



Public Limited Company (*société anonyme*) with share capital of €21,233,177.80  
Head office: 92 Boulevard du Montparnasse  
75014 Paris  
Registered with the Paris Trade and Companies Registry under number 572 230 829

## 2008-2009 Synthetic Annual Report

This document is a free translation of certain parts of the 2008-2009 annual report drafted in French which is the sole registration document.

A full version of the 2008-2009 annual report filed with the French securities regulator (AMF) is available **in French only** upon request from the Company (S.T. Dupont, 92, Boulevard du Montparnasse, 75014 Paris) and may also be viewed on the websites of the Company ([www.st-dupont.com](http://www.st-dupont.com)).

*The English language version of this report is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinion expressed therein, the original language version of the document in French takes precedence over the translation.*

## 1. BUSINESS OVERVIEW

S.T.Dupont SA manufactures and/or markets lighters, writing instruments, accessories, leather goods and ready-to-wear items in the men's fashion sector. Products are distributed either directly to wholesalers or via marketing subsidiaries operating mainly in Western Europe and Asia.

The Group's principal geographical markets are Western Europe, Asia and Eastern Europe, and it has a more limited presence in the Americas and the Middle East.

S.T.Dupont is a joint-stock corporation, registered and domiciled in France and its head office is located in Paris.

The primary stock market on which the Company is listed is Euronext S.A. "compartiment C".

The consolidated financial statements were approved by the Management Board on June 29, 2009. The amounts in these financial statements are expressed in thousands of euros, unless otherwise specified.

## 2. ANNUAL FINANCIAL INFORMATION

### 2.1. Consolidated sales and results for years 2007-2009

| (in € millions)                  | Consolidated data<br>fyear ended<br>March 31, 2009 | Consolidated data<br>year ended<br>March 31, 2008 | Consolidated data<br>year ended<br>March 31, 2007 |
|----------------------------------|--|---|---|
| Total sales                      | 61.3   | 74,6  | 76,5  |
| Gross margin                     | 32.0   | 35.4  | 37.0  |
| (%)                              | 52.2%  | 47,4%   | 48,3 %  |
| Operating profit/(loss)          | 5.1  | 4,3   | 0,8   |
| Finance costs, net               | -1.8   | (1,4)   | (1,2)   |
| Profit/(loss) for the period     | 3.3  | 1,3   | (1,0)   |
| Earnings/(loss) per share (in €) | 0,008  | 0,003   | (0,003)   |
| Net cash/(debt)                  | (9,8)  | (1,1)   | 10,3  |
| Equity                           | 23,5   | 16,0  | 17,8  |

### 2.2. Significant events of the year

#### ❖ Fire at the Faverges plant

As at January, 5, 2008, a fire took place in the factory in Faverges that led to a 100% destruction of the polishing, plating and lighters assembly line craft shops

Reconstruction of the plant started at once so as the search for subcontractors in order to recover production capacity as soon as possible

Impact of the fire on our results can be summarized as follow:

| euros 000                            | 31/03/2009    | 31/03/2008   |
|--------------------------------------|---------------|--------------|
| Loss on fixed assets and inventories |               | -3 310       |
| Exceptional costs/under activity     | -5 526        | -902         |
| Fixed assets indemnity               | 508           | 11 183       |
| Exceptional costs indemnity          | 3 056         |              |
| Operational loss indemnity           | 12 460        |              |
| <b>Impact on EBIT</b>                | <b>10 498</b> | <b>6 971</b> |

Impact of fire has been included in "other charges & income" and is part of the EBIT.

As at march, 31, 2008, the indemnity for fixed assets and inventory has been estimated to be 11.2 million euros, including 7.0 million euro profit booked in 2007-2008 results. The file has been closed in October 2008 with an additional profit amounting +0.5 million euro for fixed assets.

Reconstruction of the plant ended early December. Total capital expenditures for reconstruction are in line with the insurance indemnity.

