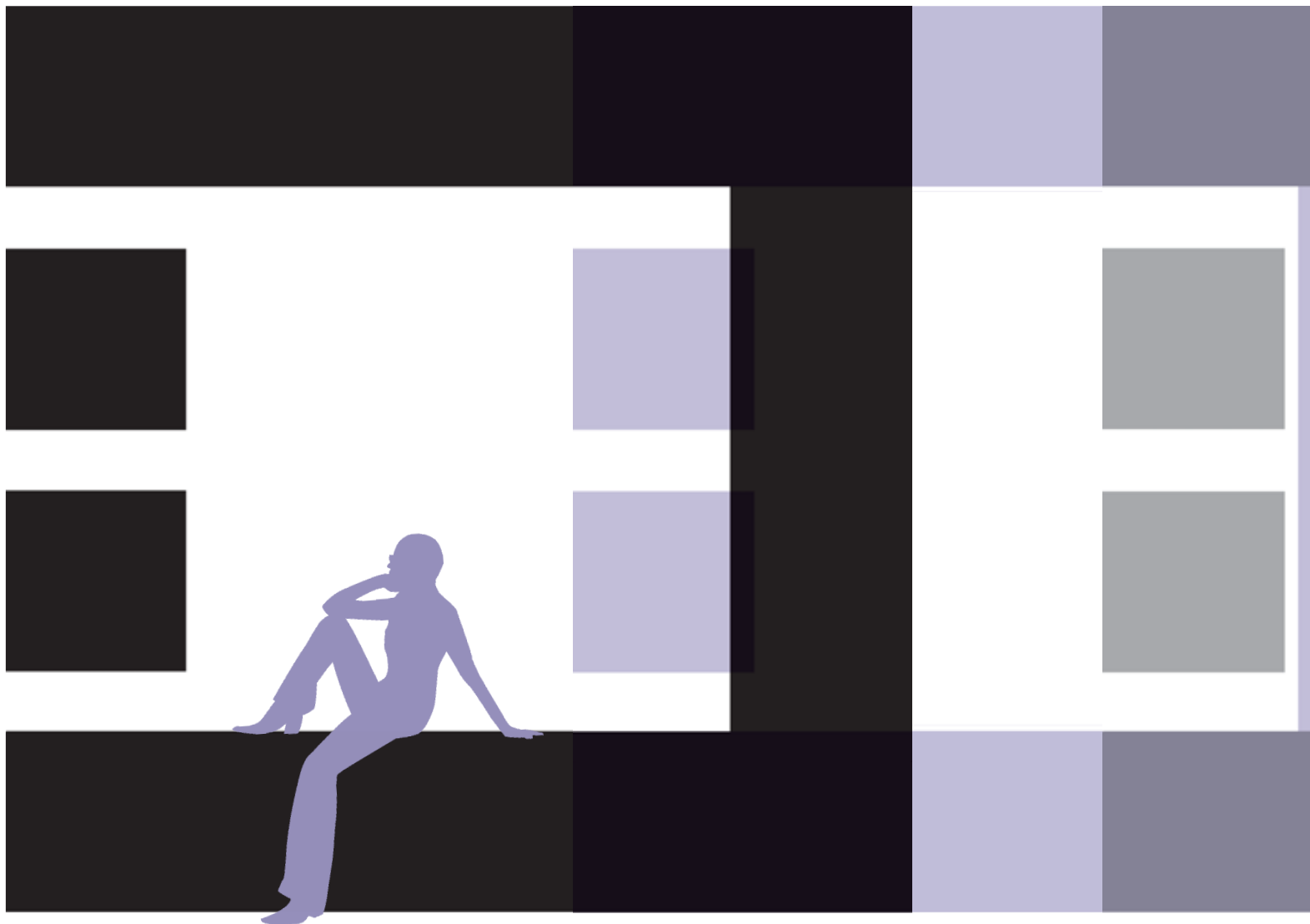




S.T. Dupont
PARIS





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Group





1. SIGNIFICANT EVENTS OF THE YEAR

1.1 Currency effects

For the third year in a row, the Group's operations were hurt by the fall in value of the U.S. dollar and the Japanese yen. Between April 1, 2004 and March 31, 2005, these two currencies lost 5.4% and 7.3% respectively against the euro, negatively impacting Group sales by €2.1 million. As the Group's cost structure is essentially euro-denominated, currency effects shaved €1.9 million directly off gross margin.

On a constant exchange rate basis, the Group would have registered a gross margin of 49.6%, representing growth of 8.9%.

Currency effects are estimated to have adversely affected the bottom-line result by approximately €1.5 million.

1.2 New expertise

Charles Jayson joined the Management Board during the year, bringing with him extensive expertise in the international luxury retail segment, in-depth knowledge of the U.S. market, and wide experience in the leather goods business. Mr. Jayson is also Vice-Chairman of Tommy Hilfiger Handbags and Small Leather Goods, where he has forged a successful development strategy.

Also during the year, Anne Monfray-Leopoli joined the Group as Director – Asia and International Retail. Anne Monfray-Leopoli holds a degree from the Institut Supérieur de Gestion and an MBA. She joined the LVMH Group in 1993 as Marketing Manager, before becoming Director of Louis Vuitton's French subsidiary, where her responsibilities included overseeing the opening of the Louis Vuitton store on the Champs Elysées. She then joined Kenzo as International Retail Sales Director. Anne Monfray-Leopoli's marketing and sales experience in controlled distribution and the luxury goods sector will enable her to effectively see through the Group's retail repositioning strategy.

2004-2005 also saw other new management hires from the fashion and luxury goods sectors, likewise undertaken with a view to rolling out the brand's repositioning plan. These new talents have strengthened the Group's marketing, communication and manufacturing teams. The recruitment focus at the Faverges site was on Quality and Research & Development, in order to help with the creation and manufacturing of new products.

1.3 Implementing the brand repositioning plan

Enlarging the controlled distribution network

One of S.T.Dupont's key strategies is to strengthen its direct contact with consumers by increasing the number of retail outlets. This strategy was pursued during the year as the Group expanded its controlled distribution network, and as expected, retail sales consequently rose sharply. As a proportion of 2004-2005 sales, retail accounted for 16.7% of the total – up on the prior-year figure – with Asia turning in the best showing.

The growth momentum began with the reopening of the Avenue Montaigne store in Paris in May 2004. The new modern design concept, which is functional yet warm, was subsequently reproduced in Moscow, Shanghai and Hong Kong, as well as in Japan and other countries. The repositioning strategy has also involved an increase in the number of shop-in-shops and corners – mostly in Asia, but also in Eastern Europe.

S.T.Dupont's reworked Retail strategy has opened avenues to new ways of structuring the sales outlets. For example, in department stores the idea is to group sales areas in a single location rather than on two different floors as is currently the case in some stores, making for a single larger retail area where the brand message can be clearly relayed. This strategy will lead to an automatic reduction in the number of sales outlets – particularly where duplication is common such as in China – without affecting the total sales area available.



At March 31, 2005, the distribution network included 18 directly-owned stores, 44 licensed stores and 237 shop-in-shops (18, 31 and 188 respectively based on regrouping of outlets). This translates into a year-on-year net increase of 27 controlled sales outlets, with China representing the main growth driver. Over the year, 14 stores and 15 shop-in-shops were opened or renovated in line with the new design concept, resulting in respective sales area increases of 1,235 sq.m. and 330 sq.m. In addition, the S.T.Dupont banner was hoisted in 11 new cities, including Shanghai, Cannes, Osaka, Tokyo and Nagoya.

Brand advertising

The Group's strategic goals are to bolster brand recognition and establish the S.T.Dupont name as a global front-runner in men's luxury goods. The following action points were carried out during the year in order to raise the brand's visibility:

- advertising campaigns and numerous press articles, which helped to widely communicate the brand's new logo and graphic lines that are representative of S.T.Dupont's repositioning and modern appeal;
- rolling out the new store design concept, which is the most effective vehicle for conveying the style of the S.T.Dupont man. The concept has also been applied to the shop-in-shops, enabling the Group to control its image in all retail outlets;
- a large number of public relations activities organized as part of the new communications campaign, geared to consolidating the brand's image. In addition to press campaigns, these included inaugurations of new stores and participation in a host of major events.

One of the key points of the year was the agreement signed with the James Bond Foundation, resulting in the launch of the James Bond limited edition which was celebrated by a multitude of communication events in cities such as Paris, Tokyo, Shanghai, Moscow, and Istanbul. Who better than James Bond to impart an aura of luxury, elegance and modernity?

New product launches

The Group has a strategy of launching a large number of new products and limited editions, in order to leverage the brand image. These launches always have a positive impact on sales, especially in Europe.

The year's product offering was focused on up-to-the-minute techniques and expertise, repositioning the brand within a modern arena. Examples include the "D-Light" range of new generation lighters – a state-of-the-art design with an innovative lighting motion, and the "D.Link" pen line, featuring an interchangeable ring.

2004-2005 also saw the launch of three limited editions for pens and lighters – "Andy Warhol", "Pharaoh" and "James Bond". The "James Bond" project proved particularly successful, winning worldwide acclaim. As well as projecting the James Bond masculine image, this limited edition offered S.T.Dupont the perfect opportunity of illustrating its expertise by reproducing the symbols attached to the James Bond legend. In addition to seducing loyal collectors of the Group's limited editions, the range has attracted new customers.

Also during the year, the Group launched new leather goods items to round out its offering in this active market while tightening reminiscent links with its past heritage. Two major new lines were introduced: "Initials" and "D-Line". In parallel, several seasonal items were produced, designed along the same lines as the ready-to-wear collection.

