

## Press release

business development

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### TenCate profit growth of 69% to € 33.1 million

#### Highlights of first half of 2011

- Revenue growth of 30% to €592.4 million (+ 27% autonomous; -4% currency effect; + 7% acquisitions / divestments).
- EBITA € 56.1 million; + 47% (+ 60% autonomous; -11% currency effect; -2% acquisitions / divestments).
- Net profit € 33.1 million (+ 69%).
- Revenue growth in the Advanced Textiles & Composites sector (+ 56% autonomous) as a result of record sales of TenCate Defender™M protective fabrics (military) and TenCate Tecasafe™ Plus (industry). Strong growth of interest in TenCate Defender™M outside the US.
- Increase in EBITA in the Advanced Textiles & Composites sector by 156% to € 41.2 million (+ 172% autonomous; -17% currency effect + 1%; acquisition / divestments).
- Revenue growth in the Geosynthetics & Grass sector (+ 6% autonomous) as a result of higher sales of geosynthetics in emerging markets and new products; (upstream) revenues of TenCate Grass are stable.
- Decrease in EBITA in the Geosynthetics & Grass sector by 26% to € 13.9 million (-13% autonomous; -9% currency effect; -4% acquisition / divestments); this originates in the integration of TenCate Grass downstream activities and pressure on margins due to higher raw material costs at TenCate Geosynthetics.
- Earnings per share rose by 67% to € 1.30.

#### TenCate key figures for first half of 2011

x €1 million	H1 2011	H1 2010	Change (%)
Revenues	592.4	454.6	+ 30
EBITA	56.1	38.2	+ 47
EBITA margin	9.5%	8.4%	
EBIT	50.1	33.1	+ 51
Pre-tax Profit	44.4	27.7	+ 60
Profit tax	-11.1	-8.2	+ 35
Net profit	33.1	19.6	+ 69
Earnings per share (€)	1.30	0.78	+ 67

**Loek de Vries, President and CEO:** 'TenCate's activities showed growth across a broad front for the first six months. Against a background of constant exchange rates there was autonomous growth in revenues of 27% and EBITA grew by 60% in autonomous terms during the first half of the year.'

Profit growth is the result particularly of the good performance delivered by the Advanced Textiles & Composites sector. At the Geosynthetics & Grass sector there was a decrease in EBITA as a result of, on the one hand, the integration of the downstream activities at TenCate Grass and, on the other hand, pressure on margins at TenCate Geosynthetics due to the increase in the costs of raw materials. The positive effect of passing on this increase in costs is gradually becoming visible in the results.

An important development is the integration and repositioning of the synthetic turf activities. The policy adopted, which is focused on strengthening distribution, will lead to accelerated acceptance of innovative synthetic turf systems. This in turn will result in an increase in the return and enhancement of the quality image of the TenCate brand'.

#### **General performance in the second quarter of 2011**

Revenues in the second quarter of 2011 increased by 19% to € 313.6 million.

The operating result before amortization of intangible fixed assets (EBITA) rose by 20% to € 36.0 million. The EBITA margin in the second quarter remained the same throughout the group (11.5%).

Net profit rose by 17% to € 23.2 million in the second quarter.

#### **Other financial information for the first half year**

As a result of the restrained investment policy, investments in fixed assets remained at a relatively low level (€ 13.3 million).

The balance of financial income / expenses remained almost the same at € 5.7 million (2010: €5.4 million). The interest-bearing debt amounted to €319 million. The ratio of debt to EBITDA was 2.24 at the end of June.

Earnings per share rose by 67% to € 1.30 in the first half-year.

#### **Outlook for 2011**

TenCate maintains the positive market outlook announced earlier, so that record revenues are expected for the full year 2011.

As regards the position of TenCate in defence markets, it is expected that budget cuts implemented by governments will have little impact on future growth expectations with regard to TenCate products and TenCate systems. In view of the modernization and upgrading programmes announced by various governments, the outlook also remains positive for the longer term. Worldwide, more exacting demands are being placed on the level of protection of soldiers, security services (police, fire brigades) and special services.

