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**Press Release**

# First-half 2009 results

- **Economic crisis has major impact on sales and margins**
- **Adaptation and differentiation plans were rolled out immediately**
- **Tight control over net debt**

**Paris, 25 August 2009**

Sperian Protection, the reference leader in personal protective equipment (PPE), announced today its consolidated results for the first half of 2009.

In the midst of a worldwide economic downturn, business slowed down sharply in the first half triggering a severe erosion of margins. Yet the Group reacted swiftly, as of the end of 2008, to set up adaptation plans while maintaining investments to prepare for the future. These measures have had a positive impact on margins and cash flow generation.

| *In millions of euros* | **H1 2009** | **H1 2009** at H1 2008 exchange rates | **H1 2008** |
|---|---|---|---|
| Revenue | 326.9 | 315.1 | 378.3 |
| Income from operating activities | 25.3 | 22.8 | 57.8 |
| ***Operating margin (% of sales)*** | ***7.7%*** | ***7.2%*** | ***15.3%*** |
| Net income | 5.8 | 5.1 | 32.4 |
| ***Net margin (% of sales)*** | ***1.8%*** | ***1.6%*** | ***8.6%*** |
| Net debt | 261.1 | | 242.1 |
| Net debt to EBITDA | 2.9x | | 1.9x |

- **Revenue declined as expected**

In the first half of 2009, consolidated sales declined 13.6% to €326.9 million, compared with €378.3 million in the first half of 2008. The recent acquisitions, Combisafe and Musitani, contributed revenues of approximately €14 million in the first half of 2009. The strengthening of the dollar versus the euro also contributed nearly €12 million in revenue during the period.

The first-half decline in sales confirms the negative impact of the economic crisis on the PPE sector. Extensive destocking by distributors and end customers exacerbated this trend, however, the situation should improve in the second half of 2009.

In the first half, respiratory protection (head protection) was the only business line to report organic growth. Sales of single-use masks in Europe and the delivery of Self-Contained Breathing Apparatus (SCBA) systems to firefighters in the United States were the main sources of growth. Other segments contracted sharply.

- **While the decline in volumes has had a significant impact on margins, adaptation measures are beginning to pay off**

Income from operating activities amounted to €25.3 million in the first half of 2009, compared to €57.8 million in the year-earlier period. The operating margin[1] was 7.7%, down from 15.3% in the same period last year.

The strengthening of the dollar compared with the euro had a favorable impact of €2.5 million on income from operating activities (average exchange rate of $1.33 in the first half of 2009 versus $1.53 in the first half of 2008).

Compared to first-half 2008, the decline in the operating margin is mainly due to the drop in sales volumes, as well as to less favorable product and regional mixes. Measures to adapt industrial facilities and optimize purchasing have begun to pay off, however, their full impact will not be felt for several more quarters. The Group also decided to continue investing in certain countries and sectors with promising growth potential and to maintain a strong innovation policy. Despite this, cost-cutting measures have led to globally lower marketing, overhead and R&D expenses compared with the year-earlier period.

EBITDA[2] amounted to €35.9 million and the EBITDA margin to 11% of revenue.

- **Net income**

In the first half of 2009, Group net income was €5.8 million, or a net margin of 1.8%.

This figure takes into account €8.2 million in restructuring expenses for cost-cutting measures launched by the Group to adapt to the downturn in business and for repositioning the gloves business, which required major industrial restructuring (€3.1 million).

The net financial cost was €5.8 million in the first half of 2009, including €3.7 million in interest expense. Interest expense was down from €5.9 million in first-half 2008, thanks to the decline in interest rates compared with last year.

- **Solid financial position**

Net debt amounted to €261 million at 30 June 2009, down from €303 million at 31 December 2008. This improvement can be attributed to the high level of operating cash flow and a non-recourse factoring transaction carried out by the Group for a total of €19.2 million.

The Group's financial structure remains solid with net-debt-to-EBITDA[3] ratio of 2.9 at June 30, 2009, compared with 2.5 at year-end 2008. The net-debt-to-equity ratio was 46%, compared with 53% at the end of 2008.

Working capital requirements amounted to €140 million (excluding €12.6 million in insurance receivables), equivalent to 73 days of sales. This represents a sharp decline from the 88 days reported in June 2008, thanks to improvements in supply chain and inventory management and the factoring transaction.

