Royal Ten Cate

Annual report 2014

TENCATE
materials that make a difference

Organisation

Sectors and market groups

Royal Ten Cate

ADVANCED TEXTILES & COMPOSITES SECTOR	GEOSYNTHETICS & GRASS SECTOR	OTHER ACTIVITIES SECTOR
PROTECTIVE FABRICS	**GEOSYNTHETICS**	**INKJET TECHNOLOGY**
Protective and safety fabrics and multi-risk solutions for firefighting and defence, industry and services.	Synthetic fabrics, non-wovens, grids and systems for use in infrastructure, civil engineering, water management, the environmental sector, agriculture and horticulture.	Digital inkjet technology for industrial production processes, including drop-on-demand and continuous-inkjet technique.
OUTDOOR FABRICS	**GRASS**	**TECHNICAL COMPONENTS**
Protective fabrics for outdoor applications, such as the camping and awning market.	Synthetic turf components and integrated synthetic turf systems for top-flight sports, recreation and landscaping.	Technical rollers and components particularly for printers, copiers, fax machines, postal sorting machines and ATMs.
ADVANCED COMPOSITES		**HOLDING & SERVICES**
Advanced composites, compounds and systems for the aerospace industry and industrial applications, including automotive, industrial components and energy generation.		Holding company activities, including finance, accounting, credit management, patents, investor relations, business development, corporate communication, information technology, human resources management, risk management and insurance.
ADVANCED ARMOUR		
Advanced composites, ceramics and integrated systems for the active and passive protection of personnel, vehicles, aircraft, helicopters and vessels of police, army, air force, navy and civilian services.		

Focus

From trends to solutions

WORLDWIDE TRENDS

SAFETY	SUSTAINABILITY

PROTECTING PEOPLE

IN TRANSIT	IN HABITATS	AT WORK	DURING LEISURE
Mobility continues to grow apace. Increasing prosperity is making people worldwide more mobile and giving rise to increased transportation of goods and raw materials within and between continents, and even to extraterrestrial destinations. Making those transport movements increasingly efficient, safe and sustainable is a challenge in itself.	Urbanisation is increasing steadily across all continents. Urban areas are growing ever larger and more complex. Societies are changing into compact networks of cities. That requires a high degree of organisation and logistics with safe and sustainable infrastructure.	The working environment of personnel in industry and services may be risky, hazardous or even hostile. Personal protection in the workplace, on the road, on-site or during the mission is essential in order to work professionally and safely.	Leisure time increases as prosperity grows. In addition to tourism and recreation, people are enjoying sports as amateurs or top-flight performers. Leisure activities and sports must above all be pursued responsibly. That requires safe, sustainable facilities.

END-MARKETS

MOBILITY	INFRASTRUCTURE	WATER MANAGEMENT	DEFENCE	PERSONAL PROTECTION	SPORT AND LEISURE
Composites for vehicles, vessels, aircraft, helicopters, aerospace and mobility concepts.	Geotextiles for infrastructure works; composites for structures; synthetic turf for landscaping.	Geotextiles and systems for water management, maritime projects and dewatering.	Materials for protection of military personnel, vehicle, vessel, helicopter and aircraft armour.	Materials for protection of persons in their working and living environments.	Synthetic turf for sport; outdoor fabrics; composites for sport applications.

Profile

Royal Ten Cate

Materials technology group

PROTECTING PEOPLE

TenCate focuses on the growing demand for protection of people and their living and working environments. The worldwide trends towards 'safety and protection' and 'sustainability and the environment' serve as the focal points of the protective solutions which TenCate provides. The four market themes are In transit, In habitats, At work and During leisure. The end-markets in which TenCate operates are mobility, infrastructure, water management, defence, personal protection, sport and leisure.

VISION

This vision of TenCate is based on the development ('buy & build') of a broad, advanced technological base. As a company in the technical textile sector, TenCate occupies a broad and innovative technological position worldwide (including patent positions). That enables the company to develop materials that cater optimally to the individual market requirements in the chosen market themes of safety and protection of man and the environment.

MATERIALS ENGINEERING AND INNOVATION

TenCate is a multinational company which combines textile technology with chemical process technology in the development and production of functional materials, modules and systems which are an optimum match for specific market requirements. It is also increasingly important to reduce the ancillary costs of the chosen solution, since materials and modules form part of a total system. The technological base determines the high-grade applications (product-market-technology combinations) which TenCate supplies in selected niche markets.

MISSION

TenCate strives for leadership in sustainable solutions for personal protection and protection of working and living environments. Developing the right product portfolio, tailored to specific market requirements, drawing attention to solutions in an effective way and incorporating the control of safety risks in specifications are key parts of the way in which TenCate fulfils its mission.

TECHNICAL TEXTILES

TenCate is one of the world leaders in technical textiles. These materials have specific characteristics which are usually defined and qualified on the basis of functional specifications. TenCate maintains an active portfolio policy and with its advanced technological base is able to offer the widest range of functionalities in materials, modules and systems. It does this independently or in co-operation with third parties. TenCate operates principally in six end-markets reflecting the global trends of safety and sustainability.
Materials of TenCate are used in particular for:

- Personal safety and protection of living and working environments
- Modernisation of army, firefighting and police equipment
- Aerospace
- Water management, infrastructure and environmental solutions
- Industrial applications.

STRATEGY

This strategy of TenCate is based on value chain management. This business model determines how TenCate – based on its position in the value chain – creates value, establishes value in products and systems and adds value to customer-focused system solutions. The end-user is central in this process. The cornerstones of this policy are end-user marketing, technological innovation, cost leadership and product differentiation. The creation of network structures with partners in the value chain adds a market-focused dimension to this business model. The aim is to improve access to markets and strengthen the competitive position, thereby giving fresh impetus to the growth of the company.

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- A summary of this annual report is available as a printed Annual Review through royal@tencate.com
- An interactive digital version of this report is available at www.tencateannualreports.com
- A legal overview of subsidiaries and associated companies can be found on the inside of the cover.
- Erratum: On page 83 of this report, the graph 'Revenues by geographic region' has been amended to reflect the correct data.

Protection system for Zaanstreek-Waterland fire brigade

At the end of March 2014 the Zaanstreek-Waterland fire brigade in the Netherlands selected high-quality fabrics of TenCate for its protective clothing. These protective materials have been incorporated in 800 items of fire-resistant clothing for the brigade's firefighters. The suits were supplied in co-operation with the LHD Group in Germany. TenCate Millenia™ fabrics were used in the lightweight outer layer, the protective thermal lining and the reinforced parts. That combination reduces heat stress, which means firefighters can continue working for longer and require less time for physical recovery.
The clothing has been subjected to a number of rigorous tests. Firefighters carried out wearing trials in cold and hot conditions to assess the fit, freedom of movement and the moisture and heat regulating characteristics. As well as fighting fires, the firefighters are deployed in a wide range of emergency situations, such as traffic accidents and other rescue operations. These highly varied situations require multifunctional clothing that is lightweight, comfortable, strong and protective. TenCate Millenia™ fabric is ideal for such purposes.

Key developments 2014

Revenues increased organically by 4% to € 1,042 million

- The revenue growth was generated mainly by the TenCate Advanced Composites and TenCate Grass market groups.
- Revenues in private markets grew by 12% and accounted for 57% (2013: 53%) of the total. Revenues in defence markets declined sharply in the first half of the year and accounted for 7% (2013: 8%) of total revenues in full-year 2014.

EBITA declined by 2% to € 53.3 million (2013: € 54.4 million)

- The trend in EBITA (before exceptional items) of the Group as a whole reflected the widely differing trends in results in the market groups, with a slight decline overall. The result was under pressure from a large operating loss at TenCate Advanced Armour, a decrease in margins at TenCate Geosynthetics and increased marketing costs.
- Net interest-bearing debt increased by € 27.2 million in 2014 to € 215.5 million, with a debt ratio of 2.57 (2013: 2.27).

Exceptional items € 77.1 million negative (2013: € 5.9 million negative)

- The main exceptional item concerns an impairment loss of € 82.2 million before tax. The main impairments concern TenCate Advanced Armour and Xennia Technology. The impairment loss was recorded due to changed forecasts. These are based partly on historical results.
- In addition to the impairment loss, the exceptional items include income before taxes of € 7.9 million as a result of a change to the pension scheme in the Netherlands.
- The net result after exceptional items amounts to – € 45.7 million (2013: € 19.0 million).

Strong rise in result of Advanced Textiles & Composites despite loss at TenCate Advanced Armour

- EBITA in the Advanced Textiles & Composites sector rose by 5% to € 27.2 million (2013: € 26.0 million) due to revenue growth in composites for aerospace and automotive applications and in protective fabrics for industrial use. Defence-related revenues recovered from the second quarter onwards.
- The 17% organic decrease in revenues at TenCate Advanced Armour led to a large operating loss in this market group.

Decrease in result of Geosynthetics & Grass

- EBITA of Geosynthetics & Grass declined by 14% to € 23.5 million (2013: € 27.3 million)
- TenCate Geosynthetics recorded organic revenue growth of 4% despite a sluggish market for infrastructure projects. This led to a decrease in margins and put results under pressure.
- TenCate Grass recorded organic revenue growth of 11%, partly due to the successful introduction of the GreenFields® brand in the United States and a positive revenue trend in synthetic turf yards and systems. The result of TenCate Grass developed positively even with higher marketing costs.

Sale of TenCate Enbi to be completed in 2015

- EBITA in the Other Activities sector improved to € 2.6 million (2013: € 1.1 million).
- Agreement was reached in January 2015 on the sale of TenCate Enbi, which is expected to be completed in the first half of 2015.

Other developments

- Investments in fixed assets amounted to € 24.8 million (2013: € 14.4 million), below the level of depreciation (€ 31.3 million).
- Net debt rose from € 188.3 million at the end of 2013 to € 215.5 million at the end of 2014, partly due to a rise in working capital as a result of the pick-up in revenues towards the end of the year and the continuing strong demand for synthetic turf yarns.

Evaluation of 2014 action plans

ADVANCED TEXTILES & COMPOSITES SECTOR

- **Revenue growth in the industrial market for protective fabrics.** Growth in the industrial market for protective fabrics remained strong. Key growth drivers were in the TenCate Tecasafe® and TenCate Tecapro® portfolio, where revenues rose by a total of 17%.

- **Revision of commercial strategy of TenCate Protective Fabrics EMEA.** The revision of the commercial strategy resulted in a focus on core customers and a market strategy aimed more at end-user marketing. This led to an improvement in the product mix and growth in revenues from safety fabrics in the industrial market.

- **Implementation of digital printing and finishing processes.** Drop-on-demand digital printing technology was implemented in the production of outdoor fabrics. Industrial production also began, supported by the Factory of the Future development programme, which is aimed particularly at digital finishing processes. The Innovation Centre Digital Finishing entered service officially on 9 December.

- **Strengthening of internal collaboration in the Advanced Armour group.** Work was carried out to strengthen the internal collaboration, with excellent progress realised in the development of the TenCate ABDS™ active blast countermeasure system.

- **Market launch of TenCate ABDS™ active blast countermeasure system.** The procedures and tests required to secure official approval or qualification of the TenCate ABDS™ active blast countermeasure system in the United States were conducted on schedule. The market launch will be initiated in the United States.

- **Progress in business development for automotive composites.** The TenCate Advanced Composites development team was strengthened. Business development in automotive composites achieved a breakthrough in 2014 with the supply of composites for the Alfa Romeo 4C through Adler Plastics. The development of fibre-reinforced thermoplastic composites for full-scale production will take years, taking into account the adjustments required throughout the automotive industry. Manufacturing of the carbon fibre-reinforced thermoplastic composite rim co-developed by TenCate did not start as expected in 2014. The external testing process could not be completed in 2014 and will continue in 2015.

GEOSYNTHETICS & GRASS SECTOR

- **Strong growth in Water & Environment solutions.** Sluggishness in the government market meant that growth was not achieved in all areas. Growth was nevertheless recorded particularly in products for filtration and drainage solutions. A number of important projects incurred delays and will be carried out in 2015.

- **Accelerated growth of revenues from synthetic turf systems.** The marketing of synthetic turf systems was boosted by the introduction of GreenFields in the United States. Partly as a result of the increase in commercial activities relating to innovative synthetic turf systems, such as GreenFields® MX and GreenFields® TX systems (football and hockey respectively), the revenues of the Grass group increased by 11%. The development of new synthetic turf systems and substructures continued.

- **Continued profit recovery in the Grass group.** Profitability in the Grass group recovered on the basis of the revenue growth.

OTHER ACTIVITIES

Other activities

- **Aim of sustainable growth and independence of TenCate Enbi and Xennia Technology.** This intention was pursued further in 2014. Agreement was reached at the beginning of 2015 on the sale of TenCate Enbi.

- **Continued profit recovery at Xennia Technology.** Xennia Technology continued to implement the strategic changes aimed at achieving strong growth in ink revenues. Revenues from machines and components were phased out. The bulk of revenues in 2014 came from inks for textile markets, including technical textiles.

Corporate

- **Organisational adjustments aimed at local or continent-based management.** The EMEA part of TenCate Protective Fabrics and TenCate Advanced Composites was brought under a single management at the beginning of 2014. Collaboration in the Geosynthetics & Grass sector was increased.

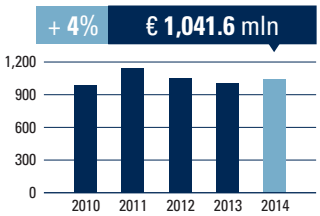
- **Further development of partnerships.** New, renewed or existing joint ventures are in place with market participants in various market groups, such as the Aachener Zentrum für Integrativen Leichtbau in Aachen, Germany, and the Thermoplastic Affordable Primary Aircraft Structure consortium in Europe.

- **Further strengthening of financial solidity.** Net debt (€ 215.5 million) increased compared to the end of 2013. Particularly as a result of revenue growth in the fourth quarter, working capital grew and had a corresponding impact on debt. The working capital also increased at the end of 2014 due to the higher US dollar exchange rate.

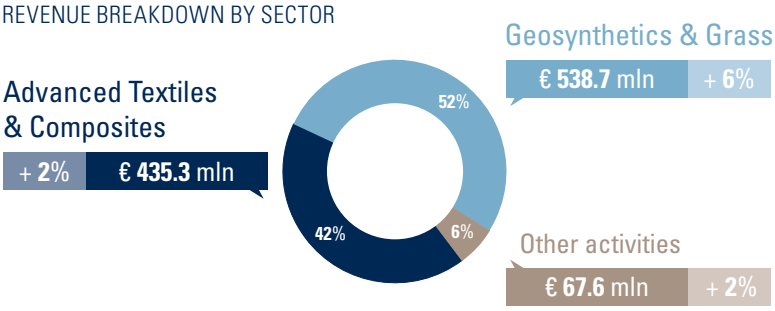
- **Strengthening of position in Asia.** TenCate Protective Fabrics intensified its sales activities for the TenCate Tecasafe® portfolio and achieved revenue growth in the Asian oil and gas industry. TenCate Advanced Composites saw growing interest in its products in Asia. This market group made significant inroads into the Chinese aerospace market for composites, although acceptance in this market is advancing only gradually.

Key data 2014

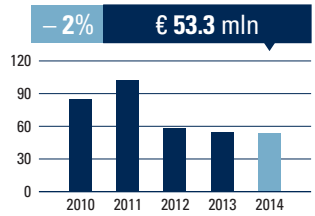
REVENUES



REVENUE BREAKDOWN BY SECTOR

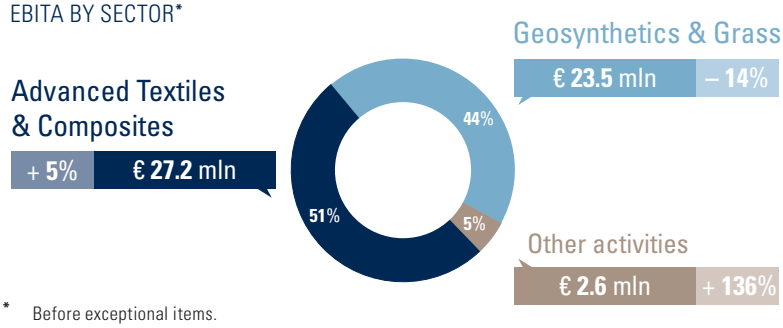


EBITA*



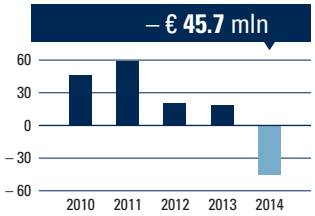
* Before exceptional items.

EBITA BY SECTOR*

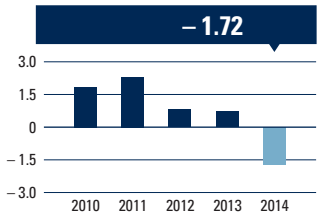


* Before exceptional items.

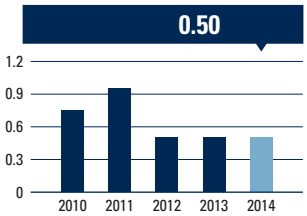
NET RESULT



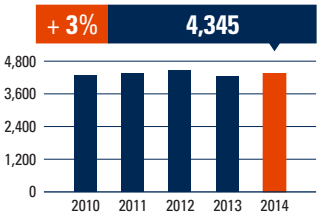
NET RESULT PER SHARE (IN €)



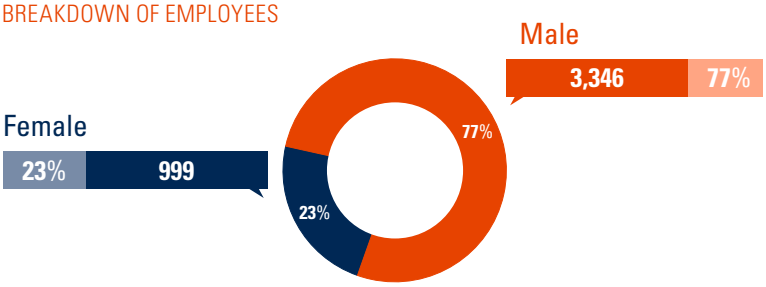
DIVIDEND PER SHARE (IN €)



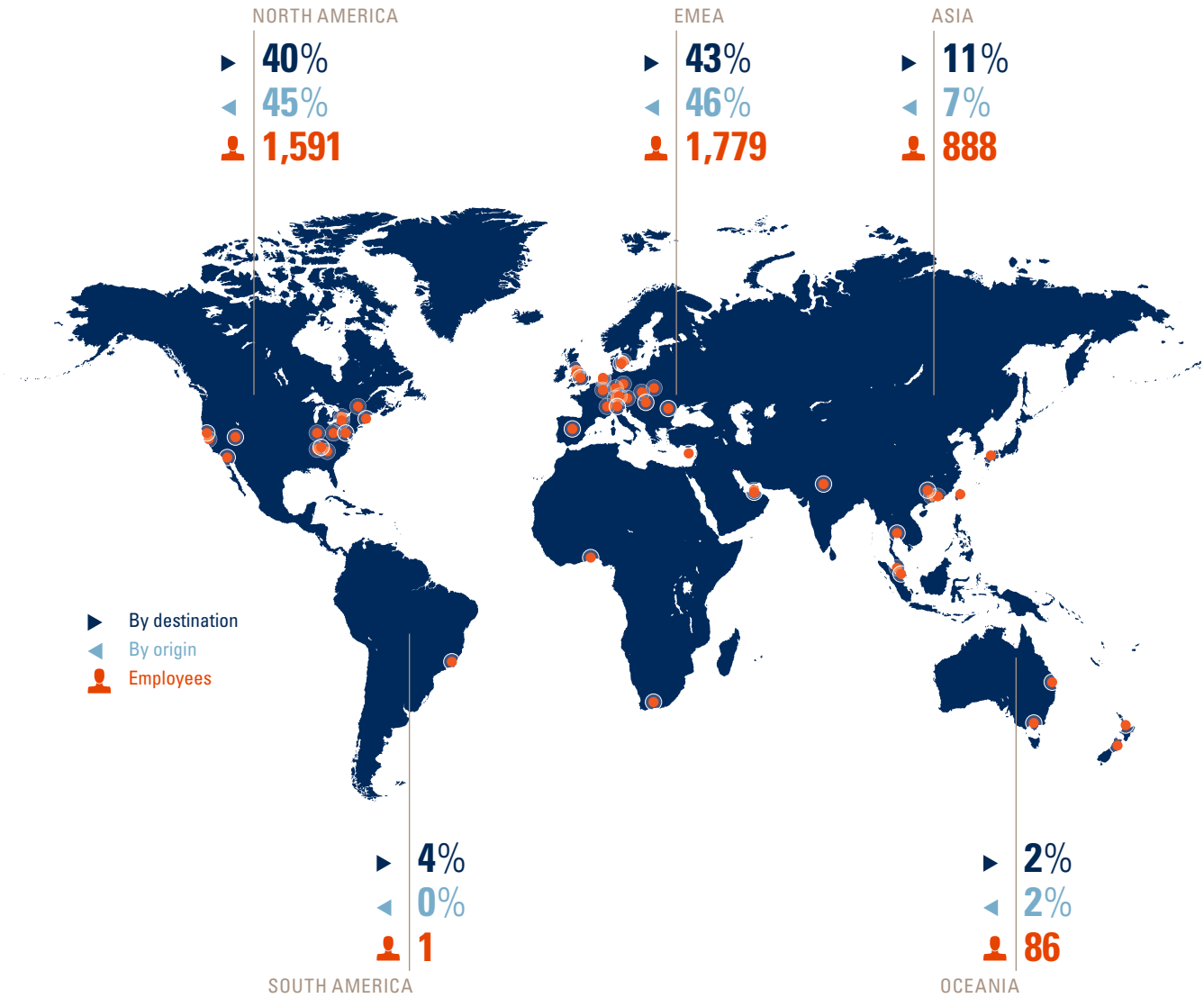
EMPLOYEES



BREAKDOWN OF EMPLOYEES



Geographic spread of revenues and employees in 2014



TenCate has its own production sites and sales offices (■) or only sales offices (■) in the following countries:

Americas

NORTH AMERICA
United States
Canada

SOUTH AMERICA
Brazil

EMEA

EUROPE
Belgium
Germany
France
Ireland
Netherlands
Poland
Spain
Switzerland
Denmark
United Kingdom
Hungary
Italy
Austria
Romania
Czech Republic

AFRICA
Benin
South Africa

MIDDLE EAST
Dubai

AsiaPacific

ASIA
China
Malaysia
Thailand
India
Singapore
South Korea

OCEANIA
Australia
New Zealand

Key figures 2014

In millions of euros unless stated otherwise

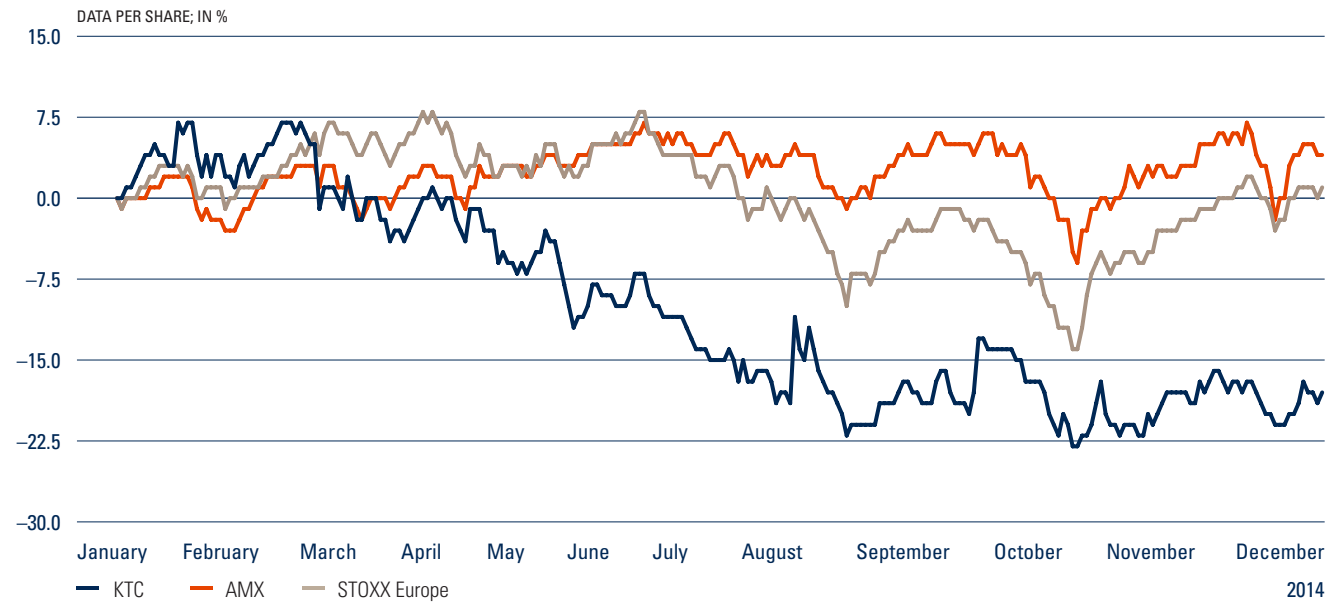
PROFIT AND LOSS ACCOUNT[1]	2013*	2014
Revenues	1,002.4	1,041.6
EBITDA	89.1	84.6
EBITA	54.4	53.3
EBITA margin	5.4%	5.1%
EBIT	41.4	40.6
Net result	19.0	– 45.7
Net result before exceptional items	23.2	24.1
CONSOLIDATED BALANCE SHEET AND RETURN		
Net capital employed (year-end)	707.4	710.1
EBITA as a percentage of average net capital employed	7.1%	7.1%
Net interest-bearing debt (year-end)	188.3	215.5
CONSOLIDATED CASH FLOW		
Cash flow from operating activities	75.1	27.3
Cash flow from investing activities	– 32.5	– 25.4
Cash flow from operating and investing activities	42.6	1.9
DEBT RATIO		
Net debt/EBITDA ratio	2.27	2.57
SHARES IN ISSUE (x 1,000)		
Number of shares in issue at year-end	26,791	27,089
Weighted average number of shares (before dilution)	26,225	26,588
Weighted average number of shares (after dilution)	26,366	26,720
PER-SHARE DATA		
Net result	0.72	– 1.72
Net result before exceptional items	0.88	0.91
Diluted net result	0.72	– 1.71
Dividend	0.50	0.50
Shareholders' equity	17.70	16.55
EMPLOYEES		
FTE excluding temporary staff at year-end	4,234	4,345
– of which in the Netherlands	753	758

[1] EBITDA, EBITA and EBIT before exceptional items.

* Adjusted for comparison purposes.

The TenCate share

Source: Euronext Amsterdam, STOXX 31 December 2014 | ISIN-code: NL 0000375749 | Reuters-code: NTCN.AS | Bloomberg-code: KTC NA



GENERAL INFORMATION

The TenCate share is listed on Euronext Amsterdam and is a constituent of the Amsterdam AMX index. The weight of the share in the AMX index was 1.7% on 31 December 2014. TenCate share options have been listed on the Euronext Amsterdam since 2011. The TenCate share is also traded on alternative trading platforms, such as BATS Chi-X Europe, Equiduct and Turqoise. TenCate is followed by analysts in leading banks and securities houses in the Netherlands and Belgium.

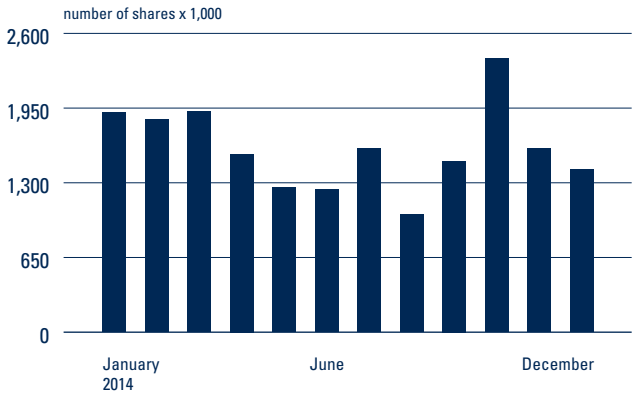
SHARE PRICE PERFORMANCE IN 2014

The European stock markets rose in 2014 on continued optimism concerning the economy and the effect of the European Central Bank's monetary stimulus. As the year advanced, European economic data looked disappointing, but in the fourth quarter the dramatic fall in the oil price combined with the strength of the US dollar and low bond yields propelled European stock markets to record levels.

The TenCate share price lagged the market indices. In April and October 2014, the share price responded positively to announcements of new supply agreements and increased interest in defence equipment. During the year the profit recovery proved slower than in other listed companies due to the high proportion of government-related revenues.

The highest closing share price in 2014 was recorded in February, at € 25.45. The TenCate share ended the year at € 18.69, 18% below the starting price of € 22.90.

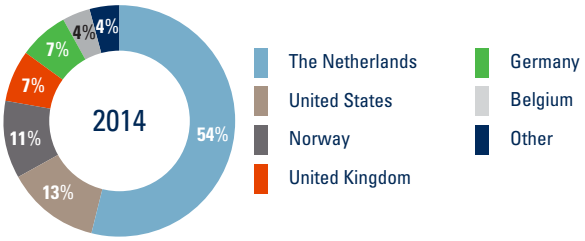
VOLUME OF TRADING IN TENCATE SHARES



Source: Euronext Amsterdam, 31 December 2014

The total volume of trading in TenCate shares on Euronext Amsterdam in 2014 was 19% higher than in 2013.

GEOGRAPHIC SPREAD OF INSTITUTIONAL SHAREHOLDINGS



Source: LionShare, TenCate, 31 December 2014

The majority of the institutional shareholders are based in the Netherlands. The number of shares held in the United States and Norway increased compared to 2013.

COMMUNICATION POLICY

TenCate participated actively in roadshows and investor conferences in Europe in 2014. Having regard to its transparency objective, TenCate values the intensive dialogue with analysts, shareholders and potential shareholders.

Background information and details of the various strategic themes are provided in TenCate's txtures magazine, on the company's website and in the dynamic annual report. The overview of communication channels for reporting and investor relations is included on page 163.

DIVIDEND POLICY AND PROPOSED DIVIDEND

TenCate pursues a balanced dividend policy in which an increase or decrease in profit is reflected to a somewhat muted extent in the change in dividend. The dividend policy is based on a distribution rate of 40%. Shareholders are usually offered the option of a cash or stock dividend. In 2014, 51% of shareholders opted to receive a cash dividend.

In view of the exceptional nature of the loss in 2014, a distribution is proposed with the aim of maintaining a balanced dividend policy.

It is proposed to set the distribution in respect of 2014 at € 0.50 per € 2.50 par value share, payable at shareholders' discretion in cash or in the form of shares.

NUMBER OF SHARES IN ISSUE

Number of shares in issue on 31 December 2013	26,791,367
Increase in share capital as a result of stock dividend	297,411
Number of shares in issue on 31 December 2014	27,088,778

SHARE DEVELOPMENTS	2013	2014
Par value	€ 2.50	€ 2.50
Lowest price	€ 17.15	€ 17.25
Highest price	€ 23.95	€ 25.45
Average price	€ 19.74	€ 20.54
Closing price	€ 22.90	€ 18.69
Earnings per share	€ 0.72	– € 1.72
Earnings per share before exceptional items	€ 0.88	€ 0.91
Dividend per share	€ 0.50	€ 0.50

DISCLOSURE OF MAJOR HOLDINGS

The register maintained by the Netherlands Authority for the Financial Markets (AFM) in connection with the disclosure of major holdings in listed companies contains details of the following investors with interests of more than 3% as at 31 December 2014.

NAME	Date of disclosure	Percentage
ING Fund Management B.V.	18 March 2014	3.01%
Kempen Capital Management N.V.	1 June 2014	5.54%
Delta Lloyd Deelnemingen Fonds N.V.	21 November 2014	9.96%
Delta Lloyd N.V.	28 November 2014	4.89%
Old Mutual plc	9 December 2014	3.01%
Norges Bank	31 December 2014	6.21%

The AFM's short selling register included the following net short position as at 31 December 2014:

NAME	Date of disclosure	Percentage
Syz Asset Management SA	28 October 2014	0.57%

OPTION PLAN, SHAREHOLDINGS OF PERSONNEL AND EXECUTIVE BOARD

Details of the option plan and the shareholdings of managers and members of the Executive Board can be found on page 147 of this report. The shares repurchased by the company relate to the hedging of granted options.

IMPORTANT DATES IN 2015	
Publication of 2014 full-year figures	20 February 2015
Publication of 2014 annual report	25 February 2015
Annual General Meeting of Shareholders	9 April 2015
Ex-dividend date	13 April 2015
Record date: determination of dividend entitlements	14 April 2015
Election period for cash or stock dividend	15 – 30 April 2015
Publication of trading update for first quarter of 2015	23 April 2015
Announcement of stock dividend exchange ratio	1 May 2015
Payment of dividend/delivery of shares (stock)	6 May 2015
Publication of 2015 half-year figures	23 July 2015
Publication of trading update for third quarter of 2015	22 October 2015

Adler and TenCate partner with Alfa Romeo 4C

Following the joint development work by TenCate Advanced Composites in Langley Mill (Nottingham), United Kingdom, and the Adler Group in Ottaviano (Naples), Italy, for the chassis of the Alfa Romeo 4C, an exclusive supply agreement was signed at the end of February 2014 for the use of carbon fibre-reinforced composite. This advanced prepreg material is being used in the production of the entire monocoque. The central passenger compartment reduces the weight of the vehicle and gives it a particularly rigid and safe basic structure.
This innovative project is a major breakthrough for TenCate, because it is the first OEM project of this scale in the automotive industry. It is seen as a high-profile application. The agreement may lead to important technological developments and efficiency in logistics, making the automotive product even more competitive.

Foreword by the Chairman of the Executive Board

Dear stakeholders,

TenCate achieved revenue growth in 2014, in cautious market conditions, by putting the emphasis on monetising technological developments from previous years in both sectors. The Advanced Textiles & Composites sector recovered from a difficult start to the year and recorded organic revenue growth of 2% over the full year. The Geosynthetics & Grass sector achieved 7% organic revenue growth. The increasing attention paid to the strengthening of marketing and sales proved successful, particularly for the Grass group. This market group achieved the highest revenue growth after the Advanced Composites group.

Profitability lagged behind over the past year. The revenues of TenCate Advanced Armour declined again as a result of restrained government financing, particularly in the United States. This resulted in an operating loss for this market group, which put pressure on the group result. Deliveries under previously announced long-term supply agreements got off to a slow start. It is expected that around half of the previously announced supply agreements totalling over US$ 100 million will not be delivered until after 2015. The historical results and changed forecasts for this market group in particular therefore made it necessary to recognise an impairment loss. Measures are being taken to further adjust and increase the flexibility of the cost structure of this market group, in order to improve its results. The impairment loss will have no detrimental impact on the market position of TenCate Advanced Armour.

In the years ahead, broadly-based revenue growth across the entire group must result in an improvement in margins and an increase in the return on capital employed, through the composition of the revenue mix, and through greater efficiency and a constant focus on the cost structure. Various investments have been planned to increase efficiency.

The composites activities are continuing to drive the growth of TenCate. In addition to an acceleration due to increased deliveries to Airbus Industries, growth was recorded in new composites markets, such as the automotive industry. The supply of composites for the chassis of the Alfa Romeo 4C sports car is an interesting example.

FOCUS ON GROWTH IN RESULTS

As a producer of high-grade materials for specific applications, TenCate must increase its profitability. This will be achieved in the first place by pursuing increased efficiency combined with partnerships and key account management, leading to greater focus. An increase in the speed of response to market demand from core customers is a central thrust of the policy. Furthermore, through a strengthening of marketing and sales activities, greater emphasis will be placed on the end markets of importance to TenCate, such as aerospace, oil and gas extraction, automotive, utilities, electronics, sport and infrastructure. At the same time, greater internal collaboration will be pursued to take advantage of market synergies.

TenCate has built up strong technology positions in the past few years. It is important to turn these positions into financial results. With the increasing attention paid to safety and protection around the world and the focus on greater commercial effectiveness referred to earlier, the aim is to deliver revenue growth that outpaces global economic growth. In the medium term, TenCate is aiming for average EBITA growth of at least 10% per year. Investments, which are expected to increase in the years ahead, will be focused particularly on revenue and profit growth rather than on technological development.

In previous years the aim was to achieve both geographic expansion and increased applications for TenCate Defender™ M products. After extensive preparations, a long-term supply agreement was signed with a new customer in collaboration with a strategic partner in October 2014. Deliveries under this agreement will begin in the first half of 2015. Deliveries have now been booked for the 2015-2016 period with the revenue value totalling US$ 90 million.

A similar development is taking place in the industrial market, where, after an intensive preparatory period with end-user marketing, TenCate is recording strong international growth in sales of TenCate Tecasafe® products among others, in some cases through partners.

The market approach referred to above has also proved successful in the Grass group, where stable partnerships have been developed over a long period. Revenues in this market group rose by 11%.

The sale of TenCate Enbi was agreed at the beginning of 2015. The transaction is expected to be completed in the first half of 2015. TenCate will then be based entirely on materials technology.

INNOVATION

TenCate made progress in the main thrusts of its innovation policy, including digital printing and finishing technologies, easy-to-install synthetic turf systems, automotive composites and the TenCate ABDS™ active blast countermeasure system.

Over the past few years TenCate has focused primarily on technological innovation. In our value chain model these developments fall within the Innovation box. In the years ahead attention will shift to the other three quadrants of the TenCate model. In the Cost Leadership box, process innovations will lead to cost reductions through efficiency improvement and sustainable manufacturing using fewer raw materials and additives. In the Product Differentiation box and the End User Marketing box the emphasis will be on the marketing of new products and systems to existing and new customer groups.

New innovation programmes were launched for digital printing and finishing in 2014, financed by the Province of Overijssel in the Netherlands and the European Commission. These programmes provide support for the development of digital finishing processes and market development for new products. Digital printing is now being used at TenCate Outdoor Fabrics. At the end of 2014 the Innovation Centre Digital Finishing opened in Nijverdal, where the development will be tested. This is an example of innovative processes from the development phase (Innovation box) being further developed in the production environment to create new products.

The development work relating to thermoplastic composites for the automotive industry is proceeding at a gradual pace. This is due to the usual testing methods and the switch of manufacturing processes required throughout the industry. Here too new materials have already been developed and tested which will strengthen revenues in the years ahead.

The new easy-to-install synthetic turf systems are approaching their commercial launch. Pilot pitches will be tested at various locations in 2015.

The development work relating to the TenCate ABDS™ active blast countermeasure system proceeded as planned in 2014 and the tests were conducted successfully. Its introduction will in due course considerably strengthen the competitive position of TenCate in new vehicle programmes.

SUSTAINABILITY

As a result of the TenCate identity associated with the trend towards 'safety and protection' and the fact that the company operates to a large extent in government-related markets, the 'sustainability and environment' trend is being further integrated into the strategy definition and decision-making processes. The higher score achieved in the Transparency benchmark demonstrates that the public at large appreciates this aspect of the company.

The fast-changing and often less predictable markets require above average employee commitment across all parts of the company. I would therefore like to thank all employees for their contribution during the past year.

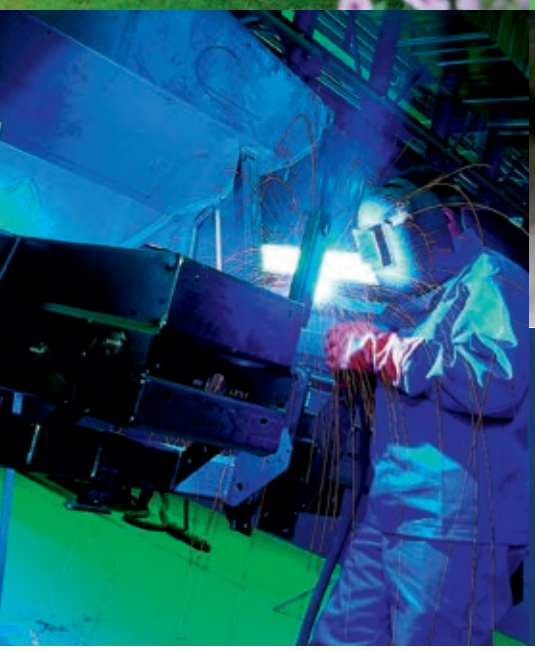
Ir. L. de Vries, President and CEO

People Planet Profit

TenCate focuses on the sustainable protection of people and their working and living environments.

20%
more technical training hours

19%
less drinking water consumed



> 50%
composites in Airbus A350 XWB

36
in transparency Benchmark of Ministry of Economic Affairs

12
FM Global Highly Protected Risk and Recognition awards

23%
of all TenCate employees are female

Protecting people at work

As a materials technology group, TenCate focuses on *'Protecting People'*: creating sustainable solutions to protect people in their working and living environments. On the basis of the six end-markets in which TenCate operates, four areas of application have been defined: In Transit (mobility), In Habitats (infrastructure, water management), At Work (personal protection, defence) and During Leisure (sport and leisure). TenCate focuses particularly on the production of materials intended to fulfil specific characteristics based on industry standards, laws and regulations, safety standards, etc. And the requirements of particular target groups. TenCate materials usually form an essential part of an end-product or overall solution.

RISK SOCIETY

We live in a society that involves risk. The world has a growing need for better and sustainable protection against numerous threats, regardless of whether they have a natural or human origin. TenCate aims to occupy a leading position in the development, production and supply of sustainable protective solutions, for which the company has a broad technological base. TenCate employees around the world make the difference in the development and production of protective solutions.

In addition to the core theme of personal safety and physical protection, the features incorporated in the production of materials are weight reduction, fuel conservation, noise reduction, environmental protection, reuse and recyclability. The TenCate knowledge of material technology enables it to provide advanced solutions jointly with end-users and industry partners.

Protecting people at work

The working environment of personnel in industry, support, services and national security may be risky, hazardous or even hostile. Personal protection in the workplace, on the road, on site or during a mission is essential in order to work professionally and safely.
The use of advanced materials in industrial clothing, hospital wear and uniforms of military personnel, firefighters, police officers, mobile units, ambulance and other emergency personnel provides protective and environmentally-friendly solutions for the long term.

PERSONAL PROTECTION

In the field of personal protection, the applications are to be found particularly in industrial and defence markets and services. With its wide portfolio of protective high-tech fabrics and non-wovens, TenCate has acquired a strong position worldwide, particularly in the metal and chemicals industry, the energy sector (oil and gas), professional support, army, navy and air force. Protective uniforms and industrial clothing are used increasingly for risk control in working conditions, occupational safety, production processes, and for the deployment and flexibility of personnel and crews. Safety, comfort and service life are crucial factors in personal protection materials.

TenCate Protective Fabrics has continued to develop these materials, drawing on its decades of expertise and experience in protective fabrics and non-wovens. That has resulted in advanced technical textiles for high-grade applications, particularly for heat and flame resistance, antistatic and arc protection, as well as protection against liquid chemicals and welding splashes. This development is aided by the strong position occupied by this market group. In the case of protective fabrics and non-wovens, the focus is on industrial employees, firefighters and military personnel who require maximum safety and optimum wearing comfort. End-users make high demands on these materials.

In military protection concepts, close collaboration takes place with TenCate Advanced Armour within the Advanced Textiles & Composites sector. The TenCate Advanced Armour market group focuses on the development, design, production and marketing of a wide range of composite antiballistic protection products, aimed at personal protection in the broad sense. The product portfolio includes composites, ceramics and integrated active and passive armour solutions for the protection of police, army, air force, navy and civilian service personnel, vehicles, aircraft and vessels.

For applications in personal protection, TenCate operates in a number of innovation networks in which it contributes its own specific knowledge, know-how and experience. The company collaborates with numerous universities, colleges and knowledge institutions.

BUSINESS OVERVIEW

Business overview provides a detailed explanation of why TenCate does what it does, how it does it and what it does

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TENCATE Tecasafe™

Vision, mission and strategy

TenCate is a multinational company that combines textile technology with chemical process technology in the development and production of high-quality materials, modules and systems. TenCate specialises in materials engineering and is one of the world leaders in the field of technical textiles. TenCate increasingly offers total solutions, independently or in co-operation with partners. The company is subdivided into two main sectors: Advanced Textiles & Composites and Geosynthetics & Grass.

VISION

The TenCate vision is based on the development ('buy & build') of a broad, advanced technological base for protection solutions. As a company in the technical textile sector, the worldwide technology position of TenCate, including patents, has unparalleled breadth and innovative capacity. That enables the company to develop materials that cater optimally to the individual market requirements in the chosen market themes of safety and protection of man and the environment.

MISSION

TenCate strives for leadership in sustainable solutions for personal protection and protection of working and living environments: Protecting people with materials which make the difference on the basis of materials technology. Safety and protection of people and their working and living environments are worldwide growth markets. Developing the right product portfolio, tailored to specific market requirements, drawing attention to solutions in an effective way and incorporating the control of safety risks in specifications are key parts of the way in which TenCate fulfils its mission.

TenCate operates mainly in six end-markets reflecting the worldwide trends of safety and sustainability. These end-markets are personal protection, defence, mobility, infrastructure, water management and sport & leisure. The materials, modules and systems developed on the basis of these end-markets have specific characteristics. These are usually defined and qualified on the basis of functional specifications.

STRATEGY

The TenCate strategy is based on value chain management. The cornerstones of the TenCate business model are end-user marketing, product differentiation, technological innovation and cost leadership (see page 20). This model determines how TenCate – based on its position in the value chain – creates value, establishes value in products and systems and adds value to customer-focused system solutions. The end-user is central in this process. TenCate focuses primarily on markets where products have to meet high functional demands.

The use of network structures with partners in the value chain adds a dimension to the business model. The aim is to improve access to markets and strengthen the competitive position.

TenCate works to maintain its position as a developer and producer of materials within the chain. Forward or backward integration has a direct impact on the company's positioning and immediately influences the competitive position and relationships with direct customers.

Strategic goals

QUALITATIVE STRATEGIC GOALS

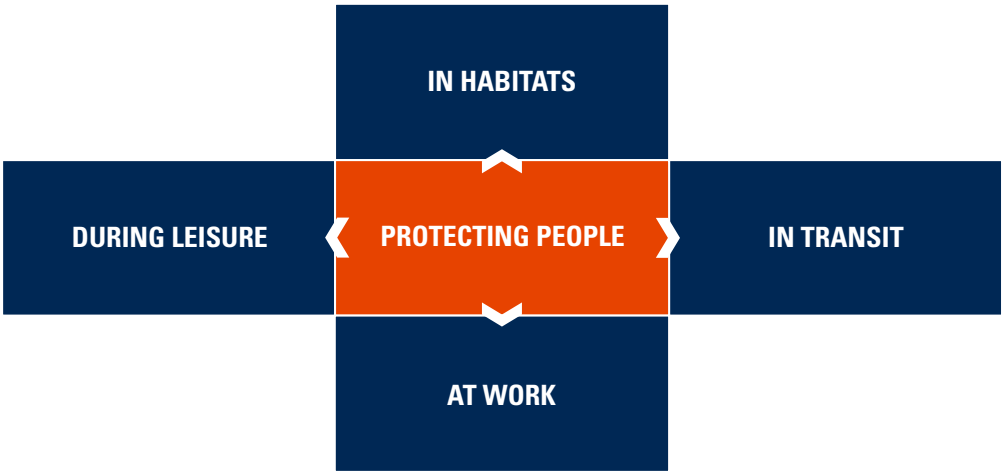
The qualitative strategic goals of TenCate are:

- Creation of value for stakeholders through profitable growth based on knowledge, expertise and internal synergy
- Achievement of critical mass in product-market-technology combinations by occupying leading positions in worldwide market niches
- Achievement of a healthy financial position with sufficient strength for acquisitions
- Management of a balanced portfolio of activities, in which product-market-technology combinations differ in terms of growth opportunities and risk profile
- Stimulation of an open, creative and enterprising culture for change and progress
- Management of a global commercial organisation which thinks in terms of customer-centric (system) solutions within the overall value chain
- Acceleration of growth of the company through partnerships.