Lastly, the accessories range has been extended and rejuvenated. As with leather goods, the steps taken to enlarge the controlled distribution network have proven favorable to the performance of this product range.

1.4 "OCÉANE" bond issue

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



As well as repaying the €12.6 million 1999 convertible bond which matured on April 1, 2004, the funds secured through the bond issue launched on March 24, 2004 (subscription opening date) were earmarked to finance the brand repositioning plan.

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

The funds were used for investments in new products and expansion of the international controlled distribution network. However, the Group's lower-than-expected sales performance resulted in an increase in inventory at the year-end, leading to an additional use of funds that was not forecast in the strategic plan.

2. GENERAL TRENDS

2.1 International environment

2004-2005 was a year of strong growth, with Asia (especially China) and the United States leading the way, despite the continuing fall in value of the U.S. dollar and a spike in oil prices. Thanks to this general upturn, the ongoing hostilities in Iraq and the tidal wave that swept through South Asia did not severely impact the economic momentum.

China became the world's third-largest trading power, propelling the rest of Asia with it. Japan kept up its growth trajectory, led by exports to China. Meanwhile, Hong Kong reported growth of 7.5% in 2004, after a difficult previous year in which it had felt the full effects of the SARS virus.

In the same way as Japan, South Korea and Taiwan were able to get back on the growth track as a result of increased exports to China.

Europe lagged behind the world's other major economies and remained mired in a sluggish economy. The only exception was Russia, which experienced a further year of strong growth, at 6.7%.

The euro/dollar exchange rate, as well as that of pegged currencies, continued to weigh on the exports of European companies. Italy turned in the worst showing, with GDP growth of just 1.4%. Germany also failed to gain steam, posting GDP growth of a mere 1.8%, reflecting weak foreign trade as a result of the strong euro and rise in oil and commodities prices. France and Belgium experienced a slight turnaround, with both countries posting over 2% growth. Spain's GDP grew by a satisfactory 3%, despite being hit by the high oil prices, and the UK reported sustained growth of 3.2% thanks to a better-than-expected economic environment.

The U.S. economy remained buoyant, with GDP growth coming in at 3.9%. The dollar continued to fall against the euro, pushed down by America's huge budget and balance of payments deficits.

2.2 S.T.Dupont's performance

S.T.Dupont's sales increased significantly in 2004-2005, despite the unfavorable impact of the euro/dollar exchange rate. This performance bears witness to the strength of the brand repositioning plan begun two years ago.

Sales for the year ended March 31, 2005 totaled €91.5 million, up 6.4% on the previous year. Based on constant exchange rates, growth would have come in at 8.9%.



3. SALES BY PRODUCT RANGE

	Net sales for the year ended March 31, 2005 including exchange rate effects		% change versus year ended March 31, 2004	Net sales for the year ended March 31, 2005 at average exchange rates for March 2004		% change versus year ended March 31, 2004	Net sales for the year ended March 31, 2004	
	€ millions	%		€ millions	%		€ millions	%
Lighters and pens	53.1	58.0	+8.1	54.1	57.8	+10.2	49.2	57.1
Leather goods and other products	33.8	37.0	+3.6	34.7	37.1	+6.3	32.6	38.0
Net sales of products	86.9	95.0	+6.3	88.8	94.9	+8.6	81.8	95.1
Royalties	4.6	5.0	+9.3	4.8	5.1	+14.9	4.2	4.9
Net sales	91.5	100.0	+6.4	93.6	100.0	+8.9	86.0	100.0

3.1 Lighters and pens

Lighter sales rose 7.3% at constant exchange rates and 5.0% including the currency effect. Growth was driven by the new product lines D-Light and Mini X.tend, as well as by the James Bond limited edition.

Momentum was very strong in Asia (including Japan) with lighter sales up 14.3% year on year. Hong Kong and China performed particularly well, posting a 14.7% surge in year-on-year sales, fueled by Retail operations. These regions reaped the benefits of the network restructuring which penalized them in 2003-2004.

The United States also turned in a stellar showing, with a 28% jump in sales at constant exchange rates. This achievement was spurred by the success of the Group's limited editions, especially the James Bond line.

The European lighter market continued on its downward trend, except in Germany where sales edged up by 1.6%, and in Spain, where they held firm.

Lastly, lighter sales expanded in the Middle East.

Writing instruments posted significant sales gains – 15.4% at constant exchange rates and 13.7% including the currency impact – led by the launch of the D.Link line and the success of the James Bond limited edition.

France was a significant contributor to sales growth in Europe, reporting a 23.3% year-on-year rise, primarily reflecting robust performance by S.T.Dupont stores and an upturn in corporate gifts sales.

Europe's overall sales were also propelled by Germany and Eastern Europe, which recorded above-average growth of 27.8% and 22.5% respectively.

In Japan, sales of writing instruments advanced 30.9% at constant exchange rates.

Sales in the Americas were up 19.9% excluding the currency impact, primarily driven by a 22.2% increase in writing instruments in the United States (at constant exchange rates), thanks to the particular success of the James Bond limited edition.

Finally, corporate gifts sales fuelled a 12.0% year on-year increase in the Middle East.

3.2 Leather goods and other products

Based on constant exchange rates, leather goods (including belts), accessories and ready-to-wear, registered an aggregate sales increase of 6.3%.

Sales of leather goods alone (including belts) expanded 9.5% excluding currency effects, bolstered by solid gains achieved by the S.T.Dupont stores, especially in France, Eastern Europe and Hong Kong/China, which posted sales increases of 26.1%, 30.1% and 45.7% respectively. Performance was also boosted by the Group's extended product lines and higher price positioning on new models.

Watch sales contracted during the year as no new products were launched, in line with the Group's plans.

The newly extended, rejuvenated S.T.Dupont accessories range continued to sell well, especially in Europe, which enjoyed 9% growth excluding currency effects. Spain



turned in an outstanding performance in terms of accessories sales, reporting a 12.4% increase. Growth was also particularly strong in Eastern Europe (up 36.1%) and in Asia (excluding Japan) where sales climbed 25.1%.

In ready-to-wear, sales were up 12.4% like-for-like and 8.3% including the currency impact. In Asia (excluding Japan), overall growth came to 16.4%, boosted by strong showings in Hong Kong and China as well as in South Korea (up 21% at constant exchange rates).

4. SALES BY GEOGRAPHIC REGION

	Net sales of products for the year ended March 31, 2005 including exchange rate effects		% change versus year ended March 31, 2004	Net sales of products for the year ended March 31, 2005 at average exchange for March 2004		% change versus year ended March 31, 2004	Net sales of products for the year ended March 31, 2004	
	€ millions	%		€ millions	%		€ millions	%
France	10.7	12.3	+20.9	10.7	12.0	+20.9	8.8	10.8
Europe (excluding France)	28.7	33.0	+6.7	28.7	32.3	+6.6	26.9	32.9
Asia	37.7	43.4	+2.9	39.3	44.3	+7.2	36.7	44.8
Americas	4.1	4.8	+12.1	4.4	5.0	+20.4	3.7	4.5
Other	5.7	6.6	+0.2	5.7	6.4	+0.2	5.7	7.0
Net sales of products	86.9	100.0	+6.3	88.8	100.0	+8.6	81.8	100.0

4.1 France

In France, sales of S.T.Dupont products rose 13%, fueled by increases in sales of writing instruments (21.7%) and leather goods (25.7%). Growth was also boosted by sales of products manufactured on behalf of third parties which surged 63.3% year-on-year, particularly for pens (up 23.3%) and accessories (up 62.0%).

Retail network sales soared 42.5% during the year. S.T.Dupont reaped the benefits of the new design concept rolled out for the Avenue Montaigne store as sales for this particular store leapt 45.4% after its reopening. The opening of the Marne-la-Vallée end-of-line store also proved a real success.

Corporate gifts experienced an extremely healthy year with sales up 53%.

3.3 Royalties

Royalties climbed 9.3% year-on-year (14.9% at constant exchange rates), driven by revenues generated by the ready-to-wear licenses in Japan and China.

4.2 Rest of Europe

Excluding France, European sales were 6.6% higher than the previous year.

With growth of 24.7%, Eastern Europe continued to be the region's most buoyant market thanks to a drive to expand the controlled distribution network, including store renovations in Russia and extending the brand's footprint in other Eastern European countries.

All product lines reported a rise in sales. Leather goods led the way, with sales up by an impressive 30.1%. Russia was the main growth driver, thanks to a smooth fit between the new store design concept and the country's controlled distribution network.

Spain once again reported robust sales growth, up 16.7%. This achievement was spurred by sales of accessories manufactured on behalf of third parties.



In the Benelux countries sales contracted 16.7% due to the closure of the Group's store in the region in early August 2004. Sales held firm however in the traditional distribution network. Performance in Germany and Switzerland was on a par with 2003-2004, while Italy continued down the growth track, posting a 2.4% gain.

Other countries in Mediterranean Europe reported a 5.7% downturn in sales, primarily due to a poor showing in Portugal where the distribution network is undergoing root and branch reorganization.

4.3 Asia (including Japan)

Sales in Asia were up 7.2% based on constant exchange rates and 2.9% including the currency effect. All countries in the region posted sales increases, except for South Korea and Taiwan. Adjusted for the non-recurring sales figures generated in Japan by the ready-to-wear business before it was taken over by the new licensee Itochu, like-for-like growth was 10.7%.

In Hong Kong and China, sales climbed 16.6% excluding currency effects, powered by an excellent performance by ready-to-wear and leather goods. As expected, this growth was achieved thanks to the positive impact of the measures begun the previous year to expand the controlled distribution network. At constant exchange rates, the Retail network reported a 42.0% rise in sales. In 2004-2005, this network accounted for 47.7% of total sales in the region, versus 38.3% a year earlier.

