

## **Increase in TenCate's NP +36%**

- Sales increased to €886 million (autonomous +14%)
- Operating result (EBIT) increased by 39% to €69.4 million
- Operating result before amortization (EBITA) increased from €51.1 million to €73.0 million (+43%). In autonomous terms, 29%
- Net profit excluding result on divested activities increased from €34.0 million to €46.1 million (+36%)
- Net profit after deduction of extraordinary gains increased to €43.0 million (+26.5%)
- Advanced Textiles & Composites sector has provided a major contribution to the increase in profit as a result of military orders from the US; EBITA increased 86% in autonomous terms
- Autonomous EBITA decrease of 22% in the Geosynthetics & Grass sector
- Autonomous sales at TenCate Enbi stable
- Dividend proposal of €0.80 per share (cash/stock dividend); 2006 €0.70 per share

### Fourth quarter 2007

TenCate enjoyed an excellent fourth quarter. Sales increased in the fourth quarter from €171 million to €226 million. In autonomous terms sales increased by 26%.

This substantial increase in sales is mainly the result of sizeable deliveries of military orders for fire-resistant fabrics (TenCate Defender(TM)M) in the US and the shipment of orders announced earlier, relating to the armouring of military vehicles.

TenCate Thiolon Middle East, which was acquired in 2007, also made major contributions to sales. The operating result increased from €9.7 million to €21.1 million in the fourth quarter.

Net profit in the fourth quarter excluding the result on divested activities amounted to €15.6 million (2006: €7.1 million).

In the fourth quarter a transaction was effected relating to the sale of property in Nijverdal (the Netherlands) as a part of the centralization of the manufacture of protective fabrics. On balance this produced a result after tax of €3.1 million (pre-tax €4.1 million).

### Annual results for 2007

#### Sales:

Corporate sales showed a sharp increase of 15% (autonomous +14%) in 2007. The currency effect (mainly the American dollar) amounted to -5%. Corporate sales in strategic core markets (safety fabrics, composites, geosynthetics and synthetic turf) increased by 21%, of which 16% was autonomous.

This increase in sales is mainly attributable to the Advanced Textiles & Composites sector, where the demand for fire-resistant materials for military equipment once again increased significantly.

The Geosynthetics & Grass sector also recorded sales growth, with the major part of this coming from the acquisition of TenCate Thiolon Middle East in Dubai.

During the year as a whole the American market for geosynthetics was cautious as a result of the deteriorating economic situation. There was, however, growth in this market in the rest of the world.

The synthetic turf market displayed ongoing growth, to which TenCate was able to respond well with the acquisition it had made. There was a temporary increase in the cost base due to the production problems mentioned during the year. This was related to the new machinery coming on steam.

**Operating result:**

The operating result (EBIT) increased by 39% to €69.4 million.

As a result of the acquisitions made in the year under review, the item of amortization of intangible fixed assets increased from €1.0 million to €3.6 million. The operating result before amortization (EBITA) increased by 43%, from €51.1 million to €73.0 million. In autonomous terms this increase amounted to 29%. The EBITA margin rose from 6.6% to 8.2%.

**Net profit:**

Net profit amounted to €46.4 million in 2007. Adjusted for a book profit of €0.3 million on the divestment of activities, a net profit of €46.1 million remained. This is an increase of 36%, compared with the amount of €34.0 million reported in 2006.

After the deduction of the net gain of €3.1 million relating to the property transaction already mentioned, a net profit of €43.0 million remains for 2007, representing an increase of 26.5%, thus realizing the expectation expressed earlier that the net growth in profit would be at least 25%.

Per share of €2.50 par value, net profit, excluding the result on divested activities and exceptional items, increased from €1.64 to €1.89 (+15%). It is proposed to pay a dividend of €0.80 per share, either in cash or in shares (2006: €0.70 per share).

**- Developments by sector**

**Advanced Textiles & Composites:**

- Net sales: €350 million (+25%; autonomous +26%)
- EBITA: €40.2 million (+88%, autonomous +86%)
- EBITA margin: 11.5% (2006: 7.6%)

**The Advanced Textiles & Composites sector turned in an excellent performance:**

Substantial growth in the demand for fire-resistant materials for army equipment in the United States. Prospects in this market have remained favourable as a result of TenCate's lead, which is based on innovative products that are customized to meet the specific requirements of the American army. TenCate recently announced that it had once again been granted an exemption under the Berry Amendment, for the TenCate Defender M product.

The growth of the European market in high-grade, multi-risk products (TenCate Tecasafe, TenCate Tecashield etc.) and an increasing exchange of product knowledge

between the TenCate companies involved have resulted in short launch times for new products in local markets.

The successful buy & build strategy in the field of aerospace & armour composites has considerably strengthened TenCate's strategic position. (The takeovers of Roshield and Phoenixx TPC, as well as those of Composix and YLA/CCS at the beginning of 2008).

Measures to reduce costs and centralize the production of protective fabrics in the Netherlands have got off to a good start.

Sales growth amounted to well over 25%, with the autonomous increase amounting to 26% (currency effect -6%). This strong autonomous growth can be mainly ascribed to TenCate Protective Fabrics USA.

Within TenCate Aerospace & Armour Composites there was some pressure on sales resulting on the one hand from delays at Airbus (A380) and on the other from the incomplete shipment of armour orders. A part of the orders on hand for 2007 will be carried forward into the first quarter of 2008.

