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Telephone +31 492 56 66 13
Fax +31 492 66 67 13
Mail info@gammaholding.nl

Press release

Accelerated implementation of reorganisations at Gamma Holding

- § Net group result: loss of EUR 15 million due to extensive restructurings and impairments;
- § Net group result before restructuring and 'Discontinued operations': EUR 34.0 million, 10% higher than in 2004;
- § Transformation process at Sleep Care Fabrics accelerated;
- § Ongoing efficiency measures at Exotic Fabrics;
- § Good progress with 'Planning for growth': 6% turnover growth at Gamma Technologies;
- § Proposed dividend: EUR 1.00 (2004: EUR 1.90), payable with effect from 11 May 2006.

Results

In 2005 the group's turnover amounted to EUR 743 million (2004: EUR 737 million). This includes a 1% positive effect of acquisitions. Currency movements had no effect. On a comparable basis, turnover remained stable.

The operating result excluding restructuring costs amounted to EUR 56.5 million (2004: EUR 59.3 million). The operating result rose by 2% as a result of acquisitions. Currency movements had no effect. Restructuring charges amounted to EUR 39.9 million (2004: EUR 10.5 million), of which EUR 10.3 million related to an impairment of property, plant and equipment. The operating result was EUR 16.6 million (2004: EUR 48.8 million).

The deficit on the balance of financial income and expense improved from EUR -12.3 million in 2004 to EUR -11.3 million in 2005, primarily as a result of a lower average interest rate. At 95.3%, the effective tax rate was far higher than in 2004 (32.4%). The high tax rate was primarily attributable to non-offsettable losses relating to Africa.

Mainly as a result of an impairment at Car Fabrics and Ames Europe, the net result from discontinued operations fell to EUR -15.2 million (2004: EUR -2.4 million).

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The net group result amounted to EUR -15.0 million (2004: EUR 22.8 million). The net group profit before restructuring and 'Discontinued operations' totalled EUR 34.0 million in 2005 (2004: EUR 30.8 million).

Earnings per share amounted to EUR -2.15 (2004: EUR 3.04).

The proposed dividend, to be charged to retained earnings, is EUR 1.00 (2004: EUR 1.90) and is payable with effect from 11 May 2006.

Gamma Technologies

In the Gamma Technologies sector there are companies active within the Belting, Filtration, Coating & Composite and Sailcloth Technology business units.

Belting Technology won an order to supply conveyor belts for the airports of Dubai (United Arab Emirates), Beijing (China) and Seoul (Korea). The business unit also introduced the Maestro Press, a mobile service unit for cleaner, faster and more efficient welding of conveyor belts on the customer's premises. Filtration Technology received a prestigious UK environmental award for Cerafil TopKat, a unique filter technology, which destroys a number of toxic gases that are released at high temperatures. Coating & Composite Technology developed special protective clothing for manufacturers of computer chips and supplied bullet-proof vests to protect police officers in France. The business unit also supplied membrane for the roofing of the historic railway station in Dresden. Sailcloth Technology launched Hydra Net® Radial, an innovative sailcloth developed specifically for larger yachts.

Results

Gamma Technologies showed an upward trend as a result of favourable developments at Belting and Coating & Composite Technology. Turnover for Filtration and Sailcloth Technology remained more or less unchanged. Overall, the sector's turnover rose by 6% from EUR 436 million in 2004 to EUR 463 million. This includes a 1% positive effect of acquisitions. Currency movements had no effect.

The operating result excluding restructuring costs rose by 5% from EUR 28.8 million in 2004 to EUR 30.3 million in 2005. During the year under review restructuring costs totalled EUR 5.8 million, compared with EUR 1.3 million in 2004. The restructuring costs mainly related to Belting and Filtration Technology. The operating result fell by 11%, from EUR 27.5 million in 2004 to EUR 24.5 million in 2005.

