE

On 11 March 2012, TKH has reached agreement on the acquisition of 100% of the shares in Aasset Security International (Aasset), headquartered in Paris (France), with its subsidiaries Aasset France and Aasset Germany, and branches in Italy and UK. Aasset has 88 employees (FTE) and an annual turnover of € 35 million. Aasset is a leading provider of security solutions and video surveillance and offers added-value services such as designing of architectures, development of specialised software and sourcing of equipment. The company is one of Europe's leading distributors of CCTV products. In France and Germany Aasset has a top 3 position in CCTV distribution. This acquisition accelerates TKH's strategic growth strategy in the security segment. Aasset has a strong market position in France and Germany. Aasset's brand portfolio includes the brand name GRUNDIG in the German market and TKH will further position this brand within Europe. In addition, Aasset's access to the total TKH portfolio creates interesting growth potential for both

Aasset and TKH. The activities of Aasset will be integrated in the sub-segment security systems, which is part of TKH's Building Solutions. This acquisition is in line with TKH's objective to increase the turnover generated by the security solutions to 20% of the total turnover. The purchase amount will be paid in cash. The acquisition accounting has not yet taken place in 2012 because of the short timeframe between the date of acquisition and the determination of the financial statements. Consequently the precise amount of goodwill and acquired fair values of the assets and liabilities is yet unknown. The goodwill paid is not deductible for tax purposes. TKH expects that the acquisition will have a positive effect on TKH's earnings per share as from the second quarter 2012.

Except for the acquisition mentioned before, no events of fundamental significance for insight into the financial statements and the preceding period occurred after balance sheet date.

38 SERVICE FEES PAID TO EXTERNAL AUDITORS

in thousands of euros	Deloitte		Other parts of Deloitte		Total	
	2011	2010	2011	2010	2011	2010
Audit of the financial statements	340	299	345	234	685	533
Tax consultancy	26		26	26	52	26
Other non audit services	7	10			7	10
	373	309	371	260	744	569

COMPANY BALANCE SHEET

At 31 December before profit appropriation

in thousands of euros	Note	2011	2010
Assets			
Non-current assets			
Intangible non-current assets	2	74,104	38,961
Tangible non-current assets	3	580	496
Financial non-current assets	4	480,106	338,127
Total non-current assets		554,790	377,584
Current assets			
Receivables from group companies		16,856	75,895
Other receivables		126	3,077
Total current assets		16,982	78,972
Total assets		571,772	456,556

Equity and liabilities			
Equity			
Issued capital		9,488	9,395
Share premium reserve		12,212	12,305
Legal reserve		16,709	11,616
Revaluation reserve		28,411	25,271
Investment revaluation reserve		509	1,861
Translation reserve		6,181	6,449
Cash flow hedge reserve		-7,092	-6,029
Other reserves		236,327	216,392
Undistributed profit		53,481	40,205
Total equity	5	356,226	317,465
Non-current liabilities			
Non-current liabilities		123,412	55,000
Provisions		32,502	10,102
Total non-current liabilities		155,914	65,102
Current liabilities			
Borrowings		562	62,668
Payables to group companies		50,120	0
Other current liabilities	8	8,906	11,321
Provisions		44	0
Total current liabilities		59,632	73,989
Total equity and liabilities		571,772	456,556

COMPANY PROFIT AND LOSS ACCOUNT

in thousands of euros	Note	2011	2010
Company result		-15,921	-8,968
Result of subsidiaries and associates		69,402	49,173
Net result		53,481	40,205

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, TKH makes use of the option provided in Article 2:362 sub 8 of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result for the separate financial statements of TKH are the same as those for the consolidated financial statements. In this context,

investments in consolidated companies are measured according to the net asset value method. For a description of these accounting principles, reference is made to the accounting principles with the consolidated financial statements. The share in the result of enterprises in which the company has holdings comprises the share in the result of these participating interests.

2 INTANGIBLE NON-CURRENT ASSETS

in thousands of euros	Goodwill		Brandnames, customer relations		Total	
	2011	2010	2011	2010	2011	2010
Balance at 1 January	26,308	22,815	12,653	12,007	38,961	34,822
Additions and capitalisation		25			0	25
Acquisitions	19,706	1,611	18,489	2,754	38,195	4,365
Amortisation			-3,419	-2,108	-3,419	-2,108
Adjustment for earn-out liabilities	-11	1,857			-11	1,857
Adjustment for put options held by minority shareholders	378				378	0
Balance at 31 December	46,381	26,308	27,723	12,653	74,104	38,961
Accumulated amortisation and impairment			8,595	5,176	8,595	5,176
Historical cost	46,381	26,308	36,318	17,829	82,699	44,137

The additions for brand names and trademarks is the fair value that have been recognised to the intangible assets of the acquired companies.

3 TANGIBLE NON-CURRENT ASSETS

in thousands of euros	Other equipment	
	2011	2010
Balance at 1 January	496	526
Changes		
Purchases	357	149
Disposals	-51	-20
Depreciation	-222	-159
Total changes	84	-30
Balance at 31 December		
Historical cost	1,508	1,342
Accumulated depreciation on historical cost	-928	-846
Actual book value	580	496

4 FINANCIAL NON-CURRENT ASSETS

in thousands of euros	Consolidated subsidiaries	Other associates	Available for sale financial assets	Receivables on group companies	Deferred tax assets	Total
Balance at 1 January 2010	223,527	304	0	86,452	2,648	312,931
Changes resulting from:						
Acquisition and/or incorporation of new subsidiaries and associates	1,527	1,118	6,262			8,907
Capital contribution	988					988
Result	49,323	-150				49,173
Revaluation of available-for-sale financial assets			1,861			1,861
Dividends received	-31,381					-31,381
Revaluations	1,000					1,000
Change in cash flow hedge reserve	47				-379	-332
Liquidation					216	216
Loans granted less repayments				-8,209		-8,209
Other changes	102				34	136
Exchange differences	2,837					2,837
Balance at 31 December 2010	247,970	1,272	8,123	78,243	2,519	338,127
Changes resulting from:						
Acquisition and/or incorporation of new subsidiaries and associates	8,316					8,316
Capital contribution	42,074	3,309		-15,000		30,383
Result	69,402	-266				69,136
Revaluation of available-for-sale financial assets			-1,353			-1,353
Dividends received	-28,715					-28,715
Revaluations	2,478					2,478
Change in cash flow hedge reserve	-508				185	-323
Liquidation	156				241	397
Disposals within the group	-96,047					-96,047
Loans granted less repayments				156,272		156,272
Other changes					-44	-44
Exchange differences	1,479					1,479
Balance at 31 December 2011	246,605	4,315	6,770	219,515	2,901	480,106

An overview of directly and indirectly held interests in subsidiaries is shown on page 126 and 127.