As for operational loss, the insurance indemnity covers the loss of margin for France and subsidiaries during a 12 months period. Loss of margin is equal to the loss of sales less the direct cost savings coming from the loss of sales. On top of that, operational loss indemnity covers also the exceptional costs directly linked to the fire (extra personnel costs, sub-contracting,...) and amounting 3.8 million euros.

Extra charges included in the impact of fire is linked to the cost of under activity due to the stopping of production for 12 months.

The file has been closed on March, 23, 2009.

The total amount received from insurance companies can be summarized as follows:

- 5 million euro received as prepayment as at march, 31, 2008;
- 21.4 million euro received in 2008-2009
- 0.8 million euro in receivables as at march, 31, 2009 and received early April 2009

Total indemnity amounts 27.2 million euro.

This fire had direct impact on our sales in 2008-2009 as the Group was not able to fulfil all the orders received from customers for months. This led to the loss of position within our clients as they substituted products from competition to our products.

The overall impact can hardly be estimated but it's obvious that it will require strong commercial efforts to recover all of our positions.

❖ Impairment of assets

As required by IAS 36, the Group tested its assets for impairment by comparing the carrying amount of each cash-generating unit (CGU) with its recoverable amount. These tests did not required additional depreciation as at March, 31, 2009.

❖ Change in the wholesale network for the U.S

As the distributor in charge of the US did not seem in a position to reach our objectives in term of sales in this important market, the Group decided not to renew the agreement as at May, 31, 2008.

We're presently working on a permanent solution but in the meantime, we've decided to work with the Lotus Cy in order not to loose our existing commercial position in the US.

❖ End of litigation with our former distributor in Russia

We were in dispute with our former distributor in Russia that ask for 11.4 million euro indemnity. A provision for risk has been booked in 2006-2007 in order to cover this dispute.

Base on an agreement on February, 18, 2009, the parties decided:

- To stop the legal dispute
- S.T.Dupont shall pay an indemnity
- The inventory was sent back to S.T.Dupont, on the basis of a contradictory stock-taking that took place in Moscow
- All the debt/receivalbes were cancelled.

The net impact of this termination is +2.3 million euro on EBIT

❖ Appointment of a new member of the Supervisory Board

On February, 3, 2009, Mr Christian Viros has been appointed as new member of the Supervisory Board. He was previously in charge of Tag Heuer and the watch and jewellery division within the LVMH Group.

❖ Bond issue

In order to re-finance the bond issue of march 2004, S.T.Dupont SA issued a 15 million euro bond on March, 30, 2009. the coupon is at 10% per year and the issue, guaranteed by D&D International B.V.

At the end of the bond issue, D&D International B.V. hold 96.89% of the bonds.

❖ Termination of our operations in Taiwan

As the Taiwanese subsidiary is in a loss position for years without any hope to recover in a short period of time, we, in the course of our strategic review, decided to sell its activity to the Taiwanese subsidiary of the Dickson Concept Ltd Group. The DCL Group is a related party through the ultimate shareholder of S.T.Dupont, Mr Dickson Poon.

The deal took place as at march, 31, 2009 and is based on net book value of assets (fixed assets and inventory). The remaining inventory will be transferred within the Group.

Through this deal, we stop any further loss for the coming years.

Post balance sheet events

❖ Dispute with labor council

We're presently in a dispute with labor council in France, linked to the information required when implementing the part-time unemployment.

As at May, 18, 2009, the judge considered that S.T.Dupont did followed the law in informing the labor council but he didn't find any "exceptional reasons" to accept the part-time unemployment.

Because of this decision, S.T.Dupont is unable to get the related subsidies, although the Tax authorities accepted to pay the related subsidies.

We did appeal against this judgement and expect to have the decision on July, 10, 2009.

The consequence of this impact the cash position of the Group in the short term as it postpone the payment of subsidies up to April 2010.

In order to compensate this, we did ask and get the agreement for a moratorium on social charges. This almost compensate 100% the impact of this judgement.

❖ Conversion of OCEANE bond

In may 2009, we had to convert 51 bonds into 51 000 shares. We used the existing portfolio of shares up to 9 749 shares and the rest (41 251 shares has been created by the Management Board on June, 29.

