# ROYAL TEN CATE ANNUAL REPORT

1998

## ROYAL TEN CATE NV

*Executive Board*

*Corporate Services*

| | *High-grade Textiles* | *Plastics* | *Rubber* |
|---|---|---|---|
| *In millions of guilders unless stated otherwise* | | | |
| Sales | 668 | 487 | 236 |
| Operating result | 39 | 32 | 9 |
| Net capital employed | 333 | 190 | 114 |
| Staff years | 1,583 | 1,265 | 990 |

### High-grade Textiles

*Ten Cate Advanced Textiles*

- protective fabrics
- canvas and awning fabric
- components for the aircraft industry
- antiballistic materials
- interlinings for the clothing industry
- labels for the graphics industry

*Ten Cate Nicolon Europe*

- fabrics for civil engineering, the agricultural market and the construction industry
- fabrics for the carpet industry
- yarns for artificial turf

*Ten Cate Nicolon USA*

- fabrics and non-wovens for the leisure, agricultural and civil engineering markets
- waterproofing products for the construction industry

### Plastics

*Ten Cate Plastics Processing*

- aerosol caps
- seals
- customer-specific packaging
- technical products for industry, agriculture and horticulture

*Synbra*

- building insulation
- packaging material for food and non-food
- containers for horticulture

### Rubber

*Ten Cate Enbi*

- components for printers, copiers and fax machines

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This is an English translation of the Dutch 1998 Annual Report of Royal Ten Cate.
The Dutch text is the official version.

Information is also available on our website (www.tencate.com).

# THE BOARDS

## *Supervisory Board*

| | *Commenced in office* | *Current term ends* |
|---|---|---|
| R.J. Nelissen (67) Chairman [1/2]<br>former chairman of the Executive Board of ABN-AMRO Bank nv | 1993 | 2001 |
| A.W. Veenman (51) Vice-chairman [2]<br>chairman of the Executive Board of Stork nv | 1996 | 2000 |
| P.P.A.I. Deiters (55)<br>former director of Berghaus International Fashion Group | 1998 | 2002 |
| C.J.A.J.M. van Gestel (60) [1]<br>director of AdviesGroep Diemen & Van Gestel bv | 1985 | 2001 |
| F.J. de Wit (59) [2/3]<br>former chairman of the Executive Board of nv Koninklijke KNP BT | 1988 | 2000 |
| J.B. Wolters (48) [1]<br>director of Schuttersveld nv | 1992 | 2000 |

1 *Member of the Finance Committee*
2 *Member of the Remuneration Committee*
3 *Delegate supervisory director from 10 November 1998 to 1 February 1999*

## *Executive Board*

T.S. Pruntel (51) Acting Chairman
L. de Vries (47)

## *Corporate/Group Directors*

L.J. Kuipers (56) Corporate Director Personnel & Organisation
J. Lock (52) Corporate Director Finance & Administration
D.C. Clarke (40) Group Director Ten Cate Nicolon Europe and USA
J.C.M. van Dijk (54) Acting Group Director Ten Cate Enbi
B.A.F. Keijzer (59) Group Director Denim Greece
J.B. Kroeze (40) Group Director Ten Cate Plastics Processing
L. de Vries (47) Group Director Ten Cate Advanced Textiles

## CORPORATE STATEMENT

Royal Ten Cate is an industrial supplier of high-grade materials: advanced textiles, plastics and rubber.

Royal Ten Cate is active on three continents: Europe, North America and Asia. The company is involved in the development, production and sale of semi-manufactures and components. These are supplied to companies in the clothing and carpet industries, construction and civil engineering, the food industry, agriculture and horticulture and the office machines sector. Annual sales amount to NLG 1.4 billion. Approximately 20% of sales are generated in the Netherlands and 80% elsewhere. Royal Ten Cate is listed on the Amsterdam Stock Exchange.

*Strategy*

Royal Ten Cate aims to achieve earnings growth by strengthening its market positions by means of:

- innovation and improvement of both products and processes
- active portfolio management
- cost leadership
- the provision of high-quality logistics and services
- geographical expansion by extending distribution networks
- acquisitions of companies with comparable or complementary activities.

*Objective*

Royal Ten Cate aims to achieve profitable growth, thereby increasing shareholder value. The medium-term profit objective is annual growth averaging 10%.

Investments and new activities must attain a profitability level of at least 15%.

The company is seeking to achieve equity capital equivalent to 35% of the balance sheet total.

*Employees*

Royal Ten Cate has production sites in ten countries. The company employs 3,900 people. Of these, 1,850 work in the Netherlands, 1,050 in other European countries, 830 in the United States and 170 in Asia.

Royal Ten Cate seeks to offer its employees work in which they can grow and develop, from which they derive satisfaction and for which they receive appropriate remuneration. Such work – provided it is on an economically sound basis – is promoted in the Netherlands and all other countries in which Royal Ten Cate is established.

## INFORMATION ABOUT THE ROYAL TEN CATE NV SHARE

*Important dates in 1999*

| | |
|---|---|
| 1 March | Press conference and meeting for investment analysts |
| 1 April | Annual General Meeting of Shareholders in the Twentse Schouwburg in Enschede |
| 7 April | Ex-dividend date |
| 23 April | Cash dividend becomes payable |
| 30 August | Publication of 1999 half-yearly figures |
| | Press conference and meeting for investment analysts |

*Minority Interests Disclosure Act*

The disclosures under the terms of the Minority Interests Disclosure Act known to Royal Ten Cate as at 1 January 1999 relate to:

| | |
|---|---|
| Minefa Holdings bv (Farinvest) | 6.1% |
| Delta Lloyd levensverzekering nv | 8.7% |

*Dividend*

The aim of the dividend policy is to pay out approximately 40% of the net profit, calculated over a number of years, in the form of dividend. The dividend proposal reads: payment of a cash dividend of NLG 3.00 per ordinary share.

*Spread of shareholdings*

On the basis of a representative sample, the geographical spread of shareholdings in Ten Cate at the end of 1998 was as follows:

| | |
|---|---|
| Netherlands | 70% |
| Belgium/Luxembourg | 11% |
| United Kingdom | 9% |
| Germany | 2% |
| Switzerland | 1% |
| United States | 5% |
| Other countries | 2% |
| Total | 100% |

Approximately 45% of the shares are in private ownership and 55% are held by institutions.

*Changes in the number of shares in 1998*

| | |
|---|---|
| Number at end of 1997 | 4,433,354 |
| Plus: | |
| – stock dividends 1997 | 89,230 |
| – option rights exercised | – |
| Number at end of 1998 | 4,522,584 |
| Possible increase: | |
| – as a result of conversion: | 540,957 |
| – as a result of option rights on 4-1-1999 | 107,500 |
| – shares repurchased for options | – 74,000 |
| Number of shares fully diluted | 5,097,041 |

On 4 January 1999 36,000 new management options were issued. In 1998 the company repurchased a net total of 74,000 of its own shares.

*Telephone and fax numbers*

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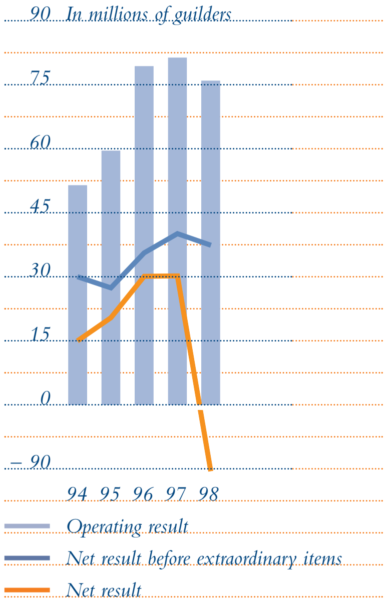
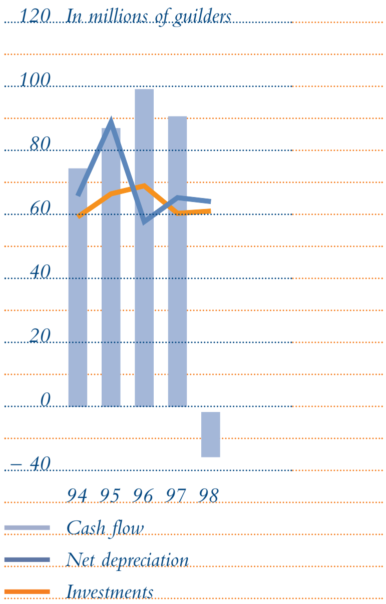
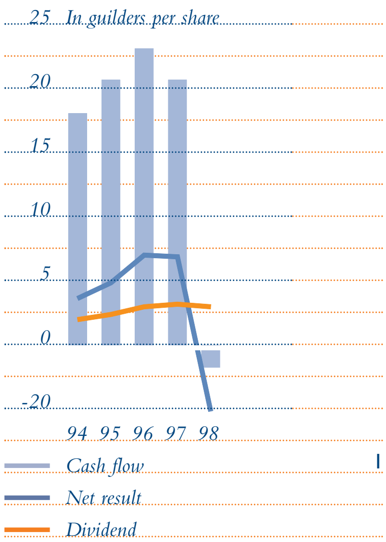
# ROYAL TEN CATE NV FINANCIAL HIGHLIGHTS




| *In millions of guilders unless stated otherwise* | *1998* | *1997* |
|---|---|---|
| ***Profit and loss account*** | | |
| Net sales | 1,394.7 | 1,368.0 |
| Operating result | 76.0 | 81.4 |
| Net result before extraordinary items | 37.5 | 40.2 |
| Net result | – 92.5 | 30.3 |
| Dividend (at NLG 3.00 in cash) | 13.6 | 14.2 |
| | | |
| ***Ratios*** | | |
| Operating result as % of sales | 5.4% | 6.0% |
| Return on equity | – 27.8% | 8.0% |
| Return on capital employed [1] | 11.5% | 11.3% |
| | | |
| ***Other data*** | | |
| Equity | 275.4 | 388.9 |
| Guarantee capital/total capital | 38% | 50% |
| | | |
| Acquisitions | 1.0 | 24.5 |
| Investments | 64.4 | 65.6 |
| Net depreciation | 61.4 | 60.7 |
| Cash flow | – 31.1 | 91.0 |
| | | |
| Number of staff years at year end | 3,886 | 3,848 |
| | | |
| ***Key figures per NLG 20.– share*** | | |
| | | |
| Net result before extraordinary items | 8.34 | 9.15 |
| Net result | – 20.58 | 6.90 |
| | | |
| Dividend | 3.00 | 3.20 |
| Cash flow | – 6.92 | 20.70 |
| Equity | 60.89 | 87.72 |
| | | |
| Highest share price | 91.00 | 116.00 |
| Lowest share price | 45.00 | 83.50 |
| Closing price | 64.00 | 87.50 |
| | | |
| Number of shares x 1,000 at year end | 4,523 | 4,433 |
| Stock exchange value at year end | 289 | 388 |

[1] *See note on page 20.*

## REPORT OF THE SUPERVISORY BOARD

Pursuant to the provisions of article 25 of the articles of association, we hereby present to you the 1998 financial statements, drawn up by the Executive Board and verified by us. The net result in 1998 was a loss of NLG 92.5 million. Equity amounted to NLG 275 million on 31 December 1998.

The financial statements have been audited by PricewaterhouseCoopers nv. Their report, as referred to in article 26 paragraph 3 of the articles of association, is to be found in this report. We propose that shareholders approve the financial statements for 1998 in accordance with the documents presented. We furthermore propose that shareholders discharge the Executive Board of responsibility in respect of its management and the Supervisory Board for its supervision.

The appropriation of profit contained in this annual report has our approval. We advise shareholders to accept the Executive Board's proposal.

*Supervision*

1998 was an eventful year. The decision had to be taken to write off all our denim interests. At the same time a thorough reorganisation was carried out at Ten Cate Enbi and a number of other operating companies. The subsequent management changes, the press coverage and the deliberations on the future course of the company made heavy demands on those involved.

The Supervisory Board held eight plenary meetings during the year under review in the presence of the Executive Board. The matters considered included the status of the business and its prospects, as well as investment projects and product and market developments. Particular attention was paid to the corporate strategy, the restructuring of the denim activities and management development.

The chairman and vice-chairman of the Supervisory Board had regular discussions on an individual basis with the Executive Board. Members of the Supervisory Board periodically attended the consultative meetings between the management and the Central Works Council.

The Supervisory Board also met formally and informally in the absence of the Executive Board. Particular attention was paid to the developments in the company and the performance of the management. The functioning of the Supervisory Board and relations with the members of the Executive Board were also discussed.

The Finance Committee, consisting of Messrs R.J. Nelissen (chairman), C.J.A.J.M. van Gestel and J.B. Wolters, met on two occasions. These meetings were also attended by the external auditor, the Executive Board and the corporate director finance & administration. The subjects discussed in the meetings included the 1997 financial statements and the 1998 half-yearly figures, the external auditor's report, the valuation of the denim activities and the euro and millennium problem. The committee also consulted with the external auditor in the absence of the Executive Board.

The Remuneration Committee, consisting of Messrs R.J. Nelissen (chairman), A.W. Veenman and F.J. de Wit, met on one occasion. The remuneration of the members of the Executive Board is shown in the relevant note to the financial statements.

The composition of the Supervisory Board is in line with the profile which is available for perusal at the company's offices. The profile is regularly assessed against the background of the development of the company and adjusted if necessary.

*Personnel changes*

On 2 April 1998 Mr J.J.C. Alberdingk Thijm retired by rotation, having let it be known that he did not wish to be considered for reappointment. Mr Alberdingk Thijm served as chairman of the Executive Board of Royal Ten Cate from 1971 to 1979. From 1981 he was a member of the Supervisory Board. We owe him a great debt of gratitude for his solid and valuable contribution. The vacancy was filled on 2 April 1998 with the appointment of Mr P.P.A.I. Deiters. Mr F.J. de Wit served as delegate supervisory director from 10 November 1998 to 1 February 1999.

Messrs F.H. Schreve and J.H.P.L. van de Sanden stood down from the Executive Board on 31 December 1998 and 1 February 1999 respectively. In so doing they accepted the personal consequences of the extraordinary loss of NLG 130 million which had to be charged to the accounts in 1998. The Supervisory Board is grateful to both of them for the commitment shown on behalf of Royal Ten Cate.

On 1 October 1998 Mr L. de Vries was appointed a member of the Executive Board.
On 1 January 1999 Mr T.S. Pruntel took office as acting chairman of the Executive Board.

*Corporate governance*

The Supervisory Board is of the opinion that the Board is functioning in accordance with the relevant recommendations of the Corporate Governance committee. The company's reaction to these recommendations was discussed in detail at the Annual General Meeting of Shareholders on 2 April 1998.

*Summary*

1998 was not an easy year for the management and staff of the company.
We should like to thank them for their commitment and their belief in Royal Ten Cate nv. We have faith in the strength, resilience and future of Ten Cate.

*Supervisory Board*

R.J. Nelissen Chairman
A.W. Veenman Vice-chairman
P.P.A.I. Deiters
C.J.A.J.M. van Gestel
F.J. de Wit
J.B. Wolters

Almelo, 25 February 1999

## REPORT OF THE EXECUTIVE BOARD

*← Ten Cate Enbi develops, manufactures and assembles plastic, metal and rubber parts for printers, copiers and fax machines. Worldwide co-operation with customers, combined with many years of experience and technical know-how, have enabled the group to establish a major market presence and a strong competitive position.*
*In co-designership with its largest customers, Ten Cate Enbi works to bring about continuous improvements in existing products and to generate a constant stream of new products. An example of this is the feed head CRU for use in copiers.*

1998 was a turbulent year for Royal Ten Cate. The problems at Ten Cate Enbi and the large losses which occurred in the denim businesses made substantial provisions necessary. For this reason an extraordinary charge of NLG 130 million was announced at the beginning of November. The largest part of the provision was used to write off the denim activities in full, as a result of which this problem is now in the past. Another part was used to finance measures aimed at restoring competitiveness to Ten Cate Enbi. As a result of this state of affairs Mr F.H. Schreve stepped down as chairman and member of the Executive Board on 1 January. Mr J.H.P.L. van de Sanden resigned as a member of the board on 1 February 1999. Following the appointment of Mr L. de Vries as a member of the board on 1 October and Mr T.S. Pruntel as acting chairman on 1 January 1999, the Executive Board once again consists of two members.