Planning for growth

One of the measures introduced in the Gamma Technologies sector to drive growth and improved results over the coming years is the 'Planning for growth' project that was launched in 2004. Good progress was made with this project in 2005.

Growth in emerging markets

In order to strengthen its position in emerging markets, Belting Technology entered into a joint venture with the Hungarian company Lőrincz Kft, which principally serves the growing foodstuffs market sector. Filtration Technology acquired the Japanese distributor Toho Filter Media Ltd. and made preparations for new activities in Asia and Eastern Europe. In February 2006 Belting Technology also took over Barimex B, a Polish company that specialises in filter products for both wet and dry filtration and has a turnover of EUR 1.7 million. The business unit also plans to enter into a joint venture in India. Coating & Composite Technology acquired the Italian company Mapelli: this has expanded the distribution network for PTFE-coated glass woven fabrics.

Improved competitiveness

Belting Technology strengthened its position in China by setting up a second production line. In order to further improve its competitiveness, the business unit reinforced the sales structure and optimised its assembly activities. As part of this process, assembly activities are to be moved from Western Europe to the Czech Republic in 2006. Filtration has completed the process of transforming eleven companies into three business units. In connection with this, a number of business units in Sweden and Germany in particular are to be relocated and reshuffled. Efficiency improvements were also carried out at Coating & Composite.

Gamma Comfort & Style

The Gamma Comfort & Style sector is made up of Sleep Care Fabrics and Exotic Fabrics. These business units develop and produce mattress ticking and exotic fabrics respectively.

At the Interzum Cologne in 2005, the most important trade fair for the bedding market, *Sleep Care Fabrics* presented its design visualisation project. This is an online system which enables customers to experiment visually with a wide range of mattress ticking in a variety of qualities, designs and colours. The new mattress ticking based on bamboo fibre was also well received at this trade fair. *Exotic Fabrics* successfully launched the new and exclusive AURA product, an innovative fabric which displays an enormous range of shades of colour under the effects of light and movement.

Results

Due to the difficult conditions facing Sleep Care and Exotic Fabrics, turnover in the sector fell by 7% from EUR 301 million in 2004 to EUR 280 million in 2005, despite a 2% positive effect of acquisitions. Currency movements had no effect.

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The operating result excluding restructuring costs fell from EUR 30.5 million in 2004 to EUR 26.2 million in 2005. This includes a 3% positive effect of acquisitions. Currency movements had a positive effect of 1%. Total restructuring costs within this sector amounted to EUR 34.1 million (including a EUR 10.3 million impairment of property, plant and equipment), compared with EUR 9.2 million in 2004. The operating result fell from EUR 21.3 million in 2004 to EUR -7.9 million in 2005.

Accelerated implementation of measures

In the Gamma Comfort & Style sector Gamma Holding was severely impacted by a number of setbacks in the Sleep Care and Exotic Fabrics business units. These developments put pressure on price margins and increased the urgency to focus specifically on growth and improvement of cost levels. Accordingly, in the Gamma Comfort & Style sector the implementation of measures to boost competitiveness has been accelerated.

Sleep Care Fabrics had to contend with tougher competition from low-wage countries and the rising trend towards cheaper, one-sided mattresses. Against this background, Sleep Care Fabrics acquired the Mexican mattress ticking manufacturer Telartex, which has enabled the business unit to gain a leading position in the highly promising Central American market. The US market will also be served from Mexico. In Europe, Sleep Care Fabrics is further expanding its activities in the Czech Republic, and a production facility is being built in Turkey. As a result of these measures, it has been decided to close two of the three factories in Belgium and to make cutbacks in some of the activities in Germany. This is to take place before the end of 2007.

Exotic Fabrics felt the effects of low-price imports from China. The business unit also had to contend with a deterioration in the economic and political situation in West Africa, its main sales market. It was as a result of this that the weaving/spinning mill in Ghana was closed in 2005. As well as in Ghana, additional efficiency measures have also been announced for Côte d'Ivoire and the Netherlands. Furthermore, the majority of the property, plant and equipment in Ghana and Côte d'Ivoire has been impaired.