Thus the share capital is now 21 233 177.8 euro based on 424 663 556 shares of 0,05€ each.

**2.3. Review of sales**

The global economic context in 2007-2008 was characterized by the following trends:

- Slowdown in the US economy because of the subprimes
- Continuation of the economic growth in the Asia-Pacific region, especially in China
- Weak growth in Western Europe
- Strong slow-down in in the economy in Russia and Eastern Europe, Japan, Spain and Middle East

On top of that, the fire had a major impact on our sales because of supply constraints, especially for lighters and writing instruments.

■ **Changes in sales by product line**

| Euros million                   | Sales        |              | Variation      |                |
|---------------------------------|--------------|--------------|----------------|----------------|
|                                 | 31 mars 2009 | 31 mars 2008 | Gross          | Organic        |
| Lighter and writing instruments | 27,0         | 35,9         | -24,9 %        | -26,8 %        |
| Leather goods and others        | 29,2         | 33,8         | -13,5 %        | -15,8 %        |
| <b>Sales Products</b>           | <b>56,2</b>  | <b>69,7</b>  | <b>-19,4 %</b> | <b>-21,5 %</b> |
| Royalties                       | 5,1          | 4,9          | +4,7 %         | +1,4 %         |
| <b>Net Sales</b>                | <b>61,3</b>  | <b>74,6</b>  | <b>-17,8 %</b> | <b>-20,0%</b>  |

- Lighters and writing instruments

Sales are strongly decreasing because of the impact of the fire on the supplies. The crisis arose when we recover our production capacity

- Leather Goods and Others

Although these activities were not directly impacted by the fire, as they are almost 100% sub contracted, they suffer from collateral damages. As a matter of fact, some customers decided to postpone their 4th quarter orders as they didn't wish to have partial deliveries because of the lack of lighters and pens in our inventories. On top of that, we deeply suffered from the stop of any delivery to Russia as from August 2008 while it's one of the major market for this activity

- Royalties

The increase in royalties comes from the new contract for eye wear licence and the impact of exchange rates due to the drop of euro vs other currencies.

■ **Changes in sales by geographic region**

| million euros         | Sales        |              | Variation     |               |
|-----------------------|--------------|--------------|---------------|---------------|
|                       | 31 mars 2009 | 31 mars 2008 | Gross         | Organic       |
| France                | 8,2          | 8,9          | -7,9 %        | -7,9%         |
| Europe (ex France)    | 15,5         | 22,0         | -32,2%        | -31,8%        |
| Asia                  | 27,8         | 31,0         | -10,4%        | -15,4%        |
| Américas              | 1,2          | 2,2          | -46,7%        | -45,9%        |
| Others                | 3,5          | 4,8          | -26,5%        | -26,5%        |
| <b>Total Products</b> | <b>56,2</b>  | <b>69,7</b>  | <b>-19,4%</b> | <b>-21,5%</b> |

- France

Decrease for France is limited and comes mostly from the supplies shortage due to the fire

- Europe (excluding France)

The major drop in sales for Europe is due to (i) the impact of the fire and the related supplies constraints in Western Europe and (ii) the impact of the crisis, especially in Russia as the local distributor a stop all orders as from August 2008 because of its level of inventory and financial problems from its own clients because of the major impact of the world crisis in Russia. On top of that the drop of the Russian Rouble that lost 35% vs US\$ for the last 6 months.

This doesn't change our overall perspectives for the Russian market on a long term basis.

- Asia

Drop in sales in Asia is due to two opposite situations

- Japan is facing a major drop in the economy and the fact that ST Dupont has decided to have a better balance wholesale/retail. Sales in Japan are decreasing by +35%
- Hong-Kong/China and especially China is strongly growing

- Americas

Sales in the U.S. are declining because of the change of distributor and the impact of the economical crisis in this area

- Others countries

Other countries, especially Middle East show a decrease due to the supply constraints and the crisis, especially for the B2B segment.

