



Press release

Investor relations

Royal Ten Cate net profit increases to €12.1 million

The net profit of Royal Ten Cate (technical textiles and technical components) increased by 10% over the first half of 2004, rising to €12.1 million (2003 H1: €11.0 million). This includes the capital gain of €1.7 million realized from a divestment in the first quarter. Earnings per share increased by 7% to €2.39. The number of shares held increased as a result of the stock dividend. The second quarter produced a positive outcome. Sales were 9% and net profit 5% above the level recorded in the second quarter of 2003. The operating result in this period was comparable to that of the same period in 2003.

Net sales for the first half of 2004 increased by 4% to €303 million (H1 2003: €292 million). Sales rose autonomously by 3%. Currency movements were responsible for depressing sales by 3.9%. The acquisition of Southern Mills had a positive effect of 4.8% on sales.

The operating result (EBIT) for the first half of 2004 dropped by €2.5 million to €14.6 million. Particularly in the first quarter, this fall was caused by an unfavourable European market for professional wear, cost-trimming at Ten Cate Permess, the delay in finalizing the qualification procedure for antiballistic products for the American market, and a sluggish start to the season in sales of artificial grass fibres. In addition, the higher prices of raw materials and increased pension charges played a role, leading to a total rise in costs of €4.5 million.

The contribution to the result by the American company Southern Mills, which was taken over at the end of April, was as yet limited, owing to (prescribed) accounting adjustments in respect to stocks of finished products at the time of the acquisition. The contribution to earnings will actually become manifest in the second half of the year.

Developments per sector

Advanced Textiles & Composites

Advanced Textiles & Composites increased its turnover to €104 million (H1 2003: €92 million) through the acquisition of Southern Mills in the United States and through the increased sales of the Ten Cate Advanced Composites group.

Demand for professional wear in Europe is at a relatively low level, leading to a decline in sales. However, Ten Cate was able to strengthen its market position, particularly in the specialist market sector for safety fabrics. Southern Mills, which mainly produces fire-resistant fabrics, fits in extremely well with the existing activities of Ten Cate Advanced Textiles. Various synergy projects have been initiated which will strengthen the position of Ten Cate in the American and European markets.

At Ten Cate Permess (interlinings), where loss of turnover loomed as a result of the steep fall of the US dollar, production capacity was adjusted in the first quarter.

Sales of antiballistic materials in the European market of Ten Cate Advanced Composites continued to grow significantly, despite the limited availability of raw materials. A production facility has been built in America, and qualification procedures have been set in motion for various market sectors. Several qualifications for orders for the American market were successfully finalized in the second quarter. Supplies of raw materials for the orders in question are covered. Although this development is coupled with the necessary start-up costs, Ten Cate can be sure of good prospects in this market in the future.

The operating result of Advanced Textiles & Composites fell to €4.7 million (H1 2003: €6.1 million).

Industrial Fabrics & Grass

The turnover of Industrial Fabrics & Grass increased by 4% to €106 million. A negative currency effect of over 7% was mentioned. Sales rose by 11% through autonomous growth.

The sales activities of Ten Cate Nicolon in the field of industrial fabrics continue to develop favourably in the USA. The growth in turnover is spread across a wide field. In Europe, sales fell slightly, owing to a decline in the agricultural sector and construction.

The first quarter of the Grass group was disappointing because of the delay in installing artificial grass fields in Europe. The American and Asian markets continued to register growth. Meanwhile sales in the European market have improved considerably. Several important development projects are in progress in the initial phase of official acceptance by UEFA and FIFA of artificial grass for top football. The costs of these projects are charged to the result.

The operating result of Industrial Fabrics & Grass amounted to €7.3 million (H1 2003: €8.5 million).

Technical Components

The turnover of Technical Components fell by 5% to €93 million (2003: €97 million). This fall could be attributed almost completely to Ten Cate Enbi. Sales fell autonomously by only 2%.

Ten Cate Enbi, which is increasingly specializing in technical rollers for laser printers and copiers, continued to show an improving result. For a short time now, Ten Cate Enbi has been focusing on the replacement market for cartridges (units that consist of different technical rollers), which are developed under in-house management.