[1] Income from operating activities/revenue
[2] Earnings before interest, tax, depreciation, amortization and exceptional items
[3] Annualized EBITDA for the period July 1, 2008 to June 30, 2009

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- **Measures announced or in the process of implementation in 2009**

Sperian teams have been actively mobilized since late 2008 to set up cost-cutting plans while maintaining investments to prepare for the future.

Measures taken since the beginning of the year have reduced the Group's fixed costs by €15 million and generated €3 million in savings on purchases. Excluding inflation, in 2010 the Group expects to cut fixed costs by €34 million and to save €13 million on purchasing. Cutbacks in production capacity to adapt to the downturn in sales led to the departure of 650 employees in production in the first half of 2009. All of the measures taken by the Group since the crisis began in fourth-quarter 2008 will reduce the total work force by over 1200 employees by the end of the year (on a like-for-like basis).

The first-half results also reflect the Group's efforts to control net debt, with a 25% reduction in working capital requirements at the end of June.

The Group is also pursuing investments to increase the added value of its product portfolio. These measures are designed to boost industrial, marketing and commercial productivity, step up innovation and expand into new markets.

- **Outlook**

In light of the uncertain economic outlook, the Group has decided not to issue guidance for full-year 2009.

In the second half, Sperian Protection expects the destocking movement to wind down at its distributors and end customers, although the impact is likely to be mild. Adaptation plans to adjust to the downturn in business will continue to pay off in the second half. The Group is confident in its ability to generate cash flow and strengthen its financial position.

"Sperian Protection is active in a highly regulated market with solid fundamentals whose growth potential remains intact: workplace safety remains a key contributor to performance and a corporate challenge for our customers," stated Brice de La Morandière, Chief Executive Officer of Sperian Protection. "The efficient roll-out of adaptation and differentiation plans in recent months has provided the Group with a highly efficient cost structure and more responsive organization. As a result, the Group should be able to generate revenue of €1 billion and a 15% margin within the next three to five years."

Sperian Protection will report third-quarter 2009 revenue on October 20, 2009 after the market close.

***About Sperian Protection***
*Sperian Protection is the reference leader in personal protective equipment (hearing, eye, respiratory and fall protection, gloves, clothing and footwear) resolutely geared towards international markets. The Group offers innovative products adapted to high-risk environments so that workers in the manufacturing and services industries can work with confidence.*

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| Consolidated balance sheet | June 2009 | Dec 2008 |
|---|---|---|
| **Assets** | €'000 | €'000 |
| **Non-current assets** | | |
| Goodwill | 557,446 | 554,869 |
| Other intangible assets | 95,377 | 98,213 |
| Intangible assets | 652,823 | 653,082 |
| Property, plant and equipment | 92,392 | 95,315 |
| Deferred tax assets | 36,132 | 35,698 |
| Other financial assets | 3,656 | 4,188 |
| **Total non-current assets** | **785,003** | **788,283** |
| **Current assets** | | |
| Inventories and work in progress | 116,409 | 140,047 |
| Trade receivables | 106,429 | 126,786 |
| Other operating receivables | 26,996 | 28,843 |
| Derivative financial instruments | 1,008 | 6,044 |
| Cash and cash equivalents | 31,630 | 24,629 |
| **Total current assets** | **282,472** | **326,349** |
| **Total assets** | **1,067,475** | **1,114,632** |
| **Equity and liabilities** | | |
| **Equity** | | |
| Share capital | 15,310 | 15,310 |
| Share premium | 438,082 | 436,533 |
| Currency translation difference | (65,372) | (69,382) |
| Gain/Loss on hedging instruments | (1,418) | (1,298) |
| Net income for the period | 5,811 | 47,776 |
| Reserves and retained earnings | 177,220 | 138,511 |
| **Total equity attributable to equity holders of the pare** | **569,633** | **567,450** |
| Minority interets | 1,310 | 1,289 |
| **Total equity** | **570,943** | **568,739** |
| **Non-current liabilities** | | |
| Deferred tax liabilities | 26,162 | 26,204 |
| Long term financial liabilities | 145,478 | 252,668 |
| Retirement benefit obligation | 10,722 | 11,128 |
| Provisions | 27,674 | 57,481 |
| **Total non-current liabilities** | **210,036** | **347,481** |
| **Current liabilities** | | |
| Trade payables | 89,067 | 95,679 |
| Current tax liabilities | 7,997 | 10,462 |
| Short-term financial liabilities | 147,236 | 74,814 |
| Derivative financial instruments | 2,821 | 10,172 |
| Provisions | 39,375 | 7,285 |
| **Total current liabilities** | **286,496** | **198,412** |
| **Total liabilities** | **496,532** | **545,893** |
| **Total equity and liabilities** | **1,067,475** | **1,114,632** |