QUANTITATIVE STRATEGIC GOALS

The quantitative strategic goals of TenCate are:

- Return: EBITA as a percentage of average net capital employed must be at least 15%
- Financing: the ratio of net interest-bearing debt to EBITDA must be structurally lower than 2.5
- Profit growth: the goal is to achieve average EBITA growth of at least 10% per year over the medium term. The profit margin (EBITA margin) remains a focal point, but in view of the changed composition of the company, the previously stated target of a 10% EBITA margin has been discontinued.



Business model and value creation

INPUT

PROCESS

CAPITAL

HUMAN
4,500 employees
10% management
1% corporate

SOCIAL
Customers
End-users
Suppliers
Joint ventures

FINANCIAL
Assets
Liabilities

TECHNICAL
Technologies
Techniques
Processes
Qualifications

PRODUCTION
Solutions
Services

INTELLECTUAL
Intellectual property
Branding
Corporate identity

DIGITAL
Data

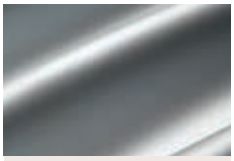
NATURE
Natural sources
Synthetic sources
Other sources

VALUE DRIVERS

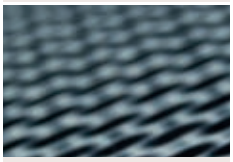
OUTPUT OUTCOME IMPACT

MATERIALS THAT MAKE A DIFFERENCE

PROTECTIVE FABRICS



OUTDOOR FABRICS



THERMOPLASTIC COMPOSITES

THERMOSET COMPOSITES

SAFETY AND PROTECTION

Characteristics:

Fire-resistant
Flame-retardant
Bullet-proof
Fragment-proof
Etc.

ANTIBALLISTIC PROTECTION MATERIALS

SURVIVAL SYSTEMS

GEOTEXTILES

SYNTHETIC TURF

SUSTAINABILITY AND THE ENVIRONMENT

Characteristics:

Lightweight
Long service life
100% recyclable
Reusable
Biodegradable
Etc.

PROTECTING PEOPLE

IN TRANSIT
Aerospace
Automotive
Transport
Naval
Etc.

More safety in mobility
Lower fuel consumption
Lower CO_2 emissions
Lower greenhouse effect and global warming

IN HABITATS
Infrastructure
Water management
Agriculture/Horticulture
Structures
Etc.

More living safety
Fewer floods
Fewer landslides
Improved infrastructure and water management

AT WORK
Personal protection
Armour
Medical
Etc.

More occupational safety
Longer service life
Less industrial washing
Reduced waste water and water treatment

DURING LEISURE
Sport
Recreation
Holidays
Etc.

More safety in sport
Longer service life
Lower water consumption
Increased material reuse and recycling

› Business model and value creation

VALUE CHAIN MANAGEMENT

TenCate operates a business model based on value chain management. This business model determines how the company creates value, establishes value in products and systems and adds value to customer-focused system solutions. The end-user is central in this process. The cornerstones of the business model are end-user marketing, product differentiation, technological innovation and cost leadership.

END-USER MARKETING

Every new product which TenCate develops must be linked with prevailing customer demand or new standards and laws and regulations. The specifications are agreed or developed with the customer and / or end-user at an early stage. Specific customer demand and changing specifications can be accommodated thanks to the acquired expertise and technological base. This is an important competitive advantage. Higher standards can be set and progress made through a flexible approach to decision-making units in end-markets to take account of new technological possibilities, which can then be included in new standards. TenCate products and solutions provide functional added value. Sometimes they can be life-saving.

In a number of cases, for example in tenders, TenCate operates through its customers. That means its image and brand awareness can sometimes only be assessed indirectly in end-markets.

The main value drivers for end-user marketing are:

- Problem-solving capability: responding to functional requirements of the end-user
- System approach: components/materials form part of an integrated system
- Differentiation of the product portfolio to meet local needs, standards and rules
- Best in class: price/performance ratio
- Innovation: co-creation; developing specifications jointly with customers and partners.
- Reliability: the TenCate brand stands for quality and functionality.
- Creation of standards: with its positioning as a specialist in its core markets and its very broad technological base, TenCate aims to be a foremost solution provider, partly on the strength of leading market positions.

PRODUCT DIFFERENTIATION

TenCate seeks to develop an appropriate product portfolio offering dependable solutions tailored to specific market and / or customer requirements.

Because product life cycles are becoming ever shorter, TenCate has to bring a steady flow of new products and solutions to the market. TenCate is guided by evolving markets in which demands are ever higher, laws change and standards become more exacting. The company adapts characteristics or incorporates them in materials in order to create customer-specific products and specialties.

Product differentiation must increasingly be linked to end-user marketing in order to position the overall value proposition correctly. Greater significance is therefore being attributed to marketing. The sustainability aspect is of growing importance.

The main value drivers for product differentiation are:

- A broad product portfolio closely aligned with specific customer requirements
- A relatively large number of recently developed products
- Best in class: price/performance
- Relatively short time to market: ability to respond rapidly to market demands
- Long-term experience: material specifications, databases, qualifications, etc.

TECHNOLOGICAL INNOVATION

Innovations at TenCate usually have a technological background, as in the development of inherently heat- and flame-resistant fabrics (TenCate Tecasafe® Plus and TenCate Defender™) or process innovation through the use of digital inkjet technology, such as drop-on-demand and continuous inkjet technology. Innovations are also produced by combining existing technologies such as those of TenCate Geotube® and TenCate GeoDetect®, or by adding new technologies, such as the Smart Body Armor® technology of Newport Sensors in the United States, which was acquired in 2014. Technological innovations are necessary for the future. It is also important to develop existing products further by incorporating technological innovations. TenCate strives for continuous progress in order to accommodate or initiate new regulations and standards.

Innovation also gives rise to development costs associated with specifications and qualifications of materials. Acquisitions with a technological background also form part of the innovation process. TenCate conducts an active policy on intellectual property and now has more than 680 patents.

The main value drivers for innovation are:

- A broad technological base
- Links to universities, colleges, knowledge institutions and knowledge networks
- Membership of open innovation networks and partnerships
- Internal co-operation and exchanges of knowledge between market groups (social innovation)
- External co-operation and exchanges of knowledge in customer networks and partnerships (co-creation)
- Knowledge positions and intellectual property
- Market-driven (applied) innovation aimed at problem-solving.

COST LEADERSHIP

Although products must have the right technical and functional specifications, the cost aspect remains very important. In the current economic climate in particular, with lower government budgets, there is high cost-awareness on the demand side.

That compels the company to remain alert to costs, but also to cost-efficient production, margin policy, process optimisation, organisation of logistics flows, reduced environmental costs and the use of scarce resources and raw materials. TenCate also conducts an active portfolio policy whereby the portfolio is kept constantly under review and the product life cycle is assessed against market requirements. By manufacturing globally and accessing commodity markets worldwide, TenCate in principle has a good cost base and operates in close proximity to most end-markets. The company also benefits from economies of scale because it occupies leading positions in most core markets.

Technological innovation – either ground-breaking or supportive – involving new production methods can have a positive impact on the cost structure.

The main value drivers for cost leadership are:

- A constant focus on process innovation
- Market leadership and associated economies of scale
- Purchasing advantages due to global coverage of commodity markets
- Availability of raw materials (TenCate is a key customer)
- Geographic spread of production
- Proximity of end-users; logistical advantages.

Value proposition in digital inkjet technology

Individualisation is a characteristic feature of today's market requirements. Manufacturers increasingly have to contend with declining production runs, make-to-order products, etc. This will lead to an increase in the product range, posing fresh logistical challenges for market participants throughout the value chain. The rise of digital media, with individual customers buying their products on demand, will increasingly come to be seen as the standard.

In many industries there is a growing trend towards extensive digitisation of manufacturing processes. That is also a new reality for TenCate, which has a pre-eminent position in this field as a manufacturer of technical textiles. The advantages for TenCate's direct (business-to-business) customers is that the time taken to respond to market trends can be considerably shortened and inventory levels throughout the value chain can be reduced. Market participants can then anticipate individual customer requirements with much greater immediacy. New characteristics can also be added to materials, opening up new markets.

VALUE PROPOSITION

TenCate operates in markets in which it is important to draw attention to the distinctive features of the product range on the basis of the value proposition. An important target group comprises institutions such as purchasing organisations which play a decisive role in drawing up standards and specifications which materials must fulfil. In addition to functionality, requirements may be specified in areas such as sustainability, CO_2 footprint, costs during economic service life and warranties. It is also important to be able to respond rapidly to new market requirements.

The setting of specifications and standards is generally a dynamic process to which TenCate must respond appropriately. That requires a flexible and innovative organisation.

CORPORATE VALUES

TenCate has a royal hallmark, recognising not only the company's exceptional history as one of the oldest enterprises in the Netherlands, but also the way in which it does business around the world. TenCate is assiduous in imparting its ten principal corporate values to its employees (10Cate):

- The customer is central: Protecting People
- Effective: doing the right things
- Efficient: doing things well
- Creative: seeking solutions and creating systems
- Flexible: the 'living organisation', adapting to external developments, new demands and trends
- Enterprising: identifying and optimising opportunities
- Innovation: thinking 'outside the box'
- Reliable: doing business on the basis of trust; ensuring that TenCate is seen as a reliable partner
- Commitment: dedication to the work which the company stands for
- Co-operation: working with colleagues and in teams.

Employees are TenCate's human capital and are selected, rewarded and appraised partly on the basis of the above values. They are expected to be proactive, dedicated and open to change.

Innovation by the Dutch aerospace industry

The Dutch aerospace industry has a leading position worldwide in the use of lightweight materials.
This position is partly due to the country's excellent knowledge infrastructure with regard to the aerospace industry, materials and treatment processes. Collaboration with customers, suppliers, universities and knowledge institutions in innovation platforms in the Netherlands is supported by an active government policy and has proved its ability to structurally raise the level of new technological developments.
Airbus, Fokker Aerostructures and TenCate Advanced Composites signed the agreement for the next phase of the Thermoplastic Affordable Primary Aircraft Structure (TAPAS) innovation programme in late January 2014 in the presence of President Hollande of France and Prime Minister Rutte and Economy Minister Kamp of the Netherlands.
This programme has been running since 2010 and is an extremely successful instrument for international project-based collaboration on innovation.

Strategic objectives and progress

	Strategic objectives	2014 target	2014 progress	2015 target	Priorities for 2015
PEOPLE	TenCate aims for a male-female ratio at management level (and in management bodies) that is comparable to that of the rest of the workforce (75%-25%), as an indicator of equal opportunities.	The target for the male-female ratio at management level in 2014 was 80%-20% (2013: 82%-18%).	The male-female ratio at management level in 2014 was 84%-16%.	The target for the male-female ratio at management level in 2015 is 80%-20% (2014: 84%-16%).	Where equally suitable, female candidates will be proposed for appointment to management bodies, management posts and the rest of the workforce.
	TenCate aims to increase the number of training hours.	The target in 2014 was for the number of training hours to rise to 17 (2013: 16 hours).	The number of training hours in 2014 was 16.	The target in 2015 is for the number of training hours to rise to 17 (2014: 16 hours).	Achieving more training hours, partly through executive policies of training experts and HR departments.
	TenCate aims for optimum occupational health and safety targeted at permanent prevention of fatal and non-fatal industrial accidents and safety incidents.	The target for the number of fatal industrial accidents in 2014 was zero. The aim was for the ratio of days of absence due to non-fatal industrial accidents per 100 FTEs to fall to 25.0 (2013: 33.0 per 100 FTEs).	The number of fatal industrial accidents in 2014 was zero. There were 22.9 days of absence due to non-fatal industrial accidents per 100 FTEs in 2014.	The target for the number of fatal industrial accidents in 2015 is zero. The aim is for the ratio of days of absence due to non-fatal industrial accidents to fall to below 20.0 per 100 FTEs in 2015 (2014: 22.9 per 100 FTEs).	Increase of at least 3 in the number of TenCate production facilities having received the Highly Protected Risk or Recognition award from FM Global (2014: 12 sites).
PLANET	TenCate aims to increase the proportion of renewable electricity worldwide.	The target in 2014 was to raise the proportion of renewable electricity by 3% (2013: 15.2%).	The proportion of renewable electricity rose to 14.8% in 2014.	The target in 2015 is to raise the proportion of renewable electricity by 3% (2014: 14.8%).	Increased use of renewable electricity at production sites worldwide.
	TenCate aims to increase energy efficiency worldwide, leading to a steady fall in CO_2 emissions.	The target in 2014 was to increase the energy efficiency of production sites by 1% (2013: 0.7%).	Energy efficiency worldwide rose by 1% in 2014. In the Netherlands, the rise in energy efficiency in 2014 was 0.4%.	The target in 2015 is to increase the energy efficiency of production sites by 1% (2014: 0.4%).	Pursuit of energy-saving measures at production sites worldwide. Buying more energy-efficient plant and equipment at times of replacement.
	TenCate aims to reduce or at least maintain the existing level of total water consumption (on like-for-like revenues).	The target in 2014 was to reduce water consumption at production sites to 3.0 million m^3 or less (2013: 2.9 million m^3).	Water consumption worldwide in 2014 was 3.0 million m^3.	The target in 2015 is for water consumption at production sites to be at or below 3.0 million m^3 (2014: 3.0 million m^3).	Increase in digital finishing and printing of outdoor fabrics (UV curing) and any other substrates. Implementation of existing water conservation programmes.
	TenCate aims for a worldwide reduction in the amount of waste released during production processes (on like-for-like revenues).	The target in 2014 was for the amount of waste from production processes to fall to 13 kilotonnes or less (2013: 13 kilotonnes).	The amount of waste in 2014 was 15 kilotonnes.	The target in 2015 is an amount of waste from production processes of 13 kilotonnes or less (2014: 15 kilotonnes).	Introduction of the 5S methodology at a number of production sites worldwide. More internal recycling of scrap.
PROFIT	TenCate aims to maintain a sufficiently solid financial position.	TenCate aims for a ratio of net interest-bearing debt to EBITDA of less than 2.5 over the long term (2013: 2.27).	The debt ratio at the end of 2014 was 2.57.	TenCate aims for a ratio of net interest-bearing debt to EBITDA of less than 2.5 over the long term (2014: 2.57).	TenCate conducts a solid financial policy reflected among other things in restraint in capacity expansion and acquisitions.
	TenCate aims for a sufficient return on net capital employed.	TenCate aims for EBITA as a percentage of average net invested capital of at least 15% over the long term (2013: 7.1%).	EBITA as a percentage of average net capital employed was 7.1% in 2014.	TenCate aims for EBITA as a percentage of average net capital employed of at least 15% over the long term (2014: 7.1%).	Investments in process innovation will reduce the costs and strengthen the market position with new products and solutions. In order to increase the return on capital employed, the emphasis is on marketing recent technological developments, greater internal coherence and partnerships. Profit growth is achieved on the one hand through internal coherence in the marketing of solutions with high added value and on the other hand through the pursuit of scale in important key markets such as aerospace and the oil and gas industry.
	TenCate aims for sustainable profit growth.	TenCate aims for an EBITA margin of at least 10% over the long term (2013: 5.4%).	The EBITA margin was 5.1% in 2014.	TenCate aims for average EBITA growth of at least 10% per year over the long term (2013: – 2%).	

Indicators

Key performance indicators (KPIs) are the factors and aspects of business operations that affect the performance and hence the value of the company.

TenCate draws a distinction between general and specific indicators. A number of general indicators are periodically assessed against the cornerstones of the TenCate business model. Specific corporate social responsibility indicators have been defined at corporate level on the basis of the guidelines of the Global Reporting Initiative (GRI). These KPIs indicate the TenCate position with regard to social, ecological and economic aspects of corporate social responsibility. Brief details of a number of key indicators are provided below. The indicators collectively contribute to the company's value chain management.

GENERAL INDICATORS

END-USER MARKETING

Important indicators include:

- Customer satisfaction
- Market share
- Sale volume
- Customer retention (share of wallet)
- Number of complaints and complaint handling
- Brand recognition and image.

PRODUCT DIFFERENTIATION

The principal indicators include:

- Number of new product-market-technology combinations
- Quantitative and qualitative portfolio growth
- Net present value of the product portfolio
- Number of extensions of product life cycles.

TECHNOLOGICAL INNOVATION

The principal indicators include:

- Number of patents
- Number of trademark registrations and countries of registration
- Completion of process innovation projects
- Creation of new standards in niche markets
- Number of innovation networks in which TenCate operates.

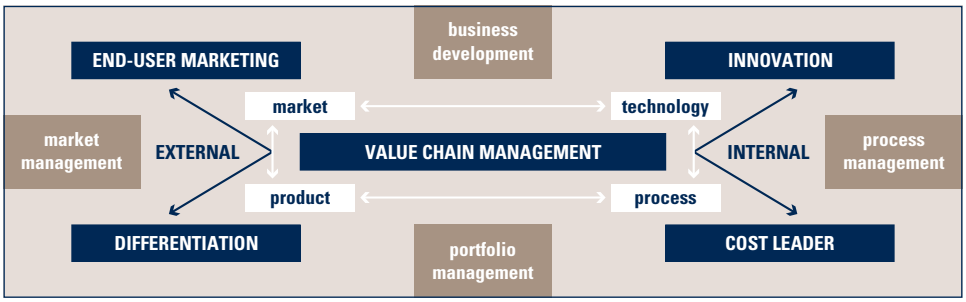
COST LEADERSHIP

The principal indicators include:

- Production
  - Costs per unit/hour
  - Turnaround time in days
  - First-time-right percentage
  - Use of raw materials, water and energy
  - Number of defects
  - Downtime
  - Rejects and waste
  - CO_2 emissions
- Storage-inventory-delivery
  - Inventory level
  - Inventory turnover rate
  - Percentage of products delivered on time
  - Percentage of products delivered correctly
- Human resources
  - Personnel costs
  - Turnover
  - Absenteeism.

TenCate business model

© TenCate

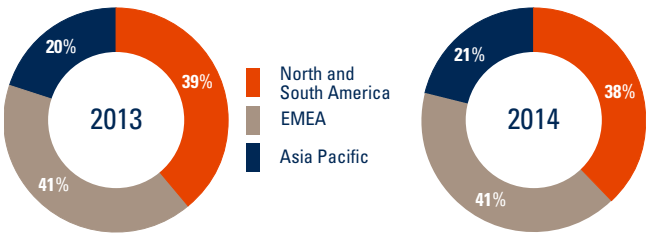


SPECIFIC INDICATORS (CSR)

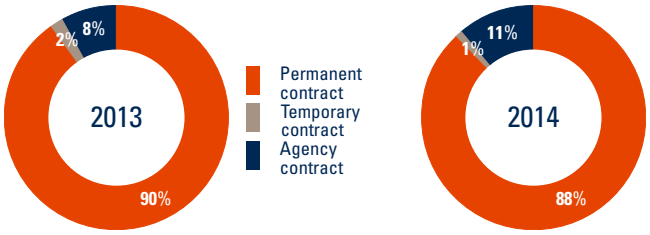
The principal and most material CSR themes were determined and key performance indicators (KPIs) were defined at corporate level at the beginning of 2012, on the basis of the guidelines of Global Reporting Initiative 3. These KPIs reflect the TenCate performance with regard to social, ecological and economic aspects of corporate social responsibility. Worldwide CSR data have been gathered, validated, aggregated and analysed at corporate level every six months since 2012. The CSR data for 2011 are included here as a baseline.

This section reports on the specific indicators relating to the 2014 reporting year. As in the case of the 2013 data, these comply with TenCate accuracy criteria. The data quality and relevant processes were further improved in 2014. A corporate CSR controller has been included in the corporate CSR team since the end of 2013 in order to continue the gathering, analysis, aggregation and validation of the CSR data and deepen or broaden the data as necessary. The CSR data for PMC Guangzhou and TenCate Advanced Composites UK have also been included for the 2014 reporting year. The business units in the downstream activities of TenCate Grass (with limited in-house production) and the activities of TenCate Enbi and Xennia Technology have not been included in the measurements in 2014. Information on the downstream activities of TenCate Grass and Xennia Technology will be gathered and included from 2015.

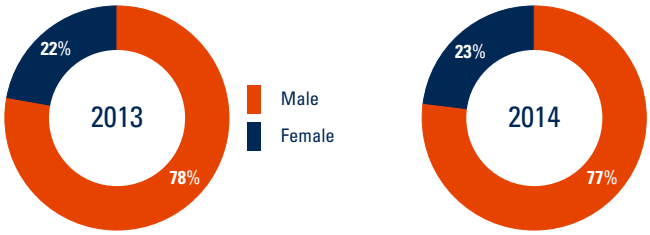
1 · ANALYSIS OF EMPLOYEES BY REGION IN 2013 AND 2014



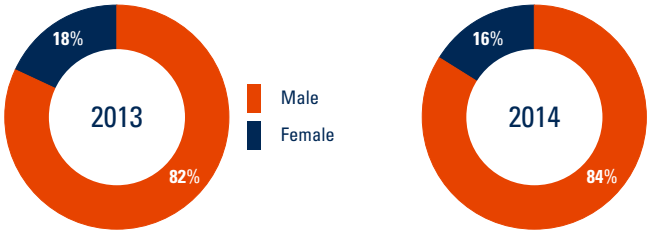
2 · ANALYSIS OF EMPLOYEES BY CONTRACT TYPE IN 2013 AND 2014



3 · ANALYSIS OF EMPLOYEES BY GENDER IN 2013 AND 2014



4 · ANALYSIS OF MANAGEMENT BY GENDER IN 2013 AND 2014



TARGETS

Corporate social responsibility is implemented by the line management within the stated policy frameworks. This is actively co-ordinated and supported at corporate level through the provision of tools that enable these activities to be maintained, measured and presented as transparently as possible.

Once again in 2014, all market groups within TenCate received feedback on reporting business units by means of CSR factsheets, for both full-year 2013 and the first half of 2014. This combined information indicates the performance relative to comparable business units within the Group and provides a basis on which the local management can formulate CSR improvement plans and any corporate and other targets for the current financial year. Since 2012, the market group units which were certified in accordance with the CSR Performance Ladder (level 3) have already formulated their own, similar or related targets, including for the nine reported KPIs.

TenCate took major steps in 2014 aimed at the further development and measurability of corporate social responsibility. This process will continue in the years ahead, partly through the definition and adjustment of new and existing CSR targets and from 2015 through gradual adaptation to Global Reporting Initiative 4.

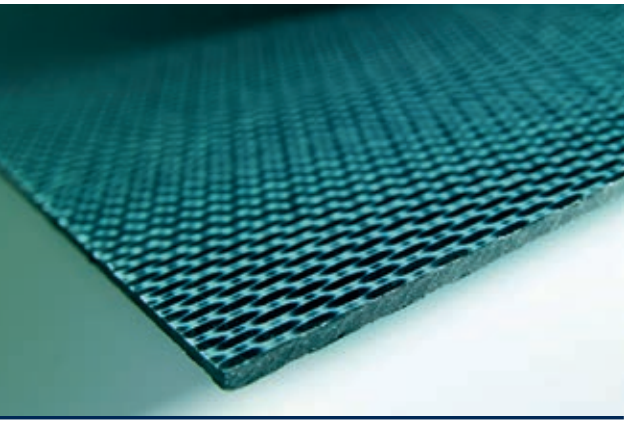
SOCIAL ASPECTS

TenCate believes that the conduct of a sustainable personnel policy focused on the interests of the people who make up TenCate, together with the exploitation and securing of their knowledge and expertise, is the most important aspect of the social dimension of an enterprise. Within this policy the following themes are the most significant:

- Personnel diversity and equal opportunities
- Occupational safety and welfare
- Education and training.

TenCate Advanced Composites represented in Japan

At the end of January 2014 TenCate Advanced Composites signed a distribution agreement with Kyokuto Boeki Kaisha Ltd in Tokyo, Japan, to represent it in the Japanese composites market. The company will distribute and provide support for thermoset and thermoplastic composites and injection-moulded components of TenCate.
The company serves a number of the key industries in Japan that are the focal points of the Asia strategy of TenCate Advanced Composites, including aerospace, the automotive industry and industrial markets.
Kyokuto Boeki Kaisha is a high-tech trading company which specialises in advanced composites, production equipment and services. The company has 15 sites in Japan and provides materials and equipment for both the composites industry and a range of sectors.



SUSTAINABLE PERSONNEL POLICY

As a materials technology group, TenCate is knowledge-intensive. The employees' safety, health, knowledge, expertise and skills are paramount. Social innovation through investments in this human capital benefits the company. The safety policy is implemented at production and operating sites to promote optimum occupational health and safety and keep safety incidents and industrial accidents to an absolute minimum. Protecting people right through to the shop floor.

PERSONNEL BREAKDOWN

As a multinational company, TenCate has a worldwide presence. Production sites are located on various continents. Figure 1 shows the geographic breakdown of TenCate employees (headcount) by continent at the end of 2014. Figure 2 shows the breakdown of employees by agreement type at the end of 2014, i.e. between permanent, temporary and agency agreements. The breakdown of employees by region has changed only minimally compared to 2013. The number of employees in the APAC grew by 1%, partly as a result of the implementation of the growth strategy of TenCate for this continent. The proportion of employees with agency agreements has increased by 3% compared to 2013, particularly due to a pick-up in market demand.

TenCate is committed to being a company that offers sufficient scope for diversity among employees. Figure 3 shows the workforce composition by gender. Of the total number of employees 77% are male and 23% female.

Figure 4 shows the composition of the management of TenCate. TenCate aims to achieve a male-female ratio in its management tiers that is comparable to that of the rest of its workforce, as an indicator of equal opportunities. In the years ahead, TenCate will aim to achieve an 80%-20% male-female ratio in its management and a 75%-25% ratio in its overall workforce. The Management and Supervision Act came into force on 1 January 2013. This act includes a provision concerning the balanced allocation of seats on the Executive and Supervisory Boards to men and women. TenCate aims for a composition with at least 30% male and at least 30% female members on the Executive and Supervisory Boards.

OCCUPATIONAL SAFETY AND WELFARE

The safety and protection of employees and their working environment at TenCate production sites are a central focus of the company's policy. Table 5 provides an overview of occupational safety and welfare, expressed in ratios of industrial accidents, fatal industrial accidents, absence due to industrial accidents in days / working days, occupational diseases and sickness absence. No significant incidents occurred in 2014.

5 · OCCUPATIONAL SAFETY AND WELFARE

	2012	2013	2014
Industrial accidents*	2.4	1.9	**1.1**
Fatal industrial accidents*	0	0	**0**
Absence due to industrial accidents in days / working days*	48.9	33.0	**22.9**
Occupational diseases*	0.00	0.15	**0.09**
Sickness absence*	2.7%	3.0%	**2.3%**

* Ratio per 100 FTEs.

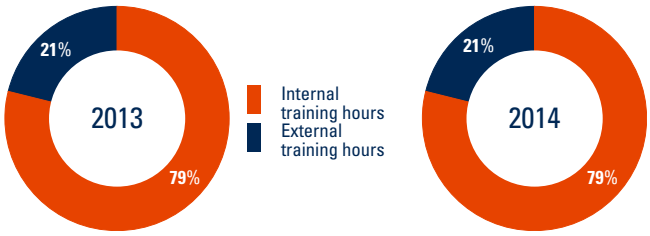
These figures show that both the number of industrial accidents and the associated days of absence decreased in 2014, as was the case in 2013. The various training programmes – such as emergency response courses, process control and air freight training courses – are bearing fruit. At the same time the growing number of Highly Protected Risk or Recognition statuses awarded by FM Global for TenCate production sites provides an ongoing guarantee of occupational safety.

TenCate has focused its occupational safety and welfare policy on the structural prevention of safety incidents and fatal or non-fatal industrial accidents. It aims to reduce the ratio of days / working days of absence due to industrial accidents to below 20.0 in the years ahead.

EDUCATION AND TRAINING

TenCate invests in the quality and skills of its employees. Education and training are crucial for the optimum development and maintenance of the company's knowledge resources – and hence its competitive strength. The company uses both external and internal on-the-job training. The total amount devoted to education and training rose considerably in 2014. 1,282 employees took part in technical or management training courses. The number of management training courses increased considerably. The number of training hours per employee amounted to 16 in 2014, the same as in 2013. Figure 6 shows the ratio of internal to external training hours. The total number of – internal or external – training hours increased by around 20% in 2014 compared to 2013. The training expert is making a substantial contribution to the knowledge and expertise qualification process for the four market groups in Nijverdal in particular.

6 · INTERNAL AND EXTERNAL TRAINING HOURS 2013 AND 2014



TenCate aims to continue deepening and broadening its range of technical and management training courses. The company intends to increase the number of training hours by at least 5% annually in the next two years, with a particular focus on the number of external training hours.

ECOLOGICAL ASPECTS

TenCate considers the conduct of an integrated sustainability policy focused on biodiversity and the company's natural environment to be the most important aspect of the ecological dimension of enterprise. Within this policy the following themes are the most significant:

- Energy consumption and CO_2 emissions
- Water consumption and wastewater
- Rejects and waste.

SUSTAINABLE ENERGY POLICY

Energy consumption is an issue that demands attention worldwide. TenCate has a sense of responsibility in this regard and sees it as an opportunity for cost reduction and process optimisation. Through its actions, investments and technological innovations, it contributes to the reduction and maximum efficiency of energy consumption. The company's CO_2 footprint is reduced in the process. The current energy policy includes an increase in the proportion of 'green energy' consumed.

ENERGY CONSUMPTION

Total energy consumption in 2014 amounted to approximately 1,787 terajoules (TJ). This represents a rise of 2% compared to 2013. Among TenCate production processes, it is particularly fabric production and the extrusion of synthetic fibres that are very energy-intensive. Since the beginning of 2013, around 15% of energy consumed has come from sustainable sources, such as green electricity. The target of 3% more renewable energy was not met in 2014. Biogas is produced at the company's own wastewater treatment plant and is used to produce steam for processes. Figure 7 shows the percentage breakdown of energy consumption into the main energy sources for 2012, 2013 and 2014.

7 · ENERGY CONSUMPTION BY ENERGY SOURCE

ENERGY SOURCE	2012	2013	2014
Renewable electricity	2.6%	15.2%	**14.8%**
Non-renewable electricity	51.1%	45.2%	**47.6%**
Biogas	0.1%	0.1%	**0.1%**
Natural gas	33.3%	25.8%	**24.3%**
Steam	12.1%	13.0%	**12.5%**
Other sources	0.8%	0.7%	**0.7%**

TenCate aims to bring about a further increase in the proportion of renewable electricity consumed, raising it by 3% annually over the next two years.

All TenCate production sites have also set a target of improving energy efficiency by 1% per year by taking numerous energy-saving measures. The Dutch production sites of TenCate even have an energy efficiency improvement target of approximately 2% per year, in line with the Multi-Year Energy Efficiency Agreement of the Ministry of Economic Affairs and the Modint industry organisation in the Netherlands on the more effective and efficient use of energy and processes in the textile and technical textile industry.

CO_2 FOOTPRINT POLICY

CO_2 emissions go hand in hand with energy consumption. The increase in CO_2 in the atmosphere increases the greenhouse effect on earth and contributes to climate change. TenCate is mindful of this and directs its policy towards reducing CO_2 emissions. By determining its level of CO_2 emissions, TenCate gains an insight into the total greenhouse gas emissions caused by its operations. A better understanding of CO_2 footprints and how to reduce them can be obtained by identifying and then categorising emissions. At the same time energy conservation helps to increase energy efficiency and reduce both fossil fuel consumption and the CO_2 footprint in order to cut process costs. The CO_2 footprint of TenCate is made up of the various emission sources, such as electricity, natural gas and steam. The climate policy of TenCate is aimed primarily at reducing energy consumption through efficiency measures, based on process management and cost leadership as part of the TenCate business model. This is supported by the objective of a gradual switch to renewable, sustainable energy.

CO_2 EMISSIONS

In 2014 the total CO_2 emissions of TenCate worldwide amounted to approximately 160 kilotonnes. That represents an increase of 5.4% compared to 2013. This rise is due to increased production. Figure 8 shows a breakdown of CO_2 emissions by energy source in 2012, 2013 and 2014. The data show that approximately 75% of the CO_2 footprint of TenCate is due to electricity consumption. Sustainable sources, such as wind power, hydroelectricity or solar energy, now account for around 15% of electricity consumption. This portion is therefore CO_2-neutral.

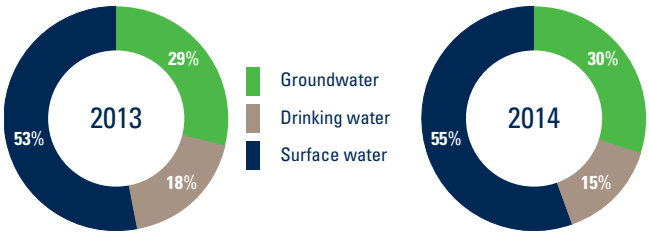
8 · CO_2 EMISSIONS BY ENERGY SOURCE

ENERGY SOURCE	2012	2013	2014
Electricity	71.0%	73.3%	**75.2%**
Natural gas	18.4%	16.6%	**15.2%**
Steam	7.9%	6.9%	**6.2%**
Flights	0.6%	0.8%	**1.3%**
Car travel	0.8%	1.2%	**1.4%**
Other activities	1.3%	1.2%	**0.7%**

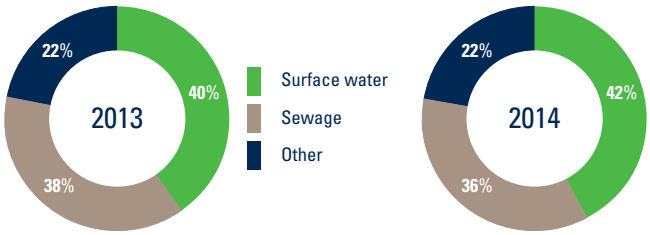
SUSTAINABLE WATER AND WASTEWATER POLICY

Water consumption is a growing issue worldwide. TenCate is mindful of this and implements measures, investments and technical innovations aimed at reducing and optimising the efficiency of water consumption. Water consumption is broken down by water source. Wastewater processing is broken down by destination. The TenCate water treatment plants are an integral part of the water and wastewater policies of the respective sites worldwide.

9 · WATER CONSUMPTION BY SOURCE IN 2013 AND 2014



10 · WASTEWATER BY DESTINATION IN 2013 AND 2014



WATER CONSUMPTION

Total water consumption in 2014 amounted to approximately 3 million cubic metres. This figure is almost unchanged compared to 2013. Drinking water consumption decreased by 19% in 2014, while surface water consumption rose slightly. Groundwater consumption increased by 6% due to increased production activity. Figure 9 shows the consumption of water by type. The underlying data show that the dominant consumers of water are the TenCate Protective & Outdoor Fabrics market groups. This percentage can be explained by the current analogue finishing process used for technical textiles in the water-intensive processes in these market groups. The introduction of digital printing and finishing for TenCate Outdoor Fabrics in mid-2013 heralded a gradual decrease in water consumption in this market group.

TenCate is aiming for a further reduction in water consumed in production processes worldwide. For the next two years, TenCate aims to stabilise water consumption at less than 3 million cubic metres with a comparable level of revenues.

WASTEWATER

The total volume of wastewater was 2.8 million cubic metres in 2014. This represents a rise of 7% compared to 2013. Figure 10 provides an overview of total wastewater by destination. Since part of the water drawn evaporates during production or is absorbed by products, the volume of discharged water is by definition smaller than the volume of water drawn.

Chinese representation for TenCate Advanced Composites

TenCate Advanced Composites signed a marketing and development agreement with Leadgo Advanced Materials in Shanghai, China, in January 2014.
The aim of the agreement is to provide further support for the fast-growing Chinese aerospace industry in the advanced composites market. A strong partnership is essential to support this growth.
The primary focal areas include market development, sales and distribution, technical support for products and service in China. The agreement covers the wide range of thermoset composite technologies of TenCate and includes the company's technologically cutting-edge thermoplastic composites for the next generation of commercial aircraft.

SUSTAINABLE WASTE POLICY

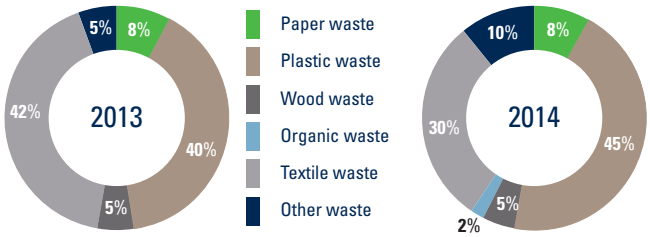
TenCate uses raw materials as efficiently as possible. A lower volume of waste materials by definition means better utilisation of scarce raw materials. Unavoidable waste materials are separated in an environmentally conscious way and processed by recognised waste-processing organisations.

WASTE FLOWS

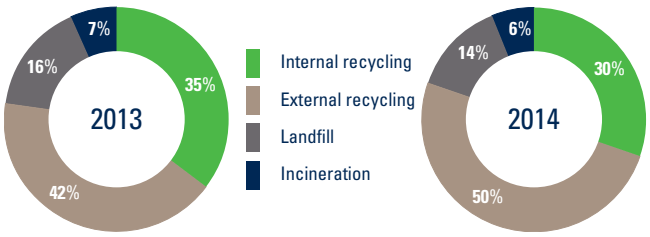
Over 15 kilotonnes of waste were released in the production processes of TenCate in 2014, representing an increase of 16% compared to 2013. This was due to the difference in annual revenue figures. Almost 4 kilotonnes were recycled internally during the reporting year and over 7 kilotonnes were processed externally, with almost 1 kilotonne of waste being incinerated by the waste processor and almost 2 kilotonnes being sent to landfill. The quantity of waste relative to revenues stabilised at 14 kilotonnes in 2014. Figures 11, 12 and 13 provide an overview of waste by waste stream, type of waste separation, type of recycling and method of waste processing. Since 2013 TenCate has also added the volume of textile waste to the waste separation categories. The resulting figures will appear in the reporting for 2014. Work will be carried out in the years ahead to improve the definition and recording particularly of plastic and textile waste.

11 · WASTE BY TYPE IN 2013 AND 2014

12 · WASTE SEPARATION BY TYPE IN 2013 AND 2014



13 · WASTE RECYCLING AND WASTE PROCESSING IN 2013 AND 2014



ECONOMIC ASPECTS

The economic indicators relating to the financial performance of TenCate can be found in the other parts of the annual report and in the financial statements for 2014. In this section TenCate reports on the key performance indicators with regard to sponsorship and donations during the reporting year.

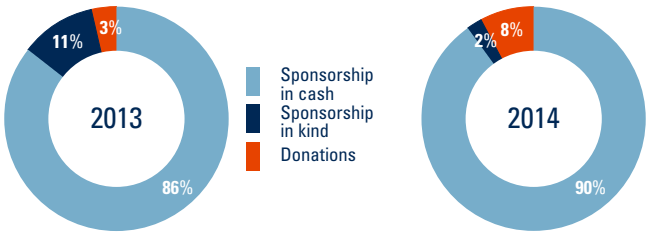
SUSTAINABLE SOCIAL POLICY

TenCate has a strong commitment to society. Employees worldwide are actively involved in numerous initiatives and projects. The company has a strong association with the local communities in which it operates. Every year, TenCate sponsors various initiatives, both financially and in kind by providing materials which the company produces. Market groups and employees also make time or resources available for local or regional social activities. The sponsorship and donations policy and activities in 2014 are detailed at www.tencateannualreports.com

SPONSORSHIP AND DONATIONS

Total contributions to social projects in 2014 amounted to approximately 0.2% of revenues, which represents an increase compared to 2013. Financial sponsorship increased as a result of the greater marketing efforts. This increase was evident particularly in the partnerships of TenCate Grass and GreenFields with Coöperatie Eerste Divisie (Premier League) for more synthetic turf systems in paid professional football in the Netherlands and with the Royal Netherlands Hockey Association for top-quality synthetic turf pitches during the 2014 Hockey World Cup and the training venues for the international teams in and around The Hague, the Netherlands. Figure 14 provides an overview of investments through sponsorship or donations, including of materials, in 2013 and 2014. The main sponsorship in 2014 was once again Heracles Almelo, the Netherlands, of which TenCate has been the main sponsor for 11 years.

14 · SPONSORSHIP AND DONATIONS IN 2013 AND 2014



TRANSPARENCY BENCHMARK

TenCate has been assessed annually since 2004 as part of the transparency benchmark of the Netherlands Ministry of Economic Affairs. The aim of this annual examination is to assess and improve the content and quality of social reporting by Dutch companies. For the 2014 annual report TenCate aimed to achieve a position in the top 50, in the knowledge that the criteria had simultaneously been tightened.

TenCate aims to maintain the position achieved in the top 50 of this transparency benchmark in 2015.

In past years the company has achieved the following scores and positions in the transparency benchmark:

Transparency Benchmark of the Netherlands Ministry of Economic Affairs				
Year	Annual Report	Participants	TenCate position	TenCate points
2014	2013	244	36 (equal)	162
2013	2012	460	82	149
2012	2011	472	141	89
2011	2010	468	150	61
2010	2009	462	146	41

Sectors

END-USER MARKETS

PROTECTIVE FABRICS
- Industrial safety
- Emergency response
- Military & Police
- Services & Industries

OUTDOOR FABRICS
- Leisure
- Home & Terrace
- Emergency response
- Refugee response
- Military

CUSTOMERS

(VALUE ADDED) RESELLERS

PROTECTIVE FABRICS
- Distributors
- PPE dealers
- Laundries

OUTDOOR FABRICS
- Distributors
- Dealers

PROTECTIVE FABRICS
- Garment makers
- Distributors

OUTDOOR FABRICS
- Confectioners

TENCATE

HPR (G, USA) | ISO 14001 (NL) / MVO PL (NL) | ISO 9001

PROTECTIVE FABRICS
- R&D
- Spinning
- Weaving
- Knitting
- Pre-treatment
- Dyeing
- Finishing
- Laminating
- Quality control
- Packaging & Logistics
- Marketing & Sales

ISO 14001 (NL) / MVO PL (NL) | ISO 9001

OUTDOOR FABRICS
- R&D
- Spinning
- Weaving
- Pre-treatment
- Dyeing
- Finishing
- Quality control
- Packaging & Logistics
- Marketing & Sales

SUPPLIERS

PROTECTIVE FABRICS
- Chemical suppliers
- Polymer suppliers
- Fibre suppliers

OUTDOOR FABRICS
- Chemical suppliers
- Polymer suppliers
- Fibre suppliers
- Fabric suppliers

RAW MATERIALS

PROTECTIVE FABRICS
- Chemicals
- Polymers

OUTDOOR FABRICS
- Chemicals
- Polymers

END-USER MARKETS

ADVANCED COMPOSITES
- Aviation
  - Interior
  - Exterior
- Radomes & Antennas
- Space
- Military
- Automotiv
- Oil & Gas
- Commercial & industrial
- Sports & leisure
- Medical

ADVANCED ARMOUR
- Military
  - Land forces
  - Naval forces
  - Air forces
  - Special forces
- Law enforcement
- Personal protection
- Cash-in-transit

CUSTOMERS

ADVANCED COMPOSITES
- Original Equipment Manufacturers (OEM)
  - Prime contractors
- Tier 1 & Tier 2
  - Suppliers of integrated structures and assemblies
- Tier 3
  - Subcontracted part manufacturers

ADVANCED ARMOUR
- Original Equipment Manufacturers (OEM)
  - Vehicle manufacturers
  - Shipyards
  - Aircraft manufacturers
  - Body armour manufacturers
  - Helmet manufacturers
  - Cash-in-transit vehicle converters

TENCATE

HPR+R (C, USA), R (O, CAN) | MVO PL (NL) | ISO 9001 | AS / EN 9100

ADVANCED COMPOSITES
- R&D
- Weaving
- Pre-treatment
- Chemical finishing
- Calandering
- Impregnation
- Consolidation
- Moulding
- Quality control
- Packaging & Logistics
- Marketing & Sales

ISO 14001 (DK) / MVO PL (NL) | ISO 9001 | AS / EN / JISQ 9100 (FR)

ADVANCED ARMOUR
- R&D
- Designing & Testing
- Production & Construction
  - Spall-liners
  - Add-on-Armour
  - Structural composites
  - Body armour inserts
  - Ready to fit solutions
  - Survivability packages
- Quality control
- Packaging & Logistics
- Marketing & Sales

SUPPLIERS

ADVANCED COMPOSITES
- Chemical suppliers
- Polymer suppliers
- Fibre suppliers
- Fabric suppliers

ADVANCED ARMOUR
- Chemical suppliers
- Polymer suppliers
- Fibre suppliers
- Fabric suppliers
- Ceramic suppliers
- Ballistic metal suppliers

RAW MATERIALS

ADVANCED COMPOSITES
- Chemicals
- Polymers
- Glass

ADVANCED ARMOUR
- Chemicals
- Polymers
- Ceramics
- Metals
- Glass

ADVANCED TEXTILES & COMPOSITES

The principal end-markets for the Advanced Textiles & Composites sector are:

- Personal protection
- Defence
- Mobility
- Leisure.

The products' main areas of application are the protection of military personnel, police and process workers (heat- and flame-resistant protection and ballistic protection), protection of personnel in industry (process industry, oil and gas extraction) and protection of fire brigades and police forces. TenCate is also the European market leader in high-quality fabrics for the outdoor market.

TenCate is one of the market leaders in protective fabrics and is one of the pre-eminent suppliers of aerospace composites. Applications in the automotive industry and other industrial sectors are increasingly coming to the fore. In both markets the increases in interest and demand are being driven mainly by the need to save fuel costs (lower emissions) and reduce weight.

The armouring of army and other vehicles concerns land, sea and air vehicles. In the European market TenCate operates in this field as a supplier of the end-product: an entirely customised, ready-to-install set of armour components, including fixing materials. TenCate also supplies products for personal protection for the law enforcement market.

Materials are increasingly required to meet specific demands. TenCate usually benefits when markets specify higher standards and demand is differentiated on the basis of specific customer requirements.

TECHNOLOGY

The Advanced Textiles & Composites sector is concentrated around impregnation and coating technologies for the application of functional characteristics in and on textiles. The products in this sector mainly comprise protective fabrics and composite materials. TenCate occupies a prominent position in the composites market because its portfolio includes both thermoset and thermoplastic composites. The company leads the way in thermoplastic composites technology in the aircraft industry. The automotive industry is also discovering the advantages of thermoplastic composites, as are other sectors with specific material requirements such as oil and gas extraction and the sports goods industry. Broad application on an industrial scale will nevertheless be a long-term development. Thermoset composites are also of great importance in the car market, including Formula 1 and luxury sportscars.

The raw materials used in the Advanced Textiles & Composites sector are mainly synthetic fibres such as para- and meta-aramids, optical and carbon fibres and synthetic resins.

MARKET GROUPS

The Advanced Textiles & Composites sector consists of four market groups:

- **TenCate Protective Fabrics**
- **TenCate Outdoor Fabrics**

Protective and safety fabrics for a wide range of professional groups and protective fabrics for outdoor applications.

The activities in the TenCate Protective Fabrics market group are concentrated around the production sites in the Netherlands and the United States. In the Netherlands safety fabrics are produced using finished substrates (cotton blends as well as synthetic products). The outdoor fabrics for awning products are increasingly manufactured by means of the digital drop-on-demand print technology. In the United States products are manufactured with a combination of inherently protective (artificial) fibres. TenCate therefore has a wide range of product types for highly varied applications, each with specific product characteristics.

- **TenCate Advanced Composites**
- **TenCate Advanced Armour**

Composites for aerospace and industrial applications; antiballistic materials for personal protection, survivability solutions and vehicle armour.

