



# Press release

investor relations

## Royal Ten Cate posts net profit of €30.5 million (+29%)

- **Substantial growth in core activities: protective fabrics, aerospace & armour composites, artificial grass and geosynthetics.**
- **Net profit exceeds previously announced expectations.**
- **Progress in buy & build/fix it-exit strategy: acquisition of Polyfelt and divestment of Mega Valves and Permess/Multistiq.**
- **Net result of divestments in 2005 €3.7 million (2004: €2.0 million)**
- **Considerable profit contribution by Southern Mills and successful integration into Ten Cate activities.**
- **Improvement in profit at Ten Cate Enbi stagnates.**
- **Major expansion investments in capacity and technology in fourth quarter of 2005.**
- **Dividend proposal of €2.40 per share.**
- **Share split 1:4.**

### Financial developments

- Net sales €687 million (+7%; autonomous +10%; acquisitions/divestments -3%)
- EBIT €38.5 million (+11%; autonomous +15%; acquisitions/divestments -4%)
- RONA : 15.3% (2004: 13.5%)

**Royal Ten Cate's net profit for 2005 increased by 29% to €30.5 million. Autonomous growth was more than 30%, with currency movements having only a slight influence on the annual result. Earnings per share rose to €5.93 (2004: €4.67). It is proposed to pay a dividend of €2.40, either in cash or in shares.**

Sales in the fourth quarter of €159 million remained virtually identical to the strong fourth quarter of 2004, with an autonomous increase of 3%.

The operating result in the fourth quarter rose by 2% to €6.4 million, (autonomous -3%). Currency movements (chiefly the American dollar) exerted an influence of +11% on the operating result in the fourth quarter.

Net profit in the fourth quarter more than doubled to €6.3 million (Q4 2004: €3.0 million). The increase in profit in the fourth quarter was in part due to the result on the sale of Permess/Multistiq (€1.7 million) and good results from the Synbra Group

The (comparable) figures have been adjusted to reflect the IFRS guidelines.



## Developments per sector

### Ten Cate Advanced Textiles & Composites

- **Net sales €286 million (+24%; autonomous +13%)**
- **EBIT €16.5 million ( + 48% ; autonomous +32%)**
- **EBIT margin 5.8% (2004: 4.8%)**

The Advanced Textiles & Composites sector operates in the area of personal safety and protection, outdoor fabrics and composite materials for the aircraft industry and others.

The increase in sales can be mainly attributed to the positive market trends in protective fabrics, both in Europe and in the US. Southern Mills made a strong contribution, in part on the basis of an increase in demand for fire-resistant fabrics from the Ministry of Defence.

The growing use of composites in new types of aircraft (Airbus A380) resulted in increasing sales of Cetex<sup>®</sup>. There was also an increase in sales at Cirrus, a private aircraft for the business and private market.

There was a mixed picture in the area of bullet-proof and fragment-proof materials. Sales increased considerably in the US and large orders were received in the Far East, although orders from Europe fell short of expectations. Nevertheless, an attractive order was placed for multi-risk protection for the Dutch police.

At the end of 2005 Permess and Multistiq were divested. These companies fitted less well within our sharper focus on the strategic core areas.

The EBIT margin improved to 5.8%. Ten Cate has formulated its objective to raise the operational EBIT margin (per sector) to a minimum of 8% within two to three years.

### Ten Cate Geosynthetics & Grass

- **Net sales €74 million (+18% ; autonomous +17%)**
- **EBIT €23.8 million ( +9% ; autonomous +11%)**
- **EBIT margin 8.7% (2004: 9.4%)**

Ten Cate Geosynthetics & Grass is the global market leader in both geosynthetics (fabrics, grids and non-wovens for infrastructure projects, the construction industry and the environmental market) and artificial grass.

With effect from 2005 it was decided to use the name Geosynthetics (formerly Industrial Fabrics) because this fits in best with the activities in the market. In addition to geosynthetics, Ten Cate produces materials for other applications, such as grids (nets) for fish farms, trampoline fabric, swimming pool cover and various products for the agricultural sector.