5 EQUITY

For the movement schedule is referred to the consolidated statement of changes in equity on page 79.

	2011		2010
Authorised share capital	x1,000	€ '000	€ '000
The authorised capital consists of:			
Ordinary shares	59,984		
Cumulative preference financing shares	10,000		
Convertible cumulative preference financing shares	10,000		
Cumulative preference protective shares	60,000		
Each nominal € 0.25	139,984	34,996	34,996
Priority shares	4		
Each nominal € 1.00	4	4	4
Authorised share capital		35,000	35,000
Of which not issued		25,512	25,605
Issued capital*		9,488	9,395

*4,000 priority and 37,935,257 (depository receipts of) shares

In 2011 a stock dividend of 371,408 (depository receipts of) shares was paid out of the share premium reserve. Issued capital increased with the same number.

The registered ordinary shares, with the exception of the registered shares in the company, have been transferred to the Foundation Administration Office, which issues depository receipts of shares to the ultimate capital providers. The Administration Office is the party entitled to the shares and also exercises the voting right, unless it has granted power of attorney to the holders of the depository receipts. The amendment of Book 2 of the Netherlands civil code (on 1 October 2004) included a provision to the effect that holders of depository receipts are entitled to receive a power of attorney to cast a vote on the shares corresponding to the depository receipts they own. The Administration Office remains entitled to vote for the shares for which the holders of depository receipts are not present or represented at the meeting. The aforementioned power of attorney may be limited, excluded or revoked by the executive committee of the Administration Office in various situations specified in the law. In that case the Administration Office may (again) exercise the voting right for all shares for which depository receipts have been issued. The relationship between the Administration Office and the holders of depository receipts of shares is governed by the administrative conditions. The protection afforded by the use of depository receipts is based on the 1% rule. The depository

receipts may be exchanged for ordinary shares but not for more than 1% of the total issued capital in the form of ordinary shares. This total includes shares owned indirectly as well as directly. However, this does not apply to the transfer of ordinary shares to the company itself. Every transfer of preference financing shares, convertible preference financing shares and preference protective shares must be approved by the Executive Board. The Executive Board may only grant its approval with the approval of the Supervisory Board.

No special rights are attached to the priority shares.

The company has granted the Stichting Continuïteit TKH an option to take preference protective shares for up to a maximum of 50% of the sum of the other outstanding shares at the time that the preference protective shares are issued or 100% of the sum of the other outstanding shares at the time that the preference protective shares are issued if the restriction on the cancellation option lapses, which will occur if and when the Executive Board of the company so decides and files a statement to that effect with the Trade Register.

Share premium reserve

The share premium reserve is fully exempt from Dutch taxes on distribution.

in thousands of euros	2011	2010
Legal reserve		
The legal reserve relates to:		
Capitalised development costs	14,321	9,881
Share in the equity of a subsidiaries in which TKH has obtained the economic ownership, but the legal ownership not yet	2,388	1,735
	16,709	11,616

The legal reserve is not available for distribution to the company's shareholders.

Revaluation reserves

The revaluation reserves are not available for distribution to the company's shareholders.

Hedging and translation reserve

The hedging and translation reserves are statutory reserves and not available for distribution to the company's shareholders.

6 DIVIDEND

At the General Meeting of shareholders the dividend for 2010 was declared at € 0.61 per (depository receipt of) ordinary share. The dividend was proposed at the option of shareholders in cash or as a stock dividend. The dividend on the priority shares was declared at € 0.05 per share. The total amount in dividends paid in 2011 was € 14,187,817 and this amount was charged to the

other reserves. For stock dividend an amount of € 92,852 was charged against the share premium reserve.

After 31 December 2011 the Executive Board has proposed a dividend for which is referred to page 117. The dividend proposal has not been recognised in the balance sheet and does not impact the tax on profit.

7 SHARE-BASED PAYMENTS

Shares option scheme settled in equity instruments

Option rights to (depository receipts of) ordinary shares of TKH are granted to the management of the company and its subsidiaries. The rights can never be exercised until after the publication of the company's annual results three calendar years following the year in which the rights were granted. Partly to avoid abuse of inside knowledge, the conditions for participation have been laid down in an internal regulation

and have been accepted in writing by the participants. At the end of 2011 the company had bought back 650,930 (depository receipts of) shares to cover the option rights. These (depository receipt of) shares have been purchased against an average share price of € 12.03. The total purchase amount is € 7,830,791.

Overview of the number of outstanding option rights:

	Year of allocation	Exercise rate in €	Number at 01.01.2011	Granted during the year	Expired during the year	Withdrawn during the year	Elapsed during the year	Exercised during the year	Number at 31.12.2011	Exercise period
E.D.H. de Lange MBA	2006	11.63	8,800					-8,800	0	2009-2011
	2007	16.33	8,800						8,800	2010-2012
	2008	15.21	4,500						4,500	2011-2013
	2009	7.42	6,000						6,000	2012-2014
	sub		28,100	0	0	0	0	-8,800	19,300	
Other persons holding option rights	2006	11.63	134,200				-2,600	-131,600	0	2009-2011
	2007	16.33	190,740				-8,220	-45,200	137,320	2010-2012
	2008	15.21	97,863				-3,958	-17,650	76,255	2011-2013
	2009	7.42	133,843				-2,250		131,593	2012-2014
	2010	13.79	155,499				-5,370		150,129	2013-2015
	2011	18.90	0	187,395					187,395	2014-2016
	sub		712,145	187,395	0	0	-22,398	-194,450	682,692	
	Totaal		740,245	187,395	0	0	-22,398	-203,250	701,992	

No option rights are granted to the members of the Executive Board and Supervisory Board. The options granted to Mr E.D.H. de Lange were granted for performance before he was appointed as member of the Executive Board.

The average share price on the date at which the share options were exercised during the financial year was € 19.32. During the year, options were granted on 10 March 2011. The estimated fair value of the options granted in 2011 is € 1,117,000.