Sales for the Group's Japanese subsidiary expanded 2.7% excluding currency effects. Based on a comparable Group structure (i.e. adjusted for sales directly managed by S.T.Dupont before signing the agreement with Itochu in 2003-2004) and excluding the currency effect, the increase would have been 12.4%. The main growth driver in Japan was lighter sales. As forecast, Retail sales climbed significantly (up 24.2% based on a constant Group structure). Retail accounted for 15.8% of the region's total sales for 2004-2005, compared with 12.9% in 2003-2004.

S.T.Dupont's sales in Taiwan were down 21.1% as a result of the in-depth restructuring of the wholesale network. The aim of this operation was to reduce the number of distributors – as carried out in China in 2003-2004 – and subsequently enlarge the controlled distribution network.

Sales continued to ease back in South Korea, reflecting an ongoing operating environment that is fiercely competitive. Strong growth reported in ready-to-wear was not sufficient to offset the significant downturn in lighter sales.

4.4 Americas

The Americas once again reported a strong showing, with sales jumping 20.4% at constant exchange rates (12.1% including the currency impact). The United States – which is the region's largest sales contributor – posted 27.7% growth at constant exchange rates. This achievement was mainly attributable to high demand for limited editions by U.S. collectors which boosted sales in lighters and pens, making 2004-2005 a record year for the lighters line in the region.

4.5 Other markets

Business was stable in the Middle East, with sales edging up 1.7%. Lighter sales advanced 18.1%, boosted by the James Bond limited edition which proved highly successful in the region. Performance in the Middle East was also driven by strong corporate gift figures in the pens line, which contributed significantly to the 14.1% increase in writing instruments sales. However, business was hit by the fact that no watch lines were launched during the year, as watches are generally a key product for this market.



5. HUMAN RESOURCES

Recruitment

A pro-active recruitment policy was applied during 2004-2005 with the twin objectives of bringing in new blood to pave the way for the future, and strengthening certain structures as part of the brand repositioning plan.

At the manufacturing facility, the bulk of recruitments provided for under the CATS/CASA company agreement signed in 2003 have now been carried out, particularly in the Quality and Manufacturing Departments.

New hires were brought on board in the Retail Department and additional in-store personnel were recruited to help the Group achieve its targets in terms of new store openings and to significantly increase sales at S.T.Dupont stores.

New talent was also taken on within the Marketing, Development and Quality Departments, in line with the Group's pro-active policy of developing new products.

Finally, the Group continued to apply its strategy of gradually refreshing the age pyramid.

Training

Training is a strategic cornerstone of sustainable development and the Group's policy is based on a threefold objective: bolster competitiveness through technical training, develop employees' skill-sets, and offer attractive career plans.

The Group has a training and apprenticeship plan in place at the manufacturing facility. As a result of the objectives and content of this plan, partial financing has been obtained through a grant from the European Social Fund.

Communication

In order to promote cohesion among the workforce and federate employees around S.T.Dupont's corporate strategy, management meetings have been set up within the manufacturing facility to define development targets.

In 2005, an internal newsletter drafted by S.T.Dupont employees was launched within the Group. The publication, which is distributed to all members of staff, presents the Group's new products and provides information about its various services.

6. CAPITAL EXPENDITURE

Capital expenditure was focused on new product development during the year. Some €2.2 million in capital spending was devoted to the Faverges manufacturing facility.

S.T.Dupont also made significant IT investments in order to extend the store management system and upgrade the sales force management system. These investments led to an upgrade of the network architecture and the CAD project (technical data system).

In parallel, the Group continued to invest in expanding its network of directly-owned stores, spending €3.1 million on the store opening and renovation program during the year.

As part of its Environment and Safety policy, S.T.Dupont achieved its target of lowering waste water emissions and completed its plan to reduce emissions of volatile organic compounds (VOCs)

Finally, the Group continued to apply its risk-prevention policy for workplace accidents, particularly in relation to chemical and electrical incidents.



7. BUSINESS RESULTS AND BALANCE SHEET STRUCTURE

7.1 Financial analysis

The Group ended 2004-2005 with a higher net loss than a year earlier. Results were once again hit by currency effects and the lower-than-forecast sales figures were not able to offset the costs incurred for the Group's repositioning plan.

Gross margin

Gross margin edged up to 48.4% despite the negative currency effects that once again adversely impacted the Group's figures. Exchange-rate effects are estimated to have eliminated €2.1 million at top-line level which fed through as a €1.9 million adverse impact at gross margin level, due to the Group's predominantly euro-denominated cost structure. At constant exchange rates, gross margin would have been 49.6%, representing a near 2-point increase on 2003-2004. Gross margin was also impacted by non-recurring manufacturing costs relating to one of the Group's new product lines.

Operating results

The Group ended the year with an operating loss of €3.4 million. Changes in the euro/dollar exchange rate had a negative impact of €1.6 million.

Communication costs were by up a significant, but controlled, 10.2% compared with 2003-2004, representing 8.1% of sales versus 7.8% a year earlier.

Selling expenses rose by 15.5%. For the year to March 31, 2005, they represented 21.1% of sales, up from 19.4% the prior year. This increase includes the impact of the sustained levels of investment required to extend the Retail network, particularly in Hong Kong, China, Japan and France, as well as a rise in commissions directly related to sales growth in certain regions.

General administrative expenses were contained during the year, edging up only 1.3%. They represented 22.9% of 2004-2005 sales compared with 24% in 2003-2004. This increase includes the effect of a 21% rise in costs incurred in connection with bolstering the Marketing and Communication teams. Purely administrative expenses were down 5.6% however, thanks to reversals recorded in relation to provisions for impairment in value of inventories.

Investment in research and development remained on a par with the previous year.

Net financial expense

Net financial expense was €1.5 million. The significant year-on-year increase stems primarily from interest on the OCÉANE bonds issued on April 14, 2004. The Group once again reported exchange gains, amounting to €0.8 million in fiscal 2004-2005.

Net non-recurring items

Non-recurring expenses mainly reflected restructuring the network in line with the new design concept, and a revision of provisions for employee-related costs.

The tax charge stood at €0.4 million, sharply down on the previous year.

The negative impact of exchange-rate fluctuations on the bottom-line figure is estimated at €1.5 million.

7.2 Balance sheet structure

The net loss recorded for 2004-2005 was attributable to lower than forecast sales growth, coupled with brand repositioning costs.

In addition, slower than anticipated business over the last two months of the year, expansion of the retail network and the increased number of product lines led to a rise in inventories and thus in working capital requirements. At March 31, 2005, net inventories amounted to €29.5 million, up €7.9 million on the previous year.

Capital expenditure levels were high, reflecting the Group's strategic plan, with acquisitions of intangible assets and property, plant and equipment totaling €7.4 million.

As a result of the above-mentioned items, the funds raised in April 2004 have been utilized, which explains the decrease in the Group's cash position at the end of 2004-2005.



The Group's net cash and cash equivalents stood at €9.7 million at March 31, 2005, down from €18.6 million one year earlier. Net cash used by operating activities amounted to €7.7 million (including a €5.6 million increase in working capital requirements). Net cash used by investing activities came to €6.9 million. Provided the business environment remains unchanged, based on the Company's current estimates, it is anticipated that during certain months in 2005-2006 when cash requirements are traditionally the highest, the parent company may be in a tense cash position.

At March 31, 2005, net debt represented 90% of shareholders' equity, or 19% if the portion of the Océane issue held by Broadgain, the Company's majority shareholder, is considered as quasi equity.

S.T.Dupont has implemented measures to reduce inventory levels in the very short term and has stepped up its efforts to further reduce costs. At the same time, negotiations are underway to arrange appropriate financing.

8. OUTLOOK

The success stories of 2004-2005 are highly encouraging. The brand's appeal has clearly widened, as borne out by higher sales in the retail network and the popularity of the new lines' modern design. These achievements affirm S.T.Dupont's potential to become a leading global lifestyle brand in men's luxury goods. However, the benefits of the repositioning plan will take longer than planned to flow through to results.

S.T.Dupont believes that its ambitious repositioning plan is a fundamentally sound and necessary path to the Group's future.

As the brand continues to benefit from the initiatives of the past year, coupled with tight cost control and new product launches, the Group, barring unforeseen circumstances, expects to improve its financial results in fiscal 2005-2006.

9. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In compliance with European Union regulation 1606/2002 of July 19, 2002, as of April 1, 2005, the consolidated financial statements of the S.T.Dupont Group will be prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) endorsed by the European Commission. S.T.Dupont will publish its first IFRS financial statements for the year ended March 31, 2006 (interim and annual accounts), and will present comparative information for the year ended March 31, 2005.

In order to prepare for transition to IFRS, S.T.Dupont set up a working group comprising all of the Group's financial functions, assisted by an independent firm of chartered accountants. This group reviewed and calculated the impacts of the new accounting standards, and assessed what amendments needed to be made to S.T.Dupont's information systems. Estimates of the impacts on the opening balance sheet are currently being finalized. In addition, the Group has fine-tuned its fixed asset software so that the system can deal with different accounting standards at the same time, and has honed its reporting and consolidation tools to enable publication of financial statements under IAS/IFRS. A training program is underway throughout the Group.

The S.T.Dupont Group will provide detailed figures relating to the impact of IFRS once it is certain that the information is reliable and when it has been fully validated in accordance with the recommendations issued by the *Autorité des Marchés Financiers* (French securities regulator). These data will be provided in the interim financial statements for the six months ended September 30, 2005, in compliance with the procedures described in paragraph 9.2. Nevertheless, the main differences identified between IFRS and French GAAP are listed below.



