



2010 INTERIM REPORT

This document is a free translation into English of the French Interim Report ("Rapport semestriel"). In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

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MANAGEMENT REPORT

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Management Report

The year got off to a satisfactory start for Sperian Protection, which saw a significant improvement in revenue and margins compared with 2009. The Group progressively improved its position during the second half and in the first six months of 2010, following a first part of 2009 that was strongly impacted by the economic crisis.

During the summer, Sperian also sold its welding helmet business, which shared few production, logistic and sales synergies with the Group's other operations or with its priority vertical markets – the construction and oil industries and electrical distribution and transport.

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. Approved by US anti-trust authorities on July 16 and by the European Commission on August 5, 2010, the offer opened on July 12 and will close on September 2.

First-half revenue

Consolidated revenue amounted to €362.4 million, compared with €326.9 million in first-half 2009, reflecting organic growth of 11.8%.

<i>(in € millions)</i>	H1 2010	H1 2009	% change	% change excl. changes in perimeter and at constant exchange rates*
Total revenue	362.4	326.9	10.9 %	11.8%
Head protection	200.1	170.7	17.3 %	15.3%
Body protection	162.3	156.3	3.8 %	7.7%
Americas	159.3	140.1	13.7 %	10.8%
Europe, Middle East, Africa	175.4	164.5	6.6 %	10.2%
Asia-Pacific	27.7	22.3	24.3 %	16.1%
<i>Of which image wear (sold in Nov. 09)</i>		<i>8.0</i>		

*2010 revenue at 2009 exchange rates

Organic growth was due mainly to favorable prior-year comparatives. In first-half 2009, reported revenue declined by 20.3% organically, as distributors drew down their inventories sharply and adjusted their operations to reduced demand from the beginning of 2009.

In the first six months of 2010, the head protection business reported organic growth of 15.3% led by the respiratory protection segment, which benefited from the final deliveries of disposable masks to the French government. The hearing protection and eye protection segments also reported organic growth, although less significant. As a result, revenue was lower than in first-half 2008.

Organic growth in the body protection business was also up a substantial 7.7%, driven mainly by a strong performance in fall protection and safety footwear. On the other hand, revenue from protective gloves and clothing was down slightly.

Income of operating activities

Income of operating activities amounted to €55.5 million versus €25.3 million in first-half 2009, giving an operating margin¹ of 15.3%. This is in line with the Group's first-half 2008 performance but sharply higher than the 7.7% margin reported in the first six months of 2009.

There was little change in the dollar exchange rate, which stood at an average €1.33 in both first-half 2009 and first-half 2010. The currency effect mainly resulted from the increase in the Mexican peso and the Brazilian real.

Income of operating activities in first-half 2009 included the image wear business, sold in November of that year, which reported an operating loss of -€1.5 million for the first six months.

<i>(in € millions)</i>	H1 2010	H1 2010 at H1 2009 exchange rates	H1 2009	H1 2008
Revenue	362.5	356.5	326.9	378.3
Gross profit	146.9	145.3	115.8	151.1
<i>Gross margin</i>	<i>40.5%</i>	<i>40.7%</i>	<i>35.4%</i>	<i>39.9%</i>
Sales & marketing expenses	(48.5)	(47.6)	(46.1)	(48.1)
General & administrative expenses	(35.2)	(34.6)	(37.2)	(39.0)
R&D expenses	(7.7)	(7.6)	(7.3)	(6.3)
Income of operating activities	55.5	55.5	25.3	57.8
<i>Operating margin</i>	<i>15.3%</i>	<i>15.6%</i>	<i>7.7%</i>	<i>15.3%</i>

At constant exchange rates, the components of income of operating activities can be analyzed as follows:

- Gross margin stood at 40.7% of revenue, up considerably from first-half 2009 (35.4%). Half of the increase stemmed from higher sales volumes, with a more favorable product mix and plans initiated in 2009 to adjust production and improve purchasing for the other half.
- Sales and marketing expenses rose in line with the Group's strategy of investing in countries and business segments with strong growth potential.

¹ Income of operating activities as a percentage of revenue

- The decline in general & administrative expenses reflected the impact of the cost-cutting and downsizing plans.
- Research & development expenses were higher than the previous year, due to continued investment in innovation.

EBITDA¹ came to €67.0 million or 18.5% of revenue.

<i>(in € millions)</i>	H1 2010	H1 2009	H1 2008
Income of operating activities	55.5	25.3	57.8
Depreciation and amortization	11.5	10.7	8.6
EBITDA	67.0	35.9	66.4
<i>EBITDA margin</i>	<i>18.5 %</i>	<i>11.0%</i>	<i>17.5%</i>

Net income

Net income came to €16.5 million, giving a net margin of 4.5%.