The High-grade Textiles and Plastics sectors achieved good results. The operating result of the Textile sector improved by 30%.

### *Sales and results*

Net sales in 1998 stood at NLG 1,395 million, 2% higher than in the previous year. The net result before extraordinary items was NLG 37.5 million (1997: NLG 40.2 million). After the deduction of an extraordinary charge of NLG 130 million for the total write-off of Denim, as well as a reorganisation at Ten Cate Enbi, the other sectors and the head office, the result was a net loss of NLG 92.5 million (1997: NLG 30.3 million profit).

### *Earnings per share and dividend*

The earnings per share before extraordinary items amounted to NLG 8.34 (1997: NLG 9.15), a decrease of 9%. After extraordinary items the loss per share was NLG 20.58 (1997: NLG 6.90 profit). In fully diluted terms the earnings per share before extraordinary items would be NLG 7.36.

Now that appropriate measures have been taken, the company is well positioned for the years to come. In view of the trend in the results before extraordinary items and the prospects for the forthcoming years, we propose a dividend of NLG 3.00 (1997: NLG 3.20), payable wholly in cash.

### *Extraordinary charge*

The provision of NLG 130 million was used partly for the write-off of assets and partly for reorganisation: NLG 100 million for the denim activities and NLG 30 million for Ten Cate Enbi, the other sectors and the head office.
All write-offs were included in the 1998 financial statements. Where any further expenditure is due to take place in 1999 (NLG 40 million), the relevant liabilities have been included under short-term debts.

### *Investments and cash flow*

In 1998 a total of NLG 64 million was invested, against depreciation of NLG 61 million. Major investments included the open width bleaching machine and twelve airjets for Ten Cate Advanced Textiles, as well as down payments for an extrusion line for Thiolon Grass and a third non-woven line at TC Mirafi. The cash flow was NLG 14.5 million negative.

### *Financial position*

At the end of 1998 Ten Cate's guarantee capital amounted to NLG 325 million, representing 38% of the balance sheet total. In the fourth quarter a five-year loan of NLG 135 million with a variable-interest rate was placed with a number of investors and banks.

### *The groups*

The businesses are generally performing well. Increasing use is being made of the wealth of knowledge, abilities and strengths available within the operating companies. Prices are coming under pressure in many markets, necessitating substantial year-on-year reductions in the unit costs of the products. Structural volume growth, however, is being achieved.

The operating result was achieved thanks to positive contributions from the High-grade Textiles and Plastics sectors. Within High-grade Textiles both Ten Cate Advanced Textiles and Ten Cate Nicolon USA (industrial fabrics) made valuable contributions to the results.

The result was lower in the Plastics sector, but the return remains high. In the Rubber sector profits declined to an excessively low level. This was caused by the rapid changes in the end-user market for office machines, the increasingly fierce competition, the deterioration in the market position of the major customers and the excessively high level of internal costs. Measures have now been taken to bring about structural cost reductions and a further increase in the sector's commercial strength.

A memorable event for the Ten Cate Advanced Textiles group was the visit by Queen Beatrix on 24 March. The visit was made in accordance with her wish to visit the revitalised textile industry. It is a tribute to all those involved.

In 1998 an interest of 68% was acquired in the French company Arès Protection. This company manufactures a new generation of antiballistic materials, based on a combination of plastic and ceramics. This represents an important addition to the product range of Ten Cate Advanced Composites. Ten Cate Permess began the production of interlinings in China, providing an opportunity to monitor closely the developments in that market.

The decline already evident in the denim activities continued in the second half of 1998. The worldwide overcapacity is estimated to be 30% and is still increasing. No recovery is expected in the short term. Partly for this reason it was not possible to sell the businesses to third parties.

A progress report at the beginning of November led to the conclusion that it was not sensible to maintain production capacity in both Ireland and Greece. It was decided to write off in full the interest in the denim activities. The Atlantic Mills factory in Ireland was closed.

Eighty jobs were lost in Greece. The objective remains to find a new shareholder for the Greek businesses. In any case Denim will no longer have any impact on Ten Cate's results.

### *Corporate governance*

Royal Ten Cate attaches great importance to effective communication with its external and internal target groups: customers, shareholders, employees and suppliers. Royal Ten Cate operates in line with almost all the recommendations of the Peters Committee. This was demonstrated in detail in the 1997 annual report. The management of the company presented and explained its standpoint on this matter at the annual general meeting of shareholders. This was particularly appreciated by the shareholders.

*Risk management*

The arrival of the euro has substantially reduced exchange-rate risks. Ten Cate has limited surpluses in US dollars, Pound Sterling and Hong Kong dollars and a deficit in Swiss francs. The impact of exchange-rate movements on the results in 1998 was negligible.

The company is largely financed on a variable-interest basis, with the upward risk being covered in part by caps.

Within the corporate centre, where the treasury function is also centralised, procedures are in place to handle exchange-rate, interest-rate and derivative risks.

The company is insured against major risks such as fire and consequential loss, product liability and third-party liability. A declaration by our insurer confirms that the insurances effected are sufficient to cover the various risks.
Outstanding claims are regularly assessed and a judgement is made as to whether adequate provisions have been made. This is the case. Adequate provisions have also been made in respect of environmental risks relating to property.

In 1998 the control systems were expanded to include business assessments. These comprise assessments of the processes in the primary functions such as sales, product development, logistics and production to ensure their efficiency and reliability. At the beginning of October an assessment was carried out at TC Baycor, with good results.

*The millennium and the euro*

Transactions with customers and suppliers can take place in euros with effect from 1999. External publications in 1999 will include both guilders and euros. The company will introduce the euro as its base currency on 1 January 2000.

Royal Ten Cate acknowledged the millennium problem at an early stage and began to tackle it in June 1997. Because a great deal of software had to be adjusted to deal with the millennium, the opportunity was taken to carry out a large-scale replacement programme. Many old, fragmented applications were replaced by the latest versions of integrated packages. Furthermore – where necessary – PLC's/embedded software for the control of plant and machinery were replaced.

Half of the Ten Cate companies were millennium-proof by 1 January 1999; the remainder will be ready by 30 June 1999. The second and third quarters will be used for thorough testing. The costs of making the business millennium-proof are still put at NLG 7 million, to be spread over the years 1998 to 2000. This also includes an amount for the replacement of hardware and software.

*Personnel*

At the end of 1998 the company employed 3,900 people, of whom 1,850 (47%) were in the Netherlands, 1,050 in other European countries, 830 in the United States and 170 in Asia.

In June 1998, in co-operation with the Kellogg Graduate School of Management in Chicago, a very successful Advanced Management training course was organised. The 12-day course was attended by 45 managers from Europe, the United States and Asia. One of the results was a very productive exchange of ideas and experiences.

For the fulfilment of management functions our philosophy is in principle to place our confidence in the people of the country in which we are investing and working.
The Executive Board would like to take this opportunity to thank all the employees of Royal Ten Cate for their dedication. We realise that for them too it has not been an easy year and we should like to express our appreciation for their commitment and confidence in Royal Ten Cate.

*Analysis and policy*
The events which led to the substantial loss and the resignation of two members of the Executive Board made a fundamental internal analysis necessary.
All product-market combinations within Royal Ten Cate were investigated.

The analysis showed that, after the disposal of the denim activities and the cost reductions, most product-market combinations have a solid market position and a good level of profitability. These can form a basis for the further strengthening of the company.

The analysis also showed that the form of organisation and the control model used at Royal Ten Cate are inappropriate for the broad structure of the company. The central management and the hierarchical decision-making structure result in too great a distance between the decision-maker and the problems, making it impossible to ensure a prompt and appropriate reaction to changes in and signals from the market. The co-partnership with many customers, the continual pressure on cost leadership and the ability to react rapidly to changing market conditions demand a high degree of alertness and independence with regard to the product-market combinations.

The policy which has now been formulated is directed towards conveying a clear and unambiguous image of Royal Ten Cate, both internally and externally, and developing a strategy for steady profit growth and hence a restoration of confidence in the company.

Royal Ten Cate will continue to present itself as an industrial supplier of high-quality materials. An active portfolio policy will be pursued. No major divestment or acquisition programmes will be undertaken. Now that the denim activities have been disposed of, the company can achieve steady profit growth with the current portfolio. Almost all activities are contributing to the results and have good profit potential. The crucial factors are the current market positions, their profitability and the potential for further growth. With the current portfolio the cyclical effects can be limited and the risks are spread. Only in a few cases are improvements necessary. These include organisational enhancements, cost reductions, efficiency improvements and strengthening of market positions by means of acquisitions of limited scale.
The control model used by the company is being tailored to fit the structure of the company. The product-market combinations or business units will operate as separate businesses. Each will be managed by a manager with operational independence and responsibility for profit. In this way Royal Ten Cate will restore entrepreneurship to the businesses. The managers concerned will report directly to a member of the Executive Board. The communication on matters which have to be considered at Executive Board level will thus take place more rapidly.

The head office will be further reduced in size. It will only undertake those tasks and provide those services which generate added value for the company and the business units. This primarily concerns matters such as portfolio management, financing, taxation and management development.

Royal Ten Cate is healthy and can look forward to a bright future. With the current portfolio, the improvements which are being made to it, the added value of operating within a single company, the improved control and the restoration of entrepreneurship in the organisation, the conditions are in place for stable profit growth. We are aiming to achieve an average growth of 10% per year.

*Prospects*

There is uncertainty with regard to economic developments in South America and Eastern Europe, while there is still no clear evidence of recovery in Asia. This may have repercussions on the European and American economies. The prospects for Royal Ten Cate, however, have improved.

The denim problem is behind us and Ten Cate Enbi can once again look forward to a bright future. Moreover, our group includes successful, fast-growing operating companies.

The number of employees will remain more or less unchanged in 1999.

The investments will be slightly above the level of depreciation and will focus predominantly on growth activities.

The equity capital is over 32% of the balance sheet total and the guarantee capital is over 38%. Given the existing financing the operational cash flow will be more than sufficient to cover the funding requirement. In addition, sufficient bank credit facilities are available for small to medium-sized acquisitions.
Barring unforeseen circumstances, we expect the 1999 results to show an increase in profit at least in line with the medium-term objective of 10% on average.

*Executive Board*

T.S. Pruntel Acting Chairman
L. de Vries

Almelo, 25 February 1999

### Results

The net result before extraordinary items decreased from NLG 40.2 million to NLG 37.5 million, mainly as a result of the lower profit at Ten Cate Enbi.

The extraordinary charge (NLG 130 million) consisted of:

| | | | |
|---|---|---|---|
| – Denim | NLG | – 100 | million |
| – Ten Cate Enbi, other sectors and head office | NLG | – 30 | million |
| | NLG | – 130 | million |

This resulted in a net loss of NLG 92.5 million.

### Sales

Sales increased by 2% to NLG 1,395 million. This increase was made up of the following:

| | |
|---|---|
| – volume growth | + 6.5% |
| – price reductions | – 3.5% |
| – divestments | – 3.0% |
| – acquisitions | + 2.0% |
| | + 2.0% |

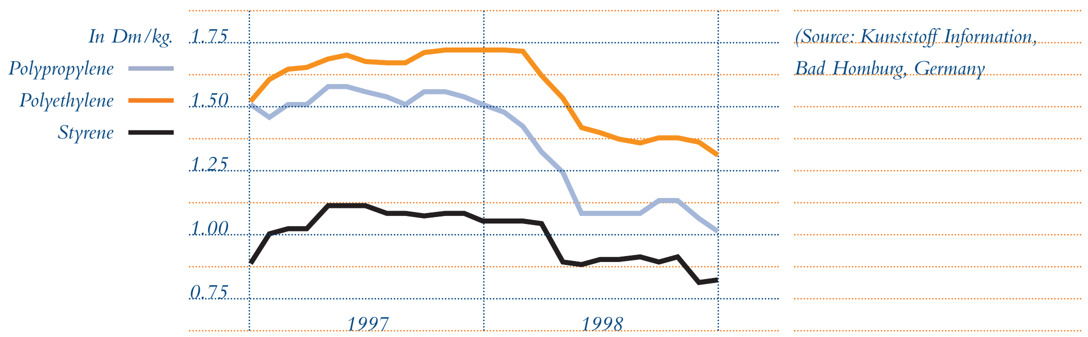
The volume growth was generated by Ten Cate Advanced Textiles and Synbra. The price pressure occurred mainly at Ten Cate Enbi, Ten Cate Plasticum and Synbra.

In view of the fact that there was little movement in the average exchange rates of the currencies of most importance to us, the currency effects in 1998 were negligible.

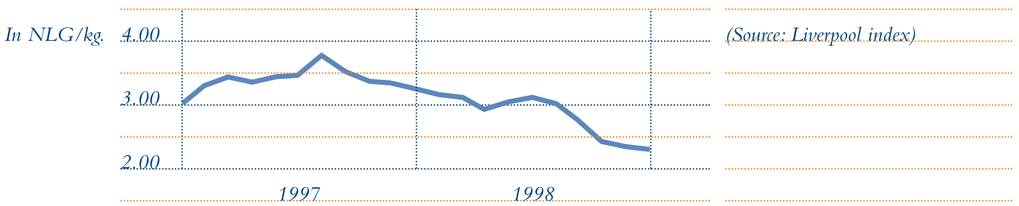
### Costs

The most important costs for Ten Cate are those of plastic granulates (25% of sales) and personnel (also 25% of sales).

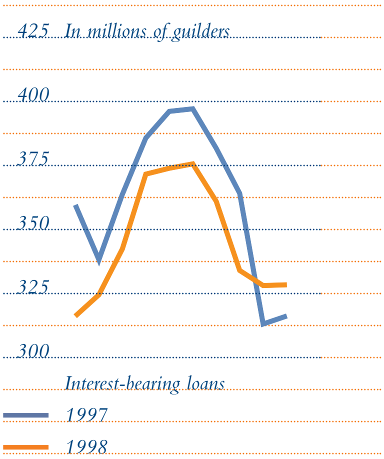
The prices of plastic granulates fell by between 5% and 20%. To a large extent these lower prices had to be passed on to customers.




*Plastics price movements*




*Cotton price movements*




Personnel costs increased by 4%, as a result of higher social security contributions and greater use of agency staff. Average personnel numbers declined by 2%, primarily as a result of divestments in 1997. Personnel costs as a percentage of sales increased from 24.7% (1997) to 25.2%.

*Operating result, interest and taxes*
The operating result decreased from NLG 81 million (1997) to NLG 76 million. Interest charges decreased fractionally to NLG 21 million. Interest cover decreased from 3.7 to 3.6 in 1998.

The tax burden remained constant at 34%. At the beginning of 1998 a group finance company was formed. This lent on average NLG 180 million to foreign operating companies. Because of the low profit level in the Netherlands it was not possible to take full advantage of the finance company.

Partly as a result of the measures taken in 1998, Ten Cate will have losses available for set-off in future years. These will only be incorporated into the financial statements after realisation.

*Net cash flow, investments, acquisitions and financing*
The cash flow was NLG 14.5 million negative.

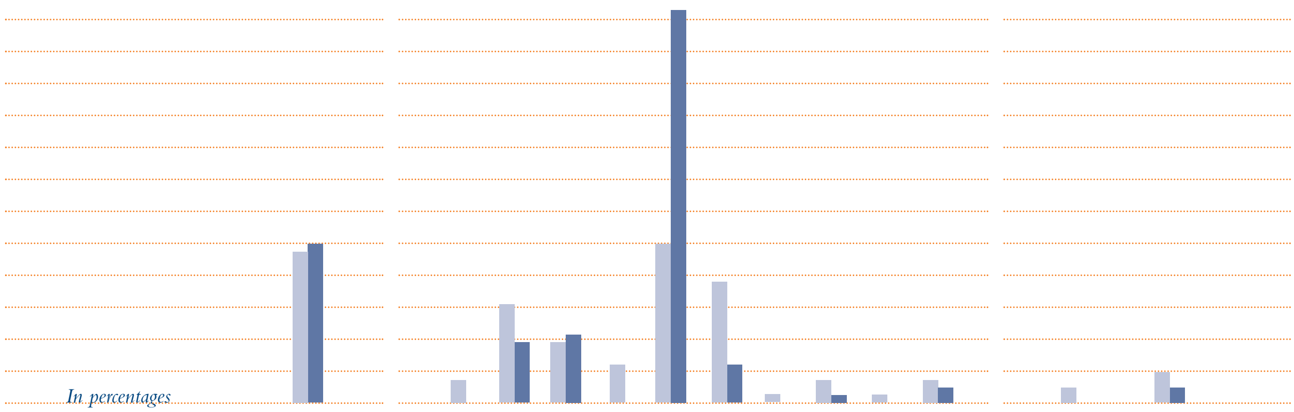
| | 1998 | 1997 |
|---|---|---|
| Net result | – 92.5 | 30.3 |
| Depreciation | 61.4 | 60.7 |
| Cash flow | – 31.1 | 91.0 |
| Change in working capital | 35.3 | – 42.4 |
| Investments | – 64.4 | – 65.6 |
| Divestments | 3.1 | 4.7 |
| Acquisitions and deconsolidations | 44.4 | 58.2 |
| Other changes | – 1.8 | 2.1 |
| | –14.5 | 48.0 |

The investment level was NLG 3 million higher than the level of depreciation. The working capital of the existing activities decreased by NLG 35 million.

