TENCATE

CORPORATE

Press release

investor relations

TenCate records 22% organic growth in EBITA in second quarter of 2014

Summary of first half of 2014

- **Revenues for the first half of 2014 remain unchanged in organic terms; 5% organic growth in revenues in the second quarter.**
- **Substantial increase in revenues from composites and synthetic turf offsets virtually the entire decrease in defence-related revenues.**
- **EBITA for the first half declines in organic terms by 13%; EBITA in the second quarter increases by 22% in organic terms.**
- **Earnings per share €0.38 (H1 2013: €0.50).**
- **Net debt / EBITDA ratio virtually unchanged at 2.87.**
- **TenCate maintains expectation for the year as a whole; increase in defence revenues in second half of the year.**

Key figures for first half of 2014

x 1 € million	H1 2013	H1 2014	Change	Organic
Revenues	510.9	497.6	-3%	0%
EBITA	28.8	24.3	-16%	-13%
EBITA margin	5.6%	4.9%		
EBIT	21.2	18.1	-15%	-11%
Net profit	13.0	10.0	-23%	-22%
Net earnings per share (€)	0.50	0.38	-24%	
Other information				
Investments in tangible and intangible fixed assets	4.8	12.0		
Return on average net capital invested	6.0%	5.9%		
Net interest-bearing debt	237.0	213.4		
Debt ratio	2.80	2.87		
FTE excluding temporary personnel (end of half year)	4,245	4,318		

Outlook

For the year as a whole TenCate maintains its previously announced growth projection in respect of the trend in revenues for the company, barring unforeseen circumstances and currency effects.

The defence-related revenues within TenCate Protective Fabrics and TenCate Advanced Armour show, on the basis of the current order position, a more favourable picture for the second half of the year compared to the first half. This positive sentiment can be ascribed to recent orders for TenCate Defender™ M and the order positions for armour composites.

Loek de Vries, Chairman and CEO of Royal Ten Cate: 'After a weak first quarter, an improvement in revenues and result occurred in the second quarter. Revenues and EBITA increased in organic terms by 5% and 22% respectively in the second quarter.

The policy-related strengthening of marketing and sales activities within the company and the introduction of composites into new markets showed positive results. As a result of strong growth in the composites and synthetic turf activities, the decline in revenues in defence markets was largely offset.

The defence-related activities represented 4% of the revenues in the first half of 2014 (first half of 2013: 9%). Although defence budgets have been depressed for a prolonged period, TenCate is investing in innovations for this market. This has strengthened the market position in particular of TenCate Advanced Armour. TenCate expects revenues from defence markets to increase in the second half of the year.

The previously announced revenue growth projection for the company remains unchanged for the year as a whole.'

Performance by sector

Advanced Textiles & Composites sector
The revenues of the Advanced Textiles & Composites sector declined in the first half of 2014 by 9% to €206.9 million (organic -7%, currency effect -2%). EBITA rose by 4% to €14.6 million (organic +7%, currency effect -3%).

x 1 € million	H1 2013	H1 2014	Change	Organic
Revenues	228.4	206.9	-9%	-7%
EBITA	14.1	14.6	4%	7%
EBITA margin	6.2%	7.1%		
Investments in tangible and intangible fixed assets	2.9	5.6		
Depreciation	5.3	4.6		
Amortization	3.9	3.2		
Net capital invested (end of half year)	297.8	287.2		
FTE excluding temporary personnel (end of half year)	1,518	1,601		

The revenues of TenCate Protective Fabrics declined in the first half as a result of a low level of demand from the US Army for TenCate Defender™ M. The revenues from protective fabrics for the industrial market (TenCate Tecasafe® Plus) rose by in excess of 10%. With TenCate Tecasafe® Plus, TenCate satisfies the desire for higher levels of employee protection.

TenCate Advanced Composites recorded an organic revenue growth of 24% in the first half of 2014. Profitability also increased as a result of a higher capacity utilization rate. This market group benefited from an increase in demand from the aerospace industry. Future growth is related to the latest generation of aircraft for which TenCate materials have been certified. The use of composite materials for full-scale production in the automotive industry is still at the developmental stage. Current revenues in automotive composites are, however, developing positively.
In other markets too there is increased interest in composite materials (industrial composites).

The TenCate Advanced Armour market group had to contend with a further decline in revenues. This market group, however, remains optimistic about the outlook for TenCate in this market, partly in view of the company's engineering capacities. The expected recovery in demand from the armour market reported earlier this year will occur in the second half of 2014. Recently several long-term orders were announced, work on which is expected to start later this year.