As in the previous financial year, the American activities put in a very strong performance. At the end of 2005 the position in the European and Asian geosynthetics market was strengthened by the acquisition of Polyfelt. The effect of this on the results for 2005 was still slight. Our aim is to achieve advantages of synergy within the Ten Cate organization.



There has been a slight decline in Ten Cate's share of the European artificial grass market, which has become more price sensitive, as a result of the increase in the number of market players. Ten Cate's competitive strength lies mainly in its quality, durability and functionality. Growth in sales in Europe remained at a somewhat lower level than the growth of the

European market, which amounts to approximately 10%. In the US, where market growth is considerably higher, sales increased by more than the market average. Ten Cate has developed a new sports fibre (Thiolon Xtreme<sup>®</sup>), based on a patented composition, which has been extremely well received by the market.

The costs of raw materials had an increasingly depressive effect on results during the year, as the rise in raw materials prices are passed on with some time lag. The consequences of the increases in raw materials costs were noticeable at both Geosynthetics and Grass and, as a result, the EBIT margin of this sector declined slightly.

At the end of February 2006 Ten Cate took over a small non-wovens factory (for geosynthetics and other fabrics) in the US, which involved an investment of approximately US \$8 million. This expansion will provide a good opportunity to meet the growing demand.

#### **Technical Components Sector**

- **Net sales €126 million (-29% ; autonomous -6%)**
- **EBIT €7.1 million (-20% ; autonomous +17%)**
- **EBIT margin 5.6% (2004: 5.0%)**

The decline in sales in this sector was chiefly the result of the divestment of the Mega Valves group (northern Europe).

At Ten Cate Enbi the process of improvement stagnated. As a result of the transfer of production from Europe, there was underutilization of capacity in the Hungarian production site. The French facility was closed, which involved a provision of €1.4 million. The sales of technical rollers for the replacement market – a new sales channel for Ten Cate - were still below expectations for 2005 as a whole.

Ten Cate Plasticum showed an increase in sales. On 27 February it was announced that Plasticum was expected to be definitely sold to NPM Capital and its management in the course of March 2006.

#### **Other information**

The total debt position increased from €9 million to €157 million, as a result of divestments/acquisitions (€1 million) and an increase in the working capital (€23 million). The growth in the working capital, in addition to the increased sales in 2005, can be explained by the incorporation of Polyfelt's stock on 15 December and the retention of safe stock levels for superstrong and fire-resistant fibres. Although the utilization of discounts from suppliers has had a negative effect on the working capital, it has produced a positive effect on purchasing costs.



Investments were significantly higher than in the previous year. This is partly due to the company's growth in its core activities and investments in new technological developments at Ten Cate Advanced Textiles. These investments are partly aimed at achieving higher efficiency and a reduction in environmental and quality costs.

The tax charge of 34% rose slightly. More than half the profit was generated in the US, where a high (37%) rate applies.

### **Share split**

As a result of the sharp rise in the Royal Ten Cate share price, it has been announced that the shares will be split. The related amendment to the articles of association, which assumes a split of 1:4, will be presented to shareholders for approval at the next annual general meeting.

### **Outlook**

The strategic core markets in which Ten Cate operates, are expected to show continuing growth in both sales and profit. The trend in the price of oil and the costs of raw materials associated with this will be an uncertain factor in 2006.

No statement about the financial year 2006 will be issued.

