

Press Release

Sperian Protection's first-half 2010 results: a satisfactory performance

- **Strong growth in revenue and profitability**
 - **Solid financial position**
- **Honeywell's public tender offer underway**

Paris, August 25, 2010

The Board of Directors of Sperian Protection, reference leader in personal protective equipment (PPE), today approved the Group's consolidated results for the first half of 2010.

Sperian Protection reported a satisfactory first-half performance with significant sales and margin growth compared to 2009. The Group's situation gradually improved in the second half of 2009 and first half of 2010, after a first part of 2009 that was hard hit by the economic crisis.

<i>In millions of euros</i>	H1 2010	H1 2010 at H1 2009 exchange	H1 2009
Revenue	362.4	356.5	326.9
Income from operating activities	55.5	55.5	25.3
<i>Operating margin (% of revenues)</i>	15.3%	15.6%	7.7%
Net income	16.5	16.3	5.8
<i>Net margin (% of revenues)</i>	4.5%	4.6%	1.8%

* H1 2010 results at H1 2009 exchange rates

▪ **Revenue growth**

As announced on July 21st, Sperian Protection reported organic growth of 11.8% with consolidated revenue of €362.4 million in the first half of 2010, compared with €326.9 million in the first half of 2009.

Organic growth in the first half mainly reflects a favorable basis of comparison with the year-earlier period. The first half of 2009 saw an organic decline of 20.3% compared with the same period in 2008, as distributors sharply reduced inventories and adapted their business to the downturn in demand as of early 2009.

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In the first half of 2010, the head protection division generated organic growth of 15.3%. This performance is largely due to single-use respiratory masks, which continued to benefit from the last deliveries for a French government contract. Other segments (hearing and eye protection) also reported organic growth but not as strongly; as a result revenue fell short of the 2008 level.

The body protection division also reported good growth at 7.7%, thanks largely to buoyant performances in fall protection and footwear. In contrast, gloves and clothing activities contracted slightly.

- **High profit margins**

Income from operating activities amounted to €55.5 million in the first half of 2010, compared to €25.3 million in the first half of 2009. The operating margin¹ was 15.3%, in line with the H1 2008 figure and a significant improvement over last year's first-half margin of 7.7%.

This improvement can be attributed to sales growth in volume, an improved product mix and better absorption of fixed costs.

EBITDA² amounted to €67.0 million, or 18.5% of revenue.

Net income amounted to €16.5 million, or 4.5% of revenue. Among other operating elements, this figure primarily includes expenses related to the public tender offers.

- **Solid financial position**

Net debt was €213 million at June 30, 2010, down from €216 million at December 31, 2009. At constant exchange rates, debt reduction was even more significant in the first half, down €21 million.

The Group's financial structure remains solid with a net-debt-to-EBITDA³ ratio of 1.84 at June 30, 2010, compared with 2.49 at the end of 2009. The net-debt-to-equity ratio was 32% compared to 37% at December 31, 2009.

Working capital requirements amounted to €123 million, equivalent to 65 days of revenue. At the end of 2009, it stood at €110 million, or 62 days of revenue, when the Group benefited from major inventory reduction efforts. At the end of June 2010, non-recourse factoring amounted to €15.6 million, compared to €19.2 million at the end of December 2009.

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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▪ **Honeywell's public tender offer**

Honeywell's public tender offer was approved by the US antitrust authorities on July 16, 2010, and by the European Commission on August 5, 2010. The tender offer opened on July 12, 2010 and will close on September 2, 2010. The French market regulator (*Autorité des Marchés Financiers-AMF*) will publish the results of the tender offer on September 10, 2010.

▪ **Outlook**

For the full year, Sperian Protection expects to generate organic sales growth and an improvement in operating margin. However, the basis of comparison will be less favorable in the second half of this year both in terms of revenue and margin. Indeed, the second half of 2009 was particularly bolstered by major shipments of disposable respiratory masks as part of A-flu pandemic plans. These sales will not occur again in the second half of 2010.

Brice de La Morandière, Chief Executive Officer of Sperian Protection, stated: "The Group delivered a strong first-half performance, both in terms of organic growth and margins. Sperian Protection's future development is based on increased investments on attractive vertical markets and high-growth potential emerging countries, as well as on innovations to further align the product and service offering to meet the needs and expectations of all customers. In addition, teaming up with Honeywell, assuming the proposed public tender offer is a success, will strengthen the Group's position as the undisputed leader in Personal Protective Equipment."

