



Spraying is our business

H1 FY 2010-2011 adversely affected in initial phase of recovery

- **Sales up (+€9m) though EBIT remained flat (-€1m) vs. N-1**
- **Order intake up both for Plant and Materials Protection**
- **Production resources strengthened in H1**
- **Significant currency impact (-€1.6m)**
- **Financial structure remains solid**

Consolidated data in € millions	H1 2010/2011 *	H1 2009/2010	Change (€m)	Change (%)
Net sales	174.9	165.8	9.1	5.5%
Gross profit	67.5	65.5	2.0	3.1%
Current operating income (EBIT)	-3.4	-2.4	-1.0	-41.7%
Operating profit/(loss)	-4.2	-2.3	-1.9	-82.6%
Profit/(loss) before tax	-6.4	0.5	-6.9	NA
Net income	-4.9	-0.2	-4.7	NA
Operating cash flow	-17.4	2.5	-19.9	NA
Workforce	2 649	2 612		1.4%

* Unaudited accounts

▪ **Analysis of FY 2010-2011 H1 results**

Income statement highlights:

In the FY 2010-2011 first half (September to February), EXEL Industries' consolidated sales grew 5.5% on strong momentum from the Materials business (+29%) whereas Plant Protection swung back to growth only in the second quarter. For both segments, exports expanded 21% and remained the primary growth driver. Export sales for EXEL Industries Group accounted for 59% of total revenue.

The current operating loss (EBIT) increased by €1 million to -€3.4 million despite margins that remain resilient in the face of inflationary pressures. In response to strong growth in the volume of orders in the period, the Group reinforced production resources mainly for international operations. This included a €3 million increase in staff costs as well as recourse to subcontracting on an as-needed basis.

Reduced debt contributed to lower interest expense (€0.6 million from €0.9 million one year earlier).

Two thirds of the €1.6 million currency loss resulted from unrealized foreign exchange losses on the valuation of liquid assets of the Group in US dollars, contrasting with currency gains in the prior year (+€3.8 million). These factors resulted in a net loss for the first half of €4.9 million that also included exceptional expenses of €0.8 million related to measures to restructure subsidiaries.

Balance sheet highlights:

At the end of the FY 2010-2011 first-half, shareholders' equity amounted to €169.5, representing 48.6% of the total balance sheet, up from 45% one year earlier.

Strategic component purchases and ramping up production contributed to growth in inventories by €15 million.

Net financial debt declined marginally to €23.3 million. Gearing of 13.8%, down from 15% one year earlier, highlights the Group's solid financial position. The Group also still has undrawn confirmed credit facilities.

▪ **Operating highlights by business**

□ **Plant protection (69% of consolidated revenue)**

In the first six months of FY 2010-2011, revenue for the Plant Protection division declined 2.5% to € 120.6 million, on a wait-and-see attitude in the first quarter (-15%) that was not able to be fully offset by the rebound in the second quarter (+8%).

Despite delays in the placing of new orders, there was a recovery in volume growth. Orders in the first six months for the Plant business represented more than 42% of the volume of the 2010 first half.

While this shortened decision-making time for purchases adversely affected results for the first six months, it points to a likelihood of growth in the second half.

□ **Materials protection (31 % of consolidated revenue)**

In the FY 2010-2011 first half (September to November), Materials Protection revenue grew 29% to €54.3 million.

Growth was much stronger in international markets (+32%) where Group sales and technical operations were successfully deployed accompanied by renewed investment in the automobile sector in the US in particular as well as positive momentum in emerging countries.

Adapted and renewed product lines as well as expertise in executing projects allowed the Materials Division subsidiaries to add new customers and win contracts with worldwide manufacturers. Revenue forecasts for the FY 2010-2011 second half are positive.

The Group continues to strengthen its presence in emerging countries and focus efforts on innovation to develop solutions for increasing productivity and improved environmental performances for its customers throughout the world.

▪ Outlook and strategy

Guerric Ballu, CEO of EXEL Industries, commented:

“Foreign exchange trends weighed on first-half results, mainly through their impact on balance sheet assets. The rebound in the Plant Protection business in the second quarter posed challenges for both our production teams and suppliers. We are ramping up our production capacity even though this involves cost overruns in specific cases or locations. We are certain that in our sector the flexibility of our manufacturing base and the full scale deployment of lean manufacturing at all our plants represents more than ever the best means for achieving an optimal degree of responsiveness adapted to the increasingly shorter deadlines imposed by our customers.”

He added:

“With positive trends in this period both for orders and for broader indicators, we are confident in the fundamentals of our core businesses. The Plant business is driven by sustained demand for growth in yields combined with techniques that respect the environment for which we provide solutions and are a recognized world leader. The Materials business has been successful in its international deployment with customers who, in the automobile sector as well as industry, appreciate our technological advances as much as our ability to deliver local service. With our solid financial structure, we can look forward to further growth, both internal and through acquisitions, by maintaining a judicious balance of ambitious goals and a selective approach.”

Upcoming press releases: FY 10-11 third-quarter revenue, Tuesday, June 28, 2011.

About EXEL Industries: www.exel-industries.com

A world leader in precision spraying technologies for agriculture (No. 1 worldwide) and manufacturing (No. 3), EXEL Industries employs approximately 2,600 people in 23 countries on all five continents.

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