



Parent company

S.T. Dupont
PARIS

1. BUSINESS PROFILE

1.1 Overview

S.T.Dupont France S.A. reported net sales of €64.3 million for fiscal 2003-2004, up 2.3 % on the prior year.

Sales generated by French operations, including exports, came in at €9.9 million, accounting for 15.5% of total sales versus 18.44% the previous year. Domestic sales eased back 14.2% year-on-year, whereas export sales climbed 6.1%.

Full details of S.T.Dupont's sales performance in and outside France can be found in the Group management report.

1.2 Capital expenditure and other investments

In 2003-2004, the Company's total investment outlay amounted to €4.5 million, against €3.8 million in 2002-2003.

Expenditure on property, plant and equipment represented €3.6 million. Manufacturing spending was €2.4 million and distribution expenditure stood at €1.2 million.

Spending on intangible assets totaled €0.8 million, stemming primarily from the purchase and implementation of new software applications.

2. BUSINESS RESULTS

The Company reported an operating loss of €8.1 million, unchanged from the prior year.

Operating margin was a negative 13.0% versus a negative 12.6% in 2002-2003.

Research and development costs stood at €2.2 million, on a par with the previous year's figure.

Interest income totaled €3.4 million. This amount roughly breaks down as dividends received from subsidiaries in an amount of €3.3 million, translation gains (excluding provisions) amounting to €0.8 million, and a €0.2 million provision reversal relating to impairment in value of shares in subsidiaries.

Net non recurring income and expense hovered around 0.

Over 2003-2004, S.T.Dupont S.A. was able to use certain tax loss carryforwards from prior years.

The Company recorded a net loss of €4.8 million for the year ended March 31, 2004 compared with a net loss of €5.9 million the previous year.

3. DIVIDENDS PAID

At the Annual Shareholders' Meeting of September 17, 2004, the Management Board will recommend that no dividend payout be made, in view of the Company's financial position and the need to continue to invest in developing the brand.

Dividends paid over the last three years were as follows:

| Year ended | Number of shares | Net dividend per share | Tax credit per share | Gross dividend per share |
|----------------|------------------|------------------------|----------------------|--------------------------|
| March 31, 2002 | 6,226,182 | €0.10 | €0.05 | €0.15 |
| March 31, 2003 | 6,226,182 | - | - | - |
| March 31, 2004 | 6,226,413 | - | - | - |

The key objective of the S.T.Dupont Group is to develop the brand. As soon as the Group achieves a certain level of profitability, it plans to make a dividend payout, in line with the industry average.

4. OWNERSHIP STRUCTURE

4.1 Capital stock

At March 31, 2004, S.T.Dupont's capital stock was divided into 6,226,413 common shares with a par value of €1.6.

At the same date, the breakdown in ownership structure was as follows:

| | Number of shares | % | Number of voting rights | % |
|----------------------------------|------------------|--------------|-------------------------|--------------|
| D and D International B.V.* | 3,457,197 | 55.5 | 6,914,394 | 71.5 |
| Members of the Supervisory Board | 17,515 | 0.3 | 17,717 | 0.2 |
| Members of the Management Board | 55 | 0.0 | 55 | 0.0 |
| Publicly-owned stock | (a) 2,739,374 | 44.0 | 2,739,659 | 28.3 |
| Treasury stock | 12,272 | 0.2 | 0 | 0.0 |
| Total | 6,226,413 | 100.0 | 9,671,825 | 100.0 |

* D and D International B.V. is an investment holding company.

(a) Including 5,580 shares held in the STD corporate mutual fund.

At March 31, 2003 the breakdown in ownership structure was as follows:

| | Number of shares | % | Number of voting rights | % |
|----------------------------------|------------------|--------------|-------------------------|--------------|
| D and D International B.V.* | 3,457,197 | 55.5 | 6,914,394 | 71.5 |
| Members of the Supervisory Board | 17,515 | 0.3 | 17,716 | 0.2 |
| Publicly-owned stock | 2,739,198 | 44.0 | 2,739,322 | 28.3 |
| Treasury stock | 12,272 | 0.2 | 0 | 0.0 |
| Total | 6,226,182 | 100.0 | 9,671,432 | 100.0 |

* D and D International B.V. is an investment holding company.

At March 31, 2002, the ownership structure was as follows:

| | Number of shares | % | Number of voting rights | % |
|----------------------------------|------------------|--------------|-------------------------|--------------|
| D and D International B.V.* | 3,457,197 | 55.5 | 6,914,394 | 71.5 |
| Members of the Supervisory Board | 7,515 | 0.1 | 7,716 | 0.1 |
| Publicly-owned stock | 2,749,413 | 44.2 | 2,749,537 | 28.4 |
| Treasury stock | 12,057 | 0.2 | 0 | 0.0 |
| Total | 6,226,182 | 100.0 | 9,671,645 | 100.0 |

* D and D International B.V. is an investment holding company.



To the best of the Company's knowledge, no other shareholder owns 5% or more of the Company's or Group's capital and voting rights, directly or indirectly, or acting in concert.

The number of voting rights totaled 9,671,825 at March 31, 2004, of which D and D International B.V. owned 71.5%. The total amount includes the 6,915,368 double voting rights granted since December 6, 2000.

The Company is unaware of the number of shares held by S.T.Dupont employees on an individual basis.

4.2 Convertible bonds

On May 19, 1999, S.T.Dupont S.A. issued 1,282,986 convertible bonds for €12,598 thousand. D and D International B.V. took up 57.43% of the total bond issue.

During 2003-2004, 220 bonds were converted, representing 231 shares.

At end-March 2004, the nominal value of this convertible bond issue payable at April 1, 2004 amounted to €11,989 thousand, representing 1,163,984 bonds.

In order for S.T.Dupont to be able to redeem the bond issue, the majority shareholder D and D International B.V. granted a bridging loan to the Group on March 26, 2004 in an amount of €12,600 thousand, repayable at August 31, 2004 at the latest. It was agreed that the loan would be repaid as soon as the Group's medium-term financing was set up.

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 €22,500 thousand, 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.

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 April 14, 2004, the S.T.Dupont Group repaid the full amount of the bridging loan to D and D International B.V., including interest.

4.3 Treasury stock

S.T.Dupont has signed a market-making agreement with a brokerage firm, aimed at guaranteeing the liquidity of the Company's shares. The maximum amount of this agreement is €305 thousand.

At March 31, 2004, the Company held 12,272 treasury shares, acquired under an agreement aimed at stabilizing share prices. There were no movements in treasury shares during 2003-2004.

4.4 Stock option plans

On March 6, 1997, the Management Board granted S.T.Dupont stock options to nine beneficiaries, as approved by the Ordinary and Extraordinary Shareholders' Meeting of October 8, 1996. As five beneficiaries have left the Group, the total number has been reduced to four, including three members of the Management Board.

No stock options were exercised in 2003-2004.

5. HUMAN RESOURCES AND ENVIRONMENTAL DATA

In accordance with article L.225-102-1 of the French Commercial Code (*Code de commerce*), information is presented below regarding principal data on human resources and environmental issues relating to 2003-2004.

The human resources data have been extracted from the corporate report for the calendar year 2003. These data primarily concern the parent company, as the 14 subsidiaries are exclusively involved in sales and marketing operations.

5.1 Human resources data

Number of employees

At December 31, 2003, the Group had 853 employees, of whom 532 worked at the manufacturing facility, 132 were based at headquarters and 189 worked in the Group's subsidiaries. Out of this headcount, 67 employees work in S.T.Dupont's directly-owned stores, excluding department stores and shop-in-shops.

During 2003-2004, the parent company hired 52 persons, mainly to strengthen a number of teams and replace people leaving the Company. Of these 52 hires, 21 were fixed-term contracts in order to increase the sales staff for the year-end holiday season. Over the same period, 38 people left the Company. Of these, 16 came to the end of a fixed-term contract and 9 persons had their employment contracts terminated due to professional misconduct or grievances.

The Company did not encounter any particular difficulties with recruitment in 2003.

More than 90% of employees working in France and outside France are on permanent contracts. The Company uses staff on fixed-term contracts or temporary workers mainly when there are very occasional work overloads or temporary absences. These contracts do not therefore have any permanent impact on employee data.

Payments made for employee services amounted to €1,352,000, slightly down on the previous year.

The average number of temporary workers in 2003 came to 9.17.

At March 31, 2004, 20,296 extra annualized hours had been recorded at the manufacturing facility. This time will be recovered or paid.

No downsizing plan is currently in effect.

Organization of work schedules

All subsidiaries comply with legislation on working hours in each country, such as 38.50 hours in Germany and 40 hours in Italy.

In France, as a result of an industrial agreement on reducing the working week, manufacturing employees work on the basis of 31.18 hours a week, other non-managerial employees at the manufacturing facility work 34.64 hours, and non-managerial employees at headquarters work 35 hours. Managers work on the basis of a set number of days. At both the manufacturing facility and headquarters, a system of annualized and variable hours has been set up alongside the work-reduction agreement.

In France, part-time work has been extensively developed with 14.15% of the parent company's employees working on a part-time basis, either 80% or 50% of a full-time schedule.

The absenteeism rate for 2003 was 8.2% and was primarily attributable to sick leave and maternity leave (female workers account for more than half of the headcount).

At headquarters and in the subsidiaries, the absenteeism rate was approximately 5%, on a par with the previous year.

Compensation

In all of its entities, the Group respects equal opportunities between men and women, concerning compensation, hiring and promotion.

A specific report containing comparative data on male and female employees in each unit is presented every year to the employee representatives. This report does not reveal any discrimination.

On a permanent employee basis, the parent Company's total payroll costs were relatively well contained in 2003, up by 2% on the prior year. Total compensation paid during the calendar year increased by 3.8% compared with 2002.

The Company's employment policy is focused on granting individual salary raises for all categories of staff. General salary increases are negotiated with labor organizations, and Group Management harmonizes all raises for managerial staff.

The average monthly compensation for the parent company's staff in 2003 was €2,823, including the extra month's salary paid to employees.

Subsidiaries apply the same principles and rules as the parent company with respect to compensation.

The Company also has investment bonus and profit-sharing schemes, as well as an employee savings plan.

Employee relations

Relations with labor organizations are rooted in dialogue and information transparency. Discussions are regularly held with these organizations as part of various meetings held in accordance with applicable legislation. During these meetings, the labor organizations are regularly informed about how the Company is faring. Employee representatives carry out their functions and duties in accordance with the relevant legislation and bylaws.

Health and safety in the workplace

Health and safety in the workplace is one of the Company's priority focuses. It devotes a significant budget to this area, enabling it to keep its payroll tax rate for workplace accidents at relatively low levels of 0.94% for headquarters and 1.75% for the manufacturing facility.



2003 spending on enhancing work and safety conditions amounted to €1,450,000, an increase of 24% compared with the previous year.

In addition, repetitive strain injuries have been recognized as an occupational illness. Consequently, a number of preventive measures have been launched at the manufacturing facility in partnership with the company doctor, the regional health insurance body and a physiotherapist.

Training

Training in areas of expertise is one of the Company's core values and a key strategic goal of human resources policy. S.T.Dupont devotes 3% of total payroll to training, with a view to maintaining and acquiring the know-how required for developing its various business segments.

An HR Intranet site went on line in 2002, aimed at facilitating information access and sharing.

Hiring of disabled workers

The Company attaches a great deal of importance to providing work opportunities for disabled persons and to finding alternative employment for employees who become unable to carry out their current duties.

The manufacturing facility employs more disabled persons than required by the minimum legal quota, and also outsources some work to workshops employing persons with special needs.

Employee benefits

For the 2003 calendar year, expenditure on employee benefits, which include meals and transportation as well as health insurance, supplementary pensions and death/disability insurance, came to €1,226 thousand. Subsidies granted to the various company works councils represented 1.33% of the Company's total payroll costs.

Outsourcing

The manufacturing facility is responsible for manufacturing the brand's traditional products, including lighters, pens and accessories. The Company only outsources on a case-by-case basis, if it requires highly specific skills. For example, the Company uses subcontractors for manufacturing products that cannot be made at the manufacturing facility for its diversification lines including ready-to-wear, leather-goods and watches. Outsourcing levels are relatively low, however.

Impact on employment in local communities

In addition to its regular contacts with local government agencies, educational bodies and the Chamber of Commerce, the manufacturing facility plays an active role in promoting the hiring of unemployed workers in its local area, through a regional association for economic development and an employers' organization.

Given that their main operations hinge around distribution, S.T.Dupont's subsidiaries do not have any impact in terms of employment on regional development.

5.2 Environmental data

In accordance with an overall plan requested by the authorities, the Company has implemented significant environmental protection measures. In particular, S.T.Dupont has undertaken to eliminate equipment using chlorine-based solvents and to implement closed circuit cooling water systems.

Water consumption, use of raw materials and energy, including use of renewable energy sources, land use conditions, environmentally hazardous releases to air, water and soil, noise and odor emissions.

A study carried out in 2002-2003 revealed potential gains that could be made by reducing water consumption. An initial phase of work has therefore been carried out, leading to a 32% reduction in water consumption. The objective is to achieve a 57% reduction by the end of 2004-2005.

The manufacturing facility is run on the municipal heating system, enabling significant energy savings.

A three-year plan has been set up to reduce atmospheric emissions from grease-cutting facilities. This project involves a total investment of €600 thousand.

In accordance with this plan, during 2003-2004, €200 thousand were invested in changes in grease-cutting procedures and/or changes in machinery. This has enabled the Company to reduce emissions of volatile organic compounds (VOCs) by 66%.

All polluting emissions should be totally eliminated by November 2004.

There have been no reports of any noise or odor pollution related to operations conducted at the manufacturing facility.

Measures taken to limit impacts on ecological balances, the natural environment and endangered fauna and flora

Discharges to water are periodically analyzed as part of the monitoring of effluent from the surface treatment workshop. This monitoring is carried out both in-house and by independent laboratories certified by the regional environmental agency (DRIRE).

Evaluation of environmental performance and steps taken towards certification in this area, to ensure compliance with all environmental legislation and regulations applicable to the Company

Although the Company is not obliged to comply with ISO 14001, it is gradually implementing safety procedures, guidelines and controls in a similar form.

The necessary steps have been taken, with the implementation of strict procedures, particularly in the surface treatment workshop that uses chemicals.

Investment undertaken to prevent environmental impact of the Company's operations

Total spending in this area amounted to approximately €132 thousand during the year, for the hauling and treatment of industrial waste from the Faverges industrial site and for the plan to reduce VOC emissions.

Some €51.5 thousand have been dedicated to a second stage of work designed to prevent accidental contamination, particularly in the event of a fire. Fire doors and enhanced fire control equipment have notably been installed in S.T.Dupont's stores.

In-house departments in charge of environmental management, employee training and information sessions; resources allocated to minimizing environmental risks

Safety and environmental issues at the manufacturing facility have been pinpointed as a major area of improvement. A work group has been set up, comprising safety managers, technicians and engineers from the Research and Development and Methods/Manufacturing and Maintenance departments. The Human Resources and Manufacturing Divisions are responsible for coordinating and overseeing measures taken by this group.

The training budget devoted to safety and environmental issues represents around €33.5 thousand. In addition, each new hire is given training on safety and work procedures.

Lastly, the Company regularly organizes evacuation exercises at its sites in order to monitor the applicable safety guidelines.

Amount of insurance cover and provisions for environmental contingencies and charges

An "Environmental impact" insurance policy guarantees the Company against the consequences of any emission, dispersion, release or deposit of any solid, liquid or gas in the atmosphere, soil or water.



Certain of S.T.Dupont's insurance policies include termination clauses applicable if the Company does not comply with the laws and regulations in force.

The coverage limit is €4,573,470 per year with a €15,244 deductible.

Amount of damages paid during the period as a result of a court ruling on environmental issues and legal action related to environmental damage claims

No damages were paid during the period.

6. FINANCIAL RISK FACTORS

A description of the financial risk factors is provided in the notes to the financial statements of the Parent company.

7. MANAGEMENT STRUCTURE AND COMPENSATION

7.1 Members of the Management Board and Supervisory Board

Supervisory Board

Walter Wuest

Chairman

Joined the Board on November 13, 1987. Elected Chairman on October 8, 1996.

