

Financial report

S.T. Dupont
PARIS



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1. SIGNIFICANT EVENTS OF THE YEAR

1.1 A challenging business and economic environment

Impact of major geopolitical events

A series of external factors, including the SARS epidemic, terrorist attacks and the outbreak of hostilities in Iraq, severely undermined consumer spending in Asia, retail travel and the international business climate as a whole, particularly in the first quarter of 2003-2004.

These events had a considerable impact on business in the first half. However, 2004-2005 looks set to provide a more favorable backdrop to the Group's development, as the global economy started to recover in the first calendar quarter of 2004. The United States, China and Japan in particular are all registering buoyant growth.

Currency effects

Between April 1, 2003 and March 31, 2004, the dollar declined 11.8% against the euro. This significantly weighed on S.T.Dupont's business, reducing top-line growth by a substantial 5.7 points. Additionally, the Group's essentially euro-denominated cost structure saw currency effects wipe €5.2 million directly off gross margin.

On a constant exchange rate basis, the Group would have registered gross margin of 50.7%, representing growth of 5%.

The Group's currency hedging policy has helped to considerably ease the impact of exchange rate fluctuations. The total net translation gain recorded under interest income and expense amounted to €1 million.

Currency effects are estimated to have reduced net income by around €3.8 million, slightly exceeding the impact registered for the previous year.

1.2 New expertise

Drawing on newly defined development targets and a desire to breath new life into the brand, the Group set about acquiring fresh talent, particularly professionals renowned for their achievements in the luxury goods arena.

Benjamin Comar has joined S.T.Dupont as Chief Operating Officer, responsible for sales, marketing and communications. His main priorities are improving brand recognition and stepping up sales development.

Tom Chu has taken over the management of S.T.Dupont's subsidiary in Japan, a country that represents a strategic growth vector for the Group.

Jason Basmajian has joined S.T.Dupont as Design Director of Ready-to-wear. He has been assigned the role of giving new momentum to this segment, which is intended to become one of S.T.Dupont's key image carriers.

Corinne Delattre came on board as Communications Director at the beginning of 2004.

Finally, the Leather Goods Division has set up the necessary structural organization in anticipation of future strong growth.

1.3 The S.T.Dupont brand repositioning plan

The strategic choices set several years ago by Group Management are aimed at strengthening brand recognition and establishing the S.T.Dupont name as a global front-runner in men's luxury goods.

A number of developments have taken place with a view to repositioning the brand. These include:

- a more modern logo, with purer lines;
- a new brand icon to increase recognition (the initial "D");
- reworked color codes;
- new packaging inspired by one of the brand's most popular products (diamond head);
- a new store design concept introduced through the renovation of the Avenue Montaigne flagship store, and to be progressively rolled out to the whole distribution network;
- a new advertising campaign to affirm S.T.Dupont's image as a luxury brand geared to resolutely modern men who are dynamic and stand out from the crowd;
- increased control over brand image at retail stores.

In terms of product offering, research and development carried out in 2003-2004 will pave the way for the Group to extend its range, based on S.T.Dupont's unique expertise and the values that are inherent to the brand. A series of launches of new luxury, modern and creative products will be introduced into every range.

1.4 Stepping up the controlled distribution policy

Expanding the controlled distribution network remains a key development objective for S.T.Dupont.

At the end of March 2004, the Group's distribution network consisted of 14 directly-owned stores, 47 licensed stores and 211 shop-in-shops. A total of 30 new controlled sales outlets were opened during the year, with China representing the biggest growth area.

1.5 Exclusive licensing agreement with Itochu Corp. in Japan

The new agreement signed with Japan-based Itochu bears witness to the Group's proactive brand recognition strategy in which Ready-to-wear plays a pivotal role. The agreement came into effect in February 2004.

Well-known for its expertise in marketing luxury goods products, Itochu is a conglomerate with revenues of US\$87 billion and will market the Group's ready-to-wear label "S.T.Dupont Classics" in Japan. Itochu has promised to step up the development of S.T.Dupont's ready-to-wear line for men and to open points of sale in department stores and specialized outlets.



1.6 "OCEANE" bond issue

On April 14, 2004 S.T.Dupont issued 4,756,871 "OCEANE" bonds convertible and/or exchangeable into new or existing shares at a price of €4.73 each. These bonds represent a total nominal value of €22.5 million, bear interest at a rate of 7% per annum – payable annually in arrears on April 1 of each year – and are scheduled to be redeemed in full on April 1, 2009.

Aside from the repayment of the €12.6 million 1999 convertible bond maturing on April 1, 2004, funds secured through the bond issue launched on March 24, 2004 (subscription opening date) have been earmarked for the brand recognition plan.

The recent issue was a clear success since the bonds offered in priority to existing shareholders were oversubscribed by 26% and the 10% tranche reserved for the public was oversubscribed by 17%.

At the completion of the bond issue, S.T.Dupont's majority shareholder disclosed to the Group that it held 3,403,485 convertible bonds, representing 71.55% of the total issue of 4,756,871 convertible bonds.

2. GENERAL TRENDS

2.1 International environment

In 2003-2004 the business world was submerged in the uncertainty caused by the outbreak of hostilities in Iraq, the SARS epidemic and the strengthening of the euro against the dollar. However, the period also saw a return to strong growth throughout Asia; in terms of economic and technological performance, China in particular has made considerable progress.

The conflict in Iraq, the increasing risk of terrorist attacks and geopolitical hazards, not to mention various corporate financial scandals, all played a considerable role in the decline of the US dollar. The ground lost by the dollar and all dollar-pegged currencies against the euro has weighed heavily on all European firms generating a large portion of their revenues outside the euro zone.

After three difficult years, business has shown signs of rallying in the United States thanks to proactive economic policymaking and a healthy 9.3% rise in exports, triggered by the weak dollar.

Meanwhile, INSEE statistics suggest that the euro zone is back on the growth track, having slipped into semi-recession in the first quarter. Thanks largely to the recovery underway in the United States and the improvement in international trade, the euro zone is getting back on its feet with Germany in the lead, followed by France and Italy.

Russia is also following a sound growth trajectory, having registered 6% growth in 2003. The ruble remains stable, inflation is under control and the level of foreign currency reserves is comfortable.

The most robust growth, however, can be seen in Asia, and China in particular. The spectacular upswing in the country's economic fortunes has easily offset pressures generated by the SARS epidemic, which held the country almost at a standstill for two months in the second quarter of 2003. China now attracts more foreign investment than any other country in the world, including the United States.

The situation in neighboring Hong Kong is somewhat contrasting; fears relating to SARS have hurt international tourism and consumer spending. Large numbers of small businesses have closed down and unemployment has reached record highs.

In South Korea, political uncertainty, a spate of corruption scandals and tensions with North Korea have engendered a crisis of confidence and hampered growth since the middle of 2003.

By contrast, the Japanese economy has been showing signs of recovery since mid-2003. Nevertheless, the country relies heavily on exports to major markets such as the United States and China. Exports account for 11% of Japan's GDP and are its main growth driver.

While the beginning of 2003 will be remembered for a climate of political and diplomatic tension and economic uncertainty, the modest return to growth and the recovery in the financial markets made for a more positive mood in the final months.

2.2 Performance of S.T.Dupont

Sales for the year ended March 31, 2004 came in at €86 million, representing 5.3% growth on a constant exchange rate basis. However, the Group was once again heavily penalized by exchange rate fluctuations, particularly the slide in the dollar. Based on actual exchange rates, sales declined by 0.7% year on year.

Business performances were also dampened by the depressed global economic context and by the drop in tourist numbers triggered by the series of dramatic events that impacted the world during the year.

A strong showing in the final quarter (first three months of 2004) compensated for the mediocre performances of the first half, which was marked by a difficult business environment and notably a sharp drop in consumer spending in Asia linked to SARS. Thanks to this strong recovery at the end of the fiscal year, S.T.Dupont can start the expansion and new product launches planned for the coming year on a firm footing.

The Group has laid solid foundations for the brand's future development and is resolutely focused on enhancing recognition of the S.T.Dupont name.



3. SALES BY PRODUCT RANGE

	Net sales of products for the year ended March 31, 2004 including exchange rate effects		% change versus year ended March 31, 2003	Net sales of products for the year ended March 31, 2004 at average exchange rates for March 2003		% change versus year ended March 31, 2003	Net sales of products for the year ended March 31, 2003	
	€ millions	%		€ millions	%		€ millions	%
Lighters and pens	49.2	57.1	-2.8	51.6	56.6	2.0	50.6	58.3
Leather goods and other products	32.6	38.0	3.1	34.9	38.2	10.2	31.6	36.5
Net sales of products	81.8	95.1	-0.5	86.5	94.8	5.2	82.2	94.9
Royalties	4.2	4.9	-3.8	4.7	5.2	+8.5	4.3	5.0
Net sales	86.0	100.0	-0.7	91.2	100.0	+5.3	86.6	100.0

3.1 Lighters and pens

Sales of lighters edged up 3.5% excluding currency effects. As with the previous year, an excellent performance in Japan - up 23.5% excluding currency effects - offset declines in Europe and part of Asia.

With the exception of Spain, where sales were up by a considerable 21.3%, European markets continued to report a decline in business.

In Asia, the Group recorded a contraction in sales in South Korea, as well as in Hong Kong/China where it has continued to restructure its distribution network. The decrease in sales in this region reflects how wholesalers are shedding their stocks due to development of the retail network.

Meanwhile, the prestigious limited editions and special editions, such as the Leroy Neiman and Napoleon lines, have continued to do well, particularly in the United States. The success of these products illustrates how S.T.Dupont is becoming increasingly recognized in the region.

In the Pens line, sales remained on a par with the previous year, excluding exchange-rate effects. Performance was held back by a decrease in business gift revenues due to the gloomy business climate. While Spain again proved to be a star performer in this segment, registering growth of 28.5%, sales in Hong Kong/China were hit by the restructuring of the distribution network.

3.2 Leather goods and other products

The brand's diversification lines, namely leather goods, belts, accessories and ready-to-wear, registered substantial year-on-year growth of more than 10% on a constant exchange-rate basis.

Sales of leather goods rose by 9% excluding currency effects. Sales increases in Russia and the Middle East, together with the launch of the new Contrast line, largely made up for more difficult conditions in Europe, where business gift revenues were particularly weak. Hong Kong/China also experienced a surge in sales of leather goods, spurred by implementation of the retail network.

The newly extended and more modern accessories range continued to sell well, especially in Europe where the Group registered 9% growth excluding currency effects.

Watch sales tailed off, down 11% excluding currency effects. However, new product launches and extension of the range should lead to an improvement over the long term.

The ready-to-wear line registered the strongest growth of all, up 27% excluding currency effects, lifted by stellar performances in Japan, Hong Kong/China and Eastern Europe. Full year sales growth was swelled by the Group taking temporary direct control over the ready-to-wear business in Japan before the agreement with Itochu came into effect in February 2004.

3.3 Royalties

2003-2004 marked a return to growth in royalties, which rose by 8.5% on a constant exchange-rate basis.

The Chinese license posted particularly strong growth due to a favorable basis of comparison, as prior year performances had been affected by the reorganizing of distribution networks in the country. The strong performances of 2003-2004 were neutralized by the temporary return to direct control, for a ten-month period, over the ready-to-wear license in Japan. This license, which was granted to Itochu in February 2004, is expected to generate additional revenues over the coming year.

4. SALES BY GEOGRAPHICAL AREA

	Net sales of products for the year ended March 31, 2004 including exchange rate effects		% change versus year ended March 31, 2003	Net sales of products for the year ended March 31, 2004 at average exchange rates for March 2003		% change versus year ended March 31, 2003	Net sales of products for the year ended March 31, 2003 at average exchange rates for March 2003	
	€ millions	%		€ millions	%		€ millions	%
France	8.8	10.8	-15.9	8.8	10.2	-15.9	10.5	12.8
Europe (excluding France)	26.9	32.9	+5.5	27.0	31.2	+ 5.8	25.5	31.0
Asia	36.7	44.8	-4.2	40.7	47.1	+ 6.4	38.3	46.6
Americas	3.7	4.5	+5.0	4.2	4.9	+19.7	3.5	4.3
Other	5.7	7.0	+29.0	5.7	6.6	+29.0	4.4	5.3
Net sales of products	81.8	100.0	- 0.5	86.5	100.0	+5.2	82.2	100.0

4.1 France

The difficult business context substantially trimmed sales in France compared with the prior year. Against an unsettled economic backdrop, a sharp drop in business gift revenues weighed on sales of pens and leather goods. Additionally, dwindling tourist numbers had a significant impact on performances registered in duty free stores.

4.2 Rest of Europe

Excluding France, European sales were up on the previous year.

The Group did particularly well in Spain, where it posted 21% growth after a tough year in 2002-2003. This improvement is attributable to a better-adjusted product offering achieved through the appointment of a new Sales Director and a revision of distributor policies.