## **2.4. Review of results**

### **2.4.1. Gross margin**

Gross margin in value is down by -3.4 million euro at 32.0 million.

Decrease in product sales accounts for -6.3 million euro while the increase in rate of gross margin accounts for +2.8 million euro and increase in royalties for 0.2 million euro.

Rate of gross margin is still improving, direct consequence of our strategic decision to cut costs. This increase has been penalised by the relaunch of the production that show a lower productivity during the re-start period. On top of that, because of the level of inventories, provision on inventories has increased.

### **2.4.2. EBIT**

The Group recorded a positive EBIT amounting +€5.1 million compared to +€4.3 million for last year.

This €0.8 million increase reflects a combination of the main following factors:

- A €6.3 million decrease in gross margin due to the drop in the Group's sales
- A €2.7 million increase in gross margin percentage
- A €0.2 million increase in revenues from licences due to the new contract and the exchange rate impact
- A €0.2 million increase in overheads
- A €6.3 million increase on non recurring income and expenses due to
  - +3.5 million euro on the fire indemnity
  - +1.1 million euro on exchange rate impact
  - +1.7 million euro on provision for risks
  - -0.5 million euro on disposal of fixed assets
  - +0.5 million euro for other items
- A €0.5 million decrease in impairment due to the fire

The impact of non recurring items in EBIT variation must be pointed out both for missing sales and EBIT.

### **2.4.3. Financial income and expense**

Net financial expenses came to €1.5 million vs. €2.5 million on the previous year as a result of exchange rate impact on financing amounting -€1.1 million because of the decrease of euro compared to all other currencies.

S.T. Dupont has not paid any dividends over the past three fiscal years.

### **2.4.4. Net result**

The consolidated profit for 2007-2008 totalled €3.3 million versus €1.3 million the previous year.

**2.4.5. Cash Position**

Cash flow from operations according to the cash flow statement is slightly positive at €0.3 million compared to €0.4 million (restated) last year)

Change in Working capital show an decrease (€5.9 million), coming from the very high level of inventory at year-end. This level of inventory is due to (i) the implementation of the sub-contracting process as we have to take some commitments in order to have additional capacity and (ii) the impact of the crisis in half year 2.

At the same time, the crisis impacted to trade receivables that are lower than last year.

Capital expenditures amount €3.4 million versus €2.7 million last year. Indemnities received from insurance companies and related to the assets have been deducted from capital expenditures (both in 2007-2008 and 2008-2009).

Overall and excluding the impact of the above mentioned restatement, we spent €12.1 million this year for capital expenditure versus €4.1 million last year

Cash flow from financing amounted €13.2 million, mostly because of bond issue that took place u=in march 2009 and amounts €15 million (€14.7 million net)

Overall, the cash position is positive by €29.9 million compared to €23.5 million last year. It must be noticed that the repayment of the OCEANE 2004 led to a €23.4 million as at April, 1<sup>st</sup> 2009.