Walter Wuest's main directorships outside S.T.Dupont are with the following companies: C.J. Time, Light & Write Ltd, Carrera Time Ltd, Castlereagh Ltd, Dickson Concepts (International) Ltd, Dickson Concepts Ltd, Dickson Concepts (Retail) Ltd, Dickson Concepts (Wholesale) Ltd, Dickson Licensing Ltd, Dickson Trading Inc., Dickson Trading (Taiwan) Company Ltd, Polo Ralph Lauren (Hong Kong) Company Ltd, Sealway Company Ltd, Bondwood Investments Ltd, D. Marketing Japan KK, Centre City Investment Limited, Cheer New Limited, Dickson Entreprises Limited, Dickson Fund Management Limited, Dickson Interior Design Limited, Dickson Investments (Hong Kong) Limited, Dickson Warehousing Limited, Fabulous Fortune Limited, Garrick Gold Limited, Global Mark Investment Limited, Gold Fairy Limited, Gottstadt Limited, Grandall Consultants Limited, Harmonious Time Limited, Home Strong Ltd, Ining Investments Limited, Oakline Limited, Precious Time Limited, Pui Chak Entreprises Limited, Raglan Resources Limited, Remstedt Textiles Limited, Schmidt HITC Ltd, Sinofair Trading Limited, Value Plus Company Limited.

Charles Jayson
Vice-Chairman

Joined the Board on March 28, 2002.

Charles Jayson also holds the following directorships: Chairman of Dickson North America Inc., subsidiary of the Dickson Concepts Group, Hong Kong, Chairman of Dickson Trading (North America) Inc., Dickson Investment (North America Inc.), Vice-Chairman of Tommy Hilfiger Handbags and Small Leather Goods and Chief Executive Officer of Dickson Transport (N.A.) Inc.

Joseph Wan

Joined the Board on May 27, 1999.

Joseph Wan is also a director of Harvey Nichols (London).

André Tissot-Dupont

Joined the Board on September 30, 1995.

Management Board

William Christie
President

Joined the Board on March 9, 1988. Elected President on March 28, 1995.

William Christie is also Chairman of S.T.Dupont Inc., S.T.Dupont S.p.A., S.T.Dupont Ltd, S.T.Dupont S.A. (Switzerland). He is a director of S.T.Dupont Japon K.K. and Orfarlabo, and is permanent representative of S.T.Dupont for S.T.D. Finance and S.T.Dupont Benelux.

Christian Gayot

Joined the Board on October 30, 1992.

Christian Gayot is also acting director of S.T.Dupont Benelux, S.T.Dupont S.p.A., S.T.Dupont K.K. and Orfarlabo.

Catherine Leducq

Joined the Board on September 13, 1996.

Catherine Leducq is also a director of S.T.Dupont Benelux and S.T.Dupont Ltd.

Anne Pecquet

Joined the Board on May 15, 1997. Stepped down on May 5, 2003.

Anne Pecquet was also a director of S.T.Dupont S.p.A. and S.T.Dupont Inc.

Benjamin Comar

Joined the Board on June 2, 2003.

Executive Committee

William Christie

Christian Gayot

Catherine Leducq

Anne Pecquet until June 2, 2003

Éric Sampré

Bernard Rony

Geoffroy Ebrard

Benjamin Comar since June 2, 2003

Corinne Delattre

7.2 Compensation paid to the Supervisory Board

Attendance fees totaling €4,575, decided on by the General Meeting of September 19, 2003 for the 2003-2004 fiscal year, were granted to André Tissot-Dupont.

7.3 Compensation paid to the Management Board and Executive Committee

Compensation paid to members of the Management Board and Executive Committee is set with the dual aim of being aligned with that paid by other comparable groups and structuring the fixed and variable portions so that executives contribute individually to enhancing the Group's business results.

Compensation is decided based on specific studies carried out by specialized consultants on the request of executive management. This compensation includes a fixed and variable portion based on the fulfillment of Group and individual objectives.

7.3.1 Compensation paid to the Management Board

Members of the Management Board received the following compensation for 2003-2004:

William Christie: €203,906

Benjamin Comar: €192,106 including €3,050 for Board work;

Christian Gayot: €137,329 including €3,050 for Board work;

Catherine Leducq: €129,050 including €3,050 for Board work;

Anne Pecquet: €74,342 (including final settlement of amounts due on departure from the Company) and €138,622 in indemnities.

During the year, no variable remuneration was paid.

Compensation in kind corresponding to a company car and Corporate Officer's liability insurance represented €20,909 for William Christie. Compensation in kind corresponding to a company car represented €2,200 for Benjamin Comar and €4,300 for Christian Gayot.

Three members of the Management Board held 10,600 stock options under the plan described in section 4.4.

7.3.2 Compensation paid to the Executive Committee

The aggregate amount of remuneration paid by S.T.Dupont to Executive Committee members for 2003-2004 was €1,163,717. This amount includes salaries, compensation paid to members of the Management Board where applicable (including remuneration paid for their Board work) and compensation in kind.



8 RECENT DEVELOPMENTS AND OUTLOOK

2003-2004 can be considered as a second year of preparation for the brand repositioning 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 "Océane" 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. Notwithstanding unforeseeable events, the coming year should see a significant increase in sales, enabling the Group to approach breakeven, despite considerable investment related to the brand repositioning plan.

| In € thousands | 12 months to | March 31, 2004 | March 31, 2003 | March 31, 2002 | March 31, 2001 | March 31, 2000 |
|---|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| I. Capital at year-end | | | | | | |
| Capital stock | | 9,962 | 9,962 | 9,962 | 9,913 | 9,774 |
| Number of shares outstanding | | | | | | |
| - common shares | | 6,226,413 | 6,226,182 | 6,226,182 | 6,195,682 | 6,108,649 |
| - preferred shares | | 0 | 0 | 0 | 0 | 0 |
| Maximum number of shares to be issued: | | | | | | |
| - on conversion of bonds | | 1,163,983 | 1,164,204 | 1,164,204 | 1,194,704 | 1,281,737 |
| - on exercise of warrants | | 0 | 0 | 0 | 0 | 0 |
| II. Results of operations | | | | | | |
| Net sales | | 64,277 | 62,819 | 66,660 | 63,226 | 57,731 |
| Income before taxes, employee profit-sharing, depreciation, amortization and provisions | | 148 | 579 | 8,411 | 6,228 | 2,081 |
| Corporate income tax | | 19 | 19 | 4 | (90) | 11 |
| Employee profit-sharing | | 0 | 0 | 0 | 0 | 0 |
| Depreciation, amortization and provisions | | 4,895 | 6,483 | 4,991 | 3,188 | 21 |
| Net income/(loss) | | (4,765) | (5,923) | 3,416 | 3,130 | 2,090 |
| Dividends | | 0 | 0 | 932 | 928 | 0 |
| III. Per share data (in euros) | | | | | | |
| Income after taxes and employee profit-sharing and before depreciation, amortization and provisions | | 0.02 | 0.09 | 1.35 | 1.02 | 0.34 |
| Net income/(loss) | | (0.77) | (0.95) | 0.55 | 0.51 | 0.34 |
| Net dividend | | 0 | 0 | 0.15 | 0.15 | 0 |
| IV. Employee data | | | | | | |
| Average number of employees | | 657 | 648 | 642 | 639 | 646 |
| Total payroll | | 20,176 | 19,584 | 18,022 | 17,904 | 18,960 |
| Total benefits (Social Security, etc.) | | 9,590 | 9,086 | 8,066 | 8,733 | 8,526 |

STATEMENTS OF OPERATIONS

| In € thousands | 12 months to | March 31, 2004 | March 31, 2003 | March 31, 2002 |
|---|--------------|-----------------|-----------------|-----------------|
| Operating revenue | | | | |
| Net sales | | 64,277 | 62,819 | 66,660 |
| Other operating revenue | | 9,581 | 11,754 | 9,964 |
| Total operating revenue | | 73,858 | 74,573 | 76,624 |
| Operating expense | | | | |
| Purchases and change in inventories | | (20,002) | (21,708) | (21,928) |
| Other purchases and external expenses | | (19,175) | (17,850) | (16,263) |
| Taxes other than on income | | (1,908) | (1,854) | (2,104) |
| Wages and payroll-based taxes | | (29,767) | (28,670) | (26,089) |
| Total depreciation, amortization and provisions | | (10,922) | (12,513) | (9,091) |
| Other expenses | | (223) | (39) | (66) |
| Total operating expense | | (81,997) | (82,634) | (75,541) |
| Operating income/(loss) | | (8,139) | (8,061) | 1,083 |
| Interest income | | 6,500 | 5,280 | 5,304 |
| Interest expense | | (3,081) | (2,675) | (3,329) |
| Net interest income | | 3,419 | 2,605 | 1,975 |
| Income before tax | | (4,720) | (5,456) | 3,058 |
| Non-recurring income | | 1,299 | 1,808 | 1,081 |
| Non-recurring expense | | (1,325) | (2,256) | (719) |
| Net non-recurring income/(expense) | | (26) | (448) | 362 |
| Employee profit-sharing | | 0 | 0 | 0 |
| Provision for income taxes | | (19) | (19) | (4) |
| Net income/(loss) for the year | | (4,765) | (5,923) | 3,416 |

The notes are an integral part of the financial statements.

**SIMPLIFIED BALANCE SHEETS
ASSETS**

| In € thousands | March 31, 2004 | | | March 31, 2003 | March 31, 2002 |
|--|----------------|--|---------------|----------------|----------------|
| | Gross | Depreciation amortization and provisions | Net | | |
| I. Non-current assets | | | | | |
| Intangible assets (net) | 9,889 | 4,407 | 5,482 | 5,424 | 5,403 |
| Property, plant and equipment (net) | 40,970 | 30,146 | 10,824 | 9,589 | 8,990 |
| Investments and other non-current assets (net) | 18,240 | 6,627 | 11,613 | 11,376 | 11,989 |
| Total non-current assets | 69,099 | 41,180 | 27,919 | 26,389 | 26,382 |
| II. Current assets | | | | | |
| Inventories and work-in-progress (net) | 21,248 | 4,214 | 17,034 | 20,448 | 19,397 |
| Trade accounts receivable (net) | 19,012 | 3,667 | 15,345 | 13,927 | 16,461 |
| Other receivables (net) | 4,239 | 150 | 4,089 | 3,106 | 2,796 |
| Cash and marketable securities | 12,821 | 41 | 12,780 | 1,493 | 4,058 |
| Total current assets | 57,320 | 8,072 | 49,248 | 38,974 | 42,712 |
| Accruals | 1,083 | | 1,083 | 1,541 | 1,465 |
| Total assets | 127,502 | 49,252 | 78,250 | 66,904 | 70,559 |

The notes are an integral part of the financial statements.

**LIABILITIES AND SHAREHOLDERS' EQUITY**

| In € thousands | March 31, 2004 | | | March 31, 2003 | | March 31, 2002 | |
|--|-----------------------------|--|--|----------------|--|----------------|---------------|
| | Shareholders' equity | | | | | | |
| Capital stock | 9,962 | | | 9,962 | | | 9,962 |
| Additional paid-in capital | 1,021 | | | 1,019 | | | 1,019 |
| Retained earnings | 19,399 | | | 25,322 | | | 22,838 |
| Net income/(loss) for the year | (4,765) | | | (5,923) | | | 3,416 |
| Investment grants | 0 | | | 7 | | | 14 |
| Untaxed provisions | 1,180 | | | 1,344 | | | 1,551 |
| Total shareholders' equity | 26,797 | | | 31,731 | | | 38,800 |
| Provisions for contingencies and charges | 6,993 | | | 6,771 | | | 5,618 |
| Long-term liabilities | | | | | | | |
| Long-term debt | 43 | | | 12,039 | | | 12,039 |
| Total long-term liabilities | 43 | | | 12,039 | | | 12,039 |
| Current liabilities | | | | | | | |
| Short-term debt | 30,029 | | | 1,407 | | | 1,538 |
| Trade accounts payable | 6,328 | | | 7,098 | | | 5,844 |
| Accrued personnel costs and taxes other than on income | 6,307 | | | 6,277 | | | 5,446 |
| Other payables | 1,529 | | | 1,547 | | | 1,240 |
| Total current liabilities | 44,193 | | | 16,329 | | | 14,068 |
| Accruals | 224 | | | 34 | | | 34 |
| Total liabilities and shareholders' equity | 78,250 | | | 66,904 | | | 70,559 |

The notes are an integral part of the financial statements.

SIMPLIFIED STATEMENTS OF CASH FLOWS

| In € thousands | 12 months to | March 31, 2004 | March 31, 2003 | March 31, 2002 |
|--|--------------|----------------|----------------|----------------|
| I. Cash flows from operating activities | | | | |
| Working capital (used)/provided by operations | | (1,809) | 451 | 8,332 |
| Change in operating working capital requirement | | 1,230 | 2,305 | (4,131) |
| Net cash (used)/provided by operating activities | | (579) | 2,756 | 4,201 |
| II. Cash flows from investing activities | | | | |
| Additions to property, plant and equipment | | (3,630) | (3,009) | (2,027) |
| Additions to other non-current assets | | (870) | (771) | (567) |
| Cash used by investing activities | | (4,500) | (3,780) | (2,594) |
| Proceeds from disposals of property, plant and equipment | | 53 | 23 | 0 |
| Proceeds from disposals of other non-current assets | | 17 | 27 | 137 |
| Cash provided by investing activities | | 70 | 50 | 137 |
| Net cash used by investing activities | | (4,430) | (3,730) | (2,457) |
| III. Cash flows from financing activities | | | | |
| Repayments of borrowings | | (524) | (524) | (713) |
| Increase in borrowings | | 12,600 | 0 | 0 |
| Change in bank overdrafts | | 4,015 | (132) | 59 |
| Dividends paid by S.T.Dupont S.A during the year | | 0 | (932) | (928) |
| Net cash provided/(used) by financing activities | | 16,091 | (1,588) | (1,582) |
| Change in cash and cash equivalents | | 11,082 | (2,562) | 162 |
| Cash and cash equivalents at beginning of year | | 1,638 | 4,200 | 4,038 |
| Cash and cash equivalents at end of year | | 12,720 | 1,638 | 4,200 |

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| In € thousands | March 31, 2004 | March 31, 2003 | March 31, 2002 |
|--|----------------|----------------|----------------|
| Shareholders' equity at beginning of year | 31,731 | 38,800 | 36,168 |
| Dividends | 0 | (932) | (927) |
| Conversion of bonds | 2 | 0 | 311 |
| Net income/(loss) for the year | (4,765) | (5,923) | 3,416 |
| Change in investment grants | (7) | (7) | (8) |
| Change in untaxed provisions | (164) | (207) | (160) |
| Shareholders' equity at end of year | 26,797 | 31,731 | 38,800 |

The notes are an integral part of the financial statements.

**INVESTMENTS AND OTHER NON-CURRENT ASSETS**

| In € thousands | March 31, 2004 | March 31, 2003 | March 31, 2002 |
|--|----------------|----------------|----------------|
| Shares in subsidiaries and affiliates | 18,102 | 18,102 | 18,102 |
| Advances to subsidiaries and affiliates | 0 | 0 | 26 |
| Other investments and non-current assets | 138 | 63 | 52 |
| Total gross | 18,240 | 18,165 | 18,180 |
| Shares in subsidiaries and affiliates | (6,627) | (6,789) | (6,191) |
| Advances to subsidiaries and affiliates | 0 | 0 | 0 |
| Other investments and non-current assets | 0 | 0 | 0 |
| Total provisions | (6,627) | (6,789) | (6,191) |
| Shares in subsidiaries and affiliates | 11,475 | 11,313 | 11,911 |
| Advances to subsidiaries and affiliates | 0 | 0 | 26 |
| Other investments and non-current assets | 138 | 63 | 52 |
| Total net | 11,613 | 11,376 | 11,989 |

At March 31, 2004 provisions for impairment in value of shares stood at €6,627 thousand, which breaks down as follows: €2,292 thousand for STD Investment Pte Ltd, €1,350 thousand for S.T.Dupont Inc., €513 thousand for S.T.Dupont Benelux, €375 thousand for S.T.Dupont UK, €15 thousand for S.T.Dupont Italy, €2,080 thousand for S.T.Dupont Germany and €2 thousand for S.T.Dupont Malaysia Sdn Bhd.