The TenCate Advanced Composites market group and the Industrial Composites business unit are concentrated around production sites in the United States, the United Kingdom and China (mainly thermosets) and in the Netherlands (mainly thermoplastics). The company has a strong qualification base with a complementary product range resulting from close internal co-operation. For larger customers, TenCate can be a dependable partner in the value chain by providing a one-stop shop service.

TenCate Advanced Armour has manufacturing sites in France and Denmark and operates in the United States. TenCate has both strong design capabilities and a wide range of protective (fibre-reinforced) composites. The market group supplies complete solutions for vehicle programmes. A new feature is the combination of personal armour and advanced sensor technology, which enables personnel to use bulletproof hard-body armour inserts when conducting on-site inspections to assess ballistic integrity.

TENCATE PROTECTIVE FABRICS AND TENCATE OUTDOOR FABRICS BUSINESS MODEL

END-USER MARKETING

- Value proposition focused on specific target groups and standards
- Increased brand awareness
- Key account management
- Risk awareness/safe society
- Partnerships.

TECHNOLOGICAL INNOVATION

- Digital inkjet technology based on the drop-on-demand process for outdoor fabrics and on the continuous inkjet process for protective fabrics
- The Factory of the Future development programme for digital finishing
- Smart textiles
- Effective use of internal knowledge (social innovation)
- Patents.

PRODUCT DIFFERENTIATION

- Global market position, with local product adaptations for local specifications
- Fabrics based on fibre blends and coated/finished fabrics (product champions: distinctive in quality-performance ratio and costs)
- Co-makership, products tailored to specific needs.

COST LEADERSHIP

- Internal production combined with outsourcing delivers flexibility
- Economies of scale
- Process innovation
- Efficiency in production.

TENCATE ADVANCED COMPOSITES AND TENCATE ADVANCED ARMOUR BUSINESS MODEL

END-USER MARKETING

- Access to market participants and partnerships with OEM relationships in market phase of the TenCate ABDS™ active blast countermeasure system
- Market launch of TenCate Smart Body Armor®
- Solution-focused approach due to independence of fibre suppliers
- Reputation and qualifications of renowned market participants.

TECHNOLOGICAL INNOVATION

- TenCate ABDS™ active blast countermeasure system technology
- TenCate Smart Body Armor® sensor technology
- Innovation through networks and partnerships (AMRC, AZL, *e*TAC, NLR, NCC, SCRA, TAPAS, TPRC)
- Qualifications for future programmes
- Industrialisation of processes, focused on volume production.

PRODUCT DIFFERENTIATION

- Development of new areas of application
- Developments in unidirectional (UD) tape technology
- Development of the non-aerospace product portfolio
- Development of the value chain particularly in automotive applications for thermoplastic composites.

COST LEADERSHIP

- Increased efficiency in production
- Economies of scale
- Outsourcing and partnerships
- Development of low-cost solutions (industrial markets).

STRATEGY

The strategy of the Advanced Textiles & Composites sector is derived from the Group strategy, which is based on the business model of TenCate for value chain management. In all activities, growth can be achieved by broadening the geographic spread (new markets) and further developing the product portfolio (new applications). This can be implemented in individual areas as shown below.

Protective fabrics

TenCate operates principally in the upper segment of the safety clothing market. As a global player, TenCate has access to the worldwide commodity markets. Optimum functional characteristics can be achieved in materials through combinations of characteristics of fibres from different providers. A good example of this strategy is the success of the TenCate Defender™ M and the TenCate Tecasafe® portfolio. By effectively mobilising internal knowledge and collaborating with third parties, the aim is to accelerate access to new geographic and other markets.

In all end-markets TenCate seeks to maintain direct contact with end-users and industry organisations so as to respond effectively to customer requirements and ensure that TenCate products are well positioned among end-customers. TenCate applies an own-brand strategy based on the functional aspects and qualities which end-users demand. TenCate works closely with market operators, suppliers of the complete range of industrial clothing and professional wear, which occupy leading positions in certain markets. This collaboration usually results in co-development, joint branding and marketing support.

Composites

The priority of the Group-wide growth strategy is on composite activities, where TenCate currently occupies a unique technology position. After an initial focus on aerospace applications, further growth is being pursued in industrial markets, such as tooling (die construction), the automotive industry, the electronics industry and oil and gas extraction (transport pipelines). The combination of thermoset and thermoplastic composite technology offers TenCate good growth opportunities in these markets.

The strategy is also focused on close collaboration with operators along the entire value chain. TenCate has close relationships with fibre producers, the processing industry and end-customers (OEMs). In the case of both TenCate Protective Fabrics and the two market groups in the composites segment, it is essential to maintain good relationships with raw material suppliers, particularly fibre producers and chemical companies. Many orders are project-driven. Delivery reliability along the entire chain is vital. As a result of its leading market positions, TenCate is usually one of the largest buyers of fibres in the specific market segment. Long-term co-operation agreements have been entered into with a number of fibre producers and manufacturers of synthetic resins.

VALUE PROPOSITION

Good internal collaboration is also essential with regard to the value proposition. The aerospace background of the TenCate Advanced Composites market group also gives TenCate Advanced Armour a strong base in aerospace armour. A similar advantage in the value proposition is achieved through the activities in various segments of the defence market.

With its broad technological background, TenCate is well placed to anticipate specific market requirements. These usually result from laws or regulations or industrial and safety standards which specify the technical characteristics of materials. In the markets in which TenCate operates, supplier reliability and commitment with regard to the performance of materials and operation as a development partner are essential. The requirements in terms of functional aspects of materials evolve constantly and TenCate has the necessary knowledge and flexibility to respond effectively.

› Sectors

SAFETY

Safety guarantee refers to:

- Highly Protected Risk (HPR) status for large business units and Recognition (R) status for small business units determined by FM Global

SUSTAINABILITY

Sustainability guarantee refers to:

- ISO 14001 environmental management systems
- CSR Performance Ladder (CSR PL), CSR management system for corporate social responsibility

QUALITY

Quality guarantee refers to:

- ISO 9001 general quality management systems
- AS 9001 (US), EN 9100 (Europe), JISQ (Asia) aerospace quality management systems

GEOSYNTHETICS & GRASS

The main end-markets in the Geosynthetics & Grass sector are:

- Infrastructure
- Water management
- Sport and leisure.

TenCate Geosynthetics is the world's largest producer of geosynthetics (geotextile fabrics, non-wovens, grids and liners) for infrastructure, the construction industry and environmental applications. The market group has three distinct business units: Infrastructure, Water & Environment and Industrial Fabrics.

Geosynthetics products are mainly used to stabilise or separate soil layers and to support dyke bodies and dam walls. Geosynthetics (such as TenCate Geotube®) are also used in the environmental market (filtration) and for the dewatering of polluted sludge. The portfolio also includes industrial fabrics for the agriculture, horticulture and leisure sectors, among others.

TenCate Grass develops, manufactures and markets synthetic turf components (fibres, outdoor backing and infill) and synthetic turf systems. The areas of application are top-flight and recreational sports as well as landscape applications (landscaping, infrastructure). The Grass group has a leading position worldwide in terms of technology and market share.

The landscaping market is growing strongly and ultimately has the same potential as the sports market.

TECHNOLOGY

The Geosynthetics & Grass sector is concentrated around extrusion and non-woven technologies. The main raw materials used by the market groups in this sector are polyethylene and polypropylene, as well as purchased synthetic yarns, such as nylon and polyester. TenCate Grass supplies synthetic turf based both on the traditional tufting technology and on 3D weaving technology. A second weaving machine was added to the existing production equipment in 2014. More 3D weaving machines have been acquired. This enables the synthetic turf system to be produced in-house under full internal quality control. This process innovation has also delivered logistical benefits. In addition, the weaving technique allows the production of high-quality fully recyclable synthetic turf fabric for hybrid applications, based partly on biodegradable fibres.

MARKET GROUPS

The Geosynthetics & Grass sector comprises two market groups:

- **TenCate Geosynthetics**

Fabrics, grids and non-wovens for solutions and applications for infrastructure projects and the environmental market, as well as industrial fabrics for a range of applications, such as agriculture and horticulture, sport and leisure. TenCate Geosynthetics has production sites in North America, Europe and Asia.

- **TenCate Grass**

Synthetic turf components and systems for applications such as football, hockey and other sports pitches, as well as landscaping. In addition to the companies producing components (fibres, carpet backing and woven synthetic turf), the Grass group includes a growing number of system development and marketing companies.

TenCate Grass has production sites in North America, Europe and the Middle East, as well as offices in Asia. There are three marketing and sales organisations, with offices in countries including the Netherlands, Switzerland, Singapore, New Zealand, Australia, the United Kingdom and the United States.

TENCATE GEOSYNTHETICS BUSINESS MODEL

END-USER MARKETING

- Alliances with market participants
- Local collaboration with partners in emerging markets
- Geographic spread of distribution
- Positioning in sustainability (water management, environmental solutions, low CO_2 footprint)
- Development of relationships in the Chinese and South American markets.

TECHNOLOGICAL INNOVATION

- Dewatering and filtration technology
- Biopolymers.

PRODUCT DIFFERENTIATION

- Focus on differentiated, high-quality and functional products
- Focus on water management, environment and infrastructure.

COST LEADERSHIP

- Economies of scale (volume products)
- Process optimisation
- Focus on reduction of purchasing costs and control of volatility in raw material costs.

TENCATE GRASS BUSINESS MODEL

END-USER MARKETING

- Alliances with market participants (downstream activities)
- Geographic spread of distribution
- Positioning and advantages of the sustainability aspect (water management, recycling)
- Increased quality awareness in end-markets
- Brand positioning (GreenFields, Edel Grass, TigerTurf)
- Relationships with sports federations
- Reduction of total cost of ownership of sports pitches
- Product and system warranties
- Creation of higher quality standard.

TECHNOLOGICAL INNOVATION

- Fourth-generation developments in synthetic turf for football
- Hybrid synthetic turf for football (partly biodegradable)
- Weaving technology
- Biomechanical characteristics (research project with third parties).

PRODUCT DIFFERENTIATION

- System components, 'Powered by TenCate'
- Optimum support of downstream activities for development of new system concepts.

COST LEADERSHIP

- Economies of scale
- Process optimisation.

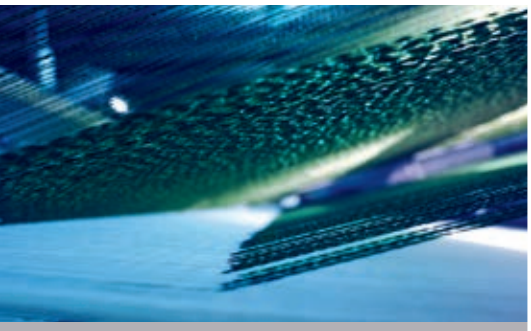
STRATEGY

The strategy of the Geosynthetics & Grass sector is derived from the group strategy, which is based on the business model of TenCate for value chain management. The market policy is based partly on the 'local for local' principle. Local standards and local market demand are factors in both the geosynthetics and synthetic turf markets. Cost leadership is a key pillar of the business model. In the case of non-wovens, the geosynthetics market is mainly volume-driven. The same applies increasingly to the market for synthetic turf fibres. TenCate nevertheless has an important competitive advantage as a one-stop shop for the project market. The company has cost-effective production sites in Asia (geosynthetics) and Dubai (synthetic turf yarns).

Both market groups work to a large extent with partners in the chain. For infrastructure projects the TenCate Geosynthetics market group works closely with specialist consulting firms, dredging companies and construction firms in order to strengthen the focus on end-solutions.
In the synthetic turf market, TenCate is almost at the beginning of the value chain. The company has strengthened its position with regard to end-markets in the synthetic turf sector through a process of chain integration. Market competition is increasingly taking place in the area of end-solutions (systems). This is necessary to gain greater control of the quality of sport systems in end-markets and to safeguard the sustainability aspect more fully. This policy also results in growing co-operation with the TenCate Geosynthetics market group, including for the production of a high-quality, integrated synthetic turf system.

VALUE PROPOSITION

The TenCate Geosynthetics and TenCate Grass market groups are strengthening their value propositions by harmonising their products and systems. The value proposition for both geosynthetics and synthetic turf solutions is concentrated largely in the field of sustainability. Water shortages, or an overabundance of water, are important factors which determine demand in the global market. Governments are focusing on the sustainability aspects of infrastructure, civil engineering and sports projects. In many cases geosynthetics have a demonstrably lower CO_2 footprint than the more traditional construction materials, i.e. concrete and rockfill). The market is devoting increasing attention to the positive

OUTPUT	OUTCOME	IMPACT
		
100% recyclable **GreenFields® MX** 3D matrix woven synthetic turf with tussocks	More playing safety, upright sheaves of soft blades of synthetic grass prevent the compacting of the infill	"Our professional footballers sense and experience the freedom to make sliding tackles, to speed up, twist and turn," **Nico-Jan Hoogma**, General Manager of Heracles Almelo

environmental aspects of geosynthetics. The use of environmental arguments and the reduction of negative environmental effects are therefore receiving greater emphasis in specifications, design and promotion. The rise of synthetic turf is mainly due to its greater playability, water savings and lower maintenance cost compared to natural grass.

In view of the relatively low quality awareness among end-users in the synthetic turf market, TenCate continues to focus on higher quality standards and the total cost of ownership. An optimum and safe playing experience throughout the economic life of the product is of primary importance, aided by further system integration.

OTHER ACTIVITIES

The Other Activities sector comprises three entities.

- **Xennia Technology**

Xennia Technology develops ink formulations for industrial inkjet systems. The company focuses particularly on textile printing and finishing and on the decoration and coating of materials.

Xennia Technology occupies a separate position in the TenCate group, since it is not part of the core competences of TenCate based on materials technology. Xennia Technology was acquired to aid the introduction of digital inkjet technology for the finishing of technical textiles of TenCate. Xennia Technology and TenCate jointly investigated and developed innovative processing methods. These methods have now reached the market launch phase.

After a turnaround phase, Xennia Technology concentrated on the development and production of inks for various market niches, focusing on users' specific requirements. Another key aspect of the strategy is the use of partnerships to enter various geographic end-markets.

- **TenCate Enbi**

TenCate Enbi develops and manufactures technical rollers and components. As a leading supplier to major European, American and Asian printer and copier manufacturers, this business unit occupies an important position in these markets. In addition to the office market, TenCate Enbi serves niche markets, such as postal sorting machines, ATMs, fax machines and photo printers.

In January 2015 agreement was reached with the US private equity company Platinum Equity on the sale of TenCate Enbi. This transaction is expected to be completed in the first half of 2015.

- **Holding & Services**

Holding company activities, including finance, accounting, credit management, patent development and management, investor relations, business development, corporate communications, information technology, human resources management, risk management and insurance.

Corporate information

CORPORATE HUMAN RESOURCES

The human resources policy of TenCate is based on:

- Ensuring a safe work environment for employees
- Increasing and maintaining employees' skills, professional knowledge and expertise
- Qualification, development and mobilisation of employees
- Retaining and stimulating talent
- Developing leadership and entrepreneurial qualities
- Promoting internal co-operation.

DEVELOPMENTS IN 2014

One of the key aspects of corporate human resources in 2014 was the development of the management. Competence management is being used increasingly in recruitment and selection processes, employee development, performance management and succession planning.

The number of employees with employment agreements increased by 111 FTEs in 2014. The biggest growth in the number of employees took place in Australasia and the Middle East. TenCate employed 4,345 people worldwide at the end of 2014. A total of 822 TenCate employees were covered by collective labour agreements in 2014, including 712 in the Netherlands (the agreement for the fashion, carpets and textile sector) and 110 in Austria (the agreement for the chemical industry).

A global career website was developed for TenCate in 2014, allowing the matching of supply and demand for TenCate vacancies. More information at www.workingattencate.com.

Organisational development

The highest priorities are to increase the commercial strength of TenCate, i.e. the marketing and sale of the innovations which the company has developed in recent years. That requires a further strengthening of the sales and marketing competences in the existing organisation. The organisation will act as an enabler in this regard. Entrepreneurship remains central at all levels in the market groups and in each region or continent.

Management development

TenCate aims to fill at least 60% of vacant management positions internally. The continued development of management, including at senior levels, is essential. TenCate has appropriate succession potential for most vital posts. A number of the potential successors could occupy a vacant position immediately. Others will require around two more years to gain the necessary skills and experience. One-third of them have the potential but need to develop for another three or more years.

In 2014 the management teams in Europe took part in a TenCate Executive programme centred on entrepreneurship, strategic marketing and leadership. A return day was organised for the TenCate executive programme held in 2013 for the continental management teams in North America. The promotion of mutual collaboration between market groups of TenCate represents an additional added value in these programmes. Managers of a large number of operating companies worldwide also participated in the TenCate Active programme, which is aimed at business development and the fostering of entrepreneurship, leadership and innovative capability.

OWN EMPLOYEES

(in FTE)	Year-end 2009	Year-end 2010	Year-end 2011	Year-end 2012	Year-end 2013	Year-end 2014	Delta vs 2013
Netherlands	862	785	819	795	753	**758**	5
Rest of Europe	569	724	672	630	658	**674**	16
United States	1,314	1,542	1,604	1,547	1,595	**1,591**	– 4
Asia / Australia	777	878	1,030	1,211	935	**975**	40
Middle East	283	342	228	271	293	**347**	54
Total	3,805	4,271	4,353	4,454	4,234	**4,345**	111

The trainee programme was expanded in 2014. The aim is to extend it to the other countries and regions of the world in which TenCate is strongly represented. Young, academically trained recent graduates will be recruited for two years and will conduct several projects in a number of market groups of TenCate.

Employment conditions

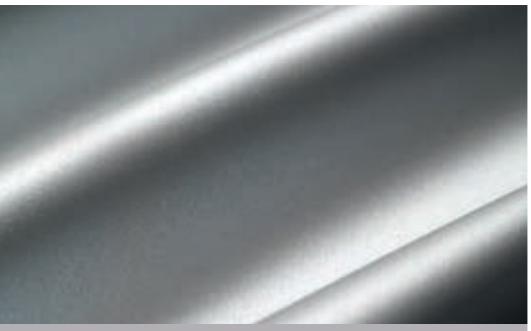
TenCate offers its employees a comprehensive and market-compliant package of employment conditions. Annual benchmark assessments are carried out for this purpose, in collaboration with parties including Hay Group and local employer organisations. TenCate operates a uniform remuneration policy for the management of all businesses. The incentive system for the management is determined centrally, on the basis of the results of the financial and non-financial, measurable criteria.

TenCate operates businesses in more than 25 countries, each of which has its own employment law, legal system and culture. The operating companies therefore conduct their own personnel policy geared to the local situation, taking into account the conditions and general guidelines set by the Group as a whole and the individual market group.

Confidential advisers

The integrity code of TenCate applies to everyone employed by the company. The code is part of each individual agreement of employment. A corporate compliance officer and (internal and external) confidential advisers have been appointed to support the code.

OUTPUT



0%

water consumption by digital UV-curing inkjet printed **TenCate Residential®** outdoor fabric

OUTCOME

Complete design freedom, personalised for the target group and supplied on demand

IMPACT

"Our customers enjoy more colourful camping thanks to our visually attractive camp sites."
Hendrik Gersen, director of Rent-a-Tent camping tour operator

CORPORATE INFORMATION TECHNOLOGY

The IT strategy was updated, leading to a further shift of focus from technical IT service to improved information provision and optimisation of business processes.

DEVELOPMENTS IN 2014

With the completion of the three regional IT shared service centres in the North America, EMEA and Asia-Pacific regions, TenCate further improved the provision of information in 2014.

The IT organisation was adapted with the aim of further harmonising ERP systems. To this end a worldwide ERP competence centre was established to assist local businesses with the implementation and support of these ERP applications in 2014.

The multiplicity of ERP systems was reduced in 2014. The preparation for the replacement of the ERP system in the Grass group in the Netherlands was started and will be implemented in 2015. Investment also took place in IT infrastructure, including for the storage and security of data in external data centres.

CORPORATE BUSINESS DEVELOPMENT

Corporate business development supports the development and implementation of the company's strategic technology roadmap. It also initiates and co-ordinates applications for innovation grants.

DEVELOPMENTS IN 2014

A total of € 1.6 million was made available in innovation grants in 2014. This corporate activity provides support for the introduction of TenCate to new markets, in close collaboration with the operating business units. Business development projects are based on a planned approach and are always driven by solutions for end-users.

Within business development in 2014 a sharper focus was placed on:

- Automotive Composites. Work is being carried out in various joint ventures on composite solutions for structural components
- Digital inkjet technology. Targeted market launches of new, digitally printed products for existing and new customers, particularly in the market for outdoor fabrics, as well as targeted innovations in finishing processes
- Development of new synthetic turf systems. This market-focused development will lead to an initial market launch in 2015, with a new generation of synthetic turf sports pitches being introduced through a combination of various components developed and produced by TenCate – coupled with new production methods for the top layer of the synthetic turf
- Development of composites in Asia. Market-focused development is taking place in China particularly for composite materials supplied by TenCate Advanced Composites.

The development work for the TenCate ABDS™ active blast countermeasure system is being carried out entirely within the American division of the Advanced Armour group, due to the requirements on the handling of classified information. The activities relating to the Water & Environment business unit is taking place in the Geosynthetics group.

CORPORATE COMMUNICATION

The corporate communication strategy of TenCate covers not only corporate branding and overall media policy but also support for marketing communication by the market groups anywhere in the world. Over the past few years TenCate has worked systematically on a single-source approach to integrated communication, with the high-quality content management system (CMS) becoming the source of all textual information and the digital image bank being the source of all visual information (photographs, PDFs, videos, animations). That facilitates the reuse of consistent source content across different channels and media.

Transparency of the TenCate annual report

For the second year running TenCate came top in Leiden University's transparency survey of annual reports. The content was assessed on the basis of a strict list of criteria. The assessment covered the presence of SWOT analyses, statements of vision, strategy and objectives, and the inclusion of action plans. TenCate scored 84 out of a maximum of 100 points for the 2012 annual report, and no less than 94 points for the 2013 annual report. Both scores were highest granted so far to a listed company.

The brand policy and corporate branding of TenCate are focused on further strengthening and expanding the company's image in the market, relying on the strong TenCate corporate brand that forms the basis for corporate and market communication. The brand policy, based on the TenCate brand, is linked to the end-user marketing strategy pursued by the various market groups.

TenCate conducts an active patent policy. That applies both to the registration of new inventions and to the protection of existing intellectual property rights.

The existing portfolio is regularly assessed to ensure that the available intellectual property is being used appropriately. TenCate innovates and develops constantly. The resulting intellectual property is appropriately registered and protected. Action is taken if any infringements are identified, both independently and with the assistance of external specialists.

DEVELOPMENTS IN 2014

The toolbox of communication resources for the market groups was further expanded in 2014, for example with the addition of a digital magazine, various sales and other apps, tencate.tv and social media platforms. That enables the market groups to produce a customer-focused or end-user-focused marketing mix to suit their own preferences and requirements. Measurability and trackability of marketing communications is a priority for the years ahead. Predefined communication objectives for marketing and other purposes are being developed for the market groups and TenCate at corporate level on the basis of the specified digital communication roadmaps.

Further work took place in 2014 on the positioning of the corporate brand worldwide. The market groups are continuing to apply the co-ordinated brand strategy in a consistent manner. It was already evident in previous years that this strategy was also bearing fruit in terms of brand value.

TenCate registered various new patents and thereby further expanded its existing patent portfolio in 2014. This is appropriate for an innovative organisation that constantly develops new products incorporating new techniques or technologies. The brand portfolio can be viewed on the website. The patent portfolio is not disclosed, due to competition considerations. TenCate has more than 680 patents.

CORPORATE SOCIAL RESPONSIBILITY

The sustainability policy of TenCate forms an integral part of the pursuit of continuity in the company, which has existed for over 310 years. It is reflected in the collective name and the common goal of the TenCate organisation: to protect people and their working and living environment – Protecting People with Materials that make a Difference. It is also based on the forward-looking vision, mission and strategy of the Executive Board.

TenCate is aware of the effect that its actions have on the social environment. By maintaining the company on the basis of sustainable profitability, TenCate aims to play a part in ensuring that the social, ecological and economic environment remains available for future generations. TenCate is increasingly integrating sustainability into its operating processes, products, joint ventures, marketing and communication on the basis of corporate social responsibility (CSR). This creates shared awareness among both internal and external stakeholders, which in turn opens the way to constructive initiatives with buyers, customers, partners and institutions and stakeholders aimed at the responsible deployment of people in production processes and responsible use of commodities and materials.

With regard to the worldwide trends in safety and sustainability, underlying themes arise in relation to the protection that TenCate provides. Such sustainability themes include weight reduction, limitation of energy consumption, noise reduction, insulation, water management, reuse, recycling, biodegradability, wastewater and sludge processing, wear and tear and resistance.

Numerous sustainability aspects arise to a greater or lesser extent in the management of the value chain. This applies to all cornerstones of the business model of TenCate. The technological innovation cornerstone is the most obvious. It is only by continuing to deliver (groundbreaking and supportive) innovations in technological and technical fields that TenCate will be able to guarantee its continuity as a materials technology group and maintain sustainable development.

CSR is the means by which TenCate integrates sustainability into its business operations. TenCate uses numerous management systems to make corporate social responsibility in particular visible, measureable and controllable. These range from environmental management systems (ISO certifications for quality, the environment and corporate social responsibility) to financial and non-financial accountability on the receipt of innovation funds and the awarding of sponsorship and donations.

In the various value chains, TenCate plays an active part as a customer, producer, supplier and co-operation partner in delivering sustainable innovations in numerous fields. Open innovation and closed open innovation are the keywords for the 'new competition': sustainable co-operation. The theme of 'sustainable procurement' is also of growing importance in specific market groups. As market leader, TenCate aims to be among the front runners in the industry in terms of both safety and sustainability.

The future availability of essential natural resources (biodiversity) remains an ever-growing concern for TenCate. The company aims to keep control of developments by focusing on individual areas such as an integrated environmental policy, the prevailing energy policy, the progressive policy on emission allowances, efficient and eco-efficient production, recycling and the bio-based initiatives currently being developed.

This approach is in line with the industry's sector objectives. According to the Modint roadmap to 2030, by that time the technical textile industry must be able to fulfil the needs of customers and users in a flexible and sustainable way. TenCate leads the way in the pursuit of this objective. By already working further on technologies and techniques for the processing of natural, synthetic, bio-based, biologically degradable, recyclable or secondary raw materials, TenCate will increasingly be able to manufacture biologically, chemically or mechanically recyclable products using cleaner and more efficient production techniques. The technology and product road maps of TenCate in particular chart the direction of future sustainable innovations.

The corporate CSR team – which reports to the Executive Board – specifies the corporate objectives and the CSR programme each year. The objectives and results are assessed with the management and group managements as far as possible on a quarterly basis. The group managements make adjustments to the implementation where necessary.

Organisation of corporate social responsibility

Executive Board

Vision, mission, strategy, business model, including corporate social responsibility
Defining and monitoring critical performance indicators (KPIs), i.e.

- General indicators
- Specific indicators (CSR)

Corporate CSR team

Corporate risk manager	Director of Controlling	Group HR director	Head of corporate communication	Corporate information manager	Corporate investor relations manager	Corporate CSR Controller

Advice for Executive Board concerning corporate social responsibility
Practical progress of CSR policy
Definition and monitoring of specific indicators (CSR)

DEVELOPMENTS IN 2014

TenCate again limited the environmental risks as fully as possible during the 2014 reporting year. The group managements were supported by the CSR team worldwide with initiatives and projects promoting corporate social responsibility. TenCate was active in numerous projects related to or aimed at corporate social responsibility in 2014, involving sponsorship, donations or participation in events. A full list can be found on the dynamic annual report website (www.tencateannualreports.com) and a summary appears on the corporate website (www.tencate.com) under CSR projects.

TenCate played an active part in around 20 innovation projects centred on sustainability and safety in Europe during the reporting year. The company was also active on numerous national and international committees during the year. TenCate has been working for decades with a number of knowledge institutions in Europe, including, in the Netherlands, Delft University of Technology, the University of Twente, Saxion University of Applied Sciences in Enschede and Windesheim University of Applied Sciences in Zwolle, as well as NLR, the Dutch National Aerospace Laboratory in Amsterdam. In Belgium, TenCate works with various institutions including University College Ghent. In Germany TenCate shares knowledge with bodies including RWTH Aachen University and Chemnitz University of Technology. In the United States, TenCate exchanges experience with the Georgia Institute of Technology in Atlanta. In Asia, TenCate is in close contact with, among others, the China Educational Equipment Industry Association (CEEIA) in Beijing and the associated Branch of School Sports Equipment. The company works together with other partners on industrial standards for synthetic turf applications for Chinese schools and universities.

All four market groups in Nijverdal have been certified in accordance with the CSR Performance Ladder at level 3: TenCate Protective & Outdoor Fabrics by Bureau Veritas, TenCate Advanced Composites by LRQA and TenCate Geosynthetics and TenCate Grass by DEKRA. The CSR Performance Ladder is built around three core components based on the international CSR guidelines (ISO 26000). In the first place the certificate imposes requirements on the management system of each market group with regard to the introduction and development of corporate social responsibility. Stakeholder management and CSR indicators are guaranteed by procedures and monitoring of changes. Demonstrable co-ordination and dialogue also take place with stakeholders. Every market group reports to them regularly on CSR matters. The most relevant of the 33 CSR indicators (subdivided into seven core CSR themes, the same as in ISO 26000) have also been incorporated in the CSR management system for each market group. CSR Performance Ladder level 3 certification also requires the market group to involve indirect as well as direct stakeholders in the company's activities. This underlines the value chain management which the group strives for on the basis of the TenCate business model. The CSR certification is based on at least one of the ISO 14001, ISO 9001 or AS/EN9100 certification standards.

BUSINESS CONTEXT

Business context describes and explains the environment in which TenCate operates

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SWOT analysis 56

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TENCATE Cetex™

Business environment

BUSINESS ENVIRONMENT

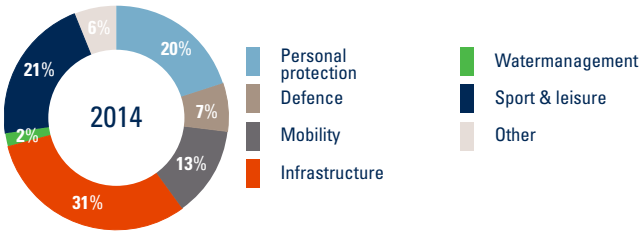
The context in which TenCate operates can be described as the 'risk society'. Risks and dangers to human beings and society are to a large extent the basis for the development of materials which offer solutions to specific issues in society. TenCate is closely associated with this context through the mission of 'Protecting People'. The worldwide trends on which TenCate focuses are safety and protection, as well as sustainability and the environment.

The company expects these markets to grow over the long term. In the short term, however, TenCate is dependent on governments as its end-customer for 43% of revenues (2014). The dependence on government spending in recent years has increased the uncertainty surrounding organic developments in markets of relevance to TenCate.

Revenue trends are therefore difficult to assess and volatility has increased. In the past, the risk profile was reduced by the global spread of revenues, but pressure on government expenditure is now evident in many geographic markets. The company has nevertheless focused successfully on the development of private markets. TenCate recorded 12% growth in non-government revenues in 2014.

In Europe, the pressure on governments to comply with the financial conditions set by the European Commission continued. In the United States, there were even automatic budget cuts (sequestration) in 2014. This impacted the business environment of TenCate.

BUSINESS ENVIRONMENT



PERSONAL PROTECTION

TenCate has a mission to protect people. This is reflected among other things in the production of protective fabrics and armour composites for personnel in a wide range of jobs. The personal protection end-market is a long-term growth market. In the short term, growth is dependent on economic growth, which translates into the level of industrial output and the availability of government resources for emergency and safety services.

DEFENCE

Measured over the last 10 years, defence expenditure in Europe reached another low point in 2014. In the United States, the discussions on the government budget had a paralysing effect on expenditure. The American market is by far the most important defence market. The accelerated drawdown of US troops from foreign countries has led to a considerable fall in demand. TenCate occupies a leading position in protective materials for army uniforms and armour materials.

MOBILITY

The global trend towards weight-saving in aircraft and vehicles remains an important factor for a sustainable environment. Weight savings allow a considerable reduction in fuel consumption. The new market for automotive composites is being driven by stricter regional legislation on CO_2 emissions. TenCate Advanced Composites operates in the market for composites capable of replacing traditional heavy materials and metals. The composites market is growing fast. The new markets are expected to accelerate this growth.

INFRASTRUCTURE

TenCate serves the infrastructure end-market through the production of geotextiles for infrastructure works and synthetic turf for landscaping. Investments in infrastructure works are largely dependent on government spending, although recent natural disasters and the phenomenon of global warming have increased the priority given to water management and coastal protection. This will be a growth market over the long term, partly in view of the increasing importance of infrastructure for economic growth.

WATER MANAGEMENT

TenCate produces geotextiles and systems for water management, maritime projects and dewatering. TenCate Geosynthetics has recorded strong growth in the worldwide Water & Environment business unit in recent years. For TenCate, the water management end-market is driven mainly by the increasing emphasis on protection of the environment against water and rising water levels, but the company also offers solutions for areas suffering from water shortages.

SPORT AND LEISURE

The business environment in the sport and leisure end-market comprises the markets for synthetic turf systems and outdoor fabrics. The synthetic turf market remains a growth market. The provision of sports facilities is generally seen as a regional or central government responsibility. Synthetic turf can also offer a solution where water is scarce.

SUSTAINABILITY

The sustainability aspect is of constantly growing importance in the business environment in which TenCate operates. Not only are governments increasingly using the expression 'sustainable procurement', but industrial partners are also making ever greater demands.

These concern sustainable production processes, recycling, sustainable energy consumption and the CO_2 footprint. TenCate deliberately seeks out these trends, since they will lead to higher demands being made on the required materials. New developments will be necessary in the years ahead, both on the demand side and in production processes, in order to respond to these trends. This will be a gradual development process. It will demand a global approach in all parts of the company.

TenCate scoops Boeing Performance Excellence Award

At the beginning of March 2014 TenCate Advanced Composites received a Boeing Performance Excellence Award for the second year in a row. The Boeing Company presents the award annually in recognition of outstanding performance by suppliers. As a major supplier of composites for radomes, TenCate was awarded a Silver composites score for quality and delivery for each month of the 12 month period from 1 October 2012 to 30 September 2013. This year 582 Boeing suppliers received a Boeing Performance Excellence Award at Gold or Silver level. The award recognises their commitment to on-time delivery and the quality of materials for Boeing, such as low dielectric radome prepregs for the Boeing 787 and EA-18G Growler programmes and TenCate Cetex® thermoplastic composites for a variety of Boeing aircraft. TenCate also manufactures components for the Boeing V-22 Osprey helicopter, the F-18 programme and the Boeing 737, 747 and 787 commercial aircraft.

Stakeholders

Stakeholder management within TenCate supports the organisation in achieving its strategic objectives. By informing and influencing external and internal stakeholders, TenCate aims to initiate a dialogue with them and establish and maintain constructive relationships. The company does so by effectively managing the expectations and experiences of the stakeholders concerned.

DIALOGUE

TenCate took various initiatives in 2014 to maintain and strengthen relationships with numerous stakeholders. The company played an active part in many committees with a view to establishing, exploiting or intensifying open innovation and partnerships. Examples of partnerships in Europe include: in the Netherlands the Advanced Materials Open Innovation Centre (OICAM) in Nijverdal, since 2014 the new Innovation Centre Digital Finishing in Nijverdal, the ThermoPlastic composites Research Centre (TPRC) in Enschede, the Thermoplastic Affordable Primary Aircraft Structure (TAPAS) consortium, the Compoworld foundation in Marknesse and the European Thermoplastic Automotive Composites (*e*TAC) consortium; in the United Kingdom the National Composites Centre (NCC) in Bristol, the University of Sheffield Advanced Manufacturing Research Centre (AMRC) in Sheffield; in Germany the Aachener Zentrum für Integrativen Leichtbau (AZL) in Aachen. In the United States TenCate is associated with the South Carolina Research Authority (SCRA) in Columbia among others and is a member of the Strategic Advisory Board of the Ronald E. McNair Center for Aerospace Innovation and Research, part of the University of South Carolina. A list of the innovation networks in which TenCate is active and the knowledge institutions with which TenCate collaborates can be found at www.tencateannualreports.com.

Presentations were given in various financial centres in Europe during roadshows for financial stakeholders. The Annual General Meeting of Shareholders was held at the Heracles Almelo Business Club in April 2014.

External stakeholders are also increasingly engaging in a substantive dialogue with TenCate, as in November 2014 with Windesheim University of Applied Sciences in the Netherlands on the background to business diplomacy and in December 2014 with the Dutch Association of Investors for Sustainable Development (VBDO) on the effect and scope of its Responsible Supply Chain Benchmark.

Fundamental image and reputation management was pursued through end-user marketing and an active media policy. Relationships with governments were strengthened to persuade end-customers of the quality of TenCate products. Presentations were given to members of Congress in the United States.

In the Netherlands, regular contact was maintained with the trade unions and the Central Works Council as well as other bodies.

Core stakeholders of TenCate

Shareholders and financial relations	Media, policymakers and sector organisations	Universities, colleges and institutions
Governments and departments	TENCATE	Employees and representatives
Customers	Partners	Suppliers

MATERIALITY ANALYSIS

On the basis of its business model, TenCate identified and grouped the respective stakeholders at corporate level. Key stakeholders were selected in each group for the materiality analysis. In addition to the regular contacts and discussions, they were invited to take part in a two-yearly qualitative dialogue focused on discussion and prioritisation of material subjects. To that end a list of relevant subjects was drawn up for TenCate, based on the one hand on standards for sustainable reporting and industrial guidelines (GRI, SASB, ISO) and on the other hand on material subjects for peers, suppliers and customers. TenCate applied quantitative and qualitative criteria to filter this list, arriving at a list of subjects of relevance to TenCate and its stakeholders. The invited internal and external key stakeholders were asked during individual discussions to validate these material subjects and state the degree of importance to the stakeholders concerned or their organisation on the basis of a quantitative rating system.

The relevance to the strategy of TenCate was determined by the company itself. On the basis of this relevance a materiality matrix was composed, as shown on page 54 of this annual report. In-depth discussions took place with stakeholders in 2014 to identify the parts of the value chain that might be impacted by TenCate in each of the subject areas which the respective stakeholders considered to be materially important. The corporate dialogue will once again be conducted internally and externally with other groups of key stakeholders in 2015 and will be repeated with them two years later.

The market group entities which were certified in accordance with the CSR Performance Ladder (level 3) have conducted their own annual dialogue with stakeholders of relevance to these business units since 2012. A materiality matrix was also compiled for these units in 2014. Further co-ordination and alignment with the corporate dialogue will be pursued in 2015.

FOLLOW-UP

The materiality analysis provides support for the control of the value creation process of TenCate and the strengthening of its impact. The value chain management business model plays a guiding role in this regard. The results of the corporate dialogue were discussed in the corporate CSR team, which then drew up recommendations for the Executive Board. The results of the market group dialogues were discussed by the CSR teams concerned. The responsible managements are involved in the continued follow-up of the results and action points.

As well as setting objectives for social, ecological and economic aspects of corporate social responsibility, the company's impact on the social environment will be made increasingly measurable. The current stakeholder dialogue, materiality analysis and materiality matrix will play a central role in this regard. They will provide an increasingly incisive view over the years, making it easier to identify the internal and external factors of importance to TenCate and to determine where the impact is greatest and what to aim for.

The materiality analysis is robust and was devised with the involvement of many stakeholders. The subjects considered most material are those which have the greatest impact according to the analysis. TenCate realises that the insights obtained must be developed further as part of the value creation process to enable the ultimate impact to be measured as far as possible.

Materiality matrix

The materiality matrix comprises material subjects which affect the performance of TenCate. It establishes a connection between the strategic objectives, value proposition and governance model of TenCate. The greater the importance of the subject for both society and business operation, the greater the materiality.

Material factors are plotted on the horizontal axis in respect of their importance to the strategy of TenCate, such as the approach to sustainability, innovation policy and value chain management. These factors are plotted on the vertical axis in respect of their importance to stakeholders, such as customers, shareholders, partners and employees. By associating a relative value with these factors, it is possible to see which subjects are most relevant and where TenCate is working to improve performance and intensify the dialogue with all stakeholders. The matrix is used as a management mechanism. This approach helps in determining the focal points for sustainable business operation.

Representatives from almost all groups of core stakeholders were approached for the corporate dialogue in 2014. The suppliers group was also included in the qualitative dialogue on this occasion.

The corporate dialogue gave rise to a robust materiality matrix which clearly highlights the relevance of the strategy of TenCate. More importance is attached to end-user marketing (and the related sales efforts). Both the external and internal stakeholders consider the company's economic performance and – with minor differences of emphasis – the four cornerstones of the business model of TenCate to be of the greatest importance. Once again, a striking feature of the matrix is that external and internal stakeholders focus to some extent on other areas, including with regard to the previous reporting year. The subjects under 'environmental management' are deemed important mainly by the internal stakeholders and less so by the external stakeholders, even though the importance to them too is growing in individual sub-areas. TenCate is continuing to increase its communication with external stakeholders on facts and figures concerning the impact which its products and solutions have in areas such as 'energy efficiency' and 'greenhouse gas reduction'. This again provides opportunities to intensify the end-user marketing, particularly with regard to sustainability aspects. The detailed results of this qualitative dialogue are analysed by the Executive Board, the managements concerned and the corporate CSR team. The results are taken into account in the ongoing policy definition and implementation of TenCate. The five most material subjects – technological innovation, economic performance, product differentiation, cost leadership and end-user marketing – are analysed in detail in this 2014 annual report.

Close collaboration with Cirrus Aircraft

TenCate Advanced Composites signed a long-term agreement with Cirrus Aircraft at the end of February 2014 to supply materials for the Cirrus SR-series aircraft and the new Cirrus Vision SF50 private jet. Cirrus Aircraft is a recognised leader in small-scale aerospace, offering an entirely composite-based range of private aircraft with innovative features and leading-edge safety technologies, such as parachutes for the aircraft themselves. For the new Cirrus Vision SF50 a series of materials will be used that are based on out-of-autoclave processable prepregs of TenCate. This out-of-autoclave processing reduces the production costs and the investment in production resources. With the Cirrus Vision SF50, over 550 of which have now been ordered, Cirrus Aircraft is focusing on an important niche between its highly successful SR series aircraft and the market for very light jets.

SWOT analysis

The SWOT analysis is a permanent part of the strategic planning of each market group within TenCate. The SWOT analysis included in the annual report is a translation of this analysis at Group level.

Strengths

- Innovation: TenCate takes advantage of internal synergy by combining and integrating knowledge and skills on a broad technological basis. TenCate is also well positioned to offer new solutions and accelerate time to market in co-operation with external partners
- Cost leadership: TenCate has leading, worldwide market positions and is able to control costs through economies of scale. The company also has a flexible organisation and can always consider outsourcing or insourcing of production
- Product differentiation: TenCate has a strong brand position in professional markets. Products and solutions meet the highest functional standards, tailored to various sub-markets
- End-user marketing: TenCate can respond to a wide range of functional requirements of user groups in local niche markets.

Weaknesses

- TenCate offers its customers innovative products and solutions, but the fragmentation of markets with specific end-customer requirements means that the sales organisation is still insufficiently developed to generate rapid revenue growth with new products
- TenCate generates a relatively small proportion of revenues in emerging markets. The group itself has only a very limited presence in these geographic markets. 20% of revenues were generated outside Europe and North America in 2014
- Although government-related sales have declined as a proportion of total revenues in recent years, the dependence on this market remains high. These revenues are often project-based, which may give rise to shocks in periodic revenues
- As a manufacturing company, TenCate must ensure sufficient utilisation of production capacity even in the event of disappointing revenues. This may have temporary consequences for margins and working capital. Some volume production remains necessary.

Opportunities

- After various breakthroughs with new solutions and in new markets, intensive marketing should lead to an increase in follow-up orders
- Cross-fertilisation between the market groups promotes technological innovation within the sectors
- The increasing attention paid to fuel savings and reduction of CO_2 emissions in the aerospace and automotive industries provides opportunities for TenCate as a supplier of lightweight materials
- There is a growing awareness of the importance of appropriate protection for personnel. The materials of TenCate provide suitable protection combined with specific functionalities
- Emerging markets are still lagging in terms of standards and specifications in some fields
- TenCate has maintained its innovation policy in all market conditions and has further developed as a company. The consistency of its strategic policy has strengthened the competitive position.

Threats

- Macro economic uncertainty and political instability
- Continuing pressure on government budgets. Although government-related sales have declined as a proportion of total revenues in recent years, the dependence on this market remains high
- A large part of the revenues of TenCate are generated by large projects, which may give rise to shocks in periodic revenues. Any delay or cancellation of these projects may have a major impact on the composition of revenues and profitability in the short term
- In some markets the end-customer may sacrifice functionality in favour of price
- A structural decline in the oil price may have a negative effect on the development of environmentally friendly means of transport
- A structural decline in the oil price may have a negative effect on the absolute level of revenues and results.

Challenges

Exploiting opportunities and averting threats

- The technological base of TenCate enables it to initiate developments and offer solutions for specific problems in local niche markets. Integrated system solutions are increasingly offered instead of separate components or materials
- After a few years, products developed for the aerospace industry, for example, also make their way into other markets which make high demands on functional materials
- End-customers can be persuaded to adopt new solutions through collaboration with bodies representing certain target groups
- The dependence on government spending can be reduced by means of marketing targeted at private markets
- Development of the TenCate brand in all market groups improves the positioning in the various submarkets worldwide
- Continuous monitoring of production costs, including through the introduction of new production processes, enables TenCate to ward off potential competition from less advanced manufacturers.

Improving weaknesses and averting threats

- The threat of constant pressure on government budgets in Europe and North America can be limited by further geographic expansion
- A strengthening of marketing and sales activities, particularly for new, high-quality products with high added value. The aim of this is to achieve revenue growth through broad market acceptance
- Reduced dependence on government spending through greater attention to private markets. The increase in revenues of TenCate Protective Fabrics from TenCate Tecasafe® and the private end-markets of TenCate Geosynthetics is intended to reduce this dependence
- TenCate endeavours to maintain flexibility in production, with consideration increasingly given to partnerships and outsourcing of production
- Continuing harmonisation of marketing and production with leading buyers of synthetic turf fibres for high quality synthetic turf systems.

Risk management

Risks are an inherent part of enterprise. The company aims to identify and control these risks at the earliest stage possible. Risk control models have been developed for that purpose, which are regularly updated by and discussed with the Group management. The risk preparedness of TenCate, the main risks and the applicable risk control models of are described briefly below for each category. A full description of the risk management can be found on the TenCate website (www.tencate.com/corporate-governance).

Insights into the risk preparedness of TenCate and the associated limits are discussed with the management. Limits are determined by the strategy, code of conduct, business values, authorisation schedules, procedures and management regulations. The risk appetite differs in each risk category. Risk management is covered in the consultations with the Supervisory Board's financial committee.

STRATEGIC AND MARKET RISKS

In order to assess the strategic and market risks, TenCate uses its own value chain management business model based on four cornerstones. This enables TenCate to clearly understand the strategic position of a business unit and adjust its course accordingly. A second model used is the SWOT analysis (see page 56).

TenCate is prepared to incur substantial but carefully considered risks in order to achieve the qualitative strategy objectives it has set. Identified strategic risks relate to:

- Limits on government expenditure
- Deteriorating economic and political conditions
- Technological developments
- Availability and fluctuation of prices of raw materials.

