

## Press release

investor relations

### Decrease in TenCate profit due mainly to contraction of US defence market

#### Highlights of 2012

- Decrease in revenues of 8% to €1,049 million (autonomous -15%).
- Normalized EBITA: €60 million; €8 million non-recurring expenses, mainly in the 4<sup>th</sup> quarter.
- EBITA: €52.0 million (autonomous -53%).
- Net profit €22.3 million (autonomous -63%); normalized net profit €27.6 million.
- Number of FTEs reduced by 350 since May 2012.
- Free cash flow rises from -€9 million to +€68 million.
- Interest-bearing debt decreased by approximately €60 million to €230 million.
- Debt ratio 2.55 (2011: 2.12).
- Advanced Textiles & Composites sector: substantial decrease in revenues and result due mainly to contraction of the US defence market.
- Geosynthetics & Grass sector: EBITA rose by €5 million (+20%) with revenues remaining virtually unchanged.
- Dividend proposal: €0.50 per share (pay-out 58%), in cash or as a stock dividend at shareholder's discretion (2011: €0.95 per share, stock dividend option).

#### Key figures for 2012

<i>Key figures for 2012 x €1 million</i>	<b>2012</b>	<b>2011</b>
<b>Net revenues</b>	<b>1,049.0</b>	<b>1,138.8</b>
<b>Normalized EBITA</b>	<b>60.0</b>	<b>102.5</b>
<b>EBITA</b>	<b>52.0</b>	<b>102.5</b>
<b>EBITA margin</b>	<b>5.0%</b>	<b>9.0%</b>
<b>Net profit</b>	<b>22.3</b>	<b>58.7</b>
<i>Data per share (€)</i>		
<b>Net profit</b>	<b>0.86</b>	<b>2.31</b>
<b>Dividend</b>	<b>0.50</b>	<b>0.95</b>
<i>Other information</i>		
<b>Free cash flow</b>	<b>68.4</b>	<b>-8.5</b>
<b>Interest bearing debt</b>	<b>229.9</b>	<b>288.7</b>
<b>Debt ratio</b>	<b>2.55</b>	<b>2.12</b>

**Loek de Vries, President and CEO:** 'The unexpectedly sharp decrease in sales in the US defence market resulted in a significant reduction in the sales of TenCate Defender™ M and the armour portfolio. TenCate has continually based its outlook on forecasts from the US defence authorities, who displayed increasing reticence, partly in view of the US presidential elections and the threat of the fiscal cliff. This

Ten Cate Nederland bv

 Stationsstraat 11  
 7607 GX Almelo  
 P.O. Box 58  
 7600 GD Almelo  
 The Netherlands

 Tel +31 546 544 911  
 Fax +31 546 814 145  
 www.tencate.com  
 media@tencate.com

 CoC no. 06016321  
 Royal Bank of Scotland 448627868  
 VAT no. NL 004645054B02

had a major impact on the performance of the group as a whole. The US defence market represents a large proportion of total revenues.

Good progress was recorded in the other key markets where TenCate, on the basis of its buy & build strategy, seeks to promote itself, such as the markets for industrial safety fabrics and composite materials, as well as emerging markets. This occurred both through autonomous growth and by means of acquisitions, including Amber Composites, which was completed at the beginning of 2013.

The autonomous decrease in revenues of on balance approximately €168 million was such that, despite the implementation of cost reductions, a substantial decrease in profit resulted.

Since May 2012 the workforce has been reduced by approximately 350 FTEs. This resulted in a reduction in labour costs of approximately €7 million in the second half of the year.

As the result of increased market dynamics, the policy was further refined and in the fourth quarter non-recurring provisions were made for an amount of on balance €8 million.

Leading market positions were retained. TenCate has trendsetting products. Safety and protection continue to be the focus of attention worldwide, and consequently confidence is maintained in the future recovery of revenues and profitability.'

#### **Annual figures for 2012**

The revenues for 2012 amounted to €1,049 million (2011: €1,139 million). In autonomous terms revenues decreased by 15% (currency effect +5%; effect of acquisitions / divestments +2%).

