

# Press release

investor relations

**Operating result €28.7 million (+20%), net profit €20.3 million (+8%)**

Royal Ten Cate posted an 8% increase in net profit to €20.3 million in 2003 (2002: €18.8 million, excluding the result from the sales of associated companies). Partly as a result of a good fourth quarter, the profit is above the forecast announced earlier. Earnings per share amount to €4.10, an increase of 3.8%. This increase was reduced by an increase of 4.7% in the issued share capital, as a result of the stock dividend. It is proposed to pay a dividend of €1.70, either in cash or in shares.

Consolidated sales in 2003 amounted to €569.6 million (2002: €602.1 million). This drop of 5% was strongly influenced by currency effects (-6%) and divestments (-4%). The autonomous growth in sales amounted from 4 to 5%.

The operating result (EBIT) rose by 20%. It was adversely influenced by currency effects (-11%) and divestments (-14%). There was an autonomous increase of as much as 45% in the operating result. The EBIT margin rose from 4 to 5%.

Sales in the fourth quarter of 2003 amounted to €124 million (2002: €125 million). The operating result increased by €0.4 million to €1.2 million in the fourth quarter. Net profit amounted to €2.1 million, which was €0.6 million higher.

## **Other information**

In 2003 the average interest-bearing debt fell further by €19 million, as a result of which interest costs further declined. The fact that Ten Cate is operating well within the terms of the covenants agreed with the banks reflects its healthy financial situation. In 2003 the tax expense rose to a level of 24%.

In 2003 the company RTC Pacific was established in Hong Kong, in order to coordinate the growing Asian and Australian activities.

The structure of Royal Ten Cate is based on the clustering of technological processes, know-how and skills. On the basis of this, more specific financial details will be provided from now on for the **Advanced Textiles & Composites** and the **Industrial Fabrics & Grass** sectors. Previously these two sectors jointly went under the name of the Technical Textiles sector.

**Technical Components** (Ten Cate Enbi, Ten Cate Plasticum and Mega Valves International) is the third sector included in the financial reporting.

### **Advanced Textiles & Composites**

- **sales €170 million (-3%; autonomous -1%)**
- **EBIT € 8.6 million (+5%; autonomous +9%)**

The Advanced Textiles & Composites sector operates in the area of personal safety and protection, outdoor fabrics and composite materials for industries at the cutting edge of technology, such as aerospace.

Personal safety and protection are global growth markets. This growth is based on increasing responsibility for the safety and protection of people in work situations and on the modernization and adaptation of the antiballistic protection of army units.

In the area of less distinctive fabrics for the professional wear market, growing price competition can be detected, partly due to the low dollar. This market was thus responsible for the decline in sales. As a reaction to this, the purchasing policy was revised and production opportunities in Asia are investigated.

Sales of Cetex<sup>®</sup>, the composite material that is used in the aerospace industry, once again increased. Composites are used to an increasing extent in the aviation industry, including for parts with an elementary function (primary structures). One very striking event was the order for the supply of composite materials for the European and American Mars surveyors.

In 2003 the sale of antiballistic materials began in the United States and made a very promising start.

### **Industrial Fabrics & Grass**

- **sales €213 million (-5%; autonomous +17%)**
- **EBIT €16.9 million (-2%; autonomous +26%)**

Royal Ten Cate occupies a dominant position on the world market for artificial turf. In the area of research and development it leads the way, which has ensured that LSR<sup>®</sup> artificial turf, with its sliding-friendly qualities, has become a household name.

In the field of industrial fabrics and non-wovens, interesting growth markets have been opened up. There has been success in the US with geosystems and applications for environmental problems, in which polluted sludge is removed in an economical way.

Although there was continuing growth in the sale of artificial grass fibres and increasing sales of industrial fabrics with a higher added value, sales fell on balance as a result of the sale of TC Miradri (-12%). In the sales of this sector there is also a relatively large dollar component (-10%).

### **Technical Components**

- **sales €186 million (-8%; autonomous -3%)**
- **EBIT €8.6 million (+145%; autonomous +171%)**

The Components sector in general showed a satisfactory picture. The strong growth of the operating result is the consequence of ongoing control of both costs and working capital and better strategic positioning. Sales declined as the result of the ending of loss-making activities.

Preparations were made for the start-up of a small production unit for Ten Cate Enbi in China, which will become operational in 2004. Ten Cate Plasticum generated growth in its customer-specific packaging concepts with higher added value, which the company had developed itself. The results of the Mega Valves group increased, in part due to improved internal logistics and stock control.

### **Services and Holding**

The operating result fell by €0.4 million as a result of the rising costs of pensions, sponsoring and the start-up of new activities.