New provisions booked during the year amounted to €162 thousand.

Treasury shares

An agreement has been signed 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.

At March 31, 2004 the number of treasury shares held under this agreement totaled 12,272, corresponding to €92 thousand. There were no movements in treasury shares during 2003-2004.

A provision was booked, to write down the shares to market value for €41 thousand.

Events after the balance-sheet date

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 €22,500 thousand, 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 €12,600 thousand 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%.

The full set of parent company financial statements can be obtained on request from the following address:

S.T.DUPONT S.A.
92 boulevard du Montparnasse
75685 Paris Cedex 14
FRANCE

**S.T.DUPONT S.A. SUBSIDIARIES AND AFFILIATES AT MARCH 31, 2004**

| Foreign subsidiaries and affiliates | Common stock | Retained earnings after currency translation adjustments | Percent interest | Cost of shares | Net book value of shares | Outstanding loans and advances | Guarantees given by the Company | 2003-2004 net revenue in local currency | 2003-2004 net income/ (loss) in local currency | Dividends received during the period |
|---|----------------|--|------------------|----------------|--------------------------|--------------------------------|----------------------------------|---|--|--------------------------------------|
| I- Detailed information on subsidiaries and affiliates with book value in excess of 1% of S.T.Dupont S.A.'s capital stock. | | | | | | | | | | |
| 1) Subsidiaries (over 50%-owned by S.T.Dupont S.A.) | | | | | | | | | | |
| S.T.Dupont SpA ITALY – Milan | EUR 104,000 | EUR (111,316) | 100% | EUR 156,697 | EUR 141,440 | | EUR 1,213,674 | EUR 4,508,358 | EUR (12,903) | - |
| S.T.Dupont KK JAPAN – Tokyo | JPY 50,000,000 | JPY 319,217,764 | 100% | EUR 128,248 | EUR 128,248 | | JPY 270,000,000 | JPY 1,705,736,780 | JPY 57,219,694 | - |
| S.T.Dupont LTD- UNITED KINGDOM – Oxon | GBP 300,000 | GBP (391,962) | 100% | EUR 374,695 | EUR 0 | | | GBP 663,282 | GBP 31,050 | - |
| S.T.Dupont GmbH- GERMANY – Cologne | EUR 102,300 | EUR (154,000) | 100% | EUR 2,080,148 | EUR 0 | | | EUR 5,766,311 | EUR (373,515) | - |
| S.T.Dupont Benelux BELGIUM – Brussels | EUR 513,000 | EUR (1,547,356) | 100% | EUR 512,925 | EUR 0 | | EUR 123,947 | EUR 1,889,614 | EUR (212,635) | - |
| S.T.Dupont Marketing Ltd HONG KONG – Kowloon | HKD 12,780,000 | HKD 49,729,355 | 100% | EUR 9,892,848 | EUR 9,892,848 | | - | HKD 124,137,865 | HKD 25,315,427 | HKD 13,000,002 |
| STD Investment Pte Ltd SINGAPORE – Singapore | SGD 3,834,884 | SGD (180,082) | 100% | EUR 2,292,026 | EUR 0 | | HKD 12,000,000 TWD 50 000,000 | | SGD (9,462) | - |
| S.T.Dupont Inc USA – New York | USD 1,630,648 | USD (1,468,338) | 100% | EUR 1,498,057 | EUR 148,052 | | - | USD 0 | USD 18,670 | - |
| STD Dupont Distribution Pte SINGAPORE – Singapore | SGD 1,385,000 | SGD (879,292) | 100% | EUR 347,188 | EUR 347,188 | | SGD 450,000 | SGD 2,075,149 | SGD (22,415) | - |
| S.T.Dupont Malaysia SDN BHD MALAYSIA – Kuala Lumpur | MYR 2 | MYR 1,589,543 | 100% | EUR 435,583 | EUR 434,215 | | EUR 366,000 | MYR 2,176,405 | MYR (220,953) | - |
| 2) Affiliates (10% to 50% owned by S.T.Dupont S.A.) | | | | | | | | | | |
| Orfarlabo S.A. SPAIN – Madrid | EUR 522,209 | EUR 1,539,216 | 33.33% | EUR 327,461 | EUR 327,461 | | | EUR 5,058,749 | EUR 29,633 | - |
| II – General information on other subsidiaries and affiliates not mentioned above | | | | | | | | | | |
| a) French subsidiaries | - | - | - | EUR 38,112 | EUR 38,112 | - | - | - | - | - |
| b) Foreign subsidiaries | - | - | - | EUR 17,620 | EUR 17,620 | - | - | - | - | CHF 2,850,000 |

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STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended March 31, 2004

NB: This report refers to the complete financial statements of the Parent company available at the address stated on page [101] of this "Document de référence", and not to the simplified financial statements of the Parent company set out on pages 97 to 103.

To the shareholders,

In compliance with the assignment entrusted to us by the Annual Shareholders' Meeting, we hereby report to you, for the year ended March 31, 2004, on:

- the audit of the accompanying financial statements of S.T.Dupont S.A.,
- the justification of our assessments,
- the specific verifications and information required by law.

These 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 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 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 financial statements give a true and fair view of the Company's financial position and its assets and liabilities, as of March 31, 2004, and of the results of its operations for the year then ended 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 1.2 to the 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 1.5 to the financial statements entitled "Shares in subsidiaries and affiliates" describes the accounting rules and methods applicable for determining the value in use of said shares. Value in use is calculated based on the revalued net assets of the company concerned, its profitability and its earnings outlook. Based on the information available at the date of our report, we reviewed the approach used and the calculations performed by the Company and assessed the consistency of the assumptions used as well as 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. The provisions for contingencies and charges are described in Note 14 to the 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 financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

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



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STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

Year ended March 31, 2004

To the shareholders,

In our capacity as Statutory Auditors of S.T.Dupont S.A., we present below our report on regulated agreements.

Agreements authorized during the year

In application of Article L.225-88 of the Commercial Code we have been informed of the agreements authorized in advance by the Supervisory Board.

Our responsibility does not include identifying any other undisclosed agreements. We are required to report to shareholders, based on the information provided, about the main terms and conditions of the agreements that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article 117 of the March 23, 1967 decree, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We conducted our review in accordance with the standards of our profession applicable in France. Those standards require that we carry out the necessary procedures to verify the consistency of the information disclosed to us with the source documents.

1.1 Service agreement with S.T.Dupont S.A. (Switzerland). During its May 12, 2003 meeting, the Supervisory Board authorized the signature of a service agreement between S.T.Dupont S.A. and S.T.Dupont S.A. (Switzerland). Under this agreement, S.T.Dupont S.A. (Switzerland) is responsible for the management and administration relating to the Company's distributors in Eastern Europe. As payment for these services S.T.Dupont S.A. will reimburse S.T.Dupont S.A. (Switzerland) a portion of the salaries of the employees assigned to the activity, as well as a portion of rental charges, plus a margin of 5%. This agreement concerns William Christie, President of the Management Board of S.T.Dupont S.A. and Chairman of the Board of Directors of S.T.Dupont S.A. (Switzerland). In the year ended March 31, 2004, S.T.Dupont S.A. recorded expenses of €154,373 in relation to this agreement.

1.2 Service agreement with S.T.Dupont Benelux. During its August 8, 2003 meeting, the Supervisory Board authorized the signature of a service agreement between S.T.Dupont S.A. and S.T.Dupont Benelux. Under this agreement S.T.Dupont S.A. is responsible for the management of S.T.Dupont Benelux's business gifts and Duty Free Shops distribution businesses in the Benelux countries. As payment for this service S.T.Dupont Benelux will reimburse S.T.Dupont S.A. a portion of the salaries of the employees assigned to the activity, as well as a portion of rental charges, plus a margin of 5%. This agreement concerns William Christie, Christian Gayot and Catherine Py-Leducq, members of the Management Board of S.T.Dupont S.A. and of the Board of Directors of S.T.Dupont Benelux. It had no impact on the accounts for the year ended March 31, 2004.

1.3 Authorization for the signature of a regulated agreement between S.T.Dupont S.A. and S.T.Dupont K.K. (Japan). During its March 15, 2004 meeting, the Supervisory Board authorized the signature of a brand licensing agreement between S.T.Dupont S.A. and S.T.Dupont K.K. (Japan). S.T.Dupont S.A. also negotiated on behalf of S.T.Dupont K.K. (Japan) for the transfer of six shop-in-shops operated by S.T.Dupont K.K. (Japan) to OHGA, a sub-licensee. This agreement concerns William Christie and Christian Gayot, members of the Management Board of S.T.Dupont S.A. and of the Board of Directors of S.T.Dupont K.K. (Japan). S.T.Dupont S.A. received €33,012 for the services provided to S.T.Dupont K.K.

Agreements entered into in prior years which remained in force during the year

In application of the decree of March 23, 1967, we were advised of the following agreements entered into in prior years which remained in force during the year.

2.1 Brand licensing agreement between S.T.Dupont S.A. and S.T.Dupont K.K. (Japan) for the manufacturing and distribution of ready-to-wear goods in Japan for one year from February 1, 2003, in return for royalties of 5% of sales made in Japan. Income under this agreement for the year came to €160,271.



2.2 Conditional debt waiver agreement with S.T.Dupont Benelux, waiving total receivables of €870,221. This agreement, dated May 10 and June 21, 1999, includes a claw-back clause applicable over a 5-year period.

2.3 Service agreement between S.T.Dupont S.A. and S.T.Dupont S.A. (Switzerland) concerning management of the Swiss subsidiary's brand portfolio in return for remuneration representing salary costs plus 5%, in addition to brand management expenses. Income from this activity for the year came to €10,803.

2.4 Brand licensing agreement signed on February 29, 1996 with S.T.Dupont K.K. (Japan), licensing the manufacture and marketing of cuff links, tie pins and key rings in return for 6% of the amounts billed. Income under this agreement for the year came to €8,256.

2.5 Tax consolidation agreement with S.T.D. Finance.

Paris, July 5, 2004

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STATUTORY AUDITORS' SPECIAL REPORT ON THE ISSUANCE OF SHARES AND SHARE EQUIVALENTS

Extraordinary Shareholders' Meeting of September 17, 2004

To the shareholders,

In our capacity as Statutory Auditors of S.T.Dupont S.A. and in accordance with articles L.228-92 and L.228-95 of the Commercial Code, we hereby present our report on the planned increases in capital stock by the issue of shares or share equivalents granting direct or indirect access to the Company's capital.

Based on its report, the Management Board is asking shareholders to authorize it to set the terms and conditions for these operations, as described in the eighth, ninth and eleventh resolutions, and to grant the Board the power to delegate said authorization to any person duly eligible in accordance with the law.

Shareholders are asked to approve the following operations:

- the issuance, on one or several occasions, of shares and share equivalents with pre-emptive subscription rights for existing shareholders, including stand-alone equity warrants, for or without consideration, and debt securities, to be paid up in cash or by capitalizing receivables. Preference shares and preference share equivalents are not included (eighth resolution);

- the issuance, on one or several occasions, of shares and share equivalents, without pre-emptive subscription rights for existing shareholders, including stand-alone equity warrants, for consideration, and debt securities, to be paid up in cash or by capitalizing receivables. Preference shares and preference share equivalents are not included (ninth resolution);

- the issuance, successively or simultaneously, of shares and share equivalents, including stand-alone equity warrants, in exchange for shares in another company quoted on a regulated market in France or in any other member state of the European Economic Area or in a member state of the Organization for Economic Cooperation and Development (eleventh resolution);

The nominal amount of the shares and share equivalents that may be issued under the eighth, ninth, tenth and eleventh resolutions may not increase the Company's capital by a nominal amount exceeding nine million two hundred thousand euros (9,200,000), corresponding to the overall limit of the above authorizations. This does not, however, take into account any adjustments that may be required by law.

We conducted our review in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to review the methods used for determining the issue price of shares and share equivalents.

As the issue price has not been determined, we are not in a position to comment on the final terms and conditions under which these issues will be conducted, nor, in consequence, on the proposed waivers of shareholders' pre-emptive rights to subscribe for the issues concerned, the principle of which is in keeping with the nature of the proposed operations.

In accordance with article 155-2 of the March 23, 1967 decree, we will issue a supplementary report at the time of each such issue conducted by the Management Board.

Paris, July 5, 2004

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STATUTORY AUDITORS' SPECIAL REPORT ON THE ISSUANCE OF SHARES TO EMPLOYEES

Extraordinary Shareholders' Meeting of September 17, 2004

To the shareholders,

In our capacity as Statutory Auditors of S.T.Dupont S.A. and in accordance with the provisions of article L.225-138 of the Commercial Code, we hereby present our report on the planned issue of shares to employees under a company savings plan ("P.E.E.") or voluntary employee savings plan ("P.P.E.S.V.").

Based on its report, the Management Board is asking shareholders to authorize it to increase the Company's capital on one or several occasions, by an aggregate maximum of €920,000, at its sole discretion, by issuing common shares for subscription by the existing and former employees of the Company and of related companies within the meaning of article L.233-16 of the Commercial Code. Beneficiary employees must be members of a savings plan set up by the Company or the Group, or of a voluntary employee savings plan, and must satisfy any eligibility criteria defined by the Management Board.

The price of shares subscribed for by the above-mentioned beneficiaries under this authorization may not exceed the average of the opening prices quoted for the Company's shares on Euronext Paris S.A.'s *Second Marché* during the twenty trading days preceding the date of the decision to open the subscription period, and it may not be over 20% below said average in the case of a savings plan set up by the Company or the Group, or over 30% below said average in the case of a voluntary employee savings plan.

We conducted our review in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to review the methods used for determining the issue price of the shares concerned.

Subject to further examination of the terms and conditions of these proposed issues, we have no matters to report regarding the terms and conditions used for determining the issue price of new shares, as presented in the report of the Management Board.

As the issue price has not been determined, we are not in a position to comment on the final terms and conditions under which these issues will be conducted, nor, in consequence, on the proposed waivers of shareholders' pre-emptive rights to subscribe for the issues concerned, the principle of which is in keeping with the nature of the proposed operations.

In accordance with article 155-2 of the March 23, 1967 decree, we will issue a supplementary report at the time the issuance is carried out by the Management Board.

Paris, July 5, 2004

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STATUTORY AUDITORS' SPECIAL REPORT ON THE GRANTING OF STOCK OPTIONS TO EMPLOYEES AND CORPORATE OFFICERS

Extraordinary Shareholders' Meeting of September 17, 2004

To the shareholders,

In our capacity as Statutory Auditors of S.T.Dupont S.A. and in accordance with article L.225-177 of the Commercial Code and article 174-19 of the March 23, 1967 decree, we hereby present our report on the granting of stock options to all or certain employees and corporate officers of the Company or related companies within the meaning of article L.225-180 of the Commercial Code.

The Management Board is responsible for preparing a report on the reasons behind the granting of stock options and the terms and conditions used for determining the exercise price. Our responsibility is to provide an opinion on the terms and conditions used for determining the exercise price of the options.

The Management Board is asking shareholders for a thirty-eight month authorization to grant stock purchase options (thirteenth resolution) and stock subscription options (fourteenth resolution) in accordance with the following conditions:

- total stock purchase options granted may not entitle the beneficiary to purchase a number of shares representing over 2% of the Company's capital stock at the date of the Extraordinary Shareholders' Meeting (thirteenth resolution);
- the total number of stock subscription options may not entitle the beneficiary to subscribe to a number of shares representing over 7% of the company's capital stock at the date of the Extraordinary shareholders' meeting (fourteenth resolution);
- the exercise price of stock purchase options may not be less than 95% of the average purchase price of S.T.Dupont shares held by the Company;
- the exercise price of stock subscription options may not be less than 95% of the average opening prices quoted for the Company's shares for the twenty trading days preceding the grant date of the options.