Ten Cate Plasticum shows a stable picture and has a number of interesting new products for packaging in the food sector and for personal care articles.

MegaValves International, the group technical wholesalers for system components, shows a slight increase in growth in Northern Europe in line with the first quarter. The French location Agubat and the Italian EQO have been closed. The location in Spain again registered growth.

The operating result of Technical Components remains unchanged at €5.6 million.

Associated companies

The contribution of the Synbra Group (50%) improved considerably, partly because of the good results in the packaging sector and insulation for underfloor heating systems.

The share of the result of the associated companies, including the capital gain on the sale of Schwabenvlies, rose to €3.9 million (H1 2003: €1.3 million).

General

Overall, the total debt, after divestment of Schwabenvlies and acquisition of Southern Mills, rose slightly to €137 million. Cash flow was influenced positively by continuing control of the working capital and a relatively low level of investment.

Prospects

The growth in sales in the first half of 2004 will increase significantly in the second half, partly through the acquisition of Southern Mills. The current influx of orders shows a positive picture. Examples are as follows:

- In the field of safety fabrics (Tecasafe), contacting end-users has led to several attractive orders.
- As regards the American market, various orders have been received for antiballistic materials for the military aviation sector, and new qualifications will be finalized. In the European market too, important orders have come in.
- In addition to the qualification for the new Boeing 7E7, composite materials (Cetex) have been qualified for the Airbus A380, and deliveries have recently started.
- In the meantime the demand for artificial grass fibres has increased considerably.
- A large Asian order for geotextiles (Geotubes) has been obtained.
- The positive trend for Industrial Fabrics in America is continuing.
- Ten Cate Enbi has made an encouraging start in the aftermarket.

Expected earnings for the whole of 2004 cannot be given at this stage.

Royal Ten Cate

Almelo, 26 August 2004

For further information, please contact:

F.R. Spaan

Head of Investor Relations/Corporate Affairs

T 0546 54 43 38

f.spaan@tencate.com

www.tencate.com

+ attachments: figures for first half-year 2004

KEY FIGURES (mln euro's)	January-June			Q1	Q2	Q1	Q2
	2004	2003		2004	2004	2003	2003
Net turnover	303.2	291.9	3.9%	130.0	173.2	132.7	159.2
EBITDA	24.8	27.4	-9.5%	7.9	16.9	10.3	17.1
EBIT	14.6	17.1	-14.6%	3.0	11.6	5.1	12.0
Net profit	12.1	11.0	10.0%	3.6	8.5	2.9	8.1
Profit per share *)	2.39	2.23	7.2%	0.73	1.66	0.61	1.62