The major risk factor in demand for TenCate products is the level of government expenditure. The number of customers may be limited, even in the industrial market. In some market groups products are developed for adjacent markets, reducing the dependence on government budgets and dominant customers. By building flexibility into cost structures, it is possible to offset the consequences of a drop in demand to a certain extent.

There is never any guarantee that substantial development expenditure will yield results. Nevertheless, substantial sums are devoted to research and development because the future of TenCate as a materials technology group depends on technological progress. Measures are agreed with the management, on the basis of the TenCate business model and the SWOT analyses, with a view to early identification of market opportunities and limitation of the risks associated with research and development. TenCate participates in various innovation and knowledge networks.

A limited number of raw materials account for a large proportion of the materials consumed by the market groups within TenCate. Prices in commodity markets are liable to fluctuate widely. Price rises cannot always be passed on, or can only be passed on after a time lag. In the case of some materials, shortages may occur or a dependence may develop on a single supplier. Such cases give rise to availability risks or disproportionate price rises. Efforts are made to reduce this dependence by using alternatives.

OPERATIONAL RISKS

In respect of operational risks, TenCate has a very low risk appetite. The objective of TenCate is to minimise the impact of unexpected operational problems. Identified operational risks relate to:

- Continuity of production
- Product liability
- Retention of knowledge and skills
- Licence to operate
- IT reliability and continuity.

It is vital that TenCate has safe production sites. This guarantees business continuity and can prevent any loss of production capacity. TenCate can then also safeguard its position as a dependable supplier to its customers.

Safety aspects concern in particular the risk of fire, explosion and natural disaster, such as floods, earthquakes or storms. In co-operation with the insurer FM Global, corporate risk management conducts regular annual inspections of production sites of all market groups worldwide. The insurer FM Global once again granted the Highly Protected Risk or the Recognition status to three businesses in 2014. These were the production sites of TenCate Advanced Composites in Camarillo and Fairfield (California), United States, and in Burlington, Canada. TenCate now has 12 sites with this status.

Other initiatives are also deployed to maintain the level of safety culture within TenCate. Various employees attended refresher courses for the company emergency service and general or specific courses in occupational safety with FM Global in 2014. Corporate risk management also deals with numerous matters relating to the company's liabilities, including product liabilities and insurance cover.

TenCate has various small- to medium-scale production processes. Incidents in production can never be ruled out. These may lead to a loss of quality in the end-products, claims from customers or even a temporary halt in the production process. TenCate carries out preventive inspections of its products and almost all plants are ISO-certified. Control of production processes and quality management are important priorities in order to prevent product claims.

The development of technical and management competences plays an important role in the personnel policy of TenCate. This enables the company to monitor the quality of products and the continuity of the production processes.

The TenCate businesses' licence to operate depends on close adherence to local regulations and operation within locally specified standards of good entrepreneurship.
Both the holding company and the operating company managements conduct regular audits and take measures to avoid environmental risks. Work started in 2012 on quantifying the use of fossil raw materials, energy and waste as part of corporate social responsibility.

Any disruptions to IT systems can impede the operating processes. The risks are limited as far as possible by means of information security and fallback procedures. The operation of these facilities is tested regularly both internally and externally. The policy is to further reduce the multiplicity of ERP systems. For reasons of cost and risk control, IT systems are increasingly managed centrally.

COMPLIANCE RISKS

TenCate has a zero-tolerance policy with regard to compliance risks. Identified compliance risks relate to:

- Business ethics and legal compliance
- Infringements of intellectual property.

The standards and values of TenCate are set out in the code of conduct and corporate values (10Cate). A whistleblower scheme and a complaint scheme enable employees to inform the company management of any undesirable situations. A central compliance officer and a confidential adviser have also been appointed and insider trading rules are in force, knowledge of which has to be confirmed by the management every year.

All managers and controllers sign an annual letter of representation declaring their compliance with financial reporting and internal control requirements.

TenCate is involved in a number of legal proceedings resulting from normal business operations. The results of these procedures are by their nature uncertain. The progress of these proceedings is monitored continuously. A summary is discussed twice a year in the Supervisory Board's finance committee.

Developments of new products entail a risk of IP rights violations. An IP manager has been appointed to co-ordinate activities. Important patents and innovations are recorded as far as possible to mitigate risks of patent infringements. Possible infringements are actively investigated.

FINANCIAL RISKS

With regard to financial risks, TenCate has a low risk appetite. The risks relating to liquidity, credit, interest rates and currencies and the associated risk preparedness are described in more detail in note 53 of the financial statements. Identified financial risks relate to:

- Availability of finance
- Impairment
- Interest and exchange rate fluctuations
- Counterparty credit risk, including customers.

The treasury policy was updated and a treasury committee was appointed in 2014. This committee develops and monitors the Group's treasury policy and reports on it to the Executive Board.

The financing of the company is centralised through corporate treasury. The main financing source is the syndicated loan. TenCate entered into a new € 350 million credit facility with an international syndicate of six banks on 31 October 2014. The facility has a five-year term. € 212.1 million of this facility was drawn as at 31 December 2014. The main condition concerns the net debt/EBITDA ratio. In view of the specific seasonal pattern in the financing requirement of TenCate, quarterly variations in net debt/EBITDA ratios have been agreed, thereby substantially reducing the risk of a breach of covenant.

An impairment test is carried out on these assets at least once a year. This is discussed with the Supervisory Board and the external auditor. Full details of the impairment test can be found in note 39.2.

The risk of an interest rate rise is hedged in stages over the subsequent years. With regard to currencies, TenCate has a hedging policy whereby the main risks are hedged for at least the current calendar year.

The credit risk relating to individual customers is monitored centrally and partly insured.

EVALUATION

The Executive Board is of the opinion that:

- The risk management and control systems provide reasonable assurance that the financial reporting is free of material misstatements
- The risk management and control systems have operated correctly in the reporting year
- There are no indications that the risk management and control systems will not operate correctly during the current year.

However well designed the internal risk management and control systems are, they can never provide absolute certainty that objectives in the field of strategy, operation, reporting and compliance with laws and regulations will always be achieved. When taking decisions, TenCate is mindful that:

- Human errors of judgement may arise
- Cost-benefit assessments are constantly made when assuming risks and taking control measures
- Human failings and even simple errors or mistakes can have major consequences
- Conspiracies by officials can lead to circumvention of internal control measures
- The management of parts of the company can permanently or temporarily negate agreements made with the Executive Board.

GOVERNANCE

In **Governance** the company explains how management and supervision are organised within TenCate

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TenCate Armourtex™

Executive Board

Board information as at 1 January 2015

***Ir.* L. de Vries** (1951), President and Chief Executive Officer

Mr De Vries has been a member of the Executive Board since October 1998 and President and CEO since August 2000. As CEO, in addition to operational management, he focuses among other things on strategy, marketing, sales and human resource management.

Previous employers:
- Wilma Nederland
- Wilma Vastgoed
- Holec Nederland

Other activities in 2014:
- Member of the Wientjes Committee
- Member of Industrial Board Advanced Materials Manufacturing Oost-Nederland

***Drs.* E.J.F. Bos** (1961), member of the Executive Board and Chief Financial Officer

Mr Bos has been a member of the Executive Board since April 2014 and as CFO he focuses among other things on financial affairs and information technology.

Previous employers:
- Royal Lankhorst Euronete Group
- Grontmij Nederland
- Oranjewoud
- Unilever

ADVANCED TEXTILES & COMPOSITES SECTOR

TenCate Protective Fabrics Americas & APAC
Group Director:
D.M. Olsen MBA (1954)

TenCate Advanced Composites Americas & Apac and TenCate Advanced Armour
Group Director:
D.C. Clarke BBA (1958)

TenCate Protective & Outdoor Fabrics EMEA and TenCate Advanced Composites EMEA
Group Director:
F.J. Meurs MBA (1967)

GEOSYNTHETICS & GRASS SECTOR

TenCate Geosynthetics
Group Director:
W.L. Moore BSc (1963)

TenCate Grass
Group Director:
Ir. G.J.M. Vliegen (1966)

Holding company
Corporate Director of Human Resources:
Ir. J.H.A.J. Gritter (1968)

Holding company
Corporate Director of Business Development
Drs. F.R. Spaan (1955)

Supervisory Board

Board information as at 1 January 2015

From left to right: *Drs. Ing.* P.F. Hartman, *Dr.* J.C.M. Hovers, *Mr.* M.J. Oudeman MBA en *Mr.* E. ten Cate.

***Dr.* J.C.M. Hovers** (1943), Chairman [1, 2]
Commenced in office 2008
End of current term 2016
Chairman of the Supervisory Board of Plieger NV
Member of the Supervisory Board of Randstad Groep Nederland bv
Former Chief Executive Officer of Stork NV and OCE NV

***Mr.* E. ten Cate** (1945) [1*]
Commenced in office: 2004
End of current term: 2016
Director of Bank ten Cate & Cie N.V.
Chairman of the Supervisory Board of Hydratec Industries N.V.
Chairman of the Supervisory Board of Rijksmuseum Twenthe
Member of the Supervisory Board of Medisch Spectrum Twente

***Drs. Ing.* P.F. Hartman** (1949) [2*]
Commenced in office: 2013
End of current term: 2017
Vice Chairman of Air France KLM
Member of the Supervisory Board of Air France KLM S.A.
Member of the Supervisory Board of Fokker Technologies Group B.V.
Member of the Supervisory Board of Constellum N.V.
Chairman of the Supervisory Board of Texel Airport
Chairman of ACARE (Advisory Group for Aviation Research and Innovation in the EU)
Chairman of the Executive Board of Connekt

***Mr.* M.J. Oudeman MBA** (1958) [2]
Commenced in office: 2014
End of current term: 2018
President of the Executive Board of Utrecht University
Member of the Supervisory Board of Statoil ASA
Member of the Supervisory Board of ABN AMRO N.V.
Member of the Supervisory Board of SHV Holdings N.V.
Member of the Supervisory Board of Rijksmuseum Amsterdam
Member of the Supervisory Board of Koninklijk Concertgebouw N.V.

All members of the Supervisory Board are of Dutch nationality.

1 Member of the Financial Committee.
2 Member of the combined Nomination, Remuneration, Selection and Appointments Committee.
* Committee chairman.

Report of the Supervisory Board

We hereby present the 2014 annual report as prepared by the Executive Board, incorporating the financial statements. The financial statements have been audited by KPMG Accountants NV and were discussed with the Executive Board on 19 February 2015, in the presence of the auditor. The unqualified auditor's report is included in this report in 'Other information'.
We are of the opinion that the annual report fulfils the transparency requirements and forms a sound basis on which the Supervisory Board can account for its supervision.

We propose that you adopt the financial statements, approve the proposed appropriation of results and distribution of dividend and grant discharge to the Executive Board in respect of its policy and to the Supervisory Board in respect of its supervision.

COMPOSITION

Ms Oudeman was appointed as a member of the Supervisory Board at the last General Meeting of Shareholders, held on 17 April 2014.

The current members of the Supervisory Board are Ms M.J. Oudeman and Messrs J.C.M. Hovers, E. ten Cate, and P.F. Hartman.

At the end of the General Meeting held on 17 April 2014, Mr Deiters retired as a member of the Supervisory Board upon the expiry of his fourth four-year term of office. A vacancy arose on the Supervisory Board as a result of the departure of Mr Deiters.

The Supervisory Board sought candidates for this vacancy on the basis of the profile defined for members of the Supervisory Board, partly with support from external experts. Unfortunately, however, no successor to Mr Deiters has yet been found.

The company acknowledges the importance of diversity, including with regard to the composition of its Executive Board and Supervisory Board. The appointment of Ms Oudeman to the Supervisory Board is consistent this objective and the company will also endeavour to fill future vacancies with candidates who fit in with this desired broad diversity framework.

SUPERVISION

The Supervisory Board held plenary meetings with the Executive Board on six occasions in 2014. It also met independently on four occasions. The meetings discussed the composition and performance of the Executive Board and the individual directors. Detailed attention was also devoted to the future size and composition of the Executive Board in relation to the development of the organisation and the company's management development programme. Particular attention was devoted to the impairment tests.

As a result of discussions on the composition and updating of the procedures of the various committees, the Supervisory Board also proactively assessed its own performance, as well as that of the committees and the individual members of the Board, in plenary sessions. One of the conclusions concerned the desirability of gearing the Supervisory Board's tasks more fully to the changed composition, dynamics and functional priorities of the company, which is expressed in the profile amended in 2014.

For the current year the Supervisory Board is considering an assessment supported by external experts.

The Supervisory Board also held discussions with the external auditor independently of the Executive Board on two occasions. These discussions did not give rise to any particular measures.

The Supervisory Board met in full on all occasions.

During the joint meetings, the Supervisory Board considered matters such as the strategy of the sectors within TenCate, the SWOT analyses, risk management, proposed acquisitions, the valuation of the balance sheet of TenCate and the developments concerning recent acquisitions. The Supervisory Board made visits to operating companies in Nijverdal. TenCate's financial results were discussed on a quarterly basis. The figures for the first half of 2014 were discussed in the presence of KPMG, the external auditor. Particular consideration was given to the company's debt, investments and working capital each quarter.

Representatives of the Supervisory Board also attended consultative meetings of the Central Works Council. They participated in the discussions, discussed specific operational concerns and strategic expectations and took note of the other activities and events within the company.

Corporate governance

The Supervisory Board and the Executive Board endorse the principles of the Corporate Governance Code. The company applies this code almost in full. The only variations from the code within Royal Ten Cate concern primarily the nature and size of the company. These variations and the associated interpretations better reflect the company's operating methods. The variations applied by TenCate can be viewed on the company's website.

Independence

The Supervisory Board considers all its members to be independent within the meaning of best-practice clause III.2.2 of the Corporate Governance Code. No shares or options of Royal TenCate are held directly or indirectly by any members of the Supervisory Board.

Committees

The Supervisory Board has two committees: the Finance Committee chaired by Mr Ten Cate and the combined Nomination, Remuneration, Selection and Appointments Committee chaired by Mr Hartman. Their task is to analyse matters within their specific remit and to prepare resolutions for adoption in the plenary meeting of the Supervisory Board.

Financial Committee

The Financial Committee met with the Executive Board of TenCate on four occasions in 2014. As preparation for the regular meetings of the full Supervisory Board, these meetings discussed in detail the 2013 annual figures, the 2014 first-quarter figures, the 2014 half-yearly figures, the 2014 third-quarter figures and the 2015 budget. A number of meetings were combined with meetings of the Supervisory Board.

Consideration was also given to a number of specific subjects during the meetings. Particular attention was devoted to the impairment tests, the refinancing, debt and working capital, the tax position, risk management, claims and the management letter from the external auditor and the follow-up to his recommendations. Detailed consideration was also given to the succession to KPMG and the Financial Committee was involved in the process of selecting the succeeding auditor.

Combined Nomination, Remuneration, Selection and Appointments Committee

The Remuneration Committee met on five occasions in 2014, considering matters such as the assessment of the current remuneration policy. The aim was to bring the current Executive Board remuneration policy more closely into line with pay in companies of similar type and size. In the view of the Supervisory Board, this would take proper account of the quality of the performance rendered. It was decided to leave the Executive Board remuneration policy unchanged pending the results of a new external evaluation, based partly on an updated peer group. The remuneration of the Executive Board will be positioned as the upper end of the pay pyramid of the entire company. Detailed attention was devoted to the future size and composition of the Executive Board.

Corporate social responsibility

The Supervisory Board is delighted with the Executive Board's development of policy on corporate social responsibility.

REMUNERATION POLICY

The Supervisory Board of Royal Ten Cate applies a remuneration policy in respect of the company's management based on the following principles:

- The remuneration of the Executive Board must enable the company to attract and retain senior managers
- The remuneration policy must conform to the company's corporate governance policy
- The remuneration must reflect the strategic and financial objectives and be to a large extent performance-oriented, with a good balance between short and long-term results and objectives
- The remuneration must not include any incentives which give rise to behaviour directed towards personal interests that conflicts with the company's interests
- An annual scenario analysis is drawn up with regard to the possible outcomes of the remuneration policy.

REMUNERATION REPORT

The 2014 remuneration report has been published on the company's website under Corporate Governance Documents.

The posts of CEO and CFO of Royal Ten Cate were based on Hay levels in 2014. In the case of the CEO, Hay level 30 is applied. The variable remuneration component payable for target-level performance is 50% of the fixed salary. This is also the maximum level. Under the prevailing scheme, Mr de Vries was granted 60,000 options with an exercise price of € 23.42.

In the case of the CFO, a fixed annual salary of € 275,100 was applied within the Hay level 26 together with a variable salary component of up to 40% of the fixed salary. Mr Bos was granted 10,000 options in 2014 with an exercise price of € 23.42. In addition, the decision has already been taken to raise the salary of Mr Bos to the level of his predecessor in 2015.

The members of the Executive Board were not granted any variable salary component in 2014 (in respect of the 2013 financial year).

The full report can be found on the website under Corporate Governance Documents. The remuneration of the Executive Board appears in note 57.2.

COMPOSITION OF THE EXECUTIVE BOARD

Mr De Vries is chairman of the Executive Board and Chief Executive Officer. Mr Bos was appointed as a member of the Executive Board and as CFO for a term of four years at the Annual General Meeting of 17 April 2014.

The Supervisory Board wishes to express its sincere gratitude to the management and employees of TenCate for their commitment and performance during 2014.

Almelo, the Netherlands, Thursday 19 February 2015

Supervisory Board
Dr. J.C.M. Hovers, Chairman
Drs. Ing. P.F. Hartman, Vice-Chairman
Mr. E. ten Cate
Mr. M.J. Oudeman MBA

Corporate governance

The Supervisory Board and the Executive Board endorse the corporate governance principles in the form currently applicable to Dutch listed companies operating internationally.

The corporate governance structure is based on the voluntary application of the two-tier board structure. The main elements of this are:

- The financial statements are adopted by the General Meeting of Shareholders
- Supervisory directors are appointed by the General Meeting of Shareholders on the basis of nominations by the Supervisory Board. The profile of the members of the Supervisory Board is first discussed at the General Meeting of Shareholders at the time of adoption and on each subsequent modification
- The General Meeting of Shareholders and the Central Works Council can recommend persons to the Supervisory Board for nomination as supervisory directors
- With an outright majority of votes, the General Meeting of Shareholders representing at least one-third of the issued share capital may reject the nomination by the Supervisory Board
- The members of the Executive Board are appointed by the General Meeting of Shareholders on the basis of a binding nomination by the Supervisory Board.

Full corporate governance documentation can be found on the TenCate website at www.tencate.com/corporate-governance.

OUTPUT

> 25%

lighter chassis due to advanced thermoset composite from TenCate

OUTCOME

Efficient logistics, greater structural safety and impact resistance, incorporated in full monocoque

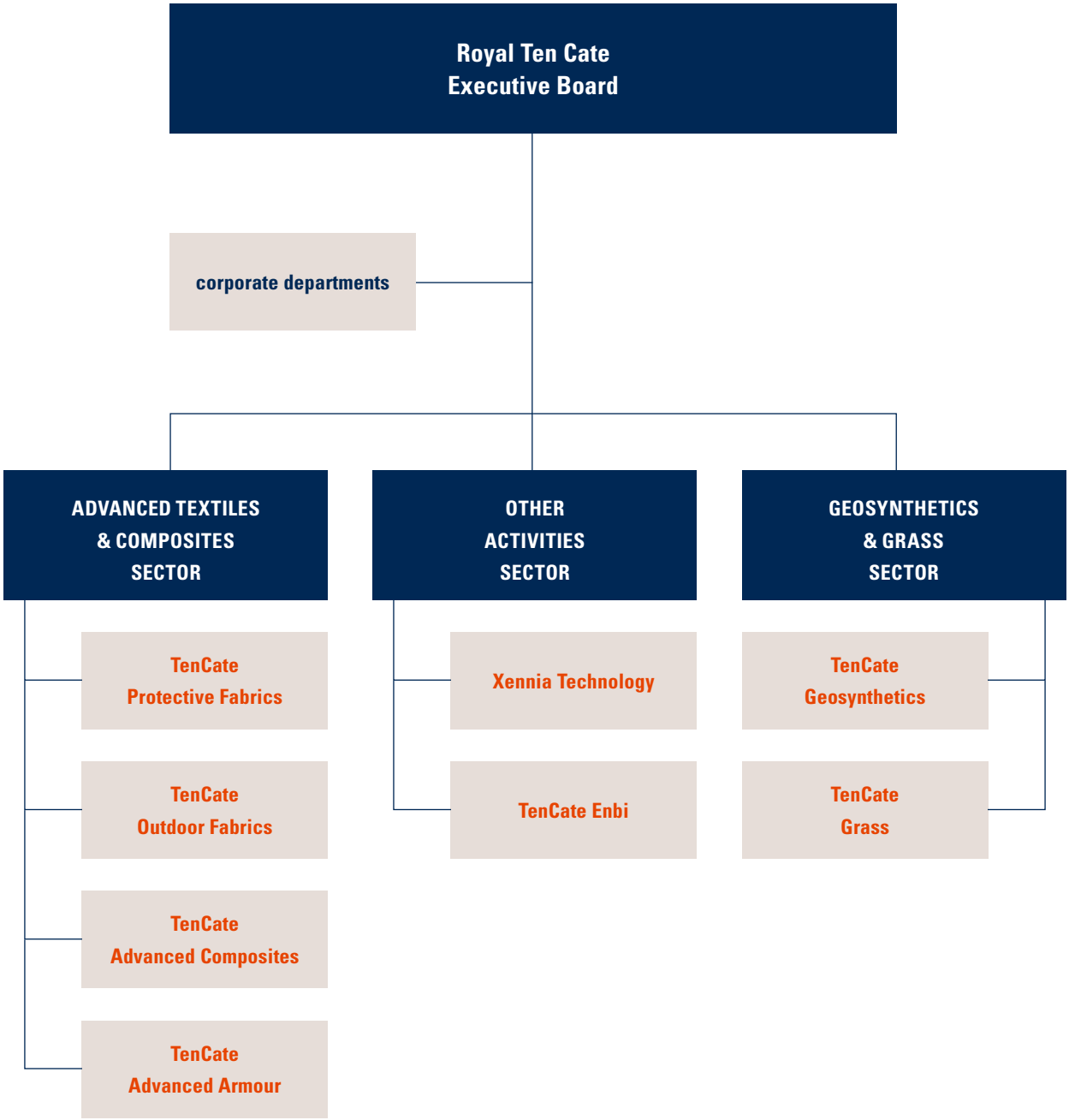
IMPACT

"We know for certain that this will lead to important technological developments"

Mr Paolo Scudieri, President of Adler Group

Organogram

Organisation as at 1 January 2015

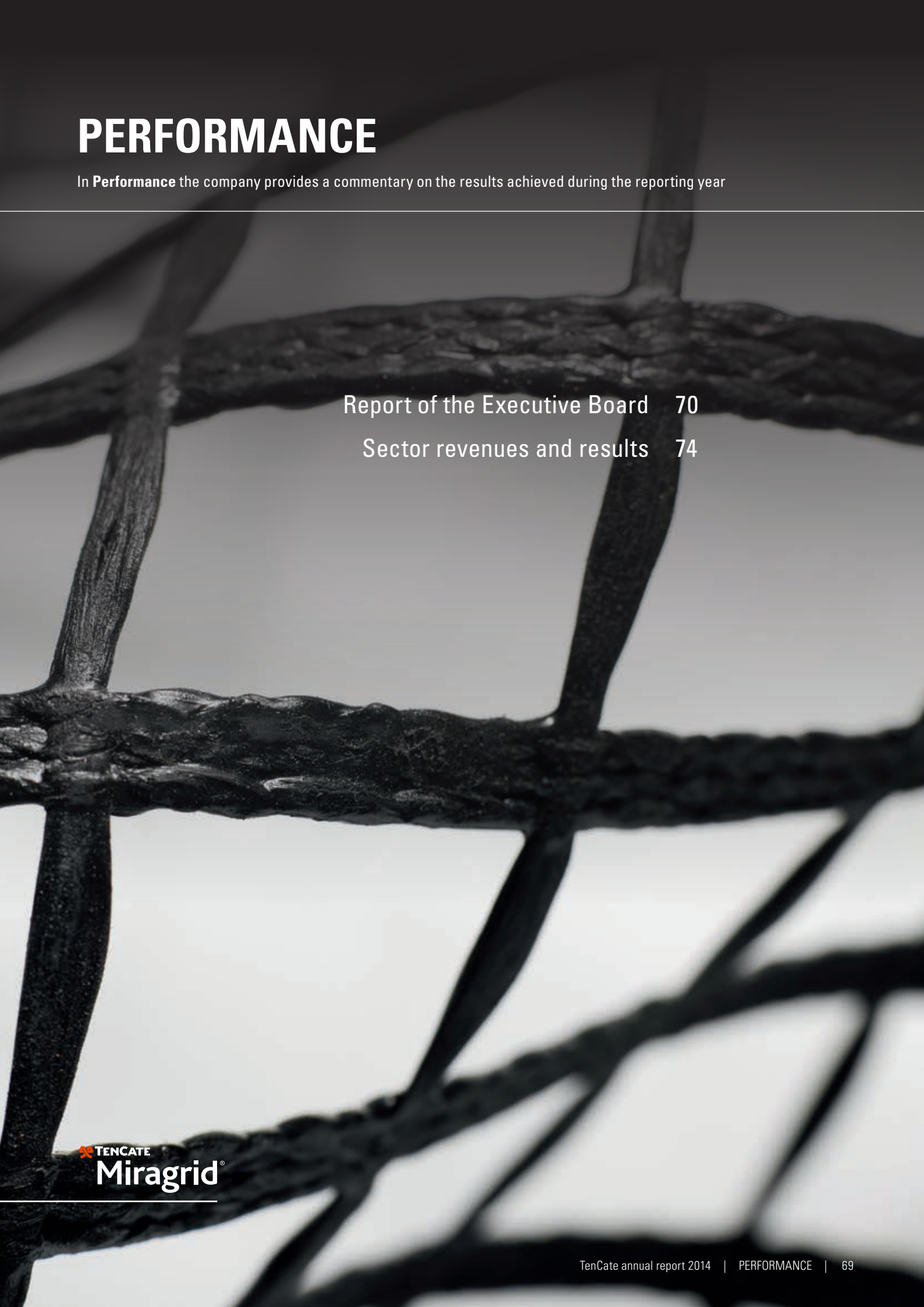


PERFORMANCE

In **Performance** the company provides a commentary on the results achieved during the reporting year

Report of the Executive Board 70

Sector revenues and results 74



Report of the Executive Board

REVENUES

Revenues rose by 4% to € 1,042 million in 2014. There was no significant currency effect, nor any effect from acquisitions or divestments.

Revenues in private markets grew by 12% and accounted for 57% (2013: 53%) of the total. Revenues in defence markets declined sharply in the first half of the year and accounted for 7% of total revenues in full-year 2014 (2013: 8%).

FINANCIAL PERFORMANCE

2014 ANALYSIS BY SECTOR

in millions of euros	2013*	2014	Difference	Organic	of which currency	Acquisition/ divestment
Net revenues						
Advanced Textiles & Composites	427.8	**435.3**	2%	2%	0%	0%
Geosynthetics & Grass	508.2	**538.7**	6%	7%	– 1%	0%
Other Activities	66.4	**67.6**	2%	2%	0%	0%
	1,002.4	**1,041.6**	4%	4%	0%	0%
EBITA [1]						
Advanced Textiles & Composites	26.0	**27.2**	5%	5%	0%	0%
Geosynthetics & Grass	27.3	**23.5**	– 14%	– 13%	– 1%	0%
Other Activities	1.1	**2.6**				
	54.4	**53.3**	– 2%	– 1%	– 1%	0%
Amortisation	– 13.0	**– 12.7**				
EBIT [1]	41.4	**40.6**	– 2%			
Net financial expenses	– 10.0	**– 8.6**				
Pre-tax result [1]	31.4	**32.0**	2%			
Profit tax [1]	– 9.7	**– 8.7**				
Result from ordinary operations after tax [1]	21.7	**23.3**	7%			
Share of profit of equity-accounted investees	0.1	**0.4**				
Non-controlling interest	1.4	**0.4**				
Net result [1]	23.2	**24.1**	4%			
Exceptional items	– 5.9	**– 77.1**				
Profit tax and non-controlling interest in respect of exceptional items	1.7	**7.3**				
Net result	19.0	**– 45.7**				

EBITA margins [1]	2013*	2014
Advanced Textiles & Composites	6.1%	**6.2%**
Geosynthetics & Grass	5.4%	**4.4%**
Consolidated	5.4%	**5.1%**

[1] Before exceptional items.

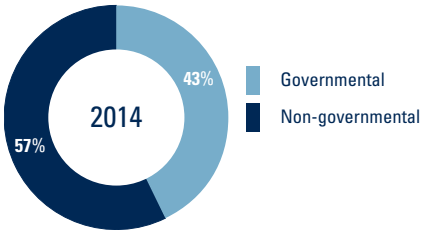
* Adjusted for comparison purposes.

Revenues in the Advanced Textiles & Composites sector rose by 2% to € 435.3 million. There was no significant currency effect. The rise in revenues in this sector was driven largely by growth in composites for aerospace and automotive applications in the TenCate Advanced Composites market group. Revenues from protective fabrics for industrial uses also increased in the TenCate Protective Fabrics market group. Defence-related revenues recovered from the second quarter, but the revenues of the Advanced Textiles & Composites sector for 2014 as a whole were 12% lower in this end-market than in 2013.

Revenues in the Geosynthetics & Grass sector rose by 6% to € 538.7 million. In organic terms, revenues rose by 7%. The currency effect was – 1%. The bulk of the revenue rise was due to synthetic turf yarns and systems for the European and American markets. TenCate Grass achieved success in the United States with the launch of the GreenFields™ brand. In TenCate Geosynthetics, a partial recovery of revenues occurred in the United States and Asia midway through the year.

Revenues from the Other Activities rose by 2%. The revenue mix in Xennia Technology changed considerably in 2014 as a result of the strategic focus on inks, particularly for the textile industry. The revenues of TenCate Enbi grew in 2014 compared to 2013.

REVENUES BY MARKET GROUP (INDICATIVE)



EBITA, NET RESULT BEFORE EXCEPTIONAL ITEMS

The Group's EBITA, before exceptional items, declined by 2% to € 53.3 million (2013: € 54.4 million).

EBITA in the Advanced Textiles & Composites sector rose by 5% to € 27.2 million (2013: € 26.0 million). The result in this sector came under pressure particularly from the substantial operating loss at TenCate Advanced Armour.

EBITA in the Geosynthetics & Grass sector declined by 14% to € 23.5 million (2013: € 27.3 million). The decrease in EBITA was attributable to the TenCate Geosynthetics market group, where results were under pressure from disappointing margins due to sluggishness in the market for infrastructure projects. The improvement in results in the Grass group came under pressure from increased costs incurred in securing the market position in the United States and in the market positioning of the newly developed synthetic turf systems.

EBITA in the Other Activities sector improved to € 2.6 million (2013: € 1.1 million).

The Group recorded a net profit of € 24.1 million before exceptional items in 2014 (2013: € 23.2 million). The reported net result after exceptional items was – € 45.7 million (2013: € 19.0 million).

COMPOSITION OF THE COMPANY

In May 2014 TenCate acquired a 9.12% interest from the minority shareholder and consequently gained full control of Xennia Technology. The interest in Bresco AS, Molde, Norway, was sold in May 2014. Agreement was reached in January 2015 on the sale of TenCate Enbi, which has therefore been classified as 'held for sale' in the balance sheet at the end of 2014.

EXCEPTIONAL ITEMS

Exceptional items before profit tax	2013	2014
Impairment	–	– 82.2
Pensions	–	7.9
Other items	–	– 2.8
2013 items	– 5.9	–
	– 5.9	– 77.1

The main exceptional item concerns an impairment loss of goodwill and tangible and intangible fixed assets amounting to € 82.2 million. € 68.4 million of this amount relates to TenCate Advanced Armour, € 12.4 million to Xennia Technology and € 1.4 million to TenCate Enbi.

The impairment loss in respect of TenCate Advanced Armour and Xennia Technology is the result of changed forecasts, which are based partly on historical results. In the case of TenCate Enbi it concerns an adjustment to the carrying value in connection with the intended sale.

In addition to the impairment loss, the exceptional items include income of € 7.9 million as a result of a change to the pension scheme in the Netherlands, as well as other costs of € 2.8 million relating to Xennia Technology and TenCate Advanced Armour.

PERSONNEL COSTS

Personnel costs amounted to € 217.3 million (2013: € 216.1 million). At the end of 2014, the number of employees (FTEs, excluding temporary personnel) rose from 4,234 to 4,345. Rises were recorded at TenCate Advanced Composites and TenCate Grass, while decreases were recorded particularly at TenCate Protective Fabrics and TenCate Advanced Armour.

TAXES

The average tax rate in 2014 before the impairment loss decreased from 33.3% to 28.8%. In comparison with 2013, a smaller share of the result was generated in countries with a relatively high tax rate and a larger proportion in countries with a relatively low tax rate in 2014.

WORKING CAPITAL

The increased level of revenues, particularly in the fourth quarter, led to an organic increase in net working capital of € 32.8 million at the end of December 2014 (2013: € 8.3 million).

in millions of euros	2013	2014
Balance at end of previous year	233.9	227.3
Divestments	– 1.2	–
Organic increase	8.3	32.8
Reclassified as held for sale	–	– 10.8
Exchange rate differences	– 13.7	22.2
Balance at end of year	227.3	271.5

The number of days of working capital rose from 94 as at 31 December 2013 to 96 as at 31 December 2014 (without currency effect: 93 days).

INVESTMENTS

Investments in 2014 were once again well below the level of depreciation: investments in fixed assets amounted to € 24.8 million (2013: € 14.4 million), depreciation of fixed assets amounted to € 31.3 million (2013: € 34.7 million).

in millions of euros	2013	2014
Tangible fixed assets	9.8	19.2
Development costs and other intangible assets	4.6	5.6
	14.4	24.8

CASH FLOW

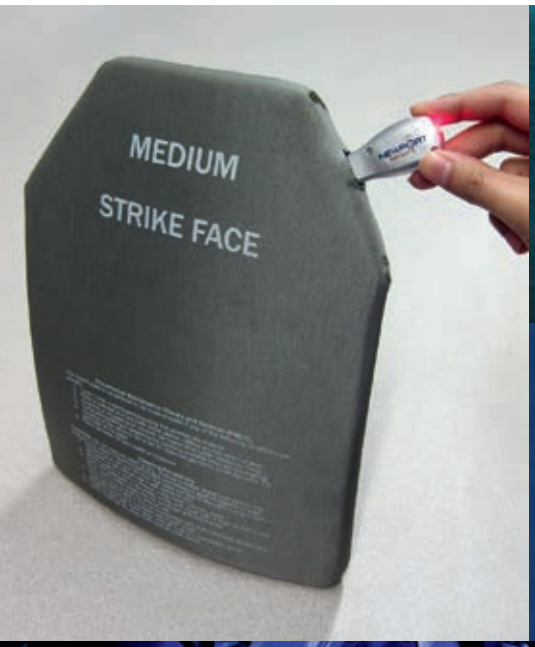
TenCate generated a net positive cash flow from operating and investing activities of € 1.9 million in 2014 (2013: € 42.6 million).

in millions of euros	2013	2014
Result after profit tax and equity-accounted investees	17.1	– 46.1
Depreciation and impairments of tangible fixed assets	34.7	35.6
Amortisation and impairment of intangible assets	13.0	90.6
Other items	18.6	0.9
Cash flow before increase/decrease in working capital	83.4	81.0
Increase / decrease in working capital	13.7	– 33.8
Interest paid / taxes paid	– 22.0	– 19.9
Cash flow from operating activities	75.1	27.3
Investments	– 14.4	– 24.8
Divestments	0.8	0.2
Acquisitions	– 22.2	– 0.2
Deconsolidation	4.2	–
Other items	– 0.9	– 0.6
Cash flow from operating and investing activities	42.6	1.9

Advanced Textiles & Composites sector

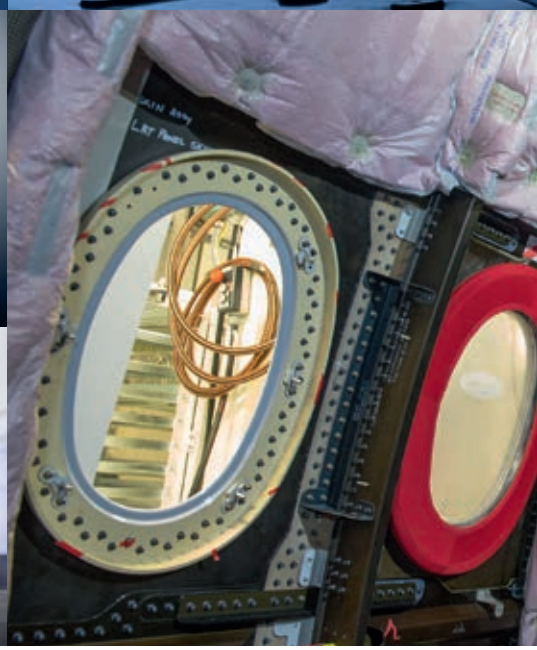
Revenues and results

TenCate focuses on the sustainable protection of people and their working and living environment.



90%
ink saving through digital drop-on-demand inkjet printing technology

10
innovation networks for composite applications



85%
more moisture regulation due to biocellulose fibre protective fabrics

KEY FIGURES OF ADVANCED TEXTILES & COMPOSITES

in millions of euros unless stated otherwise	2010	2011	2012	2013	**2014**
Revenues	448.4	538.4	460.6	427.8	**435.3**
EBITA before exceptional items	43.8	70.3	31.0	26.0	**27.2**
EBITA margin (%)	9.8	13.1	6.7	6.1	**6.2**
Investments	4.5	8.3	9.4	7.8	**13.7**
Depreciation	10.0	9.7	10.7	10.3	**9.4**
Amortisation	5.2	5.6	5.0	6.3	**6.7**
Net capital employed (year-end)	281.7	314.3	286.5	284.6	**269.4**
FTEs excluding temporary staff at year-end	1,519	1,582	1,697	1,542	**1,592**
EBITA as percentage of average net capital employed	16.7	23.6	9.8	8.7	**9.1**

REVENUES AND RESULTS OF THE ADVANCED TEXTILES & COMPOSITES SECTOR

The Advanced Textiles & Composites sector recorded a 2% organic rise in revenues to € 435.3 million in 2014 (2013: € 427.8 million). EBITA improved by 5% to € 27.2 million (2013: € 26.0 million). The EBITA margin of the Advanced Textiles & Composites sector amounted to 6.2% (2013: 6.1%). EBITA as a percentage of average net capital employed amounted to 9.1% (2013: 8.7%).

The increase in revenues was mainly due to growth in the TenCate Advanced Composites market group, whose operations include composites for aerospace and industrial applications, and in the TenCate Protective Fabrics market group, which generated higher sales of protective fabrics for industry. The defence-related revenues staged only a partial recovery during the year, as a result of which full-year 2014 revenues for the Advanced Textiles & Composites sector in this end-market were 12% lower than in 2013. The decline was reflected in the lower revenues from both TenCate Defender™ M and armour composites in Europe and the United States. Lower government expenditure had a negative impact on defence budgets in the countries of importance to TenCate.

Revenue growth of 17% was recorded in the industrial market for protective fabrics (TenCate Tecasafe® and TenCate Tecapro®). The continuation of revenue growth at this high pace results among other things from active marketing by TenCate Protective Fabrics targeted at new end-markets, particularly in Asia.

The TenCate Advanced Composites market group recorded organic revenue growth of 16% in 2014. The increased production volumes for the latest generation of commercial aircraft, with a growing proportion of TenCate composites, are the driving force behind this growth.

In the automotive end-market a major success was achieved with the order for the exclusive supply of thermoset composites for the Alfa Romeo 4C sports car. Revenue growth was also achieved in the composites market for sports goods. TenCate is confident that demand for new material solutions will increase in the future.

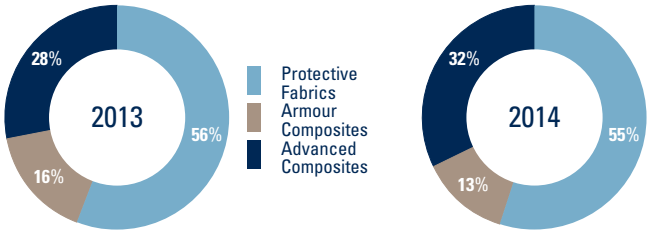
TenCate Advanced Armour recorded an organic 17% decline in revenues. Growth was recorded in the law enforcement market for police and security services. In the defence market the timing of deliveries under existing supply agreements was uncertain and volumes were disappointing in 2014. Although important new supply agreements were signed, deliveries have so far been limited. It is expected that only around half of the previously announced long-term US supply agreements will be delivered in 2015.

The TenCate ABDS™ active blast countermeasure system began a series of test phases in collaboration with the U.S. Army Research, Development and Engineering Command (RDECOM). Under the Cooperative Research and Development Agreement (CRADA) the U.S. Army Tank Automotive Research, Development and Engineering Center is leading the second phase of the technology evaluation programme, the aim of which is to demonstrate that the afforded protection is effective and robust.

› Advanced Textiles & Composites sector

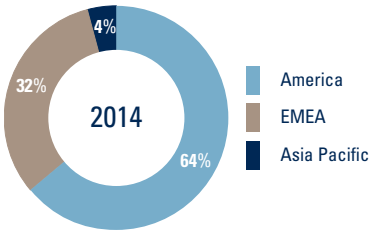
Business development activity, particularly in digital printing, thermoplastic automotive composites and the TenCate ABDS™ active blast countermeasure system, led to certain costs being incurred in 2014 without any significant offsetting revenues. The business development costs depressed EBITA of the Advanced Textiles & Composites sector. These developments are expected to make an important contribution to results in the future.

INDICATIVE BREAKDOWN OF REVENUES IN THE ADVANCED TEXTILES & COMPOSITES SECTOR

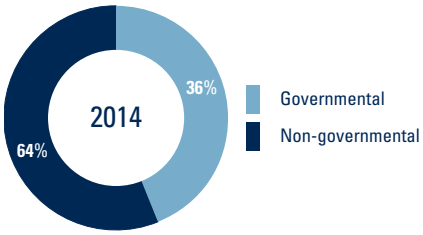


TENCATE PROTECTIVE FABRICS AND TENCATE OUTDOOR FABRICS

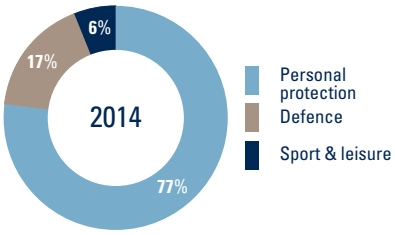
REVENUES BY GEOGRAPHIC REGION (INDICATIVE)



REVENUES BY CUSTOMER GROUP (INDICATIVE)



REVENUES BY END-MARKET (INDICATIVE)



PERFORMANCE OF THE TENCATE PROTECTIVE FABRICS MARKET GROUP

The revenues of the TenCate Protective Fabrics market group remained at the previous year's level, particularly as a result of lower revenues in the defence market in the United States in the first half of the year. By contrast, the Industrial Safety market segment recorded an excellent performance. Profitability benefited from an improved revenue mix.

The falling cotton price in 2014 once again put downward pressure on the revenues and results of the market group during the year. This was due to a large supply of competing finished cotton products in the markets of relevance to TenCate. These products provide less protection and have shorter service lives. End-users usually buy them purely on price.

The TenCate Protective Fabrics market group generated 64% of its revenues in North and South America. In the second half of 2014 substantial defence orders were once again received in the US defence market, which is of such immense importance to TenCate but remains unpredictable. This market was faced with automatic budget cuts (sequestration) at the beginning of 2013. Combined with lower international troop deployments by the United States, this sequestration had a major negative impact on US Army demand for TenCate Defender™ M up to the second half of 2014.

Revenues in the Industrial Safety and Emergency Response end-markets are less volatile. Revenues from TenCate Tecasafe® Plus continue to grow strongly year on year as a result of a consistent strategy targeted among other things at product and brand development and geographic expansion, particularly in Asia and the EMEA region. The strengthening of the sales organisation, focused on new markets, also led to a better market position and further revenue growth in 2014.

DEFENSE

The revenues of the Defense & Tactical business unit of TenCate Protective Fabrics in the defence end-market declined further compared to 2013 despite a good second half of the year. Defence expenditure continued to agreement in 2014, particularly in the United States and Europe. There remains an important focus on the protection of military personnel in the defence industry. TenCate Defender™ M, the most important protective fabric for the defence industry of TenCate, has patented, inherently heat- and flame-resistant characteristics which will not wash out or wear off, combined with cost-efficient pricing. European defence budgets are still at a low point, measured over the last 10 years. The number of armed forces which have included TenCate Defender™ M in their standard personal equipment increased further in 2014. A major agreement was signed with a new customer outside the United States for the protective uniforms for national armed forces. The first deliveries are due to take place in the course of 2015.

Important breakthroughs were also achieved in a number of other countries. TenCate Protective Fabrics also supplied the protective fabric for the uniforms of the special Dutch army units serving in Mali. This was new Multicam® combat clothing for military operations in extreme conditions. The Netherlands consequently came into line with the choice already made by other countries, including the United States and NATO partners such as Norway. The list of wearing trials by different international armed forces remains as long as ever, but growth will be moderate due to the geographic fragmentation of the market. The US Army remains the largest potential market.

INDUSTRIAL SAFETY AND WORKWEAR

Revenues in the Industrial Safety market rose substantially in 2014. This is the most important end-market for TenCate Protective Fabrics. It is centred on the protection of personnel in industry. TenCate Tecasafe® provides the required higher levels of protection. The order book in this segment grew positively, partly as a result of a targeted commercial focus on major industrial sectors in which personal protection has high priority, such as the oil and gas industry, energy companies, the chemical and petrochemical industry and the metal industry. Revenues in the lower segment of the industrial market declined. The global market share of TenCate Tecasafe® grew.

A continuous strengthening of the sales and marketing organisation – including geographically – is one of the factors underpinning the success of TenCate Tecasafe® Plus. Product characteristics such as the wearing comfort, durability and safety of this protective fabric are being constantly developed and often seen as key advantages by industrial customers. In 2014 an order was received from the French chemicals group Arkema to supply TenCate Tecasafe® Plus XL-9300 for its employees' safety clothing. TenCate Tecasafe® Plus XL-9300 fabric scored highest in terms of protection and wearing comfort. The order is for 23,000 garments over a five-year period. The delivery of the protective fabric for the first 10,000 sets started in 2014.

Sales activity for TenCate Tecasafe® Plus also intensified in the Asian markets, where revenues grew mainly in the oil and gas industry.

Chemicals producer Arkema selects TenCate Tecasafe® Plus

At the beginning of May 2014 TenCate Protective Fabrics received a substantial order from the French chemicals group Arkema to supply TenCate Tecasafe® Plus for the safety clothing worn by thousands of employees in Europe. This fabric scores highest in terms of protection and wearing comfort. Wearing trials in 12 Arkema sites across Europe confirmed the positive result. The clothing was supplied by the French company Mulliez-Flory.

EMERGENCY RESPONSE

Revenues in the Emergency Response end-market in 2014 remained at a level comparable to those of the previous year. The firefighting market in the United States, traditionally the most important market in this segment of TenCate, remained sluggish as a result of savings by local authorities in particular. TenCate is the leader in the firefighting market in the United States. Together with European partners, TenCate is also mobilising this expertise to raise the level of protection for firefighters in other geographic markets.