2.5. Consolidated financial statements

2.5.1. Consolidated income statement

| (Euros 000)  | 31/03/2009     | 31/03/2008     | 31/03/2007     |
|--|----------------|----------------|----------------|
| Net product sales  | 56 194         | 69 682         | 71 379         |
| Other revenue  | 5 116          | 4 886          | 5 095          |
| <b>Total sales</b>   | <b>61 310</b>  | <b>74 568</b>  | <b>76 474</b>  |
| Cost of sales  | (29 286)       | (39 205)       | (39 502)       |
| <b>Gross margin</b>  | <b>32 024</b>  | <b>35 363</b>  | <b>36 972</b>  |
| Communication expenses   | (6 454)        | (6 204)        | (5 112)        |
| Selling expenses   | (14 514)       | (14 339)       | (14 794)       |
| Overheads and administrative expenses                              | (18 533)       | (19 258)       | (18 890)       |
| Other expenses   | (8 071)        | (5 356)        | (2 345)        |
| Other income   | 20 670         | 11 814         | 4 798          |
| Impairment   | 10             | 2 311          | 200            |
| <b>EBIT</b>  | <b>5 132</b>   | <b>4 331</b>   | <b>829</b>     |
| Income from cash and cash equivalents                              | 349            | 732            | 968            |
| Finance costs, gross   | (2 105)        | (2 129)        | (2 213)        |
| <b>Finance costs, net</b>  | <b>(1 756)</b> | <b>(1 397)</b> | <b>(1 245)</b> |
| Other financial income and expense, net                            | 254            | (1 151)        | (388)          |
| Income/(loss) from associates                                      | <b>(241)</b>   | (144)          | (192)          |
| Income tax expense   | <b>3 389</b>   | <b>1 639</b>   | <b>(996)</b>   |
| Income from cash and cash equivalents                              | (102)          | <b>(363)</b>   | <b>(22)</b>    |
| <b>Profit/(loss) for the period</b>                                | <b>3 287</b>   | 1 276          | (1 018)        |
| <b>Profit/(loss) for the period attributable to equity holders</b> | <b>3 287</b>   | <b>1 276</b>   | <b>(1 018)</b> |
| <b>Minority interests</b>  | -              | -              | -              |
| Basic earnings/(loss) per share (in €)                             | 0,008          | 0,003          | (0,003)        |
| Diluted earnings/(loss) per share (in €)                           | 0,008          | 0,003          | (0,003)        |

2.5.2. Consolidated balance sheet

**ASSETS**

| (Euro 000)                          | Notes | 31/03/2009    | 31/03/2008    | 31/03/2007    |
|-------------------------------------|-------|---------------|---------------|---------------|
| <b>Non-current assets</b>           |       |               |               |               |
| Goodwill                            | 5     | 3 074         | 2 556         | 2 995         |
| Intangible assets (net)             | 6     | 1 149         | 750           | 578           |
| Property, plant and equipment (net) | 7     | 13 465        | 3 726         | 1 731         |
| Long-term financial assets          | 10    | 1 582         | 1 859         | 1 491         |
| Investments in associates           | 8     | 461           | 701           | 845           |
| Deferred taxes                      | 22    | 299           | 240           | 219           |
| <b>Total non-current assets</b>     |       | <b>20 030</b> | <b>9 832</b>  | <b>7 859</b>  |
| <b>Current assets</b>               |       |               |               |               |
| Inventories                         | 9     | 26 448        | 18 574        | 19 279        |
| Trade receivables                   | 11    | 8 507         | 11 344        | 9 949         |
| Other receivables                   | 12    | 6 785         | 11 291        | 3 327         |
| Tax                                 | 22    | 634           | 808           | 867           |
| Cash and cash equivalent            | 13    | 29 588        | 24 483        | 35 908        |
| <b>Total current assets</b>         |       | <b>71 962</b> | <b>66 500</b> | <b>69 330</b> |
| <b>Total assets</b>                 |       | <b>91 992</b> | <b>76 332</b> | <b>77 189</b> |