The operating result before the amortization of intangible assets (EBITA) decreased in 2012 by 49% to €52 million (autonomous -53%; currency effect +3%; acquisitions / divestments +1%). This includes an amount of approximately €8.0 million in non-recurring expenses. The normalized EBITA for 2012 amounted to €60.0 million.

The net profit for 2012 decreased by 62% to €22.3 million (2011: €58.7 million). Net earnings per share amounted to €0.86 (2011: €2.31).

#### ***Advanced Textiles & Composites Sector***

The revenues of the Advanced Textiles & Composites sector decreased by €78 million to €461 million (autonomous -21%). Due in part to the loss of high-grade US defence revenues amounting to approximately US \$130 million, the operating result (EBITA) of this sector decreased to €23.5 million (2011: €70.3 million). The autonomous decrease amounted to 70%.

The demand in Europe for safety fabrics for industrial end-users was in line with the decreased level of activity in the industry. In the police and fire fighting market,

which is a relatively new market for TenCate Protective Fabrics EMEA, important reference projects were secured. The US fire fighting market was cautious.

As a result of the postponements and delays of projects for vehicle armouring, sales in the market decreased during 2012 principally in the US. In Europe activities relating to armour for aerospace applications developed favourably, which had a positive effect on the overall performance of the European armour division.

Space / aerospace activities showed a positive picture. In Europe, however, a temporary delay occurred in deliveries to the Airbus A350 programme. In the course of 2012 the first steps were taken to develop the Chinese aerospace market. The first successful contacts were made for participation in future aerospace projects.

A start was made on expanding activities relating to composite materials for industrial applications. The acquisition of PMC Baycomp strengthened the position of TenCate Advanced Composites in the market for industrial composites.

#### *Geosynthetics & Grass Sector*

Revenues in the Geosynthetics & Grass sector remained, at €519 million, at a similar level to that of 2011 (autonomous -8%). The operating result of the Geosynthetics & Grass sector rose by in excess of €5 million to €31.5 million (autonomous +10%).

In the second half of the year there was a weakening of demand at TenCate Geosynthetics, In the US revenues decreased by 16% on an autonomous basis in 2012. In Asia slight autonomous growth was achieved. Despite this unfavourable market trend, the results within the Geosynthetics group continued to stand out positively, thanks to good monitoring of costs and margins. The cost measures taken within the Grass group also made a positive contribution to the trend in results.

The southern European synthetic turf market was under pressure from reduced government expenditure. Growth in revenues was achieved in the market activities allied to TenCate for synthetic turf sports systems. Woven synthetic turf systems were well received by the market. This technology offers considerable advantages in both quality and playing characteristics and has a positive effect on the service life of sports pitches.

TenCate Grass, through GreenFields, will also enter the market for hybrid systems (natural grass / synthetic turf) under the brand name Xtragrass. A number of reference pitches have already been installed.

#### *Other activities*

At the Other activities (TenCate Enbi, Xennia Technology and Holding & Services) revenues decreased by 6% to €69.7 million. EBITA amounted to -€3.0 million.

TenCate Enbi displayed a stable trend in revenues. In Europe, and in Asia in particular, growth was achieved. The volume of sales for leading Asian OEMs developed favourably.

At Xennia Technology Ltd (79%) a strategic reorientation took place, as a result of a disappointing performance. Furthermore, the level of costs was reduced.

#### **Explanation of normalized result**

The balance of non-recurring costs and income amounted to -€8.0 million. This amount related to the intention to discontinue production in Thailand (-€3.0 million), a downward revaluation within the TenCate Defender™ M inventory (-€3.0 million), as well as adjustments at Xennia Technology (-€2.7 million). In addition, reorganization provisions were made, amounting to a total of €2.6 million. The adjustment to the pension regulations had a non-recurring positive effect of €3.3 million.

On the basis of this the normalized EBITA for 2012 amounted to €60 million.

