

November 27, 2009

CONSOLIDATED RESULTS FOR THE FIRST HALF YEAR 2009-2010

Strong development in sales for controlled network (+13%).

Major decrease in sales to Agents and Distributors (-44%).

Decrease in gross margin due to the level of activity.

Overheads are adapted to the level of activity (-12%).

Net result as at Sep, 30, 2009: - 4.6 M€ (+ 4.0 M€ as at Sep, 30, 2008).

Key indicators as at Sept, 30, 2009, are as follow:

Consolidated (year to date)	Quarter 2			Half Year 1		
	30/09/2009	30/09/2008	variatio n	30/09/2008	30/09/2007	variatio n
Sales	15 422	16 225	-5,0%	28 611	30 634	-6,6%
Gross Margin	6 760	9 656	-30,0%	13 553	16 604	-18,4%
	% 43,8%	59,5%	-15,7%	47,4%	54,2%	-6,8%
Overheads	-8 034	-9 095	-11,7%	-15 949	-18 212	-12,4%
Other income & charges	83	2 982		-69	6 254	
Profit/Loss on exchange	-170	165		-405	59	
EBIT	-1 361	3 709	-5 070	-2 871	4 705	-7 576
	% -8,8%	22,9%	-31,7%	-10,0%	15,4%	-25,4%
Associated companies	-82	-199		-310	-224	
Interests	-219	102		-1 136	-298	
Taxation	-315	-94		-325	-184	
Net results	-1 977	3 517	-4 641	-4 641	3 999	-7 576
	% -12,8%	21,7%	-34,5%	-16,2%	13,1%	-29,3%

Sales

Distribution channels have a major impact on sales.

We did quite a significant sales increase on markets on which we operate through subsidiaries (France, Western Europe and Hong-Kong/China) showing a double digits sales increase (+13%).

Drop in sales is only due to sales to distributors (-44%) that drastically limited their orders because of their level of inventories. This is of major importance for Russia that accounted for 6% of product sales in 2008-2009 and 0% this year and stopped all purchase as from September 2008, Middle East because of the drop in B2B sales that are one of its major market and Eastern Europe because of financial constraints on distributors due the financial crisis

As regards sales by activity, lighters and writing instruments are increasing (+7%) while leather goods, accessories and RTW are down (-24%) because of the weight of distributors in this activity.

Royalties are strongly increasing (+26%)

Exchange rate impact on sales is very material and accounted for +4.4% in quarter 2 and +4.2% for the first half year.

Other operational indicators

- Gross margin is decreasing because of under activity and low level of sales that impacted allocation of fixed costs;
- Overheads have been adapted to the level of activity (-12%);
- There are no non recurring items this year while last year took into account the impact of fire (+6.1 M€)

EBIT as at Sep, 30, 2009 is -2.9 M€ (vs. +4.7 M€ last year) and net result is -4.6 M€ (vs. +4.0 M€ last year)

Restructuring

As inventories at March, 31, 2009, were considered as too high (8 M€ over inventories) actions aiming at decreasing these inventories have been launched (part time unemployment at the factory, stop of all orders for purchased products, selling actions). As at Sep, 30, 2009, inventories are down by -5.8 M€ in line with our target.

Aside from the part time unemployment we launched in October 2009 a social plan based on volunteers in order to cut cost by -4.5 M€ on a full year basis. This plan will be carried on in half year 2.

Financing

Despite the 15 M€ bond issue on March, 30, 2009, cash position is tight because of the high level of inventories. We get a moratorium on tax and social charges end September and implemented a line of factoring late October.

Negotiations regarding the implementation of a lease-back on machine at the plant are still going on with the assistance of the Credit Mediator and shall be finalized in the course of half year 2.

In the present context whereby the level of activity is uncertain, the majority shareholders has confirmed its support up to 2.0 M€ for the next 12 months.

Based on our cash projection, the available cash in hands as at Sep, 30, 2009 and the support of the majority shareholder, the financing of operations for the next 12 months is secured.