Leather goods and ready-to-wear, the Group's main activities in Russia, have continued to fare well there. The opening of new retail outlets, such as the one inside the GUM in Moscow, and corner stands have enabled the Group to post robust performances throughout Eastern Europe and have bolstered the brand's positioning in these countries.

Sales in Germany contracted by 8.6% in 2003-2004 despite a strong upswing in the last quarter, sparked by new product range extensions introduced at the beginning of 2004. The impact of this new momentum is expected to drive sales forward throughout the coming year.

Mediterranean Europe produced a particularly good showing, recording overall growth of 25% year-on-year. Sales of the Italian subsidiary inched up 2% compared with the previous year.

4.3 Asia (including Japan)

Excellent performances in Japan enabled Asia, which accounts for 47% of Group sales, to register 6% growth before currency effects. However, due to unfavorable dollar and yen exchange rates, this performance is partly masked in the published figure, which indicates a decline of 4% for the region. For Japan alone, top-line growth works out at 24% before currency effects, or 15% in local currency.

Having been severely hit by the impact of the SARS epidemic on tourism and consumer spending early on in the year, Asia picked up considerably towards the end. Over the full year, this improvement allowed the Group to break even in the region before currency impacts.

In Japan, sales of lighters have soared over the last two years. This strong sales growth, combined with the controlled distribution policy drive, bodes well for future performance.



The reorganization of distribution networks in Hong Kong/China has continued to impact sales of lighters and pens. On a constant exchange rate basis, the region's sales remained on a par with the previous year as wholesalers continued to reduce inventories. On the other hand, the new policies are starting to bear fruit in other lines such as Leather Goods and Ready-to-wear. Meanwhile, the retail network has continued to perform extremely well, recording 7% growth in the region over the full year.

Credit restrictions have severely dampened consumer spending in South Korea. This, combined with mounting competition and the impact of wholesale inventory liquidations, trimmed sales of lighters in the region.

The Group recorded 8% growth in sales in Taiwan, excluding currency effects. This performance is attributable to the development of business gift lines, which grew sharply over the year. The Taiwanese subsidiary has reduced its ready-to-wear inventory ahead of reorganization of the store network.

4.4 Americas

Strong showings in the Americas were masked by the slide in the dollar against the euro. Excluding currency effects, the Group registered top-line growth of 20% in the region, compared with 5% based on actual exchange rates. Overall, the United States put in the best performance, recording an 18% increase in sales, at constant exchange rates. This achievement is largely attributable to sales of pens and lighters, which were lifted by increasing demand for limited editions.

4.5 Other markets

Business has continued to thrive in the Middle East. The Group registered 18% growth in the region year-on-year thanks to the success of several new lines of leather goods launched during the year and strong business gift figures that favorably impacted pen sales.

5. HUMAN RESOURCES

The Group has strengthened expertise in certain strategic domains in order to buoy S.T.Dupont's new business momentum.

A Communications Director has come on board. Reporting to the new Chief Operating Officer, her role is to reinforce the new brand image and the new style developed by the Design Division.

The Group has also set up new procurement, quality control and logistics functions within the leather goods Division to accompany the anticipated strong expansion of this business.

At the manufacturing facility, the bulk of recruitments envisaged under the CATS/CASA company agreement signed in 2003 have now been carried out. This has enabled the Group to bolster the facility's quality control and development functions.

In addition to skills training schemes, the Company has continued to provide computer-assisted production management-user training and actively helps students to acquire both theoretical and practical knowledge, by offering work-study contracts.

On the back of regular management meetings within the Group's Manufacturing Division, progress targets have been defined in areas such as product development and innovation, industrial efficiency, human resources and environmental issues, as well as in customer service and supplier strategy. These targets have evolved into specific action plans monitored by the operating managers responsible for each unit.

6. CAPITAL EXPENDITURE

Major investments in 2003-2004 reflect the Group's determination to continue boosting productivity at its manufacturing facility, while pursuing its upgrades of logistics and equipment designed to fine-tune employee safety and environmental protection. The purchase of new machines, such as a high-tech laser system, offers multiple

possibilities for new patterns. A modified organization structure is currently being put in place to enhance the logistics process. Out of total capital spending of €3.6 million, €2.4 million have been devoted to the Faverges site.

New partners have decided to entrust S.T.Dupont with their outsourced industrial production for new product lines.

Part of the investment budget was also devoted to new product development and to expanding the controlled distribution network. A new store management tool has been developed and will soon be rolled out to the entire store network.

7. BUSINESS RESULTS AND BALANCE SHEET STRUCTURE

7.1 Financial analysis

Despite strong negative currency effects, the Group's financial results remained on a par with 2002-2003. This performance was achieved despite the capital outlay related to the brand recognition plan.

Gross margin

Gross margin came in at 47.7%, very close to the level recorded for the previous year despite the negative currency impact. Exchange-rate effects are estimated to have eliminated 5.2 million at top-line level, with a similar impact felt at gross margin level, due to the Group's predominantly euro-denominated cost structure. On a constant exchange-rate basis, gross margin would have been 50.7%, representing 3 points growth in relation to 2002-2003. This strong year-on-year performance bears testimony to the Group's efforts to optimize production costs, and above all to implement price rises.

Operating margin

Operating margin contracted year-on-year due to negative currency effects and an increase in fixed costs.

Communication costs remained relatively stable, rising by only 1% on 2002-2003. The Group has focused its efforts on strategic markets and on preparing the brand recognition plan.

Excluding exchange-rate effects, selling expenses rose by 3%. For the year to March 31, 2004, they represented 19.4% of sales, up from 18.7% the prior year. This increase is attributable to the reinforcement of the Group's expertise such as the recruitment of Benjamin Comar in August 2003, Tom Chu in Japan and a new Sales Director for the Ready-to-wear line, as well as to higher store management costs, particularly in Japan where the Group temporarily assumed direct control of retail sales before the new licensing agreement with Itochu took effect in February 2004. Non-recurring expenses incurred as a result of this transition amounted to approximately €0.4 million.

Administrative expenses rose 5.4%, excluding currency effects. The rise reflects the strengthening of marketing teams and external design costs incurred in order to acquire new talent, with investment in marketing operations up by around 2.5% on 2002-2003. Investment in research and development remained on a par with the previous year, as development of new lines was taken on by existing teams. The increase in administrative expenses is also due to costs incurred in relation to legal protection of the brand, recruitment costs and depreciation of new information system tools put in place during the year.

The Group generated an operating loss of €3.0 million in 2003-2004. On a constant exchange rate basis, however, it would have posted operating income of €0.9 million.

Net results for the period

Thanks to the Group's sound currency hedging policy, interest expense has been reduced considerably in comparison to the previous year.

Non-recurring items mainly comprised costs relating to bond issues forming part of the Group's refinancing initiative.

The tax charge stood at €0.7 million, sharply down from the previous year.

The negative impact of exchange-rate fluctuations on the net result of operations is estimated at €3.8 million.

7.2 Balance sheet structure

The Group is continuing to actively work on optimizing inventory levels so as not to be penalized by the increasing levels associated with the development of the controlled distribution network. Over the year, net value of inventory was reduced by €3.6 million in relation to the previous year, coming in at €21.6 million. The most substantial decrease was in France, where net value of inventory was down by €3.7 million on the previous year.

By contrast, the intense development of the retail business in Hong Kong/China and Japan drove up net value of inventory in these countries by €1.3 million overall.

The Group's net cash position stood at €18.6 million at March 31, 2004, reflecting a year-on-year increase of €9.6 million. The rise is attributable to the refinancing operation implemented at the end of the year.

At April 1, 2004 – the maturity date of S.T.Dupont's 1999 convertible bonds – drew near, the Group had to set up fresh sources of financing to support its brand recognition plan. The various stages of this process, which involved the issue of "OCEANE" bonds convertible and/or exchangeable into new or existing shares were as follows:

- At March 31, 2004, the balance sheet value of the bonds issued by S.T.Dupont in May 1999 stood at €12,513 thousand, based on the 1,163,984 bonds outstanding. These bonds can be converted into shares until June 30, 2004 or redeemed at €10.30 per bond until July 16, 2004 (i.e. the nominal value of €10.10, plus a redemption premium of €0.20). At the end of April 2004, 70 bonds had been converted into shares, and the majority had been redeemed.

- On April 14, 2004 S.T.Dupont issued 4,756,871 "OCEANE" bonds convertible and/or exchangeable into new or existing shares at a price of €4.73 each. Representing a total nominal value of €22.5 million, the bonds bear interest at a rate of 7% – payable annually in arrears on April 1 of each year – and will be redeemed in full on April 1, 2009. At the completion of the bond issue, S.T.Dupont's majority shareholder disclosed to the Group that it held 3,403,485 convertible bonds, representing 71.55% of the total issue of 4,756,871 convertible bonds.

- On March 26, 2004, the parent company granted a bridging loan of €12,600 thousand to cover the period spanning the two operations. The sum of €12,614 thousand was recorded in the balance sheet for the year ended March 31, 2004 in respect of this facility, including accrued interest and borrowing fees. Full repayment of €12,645 thousand was subsequently made on April 14, 2004.

In € thousands	At March 31, 2004	Redemption of 1999 convertible bonds and interest	Impact of the "OCEANE" issue	Repayment of bridging loan and interest	At completion of transactions
Consolidated net cash and cash equivalents⁽¹⁾	18,554	-12,513	+21,891	-12,645	15,287
- Convertible bonds (1999 issue)	12,513	-12,513			0
- Bridging loan	12,614			-12,614	0
- 2004 "OCEANE" issue			+22,500		22,500
- Short-term debt	3,033				3,033
- Other borrowings	43				43
Consolidated debt⁽²⁾	28,203	-12,513	+22,500	-12,614	25,576
Consolidated net debt⁽²⁾⁽¹⁾	9,649	0	+609	+31	10,289

Taking these elements into account, net debt represented 28.1% of shareholders' equity at March 31, 2004.

8. OUTLOOK

2003-2004 can be considered as a second year of preparation for the brand recognition plan. This culminated in a number of achievements at the start of 2004-2005, the most visible being the reopening of the Group's flagship store on Avenue Montaigne in Paris in early May 2004, which has been fully renovated according to a new store design concept.

Men's luxury goods remain a priority development focus, with the Group setting itself ambitious targets for men's lines in pens, leather goods and Ready-to-wear. The success of the refinancing initiative through the "OCEANE" bond issue on April 14, 2004 will allow S.T.Dupont to continue expanding the controlled distribution network by opening new points of sale.

The first tangible effects of the brand development policy are expected to be felt in 2004-2005. In the absence of any unforeseeable events, the coming year should see a significant increase in sales, enabling the Group to come up to break even despite considerable investment related to the brand recognition plan.

S.T.Dupont has benefited from a favorable basis of comparison since the beginning of 2004-2005, particularly in Asia. At the same time, the first few weeks' billings have been in line with expectations prior to the introduction of new product lines. Also, despite uncertainty surrounding the dollar, the Group should capitalize on a brighter international business climate and the global economic recovery that is being driven by the United States.

STATEMENTS OF OPERATIONS

In € thousands	12 months to	Notes	March 31, 2004	March 31, 2003	March 31, 2002
Net sales of S.T.Dupont products		20 & 21	81,786	82,222	85,956
Royalties		20	4,182	4,347	5,193
Net sales		20 & 21	85,968	86,569	91,149
Cost of sales			(44,928)	(44,736)	(44,634)
Gross margin			41,040	41,833	46,515
Communication expenses			(6,712)	(6,652)	(6,456)
Selling expenses		22	(16,710)	(16,226)	(15,873)
Administrative expenses		22	(20,670)	(19,983)	(18,994)
Income from equity investments			10	(10)	69
Operating (loss)/income		20 & 21	(3,042)	(1,038)	5,261
Net interest expense		23	(349)	(652)	(593)
Non-recurring items from continuing operations		24	(899)	(2,068)	29
(Loss)/income before tax			(4,290)	(3,758)	4,697
Provision for income taxes		25 & 26	(669)	(1,241)	(598)
Net (loss)/income before goodwill amortization			(4,959)	(4,999)	4,099
Amortization of goodwill			(335)	(335)	(335)
Net (loss)/income			(5,294)	(5,334)	3,764
Earnings/(loss) per share (in euros)		27	(0.85)	(0.86)	0.61
Diluted earnings/(loss) per share (in euros)		27	(0.64)	(0.64)	0.59

The notes are an integral part of the financial statements.