The fair value was determined on the basis of a binomial valuation model and the following principles:

	2011	2010
Fair value at the date of allocation (in €)	6.03	4.77
Expected volatility	43.2%	47.7%
Expected dividend	3.5%	3.5%
Risk free rate	2.0%	2.5%
Expected period to expiry of the option (in years)	4.0	4.0

For the expected period to expiry of the options account was taken of the current restrictions on their exercise, the chances that employees will leave the company and possible personal considerations of option holders. TKH has a reported total charge of € 675,000 (2010: € 437,000) for these share-based payments which have been settled in equity instruments.

Other share-based payments

Based on the share scheme, (depository receipts of) shares have been allotted to members of the Executive Board free of charge. Mr J.M.A. van der Lof was allotted 28,142 (depository receipts of) shares and Mr E.D.H. de Lange 21,107 (depository receipts of) shares; the payroll tax owed on this amount was paid by the company. At the same time, the Executive Board purchased the same number of (depository receipts of) shares at the actual share price of € 18.74, all in accordance with the regulation. As a result of the share scheme, TKH has recognised a total charge of € 1,600,000 (2010: € 716,000) in the profit and loss account.

8 CURRENT LIABILITIES

in thousands of euros	2011	2010
Taxes and social security premiums	-1,913	100
Other liabilities and accruals	10,819	11,221
	8,906	11,321

9 CONTINGENT LIABILITIES

On the grounds of Article 2:403, sub 1f of the Netherlands Civil Code the company has assumed joint and several liability for debts arising from the legal actions for all Dutch subsidiaries of which TKH owns directly or indirectly 100% of the shares. The declarations to that effect have been deposited for inspection at the office of the Trade Register in the place where the legal entity for which the guarantee was given has its registered office. The company is formally a guarantor for a total sum of € 44.8

million (2010: € 44.4 million) for bank credit facilities provided to a number of foreign participating interests. This credit was called on for a sum of € 7.8 million (2010: € 16.2 million) at the end of 2011.

The company and the majority of its Dutch wholly owned subsidiaries form a fiscal unity for income tax. Consequently, the company is liable for the income taxes of these subsidiaries.

10 SIGNATURE OF THE ANNUAL FINANCIAL STATEMENTS

Haaksbergen, 13 March 2012

Executive Board

J.M.A. van der Lof MBA, *chairman*
E.D.H. de Lange MBA
A.E. Dehn

Supervisory Board

H.J. Hazewinkel, *chairman*
M.E. van Lier Lels, *vice-chairman*
P.P.F.C. Houben
R.L. van Iperen
P. Morley Msc.

OTHER INFORMATION

REGULATION UNDER THE ARTICLES OF ASSOCIATION CONCERNING THE APPROPRIATION OF PROFIT

Since no protection preference and financing preference shares were outstanding or issued, within the meaning of Articles 33.1, 3, 4, 5, 6 paragraph b and c, 8 and 9 below, only the articles governing the profit appropriation in relation to the outstanding shares are included here.

article 33 of the articles of association reads as follows:

2. The company can only make payments to shareholders and other parties entitled to the profit that are eligible for payment if the group equity is greater than the amount of the paid and called-up part of the capital increased by the reserves which must be kept according to law or the articles of association.
- 6a. From the profit that remains after application of the previous paragraphs, five percent (5%) of the nominal amount shall, if possible, be paid out on the priority shares. No further payment shall be made for the priority shares. If possible, a dividend shall then be paid, equal to a percentage of the sum effectively paid up on the financing preference shares of the series in question or the convertible financing preference shares of the series in question respectively during the first issue of the series in question on the financing preference shares of every series or the convertible financing preference shares of every series respectively, including any share premium reserve, which percentage is related to the average effective return on 'general state loans with a duration of 7-8 years', calculated and determined in the manner set out in paragraph 30.6 paragraph b.
7. If in any financial year, the profit is not sufficient to make the payments as referred to in paragraph 6 of this article, in the following financial years the provisions of paragraph 6 and paragraph 10 shall not be applied until the deficit is cleared. The Executive Board is authorised, subject to approval by the Supervisory Board, to decide to pay out a sum equal to the deficit referred to in the previous sentence from the reserves, with the exception of the reserves which have been formed as share premium reserves on the issue of financing preference shares or convertible financing preference shares respectively. If the provisions of this paragraph apply, the holders of the series of financing preference shares and convertible financing preference shares shall be treated in the same way.
10. The Executive Board shall reserve as much of the profit that remains as it feels is necessary, subject to approval by the Supervisory Board. In as far as the profit is reserved without application of the previous sentence it is at the disposal of the general meeting, either wholly or partly for the reserves, or wholly or partly to be paid out to the holders of ordinary shares in proportion to their holding of ordinary shares.
11. Without prejudice to the provisions of Article 7, paragraph 1, the Executive Board, subject to approval by the Supervisory Board, shall propose to the general meeting, eight years after the date of every issue, withdrawing the repayment referred to in Article 7, paragraph 1 for every series of financing preference shares or every series of convertible financing preference shares respectively, as long as those series are withdrawn at the same time. We refer to the website of TKH for further determinations of our articles of association

For other provisions of the articles of association we refer to TKH's website: www.tkhgroup.com. A resolution of the General Meeting of Shareholders to amend the articles of association can only be adopted on the proposal of the Executive Board, which proposal shall require the approval of the Supervisory Board and with a majority of at least two thirds of the votes cast in a General Meeting of Shareholders in which at least half of the issued capital is represented.

PROPOSAL FOR PROFIT APPROPRIATION

Net profit accountable to shareholders € 53,481

In accordance with Article 33 of the articles of association, we propose paying the holders of (depository receipts of)

ordinary shares a dividend of € 0.75 per (depository receipt of) ordinary share. The dividend will be made available for payment on 7 June 2012. The dividend for 4,000 priority shares has been set at € 0.05 per share of € 1.00.

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2011 of TKH Group N.V., Haaksbergen. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2011, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in group equity and the consolidated cash flow statement for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2011 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of TKH Group N.V. as at December 31, 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of TKH Group N.V. as at December 31, 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the report of the Executive Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Enschede, March 13, 2012
Deloitte Accountants B.V.