<i>(in € millions)</i>	H1 2010	H1 2009	H1 2008
Income of operating activities	55.5	25.3	57.8
Restructuring costs	(1.4)	(8.2)	(0.8)
Amortization and impairment of revalued intangible assets	(2.9)	(2.6)	(2.2)
Other income/expenses	(21.0)	0.0	(1.8)
Operating income from continuing operations	30.2	14.6	53.0
Net finance costs	(5.4)	(5.8)	(9.4)
Income tax	(8.4)	(3.0)	(11.1)
Net income	16.5	5.8	32.5
<i>Net margin</i>	<i>4.5%</i>	<i>1.8%</i>	<i>8.6%</i>

Income statement items below income of operating activities can be analyzed as follows:

- Restructuring costs amounted to €1.4 million, corresponding to individual departures. By comparison, restructuring costs in 2009 totaled €8.2 million, corresponding to right-sizing programs undertaken to align the organization with the slowdown in business and to the major industrial restructuring required to support the repositioning of the Protective Gloves business (€3.1 million).
- Amortization and impairment of revalued intangible assets amounted to €2.9 million, of which €1.1 million relating to Nacre and €0.7 million to Combisafe.

¹ Net income before interest, tax, depreciation, amortization and non-recurring items

- Other income/expenses represented an expense of €21.0 million. It mainly comprises €16.2 million in expenses related to the public tender offers on Sperian Protection shares launched since late March 2010. Other expenses correspond to provisions for litigation and to impairment losses on the welding helmet business, whose divestment was announced in late July 2010.
- Net finance costs came to €5.4 million, in line with first-half 2009.
- Income tax expense amounted to €8.4 million representing an effective tax rate of 33.7%, unchanged from first-half 2009.

Consolidated financial position

- Cash flow statement

<i>(in € millions)</i>	H1 2010	H1 2009	H1 2008
Operating cash flow before change in working capital	35.8	18.5	48.6
Change in working capital	(10.6)	31.8	(31.7)
Net cash from operating activities	25.3	50.3	16.8
Capital expenditure	(6.6)	(9.4)	(11.9)
Acquisitions/disposals	0.2	0.5	0.1
Increase/(decrease) in borrowings	(22.7)	(19.5)	14.0
Treasury shares	0.5	0.3	(6.7)
Dividends paid			(11.4)
Other	2.3	0.2	(0.3)
Change in cash and cash equivalents	(1.0)	22.5	0.7

Net cash from operating activities was down compared with first-half 2009 because of the increase in working capital requirement due to business growth.

Capital expenditure totaled €6.6 million, lower than in previous years when the Group was building up its production capacity, especially in the respiration protection and fall protection businesses.

In all, EMEA accounted for 55% of capital expenditure, the Americas for 42% and Asia-Pacific for 3%.

- Statement of financial position

<i>(in € millions)</i>	June 30, 2010	Dec. 31, 2009	Change
Non-current assets	843	771	+72
Current assets	262	227	+35
Total assets	1,105	998	+107
Equity	665	588	+77
Non-current liabilities	280	276	+4
Current liabilities	160	134	+26
Total liabilities	1,105	998	+107

Working capital amounted to €123 million, representing 65 days of revenue, an increase over year-end 2009 (62 days of revenue), which benefited from significant efforts in inventory management. At June 30, 2010, receivables sold through a non-recourse factoring program totaled €15.6 million, compared with €19.2 million at end-December 2009.

Net debt amounted to €213 million at June 30, 2010 versus €216 million at December 31, 2009. At constant exchange rates, the reduction for the period was significantly greater, at €21 million.

The Group's financial ratios remain robust, with net-debt-to-EBITDA¹ standing at 1.84x at June 30, versus 2.49x at December 31, 2009, and gearing at 32% versus 37%.

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 large-scale shipments of disposable respiratory masks as part of plans to fight the A-flu pandemic. These sales will not occur again in the second half of 2010.

Other information

The Group is not currently aware of any financial or legal risks other than those described in section 1.2 of the 2009 Registration Document.

There are no related-party transactions other than those described in section 4.2 of the 2009 registration document.

¹ EBITDA for the twelve months from July 1, 2009 to June 30, 2010

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2010

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Consolidated statement of financial position

Assets	Note	June 30, 2010	Dec. 31, 2009
		€'000	€'000
Non-current assets			
Goodwill	4.1	614,413	556,752
Other intangible assets	4.2	101,199	92,281
Intangible assets		715,612	649,033
Property, plant and equipment	4.4	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	4.5	120,420	95,190
Trade receivables	4.6	103,388	86,576
Other operating receivables	4.6	16,315	27,939
Derivative financial instruments	4.12	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	4.8	15,300	15,310
Share premium		442,366	442,721
Treasury shares		(7,066)	(8,225)
Translation differences	4.8	4,013	(62,397)
Gains or losses on cash flow hedges	4.8	(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	4.11	205,368	212,035
Retirement benefit obligation		11,162	10,387
Provisions	4.9	30,747	26,010
Total non-current liabilities		279,755	275,966
Current liabilities			
Trade and other payables	4.10	116,581	99,415
Current tax liabilities		2,314	0
Short-term financial liabilities	4.11	26,652	20,837
Derivative financial instruments	4.12	4,396	2,166
Provisions	4.9	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