**BALANCE SHEET
ASSETS**

In € thousands	Notes	March 31, 2004	March 31, 2003	March 31, 2002
Non-current assets				
Goodwill	3	3,165	3,499	3,834
Intangible assets (net)	4	5,530	5,546	5,615
Property, plant and equipment (net)	5	11,439	10,534	10,115
Long-term investments (net)	6	950	755	850
Equity investments	7	822	812	823
Deferred tax assets	26	1,147	1,310	1,563
Total non-current assets		23,053	22,456	22,800
Current assets				
Inventories and work-in-progress (net)	8	21,588	25,214	25,078
Trade accounts receivable (net)	9	19,492	17,413	20,589
Other receivables and accruals	10	6,651	6,674	6,529
Cash and marketable securities	11	21,285	12,785	16,537
Total current assets		69,016	62,086	68,733
Total assets		92,069	84,542	91,533

The notes are an integral part of the financial statements.



**BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY**

In € thousands	Notes	March 31, 2004	March 31, 2003	March 31, 2002
Shareholders' equity attributable to the Group				
Capital stock	12	9,962	9,962	9,962
Additional paid-in capital		1,021	1,019	1,019
Retained earnings		27,911	33,245	30,413
Cumulative currency translation adjustments		(218)	959	3,467
Net (loss)/income for the period attributable to the Group		(5,294)	(5,334)	3,764
Total shareholders' equity attributable to the Group		33,382	39,851	48,625
Provisions for contingencies and charges				
	13 & 14	9,684	10,075	9,591
Long-term liabilities				
Convertible bonds	15	0	11,991	11,991
Long-term debt	16	43	48	48
Deferred tax liabilities	26	12	195	101
Total long-term liabilities		55	12,234	12,140
Current liabilities				
Convertible bonds	15	12,513	524	524
Short-term debt	16	18,378	3,786	3,848
Trade accounts payable	17	7,065	7,785	6,751
Other payables and accruals	18	10,992	10,287	10,054
Total current liabilities		48,948	22,382	21,177
Total liabilities and shareholders' equity		92,069	84,542	91,533

The notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In € thousands	12 months to	March 31, 2004	March 31, 2003	March 31, 2002
I – Cash flows from operating activities				
Net (loss)/income for the period		(5,294)	(5,334)	3,764
Depreciation and amortization		3,738	3,883	3,490
Amortization of goodwill		335	335	335
Change in provisions		(307)	1,534	(175)
Gains and losses on disposals		33	66	21
Deferred taxes		(26)	272	(271)
(Loss)/income from equity investments, net of dividends received		(10)	10	41
Working capital (used)/provided by operations		(1,531)	766	7,205
Change in inventories and work in progress		3,222	(1,533)	(1,030)
Change in trade accounts receivable		(2,264)	2,112	(613)
Change in other receivables		(239)	(839)	39
Change in trade accounts payable		(1,307)	1,182	49
Change in other payables		1,491	485	350
Change in operating working capital requirement		903	1,407	(1,205)
Net cash (used)/provided by operating activities		(628)	2,173	6,000
II – Cash flows from investing activities				
Additions to intangible assets		(813)	(759)	(542)
Additions to property, plant and equipment		(3,985)	(3,641)	(2,629)
Additions to other non-current assets		0	0	0
Acquisitions of subsidiaries, net of cash transferred		0	0	0
Cash used by investing activities		(4,798)	(4,400)	(3,171)
Proceeds from disposals of intangible assets		0	0	0
Proceeds from disposals of property, plant and equipment		101	24	0
Proceeds from disposals of other non-current assets		0	0	0
Proceeds from sales of subsidiaries, net of cash transferred		0	0	0
Cash provided by investing activities		101	24	0
Net cash used by investing activities		(4,697)	(4,376)	(3,171)
III – Cash flows from financing activities				
Increase in borrowings		16,166	0	48
Repayments of borrowings		(526)	0	(191)
Dividends paid			(932)	(928)
Net cash provided/(used) by financing activities		15,640	(932)	(1,071)
Effect of exchange rate changes on cash and cash equivalents		(760)	(555)	492
Change in cash and cash equivalents		9,555	(3,690)	2,250
Cash and cash equivalents at beginning of year		8,999	12,689	10,439
Cash and cash equivalents at end of year		18,554	8,999	12,689

In the above statements of cash flows, cash and cash equivalents at the end of the year include the following:

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Cash and marketable securities	21,285	12,785	16,537
Bank overdrafts	2,731	3,786	3,848
Total cash and cash equivalents	18,554	8,999	12,689

The breakdown of cash and marketable securities is described in Note 11 and bank overdrafts are recorded under short-term debt as described in Note 16. "Working capital provided/(used) by operations" no longer includes provisions for impairment in value of inventories and trade accounts receivable. These items are now included in "Change in inventories and work in progress" and "Change in net trade accounts receivable". Working capital used by operations amounted to €1,531 thousand for the year ended March 31, 2004. If this method had been applied to the year ended March 31, 2003, working capital provided by operations would have totaled €227 thousand.
The notes are an integral part of the financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In € thousands	Number of shares	Capital stock	Additional paid-in capital	Consolidated retained earnings	Translation adjustments	Consolidated shareholders' equity
At March 31, 2002	6,226,182	9,962	1,019	34,175	3,469	48,625
Conversion of bonds	0	0	0	0	0	0
Net loss for the year	0	0	0	(5,334)	0	(5,333)
Translation adjustments	0	0	0	0	(2,508)	(2,508)
Dividends	0	0	0	(932)	0	(932)
Other movements	0	0	0	0	0	0
At March 31, 2003	6,226,182	9,962	1,019	27,909	961	39,851
Conversion of bonds	231	0	2	0	0	2
Net loss for the year	0	0	0	(5,294)	0	(5,294)
Translation adjustments	0	0	0	0	(1,177)	(1,177)
Dividends	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
At March 31, 2004	6,226,413	9,962	1,021	22,615	(216)	33,382

The notes are an integral part of the financial statements.

All amounts referred to in these notes are in thousands of euros, unless otherwise indicated.

The S.T.Dupont Group manufactures luxury goods both directly and indirectly and markets its products worldwide. The Group's parent company is D and D International, the holding company of Broad Gain Investments Ltd., a private trust whose beneficiaries are, among others, Mr. Dickson Poon and members of his family.

S.T.Dupont is listed on the second market of Euronext Paris S.A.

1. ACCOUNTING PRINCIPLES

1.1 Overview

The consolidated financial statements of the S.T.Dupont Group have been prepared in accordance with standard 99-02 issued by the French accounting regulations committee (*Comité de Réglementation Comptable*) governing consolidated financial statements of private and public-sector companies, as approved by ministerial order of June 22, 1999.

Accounting entries are based on the historical cost convention.

The financial statements of consolidated companies, drawn up according to the rules applicable in their respective countries, are restated to comply with Group principles.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of S.T.Dupont S.A. and all companies over which S.T.Dupont exercises direct exclusive control or significant influence. Subsidiaries are consolidated from the date of transfer of effective control to the Group and cease to be consolidated from the date of disposal. Companies that are exclusively controlled by S.T.Dupont S.A. are fully consolidated. Companies over which S.T.Dupont S.A. exercises significant influence are accounted for by the equity method. Due to the nature of the statement of income and of the activities of equity-accounted companies, the Group's equity in their net results is included in the operating income of the S.T.Dupont Group.

The list of consolidated companies is presented in Note 2.

1.3 Financial year-end

S.T.Dupont S.A. and all of its subsidiaries have a March 31 year-end.

The consolidated financial statements have been prepared on the basis of individual financial statements closed at this date.

1.4 Consolidation adjustments

All intercompany profits are eliminated in consolidation. Intercompany receivables and payables and income and expenses arising from transactions between fully consolidated companies are also eliminated in full. The same applies to gains and losses on disposal of shares in consolidated companies or advances to these companies and releases of provisions for losses on these investments. Interim and final dividends received from consolidated companies are eliminated for the purpose of calculating consolidated net income. The book value of S.T.Dupont S.A.'s investment in its subsidiaries and its equity in the reserves of each subsidiary are also eliminated.

1.5 Foreign currency translation

The financial statements of foreign subsidiaries are translated into euros as follows:

- balance sheet items are translated at the year-end rate;
- statement of income items are translated at the average rate for the year.

The average rate is determined based on the average of the month-end rates, weighted by reference to monthly sales. Differences arising from the retranslation of opening balances at the year-end rate and the use of different exchange rates for the statement of income and the balance sheet are recorded as a separate component of shareholders' equity under "Cumulative currency translation adjustments".

Translation rates of currencies outside the euro zone are shown in the following table:

	Year-end rate March 31, 2004	Year-end rate March 31, 2003	Average rate 2003-2004
1 Swiss franc	0.6408562	0.677565	0.6575555
1 yen	0.0077641	0.007730	0.0075630
1 pound sterling	1.4940720	1.458800	1.4445919
1 US dollar	0.8180674	0.927238	0.8180674
1 US dollar*	0.8180674	0.927238	0.8593650
1 Hong Kong dollar	0.1049208	0.118892	0.1080593
1 new Taiwan dollar	0.0245724	0.026477	0.0246959
1 Singapore dollar	0.4886161	0.524313	0.4935005
1 Malaysian ringgit	0.2161368	0.243966	0.2239988

* Average rate calculated on US dollar export sales.

1.6 Financial instruments

The Group uses various financial instruments to hedge its exposure to currency and interest rate risk. The accounting principles and methods applied are as follows.

Currency hedges

Currency risks arising on commercial transactions are assessed and hedged by the parent company in accordance with the principle of prudence. The Company uses various financial instruments to hedge its positions, primarily forward purchases and sales of foreign currencies and currency options. Pursuant to the financial commitments charter approved by Company management, S.T.Dupont may use financial derivatives. These instruments are never used for speculative purposes but solely to hedge current or future transactions based on spot or forward exchange rates in order to fix exchange rates or revenue streams arising from S.T.Dupont's industrial and marketing activities in the normal course of business.



Unrealized gains or losses on forward currency contracts are netted against the unrealized losses or gains on the hedged assets or liabilities, except where the contracts have been acquired as hedges for firm transactions due to take place the following period, in which case recognition of the unrealized gain or loss is deferred.

Translation gains and losses are recorded under interest income and expense.

Hedging of interest-rate risk

When the Group has taken out short-term floating-rate borrowings, it may decide to hedge its positions or decide to benefit from opportunities in the event of a decrease in interest rates. As with currency hedges, it is S.T.Dupont's policy to use only simple hedging instruments such as interest rate swaps.

Gains and losses on hedging instruments are recognized in the statement of income on an accruals basis.

1.7 Intangible assets

Intangible assets are identifiable, non-monetary assets without any physical substance which the S.T.Dupont Group uses or intends to use over a period of more than one year in connection with the manufacture or supply of goods and services.

Intangible assets meeting the criteria for capitalization are stated at cost, including all direct costs incurred to permit their use for their intended purpose.

Intangible assets are amortized by the straight-line method over the following periods, based on the category of asset:

Intangible assets	Period
Patents	10 years
Know-how	5 years
Purchased and internally-developed software	3-5 years

Leasehold rights are stated at the lower of cost and probable realizable value, which is determined based on expert reports. They are not amortized insofar as they can be resold. The realizable value is estimated through expert reports.

Trademarks are stated at the lower of cost and fair market value.

1.8 Goodwill

The difference between the cost of shares in newly-consolidated subsidiaries and the Company's equity in the underlying net assets is analyzed and allocated between:

- positive or negative fair value adjustments to certain identifiable assets and liabilities;
- goodwill.

Positive fair value adjustments are amortized in the same way as the assets to which they relate.

Goodwill is amortized over 20 years. However, if the results of the acquired companies indicate that the goodwill has been impaired, an impairment loss may be recorded.

1.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost and depreciated over the following periods:

Property, plant and equipment	Period
Buildings	20-25 years
Building and leasehold improvements	20-25 years
Furniture	3-10 years
Machinery and equipment	3-8 years
Fixtures and fittings	5-10 years
Vehicles	5 years
Office and computer equipment other than PCs	5 years
Personal computer equipment	3 years

Non-current assets in progress are classified by type of asset.

1.10 Research and development costs

Research and development costs are expensed as incurred.

1.11 Collection costs

Costs related to the men's ready-to-wear collections are expensed in the period of sale.

1.12 Inventories and work-in-progress

Inventories and work-in-progress are stated at the lower of acquisition or production cost and net realizable value.

Cost is calculated by the standard cost method and adjusted for differences between standard and actual cost using the Fifo method.

Differences between standard and actual cost are determined based on normal capacity utilization levels.

A provision is recorded, if necessary, to reduce inventories to their net realizable value at the end of each period.

1.13 Trade and other accounts receivable

Trade and other accounts receivable are recorded at their nominal value. Provisions are recorded for doubtful accounts based on the estimated risk of non-recovery as determined on an individual account basis.

1.14 Cash and marketable securities

This item corresponds to cash in hand and short-term bank deposits realizable on demand. Bank overdrafts, spot credits and credit lines are classified under short-term borrowings and liabilities.