A.J.E. Jansman

STICHTING CONTINUÏTEIT TKH (FOUNDATION CONTINUITY TKH)

The Stichting Continuïteit TKH, seated in Haaksbergen, is charged with representing the interests of the company and all its affiliates in such a way that these interests are guaranteed to the greatest possible extent and to resist as much as possible any influences which could affect the independence, continuity or identity of the company and its affiliates contrary to those interests, as well as carrying out anything related to the above or which can be beneficial to it.

Stichting Continuïteit TKH met once in 2011. The meeting was attended by representatives of the company, at the invitation of the Foundation's Executive Committee.

During its meeting, the committee addressed, among other things, the developments in legislation concerning the protection construction which are relevant for the Stichting Continuïteit, the Foundation's annual statement and funding, the schedule of retirement as well as the protection of TKH and its effectiveness. Furthermore, the members of the Executive Committee received a briefing from TKH's Executive Board about the developments at the company.

With regard to the decision taken earlier, to grant the Stichting Continuïteit the right to apply for an enquiry into the company's affairs, the agreement on this issue was signed in 2011 after dwelling at great length on recent legal and social developments in this field.

During the meeting, the Executive Committee once again observed that in view of developments it was desirable to maintain the existing structure, taking into account the fact that protection is offered both by the issuing of depositary receipts in shares and by means of the call option granted to Stichting Continuïteit TKH to acquire protection preference shares up to a maximum of 50% of the sum of the other outstanding shares at the time that the protection preference shares are issued, or 100% of the sum of the other outstanding shares at the time the protection preference shares are issued if the restriction on the cancellation option lapses.

The members of the Foundation's Executive Committee are:
 Professor H.M.N. Schonis, *chairman*
 Mrs S. Drion
 Mr P.M. Runderkamp
 Mr L.P.E.M. van den Boom

Statement of independence

The Executive Board of TKH Group NV and the Executive Committee of the Stichting Continuïteit TKH hereby declare that in their shared opinion the Stichting Continuïteit is a legal entity which is independent of TKH Group NV within the meaning of Section 5:71(1)(c) of the *Wet op het Financieel Toezicht* [Financial Supervision Act].

Haaksbergen, The Netherlands, March 2012

The Executive Committee

STICHTING ADMINISTRATIEKANTOOR VAN AANDELEN TKH (FOUNDATION ADMINISTRATION OFFICE FOR TKH SHARES)

In accordance with the provisions of Article 9 of the Administration Conditions governing the shares of TKH Group N.V., as last amended on 14 May 2007, we wish to report that:

- the activities during the year under review, 2011, related exclusively to the administration of shares for which depositary receipts have been issued;
- the nominal value of the ordinary shares of TKH held in administration amounted to € 9,413,941.75 on 31 December 2011, in exchange for which 37,655,767 depositary receipts for shares with a nominal value of € 0.25 each have been issued.

The objective of the Foundation is to acquire and administer registered shares in TKH and to hold them for management in exchange for issuing exchangeable bearer depositary receipts for shares. The Foundation shall exercise the rights attached to the shares in such a way that the interests of the company and its business are safeguarded as effectively as possible. Hollandsch Administratiekantoor B.V. in Amsterdam is the administrator of the Foundation.

Meetings of the Executive Committee

The Executive Committee of the Foundation met three times during the financial year and had contact on current topics outside the meetings.

At its meeting on 15 March 2011 the Executive Committee received a briefing from the company's Executive Board on the annual report for 2010 and discussed the items on the agenda for the 2011 General Meeting of Shareholders. The meeting also discussed the provisions of the Dutch Corporate Governance Code affecting the issuing of depositary receipts for shares. Once again, the conclusion was reached that granting a proxy to vote to depositary receipt holders regardless of the circumstances would contravene the Foundation's aims. In this respect, it was determined that the law - in this case Section 118a of Book 2 of the Netherlands Civil Code - prevails over the relevant provisions of the Code. In line with those provisions of the law, a depositary receipt holder is granted a proxy to vote in his own right based on his own discretion in a meeting of shareholders, but the Executive Committee will be entitled to limit, preclude or revoke that proxy in those circumstances referred to in the law.

The Foundation met on 17 May 2011 to prepare for the General Meeting of Shareholders on 24 May 2011. The agenda items of the General Meeting of Shareholders were discussed and provisional voting item provisions were dealt with.

At the 2011 General Meeting of Shareholders the holders of depositary receipts of shares in the capital of the company were allowed to vote independently in respect of the shares corresponding with their depositary receipts and subject to the

relevant statutory provisions. At the meeting, 99.4% of the issued capital was represented. 64.3% of the holders of depositary receipts for shares requested a proxy from the Foundation to vote autonomously on the shares corresponding with the depositary receipts held by them. During the 2011 General Meeting of Shareholders, the Foundation voted for the remaining 35.1% of the issued capital represented at the meeting. At the above-mentioned General Meeting of Shareholders, after considering all the relevant factors the Foundation voted in favour of all of the items on the agenda which were put to a vote.

The Foundation also took cognisance of the proposed appointment on 1 August 2011 of Mr A.E. Dehn as a member of the Executive Board. During the Extraordinary General Meeting of Shareholders on 7 July 2011, at which the shareholders were informed of this appointment, the Foundation granted a proxy to the company to represent the Foundation at this Extraordinary General Meeting of Shareholders and to exercise all meeting rights accruing to the Foundation on behalf of the Foundation with respect to ordinary shares in the capital of the Company held by the Foundation for purposes of management.

At the meeting on 13 September 2011, Mr Dehn was introduced to the Foundation. At this meeting, the members of the Executive Committee received a briefing from the Executive Board on the interim figures for 2011 and evaluated the Foundation's website. The Committee once again found that the website is informative and is visited regularly. The schedule of retirement in 2012 was also discussed. After the meeting, which took place in the TKH Security Experience Centre in Amsterdam, a number of live demonstrations gave the Executive Committee a good idea of the integrated security solutions within the TKH Group.

In November 2011, the Foundation held consultations about the proposed resolution to the General Meeting of Shareholders to proceed with the appointment of Mr R.L. van Iperen as a member of the Supervisory Board. The Foundation endorses the Supervisory Board's point of view that the knowledge and experience of Mr Van Iperen in the field of innovation and technology is an important addition in the Supervisory Board. The Foundation therefore voted in favour of the proposed appointment in the Extraordinary General Meeting of Shareholders on 14 December 2011.