Consolidated income statement

		First-half 2010	First-half 2009
	Note	€'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	4.13	(1,380)	(8,151)
Amortization and impairment of revalued intangible assets		(2,899)	(2,582)
Other income/expenses	4.13	(20,969)	42
Operating income		30,236	14,577
Interest income	4.14	7,110	11,669
Finance costs	4.14	(12,513)	(17,441)
Income before tax		24,833	8,805
Income tax	4.16	(8,381)	(2,963)
Net income		16,452	5,842
Attributable to:			
Equity holders of the parent		16,394	5,811
Minority interests		58	31
		16,452	5,842
Earnings per share	4.18		
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

Consolidated statement of comprehensive income

	First-half 2010	First-half 2009
Profit for the period	16,452	5,842
Gains/(losses) on hedging instruments	(14)	(120)
Exchange differences on translation of foreign operations	62,124	3,158
Gains/(losses) on hedges of net investments in foreign operations	4,296	842
Total comprehensive income	82,858	9,722
Attributable to:		
Equity holders of the parent	82,790	9,701
Minority interests	68	21

Consolidated statement of cash flows

		First-half 2010	First-half 2009
	Note	€'000	€'000
Operating activities			
Income before income tax		24,775	8,774
Minority interests		58	31
<u>Non-cash income and expenses:</u>			
Share-based payments	4.15	1,091	1,200
Depreciation, amortization and impairment	4.17	16,718	13,784
Change in provisions		(1,633)	4,471
Change in financial instruments		540	(3,037)
Gains or losses on divestment of non-current assets		289	300
Interest charges	4.14	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 progress		(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			
Acquisitions of property, plant & equipment, intangible and financial assets		(6,554)	(9,371)
Acquisitions of investments in consolidated companies, net of cash acquired	2	(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	4.8	318	0
Sales (purchases) of treasury shares	4.8	476	349
Dividends paid to equity holders of the parent	4.19	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	4.7	8,552	(10,531)
Closing cash and cash equivalents	4.7	7,568	12,008
Movement in cash and cash equivalents		(984)	22,539

Consolidated statement of changes in equity

First-half 2010

See Note 4.8

	Attributable to equity holders of the parent							Total	Minority interests	Equity
	Share capital	Share premiums	Treasury shares	Cash flow hedges	Reserves	Cumulative translation differences	Net income for the period			
(in € thousands)										
At December 31, 2009	15,310	442,721	(8,225)	(1,356)	182,159	(62,397)	18,553	586,765	1,271	588,036
Allocation of 2009 net income					18,553		(18,553)	0		0
Dividends paid					(7,572)			(7,572)	(77)	(7,649)
Shares issued on exercise of stock options	10	308						318		318
Share-based payments					1,091			1,091		1,091
Sales/purchases of treasury shares			476					476		476
Cancellation of treasury shares	(20)	(663)	683					0		
Net income for the period							16,394	16,394	58	16,452
Gains/losses on hedging instruments				(14)				(14)		(14)
Gains/losses on hedges of net investments						4,296		4,296		4,296
Change in cumulative translation differences						62,114		62,114	10	62,124
At June 30, 2010	15,300	442,366	(7,066)	(1,370)	194,231	4,013	16,394	663,868	1,262	665,130

First-half 2009

	Attributable to equity holders of the parent							Total	Minority interests	Equity
	Share capital	Share premiums	Treasury shares	Cash flow hedges	Reserves	Cumulative translation differences	Net income for the period			
(in € thousands)										
At December 31, 2008	15,310	442,721	(8,778)	(1,298)	141,101	(69,382)	47,776	567,450	1,289	568,739
Allocation of 2008 net income					47,776		(47,776)	0		0
Dividends paid					(9,067)			(9,067)		(9,067)
Shares issued on exercise of stock options								0		0
Share-based payments					1,200			1,200		1,200
Sales/purchases of treasury shares			349					349		349
Cancellation of treasury shares								0		0
Net income for the period							5,811	5,811	31	5,842
Gains/losses on hedging instruments				(120)				(120)		(120)
Gains/losses on hedges of net investments						842		842		842
Change in cumulative translation differences						3,168		3,168	(10)	3,158
At June 30, 2009	15,310	442,721	(8,429)	(1,418)	181,010	(65,372)	5,811	569,633	1,310	570,943

**NOTES TO THE
CONDENSED
CONSOLIDATED
FINANCIAL
STATEMENTS
FOR THE SIX MONTHS
ENDED JUNE 30, 2010**

Note 1 General Information

Sperian Protection is a listed *société anonyme* registered in France. The condensed interim consolidated financial statements for the six months ended June 30, 2010 were approved for publication by the Board of Directors on August 25, 2010.

