



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

2009-2010 Synthetic Annual Report

This document is a free translation of certain parts of the 2009-2010 annual report drafted in French which is the sole registration document.

A full version of the 2009-2010 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).

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 2009-2010

(in € millions)	Consolidated data fyear ended March 31, 2010	Consolidated data year ended March 31, 2009	Consolidated data year ended March 31, 2008
Total sales	60.0	61.3	74.6
Gross margin	29.4	32.0	35.4
(%)	49.0%	52.2%	47.4%
Operating profit/(loss)	(4.6)	5.1	4.3
Finance costs, net	(1.4)	(1.8)	(1.4)
Profit/(loss) for the period	(8.8)	3.3	1.3
Earnings/(loss) per share (in €)	(0.021)	0,008	0,003
Net cash/(debt)	(11.0)	(9,8)	(1.1)
Equity	15.0	23,5	16.0

2.2. Significant events of the year

Economical crisis

The Economical crisis had major impacts on some markets. Although we were able to limit these impacts in markets where we operate directly or through a subsidiary, we were deeply impacted in markets operated by agents and distributors. This is particularly true for Russia with a 92% drop in sales and, to a lower extent, for Middle East with a 29% drop. These lower sales are linked to the high level of our distributors' inventories with lower purchases from S.T.Dupont.

We did limit the impact by investing new markets (Eastern Europe, Central Asia) but we did not fully compensate the above mentioned loss of sales.

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, 2010.

Decrease in inventory

End of March 2009, our inventories were very high due the combined impact of sub-contracting after the fire and the economical crisis that started in September 2008.

In order to decrease the level of our inventories, actions have been launched, starting by the end of the previous fiscal year:

- Stop of orders in purchased products ;
- Massive use of part-time unemployment in order to limit our production capacity to the level of our expected sales ;
- Sales operations for out of collection products in markets owing such inventories (France, Hong-Kong and Japan).

All these actions led to a -35% decrease in inventories for finished goods and -27% for raw materials and components.

End of March 2010, our level of inventory for finished goods is in line with our expectations as far as lighters, writing instruments and belts are concerned. It is still too high for leather goods and accessories.

The above mentioned actions will continue to bear their effects next year in order to keep our inventories to a "normal" level compared to expected sales. Our inventory in components is strictly monitored in order to cope with our expected level of production for 2010-2011.

Implementation of a factoring facility

In October 2009, we implemented a factoring contract in order to cope with our cash needs within S.T.Dupont SA. Thanks to this, the company was able to get a 2.3 million euros line of credit, depending on the level of trade debtors balance sold to the factor.

Moratorium on social charges

Because of delays in getting part-time unemployment subsidies, S.T.Dupont asked for a moratorium on social charges amounting 1.7 million euros repayable over 12 months ending July 2010. On March, 31, the remaining balance payable amounts 0.5 million euros.

Launch of the e.boutique

On April 1st, S.T.Dupont launched its own e.boutique on the French market. Due to the success, it has been extended to Western Europe in the course of the fiscal year.

Implementation of a restructuring through volunteers departures (France)

Based on the expected level of production and the high level of fixed costs, we implemented a restructuring based on volunteers both for the plant and the head office. This plan started to have an impact late 2009-2010. In total the number of staff decrease amounts 78 people (19 for head office, 21 in fixed cost and 38 in variable costs for the plant).

Restructuring of the Japanese subsidiary

- ❖ The Japanese subsidiary showing loss for years has been restructured in order to have overheads in line with the level of sales. Aside from that, we plan to improve our margins in the wholesale business.

Resignation of a member of the Supervisory Board

- ❖ As at September, 30, 2009, Mr Robert Nüesch resigned from his position as vice-president and member of the Supervisory Board for personal reasons.

New appointment in the Supervisory Board

In order to replace Mr Robert Nüesch, the Supervisory Board appointed Mr Mounir Mouffarige, who had various management positions within the Richemont Group, in particular as CEO of Chloé. He created France Luxury Group and had also been CFO of Emmanuel Ungaro. His appointment shall be approved by the next shareholders meeting. At the same time, Mr Mouffarige has also been appointed as Vice-President of the Supervisory Board.