9.1 General principles

The main impacts of IFRS are as follows:

IFRS 1 – First-time Adoption of International Financial Reporting Standards

IFRS 1 provides for a number of mandatory and optional exemptions to retrospective application of the new standards.

As regards the optional exemptions, S.T.Dupont has elected:

- to reset to zero at April 1, 2004 the cumulative translation differences recognized in prior years in relation to changes in equity of foreign companies. This option has no impact on opening equity and future profit or loss, except in the case of calculating the capital gain or loss on a disposal of operations;
- not to apply the fair value option for measuring property, plant and equipment in the opening balance sheet;
- to recognize all cumulative actuarial gains and losses under equity at April 1, 2004.

IFRS 2 – Share-based payment

Applying IFRS 2 will impact the Group's accounting treatment of stock options. Under IFRS 2, the Group must recognize an expense for options granted, measured at the fair value of the options at the grant date. The total expense will be recognized in personnel costs over the vesting period, and will therefore impact the Group's operating margin.

Application of IFRS 2 has no impact on opening equity, as the Group's related stock option plan only began in January 2005. The contra-entry to the expense recorded will be recognized in retained earnings.

IAS 16 – Property, plant and equipment

IAS 16 states that each part of an item of property, plant and equipment should, in certain cases, be depreciated separately. It also specifies that the useful life of all assets should be reviewed at least at each financial year end. The Group has analyzed its items of property, plant and equipment in order to comply with these new requirements.

Retrospectively restating depreciation expense on a separate basis for the Group's manufacturing assets and retrospective restatement of changes in useful lives will significantly impact the net carrying amount of the Group's property, plant and equipment.

The Group has established indicators, which will be reviewed annually, in order to identify any impairment in value of these assets.

IAS 17 – Leases

The Group has identified a small number of contracts that qualify as finance leases. Application of IAS 17 will have a slight impact on the Group's non-current assets and debt.

IAS 18 – Revenue

The Group's application of the revenue recognition criteria set out in IAS 18 will impact the presentation of its income statement.

IAS 19 – Employee benefits

The Group has collected data on its pension and other post-employment benefits. No previously unrecognized material commitments were identified.

In accordance with IAS 19, the Group will record the expense related to the discounting of its pension commitments under financial expense rather than operating expense.

Actuarial gains and losses at April 1, 2004 will be recognized in equity.

IAS 36 – Impairment of assets

In accordance with IAS 36, the value in use of tangible and intangible assets must be tested as soon as there is an indication that the asset may be impaired, and at least at each balance sheet date. For the purpose of these impairment tests, assets are grouped into cash-generating units (CGUs). The value in use of the CGUs is measured based on net discounted future cash flows.

When the CGU's value in use is less than its net carrying amount an impairment loss is recognized. When goodwill has been allocated to a CGU, the impairment loss is generally first charged against that goodwill, before being charged against the CGU's other assets.

In some cases, an impairment test should be carried out on certain assets independently from the CGU to which they belong, if there is an indication that those specific assets may be impaired.

The Group is in the final stages of drawing up precise methodology on first-time adoption of IAS 36.



IAS 38 – Intangible assets

Development costs

In accordance with the requirements of IAS 38, the Group will capitalize a portion of its development costs, which are currently expensed. Retrospective restatement of these costs will be impossible, due to the absence of sufficiently reliable historical data concerning projects prior to April 1, 2004. Consequently, development costs will only be capitalized for expenditure incurred after April 1, 2004, to the extent that it meets the requirements of IAS 38.

As a result, the capitalization of development costs will not impact opening equity.

Goodwill

Goodwill will no longer be amortized as from April 1, 2004. Instead, it will be tested yearly for impairment, in accordance with IAS 36.

Leasehold rights

The accounting treatment of leasehold rights is currently being validated by the Group's Statutory Auditors.

IAS 32 and 39 – Financial instruments

Given the European Union's delay in 2004 in endorsing IAS 32 and IAS 39 on financial instruments, S.T.Dupont has elected to apply these standards only with effect from April 1, 2005. The corresponding impact will be recorded in equity at that date.

9.2 Next phase for IFRS transition

S.T.Dupont will publish consolidated financial statements for 2004-2005 restated in accordance with IFRS, together with an opening IFRS balance sheet at April 1, 2004, when it announces its figures for the six months ended September 30, 2005.

The presentation of the 2004-2005 financial statements restated in accordance with IFRS will include an income statement, a balance sheet, a statement of cash flows and a statement of changes in equity. For each of the main items, S.T.Dupont will also provide detailed French GAAP/IFRS reconciliations. The impact on equity and consolidated debt arising from the first-time adoption of IAS 32 and IAS 39 will also be presented.

The Group will publish its financial statements for the year ended March 31, 2006 under IFRS, with comparative information for 2004-2005.



STATEMENTS OF OPERATIONS

(In € thousands)	Notes	March 31, 2005	March 31, 2004	March 31, 2003
Net sales of S.T.Dupont products	20	86,936	81,786	82,222
Royalties	20	4,573	4,182	4,347
Net sales	20 & 21	91,509	85,968	86,569
Cost of sales		(47,201)	(44,928)	(44,736)
Gross margin		44,308	41,040	41,833
Communication expenses		(7,394)	(6,712)	(6,652)
Selling expenses	22	(19,317)	(16,710)	(16,226)
Administrative expenses	22	(20,953)	(20,670)	(19,983)
Income from equity investments		(54)	10	(10)
Operating income/(loss)	20 & 21	(3,410)	(3,042)	(1,038)
Net financial income/(expense)	23	(1,472)	(349)	(652)
Non-recurring items from continuing operations	24	(349)	(899)	(2,068)
Income/(loss) before tax		(5,231)	(4,290)	(3,758)
Provision for income taxes	25 & 26	(410)	(669)	(1,241)
Net income/(loss) before goodwill amortization		(5,641)	(4,959)	(4,999)
Amortization of goodwill		(322)	(335)	(335)
Net income/(loss)		(5,963)	(5,294)	(5,334)
Earnings/(loss) per share (in euros)	27	(0.96)	(0.85)	(0.86)

The notes are an integral part of the financial statements.



BALANCE SHEET

ASSETS

(In € thousands)	Notes	March 31, 2005	March 31, 2004	March 31, 2003
Non-current assets				
Goodwill	3	2,842	3,165	3,499
Intangible assets (net)	4	5,974	5,530	5,546
Property, plant and equipment (net)	5	14,126	11,439	10,534
Long-term investments and other non-current assets (net)	6	1,551	950	755
Equity investments	7	768	822	812
Deferred tax assets	26	903	1,147	1,310
Total non-current assets		26,164	23,053	22,456
Current assets				
Inventories and work-in-progress (net)	8	29,533	21,588	25,214
Trade accounts receivable (net)	9	19,505	19,492	17,413
Other receivables and accruals	10	7,136	6,651	6,674
Cash and marketable securities	11	14,643	21,285	12,785
Total current assets		70,817	69,016	62,086
Total assets		96,981	92,069	84,542

The notes are an integral part of the financial statements.



LIABILITIES AND SHAREHOLDERS' EQUITY

(In € thousands)	Notes	March 31, 2005	March 31, 2004	March 31, 2003
Shareholders' equity attributable to the Group	12			
Capital stock		9,963	9,962	9,962
Additional paid-in capital		1,013	1,021	1,019
Retained earnings		22,617	27,911	33,245
Cumulative currency translation adjustments		(948)	(218)	959
Net loss for the period attributable to the Group		(5,963)	(5,294)	(5,334)
Total shareholders' equity attributable to the Group		26,682	33,382	39,851
Provisions for contingencies and charges	13 & 14	8,920	9,684	10,075
Long-term liabilities				
Convertible bonds	15	22,499	0	11,991
Long-term debt	16	38	43	48
Deferred tax liabilities	26	19	12	195
Total long-term liabilities		22,556	55	12,234
Current liabilities				
Convertible bonds	15	1,519	12,513	524
Short-term debt	16	14,842	18,378	3,786
Trade accounts payable	17	11,451	7,065	7,785
Other payables and accruals	18	11,011	10,992	10,287
Total current liabilities		38,823	48,948	22,382
Total liabilities and shareholders' equity		96,981	92,069	84,542

The notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
I – Cash flows from operating activities				
Net loss for the period		(5,963)	(5,294)	(5,334)
Depreciation and amortization		3,691	3,738	3,883
Amortization of goodwill		322	335	335
Change in provisions		(658)	(307)	1,534
Gains and losses on disposals		283	33	66
Deferred taxes		211	(26)	272
Income/(loss) from equity investments, net of dividends received		54	(10)	10
Working capital (used)/provided by operations		(2,060)	(1,531)	766
Change in inventories and work-in-progress		(8,281)	3,222	(1,533)
Change in trade accounts receivable		(464)	(2,264)	2,112
Change in other receivables		(1,420)	(239)	(839)
Change in trade accounts payable		4,472	(1,307)	1,182
Change in other payables		91	1,491	485
Change in operating working capital requirement		(5,602)	903	1,407
Net cash (used)/provided by operating activities		(7,662)	(628)	2,173
II – Cash flows from investing activities				
Additions to intangible assets		(1,121)	(813)	(759)
Additions to property, plant and equipment		(6,318)	(3,985)	(3,641)
Additions to long-term investments and other non-current assets		0	0	0
Acquisitions of subsidiaries, net of cash transferred		0	0	0
Cash used by investing activities		(7,439)	(4,798)	(4,400)
Proceeds from disposals of intangible assets		330	0	0
Proceeds from disposals of property, plant and equipment		217	101	24
Proceeds from disposals of long-term investments and other non-current assets		0	0	0
Proceeds from sales of subsidiaries, net of cash transferred		0	0	0
Cash provided by investing activities		547	101	24
Net cash used by investing activities		(6,892)	(4,697)	(4,376)
III – Cash flows from financing activities				
Capital reduction		(23)	0	0
Increase in borrowings		31,893	16,166	0
Repayments of borrowings		(26,168)	(526)	0
Dividends paid		0	0	(932)
Net cash provided/(used) by financing activities		5,702	15,640	(932)
Effect of exchange rate changes on cash and cash equivalents		(29)	(760)	(555)
Net change in cash and cash equivalents		(8,881)	9,555	(3,690)
Cash and cash equivalents at beginning of year		18,554	8,999	12,689
Cash and cash equivalents at end of year		9,673	18,554	8,999