*) 2003 adjusted for comparison purposes

KEY FIGURES PER SECTOR

(mln euro's)	January-June			Q1	Q2	Q1	Q2
	2004	2003		2004	2004	2003	2003
Advanced Textiles & Composites							
Net turnover	104.0	91.7	13.4%	44.2	59.8	45.3	46.4
EBIT	4.7	6.1	-23.0%	1.9	2.8	3.2	2.9
EBIT margin	4.5%	6.7%	-32.8%	4.3%	4.7%	7.1%	6.3%
Investments	1.5	2.4	-37.5%	0.6	0.9	1.6	0.8
Depreciation and amortisation	2.5	2.1	19.0%	1.1	1.4	1.0	1.1
Net capital employed	117.6	81.1	45.0%	79.1	117.6	79.3	81.1
Return on capital employed	9.2%	16.3%	-43.6%	9.7%	10.0%	16.8%	15.8%
Number of staff-years	1,295	814	59.1%	806	1,295	825	814
Industrial Fabrics & Grass							
Net turnover	106.4	102.6	3.7%	42.7	63.7	41.6	61.0
EBIT	7.3	8.5	-14.1%	0.2	7.1	1.2	7.3
EBIT margin	6.9%	8.3%	-16.9%	0.5%	11.1%	2.9%	12.0%
Investments	1.2	2.5	-52.0%	0.7	0.5	1.5	1.0
Depreciation and amortisation	4.8	4.9	-2.0%	2.3	2.5	2.5	2.4
Net capital employed	116.8	123.4	-5.3%	111.5	116.8	123.1	123.4
Return on capital employed	13.4%	14.6%	-8.2%	0.8%	25.0%	4.4%	23.3%
Number of staff-years	1,142	1,103	3.5%	1,127	1,142	1,097	1,103
Technical Components							
Net turnover	92.6	97.4	-4.9%	43.0	49.6	45.7	51.7
EBIT	5.6	5.6	0.0%	2.5	3.1	2.0	3.6
EBIT margin	6.0%	5.7%	5.3%	5.8%	6.3%	4.4%	7.0%
Investments	1.0	1.4	-28.6%	0.3	0.7	0.6	0.8
Depreciation and amortisation	2.8	3.2	-12.5%	1.4	1.4	1.6	1.6
Net capital employed	80.2	85.4	-6.1%	78.5	80.2	89.1	85.4
Return on capital employed	13.9%	12.6%	10.3%	12.3%	15.8%	8.7%	16.6%
Number of staff-years	1,210	1,302	-7.1%	1,231	1,210	1,275	1,302
Holding & Services							
EBIT	-3.0	-3.1		-1.6	-1.4	-1.3	-1.8
Investments	-	-		-	-	-	-
Depreciation and amortisation	0.1	0.1		0.1	-	0.1	-
Net capital employed	12.6	7.8		17.0	12.6	7.0	7.8
Number of staff-years	31	30		32	31	28	30

CONSOLIDATED PROFIT AND LOSS ACCOUNT

<i>million euro's</i>	first quarter		Year	
	2004	2003	2004	2003
Net turnover	173.2	159.2	303.2	291.9
Changes in inventories of finished products and work in progress	0.9	-5.3	7.0	4.6
Raw materials and manufacturing supplies	-88.4	-74.2	-154.9	-145.4
Work contracted out and other external expenses	-8.2	-8.4	-15.9	-15.8
Personnel costs	-41.6	-36.3	-77.7	-72.3
Depreciation and amortisation	-5.3	-5.1	-10.2	-10.3
Other operating costs	-19.0	-17.9	-36.9	-35.6
Total operating expenses	-161.6	-147.2	-288.6	-274.8
Operating result (EBIT)	11.6	12.0	14.6	17.1
Financial income and expenses	-1.3	-1.7	-2.7	-4.0
Result from ordinary operations before tax	10.3	10.3	11.9	13.1
Taxes	-3.2	-2.7	-3.7	-3.4
Result from ordinary operations after tax	7.1	7.6	8.2	9.7
Share in net earnings of associated companies	1.4	0.5	3.9	1.3
Net group result from ordinary operations	8.5	8.1	12.1	11.0
Minority shareholders' interests	-	-	-	-
Net result	8.5	8.1	12.1	11.0
Operating result as a % of sales	6.7%	7.5%	4.8%	5.9%
Return on capital employed	16.9%	16.8%	12.3%	12.7%
Weighted average number of shares outstanding (x 1,000) *				
- basic	5,055	4,926	5,055	4,926
- diluted	5,120	5,039	5,119	5,039
Per €10.00 share *				
- cash flow	2.68	2.60	4.40	4.32
- net profit	1.66	1.62	2.39	2.23
- diluted net profit	1.64	1.58	2.36	2.18
Number of staff-years			3,678	3,249
of which in the Netherlands			1,351	1,348

*) year 2003 adjusted for comparison purposes

CONSOLIDATED BALANCE SHEET

<i>million euro's</i>	mid 2004	end of 2003	mid 2003
Intangible fixed assets	10.2	10.6	11.9
Tangible fixed assets	128.8	118.1	121.3
Financial fixed assets	12.7	11.4	9.6
Inventories	139.2	110.0	118.7
Receivables	128.6	91.7	115.5
Cash	<u>4.1</u>	<u>5.8</u>	<u>0.1</u>
Total assets	423.6	347.6	377.1
Group equity	172.0	162.1	157.2
Provisions	18.2	15.6	14.4
Long-term debts	99.8	82.9	112.4
Bank and short term loans	37.2	13.9	13.7
Short-term debts	<u>96.4</u>	<u>73.1</u>	<u>79.4</u>
Equity & Liabilities	423.6	347.6	377.1
Acquisitions	31.3	0.3	0.3
Investments of (in)tangible fixed assets	3.7	16.9	6.3
Depreciation and amortisation	10.2	19.6	10.3
Guarantee capital/total assets	41%	47%	42%