This resulted among other things in the winning of a strategically important order from the Zaanstreek-Waterland fire brigade in the Netherlands at the beginning of 2014. TenCate Millenia™ fabrics are being used in the lightweight outer layer, the protective thermal lining and the reinforced components in 800 items of new fire-resistant clothing for this brigade. The uniforms are being supplied from 2014. A strategically important order was also received at the end of the reporting year for the supply of advanced protective fabrics for firefighting clothing for the brigades in the Twente safety region. This concerns 1,028 firefighter uniforms, which comprise an integrated system of multiple protective layers. The first uniforms are being supplied from March 2015. The clothing for both orders is being manufactured and supplied by TenCate partner LHD Group in Germany.

With TenCate Tecasystem™ and TenCate Tecashield®, TenCate supplies all the components of firefighting clothing: the outer layer, the moisture-regulating inside layer, thermal protection fabric, thermal lining and reinforcement fabrics. TenCate is responding to the government cost-cutting trend by offering cost-effective products with comparable or higher protection than more expensive traditional products. As part of end-user marketing, various study days were again organised in 2014 to inform fire brigades about the possibilities offered by TenCate in this market. The portfolio of protection products of TenCate is so broad that it can meet specific local conditions and market requirements anywhere in the world.

OUTPUT

33%

lighter fire brigade uniforms partly due to **TenCate Millenia™** heat- and flame-resistant fabric

OUTCOME

Less heat stress, better operating conditions, longer deployability, shorter physical recovery time

IMPACT

"Safety, wearing comfort and heat blockage were part of the practical tests"
Berry bij 't Vuur and **Paul de Jong**, Project Managers, Amsterdam-Amstelland fire brigade

PERFORMANCE OF THE TENCATE OUTDOOR FABRICS MARKET GROUP

The TenCate Outdoor Fabrics market group had a good year with stable revenues. This was due to close customer relationships and effective end-user marketing combined with a strong market position of TenCate. TenCate Outdoor Fabrics develops and produces increasingly sustainable tent and awning cloth and operates particularly in the European leisure and tent hire market. Its particular focus is on the upper market segment and the professional tour operator market.

Innovations based on digital production processes, a number of which were presented at the Camping & Caravan trade show in the autumn, open the way to an entirely new, customer-specific business concept, enabling the entire value chain to undertake a major innovation drive. This is reflected not only in new products, but also in a new customer approach, potential for e-commerce, mass customisation and on-demand delivery.

SUSTAINABILITY

The CSR Performance Ladder certificate of the TenCate Protective Fabrics and TenCate Outdoor Fabrics market groups in the Netherlands was renewed again at level 3 in 2014. At the time of implementation in 2012 a number of stakeholders from the value chain were engaged in an ongoing dialogue, which took place again during the past year. Greater emphasis was placed on internal dialogue within TenCate Protective Fabrics and TenCate Outdoor Fabrics in 2014. The internal communication was improved further with new communication screens. Progress discussions take place weekly on the shop floor for each production site. Background information is provided in the new 'Teamwork' internal newsletter. The new industrial clothing in Nijverdal not only contributes to optimum occupational safety, but also increases team spirit and the collective ethos within the organisation. Employees in the weaving mill and the finishing department received Lean training as part of the ongoing introduction of the 5S methodology. Background information was once again provided on the safety risks in the workplace. The aim of 5S is further quality improvement, shorter turnaround times, cost reductions and increased occupational safety. The risk inventory concerning work equipment was also completed. In addition, numerous other improvements were made, such as further reduction of odours in the dyeworks and a reduction of both compressed air and steam consumption in the weaving mill.

TenCate Protective Fabrics organised various 'TenCate Experience' one-day meetings for both customers and end-users, including for the firefighter target group. These centred on the sharing of knowledge and expertise from the value chain and hearing customer experiences. These days were organised in the Netherlands, Germany and the United Kingdom. In 2014, TenCate Outdoor Fabrics helped provide the utmost camping experience for end-users during the 'Camping by Night' event in January at the Vakantiebeurs holiday trade show in Utrecht, while in October the 'The Freedom Collections' event pavilion was organised during the annual consumer camping show, also held in Utrecht.

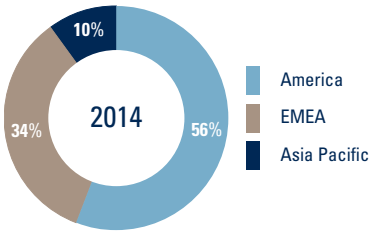
This market group has for many years operated a code of conduct, to be signed by foreign suppliers in the value chain, aimed at combating child labour, human rights violations and corruption and ensuring compliance with local laws and regulations. This is fully in line with ILO conventions and UN declarations. The validity of the signed declarations was confirmed on site with a number of suppliers in countries such as Pakistan. Action is taken against any suppliers which breach the code of conduct of TenCate. No breaches of this TenCate Protective Fabrics code of conduct were recorded in 2014.

TenCate Outdoor Fabrics produced the first tens of thousands of metres of digitally printed awning and tent cloth at its Digital Finishing Production Plant in 2014.

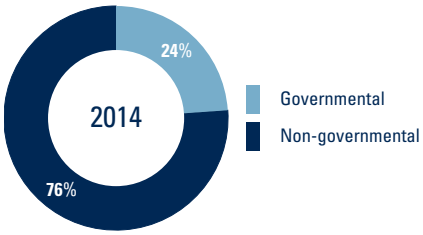
To achieve more sustainable process techniques, TenCate Protective Fabrics began trial projects for digital printing and finishing in the Innovation Centre Digital Finishing in 2014, as part of the Factory of the Future programme. This innovative production method will ultimately deliver the intended steep reduction in energy, water and chemical consumption additionally for protective fabrics. At the same time, work began on the development of fabric consisting partly of eco-materials and partly of recycled materials for the industrial and service markets. Further work also took place with partners in 2014 on the concept launched in 2013 for the recycling of fabrics as part of the 'closing the loop' initiative.

TENCATE ADVANCED COMPOSITES

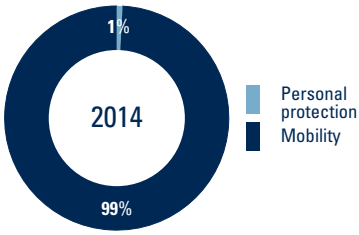
REVENUES BY GEOGRAPHIC REGION (INDICATIVE)



REVENUES BY CUSTOMER GROUP (INDICATIVE)



REVENUES BY END-MARKET (INDICATIVE)



PERFORMANCE OF THE TENCATE ADVANCED COMPOSITES MARKET GROUP

The TenCate Advanced Composites market group recorded organic revenue growth of 16% in 2014. This led to higher capacity utilisation and a better result. The market group benefited particularly from an increase in demand from the aerospace industry, with TenCate being well positioned in the Airbus A350 XWB and Boeing 787 programmes. Revenues in the space market stabilised, negatively impacting the revenue mix. The trend in new business development was favourable. The growing revenues in the automotive industry are still concentrated in the sports car and Formula 1 segment. Revenues from composites for sports goods also rose considerably compared to 2013.

The announcement of various investment plans and joint ventures in 2014 will enable TenCate to expand the range of composite solutions further in the near future. This applies not only to the aerospace and satellite markets, but also to emerging volume markets, such as the automotive industry and the oil and gas industry.

Amber Composites, which was acquired at the beginning of 2013, boosted the activities of TenCate Advanced Composites in the European thermoset composites market. In the fourth quarter TenCate announced plans to expand its plant at Langley Mill (Nottingham, United Kingdom) as part of its growth strategy. The expansion is due to be completed in 2015. The British plant will become a centre of excellence for thermoset composite systems for the EMEA region. New investments are being made to provide additional production resources and capacity for products based on fabric and UD tape, suitable for use in Formula 1, the automotive industry and industrial markets. This upgrade confirms the commitment of TenCate to support its customers in the space, satellite, radome and electronics market and specific high-temperature applications for end-users in the aerospace industry.

At the beginning of 2014 TenCate signed a new two-year partnership agreement with Aachener Zentrum für Integrativen Leichtbau (Germany). This covers the joint development of composite solutions for emerging volume markets, such as the automotive industry and the oil and gas industry.

TenCate and Performance Polymer Solutions of Columbia Falls (Montana), United States, also signed an exclusive partnership agreement in April 2014 for the joint development of high-temperature prepreg materials. This marks a further expansion of the composite solutions of TenCate for the aerospace and satellite market.

TenCate also signed a distribution agreement with Kyokuto Boeki Kaisha in Tokyo, Japan, at the beginning of 2014 to represent TenCate in Japan. Kyokuto Boeki Kaisha will serve some of the key industries in Japan as part of the Asia strategy of TenCate Advanced Composites, including the aerospace and automotive industries.

AEROSPACE COMPOSITES

Revenues from composites for the aerospace industry rose significantly as expected in 2014 as a result of deliveries for the Airbus A380 and A350 XWB and the Boeing 787. Future growth will come from the latest generation of aircraft in which TenCate materials have been certified.

The Airbus A350 XWB is of major, strategic importance in this regard in view of the volume of thermoplastic composites used in each aircraft. TenCate supplies this material for the robotic manufacturing of thousands of clips to connect the fuselage sections. The current Airbus order book, comprising approximately 780 aircraft, provides grounds for confidence in future revenues for this type of aircraft for TenCate.

The Airbus A350 XWB structural components contain over 50% composites. By comparison, composites in the A340 and A380 make up 15% and 23% of the aircraft respectively. The continuing growth in the use of thermoplastic composites in the aerospace industry was underlined in early 2014 when Airbus, Fokker Aerostructures and TenCate signed the agreement for the next phase of the Thermoplastic Affordable Primary Aircraft Structure (TAPAS) innovation programme. This programme is an instrument for innovation through project-based collaboration. The aim is to bring about a further increase in the proportion of thermoplastic composites used in the aerospace industry. The TAPAS consortium links businesses and knowledge institutions in the Dutch aerospace industry with Airbus in order to secure further growth in the use of thermoplastic composites in the fuselage, wings and tail structures of aircraft. The fruitful collaboration of Fokker Aerostructures and TenCate with Airbus and the other partners will continue in this new phase (TAPAS-2) up to the end of 2017.

Aircraft passengers increasingly require access to communication facilities during flights, such as live television and the internet. This has led to strong demand for radomes made of thermoset composites. It is expected that every commercial aircraft will have these communication facilities within five years.

TenCate Advanced Composites signed a long-term agreement with Cirrus Aircraft in February 2014 for the supply of advanced composites for the Cirrus Aircraft SR series and the new Cirrus Vision SF50 private jet. The latter type will incorporate a series of materials which reduce the costs of composites and the investment required to use them.

During the reporting year TenCate became an important supplier of advanced composites to ICON Aircraft for the innovative A5 Amphibious Sport Aircraft. The manufacturer already has inquiries for over 1,400 A5 aircraft. The reporting year ended with the signing of an agreement with Kestrel Aircraft to supply advanced composites for the new Kestrel K-350 single-engine turboprop aircraft.

At JEC Composites 2014 in Paris, France, the main trade show for composites applications in industries such as aerospace, automotive, wind energy, sport and consumer goods, the JEC 2014 Aircraft Interiors Innovation Award was won by Expliseat and its partners, including TenCate, for the Titanium Seat. TenCate supplied the composite from its plant at Morgan Hill (California), United States.

A marketing and development agreement was signed at the beginning of 2014 with Shanghai Leadgo-tech in China for composites for the Chinese aerospace industry.

SPACE COMPOSITES

TenCate occupies a strong position in the space composites market, particularly in the United States. This market position was maintained during the reporting year, although demand from the space industry fell back sharply. In 2014 there was a clear downward trend in demand for larger (military) satellites in favour of smaller commercial satellites. This led to hesitancy on the part of major satellite builders and declining order volumes for TenCate composites in the second half of 2014.

TenCate supplies a wide range of advanced composites for the space industry from its production site at Morgan Hill and Fairfield in the United States. Heat-resistant composites were developed and supplied in 2014 for the heatshield and the backshell structure of the Lockheed Martin Orion multifunctional space vehicle, which had a successful trial launch at the end of 2014. The TenCate materials in this space capsule replace the traditional titanium solution for the return and landing requirements, saving both weight and costs.

AUTOMOTIVE COMPOSITES

The introduction of thermoplastic composites in the automotive industry is a key thrust of business development in TenCate. The market potential is based mainly on the substantial weight savings achieved with composites and the associated sharp reduction in vehicle CO_2 emissions deemed necessary by the European Commission. The development of new materials and production processes, alongside those for the current Formula 1 and sports car market, will take a number of years before it will generate significant revenues in the regular automotive market.

Further progress was made in a number of areas in 2014 including in the development of the market for automotive composites in various new joint ventures and with investment plans. This included the expansion of the plant at Langley Mill (Nottingham). The former Amber Composites has given TenCate Advanced Composites accelerated access to the automotive market in recent years, particularly the sports car and Formula 1 markets. These markets use almost exclusively thermoset composites. In contrast to these materials, thermoplastic composites are ideal for use in high-volume series production, for example in the automotive industry.

In February 2014, following on from the joint development by TenCate and Adler Group in Ottaviano (Naples), Italy, for the chassis of the Alfa Romeo 4C, an exclusive supply agreement was signed for the use of carbon fibre-reinforced composite prepreg material. This advanced thermoset material is used in the production of the entire monocoque. The central passenger compartment reduces the weight of the vehicle and gives it a particularly rigid and safe basic structure. This agreement provides for the carbon fibre prepregs produced by TenCate to be used by Adler Group. This project with Adler Group marks an important breakthrough for TenCate, because it is the first OEM series production project of this scale in the automotive industry.

The strategic alliance formed in 2013 between BASF, TenCate and Owens Corning, the producer of glass fibre reinforcements, made progress during the reporting year. The aim is to develop optimum solutions in thermoplastic composites for mass production in the automotive industry.

In the market release, which was expected to take place in 2014, delays were encountered in the development of a fully carbon fibre-reinforced composite wheel for cars in the upper segment. The development work had been started with Kringlan Composites at the end of 2013. Kringlan states that series production is possible approximately one year after market release.

INDUSTRIAL COMPOSITES

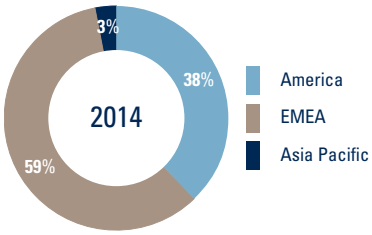
The developments for applications of thermoset and thermoplastic composites outside the above-mentioned market segments were very positive in 2014. In geographic terms that applies particularly to the market in the United States and to a lesser extent Europe. Driven by investments in recent years, strong growth was achieved in composites for major programmes for the sports footwear market. The first successes were also recorded in the oil and gas industry with thermoplastic composites for pipelines and in the market for consumer electronics.

Another attractive market for composites is tooling, where TenCate focuses on the production of composites for moulds (tooling) used in a wide range of manufacturing processes, such as the aircraft and automotive industries.

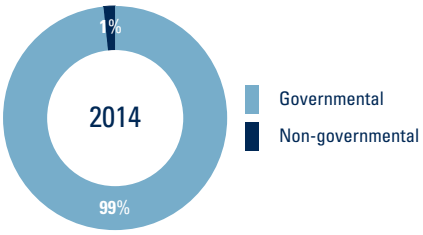
Growth in the industrial composites market is expected to continue at a rapid pace from a still modest level in the TenCate portfolio. As in the automotive sector, both cost leadership and innovative solutions are vital in the Industrial Composites business unit of TenCate Advanced Composites.

TENCATE ADVANCED ARMOUR

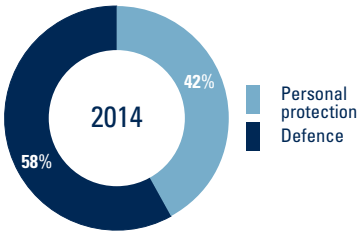
REVENUES BY GEOGRAPHIC REGION (INDICATIVE)



REVENUES BY CUSTOMER GROUP (INDICATIVE)



REVENUES BY END-MARKET (INDICATIVE)



PERFORMANCE OF THE TENCATE ADVANCED ARMOUR MARKET GROUP

The TenCate Advanced Armour market group recorded a decline of 17% in revenues in 2014. Government defence spending was again under pressure during the reporting year.

TenCate believes in the long-term potential of the market for vehicle armour, possibly in combination with the TenCate ABDS™ active blast countermeasure system. The market group's substantial operating loss in 2014 have made it necessary to revise forecasts and recognise an impairment loss to the 2014 result. The cost structure of the market group will be further adjusted in 2015 and made flexible in order to improve results.

TenCate Advanced Armour endeavoured to offset the declining market demand for vehicle armour increasingly and proactively against:

- Growing revenues in the market for personal protection (law enforcement)
- Production development and
- Specific customised panels (engineered solutions).

In March 2014 TenCate signed a co-operation agreement for a development project with Air Cargo Containers to manufacture lightweight air freight containers.

TenCate has been selected by General Dynamics Ordnance and Tactical Systems, the main contractor for the Ground Mobility Vehicle (GMV) of the US Army Special Operations Command (SOCOM), to supply the GMV 1.1 armour solution. SOCOM intends to purchase approximately 1,300 GMVs over the next six years. Production started in the second half of 2014. TenCate was also selected by General Dynamics European Land Systems to supply lightweight module armour systems for 176 vehicles for Germany's Bundeswehr in 2015.

TenCate Advanced Armour in Denmark signed a agreement to supply lightweight composite armour to Nexter Systems. The armour system protects vehicle occupants from the consequences of an explosion, grenade fragments and projectiles. TenCate also received an order from the Royal Danish Navy logistics organisation (DALO) at the end of 2014 to supply ballistic protection for Iver Huitfeldt class frigates and Absalon class support ships.

TenCate Advanced Armour has been selected as a supplier of armour materials for the Tripoli (LHA-7), the latest 257-metre amphibious naval vessel for the US Navy being built by Huntington Ingalls Industries.

Collaboration intensified with DSM Dyneema. TenCate has developed a helicopter armour solution based on DSM's Dyneema® Force multiplier technology, which dramatically reduces the weight of helicopters and aircraft and increases their payload capacity.

TenCate acquired the pioneering technology from Newport Sensors in Irvine (California), United States, a market leader in innovative sensor technology. It enables users of bulletproof hard-body armour inserts to inspect them on-site to assess ballistic integrity. The TenCate Smart Body Armor® technology – a network of sensors integrated into the hard-body armour inserts – has been validated through extensive testing in collaboration with the US Army.

The market for aerospace armour solutions developed in line with expectations. Deliveries to Eurocopter remained at a stable level. Further progress was made with Embraer in the Brazilian market, including for the design of the ballistic protection for the Embraer A-29 Super Tucano military aircraft.

TENCATE ABDS™ ACTIVE BLAST COUNTERMEASURE SYSTEM

Good progress was made on schedule with the further development of the TenCate ABDS™ active blast countermeasure system during the reporting year. It is one of the focal points in the development of new product-market-technology combinations and a cost-effective solution which dramatically limits the consequences of a roadside bomb explosion.

In October 2014 TenCate Advanced Armour and the US Army Research, Development and Engineering Command (RDECOM) entered into a long-term agreement to collaborate in research and development (CRADA) to assess the TenCate ABDS™ active blast countermeasure system for occupant protection. The technology evaluation programme has now entered the second phase. It has been established that this protection solution is robust and capable of reducing the number of injuries and helping to save the lives of military personnel.

If the development remains on schedule, the commercial launch of the TenCate ABDS™ active blast countermeasure system is expected to take place in 2017. Important vehicle programmes are scheduled for that time. TenCate is positioning the system as a survivability solution, in combination with existing production of vehicle armour. There will be continued demand from armed forces for improved vehicle protection in the years ahead. New generations of army vehicles will be equipped with lighter solutions than traditional vehicle armour. This is also stimulating interest in the TenCate ABDS™ active blast countermeasure system in other countries.

SUSTAINABILITY

The CSR Performance Ladder certificate of the TenCate Advanced Composites market group in the Netherlands was continued on level 3 at the end of 2014. Stakeholders in the value chain were involved in an ongoing dialogue for the first time when this CSR management system was introduced in 2012. Regular discussions were again held on good working practice during the year. The previous ISO 14001 certification of TenCate Advanced Armour in Denmark in principle makes it possible to introduce the CSR performance ladder additionally in the Danish operations.

As in 2013, TenCate Advanced Composites devoted extensive attention to the recycling of thermoplastic composites, in which rejects and waste from the regular production process serve as a source of material. This is important partly because many new composites have been qualified over the past few years.

During the past year additional attention was focused internally on personal safety, such as facial, hearing and respiratory protection. Targeted measures were taken to improve the air quality of the chemical department. The new workwear contributes to the prevailing culture of personal safety and protection. Two health investigations were carried out in Nijverdal in 2014 to maintain optimum working conditions. The results and recommendations are being used to provide an ongoing guarantee of occupational safety. As a result of process improvements, TenCate Advanced Composites caused lower odour emissions in the vicinity of this production site in Nijverdal.

The co-operation with knowledge institutions and knowledge networks both in the Netherlands and in the United Kingdom was also intensified in 2014. TenCate Advanced Composites and its innovation partners Airbus and Fokker Aerostructures signed the agreement for the next phase of the Thermoplastic Affordable Primary Aircraft Structure (TAPAS) innovation programme in January 2014 in the presence of President Hollande of France and Prime Minister Mark Rutte and Economy Minister Henk Kamp of the Netherlands. This market group also signed a new two-year partnership agreement in February 2014 with AZL Aachen GmbH, Aachener Zentrum für Integrativen Leichtbau in Aachen (Germany) for the joint development of composite solutions for emerging volume markets, such as the automotive industry and the oil and gas industry. In the United States, TenCate Advanced Composites was also active in 2014 as a member of the South Carolina Research Authority (SCRA). This market group also forms part of the strategic advisory board of the Ronald E. McNair Center for Aerospace Innovation and Research at the University of South Carolina.

Geosynthetics & Grass sector

Revenues and results

TenCate focuses on the sustainable protection of people and their working and living environment.

100%
biodegradable
TenCate Geotube®

16
synthetic turf football pitches in first division and premier league in the Netherlands

235,000
spectators at 2014 Hockey World Cup in The Hague

› Geosynthetics & Grass sector

KEY FIGURES OF GEOSYNTHETICS & GRASS

in millions of euros unless stated otherwise	2010	2011	2012	2013	**2014**
Revenues	469.3	525.9	518.7	508.2	**538.7**
EBITA before exceptional items	31.4	26.3	31.9	27.3	**23.5**
EBITA margin (%)	6.7	5.0	6.1	5.4	**4.4**
Investments	9.9	12.2	5.3	4.9	**7.4**
Depreciation	22.5	23.4	24.3	21.5	**18.8**
Amortisation	3.7	5.5	6.4	4.2	**3.4**
Net capital employed (year-end)	380.8	429.5	399.7	362.1	**400.0**
FTEs excluding temporary staff at year-end	2,128	2,160	2,102	2,012	**2,079**
EBITA as percentage of average net capital employed	8.2	6.2	7.4	7.0	**6.1**

REVENUES AND RESULTS OF THE GEOSYNTHETICS & GRASS SECTOR

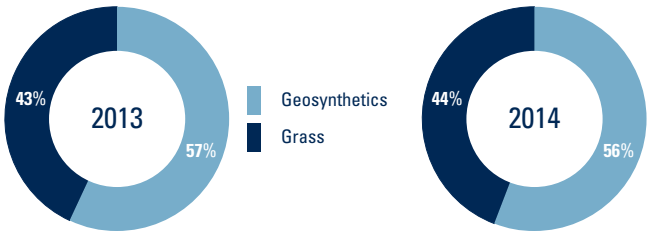
The revenues of the Geosynthetics & Grass sector grew organically by 7% to € 538.7 million in 2014 (2013: € 508.2 million). Growth after exchange rate effects in euros amounted to 6%. EBITA declined by 14% to € 23.5 million (2013: € 27.3 million). EBITA as a percentage of net capital employed of the Geosynthetics & Grass sector amounted to 6.1% (2013: 7.0%).

Both the TenCate Geosynthetics and TenCate Grass market groups recorded an organic rise in revenues. This rise was concentrated in North America and, particularly in the case of TenCate Grass, in the Middle East.

The decrease in the EBITA of the Geosynthetics & Grass sector was attributable to a decrease in profitability of the TenCate Geosynthetics market group. Difficult macroeconomic conditions led to sustained price pressure and an unfavourable revenue mix. The results in the Grass group were affected by high marketing costs, diminishing the strong positive effects of the improved productivity.

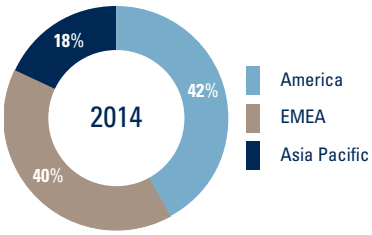
The GreenFields® MX synthetic turf system is one of the pillars of the innovation strategy of TenCate Grass. The combination of extrusion and weaving technologies has led to the development of a distinctive system that is fully recyclable. Work started in 2014 on an expansion of production capacity, which is being continued in 2015.

INDICATIVE BREAKDOWN OF REVENUES IN THE GEOSYNTHETICS & GRASS SECTOR

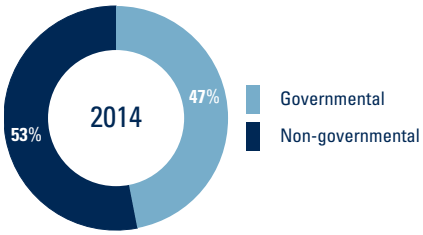


TENCATE GEOSYNTHETICS

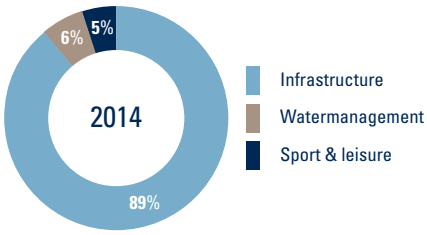
REVENUES BY GEOGRAPHIC REGION (INDICATIVE)



REVENUES BY CUSTOMER GROUP (INDICATIVE)



REVENUES BY END-MARKET (INDICATIVE)



PERFORMANCE OF THE TENCATE GEOSYNTHETICS MARKET GROUP

The TenCate Geosynthetics market group recorded a slight increase in revenues during the reporting year, despite continuing pressure on government budgets. This put pressure on the global market in geotextiles for infrastructure. TenCate is dependent on government markets in this group. The dependence varies from region to region. TenCate Geosynthetics recorded solid growth in the United States, while revenues in Europe were almost unchanged after an excellent 2013 financial year. Revenues in Asia fell short of the previous year's level, despite a cautious recovery in the second half of the year. Further adjustments are necessary in order to improve margins.

EMEA

Government spending in Europe also came under pressure in 2014, impacting the revenues of TenCate Geosynthetics EMEA. After an excellent year in 2013, the performance was weaker, except in the United Kingdom.

AMERICA

Although the market for geotextiles in the United States barely recovered, TenCate Geosynthetics recorded solid revenue growth in 2014. Local and central governments in the United States were the largest customers for this group.

New product developments, in line with the philosophy of end-user marketing of TenCate, also proved successful during the reporting year. The TenCate Mirafi® RSi portfolio, complemented in May 2013 by geotextiles for the reinforcement of highway and railway projects, recorded good revenue growth in 2014. The Western Transportation Institute at the University of Montana, United States, investigated 12 types of geosynthetics to assess their performance when used in highway foundations. TenCate Mirafi® RS580i emerged as the best in the tests. The TenCate Mirafi® H2Ri portfolio geotextiles, which also have specific characteristics for the stabilisation and reinforcement of subsoil in infrastructure projects, developed successfully in 2014. This high-quality, cost-efficient series of products offers additional opportunities in other market segments, such as the oil and gas industry, and is now being rolled out in other geographic areas.

In Brazil, TenCate Geosynthetics recorded some growth, partly thanks to an increase in investments in infrastructure related to the football World Cup in 2014 and the Olympic Games in 2016.

ASIA-PACIFIC

The 2014 revenues of TenCate Geosynthetics in Asia fell short of the previous year's level, while margins were under pressure. Major markets for infrastructure projects in Asia remained difficult due to lower government budgets, local political uncertainty and the depressive effect of exchange rates against the stronger euro.

The Geosynthetics group is confident of future growth in Asia. Nevertheless, further changes are necessary in the management of the Asian activities to achieve an improvement in results. This will be a focal point in 2015, together with the development of new geographic markets. The sales organisation will be geared to this objective.

WATER & ENVIRONMENT

The Water & Environment business unit (water management and environmental solutions) made good progress again in 2014. Revenues remained steady. TenCate Geosynthetics supplied products for attractive projects and achieved revenue growth. This was partly due to the targeted focus of the global marketing and sales organisation established for the Water & Environment business unit. This structure allows a faster response to the growing demand for water management and environmental solutions.

End-user marketing was strengthened further in 2014 through closer collaboration with engineering firms and maritime service providers, which clearly appreciate the benefits of TenCate technology for their projects. This includes TenCate Geotube® systems for maritime infrastructures. In Haiphong, Vietnam, approximately 24 kilometres of TenCate Geotube® systems have been used for the partial construction of the Lach Huyen port infrastructure. Two areas of land are being connected by a highway and a bridge, based partly on TenCate Geotube® systems. In the United States, the Lake Onondaga project in the state of New York, which had been started in 2012, was completed at the end of 2014. A large volume of highly polluted sludge from the sea was pumped into more than 1,000 TenCate Geotube® containers and after dewatering stored in a location screened from the outside world.

SUSTAINABILITY

The certificate awarded to TenCate Geosynthetics in Nijverdal at the beginning of 2013 for the CSR Performance Ladder at level 3 was extended in 2014. During the past year stakeholders in the value chain were once again involved in an open dialogue on good working practice. Jointly with the other market groups in Nijverdal discussions took place with representatives of the municipality and the provincial authorities amongst others. The ISO 14001 certificates of the other two TenCate Geosynthetics production sites in Europe in principle also offer the possibility of introducing this CSR management system.

During the past year a larger volume of rejects and waste was separated and delivered to external processors. More yarns were purchased from a local producer in 2014, further reducing the transport costs and CO_2 impact. For transport within the Benelux countries, co-operation began with a new haulier, as a result of which the

OUTPUT	OUTCOME	IMPACT
Minimal CO_2 footprint with **TenCate Geotube®** synthetic fabric	Strong coastline and breakwaters, filled with locally extracted sand or sludge, easy to install, dual function	"As the climate changes, coastal or riverside communities must continue to feel safe" **John Henderson**, Market & Sales Director of Water & Environment business unit

required transport movements are even more efficient, the CO_2 emissions per shipment are clear and the impact is being structurally reduced. The European production sites of TenCate Geosynthetics initiated and implemented a new methodology for the recording and analysis of numerous key performance indicators in 2014. Partly in this framework, the 'Best in Class' project was implemented. The age-aware personnel policy of this market group was further developed at Nijverdal. It was concluded that a change of working times in the shift roster would be inappropriate.

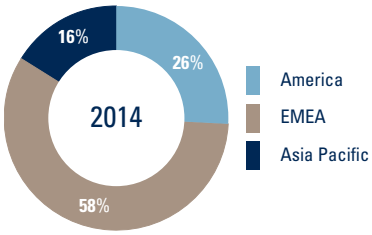
The collaboration with the European industry organisation EAGM and relevant knowledge institutions was intensified to facilitate continuing innovation. The exchange of knowledge with the Fraunhofer-Institut für Techno- und Wirtschaftsmathematik ITWM in Kaiserslautern (Germany) advanced substantially in 2014. This knowledge institution carried out process modelling for a number of production machines for TenCate Geosynthetics in Nijverdal.

Sensor technology monitors antiballistic integrity

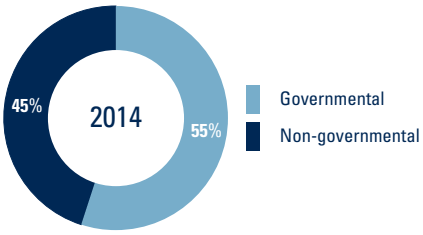
In October 2014 TenCate Advanced Armor USA acquired the sensor technology from Newport Sensors of Irvine (California) in the United States that enables users of bulletproof vests to inspect the antiballistic integrity of hard-body armour inserts in real time. TenCate Smart Body Armor® consists of a network of sensors integrated into the surface of the hard-body armour inserts in the bulletproof vest. This protection solution was validated through extensive testing in collaboration with the US Army. The tests showed not only that the Smart Body Armor® technology could be used rapidly and easily, but also that it detected any damage more effectively than other methods, further improving the chances of survival of military personnel and law enforcers.

TENCATE GRASS

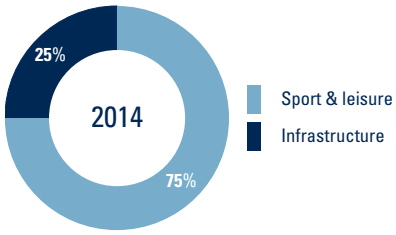
REVENUES BY GEOGRAPHIC REGION (INDICATIVE)



REVENUES BY CUSTOMER GROUP (INDICATIVE)



REVENUES BY END-MARKET (INDICATIVE)



PERFORMANCE OF THE TENCATE GRASS MARKET GROUP

TenCate Grass recorded organic revenue growth of 11% in 2014. This was driven by a good revenue performance from components and from synthetic turf systems for sport and landscaping. This led to a further improvement in results, which was somewhat limited, however, by reorganisation costs for production and logistics in the United States and high marketing costs worldwide.

The action points formulated at the end of 2013 were fulfilled during the reporting year, with an acceleration of growth in revenues from synthetic turf systems and a continuation of the profit recovery. This was partly due to the successful integration of the TenCate Grass activities in the United States during the reporting year and the emphasis on marketing and sales. The launch of the GreenFields® brand in the United States led to an acceleration of growth and a strengthening of the market position. This integration will also be completed in Europe in 2015. As a result, operations across the continent will be based on two product lines: components and synthetic turf systems. The result will be greater efficiency and synergy, with a simultaneous improvement in customer relations. The focus of TenCate is on creating new quality standards for synthetic turf systems. Close co-operation with partners in the market and other stakeholders, such as national and international sports federations, is an important factor in this regard.

TenCate Grass benefited from a further recovery in the global synthetic turf markets and a pick-up in demand for high-quality fibres and sports systems in 2014. Demand in the United States was stronger than expected, partly as a result of economic growth and higher spending on sports. Market demand for sports pitches in Europe remained stable. The image and appreciation of synthetic turf in football also received a major boost from the collaboration in Dutch professional football with Coöperatie Eerste Divisie (the association of first division football clubs), in which the woven GreenFields® MX synthetic turf system was a crucial factor. Growth was also recorded in Asia, although this curve was somewhat flatter than in 2013. The group benefited fully from the increased visibility of TenCate and GreenFields during the 2014 Hockey World Cup, which led to strong demand for the GreenFields® TX quality pitches used in and around The Hague. Part of this international demand will not be met until 2015. One of the results of the continued forward integration with the activities of GreenFields was that systems were supplied under this label for sporting activities in South-East Asia and the United States. The GreenFields sales organisation which was established in those markets at the end of 2013 and became operational at the beginning of 2014 led to additional revenue growth. External distributors are now used in South America.

Government spending cuts are affecting the profitability of the synthetic turf industry. A number of manufacturing companies in Europe and the United States have decided to discontinue the in-house production of fibres. A number of companies in the installation market also ceased operations. This enabled TenCate Grass to secure a growing market share.

The replacement market continues to show good growth, particularly in the United States and Europe. This also had a positive impact on the revenue trend. TenCate Grass generated 15% to 20% of its revenues from the replacement of synthetic turf pitches in 2014. A large proportion of the third-generation synthetic turf pitches, which

achieved a breakthrough at the beginning of this century, are now due for replacement. With product developments that increase the quality of the system and reduce the replacement costs, it is now possible to meet demand in the replacement market. This will grow further in the years ahead.

Preparations were made in 2014 for the introduction of GreenFields' hybrid XtraGrass™ system. This system fills the gap in the market between natural turf and synthetic turf. The woven system comprises partly synthetic turf fibres and partly biodegradable fibres, whose function will ultimately be taken over by the roots and blades of the sown natural grass.

The higher production volumes resulted in excellent capacity utilisation at production sites in Dubai, the Netherlands and the United States. As a result, TenCate Grass is currently investigating the scope for even better utilisation of capacity for texturised fibres (fibres with a particular structure) at the production sites by means of investments.

Work was carried out during the reporting year on three new components which may generate additional sales from 2015. The three components concern a new foundation of recycled plastics, a shock-absorbing foundation based on woven foam fibres and a special geotextile which serves as an underlay in an easy-to-install synthetic turf system. Such a system requires less foundation material, reducing the total costs and the environmental impact of installing a synthetic turf pitch.

LANDSCAPING MARKET

The landscaping market recorded good growth in 2014 and accounted for approximately 25% of total revenues (2013: 20%). These revenues of the TenCate Grass market group have grown substantially in recent years due to an increasing focus on the 'look and feel' of the projects. A number of attractive projects were completed with TenCate synthetic turf in 2014. This market is expected to see continued positive growth in the years ahead.

SUSTAINABILITY

The TenCate Grass market group extended the CSR Performance Ladder certificate at level 3 in the Netherlands during the reporting year. As a result of the targeted sustainability policy, both the consumption of gas and the consumption of electricity at Nijverdal were substantially reduced during the past year. To that end energy-intensive production methods were converted into significantly low-energy processes. At the same time modern techniques were used to further reduce the energy consumption of peripheral equipment and further improve occupational safety. The percentage of rejects and waste in Nijverdal during the past year was again reduced, partly through internal processing of reject flows. In the quality field, new systems were introduced for product guidance in extrusion, as a result of which quality assurance increased. Transport movements from the Nijverdal site to customers within Europe have been made by trucks compliant with the Euro 6 exhaust gas standard since 2013.

As part of the age-aware personnel policy, the adjusted three-shift system was continued at Nijverdal on the basis of fewer night shifts. Various themed months were organised, such as for optimum ear protection, in which production employees were able to take a hearing test. The new workwear contributed to pride in the company. With a view to the future, numerous company visits were organised for technical students and teachers from vocational secondary schools in the region. TenCate Grass wishes to promote the loyalty of these potential new colleagues to the organisation at an early stage, partly by offering a large number of internships and study places at almost all levels of the organisation.

Market demand for synthetic turf products produced on the basis of the innovative weaving technology of TenCate Grass increased further during the reporting year, raising the sustainability of the product portfolio. This production capacity was expanded in 2014.

TenCate also conducted the skin-comfort innovation project with Radboud University in Nijmegen, the Netherlands last year with the aim of further increasing the sliding friendliness and playing safety of synthetic turf. Preparations also continued for the development of the next generations of synthetic turf systems in 2014, with the aim of achieving the ultimate balance between sustainability characteristics and costs.

Other activities

KEY FIGURES OF OTHER ACTIVITIES

in millions of euros unless stated otherwise	2010	2011	2012	2013	**2014**
Revenues	66.8	74.5	69.7	66.4	**67.6**
EBITA before exceptional items	9.8	5.9	– 4.8	1.1	**2.6**
Investments	6.9	5.2	1.9	1.7	**3.7**
Depreciation	2.0	1.9	2.1	2.9	**3.1**
Amortisation	1.5	1.8	3.1	2.5	**2.6**
FTEs excluding temporary staff at year-end	624	611	655	680	**674**

REVENUES AND RESULTS OF OTHER ACTIVITIES

The Other activities comprise Xennia Technology and TenCate Enbi, as well as the Holding & Services activities. The sector's revenues amounted to € 67.6 million in 2014 (2013: € 66.4 million). EBITA amounted to € 2.6 million (2013: € 1.1 million). In January 2015 agreement was reached with the US private equity company Platinum Equity on the sale of TenCate Enbi. It is expected that this transaction will be completed in the first half of 2015.

PERFORMANCE OF XENNIA TECHNOLOGY AND TENCATE ENBI

Xennia Technology saw revenues in 2014 remain steady compared to the previous year. Inks are now the main generator of revenues. The new revenue model was conceived in 2014 following the strategic reorientation decided on in the previous year. The focus on the sale of inks for industrial inkjet applications led to a change not only in the revenue composition, but also in the cost pattern.

The revenues of TenCate Enbi grew in 2014 compared to 2013. Efficiency in the production of components for newly launched end-products of customers (OEMs) improved.

OUTLOOK

In **Outlook** the company provides details of the outlook and action plans for 2015 and subsequent years

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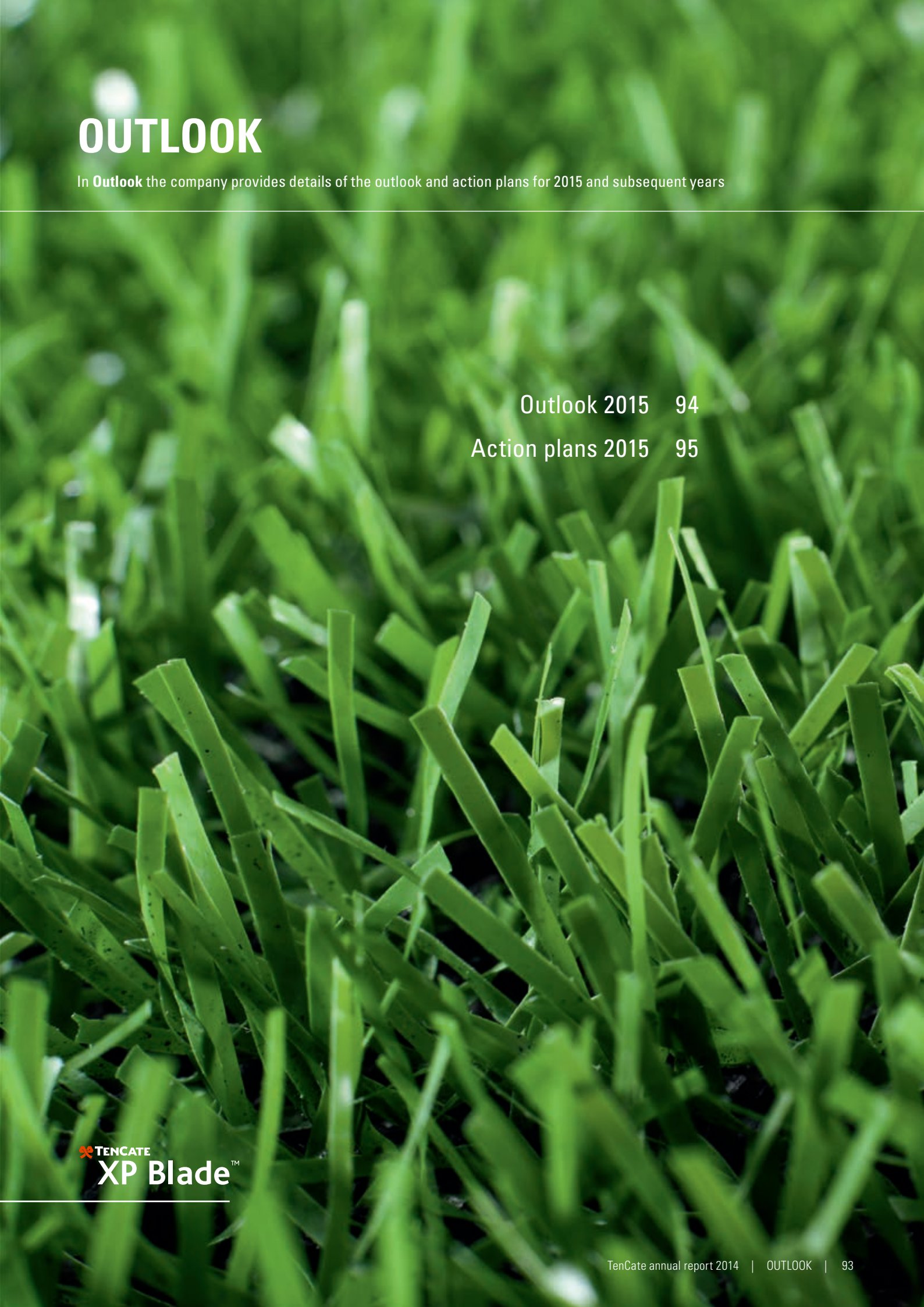


Outlook 2015

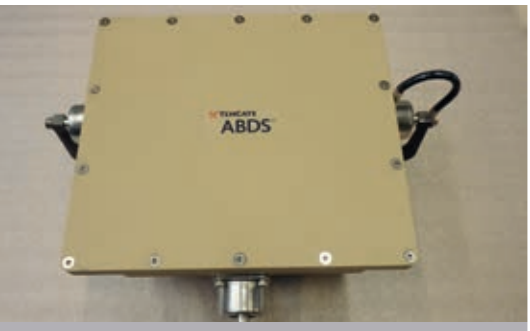
The strategic policy is focused on generating revenue growth in the existing product portfolios. Attention will be concentrated on important end-markets, such as defence, aerospace, oil and gas extraction, water management and the environment, infrastructure and sport. TenCate has focused strongly on technology development in recent years, the benefits of which should come through in the years ahead.

OUTLOOK

In 2015 TenCate expects to record organic revenue growth comparable to the 2014 level. The highest growth is expected at TenCate Advanced Composites, TenCate Grass and TenCate Protective Fabrics. Revenue growth will result in improved profitability due to the composition of the revenues and greater efficiency. At TenCate Advanced Armour a restructuring will lead to lower costs.

The investments in 2015 are expected to be around the level of depreciation.

OUTPUT



Active protection against IEDs through use of **TenCate ABDS™** active blast countermeasure system

OUTCOME

Minimising upward acceleration due to roadside bomb explosion. Retrofit for small, medium-sized and large armoured platforms

IMPACT

"Greatly increased survival probability for vehicle crew during military missions and peacekeeping operations."
Peter Bertelsen, Managing Director of TenCate Active Protection

Action plans 2015

ADVANCED TEXTILES & COMPOSITES SECTOR

- Revenue growth based on strong worldwide market positions
- Increased efficiency, reduction of costs at TenCate Advanced Armour
- Development of innovative processes and applications; introduction to new markets
- Progress in certification of the TenCate ABDS™ active blast countermeasure system.

GEOSYNTHETICS & GRASS SECTOR

- Greater marketing effort; broadening of TenCate Geosynthetics value proposition
- Increased sustainability in production of synthetic turf
- Acceleration of growth in high-quality synthetic turf systems.

CORPORATE

- Marketing support for brand positioning and social media
- Monitoring and increase of cash flow
- Continuing attention devoted to audit and control tasks and analysis function in holding company focused on risk monitoring
- IT policy focused on shared services; limiting multiplicity of ERP systems.

SUSTAINABILITY

- Progress relative to CSR policy in business activities, including outside Netherlands; continuation and intensification of stakeholder dialogue
- Integration of CSR data in financial discipline; transition from inclusive reporting to integrated reporting for the 2015 TenCate annual report, in accordance with the requirements of Global Reporting Initiative 4.

Statement by the Executive Board

As the Executive Board of Royal Ten Cate, we have prepared the annual report and the financial statements for 2014.

We declare that to the best of our knowledge:

- The financial statements give a true and fair view of the assets, liabilities and the financial position of the company and its consolidated businesses
- The annual report gives a true and fair view of the position on the balance sheet date and the state of affairs of the company and its associated companies during the year and that the principal risks have been stated in the annual report.