#### **General performance in the second half of 2012**

<i>2nd half of 2012 x €1 million</i>	<b>H2 2012</b>	H2 2011	2012	2011
<b>Net revenues</b>	<b>509.4</b>	546.4	1049.0	1138.8
<b>Normalized EBITA</b>			60.0	102.5
<b>EBITA</b>	<b>19.7</b>	46.4	52.0	102.5
<b>EBITA margin</b>	<b>3.9%</b>	8.5%	5.0%	9.0%
<b>Net revenues Advanced Textiles &amp; Composites</b>	<b>219.7</b>	248.9	460.6	538.4
<b>Net revenues Geosynthetics &amp; Grass</b>	<b>257.0</b>	258.3	518.7	525.9
<b>EBITA Advanced Textiles &amp; Composites</b>	<b>4.5</b>	29.1	23.5	70.3
<b>EBITA Geosyntheics &amp; Grass</b>	<b>15.7</b>	12.4	31.5	26.3

The revenues for the second half of 2012 amounted to €509.4 million (-7%). The autonomous change in revenues in the second half of the year amounted to -13%. The currency effect was +5%.

The Advanced Textiles & Composites sector and the Geosynthetics & Grass sector recorded an autonomous change in revenues of -19% and -6% respectively in the second half of the year.

The operating result before the amortization of intangible assets (EBITA) decreased by €26.7 million compared with the second half of 2011. The non-recurring items reported earlier should be taken into consideration here. The autonomous decrease amounted to -60%; the currency effect was +2%. The EBITA margin in the second half of 2012 amounted to 3.9%.

The Advanced Textiles & Composites sector and the Geosynthetics & Grass sector recorded an autonomous change in EBITA of -87% and +21% respectively in the second half of 2012.

Net profit for the second half of 2012 amounted to €7.6 million (2011: €25.6 million).

#### **Other financial information**

Total investments amounted to €16.6 million (2011: €25.7 million). The major investment (€4 million) related to the development of the TenCate ABDS™ active blast countermeasure system (protection against roadside bombs). Of the total investments, more than half related to innovations.

The net interest-bearing debt amounted to €230 million at the end of 2012 (2011: €289 million). The autonomous decrease in the debt position amounted to €58 million. A large portion of this was the result of a decline in working capital. The debt ratio at the end of 2012 (debt / EBITDA ratio) improved from 2.74 (at the end of June) to 2.55 (2011: 2.12).

The tax rate rose to 34% (2011: 24%). This increase compared with 2011 is mainly the result of the increase in losses in countries where no full deferred tax asset is recognized. The normalized tax rate amounted to 28%.

Since May 2012 the workforce has decreased by approximately 350 FTEs. The greatest changes occurred at the Grass group, the Geosynthetics group and the Advanced Armour group.

#### **Dividend proposal**

It is proposed to set the dividend for 2012 at €0.50 per €2.50 par value share (pay-out 58%). This means a deviation from the usual pay-out percentage of 40%, in accordance with the communicated dividend policy.

Underpinning this dividend proposal are the expectations of the company's continued growth in the longer term and confidence, which is based on the leading market positions that TenCate occupies. The dividend will be payable at shareholders' discretion either in cash or in shares charged to the share premium reserve.

#### **Outlook**

There is uncertainty about the further effects of the governmental budgetary measures that will be taken in the United States of America. The outcome of this process will also be of significance for the trend in revenues of TenCate. In the short term European governments too are expected to remain cautious in the expenditure of public funds.

The market themes on which TenCate focuses and which are primarily related to people's safety, the protection of their living environment and the theme of

sustainability, however, continue to be very topical. This opens up opportunities for TenCate.

In 2013 the marketing of safety fabrics in Asia will be restructured. TenCate will thereby strongly position its successful TenCate Tecasafe™ Plus portfolio and other products for the industrial market, in order to boost sales in Asia. As a result of this, the Thai joint venture will be closed down.

In mid-2012 a refining of the strategy was announced. TenCate intensified its focus on the development of industrial markets, such as protective clothing for industrial use, the automotive sector (weight reduction) and further geographic spread (BRIC countries). TenCate aims to secure partnerships with third parties in order to achieve accelerated growth here. During 2012 the first results of this became visible (3M, BASF, qualifications for the automotive industry). This policy will be continued in 2013.

Above-average growth is expected for key growth products, such as TenCate Cetex® (aerospace composites), TenCate Tecasafe™ Plus and TenCate Geotube® (geocontainers for water management systems). The international growth in sales of TenCate Defender™ M will to an increasing extent offset a possible further decline in US sales. A decrease in sales such as manifested itself in this area in 2012 is not expected to occur in 2013.