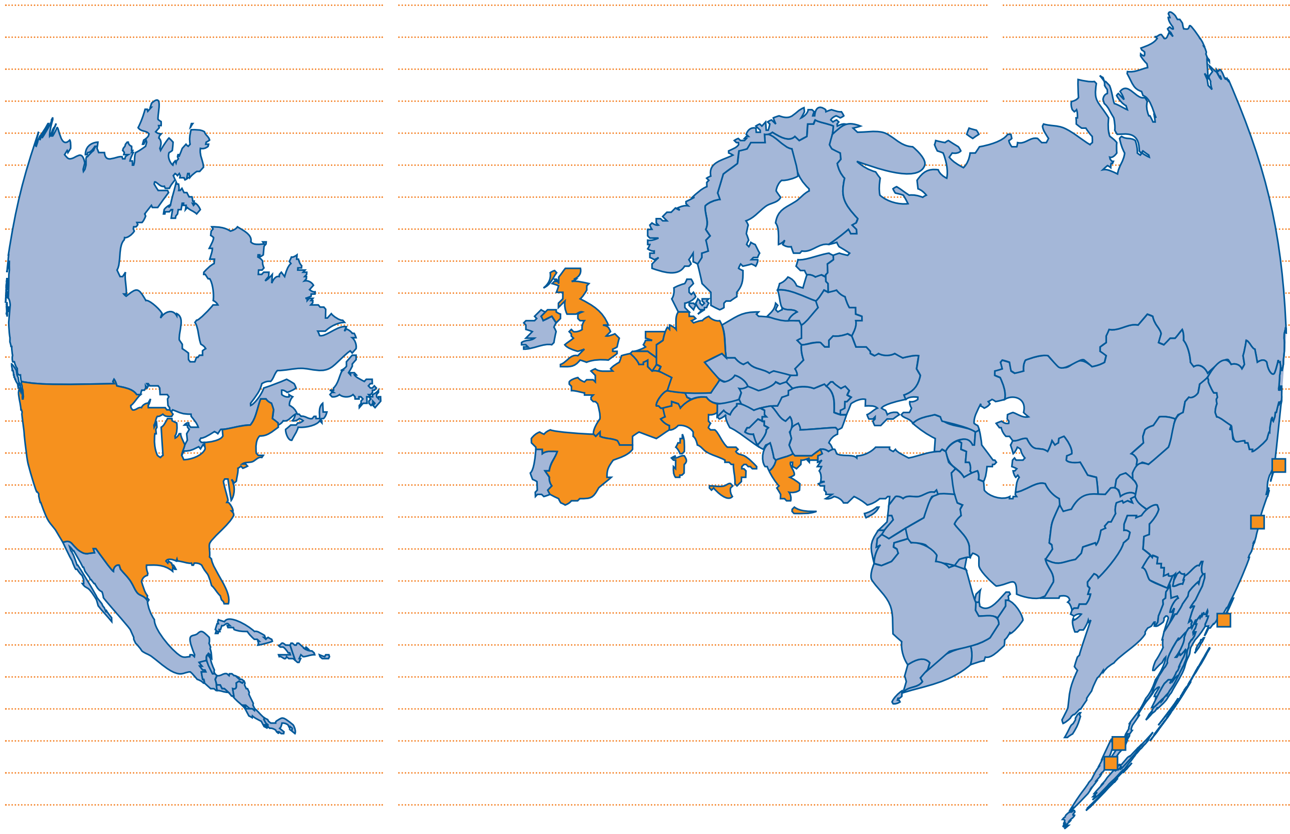
The level of interest-bearing debt rose by NLG 12 million to NLG 329 million (at year end). In the fourth quarter a five-year variable-rate loan of NLG 135 million was placed with a consortium of investors and banks.

*Equity capital*
Equity capital decreased by NLG 114 million to NLG 275 million (32.6%). Although the extraordinary charge has made inroads into group equity, solvency remains satisfactory.
The guarantee capital is NLG 325 million, 38.5% of the balance sheet total.
The debt/equity ratio was 119% (1997: 81%).

## Geographical distribution of sales and production in Ten Cate companies in 1998




| | USA | Spain | France | United Kingdom | Belgium | Netherlands | Germany | Switzerland | Italy | Greece | Rest of Europe | Others | Asia |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales | 20 | 3 | 13 | 8 | 5 | 21 | 16 | 1 | 3 | 1 | 3 | 2 | 4 |
| Production | 21 | – | 8 | 9 | – | 52 | 5 | 2 | 1 | – | – | – | 2 |



## *Changes in Royal Ten Cate*

*Acquisitions*

| | |
|---|---|
| – Arès Protection sa, France, 68% on 1-10-1998 | antiballistic materials |
| – Agubat sa, France from 75% to 85% | trade in products for agriculture and horticulture |

*Divestments*

| | |
|---|---|
| – Ermex Tools bv, as of 31-12-1998 | production of moulds |
| – Atlantic Mills ltd, Ireland, in liquidation as of 31-12-1998 | denim |
| – Hellenic Fabrics sa, Greece from 64% to 32% | denim |

The acquired companies have combined annual sales of NLG 20 million and are profitable.
The effect of the divestments on sales and the result from ordinary operations is negligible.

## *Personnel & Organisation*

| *Number of employees (in staff years)* | *Year end 1998* | *Year end 1997* |
|---|---|---|
| Netherlands | 1,841 | 1,905 |
| Other Europe | 1,043 | 906 |
| United States | 832 | 891 |
| Asia | 170 | 146 |
| Total | 3,886 | 3,848 |

The measures included in the reorganisation plan drawn up in January 1999 by the management of Ten Cate Enbi represent the loss of 100 jobs, of which 60 are in Nuth.

At Ten Cate Nicolon the loss of 40 jobs in the Special Fabrics business unit was offset by an increase in the Thiolon Grass and Carpet Backing business units. Overall, it was possible to redeploy almost every employee either internally or externally.

*Employment conditions*

Ten Cate succeeded in bringing the pre-pension scheme (from 62 to 65) of the Textile sector in line with that of the Rubber and Plastics sectors and integrating it into the company pension fund for implementation. The foundations are now in place for the further development of a clear and flexible pension scheme for both retirement and pre-pension.

The agreements with the employees' organisations in the textile sector concerning the possibility of saving up for long-term leave or an earlier pre-pension have been formalised as Ten Cate schemes. We are convinced that these schemes represent a major contribution to the objective of reduced working hours.

*Representative consultation*

Intensive and constructive consultations took place in 1998 with the joint works councils in the groups, the Central Works Council and the employees' organisations.

The Ten Cate European Consultative Forum held its first meeting in January 1998. The meeting was deemed a success by all those involved.

*Management development*

Ten Cate has three instruments at its disposal in the field of management development:

1. The quick scan, with which we can assess our (succession) potential rapidly and systematically
2. The ACE scan (Ambitions, Competences, Effectiveness), with which we compare the competences of our employees against the demands of the current portfolio and the strategic developments
3. The Ten Cate Academy, in which we develop training programmes which are necessary to strengthen our competences.

*Human resource management*

In 1998 Royal Ten Cate became stronger in many respects in the field of human resources:

- our competences for the current portfolio and the strategic developments were strengthened
- the number of employees with management qualities grew substantially
- in co-operation with the Kellogg Graduate School of Management in Chicago a successful Advanced Management programme was conducted in June. The twelve-day programme was attended by 45 employees from Europe, the USA and the Far East. One of the visible effects of this programme has been closer ties between the members of our international management group.

## *Technology, Quality and Environment*

Ten Cate produces industrial semi-manufactures and components which are either used immediately or processed further by its customers. Within this structure it is important that the company on the one hand uses the latest technologies and on the other hand achieves the highest possible quality. A precondition for this is that the costs per unit of product are able to match those of others in the world market.

It is also important that the knowledge accumulated in the organisation is carefully managed and made accessible to all the employees involved. This is all the more vital in the case of a qualification process. Examples of this within the company are aircraft manufacture (Ten Cate Advanced Composites), civil engineering projects (Ten Cate Nicolon) and the printer and copier industry (Ten Cate Enbi).

Ten Cate's objective is to devote around three per cent of sales to research and development, which will generally be of the applied kind. For more fundamental product and process research use is made of research institutes, universities and colleges. This approach enables the company on the one hand to have access to the latest insights and on the other hand to manage its own resources efficiently.

New technologies and quality projects can make a valuable contribution to the company's objective of dealing responsibly with the environment. An example is the updated production process at Ten Cate Enbi: targeted cooling of the injection mechanism in the extrusion machines greatly limits the formation of rubber waste.

In Ten Cate's textile companies in the Netherlands the first pre-cleaning installation, in which dyes are broken down anaerobically, will enter service in 1999. The further purification will then be carried out by the local water authority. A second installation is due to enter service in 2000. Both installations can serve as forerunners for Ten Cate's overall water-purification system.

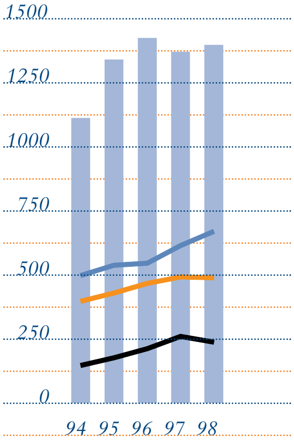
For a long time now the Ten Cate companies have taken part in the Environmental and Energy Covenant and further steps were taken during the year to ensure continued compliance with its requirements.

In many cases the production sites have been in use for decades and Ten Cate will have to implement soil-decontamination measures in the future. The provisions made for this are sufficient. All Ten Cate companies have the necessary legal permits.

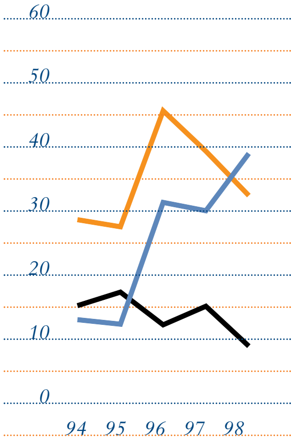
In 1998 TC Miradri and Ten Cate Technical Fabrics were awarded ISO 9002 certification. Customers will now be aware that these companies hold a quality hallmark. Internally, a transparent organisation is being created, focusing on efficient methods of operation.

*In millions of guilders unless stated otherwise*

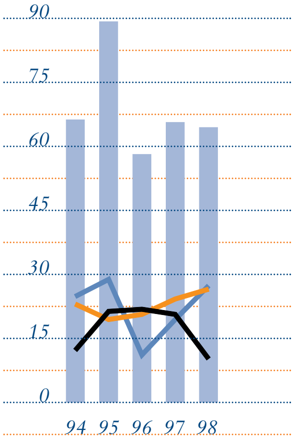
*Total*
*High-grade Textiles*
*Plastics*
*Rubber*



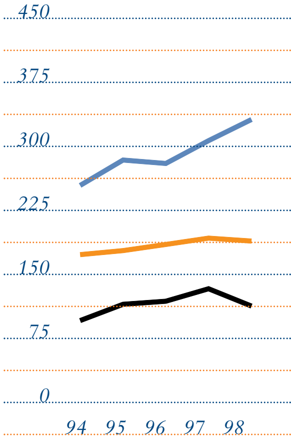

*Net sales*



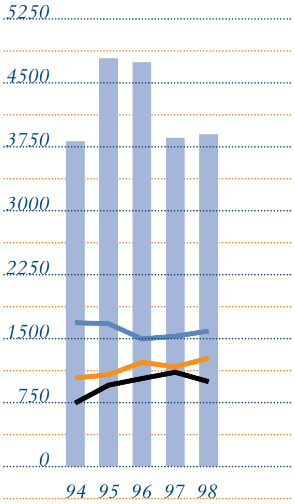

*Operating result*



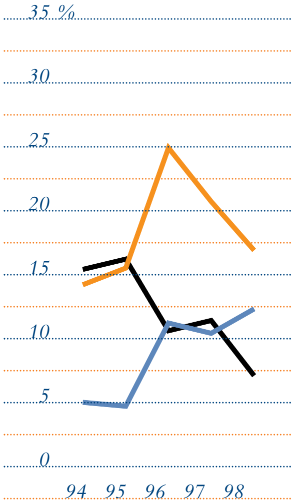

*Investments*




*Net capital employed*




*Number of staff years*
*(at year end)*




*Return on Capital*
*Employed (ROCE)*

*Return on Capital Employed:*
*Operating result + results of minority interests / average net capital employed*

## HIGH-GRADE TEXTILES SECTOR

| *In millions of guilders unless stated otherwise* | *1998* | *1997* | *1996* | *1995* | *1994* |
|---|---|---|---|---|---|
| Net sales | 668.0 | 612.6 | 543.8 | 535.9 | 495.9 |
| Operating result | 38.7 | 29.8 | 31.1 | 12.1 | 12.8 |
| Investments | 27.3 | 19.4 | 11.1 | 28.8 | 24.8 |
| Depreciation | 21.0 | 19.6 | 18.4 | 18.7 | 17.1 |
| Net capital employed | 332.7 | 308.0 | 281.3 | 285.3 | 255.7 |
| Number of staff years (year end) | 1,583 | 1,523 | 1,491 | 1,669 | 1,681 |
| Return on capital employed (%) | 12.2 | 10.3 | 11.1 | 4.6 | 4.9 |

*Ten Cate Advanced Textiles*

Ten Cate Advanced Textiles develops, produces and sells:

- fabrics for work and safety clothing (Ten Cate Protect)
- canvas and awning fabric (Ten Cate Technical Fabrics)
- advanced yarns (Ten Cate Advanced Spinning)
- components for the aircraft industry and antiballistic materials (Ten Cate Advanced Composites and Arès Protection)
- interlinings for the clothing industry (Ten Cate Permess)
- labels for the graphics industry (Multistiq).

The operating result was achieved thanks to good contributions from Ten Cate Advanced Textiles and Ten Cate Nicolon USA.

The strategy of Ten Cate Advanced Textiles is directed towards:

- increasing market share by means of cost leadership, maximum utilisation of plant and equipment and service
- increasing the number of specialities by means of product development and differentiation in order to secure high-value sales into the future
- geographical expansion in Asia and the United States.

Ten Cate Protect increased its market share at the expense of other European suppliers. Sales of the Tecasafe safety fabric, which was introduced to the market a few years ago, grew strongly.

Ten Cate Technical Fabrics began operating a new open width bleaching machine, thereby eliminating a major production bottleneck.

Ten Cate Advanced Spinning plays an important role in product development within the group. With the entry into service of a ring-spun line it is now able to produce high-grade yarns for associate companies.

Ten Cate Advanced Composites is experiencing a period of strong growth. This applies both to aircraft parts (Boeing and Airbus) and to bulletproof materials. In order to strengthen its position in the latter sector, Arès Protection was acquired in September. This French company holds the manufacturing rights under the Liba patent: bulletproof light-weight materials for military applications. This company contributed immediately to profits.

Ten Cate Permess opened a production site in Xishan (China) in November, supported from the existing office in Hong Kong. Xishan is not currently contributing to profits, but offers Ten Cate the possibility of monitoring closely developments in China.
Multistiq strengthened its position in textile labels for the graphics industry.