Short-term investments in marketable securities are stated at their market value at the year-end.

Provisions for impairment in value are charged to interest expense.

S.T.Dupont S.A. shares held by the parent company are recorded at cost under securities held for sale on the asset side of the consolidated balance sheet and are allocated on acquisition to stabilizing the share price. A provision for impairment in value is recorded when the acquisition price exceeds the stock market price. The value of the shares is determined based on average closing prices of the last month of the period.

1.15 Deferred charges

This item includes:

- the cost of S.T.Dupont stands in foreign retail outlets and molds supplied to contractors. The related deferred charges are written off over three years.
- costs related to ready-to-wear collections.

1.16 Employee benefits

S.T.Dupont S.A. and its subsidiaries operate a number of defined benefit and defined contribution pension plans throughout the world. Retirement schemes funded under insured plans are managed in separate funds by independent asset managers or insurance companies. S.T.Dupont S.A. also runs a healthcare plan for employees who retired prior to January 1, 2001.

Benefits payable under defined contribution plans are expensed when they are paid.

Defined benefit obligations are measured separately for each plan by independent actuaries using the projected unit credit method. Calculations are based on assumptions of mortality, staff turnover and future increases in salary. They also take into account the specific economic situation of each country. The discount rate used is based on the interest rates of government bonds whose terms of maturity are consistent with those of the related benefit obligation.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumption and what has actually occurred), as well as the impact of changes in actuarial assumptions.



Actuarial gains and losses are recognized as income or expense if the net cumulative unrecognized actuarial gains and losses at the beginning of the year exceeds the greater of 10% of the projected benefit obligation and 10% of the fair value of plan assets at that date. This portion of actuarial gains and losses is recognized as income or expense over the expected average remaining working lives of the employees participating in the plan.

1.17 Other provisions

Provisions for contingencies and charges booked at the year-end are intended to cover risks and charges that past or current events make probable and which are clearly defined in terms of their nature, even though their actual occurrence, their date and amount remain uncertain.

In addition, the Group recognizes its estimated liability for all products under warranty at the year-end. The amount of this provision is determined based on prior statistics.

Lastly, a provision is booked for estimated liabilities resulting from paid holiday entitlements, seniority-based holidays and holiday credit stemming from reductions in working hours, based on services rendered by employees up to the year-end.

In 2002, the Group signed a company agreement on staff departures (CATS-CASA) and early retirement for employees of S.T.Dupont S.A. Provisions have been set aside to cover the estimated cost of this obligation, calculated according to the projected unit credit method. The valuation is carried out by an independent actuary.

1.18 Convertible bonds

Convertible bond issues are stated at their discounted nominal value, under convertible bonds. The redemption premium is amortized on an accruals basis, based on the rate announced to the market at the time of issue. In the event of conversion of bonds into stock, liabilities are transferred to capital stock and additional paid-in capital and the redemption premium, net of accrued amortization, is reclassified as a conversion premium.

Issue costs and redemption premiums on convertible bond issues are taken to the statement of income under interest expense, based on the number of outstanding bonds.

1.19 Recognition of revenues

Net sales represent deliveries from the Group's brand portfolio, made up of manufactured or purchased products and related accessories. Sales are recognized at the time of delivery of products. Net sales are stated prior to deduction of rebates, which are recognized under interest income, and after deduction of any discounts granted.

License fees are recognized based on the latest statement of actual sales and are calculated in accordance with the terms of the relevant contracts. They include non-recurring setup charges negotiated as part of new agreements. These up-front revenues will not generate any future costs. Invoicing for after-sales service is deducted from selling expenses alongside related costs.

1.20 Non-recurring items from continuing operations

Non-recurring income and expense in the consolidated statement of income includes non-recurring items from continuing operations as well as exceptional items. Non-recurring items from continuing operations are classified as such when they are not related to standard company operations, either because the amounts or circumstances involved are unusual, or because they occur rarely. Gains and losses on asset disposals and on sales of marketable securities are also recorded under non-recurring items.

1.21 Provision for income taxes

The provision for income taxes charged to the statement of income corresponds to the current and deferred tax liabilities of the Group companies arising during the year.

Deferred tax assets and liabilities of profitable subsidiaries are recognized for all temporary differences according to the liability method. This method consists of adjusting deferred taxes at each year-end based on the latest enacted tax rate.

Group policy consists of recognizing deferred tax assets in respect of ordinary and evergreen tax loss carryforwards of companies that have reported a taxable profit in each of the last two years, where recovery of the assets is considered probable based on estimated future profits.

At March 31, 2004 none of the companies with tax loss carryforwards fulfilled these criteria and, accordingly, no deferred tax assets were recognized in this respect.

Deferred tax liabilities have not been determined for withholdings at source and other taxes due on non-distributed reserves booked by certain subsidiaries, because these amounts are constantly re-invested.

1.22 Earnings per share

Earnings per share are calculated by dividing net income by the weighted average number of outstanding shares during the period.

Diluted earnings per share are calculated as described above, but also taking into account the maximum impact of conversion of all convertible bonds and the exercise of stock options if the latter seems likely based on a comparison of the share price with the exercise price. This calculation takes into account the cancellation of interest expense, the decrease in redemption premiums and the resulting tax effect.

1.23 Statement of cash flows

The statement of cash flows is presented based on the indirect method. This method consists of presenting adjustments to reconcile net income to net cash provided by operations, investing and financing activities.

Cash is defined as the sum of cash accounts, current accounts at banks and marketable securities, less bank overdrafts and short-term financing instruments.



1.24 Transition to international financial reporting standards

The new International Financial Reporting Standards (IFRS) are applicable for S.T.Dupont as from April 1, 2005.

In preparation for transition to these new standards, the Group has set up an internal workgroup composed of key financial and accounting personnel. The workgroup is assisted by an independent firm of experts and overseen by a steering committee and a technical committee. S.T.Dupont already uses consolidation tools and reporting standards consistently within the Group. As a result, the switch to IFRS will not require significant changes in the Group's teams. A review of the Company's IT systems is underway.

The main impact to date resulting from the transition to IFRS relates to the valuation of intangible assets and property, plant and equipment.

2. CHANGE IN SCOPE OF CONSOLIDATION

	Percent control/interest			Consolidation method		
	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002
S.T.Dupont S.A. (France)		-	-		Parent company	
S.T.Dupont S.p.A. (Italy)	100	100	100	Full	Full	Full
S.T.Dupont S.A. (Switzerland)	97	97	97	Full	Full	Full
S.T.Dupont Japan K.K. (Japan)	100	100	100	Full	Full	Full
S.T.Dupont Ltd (United Kingdom)	100	100	100	Full	Full	Full
S.T.Dupont Deutschland GmbH (Germany)	100	100	100	Full	Full	Full
S.T.Dupont Benelux (Belgium)	100	100	100	Full	Full	Full
D. Marketing S.N.C. (France)	-	-	-	-	-	-
S.T.Dupont Finance (France)	100	100	100	Full	Full	Full
Orfarlabo (Spain)*	33.33	33.33	33.33	Equity	Equity	Equity
S.T.Dupont, Inc. (United States)	100	100	100	Full	Full	Full
S.T.Dupont Marketing Ltd (Hong Kong)	100	100	100	Full	Full	Full
S.T.Dupont Investment Pte Ltd (Singapore – Taiwan branch)	100	100	100	Full	Full	Full
S.T.Dupont Marketing Shanghai Ltd (China)	100	100	100	Full	Full	Full
S.T.Dupont Export Ltd (Hong Kong)	25	25	25	Equity	Equity	Equity
S.T.Dupont Distribution Pte Ltd (Singapore)	100	100	100	Full	Full	Full
S.T.Dupont (Malaysia) Sdn Bhd	100	100	100	Full	Full	Full

* As in previous years, consolidated figures are based on Orfarlabo's accounts at December 31, since figures for the period ending March 31 were not available. No significant operations occurred in relation to this company between December 31, 2003 and March 31, 2004.

**3. GOODWILL**

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
S.T.Dupont Marketing Ltd (Hong Kong)	10,336	10,336	10,336
S.T.Dupont Investment Pte Ltd (Singapore – Taiwan branch)	863	863	863
S.T.Dupont Distribution Pte Ltd	212	212	212
S.T.Dupont (Malaysia) Sdn Bhd	170	170	170
Total, at cost	11,581	11,581	11,581
S.T.Dupont Marketing Ltd (Hong Kong)	(7,236)	(6,977)	(6,718)
S.T.Dupont Investment Pte Ltd (Singapore – Taiwan branch)	(863)	(863)	(863)
S.T.Dupont Distribution Pte Ltd	(175)	(134)	(92)
S.T.Dupont (Malaysia) Sdn Bhd	(142)	(108)	(74)
Total amortization and provisions	(8,416)	(8,082)	(7,747)
Total, net book value	3,165	3,499	3,834

In 1998 an exceptional write-down of goodwill in an amount of €5,450 thousand was recorded (respectively €4,651 thousand for S.T.Dupont Marketing Ltd and €799 thousand for S.T.D. Investment Pte Ltd), as a result of applying standard multipliers to revised operations forecasts.

An impairment test was carried out at March 31, 2004 based on the valuation of discounted net results. The test indicated that no further write-down was required.

4. INTANGIBLE ASSETS

In € thousands	Patents	Leasehold rights	Other	Total
At cost				
At March 31, 2002	913	3,827	4,357	9,097
Acquisitions	9	0	752	761
Disposals	0	0	(96)	(96)
Translation adjustments	0	0	(38)	(38)
Other	0	0	0	0
At March 31, 2003	922	3,827	4,975	9,724
Acquisitions	188	0	625	813
Disposals	0	0	(96)	(96)
Translation adjustments	(46)	0	(1)	(47)
Other	0	0	0	0
At March 31, 2004	1,064	3,827	5,503	10,393
Amortization and provisions				
At March 31, 2002	(794)	0	(2,688)	(3,482)
Charges	(54)	0	(762)	(816)
Write-backs	0	0	96	96
Translation adjustments	0	0	20	20
Other	0	0	4	4
At March 31, 2003	(848)	0	(3,330)	(4,178)
Charges	(49)	0	(777)	(826)
Write-backs	0	0	95	95
Translation adjustments	45	0	0	45
Other	0	0	0	0
At March 31, 2004	(852)	0	(4,012)	(4,864)
Net book value				
At March 31, 2002	119	3,827	1,669	5,615
At March 31, 2003	74	3,827	1,645	5,546
At March 31, 2004	212	3,827	1,491	5,530

The item "Patents, trademarks and know-how" corresponds primarily to trademarks purchased either to secure their legal protection or for their future use.

Leasehold rights concern the S.T.Dupont retail stores in Europe.

"Other intangible assets" correspond mainly to computer software and organization expenses.

The increase in intangible assets at cost since March 31, 2003 primarily reflects software acquisitions and installations.



5. PROPERTY, PLANT AND EQUIPMENT

In € thousands	Land	Buildings	Leasehold improvements	Fixtures and fittings	Other	Total
At cost						
At March 31, 2002	162	3,933	9,054	20,046	6,723	39,918
Acquisitions	0	209	1,209	1 143	1,079	3,640
Disposals	0	0	(34)	(151)	(228)	(413)
Translation adjustments	0	0	(140)	69	(286)	(357)
Other	0	0	(33)	144	(102)	9
At March 31, 2003	162	4,142	10,056	21,251	7,186	42,797
Acquisitions	0	2	1,334	1,821	828	3,985
Disposals	0	0	(581)	(308)	(990)	(1,879)
Translation adjustments	0	0	(65)	(5)	(73)	(143)
Other	0	0	2	(1)	(2)	(1)
At March 31, 2004	162	4,144	10,746	22,758	6,949	44,759
Depreciation and provisions						
At March 31, 2002	0	(2,320)	(6,126)	(16,267)	(5,090)	(29,803)
Charges	0	(165)	(836)	(1,089)	(950)	(3,040)
Write-backs	0	0	33	91	200	324
Translation adjustments	0	0	85	(43)	194	236
Other	0	0	8	(121)	133	20
At March 31, 2003	0	(2,485)	(6,836)	(17,429)	(5,513)	(32,263)
Charges	0	(112)	(725)	(1,115)	(962)	(2,914)
Write-backs	0	0	540	255	950	1,745
Translation adjustments	0	0	50	2	59	111
Other	0	0	0	1	0	1
At March 31, 2004	0	(2,597)	(6,971)	(18,286)	(5,466)	(33,320)
Net book value						
At March 31, 2002	162	1,613	2,928	3,779	1,633	10,115
At March 31, 2003	162	1,657	3,220	3,822	1,673	10,534
At March 31, 2004	162	1,547	3,775	4,472	1,483	11,439

This item primarily corresponds to the property, plant and equipment of S.T.Dupont S.A. and its manufacturing facility.

Other property, plant and equipment mainly consists of office furniture, leasehold improvements and display stands.