Almelo, the Netherlands, Thursday 19 February 2015

Executive Board
Ir. L. de Vries, President and CEO
Drs. E.J.F. Bos, member of the Executive Board and CFO

FINANCIAL STATEMENTS

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TenCate Residential™

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Consolidated profit and loss account

For the financial year ending on 31 December, in millions of euros	Note	2013*	2014
Revenues	32	1,002.4	1,041.6
Cost of sales		801.9	838.7
Gross margin		200.5	202.9
Selling costs		70.6	76.4
Research and development costs		22.3	26.9
General management costs	35	72.1	64.6
Impairment of goodwill	39	–	71.5
Operating result		35.5	– 36.5
Financial income	36	0.5	1.0
Financial expenses	36	– 10.5	– 9.6
Net financial expenses		– 10.0	– 8.6
Result before profit tax		25.5	– 45.1
Profit tax	37	– 8.5	– 1.4
Result after profit tax		17.0	– 46.5
Share of profit of equity-accounted investees, net of tax		0.1	0.4
Result after profit tax and investments accounted for by the equity method		17.1	– 46.1
Result attributable to:			
Non-controlling interest		– 1.9	– 0.4
Shareholders of the company (net income)		19.0	– 45.7
Weighted average number of shares (x 1,000)	49	26,225	26,588
Weighted average number of shares after dilution (x 1,000)	49	26,366	26,720
Net earnings per share (euro)	49	0.72	– 1.72
Diluted net earnings per share (euro)	49	0.72	– 1.71

* Adjusted for retrospective application of IFRS 11 (Joint Arrangements).
This adjustment also applies to the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated cash flow statement and the Consolidated statement of changes in Group equity.

The notes in sections 1 to 73 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the financial year ending on 31 December, in millions of euros	Note	2013	2014
Result after profit tax and investments accounted for by the equity method		17.1	– 46.1
Other comprehensive income (after profit tax)			
Currency translation differences for foreign activities	48	– 11.4	34.7
Effective portion of changes in hedging reserve (hedge accounting)	48	2.3	0.9
Actuarial gains and losses on pensions *		13.6	– 9.5
Other comprehensive income after profit tax		4.5	26.1
Comprehensive income after profit tax		21.6	– 20.0
Comprehensive income attributable to:			
Non-controlling interest		– 1.6	– 0.4
Shareholders of the company		23.2	– 19.6

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

The notes in sections 1 to 73 form an integral part of these financial statements.

Consolidated balance sheet

in millions of euros	Note	31 December 2013	31 December 2014
NON-CURRENT ASSETS			
Goodwill	39	211.7	161.3
Other intangible assets	39	55.4	45.7
Tangible fixed assets	40	165.6	151.5
Equity-accounted investees	41	9.1	5.4
Financial fixed assets	42	14.3	17.4
Deferred profit tax assets	43	24.0	32.6
Total non-current assets		480.1	413.9
CURRENT ASSETS			
Inventories	44	222.2	249.5
Receivables			
Trade receivables	45	126.4	142.0
Profit tax receivables		0.1	1.8
Other receivables	46	17.6	18.6
Cash and cash equivalents	47	21.6	36.4
Assets held for sale	38	–	34.3
Total current assets		387.9	482.6
Total assets		868.0	896.5

in millions of euros	Note	31 December 2013	31 December 2014
GROUP EQUITY	48		
Share capital		67.0	67.7
Share premium reserve		42.6	41.9
Reserve for translation differences		– 8.6	26.1
Hedging reserve		– 1.6	– 0.7
Reserve for own shares		– 14.1	– 14.4
Other reserves and undistributed result		389.0	327.6
Total shareholders' equity		474.3	448.2
Non-controlling interest		– 1.0	– 0.5
Group equity		473.3	447.7
LONG-TERM LIABILITIES			
Long-term debts	50	195.1	213.3
Pension liabilities	51	24.1	30.7
Provisions	52	9.9	10.4
Deferred profit tax liabilities	43	7.5	3.6
Total non-current liabilities		236.6	258.0
SHORT-TERM LIABILITIES			
Cash loans, overdrafts	47	13.8	37.7
Repayment of long-term debts	50	1.0	0.9
Trade creditors and other payables		137.8	138.5
Provisions	52	4.3	2.2
Profit tax liabilities		1.2	1.9
Liabilities classified as held for sale	38	–	9.6
Total short-term debts		158.1	190.8
Total liabilities		394.7	448.8
Total group equity and liabilities		868.0	896.5

The notes in sections 1 to 73 form an integral part of these financial statements.

Consolidated cash flow statement

For the financial year ending on 31 December, in millions of euros	Note	2013		2014	
CASH FLOW FROM OPERATING ACTIVITIES					
Result after profit tax		17.1		– 46.1	
Adjustments for:					
Depreciation	40	34.7		31.3	
Amortisation	39	13.0		12.7	
Impairment of intangible fixed assets	39, 40	–		82.2	
Net financial expenses before exchange rate differences	36	10.0		7.6	
Profit tax	37	8.5		1.4	
Net result of investments accounted for by the equity method		– 0.1		– 0.4	
Result from sale of tangible fixed assets	35	– 0.2		0.6	
Costs of option scheme		1.6		1.7	
Change in provisions and pension liabilities		– 1.2		– 10.0	
Cash flow from operating activities before movements in working capital			83.4		81.0
Movements in working capital:					
Inventories		– 1.8		– 17.0	
Receivables		7.1		– 17.8	
Short-term liabilities		8.4		1.0	
			13.7		– 33.8
CASH FLOW FROM OPERATING ACTIVITIES			97.1		47.2
Interest paid			– 9.3		– 7.8
Profit tax paid			– 12.7		– 12.1
Net cash flow from operating activities			75.1		27.3

For the financial year ending on 31 December, in millions of euros	Note	2013		2014	
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of tangible fixed assets	35	0.8		0.2	
Interest received		–		0.5	
Dividend received	41	–		0.5	
Acquisition of subsidiaries less cash acquired	33	– 22.2		– 0.2	
Deconsolidation of subsidiary less cash		4.2		–	
Investments in intangible assets	39	– 4.6		– 5.6	
Investments in tangible fixed assets	40	– 9.8		– 19.2	
Increase in long-term receivables		– 0.9		– 1.6	
Net cash flow from investing activities			– 32.5		– 25.4
Net cash flow from operating and investing activities			42.6		1.9
CASH FLOW FROM FINANCING ACTIVITIES					
Income from exercise of share options		1.0		5.4	
Repurchase of own shares		–		– 5.7	
Repayment of long-term debts		– 27.8		216.9	
Drawing of long-term debts		7.6		– 220.2	
Dividend paid to shareholders		– 7.6		– 6.8	
Net cash flow from financing activities			– 26.8		– 10.4
Change in cash and cash equivalents			15.8		– 8.5
Cash and cash equivalents on 1 January	47		– 7.8		7.8
Exchange rate and translation differences in cash and cash equivalents			– 0.2		– 0.6
Cash and cash equivalents on 31 December	47		7.8		– 1.3

The notes in sections 1 to 73 form an integral part of these financial statements.

Consolidated statement of changes in group equity

in millions of euros	Share capital	Share premium	Reserve for translation differences	Hedging reserve	Reserve for own shares	Other reserves and undistributed result	Total	Non-controlling interests	Group equity
Balance as at 1 January 2013	66.2	43.4	3.1	– 3.9	– 15.1	363.5	457.2	– 1.9	455.3
COMPREHENSIVE INCOME									
Result after profit tax						19.0	19.0	– 1.9	17.1
Actuarial gains and losses on defined-benefit pension schemes						13.6	13.6		13.6
Currency translation differences			– 11.7				– 11.7	0.3	– 11.4
Hedging result after profit tax				2.3			2.3		2.3
Total	–	–	– 11.7	2.3	–	32.6	23.2	– 1.6	21.6
TRANSACTIONS WITH SHAREHOLDERS									
Dividend to shareholders	0.8	– 0.8				– 7.6	– 7.6		– 7.6
Share-based payment transactions						1.6	1.6		1.6
Issue of repurchased shares					1.0		1.0		1.0
Deconsolidation of non-controlling interest							–	1.7	1.7
Changes in non-controlling interest						– 1.1	– 1.1	0.8	– 0.3
Total	0.8	– 0.8	–	–	1.0	– 7.1	– 6.1	2.5	– 3.6
Balance as at 31 December 2013 / 1 January 2014	67.0	42.6	– 8.6	– 1.6	– 14.1	389.0	474.3	– 1.0	473.3
COMPREHENSIVE INCOME									
Result after profit tax						– 45.7	– 45.7	– 0.4	– 46.1
Actuarial gains and losses on defined-benefit pension schemes						– 9.5	– 9.5		– 9.5
Currency translation differences			34.7				34.7		34.7
Hedging result after profit tax				0.9			0.9		0.9
Total	–	–	34.7	0.9	–	– 55.2	– 19.6	– 0.4	– 20.0
TRANSACTIONS WITH SHAREHOLDERS									
Dividend to shareholders	0.7	– 0.7				– 6.8	– 6.8		– 6.8
Share-based payment transactions						1.7	1.7		1.7
Repurchase of own shares					– 5.7		– 5.7		– 5.7
Issue of repurchased shares					5.4		5.4		5.4
Acquisition of non-controlling interest						– 1.1	– 1.1	0.9	– 0.2
Total	0.7	– 0.7	–	–	– 0.3	– 6.2	– 6.5	0.9	– 5.6
Balance as at 31 December 2014	67.7	41.9	26.1	– 0.7	– 14.4	327.6	448.2	– 0.5	447.7

The notes in sections 1 to 73 form an integral part of these financial statements.

Notes to the consolidated financial statements

ACCOUNTING STANDARDS

1 GENERAL INFORMATION ON ROYAL TEN CATE

Koninklijke Ten Cate nv (Royal Ten Cate) (the Company) is established in Almelo, the Netherlands. The consolidated financial statements of the Company comprise the financial statements of the Company and its subsidiaries (referred to collectively as the 'Group') and the Group's interests in other (non-consolidated) participating interests, associated companies and joint ventures. The financial statements have been prepared by the Executive Board.

The 2014 annual report and accounts were discussed at the meeting of the Supervisory Board on 19 February 2015. They were released for publication on 20 February 2015. They will be presented to the general meeting of shareholders for adoption on 9 April 2015.

The parent company financial statements form part of Royal Ten Cate's 2014 financial statements. Royal Ten Cate has made use of the exemption pursuant to article 2:402 of Book 2 of the Netherlands Civil Code with regard to the parent company financial statements.

The original financial statements 2014 were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

2 GENERAL PRINCIPLES FOR FINANCIAL REPORTING

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted within the EU (hereinafter EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

Changes to the principles for financial reporting

The guidelines IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IFRS 12 (Disclosure of Interests in Other Entities) are being applied with effect from 2014. As a result, interests in joint ventures will no longer be proportionally consolidated, but will be accounted for using the equity method. The change has been applied retrospectively and the 2013 figures have been adjusted accordingly. The change of accounting policy has no material effect on the result and assets. No further commentary has therefore been provided.

3 PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are presented in millions of euros (the euro being the Company's functional currency) unless stated otherwise. The financial statements have been prepared on the basis of historical cost, except for derivative financial instruments (derivatives), which are carried at fair value.

In preparing the financial statements, the Executive Board has used estimates and assumptions which affect the application of accounting standards and reported amounts stated in the consolidated financial statements (see note 58). The actual results may differ from such estimates. The estimates and underlying assumptions are continuously assessed. Revised estimates are stated in the period in which the estimates are revised and in future periods in which the revision has consequences.

The accounting principles set out below have been applied consistently by the Group's subsidiaries and joint ventures for the periods presented in these consolidated financial statements. Certain comparative information has been adjusted for the sake of comparability.

4 CONSOLIDATION PRINCIPLES

4.1 Business combinations

Business combinations are recognised from the date on which control passes to the Group. Control means the Group is able to determine an entity's financial and operational policy in order to obtain benefits from the entity's activities. In assessing control, the Group takes account of potential voting rights which can be exercised at that time.

The Group determines the goodwill on the basis of the fair value of the consideration paid, the carrying amount of any non-controlling interest in the acquired undertaking and, if applicable, the fair value of the prior interest in the acquiree. The net amount of the identified assets acquired and the accepted liabilities is then deducted. If the difference is negative, a book profit from an advantageous purchase is stated directly in the profit and loss account. Any non-controlling interests are carried at their proportionate share of the carrying amount of identifiable assets of the acquired undertaking on the acquisition date. The paid consideration includes no amount for the settlement of existing relationships. Any such amount is stated in the profit and loss account.

Transaction costs other than those related to the issue of loans or equity instruments allocated to the Group as a result of acquisitions are charged to the result when they arise.

4.2 Acquisition of non-controlling interests

Acquired non-controlling interests are stated as transactions with shareholders (directly as a charge to equity) and no goodwill is therefore included.

4.3 Subsidiaries

Subsidiaries are undertakings in which the Company directly and/or indirectly has a controlling interest. The financial statements of subsidiaries are included in the consolidated financial statements from the first date on which control is exercised to the date on which such control ends. Non-controlling interests in the Group's result and equity are stated separately. Losses in connection with non-controlling interests are allocated to the non-controlling interests, even if a deficit arises for the non-controlling interests in question.

4.4 Associated companies, joint ventures and other participating interests

Associated companies are entities in which the Group has significant influence on the financial and operational policy, but in which it has no controlling interest. Significant influence is assumed to exist if the Group holds between 20% and 50% of the voting rights in another entity. Joint ventures are companies over which the Group has joint control and in which such control has been set forth in an agreement and in which strategic decisions on the financial and operational policy are taken on the basis of unanimity. Associated companies and joint ventures are accounted for using the equity method and are stated at cost including transaction costs at initial recognition. If the Group's share in losses exceeds the carrying value of the associated company or joint venture, the carrying value is stated at zero and further losses are no longer stated, unless the Group has entered into a liability or has made payments on behalf of the associated company or joint venture.

Other participating interests over which no significant influence is exercised are carried at fair value and the dividend is stated in the profit and loss account when it is made payable. If no fair value is available and other methods do not result in a reasonable estimate, the investment is carried at cost less impairment.

4.5 Elimination of transactions on consolidation

Intragroup balances and transactions between the subsidiaries in the Group and unrealised gains and losses on such transactions are eliminated in the preparation of the consolidated financial statements. Unrealised gains on Group transactions with equity-accounted investees are eliminated in proportion to the Group's interest in the investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

5 FOREIGN CURRENCIES

5.1 Transactions in foreign currencies

Receivables and liabilities denominated in foreign currencies are converted into euros at the rate prevailing on the reporting date. Transactions in foreign currencies are converted into euros at the estimated exchange rate on the transaction date. Currency translation differences are stated in the profit and loss account.

Non-monetary assets and liabilities which are denominated in foreign currencies and valued on the basis of historical cost are converted at the exchange rate on the transaction date.

5.2 Subsidiaries and joint ventures outside the eurozone

The revenues and expenses of subsidiaries outside the eurozone are converted into euros at the exchange rate on the transaction date. Assets and liabilities including goodwill and fair value adjustments in respect of acquisitions are converted at the rate on the reporting date. The resulting translation differences are carried in other comprehensive income in equity. The proportionate share of the currency translation difference is allocated to any non-controlling interests. If an activity outside the eurozone is fully or partly divested, the accumulated exchange rate difference is transferred from equity to the profit and loss account as part of the result of the sale.

The rates of the main currencies against the euro are as follows:

	Closing rate		Average price	
	2013	2014	2013	2014
US dollar	1.38	1.21	1.32	1.33
British pound	0.83	0.78	0.85	0.81
Danish krone	7.46	7.45	7.46	7.46
UAE dirham	5.05	4.46	4.86	4.90
Malaysian ringgit	4.51	4.25	4.15	4.35
Singapore dollar	1.74	1.61	1.65	1.69
Chinese yuan	8.34	7.54	8.15	8.22
Australian dollar	1.54	1.48	1.36	1.47

6 DERIVATIVES

The Group uses derivatives in order to hedge exchange rate and interest rate risks resulting from operating, financing and investing activities. Examples are currency options and forward contracts as well as interest rate caps and swaps. In accordance with its treasury policy, the Group does not use derivatives for trading purposes, nor does it issue such derivatives.

Derivatives are valued at fair value on initial recognition. The resulting income or expense is stated directly in the profit and loss account unless hedge accounting is applied (see section 7).

The fair value of derivatives is the estimated amount which the Group would receive or would have to pay in order to terminate the derivative on the reporting date, taking into account the current exchange rates, the current interest rate and the credit risk.

7 HEDGE ACCOUNTING

The Group applies cash flow hedge accounting to interest rate derivatives. During the hedging relationship, the effective portion of the changes in the fair value of the derivative is stated directly in other comprehensive income of the hedging reserve in equity. The ineffective portion of the changes in the fair value of the derivatives is stated directly in the profit and loss account. If the hedged future transactions are stated in the profit and loss account, the transfer takes place from equity to the profit and loss account.

8 SEGMENT REPORTING

An operating segment is a part of the Group conducting business activities which can result in revenues and expenses, including revenues and expenses associated with transactions with other parts of the Group. The Group determines and presents operating segments on the basis of the information reported internally to the Chief Operating Decision Maker (CODM), who takes the important operating decisions in the segment.

The operating results of an operating segment are assessed periodically by the CODM committees in order to decide on the allocation of resources to the segment and for performance assessment.

The investment expenses of a segment concern the total expenses incurred during the reporting period for the acquisition of tangible fixed assets and intangible assets with the exception of goodwill.

The assets and liabilities of the segment concern items which are or may reasonably be allocated directly.

Unallocated assets comprise profit tax receivables and cash and cash equivalents. The unallocated liabilities comprise interest-bearing loans and profit tax liabilities.

9 REVENUES

Revenues comprise the revenues from goods and services supplied to third parties. These are stated at the fair value of the consideration received or to be received, less taxes and any volume, trade or payment discounts due.

Revenues from sales of goods are recognised in the profit and loss account when the main risks and benefits of ownership have been transferred to the purchaser.

Revenues from services supplied are recognised in the profit and loss account in proportion to the extent of performance of the work applying on the reporting date.

No revenues are recognised if the extent of the revenues cannot be reliably determined and if significant uncertainties remain with regard to the collection of the remuneration due, the associated costs or the possible return of goods, and also if there is a protracted management involvement with such goods.

The Group also carries out projects to manufacture assets under contracts with third parties. The costs relating to a project are recognised when they are incurred. As soon as the result of a project in progress can be reliably estimated, revenues from projects in progress are recognised in proportion to its degree of completion of a project. Expected losses on projects are stated immediately in the profit and loss account.

10 GOVERNMENT SUBSIDIES

Subsidies granted as compensation for expenses incurred by the Group are systematically stated as income in the profit and loss account in the same period as that in which the eligible expenses are incurred and as soon as there is a reasonable certainty that they will be received and that the Group will fulfil the attached conditions. Subsidies granted to compensate the Group for the cost of an asset are systematically stated as cost of sales in the profit and loss account during the useful life of the asset.

11 PRESENTATION IN THE PROFIT AND LOSS ACCOUNT

The allocation of costs to the functional cost accounts can be specified as follows:

- Cost of sales: comprises all production costs (including raw material and energy costs) related to the recognised revenues.
- Selling costs: comprises the costs of marketing and sales of the products.
- Research and development costs: comprises research costs with the aim of acquiring new technological knowledge and development costs associated with the development of new products or processes for the start of commercial production.
- General management costs: comprises the strategic and management costs. The costs of support departments which do not relate directly to the other cost accounts are also included under general management costs.

12 LEASE PAYMENTS

Lease payments in respect of operational leasing are stated in the profit and loss account on a straight-line basis over the lease term. Remuneration received as an incentive to effect leases is stated as an integral part of the total lease costs in the profit and loss account over the lease term.

Financial lease payments are stated partly as financial expenses and partly as a repayment of the outstanding liability. The financing costs are allocated to each period of the total lease term in such a way that this results in a constant periodic interest rate on the residual balance of the liability.

13 FINANCIAL INCOME AND EXPENSES

Financial income and expenses include the interest income and expenses on invested and borrowed monies, interest charges on financial lease payments, foreign exchange rate differences, dividends from other participating interests and results of derivatives for which no hedge accounting is used and the realised and ineffective portion of the change in the fair value of derivatives for which hedge accounting is used. Interest income and expenses are stated in the profit and loss account on the basis of the effective interest method.

Material financial expenses in the construction period which are directly attributable to the acquisition, construction or production of an eligible asset (which will require a considerable period before it is ready for use or sale) are capitalised as part of the costs of that asset.

Dividend income from other participating interests is stated in the profit and loss account at the time at which the Group's right to payment is established.

14 PROFIT TAX

The tax on profit for the financial year includes the profit tax that is payable, available for set-off and deferred in respect of the reporting period. The profit tax is stated in the profit and loss account, except where it relates to items which are included directly in equity or in other comprehensive income. Profit tax that is payable and available for set-off in respect of the reporting period is the profit tax which is expected to be payable on the taxable result, calculated on the basis of tax rates which have been set on the reporting date, or on which a firm decision has been taken by the reporting date, and any corrections to profit tax payable in respect of previous years. Additional taxes on profit from dividend payments are stated at the same time as the liability to pay the respective dividend.

A receivable / provision is recognised for deferred tax differences using the balance sheet liability method for temporary differences between the carrying value of assets and liabilities for the financial reporting and the fiscal carrying value of the items concerned. No provision is formed in respect of two temporary differences: non-tax-deductible goodwill and the difference between the economic and fiscal value of subsidiaries, associated companies, joint ventures and other participating interests. The amount of the provision for deferred profit tax liabilities is based on the method by which the carrying value of the assets and liabilities is expected to be

realised or settled, using tax rates which, on the reporting date, have been specified by law or in material terms.

Deferred profit tax assets and liabilities are offset if there is a legally enforceable right to offset the profit tax assets and liabilities and such assets and liabilities relate to profit tax imposed by the same tax authority on the same taxable entity, or on different taxable entities which intend to offset the profit tax assets and liabilities or whose profit tax assets and liabilities are realised simultaneously.
A deferred profit tax asset is only recognised in respect of unused tax losses, tax income and deductible temporary differences to the extent that it is likely that future taxable profits will be available which can be applied for the realisation of the timing difference. Deferred profit tax assets are reviewed on each reporting date and reduced if it is no longer likely that the associated tax benefit will be realised.

15 EARNINGS PER SHARE

The Group presents ordinary and diluted earnings per share for the ordinary share capital. The net earnings per ordinary share are calculated on the basis of the net result attributable to shareholders of the Group divided by the weighted average number of ordinary shares in issue during the reporting period (corrected to take account of own shares). In the calculation of the diluted earnings, the weighted average number of ordinary shares in issue during the reporting period is corrected to take account of the potential dilutive effect on the ordinary shares arising from the share options granted to employees.

16 NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

A number of new standards, amendments to standards and interpretations were not yet in force in 2014 and have therefore not been applied to these consolidated financial statements:

- IFRS 9 Financial instruments: IFRS 9 contains revised provisions for the classification and valuation of financial instruments, including a new model for expected credit losses for calculating the valuation of financial assets, and the new general requirements for hedge accounting. IFRS 9 applies to financial years beginning on or after 1 January 2018.
- IFRS 15 Revenues from Contracts with Customers: provides an extensive framework to determine whether, to what extent and when revenues must be recognised. The standard is intended to replace the existing provisions on revenue recognition, including IAS 18 (Revenue) and IAS 11 (construction contracts). IFRS 15 applies to financial years beginning on or after 1 January 2017.

The Group is currently assessing the possible effect of applying these standards. The other new or amended standards are not expected to have any material effect on the Group's consolidated financial statements.

17 PRINCIPLES FOR THE PREPARATION OF THE CASH FLOW STATEMENT

Cash flows from operating activities are presented on the basis of the indirect method. Cash flows in foreign currencies are converted at the exchange rate on the date of the cash flow or on the basis of averages. Changes which have not resulted in cash flows, such as exchange rate differences, acquisitions, financial lease liabilities, changes in fair value, recognised share-related transactions and similar transactions are eliminated in this statement. Dividends paid to shareholders are included in the cash flow from financing activities. Dividends received are stated in the cash flow from investing activities, and interest paid is stated in the cash flow from operating activities. Overdrafts which are immediately repayable and form part of the Group's cash management are included in the balance of cash and bank current accounts as part of the consolidated cash flow statement.

18 FIXED ASSETS HELD FOR SALE

Fixed assets (or groups of assets and liabilities which are expected to be disposed of) are considered to be 'held for sale' if it is highly probable that their carrying value will be realised principally through sale and not through their continued use. The assets (or group of assets to be disposed of) are generally stated at the lower of their carrying value or sale value minus sale costs. An impairment loss in respect of a group of assets and liabilities to be disposed of is allocated in the first instance to goodwill and thereafter proportionately to the residual assets and liabilities, on the understanding that no impairment loss is allocated to inventories, financial assets, deferred tax receivables and assets in respect of personnel remuneration valued in accordance with the other accounting policies of the Group. Impairment losses resulting from the initial classification as 'held for sale' and profits or losses from revaluation after initial recognition are stated in the profit and loss account. Once classified as held for sale, intangible and tangible assets are not amortised or depreciated.

19 INTANGIBLE ASSETS

19.1 Goodwill

Details of the valuation of goodwill on initial recognition can be found in note 4.1. Goodwill is valued at cost less accumulated impairments. The carrying value of the goodwill on investments in associated companies is included in the carrying value of the respective investment. An impairment loss on an associated company is allocated to the carrying value of the associated company investment. Goodwill is allocated to cash generating units and is tested each year on the reporting date to assess whether there is any indication of impairment.

19.2 Other intangible assets

The other intangible assets consist of:

Research and development

Expenses for research activities carried out with a view to acquiring new scientific or technical knowledge and insights are stated as an expense in the profit and loss account when they are incurred.

Expenses for development activities, in which research results are used for a plan or design for the production of new or substantially improved products and processes, are capitalised if the development costs can be reliably determined, the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development and use or sell the asset. The capitalised expenses include material costs, direct labour costs, financing costs and an appropriate portion of directly attributable overheads. Other development costs are stated as an expense in the profit and loss account when they are incurred. The capitalised development costs are valued at cost less accumulated amortisation and accumulated impairments (see note 24).

Other intangible assets

Other intangible assets acquired by the Group relate to customer relationships, trademark rights, patents, software and similar rights. These intangible assets are valued at cost less accumulated amortisation and accumulated impairments (see note 24). Costs of internally generated goodwill and trademarks are stated as an expense in the profit and loss account when they are incurred.

19.3 Expenses after initial recognition

Expenses after the initial recognition of capitalised intangible assets are capitalised only if they lead to an increase in the future economic benefits embodied in the particular asset to which they relate. All other expenses are charged to the profit and loss account when they are incurred.

19.4 Amortisation

Amortisation is calculated on the cost of the asset, less the residual value.

Amortisation costs are charged on a straight-line basis to the profit and loss account in accordance with the estimated useful life of intangible assets. Goodwill is tested each year on the reporting date to assess whether any impairment has arisen. The amortisation of other intangible assets begins as soon as the assets are available for use.

The estimated economic life is as follows:

- Development costs 5 years
- Other intangible assets 3 – 14 years

The amortisation method, economic life and residual value are assessed periodically and adjusted if necessary.

20 TANGIBLE FIXED ASSETS

20.1 Owned assets

Tangible fixed assets are valued at cost less accumulated depreciation (see 20.4) and accumulated impairments (see note 24).

The cost of self-manufactured assets comprises material costs, direct labour costs and any other costs attributable directly to the preparation of the asset for use, any costs of dismantling and removing the asset, the costs of restoring the location in which the asset is held and capitalised financing costs.

Where tangible fixed assets consist of components with differing useful lives, these are stated as separate items under tangible fixed assets.

The profit or loss on the sale of a tangible fixed asset is determined by comparing the sales proceeds with the carrying value of the tangible fixed asset. The net difference is stated under general management costs in the profit and loss account.

20.2 Leased assets

Leases in which the Group actually assumes all the risks and benefits of ownership are classified as financial leases. Tangible fixed assets which are acquired by means of financial leases are valued on initial recognition at the lower of fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation (see note 20.4) and impairments (see note 24). Lease payments are stated as described in note 12.

20.3 Expenses after initial recognition

Expenses incurred for the replacement of a component of a tangible fixed asset are capitalised provided the future economic benefits resulting from the asset accrue to the Group and the cost of such replacement expenses can be reliably determined. All other expenses are charged to the profit and loss account when they are incurred.

20.4 Depreciation

Depreciation is calculated on the cost of an asset less the residual value. Depreciation is charged to the profit and loss account on the basis of the straight-line method over the estimated economic life of each component of a tangible fixed asset. Land is not depreciated.

The estimated economic life is as follows:

buildings	33 years
fixtures and installations in buildings	10 years
plant and equipment	7 – 10 years
inventory	5 years
computers and office equipment	3 – 5 years

The depreciation method, economic life and residual value are assessed periodically and adjusted if necessary.

21 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. The cost of inventories is based on the FIFO (first in, first out) principle and includes the costs incurred for the acquisition of the inventories, their production or conversion and bringing them to the existing location and condition. In the case of inventories of finished products and work in progress, the cost includes in addition to the direct costs an appropriate portion of the indirect costs based on the normal production capacity. The net realisable value is the estimated sale price in ordinary operations, less the estimated costs of completion and the sale costs.

22 TRADE DEBTORS AND OTHER RECEIVABLES

Trade and other receivables with a term of less than one year are stated at amortised cost less impairments.

Projects in progress commissioned by third parties concern the gross amount yet to be charged that is expected to be collected from customers for the contract work carried out up to the reporting date. This item is carried at cost plus the profit recognised up to that time less invoiced instalments in proportion to the progress of the project and recognised losses. The cost includes all expenditure directly related to specific projects and an allocation of the fixed and variable indirect costs incurred.

Projects in progress commissioned by third parties under contracts in which the amount of costs incurred plus the recognised profit is higher than the invoiced instalments are stated in the balance sheet under other receivables. If the amount of invoiced instalments is higher than the costs incurred plus recognised profit, the difference is stated in the balance sheet under trade creditors and other payables.

23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and immediately claimable credit balances with an original term of three months or less. Overdrafts at banks which are immediately claimable and form an integral part of the Group's cash management are included as part of the cash and cash equivalents for the purposes of the cash flow statement.

24 IMPAIRMENT

The carrying value of the Group's assets, except that of inventories (see note 21) and deferred profit tax assets (see note 14) is examined at each reporting date in order to determine whether there are indications of impairment. If there are such indications, an estimate is made of the realisable value of the asset. In the case of goodwill and intangible assets which are not yet available for use, the realisable value is estimated at each reporting date. This also applies if there is an indication of impairment.

An impairment is recognised when the carrying value of an asset or the cash generating unit thereof is higher than the estimated realisable value. It is first charged to any allocated goodwill and then deducted proportionately from the carrying value of the other assets.

For the testing of impairments, assets which cannot be tested individually are combined into the smallest distinguishable group of assets which, as a result of continuous use, generates cash flow that is broadly independent of the incoming cash flows from other assets or groups of assets (the cash generating unit). Taking into account the maximum size of an operating segment before aggregation (the 'operating segment ceiling test'), cash generating units to which goodwill has been allocated for the testing of goodwill with regard to impairment are combined in such a way that the level at which such impairment is tested reflects the lowest level at which goodwill is monitored in internal reporting. Goodwill acquired in a business combination is allocated to groups of cash generating units which are expected to benefit from the synergy advantages of the combination.

24.1 Calculation of the realisable value

The realisable value is the higher of the recoverable amount, less costs to sell, and the value in use. In determining the value in use, the present value of the estimated future cash flows is calculated using a discount rate before tax which reflects both the current market valuations of the time value of money and the specific risks relating to the asset or cash generating unit. In the case of an asset which generates no cash receipts that are largely independent of other assets, the realisable value is determined for the cash generating unit to which the asset belongs.

24.2 Reversal of impairments

An impairment relating to goodwill cannot be reversed. In the case of other assets, an assessment is made on the reporting date as to whether an impairment must be reversed if there is a change in the estimates on which the realisable value was based.

An impairment is only reversed to the extent that the carrying value of the asset is not higher than the carrying value which would have been determined after the deduction of depreciation, if no impairment had been recognised.

Goodwill which is part of the carrying value of an investment in an associated company is not recognised separately and therefore not tested separately for impairment. Instead, the total amount of the investment in an associated company is tested for impairment as a single asset if there are objective indications that the investment in an associated company may be subject to impairment.

25 SHARE CAPITAL

25.1 Share capital

The share capital is classified as equity.

25.2 Repurchase of own shares

On the repurchase of share capital which is stated in the balance sheet as equity, the amount of the paid consideration, including directly attributable costs, is stated as a change in equity. Repurchased shares are classified in the reserve for own shares and presented as a deduction from total equity.

25.3 Dividend

Dividend is stated as a liability in the period in which it is declared.

26 PENSION LIABILITIES

26.1 Defined contribution schemes

Liabilities relating to contributions to defined contribution pension schemes are charged to the profit and loss account in the period to which they relate.

26.2 Defined benefit schemes

The Group's net liability in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of the future entitlement which employees have earned in the present and previous reporting periods in exchange for their services. This entitlement is discounted in order to determine the present value, with the fair value of the fund investments being deducted. The discount rate is the yield on the reporting date of bonds which have an AA credit rating and a period to maturity which approximates the term of the Group's liabilities and are denominated in the currency in which the entitlements arise. The calculation is performed by an authorised actuary on the basis of the projected unit credit method. If the entitlements under a pension scheme are increased, the proportion of the higher entitlement which relates to employees' past service is stated as an expense in the profit and loss account on a straight-line basis over the average period up to the vesting of the rights. If the rights are vested immediately, the expense is stated immediately in the profit and loss account.

Actuarial gains and losses in respect of a pension scheme are credited or charged directly to group equity.

If the calculation results in a receivable for the Group, the recognised asset item is limited to an amount not exceeding any unrecognised back-service costs and the present value of economic benefits in the form of any future repayments by the fund or, if lower, future pension contributions.

27 SHARE-BASED PAYMENTS

The option scheme enables the Group's management to acquire shares in Royal Ten Cate.

The fair value of the granted options is stated under personnel costs, with a corresponding entry in equity. The fair value is determined on the grant date and is allocated over the period up to the time at which the management acquires an unconditional right to the options. The amount stated as costs is adjusted annually to the number of options which will be exercised. The fair value of the granted options is determined on the basis of the binomial model, taking account of the conditions under which the options have been granted. Valuation factors include the share price on the valuation date, the exercise price of the instrument, the expected volatility, the weighted average expected term of the instruments (based on past experience and the conduct of the instrument holders), the expected dividends and the risk-free interest rate (based on government bonds).

28 PROVISIONS

A provision is recognised in the balance sheet if there is a legally enforceable or actual obligation as a result of a past event and it is likely that an outflow of resources will be required to settle such liability and such outflow can be reliably estimated. If the effect of this is material, the provisions are determined by discounting the expected future cash flows using a discount rate before profit tax which reflects the current market valuations of the time value of money and, if necessary, the specific risks of the liability. Interest accrual is stated as a financial expense.

28.1 Claims and guarantees

The provision for claims relates to damages claims and any litigation costs. The provision for guarantees relates to goods and services supplied and is based on historical guarantee data.

28.2 Reorganisation

Reorganisation provisions are included if the Group has formalised a detailed plan for the reorganisation and has begun or publicly announced the reorganisation. The reorganisation provision does not include costs incurred in relation to future activities.

28.3 Other personnel liabilities

Long-service leave and other allowances such as anniversaries form part of the provisions under other personnel liabilities. These provisions are accumulated over the respective period as in the case of defined benefit pension schemes, except that actuarial gains or losses are recognised in the profit and loss account in the period in which they arise.

28.4 Environment

In accordance with the Group's published environmental policy and the applicable legal obligations, a provision for the clearance of environmental pollution is recognised when the pollution occurs.

28.5 Onerous contracts

A provision is recognised in the balance sheet for onerous contracts if the benefits which the Group expects to obtain from a contract are lower than the unavoidable costs of fulfilling the liabilities under the contract. The provision is valued at the lower of the present value of the expected costs of terminating the contract and the present value of the expected net costs of continuing the contract.

29 LONG-TERM DEBTS

When included for the first time, interest-bearing loans received are stated at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are carried at amortised cost, with the difference between the cost and the redemption price being stated in the profit and loss account on the basis of the effective interest method over the term of the loans.

30 TRADE CREDITORS

Trade creditors and other payables are carried at amortised cost.

31 DETERMINATION OF FAIR VALUE

A number of principles and the Group's information provision require the determination of the fair value of both financial and non-financial assets and liabilities. For the purposes of valuation and information provision, the fair value is determined on the basis of the following methods. If applicable, further information on the principles for determining the fair value is provided in the section of these notes applying specifically to the respective asset or the respective liability.

Tangible fixed assets

The fair value of tangible fixed assets included as a result of a business combination is the estimated amount for which an item of immovable property could be traded on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing in which the parties have each acted prudently and knowledgeably. The market value of other tangible fixed assets and inventories is based on the listed market prices of comparable assets and items where available, and on replacement costs where applicable.

Intangible assets

The fair value of patents and trademarks acquired as part of a business combination is determined on the basis of the discounted estimated royalties which have been avoided as a result of ownership of the patent or trademark. The fair value of customer relationships acquired in a business combination is determined using the excess earnings method over several periods, with the respective assets being valued after deduction of a real return on all other assets which jointly constitute the associated cash flows. The fair value of other intangible assets is based on the expected present value of the cash flow from the use and ultimate sale of the asset.

Inventories

The fair value of inventories acquired as part of a business combination is determined on the basis of the estimated sale price in normal business operation, less the estimated costs of completion and the sale costs, plus a reasonable profit margin reflecting the completion and sale effort.

Trade debtors and other receivables

The fair value of trade debtors and other receivables, excluding projects in progress commissioned by third parties, is estimated at the present value of the future cash flows, on the basis of the market interest rate applying on the reporting date. This fair value is determined for information purposes or if the trade debtors and other receivables are acquired by means of a business combination.

Notes to the profit and loss account

32 OPERATING SEGMENTS

The Group consists of three segments, as described below. The primary basis for the segment allocation is the decisive importance of the finishing/coating technology for the Advanced Textiles & Composites sector and extrusion technology for the Geosynthetics & Grass sector. The segments also offer a range of products and services and are managed separately. 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 industrial applications and technological applications in aerospace.

- Geosynthetics & Grass

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

- Other Activities

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 companies and service companies.

Limited transactions take place between the segments. The prices for these transactions are determined on an objective business basis.
There is no segment in which the Group depends on sales to a single customer for all its revenues.

Analysis by geographic location

The segments report on the basis of four regions: the Netherlands, Other Europe, North America and Asia / Australia / Middle-East. In the presentation of information based on geographic segments, the revenues of the segment are based on the geographic location of origin. The assets of the segments are based on the geographic location of the assets.

The following page contains an overview of each of the reporting segments. The performance is determined on the basis of the operating result, as stated in the internal management report to the CODM. The CODM is formed by the Executive Board.

32.1 Analysis by operating segment

in millions of euros	Advanced Textiles & Composites		Geosynthetics & Grass		Other Activities		Eliminations between segments		Consolidated	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
EXTERNAL REVENUES	427.8	435.3	508.2	538.7	66.4	67.6	–	–	1,002.4	1,041.6
Revenue from transactions between segments	–	–	–	–	–	–	–	–	–	–
Depreciation and amortisation	– 16.6	– 16.1	– 25.7	– 22.2	– 5.4	– 5.7	–	–	– 47.7	– 44.0
Impairment of assets	–	– 68.4	–	–	–	– 13.8	–	–	–	– 82.2
Operating income	15.0	– 48.5	23.5	20.1	– 3.0	– 8.1	–	–	35.5	– 36.5
Financial income									0.5	1.0
Financial expenses [1]									– 10.5	– 8.6
Profit tax									– 8.5	– 1.4
Net result of associated companies / joint ventures	–	–	0.1	0.4	–	–	–	–	0.1	0.4
ASSETS AND LIABILITIES										
Assets of segments	334.7	312.7	413.0	457.8	66.1	51.0	–	–	813.8	821.5
Investments accounted for by the equity method	–	–	9.1	5.4	–	–	–	–	9.1	5.4
Unallocated assets	–	–	–	–	–	–	–	–	45.1	69.6
Total assets	334.7	312.7	422.1	463.2	66.1	51.0	–	–	868.0	896.5
Liabilities of segment [2]	67.3	73.3	76.9	84.0	32.7	35.2	–	–	176.9	192.5
Unallocated liabilities	–	–	–	–	–	–	–	–	217.8	256.3
Total liabilities	67.3	73.3	76.9	84.0	32.7	35.2	–	–	394.7	448.8
Investment expenditure	7.8	13.7	4.9	7.4	1.7	3.7			14.4	24.8

1 2014: excluding € 1.0 million of consolidated exchange rate differences (2013: € 0).
2 Excluding intercompany loans.

32.2 Analysis by geographic location

	Revenues by origin		Non-current assets by origin*	
	2013	2014	2013	2014
Netherlands	209.2	219.1	56.3	54.7
Rest of Europe	189.5	207.6	106.0	45.8
North America (USA)	449.7	470.8	140.8	122.0
Asia / Australia / Middle East	154.0	144.1	138.7	146.5
Total	1,002.4	1,041.6	441.8	369.0

* Non-current assets excluding financial instruments and deferred profit tax assets.

33 ACQUISITIONS AND SALE OF PARTICIPATING INTERESTS

33.1 Acquisitions

In May 2014 the Group acquired a 9.12% interest from the minority shareholder and thus acquired full control of Xennia Technology Ltd.

33.2 Deconsolidation

The interest in Bresco AS, Molde, Norway, was sold in 2014, resulting in a book profit of € 0.2 million. The book profit has been stated under General management costs.

TenCate – Union Protective Fabrics Asia Ltd was deconsolidated in 2013 because the Group no longer has control over the company. The deconsolidation did not generate a result. The cash flow from investing activities as a result of deconsolidation amounts to € 4.2 million due to the deconsolidation of a bank debt.

34 PERSONNEL COSTS	2013	2014
Wages and salaries	150.4	154.4
Social charges	31.5	33.7
Costs of option scheme	1.6	1.7
Pension costs	10.0	2.4
Temporary personnel	15.6	16.8
Other personnel costs	7.0	8.3
Total personnel costs	216.1	217.3

The pension costs amount to € 2.4 million and comprise of € 2.8 million of income (2013: € 5.1 million expense) in respect of defined benefit pension schemes (see note 51.3) and an expense of € 5.2 million (2013: € 4.9 million) in respect of defined contribution schemes. The income in respect of defined benefit schemes includes exceptional income of € 7.9 million (2013: € 0.1 million) (see note 51) in connection with a change in the pension scheme.
The average number of employees (permanent and temporary) in the Group in 2014 was 4,801 (2013: 4,716).

35 GENERAL MANAGEMENT COSTS

The general management costs include the following other operating expenses and income.

Government grants amount to € 1.6 million (2013: € 1.1 million) and relate particularly to research and development projects.
In 2014 the result on the sale of tangible assets amounts to – € 0.6 million (2013: € 0.2 million).

36 NET FINANCIAL EXPENSES	2013	2014
Interest income	0.5	1.0
Foreign currency exchange rate differences	–	–
Financial income	0.5	1.0
Interest expenses	– 7.3	– 6.3
Foreign currency exchange rate differences	–	– 1.0
Realised change in fair value of derivatives for which hedge accounting is applied	– 3.0	– 2.1
Ineffective portion of change in fair value of derivatives for which hedge accounting is applied	– 0.1	–
Result of derivatives for which no hedge accounting is applied	– 0.1	– 0.2
Financial expenses	– 10.5	– 9.6
Net financial expenses	– 10.0	– 8.6

37 PROFIT TAX	2013	2014
Profit tax payable		
Current financial year	– 12.3	– 11.5
Recognition of previously unrecognised tax losses	0.7	0.1
Underprovision (overprovision) in previous years	–	– 0.5
	– 11.6	– 11.9
Deferred profit tax		
Origination and reversal of temporary differences	2.7	12.9
Recognition of previously unrecognised tax losses	–	– 2.6
Change in unrecognised temporary differences	0.1	–
Change in tax rates	0.3	0.2
	3.1	10.5
Total profit tax charge in profit and loss account	– 8.5	– 1.4

Reconciliation with applicable profit tax rate		2013		2014
Result before profit tax		25.5		– 45.1
Tax on profit at average weighted local rate	30.6%	7.8	31.5%	– 14.2
Non-tax-deductible costs	3.9%	1.0	– 25.0%	11.3
Tax-exempt income / deductions	– 11.4%	– 2.9	7.3%	– 3.3
Corrections from previous years	–	–	– 1.1%	0.5
Change in tax rates	– 1.2%	– 0.3	0.4%	– 0.2
Losses in reporting year for which no deferred tax asset has been recognised	14.1%	3.6	– 8.4%	3.8
Change in tax losses from previous years for which no deferred tax asset has been recognised	– 2.7%	– 0.7	0.2%	– 0.1
Change in tax losses for which a deferred tax asset has been recognised in previous years	–	–	– 5.8%	2.6
Change in unrecognised deferred tax assets in respect of temporary valuation differences	– 0.4%	– 0.1	–	–
Other differences	0.4%	0.1	– 2.2%	1.0
Tax charge in the profit and loss account	33.3%	8.5	– 3.1%	1.4

The rise in the weighted average tax rate from 30.6% to 31.5% results from the impairment relating particularly to countries with relatively high tax rates. Before impairment, the weighted average tax rate fell from 30.6% to 23.2%. In comparison with 2013, a larger share of the result was generated in countries with a relatively low tax rate and a smaller share in countries with a relatively high tax rate in 2014.

The decrease in the effective tax rate from 33.3% to – 3.1% is due to the impairment, which is largely non-deductible for tax purposes. Before impairment, the effective tax rate fell from 33.3% to 28.8%, particularly as a result of the aforementioned change in the various countries' shares in the result before profit tax.

Notes to the consolidated balance sheet

38 ASSETS AND LIABILITIES HELD FOR SALE

The Group has classified TenCate Enbi as held for sale. On 7 January 2015 it was announced that the Group had reached agreement with Platinum Equity, an American private equity fund, on the sale of TenCate Enbi. The transaction is expected to be completed in the first half of 2015. TenCate Enbi is part of the Other Activities sector. The TenCate Enbi disposal group has been valued at fair value less costs to sell. This led to an impairment of tangible fixed assets of € 1.4 million, which has been charged to cost of sales.

In addition, the associated companies Hellas Construction Inc (30%) and Landscape Solutions B.V. (25%) have been classified as held for sale. The disposal group in respect of these participating interests includes trade and other receivables and debtors. These disposal groups have been valued at carrying value and are part of the Geosynthetics & Grass sector.

The effect of the classification as held for sale can be analysed as follows:

	2014
Tangible fixed assets	8.5
Investments accounted for using the equity method	4.5
Financial fixed assets	0.3
Deferred profit tax assets	0.7
Inventories	7.7
Trade debtors and other receivables	12.6
Assets held for sale	**34.3**
Deferred profit tax liabilities	0.1
Trade creditors and other payables	8.5
Profit tax liabilities	1.0
Liabilities held for sale	**9.6**

39 INTANGIBLE ASSETS

	Goodwill	Development costs	Other intangible assets	Total
Cost				
Balance as at 1 January 2013	214.1	17.4	101.6	333.1
Acquisitions	6.9	–	10.6	17.5
Additions	–	3.3	1.3	4.6
Exchange rate differences	– 7.0	– 0.6	– 2.9	– 10.5
Balance as at 31 December 2013	214.0	20.1	110.6	344.7
Additions	–	4.1	1.5	5.6
Disposals	–	–	– 0.7	– 0.7
Exchange rate differences	21.3	1.5	9.6	32.4
Balance as at 31 December 2014	235.3	25.7	121.0	382.0
Amortisation				
Balance as at 1 January 2013	2.5	5.5	58.9	66.9
Amortisation	–	2.1	10.9	13.0
Exchange rate differences	– 0.2	– 0.1	– 2.0	– 2.3
Balance as at 31 December 2013	2.3	7.5	67.8	77.6
Amortisation	–	2.0	10.7	12.7
Impairments	71.5	4.0	2.4	77.9
Disposals	–	–	– 0.7	– 0.7
Exchange rate differences	0.2	0.2	7.1	7.5
Balance as at 31 December 2014	74.0	13.7	87.3	175.0
Carrying value				
Balance as at 1 January 2013	211.6	11.9	42.7	266.2
Balance as at 31 December 2013	211.7	12.6	42.8	267.1
Balance as at 31 December 2014	161.3	12.0	33.7	207.0

39.1 Amortisation/impairment

The Group recognised an impairment loss of € 77.9 million on intangible assets in 2014 (2013: € 0).