Resignation of a member of the Management Board

As at December, 31, 2009, Mr Bernard Rony resigned his position as member of the Management Board for personal reasons. In conformity with the company's laws, the Supervisory Board decided not to replace him. The Management Board has now two members Mr Alain Crevet and Michel Suhard.

2.3. Post balance sheet events

Nil

2.4. 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	
	March 31, 2010	March 31, 2009	Gross	Organic
Lighters and writing instruments	28,4	27,0	5,5%	4,6%
Leather goods and others	26,1	29,2	-11,0%	-11,2%
Sales Products	54,5	56,2	-3,1%	-3,6%
Royalties	5,5	5,1	8,3%	7,9%
Net Sales	60,0	61,3	-2,5%	-3,0%

- Lighters and writing instruments

Sales are increasing thanks to the successful launches of new products in 2009 (Défi pens) for which the price positioning is fully in line with customers' expectation. We noticed the same for the lighters (Jet) that kept their continuous increase in 2009-2010.

Aside from that, limited editions (Shanghai and Neptune) did also well.

- Leather goods and others

This activity faced the drop in sales in Russia and Middle East, two major markets for this activity. The launch of Défi leather goods did not compensate the drop in sales for existing collections.

- Licences

Increase in revenues from licences comes from the new licence for eye wears (Aoyama) and the overall increase in other licences that fully compensated the end of the cigarettes licence (December 2009) and RTW Japan (January 2010).

■ Changes in sales by geographic region

million euros	Sales		Variation	
	March 31, 2010	March 31, 2009	Gross	Organic
France	9,5	8,2	16,0%	16,0%
Europe (ex France)	8,5	7,7	10,5%	10,4%
Asia	22,8	22,5	1,6%	4,4%
Total Controlled Distribution	40,9	38,4	6,5%	8,3%
Agents et Distributors	13,6	17,8	-23,6%	-26,6%
Total Products	54,5	56,2	-3,1%	-3,6%

Organic growth excludes impact of exchange rates and the Taiwan subsidiary that was not active in 2009-2010 as its business has been taken-over by a Dickson Concept Ltd subsidiary.

Controlled distribution concerns markets where we operate either directly or through subsidiaries. In these markets we operate through our own shops or retailers. Non controlled distribution concerns markets where we operated through agents or distributors that have their own boutiques or retailers.

Controlled distribution mostly concerns Western Europe and Asia while non controlled distribution concerns Eastern Europe, Middle East and Americas.

Exchange rates impact accounts for +0.5% in sales.

- France

Sales in the French market steadily increased as a result of the performance of our distribution network.

- Western Europe

Sales in Western Europe steadily increase except for Spain where the crisis is of major importance.

- Asia

While Japan is slightly decreasing in sales (-3.7%), Hong-Kong/China show a +8.2% sales increase excluding exchange rate impact.

- Agents et Distributors

Drop in sales is very material for this distribution network and can be explained by the high level of inventories carried on by distributors end of march 2009 that forced them to reduce or even stop their purchase of S.T.Dupont products. Overall sales drop by -24% especially in Russia (-92%), Middle East (-29%), and Eastern Europe (-24%).

Nevertheless, we noticed a slight recovery in sales as from early January 2010.

2.5. Review of results

2.5.1. Gross margin

Gross margin amounts 29.4 millions euros vs. 32.0 millions euros last year, i.e. a -2.6 millions euros decrease.

Excluding royalties, decrease in sales accounts for -0.7 million euros in the gross margin decrease ; decrease in gross margin percentage, due to stock depletion plan, accounts for -2.3 millions euros in the decrease in gross margin.

Increase in royalties accounts for +0.4 million euros in the gross margin variance.

2.5.2. EBIT

The Group recorded a negative EBIT amounting -4.6 millions euros vs. + 5.1 millions euros last year, i.e. a -9.7 million euros variance.

The two years are not really comparable as last year EBIT included a non recurring item linked to insurance indemnity amounting +10.5 millions euros net and the impact of the end of a litigation with a former distributor (+1.9 millions euros). On the contrary, the present fiscal year takes into account the cost of the restructuring implemented in the plant and the head office and amounting -1.8 million euros.

Excluding these non recurring items, EBIT is improving by +4.5 millions euros year to year.