Discontinued operations

In the car upholstery and industrial knitted fabrics market there is an increasing need for further globalization, forward integration and expansion of the product range. Gamma Holding does not wish to play a leading role in these developments and is therefore looking for a strategic partner who is better able to help Car Fabrics and Ames Europe realize further growth.

The results of both business units have been under pressure for a considerable time. At Car Fabrics the activities in the field of household linen were separated from the car upholstery activities. This process was completed in 2005, which made it possible to sell the household linen activities as a separate entity to the French textile company HDM-Finance in February 2006.

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Employees

The measures that were introduced during the year under review have had a significant effect on the number of employees. In 2005 the number of employees rose by 216 within the group as a whole due to acquisitions, but fell by 1,767 as a result of restructuring and efficiency measures. At the end of 2005 the total number of employees fell by 17% from 9,072 in 2004 to 7,521 in 2005. This included the number of employees in 'Discontinued operations' (Car Fabrics and Ames Europe), which fell from 738 to 646.

Investments and financing

Purchases of property, plant and equipment in 2005 totalled EUR 26.9 million (2004: EUR 29.1 million), 14% below the level of depreciation. In 2005, depreciation on property, plant and equipment amounted to EUR 31.4 million, compared with EUR 32.5 million in 2004. Net investments in subsidiaries in 2005 totalled EUR 15.9 million, compared with EUR 7.4 million in 2004. These investments related primarily to the acquisition of the Mexican mattress ticking manufacturer Telartex.

In the year under review net working capital fell by EUR 32.7 million to EUR 235.5 million. Due to 'Discontinued operations' net working capital fell by EUR 38.1 million. Currency movements and acquisitions increased net working capital by EUR 11.3 million and EUR 5.3 million respectively. On a comparable basis, net working capital fell by EUR 11.2 million (5%).

The cash flow (the result after taxation and before depreciation and amortization) amounted to EUR 46.3 million, compared with EUR 59.8 million in 2004.

In June a new credit facility was arranged with a syndicate of six banks. The facility, which will end in 2010, amounts to a total of approximately EUR 265 million. With the new facility, the syndicated loan concluded in July 2002 will be refinanced at a better rate of interest and on more favourable conditions. Total interest-bearing liabilities rose by EUR 24.9 million from EUR 232.0 million in 2004 to EUR 256.9 million in 2005. This includes a currency effect of EUR 14.2 million as a result of the increase in the US dollar exchange rate.

At the end of the year under review total equity amounted to EUR 169.5 million, compared with EUR 194.7 million in 2004, a decline of EUR 25.2 million, which is attributable to the dividend paid in respect of the financial year 2004 and the results over 2005. Total equity amounted to 24.2% of the balance sheet total at year-end 2005 (2004: 28.6%).

Outlook

Within the Gamma Comfort & Style sector, Exotic Fabrics' local brands are continuing to be impacted by the difficult political and economic situation in West Africa. As a result, additional efficiency measures have been announced in Ghana, Côte d'Ivoire and the Netherlands. Sleep Care Fabrics is accelerating the process to bring the cost structure into line with the regional spread of activities. Accordingly, production will increasingly be carried out in countries such as Mexico, the Czech Republic and Turkey. Significant steps will be taken towards this in 2006.

Within the Gamma Technologies sector the outlook is favourable and the 'Planning for growth' program is on track. In 2006 efforts will be continued to strengthen the position in emerging markets by means of selective acquisitions and further reduction of costs.

In 2006 there will also be considerable focus on reducing working capital and improving the balance sheet ratios.

As a result of the above-mentioned measures, Gamma Holding is well on the way to achieving its growth and profitability objectives by 2007. 2006 will be a year of transition, in which further restructuring costs totalling some EUR 10 million will be incurred.