We conducted our review in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to check that the terms and conditions for determining the exercise price of the options are set out in the report of the Management Board, that they comply with the applicable law and regulations, that they provide the necessary information for shareholders, and that they do not appear to be manifestly inappropriate.

We have no matters to report on the proposed terms and conditions.

Paris, July 5, 2004

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MANAGEMENT BOARD REPORT TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

Ladies and Gentlemen,

We have called you to a Joint General Meeting in order for you to vote on the following ordinary and extraordinary resolutions:

RESOLUTIONS COMING UNDER THE SCOPE OF THE ORDINARY GENERAL MEETING

1. Annual accounts (resolution one)

In the first resolution, we ask you to approve the Company accounts for the 2003-2004 financial year, the operations shown in these accounts which show a loss of €4,765,441.34 and the expenses and non deductible charges covered by article 39-4 of the General Tax Code that amount to €53,099.46. Given the tax position of the Group (in deficit), recording these charges will not lead to tax being paid apart from the annual lump-sum tax of €18,750.

The presentation of the financial situation, the activities and results of the Company during the 2003-2004 financial year, the annual Company accounts and the information required by law and regulations are presented to you in the report of the activities and management of the Company during the 2003-2004 financial year, to which we ask you to refer.

2. Annual consolidated accounts (resolution two)

In the second resolution, we ask you to approve the Group consolidated accounts for the 2003-2004 financial year and the operations given in these accounts that show a consolidated loss for the Group of €5,293,993.

The consolidated accounts are presented in the report of the activities and management of the Group during the 2003-2004 financial year, to which we ask you to refer.

3. Allocation of the result (resolution three)

The result of the financial year show a loss of €4,765,441.34.

In the third resolution, we are proposing to allocate the result as follows:

| | |
|---|------------------|
| Loss brought forward from the previous financial year | - €15,583,889.07 |
| Loss in this financial year | - €4,765,441.34 |
| New loss | - €20,349,330.41 |

You are reminded, in accordance with the law, that the dividend paid over the last three financial years was as follows :

| Financial year closed on | Number of shares | Net dividend per share | Tax credit per share | Overall revenue per share |
|--------------------------|------------------|------------------------|----------------------|---------------------------|
| 31 March 2001 | 6,195,682 | €0.10 | €0.05 | €0.15 |
| 31 March 2002 | 6,226,182 | €0.10 | €0.05 | €0.15 |
| 31 March 2003 | 6,226,182 | - | - | - |

4. Conventions under article L. 225-86 of the commercial code (resolution four)

The conventions covered by articles L.225-86 et seq. of the Commercial Code and described in the Auditors' special report are submitted for your approval in the fourth resolution.

5. Renewal of the term of office of a member of the supervisory board (resolution five)

Since M. Joseph Wan's term of office will expire at the end of the General Meeting to which you are invited, we are asking you to renew it for a period of four years which will expire at the end of the General Meeting that decides on the accounts for the financial year that will close on 31 March 2008.

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6. Setting the director's fees for the supervisory board (resolution six)

In the sixth resolution, it is proposed to set the Director's fees allocated to the Supervisory Board for the financial year in progress at €4,575.

7. Authorising the Board of Directors to buy company shares (resolution seven)

At 31 March 2004, the Company held 12,272 ordinary shares. This had not changed during the 2003-2004 financial year.

The purpose of the seventh resolution is to authorise the Board of Directors, with an option of delegating this power within the legal conditions, to buy Company shares, up to a limit of 10% of the share capital as certified by the Board of Directors on 16 April 2004, i.e. 6,226,486 shares, it being understood that, in accordance with the provisions in article L.225-210 of the Commercial Code, the acquisitions made under this resolution may not lead the Company, when shares already owned are taken into account, to own more than 10% of its share capital.

Given the number of its own shares held by the Company at 30 April 2004, i.e. 12,272 shares, the maximum number of shares that can be bought will be 610,376.

This authorisation to buy may be used for any of the following: (i) to improve the management of Company resources and/or finances; (ii) to make purchases and sales in accordance with the market situation; (iii) to regularise Company share prices by intervening routinely against the stock market; (iv) to grant options to purchase to employees or management of the Company and/or companies within its Group which are associated with it under the conditions of article L.225-180 of the Commercial Code; (v) to assign shares to employees so that they share in the results of the expansion of the business or in a company or Group savings plan, or a voluntary employees partnership savings plan; (vi) to keep or dispose of the shares, or in general transfer them, in particular by exchanging or delivering stocks, in particular as part of external growth operations or when securities, stocks and bonds are issued that give access to capital.

Where appropriate, shares bought in this way may be acquired, kept, transferred or disposed of on one or more occasions, at any time, as necessary during a take-over bid within the legal provisions and regulations in force, in any way on the market or on the unofficial market and, in particular by acquiring or transferring blocks of shares, stocks and bonds that gives right to access to capital or to derivative instruments (excluding purchase by the Company of options to purchase), under the conditions laid down by the authorities of market.

The maximum purchase price must not exceed €6.58 per share and the minimum sale price must not be lower than €2 per share. These limits would be adjusted to take account of both the dividends or rights that might be separated during the time that this authorisation remains valid, and of any operations on Company capital and on the nominal value of the shares. However, if all or part of the acquired shares have been used to grant options to purchase shares as provided in article L.225-179 of the Commercial Code or to assign shares under the conditions in articles L.443-1 et seq. of the Employment Code, the sale price of the shares would be then determined in accordance with the legislation in force.

Taking account of the purchase price set out above and of Company shares already owned, the amount of funds that the Company may devote to buying its own shares may not exceed €4,016,274.

In addition, the General Meeting gives full powers to the Board of Directors to implement this authorisation, with the option of delegating within the legal requirements, and in general to do all that is necessary for a good outcome to the operation.

This authorisation would be valid for a period of eighteen months from the Meeting to which you are called and would cancel and replace the one previously agreed by the General Meeting of 19 September 2003.

RESOLUTIONS COMING UNDER THE SCOPE OF THE EXTRAORDINARY GENERAL MEETING

8. Delegation of powers to the Board of Directors to issue capital securities and securities, stocks and bonds (resolutions eight to twelve)

In the past, your Meeting has regularly given to the Board of Directors the necessary financial authorisation to enable it to acquire the financing methods needed for the development of the Group depending on the opportunities offered by the financial markets.

The comprehensive authorisation given by your Joint General Meeting held on 11 September 2002 for a maximum nominal amount of increase in capital of €9,200,000 enabled the issue of a debenture with option of conversion and/or exchange to new or existing shares (OCEANES) of a nominal amount of €22,499,999.83 represented by 4,756,871 bonds each with a unitary nominal value of €4.73. The yield from this issue enabled us to refinance the convertible bonds issued in 1999 and fell due in April 2004 and will enable us to finance current activities and the investments associated with the restructuring of the S.T.Dupont brand.

Following this issue, the authorisation given by your Joint General Meeting mentioned above was practically completely used up, i.e. €7,610,993.60 out of the €9,200,000 authorised.



Although the Board of Directors is not considering resorting to the market in the near future, it seems appropriate to renew the financial authorisations that it has been given in the past in order to allow the Company to respond, in the long run, to any need for equity capital.

You are informed that the resolutions relating to the financial authorisations that have been submitted to the Meeting take account of the change in the rules governing securities, stocks and bonds introduced by Order no. 2004-604 of 24 June 2004.

The provisions in this order are intended, in particular, to unify and simplify the rules governing increases in capital.

Within this context, your Board of Directors is asking for an overall delegation of powers for a period of 26 months up to a ceiling of a nominal amount of nine million two hundred thousand euros (€9,200,000) before any adjustments that might be made to conform with the law are taken into account.

You are informed that, as part of this overall delegation of powers, shares, securities, stocks and bonds could be issued giving access to your Company's capital and, in accordance with the new legal provisions, securities, stocks and bonds giving the right to the granting of debt securities.

We must point out that, since the provisions of the Order of 24 June 2004 came into force, it is no longer possible to issue priority dividend shares without voting rights, non-voting preference shares or preference shares

Issuing preference shares (introduced by the Order cited above which authorises the issue of voting or non-voting shares, combined with particular rights of all kinds, either temporary or permanent) implies voting on a specific resolution which is not being asked for this year by the Board of Directors.

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Similarly, the Board of Directors is not asking this year for a delegation of powers to allow the issue of securities, stocks and bonds giving the right to grant debt securities that do not lead to an increase in capital (for example bonds with a subscription warrant) since an issue such as this would mean voting on a specific resolution at an Extraordinary General Meeting.

Finally the Board of Directors is not asking this year for the ability to issue securities, stocks and bonds that give access to the capital of a company that directly or indirectly owns more than half of your Company's capital, or the capital of companies where your Company directly or indirectly owns more than half of the company capital as provided in the Order of 24 June 2004.

In accordance with the new legal provisions on this subject derived from the order of 24 June 2004, you are invited to delegate full powers to the Board of Directors, with the power to further delegate to any person authorised in law, to decide to make one or more increases in capital, on one or more occasions, by issuing shares, or any securities, stocks and bonds giving access to the share capital of your Company, or any securities, stocks and bonds giving access to the issue of debt security, up to the limits allowed by law and the overall ceiling of nine million two hundred thousand (9,200,000) euros mentioned above.

However, as previously stated, the issue of preference shares or securities, stocks and bonds giving access to preference shares would be excluded.

In the eighth and ninth resolutions, you are being asked to authorise the issue of shares, securities, stocks and bonds, including equity warrants issued independently, either free of charge or for payment, and in compliance with the new legal provisions, securities, stocks and bonds giving entitlement to the allocation of debt security. The nominal amount of increase of capital resulting from these issues may not exceed nine million two hundred thousand (9,200,000) euros – the overall ceiling of these delegated powers.

The issues decided by the Board of Directors under resolution eight would include a preferential right of application for shareholders. In the ninth resolution, we ask you expressly to agree to waive your preferential right of application for securities, stocks and bonds that give access immediately and/or in the long run to Company share capital. Each of these resolutions gives to the Board of Directors the option of further delegating to any person authorised by the law the widest powers to make these issues. The purpose of the tenth resolution is to add to this package to enable the Board of Directors to increase the capital by incorporating reserves, profits or bonuses from issues, mergers or capital invested.

The purpose of the eleventh resolution is to enable the Board of Directors to use the authorisations outlined above if there is a public offer of exchange initiated by the Company.

We should point out that resolutions eight to ten could be used during a period of a takeover bid or a public offer of exchange on the securities of your Company under the conditions given in article L.225-129-3 of the Commercial Code, i.e. (as things stand) if that use is part of the normal activity of your Company and applying it is not likely to make the offer fail.

When the Board of Directors uses your authorisation, it will draw up, as appropriate, and in accordance with the law, a supplementary report that describes the final conditions for the issue decided on, given that the details that must appear in this report are to be determined by a decree from the Conseil d'Etat, as yet unpublished

This report with that of the Auditors would then be made available at the headquarters and then brought to your attention at the next General Meeting.

Your Board of Directors will report, in compliance with the provisions of the order of 24 June 2004, on the use of financial authorisations and an analysis including changes in the debt situation of your Company.

All the methods for setting the issue price shown below for the various securities, stocks and bonds seem to us to reconcile the interests of the Company with those of its shareholders, account being taken of the trading conditions for the existing shares.

In consequence, you will be asked to decide on the following resolutions:

I. Delegation of powers to the Board of Directors to increase the share capital by issuing of capital securities, securities, stocks and bonds giving access to capital and securities, stocks and bonds with entitlement to the allocation of debt security with or without preferential right of application (resolutions eight and nine)

In accordance with the new legal provisions in force, the Board of Directors, with the option of further delegating to any person authorised by law, would be authorised, on one or more occasions, both in France and abroad, to increase capital on one or more occasions by issuing capital and securities giving access to the capital of the company and securities, stocks and bonds including equity warrants issued independently, either free of charge or for payment, on the one hand while maintaining the preferential rights of shareholders to apply for new shares as of right or otherwise (resolution eight) and, on the other hand without shareholders' preferential right of application (resolution nine). These authorisations to issue capital securities and securities, stocks and bonds including equity warrants issued independently with or without preferential right of application will enable the Company to widen its shareholder base and thus make itself better known by placing securities on the French and/or foreign markets by effectively taking up opportunities for public issue that might occur and thus allow the Company to become rapidly involved in these markets.

1. These authorisations would be given for a period of twenty-six (26) months from the date of the Meeting to which you are invited, in accordance with the law, and will render null and void any earlier delegation of powers with the same purpose given by the Joint General Meeting on 11 September 2002.



The increase in capital that could result from these authorisations will have a limit of a maximum amount of nine million two hundred thousand (9,200,000) euros. This ceiling would be the same as the ceiling set in resolutions eight, nine, ten and eleven.

All the increases in capital, whether immediate, deferred or potential resulting from these authorisations will be charged to this overall figure, with the exception however of supplementary increases of capital made necessary by the reservation of the rights of holders of bonds to apply for shares or securities, stocks and bonds giving right, in whatever way, to the assignment of securities representing a portion of the capital; this exception also applies to the maximum of increase in capital set by each of the resolutions mentioned above.

The issue of preference shares or any securities, stocks and bonds giving access to preference shares would be expressly excluded.

The number of securities could be increased under the conditions set in article L.225-135-1 of the Commercial Code (introduced by order no. 2004-604 of 24 June 2004), and by the decree of the Conseil d'Etat for its application, as yet unpublished.

The Board of Directors may make authorised issues both in France and abroad, or else exclusively on the international market. The securities, stocks and bonds representing debts giving access to capital may be issued either in euros or in foreign currency, or other monetary units established by reference to several currencies, up to an equivalent value to the maximum amount set in euros, determined on the day of the decision of the Board of Directors to issue such securities, stocks and bonds.

In accordance with the provisions of article L.225-129-2 of the Commercial Code, the powers delegated by the Meeting would include all categories of securities, stocks and bonds giving access to capital, likely to be issued up to an overall maximum increase in capital that the Meeting would determine, including bonds with subscription warrant and equity warrants of shares issued independently. However you are reminded that preference shares could not be issued under these delegated powers, and that the issue of priority shares with voting rights, of preference shares without voting rights, and of non-voting preference shares with or without priority subscription rights, is not now possible.

In any event, the maxima mentioned above for increasing the capital would be set without taking account of any effect on the capital of the adjustments that, in accordance with the law, apply to securities, stocks and bonds giving access in the long run to part of the capital, which would be thus issued, with the effect of protecting the rights of their holders.

The securities, stocks and bonds thus issued may consist of bonds or be linked to the issue of such securities, or allow them to be issued as intermediary or secondary securities given that the securities, stocks and bonds thus issued should be capable of allowing an immediate or eventual increase in the capital of your Company. They may in particular take the form of floating-rate notes, fixed-term or not, and may be issued either in euros, or in foreign currency or other monetary units established by reference to several currencies, for a nominal amount that shall not exceed the equivalent value of ninety million (90,000,000) euros on the day of the Board of Directors' decision. It is specified that this amount would be common to all the securities whose issue is authorised by the Meeting to which you are invited. The Board of Directors would set the duration of these loans which may not exceed fifteen years.

In consequence the right of assignment of capital securities or debt security linked to these debt instruments (in particular, conversion and repayment) may be exercised during this maximum period, either at any time or during certain periods or at certain dates predetermined by your Board of Directors.

Your Board of Directors would have full powers, in particular to decide on their nature, subordinate or not, to set their rate of interest, the fixed or variable repayment price, with or without bonus, the methods of redemption depending on market conditions and the conditions under which these securities would give a right to securities representing Company capital or debt security. They might also give entitlement to the allocation or acquisition of securities, including capital securities in your Company held in a portfolio in compliance with the provisions of articles L.225-177 et seq. of the Commercial Code.

Any bonds issued or detached from the primary or intermediary securities issued may be exercised either at any time, or during certain periods or at certain predetermined dates, for a time that shall not exceed five (5) years from the issue of the bonds or the securities, stocks and bonds.

Your Board of Directors may stipulate that equity warrants of any ordinary shares issued are reimbursable on the basis of the maximum of their issue price, unless exercised before the end of their period of validity.