The main investments in property, plant and equipment during the year related to the manufacturing facility and the head office, amounting to €2,430 thousand and €1,199 thousand respectively. The main reductions in property, plant and equipment at cost were disposals and retirements in France, totaling €1,476 thousand. Other acquisitions concerned fixtures and fittings for openings of stores and shop-in-shops.

6. OTHER NON-CURRENT ASSETS

Other non-current assets consist almost entirely of guarantee deposits.

7. EQUITY INVESTMENTS

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Orfarlabo	815	805	816
S.T.Dupont Export Ltd	7	7	7
Equity in net assets	822	812	823

8. INVENTORIES AND WORK-IN-PROGRESS

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Raw materials	3,411	4,471	4,439
Work-in-progress and semi-finished products	7,550	8,251	7,725
Finished products and goods for resale	15,039	16,712	17,726
Replacement parts and supplies	1,096	1,445	1,128
Total, at cost	27,096	30,879	31,018
Raw materials	(1,303)	(1,578)	(1,512)
Work-in-progress and semi-finished products	(1,328)	(2,546)	(1,467)
Finished products and goods for resale	(2,563)	(1,369)	(2,805)
Replacement parts and supplies	(314)	(172)	(156)
Total provisions	(5,508)	(5,665)	(5,940)
Total, net	21,588	25,214	25,078

Over the year, net inventories were reduced by €3,626 thousand, down more than 14% on March 31, 2003. This reflects the Group's drive to optimize inventory levels. The most significant decrease was in France where the year-on-year reduction was €3,665 thousand. By contrast, the sharp increase in retail sales in Hong Kong/China and Japan fueled a €1,175 thousand rise in net inventories in these countries.

At March 31, 2004, provisions represented 54.7% of the gross value of total inventories for which a provision had been recorded (50% at March 31, 2003).



9. TRADE ACCOUNTS RECEIVABLE

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Trade accounts receivable	16,427	15,180	17,988
Bills of exchange receivable	3,788	3,388	3,511
Receivables from related parties:			
- Harvey Nichols	0	8	13
- D Marketing Japan	4	27	41
- Dickson Concepts Ltd	0	52	89
- Seibu	160	121	14
- Bondwood Investment	304	22	0
- Shanghai Jin Jiang Dickson Center Co Ltd	0	32	0
- Hinkley Retail Store	47	0	0
- Other	58	4	70
Total, at cost	20,788	18,834	21,726
Provisions for doubtful accounts	(1,296)	(1,421)	(1,137)
Total, net	19,492	17,413	20,589

10. OTHER RECEIVABLES

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Refundable income tax	2,317	2,073	2,010
Other receivables	3,105	2,924	2,791
Prepaid expenses	683	1,202	805
Redemption premium	9	57	106
Deferred charges	537	418	817
Total	6,651	6,674	6,529

Refundable income taxes correspond to the excess of tax prepayments over the amount of income taxes payable and also reflect the recognition of an €865 thousand carry-back credit in S.T.Dupont S.A.'s financial statements at March 31, 1999, usable up to July 31, 2004. After this date it will be repaid.

Refundable income tax also includes a €444 thousand receivable recorded in respect of tax liabilities relating to the German subsidiary, S.T.Dupont Deutschland GmbH (see Note 13 "Provisions for Contingencies and Charges"). This amount, which has remained unchanged since March 31, 2002, concerns transfer prices and represents sums due in accordance with tax treaties in force dealing with the avoidance of double taxation. Once the dispute is resolved, a portion of the tax which has been paid in both countries will be reimbursed by either the French or the German tax authorities, depending on the outcome of the negotiations.

At March 31, 2004 other receivables primarily included recoverable value-added taxes in an amount of €1,005 thousand, royalties receivable in an amount of €954 thousand and staff-related receivables. Other receivables due in more than one year amounted to €52 thousand.

Deferred charges correspond to molds used in production, marketing stands owned by S.T.Dupont S.A. and shipped abroad and productivity studies, for the sum of €285 thousand, as well as Ready-to-wear collection costs for future collections. At March 31, 2004, the portion due in more than one year amounted to €116 thousand.

11. CASH AND MARKETABLE SECURITIES

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Marketable securities	9,221	92	718
Time deposits	6,390	8,456	8,568
Bank current accounts	5,714	4,291	7,376
Total, gross	21,325	12,839	16,662
Provisions for impairment in value of marketable securities	(40)	(54)	(125)
Total, net	21,285	12,785	16,537

Marketable securities correspond primarily to mutual funds and S.T.Dupont shares held in treasury stock.

As part of the Group's refinancing initiative, S.T.Dupont received a bridging loan of €12,600 thousand from its majority shareholder on March 26, 2004. The cash surplus was temporarily invested in a money market fund between March 26, 2004 and April 1, 2004. This short-term investment was recorded at market value.

At March 31, 2004, the Company held 12,272 S.T.Dupont shares representing €92 thousand. There were no movements in treasury stock during the year. The provision relates to write-downs in the value of treasury shares, in the amount of €41 thousand.

12. SHAREHOLDERS' EQUITY

12.1 Capital stock

At March 31, 2004, the capital stock of S.T.Dupont S.A. amounted to €9,961,260.8, breaking down into 6,226,413 ordinary shares with a par value of €1.6.

During 2003-2004, 220 bonds were converted into shares. As a result of these transactions, the number of shares increased by 231, leading to a change in additional paid-in capital.

All the shares are fully paid up.

12.2 Retained earnings and net income/(loss) for the period

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Legal reserve (not available for distribution)	933	933	933
Miscellaneous reserves of S.T.Dupont S.A.			
• freely available for distribution	0	0	0
• available for distribution subject to payment of tax			
- special long-term capital gains reserve	2,070	2,070	2,070
- other reserves	11,633	16,398	23,253
- not available for distribution (effect of consolidation adjustments and restatements)	1,440	293	(1,940)
S.T.Dupont S.A.'s equity in the retained earnings of fully consolidated subsidiaries	6,046	7,734	9,366
S.T.Dupont S.A.'s equity in the retained earnings of companies accounted for by the equity method	495	483	495
Cumulative translation adjustments	(218)	959	3,467
Total	22,399	28,870	37,644



13. PROVISIONS FOR CONTINGENCIES AND CHARGES

In € thousands	Warranty provisions	Provisions for other contingencies	Provisions for charges	Provisions for retirement and other long-term benefits	Total
At March 31, 2002	1,680	2,345	567	4,998	9,591
Charges	383	653	1,588	525	3,148
Releases (used)	(464)	(664)	(175)	(342)	(1,645)
Releases (not used)	0	(799)	(5)	0	(804)
Translation adjustments	0	(115)	0	(112)	(227)
Other	0	0	0	12	12
At March 31, 2003	1,599	1,420	1,975	5,081	10,075
Charges	499	703	655	958	2,815
Releases (used)	(468)	(121)	(452)	(1,671)	(2,712)
Releases (not used)	0	(261)	(148)	0	(409)
Translation adjustments	0	(75)	(8)	(2)	(85)
Other	0	0	0	0	0
At March 31, 2004	1,630	1,666	2,022	4,366	9,684

In € thousands	March 31, 2003	Charges	Releases (used)	Releases (not used)	Other	Change in method	Change in Group structure	Translation adjustment	March 31, 2004
Provisions for other contingencies									
• continuing operations	295	684	(121)	(68)	0	0	0	(75)	715
• financing operations	0	0	0	0	0	0	0	0	0
• non-recurring	1,125	19	0	(193)	0	0	0	0	951
Total	1,420	703	(121)	(261)	0	0	0	(75)	1,666
Provisions for charges									
• continuing operations	105	365	(28)	(148)	0	0	0	(8)	286
• financing operations	0	0	0	0	0	0	0	0	0
• non-recurring	1,870	290	(424)	0	0	0	0	0	1,736
Total	1,975	655	(452)	(148)	0	0	0	(8)	2,022

Warranty provisions

Warranty provisions are set up to cover the estimated cost of guaranteeing products sold in France and abroad. This cost is calculated annually based on numbers of new products returned.

Provisions for other contingencies

Provisions for other contingencies primarily relate to:

- staff-related litigation, in an amount of €204 thousand;
- a dispute with the German tax authorities concerning the sum of €156 thousand;
- impairment in value of finished products inventory, in an amount of €145 thousand;
- the repayment of legal costs relating to administrative proceedings, for €115 thousand.

The dispute between the S.T.Dupont Group and the German tax authorities concerns transfer prices applied between S.T.Dupont S.A. and its German subsidiary, S.T.Dupont Deutschland GmbH between 1988 and 1998. Proceedings were initially issued before the German administrative courts and the Group progressively set aside a provision to reflect the risk relating to all of the reassessed years for which a tax deficiency notice had been received. The provision also reflects the risk of any tax deficiencies for unaudited fiscal years in which the entity made a taxable profit. In addition, the Group has recorded a receivable in respect of sums due in accordance with tax treaties in force dealing with the avoidance of double taxation (see Note 10 "Other Receivables").

In January 2002, the Group's management applied for arbitration to the European Court of Justice and thus had to discontinue the proceedings before the German courts. Therefore, in fiscal 2002-2003, the German subsidiary had to pay €910 thousand to the German tax authorities to settle the tax deficiencies between 1988 and 1998.

The residual provision relating to the dispute with the tax authorities amounts to €156 thousand and represents the remaining risk of the German authorities claiming additional tax for the years which have not yet been audited.

Given that the German subsidiary reported a tax loss for the year ended March 31, 2004, the Group has not set aside any further provisions for the year.

The French and German tax authorities are in the process of discussing the formation of an arbitration board.

Provisions for other contingencies cover risks expected to be incurred in the next 1 to 3 years, except for the provision for German tax liabilities, for which the timing depends on how quickly the current procedure is completed.

Provisions for charges

Provisions for charges mainly concern a provision amounting to €1,236 thousand at March 31, 2004, set up in connection with the CATS/CASA company agreement signed with the labor organizations in 2002 concerning part of the workforce at the Group's manufacturing site in France. €305 thousand of this provision was released in 2003-2004. It should be fully used within the next twelve months.

This item also includes the remaining costs of a restructuring plan carried out in France, for an amount of €387 thousand at March 31, 2004.

The provision booked for reorganizing the Swiss retail network was released in full during the year.

14. EMPLOYEE BENEFIT PLANS**14.1 Description of the plans**

Upon retirement, S.T.Dupont employees receive pensions and other post-employment benefits according to the laws and practices prevailing in the countries where S.T.Dupont Group companies operate.

Post-employment benefits

In some countries, S.T.Dupont makes contributions to public bodies that manage the cost of retirement benefits. These contributions are expensed when they are paid. In other countries, S.T.Dupont has set up defined benefit pension schemes.

Pension schemes

- In France and Hong Kong, statutory retirement bonuses are payable only to employees working for S.T.Dupont at the date of their retirement. These bonuses are determined based on the employee's length of service and estimated salary at the date of his or her retirement.
- S.T.Dupont provides retirement bonuses in Japan, Belgium and Taiwan.
- In Germany and Switzerland, S.T.Dupont operates a defined benefit scheme with lifetime annuities.
- In Italy, and in accordance with local regulations (Trattamento di Fine Rapporto), the Group sets aside retirement bonuses for all employees until they leave the company (on account of retirement, redundancy or early-retirement). This amount is increased each year based on length of service and inflation.
- For intercompany pension schemes in France, contributions are determined in accordance with French legislation.

14.2 Amounts recognized

Amounts recognized in the balance sheet were as follows:

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Post-employment schemes	(4,078)	(4,832)	(4,717)
Other long-term benefits	(288)	(249)	(282)
Sub-total	(4,366)	(5,081)	(4,999)
Early-retirement schemes	(1,236)	(1,251)	-
Total employee benefit obligations	(5,602)	(6,332)	(4,999)



- In Malaysia, the Group operates a defined contribution pension scheme.

Healthcare schemes

- The Group pays a fixed portion of the cost of monthly health insurance premiums for employees of S.T.Dupont S.A. who retired prior to January 1, 2001.

Other long-term benefits

In France and Japan the Group regularly pays long-service awards to working employees each time they reach a certain number of years of service (in Japan, these awards take the form of fixed-price vacations).

Early-retirement benefits

In France the Group operates an early-retirement scheme established under the CATS/CASA agreement. This scheme is partly financed by the French government.