Helmond, 24 February 2006
Executive Board

Profile

Gamma Holding develops, manufactures and sells innovative, high-quality textile-based products throughout the world. It employs around 7,500 people in 39 countries. Its headquarters are located in Helmond (The Netherlands) and its shares are listed on Euronext Amsterdam.

Gamma Holding comprises two sectors, Gamma Technologies and Gamma Comfort & Style, with activities in belting, filtration, coated fabrics and composites, sailcloth technology and sleep care and exotic fabrics. The company is a leading global player in its selected niche markets.

For more information:

Tel. +31 492 56 66 13
www.gammaholding.nl

CONSOLIDATED BALANCE SHEET

<i>x EUR1,000,000 (before profit appropriation)</i>	31.12.2005	31.12.2004
Assets		
<i>Non-current assets</i>		
Property, plant and equipment	225.3	252.6
Intangible assets	43.4	36.8
Associates and joint ventures	1.0	5.0
Derivative financial instruments	0.4	
Deferred income-tax assets	7.5	7.5
Other non-current receivables	4.1	2.8
Total non-current assets	281.7	304.7
<i>Current assets</i>		
Inventories	174.2	192.2
Trade and other receivables	136.0	151.0
Derivative financial instruments	0.6	
Income-tax assets	4.2	15.1
Cash and cash equivalents	21.5	17.3
	336.5	375.6
Non-current assets held for sale and discontinued operations	83.4	
Total current assets	419.9	375.6
Total assets	701.6	680.3

CONSOLIDATED BALANCE SHEET (continued)

<i>x EUR1,000,000 (before profit appropriation)</i>	31.12.2005	31.12.2004
Equity and liabilities		
<i>Equity</i>		
Issued capital and reserves attributable to equity holders	166.9	192.8
Minority interests	2.6	1.9
Total equity	169.5	194.7
<i>Non-current liabilities</i>		
Interest-bearing liabilities	266.9	187.7
Derivative financial instruments	3.0	
Employee benefit obligations	27.9	32.7
Deferred income-tax liabilities	33.5	49.1
Other provisions	15.7	6.8
Total non-current liabilities	347.0	276.3
<i>Current liabilities</i>		
Interest-bearing liabilities	12.2	61.6
Trade and other payables	113.1	117.3
Derivative financial instruments	2.4	
Income-tax liabilities	7.1	15.0
Other provisions	17.3	15.4
	152.1	209.3
Liabilities directly related to discontinued operations	33.0	
Total current liabilities	185.1	209.3
Total equity and liabilities	701.6	680.3

CONSOLIDATED INCOME STATEMENT

<i>EUR x 1,000,000</i>	2005	2004 ¹
Net turnover	742.5	737.1
Changes in finished products and work in progress	(4.1)	(2.3)
Total operating income	738.4	734.8
Cost of raw materials and consumables	(265.5)	(258.1)
Contracted work and other external costs	(43.4)	(41.3)
Added value	429.5	435.4
Personnel costs	(273.1)	(261.7)
Depreciation of property, plant and equipment	(31.4)	(32.5)
Impairment of property, plant and equipment	(10.3)	
Amortisation of intangible assets	(1.6)	(1.3)
Other operating expenses	(96.5)	(91.1)
Total operating expenses	(412.9)	(386.6)
Operating result	16.6	48.8
Financial income and expense	(11.3)	(12.3)
Share in result of associates and joint ventures	(0.3)	0.7
<i>Group result before taxation</i>	5.0	37.2
Income tax	(4.8)	(12.0)
<i>Net group result from continuing operations</i>	0.2	25.2
Net group result from discontinued operations	(15.2)	(2.4)
Net group result	(15.0)	22.8
<i>Attributable to</i>		
Equity holders	(15.7)	22.4
Minority interests	0.7	0.4
<i>EUR x1</i>		
Earnings per share	(2.15)	3.04
Diluted earnings per share	(2.14)	3.03
Earnings per share from continuing operations	(0.08)	3.36
Diluted earnings per share from discontinued operations	(0.08)	3.35