Contacts:

- **Contact Analyst:**

Michel Suhard

01 53 91 33 11

- **Contact Press:**

Euro RSCG

Thierry Micheels 01 58 47 94 98

thierry.micheels@eurorscg.fr

CONSOLIDATED FINANCIAL STATEMENTS

P&L

(Euro 000)	30/09/2009	30/09/2008
Sales Products	25 566	28 222
Royalties	3 045	2 412
Consolidates sales	28 611	30 634
Cost of sales	(15 058)	(14 030)
Gross Margin	13 553	16 604
Communication	(1 586)	(2 490)
Selling	(6 665)	(6 460)
Administrative	(7 697)	(9 262)
Other expenses	(1 579)	6 313
Other income	899	0
Impairment (IAS 36)	206	0
EBIT	(2 871)	4 705
Financial income	72	206
Financial expenses	(809)	(1 044)
Net financial expenses	(737)	(838)
Other financial income/(expenses)	(399)	540
Associated companies	(310)	(224)
Profit/(loss) before tax	(4 317)	4 183
Income tax	(325)	(184)
Net profit/(loss)	(4 641)	3 999
Net result – Group	(4 641)	3 999

Balance sheet

ASSETS		
(Euros 000)	30/09/2009	31/03/2009
Non current assets		
Goodwill	2 775	3 074
Intangible fixed assets (net)	900	1 149
Tangible fixed assets (net)	13 258	13 465
Financial assets	1 522	1 582
Associated companies	149	461
Deferred income tax	254	299
Total non current assets	18 858	20 030
Current assets		
Inventories	21 161	26 448
Trade debtors	8 959	8 507
Other debtors	5 331	6 784
Tax	549	634
Cash & cash equivalent	3 884	29 588
Total current assets	39 884	71 962
Total Assets	58 742	91 992
LIABILITIES		
(Euros 000)	30/09/2009	31/03/2009
Equity		
Share capital	21 234	21 231
Additional paid-in capital	968	967
Treasury shares	(1 002)	-1 002
Equity component of convertible bonds	2 425	2 425
Fair value of hedging instruments	(10)	-3 167
Reserves	(1 043)	-213
Profit/(loss) for the period	(4 641)	3 287
Equity attributable to equity holders	17 931	23 528
Minority interests		
Non-current liabilities		
Convertible bonds (long-term portion)	13 922	13 896
Long-term borrowings	24	23
Long-term finance lease liabilities	224	201
Deferred taxes	67	27
Long-term provisions for pension and other post-employment benefits	6 120	6 266
Total non-current liabilities	20 357	20 413
Current liabilities		
Trade accounts payable	7 201	9 611
Other payables	8 552	9 976
Short-term tax liabilities	417	261
Short-term provisions for contingencies and charges	2 482	2 892
Convertible bonds (short-term portion)	758	23 601
Short-term borrowings	914	1 536
Short-term finance lease liabilities	130	174
Total current liabilities	20 454	48 051
Total Liabilities	58 742	91 992

Cash flow statement

(euros thousand)	30/09/2009	31/03/2009	30/09/2008
I – Cash flow from operating activities			
Profit/(loss) for the period after tax	(4 641)	3 287	3 999
Depreciation, amortization and impairment	1 087	1 510	1 029
Change in provision	(541)	(4 764)	(8)
Insurance indemnity dedicated to captial expenditures (2)	0	(2 564)	(2 192)
Net interest expense	665	2 465	1 036
Gains and losses on disposals of assets	62	406	(302)
Tax expense/(income)	287	(244)	(104)
(Income)/loss from associates, net of dividends received	310	241	224
Cash flow from operations	(2 770)	339	3 682
Change in inventories and work in progress	4 557	(6 561)	(5 991)
Change in trade accounts receivable	(591)	3 192	1 789
Change in other receivables (3)	1 357	(1 455)	(7 866)
Change in trade accounts payable	(2 306)	21	1 298
Change in other payables	(1 328)	(1 075)	(1 379)
Change in operating working capital requirement	1 690	(5 878)	(12 148)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	(1 080)	(5 538)	(8 465)
II – Capital expenditures			
Development expenditure	(84)	(986)	(446)
Acquisitions of property, plant and equipment (net of insurance indemnity)	(705)	(2 221)	(1 202)
Acquisition of other investments	(19)	(174)	(192)
Cash used in investing activities	(808)	(3 382)	(1 840)
Proceeds from disposals of intangible assets	0	0	0
Proceeds from disposals of investments	49	711	74
Cash provided by divestments	49	711	74
NET CASH USED FOR CAPITAL EXPENDITURES	(760)	(2 671)	(1 766)
III – Cash flows from financing activities			
Increase in borrowings	56	15 449	329
Repayments of borrowings	(22 588)	(191)	(983)
Interest paid	(1 543)	(2 105)	(1 044)
NET CASH GENERATED FROM FINANCING ACTIVITIES	(24 075)	13 153	(1 697)
Effect of exchange rate fluctuations on cash and cash equivalents	358	747	399
Net change in cash and cash equivalents	(25 557)	5 691	(11 530)
Cash opening balance	29 162	23 471	23 471
Cash closing balance	3 605	29 162	11 941
Net change in cash	(25 557)	5 691	(11 530)