Accounting policies

The condensed interim consolidated financial statements for the six months ended June 30, 2010 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union as of June 30, 2010, including IAS 34 "Interim Financial Reporting".

These condensed interim consolidated financial statements do not include all the disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009.

Accounting policies are the same as those used to prepare the financial statements for the previous year, with the following exceptions.

During the period, the Group adopted the following new standards, amendments and interpretations applicable as of June 30, 2010:

- Amendment to IAS 27 "Consolidated and Separate Financial Statements"
- IFRS 3 Revised "Business Combinations"
- 2008 Improvements to IFRS – Amendment to IFRS 5
- 2009 Improvements to IFRS – Amendment to IFRS 2, IAS 38 and IFRIC 9
- IFRIC 17 "Distributions of Non-Cash Assets to Owners"
- Amendments to IAS 39 "Eligible Hedged Items"
- 2009 Improvements to IFRS – Other
- Amendments to IFRS 2 "Group Cash-Settled Share-based Payment Transactions"
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 18 "Transfers of Assets from Customers"

The adoption of these standards and interpretations had no impact on the Group's results or financial position.

The Group elected not to early adopt those standards and interpretations whose application was not mandatory as of June 30, 2010.

Main assumptions and estimates

In preparing the financial statements in accordance with IFRS, the Group is required to make certain estimates and assumptions that affect the amounts presented. The balance sheet items whose carrying amount may be significantly affected by changes in estimates made by the Group are intangible assets (Note 4.3), provisions and contingent liabilities (Note 4.9) and deferred tax assets.

Major event of the semester

During the first half of 2010, the process of seeking a financial partner that could accompany the Group in its development resulted in a proposed takeover filed on March 31, 2010 by the investment fund Cinven on all the shares of the company. On May 19, 2010, the American company Honeywell has filed against a bid for all shares of the Company at a price of 117 € share (included dividend). This offer is currently underway.

During these processes, Sperian Protection has appointed various experts and advisors to assist, particularly investment banks and law firms. All of these costs represent a total of 16.2 million euros.

Note 2 Changes in scope of consolidation

There were no changes in the scope of consolidation during first-half 2010.

Note 3 Segment reporting

Segment information is extracted from the consolidated financial statements of the Sperian Protection Group.

Sperian offers its customers worldwide a comprehensive range of personal protective equipment that maintains physical integrity and protects the head and the body. The Group's internal reporting system, which is used by senior management and the Executive Committee to determine and track the Group's operations, is currently based on these two business segments, with each segment encompassing a number of product families.

The Group reports therefore two reportable segments for the purposes of IFRS 8 — head protection and body protection, which are considered by management as representative of Sperian Protection's operating segments.

• Operational segment information

(in € thousands)	First-half 2010			First-half 2009		
	Body protection	Head protection	Total	Body protection	Head protection	Total
External sales	162,315	200,132	362,447	156,256	170,664	326,920
Income of operating activities	13,452	42,031	55,483	286	24,982	25,268

Note 4 Notes to the balance sheet and income statement

4.1 Goodwill

<i>(in € thousands)</i>	June 30, 2010	Dec. 31, 2009
Opening carrying amount	556,752	554,869
Translation differences	57,619	3,335
Adjustments (Combisafe)	42	448
Decrease	0	(1,900)
Closing carrying amount	614,413	556,752
Gross value	637,352	577,686
Cumulative impairment losses	(22,939)	(20,934)

4.2 Other intangible assets

<i>(in € thousands)</i>	Brands	Patents	Technology	Customer relationships	Software and other	Total
Opening value at cost	51,259	28,934	13,902	9,276	39,075	142,446
Translation differences	7,811	4,913	615	642	4,390	18,371
Acquisitions	0	0	0	0	1,853	1,853
Impairment losses	0	0	0	0	(4)	(4)
Reclassifications	0	0	0	0	359	359
Disposals	0	(2)	0	0	(40)	(42)
Changes in scope of consolidation	0	0	0	0	0	0
Closing value at cost	59,070	33,845	14,517	9,918	45,633	162,983
Accumulated amortization	(2,320)	(17,563)	(4,633)	(1,594)	(24,055)	(50,165)
Amortization for the period	(712)	(861)	(980)	(483)	(1,956)	(4,992)
Translation differences	(266)	(3,079)	(200)	(104)	(2,962)	(6,611)
Reclassifications	0	(273)	0	0	229	(44)
Changes in scope of consolidation	0	0	0	0	0	0
Disposals	0	2	0	0	26	28
Closing carrying amount	55,772	12,071	8,704	7,737	16,915	101,199
Cumulative impairment losses deducted from value at cost	(3,586)	0	0	0	0	(3,586)

Brands and patents principally comprise Uvex (in the United States) and Howard Leight, together with the eye protection patents recognized on acquisition of the Bacou group.