¹ The 2004 figures have been adjusted due to the segregate presentation of the net group result from discontinued operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>EUR x 1,000,000</i>	2005	2004 ¹
<i>Operating result</i>	16.6	48.8
Depreciation of property, plant and equipment	31.4	32.5
Impairment of property, plant and equipment	10.3	
Amortisation of intangible assets	1.6	1.3
Interest paid	(11.6)	(13.1)
Income tax paid	(11.8)	(17.6)
Change in provisions	10.9	6.8
Change in working capital	9.4	(1.3)
Net cash flow from operating activities	56.8	57.4
Purchase of property, plant and equipment	(26.9)	(29.1)
Acquisition of subsidiaries, net of cash acquired	(15.9)	(7.4)
Purchase of intangible assets, other than by acquisition of subsidiaries	(1.4)	(1.1)
Disposal of property, plant and equipment	1.5	2.0
Disposal of intangible assets	0.5	
Net investments in associates and joint ventures	(0.1)	(0.1)
Interest received	1.0	0.9
Net cash used in investing activities	(41.3)	(34.8)
Purchase of treasury shares	(0.3)	(0.5)
Dividend paid to equity holders	(14.0)	(14.1)
Dividend paid to third parties	(0.1)	(0.2)
New syndicated loans	264.9	
Early repayment	(215.8)	
Other change in current interest-bearing liabilities	(45.9)	5.1
Net cash used in financing activities	(11.2)	(19.9)
Change in cash and cash equivalents	4.3	2.7
Cash and cash equivalents at 1 January	16.5	14.0
Exchange rate differences on cash and cash equivalents	0.7	(0.2)
Cash and cash equivalents at 31 December	21.5	16.5

¹ The 2004 figures have been adjusted due to the presentation of discontinued operations.

SECTOR INFORMATION

<i>EUR x 1,000,000</i>	2005	2004 ¹	<i>Index</i>
Gamma Technologies			
<i>Net turnover</i>			
Belting Technology	210	195	107
Filtration Technology	113	115	99
Coating & Composite Technology	101	86	117
Sailcloth Technology	39	40	99
Total net turnover	463	436	106
Operating result excluding restructuring	30.3	28.8	105
Total operating result excluding restructuring as a % of turnover	6.5	6.6	
Purchase of property, plant and equipment	14.6	13.4	108
Depreciation of property, plant and equipment	16.5	17.1	97
Average capital employed excluding restructuring	260	254	102
Return on capital employed as a %	11.6	11.6	
Number of employees at the end of the period	3,264	3,274	100
Gamma Comfort & Style			
<i>Net turnover</i>			
Sleep Care Fabrics	169	179	94
Exotic Fabrics	111	122	91
Total net turnover	280	301	93
Operating result excluding restructuring	26.2	30.5	86
Total operating result excluding restructuring as a % of turnover	9.4	10.1	
Purchase of property, plant and equipment	12.3	15.7	79
Depreciation of property, plant and equipment	14.9	15.4	96
Average capital employed excluding restructuring	159	157	101
Return on capital employed as a %	16.5	19.4	
Number of employees at the end of the period	3,611	5,060	71

¹ The 2004 figures have been adjusted due to the presentation of discontinued operations.

SECTOR INFORMATION (continued)

<i>EUR x 1,000,000</i>	<i>2005</i>	<i>2004¹</i>	<i>Index</i>
Total			
Net turnover	743	737	101
Operating result excluding restructuring	56.5	59.3	95
Total operating result excluding restructuring as a % of turnover	7.6	8.0	
Purchase of property, plant and equipment	26.9	29.1	92
Depreciation of property, plant and equipment	31.4	32.5	97
Average capital employed excluding restructuring	419	411	102
Return on capital employed as a %	13.4	14.6	
Number of employees at the end of the period	6,875	8,334	82

¹ The 2004 figures have been adjusted due to the presentation of discontinued operations.