This trend can also be observed in the industrial market, where new geographic markets will also develop.

Sales of TenCate Defender™M products in the second half of the year are expected to decrease slightly in comparison with the first six months. This decrease is expected to be offset against further increases in sales of TenCate Tecasafe™ Plus products and continuing growth in composites for aerospace and armour. In comparison with the first half year, higher revenues are expected relating to armour systems for vehicles (including the Eurocopter project).

In view of the favourable market trends for geosynthetics in China, further investments have been made in additional production capacity at the production site in Zhuhai.

TenCate Geosynthetics expects to achieve higher revenues in particular in China and South America compared with the first half of the year.

Assuming that raw material prices remain the same, the EBITA margin of TenCate Geosynthetics will gradually recover during the second half of the year, as a result of the price increases implemented.

The integration process within TenCate Grass is expected to result in a substantial improvement in results in the second half of the year. New, sustainable system concepts will also be launched.

Xennia Technology is expected to strengthen growth in the second half of the year by means of further commercialization of developments already in progress.

## Performance by sector

### *Advanced Textiles & Composites Sector*

(x € million)	H1 2011	H1 2010	Change
<b>Net revenues</b>	<b>289.5</b>	193.0	+ 50%
<b>EBITA</b>	<b>41.2</b>	16.1	+ 156%
<b>EBITA margin</b>	<b>14.2%</b>	8.3%	

The autonomous increase in revenues amounted to 56% (-6% currency effect) in the first half of the year. EBITA rose in autonomous terms by 172% (-17% currency effect; + 1% divestments / acquisitions).

The main contribution to the strong revenue growth was made by TenCate Defender™M products and TenCate Tecasafe™ Plus products. For both product groups, markets outside the United States and Europe developed favourably. Considerable potential exists in the Asian and East European markets in particular, where there was a substantial growth in sales.

Revenue growth was achieved in the TenCate Aerospace Composites market group, mainly as a result of increased production volume relating to the Airbus A380. Sales of armour composites also grew in comparison with the previous year.

TenCate's operations are moving towards systems that are integrated into vehicles (survivability systems).

The system development relating to ABDS™, the active blast counter-measure system (protection of vehicles against the effects of roadside bombs) is showing good progress.

### ***Geosynthetics & Grass Sector***

(x € million)	H1 2011	H1 2010	Change
<b>Net revenues</b>	<b>267.6</b>	226.7	+ 18%
<b>EBITA</b>	<b>13.9</b>	18.8	-26%
<b>EBITA margin</b>	<b>5.2%</b>	8.3%	

The autonomous revenue growth in the Geosynthetics & Grass sector amounted to 6% (-3% currency effect; + 15% acquisitions / divestments).

At TenCate Geosynthetics new markets (including South America) and new products contributed to growth to a significant extent. The acquired company Emas Kiara was integrated into the Asian geosynthetics activities. This entailed initial costs.

The increase in raw material costs had an effect primarily on the EBITA margin of TenCate Geosynthetics. At TenCate Grass this effect was limited.

The synthetic turf industry is currently going through an integration phase, in which new partnerships are being formed between the producers of components, the suppliers of systems and installers. In this context market positions have been restructured. This development initially resulted in revenue loss involving a large customer and a loss of result due to the consolidation of downstream activities. This loss in revenues has now been offset.

The consolidation effect of the downstream activities caused a delay in reporting revenues.

At the beginning of 2011 work started on a development process in order to increase the effectiveness of the integrated distribution activities in the synthetic turf market. This integral market approach is focused both on a system approach, resulting in innovative and high quality concepts, and on an increase in efficiency in business operations.

This integrated market strategy has recorded good progress, thus safeguarding a strong market position.