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

	March 31, 2005	March 31, 2004	March 31, 2003
Cash and marketable securities	14,643	21,285	12,785
Bank overdrafts	4,970	2,731	3,786
Total cash and cash equivalents	9,673	18,554	8,999

The notes are an integral part of the financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Before appropriation of net loss (In € thousands)	Number of shares	Capital stock	Additional paid-in capital	Consolidated retained earnings	Translation adjustments	Consolidated shareholders' equity
At March 31, 2003	6,226,182	9,962	1,019	27,911	959	39,851
Conversion of bonds	231	0	2	0	0	2
Net loss for the year	0	0	0	(5,294)	0	(5,294)
Translation adjustments	0	0	0	0	(1,177)	(1,177)
Dividends	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
At March 31, 2004	6,226,413	9,962	1,021	22,617	(218)	33,382
Conversion of bonds	311	1	(8)	0	0	(7)
Net loss for the year	0	0	0	(5,963)	0	(5,963)
Translation adjustments	0	0	0	0	(730)	(730)
Dividends	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
At March 31, 2005	6,226,724	9,963	1,013	16,654	(948)	26,682

The notes are an integral part of the financial statements.



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

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

S.T.Dupont is listed on Euronext Paris S.A.

1. ACCOUNTING PRINCIPLES

1.1 Overview

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

Accounting entries are based on the historical cost convention.

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

1.2 Basis of consolidation

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

The list of consolidated companies is presented in Note 2.

1.3 Financial year-end

S.T.Dupont S.A. and all of its subsidiaries have a March 31 year-end. The consolidated financial statements have been prepared on the basis of individual financial statements closed at this date.

1.4 Consolidation adjustments

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



1.5 Foreign currency translation

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

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

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

The exchange rates applicable to currencies outside the euro zone are shown in the following table:

	Year-ended rate March 31, 2005	Year-ended rate March 31, 2004	Average rate 2004-2005
1 Swiss franc	0.6451389	0.6408562	0.6451389
1 yen	0.0072004	0.0077641	0.0073604
1 pound sterling	1.4543651	1.4940720	1.4742275
1 US dollar	0.7738095	0.8180674	0.7738095
1 US dollar *	0.7901438	0.8180674	0.8593650
1 Hong Kong dollar	0.0992063	0.1049208	0.1006606
1 new Taiwan dollar	0.0243155	0.0245724	0.0238651
1 Singapore dollar	0.4687500	0.4886161	0.4725788
1 Malaysian ringgit	0.2036706	0.2161368	0.2093482
1 yuan	0.0935218	0.098856	0.0943005

* Average rate calculated on US dollar export sales.

1.6 Financial instruments

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

Currency hedges

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

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

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

Hedging of interest-rate risk

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

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



1.7 Intangible assets

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

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

In 2004-2005, the collection costs for the men's ready-to-wear business were recorded under intangible assets and amortized over six months, corresponding to the period in which the collection was marketed.

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

Intangible assets	Period
Patents	10 years
Know-how	5 years
Purchased and internally-developed software	3-5 years
Collection costs	6 months

Leasehold rights are stated at the lower of cost and probable realizable value, which is determined based on expert reports. They are not amortized as they are transferable.

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

1.8 Goodwill

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

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

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

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

1.9 Property, plant and equipment

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

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

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



1.10 Research and development costs

Research and development costs are expensed as incurred.

1.11 Inventories and work-in-progress

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

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

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

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

1.12 Trade and other accounts receivable

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

1.13 Cash and marketable securities

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

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

Provisions for impairment in value are charged to financial expense.

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

1.14 Deferred charges

This item includes the cost of S.T.Dupont stands in foreign retail outlets and molds supplied to contractors. The related deferred charges are written off over three years. Issue costs relating to borrowings are also included in this item.

1.15 Employee benefits

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

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

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

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



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

1.16 Other provisions

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

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

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

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

1.17 Convertible bonds

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

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

1.18 Recognition of revenues

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

License fees are recognized based on the latest statement of actual sales and are calculated in accordance with the terms of the relevant contracts. They include non-recurring setup charges negotiated as part of new agreements. These up-front revenues will not generate any future costs.

Invoicing for after-sales service is deducted from selling expenses alongside related costs.



1.19 Non-recurring items from continuing operations

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

1.20 Provision for income taxes

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

Deferred tax assets and liabilities are measured at the level of each subsidiary based on temporary differences and are recorded according to the liability method. This method consists of adjusting deferred taxes at each year-end based on the latest enacted tax rate. Net deferred tax assets are only recognized for subsidiaries that have reported a profit.

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

At March 31, 2005 none of the companies with tax loss carryforwards fulfilled these criteria and, accordingly, no deferred tax assets were recognized in this respect.

Deferred tax liabilities have not been determined for withholding tax and other taxes due on the non-distributed reserves of certain subsidiaries, because these amounts are constantly re-invested.

1.21 Earnings per share

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

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

1.22 Statement of cash flows

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

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



2. CHANGES IN SCOPE OF CONSOLIDATION

	Percent control/interest			Consolidation method		
	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2005	March 31, 2004	March 31, 2003
S.T.Dupont S.A. (France)	-	-	-	-	Parent company	-
S.T.Dupont S.p.A. (Italy)	100	100	100	Full	Full	Full
S.T.Dupont S.A. (Switzerland)	97	97	97	Full	Full	Full
S.T.Dupont Japan K.K. (Japan)	100	100	100	Full	Full	Full
S.T.Dupont Ltd (United Kingdom)	100	100	100	Full	Full	Full
S.T.Dupont Deutschland GmbH (Germany)	100	100	100	Full	Full	Full
S.T.Dupont Benelux (Belgium)	100	100	100	Full	Full	Full
S.T.Dupont Finance (France)	100	100	100	Full	Full	Full
Orfarlabo (Spain) *	33.33	33.33	33.33	Equity	Equity	Equity
S.T.Dupont, Inc. (United States)	100	100	100	Full	Full	Full
S.T.Dupont Marketing Ltd (Hong Kong)	100	100	100	Full	Full	Full
S.T.Dupont Investment Pte Ltd (Singapore – Taiwan branch)	100	100	100	Full	Full	Full
S.T.Dupont Marketing Shanghai Ltd (China)	100	100	100	Full	Full	Full
S.T.Dupont Export Ltd (Hong Kong)	25	25	25	Equity	Equity	Equity
S.T.Dupont Distribution Pte Ltd (Singapore)	100	100	100	Full	Full	Full
S.T.Dupont (Malaysia) Sdn Bhd	100	100	100	Full	Full	Full

* As in previous years, consolidated figures are based on Orfarlabo's accounts at December 31, since figures for the period ending March 31 were not available. No significant operations occurred in relation to this company between December 31, 2004 and March 31, 2005.



3. GOODWILL

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
S.T.Dupont Marketing Ltd (Hong Kong)	10,336	10,336	10,336
S.T.Dupont Investment Pte Ltd (Singapore – Taiwan branch)	863	863	863
S.T.Dupont Distribution Pte Ltd	212	212	212
S.T.Dupont (Malaysia) Sdn Bhd	170	170	170
Total, at cost	11,581	11,581	11,581
S.T.Dupont Marketing Ltd (Hong Kong)	(7,494)	(7,236)	(6,977)
S.T.Dupont Investment Pte Ltd (Singapore – Taiwan branch)	(863)	(863)	(863)
S.T.Dupont Distribution Pte Ltd	(212)	(175)	(134)
S.T.Dupont (Malaysia) Sdn Bhd	(170)	(142)	(108)
Total amortization and provisions	(8,739)	(8,416)	(8,082)
Total, net book value	2,842	3,165	3,499

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

An impairment test was carried out at March 31, 2005 based on the valuation of discounted net results. The test indicated that no further write-down was required.

4. INTANGIBLE ASSETS

(In € thousands)	Patents	Leasehold rights	Other	Total
At cost				
At March 31, 2003	922	3,827	4,975	9,724
Acquisitions	188	0	625	813
Disposals	0	0	(96)	(96)
Translation adjustments	(46)	0	(1)	(47)
Other	0	0	0	0
At March 31, 2004	1,064	3,827	5,503	10,394
Acquisitions	54	300	767	1,121
Disposals	0	(320)	(6)	(326)
Translation adjustments	5	0	(20)	(15)
Other	0	0	251	251
At March 31, 2005	1,123	3,807	6,495	11,425
Amortization and provisions				
At March 31, 2003	(848)	0	(3,330)	(4,178)
Charges	(49)	0	(777)	(826)
Write-backs	0	0	95	95
Translation adjustments	45	0	0	45
Other	0	0	0	0
At March 31, 2004	(852)	0	(4,012)	(4,864)
Charges	(40)	0	(567)	(607)
Write-backs	0	0	6	6
Translation adjustments	(5)	0	19	14
Other	0	0	0	0
At March 31, 2005	(897)	0	(4,554)	(5,451)
Net book value				
At March 31, 2003	74	3,827	1,645	5,546
At March 31, 2004	212	3,827	1,491	5,530
At March 31, 2005	226	3,807	1,941	5,974

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

Leasehold rights concern the S.T.Dupont retail stores in Europe. Movements during the year relate to the sale of the S.T.Dupont store in Lyon and the opening of the store in Cannes.