*Ten Cate Nicolon Europe*

Ten Cate Nicolon Europe's principal activities are:

- woven carpet backing products (Carpet Backing)
- Thiolon® yarns for artificial turf (Thiolon Grass)
- fabrics for the agricultural and the building markets (Special Fabrics)
- geosynthetic materials for the construction industry (Special Fabrics).

Carpet Backing supplies the floor-covering industry with the highest-quality backing products in the industry. The high degree of stability inherent in their products is a critical factor in the production of high-quality carpets.
Despite the worsening market conditions in the second half of 1998, due to the Russian crisis, Ten Cate was able to increase market share.

Thiolon Grass yarns are used in the tufting of artificial surfaces for tennis courts, hockey pitches and soccer fields. Due to the fast growth experienced in this market segment, production capacity wil be increased by 30% in 1999 to meet the demand.

Special Fabrics implemented a restructuring plan in 1998 to offset poor operating performance. 40 jobs were eliminated and costs were reduced significantly. More than half of the redundant employees were placed in other areas of Ten Cate.

*Ten Cate Nicolon USA*

Ten Cate Nicolon USA's principal activities are:

- trampoline canvas, swimming pool safety covers, windbreaks for tennis courts and sun shade fabrics (TC Baycor)
- geosynthetic products for construction applications consisting mostly of woven and non-woven materials (TC Mirafi)
- waterproofing products to protect buildings against water and ice (TC Miradri).

TC Baycor is the market leader in trampoline canvas and swimming pool safety covers in the USA. A great deal of attention was devoted to the development of new products for niche markets. In October, TC Baycor was the first Ten Cate company to undergo a business assessment (investigation of all areas of the company), with positive results.

TC Mirafi was unable to reach budgeted profit due to the sharp downturn in sales activity in the fourth quarter. However, prospects improved sufficiently to justify the addition of a third non-woven line. The addition of this line will allow better balance in the manufacturing process and lead to significant cost reductions in 1999.

TC Miradri grew strongly in 1998, especially with the 'Water and Ice Protection' segment, used for the protection of residential roofs against moisture and frost. Production was improved significantly and TC Miradri was qualified ISO 9002.

Ten Cate Nicolon Asia is a supplier of geosynthetic products troughout Asia and Australia. The obvious economic problems in that region made it impossible to strengthen the market position.

## PLASTICS SECTOR

| *In millions of guilders unless stated otherwise* | *1998* | *1997* | *1996* | *1995* | *1994* |
|---|---|---|---|---|---|
| Net sales | 487.1 | 490.2 | 465.0 | 427.6 | 395.3 |
| Operating result | 32.2 | 39.1 | 45.4 | 27.3 | 28.4 |
| Investments | 26.5 | 24.2 | 20.6 | 19.4 | 23.0 |
| Depreciation | 23.9 | 23.7 | 24.1 | 25.1 | 25.2 |
| Net capital employed | 190.4 | 193.8 | 186.4 | 179.2 | 174.5 |
| Number of staff years (year end) | 1,265 | 1,163 | 1,216 | 1,071 | 1,033 |
| Return on capital employed (%) | 16.8 | 20.6 | 24.8 | 15.4 | 14.1 |

*Ten Cate Plastics Processing*

Ten Cate Plastics Processing supplies the following products:

– aerosol caps, closures and other small packaging items (Ten Cate Plasticum)
– irrigation, drainage and other products for agriculture, horticulture and industry (Bosta).

The decline in the operating result was caused by Synbra and Ten Cate Mouldings and by the divestment of Viplex and Schinkel Schouten in 1997. The return nevertheless remains high.

Ten Cate Plasticum has sites in the Netherlands, Britain and France and has made preparations for start-up in the United States. Ten Cate Plasticum's major customers are the food and personal-care sectors. This fast-moving consumer industry requires a constant stream of new ideas and designs. Ten Cate Plasticum meets this demand in its product development.

An integrated production unit was installed at Tilburg for the high-volume manufacture of lids for the food industry.

In-mould labelling technology was introduced at Ede. This allows labels to be applied to the end product during the injection-moulding process.

It was decided to relocate the production of blow-moulded containers (Ten Cate Mouldings) elsewhere. The activities in Britain were sold and negotiations are still taking place on the site in the Netherlands.

In spite of the high level of rainfall in 1998, the technical wholesaler Bosta was able to expand its activities profitably once again in the Netherlands, Germany, Britain, Belgium and France. The factors contributing to its success are astute purchasing and the right mix of products. A third German site is being opened at Dessau at the beginning of 1999.

*Synbra*

Synbra (50%), a joint venture with Shell, covers the following product-market combinations in Europe:

- high-grade insulation products and structural elements for the construction industry based on expanded polystyrene (EPS)
- EPS packaging materials for foodstuffs and industrial applications
- plastic products for the professional horticulture market
- production of raw materials for the EPS-processing companies and recycling.

The principal characteristics of EPS are its high insulation value, structural characteristics, excellent shock-absorption properties and light weight.

Synbra occupies a leading position in the competitive building-insulation market in the Benelux countries and Germany. The well-balanced range includes roofing products, steel sandwich panels and high-grade EPS applications for foundations, floors and walls. In Britain the leading position was strengthened and attention was focused on increasing the use of EPS as a structural building material.

The position in the French packaging market was reinforced by the opening of a new site at Pontcharra (near Lyon).

In the Benelux countries a number of major contracts were won in the field of industrial packaging.

The adverse weather conditions, long periods of rainfall and fierce competition depressed sales of flower pots and trays for the horticulture market and put pressure on margins.

The integration of Synprodo Plantpak, which was acquired at the end of 1997, required more time and energy than had been envisaged.

## RUBBER SECTOR

| *In millions of guilders unless stated otherwise* | *1998* | *1997* | *1996* | *1995* | *1994* |
|---|---|---|---|---|---|
| Net sales | 235.9 | 258.3 | 210.4 | 174.9 | 145.0 |
| Operating result | 8.7 | 14.9 | 12.0 | 17.1 | 15.0 |
| Investments | 10.2 | 20.6 | 21.8 | 21.3 | 12.2 |
| Depreciation | 15.0 | 14.9 | 13.2 | 10.3 | 9.5 |
| Net capital employed | 114.3 | 134.5 | 119.9 | 116.3 | 97.3 |
| Number of staff years (year end) | 990 | 1,100 | 1,026 | 949 | 740 |
| Return on capital employed (%) | 7.0 | 11.3 | 10.5 | 16.1 | 15.3 |

### *Ten Cate Enbi*

Ten Cate Enbi develops, manufactures and supplies components for printers, copiers and fax machines. The components consist of metal axles, plastic parts and rubber materials – an area in which the company has a great deal of know-how. After processing and assembly the subsystems are supplied to the major international producers of these machines.

In 1998 the operating result of Ten Cate Enbi decreased by 40%. Printers have become consumer items and are being sold at ever lower prices and with thinner margins. This means that the price of the rubber rollers must also be reduced.

In the fourth quarter an in-depth business analysis was carried out. Since the cost level at Ten Cate Enbi was too high, economies had to be made. These led to a reduction in personnel numbers, particularly in the Netherlands and the United States.

Throughput times in production were shortened with the introduction of the cell structure at Nuth. Within this structure small production units are responsible for manufacturing an entire product. This contributes to a reduction in intermediate stocks and overheads.

The introduction of this cell structure is now largely complete and a structural reduction has been achieved in product costs. This has increased the company's competitive strength and improved its prospects.

A large proportion of Ten Cate Enbi's sales are to American customers who supply worldwide. Because of the competition from Japanese suppliers, the dollar/yen exchange rate is an important factor for our customers and for Ten Cate Enbi. This rate improved significantly in the third quarter.

At the end of 1998 the mould producer Ermex Tools was spun off.

The factory opened in 1997 in Singapore was fully utilised and made an important contribution to the group's profits.

## DENIM

The continuing worldwide overcapacity in the denim industry took its toll in 1998. The large losses at Atlantic Mills (Ireland) and Hellenic Fabrics (Greece), combined with the desperate situation facing the former company, forced us to close Atlantic Mills and write-down our financial interests in Hellenic Fabrics.

According to international research bureaux, worldwide denim capacity grew by around 70% from 1992 to 1997, particularly as a result of the siting of new factories in South America and Asia. Demand increased modestly during that period, but fell back in 1998.

At the end of September we considered how to proceed further with this issue. A thorough investigation revealed that the closure of Atlantic Mills was the best option. Hellenic Fabrics did appear to offer prospects, although this would depend on a further reorganisation and on future trends in the world market.

The closure of Atlantic Mills was announced at the beginning of December and was put into effect in January 1999. At Hellenic Fabrics a further 80 jobs were lost, costs were reduced and the management was strengthened. At the end of 1998 32% of the shares in Hellenic Fabrics were placed with a foundation as part of a gradual reduction of the interest held by Ten Cate.

*→ The Synbra group produces insulation materials for the construction industry and packaging materials for the food sector, industry and horticulture. The raw materials used in most products are expanded polystyrene (EPS) and polystyrene. These are produced and processed by Synbra itself. This enables it to guarantee consistently high product quality. In commercial and industrial building ever greater demands are being made on both insulation and flexible construction methods.*

*Synbra meets this demand with steel-sandwich wall panels. These have a high insulation value, are light, easy to use and, from the aesthetic point of view, make it possible to give buildings an attractive appearance.*

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1998
## AFTER APPROPRIATION OF PROFIT

| *In millions of guilders* | | 1998 | | 1997 |
|---|---|---|---|---|
| ***Fixed assets*** | | | | |
| *Tangible fixed assets 1* | | | | |
| Land and buildings | 163.0 | | 171.5 | |
| Plant and equipment | 147.6 | | 150.6 | |
| Other operating assets | 35.6 | | 35.2 | |
| | | 346.2 | | 357.3 |
| *Financial fixed assets 2* | | | | |
| Associated companies | 2.2 | | 46.3 | |
| Receivables on associated companies | 1.8 | | 1.5 | |
| Other receivables | 2.5 | | 7.0 | |
| | | 6.5 | | 54.8 |
| *Total fixed assets* | | 352.7 | | 412.1 |
| ***Current assets*** | | | | |
| *Inventories 3* | | 255.8 | | 259.8 |
| *Receivables* | | | | |
| Trade debtors | 204.0 | | 206.2 | |
| Associated companies | 5.5 | | 3.8 | |
| Other receivables | 16.0 | | 20.9 | |
| Prepaid assets | 10.8 | | 7.5 | |
| | | 236.3 | | 238.4 |
| *Cash* | | 1.1 | | 0.8 |
| *Total current assets* | | 493.2 | | 499.0 |
| | | 845.9 | | 911.1 |

| | | 1998 | | | 1997 |
|---|---|---|---|---|---|
| *Equity* | *4* | | | | |
| Issued share capital | | 90.5 | | 88.7 | |
| Share premium | | 39.6 | | 41.4 | |
| Revaluation reserve | | 16.0 | | 22.0 | |
| Reserve for retained earnings of associated companies | | 65.4 | | 65.6 | |
| Other reserves | | 63.4 | | 170.8 | |
| Undistributed dividend balance | | 0.5 | | 0.4 | |
| Equity | | 275.4 | | 388.9 | |
| Minority interests | | – | | 0.3 | |
| *Group equity* | | | 275.4 | | 389.2 |
| *Provisions* | *5* | | 20.3 | | 21.8 |
| *Long-term debts* | | | | | |
| 6.75% subordinated convertible debenture loan [1] | *6* | 50.0 | | 66.7 | |
| Others | *7* | 184.8 | | 140.8 | |
| | | | 234.8 | | 207.5 |
| *Short-term debts* | *8* | | | | |
| Banks and short-term loans | | 93.9 | | 109.0 | |
| Accounts and taxes payable | | 207.9 | | 169.4 | |
| Appropriation of profit | | 13.6 | | 14.2 | |
| | | | 315.4 | | 292.6 |
| | | | 845.9 | | 911.1 |

[1] *Forms part of the guarantee capital.*

# CONSOLIDATED PROFIT AND LOSS ACCOUNT 1998

| *In millions of guilders* | | | 1998 | | 1997 |
|---|---|---|---|---|---|
| *Net sales* | | | 1,394.7 | | 1,368.0 |
| Changes in inventories of finished products and work in progress | | | – 11.5 | | 19.6 |
| *Total operating revenues* | | | 1,383.2 | | 1,387.6 |
| Raw materials and manufacturing supplies | | 608.2 | | 614.8 | |
| Work contracted out and other external expenses | | 98.7 | | 113.2 | |
| Personnel costs | *11* | 350.9 | | 338.0 | |
| Depreciation | | 61.4 | | 60.7 | |
| Other operating costs | | 188.0 | | 179.5 | |
| *Total operating expenses* | | | 1,307.2 | | 1,306.2 |
| *Operating result* | | | 76.0 | | 81.4 |
| Interest | *12* | | – 21.3 | | – 22.3 |
| *Result from ordinary operations before tax* | | | 54.7 | | 59.1 |
| Taxes | *13* | | – 18.6 | | – 20.2 |
| *Result from ordinary operations after tax* | | | 36.1 | | 38.9 |
| Share in net earnings of associated companies | *14* | | 1.6 | | 1.4 |
| *Net group result from ordinary operations* | | | 37.7 | | 40.3 |
| Extraordinary items | *15* | – 130.5 | | – 9.9 | |
| Tax on extraordinary items | | 0.5 | | – | |
| | | | – 130.0 | | – 9.9 |
| *Net group result after extraordinary items* | | | – 92.3 | | 30.4 |
| Minority interests | | | – 0.2 | | – 0.1 |
| *Net result* | | | – 92.5 | | 30.3 |

# NOTES

## *Statement of accounting standards*

### *Consolidation*
The consolidated annual accounts relate to those companies in which the company has a direct or indirect interest of more than 50%. The data relating to these companies is included in full. The share of third parties in group assets and group profit is reported separately. The joint venture Synbra bv has been proportionally consolidated.

It was decided in 1997 that the denim companies no longer belonged to the core business, that structural solutions outside Ten Cate would be sought and that they would consequently not be included in the consolidation as of the 1997 financial year. Ten Cate's interest in this group of companies was written off in full in 1998.

A summary of the most important companies for which the annual data has been incorporated in the group financial statements is presented in the 'Operating companies, associated companies and other interests as at 31-12-1998' list which appears in the back of this annual report.

The accounting policies used in the valuation of the balance sheet and for the determination of the earnings of the group companies are the same as those used for the parent company.

### *Changes in the structure of the group*
The most important changes are listed on page 17, to which we refer.

### *Foreign currencies*
Transactions in foreign currencies are translated at the rate of exchange prevailing on the date of the transaction. Assets and liabilities in foreign currencies are entered at the rates prevailing on the balance sheet date or at the rate of exchange in foreign exchange contracts that have been entered into. The profit and loss accounts of foreign operating companies and associated companies are translated at the average rate for the year. The balance sheet is translated at the rates prevailing on the balance sheet date, with the exception of the results. Exchange rate differences arising out of this translation are incorporated in the equity.

| *Currency* | *1998* | *1997* | *1998* | *1997* |
|---|---|---|---|---|
| | balance sheet | | profit and loss account | |
| US dollar | 1.89 | 2.02 | 1.98 | 1.95 |
| Pound Sterling | 3.13 | 3.34 | 3.29 | 3.20 |
| Swiss franc | 1.37 | 1.39 | 1.37 | 1.35 |
| Singapore dollar | 1.14 | 1.20 | 1.19 | 1.32 |
| Hong Kong dollar | 0.24 | 0.26 | 0.26 | 0.25 |

### *Goodwill*
Goodwill paid for companies acquired, in other words the amount by which the purchase price paid upon the acquisition of a holding exceeds the intrinsic value, is charged directly to equity. In the case of divestment within a few years, the profit is used in the first instance to supplement equity capital with the goodwill charged against it at the time of purchase. That which remains is deemed to be earnings.

*Tangible fixed assets*

Tangible fixed assets are valued at acquisition value less depreciation. The tangible fixed assets not employed in the manufacturing process relate to disused land, buildings and equipment. These are included at most at a value equivalent to their estimated realisable value.