Major variances in EBIT are:

- Decrease in gross margin (-2.6 millions euros)
- Decrease in overheads as a result of our cost cutting actions (+7.0 millions euros)
- Impact of the social plan (-1.8 millions euros)
- Non recurring items coming from insurance indemnities in 2008-2009 (-10.5 million euros)
- Change in provision for risks (-1.9 million euros)

2.5.3. Financial income and expense

Financial result amounts - 2.8 millions euros vs. - 1.5 millions last year due to the impact of exchange rates on the conversion of foreign subsidiaries financial statements (-1.1 million euro vs. + 0,5 million euros last year), thanks to the change of euro vs. other currencies (US\$ et HK\$) at year-end.

S.T.Dupont did not pay any dividend over the last 3 years.

2.5.4. Net result

The consolidated loss amounts -8.8 millions euros vs. +3,3 millions euros in 2008-2009.

2.5.5. Cash Position

Cash flow from operations is negative by -5.4 millions euros as at march, 31, 2010 vs. +0.3 million euros last year.

Change in working capital shows a positive variance amounting +7.4 millions euros. This variance comes mostly from the decrease in inventory following actions aiming at decreasing it and a slight decrease in trade debtors, partly offset by a decrease in suppliers' payable due to the decrease in purchase over the year.

Capex are lower than last year (1.8 millions euros in 2009-2010 vs. 2.7 millions euros in 2008-2009).

Cash flow from financing amounts -23.9 millions euros because of the repayment of the OCEANE 2004 (22.5 millions euros) and the related interests (1.5 millions euros).

Impact of exchange rates on the balance-sheet is positive by +0,3 million (vs. +0.7 million euros last year), due to the decrease of euro vs. other currencies used within the Group.

As a result, cash-in-hands amounts 5.8 millions euros vs. 29.2 millions euros end of last year, i.e. a 23.4 millions euros decrease.

2.6. **Consolidated financial statements**

2.6.1. **Consolidated income statement**

(Euros 000)	31/03/2010	31/03/2009
Net product sales	54 474	56 194
Other revenue	5 539	5 116
Total sales	60 013	61 310
Cost of sales	(30 623)	(29 286)
Gross margin	29 390	32 024
Communication expenses	(3 117)	(6 454)
Selling expenses	(13 926)	(14 514)
Overheads and administrative expenses	(15 490)	(18 533)
Other expenses	(3 782)	(8 071)
Other income	2 295	20 670
Impairment	0	10
EBIT	(4 629)	5 132
Income from cash and cash equivalents	283	349
Finance costs, gross	(1 672)	(2 105)
Finance costs, net	(1 389)	(1 756)
Other financial income and expense, net	(1 440)	254
Income/(loss) from associates	(506)	(241)
Income tax expense	(7 965)	3 389
Income from cash and cash equivalents	(862)	(102)
Profit/(loss) for the period	(8 826)	3 287
Profit/(loss) for the period attributable to equity holders	(8 826)	3 287
Minority interests	-	-
Basic earnings/(loss) per share (in €)	(0,021)	0,008
Diluted earnings/(loss) per share (in €)	(0,014)	0,008

2.6.2. Consolidated balance sheet

ASSETS		31/03/2010	31/03/2009
(Euro 000)			
Non-current assets			
Goodwill		3 003	3 074
Intangible assets (net)		783	1 149
Property, plant and equipment (net)		13 542	13 465
Long-term financial assets		1 305	1 582
Investments in associates		7	461
Deferred taxes		281	299
Total non-current assets		18 922	20 030
Current assets			
Inventories		17 938	26 448
Trade receivables		7 482	8 507
Other receivables		4 144	6 785
Tax		317	634
Cash and cash equivalent		6 392	29 588
Total current assets		36 272	71 962
Total assets		55 194	91 992