Almelo, 2 March 2006  
Royal Ten Cate nv

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## APPENDIX I: KEY FIGURES

<i>million euro's</i>	January- December			Jan-Sep	Q4	Jan-Sep	Q4
	2005	2004		2005	2005	2004	2004
Net turnover	686.5	641.0	7.1%	527.5	159.0	481.0	160.0
EBITDA	57.8	53.8	7.4%	46.2	11.6	43.2	10.6
EBIT	38.5	34.6	11.3%	32.1	6.4	28.3	6.3
Net profit	30.5	23.6	29.2%	24.2	6.3	20.6	3.0
Profit per share	5.93	4.67	27.0%	4.72	1.21	4.08	0.59

### Key figures per sector

<b>Advanced Textiles &amp; Composites</b>	January-December			Jan-Sep	Q4	Jan-Sep	Q4
	2005	2004		2005	2005	2004	2004
Net turnover	285.6	229.9	24.2%	215.7	69.9	163.1	66.8
EBIT	16.5	11.1	48.6%	12.2	4.3	6.2	4.9
EBIT margin	5.8%	4.8%	20.8%	5.7%	6.2%	3.8%	7.3%
Investments	13.2	4.0	230.0%	6.0	7.2	2.2	1.8
Depreciation and amortisation	6.2	5.6	10.7%	4.7	1.5	4.1	1.5
Net capital employed	124.2	113.6	9.3%	125.9	124.2	115.4	113.6
Return on capital employed	13.3%	10.3%	29.1%	13.6%	9.4%	7.4%	17.3%
Number of staff-years	1,171	1,204	-2.7%	1,246	1,171	1,284	1,204

### Geosynthetics & Grass

Net turnover	273.9	231.9	18.1%	211.6	62.3	180.5	51.4
EBIT	23.8	21.8	9.2%	19.9	3.9	18.0	3.8
EBIT margin	8.7%	9.4%	-7.4%	9.4%	6.3%	10.0%	7.4%
Investments	10.5	5.3	98.1%	5.9	4.6	3.0	2.3
Depreciation and amortisation	7.9	7.9	0.0%	5.7	2.2	6.5	1.4
Net capital employed	206.4	98.2	110.2%	124.2	206.4	110.8	98.2
Return on capital employed	22.6%	21.7%	4.1%	23.8%	13.1%	22.6%	14.2%
Number of staff-years	1,544	1,176	31.3%	1,187	1,544	1,173	1,176

### Technical Components

Net turnover	126.3	178.7	-29.3%	99.8	26.5	137.1	41.6
EBIT	7.1	8.9	-20.2%	5.3	1.8	8.5	0.4
EBIT margin	5.6%	5.0%	12.0%	5.3%	6.8%	6.2%	1.0%
Investments	2.5	2.7	-7.4%	1.7	0.8	1.5	1.2
Depreciation and amortisation	4.8	5.7	-15.8%	3.7	1.1	4.3	1.4
Net capital employed	44.9	68.5	-34.5%	49.5	44.9	76.0	68.5
Return on capital employed	13.5%	11.9%	13.4%	12.3%	14.8%	14.4%	2.4%
Number of staff-years	828	1,223	-32.3%	882	828	1,209	1,223

### Holding & Services

EBIT	-8.9	-7.2		-5.3	-3.6	-4.4	-2.8
Investments	-	-		-	-	-	-
Depreciation and amortisation	0.4	-		-	0.4	-	-
Net capital employed	24.9	21.7		26.3	24.9	28.3	21.7
Number of staff-years	35	31		35	35	31	31