*Financial fixed assets*

The valuation of the holdings in associated companies from 20% to 50%, in so far as they are not proportionally consolidated, is based on the net asset value of these companies, less the provisions deemed necessary. In the case of the denim companies that ceased to form part of Ten Cate's core business as of 1997, valuation on the basis of net asset value is no longer applicable. Ten Cate's interest in these companies has been written off in full. Holdings under 20% are valued at acquisition value, but not at more than the assessed or stock exchange value.

*Inventories*

Inventories are valued at the lower of historical cost or market value. Manufacturing costs are valued according to the stage of processing.

*Receivables*

Receivables are included at nominal value less adjustments deemed necessary in connection with bad debts.

*Revaluation reserve*

The following are entered in this reserve:

- changes in the intrinsic value of foreign operating companies and associated companies resulting from changes in rates of exchange;
- other changes in the values of holdings not arising from earnings.

*Reserve for retained earnings of associated companies*

This reserve has been created for the joint ventures and associated companies, where free disposal of retained earnings is subject to restrictions.

*Provisions*

The provision for deferred taxation relates to the difference between the economic value of the assets in the annual accounts and their fiscal value. It is calculated on the basis of the applicable tax rate in the country concerned. The other provisions are intended to cover risks resulting from (possible) third-party claims against the company.

*Net sales*

The net sales comprise the revenue from goods and services supplied to third parties, less discounts and any taxes due.

*Consumption of raw materials*

The consumption of raw materials and manufacturing supplies is calculated on the basis of historical cost.

*Depreciation of tangible fixed assets*

The depreciation of tangible fixed assets is based on the acquisition value and the expected economic life of the asset, as shown below.

- Buildings: to a maximum of 33 years.
- Plant and equipment: depending on the economic life, to a maximum of 10 years.

*Taxation of earnings from ordinary operations*
In principle this includes the tax payable on the earnings from ordinary operations and the deferred taxes at the prevailing tax rates in the country concerned.

*Share in net earnings of associated companies*
Ten Cate's share in the net earnings of non-consolidated 20% to 50% associated companies is included in net earnings. Possible adjustments in the valuation of these companies are taken into account. Dividends and other proceeds received in the year under review from holdings below 20% are included as earnings.

*Minority interests*
This comprises the share in the profits of operating companies due to third parties.

*In millions of guilders unless stated otherwise*

## 1 Tangible fixed assets

| | Land, buildings and dwellings | Plant and equipment | Other operating assets | Prepayments | Fixed assets not used in the production process | Total |
|---|---|---|---|---|---|---|
| Book value as at 1 January 1998 | 171.5 | 150.6 | 25.4 | 9.7 | 0.1 | 357.3 |
| Changes resulting from new and discontinued consolidations | – 0.6 | 0.4 | – 0.1 | – | – | – 0.3 |
| Investments | 5.5 | 44.4 | 12.5 | 2.0 | – | 64.4 |
| | 176.4 | 195.4 | 37.8 | 11.7 | 0.1 | 421.4 |
| Divestments | – 0.3 | – 1.8 | – 0.9 | – | – 0.1 | – 3.1 |
| Currency rate adjustment for foreign operating companies | – 4.7 | – 5.0 | – 0.8 | – 0.2 | – | – 10.7 |
| | 171.4 | 188.6 | 36.1 | 11.5 | – | 407.6 |
| Depreciation | – 8.4 | – 41.0 | – 12.0 | – | – | – 61.4 |
| Book value as at 31 December 1998 | 163.0 | 147.6 | 24.1 | 11.5 | – | 346.2 |

The acquisition value and accumulated depreciation of these tangible fixed assets at the end of 1998 are:

| | Land, buildings and dwellings | Plant and equipment | Other operating assets | Prepayments | Fixed assets not used in the production process | Total |
|---|---|---|---|---|---|---|
| Acquisition value | 259.0 | 633.1 | 123.6 | 11.5 | 2.6 | 1,029.8 |
| Accumulated depreciation | 96.0 | 485.5 | 99.5 | – | 2.6 | 683.6 |
| Book value | 163.0 | 147.6 | 24.1 | 11.5 | – | 346.2 |

Investments in other operating assets (NLG 12.5 million) relate to, among other things, moulds, internal transport equipment, computers and software.

As an indication of the current value of land, buildings and dwellings, these may be valued at approximately NLG 206 million.

Basis:
Netherlands: property tax rating;
elsewhere: own assessments.

*2 Financial fixed assets*

The associated companies that are not proportionally consolidated have been entered under this heading.

Changes in respect of associated companies in which interests from 20% to 50% are held:

| | *Year end 1998* | *Year end 1997* |
|---|---|---|
| Balance as at 1 January | 46.3 | 6.3 |
| Purchase/sale | 0.2 | – 0.2 |
| Change in denim operations | – 44.3 | 40.9 |
| Earnings | 0.6 | 0.5 |
| Dividend payments | – 0.1 | – 1.2 |
| Various changes in equity | – 0.5 | – |
| Balance as at 31 December | 2.2 | 46.3 |

*3 Inventories*

The inventories are made up as follows:

| | | |
|---|---|---|
| Raw materials and manufacturing supplies | 54.1 | 44.7 |
| Semi-manufactures | 46.8 | 54.5 |
| Finished goods | 154.9 | 160.6 |
| Total inventories | 255.8 | 259.8 |

*4 Equity*

See the notes to the company balance sheet on page 44 for a breakdown of the equity.

*5 Provisions*

| | | |
|---|---|---|
| Deferred tax liabilities | 1.1 | – |
| Pension liabilities | 9.3 | 10.2 |
| Restructuring | – | 2.3 |
| Other provisions | 9.9 | 9.3 |
| | 20.3 | 21.8 |

The provisions are of a long-term nature.

The pension liabilities relate for the most part to foreign operating companies.

The pension entitlements of most of the Dutch employees have been placed with the 'Stichting Pensioenfonds Koninklijke Ten Cate'. These pension liabilities have been funded.

### 6 *Subordinated convertible debenture loan (6.75%)*

| | Year end 1998 | Year end 1997 |
|---|---|---|
| | 50.0 | 66.7 |

A 6.75% subordinated convertible debenture loan with a nominal value of NLG 100 million was issued on 28 April 1992. Conversion into Royal Ten Cate nv ordinary shares has been possible since 1 January 1993. The conversion price is currently set at NLG 123.30 per ordinary share of NLG 20 nominal value. The conversion price will be subject to adjustments as stipulated in the trust deed.

The loan is redeemable at face value in six almost equal instalments falling due on 28 April in the years 1997 up to and including 2002. The second instalment was consequently repaid in the year under review. Royal Ten Cate nv is entitled to repay the loan early in part or in full at any time, at a rate which will fall by 1% per annum (from 102% after 28 April 1999 to 100% after 28 April 2001). The annual payment of interest is due on 28 April. At the beginning of 1998 the interest liability was converted from fixed to variable by means of an interest rate swap.

### 7 *Other long-term debts*

| | Interest | Term | Amount in millions | Year end 1998 | Year end 1997 |
|---|---|---|---|---|---|
| Netherlands | 4.3% | 2003 | NLG 135.0 | 135.0 | – |
| Netherlands | 4.0% | 2000 | NLG 2.1 | 2.1 | 5.1 |
| USA | 3.2% | 2018 | USD 6.8 | 12.9 | 104.3 |
| UK | 8.6% | 2005-2008 | GBP 4.5 | 14.2 | 7.4 |
| Switzerland | 5.8% | 2019 | CHF 3.4 | 4.6 | 4.8 |
| France | 4.1-4.3% | 2000-2001 | FRF 7.7 | 2.6 | 6.0 |
| Germany | 4.3-5.7% | 1999-2003 | DEM 1.9 | 2.1 | 3.2 |
| Singapore | 5.4-5.7% | 2004-2006 | SGD 9.1 | 10.3 | 9.0 |
| Others | | 2001 | | 1.0 | 1.0 |
| Total | | | | 184.8 | 140.8 |

Approximately 20% of the long-term debts are fixed-interest loans and 80% are variable-interest loans.

The repayment commitments for 1999, amounting to NLG 25.1 million (including convertible), have been entered under short-term debts.

The repayment commitments for the subsequent years (including convertible) are:

| | |
|---|---|
| for 2000 | 24.5 |
| for 2001 | 21.1 |
| for 2002 | 20.8 |
| for 2003 | 138.8 |
| longer than 5 years | 29.6 |

The majority of the foreign loans drawn by the operating companies are part of international arrangements between the corporation and two banks. A large proportion of the foreign loans were replaced by loans from the group finance company in 1998.

### 8 Short-term debts

| | Year end 1998 | Year end 1997 |
|---|---|---|
| Bank debts and short-term loans | 68.8 | 72.3 |
| Repayment of long-term loans | 25.1 | 36.7 |
| Total | 93.9 | 109.0 |
| Breakdown of accounts payable and taxes due: | | |
| Due to suppliers | 100.2 | 106.7 |
| Taxes and social security contributions | 27.3 | 17.4 |
| Other debts | 80.4 | 45.3 |
| | 207.9 | 169.4 |

The 'other debts' item includes future expenditure totalling NLG 40 million due in respect of reorganisations in 1999.

### 9 Other financial commitments

- Negotiated bills: at the end of 1998 bills have been negotiated, with recourse, in an amount of NLG 0.7 million.
- Tangible fixed assets: at the end of 1998 tangible fixed assets are on order in an amount of NLG 24.3 million, of which NLG 11.5 million has been prepaid.
- Operational leases have been taken out to finance various machines in the USA. They amount to NLG 11.5 million and run up to 2003. The annual repayment is NLG 2.3 million.

## *Notes to the consolidated profit and loss account*

*In millions of guilders unless stated otherwise* — *1998* — *1997*

### 10 General

The profit and loss account of the parent company has been included in the consolidated profit and loss account.

### 11 Personnel costs

These costs can be broken down as follows:

| | 1998 | 1997 |
|---|---|---|
| Salaries | 242.3 | 243.5 |
| Social security contributions | 73.0 | 64.1 |
| Agency staff | 35.6 | 30.4 |
| Total | 350.9 | 338.0 |

The social security contributions include an amount of NLG 7.0 million in respect of pension costs. NLG 1.6 million (22%) of this related to the KTC Pension Fund, at a premium discount of 75%. The relative increase in social security contributions relates to a decrease in the transfer premium (salaries) and a rise in the incapacity benefit premium.

### 12 Interest

| | 1998 | 1997 |
|---|---|---|
| Interest received | 2.6 | 2.8 |
| Interest paid | – 23.9 | – 25.1 |
| Total | – 21.3 | – 22.3 |

### 13 Taxes

The tax burden of NLG 18.6 million (1997: NLG 20.2 million) remained unchanged (34%). The fiscal compensation of losses which will result from the measures taken in 1998 will only be incorporated into the annual accounts once they have been realised.

### 14 Share in net earnings of associated companies

| | 1998 | 1997 |
|---|---|---|
| Associated companies 20% to 50% (not consolidated) | 1.6 | 1.4 |

NLG 1.0 million of the result of NLG 1.6 million relates to the sale of holdings and NLG 0.6 million relates to our share in the earnings of a number of smaller associated companies.

### 15 Extraordinary items

| | | |
|---|---|---|
| Extraordinary charges | – 130.5 | – 40.0 |
| Extraordinary income | – | 30.1 |
| Taxes | 0.5 | – |
| | – 130.0 | 9.9 |

The extraordinary charge of NLG 130 million can be broken down as follows:

| | |
|---|---|
| Total Denim | – 100 million |
| Ten Cate Enbi, other sectors and head office | – 30 million |
| | – 130 million |

*Sales by sector*

| | | |
|---|---|---|
| High-grade Textiles | 668 | 613 |
| Plastics | 487 | 490 |
| Rubber | 236 | 258 |
| Services | 4 | 7 |
| Net sales | 1,395 | 1,368 |

*Sales by sales area*

*In percentages*

| | | |
|---|---|---|
| Netherlands | 21 | 23 |
| Other EU countries | 50 | 48 |
| Other Europe | 3 | 3 |
| North America | 20 | 19 |
| Asia | 4 | 6 |
| Other areas | 2 | 1 |
| | 100 | 100 |

*Number of employees*

| *In staff years* | *1998* | *1997* |
|---|---|---|
| High-grade Textiles | 1,583 | 1,523 |
| Plastics | 1,265 | 1,163 |
| Rubber | 990 | 1,100 |
| Services | 48 | 62 |
| | 3,886 | 3,848 |

The average number of agency staff in 1998 was 520 (1997: 494)

*Remuneration of the Executive Board and Supervisory Board*
The remuneration (including pension costs) of the Executive Board amounted to NLG 2.7 million (1997: NLG 1.8 million). The remuneration of the Supervisory Board amounted to NLG 0.2 million (1997: NLG 0.2 million).

*Shares held by the members of the Executive Board and Supervisory Board*
At the end of 1998 the members of the Executive Board held 9,450 shares in Royal Ten Cate and 47,000 option rights on the same number of shares. At the end of 1998 the members of the Supervisory Board held 3,200 shares in Royal Ten Cate, but no option rights.

## CASH FLOW SUMMARY

| *In millions of guilders* | | *1998* | | *1997* |
|---|---|---|---|---|
| ***Cash flow from operational activities*** | | | | |
| Net result | – 92.5 | | 30.3 | |
| Depreciation | 61.4 | | 60.7 | |
| *Cash flow* | | – 31.1 | | 91.0 |
| Change in working capital: | | | | |
| Increase in receivables | – 2.6 | | – 20.2 | |
| Increase in inventories | – 0.3 | | – 33.0 | |
| Increase in short-term debts | 38.2 | | 10.8 | |
| | | 35.3 | | – 42.4 |
| | | 4.2 | | 48.6 |
| *Other changes in the cash flow* | | | | |
| Share in the earnings of non-consolidated interests | – 0.6 | | – 0.5 | |
| Dividend received | 0.1 | | 1.2 | |
| Changes in provisions | – 1.5 | | 1.3 | |
| Other changes | 0.2 | | 0.1 | |
| | | – 1.8 | | 2.1 |
| *Cash flow from operational activities* | | 2.4 | | 50.7 |
| ***Cash flow from investment activities*** | | | | |
| Acquisitions and/or (de)consolidations | 44.4 | | 58.2 | |
| Investments in tangible fixed assets | – 64.4 | | – 65.6 | |
| Divestments of tangible fixed assets | 3.1 | | 4.7 | |
| *Cash flow from investment activities* | | – 16.9 | | – 2.7 |
| ***Cash flow from financing activities*** | | | | |
| Revenue from long-term debts | 147.0 | | 18.0 | |
| Repayment of long-term debts | – 113.2 | | – 38.5 | |
| Revenue from long-term receivables | 5.6 | | 10.5 | |
| Payment of long-term receivables | – 1.0 | | – 2.1 | |
| Payments/revenue in respect of own shares | – 6.0 | | 3.2 | |
| Dividend paid | – 6.1 | | – 6.1 | |
| *Cash flow from financing activities* | | 26.3 | | – 15.0 |
| *Net cash flow* | | 11.8 | | 33.0 |
| *Exchange rate and translation differences relating to funds* | | 3.6 | | – 4.9 |
| *Increase in funds* | | 15.4 | | 28.1 |

*Note* The funds in the cash flow summary are made up of banks and short-term loans and cash. The cash flow summary has been drawn up according to the indirect method.