Other intangible assets mainly comprise computer software and organization expenses. The increase in intangible assets at cost since March 31, 2004 primarily reflects software acquisitions and installations in France, representing €538 thousand.



5. PROPERTY, PLANT AND EQUIPMENT

(In € thousands)	Land	Buildings	Leasehold improvements	Fixtures and fittings	Other	Total
At cost						
At March 31, 2003	162	4,142	10,056	21,251	7,186	42,797
Acquisitions	0	2	1,334	1,821	828	3,985
Disposals	0	0	(581)	(308)	(990)	(1,879)
Translation adjustments	0	0	(65)	(5)	(73)	(143)
Other	0	0	2	(1)	(2)	(1)
At March 31, 2004	162	4,144	10,746	22,758	6,949	44,759
Acquisitions	0	76	2,241	1,686	2,314	6,317
Disposals	0	0	(2,831)	(223)	(996)	(4,050)
Translation adjustments	0	0	(14)	(2)	(103)	(119)
Other	0	0	(53)	(2)	57	2
At March 31, 2005	162	4,220	10,089	24,217	8,221	46,909
Depreciation and provisions						
At March 31, 2003	0	(2,485)	(6,836)	(17,429)	(5,513)	(32,263)
Charges	0	(112)	(725)	(1,115)	(962)	(2,914)
Write-backs	0	0	540	255	950	1,745
Translation adjustments	0	0	50	2	59	111
Other	0	0	0	1	0	1
At March 31, 2004	0	(2,597)	(6,971)	(18,286)	(5,466)	(33,320)
Charges	0	(112)	(1,016)	(1,218)	(1,028)	(3,374)
Write-backs	0	60	2,706	188	875	3,829
Translation adjustments	0	0	14	2	66	82
Other	0	0	0	0	0	0
At March 31, 2005	0	(2,649)	(5,267)	(19,314)	(5,553)	(32,783)
Net book value						
At March 31, 2003	162	1,657	3,220	3,822	1,673	10,534
At March 31, 2004	162	1,547	3,775	4,472	1,483	11,439
At March 31, 2005	162	1,571	4,822	4,903	2,668	14,126

This item primarily corresponds to the property, plant and equipment of S.T.Dupont S.A. and its manufacturing facility. Other property, plant and equipment mostly consists of office furniture, leasehold improvements and display stands. The main investments in property, plant and equipment during the year related to the manufacturing facility and the head office, amounting to €2,236 thousand and €1,983 thousand respectively. The principal reductions in property, plant and equipment at cost were disposals and retirements in France, totaling €3,143 thousand. Other acquisitions concerned fixtures and fittings for openings and renovations of stores and shop-in-shops, representing €3,070 thousand.

The reduction in leasehold improvements at cost corresponds to the closure of the Group's store in Brussels and disposals and retirements at the Faverges plant in France.



6. LONG-TERM INVESTMENTS AND OTHER NON-CURRENT ASSETS

Long-term investments and other non-current assets consist almost entirely of guarantee deposits and mainly include €993 thousand relating to Japan.

7. EQUITY INVESTMENTS

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Orfarlabo	761	815	805
S.T.Dupont Export Ltd	7	7	7
Equity in net assets	768	822	812

8. INVENTORIES AND WORK-IN-PROGRESS

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Raw materials	4,057	3,411	4,471
Work-in-progress and semi-finished products	10,557	7,550	8,251
Finished products and goods for resale	19,544	15,039	16,712
Replacement parts and supplies	1,374	1,096	1,445
Total, at cost	35,532	27,096	30,879
Raw materials	(1,363)	(1,303)	(1,578)
Work-in-progress and semi-finished products	(1,736)	(1,328)	(2,546)
Finished products and goods for resale	(2,669)	(2,563)	(1,369)
Replacement parts and supplies	(231)	(314)	(172)
Total provisions	(5,999)	(5,508)	(5,665)
Total, net	29,533	21,588	25,214

Over the year, net inventories increased by €7,945 thousand, up more than 36.8% on March 31, 2004. In France, the year-on-year increase was €6,141 thousand and primarily related to finished products and work-in-progress.

The intense development of the retail business in Hong Kong/China and Japan drove up the net value of inventory in these regions by €1,307 thousand.

At March 31, 2005, provisions represented 41.2% of the gross value of total inventories for which a provision had been recorded (54.7% at March 31, 2004).



9. TRADE ACCOUNTS RECEIVABLE

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Trade accounts receivable	16,319*	16,427	15,180
Bills of exchange receivable	3,703	3,788	3,388
Receivables from related parties:			
- Harvey Nichols	35	0	8
- D Marketing Japan	1	4	27
- Dickson Concepts Ltd	0	0	52
- Seibu	104	160	121
- Bondwood Investment	306	304	22
- Shanghai Jin Jiang Dickson Center Co Ltd	0	0	32
- Hinkley Retail Store	0	47	0
- Other	17	58	4
Total, at cost	20,485	20,788	18,834
Provisions for doubtful accounts	(980)	(1,296)	(1,421)
Total, net	19,505	19,492	17,413

* including €4,445 thousand worth of receivables transferred to a pool of banks as a guarantee.

At March 31, 2005 total trade receivables not yet due amounted to €15,748 thousand and receivables six months past due totaled €349 thousand.

10. OTHER RECEIVABLES AND ACCRUALS

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Refundable income tax	1,782	2,317	2,073
Other receivables	3,431	3,105	2,924
Prepaid expenses	742	683	1,202
Redemption premium	0	9	57
Deferred charges	1,181	537	418
Total	7,136	6,651	6,674

Refundable income taxes correspond to the excess of tax prepayments over the amount of income taxes payable and also reflect the recognition of an €865 thousand carry-back credit in S.T.Dupont S.A.'s financial statements at March 31, 1999, which was usable up to July 31, 2004. This credit was repaid to S.T.Dupont SA. in April 2005.

Refundable income tax also includes a €444 thousand receivable recorded in respect of tax liabilities relating to the German subsidiary, S.T.Dupont Deutschland GmbH (see Note 13 "Provisions for Contingencies and Charges"). This amount, which has remained unchanged since March 31, 2002, concerns transfer prices and represents sums due in accordance with tax treaties in force dealing with the avoidance of double taxation. Once the dispute is resolved, the portion of the tax which has been paid in both countries will be reimbursed by either the French or the German tax authorities, depending on the outcome of the negotiations. Meetings of the arbitration commission were held at the beginning of fiscal 2005-2006 and the decision is pending.

At March 31, 2005 other receivables primarily included recoverable value-added taxes in an amount of €1,193 thousand and royalties receivable in an amount of €903 thousand.

Deferred charges correspond primarily to molds used in production (€392 thousand) and issue costs relating to the OCÉANE bonds (€710 thousand).



11. CASH AND MARKETABLE SECURITIES

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Marketable securities	247	9 221	92
Time deposits	9,876	6,390	8,456
Bank current accounts	4,520	5,714	4,291
Total, gross	14,643	21,325	12,839
Provisions for impairment in value of marketable securities	0	(40)	(54)
Total, net	14,643	21,285	12,785

Marketable securities correspond primarily to mutual funds and S.T.Dupont shares held in treasury stock. At March 31, 2005, the Company held 8,268 S.T.Dupont shares representing €45 thousand.

12. SHAREHOLDERS' EQUITY

12.1 Capital stock

At March 31, 2005, the capital stock of S.T.Dupont S.A. amounted to €9,962,758.40, breaking down into 6,226,724 ordinary shares with a par value of €1.6 each.

During 2004-2005, 307 bonds were converted into shares. As a result of these transactions, the number of shares increased by 311, leading to a change in additional paid-in capital.

All the shares are fully paid up.

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

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Legal reserve (not available for distribution)	933	933	933
Miscellaneous reserves of S.T.Dupont S.A.			
• freely available for distribution	0	0	0
• available for distribution subject to payment of tax			
- special long-term capital gains reserve	2,070	2,070	2,070
- other reserves	6,049	11,633	16,398
- not available for distribution (effect of consolidation adjustments and restatements)	2,954	1,440	293
S.T.Dupont S.A.'s equity in the retained earnings of fully consolidated subsidiaries	4,207	6,046	7,734
S.T.Dupont S.A.'s equity in the retained earnings of companies accounted for by the equity method	441	495	483
Cumulative translation adjustments	(948)	(218)	959
Total	15,706	22,399	28,870



12.3 Stock option plans

In accordance with the authorization granted by the Ordinary and Extraordinary General Meeting of September 17, 2004 and confirmed by the Extraordinary General Meeting of January 4, 2005, in its meeting of January 4, 2005, the Management Board granted 311,335 stock subscription options to one of its members.

On March 6, 1997, the Management Board granted S.T.Dupont stock subscription options to nine beneficiaries, as approved by the Ordinary and Extraordinary General 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 who hold 10,600 options.

No stock options were exercised in 2004-2005.