In general, these financial authorisations would imply, in favour of the holders of securities, stocks and bonds thus issued, that shareholders waive their preferential right to apply for securities to which those securities, stocks and bonds gave entitlement.

Under the conditions allowed in law, the Board of Directors would take the necessary steps to protect holders of securities, stocks and bonds thus issued and would have the powers necessary to determine the actual increase in capital resulting from the delegated powers and proceed to amend the memorandum and articles of association accordingly.

Finally, these delegated powers may be used by your Board of Directors during a period of a takeover bid or a public offer of exchange on the securities of your Company under the conditions given in article L.225-129-3 of the Commercial Code (introduced by order no. 2004-604 of 24 June 2004), i.e. (as things stand) if that use is part of the normal activity of your Company and applying it is not likely to make the offer fail.

2. The issue price of the securities, stocks and bonds would be determined as follows:

If issued with preferential rights of application, the issue price of the primary securities, stocks and bonds or of bonds, would be set freely by the Board of Directors depending on market conditions in the best interests of the Company. If issued without preferential rights of application, the amount received or likely to be eventual-

ly received by the Company for each of the ordinary shares issued immediately or in the long run by application, conversion, exchange, liquidation of bonds or in any other way given in particular the issue price of the primary securities, stocks and bonds or of the bonds, should, in accordance with the law:

- before the date of publication of the decree of the Conseil d'Etat issued after consultation with the Financial Markets Authority mentioned in article L.225-136 of the Commercial Code (introduced by order no. 2004-604 of 24 June 2004), be equal to at least the average of the opening prices drawn from the Unlisted Securities Market of Euronext Paris S.A., or from any regulated market which might replace it for ordinary Company shares in ten consecutive trading days from among the last twenty trading days preceding the issue of the securities, stocks and bonds, after correcting this average to take account of the difference of due date
- after that date, be at least equal to the amount determined in compliance with the above decree.

3. If applications as of right, or for excess shares, have not absorbed all the issue of securities, stocks and bonds or bonds, the Board of Directors may, for those issues which retain the preferential right of application, subject to legal conditions, limit the issue to the amount of applications received. It is specified that if the Board of Directors requires the issue of ordinary shares stated above, the amount of applications received must come to at least three quarters of the amount of the increase decided. Alternatively they may freely share the unsubscribed securities, stocks and bonds or bonds, or offer them to the public, in all or in part. The Board of Directors may use all or any of the above options in any order it chooses.

If the issue did not give rise to the exercise of the preferential right of application by shareholders, the Board of Directors may nevertheless if issuing the shares in France, give shareholders a priority right to subscribe to all or part of the proposed securities, stocks and bonds. This priority right shall not lead to the creation of negotiable rights. This may be given as of right or not. We should point out that the minimum period of this priority right is to be dealt with in a decree by the Conseil d'Etat as yet unpublished.



4. On the basis of the above you are invited to delegate full power to the Board of Directors, with the option of further delegating to any person authorised by law, to make the authorised issues, once or more often, on any markets and in any currencies, in the best interests of the Company and its shareholders.

In consequence, the Board of Directors would decide the amounts, conditions and methods of any issue. In particular, it would set the application price of the shares and securities, stocks and bonds, with or without bonus, their due date which may be retroactive, and, as appropriate, the duration and the price of exercise of the bonds or the methods of exchange, conversion, repayment or assignment in any other way of the shares and/or securities giving access to shares and/or debt security and/or securities giving entitlement to the allocation of debt security.

II. Delegation of powers to the Board of Directors to increase the capital by incorporation of reserves, profits or bonuses (resolution ten)

In accordance with the new legal provisions in force, the Board of Directors would be authorised, with power of further delegating to any person authorised by law, to increase, on one or more occasions, the share capital up to a nominal amount of nine million two hundred thousand (9,200,000) euros, this ceiling being common to the ceiling set in resolutions eight, nine and eleven, by incorporating premiums, merger or capital investment, that is raised by the creation and free assignment of capital securities or by raising the nominal value of the existing capital securities or by any combination of these two procedures.

This operation must be authorised, in accordance with article L.225-130, under the conditions of quorum and majority of ordinary general meetings; which is why we are asking you to take this as a separate resolution.

This delegation of powers, which would be given for twenty-six months, may result in an increase of capital up to nine million two hundred thousand (9,200,000) euros, independent of that proposed under resolutions nine and ten.

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If new capital securities are allocated, whose due date may, if appropriate, be retroactive, the Board of Directors would have to decide that fractional shares would not be negotiable or assignable, and that the corresponding securities would be sold, with the benefits from their sale being allocated to holders of rights, within a period set by a decree of the Conseil d'Etat as yet unpublished.

Finally, these delegated powers may be used by your Board of Directors during a period of a takeover bid or a public offer of exchange on the securities of your Company under the conditions given in article L.225-129-3 of the Commercial Code (introduced by order no. 2004-604 of 24 June 2004), i.e. (as things stand) if that use is part of the normal activity of your Company and applying it is not likely to make the offer fail.

III. Delegation of powers to the Board of Directors to issue capital securities and securities, stocks and bonds if a public offer of exchange is initiated by the company (resolution eleven)

Article 225-148 of the Commercial Code allows the Company to issue securities, stocks and bonds giving access to its capital in remuneration for securities brought to a public offer of exchange initiated by it on securities of company admitted to negotiations on a regulated market in France or in another country covered by the agreement on the European Economic Area or a member of the OECD.

This is a procedure that allows the exchange of securities without the onerous formalities imposed by making a contribution in kind.

The corresponding increase of capital would occur without the need for a preferential right of application by shareholders, given that the Board of Directors would have to determine at the moment each offer was launched the parities of exchange applicable. The amount of the increase of capital would depend on the result of the offer and on the number of target company securities presented for exchange, bearing in mind the parities thus decided on.

We therefore ask you to renounce the preferential right of application for capital securities and securities, stocks and bonds, in favour of holders of securities brought to the public offer.

At the time of this public offer, the Auditors would express their view on the conditions and consequences of the issue. This view would be included in the prospectus published when the offer was made and in the Auditor's report at the first ordinary general meeting after the issue.

This delegation of powers would be given for nine million two hundred thousand (9,200,000) euros, to be charged against the amount authorised by resolution nine relating to issues without preferential right of application. It would be given for the same period of twenty-six months, from the date of the Meeting to which you are invited.

9. Delegation of powers to the board of directors to increase capital by issuing shares restricted to employees, as part of a savings plan (resolution twelve)

By virtue of article L.225-129-6 of the Commercial Code, when any decision is made to increase capital with additional cash, unless this is the result of a prior issue of securities, stocks and bonds giving access to capital, then the Extraordinary general meeting should vote on a resolution to make an increase of capital under article L.443-5 of the Employment Code. This relates to a company savings plan (PEE) and a voluntary partnership salary savings plan (PPESV).

In consequence of the adoption of the previous resolutions, which may result in an increase of capital, the law requires that a resolution should be put to the Extraordinary general meeting authorising the Board of Directors to make an increase of capital restricted to employees as part of a PEE or a PPESV.

So we ask you to delegate the necessary powers to the Board of Directors to increase the Company share capital by a maximum nominal amount of €920 000, once or more often and at its sole discretion, by issuing ordinary shares restricted to employees and former employees of the Company or of any of the companies and groups linked to it as defined in article L.233-16 of the Commercial Code, adhering to a Company or Group savings plan or to a voluntary partnership salary savings plan and which also meets any conditions that may be set by the Board of Directors.

Members may subscribe directly or via one or more investment funds.

The approval of this resolution would mean the suppression of the preferential right of shareholders to apply for new shares, in favour of the members of the plans mentioned above. This would be as part of the plan mentioned above. We ask you in addition to:

- decide that the price of the shares taken out by the beneficiaries described above, by the exercise of the present delegation of powers, may not be more than the average of opening prices quoted for the previous share on the unlisted securities market of Euronext Paris S.A., in the twenty trading sessions preceding the day of the decision setting the opening date of the application. Nor may it be more than 20% lower than this average in the case of a Company or Group savings plan, nor more than 30% below this average in the case of a voluntary partnership salary savings plan;
- and to decide that the Board of Directors shall have full powers to carry out the present delegation within the limits and conditions stated above, in particular:
 - to set the conditions to be met by beneficiaries of the new shares arising from increases of capital, under the present resolution, and in particular the seniority conditions of employees for taking part in the operation;
 - to draw up the conditions of the issue, the dates, the total amount, the amount per employee member, and the methods of each issue, and to set the time-limit for members to pay up their securities. This latter may not exceed three years;



- to decide the date, even retrospective, from which the new shares will bear interest;
- to determine the final amount of the increase of capital for the amount of shares which will actually be subscribed;
- to have sole power to allocate the costs of the increases of capital to the amount of bonuses relating to it;
- to take whatever steps are necessary to increase the capital, to delegate power as necessary in order to carry out specific decisions to make modifications to the Memorandum and Articles of Association as necessary and carry out subsequent formalities.

This delegated power given to the Board of Directors would be valid for twenty-six months from the date of the Meeting to which you are invited.

In addition, the Board of Directors may delegate the necessary powers, within the legal conditions, to effect the increase of capital, including the power to delay it, within the limits and according to the methods that it may fix in advance.

We also propose two resolutions (resolutions thirteen and fourteen) to renew the authorisations to assign options to purchase and subscribe to shares given to the Board of Directors at the Joint General Meeting of 14 September 2001.

10. Plan of options of purchase and subscription to shares (resolutions thirteen and fourteen)

The authorisations given at the Joint General Meeting of 14 September 2001 to the Board of Directors to issue options to apply for shares and options to purchase shares come to term on 14 November 2004. In consequence, your Board of Directors asks you to renew these authorisations.

These operations form part of the policy for employees and staff representatives of our Company and its subsidiaries to share in the company's profits.

Of course, if options to purchase or subscribe to shares are given to members of the Board of Directors, the prior permission of the Supervisory Board would be required.

So we ask to approve permission to the Board of Directors to grant purchase and subscription options in shares to certain employees of the Company and the Group.

10.1 Authorisation to give the Board of Directors power to grant options to purchase shares (resolution thirteen)

Under the terms of the plan of options to purchase shares that we are putting before you, the Board of Directors would be authorised, for a period of thirty-eight months from the Meeting called to approve the plan, to grant, once or more often, options to purchase Company shares to some or all of the members of staff and staff representatives of the Company and companies or economic interest groups linked to it under the conditions defined in article L.225-180 of the Commercial Code.

The total number of options to purchase shares thus offered may not give the right to buy shares for more than 2% of the share capital existing on the day of the Meeting, regardless of the adjustments that may be made by virtue of the regulations in force.

The options may be exercised by the beneficiaries for a period which would be set by the Board of Directors and which may not exceed ten (10) years from the date when they were granted.

The purchase price of the shares, which would be set by the Board of Directors, may not be lower than 95% of the average purchase price of the shares held by the Company.

In addition full powers would be given to the Board of Directors, subject to the legal provisions in force at the moment when the options are granted, and within the lim-

its set above, to implement this plan and in particular to set the conditions in which the options would be granted and taken up, to draw up a list or the categories of beneficiaries of options as stated above and in general to do all that is necessary.

10.2 Authorisation to give to the Board of Directors to grant options to apply for shares (resolution fourteen)

Under the terms of the option plan to apply for shares that we are proposing, the Board of Directors would be authorised to grant, once or more often in a period of thirty-eight months from your Meeting, options for some or all members of staff and staff representatives of the Company, and of companies or economic interest groups linked to it under the conditions of article L.225-180 of the Commercial Code, to apply for Company shares.

The total number of options thus offered by the Board of Directors may not give right to buy shares for more than 7% of the Company capital on the day of the Meeting to which you are invited, regardless of the adjustments that may be made by virtue of the regulations in force. This maximum amount would be common to the maximum set in resolution fifteen relating at the authorisation given to the Board of Directors to grant options to purchase shares .

In accordance with the law, this authorisation would mean that shareholders expressly renounce their preferential right to apply for the shares to be issued as and when the options are taken up, in favour of beneficiaries of options.

The options may be exercised by the beneficiaries for a time-period set by the Board of Directors, which may not exceed ten (10) years from the date they are granted.

The price of application for shares, which would be set by the Board of Directors in accordance with the legislation in force at the date when the options are granted, may not be lower than 95% of the average of the opening prices quoted for the share in the twenty trading sessions preceding the day when the option is granted.

In addition full powers would be given to the Board of Directors, subject to the legal provisions in force at the moment when the options are granted and subject to the limits set above, to implement this plan and in particular to set the conditions under which the options would be grant-

ed and taken up and to draw up a list or categories of beneficiaries of options as stated above and in general to do whatever necessary to bring the operation to fruition.

11. Modifications to the memorandum and articles of association (resolutions fifteen to seventeen)

Law no. 2003-706 of 1st August 2003 on financial security made numerous modifications to the organisation of financial markets. It merged the stock market operations committee with the financial markets Council in a single authority, the financial markets authority. It also replaced the body responsible for the clearing of securities, stocks and bonds with a central depository of financial instruments. In consequence, we ask you to write this change into clause 10 of the Memorandum and Articles of Association by voting for resolution seventeen.

Law no. 2003-706 of 1st August 2003 on financial security made numerous modifications to the organisation of financial markets. It merged the stock market operations committee with the financial markets Council in a single authority, the financial markets authority. It also replaced the body responsible for the clearing of securities, stocks and bonds with a central depository of financial instruments. In consequence, we ask you to write this change into clause 10 of the Memorandum and Articles of Association by voting for resolution seventeen.

The law of 1st August 2003 also eased certain provisions of law no. 2001-420 of 15 May 2001 on new economic regulations, thought to be too severe, in particular as regards regulated agreements. In particular it raised the threshold of participation from 5% to 10% that a shareholder must hold in order to be required to follow the procedure for regulated agreements when he signs an agreement with the Company. The law of 1st August 2003 also removed the requirement to give information on agreements concerning current transactions concluded under normal conditions if their purposes or financial implications do not affect any of the parties. We suggest that you write these relaxations into clause 28 of the Memorandum and Articles of Association by voting for resolution sixteen



Finally, the law of the 1st August 2003 made great changes to the Memorandum and Articles of Association and the professional organisation of the auditors. In particular, for companies making public issues, it set up a requirement to rotate the individual auditors and signatories of a company of auditors, once they have certified the Company accounts for more than six consecutive financial years. We propose that you add this new legal restriction into article 29 of the Memorandum and Articles of Association by voting for resolution seventeen.

12. Powers for formalities (resolution eighteen)

Finally we ask you to give full powers to the Board of Directors to carry out all the legal formalities of publicity, and to the holder of an original, an extract or a certified copy of the minutes of these decisions so as to carry out any formalities required by law.

In conclusion, we ask you to vote in favour of the various resolutions before you.

RESOLUTIONS COMING UNDER THE JURISDICTION OF THE ORDINARY GENERAL MEETING

First resolution (approval of company accounts)

The General Meeting, deciding under the conditions for quorum and majority required for ordinary general meetings, having reviewed the report of the Board of Directors, the report of the Supervisory Board, the report of the Chair of the Supervisory Board on the conditions for the preparation and organisation of the work of the Supervisory Board and on the internal control procedures put in place by the company and the general report of the Statutory Auditors on the accounts for the financial year 2003/2004 and their observations on the aforementioned report of the Chair of the Supervisory Board, approves both the accounts as presented for the financial year ending 31 March 2004 and the operations shown these accounts and summarised in these reports and which show a loss of €4 765 441,34 as well as non deductible expenditure and costs covered by article 39-4 of the French General Tax Code amounting to €13 099,46. Given the Group's tax position (deficit carried forward), the findings of these costs do not result in any tax being payable, except the annual standard tax of €18 750.

Consequently the General Meeting discharges the members of the Board of Directors, Supervisory Board and Statutory Auditors, in relation to the execution of their mandate for the past financial year.