4.3 Impairment of goodwill, brands and patents

- **Goodwill**

Intangible assets have been allocated to Cash-Generating Units (CGUs) or to groups of CGUs where they relate to the Group's organization methods and resulting synergies.

The breakdown of goodwill by group of CGUs is as follows:

<i>(in € thousands)</i>	Body protection	Head protection	Shared	Total
Carrying amount of goodwill	114,530	233,261	266,622	614,413
Impairment of goodwill recognized in first-half 2010	0	0	0	0

No impairment tests were carried out on goodwill at June 30, 2010 as there were no indications of impairment.

As required by IFRSs, impairment tests will be carried out on all CGUs at end-December 2010.

- **Brands and patents**

No specific impairment tests were carried out at June 30, 2010 on brands with an indefinite useful life.

4.4 Property, plant and equipment

<i>(in € thousands)</i>	At January 1, 2010	Acquisitions	Decreases/ disposals	Transfers	Translation differences	Depreciation and impairment	At June 30, 2010
Land	4,253			215	400		4,868
Buildings	54,441	227	(7)	353	4,469	(736)	58,747
Plant and equipment	146,870	4,474	(1,403)	114	15,336	(1,306)	164,085
Gross value	205,564	4,701	(1,410)	682	20,205	(2,042)	227,700
Buildings	(23,703)		7	(411)	(1,781)	(1,614)	(27,502)
Plant and equipment	(93,392)		1,022	(415)	(10,571)	(7,470)	(110,826)
Net value	88,469	4,701	(381)	(144)	7,853	(11,126)	89,372

4.5 Inventories and work in progress

<i>(in € thousands)</i>	June 30, 2010	Dec. 31, 2009
Raw materials and supplies	50,569	40,943
Goods held for resale, finished products and work in progress	92,056	74,115
Gross value	142,625	115,058
Provisions	(22,205)	(19,868)
Net value	120,420	95,190

The change in inventories and provisions are recognized in the cost of goods sold.

4.6 Trade and other receivables

<i>(in € thousands)</i>	June 30, 2010	Dec. 31, 2009
Gross value	108,274	91,505
Provisions	(4,886)	(4,929)
Trade receivables, net	103,388	86,576
Income tax receivables	0	806
Insurance receivables	0	12,515
Other tax receivables	3,468	4,042
Prepaid expenses	8,220	5,301
Advances to suppliers	1,672	1,227
Other receivables	2,955	4,048
Provisions	0	0
Other receivables, net	16,315	27,939

4.7 Cash and cash equivalents

<i>(in € thousands)</i>	June 30, 2010	Dec. 31, 2009	June 30, 2009	Dec. 31, 2008
Cash	17,156	13,682	28,788	22,059
Short and medium term money market investments	1,507	3,007	2,842	2,570
Total cash and cash equivalents	18,663	16,689	31,630	24,629
Short-term financing (Note 4.11)	(11,095)	(8,137)	(19,622)	(35,160)
Net cash and cash equivalents	7,568	8,552	12,008	(10,531)

4.8 Share capital and reserves

At June 30, 2010, the share capital was €15,300,446 divided into 7,650,223 fully paid shares with a par value of €2, all in the same class.

<i>(number of shares)</i>	Shares
Shares in issue at January 1, 2010	7,655,023
Shares cancelled in 2010	(10,000)
Shares issued during 2010 on exercise of stock options	5,200
Shares in issue at June 30, 2010	7,650,223
Treasury shares held under the share buyback program	72,902
Treasury shares held under the liquidity agreement	5,441

- **Liquidity agreement**

Sperian Protection has entered into a market-making agreement for its shares with Exane BNP Paribas. The agreement complies with the AMAFI Code of Conduct, which is recognized by the Autorité des Marchés Financiers.

The sum of €1.7 million was credited to the liquidity account at inception of the agreement, a further €0.5 million in July 2007 and then €0.5 million in January 2008.

Treasury shares purchased by the Group are deducted from equity. Gains and losses generated on purchases and sales of treasury shares are recognized in equity.

Following the announcement by Cinven in late March 2010, Sperian Protection decided to suspend this liquidity agreement on April 7, 2010.

- **Share buyback program**

The share buyback program, which is governed by articles L. 225-209 *et seq.* of the French Commercial Code, was described in a document published on April 4, 2008. A resolution passed at the Annual Shareholders' Meeting of May 19, 2008 authorized the Company to trade in its own shares, within the limits set in the program, for a maximum period of eighteen months and at a maximum purchase price of €140. This authorization was cancelled at the Annual Shareholders' Meeting of May 6, 2009 and replaced with an identical authorization, but with a maximum purchase price of €90 per share.

- **Stock option and performance share plans**

Stock option and performance share plans have been set up for certain key managers and executive officers (Note 4.15).

- **Gains or losses on cash flow hedges**

This item comprises the effective portion of gains or losses on financial instruments designated as cash flow hedges (Note 4.12).