The following table sets out a reconciliation between the projected benefit obligation and the fair value of plan assets for the years ended March 31, 2002, 2003 and 2004:

In € thousands	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002
Change in projected benefit obligation									
Projected benefit obligation at beginning of year	(7,495)	(7,179)	(7,038)	(251)	(247)	(256)	(1,251)	-	-
Past service cost	(322)	(309)	(204)	(9)	(12)	(12)	-	-	-
Interest cost on projected benefit obligation	(321)	(363)	(353)	(12)	(13)	(14)	(43)	-	-
Contributions from plan members	(4)	(5)	(5)	-	-	-	-	-	-
Adjustments to schemes	454	-	-	-	-	-	-	(1,251)	-
Curtailments/settlements	287	-	-	-	-	-	(287)	-	-
Actuarial gains/(losses)	(1,005)	(95)	35	5	(2)	35	64	-	-
Benefits paid	646	342	316	-	23	-	281	-	-
Other (including exchange-rate effects)	(648)*	114	69	(19)*	-	-	-	-	-
Projected benefit obligation at end of year	(8,408)	(7,495)	(7,179)	(288)	(251)	(247)	(1,236)	(1,251)	-
- of which retirement benefits	(7,285)	(5,893)	(5,675)	-	-	-	-	-	-
- of which healthcare benefits	(1,123)	(1,602)	(1,504)	-	-	-	-	-	-
Change in fair value of plan assets									
Fair value at beginning of year	1,578	2,156	2,493	-	-	-	-	-	-
Actual return on plan assets	277	(558)	(341)	-	-	-	-	-	-
Employer contributions	14	20	-	-	-	-	-	-	-
Contributions from plan members	4	5	5	-	-	-	-	-	-
Benefits paid	(246)	(40)	-	-	-	-	-	-	-
Other (including exchange-rate effects)	609*	(4)	(1)	-	-	-	-	-	-
Fair value at end of year	2,236	1,578	2,156	-	-	-	-	-	-
- of which retirement benefits	2,236	1,578	2,156	-	-	-	-	-	-
- of which healthcare benefits	-	-	-	-	-	-	-	-	-
Funded status of plans									
Deficit	(6,171)	(5,917)	(5,024)	(288)	(251)	(247)	(1,236)	(1,251)	-
Unrecognized actuarial losses (gains)	2,093	1,085	307	-	2	(35)	-	-	-
Deficit, net	(4,078)	(4,832)	(4,717)	(288)	(249)	(282)	(1,236)	(1,251)	-
- of which retirement benefits	(2,955)	(2,903)	(2,754)	-	-	-	-	-	-
- of which healthcare benefits	(1,123)	(1,929)	(1,963)	-	-	-	-	-	-



Year-on-year changes in benefit obligations were as follows:

In € thousands	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002
At beginning of year	(4,832)	(4,717)	(4,730)	(249)	(282)	(184)	(1,251)	-	-
Retirement costs	338	(558)	(391)	(39)	10	(98)	(266)	(1,251)	-
Employer contributions	14	20	-	-	-	-	-	-	-
Benefits paid	400	302	316	-	23	281	-	-	-
Exchange-rate effect	2	121	89	-	-	-	-	-	-
At end of year	(4,078)	(4,832)	(4,717)	(288)	(249)	(282)	(1,236)	(1,251)	-

* These amounts take into account the fact that Swiss and Japanese pension plans were not previously included in the notes to the financial statements.

The projected benefit obligation and plan assets by geographical area broke down as follows at the year-end:

In € thousands	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002
Projected benefit obligation at end of year									
France	(5,767)	(5,259)	(4,784)	(268)	(251)	(247)	(1,236)	(1,251)	-
Germany	(937)	(929)	(915)	-	-	-	-	-	-
Switzerland	(653)	-	-	-	-	-	-	-	-
Other European countries	(421)	(386)	(379)	-	-	-	-	-	-
Asia	(630)	(922)	(1,101)	(19)	-	-	-	-	-
Total	(8,408)	(7,495)	(7,179)	(288)	(251)	(247)	(1,236)	(1,251)	-
Fair value of plan assets at end of year									
France	1,489	1,470	2,036	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-	-	-
Switzerland	611	-	-	-	-	-	-	-	-
Other European countries	112	89	97	-	-	-	-	-	-
Asia	25	19	23	-	-	-	-	-	-
Total	2,236	1,578	2,156	-	-	-	-	-	-

The Group recorded a gain of €33 thousand relating to employee benefit obligations for the year ended March 31, 2004 compared with losses of €1,798 thousand and €490 thousand respectively for the previous two years.

In € thousands	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002
Normal cost									
Past service cost	322	309	204	9	12	12	-	-	-
Interest cost on projected benefit obligation	321	363	353	12	13	14	43	-	-
Expected return on plan assets	(79)	(127)	(148)	-	-	-	-	-	-
Amortization of unrecognized actuarial gains and losses	(203)	13	(18)	(2)	(35)	17	(64)	-	-
Amortization of unrecognized past service costs	(454)	-	-	-	-	55	-	1,251	-
Impact of curtailments/settlements of plans	(287)	-	-	-	-	-	287	-	-
Other	43*	-	-	19*	-	-	-	-	-
Total	(338)	(558)	(391)	39	(10)	98	266	1,251	-

S.T.Dupont operates retirement schemes funded under an insured plan in France, Belgium, Switzerland and Taiwan. The table below provides a breakdown of the plans by asset category:

	Shares	Bonds	Real-estate	Cash	Total
France	65%	33%	0%	2%	100%
Belgium	0%	100%	0%	0%	100%
Switzerland	8%	75%	11%	6%	100%
Taiwan	0%	0%	0%	100%	100%

Actuarial assumptions expressed as weighted averages for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2004	March 31, 2003	March 31, 2002
Discount rate	4.2%	4.8%	5.8%	4.1%	4.8%	5.8%	3.6%	3.5%	NA
Expected return on plan assets	5%	5%	6%	NA	NA	NA	NA	NA	NA
Future salary increases	2.4%	2.4%	3.4%	2.4%	2.4%	3.4%	NA	NA	NA
Increase in healthcare plan costs	NA	3.7%	4.7%	NA	NA	NA	NA	NA	NA
Increases in bonuses	NA	NA	NA	0%	0%	0%	NA	NA	NA



Following the change in the healthcare system in 2003, the Group's related obligations have been reduced to a single fixed contribution for the employees concerned.

The expected long-term return on plan assets takes into account the structure of each portfolio of assets and the projected yield of each component. These estimates are carried out for each country in which S.T.Dupont operates retirement schemes funded under an insured plan.

15. BOND ISSUE

On May 19, 1999, the S.T.Dupont Group issued 1,282,986 convertible bonds, for a total amount of €12,958 thousand, carrying a nominal value of €10.10 and a redemption premium of €0.20. D and D International B.V. took up 57.43% of the total bond issue. The redemption premiums, totaling €256 thousand, were amortized on an accruals basis over the year in the amount of €48 thousand. The bonds bore interest at the rate of 4.5% payable annually in arrears on April 1 of each year. Total interest expense for fiscal 2003-2004, paid on April 1, 2004, amounted to €524 thousand.

Following the payment of a cash dividend for fiscal 2001-2002, deducted from retained earnings, the bond conversion rate was adjusted to protect the rights of bond holders, as provided for in the issue agreement. Following this adjustment, the bonds are now convertible on the basis of 1.05 ordinary shares with a par value of €1.6 per convertible bond with a nominal value of €10.10.

During fiscal 2003-2004, 220 bonds were converted into shares. At March 31, 2004, 1,163,984 bonds were outstanding. These bonds can be converted until June 30, 2004 or redeemed at €10.30 per bond until July 16, 2004 (i.e. the nominal value of €10.10 plus a redemption premium of €0.20). At March 31, 2004, the corresponding liability in the balance sheet stood at €12,513 thousand.

16. BORROWINGS

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Due in more than one year			
Borrowings denominated in euros	43	48	48
Total debt due in more than one year	43	48	48
Due in less than one year			
Current portion of long-term debt - borrowings denominated in euros	0	0	0
Short-term borrowings	15,647	0	0
Bank overdrafts in Taiwan dollars	1,671	1,814	2,019
Bank overdrafts	1,060	1,972	1,829
Total debt due in less than one year	18,378	3,786	3,848

On March 26, 2004, S.T.Dupont received a bridging loan of €12,600 thousand from its majority shareholder D and D International for the purpose of repaying the convertible bonds issued in 1999 and due on April 1, 2004. This loan was repaid on April 14, 2004 on completion of relating the €22,500 thousand issue of "Océane" bonds convertible and/or exchangeable into new or existing shares, launched on March 24, 2004.

At March 31, 2004, the total amount loaned stood at €12,614 thousand including accrued interest and borrowing fees.

At March 31, 2004, unused credit lines amounted to €15,359 thousand.

The €43 thousand in debt due in more than one year corresponds to a grant awarded in 2002 in connection with equipment for a waste storage room. This amount is repayable over 10 years from 2004.

At the close of fiscal 2003-2004, overdrafts and used short-term credit lines bore interest as follows:

- bank overdrafts	
in France	EONIA + (0.5 to 1.25)%
- bank overdrafts	
in Belgium	Bank base rate +1%
- bank overdrafts	
in Taiwan	1.85% to 2.05%
- short-term loans	
in Japan	1.10% to 1.40%

17. TRADE ACCOUNTS PAYABLE

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Trade accounts payable	5,484	6,237	4,536
Bills of exchange payable	1,490	1,402	2,146
Payable to related parties:			
- Dickson Concepts Limited	15		
- Dickson Concepts (Wholesale)	10		
- Golden Creation Retail division (Hong Kong)	10	31	0
- Leading Way Apparel Shangai	41	98	0
- Other	15	17	69
Total	7,065	7,785	6,751

18. OTHER PAYABLES

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Accrued personnel costs	5,917	5,294	4,852
Provision for current income taxes	95	391	890
Prepaid income	128	1,084	1,141
Other payables	4,852	3,518	3,171
Total	10,992	10,287	10,054

This item includes accrued taxes other than on income (€1,602 thousand at March 31, 2004), which are up significantly in relation to the previous year.



19. OFF BALANCE-SHEET COMMITMENTS RECEIVED AND GIVEN

19.1 Commitments received

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Letters of intent	13,876	13,971	14,275
Other commitments received	276	281	296
Total commitments received	14,152	14,252	14,571

The Group's banks have received letters of intent from Broadgain Investment Ltd., guaranteeing the facilities granted to S.T.Dupont S.A. (France) in the amount of €12,647 thousand. The Taiwan subsidiary has received a letter of intent from Broadgain Investment Ltd., guaranteeing facilities in the amount of TWD50,000 thousand, or €1,229 thousand at March 31, 2004.

Other commitments received correspond to guarantee deposits (rents) in the amount of €194 thousand and a payment guarantee in the amount of €82 thousand.

19.2 Commitments given

Guarantees and other endorsements given

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Bank guarantees given on behalf of subsidiaries	6,507	7,428	9,809
Other bank guarantees	194	188	2,995
Firm orders for fixed assets	1,599	68	413
Total commitments given	8,300	7,684	13,217

Bank guarantees correspond to bank guarantees given by the parent company to the main banks of certain subsidiaries.

At March 31, 2004, the Group also had contracts of forward sales of foreign currencies in the amount of €11,698 thousand, and the option contracts detailed in Note 28.2.

Sales and marketing commitments

Sales and marketing commitments	Total	Amount of commitments by maturity						Total risk
		Due in less than 1 year		1 to 5 years		Beyond 5 years		
In € thousands		2003-2004	2002-2003	2003-2004	2002-2003	2003-2004	2002-2003	
Repurchase commitments	14	14	194					14
Consignment contracts on purchase	80	80	80					80
Other sales and marketing agreements		-	-					
Total	94	94	274	0	0	0	0	94

The Company has signed a number of contracts for bought-in products that include a penalty payable to suppliers in the event that a product line is stopped. At March 31, 2004, the amount of penalties that would be payable should all contracts containing this type of clause be terminated, totaled €14 thousand.

The Group has signed several consignment contracts, primarily with suppliers of raw materials, and would be obliged to purchase the consigned goods should the related contract be terminated. At March 31, 2004, the total amount of goods to be purchased should all said contracts be terminated would be €80 thousand.

To the best of the Group's knowledge, no other significant sales and marketing commitments are included in its sales and marketing contracts.

Commitments related to borrowings

Description of borrowing	Covenants	Amount In € thousands		Start of borrowing period	Maturity	Current situation	Total risk
		March 31, 2004	March 31, 2003				
Drawdown facility signed with CCF	Shareholders' equity and debt-equity ratio	1,000	1,500	August 4, 2000	August 4, 2005	Unused	1,000
Total		1,000	1,500				1,000

The amount of the facility decreases as follows:

- €1,000 thousand between August 5, 2003 and August 4, 2004,
- €500 thousand between August 5, 2004 and August 4, 2005.

Leasing commitments

In € thousands	March 31, 2004	Payment schedule		
		Less than 1 year	1 to 5 years	Beyond 5 years
Minimum future lease payments	1,638	686	952	0
Operating leases (buildings and stores)	2,358	1,421	791	145
Other operating leases	884	428	455	0
Total	4,880	2,535	2,199	145

Contractual obligations

In 2003, the Group signed a 10-year contract relating to the generation of hot water and heating for its industrial site. This contract is renewable for a period of 8 years. The exit conditions are negotiable, should either one of the parties decide to terminate the agreement.