Second resolution (approval of the consolidated accounts)

The General Meeting, deciding under the conditions for quorum and majority required for ordinary general meetings, having reviewed the report of the Board of Directors, the report of the Supervisory Board, the report of the Chair of the Supervisory Board on the conditions for the preparation and organisation of the work of the Supervisory Board and on internal control procedures put in place by the company and the general report of the Statutory Auditors on the consolidated accounts for the financial year 2003/2004 and their observations on the aforementioned report by the Chair of the Supervisory Board, approves both the consol-

idated accounts as presented for the financial year ending 31 March 2004 and the operations shown in these accounts and summarised in these reports and which show a consolidated loss of group share of €5 293 993.

Consequently the General Meeting discharges the members of the Board of Directors, Supervisory Board and Statutory Auditors, in relation to the execution of their mandate for the past financial year.

Third resolution (assignment of profit or loss)

The General Meeting deciding under the conditions for quorum and majority required for ordinary general meetings, having reviewed the report from the Board of Directors, noting that the loss for the financial year amounts to €4 765 441,34 decides to assign the loss in the following manner:

| | |
|--|------------------|
| Carried forward from the previous financial year | - €15,583,889.07 |
| Loss for the financial year | - €4,765,441.34 |
| Carried forward | - €20,349,330.41 |

It should be remembered that in accordance with the law the dividend paid for the last three financial years was established as follows:

| Financial year closed on | Number of shares | Net dividend per share | Tax credit per share | Overall revenue per share |
|--------------------------|------------------|------------------------|----------------------|---------------------------|
| 31 March 2001 | 6,195,682 | €0,10 | €0,05 | €0,15 |
| 31 March 2002 | 6,226,182 | €0,10 | €0,05 | €0,15 |
| 31 March 2003 | 6,226,182 | - | - | - |

Fourth resolution (agreements covered by article L.225-86 of french commercial law)

The General Meeting, deciding under the conditions for quorum and majority required for ordinary general meetings, having reviewed the special report of the Statutory Auditors and the report of the Board of Directors, expressly approves each of the agreements covered by article L.225-86 of French Commercial Law and recorded in the aforementioned report.

Fifth resolution (renewal of the mandate of a member of the Supervisory Board)

The General Meeting, deciding under the conditions for quorum and majority required for ordinary general meetings, having reviewed the Board of Directors' report, renews the mandate of Mr Joseph Wan as member of the Supervisory Board.

This mandate is renewed for a period of four years and will terminate at the end of the General Meeting called to approve the accounts for the financial year ending 31 March 2008.

Sixth resolution (directors' fees)

The General Meeting, deciding under the conditions for quorum and majority required for ordinary general meetings, having reviewed the Board of Directors' report, decides to set the annual directors' fees attributed to members of the Supervisory Board for the current financial year at €4,575.

Seventh resolution (authorisation to the board for the purpose of buying company shares)

The General Meeting, deciding under the conditions for quorum and majority required for ordinary general meetings, having reviewed the Board of Directors' report and the elements appearing in the information note required by the French Financial Markets Authority;

- ends with immediate effect the authorisation, granted to the Board of Directors by the Shareholder Ordinary General Meeting on 19 September 2003 having passed its tenth resolution, to purchase any available shares in the company;



- in accordance with articles L.225-209 et seq. in French Commercial Law, authorises the Board of Directors to purchase company shares up to a limit of 10% of the company share capital as noted by the Board of Directors on 16 April 2004, i.e. 6,226,486 shares, it being made clear that in accordance with the provisions of article L.225-210 of French Commercial Law, given the shares already held, acquisitions realised under the present resolution may not result in the company holding more than 10% of its own share capital.

As at 30 April 2004 the company held 12 272 of the 6,226,486 shares making up the share capital.

This authorisation may be used for:

- optimising company asset and / or financial management;
- buying and selling according to the market situation;
- regularising the share price by systematic intervention to counter the shares' market trend;
- granting share call options to employees or the management of the company and / or companies in its Group which are linked to it under the conditions laid down in article L.225-180 of French Commercial Law;
- attributing shares to employees as their participation in the fruits of the expansion of the enterprise or as a company or Group savings plan or indeed a joint voluntary salary savings plan;
- retaining, transmitting or generally transferring the said shares, notably by making exchanges or surrendering securities, in particular as part of external growth operations or when issuing securities giving access to capital.

The above mentioned objectives are presented in decreasing order of importance, without prejudging the actual order of use of the authorisation to purchase, which will be according to needs and opportunities of the company.

The General Meeting decides that:

- the acquisition of shares as well as the retention, transmission or transfer of shares bought in this way, depending on the circumstances, may be carried out on one or more occasions at any time, as appropriate during a share offer, respecting legal and regulatory provisions, by all means in or out of the market and notably by block acquisition or cession or transferable securities that gives right to access to capital or to derivative financial instruments (excluding purchase by the company of call options) under the conditions provided for by the market authorities;
- the maximum purchase price may not exceed €6.58 per share and the minimum sale price must not be below €2 per share. These limits will be adjusted to take account on one hand of dividends or rights that may have become detached during the period of validity of the present authorisation, and on the other hand, any operations relating to the company capital and to the nominal share value. Nevertheless, if all or some of the shares acquired are used in the framework of granting share call options in accordance with article L.225-179 of French Commercial Law, the issue of which presupposes the adoption by the present Extraordinary General Meeting of the thirteenth resolution, or for attributing shares in accordance with articles L.443-1 et seq. of French Labour Law, which presupposes the adoption by the present Extraordinary General Meeting of the thirteenth resolution, the selling price will then be determined in accordance with the legal provisions in force.

Given the number of shares held by the company itself, the maximum number of shares that may be bought is 610,376.

Given the maximum acquisition price mentioned above, the company may devote not more than €4,016,274 to buying back its own shares.

The General Meeting grants the Board of Directors full powers to decide on the implementation of the present authorisation and to set its methods, with the option of delegating under legal conditions, in order to conclude and carry out all day to day acts relating to the share buy back programme and notably give any stock market orders, conclude any agreements and notably to purchase and sell derivative products within the limits set by the present authorisation, ensuring, in accordance with the recommendations of the market authorities, the volatility of the security is not increased, establish any documents, notably information documents, undertake any formalities and all declarations and communiqués to any organisations and in particular inform the French Market Authority of operations carried out by virtue of the present authorisation, and in a general way, do all that is necessary.

This authorisation is valid for a period of eighteen months from the date of the present General Meeting.

The Board of Directors will inform the Annual General Meeting of operations carried out in accordance with the present authorisation and notably, any purchases, transfers, cessions or cancellations of shares realised in this way.

RESOLUTIONS COMING UNDER THE JURISDICTION OF THE EXTRAORDINARY GENERAL MEETING

Eighth resolution (delegation given to the Board of Directors for the purposes of increasing the share capital by means of issuing capital securities and transferable securities that give access to capital and maintain shareholders preferential subscription rights)

The General Meeting, deciding under the conditions for quorum and majority required for extraordinary ordinary general meetings, having reviewed the report of the Board of Directors, and the special report of the Statutory Auditors:

- ends with immediate effect the authorisation, granted to the Board of Directors by the General Meeting on 11 September 2002, having passed its tenth resolution, to issue shares and transferable securities giving access to capital and maintain the preferential subscription right;
- authorises the Board of Directors, with the option of further delegation to any person authorised by the law, deciding in accordance with the provisions of line 3 paragraph III of article L.225-129 of French Commercial Law and certifying the full settlement of the share capital, on one or more occasions in France or abroad to issue capital securities and transferable securities, with shareholders' preferential subscription rights being maintained, including equity warrants, issued on a stand alone basis, either gratuitous or for a consideration, giving immediate or future access to part of the company capital, for which the subscription may be either in cash or by debt clearance.

The General Meeting decides to expressly exclude:

- the issue of preference shares with voting rights;
- the issue of preference dividend shares without voting rights;
- the issue of investment certificates or of preferential investment certificates.



The nominal amount of all the securities representing part of the company capital that may be created by virtue of the present resolution, in any circumstances and not taking account of adjustments that may be made in accordance with the law, may not result in the share capital being increased by a nominal amount of over nine million two hundred thousand (9,200,000) euros, corresponding to the overall ceiling given in this present delegation of powers. This ceiling is the same as the ceiling set in the ninth, tenth and eleventh resolutions submitted to the present General Meeting.

The transferable securities issued in this way may consist of bonds or may be associated with the issue of such securities, or indeed may allow issue as intermediate securities. They may notably take the form of subordinated securities, for a fixed period or perpetual. It should be understood that the securities issued in this way must be capable of allowing an immediate or long-term increase in capital for the Company, and may be issued in euros, in foreign currency or other monetary units established by reference to several foreign currencies, for a nominal amount that may not exceed the equivalent of €90 million based on the exchange value on the day the Board of Directors' makes its decision, it being made clear that this amount is the same for all debt instruments, the issue of which is authorised by the present General Meeting. In any event, the life span of debt instruments, and notably of bonds going into the composition of transferable securities issued in this way, may not exceed fifteen years.

As a result the right of attribution to capital securities attached to these debt instruments (conversion, redemption notably) may be exercised during this maximum period, either at any time or during particular periods or dates predetermined by the Board of Directors.

The Board of Directors will have all the necessary powers, notably for deciding on whether they are subordinated or not, setting their interest rate, the fixed or variable redemption price with or without premium, the methods of amortisation according to market conditions and the conditions under which these securities will give access to the right to securities representative of company capital or debt securities. They may also give the right to the allocation or purchase of shares, in particular shares in Company Capital held in a portfolio in accordance with articles L.225-177 et seq. of the Commercial Code.

Warrants that may be issued or detached from preferential or intermediary securities issued may be exercised at any time or during certain periods or on set dates for a period that may not exceed five (5) years from the date the warrant or the transferable securities is issued.

The Board of Directors may stipulate that any ordinary equity warrants issued may be redeemable on the basis of their maximum issue price, should they not be exercised before the period of validity expires.

The owners of shares existing at the time of the issue will have an irrevocable preferential subscription right in proportion to the number of shares owned by them.

On each occasion the Board of Directors will set the conditions and limits under which the shareholders may exercise their irrevocable subscription right in accordance with the legal provisions in force. The Board of Directors may introduce an irrevocable preferential subscription right for shareholders which is exercised in proportion to their rights and up to the limit of their requests.

However, the present decision:

- leads by right, for holders of transferable securities, to the renunciation of shareholders to their preferential subscription right to securities representing part of capital to which these transferable securities would give the right;
- and includes the express renunciation of the shareholders to their preferential subscription right to capital securities to which those of transferable securities would give access taking the form of convertible bonds and warrants issued on a stand alone basis.

The Board of Directors will decide on the amounts, conditions and methods of any issue. Notably, it will set the share or transferable securities subscription price, with or without premium, their possible retroactive ex-date, as well as, if appropriate, the period and the warrant exercise price or the methods of exchange, conversion, redemption or attribution in any other manner of shares and / or securities giving access to shares and/or giving entitlement to debt securities.

The Board of Directors will, as laid down by law, take all necessary steps to protect holders of securities issued in this way and will have full powers to record the increases in capital resulting from this delegation of powers and will make the corresponding amendments to the Memorandum and Articles of Association.

The Board of Directors, if the irrevocable subscriptions and if applicable revocable subscriptions, have not absorbed the whole transferable securities or warrants issue, may under the legal conditions provided for, limit the issue to the amount of subscriptions taken up (it being made clear that in the event that the Board of Directors decides to issue the above new ordinary shares, the subscriptions taken up must reach at least three-quarters of the amount of the increase decided upon), or freely allocate the transferable securities or warrants not applied for or indeed offer them to the public, totally or partially, the Board of Directors being able to use the above options in any order or to use any one of them.

The Board of Directors may also decide that the number of shares may be increased under the conditions set by article L.225-135-1 of the Commercial Code and by the decree of the Conseil d'Etat issued to apply it.

This present delegation of powers may be used by the Board of Directors to purchase Company shares if there is a take-over bid or public offer of exchange within the conditions set by law.

Issues by virtue of the present authorisation may be realised by the Board of Directors within twenty-six months of the date of the present General Meeting.

Ninth resolution (delegation given to the Board of Directors for the purposes of increasing the share capital by issuing capital securities and transferable securities giving access to capital without a shareholder preferential subscription right)

The General Meeting, deciding under the conditions for quorum and majority required for extraordinary ordinary general meetings, having reviewed the report of the Board of Directors, and the special report of the Statutory Auditors:

- ends with immediate effect the authorisation, granted to the Board of Directors by the General Meeting on 11 September 2002, having passed its eleventh resolution, to issue shares and transferable securities giving access to capital and without the preferential subscription right;
- authorises the Board of Directors, with the option of further delegation to any person authorised by the law, deciding in accordance with the provisions of line 3 paragraph III of article L.225-129 of French Commercial Law and certifying the full settlement of the share capital, on one or more occasions in France or abroad to issue capital securities and transferable securities, including equity warrants, issued on a stand alone basis, either gratuitous or for a consideration, giving immediate or future access to part of the company capital, for which the subscription may be either in cash or by debt clearance.

The General Meeting decides to withdraw the shareholders' preferential subscription right to transferable securities and warrants covered by the present authorisation; However, the shareholders may, if judged opportune by the Board of Directors, benefit for a period set by the Board of Directors from an irrevocable and / or revocable preferential right to apply for transferable securities issued on all or part of the issue, which will not be negotiable.



The General Meeting decides to expressly exclude:

- the issue of preference shares with voting rights;
- the issue of preference dividend shares without voting rights;
- the issue of investment certificates or of preferential investment certificates.

The nominal amount of all the securities representing part of the company capital that may be created by virtue of the present resolution, in any circumstances and not taking account of adjustments that may be made in accordance with the law, may not result in the share capital being increased by a nominal amount of over nine million two hundred thousand (9,200,000) euros, corresponding to the overall ceiling of this delegation of powers.

This ceiling is the same as the ceiling of €9,200,000 euros set in the preceding eighth tenth and eleventh resolutions submitted to this General Meeting.

The transferable securities issued in this way may consist of bonds or may be associated with the issue of such securities, or indeed may allow issue as intermediate securities. It should be understood that the securities issued in this way must be capable of allowing an immediate or long-term increase in capital for the Company. They may notably take the form of subordinated securities, for a fixed period or perpetual, and may be issued in euros, in foreign currency or other monetary units established by reference to several foreign currencies, for a nominal amount that may not exceed the equivalent of €90 million based on the exchange value on the day the Board of Directors' makes its decision, it being made clear that this amount is the same for all debt instruments, the issue of which is authorised by the present General Meeting. In any event, the life span of debt instruments, and notably of bonds going into the composition of transferable securities issued in this way, may not exceed fifteen years.

As a result the right of attribution to capital securities attached to these debt instruments (conversion, redemption notably) may be exercised during this maximum period, either at any time or during particular periods or dates predetermined by your Board of Directors.

The Board of Directors will have full powers, notably for deciding on whether they are subordinated or not, setting their interest rate, the fixed or variable redemption price with or without premium, the methods of amortisation according to market conditions and the conditions under which these securities will give access to the right to securities representative of company capital or to debt instruments. They may also give the right to the allocation or purchase of shares, in particular shares in Company Capital held in a portfolio in accordance with articles L.225-177 and seq. of the Commercial Code.

Warrants that may be issued or detached from preferential or intermediary securities issued may be exercised at any time or during certain periods or on set dates for a period that may not exceed five (5) years from the date the warrant or the transferable securities are issued.

The Board of Directors may stipulate that any ordinary equity warrants issued may be redeemable on the basis of their maximum issue price, should they not be exercised before the period of validity expires.

The present decision:

- leads by right, for holders of transferable securities, to the renunciation of shareholders to their preferential subscription right to securities representing part of capital to which these transferable securities would give the right;
- and includes the express renunciation of the shareholders to their preferential subscription right to capital securities to which those of transferable securities would give access taking the form of convertible bonds and warrants issued on a stand alone basis.

The Board of Directors will decide on the amounts, conditions and methods of any issue in accordance with the law as covered by this delegation of powers. Notably, it will set the share or transferable securities subscription price, with or without premium, their possible retroactive ex-date, as well as, if appropriate, the period and the warrant exercise price or the methods of exchange, conversion, redemption or attribution in any other manner of shares and / or securities giving access to shares or debt instruments. The Board of Directors will, as laid down by law, take all necessary steps to protect holders of securities issued in this way and will have full powers to record the increases in capital resulting from this delegation of powers and will make the corresponding amendments to the Memorandum and Articles of Association.

