

Half-year results of Royal Ten Cate: 64% rise in profit

In the first six months of 2002 Royal Ten Cate (technical textiles and technical components) increased its net profit by 64% to €10.8 million (2001: €6.6 mln). This is in line with the recently published preliminary results.

Group sales totalled €322.8 million (2001: €321.5 mln). The operating result (EBIT) has increased from €8.6 million in the first half of 2001 to €14.6 million (+70%).

Earnings per share increases from €1.39 to €2.28 (+64%). The number of shares increased by 1.7% as a result of the 2001 stock dividend.

The profit improvement took place in both the Technical Textiles and Technical Components sectors. The main reasons are the substantially higher profits at Ten Cate Nicolon in the United States (textiles) and the recovery in profitability at Ten Cate Enbi (components), where the cost base has been structurally lowered.

Technical Textiles

The Technical Textiles sector increased its operating profit by 20% to €14.3 million (2001: €11.9 mln) on a 3.5% rise in sales. In this sector Ten Cate occupies leading positions in markets which are showing strong growth. The Ten Cate Advanced Composites group benefits from continuing growth in demand for antiballistic products. Although aircraft manufacture is stagnating, a small increase in sales was achieved even in this market. Bryte Technologies is successful in supplying products for the production of light aircraft, particularly in the USA. A strong rise in sales is expected for this group over the full year. The artificial grass activities (Grass Fibres) are focusing increasingly on the football market. The growth in sales will continue at an increased pace in the second half of 2002 as a result of the seasonal pattern in the laying of sports pitches. It is expected that the artificial grass activities will see a sharp increase in total sales compared to 2001.

A number of activities sees a decline in sales as a result of the overall economic situation. In particular, sales of synthetic fabrics for agricultural applications is stagnating. The proportion of commodities in the sales of industrial clothing also fell. Most products within the Technical Textiles sector, which are based mainly on specific characteristics with high added value for the customer, are proving reasonably resistant to the current economic climate. Sales in the Technical Textiles sector as a whole will rise by around 4% in 2002.

Technical Components

Sales in the Technical Components sector fell by 5% in a stagnant market. The operating result improved sharply to €3.9 million (2001: -€1.3 mln). Ten Cate Enbi (products include rollers for printers and copiers) returned to profitability earlier than had initially been assumed, thanks to the closure of four plants, drastic cost reductions and a number

of new order programmes. Ten Cate Plasticum (plastic packaging for manufacturers of household goods and personal care products, among others) posted positive results, even though some market segments are facing a decline in consumer demand and raw material prices rose at the end of the first half by 8 to 10%. Here too the cost level has been substantially reduced over the past few years in order to cushion the fall in sales. The higher raw material costs will also impact negatively on the results of Ten Cate Plasticum in the second half. However, in 2002 as a whole Ten Cate Plasticum is expected to show a sharp improvement in profit compared to the first half of 2001.

The recently developed USP® spray cap is currently being tested by various A-brands. The lead time for the introduction of this new product is longer than expected, but its prospects remain bright.

Mega Valves International (stockholding wholesaler in water transport systems) recorded satisfactory sales and results in its core businesses Bosta (Benelux/UK) and Bevo (Germany). Taxy (France) suffered further losses. In the course of 2002 Taxy's product range will be brought into line with the rest of the Mega Valves organisation and two sites in France will be closed. Nevertheless, the French market in principle offers good prospects for a profitable operation within this group's European network.

Within the Technical Components sector as a whole, full-year 2002 will see lower sales (-4% to -5%) than in 2001, but with considerably improved profitability.

Associated companies and other interests

The contribution of Synbra Group (50%) fell short of the 2001 level as a result of incidental problems in the supply of raw materials and declining demand for consumer electronics and white goods, for which Synbra produces protective packaging. The other activity – insulation products for the construction industry – showed a stable picture overall. The income from associated companies and other interests fell by €0.9 million to €2.4 million.