The EBITA of the Geosynthetics & Grass sector decreased during the first half of 2011 in autonomous terms by 13% (-9% currency effect; -4% acquisitions / divestments).

***Technologies / Technical Components Sector / Holding & Services***

(x € million)	H1 2011	H1 2010	Change
<b>Net revenues</b>	<b>35.3</b>	34.9	+ 1%
<b>EBITA</b>	<b>1.0</b>	3.3	-70%

Revenues from the other activities relate to TenCate Enbi and Xennia Technology.

Xennia Technology continued an increasing growth in revenues, which is indicative of the gradual development of commercial opportunities. This revenue growth is in part the result of an increased focus on viable inkjet printing solutions, instead of new R&D projects. In Asia in particular there is great interest in Xennia's technology.

**Statement by the Board**

'The Executive Board hereby declares that, to the best of its knowledge, the interim report, prepared in accordance with IAS 34, 'Interim Financial Reporting', gives a true and fair view of the assets, liabilities, financial position and profit of Royal TenCate and its consolidated businesses, and the interim report gives a true and fair view of the information required in accordance with Article 5:25d, Sections 8 and 9 of the Financial Supervision Act.'

**Royal Ten Cate**  
**Almelo, Tuesday 2 August 2011**

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**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

For the first six months

in millions of euros

	2011	2010	
<u>Condensed consolidated statement of comprehensive income</u>			
Revenues	592.4	454.6	30%
Operating result before depreciation and amortisation (EBITDA)	73.3	55.4	32%
Operating result before amortisation (EBITA)	56.1	38.2	47%
Operating result before amortisation as % of revenues	9.5%	8.4%	13%
Operating result (EBIT)	50.1	33.1	51%
Net profit	33.1	19.6	69%

### Condensed consolidated statement of financial position

Average net capital employed	741.5	686.9	8%
Net interest-bearing debt	318.8	238.0	34%

### Condensed consolidated statement of cash flows

Net cash flow from operating activities	-28.7	16.8
Investment in / divestments of tangible and intangible fixed assets	-13.2	-8.3
Net acquisition / disposal of operating companies and associated companies	-34.4	-16.7

(x 1.000)

Number of outstanding shares at period end	25,929	25,502	2%
Average number of outstanding shares (before dilution)	25,475	25,012	2%
Average number of outstanding shares (after dilution)	25,854	25,051	3%

### Earnings per share:

Net profit	1.30	0.78	67%
Diluted net profit	1.28	0.78	64%

### Employees \*

Number of staff at period-end	4,526	4,237	7%
of which in the Netherlands	847	803	6%

### Quarterly key figures

	2011		2010	
	Q1	Q2	Q1	Q2
Revenues	278.8	313.6	191.5	263.1
Operating result (EBIT)	20.1	36.0	8.1	30.1
Net profit	9.9	23.2	-0.3	19.9

\*) excluding contracted personnel

## KEY FIGURES PER SEGMENT

For the first six months

in millions of euros	2011	2010	
<b>Advanced Textiles &amp; Composites</b>			
Revenues	289.5	193.0	50%
EBITA	41.2	16.1	156%
EBITA margin	14.2%	8.3%	71%
Capital expenditures	2.4	1.7	41%
Depreciation	4.8	5.0	-4%
Amortisation	2.9	2.6	12%
Average net capital employed	278.3	253.7	10%
Number of staff-years at period-end *)	1,578	1,425	11%
<b>Geosynthetics &amp; Grass</b>			
Revenues	267.6	226.7	18%
EBITA	13.9	18.8	-26%
EBITA margin	5.2%	8.3%	-37%
Capital expenditures	8.6	4.3	100%
Depreciation	11.5	11.1	4%
Amortisation	2.2	1.7	29%
Average net capital employed	406.1	375.4	8%
Number of staff-years at period-end *)	2,325	2,203	6%
<b>Other</b>			
Revenues	35.3	34.9	1%
EBITA	1.0	3.3	-70%
Capital expenditures	2.3	3.1	-26%
Depreciation	0.9	1.1	-18%
Amortisation	0.9	0.8	13%
Average net capital employed	57.1	57.8	-1%
Number of staff-years at period-end *)	623	609	2%