13. PROVISIONS FOR CONTINGENCIES AND CHARGES

(In € thousands)	Warranty provisions	Provisions for other contingencies	Provisions for charges	Provisions for retirement and other long-term benefits	Total
At March 31, 2003	1,599	1,420	1,975	5,081	10,075
Charges	499	703	655	958	2,815
Releases (used)	(468)	(121)	(452)	(1,671)	(2,712)
Releases (not used)	0	(261)	(148)	0	(409)
Translation adjustments	0	(75)	(8)	(2)	(85)
Other	0	0	0	0	0
At March 31, 2004	1,630	1,666	2,022	4,366	9,684
Charges	498	489	179	920	2,086
Releases (used)	(426)	(382)	(1,063)	(172)	(2,043)
Releases (not used)	0	(384)	(81)	(237)	(702)
Translation adjustments	0	(39)	0	(48)	(87)
Other	0	0	0	(18)	(18)
At March 31, 2005	1,702	1,350	1,057	4,811	8,920

(In € thousands)	March 31, 2004	Charges	Releases (used)	Releases (not used)	Other	Change in method	Change in Group structure	Translation adjustment	March 31, 2005
Provisions for other contingencies									
• continuing operations	717	257	(266)	(216)	0	0	0	(39)	453
• financing operations	0	0	0	0	0	0	0	0	0
• non-recurring	949	232	(116)	(168)	0	0	0	0	897
Total	1,666	489	(382)	(384)	0	0	0	(39)	1,350
Provisions for charges									
• continuing operations	286	120	(302)	(80)	0	0	0	0	24
• financing operations	0	0	0	0	0	0	0	0	0
• non-recurring	1,736	58	(761)	0	0	0	0	0	1,033
Total	2,022	178	(1,063)	(80)	0	0	0	0	1,057



Warranty provisions

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

Provisions for other contingencies

Provisions for other contingencies primarily concern staff-related litigation in an amount of €262 thousand, and a dispute with the German tax authorities in an amount of €156 thousand.

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

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

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

Given that the German subsidiary reported a tax loss for the year ended March 31, 2005, the Group has not set aside any further provisions for the year.

An arbitration commission was set up in relation to the above issue and several meetings have been held since the beginning of fiscal 2005-2006. The decision of the commission is currently pending.

Provisions for other contingencies cover risks expected to be incurred in the next one to three years, except for the provision for the dispute relating to German tax liabilities, for which the Group expects to know the outcome within a year.

Provisions for charges

Provisions for charges mainly concern a provision amounting to €845 thousand at March 31, 2005, set up in connection with the CATS/CASA company agreements signed with the trade unions in 2002 concerning part of the workforce at the Group’s manufacturing facility in France. €449 thousand of this provision was released in 2004-2005 and it should be fully used within the next twelve months.

€295 thousand was released during the year from the provision recorded for the remaining costs of a restructuring plan carried out in France.



14. EMPLOYEE BENEFIT PLANS

14.1 Description of the plans

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

Post-employment benefits

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

Pension schemes

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

early-retirement). This amount is increased each year based on length of service and inflation.

- For intercompany pension schemes in France, contributions are determined in accordance with French legislation.
- In Malaysia, the Group operates a defined contribution pension scheme.

Healthcare schemes

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

Other long-term benefits

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

Until 2004, the Group also paid long-service awards in France to working employees based on their seniority. In 2004, the Group decided to cease the payment of these awards as from 2005-2006 and recorded a reversal of the related provision in an amount of €237 thousand.

Early-retirement benefits

In France the Group operates an early-retirement scheme established under the CATS/CASA agreement. This scheme is partly financed by the French government (see Note 13 "Provisions for Contingencies and Charges").

14.2 Amounts recognized

Amounts recognized in the balance sheet were as follows:

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Post-employment schemes	(4,795)	(4,078)	(4,832)
Other long-term benefits	(16)	(288)	(249)
Sub-total	(4,811)	(4,366)	(5,081)
Early-retirement schemes	(845)	(1,236)	(1,251)
Total employee benefit obligations	(5,656)	(5,602)	(6,332)

The following table sets out a reconciliation between the projected benefit obligation, the fair value of plan assets and the funded status of plans for the years ended March 31, 2003, 2004 and 2005.

(In € thousands) At March 31,	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Change in projected benefit obligation									
Projected benefit obligation at beginning of year	(8,408)	(7,495)	(7,179)	(288)	(251)	(247)	(1,236)	(1,251)	-
Service cost	(401)	(322)	(309)	(14)	(9)	(12)	-	-	-
Interest cost on projected benefit obligation	(349)	(321)	(363)	(12)	(12)	(13)	(39)	(43)	-
Contributions from plan members	(3)	(4)	(5)	-	-	-	-	-	-
Adjustments to schemes	-	454	-	-	-	-	-	-	(1,251)
Curtailments/settlements	18	287	-	237	-	-	-	(287)	-
Actuarial gains/(losses)	(275)	(1,005)	(95)	-	5	(2)	(18)	64	-
Benefits paid	347	646	342	59	-	23	449	281	-
Other (including exchange-rate effects)	29	(648)	114	1	(19)	-	-	-	-
Projected benefit obligation at end of year	(9,042)	(8,408)	(7,495)	(16)	(288)	(251)	(845)	(1,236)	(1,251)
- of which retirement benefits	(7,936)	(7,285)	(5,893)	-	-	-	-	-	-
- of which healthcare benefits	(1,106)	(1,123)	(1,602)	-	-	-	-	-	-
Change in fair value of plan assets									
Fair value at beginning of year	2,236	1,578	2,156	-	-	-	-	-	-
Actual return on plan assets	143	277	(558)	-	-	-	-	-	-
Employer contributions	33	14	20	-	-	-	-	-	-
Contributions from plan members	15	4	5	-	-	-	-	-	-
Benefits paid	(218)	(245)	(40)	-	-	-	(99)	-	-
Transfers	(99)	-	-	-	-	-	99	-	-
Other (including exchange-rate effects)	4	609	(4)	-	-	-	-	-	-
Fair value at end of year	2,114	2,237	1,578	-	-	-	-	-	-
- of which retirement benefits	2,114	2,237	1,578	-	-	-	-	-	-
- of which healthcare benefits	-	-	-	-	-	-	-	-	-
Funded status									
Unfunded portion	(6,928)	(6,171)	(5,917)	(16)	(288)	(251)	(845)	(1,236)	(1,251)
Unrecognized actuarial losses (gains)	2,133	2,093	1,085	-	-	2	-	-	-
Net amount recognized	(4,795)	(4,078)	(4,832)	(16)	(288)	(249)	(845)	(1,236)	(1,251)
- of which retirement benefits	(3,689)	(2,955)	(2,903)	-	-	-	-	-	-
- of which healthcare benefits	(1,106)	(1,123)	(1,929)	-	-	-	-	-	-



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

(In € thousands) At March 31,	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
At beginning of year	(4,078)	(4,832)	(4,717)	(288)	(249)	(282)	(1,236)	(1,251)	-
Retirement costs	(927)	338	(558)	211	(39)	10	41	(266)	(1,251)
Employer contributions	45	14	20	-	-	-	-	-	-
Benefits paid	128	400	302	59	-	23	350	281	-
Exchange-rate effect	37	2	121	2	-	-	-	-	-
At end of year	(4,795)	(4,078)	(4,832)	(16)	(288)	(249)	(845)	(1,236)	(1,251)

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

(In € thousands) At March 31,	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Projected benefit obligation at end of year									
France	(6,097)	(5,767)	(5,258)	-	(269)	(251)	(845)	(1,236)	(1,251)
Germany	(1,164)	(937)	(929)	-	-	-	-	-	-
Switzerland	(665)	(653)	-	-	-	-	-	-	-
Other European countries	(472)	(421)	(386)	-	-	-	-	-	-
Asia	(644)	(630)	(922)	(16)	(19)	-	-	-	-
Total	(9,042)	(8,408)	(7,495)	(16)	(288)	(251)	(845)	(1,236)	(1,251)
Fair value of plan assets at end of year									
France	1,314	1,489	1,470	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-	-	-
Switzerland	636	611	-	-	-	-	-	-	-
Other European countries	131	112	89	-	-	-	-	-	-
Asia	33	25	19	-	-	-	-	-	-
Total	2,114	2,237	1,578	-	-	-	-	-	-

The Group recorded a charge of €675 thousand relating to employee benefit obligations for the year ended March 31, 2005, compared with a gain of €33 thousand and a charge of €1,798 thousand respectively for the previous two years.



(In € thousands) At March 31,	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Normal cost									
Service cost	401	322	309	14	9	12	-	-	-
Interest cost on projected benefit obligation	349	321	363	12	12	13	39	43	-
Expected return on plan assets	(106)	(79)	(127)	-	-	-	-	-	-
Amortization of unrecognized actuarial gains and losses	200	(204)	13	-	(2)	(35)	19	(64)	-
Amortization of unrecognized past service costs	-	(454)	-	-	-	-	-	-	1,251
Impact of curtailments/settlements of plans	-	(287)	-	(237)	-	-	(99)	287	-
Transfers	99	-	-	-	-	-	-	-	-
Other	(16)	43	-	0	19	-	-	-	-
Total	927	(338)	558	(211)	39	(10)	(41)	266	1,251

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

	Shares	Bonds	Real-estate	Cash	Total
France	65%	33%	0%	2%	100%
Belgium	0%	100%	0%	0%	100%
Switzerland	7%	77%	10%	6%	100%
Taiwan	0%	0%	0%	100%	100%

Actuarial assumptions expressed as weighted averages for the years ended March 31, 2003, 2004 and 2005 are as follows:

At March 31,	Post-employment schemes			Other long-term benefits			Early-retirement schemes		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Discount rate	3.9%	4.2%	4.8%	1.5%	4.1%	4.8%	3%	3.6%	3.5%
Expected return on plan assets	4.7%	5%	5%	NA	NA	NA	NA	NA	NA
Future salary increases	2.5%	2.4%	2.4%	NA	2.4%	2.4%	NA	NA	NA
Increase in healthcare plan costs	NA	NA	3.7%	NA	NA	NA	NA	NA	NA



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

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

15. BOND ISSUE

On May 19, 1999, the S.T.Dupont Group issued 1,282,986 convertible bonds, for a total amount of €12,958 thousand, bearing interest at 4.50%. Of the 1,163,984 bonds outstanding at March 31, 2004, during 2004-2005 100 were converted into shares on the basis of 1.05 ordinary shares with a par value of €1.6 per convertible bond, and the remaining 1,163,884 bonds were redeemed in full at €10.30 per bond plus a redemption premium of €0.20.