- **Hedges of net investments in foreign operations**

A SEK 539 million intra-group loan was repaid in first-half 2010. This repayment led the loan to not qualify anymore on foreign net investment. The accumulated differences relating to the loan, which amounted to €3.9 million at December 31, 2009 and were recognized in equity at that date and booked to P&L in first-half 2010, compensated by an equivalent foreign exchange gain.

At this date, a new SEK 400 million intra-group loan was set up during the period and classified as foreign net investment.

Translation differences on the two loans qualified as foreign net investment at June 30, 2010 are recognized through equity to offset the translation differences on the corresponding borrowings recognized by the subsidiaries. At June 30, 2010, cumulative translation differences recognized in equity amounted to €(0.6)

million, after recording an expense of €0.4 million during the period to compensate an equivalent foreign exchange gain.

• **Translation differences**

This item comprises exchange differences arising on the translation of the financial statements of foreign entities.

(in € thousands)	June 30, 2010	Dec. 31, 2009	Change
USD	1,287	(53,512)	54,799
ARS	47	(1,348)	1,395
CAD	2,288	787	1,500
AUD	1,870	313	1,557
GBP	2,744	1,087	1,656
NOK	(1,910)	(5,281)	3,372
Other	(2,312)	(4,444)	2,131
Total	4,013	(62,397)	66,410

The main exchange rates used to prepare the consolidated financial statements are as follows:

Versus the euro		Period-end rate			Average rate		
		June 30, 2010	Dec. 31, 2009	June 30, 2009	First- half 2010	Full year 2009	First- half 2009
Australia	AUD	1.4403	1.6008	1.7359	1.4867	1.7749	1.8791
Canada	CAD	1.2890	1.5128	1.6275	1.3747	1.5852	1.6051
United States	USD	1.2271	1.4406	1.4134	1.3295	1.3933	1.3322
Norway	NOK	7.9725	8.3000	9.0180	8.0092	8.7288	8.8931
United Kingdom	GBP	0.8175	0.8881	0.8521	0.8709	0.8911	0.8939

4.9 Provisions and contingent liabilities

(in € thousands)	At January 1, 2010	Discounting	Increases	Utilizations	Reversals of surplus provisions	Reclassifica- tions	Translation differences	At June 30, 2010
Litigation	27,490	632	3,284	(2,076)	(2,010)	(36)	4,354	31,638
Warranties	1,372		407	(2)	(25)		220	1,972
Restructuring costs	5,922		887	(2,460)	(189)	31	165	4,356
Other provisions	2,695		421	(476)	(216)	5	376	2,805
Total	37,479	632	4,999	(5,014)	(2,440)	0	5,115	40,771

Provisions for litigation cover all known and potential risks arising from the Group's liability as a safety equipment manufacturer. The amount covers legal costs and potential damages that either exceed sums insured or are not insured. These provisions are estimated annually on the basis of reviews carried out by

independent actuaries. At June 30, 2010, the provision for litigation was increased by €3.3 million to cover any compensation to be paid, particularly with regard to a legal proceeding underway in the United States.

Provisions for restructuring costs concern restructuring plans that had started but were not completed at the reporting date (Note 4.13).

Other provisions cover various identified risks for which individual amounts are not material.

The non-current portion (over one year) amounted to €30.7 million at June 30, 2010 versus €26.0 million at December 31, 2009 and principally comprised provisions for litigation.

No material contingent liabilities were identified at the reporting date.

4.10 Trade and other payables

<i>(in € thousands)</i>	June 30, 2010	Dec. 31, 2009
Trade payables	73,876	53,486
Dividends payable	7,572	
Other payables	35,133	33,414
Debt associated with Saint-Louis litigation	0	12,515
Total	116,581	99,415

4.11 Bank debt and financial liabilities

<i>(in € thousands)</i>	June 30, 2010	Dec. 31, 2009
Maturity		
One to two years	78,067	72,254
Two to three years	125,975	137,836
Three to four years	523	413
Over four years	803	1,532
Long and medium-term debt	205,368	212,035
Current portion of long-term debt	15,557	12,700
Short-term borrowings	11,095	8,137
Short-term financial liabilities	26,652	20,837
Total borrowings and financial liabilities	232,020	232,872
Cash and cash equivalents (Note 4.7)	(18,663)	(16,689)
Total net debt	213,357	216,183

Short-term borrowings correspond to overdraft facilities. Unconfirmed lines of credit are also reported under short-term debt.

Debt with maturities of between one and three years corresponds to loans that fall due within these time periods.

Debt maturing in more than three years corresponds to finance leases.