**LIABILITIES**

| (Euro 000)  | Notes | 31/03/2009    | 31/03/2008    | 31/03/2007     |
|---|-------|---------------|---------------|----------------|
| <b>Equity</b>   |       |               |               |                |
| Share capital   | 14    | 21 231        | 21 231        | 21 231         |
| Additional paid-in capital  |       | 967           | 967           | 967            |
| Treasury shares   |       | (1 002)       | (1 003)       | (5)            |
| Equity component of convertible bonds                               | 18    | 2 425         | 1 904         | 1 904          |
| Fair value of hedging instruments                                   |       | 0             | 0             | 0              |
| Reserves  |       | (3 167)       | (4 908)       | (4 039)        |
| Cumulative translation adjustment                                   |       | (213)         | (3 509)       | (1 251)        |
| <b>Profit/(loss) for the period</b>                                 |       | <b>3 287</b>  | <b>1 276</b>  | <b>(1 018)</b> |
| <b>Equity attributable to equity holders</b>                        |       | <b>23 528</b> | <b>15 958</b> | <b>17 789</b>  |
| <b>Minority interests</b>   |       |               |               | <b>-</b>       |
| <b>Non-current liabilities</b>                                      |       |               |               |                |
| Convertible bonds (long-term portion)                               | 18    | 13 893        | 21 424        | 20 856         |
| Long-term borrowings  | 19    | 26            | 30            | 0              |
| Long-term finance lease liabilities                                 | 19    | 201           | 157           | 133            |
| Deferred taxes  | 22    | 27            | 23            | 19             |
| Long-term provisions for pension and other post-employment benefits | 16    | 6 266         | 6 046         | 6 170          |
| <b>Total non-current liabilities</b>                                |       | <b>20 413</b> | <b>27 680</b> | <b>27 179</b>  |
| <b>Current liabilities</b>  |       |               |               |                |
| Trade accounts payable  | 20    | 9 611         | 9 259         | 7 037          |
| Other payables  | 21    | 9 976         | 10 848        | 8 967          |
| Short-term tax liabilities  | 22    | 261           | 389           | 545            |
| Short-term provisions for contingencies and charges                 | 15    | 2 892         | 8 228         | 11 057         |
| Convertible bonds (short-term portion)                              | 18    | 23 601        | 1 543         | 1 544          |
| Short-term borrowings   | 19    | 1 536         | 2 149         | 2 830          |
| Short-term finance lease liabilities                                | 19    | 174           | 278           | 242            |
| <b>Total current liabilities</b>                                    |       | <b>48 051</b> | <b>32 694</b> | <b>32 221</b>  |
| <b>Total equity and liabilities</b>                                 |       | <b>91 992</b> | <b>76 332</b> | <b>77 189</b>  |

**2.5.3. Consolidated statement of cash flows**

| (En milliers d'euros)  | 31/03/2009     | 31/03/2008<br>[*] | 31/03/2007     |
|--|----------------|-------------------|----------------|
| <b>I - Activités Opérationnelles</b>                                       |                |                   |                |
| <b>I - Cash flow from operating activities</b>                             | 3 287          | 1 276             | (1 018)        |
| Profit/(loss) for the period before tax                                    | 1 510          | 974               | 1 119          |
| Depreciation, amortization and impairment                                  |                |                   | (9)            |
| Unrealized gains and losses from changes in fair value                     | (4 764)        | (2 918)           | (8 000)        |
| Insurance indemnity dedicated to capital expenditures (2)                  | (2 564)        | (1 451)           | -              |
| Net interest expense   | 2 465          | 2 132             | 1 906          |
| Gains and losses on disposals of assets                                    | 406            | 354               | (653)          |
| Tax expense/(income)   | (244)          | (74)              | 190            |
| (Income)/loss from associates, net of dividends received                   | 241            | 144               | (209)          |
| <b>Cash flow from operations</b>   | <b>339</b>     | <b>437</b>        | <b>(6 674)</b> |
| Change in inventories and work in progress                                 | (6 561)        | 128               | 1 676          |
| Change in trade accounts receivable  | 3 192          | (1 166)           | 3 673          |
| Change in other receivables (3)  | (1 455)        | (8 030)           | 972            |
| Change in trade accounts payable   | 21             | 2 357             | 2 171          |
| Change in other payables   | (1 075)        | 1 633             | (1 980)        |
| <b>Change in operating working capital requirement</b>                     | <b>(5 878)</b> | <b>(5 078)</b>    | <b>6 512</b>   |
| <b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>              | <b>(5 538)</b> | <b>(4 641)</b>    | <b>(162)</b>   |
| <b>II - Activités d'investissement</b>                                     |                |                   |                |
| Development expenditure  | (986)          | (772)             | (450)          |
| Acquisitions of property, plant and equipment (net of insurance indemnity) | (2 221)        | (1 515)           | (1 731)        |
| Acquisitions of investments  | (174)          | (371)             | (79)           |
| <b>Cash used in investing activities</b>                                   | <b>(3 382)</b> | <b>(2 658)</b>    | <b>(2 260)</b> |
| Proceeds from disposals of intangible assets                               | -              | 200               | -              |
| Proceeds from disposals of property, plant and equipment                   | -              | -                 | 16             |
| Proceeds from disposals of investments                                     | 711            | 83                | 34             |
| <b>Cash provided by divestments</b>  | <b>711</b>     | <b>283</b>        | <b>50</b>      |
| <b>FLUX DE TRESORERIE PROVENANT DES ACTIVITES D'INVESTISSEMENT</b>         | <b>(2 671)</b> | <b>(3 826)</b>    | <b>(2 210)</b> |
| <b>III - Cash flows from financing activities</b>                          |                |                   |                |
| Issue of share capital   | -              | -                 | 41 154         |
| Purchases of S.T. Dupont shares  | -              | (1 000)           | 19             |
| Increase in borrowings   | 15 449         | 623               | 430            |
| Current account advances from the majority shareholder                     | -              | -                 | (7 000)        |
| Repayments of borrowings   | (191)          | (616)             | (3 913)        |
| Interest paid  | (2 105)        | (2 129)           | (2 036)        |
| Overdrafts   | -              | -                 | (220)          |
| <b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>                        | <b>13 153</b>  | <b>(3 122)</b>    | <b>28 434</b>  |
| Effect of exchange rate fluctuations on cash and cash equivalents          | 749            | (1 333)           | (285)          |
| <b>Net change in cash and cash equivalents</b>                             | <b>5 691</b>   | <b>(11 471)</b>   | <b>25 777</b>  |
| Cash and cash equivalents at beginning of year                             | 23 471         | 34 942            | 9 165          |
| Effect of exchange rate fluctuations on cash and cash equivalents          | 29 162         | 23 471            | 34 942         |
| <b>Net change in cash and cash equivalents</b>                             | <b>5 691</b>   | <b>(11 471)</b>   | <b>25 777</b>  |

