

## Press release

corporate communicatie

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### TenCate's net profit increased 22% to € 7.3 million in the first quarter

- Net sales € 209 million (+ 10%)
- EBITA € 13.4 million (+ 20%)
- Net profit corrected to take account of amortization of intangible assets (cash earnings) € 8.4 million (+ 33%)
- Sustained strong growth in US market for protective fabrics (defence orders)
- Substantial order (US\$ 60 million) received for vehicle armour
- Improvement in results of Geosynthetics & Grass sector
- TenCate Enbi sales lower as a result of relapse in the American market

### General performance in the first quarter of 2008

#### Trend in sales

Apart from currency effects, sales increased by 17% to € 209 million in the first quarter. On an autonomous basis, sales rose by 5%. The increase in sales was limited on the one hand by seasonal effects and on the other by the continuing sluggishness of the American economy. The latter exerted an influence in particular on American sales of geosynthetics.

The order position of the Advanced Textiles & Composites sector grew strongly, compared to the end of the first quarter of 2007.

#### Result

The operating result before the amortization of intangible fixed assets (EBITA) increased by 20% to € 13.4 million (first quarter 2007: € 11.2 million). The EBITA margin rose to 6.4% (first quarter 2007: 5.9%). Not taking into account currency effects, the increase in EBITA was 34%.

EBITA growth was due in particular to favourable developments in the field of protective fabrics (US) and the acquisition of Composix and TenCate Thiolon Middle East.

The net profit for the first quarter of 2008 was € 7.3 million (first quarter 2007: € 6.0 million).

As a result of the recent acquisitions, the amortization of intangible fixed assets showed an increase to € 1.1 million (2007: € 0.3 million). The net profit corrected to take account of this increase (on a cash earnings basis) showed a rise of 33% to € 8.4 million.

### **Finances**

In February 2008 the syndicated bank loan was increased from € 250 million to € 400 million in connection with the acquisitions that have been made. The net interest-bearing debt amounted to € 318 million at the end of the quarter (€ 222 million at the end of the first quarter of 2007). The balance of financial income and expenses increased only to a limited extent (+ € 0.1 million higher charge) and was influenced by a positive revaluation of hedge instruments (hedging of currency risk), as a result of the decline in the value of the US dollar.

The tax rate fell to 28% compared to the first quarter (2007: 31%), primarily due to the results of TenCate Thiolon Middle East (Dubai).

Investments in the first quarter amounted to € 12.6 million, compared to € 14.3 million in the first quarter of 2007. The main items related to:

- The new plant for geosynthetics in Zhuhai (China)
- Expansion of the production of synthetic turf fibres (Dubai, US)
- Investments in the expansion of composites production

### **Outlook**

The current trends in the dollar and in the price of oil-related raw materials (PP / PE granulate) have led to a degree of uncertainty.

TenCate is strategically well-positioned in markets with a good prospect.

The expected contribution from the recently acquired companies and the current order position, particularly in the Advanced Textiles & Composites sector, is a source of optimism.

The financial objective already communicated for profit growth per share in the long term on a cash earnings basis is expected at least to be achieved for 2008 as a whole (+ 10% profit growth per share).

**Developments per sector*****Advanced Textiles & Composites***

(x € 1 million)	Q1 2008	Q1 2007
<b>Net sales</b>	<b>98.3</b>	<b>83.2</b>
<b>EBITA</b>	<b>9.6</b>	<b>8.2</b>
<b>EBITA margin (%)</b>	<b>9.7</b>	<b>9.9</b>

The sales of the Advanced Textiles & Composites sector increased by 19% to € 98.3 million for the first quarter. The currency effect on sales amounted to -10%. The sales growth in the Advanced Textiles & Composites sector is mainly based on favourable developments in the United States (protective fabrics and aerospace and armour composites). In Europe growth was achieved only in the aerospace market, mainly as a result of the resumption of supplies to Airbus.

At the beginning of April, following the acquisition of Phoenixx TPC (USA), an agreement was entered into with the Dutch company Airborne Composite Tubulars for the application of Cetex® composites based on UD (uni-directional) technology in the oil and gas industry (pipelines).

In the first quarter (from 1 February onwards) TenCate Composix (USA) made a good contribution, partly on the basis of supplies to the American Stryker programme (vehicle armour). Supplies to this programme will be carried out up to and including the second quarter.

TenCate is involved in various armored vehicle programmes including the MRAP vehicle programmes. A substantial number of programmes for personal protection and vehicle armour have been announced by the American military. TenCate is very well equipped for this, in view of its current strategic position and total product portfolio for light-weight armour.

Developments are lagging behind at the Dutch operations in the field of protective fabrics as a result of caution in the European submarkets for protective clothing.

The operating result before amortization (EBITA) was € 9.6 million (+ 17%) in the first quarter of 2008. The increase in EBITA excluding currency effects amounted to + 30%.

**Geosynthetics & Grass**

(x € 1 million)	Q1 2008	Q1 2007
Net sales	97.4	88.5
EBITA	3.3	2.6
EBITA margin (%)	3.4	2.9

The sales of the Geosynthetics & Grass sector increased by 10% to € 97.4 million in the first quarter. The currency effect on sales was -5%. The Geosynthetics & Grass sector has a clear seasonal pattern, in which market demand is concentrated in the second and third quarters.

The American geosynthetics market remained cautious. In Asia in particular the market is considerably more favourable; growth in this market was above 20%. The results will be influenced by the start-up of the geosynthetics plant in China (Zhuhai), which will open in June. Trial runs are now being carried out and approximately one hundred production workers have been taken on, who are currently receiving on-the-job training. Increased local production in the Asian market will be a major impetus for sales growth in this geographic market.

The TenCate Grass group recorded good progress with the integration of TenCate Thiolon Middle East.

Growth in this market worldwide is between 10-15%. In the first quarter the synthetic turf market had a slow start compared to previous years

A considerable investment programme (more than € 20 million 2007/2008) is taking place in the US and Dubai for further expansion of the production capacity. In 2008 the plant in Dubai will be the TenCate Grass group's largest production location, followed by that in the US.

Major new developments are also taking place: on the one hand, in the field of new fibres and, on the other, in technological processes and formulations.

As a result of these developments, commercial partners will be able to create a distinctive profile in the market.

EBITA rose to € 3.3 million (+27%). The increase in EBITA excluding the currency effect amounted to +42%. The EBITA margin increased to 3.4%. Measures that have been taken with regard to market prices and costs should lead to a considerable improvement in margins over the year as a whole.

***Technical Components / Holding***

(x € 1 million)	Q1 2008	Q1 2007
Net sales	13.7	19.2
EBITA	0.5	0.4

The sales of TenCate Enbi have declined as a result of a relapse in the American market. A number of new contracts, particularly in Asia, will lead to replacement sales later this year.

Almelo, 29 April 2008

**Royal Ten Cate**

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