\*) excluding contracted personnel

## CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT

<b>in millions of euros</b>	<b>2011</b>	<b>2010</b>
Revenues	592.4	454.6
Changes in inventories of finished products and work in progress	9.3	15.5
Raw materials and manufacturing supplies	-299.8	-238.7
Work contracted out and other external expenses	-58.0	-27.9
Personnel costs	-105.0	-90.5
Depreciation	-17.2	-17.2
Amortisation	-6.0	-5.1
Other operating costs	-65.6	-57.6
<b>Total operating expenses</b>	<b>-542.3</b>	<b>-421.5</b>
<b>Operating result (EBIT)</b>	<b>50.1</b>	<b>33.1</b>
Financial income	0.2	0.2
Financial expenses	-5.9	-5.6
Net finance costs *)	-5.7	-5.4
Pre-tax income	44.4	27.7
Profit tax	-11.1	-8.2
Net income associates	-0.1	-0.4
<b>Result after tax</b>	<b>33.2</b>	<b>19.1</b>
<b>Profit for the period attributable to:</b>		
Shareholders of parent company (net profit)	33.1	19.6
Minority interests	0.1	-0.5
<b>Earnings per share</b>		
Net profit	1.30	0.78
Diluted net profit	1.28	0.78

\*) 2010 adjusted for comparison purposes



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<b>in millions of euros</b>	<b>2011</b>	<b>2010</b>
<b>Result after tax</b>	<b>33.2</b>	<b>19.1</b>
<b>Other comprehensive income, net of profit tax</b>		
Foreign currency translation differences for foreign operations	-23.9	38.2
Result hedge accounting	0.7	-4.5
<b>Other comprehensive income, net of profit tax</b>	<b>-23.2</b>	<b>33.7</b>
<b>Total comprehensive income</b>	<b>10.0</b>	<b>52.8</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of parent company	10.3	52.7
Minority interests	-0.3	0.1
<b>Total comprehensive income</b>	<b>10.0</b>	<b>52.8</b>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
in millions of euros

	30 June 2011	31 December 2010
Fixed assets		
Goodwill	196.3	192.6
Other intangible fixed assets	51.5	50.2
Tangible fixed assets	216.9	214.2
Investment in associated companies	5.2	5.2
Financial fixed assets	10.7	10.1
Deferred profit tax assets	21.5	20.3
Total fixed assets	<u>502.1</u>	<u>492.6</u>
Current assets		
Inventories	250.7	216.9
Receivables		
- Trade debtors	198.3	151.0
- Profit tax receivables	1.0	0.7
- Other receivables	22.6	18.1
Cash and cash equivalents	14.3	11.6
Total current assets	<u>486.9</u>	<u>398.3</u>
Total assets	<u><u>989.0</u></u>	<u><u>890.9</u></u>
Equity		
Share capital	64.8	63.8
Share premium reserve	44.8	45.8
Translation reserve	-20.2	3.3
Hedging reserve	-2.9	-3.6
Reserve for own shares	-12.6	-10.4
Retained earnings and undistributed result	359.6	333.0
Total shareholders' equity	<u>433.5</u>	<u>431.9</u>
Minority interests	2.8	3.8
Group equity	<u>436.3</u>	<u>435.7</u>
Long-term liabilities		
Long-term debts	276.6	195.2
Pension liabilities	15.4	18.5
Provisions	14.9	10.2
Deferred profit tax liabilities	4.6	4.2
Total long-term liabilities	<u>311.5</u>	<u>228.1</u>
Short-term liabilities		
Cash loans, overdrafts	55.3	55.7
Repayment of long-term debts	1.1	1.4
Trade creditors and other payables	177.3	159.3
Provisions	5.2	7.1
Profit tax liabilities	2.3	3.6
Total short-term liabilities	<u>241.2</u>	<u>227.1</u>
Total liabilities	<u>552.7</u>	<u>455.2</u>
Total group equity and liabilities	<u><u>989.0</u></u>	<u><u>890.9</u></u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the first six months