OVERVIEW OF CHANGES IN GROUP EQUITY
(million euro's)

	1 st six months	
	2004	2003
As at 1 January	162.1	153.1
Plus: Result 2004 respective 2003	12.1	11.0
Revaluation reserve for exchange differences	2.1	-5.1
Delivered own shares in connection with the stock purchasing plan personnel	0.1	0.1
	<hr/>	<hr/>
Less: Dividend paid to share holders	176.4	159.1
	-4.4	-1.9
	<hr/>	<hr/>
As at 30 June	<u>172.0</u>	<u>157.2</u>

CASH FLOW
(million euro's)

	1 st six months	
	2004	2003
Net profit	12.1	11.0
Depreciation and amortization	10.2	10.3
	<hr/>	<hr/>
Gross cash flow	22.3	21.3
Change in working capital	-18.7	-27.9
Other changes	1.3	-2.0
	<hr/>	<hr/>
Cash flow from operational activities	4.9	-8.6
Investments of intangible fixed assets	-	-0.4
Investments of tangible fixed assets	-3.7	-5.9
Divestments	0.1	0.3
Acquisitions/deconsolidations	-34.5	-0.3
	<hr/>	<hr/>
Cash flow from operational and investment activities	-33.2	-14.9
Financing activities	8.8	3.7
	<hr/>	<hr/>
Net cash flow	-24.4	-11.2
Exchange rate and translation differences relating to funds	-0.6	3.6
	<hr/>	<hr/>
Change in funds	-25.0	-7.6
Funds at start of financial year	-8.1	-6.0
	<hr/>	<hr/>
Funds as at 30 june 2004	-33.1	-13.6

IFRS

In accordance with European regulations, from 2005 Royal Ten Cate will apply the International Financial Reporting Standards (IFRS) for external reporting purposes. Reporting in compliance with these standards means increased transparency and further harmonization of financial accounting – something that Royal Ten Cate firmly advocates. Royal Ten Cate's preparations for introducing the IFRS began in 2003, with an analysis of the differences between the financial reporting principles generally accepted in the Netherlands and the IFRS in order to determine the most important financial, commercial and system-oriented consequences. In addition, the group accounting policies have been rewritten in line with IFRS principles, and meetings have been organized to inform managers and controllers of the consequences of the IFRS.

Although the analysis of the transition to the IFRS has not yet been completely finalized, it is expected that our reporting in the area of IAS 19 (regulation on pensions) will be mainly affected. The IASB is still implementing modifications to the IFRS standards, and the endorsement process in the EU is still in progress. Consequently, we have decided to issue no quantitative explanation of the impact of the initial application of the IFRS, except to say that the estimated effect of IAS 19 on the pension provision would work out at €44 million higher, while the capital base (after tax effects) would work out at €29 million lower.

Review report

Introduction

In accordance with your instructions, we have reviewed the half-yearly figures for the period 1 January to 30 June 2004 included in this half-yearly report, consisting of the consolidated balance sheet and the consolidated profit and loss account, together with explanatory notes, of Royal Ten Cate nv in Almelo. These half-yearly figures are the responsibility of the company's management. Our responsibility is to issue a report on these half-yearly figures based on our review.

Scope

We conducted our review in accordance with standards for review engagements generally accepted in the Netherlands. These standards require that we plan and perform the review to obtain moderate assurance about whether the half-yearly figures are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the half-yearly figures for the period 1 January to 30 June 2004 do not give a true and fair view in accordance with accounting principles for interim financial reporting generally accepted in the Netherlands.

Enschede, 25 August 2004

KPMG Accountants N.V.