The commercial launch of the TenCate ABDS™ active blast countermeasure system is expected to take place in 2017, when major vehicle programmes are planned. The system passed a number of important tests in the first half of the year. The success of this system will further strengthen the market position of TenCate Advanced Armour.

Geosynthetics & Grass sector

The revenues of the Geosynthetics & Grass sector rose by 5% to €259.2 million (organic +8%, currency effect -3%) as a result of strong recovery in the second quarter. EBITA declined by 27% to €11.0 million (organic -24%, currency effect -3%). The decline in EBITA can be almost entirely attributed to TenCate Geosynthetics.

x 1 € million	H1 2013	H1 2014	Change	Organic
Revenues	246.9	259.2	5%	8%
EBITA	15.0	11.0	-27%	-24%
EBITA margin	6.1%	4.2%		
Investments in tangible and intangible fixed assets	1.5	3.7		
Depreciation	10.9	9.3		
Amortization	2.4	1.7		
Net capital invested (end of half year)	389.0	379.3		
FTE excluding temporary personnel (end of half year)	2,101	2,054		

The revenues of TenCate Geosynthetics rose in the first half of 2014 by 6% in organic terms. After a slow start to the year revenues picked up in the second quarter, mainly due to recovery in the United States. The recovery in EMEA and Asia-Pacific lagged behind as a result of lower government budgets and local political uncertainty in major Asian markets.

The TenCate Grass market group showed an increase in revenues of more than 10% in organic terms. The focus of TenCate is on the creation of new quality standards in respect of synthetic turf systems. Close cooperation with partners in the market and other stakeholders, such as national and international sports federations, is of importance here. The introduction of the GreenFields brand into the United States has led to acceleration in growth and a strengthening of market positioning. The growth was in part driven by a recovery in the global synthetic turf market and the rising demand for high-grade fibres and sports systems, such as the GreenFields® TX hockey system, which was introduced earlier. This system is enjoying international interest as a result of its exposure to a large number of national hockey federations during the recent World Cup. There is also increased interest in synthetic turf in Dutch professional football, which is also having a positive international effect. The number of orders for the second half of the year for high-grade synthetic turf systems has therefore increased sharply.

Other Activities sector

The revenues of the other activities relate to TenCate Enbi and Xennia Technology. The revenues and profitability of TenCate Enbi were temporarily depressed as a result of start-up costs for new contracts. The outlook for TenCate Enbi, however, remains favourable. Profit recovery of Xennia Technology continued in the first half of the year. The focus on ink sales had a positive effect on the sales mix. In technical textile markets in particular there was strong revenue growth. Inks from Xennia Technology offer demonstrable quality advantages to the end-user.

x 1 € million	H1 2013	H1 2014	Change	Organic
Revenues	35.6	31.5	-12%	-9%
EBITA	-0.3	-1.3		
Investments in tangible and intangible fixed assets	0.4	2.7		
Depreciation	1.5	1.5		
Amortization	1.3	1.3		
FTE excluding temporary personnel (end of half year)	626	663		

Other financial information for the first half of 2014
The level of investment by TenCate rose to €12.0 million (€4.8 million in the comparable period last year). The main investment projects were the expansion of capacity for the 3D matrix-woven synthetic turf system GreenFields® MX, the development of the TenCate ABDS™ active blast countermeasure system and digital printing and finishing.
The net interest-bearing debt amounted to €213 million at the end of June 2014, which represents a decline of €24 million compared to June 2013. Compared to the end of 2013 the net interest-bearing debt rose as a result of the seasonal pattern in the Geosynthetics & Grass sector and increased order positions. The debt ratio at the end of June amounted to 2.87 (June 2013: 2.80); covenant 3.50. The number of FTEs rose by 73 to 4,318 at the end of June, principally as a result of the strong growth of the TenCate Advanced Composites market group.

Board statement
'Based on the information available to us the Executive Board hereby states that the interim report, prepared in accordance with IAS 34, Interim Financial Reporting, gives a true and fair view of the assets, the liabilities, the financial position and the profit of Royal Ten Cate and the companies jointly included in the consolidation, and that the interim report provides a true and fair view of the information required under Article 5:25d, subsections 8 and 9 of the Dutch Financial Supervision Act.'

Royal Ten Cate
Almelo, The Netherlands, Thursday 24 July 2014

For further information:

On Thursday 24 July 2014 the conference call in English by the Executive Board with regard to the 2014 interim figures will be held for analysts and investors at 9:00 CET. The dial-in number for this call is +31 (0) 10 713 72 95.