Certain store leases include a clause concerning repairs at the end of the lease period. At that date a quotation would be drawn up to assess the corresponding amount. However, given that the stores are designed for the purpose of selling luxury items, it is unusual that the premises undergo any significant damage. Amounts for any repairs would therefore be limited.

To the best of the Group's knowledge, it has no other significant obligations stipulated in its contract agreements.



19.3 Pledges

Pledges on registered shares

To the best of the S.T.Dupont Group's knowledge, as of March 31, 2004 none of the shares making up its capital have been pledged.

Pledges of S.T.Dupont assets

To the best of the S.T.Dupont Group's knowledge, as of March 31, 2004, none of its assets have been pledged.

20. INFORMATION BY BUSINESS SEGMENT

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Net sales			
Lighters and pens	49,154	50,573	52,554
Leather goods and other	32,632	31,649	33,402
Royalties	4,182	4,347	5,193
Total	85,968	86,569	91,149
Operating (loss)/income			
Gross margin on lighters and pens	21,713	22,327	24,848
Gross margin on leather goods and other	15,144	15,158	16,474
Royalties	4,182	4,347	5,193
Unallocated costs	(44,081)	(42,870)	(41,254)
Total	(3,042)	(1,038)	5,261
Total assets			
Lighters and pens	54,968	53,685	48,192
Leather goods and other	37,101	30,857	43,341
Total	92,069	84,542	91,533

Royalties represent revenues from licenses with third parties, including revenues generated under the contract signed with a Dickson Group subsidiary to develop the Chinese market.

Licenses include agreements for the manufacture and retail under the S.T.Dupont brand of certain products, with the following companies:

- Sampoerna (premium cigarettes sold mainly in Asia and the Middle East);
- Bondwood (several product ranges in the Chinese market);
- Inter Parfums (three lines of fragrances for men and women);
- Estede (two ranges of optical frames);
- ESSC SRL of the Ratti Group (ties in certain regions);
- World Best Cigars (two lines of high-end cigars);
- Duko (an apparel line);
- Itochu Corp. (menswear in Japan).

They are allocated to different geographical areas, based on the countries from which the licenses are paid.

21. INFORMATION BY GEOGRAPHICAL AREA - TARGET MARKETS

In € thousands	March 31, 2004	March 31, 2003	March 31, 2002
Net sales			
Europe	36,986	37,389	39,463
Asia	39,570	41,231	43,700
Other regions	9,412	7,949	7,986
Total	85,968	86,569	91,149
Operating (loss)/income			
Gross margin on Europe sales	16,205	15,977	17,632
Gross margin on Asia sales	21,322	22,924	25,183
Gross margin on sales to other regions	3,512	2,931	3,700
Unallocated costs	(44,081)	(42,870)	(41,254)
Total	(3,042)	(1,038)	5,261
Total assets			
Europe	40,268	36,850	39,645
Asia	40,639	38,799	42,498
Other regions	11,162	8,893	9,390
Total	92,069	84,542	91,533

22. SELLING AND ADMINISTRATIVE EXPENSES

In € thousands	12 months to	March 31, 2004	March 31, 2003	March 31, 2002
Personnel costs		(20,967)	(20,458)	(19,525)
Amortization and depreciation				
of intangible assets		(1,496)	(1,002)	(1,044)
of property, plant and equipment		(747)	(791)	(727)
Provisions net of write-backs		(74)	92	(175)
After-sales service revenues		925	1,515	1,716
Other		(15,021)	(15,565)	(15,112)
Total		(37,380)	(36,209)	(34,867)

Other selling and administrative expenses mainly consist of rents, commissions and external services.

Research and development costs, covering scientific research, new product development, monitoring of technological advances and improvements to existing processes amounted to €2,181 thousand for the year ended March 31, 2004, €2,127 thousand for the year ended March 31, 2003 and €2,259 thousand for the year ended March 31, 2002.

Costs related to Group personnel, as well as to external staff (recorded on different lines of the statement of income) amounted to €37,624 thousand for the year ended March 31, 2004 against €37,006 thousand for the year ended March 31, 2003.

For the year ended March 31, 2004, total remuneration of members of the Executive Committee (including two additional members) came to €1,164 thousand. Attendance fees paid to members of the Supervisory Board stood at €4.6 thousand.



23. INTEREST INCOME AND EXPENSE

In € thousands	12 months to	March 31, 2004	March 31, 2003	March 31, 2002
Interest income		126	283	424
Interest expense		(1,519)	(1,343)	(1,369)
Exchange gains, net		1,044	408	352
Total		(349)	(652)	(593)

24. NON-RECURRING ITEMS FROM CONTINUING OPERATIONS

In € thousands	12 months to	March 31, 2004	March 31, 2003	March 31, 2002
Non-recurring (expense)/income, net		(806)	(2,002)	50
Net losses on disposals of assets		(33)	(66)	(21)
Total		(839)	(2,068)	29

For the year ended March 31, 2004, non-recurring items included:

- €539 thousand in costs relating to the refinancing initiative;
- a €56 thousand charge to the provision for claims and litigation relating to staff departures;
- €140 thousand released from provisions for doubtful accounts;
- the booking of a €33 thousand provision for impairment in value of the Taiwanese retail network.

For the year ended March 31, 2003, non-recurring items included:

- a charge to the provision for tax liabilities in Germany and recognition of the balance due for the reassessed years, representing a total amount of €122 thousand;
- a €1,251 thousand provision for costs under the early-retirement plan covered by an agreement with the trade unions;
- €234 thousand in compensation for termination of a license agreement in Japan;
- €168 thousand in write-downs of property, plant and equipment;
- €520 thousand in provisions for distribution network restructuring costs.

For the year ended March 31, 2002, non-recurring income items primarily included €305 thousand released from a provision for claims and litigation no longer required and a €266 thousand adjustment to the provision for German tax liabilities.

25. PROVISION FOR INCOME TAXES

In € thousands	12 months to	March 31, 2004	March 31, 2003	March 31, 2002
Current income taxes		(695)	(969)	(869)
Deferred income taxes (Note 26)		26	(272)	271
Total		(669)	(1,241)	(598)

The net tax benefit resulting from non-recurring items amounted to €6 thousand.

26. DEFERRED TAXES**26.1 Net change in deferred taxes (assets and liabilities)**

In € thousands	12 months to	March 31, 2004	March 31, 2003	March 31, 2002
Deferred tax assets at beginning of year		1,310	1,563	1,300
Deferred tax liabilities at beginning of year		(195)	(101)	(86)
Net deferred tax assets at beginning of year		1,115	1,462	1,214
Impact on income				
- Asset		(152)	(170)	285
- Liability		175	(102)	(14)
Changes in Group structure				
- Asset		0	0	0
- Liability		0	0	0
Other				
- Asset		0	0	0
- Liability		2	0	0
Exchange rate changes				
- Asset		(11)	(83)	(22)
- Liability		6	8	(1)
Deferred tax assets at year-end		1,147	1,310	1,563
Deferred tax liabilities at year-end		(12)	(195)	(101)
Net deferred tax assets at year-end		1,135	1,115	1,462

Unrecognized deferred tax assets related to ordinary tax loss carryforwards amounted to €10,073 thousand at March 31, 2004 (€4,780 thousand at March 31, 2003 and €5,363 thousand at March 31, 2002).

Unrecognized deferred tax assets related to evergreen tax loss carryforwards in France amounted to €8,150 thousand at March 31, 2004 (€4,295 thousand at March 31, 2003 and €1,686 thousand at March 31, 2002).

26.2 Deferred taxes recognized in the balance sheet result from the following temporary differences:

In € thousands	12 months to	March 31, 2004	March 31, 2003	March 31, 2002
Elimination of intercompany profits		563	574	820
Provisions		132	182	160
Retirement commitments		230	384	464
Depreciation			2	49
Deficit		14	30	0
Other		208	138	70
Total assets		1,147	1,310	1,563
Provisions		0	(89)	(68)
Other		(12)	(106)	(33)
Total liabilities		(12)	(195)	(101)

**26.3 Analysis of the difference between the statutory income tax rate in France and the effective tax rate**

In € thousands	12 months to	March 31, 2004	March 31, 2003	March 31, 2002
Statutory tax rate in France		35.42%	35.42%	35.42%
Theoretical income tax at statutory rate		1,522	1,331	(1,664)
Effect of subsidiaries taxed at foreign tax rates		490	423	684
Effect of changes in tax rate		19	38	(15)
Non-taxable income and expenses		487	366	(220)
Utilization of tax loss carryforwards		33	(901)	757
Unrecognized deferred tax assets		(3,206)	(2,498)	(140)
Miscellaneous adjustments		(13)		
Provision for income taxes		(669)	(1,241)	(598)
Effective rate of income tax		-15.6%	-33.0%	12.7%

27. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share have been calculated by dividing net income/(loss) by the weighted average number of shares outstanding during the year.

Net loss	(5,294)
Weighted average number of shares outstanding	6,226,184
Loss per share, in euros	(0.85)

Diluted earnings/(loss) per share have been calculated based on the weighted average number of shares outstanding plus the number of shares to be issued on conversion of dilutive instruments. At March 31, 2004, dilutive instruments consisted of convertible bonds.

The convertible bonds have been treated as having been converted into shares as of the date of issue and net loss has been adjusted to eliminate interest expense on the bonds and amortization of redemption premiums, net of taxes where applicable.

Net loss	(5,294)
Interest expense	524
Amortization of bond redemption premiums	48
Adjusted net loss	(4,722)
Weighted average number of shares outstanding	6,226,184
Weighted average number of outstanding bonds	1,164,202
Diluted number of shares	7,390,386
Diluted loss per share, in euros	(0.64)

28. ISSUER RISKS

28.1 Liquidity risk

Repayment schedule for main categories of debt (excluding accrued interest):

Type of debt	Interest rate	Amount in € thousands	Maturity	Hedging
Bond issue	Fixed	11,989	2004*	None
Bank overdrafts and short-term bank loans				None
(Loans maintained at floating-rate in local currency)				
Euro	Floating	573	2004	None
US dollar	Floating	255	2004	(Loans
Swiss franc	Floating	5	2004	maintained
Hong Kong dollar	Floating	120	2004	at floating-rate
Taiwan dollar	Floating	1,671	2004	in local
Yen	Floating	3,135	2004	currency)
Other borrowings				
Regional financing	Fixed	48	2004/2014	None
Parent company loan (euro)	Floating	12,600	2004	None
Undrawn confirmed lines of credit				
Euro		1,557	2004/2005	None
Swiss franc		96	2004	None
Hong Kong dollar		1,328	2004/2005	None
Taiwan dollar		295	2005	None
Singapore dollar		24	2004	None
Malaysian ringitt		119	2004	None

* Bonds exchangeable for S.T.Dupont shares, redeemable as of April 1, 2004

Excluding accrued interest, bonds accounted for approximately 39% of total borrowings. This figure takes into account the bridging loan granted by the majority shareholder to refinance convertible bonds maturing on April 1, 2004 pending funds from the "Océane" bond issue launched in France on March 24, 2004.

The transactions carried out as part of the refinancing initiative are described in Section 7.2, Balance sheet structure, of the Group management report.

Thanks to the commitment of its majority shareholder, the Group has ensured that it has the necessary financial strength to fund its future development.

Credit lines

The S.T.Dupont Group has access to confirmed and unconfirmed lines of credit granted by international banks. These have allowed it to build up a substantial cash reserve.

At March 31, 2004, unconfirmed lines of credit granted to S.T.Dupont entities totaled €16,737 thousand, of which €11,940 thousand were unused. The underlying agreements do not contain covenants concerning the financial ratios of the entity concerned or the parent company, or events likely to have a substantially unfavorable impact on the Group's financial situation.



As well as overdraft authorizations, the Group also has confirmed lines of credit. These include a drawdown facility for S.T.Dupont S.A. (France) repayable in annual installments for €1,000,000 per year and maturing in August 2005, as well as a spot type short-term facility to cover the financing needs of S.T.Dupont Investment PTE Ltd with a limit of 10,000,000 Hong Kong dollars (€1,049 thousand).

Clauses requiring the immediate repayment of amounts drawn down under these confirmed credit lines, or their cancellation if they have not been used, relate mainly to respecting minimum thresholds for shareholders' equity and maximum thresholds for debt-to-equity ratios, calculated at six-monthly intervals. Only the credit line repayable in installments, which accounts for 19% of the total drawdowns under the credit lines, carries a change in control clause which, if triggered, would generate the same effects.