- **Breakdown by currency**

<i>(in € thousands)</i>	June 30, 2010	Dec. 31, 2009
Euro	95,866	132,176
US dollar	130,242	95,262
Other	5,912	5,434
Total	232,020	232,872

- **Breakdown of debt and transaction costs**

<i>(in € thousands)</i>	Long and medium-term debt	Amortizable transaction costs	Total
Maturity:			
Less than one year	16,935	(1,378)	15,557
One to two years	79,451	(1,384)	78,067
Two to three years	126,671	(696)	125,975
Three to four years	523		523
Over four years	803		803
Total debt	224,383	(3,458)	220,925

On December 22, 2009, a €200 million credit facility was obtained from five mandated arrangers/bookrunners (BNP Paribas, Calyon, HSBC, Natixis, Société Générale Corporate & Investment Banking) to replace the bank loans maturing on June 30, 2010.

The new facility has been obtained on top of existing confirmed lines of credit, giving the Group a total of more than €330 million in bank financing.

Providing stability and diversifying the Group's sources of financing, this medium-term facility has been drawn down to one third of the authorized amount (€76.6 million at June 30, 2010), providing the Group with a cash reserve.

The syndicated facility contains a number of financial covenants, including ratios for net debt to equity, net debt to consolidated EBITDA¹ and consolidated EBITDA¹ to interest costs. In the event of default, the banks have the right to demand early repayment.

The ratios at June 30, 2010 were as follows:

	Actual	Contractual limits
Net debt to equity	32%	< 100%
Net debt to EBITDA	1.84	< 4.00
EBITDA to interest costs	11.18	> 4.00

The Group has further diversified its sources of financing by securing bilateral credit lines from several banks, most of which are confirmed for periods of several years. At June 30, 2010, these lines totaled €147 million. The Group also has various overdraft facilities.

At June 30, 2010, the additional liquidity provided by these authorized, undrawn credit lines represented more than €150 million.

4.12 Derivatives

The fair values of derivatives were measured by an independent expert on the reporting date, based on market rates. Financial instruments comprise interest rate hedges of debt and currency hedges of intra-group current accounts and future trading cash flows over the next twelve months.

<i>(in € thousands)</i>	June 30, 2010			December 31, 2009		
	Interest rate hedges	Currency hedges	Total	Interest rate hedges	Currency hedges	Total
Financial instruments - Assets	295	2,610	2,905	36	553	589
Financial instruments - Liabilities	2,290	2,106	4,396	1,241	925	2,166
Unrealized gains or losses recognized through equity	(1,942)	572	(1,370)	(1,200)	(156)	(1,356)

The amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments applies to assets and liabilities measured at fair value and introduces a three-level fair value measurement hierarchy that distinguishes fair value measurements by the significance of the inputs used.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements of the Group's derivative instruments are Level 2 measurements.

• Interest rate hedges

<i>(in € thousands)</i>	Euros	US	Other	Total
		dollars	currencies	
Debt	95,866	130,242	5,912	232,020
Percentage of year-end debt hedged (interest rate hedges)	73%	47%	0%	57%

Debt in euros and US dollars is hedged mainly by option-type instruments and, to a lesser extent, fixed-rate payer swaps. The maximum interest rate guaranteed by the hedges is about 3.80% in euros and 3.02% in US dollars.

At June 30, 2010, €70 million of euro debt and USD 75 million of US dollar debt was hedged.

To date, the Group has primarily used derivatives such as interest rate caps, floors, collars or swaps.

Hedging positions at June 30, 2010 were as follows:

- Euro caps: €30 million
- Euro swaps: €40 million
- Dollar swaps: USD 75 million

- **Currency hedges**

Currency hedges mainly relate to intra-group business transactions and intra-group current accounts. They comprise forward currency contracts and simple currency options.

4.13 Other income and expenses

- **Restructuring costs**

Restructuring costs amounted to €1.4 million in first-half 2010 versus €8.2 million for the year-earlier period.

- **Other income and expenses**

<i>(in € thousands)</i>	First-half 2010	First-half 2009
Public tender offer-related costs	(16,235)	
Change in provision for litigation (Note 4.9)	(3,008)	
Impairment losses	(2,915)	
Gains/(losses) on asset disposals	(19)	42
Other	1,208	
Total	(20,969)	42

Other income and expenses represented a net expense of €21.0 million in first-half 2010, corresponding mainly to the €16.2 million in costs related to the public tender offers on Sperian Protection shares that began in late March 2010 (see Note 1 – Major event of the semester).

The other expenses correspond to a provision for litigation and impairment losses on assets in the welding helmet business, the sale of which was announced in late July.

4.14 Net finance costs

<i>(in € thousands)</i>	First-half 2010	First-half 2009
Interest expense on bank debt	(4,079)	(3,733)
Amortization of transaction costs	(596)	(542)
Investment income	131	165
Dividend income		0
Foreign exchange gains	6,979	11,504
Foreign exchange losses	(7,206)	(12,094)
Discounting of long-term provisions	(632)	(1,072)
Other		
Total	(5,403)	(5,772)

4.15 Stock option and share performance plans

- Impact of accounting for stock option and performance share plans in accordance with IFRS 2

Stock option and share performance plans resulted in an expense of €1,091 thousand in first-half 2010 compared with €1,200 thousand in first-half 2009.