in millions of euros

	<u>2011</u>	<u>2010</u>
<b>Cash flow from operating activities</b>		
Result after tax	33.2	19.1
<u>Adjustments:</u>		
Depreciation	17.2	17.2
Amortisation	6.0	5.1
Net financial expenses excluding exchange rate differences	5.6	5.2
Profit tax	11.1	8.2
Net result from associated companies	0.1	0.4
Result from sale of tangible fixed assets	-	-0.1
Costs of option scheme	1.0	0.7
Change in provisions and pension liabilities	<u>-3.5</u>	<u>-2.6</u>
<b>Cash flow from operating activities before change in working capital</b>	<b>70.7</b>	<b>53.2</b>
<u>Changes in working capital:</u>		
Inventories	-40.0	-22.1
Receivables	-49.0	-45.3
Short-term liabilities	<u>9.3</u>	<u>38.2</u>
	<b><u>-79.7</u></b>	<b><u>-29.2</u></b>
<b>Cash flow from operating activities</b>	<b>-9.0</b>	<b>24.0</b>
Interest paid	-5.3	-5.5
Profit tax paid	<u>-14.4</u>	<u>-1.7</u>
<b>Net cash flow from operating activities</b>	<b><u>-28.7</u></b>	<b><u>16.8</u></b>

**Cash flow from investing activities**

Income from sale of tangible fixed assets	0.1	0.8
Interest received	-	1.3
Acquisitions of operating companies less cash acquired	-28.9	-16.7
Investments in intangible fixed assets	-2.1	-2.0
Investments in tangible fixed assets	-11.2	-7.1
Investments in associated companies	-5.5	-
Increase in long-term receivables	-0.5	-0.8
	<u>-48.1</u>	<u>-24.5</u>

**Cash flow from financing activities**

Income from exercise of share options	2.3	0.5
Purchase of own shares	-4.5	-
Repayment of long-term debt	-3.2	-9.6
Drawing of long-term debts	94.5	18.2
Dividend payment to shareholders	-6.3	-5.9
	<u>82.8</u>	<u>3.2</u>

Change in cash and cash equivalents	<b>6.0</b>	<b>-4.5</b>
Cash and cash equivalents on 1 January	-44.1	-1.9
Effect of exchange rate fluctuations on cash and cash equivalents held	-2.9	1.0
	<u>-41.0</u>	<u>-5.4</u>

**Cash and cash equivalents on 30 June**

**CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY**

in millions of euros	Share capital	Share premium reserve	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings and undistributed result	Total share-holders' equity	Minority interest	Group equity
<b>BALANCE AS AT JANUARI 2010</b>	<b>62,7</b>	<b>46,9</b>	<b>-15,3</b>	<b>-0,2</b>	<b>-11,7</b>	<b>298,4</b>	<b>380,8</b>	<b>4,1</b>	<b>384,9</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>									
Result after tax						19.6	19.6	-0.5	19.1
Currency translation differences			37.6				37.6	0.6	38.2
Hedging result after tax				-4.5			-4.5		-4.5
<b>Total</b>	<b>-</b>	<b>-</b>	<b>37.6</b>	<b>-4.5</b>	<b>-</b>	<b>19.6</b>	<b>52.7</b>	<b>0.1</b>	<b>52.8</b>
<b>TRANSACTIONS WITH SHAREHOLDERS</b>									
Dividend to shareholders	1.1	-1.1				-5.9	-5.9		-5.9
Share-based payments						0.7	0.7		0.7
Share options exercised					0.5		0.5		0.5
Acquisition of non-controlling interests without a change of control						-5.6	-5.6		-5.6
<b>Total</b>	<b>1.1</b>	<b>-1.1</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>-10.8</b>	<b>-10.3</b>	<b>-</b>	<b>-10.3</b>
<b>BALANCE AS AT 30 JUNE 2010</b>	<b>63.8</b>	<b>45.8</b>	<b>22.3</b>	<b>-4.7</b>	<b>-11.2</b>	<b>307.2</b>	<b>423.2</b>	<b>4.2</b>	<b>427.4</b>

**CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY**

in millions of euros	Share capital	Share premium reserve	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings and undistributed result	Total share-holders' equity	Minority interest	Group equity
<b>BALANCE AS AT JANUARI 2011</b>	<b>63.8</b>	<b>45.8</b>	<b>3.3</b>	<b>-3.6</b>	<b>-10.4</b>	<b>333.0</b>	<b>431.9</b>	<b>3.8</b>	<b>435.7</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>									
Result after tax						33.1	33.1	0.1	33.2
Currency translation differences			-23.5				-23.5	-0.4	-23.9
Hedging result after tax				0.7			0.7		0.7
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-23.5</b>	<b>0.7</b>	<b>-</b>	<b>33.1</b>	<b>10.3</b>	<b>-0.3</b>	<b>10.0</b>
<b>TRANSACTIONS WITH SHAREHOLDERS</b>									
Dividend to shareholders	1.0	-1.0				-6.3	-6.3		-6.3
Share-based payments						1.0	1.0		1.0
Share options exercised					2.3		2.3		2.3
Purchase of own shares					-4.5		-4.5		-4.5
Acquisition of non-controlling interest							-	-0.7	-0.7
Acquisition of non-controlling interest without a change of control						-1.2	-1.2		-1.2
<b>Total</b>	<b>1.0</b>	<b>-1.0</b>	<b>-</b>	<b>-</b>	<b>-2.2</b>	<b>-6.5</b>	<b>-8.7</b>	<b>-0.7</b>	<b>-9.4</b>
<b>BALANCE AS AT 30 JUNE 2011</b>	<b>64.8</b>	<b>44.8</b>	<b>-20.2</b>	<b>-2.9</b>	<b>-12.6</b>	<b>359.6</b>	<b>433.5</b>	<b>2.8</b>	<b>436.3</b>

## 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 2011 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 2010 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 2010 financial year are available on request from the Company's registered office in Almelo or can be downloaded from [www.tencate.com](http://www.tencate.com). This condensed consolidated interim report was prepared by the Executive Board and released for publication by the Supervisory Board on 1 August 2011.

### 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 95 to 110 of the consolidated financial statements for the 2010 financial year.

### Estimates

The preparation of this condensed consolidated interim report requires judgment by the management, who make 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 judgments made by the 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 2010 financial statements.

### Segment Information

The Group consists of three segments, as described below. The segments offer a range of products and services, are managed separately and use various technologies. The summary below describes the activities of the various segments of the Group.

#### *Advanced Textiles & Composites*

Manufacture and sale of protective and safety fabrics for professional wear, outdoor fabrics, composites for personal and vehicle protection and composites for technological applications in aerospace.

#### *Geosynthetics & Grass*

Manufacture and sale of fabrics and non-wovens for civil engineers, environmental projects, recreational and industrial applications and manufacture and sale of synthetic turf fibres and backing for a range of applications.

### *Other*

Manufacture and sale of rubber and foam rollers for the office equipment industry and related products, development, production and sale of inkjet technology and related components for industrial applications as well as country holding and service companies and eliminations.

### **Segment information**

#### ***For the first half year***

The table below presents each of the reporting segments. The segment profit relates to EBITA, which is included in the internal management report.