The goodwill impairment of € 71.5 million has been stated separately in the profit and loss account. The impairment of the development costs and other intangible assets has been charged to cost of sales (€ 2.8 million) and research and development costs (€ 3.6 million).

39.2 Impairment testing for cash generating units which include goodwill

The following units include goodwill items:

	2013	2014
TenCate Grass	111.5	124.9
TenCate Advanced Armour	57.2	–
TenCate Advanced Composites	30.2	33.8
Xennia	9.2	–
Other Activities	3.6	2.6
Total	211.7	161.3

The Group tested the existing goodwill for impairment. The realisable value has been determined on the basis of the value in use. The value in use is based on the future cash flows over the forthcoming four years, based on historical empirical data, market expectations and strategic plans. No growth rate is applied for the period beyond four years. The value in use in 2014 has been determined in the same way as in 2013. On the basis of this test, a goodwill impairment has been recognised at TenCate Advanced Armour and Xennia. The other changes in 2014 related to exchange rate differences.

Principal assumptions made in estimating the present value of cash flows

The principal assumptions made in calculating the realisable value concern discount rates, revenue growth and EBITDA margins.

Discount rate

The discount rate is a pre-tax measure based on the risk-free interest rate on government bonds, adjusted for the risk premium for both the higher risk of securities investments and the Group's systemic risk. The pre-tax discount rates used range from 8.7% to 9.4% (2013: 9.2% to 9.4%).

Revenue growth

The expected revenue growth is expressed as the compound annual growth in the first four years of the schedules used to test impairment and is based on past experience, market expectations and strategic plans.

EBITDA margin

The EBITDA margin is the margin based on the result before net financial expenses, taxes, depreciation and amortisation as a percentage of expected revenues.

Impairments

TenCate Advanced Armour

An impairment loss of € 68.4 million has been recognised related to TenCate Advanced Armour, € 61.6 million of which relates to goodwill, with the remainder being allocated to other intangible assets and tangible fixed assets.

The impairment loss results from changes to forecasts. These are based partly on the historical results of TenCate Advanced Armour, which recorded a substantial operating loss in 2014. The market group has a number of long-term supply contracts both in the United States and in Europe. The timing and size of the actual order deliveries nevertheless remain uncertain. The discount rate used is 8.7% (2013: 9.3%).

Xennia

An impairment loss of € 12.4 million has been recognised related to Xennia (Xennia Technology Ltd), € 9.9 million of which relates to goodwill, with the remainder being allocated to other intangible assets and tangible fixed assets. The impairment results from changes to forecasts. These are based partly on the historical results of Xennia as well as a recalibration of the strategy with a focus on ink activities. The discount rate used is 8.9% (2013: 9.4%).

Sensitivity to changes in assumptions

The sensitivity of the principal assumptions has been investigated and is particularly important with regard to the TenCate Grass unit, because in the event of a relatively small change in the assumptions the carrying value of this unit exceeds the realisable value.

TenCate Grass

The assumptions used for the discount rate and revenue growth are 9.4% and 6% respectively. The realisable value exceeds the carrying value of this unit by approximately € 30 million. In the case of a discount rate of 10.2% or revenue growth of 2%, the realisable value is close to the carrying value. If the assumed EBITDA margin deviates by less than 1%, the realisable value still exceeds the carrying value.

Other units

With regard to the other units with goodwill it was concluded that an adjustment to one of these assumptions would not reasonably result in the carrying value exceeding the realisable value.

39.3 Other intangible assets

The other intangible assets concern in particular valued technologies, customer relationships and other valued intangible assets in acquisitions.

40 TANGIBLE FIXED ASSETS	Land and buildings	Plant and equipment	Other operating assets	Assets under construction	Total
Cost					
Balance as at 1 January 2013	143.1	454.4	52.4	2.7	652.6
Acquisitions	–	1.5	0.3	–	1.8
Additions	0.6	6.1	1.9	1.2	9.8
Disposals	– 0.2	– 6.9	– 1.4	–	– 8.5
Deconsolidation	– 1.7	– 3.2	– 0.4	–	– 5.3
Exchange rate differences	– 3.4	– 9.5	– 1.4	– 0.1	– 14.4
Balance as at 31 December 2013	138.4	442.4	51.4	3.8	636.0
Additions	1.3	13.5	1.4	3.0	19.2
Disposals	– 0.7	– 4.8	– 2.2	–	– 7.7
Reclassification to Assets held for sale	– 13.2	– 26.0	– 4.0	– 1.1	– 44.3
Exchange rate differences	8.0	26.9	2.2	0.7	37.8
Balance as at 31 December 2014	133.8	452.0	48.8	6.4	641.0
Depreciation					
Balance as at 1 January 2013	72.4	340.5	43.2	–	456.1
Depreciation	5.9	25.5	3.3	–	34.7
Disposals	– 0.2	– 6.5	– 1.2	–	– 7.9
Deconsolidation	– 0.5	– 2.9	– 0.3	–	– 3.7
Exchange rate differences	– 1.4	– 6.7	– 0.7	–	– 8.8
Balance as at 31 December 2013	76.2	349.9	44.3	–	470.4
Depreciation	5.5	22.8	3.0	–	31.3
Impairments	–	3.7	0.6	–	4.3
Disposals	– 0.7	– 4.1	– 2.1	–	– 6.9
Reclassification to Assets held for sale	– 6.1	– 24.8	– 3.8	– 1.1	– 35.8
Exchange rate differences	3.8	20.6	1.8	–	26.2
Balance as at 31 December 2014	78.7	368.1	43.8	– 1.1	489.5
Carrying value					
Balance as at 1 January 2013	70.7	113.9	9.2	2.7	196.5
Balance as at 31 December 2013	62.2	92.5	7.1	3.8	165.6
Balance as at 31 December 2014	55.1	83.9	5.0	7.5	151.5

40.1 Impairment loss and reversal of impairment

The Group recognised an impairment loss of € 4.3 million on tangible fixed assets in 2014 (2013: € 0) at the expense of cost of sales in the profit and loss account.

No impairment losses were reversed during the year.

40.2 Leased buildings, plant and equipment

The Group leases buildings, plant and equipment under a number of financial leases.

The net carrying value of these assets as at 31 December 2014 was € 4.1 million (31 December 2013: € 5.5 million). The leased buildings, plant and equipment serve as collateral for the financial lease liabilities (see note 50).

40.3 Collateral

As at 31 December 2014 no plant and equipment was encumbered as collateral (2013: none).

41 EQUITY-ACCOUNTED INVESTEES	2013	2014
Interest in joint venture	5.2	5.4
Interest in associated companies	3.9	–
Balance as at 31 December	9.1	5.4

The interest in a joint venture relates to the 50% interest in the shares of Edel Grass B.V. The associated companies item relates to the 30% interest in the shares of Hellas Construction Inc and the 25% interest in the shares of Landscape Solutions B.V. at the end of 2013. At the end of 2014 these two associated companies were reclassified as held for sale.

The changes in the associated companies accounted for using the equity method were as follows:

	2013	2014
Balance as at 1 January	9.3	9.1
Divestment	– 0.1	–
Dividend received	–	– 0.5
Result	0.1	0.4
Reclassification to Assets held for sale	–	– 4.5
Other items and exchange rate differences	– 0.2	0.9
Balance as at 31 December	9.1	5.4

The Group's share in the net income of the joint venture and associated companies is € 0.5 million (2013: € 0.1 million). The joint venture and associated companies included no unrealised results or results from discontinued business operations.

42 FINANCIAL FIXED ASSETS

The financial fixed assets comprise long-term receivables and investments.

The main long-term receivables and investments concern invested pension assets at a number of American subsidiaries of € 12.3 million (2013: € 10.0 million), a receivable from the sale of synthetic turf pitches of € 2.5 million (2013: € 0.9 million) and an advance payment in connection with long-term lease rights in China and Malaysia amounting to € 2.1 million (2013: € 2.0 million).

43 DEFERRED PROFIT TAX ASSETS AND LIABILITIES

The deferred profit tax assets and liabilities recognised in the balance sheet are attributable to the following items:

	Balance as at 1 January 2013	Recognised in profit and loss	Recognised in other comprehen-sive income	Acquired through business combinations	Balance as at 31 December 2013	Receivables	Liabilities
Intangible assets	– 7.9	– 0.3	–	– 2.4	– 10.6	–	10.6
Tangible fixed assets	– 11.4	2.0	–	–	– 9.4	–	9.4
Financial fixed assets	–	0.1	–	–	0.1	0.1	–
Inventories	6.6	0.7	–	–	7.3	7.3	–
Derivatives	1.3	–	– 0.8	–	0.5	0.5	–
Other receivables	– 0.3	0.4	–	–	0.1	0.1	–
Pension provisions	7.5	0.3	– 4.6	–	3.2	3.2	–
Other provisions	9.8	– 0.5	–	–	9.3	9.3	–
Tax value of recognised loss carry-forwards	13.1	– 0.8	–	–	12.3	12.3	–
Other items	2.5	1.2	–	–	3.7	3.7	–
Deferred profit tax assets/liabilities	21.2	3.1	– 5.4	– 2.4	16.5	36.5	20.0
Set-off of assets and liabilities						– 12.5	– 12.5
Net deferred profit tax assets/liabilities	21.2	3.1	– 5.4	– 2.4	16.5	24.0	7.5

	Balance as at 1 January 2014	Recognised in profit and loss	Recognised in other comprehensive income	Reclassification as Assets held for sale	Exchange rate differences	Balance as at 31 December 2014	Receivables	Liabilities
Intangible assets	– 10.6	12.0	–	–	– 1.0	0.4	0.4	–
Tangible fixed assets	– 9.4	2.8	–	0.2	– 1.4	– 7.8	–	7.8
Financial fixed assets	0.1	–	–	–	–	0.1	0.1	–
Inventories	7.3	1.9	–	– 0.1	0.7	9.8	9.8	–
Derivatives	0.5	–	– 0.3	–	–	0.2	0.2	–
Other receivables	0.1	1.4	–	–	–	1.5	1.5	–
Pension provisions	3.2	– 0.7	3.2	–	0.1	5.8	5.8	–
Other provisions	9.3	– 2.0	–	– 0.4	1.0	7.9	7.9	–
Tax value of recognised loss carry-forwards	12.3	– 4.8	–	– 0.3	0.3	7.5	7.5	–
Other items	3.7	– 0.1	–	–	–	3.6	3.6	–
Deferred profit tax assets/liabilities	16.5	10.5	2.9	– 0.6	– 0.3	29.0	36.8	7.8
Set-off of assets and liabilities							– 4.2	– 4.2
Net deferred profit tax assets/liabilities	16.5	10.5	2.9	– 0.6	– 0.3	29.0	32.6	3.6

The tax effect of the other comprehensive income in Group equity is € 2.9 million (2013: – € 5.4 million) and relates to the actuarial results in respect of pensions (€ 3.2 million) and the hedging reserve (– € 0.3 million).

The realisation of the deferred profit tax assets depends on the future taxable profit being higher than the profit from the reversal of taxable temporary differences. On the basis of a projection of the estimated taxable profit and the existing fiscal planning possibilities, it is virtually certain that sufficient taxable profit will be generated in future to realise these deferred profit tax assets.

Deferred profit tax assets not recognised in the balance sheet

As at 31 December 2014 there were € 125.6 million (2013: € 97.6 million) of unused losses available for set-off. No deferred profit tax asset has been recognised in respect of this amount because it is currently unlikely that future taxable profit will be available to the Group for the losses to be set off.

The amount of profit tax concerned as at 31 December 2014 was € 27.2 million (2013: € 23.5 million).

The expiry periods of the unused losses available for set-off are shown in the table below:

	2013	2014
Up to 5 years	19.3	37.6
After 5 years	30.9	18.6
Unspecified period	47.4	69.4
Non-recognised losses available for set-off	97.6	125.6

44 **INVENTORIES**	2013	2014
Raw materials and manufacturing supplies	62.9	69.9
Semi-manufactures	47.6	45.8
Finished products	111.7	133.8
Inventories	222.2	249.5

In 2014 the reduction in the inventory value included as an expense amounted to a net recoverable amount of € 12.2 million (2013: € 8.1 million). The reversal of the reduction in the inventory value in 2014 amounted to € 3.0 million (2013: € 1.3 million). The inventory value included as an expense and the reversal have been stated under cost of sales.

45 TRADE DEBTORS	2013	2014
Due from third parties	122.3	140.8
Due from associated companies	3.1	0.1
Due from joint ventures	1.0	1.1
Trade debtors	126.4	142.0

Trade and other receivables with a term of less than one year are stated at amortised cost less impairments. Transfers to provisions for doubtful debts are included in the profit and loss account under cost of sales.

As at 31 December 2014 trade debtors with a value of € 6.5 million (2013: € 6.5 million) were encumbered as security for credit facilities amounting to € 6.5 million (2013: € 6.5 million). € 6.5 million of this credit facility was drawn as at the end of 2014 (2013: € 6.5 million).

46 OTHER RECEIVABLES	2013	2014
Amount receivable in respect of other taxes	3.8	3.7
Derivatives at fair value	1.1	2.0
Construction projects	1.7	1.6
Other receivables and prepayments	11.0	11.3
Overige vorderingen	17.6	18.6

Amounts receivable in respect of other taxes relate mainly to reclaimable VAT.
As at 31 December 2014 the prepayments amounted to € 5.8 million (2013: € 5.8 million).

As at 31 December 2014 the total costs and recognised profit associated with projects in progress, less recognised losses, amounted to € 13.9 million (2013: € 16.3 million). Trade debtors included no amounts deducted in respect of projects in progress commissioned by third parties (2013: zero).

47 CASH AND CASH EQUIVALENTS	2013	2014
Bank balances	21.5	36.3
Cash balances	0.1	0.1
Cash and cash equivalents	21.6	36.4
Cash loans, overdrafts	– 13.8	– 37.7
Cash in cash flow statement	7.8	– 1.3

All amounts were freely available at the end of 2013 and 2014.

48 TOTAL SHAREHOLDERS' EQUITY

A statement of changes in equity can be found on page 106.

48.1 Ordinary shares

Number x 1,000	2013	2014
In issue and fully paid as at 1 January	26,498	26,791
Issued stock dividend	294	297
Other items	– 1	1
In issue and fully paid as at 31 December	26,791	27,089

The authorised share capital amounts to € 200 million, divided into 80 million ordinary shares of a par value of € 2.50. The issued capital as at 31 December 2014 amounts to 27,088,778 ordinary shares with a par value of € 2.50 (as at 31 December 2013: 26,791,367 ordinary shares of a par value of € 2.50).

The holders of ordinary shares are entitled to dividend as approved periodically by the General Meeting of Shareholders. They are also entitled to cast one vote per share at meetings of the Company.

Issue of shares and limitation of pre-emptive right

The general meeting of shareholders has granted the Executive Board the power to issue shares and to exclude or restrict the pre-emptive right for the period ending on 16 October 2015. The power to issue shares concerns 10% of the issued share capital plus a further issue up to a maximum of 10% of the issued share capital in the event that the issue takes place in the context of a merger or acquisition. The same applies to the power of the Executive Board, with the approval of the Supervisory Board, to restrict or exclude the pre-emptive right.

48.2 Repurchased ordinary shares

Number x 1,000	2013	2014
In issue and fully paid as at 1 January	584	518
Repurchase of own shares	–	238
Exercise of options	– 66	–258
In issue and fully paid as at 31 December	518	498

Ordinary shares are repurchased to prevent earnings per share being diluted by the granting of options. In 2014, 238,200 own shares were repurchased.

Repurchase of own shares

The general meeting of shareholders has granted the Executive Board the power to acquire fully paid-up shares in the Company (or depositary receipts thereof) for the period ending on 16 October 2015. The maximum number of shares which may thus be acquired is 10% of the issued capital at the time of acquisition of the shares (or depositary receipts thereof).

48.3 Share premium

The share premium reserve is to be considered as paid-up capital.

48.4 Reserve for translation differences

The translation reserve comprises all exchange rate differences which arise due to the translation of amounts relating to activities outside the eurozone. These exchange rate differences are carried in equity. The accumulation of the respective amount began on 1 January 2004 and is not available for distribution to shareholders.

48.5 Hedging reserve

The hedging reserve consists of the unrealised effective portion of the accumulated change in the fair value of the derivatives to which hedge accounting is applied and which are used to hedge the interest rate risk. The reserve is not available for distribution to shareholders. A negative reserve reduces the amount freely available for distribution from the reserves.

The balance of the hedging reserve after tax on 31 December 2014 was – € 0.7 million (2013: – € 1.6 million). The change in the hedging reserve before tax amounts to € 1.2 million (2013: € 3.1 million). € 2.1 million of this change has been realised (2013: € 3.0 million) and the ineffective portion of the fair value change to which hedge accounting is applied is zero (2013: € 0.1 million) and the effective portion of the fair value change is – € 0.9 million (2013: zero).

48.6 Other reserves and undistributed result

Subsequent to the reporting date the following distribution has been proposed, which has not yet been included in the balance sheet. It is proposed to set the distribution to shareholders in respect of 2014 at € 0.50 per € 2.50 par value share (2013: € 0.50), payable optionally in cash or as stock.

	2013	2014
€ 0.50 per ordinary share (2013: € 0.50)	13.1	13.3

48.7 Objective with regard to equity and financing

The objective with regard to equity and financing, as in 2013, is to guarantee the continuity of the Group by means of attractive returns for shareholders and by guaranteeing benefits for other stakeholders. The capital structure is adjusted if necessary in line with economic developments and risks relating to assets.

With regard to financing, the longer-term objective is a ratio of net debt to EBITDA of a maximum of 2.5.

The calculation as at 31 December is as follows:

	2013	2014
Long-term debts	195.1	213.3
Short-term portion of long-term debts	1.0	0.9
Cash loans, overdrafts	14.7	37.7
Total debt	210.8	251.9
Less: cash and cash equivalents	21.6	36.4
Net debt	189.2	215.5
EBITDA*	83.5	83.7
Net debt / EBITDA	2.27	2.57

* EBITDA is the operating result before depreciation, amortisation and impairment of intangible and tangible assets. In accordance with agreements with the banks, EBITDA has been adjusted to take account of the effect of acquired and divested businesses, exceptional items and some components of the net financial expenses, such as currency translation differences.

49 EARNINGS PER SHARE

49.1 Ordinary earnings per share

The calculation of the ordinary earnings per share as at 31 December 2014 is based on the net result of – € 45.7 million (2013: € 19.0 million) attributable to holders of ordinary shares and a weighted average number of outstanding ordinary shares during the 2014 financial year of 26,588,243 (2013: 26,224,821), calculated as follows:

	2013	2014
Net profit for financial year attributable to holders of ordinary shares	19.0	– 45.7

Weighted average number of ordinary shares, number x 1,000	2013	2014
Ordinary shares in issue on 1 January	26,498	26,791
Effect of ordinary shares held (including repurchased shares)	– 584	– 518
Effect of shares issued in connection with stock dividend	294	297
Effect of repurchase of own shares	–	– 196
Effect of shares issued as result of exercised option rights	17	214
Weighted average number of ordinary shares as at 31 December	26,225	26,588

49.2 Diluted earnings per share

The calculation of the diluted earnings per share as at 31 December 2014 is based on the net result of € -45.7 million (2013: € 19.0 million) attributable to holders of ordinary shares and the weighted average number of outstanding ordinary shares during the 2014 financial year of 26.720.074 (2013: 26.366.474), calculated as follows:

	2013	2014
Net profit for financial year attributable to holders of ordinary shares	19.0	– 45.7

Weighted average number of ordinary shares, number x 1,000	2013	2014
Weighted average number of ordinary shares as at 31 December	26,225	26,588
Effect of outstanding option rights	141	132
Weighted average number of ordinary shares (after dilution) as at 31 December	26,366	26,720

50 LONG-TERM DEBTS	2013	2014
Syndicated loan	190.3	212.1
Financial lease liabilities	2.1	1.4
Other loans	3.7	0.7
	196.1	214.2
Less: Repayment of loans in forthcoming year	– 1.0	– 0.9
Total	195.1	213.3

	2013 Total	2014 Total	2015 < 1 year	2016 1-2 years	2017/19 2-5 years	2020 ff > 5 years
Syndicated loan						
EUR variable interest	41.3	43.1			43.1	
USD variable interest	149.0	169.0			169.0	
Financial lease liabilities						
EUR variable interest	1.5	0.9	0.5	0.4		
GBP fixed interest 5.4% – 7.6%	0.6	0.4	0.2	0.1	0.1	
NZD fixed interest 9.5%	–	0.1			0.1	
Other loans						
USD variable interest	2.9					
EUR interest-free	0.8	0.7	0.2	0.5		
Total	196.1	214.2	0.9	1.0	212.3	–

The syndicated loan arranged in 2010 was fully repaid and terminated on 7 November 2014. A new syndicated loan was arranged on 31 October 2014 with a principal amount of € 350.0 million. The loan is due to mature on 31 October 2019. € 212.1 million of this facility was drawn as at 31 December 2014. Repayment is due in full on the maturity date. The loan is valued at amortised cost in accordance with the effective interest method.

The interest payable on the syndicated loan is Euribor in the case of euro-denominated loans and Libor in the case of loans denominated in other currencies plus a margin dependent on the net debt/EBITDA ratio. This ratio is calculated quarterly on a 12-month basis in accordance with the definitions in the loan agreement. The main differences as compared to reported EBITDA concern the adjustment of acquired and divested businesses to a 12-month basis, adjustment for exceptional items and a number of components of the net financial expenses, such as exchange rate differences. At the end of 2014 the interest margin was 1.15% (2013: 1.20%).

The new syndicated loan is subject to a number of covenants, the principal of which are:

- Net debt/EBITDA less than 3.25 at the end of the first and third quarters of each year, less than 3.50 at the end of the second quarter of each year and less than 3.00 at the end of the fourth quarter of each year, with the once-only possibility of an increase of 0.25 for two successive quarters following an acquisition, but no higher than 3.50;
- EBITDA/net interest greater than 4;
- joint guarantee of subsidiaries with total assets of at least 60% of the Group total.

The Group was meeting these covenants as at the reporting date.
In the event of a change of control of the Company, the syndicated loan is immediately repayable if more than 66.6% of the lenders so require.

The financial lease liability relates mainly to a building in Hungary and machinery in the United Kingdom.

Details of the hedging of the interest rate risk borne by the Group can be found in note 53.4.

51 PENSION LIABILITIES	2013	2014
Defined-benefit pension schemes		
Present value of defined benefit obligations	363.4	414.3
Fair value of plan assets	353.6	401.0
	9.8	13.3
Asset ceiling	0.3	–
Present value of net liabilities of defined-benefit pension schemes	10.1	13.3
Other liabilities in respect of pensions	14.0	17.4
Total	24.1	30.7

51.1 Changes in the valuation of the liability as at the reporting date	2013	2014
Balance as at 1 January	370.2	363.4
Service costs	3.3	3.9
Members' contributions	2.9	2.6
Interest costs	12.5	12.7
Benefits paid	– 15.3	– 14.5
Income from change to pension scheme	– 0.1	– 7.9
Actuarial differences	– 10.1	54.1
Balance as at 31 December	363.4	414.3

51.2 Investments	2013	2014
Balance as at 1 January	340.6	353.6
Expected return	11.4	12.2
Employers' contributions	6.2	6.2
Members' contributions	2.9	2.6
Administration costs	– 0.8	– 0.7
Actuarial differences	8.3	41.6
Benefits paid	– 15.0	– 14.5
Balance as at 31 December	353.6	401.0

Analysis of plan assets as at 31 December	2013	2014
Bonds	167.5	209.3
Equities	138.0	159.8
Commodities	11.2	7.6
Real estate	21.7	11.8
Cash	8.3	3.8
Other items	6.9	8.7
Plan assets	353.6	401.0

At the end of 2014 the bonds amounting to € 141.7 million (2013: € 114.1 million) comprised government bonds with a direct market listing. The other investments predominantly have derived market listings.

51.3 Charge stated in the profit and loss account

	2013	2014
Service costs	– 3.3	– 3.9
Administration costs	– 0.8	– 0.7
Interest on liabilities	– 1.1	– 0.5
Gain from change in pension scheme	0.1	7.9
Pension (expenses)/income	– 5.1	2.8

The actual return on assets was to € 53.8 million (2013: € 19.7 million).

Netherlands

The defined benefit pension scheme concerns in particular the pension rights of the Dutch employees which have been placed with Stichting Pensioenfonds Koninklijke Ten Cate. In 2014 a change in the pension scheme was agreed with effect from 2015 whereby, among other things, the accrual percentage was reduced from 1.79% to 1.75% with a pension age of 67, the franchise was reduced to € 14,732 and the maximum pensionable salary was set at € 100,000 annually. In addition, in common with the fashion, interior, carpet and textile sector as a whole, it has been decided to abolish the early retirement scheme with effect from 1 January 2015. As a result of both effects, income of € 7.9 million has been recognised as a credit to the result for 2014.

The main features of the amended scheme are:

- pension accrual based on average salary;
- accrual rate of 1.75%;
- conditional indexation, the target level being equivalent to 90% of wage growth for active members (employees) and 90% of price growth for inactive members (pensioners and members with paid-up entitlements).

The board of the pension fund has specified a 2.6% reduction in pension rights with effect from 1 April 2014. Based on the coverage ratio as at 31 December 2014, no additional reduction is expected in 2015. Any expected reductions are taken into account in the indexation assumption, with the consequence that the effects have been stated in Group equity through actuarial gains and losses.
The current agreements cover the period up to 31 December 2015.

Other

The other liabilities in respect of pensions relate to defined contribution schemes and a number of specific old-age provisions. The principal defined contribution scheme is a 401K (savings) scheme in the United States.

51.4 Principles for defined benefit schemes

The main actuarial assumptions as at the reporting date (in weighted averages) are as follows:

	2013	2014
Discount rate as at 31 December	3.5%	2.1%
Expected return on plan assets as at 31 December	3.5%	2.1%
Future wage increases	2.5%	2.5%
Future pension increases	1.1%	0.4%

Assumptions with regard to future mortality figures are based on published statistical data and mortality probabilities. The mortality table used is the 2014 forecast table of the Netherlands Actuarial Association with a correction factor dependent on age and gender. For the valuation of partner's pensions the age difference between men and women has been set at three years. The total expected long-term return on the investments is 2.1% (2013: 3.5%). The weighted average duration of the liabilities was 19.0 years on 31 December 2014 (17.1 years on 31 December 2013). A 0.1% change in the discount rate would result in a change of approximately € 0.3 million in the annual expenses (2013: € 0.4 million). A 0.1% change in the discount rate would cause the liability to rise or fall by approximately € 7.4 million (2013: € 6.0 million).

Historical information	2010	2011	2012	2013	2014
Present value of defined benefit obligations	295.8	332.5	370.2	363.4	414.3
Fair value of plan assets	316.7	321.0	340.6	353.6	401.0
Present value of net liabilities	– 20.9	11.5	29.6	9.8	13.3
Experience adjustments arising on obligations of the scheme	9.4	5.3	– 8.9	8.5	2.9
Experience adjustments arising on plan assets	8.1	– 6.0	12.8	8.3	41.6

The Group expects to contribute € 7.1 million of employer's contributions to defined benefit pension schemes in 2015 (2014: € 6.3 million). This amount includes an expected one-off contribution of approximately € 2.5 million in respect of the abolition of the early retirement and life-course savings scheme. The pension expense in respect of 2015 is estimated at € 5.8 million (2014: € 5.0 million).

52 PROVISIONS	Guarantee / claims	Restruc-turing	Other personnel liabilities	Environ-mental	Other	Total
Balance as at 1 January 2014	6.1	0.3	5.5	2.0	0.3	14.2
Provisions made during the year	2.6	0.8	0.9	–	0.1	4.4
Released to result	– 2.8	–	–	–	–	– 2.8
Expenditure in current year	– 2.5	– 0.5	– 0.5	–	–	– 3.5
Exchange rate differences	0.3	–	–	–	–	0.3
Balance as at 31 December 2014	3.7	0.6	5.9	2.0	0.4	12.6
Of which short-term						
as at 31-12-2013	3.9	0.2	0.2	–	–	4.3
as at 31-12-2014	1.5	0.5	0.1	0.1	–	2.2

The amount released to the result has been included in the profit and loss account as follows:

	2013	2014
Cost of sales	0.2	0.3
General management costs	1.5	2.5
Total	1.7	2.8

The guarantee provision relates to goods and services supplied and the provision for claims relates to claims for damages and possible legal costs. The release of € 2.8 million relates mainly to the lower-than-expected figure for claims.

The restructuring provision relates to a number of reorganisations which are expected to be completed in the course of 2015.

The provision for other personnel liabilities has been formed for long-service awards and other benefits, such as anniversaries.

The environmental provision has been formed for expected costs of decontamination of industrial sites, on the basis of functional decontamination (maintenance of business use).

Other information

53 FINANCIAL INSTRUMENTS

As part of its normal business operations, the Group incurs liquidity, credit, interest and currency risks. The risk of fluctuations, mainly in exchange rates and interest rates, is hedged using derivatives.

The fair value and carrying value of financial assets and liabilities stated in the balance sheet are as follows:

53.1 Fair value versus carrying value	2013		2014	
	Carrying value	Fair value	Carrying value	Fair value
Assets carried at fair value				
Interest rate derivatives for which hedge accounting is used	0.1	0.1	–	–
Long-term receivables and investments	12.9	12.9	12.3	12.3
Other interest rate derivatives	0.1	0.1	–	–
Currency derivatives	0.9	0.9	2.0	2.0
	14.0	14.0	14.3	14.3
Assets carried at amortised cost				
Trade debtors and other receivables	142.6	142.6	175.0	175.0
Cash and cash equivalents	21.6	21.6	36.4	36.4
	164.2	164.2	211.4	211.4
Liabilities carried at fair value				
Interest rate swaps for which hedge accounting is used	2.1	2.1	1.0	1.0
Other interest rate derivatives	0.4	0.4	0.4	0.4
Currency derivatives	0.5	0.5	0.5	0.5
	3.0	3.0	1.9	1.9
Liabilities carried at amortised cost				
Syndicated loan	190.3	190.3	212.1	212.1
Financial lease liabilities	2.1	2.1	1.4	1.4
Other loans	3.7	3.7	0.7	0.7
Trade creditors and other payables	134.8	134.8	136.6	136.6
Cash loans and overdrafts	13.8	13.8	37.7	37.7
	344.7	344.7	388.5	388.5

The fair value of the syndicated loan is the same as the carrying value, because it has a variable interest rate and a margin consistent with market conditions. The changes in the value of the above assets and liabilities carried at fair value are stated in the profit and loss account under net financial expenses if no hedge accounting is applied. The financial instruments valued on the basis of fair value fall into category 2 as in 2013; no quoted market price in an active market, with the fair value being determined indirectly.

Details are given below of the main methods and assumptions used in estimating the fair value of financial instruments.
The fair value of foreign exchange forward contracts is estimated using an in-house calculation model or is based on statements supplied by the bank. The fair value of currency options is determined on the basis of the company's own calculation based on the Black & Scholes option valuation model or on the basis of statements supplied by banks.
The fair value of interest rate swaps and interest rate caps is determined on the basis of the company's own calculation model and is periodically tested against statements supplied by banks. In determining the fair value of financial instruments, account is taken of the creditworthiness of counterparties (banks) and the creditworthiness of the Group.

The fair value of long-term debts is calculated on the basis of the present value of expected future cash flows from repayments and interest payments.
The fair value of financial lease liabilities is estimated on the basis of the present value of future cash flows, discounted at the interest rate for similar lease agreements.
In the case of trade debtors, other receivables, trade creditors and other short-term debts due within one year, the nominal value is deemed to reflect the fair value.

53.2 Liquidity risk

The liquidity risk is the risk of the Group being unable to meet its liabilities when they fall due. The Group's policy on control of the liquidity risk is to guarantee to the best of its ability that sufficient liquidities are available to meet its liabilities on time, in both normal and exceptional situations. A syndicated loan was arranged in October 2014 with a principal amount of € 350.0 million and a term of five years. € 136.0 million of this facility was undrawn as at 31 December 2014 (2013: € 209.0 million). The conditions of the syndicated loan can be found in note 50 in the notes to the consolidated balance sheet.

The term of the gross financial liabilities as at 31 December 2013 is as follows:

	Carrying value	Expected cash flow (including interest)	2014 < 1 year	2015 1 – 2 years	2016/18 2 – 5 years	2019 and later > 5 years
Financial liabilities (excl. derivatives)						
Total long-term debts	196.1	– 203.3	– 4.0	– 195.3	– 4.0	–
Cash loans, overdrafts	13.8	– 13.8	– 13.8	–	–	–
Trade creditors and other payables	134.8	– 134.8	– 134.8	–	–	–
Derivatives						
Interest rate swaps	2.5	– 2.5	– 2.0	– 0.3	– 0.2	–
FX forward contracts	0.5	– 0.5	– 0.5	–	–	–
Total	347.7	– 354.9	– 155.1	– 195.6	– 4.2	–

The term of the gross financial liabilities as at 31 December 2014 is as follows:

	Carrying value	Expected cash flow (including interest)	2015 < 1 year	2016 1 – 2 years	2017/19 2 – 5 years	2020 and later > 5 years
Financial liabilities (excl. derivatives)						
Total long-term debts	214.2	– 241.6	– 4.1	– 5.6	– 231.9	–
Cash loans, overdrafts	37.7	– 37.7	– 37.7	–	–	–
Trade creditors and other payables	136.6	– 136.6	– 136.6	–	–	–
Derivatives						
Interest rate swaps	1.4	– 1.4	– 0.7	– 0.5	– 0.2	–
FX forward contracts	0.5	– 0.5	– 0.5	–	–	–
Total	390.4	– 417.8	– 179.6	– 6.1	– 232.1	–

53.3 Credit risk

Credit risk is the risk of a financial loss for the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risks result in particular from trade debtors and, to a more limited extent, investments in securities and derivatives.

The Group's exposure to credit risk is mainly determined by the specific characteristics of the individual customers.

Credit risk is limited by internal research into the creditworthiness of new and existing customers based on sources such as external reports, annual reports and payment history or by insuring the credit risk. The internal credit limits specified on the basis of internal research are reviewed at least once a year.

Customers for which no credit limit has been issued (internally or by the insurer) can only do business with the Group on the basis of guaranteed payment.

Goods are subject to reservation of ownership. In the event of non-payment, the Group in most cases has a preferential claim to the extent that the goods have not been processed and are still present. The Group does not demand collateral for trade and other receivables.

Impairments are stated in the profit and loss account as cost of sales.

The Group has no particular concentration risks in respect of trade debtors. Cash and cash equivalents are mainly held at banks with which the Group has a financing relationship.

The carrying value of the financial assets reflects the maximum exposure to credit risk. The maximum exposure is as follows:

	2013	2014
Trade debtors	126.4	142.0
Other (long-term) receivables (note 42, 46)	29.1	32.4
Cash and cash equivalents	21.6	36.4
FX forward contracts and options	0.9	2.0
Interest rate caps	0.2	–
Total	178.2	212.8

The age of the trade debtors and the related impairments is as follows:

	2013		2014	
	Gross	Provision	Gross	Provision
Not due – 60 days overdue	118.9	0.6	134.7	0.5
60 – 120 days overdue	4.7	0.4	3.5	0.1
120 – 360 days overdue	2.6	0.7	4.0	0.6
Over 360 days overdue	7.3	5.4	5.3	4.3
Balance as at 31 December	133.5	7.1	147.5	5.5

The movements in the provision for trade debtors are as follows:

	2013	2014
Balance as at 1 January	6.1	7.1
Charged to profit and loss account	2.5	0.2
Released to profit and loss account	– 0.6	– 0.5
Written off during the year account	– 0.7	– 0.2
Reclassification to Assets held for sale	–	– 1.4
Exchange rate differences	– 0.2	0.3
Balance as at 31 December	7.1	5.5

The Group believes that, with the exception of the foregoing, no provision for impairment is required in respect of trade receivables which are not yet due or which are up to 60 days overdue.

53.4 Interest rate risk

100% of the interest-bearing debts have a variable interest rate (2013: 99%). The risk of a rise in interest rates is in principle hedged 90% for the subsequent year and 75%, 50% and 25% respectively for the years thereafter. Both interest rate swaps and caps are used for this purpose. The impact of changes in the value of these derivatives on the Group's result is limited as far as possible by the use of hedge accounting. The conditions applying to the interest-bearing debt are set out in note 50.

At the end of 2014 the outstanding interest rate instruments are as follows:

Instrument	Maturity	Principal	Interest rate conditions
interest rate swap	02-01-18	$ 4 million	received variable, payment 4.47% fixed
interest rate swap	31-12-15	$ 60 million	received variable, payment 1.19% fixed
interest rate swap	31-12-15	€ 30 million	received variable, payment 0.47% fixed
interest rate swap	31-12-15	$ 30 million	received variable, payment 0.45% fixed
interest rate cap	31-12-16	$ 50 million	exercise price 3%
interest rate swap	31-12-17	$ 50 million	received variable, payment 2.02% fixed (commencing 31-12-2015)

The Group values the interest rate derivatives at fair value (see section 53.7). Of the fair value of the interest rate derivatives as at 31 December 2014, € 1.4 million has been included in trade creditors and other payables (2013: € 2.5 million in trade creditors and other payables and € 0.2 million in other receivables).

The table below shows the periods in which the cash flows relating to interest rate derivatives that are the subject of cash flow hedge accounting are expected to take place and in which they will affect the result.

2013	Carrying value	Expected cash flow	< 1 year	1-2 years	2 – 5 years
Interest rate swaps					
Assets	–	–	–	–	–
Liabilities	2.1	– 2.1	– 1.9	– 0.2	–
Interest rate caps					
Assets	0.1	–	–	–	–

2014	Carrying value	Expected cash flow	< 1 year	1-2 years	2 – 5 years
Interest rate swaps					
Assets	–	–	–	–	–
Liabilities	1.0	– 1.0	– 0.5	– 0.4	– 0.1
Interest rate caps					
Assets	–	–	–	–	–

53.5 Currency risk

The Group has currency risk resulting from trade and financing transactions in foreign currencies and from the conversion of balance sheets and profit and loss accounts of subsidiaries which do not report in euros. The principal risk positions are in the US dollar and the euro (trading transactions of subsidiaries outside the eurozone).

Transaction risk

The Group hedges the risk associated with orders, trade receivables and payables denominated in foreign currencies, to the extent that these may have a material effect on the result.

The Group uses principal amounts of loans drawn in foreign currencies as far as possible to hedge intercompany loans in foreign currencies. These are intercompany loans granted to subsidiaries reporting in the respective currency.

Competition risk

The Group hedges the risk associated with expected purchases and sales, to the extent that these may have a material effect on the result. The risk is hedged for at least the current calendar year.

Translation risk

The Group hedges translation risks on expected results in foreign currencies, to the extent that these may have a material effect on the consolidated result. The risk is hedged for at least the current calendar year.

Natural hedge

The Group uses a natural hedge as far as possible between the competition risk and the translation risk, with opposing positions being hedged internally.

Hedging with derivatives

Residual transaction risks are hedged using foreign exchange forward contracts (forwards and currency swaps). The forwards and currency swaps have a term of less than one year after the reporting date and are extended if necessary. The forwards and currency swaps are stated at fair value.

The residual competition and translation risks are hedged using currency options. The currency options have a maximum term of the forthcoming calendar year. The currency options are carried at fair value.

Exposure

The exposure to currency risks in respect of trading transactions of Group entities on the reporting date is as follows:

	2013			2014		
	USD	GBP	EUR	USD	GBP	EUR
Transaction risk	6.7	0.8	1.1	9.5	0.6	6.5
Competition risk	– 5.1	2.0	29.7	4.1	0.8	33.9
Risk before hedging	1.6	2.8	30.8	13.6	1.4	40.4
Forward contracts	– 3.4	– 0.8	– 0.9	– 3.5	– 0.6	– 5.4
Option contracts	10.2	– 1.5	– 28.8	– 2.1	– 0.8	– 31.6
Risk after hedging	8.4	0.5	1.1	8.0	–	3.4

The foreign currencies have been converted into euros at the closing rate.

The USD risk relates mainly to the expected revenues in USD of Asian subsidiaries and expected purchases and revenues in USD of European subsidiaries. Due to financial market restrictions, the risk relating to Asian subsidiaries is not hedged.
The GBP risk relates mainly to trade receivables and expected revenues of European subsidiaries.
The EUR risk relates mainly to trade receivables and expected revenues in euros of Ten Cate Thiolon Middle East.

The Group carries options and foreign exchange forward contracts at fair value. The net fair value of the forward foreign exchange forward contracts was € 1.5 million (2013: € 0.4 million). € 2.0 million of this amount has been included in other receivables and € 0.5 million in other debts (2013: € 0.9 million and € 0.5 million respectively). The fair value of the options is zero.

53.6 Sensitivity analyses

In managing interest rate and currency risks, the Group's aim is to limit the effect of short-term fluctuations on the Group result. In the longer term, however, sustained changes in exchange rates and interest rates will have an effect on the consolidated result.
The effect of a general interest rate rise of one percentage point on the pre-tax result in 2014 is estimated at – € 1.1 million (2013: – € 1.0 million). The effect of a general interest rate rise of one percentage point on equity is estimated at € 1.6 million before profit tax (2013: € 1.2 million) due to the use of hedge accounting.
The effect of a general rise of one per cent in the value of the euro against other currencies on the result after profit tax in 2014 is zero (2013: zero). The effect of a general rise of one per cent in the value of the euro against other currencies on equity at the end of 2014 is estimated at € 3.5 million (2013: € 2.8 million).

53.7 ISDA master agreements

The Group has entered into derivatives on the basis of International Swaps and Derivatives Association (ISDA) master agreements. Under these master agreements, for each derivative and each currency, the net amount payable by a party to the counterparty on a particular date is settled. In certain circumstances, such as bankruptcy, all transactions under the master agreement are cancelled and the net value of all transactions is settled in a single amount.
The ISDA master agreements do not fulfil the criteria for the netting of balance sheet positions, because the Group currently has no legally enforceable right to set off the outstanding amounts.

The netting of the derivatives on the basis of ISDA master agreements is as follows:

	2013			2014		
	Gross	Set-off	Net	Gross	Set-off	Net
Financial assets						
Interest rate caps	0.2	–	0.2	–	–	–
Interest rate swaps	–	–	–	–	–	–
Currency options	–	–	–	–	–	–
FX forward contracts	0.9	– 0.3	0.6	2.0	– 0.6	1.4
	1.1	– 0.3	0.8	2.0	– 0.6	1.4
Financial liabilities						
Interest rate swaps	2.5	–	2.5	1.4	– 0.5	0.9
FX forward contracts	0.5	– 0.3	0.2	0.5	– 0.1	0.4
	3.0	– 0.3	2.7	1.9	– 0.6	1.3

54 LIABILITIES NOT SHOWN IN THE BALANCE SHEET

Operating lease as lessee

The expected cash flows under non-cancellable operating leases are as follows:

	2013	2014
Less than one year	7.6	8.5
Between one and five years	20.0	24.5
More than five years	21.5	28.3
Net result	49.1	61.3

The Group leases buildings, plant, vehicles and office equipment under operating leases. The term of the operating leases of buildings is 10 to 15 years. Lease payments are indexed annually. None of the leases include conditional lease payments. In principle the Group does not act as a lessor. The term of the other leases is a maximum of five years.

The costs relating to operating leases included in the profit and loss account amounted to € 9.3 million in 2014 (2013: € 9.0 million).

55 INVESTMENT LIABILITIES

In 2014 the Group entered into contractual liabilities for the purchase of tangible fixed assets. The amount of the liabilities as at 31 December 2014, after deduction of advance payments already made during the financial year, is € 1.5 million (2013: € 2.0 million).

56 CONTINGENT LIABILITIES

The Group has received claims for damages arising from the conduct of business. With the exception of those stated below, the claims are not deemed to be substantial and provisions have been recognised to the extent necessary.

A claim for damages has been made against Royal Ten Cate by United Fabrics NV, a company registered in the Netherlands Antilles (majority shareholder in Textielgroep Twenthe NV). The claim is based on an outsourcing and management agreement from 1998 and originally amounted to € 56 million. The claim in respect of the outsourcing agreement has lapsed permanently as a result of a judgement by the Supreme Court in 2006. The plaintiff was ordered to demonstrate the damage suffered in respect of the management agreement. TenCate is confident with regard to the remainder of the proceedings.

Guarantees have been issued by banks as part of normal business operations. These guarantees may be called upon if contractual obligations are not fulfilled. As at 31 December 2014 the guarantees issued by banks amount to € 22.3 million.

57 RELATED PARTIES

57.1 Identity of related parties

The Group's related parties are its subsidiaries, associated companies and other participating interests, joint ventures, the TenCate pension fund and the members of the Executive and Supervisory Boards.

57.2 Directors' remuneration

The remuneration of the members of the Executive Board is as follows:

In thousands of euros		L. de Vries	E. Bos [1]	B. Cornelese [2]
	2013	2014	2014	2013
Periodic remuneration	675	**675**	**199**	240
Pension costs	226	**229**	**53**	56
Option costs	424	**399**	**23**	–
	1,325	**1,303**	**275**	296

1 From 18 April 2014.
2 Up to 31 August 2013.

The fixed remuneration paid to Mr De Vries is the same as in 2013. Mr De Vries has a final-salary pension plan. Mr De Vries' results-related pay amounts to a maximum of 50% of the fixed salary. Mr De Vries received no variable salary component in 2014 in respect of 2013. The pension costs for Mr De Vries included compensation of € 51,000 in connection with an adjustment to the pension scheme. The variable component paid to Mr Bos is a maximum of 40% of the fixed salary.

As at 31 December 2014 Mr De Vries held 208,726 shares in the Company (31 December 2013: 208,726 shares) and 480,000 options (31 December 2013: 480,000 options). In 2014 Mr De Vries was granted 60,000 options (2013: 60,000) with an exercise price of € 23.42. Mr De Vries exercised 60,000 options in 2014 and the Company purchased 60,000 shares from Mr. De Vries at market price.

In 2014 Mr Bos was granted 10,000 options with an exercise price of € 23.42. Previous options lapsed in 2013 as a result of Mr Cornelese's departure from the company.

On 2013 salaries above € 150,000, a once-only crisis levy (employer's charge) of 16% is payable to the Dutch Government. The crisis levy for the executive directors amounts to € 98,000 in 2013, comprising € 84,000 for the CEO and € 14,000 for the former CFO. The total remuneration in 2013 amounted to € 1.4 million for the CEO and € 0.3 million for the former CFO.

Mr De Vries and Mr Bos are participating in the Group's share option plan. The costs of the options are charged to the result in at least three years. Further information can be found in note 68.

The remuneration of the members of the Supervisory Board is as follows:

In thousands of euros	2013	2014
J.C.M. Hovers – Chairman [1, 2]	50	**50**
P.F. Hartman – Vice-Chairman [2*]	18	**37**
E. ten Cate [1*]	35	**35**
Ms M.J. Oudeman [2, 3]	–	**24**
P.P.A.I. Deiters [2, 4]	35	**12**
R. van Gelder [1, 5]	8	**–**
	146	**158**

1 Member of the Finance Committee.
2 Member of the combined Remuneration, Selection and Appointments Committee.
3 2014: From 18 April 2014.
4 2014: Up to 18 April 2014.
5 2013: Up to 31 March 2013.
* Committee Chairman.