In this regard it is made clear that the sum received or that may subsequently be received by the company for each of the ordinary shares that may be issued, intermediately or forward, by subscription, conversion, exchange, exercise of warrants or any other manner taking account notably of the issue price of the preferential transferable securities or warrants, should be:

- before the date that the Conseil d'Etat publishes the decree after consultation with the Financial Markets Authorities covered by article L.225-136 of the Commercial Code (introduced by order no. 2004-604 of 24 June 2004 at least equal to the average of the first prices observed on the unlisted securities market in Paris, or any other regulated market that may be substituted, for the ordinary shares of the company for a period of ten consecutive days chosen from the twenty stock market days preceding the start of the issue of transferable securities or warrants, after this average has been corrected to take account of the difference in the ex-date;
- after this date, at least equal to the amount determined in accordance with the decree mentioned above.

The Board of Directors may also decide that the number of shares may be increased under the conditions laid down in article L.225-135-1 of the Commercial Code and in the decree issued by the Conseil d'Etat to apply it

This present delegation of powers may be used by the Board of Directors if there is a take-over bid or a public offer of exchange of Company shares under the conditions laid down by law.

The issues decided upon by virtue of the present authorisation may be realised by the Board of Directors within a period of twenty-six months from the date of the present meeting.

Tenth resolution (delegation given to the Board of Directors for the purposes of increasing capital by the incorporation of reserves or profits, issue, merger or injection premiums)

The General Meeting, deciding under the conditions for quorum and majority required for an Ordinary General Meeting, having reviewed the Board of Directors' report,

- ends with immediate effect the delegation granted to the Board of Directors by the General Meeting of 11 September 2002, having passed its twelfth resolution, to increase the share capital by incorporating reserves or profits, issue, merger or injection premiums

- delegates the necessary powers to the Board of Directors, with the option of further delegating to any person authorised by the law, for increasing, on one or more occasions, the share capital up to a maximum nominal limit of nine million two hundred thousand (9,200,000) euros, , by successive or simultaneous incorporation into the capital of all or part of the reserves, profits or issue, merger or injection premiums, to be realised by the creation and attribution of gratuitous shares or by raising the nominal value of the shares or by using these two procedures together.

This ceiling is the same as the ceiling set in the eighth, ninth and eleventh resolutions submitted to this General Meeting.

The General Meeting authorises the Board of Directors to decide that the rights to fractions of shares will not be negotiable and that the corresponding shares will be sold; the sums resulting from the sale will be allocated to holders of the rights at the latest thirty days after the date the entire number of shares attributed are registered to their account.



The General Meeting confers full powers on the Board of Directors, for the purposes notably of setting the dates and methods of issue, deciding on prices and conditions for issue, setting the amounts to be issued and more generally taking all necessary measures to ensure its successful conclusion, completing all acts and formalities necessary to make the corresponding capital increase or increases definitive and making the corresponding modifications to the statutes.

The present delegation is valid for a period of 26 months from the date of the present General Meeting.

Eleventh resolution (delegation to the Board of Directors for the purposes of issuing capital securities and transferable securities in the event of an exchange offer initiated by the company)

The General meeting, deciding within the framework of articles L.225-129 and 225-148 of French Commercial Law, having reviewed the Board of Directors' report and the report of the Statutory Auditors:

- ends with immediate effect the delegation granted to the Board of Directors by the Shareholder Extraordinary General Meeting on 11 September 2002, having passed its thirteenth resolution, to issue shares and transferable securities giving access to capital, in the event of an exchange offer being initiated by the company;

- authorises the Board of Directors, with the option of further delegation to any person authorised by the law, to increase the company capital by a maximum nominal amount of nine million two hundred thousand (9,200,000) euros by the successive or simultaneous issue of capital securities or transferable securities, on one or more occasions – including equity warrants issued on a stand alone basis – giving immediate and / or future access to part of the company capital in order to pay for the securities contributed to an exchange offer initiated by the company on the securities of a company trading on a regulated market in France or in a state party to the European Economic Area agreement other than France or a member state of the OECD.

The General Meeting resolves, as necessary, to withdraw, for holders of contributed shares, the shareholders preferential subscription rights attached to these shares or transferable securities. Similarly, shareholders renounce their preferential subscription rights to shares to which the aforementioned transferable securities could in the future give access by exercising a right of any nature whatsoever. The ceiling for the nominal amount of the capital increase resulting from the issue of transferable securities realised by virtue of the delegation granted to the Board of Directors by the present resolution, set at nine million two hundred thousand (9,200,000) euros, is charged to the ceiling set in the ninth resolutions.

The General Meeting resolves that the Board of Directors will have full powers to implement the present authorisation, notably in order to:

- set the exchange rate parity as well as, as appropriate, any cash adjustment to be paid;
- record the number of securities contributed to the exchange;
- to set the dates, issue conditions, notably the price and ex-date, new shares or, if appropriate, securities giving immediate and / or future access to part of the company capital;
- to enter on the liabilities side of the balance sheet in an account named "contribution premium", to which the shareholders fees will relate, the difference between the new share issue price and their nominal value;
- to proceed, if necessary, to charge to the said "contribution premium", all the expenses and fees occasioned by the authorised operation;
- in general to take all appropriate measures and conclude all agreements for the successful completion of the authorised operation, recording the resulting increase or increases in capital and modifying the statutes accordingly.

The present delegation is valid for a period of twenty six (26) months from the date of the present General Meeting. This delegation of powers nullifies any previous delegation of powers with the same purpose.

Twelfth resolution (delegation granted to the Board of Directors for the purposes of issuing capital securities and transferable securities in the event of a take-over bid or exchange offer on company securities)

The General meeting, deciding in the framework of articles L.225-129 and 225-148 of French Commercial Law, having reviewed the Board of Directors' report and the report of the Statutory Auditors:

- ends with immediate effect the delegation granted to the Board of Directors by the Shareholder Extraordinary General Meeting on 19 September 2003, having passed its twelfth resolution, to issue capital securities and transferable securities giving access to capital in the event of a take-over bid and / or exchange offer relating to capital securities and transferable securities of the company;
- delegates to the Board of Directors the necessary powers to increase the company capital, with a nominal maximum amount of nine hundred and twenty thousand (920 000) euros, on one or more occasions and on their own authority, by issuing ordinary shares reserved for current and former employees of the Company in all or some of the companies and groups that are associated with it in the meaning of article L.233-16 of the Commercial Code, who are members of a Company or group corporate savings plan or of a voluntary partnership savings plan from salaries and who, in addition, fulfil conditions set by the Board of Directors.

The members may subscribe, either directly, or through one or more investment funds.

This decision will withdraw the right of members of the plan mentioned to subscribe to preferential shares, which will then take place within the framework of the savings plan mentioned above.

The General Meeting:

- will decide that the price of shares subscribed to by the members mentioned above, when this delegation of powers is applied, may not be above the average of the first prices quoted for the old share in the Euronext Paris S.A. unlisted securities market, during the twenty stock market sessions preceding the day on which the decision setting the date for opening of subscriptions nor more than 20% below this average in the case of a company or Group savings scheme or more than 30% of this same average in the case of a joint salary savings scheme;
- and will decide that the Board of Directors will have all powers to implement this present delegation of powers within the limits and conditions set down above and particularly to:
 - set the conditions that the beneficiaries of new shares resulting from increases in capital, covered by this present resolution, and especially conditions of seniority for employees to take part in the operation;
 - lay down conditions for the issues, dates, the amount total, the amount per employee member and the payment method for each issue, set the time limit granted to members for paying up their shares, it being stated that this may not three years;
 - lay down the date, even retroactively, from which the new shares will bear dividends;
 - report the final achievement of an increase increases in capital up to the total of the amount of shares that have been actually subscribed;
 - on its own initiative, to charge the costs of increases in capital against the amount of the bonuses that are connected with it;
 - to take every step to carry out the increase or increases in capital, grant any delegation of powers to enable the decisions taken to be executed, make any corresponding changes to the Memorandum and Articles of Association or formalities that arise from it.

This present delegation of powers takes effect from this present Meeting for a period of twenty-six (26) months.

The Board of Directors may delegate to any person authorised by law, the necessary powers to carry out the increase de capital, and also to delay it, within the limits and according to the methods that may have been set in advance.



Thirteenth resolution (authorisation granted to the Board of Directors for the purpose of attributing share call options)

The General Meeting, deciding under the conditions for quorum and majority required for extraordinary ordinary general meetings, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors:

- ends with immediate effect the authorisation granted to the Board of Directors by the Extraordinary General Meeting on 14 September 2001, having passed its eighth resolution, to agree share call options up to the limit of 2% of the company share capital;
- authorises the Board of Directors for a period of thirty-eight months from the present General Meeting, in the framework of articles L.225-179 et seq. of French Commercial Law, on one or more occasions to agree company share call options for salaried staff members, and company representatives or some of them, of the company and companies or economic interest groupings that are linked to it under the conditions defined in article L.225-180 of French Commercial Law.

The total number of share call options offered in this way may not give the right to purchase a number of shares exceeding 2% of the existing share capital on the day of the present General Meeting, not taking account of any adjustments that may be made by virtue of the regulations in force.

The options may be exercised by the beneficiaries during a period to be set by the Board of Directors and which may not exceed ten (10) years from the date on which they were agreed.

The Board of Directors will set the share purchase price in accordance with the legislation in force on the date on which the options are agreed. This price may not be less than 95% of the average purchase price for shares held by the company.

Within the limits set above, the General Meeting decides to bestow on the Board of Directors full powers to implement the present resolution and notably to:

- decide on the list or categories of option beneficiaries as provided for above and decide on the number of shares each may acquire;
- set the dates for each attribution and the conditions under which the options will be agreed and taken up;
- set the conditions for exercising the options and their period of validity and notably any clauses prohibiting the immediate re-sale of all or some of the shares, without the delay imposed for retaining the securities exceeding three years from the time the option is taken up;
- decide on the conditions under which the rights of options holders will be reserved, notably by adjustments to the price and / or to number of shares in order to take account of any financial operations realised by the company;
- as appropriate, for a maximum period of 3 months temporarily suspend the exercise of options when operations are being realised involving the exercise of a right attached to the shares;
- complete or have completed any acts and formalities and generally do anything necessary.

Every year in accordance with the legal conditions the Board of Directors will inform the Ordinary General Meeting of operations realised within the framework of the present authorisation.

Fourteenth resolution (authorisation granted to the Board of Directors for the purpose of attributing share subscription options)

The General Meeting, deciding under the conditions for quorum and majority required for extraordinary ordinary general meetings, having reviewed the report of the Board of Directors, and the special report of the Statutory Auditors:

- ends, with immediate effect, the authorisation granted to the Board of Directors by the Extraordinary General Meeting on 14 September 2001, having passed its ninth resolution, to agree share subscription options up to the limit of 2% of the company share capital;

- authorises the Board of Directors, for a period of thirty-eight months from the present Meeting, in the framework of articles L.225-177 et seq. of French Commercial Law, on one or more occasions to agree options giving the right to subscribe to new company shares issued as part of a capital increase for salaried staff members, and company representatives or some of them, of the company and companies or economic interest groupings that are linked to it under the conditions defined in article L.225-180 of French Commercial Law.

The total number of options offered in this way by the Board of Directors may not give the right to subscribe to a number of options exceeding 7% of the existing capital on the day of the present General Meeting, not taking into account any adjustments that may be made by virtue of the regulations in force, since this maximum amount is the same as the ceiling set in the thirteenth resolution relating to the authorisation granted to the Board of Directors to agree share call options.

For the beneficiaries of options, it includes the express renunciation of shareholders to their preferential subscription right for shares issued as and when options are taken up and will be executed under the conditions provided for by the law.

The options may be exercised by the beneficiaries during a period to be set by the Board of Directors and which may not exceed five (5) years from the date on which they were agreed.

The Board of Directors will set the subscription price for shares issued, in accordance with the legislation in force on the date the options are agreed. It will be at least equal to 95% of the average of the first quoted share prices observed during the twenty stock market sessions preceding the date the options are attributed.



Fifteenth resolution (modification of article 10 of the statutes)

The General Meeting, deciding under the conditions of quorum and majority required for extraordinary general meetings, having reviewed the Board of Directors' report and paragraph 2 of article 10 of the statutes drawn up as follows:

"2. The company may at any time, under the conditions and sanctions provided for by the legal and regulatory provisions, notably with the organisation responsible for clearance and settlement of transferable securities, registered market makers and holders themselves, implement procedures to identify the holders of securities that immediately or in the future confer a shareholder meeting voting right and to obtain information about the number of shares held by each of them and the restrictions that may apply to the securities, this information notably concerning holders of securities domiciled outside the French national territory.

The company may also, without prejudice to legal and statutory obligations provided for elsewhere, ask any legal entity owning its shares and having an interest exceeding 2.5% of the capital or voting rights to make the identity known of persons or entities directly or indirectly holding more than a third of the share capital of this legal entity or voting rights exercised at its general meetings."

Decides to substitute the words *"organisation responsible for clearance and settlement of transferable securities"* appearing in the first line, for the words *"central financial instruments depository"*.

Within the limits set above, the General Meeting decides to bestow on the Board of Directors all the necessary powers for implementing the present resolution and notably to:

- decide on the list or categories of option beneficiaries as provided for above and decide on the number of shares each may acquire;
- set the dates for each attribution and the conditions under which the options will be agreed and taken up;
- set the conditions for exercising the options and their period of validity and notably any clauses prohibiting the immediate re-sale of all or some of the shares, without the delay imposed for conserving the securities exceeding three years from the time the option is taken up;
- decide on the ex-date of the new shares arising out of the exercise of share subscription options;
- decide on the conditions under which the rights of options holders will be reserved, notably by adjustments to the price and / or to number of shares in order to take account of any financial operations realised by the company;
- as appropriate, for a maximum period of 3 months temporarily suspend the exercise of options when operations are being realised involving the exercise of a right attached to the shares;
- complete or have completed any acts and formalities recording capital increases that may have been realised by virtue of the authorisation covered by the present resolution and make any consequential modifications to the statutes.

Every year under the legal conditions the Board of Directors will inform the Ordinary General Meeting of operations realised within the framework of the present authorisation.

Sixteenth resolution (modification of article 28 of the statutes)

The General Meeting, deciding under the conditions of quorum and majority required for extraordinary general meetings, having reviewed the Board of Directors' report and article 28 of the statutes drawn up as follows:

"Any agreement intervening directly or through an intermediary between the company and a member of the Board of Directors or Supervisory Board, a shareholder holding over 5% of the voting rights or, if it is a shareholder company, the company controlling it within the meaning of article L.233-3 of French Commercial Law is subject to the prior authorisation of the Supervisory Board, then, on a report by the statutory auditors, to the approval of the Ordinary General Meeting.

The same applies to agreements in which one of the persons or entities mentioned in the previous paragraph is indirectly interested.

These provisions also apply to agreements between the company and an enterprise should a member of the Board of Directors or the Supervisory Board be the owner, partner with unlimited liability, manager, director, member of the supervisory board or in a general way, part of the management of this enterprise.

The preceding provisions do not apply to agreements relating to day to day operations and concluded under normal conditions.

Nevertheless, these agreements should be communicated to the Chair of the Supervisory Board by the interested party. The list and purpose are communicated by the Chair to members of the Supervisory Board and to the Statutory Auditors."

Decides to substitute the words "over 5% of the voting rights" appearing in the first paragraph for the words "over 10% of the voting rights".

Decides to add to the end of the last paragraph of this article the following words "Nevertheless, agreements do not have to be communicated that as a result of their purpose or financial implications are not significant for any of the parties".

Seventeenth resolution (modification of article 29 of the statutes)

The General Meeting, deciding under the conditions of quorum and majority required for extraordinary general meetings, having reviewed the Board of Directors' report and article 29 of the statutes drawn up as follows:

"In accordance with the law, the General Meeting designates two statutory auditors. The statutory auditors are appointed for six financial years.