Schedule of retirement

In accordance with the Foundation's Schedule of Retirement, Mr J.W. Termijtelen will retire in 2012. Mr Termijtelen is not eligible for reappointment having served three periods of four years. The Foundation has formulated a profile, on the basis of which a candidate is selected to be nominated for appointment to the Executive Committee. By means of its website, the Foundation has given the holders of depositary receipts of

shares the opportunity to put forward the names of possible candidates that fit the profile. At the Foundation's meeting in March, possible suggestions will be included for further deliberations by the Foundation.

Remuneration of the Executive Committee of the Foundation

The remuneration of the independent members of the Foundation's Executive Committee was last changed in 2007. The chairman's remuneration is € 10,000 per annum and that of a member of the Executive Committee is € 8,000. Additional remuneration is awarded if the Executive Committee is expected to make an extra effort. The costs of the Foundation amounted to € 29,352.00 in 2011 (2010: € 30,128.00).

The Foundation's Executive Committee currently has three independent members:

Mr F.H. Schreve, *chairman*

Mr J.W. Termijtelen

Prof. M.W. den Boogert.

The members of the Executive Committee hold the following positions:

The committee's chairman, Mr F.H. Schreve (1942), is an independent member of the Executive Committee. Mr Schreve is a former chairman of the Executive Board of Koninklijke Ten Cate N.V., of Heidemij/Arcadis and of Rabobank International. Mr Schreve is chairman of the Supervisory Board of the listed company Fugro N.V., where he is also a member of the Executive Committee of the Stichting Fugro Preferente Aandelen and of the Stichting Continuïteit Fugro. Mr Schreve is also chairman of the Supervisory Board of the Sint Lucas Andreas Hospital in Amsterdam, a member of the Supervisory Board of HVC N.V. and chairman of the Stichting Preferente Aandelen H.E.S. Beheer N.V.

Mr J.W. Termijtelen (1942) is an independent member of the Executive Committee. Mr Termijtelen, a former director of

Banque Paribas Nederland N.V. and Nidera Handelscompagnie B.V., is, among other things, chairman of the Supervisory Board of NMKW N.V. and the Belgian company RLC S.A. He is also a member of the Executive Committee of the Stichting Continuïteit BESI and chairman of 'De Opkikker' foundation.

Professor M.W. den Boogert (1943) is an independent member of the Executive Committee. Mr Den Boogert is Emeritus Professor of Securities Law at the University of Groningen, a member of the Advisory Council and Supervisory Board of the Netherlands Arbitration Institute, chairman of the DSI Arbitration Committee, a member of the Supervisory Board of Stichting Communicatiekanaal Aandeelhouders, a member of the Company Law Commission of the Ministry of Justice, a deputy member of the SER's Mergers Commission and vice-chairman of Stichting Beheer SNS REAAL. Mr. Den Boogert is a member of the Executive Committees of Stichting SNS REAAL Fonds and Stichting ING Aandelen and is a member of the Executive Committee of several foundations with a protective function affiliated with a listed company.

Contact details

The Foundation has its office at the company's address. The Foundation can also be contacted via its website at: www.stichtingadministratiekantoorstk.com or by email: stak@tkhgroup.com.

Statement of independence

The Executive Board of TKH Group NV and the Executive Committee of Stichting Administratiekantoor TKH Group hereby declare that in their shared opinion Stichting Administratiekantoor TKH Group is a legal entity which is independent of TKH Group NV within the meaning of Section 5:71(1)(d) of the Wet op Financieel Toezicht [Financial Supervision Act].

Haaksbergen, The Netherlands, March 2012

The Executive Committee

OVERVIEW PRESS RELEASES 2011

28.01.2011 Closing acquisition Optelecom-NKF by TKH

TKH announces the completion of the acquisition of Optelecom-NKF, Inc., based in Germantown, United States of America. The Optelecom-NKF activities will be integrated in TKH's security cluster, which is part of the business sector Building Solutions. The strategic fit between TKH and Optelecom-NKF is excellent. Optelecom-NKF's portfolio is complementary to TKH's existing portfolio.

9.03.2011 annual results 2010 Innovations boost results and market share

Turnover rose € 167.1 million (23.0%) to € 893.5 million. The operating result before amortisation of intangible assets (EBITA) rose by 157.5% to € 73.4 million in 2010, where restructuring costs of € 12.2 million were included in the result 2009. Net profit before amortisation were € 45.1 million in 2010 (2009: € 6.9 million). Net profit rose to € 40.9 million in 2010 (2009: € 3.1 million). The ordinary earnings per share came in at € 1.10.

11.05.2011 Trading update Q1 2011: TKH books record turnover in first quarter 2011

Turnover rose by € 79.5 million (39.9%) to € 278.6 million, with 32.7% organic growth and 4.3% due to increased prices of raw materials. Operating result before amortisation (EBITA) was up by 83.7% to € 23.0 million in the first quarter of 2011. Net profit before amortisation amounted to € 16.3 million, a rise of 117.8%.

23.05.2011 TKH expands Executive Board

TKH announces that the Supervisory Board intends to appoint Mr. A. (Arne) Dehn as a member of the TKH Executive Board effective 1 August 2011. The Supervisory Board's appointment of Mr. Dehn will be formalised once TKH has informed its shareholders at an Extraordinary General Meeting of Shareholders (EGM) to be held on 7 July 2011.

24.05.2011 General Meeting of Shareholders 2011: Dividend declared

The Annual General Meeting of Shareholders declared a dividend of € 0.61 per (depository receipt of) ordinary share with a nominal value of € 0.25 for the 2010 financial year.

29.06.2011 TKH boosts position in healthcare systems

TKH has reached agreement on the acquisition of 90% of the shares in Mextal BV, based in Nuenen. Mextal specialises in the delivery of total solutions in the healthcare sector. Mextal has 24 employees (FTEs) and reports an annual turnover of more than € 5 million. The activities of Mextal will be part of TKH's segment building technologies.

24.08.2011 Interim results 2011: Strong turnover and profit improvement

In the first half of 2011 turnover increased by € 128.7 million (30.6%) to € 549.3 million. Operating expenses increased by € 28.7 million, mainly due to the high level of activity and the further strengthening of the organization. Operating result before amortization (EBITA) rose by 52.5% to € 46.3 million in the first half of 2011. Net profit before amortization was € 31.3 million. Net profit rose to € 28.9 million, an increase of 81.3% over the comparable period in 2010. Ordinary earnings per share were € 0.77.