*→ Innovation is a matter of course for Ten Cate Plasticum. The life-cycle of products is becoming shorter, while their form and function are becoming ever more important. For this reason the Plasticum companies regularly develop and produce new caps, closures and packaging products, in close consultation with the customer.*
*An example of process innovation is the introduction of the in-mould labelling technique. This is an advanced process for the labelling of products during injection moulding.*
*In-mould labelling delivers products which are technically and visually superior at a relatively low cost price. This production method has earned Ten Cate Plasticum a leading position across Europe.*

# COMPANY BALANCE SHEET AS AT 31 DECEMBER 1998
# AFTER APPROPRIATION OF PROFIT

| *In millions of guilders* | | 1998 | | 1997 |
|---|---|---|---|---|
| ***Fixed assets*** | | | | |
| *Financial fixed assets* | | | | |
| Consolidated companies | 208.0 | | 210.7 | |
| Receivables on consolidated companies | 205.8 | | 182.8 | |
| Other interests | 0.6 | | 44.9 | |
| Receivables on associated companies | 1.5 | | 1.5 | |
| Other receivables | 0.3 | | – | |
| *Total fixed assets* | | 416.2 | | 439.9 |
| ***Current assets*** | | | | |
| *Receivables* | | | | |
| Consolidated companies | 11.0 | | 1.1 | |
| Associated companies | 0.8 | | 3.8 | |
| Other receivables | 0.7 | | 16.0 | |
| *Cash* | 0.6 | | 19.0 | |
| *Total current assets* | | 13.1 | | 39.9 |
| | | 429.3 | | 479.8 |

| | | 1998 | | 1997 |
|---|---|---|---|---|
| *Equity* | | | | |
| Issued share capital | 90.5 | | 88.7 | |
| Share premium | 39.6 | | 41.4 | |
| Revaluation reserve | 16.0 | | 22.0 | |
| Reserve for retained earnings of associated companies | 65.4 | | 65.6 | |
| Other reserves | 63.4 | | 170.8 | |
| Undistributed dividend balance | 0.5 | | 0.4 | |
| | | 275.4 | | 388.9 |
| *Provisions* | | | | |
| Other provisions | – | | 0.2 | |
| | | – | | 0.2 |
| *Long-term debts* | | | | |
| 6.75% subordinated convertible debenture loan [1] | 50.0 | | 66.7 | |
| Others | 0.4 | | 5.0 | |
| | | 50.4 | | 71.7 |
| *Short-term debts* | | | | |
| Banks | 61.2 | | – | |
| Accounts and taxes payable | 28.7 | | 4.8 | |
| Appropriation of profit | 13.6 | | 14.2 | |
| | | 103.5 | | 19.0 |
| | | 429.3 | | 479.8 |

1 *Forms part of the guarantee capital.*

## COMPANY PROFIT AND LOSS ACCOUNT 1998

| *In millions of guilders* | *1998* | *1997* |
|---|---|---|
| Earnings of associated companies after tax | 8.1 | 27.6 |
| Other profits and losses after tax | 5.1 | 2.7 |
| Extraordinary items | – 105.7 | – |
| Net result | – 92.5 | 30.3 |

### *Notes to the company balance sheet*

***Equity tied up in consolidated companies***

| | | |
|---|---|---|
| *Financial fixed assets* | | |
| Net asset value | 208.0 | 210.7 |
| Receivables | 205.8 | 182.8 |
| | 413.8 | 393.5 |
| *Current assets* | | |
| Receivables | 11.0 | 1.1 |
| | 424.8 | 394.6 |
| *Liabilities* | | |
| Long-term | – 0.4 | – 5.0 |
| Total as at 31 December | 424.4 | 389.6 |

The changes in the net asset value of the consolidated companies can be broken down as follows:

| | | |
|---|---|---|
| Balance as at 1 January | 210.7 | 245.2 |
| Acquisitions and capital expansions less goodwill paid by operating companies | – 3.5 | – 6.6 |
| Change in denim activities | – | – 40.9 |
| Changes in exchange rates | – 6.2 | 10.1 |
| Earnings | 8.1 | 26.7 |
| Dividend payments | – 1.1 | – 23.8 |
| Other changes | – | – |
| Balance as at 31 December | 208.0 | 210.7 |

*Cash*

The cash balance is part of an interest-compensation arrangement.

*Share capital*

The authorised capital amounts to NLG 400 million, divided into shares with a nominal value of NLG 20.-, comprising:

- 7 million ordinary shares
- 3 million A cumulative preference shares (financing prefs)
- 10 million B cumulative preference shares (protection prefs)

The issued share capital as at 31 December 1998 amounts to 4,522,584 ordinary shares with a nominal value of NLG 20.-.

| *In millions of guilders* | *1998* | *1997* |
|---|---|---|
| Balance as at 1 January | 88.7 | 86.4 |
| Stock dividend | 1.8 | 1.4 |
| Management options | – | 0.9 |
| Balance as at 31 December | 90.5 | 88.7 |

*Share premium*

| | | |
|---|---|---|
| Balance as at 1 January | 41.4 | 40.5 |
| Stock dividend | – 1.8 | – 1.4 |
| Management options | – | 2.3 |
| Balance as at 31 December | 39.6 | 41.4 |

This share premium is payable tax-free.

*Revaluation reserve*

The revaluation reserve relates to financial fixed assets.

| | | |
|---|---|---|
| Balance as at 31 December | 16.0 | 22.0 |

The decrease in this reserve reflects a decrease in the value of our foreign operating companies and associated companies as a result of the lower value of, primarily, the US dollar and Pound Sterling.

*Reserve for retained earnings of associated companies*

| | | |
|---|---|---|
| Balance as at 1 January | 65.6 | 67.0 |
| Share in earnings of associated companies, less dividends received | – 0.2 | – 1.4 |
| Balance as at 31 December | 65.4 | 65.6 |

*Other reserves*

| | | |
|---|---|---|
| Balance as at 1 January | 170.8 | 159.1 |
| Plus: | | |
| – stock dividend | 8.1 | 6.9 |
| – withdrawal/addition from profits | – 106.0 | 17.5 |
| Less: | | |
| – write-off of net goodwill paid | – 3.5 | – 12.7 |
| – repurchase of own shares for option scheme | – 6.0 | – |
| Balance as at 31 December | 63.4 | 170.8 |

*Option scheme*

Royal Ten Cate has a management stock option plan established by the Supervisory Board. Members of the Executive Board and members of the Ten Cate Team are eligible for options. The options are granted by the Supervisory Board at the beginning of every year at the opening price of the share in that year.In principle the maximum number of options granted in any one year will not exceed 1% of the total number of shares outstanding. The exercise of options is subject to the restrictions laid down in the Model Code.

In principle the company will repurchase shares in order to prevent any dilution of earnings per share caused by the granting of options. In this connection 80,000 shares were repurchased in 1998 at an average price of NLG 80.68. 6,000 options were exercised in 1998, leaving a remainder of 74,000 repurchased shares at the end of 1998.

### *Granting of options in 1998*

On 2-1-1998 29,500 options were granted at the opening price on 2-1-1998, i.e. NLG 87.50. On 4-1-1999 36,000 options were granted at the opening price on 4-1-1999, i.e. € 29.10 (NLG 64.13).

The breakdown was as follows:

| | 4-1-1999 | 2-1-1998 |
|---|---|---|
| (ex-)members of the Executive Board | 25,000 | 17,500 |
| members of the Ten Cate Team | 11,000 | 12,000 |
| | 36,000 | 29,500 |

### *Overview of movements in options in 1998/early 1999*

| Issued on | Term until | Number of options | Exercise price NLG | Exercise price EUR | Exercised/ lapsed up to 1997 | Exercised in 1998 | Lapsed in 1998 | Outstanding 31-12-98 |
|---|---|---|---|---|---|---|---|---|
| 3-1-1994 | 3-1-1999 | 11,000 | 96.40 | 43.74 | – | – | – | 11,000 |
| 2-1-1995 | 2-1-2000 | 23,000 | 80.00 | 36.30 | 6,500 | 6,000 | – | 10,500 |
| 3-4-1996 | 3-4-2001 | 30,500 | 73.00 | 33.13 | 19,500 | – | – | 11,000 |
| 2-1-1997 | 2-1-2002 | 30,000 | 82.00 | 37.21 | 9,500 | – | – | 20,500 |
| 2-1-1998 | 2-1-2003 | 29,500 | 87.50 | 39.71 | – | – | – | 29,500 |
| Total | | 124,000 | | | 35,500 | 6,000 | – | 82,500 |
| 4-1-1999 | 4-1-2004 | 36,000 | 64.13 | 29.10 | – | – | – | 36,000 |

### *Other disclosures*

The company filed a declaration of liability in accordance with article 403 of Book 2 of the Netherlands Civil Code on behalf of its operating companies in the Netherlands. Claims for damages have been submitted to the company, arising out of the conduct of business. Provisions for these have been made to the extent necessary.

### *Letters of guarantee*

The company has issued letters of guarantee in an amount of NLG 0.7 million on behalf of the Dutch operating companies as security for these companies' payment commitments on the balance sheet date. In addition specific guarantees totalling NLG 4.2 million have been issued for foreign companies.

*→ High-grade canvas and awning fabrics are the main strengths of Ten Cate Technical Fabrics, part of the Ten Cate Advanced Textiles group. A mixture of specially developed fibres forms the basis for technically advanced products. Specialist treatment then gives the fabrics the desired characteristics, such as particularly high resistance to UV rays, moisture and other weather effects. These fabric qualities have helped Ten Cate Technical Fabrics to consolidate its leading position in the awning market.*

### *Supervisory Board*

R.J. Nelissen Chairman
A.W. Veenman Vice-chairman
P.P.A.I. Deiters
C.J.A.J.M. van Gestel
F.J. de Wit
J.B. Wolters

### *Executive Board*

T.S. Pruntel Acting Chairman
L. de Vries

Almelo, 25 February 1999

# AUDITOR'S REPORT

*Introduction*

We have audited the financial statements of Royal Ten Cate nv in Almelo for the year 1998 as included in this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

*Scope*

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 1998 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands, and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

PricewaterhouseCoopers N.V.

Hengelo, 25 February 1999

## TRUSTEE'S REPORT

To the holders of debentures, convertible into ordinary shares, of the 6 3/4% subordinated convertible debenture loan 1992, per 1997/2002, originally nominally NLG 100,000,000 chargeable to Royal Ten Cate nv.

In conformity with the provisions of article 11, paragraph 2 of the trust deed of 28 April 1992, we report on our work in the financial year ending 31 December 1998.

1 The trust deed of this debenture loan was executed on 29 April 1992 before the notary M.J. Damen in Amsterdam.

2 The conversion price per ordinary share of NLG 20.- nominal value amounted to NLG 123,30 on 31 December 1998.

3 No debentures were offered for conversion in the year under review.

4 The second draw took place on 10 March 1998. This was draw group 6 at NLG 16,650,000, redeemed as of 28 April 1998.

5 The outstanding amount of the loan was NLG 66,700,000 nominal value on 31 December 1998.

*Nederlandsche Trust Maatschappij bv*
O.B. Linker
A.T.J.M. Eltink

Amsterdam, 6 January 1999

## STICHTING PREFERENTE AANDELEN KONINKLIJKE TEN CATE

In 1988 the company entered into an agreement with the 'Stichting Preferente Aandelen Koninklijke Ten Cate' to issue a number of preference shares such that the 'Stichting', having taken the said shares, would be the holder of half of the (increased) share capital.

in 1995 an option agreement was entered into by the company and the 'Stichting Preferente Aandelen Koninklijke Ten Cate', whereby the 'Stichting' was granted the right to take preference shares such that the 'Stichting', having taken the said shares, would be the holder of a maximum of almost half of the issued (increased) share capital.

Since the beginning of 1996 the board of the 'Stichting', which decides on exercising the voting rights on the preference shares, has been made up of the following members:
A.G. van Leersum Chairman
J.J.C. Alberdingk Thijm
C.A. Smal
P. Bakker Schut
K.E.J. Dijk.

In the opinion of the company and of the board of the 'Stichting', the 'Stichting' is independent of the company as referred to in Appendix X of the securities regulations.

*→ Ten Cate Nicolon has an excellent name in the market for artificial turf. Its experience in the laying and use of artificial turf in varying weather and playing conditions and co-operation with builders of sports grounds ensure continuous improvement. Sports grounds using Thiolon® artificial turf yarns from Ten Cate Nicolon can now be found on all continents: from Korea to North America and from Australia to – as can be seen in the inset – the Faeroe Islands.*

## PROVISIONS OF THE ARTICLES OF ASSOCIATION RELATING TO APPROPRIATION OF PROFIT

*Article 28*

*General*

The authorised capital is divided into ordinary shares, A cumulative preference shares (so-called financing prefs) and B cumulative preference shares (so-called protection prefs). The A shares are subdivided into separate series.

*Summary of the provisions of the articles of association*

1a If possible, a dividend will first of all be paid out of the profit to the holders of B preference shares equivalent to a percentage of one and one half per cent above the average interest rate for advances against securities fixed by Amsterdam Exchanges N.V. during the previous year. The dividend percentage is calculated on the paid-up part of the nominal sum.

b In the event that and in so far as the profit is insufficient for full payment as referred to in a., the deficit will as far as possible be paid from the distributable reserves. In the event that and in so far as the distributable reserves are also insufficient for full payment as referred to in a., in subsequent years no payment will be made on the A preference shares or on the ordinary shares for as long as the deficit is not cleared in full.

c No payments other than those referred to in a. and b. above will be made on the B preference shares.

2a Thereafter, as far as possible, a dividend will be paid on the A preference shares of a percentage referred to hereafter, calculated on the amount paid up on the A preference shares in the series concerned. The percentage is equal to the arithmetical average of the effective yield of government loans with a (residual) term of seven to eight years, possibly increased by a bonus set by the Executive Board and approved by the Supervisory Board, not exceeding two per cent, such being dependent on the market situation at the time, which bonus may differ from one series to another.

b As of 1 January in the year following that in which eight years since the date of issue of a series of A preference shares have elapsed, and every eight years thereafter, the dividend percentage of that series of A preference shares will be adjusted in line with the effective yield of the government loans referred to above, calculated in the manner described, although subject to the proviso that the said average will be calculated over the last five stock exchange trading days prior to the day on which the dividend is adjusted and possibly increased by a bonus set by the Executive Board and approved by the Supervisory Board as described above, which bonus may differ from one series to another.

c In the event that and in so far as the profit is insufficient for full payment as referred to in a., the deficit will as far as possible be paid from the distributable reserves. In the event that and in so far as the distributable reserves are also insufficient for full payment as referred to in a., in subsequent years no payment will be made on the ordinary shares for as long as the deficit is not cleared in full.

d No payments other than those referred to in a. and c. above will be made on the A preference shares.

3 With the approval of the Supervisory Board, the Executive Board is authorised to determine the part of the profit that will be reserved after distribution as referred to above.