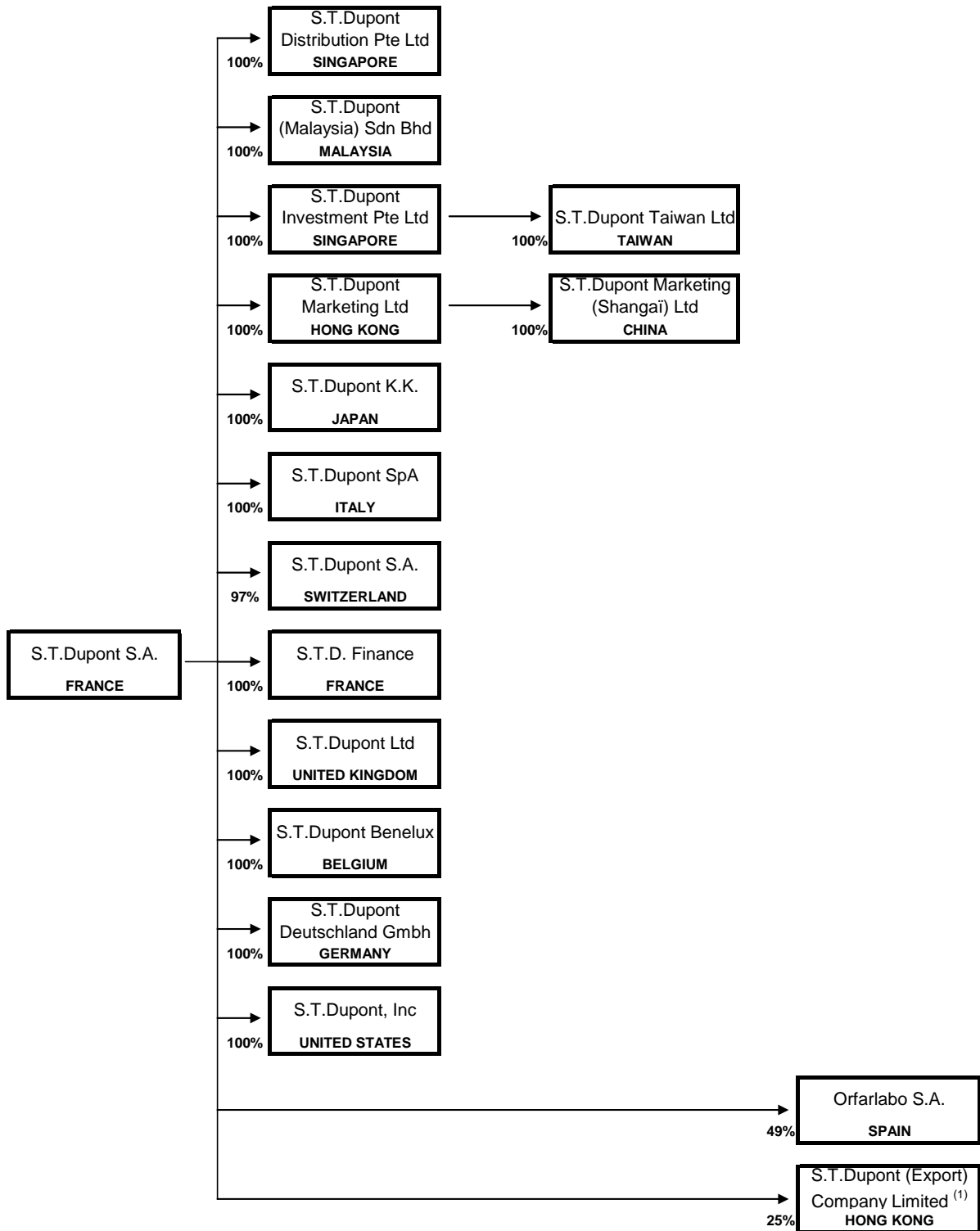
LIABILITIES

(Euro 000)	31/03/2010	31/03/2009
Equity		
Share capital	21 238	21 231
Additional paid-in capital	981	967
Treasury shares		(1 002)
Equity component of convertible bonds	2 425	2 425
Fair value of hedging instruments	0	0
Reserves	(561)	(3 167)
Cumulative translation adjustment	(276)	(213)
Profit/(loss) for the period	(8 826)	3 287
Equity attributable to equity holders	14 981	23 528
Minority interests	-	
Non-current liabilities		
Convertible bonds (long-term portion)	14 026	13 893
Long-term borrowings	21	26
Long-term finance lease liabilities	80	201
Deferred taxes	195	27
Long-term provisions for pension and other post-employment benefits	5 214	6 266
Total non-current liabilities	19 536	20 413
Current liabilities		
Trade accounts payable	6 377	9 611
Other payables	8 333	9 976
Short-term tax liabilities	205	261
Short-term provisions for contingencies and charges	2 540	2 892
Convertible bonds (short-term portion)	1 502	23 601
Short-term borrowings	1 449	1 536
Short-term finance lease liabilities	270	174
Total current liabilities	20 677	48 051
Total equity and liabilities	55 194	91 992