12.10.2011 TKH expands activities in care sector

TKH announces that agreement has been reached to take a majority stake of 57.5% in KLS Nederland ('KLS') located in Almere and Hoogeveen. KLS delivers unique technology for medicine distribution from producer to consumer. The current turnover of KLS amounts to over € 5 million annually. The activities will become part of the TKH-segment building technologies, and join in with the other care technology activities within the TKH group.

28.10.2011 Nomination appointment Supervisory Board member

The Supervisory Board of TKH Group NV will nominate Mr. Rokus van Iperen for appointment as member of the Supervisory Board, during the Extraordinary General Meeting of Shareholders to be held on Wednesday 14 December 2011 in Haaksbergen.

10.11.2011 Trading update Q3 2011: Strong improvement of the results

Turnover in the third quarter of 2011 increased by 14.6% to € 254.2 million. Of this total, 1.5% was due to higher raw material prices charged on to customers. In the third quarter of 2011, costs were at a lower level than in the second quarter of 2011, but increased by € 10.3 million when compared to the third quarter of 2010 due to the higher level of activities. Net profit before amortization came in at € 12.7 million. The net profit after amortization rose to € 11.4 million in the third quarter.

14.12.2011 Rokus van Iperen appointed as member of the Supervisory Board

The Extraordinary General Meeting of Shareholders of TKH Group NV approved the appointment of mr Rokus van Iperen as member of the Supervisory Board of TKH for a period up to the expiration of the first General Meeting, which will be held four years after the appointment.

23.12.2011 TKH concludes new credit facility

TKH has successfully concluded a new committed credit facility of € 250 million with a group of banks. Furthermore, the uncommitted facilities with the group of banks have been renewed and increased with an amount of € 20 million to a total of € 190 million.

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PARTICIPATING INTERESTS

Name of participating interest	Place	Country	Ownership ¹	Telecom Solutions	Building Solutions	Industrial Solutions
Alphatronics B.V.	Nijkerk	Netherlands	100.0%		•	
Bekker & Business Holding B.V. ²	Doetinchem	Netherlands	80.0%		•	
B.V. Twentsche Kabelfabriek	Haaksbergen	Netherlands	100.0%	•	•	•
bv Elspec	De Kwakel	Netherlands	100.0%	•	•	•
Capable B.V.	Breda	Netherlands	100.0%			•
Capassy B.V.	Etten-Leur	Netherlands	100.0%			•
Commend Benelux B.V.	Prinsenbeek	Netherlands	75.0%		•	
Cross Hardware B.V.	Barneveld	Netherlands	100.0%		•	
EKB Groep B.V.	Beverwijk	Netherlands	100.0%			•
EKB Zuid B.V. ²	Someren	Netherlands	90.0%			•
Electro-Draad B.V.	Ittervoort	Netherlands	100.0%	•	•	•
Eminent Europe B.V.	Beek	Netherlands	100.0%		•	•
Flexposure B.V. ²	Tiel	Netherlands	70.0%		•	
Funea Broadband Services B.V.	Oosterhout	Netherlands	100.0%	•		
Intronics Barneveld B.V.	Barneveld	Netherlands	100.0%	•	•	•
Isolectra B.V.	Capelle a/d IJssel	Netherlands	100.0%	•	•	•
Jobarco B.V.	Benthuisen	Netherlands	100.0%			•
Keyprocessor B.V.	Amsterdam	Netherlands	100.0%		•	
KLS Netherlands B.V. ²	Hoogeveen	Netherlands	57.5%			•
Mextal B.V. ²	Nuenen	Netherlands	90.0%		•	
Pantaflex B.V. ²	Bergschenhoek	Netherlands	92.0%			•
Planet Lighting Solutions B.V.	Drachten	Netherlands	60.0%		•	
SecurityWorks B.V. ²	Nijkerk	Netherlands	90.0%		•	
Siqura B.V.	Gouda	Netherlands	100.0%		•	
Soling B.V.	Weert	Netherlands	100.0%		•	
Texim Europe B.V.	Haaksbergen	Netherlands	100.0%	•		•
TKH Care Solutions B.V.	Haaksbergen	Netherlands	100.0%		•	
TKH Logistics B.V.	Haaksbergen	Netherlands	100.0%	•		•
USE System Engineering B.V. ²	Haaksbergen	Netherlands	75.0%		•	
VDG Security B.V.	Zoetermeer	Netherlands	100.0%		•	
VMI Holland B.V.	Epe	Netherlands	100.0%			•
Inec N.V.	Sint-Antonius Zoersel	Belgium	100.0%	•	•	•
Techno Specials N.V.	Gent	Belgium	100.0%			•
Texim Europe BVBA	Brussel	Belgium	100.0%	•		•
VMC A/S	Ballerup	Denmark	100.0%	•	•	
EEB Kabeltechnik GmbH	Forst	Germany	100.0%			•
EFB Elektronik GmbH	Bielefeld	Germany	100.0%	•	•	•
Ernst & Engbring GmbH	Oer-Erkenschwick	Germany	100.0%			•
IV-Tec GmbH	Freiburg	Germany	100.0%		•	
New Electronic Technology GmbH	Finning	Germany	90.0%		•	
Schneider Intercom GmbH ³	Erkrath	Germany	85.0%		•	
Schrade Kabel- und Elektrotechnik GmbH	Allmendingen	Germany	100.0%			•
Schreinermacher Kabelconfektionen GmbH	Kaarst-Büttgen	Germany	100.0%	•	•	
Texim Europe GmbH	Quickborn	Germany	100.0%	•		•
TKD Kabel GmbH	Nettetal	Germany	100.0%			•
TKF GmbH	Teltow	Germany	100.0%	•		
TKH Security Solutions Deutschland	Erkrath	Germany	100.0%		•	
VMI-AZ Extrusion	Runding	Germany	100.0%			•