Holding company and services

The operating result of the holding company and support services totalled -€3.6 million (2001: -€2.0 mln). The increase in costs relates mainly to incidental rises in consultancy and legal costs. 2001 saw the launch of a project aimed at increasing the manageability of the group and reducing operational risks. To this end various operational audits have already been carried out.

Balance sheet, financial position and liquidity

The financial position has improved markedly. As a result of control of working capital (-18% compared to mid-2001) and a moderate level of investment, the group's indebtedness has been reduced by €50 million to €171 million since the middle of 2001. This has resulted in an interest cover of 2.75, well above the level specified in the covenant with the financiers. The solvency ratio (30.3%), corrected for goodwill, remains below the level agreed with the banks (32.5%). Discussions have now begun in order to arrange medium-term financing. We shall also endeavour to strengthen the guarantee equity by means of subordination.

The liquidity improved, as a result of which the cash flow showed a more positive trend than in the first half of 2001.

Outlook

For the full year Royal Ten Cate expects sales to remain approximately the same as in 2001. However, the measures taken will raise profit sharply to approximately €16 to €17 million. We are therefore maintaining our forecast that Ten Cate will be able to achieve average long-term earnings growth of around 10% per year.

Almelo, 15 August 2002

For further information:

F.R. Spaan

Head of Investor Relations/Corporate Affairs

T +31 546 54 43 38

M +31 6 12 96 17 24

f.spaan@tencate.com

www.tencate.com

Key figures

In €mln	2002-I	2001-I	change
Net turnover	322.8	321.5	+ 0.4%
EBITDA	27.1	22.2	+22.1%
EBIT	14.6	8.6	+69.8%
Net profit	10.8	6.6	+63.6%
Profit per share	2.28	1.39	+64.0%

Q1 2002	Q2 2002	Q1 2001	Q2 2001
150.4	172.4	145.9	175.6
11.6	15.5	7.9	14.3
5.0	9.6	1.6	7.0
2.5	8.3	0.3	6.3
0.54	1.74	0.06	1.33

Key figures per sector

In €mln	2002-I	2001-I	change
Technical Textiles			
Net turnover	212.2	205.1	+ 3.5%
EBIT	14.3	11.9	+20.2%
EBIT margin	6.7%	5.8%	+15.5%
Investments	6.2	9.6	- 35.4%
Depreciation and amortisation	7.4	7.4	0%
Net capital employed	215.7	244.4	- 11.7%
Return on capital employed	13.2%	10.8%	+22.2%
Number of staff-years	1.937	1.964	-1.4%
Technical Components			
Net turnover	110.2	115.7	- 4.8 %
EBIT	3.9	-1.3	
EBIT margin	3.5%	-1.1%	
Investments	1.5	5.2	- 71.2%
Depreciation and amortisation	4.9	6.0	- 18.3%
Net capital employed	108.7	137.6	- 21.0%
Return on capital employed	6.8%	-1.9%	
Number of staff-years	1.452	1.627	10.8%
Holding & Services			
EBIT	-3.6	-2.0	+ 80.0%
Investments	-	-	-
Depreciation and amortisation	0.2	0.2	-
Net capital employed	-5.9	2.6	-
Number of staff-years	31	39	- 20.5%

Q1 2002	Q2 2002	Q1 2001	Q2 2001
95.5	116.7	88.8	116.3
4.1	10.2	2.8	9.1
4.3%	8.7%	3.2%	7.8%
2.9	3.3	3.8	5.8
3.9	3.5	3.3	4.1
222.5	215.7	224.7	244.4
7.6%	18.6%	4.9%	16.5%
1.918	1.937	1.813	1.964
54.8	55.4	57.0	58.7
2.3	1.6	-0.3	-1.0
4.2%	2.9%	- 0.5%	- 1.7%
0.4	1.1	2.6	2.6
2.7	2.2	3.0	3.0
119.6	108.7	133.1	137.6
7.5%	5.8%	- 0.9%	- 2.9%
1.524	1.452	1.689	1.627
-1.4	-2.2	-0.9	-1.1
-	-	-	-
-	0.2	-	0.2
-21.5	-5.9	-2.1	2.6
31	31	34	39