Segment information	Advanced Textiles & Composites		Geosynthetics & Grass		Other		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
EUR x 1 million								
External revenues	289.5	193.0	267.6	226.7	35.3	34.9	592.4	454.6
Inter-segment revenues	0.7	0.3	0.2	0.2	-0.9	-0.5		
<b>Total revenues</b>	<b>290.2</b>	<b>193.3</b>	<b>267.8</b>	<b>226.9</b>	<b>34.4</b>	<b>34.4</b>	<b>592.4</b>	<b>454.6</b>
<b>Segment profit</b>	<b>41.2</b>	<b>16.1</b>	<b>13.9</b>	<b>18.8</b>	<b>1.0</b>	<b>3.3</b>	<b>56.1</b>	<b>38.2</b>
Amortization							-6.0	-5.1
Net financial expenses							-5.7	-5.4
Profit tax							-11.1	-8.2
Net result from associated companies							-0.1	-0.4
Result after tax							33.2	19.1

### **Acquisitions and their effects**

On 25 February 2011 the Group obtained control of the GreenFields Group (hereinafter referred to as 'GreenFields'). The Group now holds 90% of the economic ownership of GreenFields, which represents an increase of 58% compared with 31 December 2010. The other shareholder in GreenFields has the right to acquire an additional 5% interest providing certain requirements are fulfilled relating to the return.

GreenFields develops and markets directly and through partners synthetic turf systems, principally for sports applications. Thanks to a strong international network and high quality support, GreenFields as a FIFA Preferred Producer handles a large portion of the FIFA-related market.

This acquisition has been included in the Geosynthetics & Grass segment.

On 18 March 2011 the Group completed the acquisition of the assets of Emas Kiara Industries Berhad. Emas Kiara Industries is a major full-line producer and supplier of a wide range of geosynthetic products and solutions, with its primary focus on the Asian markets. The addition of the production resources, employees and product brands of Emas Kiara will strengthen the position of TenCate Geosynthetics in this rapidly growing region of the world. These activities are concentrated on the rapidly growing environmental, infrastructure and water management applications in the region.

This acquisition has been included in the Geosynthetics & Grass segment.



On 10 May 2011 TenCate acquired the assets of Difco Performance Fabrics Inc in Montreal (Quebec, Canada). The assets acquired by TenCate include all the brand names of Difco and other intellectual property rights that relate to Difco's product portfolio of protective fabrics. In addition, inventories and accounts receivable were acquired. This transaction will expand the commercial presence and production activities of TenCate in the markets for protective fabrics in the United States and Canada. This acquisition has been included in the Advanced Textiles & Composites segment.

On 7 June 2011 the Group reached an agreement with the curator in respect of the continuation of the tangible and intangible assets of the bankrupt Osiris Inkjet Systems B.V. in Hengelo.

The acquisitions are accounted for in accordance with the acquisition method (IFRS 3). The acquisition amounts have been allocated to the identified acquired assets and liabilities, which are based on the fair value. The purchase price allocations for the above acquisitions have not yet been completed.

The effect of the above acquisitions on the assets and liabilities was as follows:

EUR x 1 milion	<b>Identifiable acquired assets and liabilities</b>
Tangible fixed assets	19.0
Intangible fixed assets	7.9
Inventories	5.3
Trade and other receivables	9.8
Cash and cash equivalents	2.5
Minority interests	0.7
Other provisions	1.2
Deferred profit tax liabilities	-1.3
Provisions	-4.2
Interest-bearing loans	-8.9
Banks, current accounts	-1.5
Trade creditors and other payables	-15.4
Net identifiable assets and liabilities	15.1
Goodwill on acquisition	<u>14.8</u>
Purchase price	29.9
Acquired cash minus short-term bank debts	<u>-1.0</u>
Cash outflow	<u>28.9</u>

The acquisitions have been combined in the above table because none of the acquired companies individually has a material effect.