### **Associated companies**

In 2003 it was not possible to continue the good result produced in 2002. The construction markets in the Benelux countries and Germany were under pressure, which resulted in a decline in the sales of EPS (insulation material). The packaging markets, however, developed favourably. The contribution of associated companies to Ten Cate results, which can be mainly attributed to the Synbra Group (50% ) fell to €3.9 million (2002: €5.4 million).

### **Outlook**

Although an economic recovery appears to be taking shape, caution is still required in view of the fact that this recovery is often accompanied by rising costs of raw materials, which are not immediately converted into higher market prices for our products.

In the strategic market areas of safety and protection, aerospace, the environment and infrastructure, and sports, ongoing growth is also expected in 2004.

Investments, which will be at approximately the level of depreciation in 2004, will be directed at generating the growth in these niche markets.

No indication of the level of profit will as yet be issued.

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<b>KEY FIGURES</b> million euro's	<b>January-December</b>			<b>Jan-Sep</b>	<b>Q4</b>	<b>Jan-Sep</b>	<b>Q4</b>
	<b>2003</b>	<b>2002</b>	<b>Difference</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
Net turnover	569.6	602.1	-5.4%	445.3	124.3	477.0	125.1
EBITDA	48.3	47.9	0.8%	42.8	5.5	41.7	6.2
EBIT	28.7	23.9	20.1%	27.5	1.2	23.1	0.8
Net profit	20.3	31.1	-34.7%	18.2	2.1	17.3	13.8
Profit per share	4.10	6.52	-37.1%	3.68	0.42	3.63	2.89

#### **Key figures per sector**

<b>million euro's</b>	<b>January-December</b>			<b>Jan - Sep</b>	<b>Q4</b>	<b>Jan-Sep</b>	<b>Q4</b>
	<b>2003</b>	<b>2002</b>	<b>verschil</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
<b>Advanced Textiles &amp; Composites</b>							
Net turnover	169.9	175.6	-3.2%	131.2	38.7	133.1	42.5
EBIT	8.6	8.2	4.9%	7.4	1.2	5.2	3.0
EBIT margin	5.1%	4.7%	8.5%	5.6%	3.1%	3.9%	7.1%
Investments	6.0	3.7	62.2%	4.6	1.4	1.6	2.1
Depreciation and amortisation	4.1	4.3	-4.7%	3.0	1.1	3.2	1.1
Net capital employed	78.1	77.3	1.0%	83.1	78.1	77.3	77.3
Return on capital employed	11.6%	11.1%	4.5%	13.0%	6.1%	9.7%	16.0%
Number of staff-years	813	855	-4.9%	813	813	832	855

#### **Industrial Fabrics & Grass**

Net turnover	213.0	223.3	-4.6%	170.0	43.0	183.3	40.0
EBIT	16.9	17.2	-1.7%	15.4	1.5	17.6	-0.4
EBIT margin	7.9%	7.7%	2.6%	9.1%	3.5%	9.6%	-1.0%
Investments	8.3	8.8	-5.7%	5.0	3.3	7.2	1.6
Depreciation and amortisation	8.7	10.0	-13.0%	7.3	1.4	8.0	2.0
Net capital employed	102.1	108.1	-5.6%	114.3	102.1	130.8	108.1
Return on capital employed	16.1%	14.1%	14.2%	18.5%	5.6%	17.6%	-1.2%
Number of staff-years	1,121	1,065	5.3%	1,115	1,121	1,127	1,065

#### **Technical Components**

Net turnover	186.3	202.5	-8.0%	143.8	42.5	159.9	42.6
EBIT	8.6	3.5	145.7%	9.2	-0.6	5.2	-1.7
EBIT margin	4.6%	1.7%	170.6%	6.4%	-1.4%	3.3%	-4.0%
Investments	2.5	4.4	-43.2%	2.1	0.4	1.7	2.7
Depreciation and amortisation	6.6	9.5	-30.5%	4.8	1.8	7.2	2.3
Net capital employed	79.9	92.1	-13.2%	82.9	79.9	105.1	92.1
Return on capital employed	9.9%	3.3%	200.0%	14.0%	-3.2%	6.2%	-6.9%
Number of staff-years	1,281	1,327	-3.5%	1,292	1,281	1,373	1,327

#### **Holding & Services**

EBIT	-5.4	-5.0		-4.5	-0.9	-4.9	-0.1
Investments	0.1	0.1		-	0.1	-	0.1
Depreciation and amortisation	0.2	0.2		0.2	-	0.2	-
Net capital employed	14.4	3.8		6.0	14.4	-8.6	3.8
Number of staff-years	30	31		30	30	31	31