## **Royal Ten Cate** **Almelo, the Netherlands, Friday 1 March 2013**

---

### **Note to editors**

On Friday 1 March 2013 a **conference call** in **English** with regard to the 2012 full-year figures will be held **at 08.30 CET**. Please call +31 (0)10-3010805 and then key in the participant code 2016#.

**For the media, the Dutch language press conference** by the Executive Board of TenCate relating to the 2012 full-year figures will be held **at 10.30 CET** in the Hilton Hotel Amsterdam. This invitation to the media was sent out earlier. The press conference can also be followed on the webcast on [www.tencate.com](http://www.tencate.com).

### **For further information:**

F.R. Spaan, Group Director, business development & investor relations  
Telephone : + 31 546 544 977  
Mobile : + 31 612 96 17 24  
E-mail : [f.spaan@tencate.com](mailto:f.spaan@tencate.com)  
Internet : [www.tencate.com](http://www.tencate.com)

**Royal Ten Cate nv** (TenCate) is a multinational company that combines textile technology with chemical processes and material technology in the development and production of functional materials with distinctive characteristics. TenCate products are sold throughout the world.

Systems and materials from TenCate come under four areas of application: safety and protection; space and aerospace; infrastructure and the environment; sport and recreation. TenCate occupies leading positions in protective fabrics, composites for space and aerospace, antiballistics, geosynthetics and synthetic turf. TenCate is listed on NYSE Euronext (AMX).

**KEY FIGURES**

in millions of euros	2012	2011		1st half year		2nd half year	
				2012	2011	2012	2011
<u>Consolidated profit &amp; loss account</u>							
Revenues	1,049.0	1,138.8	-8%	539.6	592.4	509.4	546.4
Operating result before depreciation and amortisation (EBITDA)	89.1	137.5	-35%	51.0	73.3	38.1	64.2
Operating result before amortisation (EBITA)	52.0	102.5	-49%	32.3	56.1	19.7	46.4
Operating result before amortisation as % of revenues	5.0%	9.0%	-44%	6.0%	9.5%	3.9%	8.5%
Operating result (EBIT)	37.5	89.6	-58%	25.0	50.1	12.5	39.5
Net profit	22.3	58.7	-62%	14.7	33.1	7.6	25.6
<u>Results before non-recurring items</u>							
Operating result before depreciation and amortisation (EBITDA)	97.1	137.5	-29%	51.0	73.3	46.1	64.2
Operating result before amortisation (EBITA)	60.0	102.5	-41%	32.3	56.1	27.7	46.4
Operating result before amortisation as % of revenues	5.7%	9.0%	-37%	6.0%	9.5%	5.4%	8.5%
Operating result (EBIT)	45.5	89.6	-49%	25.0	50.1	20.5	39.5
Net profit	27.6	58.7	-53%	14.7	33.1	12.9	25.6
<u>Consolidated balance sheet</u>							
Net capital employed at period-end	750.5	808.8	-7%	836.6	795.3	750.5	808.8
Net interest-bearing debt at period-end	229.9	288.7	-20%	312.4	318.8	229.9	288.7
<u>Consolidated cash flow balance</u>							
Cash flow from operating activities	101.8	49.3		18.8	-28.7	83.0	78.0
Cash flow from investment activities	-33.4	-57.8		-25.3	-48.1	-8.1	-9.7
Free cash flow	68.4	-8.5		-6.5	-76.8	74.9	68.3
<u>Number of outstanding shares (x 1,000)</u>							
Number of outstanding shares at period-end	26,498	25,929	2%				
Average number of outstanding shares (before dilution)	25,895	25,452	2%				
Average number of outstanding shares (after dilution)	26,040	25,736	1%				
<u>Per share data</u>							
Net profit	0.86	2.31	-63%	0.57	1.30	0.29	1.01
Diluted net profit	0.86	2.28	-62%	0.56	1.28	0.30	1.00
<u>Employees</u>							
Full-time equivalent at period-end *)	4,454	4,353	2%	4,662	4,526	4,454	4,353
of which in the Netherlands *)	795	819	-3%	815	847	795	819
Full-time equivalent at period-end excluding acquisitions*)	4,310	4,353	-1%	4,522	4,526	4,310	4,353