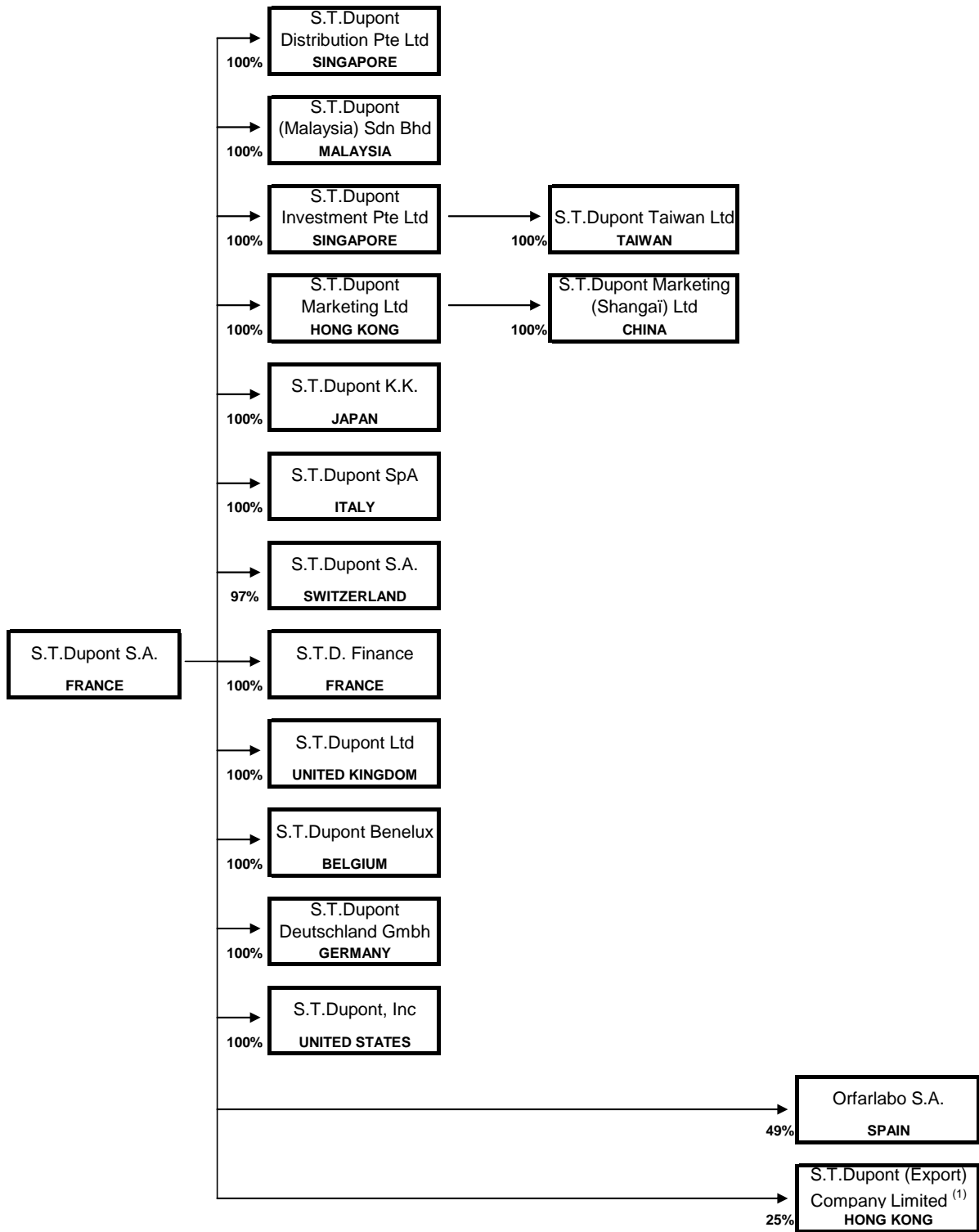
(\*) : The cash-flow statement as at march, 31, 2008, has been restated in order to show the impact of the fire and the insurance indemnity in the same presentation as at march, 31, 2009.