Their standing mission, to the exclusion of any interference in management, is to verify the company books and assets and control the regularity and sincerity of the company accounts.

One or more substitute statutory auditors are appointed, which are called on to replace the statutory auditors in the event of impediment, refusal, resignation or death."

Decides to add after the first paragraph of this article drawn up as follows "Without prejudice to the mandates in progress as at 1 August 2003, from 1 January 2006, natural person statutory auditors as well as signatory members of a statutory auditor company, may not certify the accounts of legal entities calling for general public investors for six consecutive financial years."

Eighteenth resolution (powers for the purposes of formalities)

The Meeting gives full powers to the Board of Directors for the purposes of accomplishing all legal publication formalities, and to the bearer of an original, extract or certified copy of the minutes, in order to fulfil all formalities required by the law.

In accordance with article L.225-68 of the French Commercial Code (*Code de Commerce*), we hereby submit our comments on the reports of the Management Board, and on the financial statements of the Parent company and the consolidated financial statements for the year ended March 31, 2004.

1. Comments on the report of the Management Board and the financial statements of the Parent company for the year ended March 31, 2004

We have no particular comments to make on the report presented to you by the Management Board. We have been kept regularly informed of the operations and results of the Company by means of the reports submitted to us by the Management Board, in accordance with the law. We have no comments to make concerning the financial statements of the Parent company as presented by the Management Board.

2. Comments on the business and results of the Group and the Consolidated Financial Statements

We have no particular comments to make on the report of the business and results of the Group or the consolidated financial statements.

The Supervisory Board

In accordance with the provisions of article 225-37 of the French Commercial Code, as amended by Law No. 2003-706 of August 1, 2003

In accordance with the terms of article L.225-68 of the Commercial Code, resulting from article 117 of Law No. 2003-706 of August 1, 2003, you will find below a report on the conditions in which the work of the Supervisory Board was prepared and organized, as well as on the internal control procedures implemented by the Company and any limitations on the Management Board's powers imposed by the Supervisory Board.

1. CORPORATE GOVERNANCE AND OPERATION OF THE SUPERVISORY BOARD

1.1 Membership of the Supervisory Board

The Supervisory Board is composed of four members, one of whom is independent as defined by the recommendations issued in the Bouton Report on corporate governance in French listed companies. The members of the Supervisory Board have varied and complementary skills that offer a good fit with the operations of the Company.

Owing to the size of S.T.Dupont, the Supervisory Board does not currently include any specialized committees. However one of its members has recognized expertise in financial matters, rooted in a specifically related educational and professional background, and shares the benefit of this know-how with the other members whenever accounting and financial issues are discussed.

1.2 Operation of the Supervisory Board

In accordance with the bylaws, the Supervisory Board meets as often as the Company's interest requires. During fiscal 2003-2004, the Supervisory Board held 10 meetings, called by the Chairman.

The Supervisory Board reviewed the financial statements for the year ended March 31, 2003 as well as the half-

yearly financial statements. One of its first meetings of fiscal 2004-2005 will be devoted to reviewing sales data for the year ended March 31, 2004. In accordance with legal requirements and the Company's bylaws, the Supervisory Board also reviewed and approved the quarterly management reports prepared by the Management Board, as well as the Management's discussion and analysis of the financial statements. The Supervisory Board also reviewed and approved the renewal of guarantees and pledges, as well as intercompany service agreements.

In addition, the Supervisory Board examined several strategic issues, particularly concerning the financing of the Company and the launch of the risk management project.

Minutes of Supervisory Board meetings are formally approved at the following meeting.

The Supervisory Board authorizes the Management Board to give guarantees and pledges without prior approval from the Supervisory Board, up to a limit of €1 million.

The Supervisory Board authorizes the Management Board to provide guarantees and pledges to tax and customs authorities in the name of the Company, without limitation of amount.

All transactions other than those listed above are subject to prior authorization from the Supervisory Board.

In accordance with the bylaws, notices of meetings and meeting agendas are sent at least three days prior to the meeting and include any preparatory documents that will allow members of the Supervisory Board to make fully informed decisions.

The members of the Supervisory Board are provided with all relevant information concerning significant events affecting the Company.

All members of the Supervisory Board can request any training they need for the performance of their Board duties.

2. INTERNAL CONTROL PROCEDURES

Due to the date on which French Financial Security Act, 2003 came into effect, this first report provides a description of the Company's internal control system. The information provided herein was compiled in preparatory meetings organized by the President of the Management Board with each of the members of the Executive Committee.

2.1 Objectives of the internal control organization

The purposes of the internal control procedures of the S.T.Dupont Group are as follows:

- first, to ensure that management decisions and operational execution, as well as staff behavior, fit into the framework set by the strategy which the corporate governance bodies have defined for the Company, by applicable laws and regulations, and by the Company's in-house values, standards and rules;
- second, to ensure that the accounting, financial and management information provided to the Company's corporate governance bodies give a true and fair view of the Company's operations and financial position.

One of the objectives of the internal control system is to prevent and control risks stemming from the Company's operations as well as risks of error or fraud, especially relating to accounting and financial matters. Like any control system, however, it cannot provide an absolute guarantee that these risks have been completely eliminated.

2.2 General internal control policy: key organizational features

S.T.Dupont's internal control processes are carried out by all Group employees, who are organized into six operational and functional departments. Internal control also constantly depends on the following major actors:

The Supervisory Board

In accordance with the bylaws, the Supervisory Board oversees on an ongoing basis the management of the Company as carried out by the Management Board. In this role, it may perform at any time of the year the verifications and controls that it deems appropriate and may request any documents that it considers useful for carrying out its duties.

The Management Board

The Management Board is collectively responsible for the administrative and executive management of the Group. The Executive Committee assists it in fulfilling its mission.

The Executive Committee

The Executive Committee comprises the heads of each of the Company's operational and functional departments. The Executive Committee's mission is to take the required steps to reach the objectives set by the Management Board.



To fulfill its duties, the Executive Committee meets at least twice a month to review operations. Once a month, the Committee also holds extended meetings that include the key operational functions (sales forecasting, logistics, production management, marketing), to review sales, results and production data.

The varied professional experience of Executive Committee members and their expertise in the field of luxury goods provide the Committee with the necessary expertise to fulfill its mission.

Internal audit

The internal audit function is continuing its ongoing review of S.T.Dupont procedures. The key objective of this mission is to set up an internal control culture that matches the Company's requirements. Toward this end, each procedure is updated, approved by Management and distributed within the Group.

The following are a few examples of procedures that have been reviewed:

- management of expense reports;
- physical count of inventory;
- acquisition requests (all types of capital expenditure);
- terms and conditions of sale;
- short-term promotional operations.

In addition, the control of accounting and financial information has been streamlined and reinforced thanks to the commissioning in 2003 of a new reporting and consolidation software package. Further, the internal auditor who is also the administrator for the new system guarantees the integrity of the data.

3. DESCRIPTION OF INTERNAL CONTROL PROCEDURES FOR THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The purpose of procedures relating to accounting and financial information and the corresponding organization, is to guarantee the reliability of information reported by all Group subsidiaries, prevent risks of error, inaccuracies or omissions in the Group's financial statements and ensure that the Group's financial communications are of high quality.

3.1 Overall organization of accounting and financial functions

The Group's financial functions are structured around the following key departments:

- The Group Consolidation Department prepares the Group's consolidated financial statements on a monthly, half-yearly and annual basis. It ensures that data are reported in a standardized manner that complies with applicable accounting standards. The Department defines, with members of the Management Board, the key indicators that serve Group strategy and analyzes the Group's results. It also consolidates and updates forecasts for Group results, balance sheet data, key indicators and cash flows.

This department is also responsible for the Group's financial communications. In this capacity, it handles relations with shareholders, investors and financial analysts. It produces all publications related to financial communications and participates, alongside general management, in the organization of corporate actions.

- The Management Accounting Department is responsible for the budgeting process, its updates, the validation of results and monthly reporting.

In each subsidiary a Chief Financial Officer is responsible for financial accounting, local tax issues and management accounting. This CFO is in charge of monthly reporting to the Group.

Group Management Accounting monitors the accounting and financial information of the Group's various entities, in conjunction with Group operational managers. The Management Accounting Department sets up reliable management indicators and controls reported financial information.

The Group Management Accounting Department is also responsible for international pricing and ensures that pricing policies are correctly applied throughout the Group.

- The Group Treasury Department carries out cash management operations for the parent company and monitors subsidiaries' cash management. In consultation with members of the Management Board, it deals with issues related to financing and hedging, and defines the rules applicable to risk monitoring and control for such transactions.

- The parent company's Financial Accounting and Taxation Department handles all tasks related to its purview. The Head of Accounting oversees the accounts of company headquarters and of the manufacturing facility, supported by a team that manages on a daily basis the specific accounting and management issues involved in industrial operations. Handling the parent company's taxation issues is also part of the Department's responsibilities.

The Financial Accounting and Taxation Department includes a Credit Management unit, which takes care of customer reminders as well as overseeing Group subsidiaries and providing them with training in relation to credit management. This unit works closely with the Group Treasurer.

- A Finance Project Manager monitors Finance Department projects, liaising with the IT Department.

Two major projects were completed in 2003-2004:

- A new software package for reporting and consolidation was launched in July 2003 to meet new regulatory requirements, particularly the implementation of IFRS for 2005 and obligations related to membership of the Nextprime segment of Euronext, and to simplify data administration.
- As part of its budgeting process, the Group has upgraded its specialized budgeting software, used by all operating departments.

3.2 Information on internal control procedures concerning the preparation and processing of accounting and financial information

Instructions and policies concerning the reporting and consolidation process

The headquarters Finance Department regularly brings together its teams in order to inform them of new developments and to define the objectives and priorities related to current events and ongoing projects.

The Consolidation Department provides reporting instructions and defines procedures for controlling financial information in order to guarantee the completeness and reliability of information provided in the various reporting packages.

The Group Chief Financial Officer regularly brings together financial managers as part of ongoing staff training and skills updating on applicable accounting principles and Group methods.

Budgeting process and updating of forecasts

Based on strategic focuses set by general management, the various legal entities prepare forecasts of annual results, capital expenditure and staff numbers.

Marketing teams and the sales force take part in the early stages of the budgeting process to define sales forecasts. Once this step has been completed, it is possible to assess what resources will be needed to achieve objectives, including manufacturing requirements.

The Management Accounting Department verifies the consistency of the data, in accordance with the strategic focuses the Company has set.

Once the results have been analyzed by the Management Accounting Department, they are consolidated and presented to the Executive Committee, which comments on them. A final version is then approved and broken down into monthly segments.

In the course of the year, the budget is formally revised twice and may be revised further in response to events of particular significance to the Group.

Group reporting and consolidation process

- Monthly reporting

The Group produces monthly financial statements based on internal reporting data.

This consolidation provides the Group with an income statement based on cost-accounting principles, a balance sheet and a cash flow statement. The Group also analyzes its sales and margins by business segment and geographic area on a monthly basis.



Each legal entity performs its monthly reporting under the responsibility of its local Chief Financial Officer, using the reporting and consolidation tool, which uploads data to the Management Accounting Department.

The data reported by subsidiaries correspond to their company level accounts automatically input into the reporting and consolidation software and adjusted in line with Group accounting principles. As part of the reporting process, once their data have been uploaded, subsidiaries cannot make any changes to them without the prior authorization of the Consolidation Department.

The Management Accounting Department controls reported data, performs a critical review of the results and verifies the completeness and relevance of consolidation adjustments, based on applicable standards. Toward this end, the automatic consistency controls have been modeled directly into the reporting and consolidation package.

- Monthly consolidation

Reporting data are then validated, consolidated and summarized by the Group Consolidation Department.

The Group Consolidation Department records intercompany adjustment entries and controls the accuracy of reporting of intercompany transactions that generate automatic eliminations. Toward this end, the software package includes a number of key controls to check the reliability and consistency of reported data, as well as the appropriateness of Group adjustments and of the elimination of intercompany transactions.

In addition, the Consolidation Department analyzes the Group income statement, balance sheet and cash flow data based on cost-accounting principles, and prepares summaries for the Executive Committee.

An analysis of exchange-rate impacts is also performed systematically, owing to the Group's sensitivity to exchange-rate effects.

Each month the Chief Financial Officer presents the consolidated financial statements to the Executive Committee, after having chaired a meeting on the manufacturing facility's results, at the industrial center in Faverges.

- Half-yearly and annual consolidation

As a listed company, S.T.Dupont prepares specific reporting data from its in-house financial statements, in order to publish quarterly sales data and half-yearly and annual results.

For this reporting process, additional instructions are sent to Group companies in order to meet the obligations set by accounting and stock market regulations.

In addition, a specific half-yearly and annual reporting process is carried out to meet the consolidation requirements of Broad Gain Investments Ltd.

When major events take place, the Group updates its *Document de Référence* to keep its shareholders and other investors informed.

Relations with the Statutory Auditors

The Statutory Auditors are kept informed of major events in the Group's life and are regularly asked to confirm the validity of accounting decisions that the Group makes.

To speed up annual closing procedures and anticipate complex issues, a soft close is performed based on cumulative data at February 28, in order to be able to respond swiftly to the views expressed by the Statutory Auditors.

4. ORGANIZATION OF THE WORK PERFORMED BY S.T.DUPONT REGARDING THE DESCRIPTION OF INTERNAL CONTROL PROCESSES AND ACTION PLAN FOR 2004

The Chairman of the Supervisory Board requested that the Management Board collate the information on existing internal control processes within the Group which was required for the preparation of this report.

The Management Board decided to take the opportunity offered by this request to launch a more comprehensive project, to obtain a more in-depth assessment of the key risks that are likely to affect the Group's ability to meet its strategic objectives, and to implement within the Group internal control processes related to these risks.

An in-house working group, chaired by the Group Chief Financial Officer, was set up toward this end. S.T.Dupont retained the risk-management department of an international audit firm, which is not one of the Group's Statutory Auditors, to assist with this project.

A four-stage approach was selected:

- modeling the processes of the S.T.Dupont Group;
- carrying out interviews with each of the members of the Executive Committee, to list the risks that each is responsible for managing, and the existing internal control mechanisms;
- pooling and ranking of the identified risks, during an Executive Committee meeting at the end of April 2004;
- mapping of key risks at March 31, 2004 and drafting of corrective action plans to be implemented.

The main aims of this project are, on the one hand, to further raise the efficiency of operations, thereby contributing to reaching the S.T.Dupont Group's strategic objectives and, on the other, to pinpoint the responsibilities of operational managers regarding internal control.

The work performed during the year ended March 31, 2004 is part of an ongoing process. It will serve as a basis for the later stages, namely detailed documenting of processes, risk assessment and identifying and carrying out validation tests of key control points, scheduled to be performed in the coming years.

The main initiatives being reviewed are the following:

- creating an audit committee and defining its operating processes;
- drafting a corporate governance charter;
- structuring an internal audit function;
- rounding out the current documentation;
- setting up internal control tests, mainly based on self-evaluation processes;
- updating risk mapping;
- following up on the action plans that have been defined.

The Supervisory Board will be regularly updated on the work's progress and each year the key findings will provide material for this report.

Mr. Wuest,
Chairman of the Supervisory Board

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

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE COMMERCIAL CODE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF S.T.DUPONT S.A., ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION.

Year ended March 31, 2004

To the shareholders,

In our capacity as Statutory Auditors of S.T.Dupont S.A., and in accordance with article L.225-235 of the Commercial Code, we report to you on the report prepared by the Chairman of the Supervisory Board in accordance with article L.225-68 of the Commercial Code for the year ended March 31, 2004.

Under the responsibility of the Supervisory Board, it is for the Management Board to determine and implement appropriate and effective internal control procedures. It is for the Chairman of the Supervisory Board to give an account, in his report, notably of the conditions in which the work of the Supervisory Board is prepared and organized and the internal control procedures in place within the Company.

It is our responsibility to report to you our observations on the information set out in the report of the Chairman of the Supervisory Board on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the report of the Chairman of the Supervisory Board on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the report of the Chairman of the Supervisory Board;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the report of the Chairman of the Supervisory Board, prepared in accordance with article L.225-68 of the Commercial Code.

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