## APPENDIX II: CONSOLIDATED PROFIT AND LOSS ACCOUNT

<i>million euro's</i>	fourth quarter		up to fourth quarter	
	2005	2004	2005	2004
Net turnover	159,0	160,0	686,5	641,0
Changes in inventories of finished products and work in progress	9,5	15,9	-0,5	12,6
Raw materials and manufacturing supplies	-86,8	-94,1	-353,8	-332,1
Work contracted out and other external expenses	-6,7	-6,1	-29,3	-29,5
Personnel costs	-40,8	-42,9	-161,6	-159,7
Depreciation and amortisation	-5,2	-4,3	-19,3	-19,2
Other operating costs	-22,6	-22,2	-83,5	-78,5
Total operating expenses	-152,6	-153,7	-648,0	-606,4
Operating result (EBIT)	6,4	6,3	38,5	34,6
Financial income and expenses	-0,7	-2,2	-4,6	-6,8
Result before tax	5,7	4,1	33,9	27,8
Taxes	-2,4	-1,6	-11,5	-9,2
Result after tax	3,3	2,5	22,4	18,6
Share in net earnings of associated companies	1,3	0,3	4,4	3,1
Result before gain on sale of discontinued operation	4,6	2,8	26,8	21,7
Gain on sale of discontinued operation, net of tax	1,7	0,3	3,7	2,0
<b>Group results</b>	<b>6,3</b>	<b>3,1</b>	<b>30,5</b>	<b>23,7</b>
<b>Atributable to:</b>				
Shareholders (net result)	6,3	3,0	30,5	23,6
Minority shareholders' interests	-	0,1	-	0,1
Operating result as a % of sales	4,0%	3,9%	5,6%	5,4%
Return on capital employed	11,8%	8,6%	15,3%	13,5%
Weighted average number of shares outstanding (x 1,000)				
- basic	5.144	5.057	5.142	5.056
- diluted	5.239	5.121	5.236	5.120
<b>Per €10.00 share</b>				
- cash flow	2,18	1,44	9,63	8,47
- net profit	1,21	0,59	5,93	4,67
- diluted net profit	1,20	0,58	5,83	4,61
Number of staff-years			3.578	3.634
of which in the Netherlands			1.122	1.337



### APPENDIX III: CONSOLIDATED BALANCE SHEET

<i>million euro's</i>	<b>end 2005</b>	<b>end 2004</b>
Fixed assets		
Tangible fixed assets	161,4	118,8
Intangible fixed assets	13,8	12,1
Associated companies	16,9	5,4
Long term receivable associated companies	0,5	-
Other Long term receivables	4,0	1,2
Deferred tax assets	13,8	13,3
Total fixed assets	<u>210,4</u>	<u>150,8</u>
Current assets		
Inventories	157,5	138,6
Receivables		
- Accounts receivables	105,9	78,0
- Income tax receivables	3,8	3,5
- Other receivables	15,3	17,3
- Cash	4,6	2,7
Total currente assets	<u>287,1</u>	<u>240,1</u>
Total assets	<u><u>497,5</u></u>	<u><u>390,9</u></u>
Equity		
Share capital	52,0	51,2
Share premium reserve	7,0	7,8
Statutory reserves	23,9	21,7
Other reserves	68,4	42,2
Undistributed result	30,5	23,6
Equity attributable to equity holders	<u>181,8</u>	<u>146,5</u>
Minority interests	-	0,1
Total group equity	181,8	146,6
Long-term liabilities		
Long-term debts	130,2	74,1
Retirement benefit obligation	37,6	39,2
Provisions	18,1	12,6
Deferred tax liability	0,4	0,3
Total long-term liabilities	<u>186,3</u>	<u>126,2</u>
Current liabilities		
Bank debts	25,9	22,3
Current liability long-term debts	1,2	2,3
Due to customers	96,4	87,4
Provisions	5,2	4,6
Income tax payable	0,7	1,5
Total current liabilities	<u>129,4</u>	<u>118,1</u>
Total liabilities	<u>315,7</u>	<u>244,3</u>
Total equity and liabilities	<u><u>497,5</u></u>	<u><u>390,9</u></u>



## APPENDIX IV: OVERVIEW OF CHANGES IN EQUITY

*million euro's*

	<u>2005</u>	<u>2004</u>
As at 31 December 2004 respective 2003	146,5	131,8
Less: Adoption of IAS 32 and 39 for financial instruments	-0,8	-
As at 1 January 2005 respective 2004	145,7	131,8
Plus: Result 2005 respective 2004	30,5	23,6
Exchange differences subsidiaries	9,5	-4,9
Share based payments option rights	0,5	0,3
Delivered own shares in connection exercised of options	0,2	-
Delivered own shares in connection with the stock purchasing plan personnel	0,1	0,1
	<u>186,5</u>	<u>150,9</u>
Less: Dividend paid to shareholders	-4,7	-4,4
As at 31 December	<u><u>181,8</u></u>	<u><u>146,5</u></u>