Mr Deiters received additional remuneration amounting to USD 15,000 in 2013 and 2014 in respect of his supervisory directorship in Ten Cate Thiolon Middle East in Dubai. The members of the Supervisory Board held no shares or option rights of Royal Ten Cate at the end of 2014.

57.3 Transactions with associated companies, other participating interests and joint ventures

During the 2014 financial year, associated companies, other (non-consolidated) participating interests and joint ventures purchased goods from the Group amounting to € 17.4 million (2013: € 14.4 million). As at 31 December 2013 the outstanding trade receivables due to the Group from associated companies amounted to € 3.6 million (2013: € 3.1 million) and from joint ventures € 1.1 million (2013: € 1.0 million). As at 31 December 2014 outstanding trade liabilities to associated companies and joint ventures amounted to € 0.6 million (2013: € 0.5 million).

Transactions with associated companies, other participating interests and joint ventures take place on an objective, business basis.

57.4 Subsidiaries

A list of (significant) subsidiaries and participating interests can be found inside the back cover of this report.

58 ESTIMATES AND JUDGEMENTS MADE BY THE MANAGEMENT

The Executive Board has conducted discussions with the Financial Committee of the Supervisory Board on the critical principles for financial reporting and estimates, as well as the application of such principles and estimates. Information on assumptions and uncertainties regarding estimates which entail a substantial risk of a material adjustment in the subsequent financial year is included in the following notes:

- With regard to the pensions, the main actuarial assumptions are stated in note 51.
- With regard to guarantees and claims, provisions have been formed whenever there is an actual liability or it is likely that an outflow of funds will be necessary. The result of this is stated in note 52.
- With regard to impairments, an examination has been carried out in loss-making companies and units with goodwill to determine whether the realisable value of any cash generating unit is lower than the carrying value. Changed assumptions may lead to the realisable value being lower than the carrying value. See note 39.
- Estimates with regard to the use of tax losses are included in note 43.

Company financial statements

59 COMPANY PROFIT AND LOSS ACCOUNT

In millions of euros	Note	2013	2014
Result from participating interests after profit tax	61	10.2	– 55.3
Other results after profit tax		8.8	9.6
Net result		19.0	– 45.7

60 COMPANY BALANCE SHEET (BEFORE APPROPRIATION OF THE RESULT)

In millions of euros	Note	31 December 2013	31 December 2014
FINANCIAL FIXED ASSETS	61		
Participating interests in subsidiaries		606.1	591.0
Loans to subsidiaries		181.5	184.5
Deferred profit tax assets		18.9	16.6
Total non-current assets		806.5	792.1
CURRENT ASSETS			
Due from subsidiaries		1.5	1.2
Other receivables		0.2	2.9
Cash and cash equivalents		1.4	1.2
Total current assets		3.1	5.3
Total assets		809.6	797.4
EQUITY			
Share capital	63	67.0	67.7
Share premium reserve	65	42.6	41.9
Legal reserve	66	– 5.7	29.2
Other reserves	67	351.4	355.1
Undistributed result		19.0	– 45.7
		474.3	448.2
Provisions	69	0.9	0.9
Non-current liabilities	70	190.3	212.1
Short-term liabilities	71	144.1	136.2
Total equity and liabilities		809.6	797.4

Notes to the company financial statements

GENERAL INFORMATION

ACCOUNTING POLICIES

The parent company financial statements of Royal Ten Cate form an inseparable whole with the 2014 financial statements of Royal Ten Cate and have been prepared in accordance with the statutory requirements of Part 9 of Book 2 of the Netherlands Civil Code. In determining the accounting policies for its parent company financial statements, Royal Ten Cate uses the option available under article 2.362 paragraph 8 of the Netherlands Civil Code. This means that the accounting principles for the parent company financial statements of Royal Ten Cate are the same as those applying to the consolidated financial statements. Participating interests over which significant influence is exercised are valued in accordance with the equity method. The consolidated financial statements have been prepared in accordance with the standards set by the International Accounting Standards Board and adopted by the European Union. A description of these standards can be found in the accounting policies applicable to the consolidated financial statements.

The share in the results of associated companies includes the share of Royal Ten Cate in the results of these companies. Results from transactions involving a transfer of assets and liabilities between Royal Ten Cate and its participating interests and between individual participating interests are not included to the extent that they can be considered to be unrealised.

61 FINANCIAL FIXED ASSETS	Interest in subsidiaries	Loans to subsidiaries	Deferred profit tax assets	Total
Balance as at 1 January	606.1	181.5	18.9	806.5
Investments/capital contributions	19.6	–	–	19.6
Acquisitions/divestments	– 1.1	–	–	– 1.1
Actuarial gains and losses of pensions	– 13.0	–	–	– 13.0
Translation differences	34.7	4.2	–	38.9
Loans granted	–	50.6	–	50.6
Repayment of loans	–	– 51.8	–	– 51.8
Results of participating interests	– 55.3	–	–	– 55.3
Dividend of participating interests	–	–	–	–
Change in deferred tax	–	–	– 2.3	– 2.3
Balance as at 31 December	591.0	184.5	16.6	792.1

Royal Ten Cate is at the head of the Group and has capital interests in the subsidiaries stated on the cover.

62 EQUITY

The equity in the parent company financial statements corresponds to the equity in the consolidated financial statements. A statement of changes in equity can be found on page 106.

63 CALLED AND PAID-UP CAPITAL	2013	2014
Authorised share capital	200.0	200.0
Of which not issued	133.0	132.3
	67.0	67.7

64 ORDINARY SHARES	2013	2014
The authorised share capital consists of:		
80,000,000 ordinary shares of €2.50	200.0	200.0

Balance as at 1 January	2013	2014
Ordinary shares 26,497,666 and 26,791,367	66.2	67.0
Issued stock dividend 293,701 and 297,411	0.8	0.7
Balance as at 31 December	67.0	67.7

65 SHARE PREMIUM RESERVE	2013	2014
Balance as at 1 January	43.4	42.6
Issued stock dividend	– 0.8	– 0.7
Balance as at 31 December	42.6	41.9

The share premium reserve is available for distribution to shareholders.

66 LEGAL RESERVE

66.1 Translation differences	2013	2014
Balance as at 1 January	3.1	– 8.6
Change	– 11.7	34.7
Balance as at 31 December	– 8.6	26.1

66.2 Hedging reserve	2013	2014
Balance as at 1 January	– 3.9	– 1.6
Change	2.3	0.9
Balance as at 31 December	– 1.6	– 0.7

66.3 Other legal reserves	2013	2014
Balance as at 1 January	2.7	4.5
Change	1.8	– 0.7
Balance as at 31 December	4.5	3.8

The other legal reserves concern capitalised development costs, undistributable reserves of subsidiaries and the hedging reserve.

Balance of legal reserves as at 31 December	– 5.7	29.2

67 OTHER RESERVES	2013	2014
Balance as at 1 January	324.8	351.4
Actuarial gains and losses of pensions	13.6	– 9.5
Transferred to Other legal reserves	– 1.8	0.7
Added from 2012 / 2013 result	13.3	12.2
Share and option plans	1.6	1.7
Issue of repurchased shares for share savings plan/option plan	1.0	– 0.3
Acquisition of non-controlling interest	– 1.1	– 1.1
Balance as at 31 December	351.4	355.1

68 OPTION PLAN

Royal Ten Cate operates a stock option plan for the management, established by the Supervisory Board. Those eligible for options are members of the Executive Board, the corporate and group directors and a number of officers of critical importance to the company. The implementation of the share option plan is supervised by the compliance officer.

The options are granted on a conditional basis. During the vesting period of three to five years, a performance condition must be fulfilled. This condition is that the earnings per share, adjusted to take account of exceptional items, over the past three, four or five years must have increased on average by at least a percentage equal to inflation plus 3% per year. If this performance condition has been fulfilled, the options become unconditional and may be exercised, unless restrictions have been imposed by the Netherlands Authority for the Financial Markets.

The term of the options totals eight years for the option series to 2007 and ten to twelve years for the option series from 2007 onward. The exercise period is five years for the option series to 2007 and seven years for the option series from 2007. No options vested in 2014.

The option exercise price is equivalent to the average price of the Royal Ten Cate share on Euronext Amsterdam nv on the five stock exchange trading days following publication of the annual figures. Each granted option right lapses on termination of employment other than as a result of retirement.
In principle, options amounting to approximately 1.5% of the total number of shares in issue will be granted in any one year. The exercise of options is subject to the restrictions laid down in the Securities Transactions Supervision Act.

68.1 Granting of options in 2015

On 19 February 2015 it was intended to grant 353,000 conditional options at the average market price during the five stock exchange trading days following publication of the annual results on 20 February 2015. The distribution is as follows:

	01-03-2014**	20-02-2015*
Members of the Executive Board	70,000	**100,000**
Management and management support staff	232,500	**253,000**
	302,500	**353,000**

* Provisional.
** Final.

68.2 Statement of movements in options of the Executive Board in 2014

L. de Vries

Issued on	Term until	Number of options	Exercise price	Exercised/ lapsed to 2013	Exercised in 2014	Lapsed in 2014	Outstanding 31-12-2014	Exercisable 31-12-2014
01-03-06	01-03-14	60,000	23.63	–	60,000	–	–	–
28-02-07	28-02-17	60,000	25.77	–	–	–	60,000	60,000
05-03-08	05-03-18	60,000	22.50	–	–	–	60,000	60,000
03-03-09	03-03-19	60,000	11.70	–	–	–	60,000	60,000
03-03-10	03-03-20	60,000	18.96	–	–	–	60,000	60,000
01-03-11	01-03-21	60,000	27.38	–	–	–	60,000	–
28-02-12	28-02-22	60,000	24.67	–	–	–	60,000	–
01-03-13	01-03-23	60,000	17.73	–	–	–	60,000	–
27-02-14	27-02-24	60,000	23.42	–	–	–	60,000	–
		540,000		–	60,000	–	480,000	240,000
20-02-15	20-02-25	60,000						

E. Bos

Issued on	Term until	Number of options	Exercise price	Exercised/ lapsed to 2013	Exercised in 2014	Lapsed in 2014	Outstanding 31-12-2014	Exercisable 31-12-2014
27-02-14	27-02-24	10,000	23.42	–	–	–	10,000	–
		10,000		–	–	–	10,000	–
20-02-15	20-02-25	40,000						

60,000 options were exercised by the Executive Board in 2014 (2013: no options). The weighted average share price on the exercise date for was € 24.01.

In February 2015 it was intended to grant 100,000 options. 40,000 options in the 2009 series are reserved for outstanding performance, a decision on which will be taken in due course. These options are not included in the above statements.

68.3 Statement of movements in options of management and management support staff in 2014

Issued on	Term until	Number of options	Exercise price	Exercised/ lapsed to 2013	Exercised in 2014	Lapsed in 2014	Outstanding 31-12-2014	Exercisable 31-12-2014
01-03-06	01-03-14	141,200	23.63	52,400	82,800	–	6,000	6,000
28-02-07	28-02-17	145,000	25.77	52,500	–	–	92,500	92,500
05-03-08	05-03-18	207,000	22.50	81,000	32,000	–	94,000	94,000
03-03-09	03-03-19	176,250	11.70	68,500	37,000	–	70,750	70,750
03-03-10	03-03-20	226,500	18.96	37,500	46,500	–	142,500	142,500
01-03-11	01-03-21	246,000	27.38	24,000	–	2,000	220,000	–
28-02-12	28-02-22	249,500	24.67	39,000	–	1,500	209,000	–
01-03-13	01-03-23	264,500	17.73	40,000	–	1,000	223,500	–
27-02-14	27-02-24	232,500	23.42	–	–	–	232,500	–
		1,888,450		394,900	198,300	4,500	1,290,750	405,750
20-02-15	20-02-25	253,000						

68.4 Complete statement of movements in options in 2014

Issued on	Term until	Number of options	Exercise price	Exercised/ lapsed to 2013	Exercised in 2014	Lapsed in 2014	Outstanding 31-12-2014	Exercisable 31-12-2014
01-03-06	01-03-14	201,200	23.63	52,400	142,800	–	6,000	6,000
28-02-07	28-02-17	205,000	25.77	52,500	–	–	152,500	152,500
05-03-08	05-03-18	267,000	22.50	81,000	32,000	–	154,000	154,000
03-03-09	03-03-19	276,250	11.70	68,500	37,000	–	170,750	170,750
03-03-10	03-03-20	286,500	18.96	37,500	46,500	–	202,500	202,500
01-03-11	01-03-21	306,000	27.38	24,000	–	2,000	280,000	–
28-02-12	28-02-22	309,500	24.67	39,000	–	1,500	269,000	–
01-03-13	01-03-23	324,500	17.73	40,000	–	1,000	283,500	–
27-02-14	27-02-24	302,500	23.42	–	–	–	302,500	–
		2,478,450		394,900	258,300	4,500	1,820,750	685,750
20-02-15	20-02-25	353,000						

258,300 options were exercised in 2014 (2013: 66,500). The weighted average share price on the exercise date for share options exercised in 2014 was € 23.57 (2013: € 21.35).

The fair value of the granted options on the grant date has been determined on the following basis:

	2013	2014
Price on grant date (15-day average)	€ 17.36	€ 24.01
Exercise price	€ 17.73	€ 23.42
Expected volatility	40.1%	36.6%
Expected option term	10 years	10 years
Expected dividend yield	3.86%	2.79%
Risk-free interest rate	1.05%	1.26%

68.5 Repurchased shares

In principle the Group will repurchase shares in order to prevent any dilution of earnings per share caused by the granting of options.

number of shares	2013	2014
Balance as at 1 January	584,287	517,787
Repurchase of own shares	–	238,200
Exercise of options	– 66,500	– 258,300
In issue and fully paid as at 31 December	517,787	497,687

69 PROVISIONS	2013	2014
Guarantee and claims	0.9	0.9
Other	–	–
Balance as at 31 December	0.9	0.9

The term of the provisions exceeds one year.

70 LONG-TERM LIABILITIES	2013	2014
Syndicated loan	190.3	212.1
Other items	–	–
Balance as at 31 December	190.3	212.1

The conditions of the syndicated loan can be found in note 50 in the notes to the consolidated balance sheet.

71 SHORT-TERM LIABILITIES	2013	2014
Cash loans, overdrafts	98.5	82.0
Owed to consolidated subsidiaries	42.3	50.5
Trade creditors and other payables	3.3	3.7
Balance as at 31 December	144.1	136.2

The short-term liabilities are due in less than one year.

72 AUDITOR'S FEES

The following fees of KPMG Accountants N.V. and the other entities affiliated with the KPMG network have been charged to the Group's result, in accordance with article 382a Part 9 of Book 2 of the Netherlands Civil Code.

Fees

in thousands of euros	2013	2014
Examination of the financial statements	755	759
Other audit assignments	189	241
Other non-audit services	146	133
Total	1,090	1,133

73 LIABILITIES NOT SHOWN IN THE BALANCE SHEET

The Company has issued a declaration of liability in accordance with article 403 of Book 2 of the Netherlands Civil Code for the Dutch subsidiaries in which the interest amounts to 100%.

The Company forms a tax group together with the majority of the Dutch subsidiaries for corporation and sales tax. Each of these subsidiaries is severally liable for the tax payable by all the companies included in the tax group.

We also refer to the notes in section 56 concerning contingent liabilities. Guarantees have also been issued for a Dutch subsidiary and a number of foreign subsidiaries.

Almelo, the Netherlands, Thursday 19 February 2015

Executive Board

L. de Vries, President and CEO

E.J.F. Bos, member of the Executive Board and CFO

Supervisory Board

J.C.M. Hovers, Chairman

P.F. Hartman, Vice-Chairman

E. ten Cate

M.J. Oudeman MBA

Other information

INDEPENDENT AUDITOR'S REPORT

To: Annual General Meeting of Shareholders of Ten Cate N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2014

Our opinion

We have audited the accompanying Financial statements 2014 of Ten Cate N.V. (the Company), based in Almelo. The Financial statements include the Consolidated financial statements and Company financial statements.

In our opinion:

- the Consolidated financial statements as set out on pages 100 – 144 give a true and fair view of the financial position of Ten Cate N.V. as at 31 December 2014, its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- the Company financial statements as set out on pages 145 – 151 give a true and fair view of the financial position of Ten Cate N.V. as at 31 December 2014 and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The Consolidated financial statements comprise:

- the following Consolidated statements for 2014: the Consolidated profit and loss account, the Consolidated statement of comprehensive income;
- the Consolidated balance sheet as at 31 December 2014;
- the Consolidated cash flow statement for 2014;
- the Consolidated statement of changes in group equity as at 31 December 2014; and
- notes, comprising a summary of the significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the Company profit and loss account for 2014;
- the Company balance sheet as at 31 December 2014; and
- notes, comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the Financial statements' of this report.

We are independent of Ten Cate N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or errors and will be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the Financial statements as a whole at € 1.5 million, which is 5% of consolidated result before taxation, excluding impairment losses on intangible and tangible fixed assets and the pension gain from the plan amendment for 2014. We consider this benchmark to be the most relevant benchmark given the nature and business of the Company. We have also taken into account misstatements and/or possible misstatements that are in our opinion material for qualitative reasons for the users of the Financial statements.

Audits of group entities (components) were performed using materiality levels determined by the judgment of the group audit team, having regard to the materiality of the Consolidated financial statements as a whole and the reporting structure within the group. Component materiality did not exceed € 1.4 million. For the components, except for the components in the United States and one in the Netherlands, materiality is less than this threshold, because a statutory audit materiality was applied.

We communicated with the Supervisory Board that misstatements in excess of € 75,000, that are identified during the audit, would be reported to them, as well as misstatements below this threshold that in our view must be reported on qualitative grounds.

Scope of the group audit

Ten Cate N.V. is the head of a group of entities. The financial information of this group is included in the Financial statements of Ten Cate N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the components. Decisive were the size and/or risk profile of the components or operations. On this basis, we selected components for which an audit had to be carried out on the complete set of financial statements or on specific items.

Based on these scoping criteria we selected 21 components located in the following countries: the USA (5), the United Kingdom (4), the Netherlands (3), France (2), Austria, Germany, Denmark, United Arab Emirates, Australia, New Zealand and Malaysia. Furthermore, we performed specified audit procedures at group level on significant areas, such as the profit tax position, intangible assets, the Dutch pension plan, bank convenants and assets held for sale. This resulted in a coverage of 79% of total revenue and 79% of total assets. The remaining 21% of total revenue and 21% of total assets results from a number of smaller reporting components, none of which individually represented more than 3% of total revenue or total assets. For these remaining components, where considered necessary, we performed amongst others analytical procedures to corroborate our assessment that there are no significant risks of material misstatements.

The group audit team sent detailed instructions to all component auditors, that covered significant areas including the relevant risks of material misstatement, and set out the information required to be reported back to the group audit team. The group audit team visited the USA and audited the Dutch components. For the majority of the components in scope – physically visited or not – telephone meetings were held with the auditors of these components and if deemed necessary with local management. During these visits and calls, our audit planning, risk assessment, audit approach and significant findings and objectives were discussed and file reviews were performed in the USA. Any further work deemed necessary by the group audit team was subsequently performed.

By performing the scoping procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the consolidated financial information to provide an opinion about the Financial statements.

Our key audit matters

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the Financial statements. We have discussed the key audit matters with the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the Financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill and other intangibles

Goodwill and other intangibles represents 23% of the balance sheet total and 46% of total equity. Procedures over management's annual impairment test were significant to our audit because the assessment process is complex and judgmental. Ten Cate N.V.'s goodwill and other intangibles are allocated to Cash Generating Units (CGUs) and groups of CGUs mainly in Grass, Armour, Composites and Xennia. The Company uses assumptions in respect of future market- and economic conditions. For our audit we assessed and tested the assumptions, the Weighted Average Cost of Capital, methodologies and data used by the Company, for example by comparing them to external data such as expected inflation rates, specific market growth rates and by analyzing sensitivities in the Company's valuation model. We included in our team a valuation specialist to assist us in these

audit activities. We specifically focused on the sensitivity in the available headroom of the (groups of) CGUs where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount, and on the impairment for Armour and Xennia recognized in the year. We also assessed the historical accuracy of management's estimates. We assessed the accuracy and adequacy of the Company's disclosure in note 39 of the Financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

Profit tax position

Profit tax was significant to our audit because the assessment process is judgmental. Ten Cate N.V.'s operations are subject to profit taxes in various jurisdictions. We have tested the completeness and accuracy of the amounts recognized as current and deferred profit tax, including the assessment of uncertain profit tax positions. In this area our audit procedures included, among others, assessment of correspondence with the relevant tax authorities. In addition, in respect of deferred profit tax assets we tested management's assumptions to determine the probability that deferred profit tax assets recognized in the Financial statements will be recovered through taxable profit in future years and available tax planning strategies. During our procedures, we used amongst others, management's budgets and forecasts and profit tax laws. In addition we assessed the historical accuracy of management's assumptions. We also assessed the accuracy and adequacy of the Company's disclosure in notes 37 and 43 of the Financial statements in respect of the profit tax positions.

Accounting for defined benefit schemes

The company's post-retirement benefit provisions relate to defined benefit pension schemes and other post-retirement benefit schemes and amount to a total of € 30.7 million net liability. The largest pension schemes are in the Netherlands and the USA. As part of our audit we have evaluated and challenged management's actuarial assumptions such as discount rates, indexation percentages, and future salary increases. In addition we tested the valuation of plan assets. We also performed substantive audit procedures on the underlying census data of the post-retirement benefit provisions. In performing our audit we have used dedicated pension specialists including our own actuaries. We further focused on the plan amendment in 2014 of the Dutch defined benefit pension plan and the accuracy and adequacy of the Company's pension disclosures on key assumptions in note 51 of the financial statements.

Responsibilities of the Executive Board and the Supervisory Board for the Financial statements

The Executive Board is responsible for the preparation and fair presentation of the Financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the Financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the Financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the Financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the Financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the Financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may have not detected all errors and fraud.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the Financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the Financial statements, including the disclosures; and
- Evaluating whether the Financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the Financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Report of the Executive Board and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Report of the Executive Board and other information):

- we have no deficiencies to report as a result of our examination whether the Report of the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed;
- we report that the Report of the Executive Board, to the extent we can assess, is consistent with the Financial statements.

Engagement

We were appointed before 2008 for the first time as auditor of Ten Cate N.V. and have operated as auditor since then. We were re-appointed by the Annual General Meeting of Shareholders on 17 April 2014 as auditor of Ten Cate N.V. for the year 2014.

Amstelveen, 19 February 2015

KPMG Accountants N.V.
T. van der Heijden RA

SUBSEQUENT EVENTS

On 7 January 2015 it was announced that the Group had reached agreement with Platinum Equity, an American private equity fund, on the sale of TenCate Enbi. The transaction is expected to be completed in the first half of 2015.

SUMMARY OF THE PROVISIONS OF THE ARTICLES OF ASSOCIATION

Provisions of the articles of association relating to appropriation of profit

(Article 30)

1. Distributions on shares may not exceed the amount of the distributable equity.
2. Subject to the approval of the supervisory board, the executive board is authorized to determine the part of the profit that will be reserved.
3. The profit remaining after reservation pursuant to paragraph 2 is at the disposal of the general meeting.
4. Profits will be distributed after adoption of the financial statements showing that this is justified.
5. Subject to the approval of the supervisory board, the executive board may decide to make interim distributions of dividends on shares, provided that the requirements of article 1 have been complied with as shown by an interim financial statement of assets and liabilities in accordance with applicable legal provisions.
6. Shares held by the company in its own capital shall be disregarded when calculating the amount of any distribution.
7. Sections 2:104 and 2:105 of the Dutch Civil Code apply to distributions to shareholders.

Provisions of the articles of association concerning distributions chargeable to distributable shareholders' equity and distributions in shares

(Article 31)

1. The General Meeting may, on the proposal of the Executive Board approved by the Supervisory Board, resolve to make distributions to shareholders charged to the distributable shareholders' equity.
2. The General Meeting may, on the proposal of the Executive Board approved by the Supervisory Board, resolve that a distribution in respect of shares be made wholly or partly not in cash but in shares in the capital of the company or by other means.

PROPOSED APPROPRIATION OF RESULTS AND DISTRIBUTIONS

In accordance with Dutch law and the articles of association the net result of – € 45.7 million has been charged to other reserves. On the basis of article 31 paragraph 1 of the articles of association of Royal TenCate, the Executive Board proposes, with the approval of the Supervisory Board, to make a distribution of € 13.3 million charged to the freely distributable reserves. This amounts to € 0.50 per share for holders of ordinary shares, payable at their discretion in cash or in the form of shares in the capital of Royal TenCate.

Ten-year summary

in millions of euros unless stated otherwise	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
CONSOLIDATED PROFIT AND LOSS ACCOUNT										
Revenues	686.5	770.5	886.0	1,032.6	842.1	984.5	1,138.8	1,049.0	1,002.4	**1,041.6**
EBITDA [1]	57.8	73.2	102.1	126.1	75.4	119.5	137.5	95.2	89.1	**84.6**
EBITA [1]	39.2	51.1	73.0	95.4	41.5	85.0	102.5	58.1	54.4	**53.3**
EBIT [1]	38.5	50.1	69.4	83.8	32.7	74.6	89.6	43.6	41.4	**40.6**
Operating result	38.5	50.1	69.4	83.8	32.7	74.6	89.6	35.6	35.5	**– 36.5**
Net financial expenses	– 4.6	– 8.0	– 11.3	– 13.7	– 12.7	– 10.0	– 11.3	– 12.1	– 10.0	**– 8.6**
Profit tax	– 11.5	– 11.4	– 11.9	– 19.1	– 5.6	– 17.9	– 18.7	– 8.2	– 8.5	**– 1.4**
Share in net income of associated companies	8.1	45.4	0.3	–	8.7	– 1.3	– 1.3	– 0.3	0.1	**0.4**
Result after profit tax	30.5	76.1	46.5	51.0	23.1	45.4	58.3	15.0	17.1	**– 46.1**
Non-controlling interest	–	– 0.1	– 0.1	0.1	0.8	0.6	0.4	5.9	1.9	**0.4**
Net result	30.5	76.0	46.4	51.1	23.9	46.0	58.7	20.9	19.0	**– 45.7**
Dividend	12.5	16.2	18.8	20.4	15.0	18.8	24.0	13.0	13.1	**13.3**
EBITA in % of revenues [1]	5.7%	6.6%	8.2%	9.2%	4.9%	8.6%	9.0%	4.8%	5.4%	**5.1%**
EBITA in % of average net capital employed [1, 2]	15.3%	14.4%	13.1%	13.4%	5.7%	12.1%	13.1%	7.2%	7.1%	**7.1%**

1 Before exceptional items.

2 Prior to 2007, based on net capital employed at year-end.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
CONSOLIDATED BALANCE SHEET										
Intangible assets	13.8	12.4	136.8	212.1	203.8	242.8	273.0	269.4	267.1	**207.0**
Tangible fixed assets	161.4	165.8	218.1	247.4	214.7	214.2	221.9	196.7	165.6	**151.5**
Financial fixed assets	35.2	18.3	19.8	25.1	45.3	34.2	36.8	47.0	47.4	**55.4**
Total non-current assets	210.4	196.5	374.7	484.6	463.8	491.2	531.7	513.1	480.1	**413.9**
Inventories	157.5	157.7	176.2	211.5	155.0	216.9	267.9	226.4	222.2	**249.5**
Receivables	125.0	128.2	166.2	187.7	116.9	169.8	181.1	159.7	144.1	**162.4**
Securities and cash	4.6	6.7	4.8	5.4	12.8	11.6	22.7	26.7	21.6	**36.4**
Assets held for sale	–	–	–	–	–	–	–	–	–	**34.3**
Total current assets	287.1	292.6	347.2	404.6	284.7	398.3	471.7	412.8	387.9	**482.6**
Total assets	497.5	489.1	721.9	889.2	748.5	889.5	1,003.4	925.9	868.0	**896.5**
Shareholders' equity	181.8	238.7	310.1	366.9	380.8	438.5	465.8	457.2	474.3	**448.2**
Non-controlling interest	–	0.2	0.3	5.1	4.1	3.8	3.7	– 1.9	– 1.0	**– 0.5**
Group equity	181.8	238.9	310.4	372.0	384.9	442.3	469.5	455.3	473.3	**447.7**
Provisions	56.1	43.8	40.8	43.5	40.5	32.0	50.6	65.3	45.8	**46.9**
Long-term debts	130.2	63.5	222.3	316.2	192.0	195.2	275.1	220.3	195.1	**213.3**
Banks and short-term loans	27.1	30.4	12.9	20.3	16.3	57.1	36.3	36.3	14.8	**38.6**
Other short-term debts	102.3	112.5	135.5	137.2	114.8	162.9	171.9	148.7	139.0	**140.4**
Liabilities held for sale	–	–	–	–	–	–	–	–	–	**9.6**
Total liabilities	497.5	489.1	721.9	889.2	748.5	889.5	1,003.4	925.9	868.0	**896.5**
Group equity/total equity	37%	49%	43%	42%	51%	50%	47%	49%	55%	**50%**
Acquisitions /(de)consolidations	40.8	– 63.0	175.1	88.1	– 3.3	24.7	34.8	15.7	18.0	**0.2**
Investments in tangible and intangible fixed assets	26.2	43.0	62.9	48.0	17.3	21.3	25.7	16.6	14.4	**24.8**
Working capital	180.2	173.4	206.9	262.0	157.1	223.8	277.1	237.4	227.3	**271.5**
Depreciation and amortisation	19.3	23.1	32.7	42.3	42.7	44.9	47.9	51.6	47.7	**44.0**
Number of staff years at year-end	3,578	3,532	4,020	4,437	3,805	4,271	4,353	4,454	4,234	**4,345**
Number of shares outstanding at year-end (x 1,000)	20,784	21,063	23,556	23,967	25,068	25,502	25,929	26,498	26,791	**27,089**
Net earnings per € 2.50 share	1.48	3.66	2.04	2.18	0.97	1.84	2.31	0.81	0.72	**– 1.72**
Dividend per share in euros	0.60	0.70	0.80	0.85	0.60	0.75	0.95	0.50	0.50	**0.50**
Closing price in euros	21.50	23.21	21.27	16.05	18.43	28.00	21.26	19.87	22.90	**18.69**

Glossary

Business model
The business model of TenCate for value chain management is based on four pillars:
- End-user marketing
- Product differentiation
- Technological innovation
- Cost leadership

Buy & build strategy
Acquisition and association of businesses and business units with complementary product portfolios, technologies and markets for operational and strategic synergy resulting in greater market opportunities and profitability

Composite
A combination of two or more advanced materials (e.g. based on carbon fibre, glass fibre and aramid fabrics) which is stronger than the materials in themselves

Corporate governance
Rules and conduct standards drawn up by the Tabaksblat Committee, to which companies must adhere for good governance and on which they are accountable.
Good, efficient and responsible management of a company, on which the company accounts to all its stakeholders

CSR Performance Ladder
Certification standard with five levels for corporate social responsibility

Earnings per share (ordinary)
Net result divided by the weighted average number of ordinary shares during the year

Earnings per share (diluted)
Net result divided by the weighted average number of diluted shares during the year

EBIT
Earnings before net financial expenses and profit tax, before exceptional items

EBITA
Earnings before net financial expenses, profit tax and amortisation, before exceptional items

EBITDA
Earnings before net financial expenses, profit tax, depreciation and amortisation, before exceptional items

Fix it / exit strategy
Making non-core parts of the company healthy or profitable with a view to sale. The proceeds are used for new acquisitions within the core activities

FM Global Highly Protected Risk and Recognition Award
Certificate issued by FM Global for large business units (Highly Protected Risk Award) and small business units (Recognition Award) which fulfil all of this insurer's guidelines for loss prevention

Geosynthetics
Woven geotextile materials, non-wovens and grids based on polypropylene and polyethylene

Global Reporting Initiative
The Global Reporting Initiative (GRI) is an international organisation which draws up guidelines and definitions for sustainability reporting

Joint venture
Form of cooperation in which TenCate forms a new company with one or more organisations and develops new or existing joint activities from that company

Market window
The ideal time to launch a product on the market. Also: possible market application

Market group Clustering of subsidiaries (operating companies) and associated companies which co-operate in research and development, production, end-user marketing and sales

Net capital employed The capital made available to the company, comprising total equity plus loans and provisions made available, less the balance of cash and cash equivalents

Net result Result after deduction of non-controlling interests (result attributable to shareholders of the company)

Net debt position Long-term and short-term interest-bearing loans and other financial liabilities, less cash and cash equivalents

Patent Exclusive right (pending and issued) to the invention in respect of a product or process

Prepreg Thin film of a substrate (usually fabric) which is pre-impregnated with a resin

Process ecotool A measuring instrument used to determine the CO_2 footprint of the processes in the TenCate market groups as fully and clearly as possible ('inside the gate')

Product ecotool A measuring instrument to determine the CO_2 footprint of TenCate products ('outside the gate') based on specific parameters

Return on net capital employed EBITA relative to average net capital employed

Sector Cluster of market groups and business units based on distinctive technologies and techniques

Stakeholders Stakeholders of the company, including employees, suppliers, customers, end-users, shareholders, analysts, public authorities and residents in the surrounding area

Subsidiary (operating company) Unit (operating company) which is owned more than 50% by Royal Ten Cate

System approach Increasing desire/ability to provide co-ordinated components (e.g. fabrics) as part of a system

TenCate base technologies Fibre, weaving and finishing technology; market windows are protective fabrics, outdoor fabrics and composites for aerospace, automotive and armour. Non-woven, grid and extrusion technology; market windows are geotextiles, industrial fabrics and synthetic turf

Texturing Treatment of filament yarns giving them a permanent crimp and greater stretch and elasticity

Thermoplastic composite Composite which becomes soft when heated under pressure for a certain time and can thus be formed into the desired shape; a reversible and hence physical process.
All thermoplastics are in principle recyclable

Thermoset composite Composite which remains hard and disintegrates when heated; a chemical and hence irreversible process

› Glossary

Weighted average number of shares (ordinary)	The weighted average number of shares issued, including the weighted average number of exercised option rights, corrected for the weighted average of own shares held
Weighted average number of shares (diluted)	The weighted average number of ordinary shares issued, including the effect of outstanding option rights
Working capital	The total of inventories and receivables less trade creditors and other payables and short-term profit tax liabilities
Working capital in days	Working capital expressed in days of revenues over the last quarter (calculated on an annual basis)

Communication channels

This Annual Report concerns the 2014 calendar year.
The annual report was published on the TenCate website in PDF format on Wednesday 25 February 2015 and will also be available in limited quantities in printed form from Monday 16 March 2015. The 2014 Annual Review, a summary version of the Annual Report, is available in printed form Tuesday 24 March 2015.

The Royal TenCate Annual Review is sent by post automatically to stakeholders who had previously registered to receive what until 2013 was the high-circulation printed Annual Report. New orders for the TenCate Annual Review can be sent to: royal@tencate.com.

TENCATE COMMUNICATION CHANNELS FOR REPORTING AND INVESTOR RELATIONS

Printed Annual Review 2014
Summary of 2014 Annual Report
Including summary of 2014 financial statements
Concerns 2014 calendar year
Printed in Dutch and English
Number of pages: 56
To order: royal@tencate.com
Type of reporting: inclusive, GRI-3 (financial and non-financial)
TenCate has opted not to publish a separate annual CSR review
Publication date: 24 March 2015

Dynamic Annual Report 2014
Full 2014: Annual Report
Excluding full 2014 financial statements
Including CSR activities in 2014
Including GRI table 2014
Including glossary
Concerns 2014 calendar year
Archive of dynamic TenCate annual reports since 2010
Archive of TenCate annual reports in PDF since 1994
Dynamic version in Dutch and English
See: www.tencateannualreports.com
Type of reporting: inclusive, GRI-3 (financial and non-financial)
Publication date: 8 April 2015

Digital Annual Report 2014
Full 2014 Annual Report
Including full 2014 financial statements
Including glossary
Concerns 2014 calendar year PDF version in Dutch and English
Number of pages 164
See: www.tencate.com/jaarverslag2014
Type of reporting: inclusive, GRI-3 (financial and non-financial)
TenCate has opted not to publish a separate annual CSR report
Publication date: 25 February 2015

Investor relations app (IR app)
Application for investor relations
Financial background information
Dynamic version in Dutch and English
Current TenCate share price on Euronext
Financial calendar
Information on TenCate Shareholders' Meeting
Relevant IR presentations
Relevant TenCate webcasts
Archive of TenCate annual reports in PDF since 1994
See: irapp.tencate.com

Press releases
Financial press releases concerning quarterly and annual figures, acquisitions and major orders
Non-financial press releases concerning news, current events and corporate social responsibility
See: www.tencate.com/nieuws
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Txtures stakeholder magazine
Printed publication appearing four times a year
Also application with additional information and pictures
Including column by chairman of Executive Board concerning annual and quarterly figures
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See: txturesapp.tencate.com
To order printed version (free): royal@tencate.com

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Subsidiaries and associated companies

As at 31 December 2014

ADVANCED TEXTILES & COMPOSITES SECTOR

Ten Cate Advanced Textiles bv	Nijverdal, Netherlands

Holding company for the TenCate Advanced Textiles group in the Netherlands

Ten Cate Protect bv	Nijverdal, Netherlands
Southern Mills Inc (TenCate Protective Fabrics USA)	Union City (Georgia), USA
Ten Cate Protective Fabrics Canada inc	Montreal (Quebec), Canada

Fabrics for professional wear and safety clothing as well as outdoor applications

Ten Cate – Union Protective Fabrics Asia Ltd (50.65%)	Bangkok, Thailand

Fabrics for protective clothing

Ten Cate Advanced Composites bv	Nijverdal, Netherlands

Advanced composites for the aviation industry and antiballistic applications

Ten Cate Advanced Composites USA inc	Morgan Hill (California), USA
Ten Cate Advanced Composites USA inc	Fairfield (California), USA

Advanced composites for aerospace and industrial applications

Performance Materials Corporation	Camarillo (California), USA
PMC Holding Corporation (Delaware Corp)	Camarillo (California), USA
Baycomp Company	Burlington (Ontario), Canada
PMC Guangzhou	Guangzhou, China
TC3 (51%)	Taichung, Taiwan

Thermoplastic composites and components for the automotive industry, oil & gas extraction and consumer electronics

Ten Cate Advanced Composites Ltd	Nottingham, United Kingdom

Advanced composites for industrial and automotive applications

Ten Cate Advanced Armour UK Ltd	Swindon, United Kingdom
Ten Cate Advanced Armour S.A.S.	Primarette, France
Ten Cate Advanced Armour Danmark a/s	Vissenbjerg, Denmark

Advanced ceramics and composites for antiballistic applications

Ten Cate Advanced Armor USA inc	Newark (Ohio), USA

Advanced composites for vehicle armour

Ten Cate Active Protection ApS.	Vissenbjerg, Denmark

Active protection systems for army vehicles

AML India Private Ltd	Noida, India
Ten Cate Protective India Private Ltd	Gurgaon, India

Design and production of vehicle armour materials and fabrics for professional wear and safety clothing as well as outdoor applications

GEOSYNTHETICS & GRASS SECTOR

Nicolon Corp. (Ten Cate Geosynthetics North America)	Pendergrass (Georgia), USA
TenCate Geosynthetics Austria GmbH	Linz, Austria
TenCate Geosynthetics France S.A.S.	Bezons, France
TenCate Geosynthetics Netherlands bv	Nijverdal, Netherlands
Ten Cate Geosynthetics Asia Sdn. Bhd.	Shah Alam, Malaysia
Ten Cate Industrial Zhuhai Co. Ltd	Zhuhai, China

Geosynthetics and industrial fabrics

Ten Cate Geosynthetics Malaysia sdn bhd	Shah Alam, Malaysia
Ten Cate Geosynthetics (Thailand) Ltd	Bangkok, Thailand
Ten Cate Geosynthetics Singapore Pte. Ltd	Singapore
Ten Cate Geosynthetics Italy S.R.L.	Meda, Italy
Ten Cate Geosynthetics UK Ltd	Telford, United Kingdom
Ten Cate Geosynthetics Iberia S.L.	Madrid, Spain
Ten Cate Geosynthetics Deutschland GmbH	Dietzenbach, Germany
Ten Cate Geosynthetics Poland Sp. z o.o.	Kraków, Poland
Ten Cate Geosynthetics CZ s.r.o.	Prague, Czech Republic
Ten Cate Geosynthetics Romania S.R.L.	Bucharest, Romania

Sales offices

Ten Cate Thiolon bv	Nijverdal, Netherlands
Polyloom Corporation of America (Ten Cate Thiolon USA)	Dayton (Tennessee), USA
Ten Cate Thiolon Middle East LLC (49%)[1]	Dubai, United Arab Emirates

Synthetic turf components and systems

Ten Cate Thiobac bv	Nijverdal, Netherlands

Backing for synthetic turf systems

GreenFields Holding bv (90%)	Genemuiden, Netherlands
GreenFields bv (subsidiary of GreenFields Holding bv)	Genemuiden, Netherlands
XtraGrass bv [*]	Genemuiden, Netherlands
GreenFields Swiss AG [*]	Schaffhausen, Switzerland
GreenFields West Africa SARL (65%) [*]	Cotonou, Benin
GreenFields Sports Surfaces UK Ltd [*]	Bolton, United Kingdom
GreenFields India FZC (51%) [*]	Sharjah, United Arab Emirates

Marketing and installation of synthetic turf systems

TigerTurf NZ Ltd	Auckland, New Zealand
TigerTurf Australia pty Ltd	Campbellfield, Australia
TigerTurf UK Ltd	Hartlebury, United Kingdom

Marketing and production organisations for synthetic turf systems

[*] Subsidiary of GreenFields bv.

[1] Due to legislation in Dubai, 51% is held by a local partner. Royal Ten Cate has 100% economic ownership.

OTHER ACTIVITIES SECTOR

Xennia Technology Ltd — Letchworth, UK
Xennia Holland bv (TenCate Digital Finishing) — Nijverdal, Netherlands
Specialist inkjet technology for industrial applications

Ten Cate Enbi International bv — Brunssum, Netherlands
TenCate Enbi group holding company

Ten Cate Enbi GmbH — Leverkusen, Germany
Ten Cate Enbi kft — Rétság, Hungary
Ten Cate Enbi Inc — Shelbyville (Indiana), USA
Ten Cate Enbi Inc — Rochester (New York), USA
Ten Cate Enbi pte Ltd — Singapore
Ten Cate Enbi Zhuhai co Ltd — Zhuhai, China
Technical rollers and components for printers, copiers, fax machines, postal sorting machines, ATMs, insulation and heating systems

Ten Cate Assurantiën bv — Almelo, Netherlands
Insurance

Ten Cate Nederland bv — Almelo, Netherlands
Royal Ten Cate (USA) Inc — Pendergrass (Georgia), USA
Ten Cate UK Ltd — Hatfield, UK
Ten Cate France S.A.S. — Bezons, France
Ten Cate Deutschland GmbH — Leverkusen, Germany
Ten Cate Danmark A/S — Vissenbjerg, Denmark
Royal Ten Cate Pacific Ltd — Hong Kong, China
Royal Ten Cate China Holding Ltd — Hong Kong, China
Country holding companies

Ten Cate Finance AG — Schaffhausen, Switzerland
Financing company

NON-CONSOLIDATED COMPANIES

Edel Grass bv (50%) — Genemuiden, Netherlands
Marketing and installation of synthetic turf systems

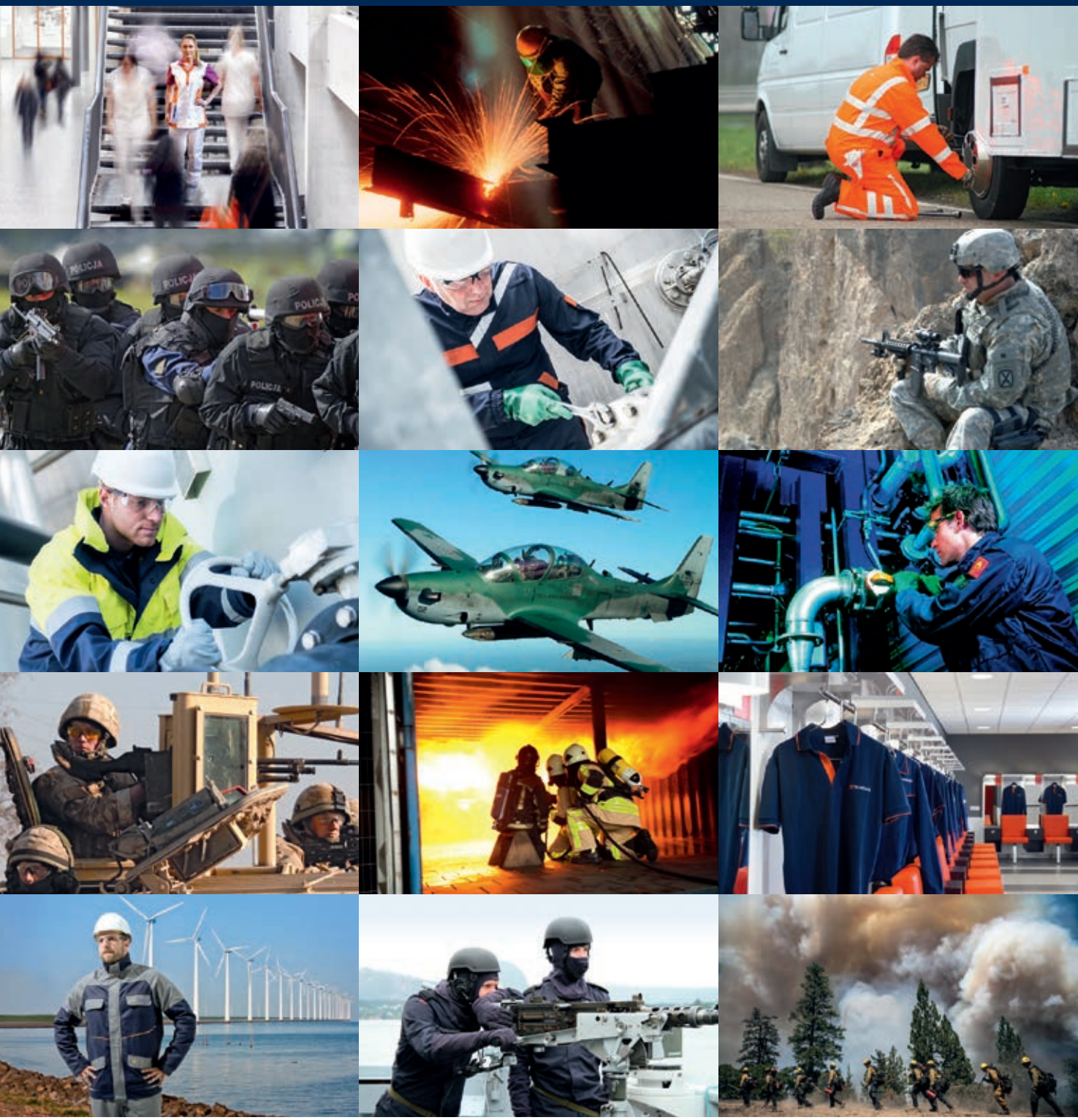
Landscape Solutions bv (25%) — Uden, Netherlands
Marketing and production organisation for synthetic turf for landscaping use

Hellas Construction Inc (30%) — Austin (Texas), USA
Production and construction of sports pitches

The operating companies listed here are consolidated in the financial statements, with the exception of the companies shown as non-consolidated. Some interests of minor relevance to the overall picture have been omitted from the list, in accordance with article 379, paragraph 3, Book 2 of the Netherlands Civil Code.
The companies are wholly owned unless stated otherwise.

Protecting people

At work



Contact

TenCate would like to hear from you regarding this annual report.
Please let us know your views by e-mailing ir@tencate.com.
You can also contact us using the details shown below.

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