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

<i>million euro's</i>	fourth quarter		year	
	2003	2002	2003	2002
Net turnover	124.3	125.1	569.6	602.1
Changes in inventories of finished products and work in progress	9.3	4.6	2.6	2.4
Total operating revenues	133.6	129.7	572.2	604.5
Raw materials and manufacturing supplies	-65.8	-62.3	-280.7	-289.9
Work contracted out and other external expenses	-5.6	-6.2	-28.8	-36.4
Personnel costs	-36.8	-38.2	-142.9	-151.3
Depreciation and amortisation	-4.3	-5.4	-19.6	-24.0
Other operating costs	-19.9	-16.8	-71.5	-79.0
Total operating expenses	-132.4	-128.9	-543.5	-580.6
Operating result (EBIT)	1.2	0.8	28.7	23.9
Interest	-1.2	-4.5	-7.0	-12.0
Result from ordinary operations before tax	0.0	-3.7	21.7	11.9
Taxes	0.5	3.5	-5.3	1.7
Result from ordinary operations after tax	0.5	-0.2	16.4	13.6
Share in net earnings of associated companies	1.6	1.9	3.9	5.4
Result from sale of associated companies	-	12.3	-	12.3
<b>Net group result from ordinary operations</b>	<b>2.1</b>	<b>14.0</b>	<b>20.3</b>	<b>31.3</b>
Minority shareholders' interests	-	-0.2	-	-0.2
<b>Net result</b>	<b>2.1</b>	<b>13.8</b>	<b>20.3</b>	<b>31.1</b>
Operating result as a % of sales	1.0%	0.6%	5.0%	4.0%
Return on capital employed	4.1%	3.7%	11.7%	9.7%
<b>Per €10.00 share (average)</b>				
- cash flow	1.28	4.53	8.06	12.06
- net profit	0.42	2.89	4.10	6.52
Number of shares outstanding (x 1,000)			5,024	4,798
Number of staff-years of which in the Netherlands			3,245 1,363	3,278 1,376

## CONSOLIDATED BALANCE SHEET

<i>million euro's</i>	<b>End of 2003</b>	<b>End of 2002</b>
Intangible fixed assets	10.6	12.8
Tangible fixed assets	118.1	130.5
Financial fixed assets	11.4	9.2
Inventories	110.0	117.4
Receivables	91.7	89.8
Cash	<u>5.8</u>	<u>2.9</u>
<b>Total assets</b>	<b>347.6</b>	<b>362.6</b>
Group equity	162.1	153.1
Provisions	15.6	15.1
Long-term debts	82.9	107.0
Bank and short term loans	13.9	8.9
Short-term debts	<u>73.1</u>	<u>78.5</u>
<b>Equity &amp; Liabilities</b>	<b>347.6</b>	<b>362.6</b>
Acquisitions	0.3	1.4
Investments of (in)tangible fixed assets	16.9	17.0
Depreciation and amortisation	19.6	24.0
Guarantee capital/total assets	47%	42%

## OVERVIEW OF CHANGES IN GROUP EQUITY

*million euro's*

	2003	2002
As at 1 January	153.1	129.6
Plus: Result 2003 respective 2002	20.3	31.1
Dividend on shares repurchased for options	-	0.1
Dividend not distributed in connection with stock dividend	-	1.9
Changes in minorities interest	-	0.1
Delivered own shares in connection exercised of options	0.9	-
Delivered own shares in connection with the stock purchasing plan personnel	0.1	0.1
	174.4	162.9
Less: Revaluation reserve for exchange differences	-10.3	-8.0
Revaluation reserve for associated companies	-	-1.8
Dividend paid to shareholders	-1.9	-
Dividend paid minority shareholders'interests	-0.1	-
	162.1	153.1

## CASH FLOW

*million euro's*

	2003	2002
Net profit	20.3	31.1
Depreciation and amortization	19.6	24.0
Other decreases in value of tangible fixed assets	-	2.4
	<b>39.9</b>	<b>57.5</b>
<b>Gross cash flow</b>		
Change in working capital	-3.9	6.7
Other changes	-3.9	-7.1
	<b>32.1</b>	<b>57.1</b>
<b>Cash flow from operational activities</b>		
Investments of intangible fixed assets	-0.4	-
Investments of tangible fixed assets	-16.5	-17.0
Divestments	1.3	5.9
Acquisitions/deconsolidations	-0.3	5.7
	<b>16.2</b>	<b>51.7</b>
<b>Cash flow from operational and investment activities</b>		
Financing activities	-24.2	28.7
	<b>-8.0</b>	<b>80.4</b>
<b>Net cash flow</b>		
Exchange rate and translation differences relating to funds	5.9	13.2
	<b>-2.1</b>	<b>93.6</b>
<b>Decrease in funds</b>		