\* excluding contracted staff



**KEY FIGURES PER SEGMENT**

in millions of euros			1st half year		2nd half year		
	2012	2011	2012	2011	2012	2011	
<b>Advanced Textiles &amp; Composites</b>							
Revenues	460.6	538.4	-14%	240.9	289.5	219.7	248.9
EBITA	23.5	70.3	-67%	19.0	41.2	4.5	29.1
EBITA-margin	5.1%	13.1%	-61%	7.9%	14.2%	2.0%	11.7%
EBITA before non-recurring items	31.0	70.3	-56%	19.0	41.2	12.0	29.1
Capital expenditures	9.4	8.3	13%	5.7	2.4	3.7	5.9
Depreciation	10.7	9.7	10%	5.3	4.8	5.4	4.9
Amortisation	5.0	5.6	-11%	2.6	2.9	2.4	2.7
Net capital employed at period-end	286.5	314.3	-9%	332.1	302.7	286.5	314.3
Full-time equivalent at period-end *)	1,697	1,582	7%	1,657	1,578	1,697	1,582
Full-time equivalent at period-end excluding acquisitions *)	1,553	1,582	-2%	1,517	1,578	1,553	1,582
<b>Geosynthetics &amp; Grass</b>							
Revenues	518.7	525.9	-1%	261.7	267.6	257.0	258.3
EBITA	31.5	26.3	20%	15.8	13.9	15.7	12.4
EBITA-margin	6.1%	5.0%	22%	6.0%	5.2%	6.1%	4.8%
EBITA before non-recurring items	31.9	26.3	21%	15.8	13.9	16.1	12.4
Capital expenditures	5.3	12.2	-57%	3.3	8.6	2.0	3.6
Depreciation	24.3	23.4	4%	12.4	11.5	11.9	11.9
Amortisation	6.4	5.5	16%	3.2	2.2	3.2	3.3
Net capital employed at period-end	399.7	429.5	-7%	446.1	429.1	399.7	429.5
Full-time equivalent at period-end *)	2,102	2,160	-3%	2,379	2,325	2,102	2,160
<b>Other</b>							
Revenues	69.7	74.5	-6%	37.0	35.3	32.7	39.2
EBITA	-3.0	5.9		-2.5	1.0	-0.5	4.9
EBITA before non-recurring items	-2.9	5.9		-2.5	1.0	-0.4	4.9
Capital expenditures	1.9	5.2	-63%	0.6	2.3	1.3	2.9
Depreciation	2.1	1.9	11%	1.0	0.9	1.1	1.0
Amortisation	3.1	1.8	72%	1.5	0.9	1.6	0.9
Full-time equivalent at period-end *)	655	611	7%	626	623	655	611

\*) excluding contracted staff

**CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT**

in millions of euros			1st half year		2nd half year	
	2012	2011	2012	2011	2012	2011
Revenues	1,049.0	1,138.8	539.6	592.4	509.4	546.4
Cost of goods sold	842.3	894.1	425.6	463.3	416.7	430.8
Gross margin	206.7	244.7	114.0	129.1	92.7	115.6
Marketing & sales costs	67.3	62.8	33.8	31.2	33.5	31.6
Research & development costs	23.2	19.4	11.6	9.0	11.6	10.4
General & administrative costs	78.7	72.9	43.6	38.8	35.1	34.1
<b>Operating result (EBIT)</b>	<b>37.5</b>	<b>89.6</b>	<b>25.0</b>	<b>50.1</b>	<b>12.5</b>	<b>39.5</b>
Net finance costs	-12.1	-11.3	-6.2	-5.7	-5.9	-5.6
Pre-tax income	25.4	78.3	18.8	44.4	6.6	33.9
Profit tax	-8.7	-18.7	-5.5	-11.1	-3.2	-7.6
Net income associated companies	-0.3	-1.3	-0.3	-0.1	-	-1.2
Result after tax	16.4	58.3	13.0	33.2	3.4	25.1
Minority interests	-5.9	-0.4	-1.7	0.1	-4.2	-0.5
<b>Net Profit TenCate (Shareholders of parent company)</b>	<b>22.3</b>	<b>58.7</b>	<b>14.7</b>	<b>33.1</b>	<b>7.6</b>	<b>25.6</b>
<u>Before non-recurring items:</u>						
Operating result (EBIT)	45.5	89.6	25.0	50.1	20.5	39.5
Pre-tax income	33.4	78.3	18.8	44.4	14.6	33.9
Profit tax	-9.3	-18.7	-5.5	-11.1	-3.8	-7.6
Net Profit TenCate (Shareholders of parent company)	27.6	58.7	14.7	33.1	12.9	25.6