1 : Net profit before tax as at March, 31, 2009, includes €16 024 thousand coming from insurance indemnity (€11 183 thousand as at March, 31, 2008)

2 : indemnity from insurance company accrued as at March, 31, 2008 and amounting €6 182 thousand being too low to cover the €8 746 thousand paid during the year for reconstruction, the remaining has been taken from operational cash flow that includes €16 024 thousands of indemnity.

3 : change in other receivables has been restated by €6 182 thousand representing the accrued indemnity as at March, 31, 2008.

3. GROUP ORGANIZATION STRUCTURE AT JUNE 30, 2009



#### 4. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

##### **To the shareholders,**

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of ST Dupont S.A. and its subsidiaries for the year ended March 31, 2009 and our report is about:

- Audit of the consolidated financial statements;
- Justification of our assessments
- Specific verification required by Law

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

##### I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at March 31, 2007 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

Without questioning about our above-mentioned opinion, we draw your attention on the note 28 of the consolidated financial statements regarding the going concern and the reason why the Company assume to be in a position to fulfil its financial obligations for the next twelve months

##### II - Justification of our assessments

The present financial crisis and the related economical crisis, led to numerous consequences for companies and especially with regard to operations and financing.

Assumptions and estimates used by the Company to set the financial statements as at march, 31, 2009 as described in note 1.4 of the consolidated financial statements have been set in a difficult context as to the way for taking into account economical perspectives in the luxury sector.

It's in this uncertain context that, in accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments on the accounting principles used by the Company, we bring to your attention the following matter(s):

- Based on our audit work and the information given by the Company up today, and in the light of our assessments on the accounting principles used by the Company, we think that note 28 and 29 of the financial statements give an appropriate information about the Group cash position and financing;
- As described in the note 1.23 and 4 of the consolidated financial statement, , the company conduct impairment test on tangible and intangible assets, including goodwill, on a yearly basis, in order to determine the required level of depreciation. We've examined the way these impairment tests have been conducted and the accuracy of the level of provision at march, 31, 2009.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris, on July 5, 2007  
The statutory auditors

**PricewaterhouseCoopers Audit**  
represented by  
Christine Bouvry

**S & W Associés**  
represented by  
Maryse Le Goff