4 The sum then remaining from the profit is at the disposal of the general meeting of shareholders.

5 Shares held by the company in its own capital are not taken into account in calculating the appropriation of profit.

## PROPOSED APPROPRIATION OF PROFIT

| *In millions of guilders* | *1998* | *1997* |
|---|---|---|
| Net result | – 92.5 | 30.3 |
| Withdrawn from/added to other reserves in accordance with article 28, paragraphs 1 and 4 of the articles of association | 106.0 | – 17.5 |
| | 13.5 | 12.8 |
| Net withdrawal from the reserve for retained profits of associated companies | 0.2 | 1.4 |
| | 13.7 | 14.2 |
| Undistributed dividend balance A°P° | 0.4 | 0.4 |
| | 14.1 | 14.6 |
| Payment of 15% or 16% dividend to holders of ordinary shares in accordance with article 28, paragraph 5 of the articles of association [1] | – 13.6 | – 14.2 |
| | 0.5 | 0.4 |

1 *1997: in the case of full dividend taken in cash.*

## TEN-YEAR SUMMARY

| | *In millions of guilders unless stated otherwise* | *1998* | *1997* |
|---|---|---|---|
| *Consolidated profit and loss account* | Net sales | 1.394,7 | 1.368,0 |
| | Changes in inventories of finished products and work in progress | – 11,5 | 19,6 |
| | Total operating revenues | 1.383,2 | 1.387,6 |
| | Raw materials and manufacturing supplies | 608,2 | 614,8 |
| | Work contracted out and other external expenses | 98,7 | 113,2 |
| | Personnel costs | 350,9 | 338,0 |
| | Depreciation | 61,4 | 60,7 |
| | Other operating costs | 188,0 | 179,5 |
| | Total operating expenses | 1.307,2 | 1.306,2 |
| | Operating result | 76,0 | 81,4 |
| | Interest | – 21,3 | – 22,3 |
| | Result from ordinary operations before tax | 54,7 | 59,1 |
| | Taxes | – 18,6 | – 20,2 |
| | Result from ordinary operations after tax | 36,1 | 38,9 |
| | Share in net earnings of associated companies | 1,6 | 1,4 |
| | Net group result from ordinary operations | 37,7 | 40,3 |
| | Extraordinary items after tax | –130,0 | – 9,9 |
| | Net group result after extraordinary items | – 92,3 | 30,4 |
| | Minority interests | – 0,2 | – 0,1 |
| | Net result | – 92,5 | 30,3 |
| *Key figures* | Dividend | 13,6 | 14,2 |
| | Operating result as % of sales | 5,4% | 6,0% |
| | Return on equity | – 27,8% | 8,0% |
| | Return on capital employed | 11,5% | 11,3% |
| *Consolidated balance sheet after appropriation of profit* | Tangible fixed assets | 346,2 | 357,3 |
| | Financial fixed assets | 6,5 | 54,8 |
| | Total fixed assets | 352,7 | 412,1 |
| | Inventories | 255,8 | 259,8 |
| | Receivables | 236,3 | 238,4 |
| | Securities and cash | 1,1 | 0,8 |
| | Total current assets | 493,2 | 499,0 |
| | Total assets | 845,9 | 911,1 |
| | Equity | 275,4 | 388,9 |
| | Minority interests | – | 0,3 |
| | Group equity | 275,4 | 389,2 |
| | Investment premiums equalisation fund | – | – |
| | Provisions | 20,3 | 21,8 |
| | Long-term debts | 234,8 | 207,5 |
| | Banks and short-term loans | 93,9 | 109,0 |
| | Other short-term debts | 221,5 | 183,6 |
| | Total equity capital and liabilities | 845,9 | 911,1 |
| *Additional data* | Guarantee capital/total capital | 38% | 50% |
| | Acquisitions | 1,0 | 24,5 |
| | Investments | 64,4 | 65,6 |
| | Depreciation (net) | 61,4 | 60,7 |
| | Cash flow | – 31,1 | 91,0 |
| | Number of staff years at year end | 3.886 | 3.848 |
| | Number of outstanding shares (x 1,000) | 4.523 | 4.433 |
| | Maximum increase from conversion/options | 574 | 734 |
| | Net result per NLG 20.– share | – 20,58 | 6,90 |
| | Dividend per share | 3,00 | 3,20 |
| | Closing price | 64,00 | 87,50 |

| *1996* | *1995* | *1994* | *1993* | *1992* | *1991* | *1990* | *1989* |
|---|---|---|---|---|---|---|---|
| 1.421,8 | 1.337,7 | 1.109,6 | 1.085,8 | 1.110,8 | 1.031,3 | 949,3 | 870,6 |
| 1,2 | 15,7 | 13,7 | – 8,1 | 0,3 | 9,0 | 9,3 | 3,8 |
| 1.423,0 | 1.353,4 | 1.123,3 | 1.077,7 | 1.111,1 | 1.040,3 | 958,6 | 874,4 |
| 650,0 | 635,1 | 499,0 | 457,0 | 496,5 | 474,6 | 469,4 | 424,2 |
| 97,5 | 93,1 | 81,5 | 74,1 | 68,2 | 63,1 | 54,9 | 58,9 |
| 346,6 | 336,0 | 281,2 | 294,4 | 286,4 | 248,8 | 222,8 | 206,8 |
| 69,3 | 66,8 | 59,6 | 57,9 | 56,8 | 51,2 | 42,9 | 37,9 |
| 180,2 | 162,8 | 150,5 | 145,8 | 133,2 | 129,4 | 113,4 | 97,3 |
| 1.343,6 | 1.293,8 | 1.071,8 | 1.029,2 | 1.041,1 | 967,1 | 903,4 | 825,1 |
| 79,4 | 59,6 | 51,5 | 48,5 | 70,0 | 73,2 | 55,2 | 49,3 |
| – 26,5 | – 26,4 | – 16,0 | – 19,2 | – 20,9 | – 17,3 | – 12,8 | – 9,9 |
| 52,9 | 33,2 | 35,5 | 29,3 | 49,1 | 55,9 | 42,4 | 39,4 |
| – 20,3 | – 10,2 | – 11,1 | – 9,2 | – 16,5 | – 20,8 | – 12,6 | – 11,6 |
| 32,6 | 23,0 | 24,4 | 20,1 | 32,6 | 35,1 | 29,8 | 27,8 |
| – 0,5 | 3,8 | 5,7 | 5,8 | 7,1 | 9,3 | 11,6 | 9,6 |
| 32,1 | 26,8 | 30,1 | 25,9 | 39,7 | 44,4 | 41,4 | 37,4 |
| – 5,5 | – 7,0 | – 15,0 | – 16,0 | – 6,5 | – | – | 5,1 |
| 26,6 | 19,8 | 15,1 | 9,9 | 33,2 | 44,4 | 41,4 | 42,5 |
| 3,6 | 0,7 | – | 0,3 | 0,4 | – 0,2 | – 1,3 | – 0,4 |
| 30,2 | 20,5 | 15,1 | 10,2 | 33,6 | 44,2 | 40,1 | 42,1 |
| 13,0 | 10,2 | 8,3 | 8,1 | 15,9 | 16,6 | 15,1 | 13,9 |
| 5,6% | 4,5% | 4,6% | 4,5% | 6,3% | 7,1% | 5,8% | 5,7% |
| 8,5% | 5,9% | 4,3% | 2,9% | 9,9% | 13,1% | 11,8% | 13,1% |
| 9,9% | 8,5% | 8,5% | 8,2% | 11,8% | 13,7% | 12,0% | 10,7% |
| 407,2 | 389,7 | 348,3 | 365,4 | 360,6 | 331,5 | 268,0 | 246,9 |
| 23,8 | 18,3 | 77,9 | 45,1 | 62,9 | 63,5 | 59,4 | 71,7 |
| 431,0 | 408,0 | 426,2 | 410,5 | 423,5 | 395,0 | 327,4 | 318,6 |
| 256,0 | 252,7 | 189,0 | 190,0 | 194,9 | 198,0 | 182,2 | 167,6 |
| 275,3 | 288,5 | 223,7 | 192,8 | 206,1 | 210,8 | 182,1 | 164,5 |
| 1,8 | 2,5 | 0,6 | 3,0 | 1,4 | 1,2 | 10,4 | 18,7 |
| 533,1 | 543,7 | 413,3 | 385,8 | 402,4 | 410,0 | 374,7 | 350,8 |
| 964,1 | 951,7 | 839,5 | 796,3 | 825,9 | 805,0 | 702,1 | 669,4 |
| 365,2 | 344,6 | 351,7 | 350,8 | 351,0 | 329,0 | 345,3 | 333,3 |
| 25,4 | 30,4 | 0,2 | 0,2 | – | 2,0 | 2,6 | 3,8 |
| 390,6 | 375,0 | 351,9 | 351,0 | 351,0 | 331,0 | 347,9 | 337,1 |
| 2,9 | 4,2 | 4,2 | 6,7 | 9,2 | 10,7 | 13,3 | 17,1 |
| 31,2 | 39,8 | 46,9 | 41,2 | 25,8 | 25,6 | 26,3 | 29,1 |
| 221,8 | 253,0 | 227,0 | 236,4 | 238,5 | 132,1 | 101,1 | 105,9 |
| 138,0 | 138,7 | 59,3 | 26,0 | 45,7 | 133,1 | 80,3 | 53,1 |
| 179,6 | 141,0 | 150,2 | 135,0 | 155,7 | 172,5 | 133,2 | 127,1 |
| 964,1 | 951,7 | 839,5 | 796,3 | 825,9 | 805,0 | 702,1 | 669,4 |
| 49% | 50% | 54% | 57% | 56% | 42% | 51% | 53% |
| 19,6 | 30,6 | 10,6 | – | 11,1 | 105,7 | 36,4 | 18,0 |
| 58,1 | 89,2 | 66,2 | 66,6 | 91,7 | 69,2 | 57,9 | 45,5 |
| 69,3 | 66,8 | 59,6 | 57,9 | 56,8 | 51,2 | 42,9 | 37,9 |
| 99,5 | 87,3 | 74,7 | 68,1 | 90,4 | 95,4 | 83,0 | 80,0 |
| 4.733 | 4.780 | 3.806 | 4.032 | 4.179 | 4.071 | 3.679 | 3.433 |
| 4.321 | 4.242 | 4.157 | 4.065 | 3.968 | 3.775 | 3.593 | 3.467 |
| 891 | 868 | 852 | 845 | 836 | 54 | 58 | 95 |
| 7,03 | 4,87 | 3,65 | 2,53 | 8,59 | 11,83 | 11,21 | 12,14 |
| 3,00 | 2,40 | 2,00 | 2,00 | 4,00 | 4,40 | 4,20 | 4,00 |
| 82,80 | 67,70 | 79,00 | 96,20 | 69,00 | 88,60 | 77,00 | 81,50 |

# OPERATING COMPANIES, ASSOCIATED COMPANIES AND OTHER INTERESTS AS AT 31 DECEMBER 1998

## *High-grade Textiles Sector*

### *Ten Cate Advanced Textiles*

| | |
|---|---|
| Ten Cate Advanced Textiles bv<br>Group holding company | Nijverdal |
| Ten Cate Protect bv<br>Fabrics for work clothing, uniforms and safety clothing | Nijverdal |
| Ten Cate Technical Fabrics bv<br>Canvas and awning fabric | Nijverdal |
| Ten Cate Advanced Composites bv<br>Components for aircraft manufacture; antiballistic materials | Nijverdal |
| Arès Protection sa (68%)<br>Antiballistic materials | Vienne, France |
| Ten Cate Advanced Spinning bv<br>High-grade yarns | Nijverdal |
| Ten Cate Permess bv<br>Interlinings for the clothing industry | Goor |
| Ten Cate Permess UK ltd<br>Sales office | Prudhoe, UK |
| Ten Cate Permess Italia spa<br>Sales office | Florence, Italy |
| Ten Cate Permess Interlinings Hong Kong ltd<br>Sales office | Hong Kong, China |
| Xishan<br>Production and sale of interlinings | Xishan, China |
| MultiSTiQ International Coating bv<br>Self-adhesive and thermally adhesive labels | Goor |

### *Ten Cate Nicolon Europe*

| | |
|---|---|
| Ten Cate Nicolon bv<br>Group holding company | Nijverdal/Almelo |
| Ten Cate Thiolon Grass<br>Artificial turf yarns | Nijverdal |
| Ten Cate Carpet Backing<br>Carpet backing | Nijverdal |
| Ten Cate Special Fabrics<br>Geosynthetic materials for agriculture, horticulture and civil engineering | Almelo |
| Prodireg sarl (84%)<br>Sales office for geosynthetic materials | Chambéry, France |
| Ten Cate Nicolon Asia<br>Sales office for geosynthetic materials | Kuala Lumpur, Malaysia |

### *Ten Cate Nicolon USA*

| | |
|---|---|
| Nicolon Corporation<br>Group holding company | Atlanta (Georgia) |
| TC Mirafi<br>Geosynthetic products | Jefferson (Georgia) |
| TC Baycor<br>Fabrics for the leisure and agricultural markets | Cornelia (Georgia) |
| TC Miradri<br>Waterproofing products for the construction industry | Atlanta (Georgia) |

## *Plastics Sector*

### *Ten Cate Plastics Processing*

| | |
|---|---|
| Ten Cate Plastics Processing bv<br>Group holding company | Nijverdal |
| Ten Cate Plasticum Tilburg bv<br>Aerosol caps | Tilburg |
| Ten Cate Plasticum UK ltd<br>Aerosol caps | Derby, UK |
| Ten Cate Plasticum Rijen bv<br>Plastic packaging and closures | Rijen |
| Ten Cate Plasticum Ede bv<br>Customer-specific packaging | Ede |
| Ten Cate Plasticum France sa<br>Plastic packaging | Chartres, France |
| Ten Cate Mouldings bv<br>Blow-moulded containers | Oldenzaal |
| Bosta bv<br>Technical products for agriculture, horticulture and industry | Veghel |
| Bevo GmbH<br>Technical products for agriculture, horticulture and industry | Vlotho and Langenau, Germany |
| Bosta UK ltd<br>Technical products for agriculture, horticulture and industry | Bury St. Edmunds, Suffolk, UK |
| Agubat sa (85%)<br>Trading & production/assembly company | Lille, France |
| Reci-Prof International bv (51%)<br>Components for milk installations | Nieuwkuijk |

### *Synbra*

| | |
|---|---|
| Synbra bv (50%)<br>Holding company | Etten-Leur |
| Synbra Technology bv<br>Manufacture and recycling of EPS | Etten-Leur |
| Isobouw Systems bv<br>Building insulation | Someren |
| Isobouw Dämmtechnik GmbH<br>Building insulation | Abstatt, Germany |
| Vencel Resil ltd<br>Building insulation | Dartford, Kent, UK |
| Synprodo Packaging bv<br>Packaging for food and non-food | Waalwijk |
| Isobox Technologies sa<br>Packaging for food and non-food | Nanterre, France |
| Synprodo Hortiproducts bv<br>Products for horticulture | Wijchen |
| Synprodo Plantpak ltd<br>Products for horticulture | Mundon, Essex, UK |

The operating companies listed here, with the exception of Denim, are consolidated in the annual accounts. The figures for Synbra bv are proportionally consolidated. Some interests of minor relevance to the overall picture have been omitted from the review, in accordance with article 379, paragraph 3, Book 2 of the Netherlands Civil Code. The companies are wholly owned unless stated otherwise.

### *Rubber Sector*

#### *Ten Cate Enbi*

| | |
|---|---|
| Ten Cate Enbi International bv | Nuth |
| Group holding company | |
| Ten Cate Enbi Nuth bv | Nuth |
| Components for printers, copiers and fax machines | |
| Ten Cate Enbi sa | Fougères, France |
| Components for printers, copiers and fax machines | |
| Ten Cate Enbi sa | Bevaix, Switzerland |
| Components for printers, copiers and fax machines | |
| Ten Cate Enbi inc | West Henrietta (New York), United States |
| Components for printers, copiers and fax machines | |
| Ten Cate Enbi inc | Shelbyville (Indiana), United States |
| Components for printers, copiers and fax machines | |
| Ten Cate Enbi pte ltd | Singapore |
| Components for printers, copiers and fax machines | |
| Ten Cate Enbi co ltd | Tokyo, Japan |
| Sales office | |

### *Denim*

| | |
|---|---|
| Hellenic Fabrics sa (32%) | Thessaloniki, Greece |
| Denim fabrics | |
| EMAE sa (50%) | Thessaloniki, Greece |
| Raw cotton processing | |
| Ilios-Ten Cate sa (50%) | Thessaloniki, Greece |
| Ring-spun yarns | |
| Iliotex (42%) | Thessaloniki, Greece |
| Ring-spun, combed and twisted yarns | |

### *Others*

| | |
|---|---|
| Ten Cate Assurantiën bv | Almelo |
| Insurance | |
| *Property Management Company* | |
| Almelo Centrum bv | Almelo |
| Property companies | |
| Doldebleek bv | Nijverdal |
| Finigoor bv | Goor |
| Gebemca bv | Almelo |
| Gelderold bv | Oldenzaal |
| Nijverdal Noord bv | Nijverdal |
| Twedam bv | Almelo |
| Enbi Ireland (20%) | Portlaoise, Ireland |
| Seals for pipe systems | |
| Ten Cate Nederland bv | Almelo |
| Holding company for the Netherlands | |
| Royal Ten Cate USA inc | Atlanta, Georgia |
| Holding company for the USA | |
| Ten Cate UK ltd | London |
| Holding company for the UK | |
| Ten Cate France sa | Paris |
| Holding company for France | |
| Ten Cate Deutschland GmbH | Vlotho |
| Holding company for Germany | |

*Design* Vormgeversmaatschap Harsta, Crouwel. BNO. Almelo. *Photographs* Hans van Ommeren, Woerden. *Printing and lithography* Rosbeek, Nuth. *Translation* Van Hoorn business translations, Utrecht.