**CONDENSED CONSOLIDATED BALANCE SHEET**

in millions of euros	31-12-2012	31-12-2011
Fixed assets		
Intangible fixed assets	269.4	273.0
Tangible fixed assets	196.7	221.9
Financial fixed assets	47.0	36.8
Total fixed assets	<u>513.1</u>	<u>531.7</u>
Current assets		
Inventories	226.4	267.9
Trade debtors and other receivables	159.7	181.1
Cash and cash equivalents	26.7	22.7
Total current assets	<u>412.8</u>	<u>471.7</u>
Total assets	<u>925.9</u>	<u>1,003.4</u>
Group equity		
Shareholders' equity	457.2	465.8
Minority interests	-1.9	3.7
Group equity	<u>455.3</u>	<u>469.5</u>
Long-term liabilities		
Long-term debts	220.3	275.1
Pension liabilities	42.3	22.6
Provisions	11.4	15.0
Deferred profit tax liabilities	8.8	8.0
Total long-term liabilities	<u>282.8</u>	<u>320.7</u>
Short-term liabilities		
Short-term debts / repayment of long-term debts	36.3	36.3
Trade creditors and other payables	142.4	169.1
Provisions and profit tax liabilities	9.1	7.8
Total short-term liabilities	<u>187.8</u>	<u>213.2</u>
Total liabilities	<u>470.6</u>	<u>533.9</u>
Total group equity and liabilities	<u>925.9</u>	<u>1,003.4</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

in millions of euros	2012	2011
<b><u>Cash flow from operating activities</u></b>		
Result after tax	16.4	58.3
<b><u>Adjustments:</u></b>		
Depreciation and amortisation	51.6	47.9
Net finance costs	-0.1	-0.1
Profit tax	4.2	-2.8
Changes in working capital	38.3	-46.4
Change in provisions and pension liabilities	-10.9	-7.8
Other	2.3	0.2
Total cash flow from operating activities	101.8	49.3
<b><u>Cash flow from investing activities</u></b>		
Investments in tangible and intangible fixed assets	-16.6	-25.7
Acquisition of operating companies less cash acquired	-15.7	-29.3
Investments in associated companies	-	-5.5
Other	-1.1	2.7
Total cash flow from investing activities	-33.4	-57.8
<b>Total cash flow from operating and investing activities</b>	<b>68.4</b>	<b>-8.5</b>
<b><u>Cash flow from financing activities</u></b>		
Net drawing / repayment (-) of long-term debt	-51.5	54.5
Dividend payment to shareholders	-12.2	-6.3
Other	0.5	-5.2
Total cash flow from financing activities	-63.2	43.0
Change in cash & cash equivalents	5.2	34.5

**CONSOLIDATED OVERVIEW OF CHANGES IN GROUP EQUITY**

in millions of euros	2012	2011
<b>As at January 1st</b>	469.5	442.3
<u>Changes:</u>		
Result after tax	16.4	58.3
Foreign currency translation differences for foreign operations	-3.8	3.8
Result hedge accounting	0.6	-0.9
Actuarial results pensions	-18.0	-14.1
Cash dividend	-12.2	-6.3
Share based payments transactions settled in equity instruments	2.0	1.9
Issuance of shares repurchased	0.5	2.4
Purchase of own shares	-	-7.6
Acquisition of non-controlling interest	0.3	-1.0
Acquisition of non-controlling interest without a change of control	-	-9.3
	<hr/>	<hr/>
<b>As at December 31st</b>	<b>455.3</b>	<b>469.5</b>
	<hr/> <hr/>	<hr/> <hr/>