4.16 Current and deferred income taxes

The effective tax rate for first-half 2010 was the same as for first-half 2009, at 33.7%.

4.17 Depreciation, amortization and impairment

<i>(in € thousands)</i>	First-half 2010			First-half 2009		
	Depreciation and amortization	Impairment losses	Total	Depreciation and amortization	Impairment losses	Total
Operating items	11,177	331	11,508	10,656	4	10,660
Non-operating items	3,495	1,715	5,210	3,124	0	3,124
<i>Restructuring costs</i>	0	1,715	1,715	0	0	0
<i>Amortization and impairment of revalued intangible assets</i>	2,899	0	2,899	2,582	0	2,582
<i>Net finance costs</i>	596	0	596	542	0	542
Total	14,672	2,046	16,718	13,780	4	13,784

- EBITDA

<i>(in € thousands)</i>	First-half 2010	First-half 2009	July 1, 2009 to June 30, 2010
Income of operating activities	55,484	25,268	93,927
Depreciation, amortization and impairment	11,508	10,660	21,932
EBITDA	66,992	35,928	115,859

- Balance sheet

<i>(in € thousands)</i>	June 30, 2010			June 30, 2009		
	Depreciation and amortization	Impairment	Total	Depreciation and amortization	Impairment	Total
Goodwill	0	0	0	0	0	0
Other intangible assets	4,992	4	4,996	4,688	0	4,688
Property, plant and equipment	9,084	2,042	11,126	8,550	4	8,554
Financial assets			0			0
Amortizable transaction costs	596	0	596	542	0	542
Total	14,672	2,046	16,718	13,780	4	13,784

4.18 Earnings per share

Basic earnings per share is determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares in issue during the year.

Diluted earnings per share is determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares in issue increased by the number of dilutive potential shares.

The table below shows the data used to calculate basic and diluted earnings per share:

<i>Continuing and discontinued operations</i>	First-half 2010	First-half 2009
Net income used to calculate basic earnings per share	16,394	5,811
Weighted average number of shares in issue during the year	7,561,174	7,542,886
Impact of dilution (stock options)	346,037	0
Weighted average number of shares, diluted	7,907,211	7,542,886
Basic earnings per share (€)	2.17	0.77
Diluted earnings per share (€)	2.07	0.77
Basic earnings per share from continuing operations (€)	2.17	0.77
Diluted earnings per share from continuing operations (€)	2.07	0.77

4.19 Dividends payable at June 30, 2010

A dividend of €7.6 million or €1 per share was approved at the Annual Shareholders' Meeting of May 19, 2010 and paid on July 2, 2010.

Note 5 Other Information

5.1 Contingent assets and liabilities

Contingent liabilities are not material in relation to the size of the Group.

5.2 Subsequent events

On May 19, 2010, Honeywell made a public tender offer on all Sperian Protection shares; this operation 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.

On July, 27 2010, the Group concluded the divestiture of its welding masks business; this activity offered little manufacturing, logistics, or marketing synergies with its other businesses or with the Group's chosen vertical markets like construction, oil&gas industry and electricity transportation.

STATUTORY AUDITORS' REPORT

This is a free translation of the report issued in French and is provided for your convenience.

Statutory auditors' report on the first-half 2010 financial results

Period from January 1 to June 30, 2010

To the Shareholders,

In our capacity as statutory auditors and in accordance with article L. 451-1-2 III of French monetary and financial code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Sperian Protection, for the period from January 1 to June 30, 2010, and
- the verification of the information contained in the interim management report.

These condensed half-year consolidated financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently can only provide moderate assurance that the financial statements, taken as a whole, do not contain any material misstatements. This level of assurance is less than can be obtained from an audit.

Based on our review, nothing has come to our attention that causes us to believe that these condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed half-yearly consolidated financial statements that were the object of our review.

We have nothing to report on the fairness and consistency of this information with the condensed half-yearly consolidated financial statements.

Dijon and Paris-La-Défense, August 25, 2010

The Statutory Auditors
French original signed by

Expertise Comptable et Audit
Claude Cornuot

Ernst & Young Audit
Jean-François Ginies

OTHER INFORMATION

Statement by the person responsible for the interim report

Brice de La Morandière, Chief Executive Officer of Sperian Protection (the "Company" or "Sperian Protection").

Statement by the person responsible for the interim report

“To the best of my knowledge, the condensed interim consolidated financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of operations of the companies included in the consolidation, and the interim management report includes a fair review of significant events of the first six months of the year, their impact on the interim consolidated financial statements, the main related party transactions and the main risks and uncertainties in the second half of the year.”

Villepinte, August 25, 2010



Brice de La Morandière
Chief Executive Officer