For the media, the Dutch-language press conference by the Executive Board will be held in the Hilton Hotel Amsterdam at 10:30 CET. At 14:00 CET the Dutch-language analysts' meeting will be held at the same location.

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Royal Ten Cate (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 with the mission of 'Protecting People'. Systems and materials from TenCate come under four areas of application: personal protection and defence; mobility; infrastructure and the environment; sport and recreation. TenCate occupies leading positions in protective fabrics, composites for aerospace, antiballistics, geosynthetics and synthetic turf. TenCate is listed on NYSE Euronext Amsterdam and included in the AMX index.

KEY FIGURES

For the first half year

in millions of euros	**2013*)**	**2014**	
Condensed consolidated profit & loss account			
Revenues	510.9	497.6	-3%
Operating result before depreciation and amortisation (EBITDA)	46.5	39.7	-15%
Operating result before amortisation (EBITA)	28.8	24.3	-16%
Operating result before amortisation as % of revenues	5.6%	4.9%	-13%
Operating result (EBIT)	21.2	18.1	-15%
Net result	13.0	10.0	-23%
Condensed consolidated balance sheet			
Net invested capital at period end	764.4	736.3	-4%
Net interest-bearing debt at period end	237.0	213.4	-10%
Condensed consolidated cash flow			
Cash flow from operating activities	29.4	-5.4	
Cash flow from investing activities	-26.0	-11.0	
Cash flow from operating and investing activities	3.4	-16.4	
Shares in issue (x 1,000)			
Number of shares in issue at period end	26,791	27,089	1%
Average number of shares in issue (before dilution)	26,212	26,585	1%
Average number of shares in issue (after dilution)	26,308	26,767	2%
Per-share data			
Net earnings	0.50	0.38	-24%
Diluted net earnings	0.49	0.37	-24%
Employees			
FTE ex contracted staff at period-end	4,245	4,318	2%
of which in the Netherlands	758	749	-1%

Quarterly key figures	**Q1**		**Q2**	
	2013*)	**2014**	**2013*)**	**2014**
Revenues	241.2	223.3	269.7	274.3
Operating result before amortisation (EBITA)	12.8	5.5	16.0	18.8

*) adjusted for comparison purposes

CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT

For the first half year

in millions of euros	**2013*)**	**2014**
Revenues	510.9	497.6
Cost of sales	405.6	398.0
Gross margin	105.3	99.6
Selling costs	35.4	37.2
Research and development costs	12.4	10.9
General management costs	36.3	33.4
	84.1	81.5
Operating result (EBIT)	**21.2**	**18.1**
Net financial expenses	-5.0	-4.6
Result before tax	16.2	13.5
Profit tax	-4.7	-3.9
Net income from associated companies	-0.1	-
Result after tax and associated companies	11.4	9.6
Non-controlling interest	-1.6	-0.4
Net result TenCate (Shareholders of parent company)	**13.0**	**10.0**
Per-share data		
Net earnings	0.50	0.38
Diluted net earnings	0.49	0.37

*) adjusted for comparison purposes

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first half year

in millions of euros	**2013*)**	**2014**
Result after tax and associated companies	11.4	9.6
Other comprehensive income (after profit tax)		
Currency translation differences for foreign activities	3.6	3.3
Actuarial gains and losses on pensions **)	7.6	-1.8
Result hedge accounting	1.4	0.4
Other comprehensive income, net of profit tax	12.6	1.9
Total comprehensive income after tax	24.0	11.5
Non-controlling interest	-1.5	-0.3
Total comprehensive income (Shareholders of parent company)	**25.5**	**11.8**

*) adjusted for comparison purposes

**) Items which are never reclassified to the profit and loss account. Other comprehensive income may be reclassified.

CONDENSED CONSOLIDATED BALANCE SHEET

in millions of euros

	30 June 2013*)		31 December 2013*)		30 June 2014	
Non-current assets						
Intangible fixed assets	278.5		267.1		266.6	
Tangible fixed assets	183.4		165.6		160.9	
Financial fixed assets	47.7		47.4		46.8	
Total non-current assets		509.6		480.1		474.3
Current assets						
Inventories	223.2		222.2		228.1	
Trade and other receivables	198.9		144.1		195.5	
Cash and cash equivalents	44.5		21.6		31.1	
Total current assets		466.6		387.9		454.7
Total assets		**976.2**		**868.0**		**929.0**
Group equity						
Total shareholders' equity	475.1		474.3		478.7	
Non-controlling interest	-2.6		-1.0		-0.4	
Group equity		472.5		473.3		478.3
Non-current liabilities						
Long-term debts	223.7		195.1		203.4	
Provisions and deferred profit tax liabilities	53.3		41.5		43.6	
Total non-current liabilities		277.0		236.6		247.0
Current liabilities						
Cash loans and overdrafts	57.8		14.8		41.1	
Trade creditors and other payables	163.2		137.9		158.3	
Provisions and profit tax liabilities	5.7		5.4		4.3	
Total current liabilities		226.7		158.1		203.7
Total liabilities		503.7		394.7		450.7
Total group equity and liabilities		**976.2**		**868.0**		**929.0**