Name of participating interest	Place	Country	Ownership ¹	Telecom Solutions	Building Solutions	Industrial Solutions
Axilogic SA	Ville la Grand	France	100.0%		•	
CAE Data SAS	Wissous	France	100.0%	•	•	•
ID Cables SAS	Wissous	France	100.0%	•	•	•
HPM Cables Sarl.	Chaon	France	90.0%	•	•	•
TKH Securite France SA	Wissous	France	100.0%		•	
KC Industrie Sarl	Villanova sull' Arda	Italy	94.5%			•
TKH Norge A/S	Oslo	Noorwegen	100.0%		•	
C&C Partners Telecom Sp. z o.o	Leszno	Poland	100.0%	•	•	
C&C Technology Sp. z o.o	Leszno	Poland	100.0%		•	
TKD Polska Sp. z o.o.	Warschau	Poland	100.0%			•
Kabeltechnik Polska Sp. z o.o.	Leszno	Poland	100.0%	•	•	•
Intronics Espana SA	Malaga	Spain	100.0%	•	•	•
Siqura S.L.	Madrid	Spain	100.0%		•	
EFB Elektronik Ltd	Istanbul	Turkey	100.0%	•	•	
Siqura Ltd.	Rotherham	UK	100.0%		•	
Intronics Sweden AB	Tierp	Sweden	100.0%	•	•	•
VMC Elteknik AB	Strängnäs	Sweden	100.0%	•	•	
VMI South America Ltda.	Sao Paulo	Brazil	100.0%			•
Isolectra Malaysia Sdn Bhd	Shah Alam	Malaysia	100.0%	•	•	
Ithaca ²	Casablanca	Morocco	51.0%		•	
NET Japan Co. Ltd.	Yokohama	Japan	90.0%		•	
TKH Building Solutions Shanghai Co. Ltd.	Shanghai	PR China	100.0%		•	
Twentsche (Nanjing) Fibre Optics Co. Ltd.	Nanjing	PR China	100.0%	•		
VMI (Yantai) Machinery Co. Ltd.	Yantai	PR China	100.0%			•
VMI Ltd.	Yantai	PR China	100.0%			•
Zhangjiagang Twentsche Cable Co. Ltd.	Zhangjiagang	PR China	100.0%		•	
CMF Taiwan	Taiwan	Taiwan	60.0%		•	
Isolectra Far East Pte Ltd.	Singapore	Singapore	100.0%	•	•	
Kaweflex Wire and Cable Inc.	Cincinnati	USA	100.0%			•
NET USA Inc.	Highland	USA	77.4%		•	
TKH Security Solutions USA Inc.	Germantown	USA	100.0%		•	
VMI Americas Inc.	Stow	USA	100.0%			•

¹ Economic ownership is equal to the legal ownership, unless mentioned differently.

² Economic ownership is 100%.

³ Economic ownership is 95%.

TEN YEAR OVERVIEW

	IFRS								DUTCH GAAP	
in millions of euros	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Consolidated profit and loss account										
Total turnover	1,061	894	726	997	838	685	548	460	384	390
Costs of raw materials, consumables and subcontracted work	649	545	430	628	528	421	320	265	214	229
Personnel expenses	210	174	170	186	158	136	120	104	90	98
Depreciation	15	14	16	17	12	10	12	13	14	19
Other operating expenses	97	88	81	90	74	64	56	45	42	43
Total operating expenses	971	821	697	921	772	631	508	427	360	389
EBITA	90	73	29	76	66	54	40	33	24	1
Impairment	0	0	4	-3						
Amortisation	13	11	9	6	3					
Operating result	77	62	16	73	63	54	40	33	24	1
Financial income and expenses	-7	-7	-11	-8	-5	-4	-3	-3	-4	-5
Result on ordinary activities before taxes	70	55	5	65	58	50	37	30	20	-4
Taxes	16	14	2	15	12	15	3	10	8	3
Result on ordinary activities	54	41	3	50	46	35	34	20	12	-7
Extraordinary income and expense	0	0	0	0	0	0	0	0	0	-48
Net result	54	41	3	50	46	35	34	20	12	-55
Minority interest	1	1	0	0	1	0	-1	0	0	0
Attributable to shareholders	53	40	3	50	45	35	33	20	12	-55
Highlights										
EBITA as % of the total turnover (ROS) ¹	8.5	8.2	5.6	7.6	7.9	7.8	7.2	7.2	6.2	0.3
Return as % of the shareholders' equity (ROE) ¹	16.5	13.9	6.4	16.3	15.5	16.0	13.9	12.3	8.0	-3.9
EBITA in % of the average capital invested (ROCE)	21.5	20.0	9.8	16.5	15.3	17.1	14.3	13.4	10.4	0.4
Net profit as % of the total turnover ¹	5.6	5.0	2.5	5.0	4.9	5.2	4.8	4.3	3.1	-1.7

¹ In 2009, an impairment of € 3.7 million before taxes and restructuring costs of € 12.2 million have been recorded. The restructuring costs have mainly been recognised as personnel expenses.

in millions of euros	IFRS								DUTCH GAAP	
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Consolidated balance sheet										
Intangible non-current assets	204	168	167	169	149	45	24	24	3	6
Tangible non-current assets	171	157	151	165	146	124	125	123	119	126
Financial non-current asset	23	19	10	9	8	7	18	16	0	1
Total non-current assets	398	344	328	343	303	176	167	163	122	133
Inventories	165	138	115	140	145	120	104	85	71	87
Receivables	187	165	146	225	202	156	119	92	80	95
Cash	29	23	44	10	10	10	6	7	8	7
Total current assets	381	326	305	375	357	286	229	184	159	189
Assets held for sale	7	7	9	3	1	3				
Total assets	786	677	642	721	661	465	396	347	281	322
Shareholders' equity	356	317	281	292	264	221	187	160	156	143
Minority interest	2	2	1	1	1	2	0	0	0	0
Group equity	358	319	282	293	265	223	187	160	156	143
Provisions	75	54	64	60	68	37	46	41	19	22
Long-term liabilities	124	55	72	126	86	26	26	26	27	74
Credit institutions	4	32	41	71	88	53	29	37	19	0
Other current liabilities	225	217	183	171	154	126	108	83	60	83
Total liabilities	786	677	642	721	661	465	396	347	281	322
Other Information										
Solvency percentage	46	47	44	41	40	48	47	46	56	44
Investments tangible non-current assets	22	21	11	32	29	18	12	11	11	22
Depreciations on tangible non-current assets	15	14	17	17	13	12	12	13	14	20
Cash flow from operating activities	47	55	152	53	38	19	30	17	42	49
Number of shares outstanding and held by third parties at year end (x 1,000)	37,284	36,885	36,293	35,290	34,638	33,715	32,732	32,364	32,276	32,276
Net result per share of € 0.25	1.44	1.10	0.07	1.43	1.30	1.06	0.80	0.61	0.37	-0.21
Net result before exceptional income and expense and amortisation	1.57	1.21	0.49	1.34	1.34	1.06	0.80	0.61	0.37	-0.21
Dividend	0.75	0.61	0.50	0.66	0.66	0.53	0.41	0.31	0.25	0.08
Highest share price during year under review	23.80	19.61	13.95	17.41	23.41	16.48	10.36	7.85	4.86	5.38
Lowest share price during year under review	13.24	12.52	6.35	7.04	13.62	9.28	7.43	4.28	1.27	1.50
Share price at year-end	16.95	19.61	13.95	8.00	14.96	16.03	9.30	7.50	4.48	2.40

