

## Press Release

investor relations

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### TenCate trading update concerning third quarter of 2009

#### Cost measures show positive effect on operating result (EBITA)

- Operating result for the third quarter of 2009 rose by € 4.8 million compared with the second quarter
- Positive cash flow of € 64 million (up to and including the third quarter)
- Strong balance sheet position (solvency 47%)
- Debt position reduced to € 264 million (end of 2008: € 331 million)
- Debt / EBITDA ratio 2.5
- Cutback in workforce (FTEs) by 880 (-18%) since 1 January 2009

x € million	third quarter 2009	third quarter 2008	9 months 2009	9 months 2008
<b>Sales</b>	<b>222.9</b>	269.6	<b>656.4</b>	<b>781.2</b>
<b>EBITA</b>	<b>18.2</b>	25.8	<b>39.1</b>	<b>71.1</b>
<b>Net profit</b>	<b>10.0</b>	11.9	<b>25.2</b>	<b>37.3</b>

#### Main developments:

- **Advanced Textiles & Composites**
  - The activities in the field of fire-resistant fabrics for US Army uniforms (amongst others TenCate Defender™ M) continue to show vigorous development. The TenCate Defender™ M product portfolio has been further expanded and TenCate has qualified for new projects with several of its products;
  - The demand from customers in the industrial markets for protective professional clothing continues to be sluggish;
  - Inventory levels in the production chain of the Airbus A380 have been run down further;
  - TenCate Cetex® material (composites) incorporated in the new Boeing 747-8;
  - The European armour market is moving at a healthy level. In the US several smaller projects have been carried out; large projects are still in the pipeline.

- **Geosynthetics & Grass**
  - The American geosynthetics market has not yet shown signs of recovery. Infrastructure projects are in the pipeline. Despite the decline in sales, a good result was achieved compared with the third quarter of last year, thanks to cost control;
  - After a late start, good volumes were achieved in the synthetic turf market during the third quarter. There was, however, pricing pressure as a result of the further running down of inventories. There was a decline in the American market as a result of fiscal tightening. The European market remained stable and the Asian market showed continued growth;
  - The market share in the European and American synthetic turf market increased as a result of strategic choices relating to commercial partners;
  - On a global scale the synthetic turf market has ended up in a consolidation stage as a result of financing problems and the reduction in or postponement of budgets. Increased quality awareness in the market (FIFA and other sports associations) has contributed to further professionalization of the sector;
  - TenCate is introducing warranty concepts (performance and durability warranty) in the synthetic turf market in order to offer end-users greater certainty and to strengthen its quality image.
  
- **Other activities**
  - At TenCate Enbi further measures have been taken to reduce costs, in part in view of the uncertain market situation;
  - Xennia Technology has made good progress in new market applications (medical sector, food industry, textile industry) for industrial inkjet applications and has recorded its first significant sales in Asia through a strategic partner.

### **Financial**

Investments for the first nine months of 2009 amounted to € 10 million (2008: € 39 million). The net cash flow, as expected, continued to develop apace, so that the net debt position was further reduced to an amount of € 264 million (2008: € 331 million). The debt ratio currently stands at 2.48 (bank covenants: maximum 3.0).

At 30.3%, the tax rate is comparable with the same period of 2008.

**Ir. Loek de Vries (President and CEO):** "The operating result (EBITA) for the first three quarters shows an upward trend. In the third quarter the operating result improved by € 4.8 million compared with the preceding quarter (second quarter 2009: € 13.4 million). The EBITA margin improved compared with the second quarter of this year from 5.8% to 8.2%. During this year the total number of employees (FTEs) was further cut back by 880 (-18%). In summary, I remain positive in respect of our future growth opportunities and the related recovery of profit."

In the third quarter of 2009 there was a continued delay in government tenders, for example in sport and recreation, defence and infrastructure. A cautious recovery in certain areas can also be observed for 2010, although the problems concerning the financing of projects are causing uncertainty about the date of implementation.

The costs were further reduced, with the emphasis currently being on The Netherlands. In other countries and particularly in the United States, it was possible to respond to lower sales levels with greater flexibility.

TenCate was awarded qualifications in a number of important areas in the field of composites, such as in the aviation industry, the construction of satellites and the energy sector. The acquiring of qualifications will safeguard the company's future sales. Unmanned vehicles (UAVs) for military applications and the satellite industry represent a major growth market.

Consequently, it is clear that the number of applications for TenCate composite materials will increase further in the near future. TenCate will therefore, even under the present economic conditions, continue to invest in the future.

After what remains for the time being a disappointing development in the US relating to the tender for military vehicles, TenCate remains a prominent player in vehicle armouring for large tenders. Expectations for this market remain positive, partly in view of the large projects that are expected.

There are also favourable prospects for the investment in inkjet technology (Xennia), which TenCate primarily uses as a finishing technology. Xennia was selected to be a partner in a new European innovation project relating to 'flexible large-area electronics'. The contribution of Xennia is in the field of surface nanocoating and -printing by means of inkjet technology. TenCate should in the first place strike out in innovative directions in textile technology, which will offer new prospects for the production of protective fabrics in The Netherlands. Xennia will also start operations in The Netherlands (Twente) shortly.

The financial position has developed well. This is in the first place the result of the financial policy pursued in 2008 and 2009, which was tightened up further in April by focusing on the generation of a strong cash flow. As a result it has been ensured that financing costs remained low and that there was no need to turn to the capital market.

The fundamental growth trends that have determined the growth of TenCate in recent years will continue to hold good. A major part of our sales is financed by government budgets and here delays have occurred or priorities have been shifted. Government tenders are expected to provide a boost to the recovery of the economy in the years ahead. This will be positive for activities of TenCate in infrastructure, safety and protection (defence) and the environment (geosystems).

In addition, the geographic markets of TenCate are expanding further (China, India and South America) and this will gradually produce new sales.

The technology component, which is characteristic of the TenCate business model, will also provide an increasing contribution to the growth.

### **Outlook**

The expectations expressed on the publication of the half-year results - that sales for the rest of the year would be at least equal to sales for the first six months - remain in force. And here the uncertainty about the timing of major defence orders should be taken into consideration. TenCate, directly or indirectly, takes part in tenders that may have a significant impact on sales in both the short and the longer term.

TenCate will continue to pursue its policy of bringing costs in line with the decreased sales.

No announcement will be issued regarding profit for the current book year.

The financial ratios for the year as a whole are expected to remain within the covenants agreed with the banks.

**Royal Ten Cate**  
**Almelo, The Netherlands, Wednesday 28 October 2009**

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**Royal Ten Cate** (TenCate) is the multinational company that combines textile technology, chemical technology and material technology in the development and production of functional materials with distinctive characteristics. Systems and materials from TenCate can be divided into four areas of application: Safety and protection; space and aerospace; infrastructure and the environment; sport and recreation. TenCate occupies leading positions in safety fabrics, composites for space and aerospace, antiballistics, geosynthetics and synthetic turf. TenCate is listed on the NYSE Euronext.