## APPENDIX V: CONSOLIDATED STATEMENT OF CASH FLOWS

*million euro's*

	<u>2005</u>	<u>2004</u>
Operating profit	38,5	34,6
Depreciation and amortization	19,3	19,2
Result disposal fixed assets	-0,7	-
Change in provisions	1,6	3,3
<b>Cash flow from ordinary operations before movements in working capital</b>	<b>58,7</b>	<b>57,1</b>
Change in inventories	-14,1	-12,6
Change in receivables	-17,3	0,8
Change in liabilities	8,0	5,0
<b>Total movements working capital</b>	<b>-23,4</b>	<b>-6,8</b>
<b>Cash flow from operational activities</b>	<b>35,3</b>	<b>50,3</b>
Interest paid	-5,0	-7,0
Income taxes paid	-12,3	-4,0
<b>Cash flow from ordinary operations</b>	<b>18,0</b>	<b>39,3</b>
Proceeds from sale of plant and equipment	3,5	1,8
Interest received	0,4	0,8
Dividends received	-	1,2
Disinvestments	31,1	3,0
Received of long term receivable	0,3	1,2
Acquisitions	-71,9	-32,2
Investments of intangible fixed assets	-0,4	-0,1
Capital expenditures	-25,8	-11,9
Increase of long-term receivables	-0,2	-0,5
<b>Cash flow from investment activities</b>	<b>-63,0</b>	<b>-36,7</b>
Proceeds from the issue of repurchased own shares	0,2	0,1
Received of long-term debts	57,0	65,1
Redemption of long term debts	-3,3	-81,7
Dividend paid to shareholders	-4,7	-4,4
Dividend paid to third party interest	0,0	-0,1
<b>Cash flow from financing activities</b>	<b>49,2</b>	<b>-21,0</b>
Mutation Funds	4,2	-18,4
Funds at 1 January	-19,6	-6,4
Exchange rate and translation differences relating to funds	-5,9	5,2
<b>Funds at 31 December</b>	<b>-21,3</b>	<b>-19,6</b>

Notes:

The funds in the cash flow summary are made up of bank balances and cash.

The cash flow summary has been drawn up according to the indirect method.



## APPENDIX VI: EXPLANATORY NOTES

### Accounting policies

Royal Ten Cate nv has been applying IFRS as the basis for its reporting with effect from the financial year 2005. The comparable figures for the financial year 2004 have been adjusted accordingly. For the accounting policies we refer to the 2004 annual accounts and the interim reporting for the first half of 2005.

The comparable figures for the fourth quarter of 2004 have been determined in accordance with IFRS principles. The differences in the net result and the EBIT in the fourth quarter compared with the figures published under Dutch GAAP amount to Euro 0.2 million and Euro 0.3 million respectively. For the financial year 2004 as a whole the effect on the net result is Euro 0.5 million and on the EBIT Euro 1.0 million.

The reordering of the result for 2004 is as follows:

Net result in accordance with Dutch GAAP	23.1
Goodwill amortization	0.8
Depreciation of tangible fixed assets	-0.2
Share-based payments	-0.2
Pension liabilities	0.4
Other operating costs	0.2
Interest	-0.1
Taxation	-0.4
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Net result based on IFRS	<u>23.6</u>

### Other events in the fourth quarter 2005

The Permess Goup (sites in the Netherlands, England and Italy) was sold at the end of November. A book profit of Euro 1.7 million was obtained in part as a result of the released pension provision.

On 15 December 2005 the Group took over all the shares (debt-free) of the Polyfelt Group, consisting of three operating companies and ten sales offices, for an amount in cash of Euro 70 million.

### Events after balance sheet date

The Ten Cate Plasticum Group is expected to be sold to NPM Capital and its management during the course of March 2006.