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ROYAL TEN CATE NV

*Appendix Annual Report 1998* *Financial data in euros*

# ROYAL TEN CATE NV FINANCIAL HIGHLIGHTS

| *In millions of euros unless stated otherwise* | *1998* | *1997* |
|---|---|---|
| *Profit and loss account* | | |
| Net sales | 632.9 | 620.8 |
| Operating result | 34.5 | 36.9 |
| Net result before extraordinary items | 17.0 | 18.3 |
| Net result | – 42.0 | 13.8 |
| Dividend (at EUR 1.36 in cash) | 6.2 | 6.4 |
| | | |
| *Ratios* | | |
| Operating result as % of sales | 5.4% | 6.0% |
| Return on equity | – 27.8% | 8.0% |
| Return on capital employed | 11.5% | 11.3% |
| | | |
| *Other data* | | |
| Equity | 125.0 | 176.5 |
| Guarantee capital/total capital | 38% | 50% |
| | | |
| Acquisitions | 0.5 | 11.1 |
| Investments | 29.2 | 29.8 |
| Net depreciation | 27.9 | 27.5 |
| Cash flow | – 14.1 | 41.3 |
| | | |
| Number of staff years at year end | 3,886 | 3,848 |

## *Key figures per NLG 20.– share*

| | | |
|---|---|---|
| Profit before extraordinary items | 3.78 | 4.15 |
| Net result | – 9.34 | 3.13 |
| | | |
| Dividend | 1.36 | 1.45 |
| Cash flow | – 3.14 | 9.39 |
| Equity | 27.63 | 39.81 |
| | | |
| Highest share price | 41.29 | 52.64 |
| Lowest share price | 20.42 | 37.89 |
| Closing price | 29.04 | 39.71 |
| | | |
| Number of shares x 1,000 at year end | 4,523 | 4,433 |
| Stock exchange value at year end | 131 | 176 |

## FIVE-YEAR SUMMARY PER SECTOR

| *In million of euros* | *1998* | *1997* | *1996* | *1995* | *1994* |
|---|---|---|---|---|---|
| *High-grade Textiles* | | | | | |
| Net sales | 303.1 | 278.0 | 246.8 | 243.2 | 225.0 |
| Operating result | 17.6 | 13.5 | 14.1 | 5.5 | 5.8 |
| Investments | 12.4 | 8.8 | 5.0 | 13.1 | 11.3 |
| Depreciation | 9.5 | 8.9 | 8.3 | 8.5 | 7.8 |
| Net capital employed | 151.0 | 139.8 | 127.6 | 129.5 | 116.0 |
| Number of staff years (year end) | 1,583 | 1,523 | 1,491 | 1,669 | 1,681 |
| Return on capital employed (%)[1] | 12.2 | 10.3 | 11.1 | 4.6 | 4.9 |
| *Plastics* | | | | | |
| Net sales | 221.0 | 222.4 | 211.0 | 194.0 | 179.4 |
| Operating result | 14.6 | 17.7 | 20.6 | 12.4 | 12.9 |
| Investments | 12.0 | 11.0 | 9.3 | 8.8 | 10.4 |
| Depreciation | 10.8 | 10.8 | 10.9 | 11.4 | 11.4 |
| Net capital employed | 86.4 | 87.9 | 84.6 | 81.3 | 79.2 |
| Number of staff years (year end) | 1,265 | 1,163 | 1,216 | 1,071 | 1,033 |
| Return on capital employed (%)[1] | 16.8 | 20.6 | 24.8 | 15.4 | 14.1 |
| *Rubber* | | | | | |
| Net sales | 107.0 | 117.2 | 95.5 | 79.4 | 65.8 |
| Operating result | 3.9 | 6.8 | 5.4 | 7.8 | 6.8 |
| Investments | 4.6 | 9.3 | 9.9 | 9.7 | 5.5 |
| Depreciation | 6.8 | 6.8 | 6.0 | 4.7 | 4.3 |
| Net capital employed | 51.9 | 61.0 | 54.4 | 52.8 | 44.2 |
| Number of staff years (year end) | 990 | 1,100 | 1,026 | 949 | 740 |
| Return on capital employed (%)[1] | 7.0 | 11.3 | 10.5 | 16.1 | 15.3 |

1 *Operating result + earnings of associated companies/average capital employed.*

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1998 AFTER APPROPRIATION OF PROFIT

| *In millions of euros* | | *1998* | | *1997* |
|---|---|---|---|---|
| ***Fixed assets*** | | | | |
| *Tangible fixed assets* | | 157.1 | | 162.1 |
| *Financial fixed assets* | | 2.9 | | 24.9 |
| *Total fixed assets* | | 160.0 | | 187.0 |
| ***Current assets*** | | | | |
| *Inventories* | | 116.1 | | 117.9 |
| *Receivables* | | 107.2 | | 108.2 |
| *Cash* | | 0.5 | | 0.3 |
| *Total current assets* | | 223.8 | | 226.4 |
| | | 383.8 | | 413.4 |
| *Equity* | | | | |
| Issued share capital | 41.1 | | 40.2 | |
| Reserves | 83.9 | | 136.3 | |
| *Equity capital* | 125.0 | | 176.5 | |
| Minority interests | – | | 0.1 | |
| *Group equity* | | 125.0 | | 176.6 |
| *Provisions* | | 9.2 | | 9.9 |
| *Long-term debts* | | | | |
| 6.75% subordinated convertible debenture loan | 22.7 | | 30.2 | |
| Others | 83.8 | | 63.9 | |
| | | 106.5 | | 94.1 |
| *Short-term debts* | | | | |
| Banks and short-term loans | 42.6 | | 49.5 | |
| Accounts and taxes payable | 94.3 | | 76.9 | |
| Appropriation of profit | 6.2 | | 6.4 | |
| | | 143.1 | | 132.8 |
| | | 383.8 | | 413.4 |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT 1998

| *In millions of euros* | | *1998* | | *1997* |
|---|---|---|---|---|
| Net sales | | 632.9 | | 620.8 |
| Changes in inventories of finished products and work in progress | | – 5.2 | | 8.9 |
| *Total operating revenues* | | 627.7 | | 629.7 |
| Raw materials and manufacturing supplies | 276.0 | | 279.0 | |
| Work contracted out and other external expenses | 44.8 | | 51.4 | |
| Personnel costs | 159.2 | | 153.4 | |
| Depreciation | 27.9 | | 27.5 | |
| Other operating costs | 85.3 | | 81.5 | |
| *Total operating expenses* | | 593.2 | | 592.8 |
| *Operating result* | | 34.5 | | 36.9 |
| Interest | | – 9.7 | | – 10.1 |
| *Result from ordinary operations before tax* | | 24.8 | | 26.8 |
| Taxes | | – 8.4 | | – 9.1 |
| *Result from ordinary operations after tax* | | 16.4 | | 17.7 |
| Share in net earnings of associated companies | | 0.7 | | 0.6 |
| *Net group result from ordinary operations* | | 17.1 | | 18.3 |
| Extraordinary items | – 59.2 | | – 4.5 | |
| Tax on extraordinary items | 0.2 | | – | |
| | | – 59.0 | | – 4.5 |
| *Net group result after extraordinary items* | | – 41.9 | | 13.8 |
| Minority interests | | – 0.1 | | – |
| *Net result* | | – 42.0 | | 13.8 |

## TEN-YEAR SUMMARY

| | *In millions of guilders unless stated otherwise* | *1998* | *1997* |
|---|---|---|---|
| *Consolidated profit and loss account* | Net sales | 632,9 | 620,8 |
| | Changes in inventories of finished products and work in progress | – 5,2 | 8,9 |
| | Total operating revenues | 627,7 | 629,7 |
| | Raw materials and manufacturing supplies | 276,0 | 279,0 |
| | Work contracted out and other external expenses | 44,8 | 51,4 |
| | Personnel costs | 159,2 | 153,4 |
| | Depreciation | 27,9 | 27,5 |
| | Other operating costs | 85,3 | 81,5 |
| | Total operating expenses | 593,2 | 592,8 |
| | Operating result | 34,5 | 36,9 |
| | Interest | – 9,7 | – 10,1 |
| | Result from ordinary operations before tax | 24,8 | 26,8 |
| | Taxes | – 8,4 | – 9,1 |
| | Result from ordinary operations after tax | 16,4 | 17,7 |
| | Share in net earnings of associated companies | 0,7 | 0,6 |
| | Net group result from ordinary operations | 17,1 | 18,3 |
| | Extraordinary items after tax | – 59,0 | – 4,5 |
| | Net group result after extraordinary items | – 41,9 | 13,8 |
| | Minority interests | – 0,1 | – |
| | Net result | – 42,0 | 13,8 |
| *Key figures* | Dividend | 6,2 | 6,4 |
| | Operating result as % of sales | 5,4% | 6,0% |
| | Return on equity | – 27,8% | 8,0% |
| | Return on capital employed | 11,5% | 11,3% |
| *Consolidated balance sheet after appropriation of profit* | Tangible fixed assets | 157,1 | 162,1 |
| | Financial fixed assets | 2,9 | 24,9 |
| | Total fixed assets | 160,0 | 187,0 |
| | Inventories | 116,1 | 117,9 |
| | Receivables | 107,2 | 108,2 |
| | Securities and cash | 0,5 | 0,3 |
| | Total current assets | 223,8 | 226,4 |
| | Total assets | 383,8 | 413,4 |
| | Equity | 125,0 | 176,5 |
| | Minority interests | – | 0,1 |
| | Group equity | 125,0 | 176,6 |
| | Investment premiums equalisation fund | – | – |
| | Provisions | 9,2 | 9,9 |
| | Long-term debts | 106,5 | 94,1 |
| | Banks and short-term loans | 42,6 | 49,5 |
| | Other short-term debts | 100,5 | 83,3 |
| | Total equity capital and liabilities | 383,8 | 413,4 |
| *Additional data* | Guarantee capital/total capital | 38% | 50% |
| | Acquisitions | 0,5 | 11,1 |
| | Investments | 29,2 | 29,8 |
| | Depreciation (net) | 27,9 | 27,5 |
| | Cash flow | – 14,1 | 41,3 |
| | Number of staff years at year end | 3.886 | 3.848 |
| | Number of outstanding shares (x 1,000) | 4.523 | 4.433 |
| | Maximum increase from conversion/options | 574 | 734 |
| | Net result per NLG 20.– share | – 9,34 | 3,13 |
| | Dividend per share | 1,36 | 1,45 |
| | Closing price | 29,04 | 39,71 |

| 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 | 1989 |
|---|---|---|---|---|---|---|---|
| 645,2 | 607,0 | 503,5 | 492,7 | 504,1 | 468,0 | 430,8 | 395,1 |
| 0,5 | 7,1 | 6,2 | – 3,7 | 0,1 | 4,1 | 4,2 | 1,7 |
| 645,7 | 614,1 | 509,7 | 489,0 | 504,2 | 472,1 | 435,0 | 396,8 |
| 295,0 | 288,2 | 226,4 | 207,4 | 225,3 | 215,4 | 213,0 | 192,5 |
| 44,2 | 42,2 | 37,0 | 33,6 | 30,9 | 28,6 | 24,9 | 26,7 |
| 157,3 | 152,5 | 127,6 | 133,6 | 130,0 | 112,9 | 101,1 | 93,8 |
| 31,4 | 30,3 | 27,0 | 26,3 | 25,8 | 23,2 | 19,5 | 17,2 |
| 81,8 | 73,9 | 68,3 | 66,1 | 60,4 | 58,7 | 51,5 | 44,2 |
| 609,7 | 587,1 | 486,3 | 467,0 | 472,4 | 438,8 | 410,0 | 374,4 |
| 36,0 | 27,0 | 23,4 | 22,0 | 31,8 | 33,3 | 25,0 | 22,4 |
| – 12,0 | – 12,0 | – 7,3 | – 8,7 | – 9,5 | – 7,9 | – 5,8 | – 4,5 |
| 24,0 | 15,0 | 16,1 | 13,3 | 22,3 | 25,4 | 19,2 | 17,9 |
| – 9,2 | – 4,6 | – 5,0 | – 4,2 | – 7,5 | – 9,4 | – 5,7 | – 5,3 |
| 14,8 | 10,4 | 11,1 | 9,1 | 14.8 | 16,0 | 13,5 | 12,6 |
| – 0,2 | 1,8 | 2,6 | 2,6 | 3,2 | 4,2 | 5,3 | 4,4 |
| 14,6 | 12,2 | 13,7 | 11,7 | 18,0 | 20,2 | 18,8 | 17,0 |
| – 2,5 | – 3,2 | – 6,8 | – 7,2 | – 2,9 | – | – | 2,3 |
| 12,1 | 9,0 | 6,9 | 4,5 | 15,1 | 20,2 | 18,8 | 19,3 |
| 1,6 | 0,3 | – | 0,1 | 0,2 | – 0,1 | – 0,6 | – 0,2 |
| 13,7 | 9,3 | 6,9 | 4,6 | 15,3 | 20,1 | 18,2 | 19,1 |
| 5,9 | 4,6 | 3,8 | 3,7 | 7,2 | 7,5 | 6,9 | 6,3 |
| 5,6% | 4,5% | 4,6% | 4,5% | 6,3% | 7,1% | 5,8% | 5,7% |
| 8,5% | 5,9% | 4,3% | 2,9% | 9,9% | 13,1% | 11,8% | 13,1% |
| 9,9% | 8,5% | 8,5% | 8,2% | 11,8% | 13,7% | 12,0% | 10,7% |
| 184,8 | 176,9 | 158,1 | 165,8 | 163,6 | 150,4 | 121,6 | 112,1 |
| 10,8 | 8,3 | 35,3 | 20,5 | 28,6 | 28,8 | 27,0 | 32,5 |
| 195,6 | 185,2 | 193,4 | 186,3 | 192,2 | 179,2 | 148,6 | 144,6 |
| 116,2 | 114,7 | 85,8 | 86,2 | 88,5 | 89,9 | 82,7 | 76,1 |
| 124,9 | 130,9 | 101,5 | 87,5 | 93,5 | 95,7 | 82,6 | 74,6 |
| 0,8 | 1,1 | 0,3 | 1,4 | 0,6 | 0,5 | 4,7 | 8,5 |
| 241,9 | 246,7 | 187,6 | 175,1 | 182,6 | 186,1 | 170,0 | 159,2 |
| 437,5 | 431,9 | 381,0 | 361,4 | 374,8 | 365,3 | 318,6 | 303,8 |
| 165,7 | 156,4 | 159,6 | 159,2 | 159,3 | 149,3 | 156,7 | 151,2 |
| 11,6 | 13,8 | 0,1 | 0,1 | – | 0,9 | 1,2 | 1,7 |
| 177,3 | 170,2 | 159,7 | 159,3 | 159,3 | 150,2 | 157,9 | 152,9 |
| 1,3 | 1,9 | 1,9 | 3,0 | 4,2 | 4,9 | 6,0 | 7,8 |
| 14.2 | 18,1 | 21,3 | 18,7 | 11,7 | 11,6 | 11,9 | 13,2 |
| 100,6 | 114,8 | 103,0 | 107,3 | 108,2 | 59,9 | 45,9 | 48,1 |
| 62,6 | 62,9 | 26,9 | 11,8 | 20,7 | 60,4 | 36,4 | 24,1 |
| 81,5 | 64,0 | 68,2 | 61,3 | 70,7 | 78,3 | 60,5 | 57,7 |
| 437,5 | 431,9 | 381,0 | 361,4 | 374,8 | 365,3 | 318,6 | 303,8 |
| 49% | 50% | 54% | 57% | 56% | 42% | 51% | 53% |
| 8,9 | 13,9 | 4,8 | – | 5,0 | 48,0 | 16,5 | 8,2 |
| 26,4 | 40,5 | 30,0 | 30,2 | 41,6 | 31,4 | 26,3 | 20,6 |
| 31,4 | 30,3 | 27,0 | 26,3 | 25,8 | 23,2 | 19,5 | 17,2 |
| 45,2 | 39,6 | 33,9 | 30,9 | 41,0 | 43,3 | 37,7 | 36,3 |
| 4.733 | 4.780 | 3.806 | 4.032 | 4.179 | 4.071 | 3.679 | 3.433 |
| 4.321 | 4.242 | 4.157 | 4.065 | 3.968 | 3.775 | 3.593 | 3.467 |
| 891 | 868 | 852 | 845 | 836 | 54 | 58 | 95 |
| 3,19 | 2,21 | 1,66 | 1,15 | 3,90 | 5,37 | 5,09 | 5,51 |
| 1,36 | 1,09 | 0,91 | 0,91 | 1,82 | 2,00 | 1,91 | 1,82 |
| 37,57 | 30,72 | 35,85 | 43,65 | 31,31 | 40,20 | 34,94 | 36,98 |

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