Following the acquisition of Roshield at the beginning of 2007, integration of the European commercial organization in the field of antiballistics was completed. This joint approach has proved successful in acquiring a large order relating to vehicle armouring in the United Kingdom.

The operating result before amortization (EBITA) increased by 88% (+86% autonomous) from € 21.3 million to € 40.2 million. The EBITA margin increased to 11.5% (2006: 7.6%).

#### Geosynthetics & Grass:

- Net sales: €468 million (+18%; autonomous +8%)
- EBITA: €30.4 million (+19%, autonomous -22%)
- EBITA margin: 6.5% (2006: 6.4%)

The American market for geosynthetics came under pressure during the year as a whole. The increased sales within the Geosynthetics & Grass sector were mainly the result of the increasing demand for geosynthetics from Asia and Europe.

The synthetic turf market continues to show strong growth. There has been a considerable increase in the demand for products that have a natural appearance.

During the year the Grass group was confronted with problems when new machinery became operational (Dutch and American production). As a result, it was not possible to supply the market to the extent required. Consequently, the introduction of new products was subject to delay, resulting in a temporary increase in the cost base.

TenCate Thiolon Middle East was able to absorb part of the demand at the other two production locations.

There was also a sharp increase in the costs of raw materials (PE/PP), which exerted additional pressure on margins. In view of the seasonal nature of the synthetic turf market, which is mainly project-related, price increases can only be implemented with a time lag. Price increases have now been implemented for the year 2008 in order to cover further increases in the price of raw materials.

The operating result before amortization (EBITA) of the Geosynthetics & Grass sector came under considerable pressure. There was an autonomous decrease of 22%. TenCate Thiolon Middle East, on the other hand, provided a strong and positive contribution.

Technical Components / Holding & Services:

- Net sales €67 million (-28%; autonomous 0%)
- EBITA €2.4 million, including an exceptional item of €4.1 million

The sales in the Technical Components / Holding & Services sector decreased as a result of the divestment of activities in 2006 and 2007. In autonomous terms, sales remained stable. TenCate Enbi, a manufacturer of technical components (rollers) mainly for desktop inkjet and laser printers in Europe, the US and Asia, showed a stable sales trend.

The markets in which TenCate Enbi operates exhibited healthy growth of 10% on average. The market for colour laser printers in particular grew sharply. There are, however, considerable geographical differences, with the European market displaying a continuing decline, because the manufacturers (OEMs) are to be found mainly in Asia. TenCate Enbi's decision, which was made in 2005, to start up production in China has led to new sales.

Financial:

Investments were high, at a level of €63 million (2006: €43 million), with an amount in depreciation and amortization of €33 million. The largest investment project relates to the building of the geosynthetics factory in Zhuhai (China). These investments will facilitate the group's future growth.

The net interest-bearing debts at the year's end amounted to €230 million (year-end 2006: €87 million).

TenCate's strong growth as a result of its acquisitions and investments and the increase in its working capital has led to an increase in its capital requirement of approximately €200 million. €50 million of this was covered by the small (10%) issue of shares at the beginning of 2007 and a renewed and enlarged syndicated credit facility of €250 million.

In corporate financing, the financial objective should be for the relationship between net interest-bearing debt and EBITDA (operating result before depreciation and amortization) to amount structurally to less than 2.5. As a result of the sharp increase in results, there is a solid balance sheet position and TenCate, as it finds itself at the end of 2007, remains well within this objective.

The effective tax pressure decreased from 27.2% in 2006 to 20.5% in 2007. Of this decrease, 3.5 percentage point can be attributed TenCate Thiolon Middle East. In addition, TenCate benefited from a one-off tax gain relating to previous years and the exploitation of losses available for set-off against tax.

**Outlook:**

TenCate has undergone strong strategic development, which has further strengthened its position in the relevant value chains. Its technological base has been strengthened, thanks to technologies that we have either developed in-house or have acquired, including those in the field of digital finishing technology (Digitex). Technology positions form the basis for our future growth.

On the basis of global trends in the field of safety and protection, known as army modernization programmes, aerospace (lightweight structures), water management and the environment, we expect, as a supplier of innovative materials, to be able to play an important role here. Sports and recreation are growth markets par excellence. Continuing growth is expected for the synthetic turf market.

Our strong position in the US in the field of fire-resistant materials for army equipment will be further expanded geographically. There is now genuine interest in these materials in Europe. The new exemption relating to the Berry Amendment (import exemption in the United States) is beneficial to our leading position in the American market.

The takeover of Composix, which was completed at the end of January 2008, provides TenCate with a good springboard position on the growing American market for vehicle armouring.

Thanks to the measures implemented within Geosynthetics & Grass, an autonomous improvement in margins is expected in this sector. The new facility in China for the production of geosynthetics will become productive in the first half of 2008.

The recently announced takeovers of Edel Grass, YLA/CCS and Xennia are expected to be completed shortly. In order to finance acquisitions, the existing syndicated loan facility will be expanded in the short term

TenCate expects to achieve a growth in profits also in 2008. Economic developments in the United States, which may also have an effect on the rest of the global economy, as well as the trend in the rate of the dollar are uncertain factors. TenCate does not expect to experience any major negative consequences resulting from a possible decline in consumer spending.

**Courtesy: TenCate**

**Link:** [http://www.fibre2fashion.com/news/textile-news/newsdetails.aspx?News\\_id=51191](http://www.fibre2fashion.com/news/textile-news/newsdetails.aspx?News_id=51191)



[www.fibre2fashion.com](http://www.fibre2fashion.com)