GLOSSARY

Access network:

cable infrastructure between the telephone exchange and the subscriber.

Bandwidth:

the transmission capacity of a media, expressed in the number of bits per second. The maximum transmission capacity is 1 Gigabit per second for copper and 600 Gigabit per second for optical fibre.

Broadband connection:

a collective name for a connection with a high transport capacity. Technically, such a connection can be made with a coax modem, an ADSL modem or with the aid of a Fiber-to-the-Home connection. The latter solution currently offers the fastest (Internet) connection, with a transport-capacity of at least 10 megabits per second symmetric it is many times faster than connections with ADSL and coax modems.

Building solutions:

range from solutions in the area of efficient electrical engineering to ICT systems for the care sector.

Cable accessories:

products with a direct relation to cable and the installation of cable. For example attachment materials coding and marking systems and tools.

Data communication:

communication of digital information between computers.

Decoding:

Decoding is the reverse process, converting these code symbols back into information understandable by a receiver.

Domotics:

in-house automation for amongst other things light, telephone, television (set-top box) and security.

Electronic:

the part of the technology relating to control and automation technology.

Electrical engineering:

the part of technology that deals with the distribution and supply of electricity.

Encoding:

In communications and information processing, encoding is the process by which information from a source is converted into symbols to be communicated.

Energy distribution cable:

cable for the transfer of energy.

ERP-system (Enterprise Resource Planning):

An ERP-system supports all kind of processes within the organisation as where an exchange of information will take place between departments.

Fibre-To-The-Home:

the last piece of the network to the user is fitted with optical fibre cable.

Gsm (Global system for mobile telecommunication):

Global standard for mobile telephony.

ICT (information and Communication Technology):

at present, rapidly progressing integration is occurring between information technology, that is to say computers, and data and telecommunication.

Indoor telecom:

telecommunication facilities in the home.

Industrial Solutions:

consist of advanced solutions for production automation, car and truck tyre building systems and industrial applications in the area of specialty cable and cable accessories.

Installation cable:

cable for installations for power supply with a tension of maximum 1,000 Volts.

IP-TV:

TV over internet. Technology to transport compressed streaming of video via internet. This technology will be introduced the next years in the Triple Play strategy of network operators.

LEAN :

A method to minimise all waste from the production process and focuses on adding value in a production process.

Manufacturing Enterprise Systems (mes):

steering and information systems which connect the various functions within a production environment. MES replaces paper flows and makes all data on product, process and quality available immediately.

Mobile telecom traffic:

mobile communication (often voice and data) via a fixed network of transmission and receiver installations connected with each other.

Modem:

a device for modulation/demodulation. It is a card in or a little box near your computer with which you can make a connection between your computer and an ordinary telephone line. In this way you can make a connection from your computer to the Internet or a network.

Operation systems:

systems for sending, regulating and controlling industrial processes, of which the system's intelligence consists of PLCs (Programmable Logical Computers) or CNCs (Computerised Numerical Controls).

Optical fibre cable:

cable with one or more coated conductors of very pure glass for the transfer of signals on a carrier wave of light; applied in data and telecommunication.

Optical fibre production:

optical fibre is produced in a 25-meter high drawing tower in conditioned ultra-clean conditions.

Outdoor telecom:

telecommunication facilities outside the home.

Passive and active components:

in data and telecommunication a difference is made between components which do and do not need power.

Product handling systems:

automated flexible product handling machines.

Specialty cable:

cable for specific applications or custom made for the client. These cables are often highly flexible, resistant to chemicals or combine different kinds of optical fibres with copper conductors.

System concepts:

TKH increasingly specialises in the integration of individual components into total systems. Such systems offer the client a lot of added value and operational safety.

Telecommunication network:

network for the transport of voice and digital information between computers.

Telecommunication infrastructure:

the entity of cables, plugs, cabinets, etc. that is required to connect telephone, Internet, mobile phone exchanges.

Telecom Solutions:

consists of solutions ranging from a basic infrastructure to home networking applications, both for outdoor telecom and indoor telecom (ICT) markets. teleco and ICT total Solutions

Total solution:

by acting as a one-stopshopping supplier for projects, the subsidiaries of TKH deliver a complete packet of products, including advice, project management, -installation, training and maintenance.

Transmission capacity:

the number of information units which can be sent through a conductor or fibre.

Triple Play:

the name of the strategy of -telecom operators to deliver video, internet and telephony services over the same (IP) network.

Tyre building systems:

systems for the manufacturing of car and truck tyres.

VAR (value-added reselling):

distribution activity in which use is made of added value as a distinguishing feature.

VDsl:

(Very High Bitrate Digital Subscriber Line) offers higher capacity as ADSL. The theoretical maximum at ADSL, from the operator to the end-user, is 8 Megabit per second (Mbps). VDSL on the other hand achieves in practice even 30 to 40 Mbps. This is approximately thousand times more than a connection through ordinary telephone line.

Vision:

Vision control systems are very high performance camera or laser-guided systems that identify and remove products with errors without adversely affecting the efficiency of the process.

VODsl:

Voice over DSL, technique to place a telephone conversation over a broadband DSL connection; a variant for VOIP.

VOiP (voice over iP):

VoIP make use of the IP-protocol to transport voice packets over an IP-network.

WIFI (wireless Fidelity):

a relatively new standard for wireless data communication with a relatively large bandwidth and range. Is applied in the office and at home.

In case of discrepancies between the Dutch and the English version, the Dutch version prevails.

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