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| Consolidated income statement<br>**Continuing operations** | **June 2009**<br>€'000 | **June 2008**<br>€'000 |
|---|---|---|
| **Sales** | 326,920 | 378,348 |
| Cost of goods sold | (211,082) | (227,207) |
| **Gross Profit** | **115,838** | **151,141** |
| Sales & Marketing expenses | (46,082) | (48,090) |
| General & administrative expenses | (37,204) | (39,006) |
| R&D expenses | (7,284) | (6,284) |
| **Income of operating activities** | **25,268** | **57,761** |
| Restructuring costs | (8,151) | (831) |
| Amortization and impairment of revalued intangible assets | (2,582) | (2,155) |
| Other income/expenses | 42 | (1,828) |
| **Operating income from continuing operations** | **14,577** | **52,947** |
| Net finance costs | (5,772) | (9,401) |
| **Income before tax** | **8,805** | **43,546** |
| Income tax | (2,963) | (11,175) |
| **Net income** | **5,842** | **32,371** |
| **Attributable to :** | | |
| Equity holders of the parent | 5,811 | 32,186 |
| Minority interest | 31 | 185 |
| | 5,842 | 32,371 |
| **Earnings per share** | | |
| Basic earnings per share | 0.77 | 4.25 |
| Diluted earnings per share | 0.77 | 4.22 |
| Weighted average number of shares in issue | 7,542,886 | 7,571,950 |
| Weighted average number of shares fully diluted | 7,542,886 | 7,618,446 |

## Consolidated statement of cash-flows

| | June 2009 | June 2008 |
|---|---|---|
| | €'000 | €'000 |
| ***Operating activities*** | | |
| Income before income tax | 8,774 | 43,361 |
| Minority interest | 31 | 185 |
| Non-cash income and expenses: | | |
| Share-based payment | 1,200 | 1,242 |
| Depreciation, amortization and impairment | 13,784 | 11,230 |
| Change in provisions | 4,471 | 1,520 |
| Change in financial instruments | (3,037) | (535) |
| Gains/losses on divestment of non-current assets | 300 | (20) |
| Interest charges | 3,733 | 5,867 |
| Interest paid | (3,614) | (6,139) |
| Income taxes paid | (7,149) | (8,141) |
| **Operating cash-flow before change in working capital** | **18,493** | **48,570** |
| (Increase)/Decrease in inventory and work in process | 24,440 | (10,888) |
| (Increase)/Decrease in trade and other receivables | 21,874 | (9,098) |
| Increase/(Decrease) in trade and other payables | (12,266) | (4,810) |
| Change in other operating assets/(liabilities) | (2,204) | (6,939) |
| **Change in Working capital** | **31,844** | **(31,735)** |
| **Net cash provided by operating activities** | **50,337** | **16,835** |
| ***Investing activities*** | | |
| Acquisition of property, plant & equipment, intangible and financial assets | (9,371) | (11,944) |
| Acquisition of investments in consolidated companies, net of cahs acquired | (46) | (37) |
| Divestment of property, plant & equipment and intangible assets | 574 | 82 |
| **Net cash provided/(used) by investing activities** | **(8,843)** | **(11,899)** |
| ***Financing activities*** | | |
| (Decrease)/Increase in financial liabilities | (19,460) | 14,001 |
| Capital increase | 0 | 86 |
| Change in treasury shares | 349 | (6,687) |
| Dividends paid to equity holders of the parent | 0 | (11,362) |
| Dividends paid to minority shareholders of consolidated companies | 0 | (79) |
| **Net cash provided/(used) by financing activities** | **(19,111)** | **(4,041)** |
| Effect of exchange rate changes on cash and cash equivalents | 156 | (215) |
| **Change in cash and cash equivalents** | **22,539** | **680** |
| Opening cash and cash equivalents | (10,531) | (10,740) |
| Closing cash and cash equivalents | 12,008 | (10,060) |
| **Movement in cash and cash equivalents** | **22,539** | **680** |