Sperian Protection will report third-quarter 2010 revenue on October 27, 2010 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.
www.sperian.com

Investor Relations

Véronique Boca
Tel. +33 (0)1 49 90 79 74
investorRelations@sperian.com

Media Relations

Christophe Mathy
Tel. +33 (0)1 49 90 79 72
cmathy@sperian.com

Burson•Marsteller
Jonathan Ganem
Tel. +33 (0)1 41 86 76 28
jonathan.ganem@bm.com

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Consolidated statement of financial position	June 2010	Dec 2009
Assets	€'000	€'000
Non-current assets		
Goodwill	614,413	556,752
Other intangible assets	101,199	92,281
Intangible assets	715,612	649,033
Property, plant and equipment	89,372	88,469
Deferred tax assets	34,571	30,022
Other financial assets	3,606	3,382
Total non-current assets	843,161	770,906
Current assets		
Inventories and work in progress	120,420	95,190
Trade receivables	103,388	86,576
Other operating receivables	16,315	27,939
Derivative financial instruments	2,905	589
Cash and cash equivalents	18,663	16,689
Total current assets	261,691	226,983
Total assets	1,104,852	997,889
Equity and liabilities		
Equity		
Share capital	15,300	15,310
Share premium	442,366	442,721
Treasury shares	(7,066)	(8,225)
Currency translation difference	4,013	(62,397)
Gain/Loss on hedging instruments	(1,370)	(1,356)
Net income for the period	16,394	18,553
Reserves and retained earnings	194,231	182,159
Total equity attributable to equity holders of the parent	663,868	586,765
Minority interests	1,262	1,271
Total equity	665,130	588,036
Non-current liabilities		
Deferred tax liabilities	32,478	27,534
Long term financial liabilities	205,368	212,035
Retirement benefit obligation	11,162	10,387
Provisions	30,747	26,010
Total non-current liabilities	279,755	275,966
Current liabilities		
Trade payables	116,581	99,415
Current tax liabilities	2,314	0
Short-term financial liabilities	26,652	20,837
Derivative financial instrument	4,396	2,166
Provisions	10,024	11,469
Total current liabilities	159,967	133,887
Total liabilities	439,722	409,853
Total equity and liabilities	1,104,852	997,889

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Consolidated income statement	June 2010	June 2009
	€'000	€'000
Sales	362,447	326,920
Cost of goods sold	(215,552)	(211,082)
Gross Profit	146,895	115,838
Sales & Marketing expenses	(48,467)	(46,082)
General & administrative expenses	(35,181)	(37,204)
R&D expenses	(7,763)	(7,284)
Income of operating activities	55,484	25,268
Restructuring costs	(1,380)	(8,151)
Amortization and impairment of revalued intangible assets	(2,899)	(2,582)
Other income/expenses	(20,969)	42
Operating income from continuing operations	30,236	14,577
Net finance costs	(5,403)	(17,441)
Income before tax	24,833	8,805
Income tax	(8,381)	(2,963)
Net income	16,452	5,842
Attributable to :		
Equity holders of the parent	16,394	5,811
Minority interest	58	31
	16,452	5,842
Earnings per share		
Basic earnings per share	2.17	0.77
Diluted earnings per share	2.07	0.77
Weighted average number of shares in issue	7,561,174	7,542,886
Weighted average number of shares fully diluted	7,907,211	7,542,886

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Consolidated statement of cash-flows

	June 2010	June 2009
	€'000	€'000
Operating activities		
Income before income tax	24,775	8,774
Minority interest	58	31
<u>Non-cash income and expenses:</u>		
Share-based payment	1,091	1,200
Depreciation, amortization and impairment	16,718	13,784
Change in provisions	(1,633)	4,471
Change in financial instruments	540	(3,037)
Gains/losses on divestment of non-current assets	289	300
Interest charges	4,079	3,733
Interest paid	(3,961)	(3,614)
Income taxes paid	(6,134)	(7,149)
Operating cash-flow before change in working capital	35,822	18,493
(Increase)/Decrease in inventory and work in process	(16,841)	24,440
(Increase)/Decrease in trade and other receivables	(9,219)	21,874
Increase/(Decrease) in trade and other payables	16,604	(12,266)
Change in other operating assets/(liabilities)	(1,098)	(2,204)
Change in Working capital	(10,554)	31,844
Net cash provided by operating activities	25,268	50,337
Investing activities		
Acquisition of property, plant & equipment, intangible and financial assets	(6,554)	(9,371)
Acquisition of investments in consolidated companies, net of cash acquired	(42)	(46)
Divestment of property, plant & equipment and intangible assets	240	574
Net cash provided/(used) by investing activities	(6,356)	(8,843)
Financing activities		
(Decrease)/Increase in financial liabilities	(22,670)	(19,460)
Capital increase	318	0
Change in treasury shares	476	349
Dividends paid to equity holders of the parent	0	0
Dividends paid to minority shareholders of consolidated companies	0	0
Net cash provided/(used) by financing activities	(21,876)	(19,111)
Effect of exchange rate changes on cash and cash equivalents	1,980	156
Change in cash and cash equivalents	(984)	22,539
Opening cash and cash equivalents	8,552	(10,531)
Closing cash and cash equivalents	7,568	12,008
Movement in cash and cash equivalents	(984)	22,539