*) adjusted for comparison purposes

TENCATE

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the first half year

in millions of euros	2013*)		2014	
Cash flow from operating activities				
Result after tax*)	11.4		9.6	
Adjustments:				
Depreciation and amortisation	25.3		21.6	
Financing	0.2		1.2	
Profit tax	-0.2		1.4	
Change in working capital	-6.5		-36.4	
Change in provisions and pension liabilities	-2.0		-3.5	
Other	1.2		0.7	
Net cash flow from operating activities		**29.4**		**-5.4**
Cash flow from investing activities				
Investments in (in)tangible fixed assets	-4.8		-12.0	
Acquisitions of subsidiaries less cash acquired	-22.2		-0.2	
Other	1.0		1.2	
Net cash used in investing activities		**-26.0**		**-11.0**
Cash flow from financing activities				
Net drawing of long-term debts	-0.5		6.2	
Dividend paid to shareholders	-7.6		-6.8	
Other	0.3		-0.2	
Net cash flow from (used in) financing activities		**-7.8**		**-0.8**
Change in cash and cash equivalents		**-4.4**		**-17.2**
Cash and cash equivalents on 1 January		-7.8		7.8
Exchange rate and translation differences in cash and cash equivalents		-0.4		0.1
Cash and cash equivalents on 30 June		**-12.6**		**-9.3**

*) adjusted for comparison purposes

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

in millions of euros	2013	2014
Group equity as at 1 January	**455.3**	**473.3**
Changes:		
Total comprehensive result after profit tax	24.0	11.5
Dividend to shareholders	-7.6	-6.8
Share-based payment transactions	0.8	0.8
Change in repurchased shares	0.3	-0.3
Acquisition of non-controlling interests	-0.3	-0.2
Group equity as at 30 June	**472.5**	**478.3**

EXPLANATORY NOTES ON THE CONDENSED CONSOLIDATED INTERIM REPORT

Reporting entity
The condensed consolidated interim report of Royal Ten Cate (the Company), established in Almelo, for the first half year of 2014 relates to the Company and its operating companies (referred to collectively as the 'Group') and the Group's interests in associated companies and jointly controlled entities.

Statement of compliance
This condensed consolidated interim report has been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union. It does not contain all the information that is required for full financial statements and should be read in conjunction with the Group's 2013 consolidated financial statements. The condensed consolidated financial statements are unaudited, but have been reviewed by the Company's independent auditor. All amounts in this report are in millions of euros, unless otherwise stated. The Group's consolidated financial statements for the 2013 financial year are available on request from the Company's registered office in Almelo or can be downloaded from www.tencate.com. This condensed consolidated interim report was prepared by the Executive Board and released for publication by the Supervisory Board on 23 July 2014.
The original interim financial information was drafted in Dutch. This document is an English translation of the original. In case of any discrepancy between the English and the Dutch text, the latter will prevail.

Accounting policies
Unless otherwise stated below, the accounting policies applied by the Group in this condensed consolidated interim report are the same as those applied by the Group on pages 109 to 117 of the consolidated financial statements for the 2013 financial year.

Change in accounting policy
As per 1 January 2014 IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IFRS 12 (Disclosure of Interests in Other Entities) are applied. As a result of this the Company's share in a joint venture is no longer included on a proportionate basis, but included based on the "equity"-method. The impact of the change of accounting policy had no material impact on the result and equity of the Company.

Risks and uncertainties
The 2013 annual report includes a detailed description of the risk management of TenCate. No significant change has occurred in the risk profile included herein. The continuing uncertain political climate combined with the present economic conditions may have a negative effect on market developments for TenCate in 2014.

Estimates
The preparation of this condensed consolidated interim report requires judgement by management, who makes estimates and assumptions which affect the application of policies for financial reporting and the reported value of assets and liabilities and the amount of income and expenditure. The actual results may differ from these estimates.
Unless otherwise stated below, in preparing this condensed consolidated interim report, the significant judgements made by management in applying the group's policies for financial reporting and the key sources of estimation are the same as those applied in the preparation of the consolidated 2013 financial statements.