2.6.3. Consolidated statement of cash flows

(euros 000)	31/03/2010	31/03/2009
I - Operations		
I - Cash flow from operating activities	(8 826)	3 287
Profit/(loss) for the period before tax	1 788	1 510
Unrealized gains and losses from changes in fair value	(1 405)	(4 764)
Insurance indemnity dedicated to capital expenditures (2)	0	(2 564)
Net interest expense	1 498	2 465
Gains and losses on disposals of assets	557	406
Tax expense/(income)	457	(244)
(Income)/loss from associates, net of dividends received	506	241
Cash flow from operations	(5 424)	339
Change in inventories and work in progress	8 317	(6 561)
Change in trade accounts receivable	1 060	3 192
Change in other receivables (3)	2 653	(1 455)
Change in trade accounts payable	(3 243)	21
Change in other payables	(1 368)	(1 075)
Change in operating working capital requirement	7 418	(5 878)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	1 994	(5 538)
II - Investments		
Development expenditure	(262)	(986)
Acquisitions of property, plant and equipment (net of insurance indemnity)	(1 818)	(2 221)
Acquisitions of investments	277	(174)
Cash used in investing activities	(1 802)	(3 382)
Proceeds from disposals of intangible assets	0	-
Proceeds from disposals of property, plant and equipment		-
Proceeds from disposals of investments	31	711
Cash provided by divestments	31	711
FLUX DE TRESORERIE PROVENANT DES ACTIVITES D'INVESTISSEMENT	(1 771)	(2 671)
III - Cash flows from financing activities		
Issue of share capital		-
Purchases of S.T.Dupont shares		-
Increase in borrowings	293	15 449
Repayments of borrowings	(22 630)	-
Interest paid	(1 543)	(191)
Other	(154)	(2 105)
Overdrafts	158	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	(24 875)	13 153
Effect of exchange rate fluctuations on cash and cash equivalents	297	749
Net change in cash and cash equivalents	(23 354)	5 691
Cash and cash equivalents at beginning of year	29 162	23 471
Effect of exchange rate fluctuations on cash and cash equivalents	5 808	29 162
Net change in cash and cash equivalents	(23 354)	5 691

3. GROUP ORGANIZATION STRUCTURE AT JUNE 30, 2010



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,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended March 31, 2010, on:

- the audit of the accompanying consolidated financial statements of S.T. Dupont;
- the justification of our assessments;
- the specific verification required by law.

These 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 at March 31, 2010 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to:

- Note 28 to the consolidated financial statements regarding the company's ability to continue as a going concern, which describes the reasons by which S.T. Dupont deems itself capable of meeting its financial obligations over the next 12 months;
- Note 1.1 regarding the new standards that the Group is required to apply as from April 1, 2009;
- Note 15 regarding provisions and contingent liabilities.

II - Justification of our assessments

The accounting estimates used in the preparation of the consolidated financial statements for the year ended March 31, 2009, as described in Note 1.3, were made in the context of the financial crisis and a lack of visibility over the economic outlook. It is in this 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, we bring your attention to the following matters:

- On the basis of our work and the information provided to us as of the date hereof, and as part of our assessment of the accounting policies applied by the company, we believe that Notes 28 and 29 to the consolidated financial statements disclose appropriate information about the Group's cash position and financing.
- We ensured that Note 15 to the consolidated financial statements gives an appropriate description of the company's situation as regards risks and litigations.
- The company tests goodwill for impairment at each balance sheet date, and also assesses whether fixed assets show any indication of impairment, based on the methods described in Note 1.23 and Note 4 to the consolidated financial statements. We have reviewed the methods used to carry out these impairment tests and assessed the appropriateness of (i) maintaining the same provisions for impairment of property, plant & equipment and intangible assets as those set aside at March 31, 2009, and (ii) not setting aside any additional provisions at March 31, 2010.

These assessments were made as part 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

As required by law, we have also verified in accordance with professional standards applicable in France the information presented 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, July 5, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit

S & W Associés