28.2 Exposure to interest-rate and currency risks

Interest-rate risk

The cash position is managed according to the guidelines established by Group management, which are designed to achieve maximum liquidity while earning the highest possible return on investments according to the yield curve and reducing borrowing costs. Positions are managed based on a benchmark overnight interest rate.

The Group Treasury Department is responsible for managing interest rate risk related to total net borrowings. This debt is tracked by a monthly financial reporting system, which differentiates between types of instrument and types of rate (fixed or floating). Additionally, each Group entity provides details of its debt structure on a six monthly basis as part of the preparation of the consolidated financial

statements. These details include the proportion of fixed and floating-rate debt, as well as long- and short-term debt, and the corresponding rates of interest. They also include a description of any related financial instruments. In accordance with Group financial policy, these instruments must be simple, such as interest rate swaps and forward rate agreements, and must be handled by foremost banking institutions.

Average interest rates on the Group's main debt items are as follows:

1999 bond issue.....	4.50%
Parent company loan.....	3.84%

The bond issue underway at the year-end bears an interest rate of 7%.

No derivatives were used to hedge interest-rate risks in 2003-2004.

The table below shows the schedule at March 31, 2004 for financial assets and liabilities (excluding accrued interest) before and after the impact of hedging. The Group has no debt obligations with adjustable rates.

In € thousands	Overnight to 1 year	1 to 5 years	Beyond 5 years	Total
Total financial assets, gross (excluding accrued interest)	21,325	0	0	21,325
Fixed	12,104			12,104
Floating	9,221			9,221
Total financial liabilities, gross (excluding accrued interest)	(30,353)	(43)	0	(30,396)
Fixed	(11,994)	(43)		(12,037)
Floating	(18,359)			(18,359)
Net position before the impact of hedging	(9,028)	(43)	0	(9,071)
Off-balance sheet position				-
Net position after the impact of hedging	(9,022)	(43)	0	(9,065)

Sensitivity to interest rate risk

At March 31, 2004, an overall 1% rise in interest rates would increase the Group's net annual interest expense by €91 thousand, assuming that the total amount of floating-rate debt remained stable.

Currency risk

Conversion risk

For reasons of geographical location, the assets, liabilities, income and expenses of the Group's legal entities are expressed in currencies other than the euro – mostly denominations pegged to the dollar and the yen. Since the parent company's accounts are in euros, the assets, liabilities, income and expenses of these entities have to be converted into euros in order to be consolidated.

If the euro gains strength in relation to another currency, the value of the assets, liabilities, income and expenses initially denominated in that currency will fall. By contrast, if the euro loses ground against the other currency, the value of items initially recorded in said other currency will rise on conversion. Thus, any movement in the value of the euro is likely to have an impact on assets, liabilities, income and expenses that are not euro-denominated, even if their value has held firm in the original currency.

Net sales break down as follows by billing currency:

EUR	48%
USD	26%
JPY	16%
Other	10%
Total	100%

Based on figures for fiscal 2003-2004, the Group estimates that a €0.01 increase or decrease versus the US dollar and pegged currencies would have around a €224 thousand impact on consolidated net income.

To date, conversion risk is not hedged by the Company.

Transaction risk

In addition to the conversion risk described above, the S.T.Dupont Group is exposed to currency risks on certain transactions recognized in the balance sheet or on highly probable future transactions denominated in a currency other than the local currency of the entity concerned. Exchange rate volatility can have the effect of reducing the value of the transaction in the original currency.

Group policy consists of making billings from the parent company to subsidiaries in the subsidiaries' local currency, except in the rare cases where this currency is not readily convertible on the financial markets. Certain export customers are also billed in foreign currency.

Currency risks are managed at parent company level, by setting off cash outflows and inflows in the same currency. Cash outflows correspond to purchases and mainly concern Europe, while cash inflows correspond to parent company billings, royalties and sales to certain export customers that are billed in foreign currency. The net currency position is hedged on the market.



The Group has adopted a proactive risk-management policy based on the following objectives:

- cover open positions over a one-year time span, bearing in mind that settlements may be outstanding at the yearly close;
- systematically protect the benchmark exchange rate defined within the budget framework;
- keep enough flexibility to be able to benefit from favorable trends or absorb unfavorable fluctuation for the amounts managed.

Under these conditions, the proactive management strategy involves combining the various available hedging instruments to meet as far as possible the three criteria above. Once previously determined exchange rates are reached, hedging transactions are triggered.

Net cash flows by currency are hedged according to a strategy which combines:

- forward sales to hedge balance sheet positions, based on the subsidiaries' business cycle and payment terms;
- currency options used to hedge future sales and protect future profits. The Group also hedges future sales in order to protect net income.

The table below details the derivative instruments held in the balance sheet at March 31, 2004. These were contracted by the parent company to hedge commercial transactions that were not yet unwound in 2003-2004, as well as transactions planned for 2004-2005.

In € thousands	Nominal value	Premium paid	Fair value
Forward currency contracts			
Sale of foreign currencies against the euro			
EUR/USD	2,426	-	184
EUR/JPY	3,189	-	(100)
EUR/HKD	4,507	-	185
EUR/CHF	1,576	-	26
Total	11,698	-	295
Currency options			
EUR/USD	(64)	1	11
EUR/JPY	(192)	2	(127)
EUR/HKD	(215)	6	19
EUR/CHF	(33)	1	(3)
Total	(504)	10	(100)
Of which purchased options	11,260	11	226
Of which sold options	(11,764)	(1)	(326)
Total	11,194	10	195

At March 31, 2004, S.T.Dupont Distribution PTE Ltd. held two forward currency contracts for the purchase of euros against the Singapore dollar, representing a total amount of €70,000.

The total amount disclosed for written options corresponds solely to option combinations written in connection with no-premium collars. It is determined after excluding stand-alone written options identified by analyzing asymmetric tunnels between symmetrical tunnels and stand-alone options.

Derivatives are marked to market.

At March 31, 2004, approximately 92% of the position corresponding to estimated fiscal 2004-2005 cash flows of the parent company in US dollars was hedged. This hedging strategy has helped to maintain an average exchange rate of USD1.14 to the euro while enabling the Company to benefit from 8% of any favorable changes in the euro/dollar exchange rate. At the same time, around 73% of the Japanese yen position is hedged (of which 58% by European put options) to maintain an average exchange rate of JPY132.93 to the euro, allowing the Company to benefit from around 27% of any favorable fluctuations. The position in Swiss francs was 66% hedged at around CHF1.533 to the euro, allowing the Company to benefit from 34% of any favorable fluctuations. Lastly, 84% of the position corresponding to estimated cash flows of the parent company in Hong Kong dollars was hedged at around HKD9.094 to the euro at March 31, 2004.

No major foreign currency position has been left unhedged.

28.3 Counterparty risks

Group entities do business solely with banks that have been approved by the parent company based on an assessment of their financial strength. As a result, the Group believes its exposure to counterparty risk is low.

The financial instruments used to manage currency and interest rate risks are organized through foremost international banking institutions.

The Group is not exposed to any material concentration of risks arising from its dealings with banking counterparties.

28.4 Equity risk

Equity risk relates to the risk arising from unfavorable fluctuations in the price of shares held.

The Group does not own shares in any listed companies. However, it does own 12,272 treasury shares, which are recognized in the accounts of the parent company. At March 31, 2004, the market value of these shares stood at approximately €50 thousand. The parent company has signed an agreement with a stockbroker with a view to stabilizing the performance and liquidity of S.T.Dupont shares, subject to an overall limit of €305 thousand.

As a listed company, the value of the S.T.Dupont Group is subject to stock-market trends. However, in view of the limited number of treasury shares held, a 10% decrease in the S.T.Dupont share price would not have a material impact on the Group's accounts.

28.5 Fair value of financial instruments

The book value of the following financial assets and liabilities is close to their fair market value: cash and cash equivalents, short-term investments, supplier receivables and payables, other receivables and other payables, short-term and long-term borrowings. Information on the fair value of the bond issue is provided in Note 15.



29. AVERAGE NUMBER OF EMPLOYEES

	March 31, 2004	March 31, 2003	March 31, 2002
France	657	648	642
<i>of which</i>			
- Managers	85	78	69
- Supervisors and sales representatives	19	21	22
- Other	553	549	551
Outside France	189	187	181
Total	846	835	823

30. RELATED-PARTY TRANSACTIONS

Financial transactions with related parties are presented in Note 16 to the consolidated financial statements.

The main related party transactions in fiscal 2003-2004 concerned:

- license fees received under the agreement with Bondwood Investment;
- management fees between STD Marketing and Dickson Concept Ltd;
- the supply of staff by Dickson Concept Ltd to STD Marketing Ltd;
- sales to related parties.

Name of the company	Nature of transactions	Amount of current transactions profit/(expense) (in € thousands)	Amount totalized in the balance sheet (in € thousands)
Bondwood Investment	Royalties	1,612	304
	Other	(336)	
Dickson Concept Limited	Rents	(53)	(15)
	Other	(46)	
Dickson Concept Limited (Retail division)	Services	(62)	(7)
Dickson Concept Limited (Wholesale division)	Services	(136)	(10)
Dickson Warehousing Limited	Sservices (Shatin warehouse)	(63)	
	Other	(6)	
Ever Success Management Limited	Services	(87)	(7)
Hong Kong Seibu	Net sales on shop-in-shop	705	24
	Rents	(176)	
	Other	(15)	
Dickson Communication Ltd	Advertising expenses	(60)	
Golden Creation (Retail Division)	Salaries	(77)	(10)
	Other	2	
Hinkley Retail Division	Services	78	47
Leading Way Apparel Shanghai Ltd	Sales	132	(41)
	Purchases	(277)	
	Other	4	
Shenzen Seibu Dpt Store Cy Ltd	Sales	361	136
Other	Sales, purchases, services	108	49
Total		1,608	470

31. EVENTS AFTER THE BALANCE SHEET DATE**Bond issue**

On April 14, 2004 S.T.Dupont issued 4,756,871 “Océane” bonds convertible and/or exchangeable into new or existing shares at a price of €4.73 each. These bonds represent a total nominal value of €22.5 million, bear interest at a rate of 7% per annum – payable annually in arrears on April 1 of each year – and are scheduled to be redeemed in full on April 1, 2009.

Aside from the repayment of the bridging loan aimed at redeeming the €12.6 million 1999 convertible bond maturing on April 1, 2004, funds secured through the bond issue launched on March 24, 2004 (subscription opening date) have been earmarked for the brand repositioning plan.

The issue was a clear success since the bonds offered in priority to existing shareholders were oversubscribed by 26% and the 10% tranche reserved for the public was oversubscribed by 17%.

At the completion of the bond issue, S.T.Dupont’s majority shareholder disclosed to the Group that it held 3,403,485 convertible bonds, representing 71.55% of the total issue of 4,756,871 convertible bonds.

STATUTORY AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**Year ended March 31, 2004**

This is a free translation into English of the Statutory Auditors’ report issued in the French language and is provided solely for the convenience of English speaking readers. The Statutory Auditors’ report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information 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, together with the Statutory Auditors’ report addressing financial and accounting information in the report of the Chairman of the Supervisory Board on internal control, 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 the Annual Shareholders’ Meeting, we have audited the accompanying consolidated financial statements of S.T.Dupont S.A. for the year ended March 31, 2004.

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.

1. 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 financial statement presentation. 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, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and principles applicable in France.

2. Justification of our assessments

In accordance with the requirements of article L.225-235 of the Commercial Code relating to the justification of our assessments, introduced by the Financial Security Act of August 1, 2003 and which came into effect for the first time this year, we bring to your attention the following matters:

Note 1.7 to the consolidated financial statements entitled “Intangible assets” describes the accounting rules and methods applicable to the measurement of leasehold rights. The probable realizable value of these rights was determined based on expert reports. We read these reports and reviewed the approaches used to determine the probable realizable value of these assets.

Note 3 to the consolidated financial statements entitled “Goodwill” describes the accounting rules and methods applicable to the measurement of goodwill. An impairment loss is recorded when the carrying value of goodwill is impaired based on the discounted net results of the acquired companies. Based on the information available at the date of our report, we reviewed the approach used and the calculations performed by the Company in order to assess the resulting valuations.

The Company records provisions for contingencies and charges where an identifiable, probable obligation has arisen as a result of past or current events, the amount and timing of which are uncertain. These provisions for contingencies and charges are described in Note 13 to the consolidated financial statements.

Our procedures consisted of assessing the data and assumptions on which the estimates made by management were based, reviewing the calculations performed by the Company, comparing the accounting estimates from prior years with corresponding actual figures, and examining the procedures for approval of these estimates by management.

As part of our assessments, we ensured that these estimates were reasonable.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

3. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris, July 5, 2004

The Statutory Auditors
Members of the *Compagnie Régionale de Paris*

PricewaterhouseCoopers Audit
represented by
Hervé Panthier

Ricol, Lasteyrie & Associés
represented by
Gilles de Courcel