Segment information
For the first half year

The table below presents each of the reporting segments.

Segment information	**Advanced Textiles & Composites**		**Geosynthetics & Grass*)**		**Other**		**Consolidated*)**	
EUR x 1 million	2013	2014	2013	2014	2013	2014	2013	2014
External revenues	228.4	206.9	246.9	259.2	35.6	31.5	510.9	497.6
Inter-segment revenues	-	-	-	-	-	-	-	-
Total revenues	**228.4**	**206.9**	**246.9**	**259.2**	**35.6**	**31.5**	**510.9**	**497.6**
EBIT	**10.2**	**11.4**	**12.6**	**9.3**	**-1.6**	**-2.6**	**21.2**	**18.1**
Net finance costs							-5.0	-4.6
Profit tax							-4.7	-3.9
Net result from associated companies							-0.1	-
Result after tax*)							11.4	9.6
Non-controlling interests							-1.6	-0.4
Net Profit TenCate							13.0	10.0

*) 2013 adjusted for comparison purposes

Goodwill
The movements of goodwill in the first half year are as follows:

in millions of euros	Total
Balance as of 1 January 2014	211.7
Exchange rate differences	2.6
Balance as of 30 June 2013	214.3

In the first half year of 2014 Ten Cate assessed whether there are any indications for goodwill impairment. As a result of this assessment there are no major changes to report with respect to the conclusions presented in the 2013 annual report on page 122 and 123, which state that in the event of a relatively small change in the assumptions of the discount rate and the expected growth in revenues and gross margin the carrying value will exceed the realisable value for the units TenCate Grass, TenCate Advanced Armour and Xennia Technology.

Profit tax expense
The Group's consolidated effective tax rate for the first half year was 28.9% (first half of 2013: 29.0% after accounting policy change Joint Arrangements).

Share capital and share premium

- **Issuance of ordinary shares**
  In May 2014, 297,411 shares were issued in connection with a stock dividend. On 30 June 2014 the number of outstanding shares amounted to 27,088,778 (31 December 2013: 26,791,367).
- **Repurchased shares**
  In the first half of 2014, repurchased shares decreased by 20,100 shares due to exercise of options. On 30 June 2014 the balance of repurchased shares amounted to 497,687 (31 December 2013: 517,787).
- **Dividend**
  At the Annual General Meeting of Shareholders on 17 April 2014 the dividend was set at €0.50 per ordinary share of €2.50. The dividend was made payable in cash or as a stock dividend on 14 May 2014. The ratio was one new share for 43 dividend rights.
  On 14 May 2014, €6.8 million was paid in cash and 297,411 shares were issued in connection with the stock dividend.

Pensions
The pension expenses in the first half year are recorded on the basis of a proportionate share of the expected annual costs in 2014. In the first half 2014 an actuarial loss of €2.4 million before tax was recognized, in particular as a result of a decrease in the discount rate in the first half of 2014.The loss was mostly compensated by a higher than expected return on plan assets.

Long-term liabilities
The syndicated loan facility amounted to €400.0 million on 30 June 2014 (31 December 2013: €400.0 million). The net debt on 30 June 2014 amounted to € 213.4 million (30 June 2013: €237.0 million). The Group has agreed a ratio of net debt to EBITDA in a covenant with the banks in the participating bank syndicate. The actual ratio at the end of June 2014 was 2.87, remaining within the bank covenant limit.

Investments, divestments and liabilities
In the first half of the year investments in intangible and tangible fixed assets amounted to €12.0 million (2013: €4.8 million). At the end of the first half of the year, the Group had entered into investment commitments amounting to €2.0 million.

Related parties
In the first half of the year associates and other participating interests and a joint venture purchased goods from the Group amounting to €10.6 million (2013: €7.4 million). At the end of the first half of the year outstanding trade receivables due to the Group from associated and other participating interests and a joint venture amounted to €9.8 million (2013: €8.7 million). The Group had trade accounts payable to associates and other participating interests amounting to €0.6 million (2013: €0.1 million).

Events subsequent to the balance sheet date
No material events have taken place since 30 June 2014.

Almelo, 23 July 2014
Executive Board

Review report

To: the Executive Board and Supervisory Board of Royal Ten Cate

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Royal Ten Cate, Almelo, which comprises the condensed consolidated balance sheet as at 30 June 2014, the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in group equity and the condensed consolidated cash flow statement for the period of six months ended 30 June 2014, and the selected explanatory notes. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, 23 July 2014

KPMG Accountants N.V.

T. van der Heijden RA