The expected synergy effects for the Group result in a total of €9.9 million of goodwill paid for the acquisitions. The goodwill has also increased by €4.9 million in connection with the finalizing of a purchase price allocation. The goodwill is not deductible for tax purposes. The acquisitions have had no material effect on the revenues and the result after tax in the first half of 2011. The Group has incurred costs related to the acquisitions of €1.1 million in connection with external legal costs, due diligence costs and stamp duty.

## Goodwill

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

in millions of euros	Total
Balance as of 1 January 2011	192.6
Acquisitions	14.8
Exchange rate differences	<u>-11.1</u>
Balance as of 30 June 2011	196.3

## Associated companies

On 25 May 2011 TenCate acquired a 30% interest in the associated company Hellas Construction Inc in Austin (Texas, United States of America). Hellas focuses on the construction of synthetic turf pitches and athletics tracks in North America. TenCate also has the option to expand its interest by 7% annually over the next three years as from December 2011 at an acquisition price that is dependent on the development of the EBITDA of Hellas.

## Profit tax expense

The profit tax expense has been determined on the basis of the management's best estimate of the weighted average tax rate. The Group's consolidated effective tax rate in respect of continued operations for the first six months was 25.0% (first half of 2010: 29.6%). The reduction in the effective tax rate is due principally to the fact that in the first half of 2011 more tax losses could be used.

## Share capital and share premium

- **Issuance of ordinary shares**

In May 2011, 427,007 shares were issued in connection with a stock dividend. On 30 June 2011 the number of outstanding shares amounted to 25,928,914 (31 December 2010: 25,501,907).

- **Repurchased shares**

In the first half of 2011, 107,500 repurchased shares were issued through the exercise of options, 10,000 shares were issued in connection with personnel remuneration and 1,426 shares in connection with the share savings plan. In addition, in the first half 158,820 shares were repurchased. On 30 June 2011 the balance of repurchased shares amounted to 473,150 (31 December 2010: 433,256).

- **Dividend**

At the Annual General Meeting of Shareholders on 21 April 2011 the dividend was set at €0.75 per ordinary share of €2.50. The dividend was made payable in cash or as a stock dividend on 25 May 2011. The ratio was one new share for 39 dividend rights.

On 25 May 2011, €6.3 million was paid in cash and 427,007 shares were issued in connection with the stock dividend.

## Long-term liabilities

The syndicated loan facility amounted to €450.0 million on 30 June 2011 (31 December 2010: €450.0 million). This loan facility, which is available for drawing in various currencies, was concluded with a syndicate of banks on 8 December 2010.

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 was 2.24, remaining comfortably within the bank covenant limit.

**Investments, divestments and liabilities**

In the first half of the year investments in tangible fixed assets amounted to €11.2 million and investments in intangible fixed assets amounted to €2.1 million.

At the end of the first half of the year, the Group had entered into investment liabilities amounting to €2.9 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 €8.8 million (2010: €15.6 million). At the end of the first half of the year outstanding trade receivables due to the Group from associated and other participating interests amounted to €1.4 million (2010: €4.0 million) and from joint ventures €5.8 million (2010: €1.3 million). The Group had trade accounts payable to associates and other participating interests amounting to €0.1 million (2010: nil).

**Events subsequent to the balance sheet date**

No material events have taken place since 30 June 2011.

Almelo, 1 August 2011  
Executive Board

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

## **Review report**

### **Introduction**

We have reviewed the accompanying condensed consolidated interim financial information of Koninklijke Ten Cate nv, Almelo, which comprises the consolidated balance sheet as at 30 June 2011, the consolidated profit and loss account, the consolidated statements of comprehensive income, the consolidated statement of changes in group equity and the consolidated cash flow statement for the period of six months ended 30 June 2011, and the notes. Management is responsible for the preparation and presentation of this 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 for the period 1 January 2011 to 30 June 2011 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, 1 August 2011  
KPMG ACCOUNTANTS N.V.

T. van der Heijden RA