On March 26, 2004, S.T. Dupont received a bridging loan of €12,600 thousand from its majority shareholder for the purpose of redeeming the convertible bonds issued in 1999.

16. BORROWINGS

This loan was repaid on April 14, 2004, on completion of the new OCÉANE bond issue described below.

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. D and D International B.V. took up 71.55% of the total bond issue. The bonds are redeemable in full on April 1, 2009.

The 4,756,871 "OCÉANE" bonds were issued at a price of €4.73 each, representing a nominal value of €1.6 plus a redemption premium of €3.13 per bond.

These bonds, representing a total value of €22,500 thousand, bear interest at a rate of 7% per annum, payable annually in arrears on April 1 of each year. Total interest expense for fiscal 2004-2005, paid on April 1, 2005, amounted to €1,519 thousand.

During fiscal 2004-2005, 207 bonds were converted into shares. At March 31, 2005, 4,756,664 bonds were still outstanding, representing a liability of €22,499 thousand.

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Due in more than one year			
Borrowings denominated in euros	38	43	48
Total debt due in more than one year	38	43	48
Due in less than one year			
Current portion of long-term debt:			
- borrowings denominated in euros	0	0	0
Short-term borrowings	9,872	15,647	0
Bank overdrafts	4,970	2,731	3,786
Total debt due in less than one year	14,842	18,378	3,786



At March 31, 2005, unused credit lines amounted to €5,688 thousand.

The €38 thousand in total debt due in more than one year corresponds to a grant awarded in 2002 in connection with equipment for a waste storage room. This amount is repayable over 10 years from 2004.

At the close of fiscal 2004-2005, overdrafts and used short-term credit lines bore interest as follows:

- bank overdrafts in France..... EONIA +(0.8 to 1.25)% and Average Monthly Money Market Rate (T4M) +1.5%
- bank overdrafts in Belgium..... Bank base rate +1%
- bank overdrafts in Italy 7.5%
- bank overdrafts in Taiwan..... 1.85% to 2.05%
- short-term loans in Japan..... 1.10% to 1.40%

17. TRADE ACCOUNTS PAYABLE

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Trade accounts payable	9,992	5,484	6,237
Bills of exchange payable	1,418	1,490	1,402
Payable to related parties:			
- Dickson Concepts Limited	2	15	-
- Dickson Concepts (Wholesale)	7	10	-
- Golden Creation Retail division (Hong Kong)	7	10	31
- Leading Way Apparel Shanghai	0	41	98
- Hinkley Retail division	10	-	-
- Asset Pro Apparel (Shenzen) Ltd	7	-	-
- Other	8	15	17
Total	11,451	7,065	7,785

18. OTHER PAYABLES AND ACCRUALS

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Accrued personnel costs	5,838	5,917	5,294
Provision for current income taxes	0	95	391
Prepaid income	198	128	1,084
Other payables	4,975	4,852	3,518
Total	11,011	10,992	10,287

At March 31, 2005, this item primarily included accrued taxes other than on income in an amount of €923 thousand and accrued advertising and promotional costs representing €792 thousand.



19. OFF BALANCE-SHEET COMMITMENTS RECEIVED AND GIVEN

19.1 Commitments received

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Letters of intent	10,003	13,876	13,971
Other commitments received	420	276	281
Total commitments received	10,423	14,152	14,252

The Group's banks have received letters of intent from Broadgain Investment Ltd., guaranteeing the facilities granted to S.T.Dupont S.A. (France) in the amount of €8,788 thousand. The Taiwan subsidiary has received a letter of intent from Broadgain Investment Ltd., guaranteeing facilities in the amount of TWD50,000 thousand, or €1,215 thousand at March 31, 2005.

Other commitments received correspond to guarantee deposits (rents) in the amount of €199 thousand, a payment guarantee in the amount of €137 thousand and joint and several guarantees representing €84 thousand.

19.2 Commitments given

Guarantees and other endorsements given

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Bank guarantees given on behalf of subsidiaries	9,598	6,507	7,428
Firm orders for fixed assets	131	1,599	68
Transfers in accordance with the Dailly Act in France	4,445	0	0
Other	348	194	188
Total commitments given	14,522	8,300	7,684

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

At March 31, 2005, the Group also had contracts for forward sales of foreign currencies in the amount of €8,184 thousand, and the option contracts detailed in Note 28.2.



Commercial commitments

The Group has signed several consignment contracts, primarily with suppliers of raw materials, and would be obliged to purchase the consigned goods should the related contract be terminated. At March 31 2005, the total amount of goods to be purchased should all said contracts be terminated would be €101 thousand.

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

Contractual obligations

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

Certain store leases include a clause concerning repairs at the end of the lease period. At that date a quotation would be drawn up to assess the corresponding amount. However, given that the stores are designed for the purpose of selling luxury items, the premises are not likely to undergo any significant damage. Amounts for any repairs would therefore be limited.

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

Commitments related to borrowings

Description of borrowing	Covenants	Amount (in € thousands)		Start of borrowing period	Maturity	Current situation	Total risk (in € thousands)
		March 31, 2005	March 31, 2004				
Drawdown facility signed with CCF	Shareholders' equity and debt-equity ratio	500	1,000	August 4, 2000	August 4, 2005	Unused	500
Short-term credit line with HSBC Hong Kong	Consolidated net debt ratio	3,000	0	April 2004	April 2005*	Granted to STD Marketing	3,000
Total		3,500	1,000				3,500

* Negotiations are currently under way in relation to renewing this credit line.

Leasing commitments

(In € thousands)	March 31, 2005	Payment schedule		
		Less than 1 year	1 to 5 years	Beyond 5 years
Minimum future lease payments	1,522	152	1,370	0
Operating leases (buildings and stores)	10,835	186	2,117	8,532
Other operating leases	1,162	52	1,063	47
Total	13,519	390	4,550	8,579



19.3 Pledges

Pledges on registered shares

To the best of the S.T.Dupont Group's knowledge, as of March 31, 2005 none of the shares making up its capital had been pledged.

Pledges of S.T.Dupont assets

To the best of the S.T.Dupont Group's knowledge, as of March 31, 2005, none of its assets had been pledged.

20. INFORMATION BY BUSINESS SEGMENT

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Net sales			
Lighters and pens	53,131	49,154	50,573
Leather goods and other	33,805	32,632	31,649
Royalties	4,573	4,182	4,347
Total	91,509	85,968	86,569
Operating income/(loss)			
Gross margin on lighters and pens	23,823	21,713	22,327
Gross margin on leather goods and other	15,912	15,144	15,158
Royalties	4,573	4,182	4,347
Unallocated costs	(47,718)	(44,081)	(42,870)
Total	(3,410)	(3,042)	(1,038)
Total assets			
Lighters and pens	61,216	54,968	53,685
Leather goods and other	35,765	37,101	30,857
Total	96,981	92,069	84,542

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

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

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

They are allocated to the different geographic regions based on the countries from which the licenses are paid.

21. INFORMATION BY GEOGRAPHIC REGION – TARGET MARKETS

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Net sales			
Europe	40,772	36,986	37,389
Asia	40,864	39,570	41,231
Other regions	9,873	9,412	7,949
Total	91,509	85,968	86,569
Operating income/(loss)			
Gross margin on sales in Europe	18,300	16,205	15,977
Gross margin on sales in Asia	22,704	21,322	22,924
Gross margin on sales in other regions	3,304	3,512	2,931
Unallocated costs	(47,718)	(44,081)	(42,870)
Total	(3,410)	(3,042)	(1,038)
Total assets			
Europe	43,575	40,268	36,850
Asia	41,981	40,639	38,799
Other regions	11,425	11,162	8,893
Total	96,981	92,069	84,542

22. SELLING AND ADMINISTRATIVE EXPENSES

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
Personnel costs		(21,431)	(20,967)	(20,458)
Depreciation and amortization				
- of intangible assets		(588)	(1,496)	(1,002)
- of property, plant and equipment		(2,039)	(747)	(791)
Provisions net of write-backs		(372)	466	92
After-sales service revenues		855	925	1,515
Other		(16,695)	(15,561)	(15,565)
Total		(40,270)	(37,380)	(36,209)

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

Research and development costs, covering scientific research, new product development, monitoring of technological advances and improvements to existing processes amounted to €2,302 thousand for the year ended March 31, 2005, €2,181 thousand for the year ended March 31, 2004 and €2,127 thousand for the year ended March 31, 2003.

Costs related to Group personnel, as well as to external staff (recorded on different lines of the statement of income) amounted to €40,868 thousand for the year ended March 31, 2005, against €37,624 thousand and €37,006 thousand for the previous two years respectively.

The aggregate amount of remuneration paid by S.T.Dupont to Executive Committee members for 2004-2005 was €1,555 thousand. This amount includes the fixed and variable portions of salaries as well as benefits in kind. Attendance fees paid to members of the Management and Supervisory Boards stood at €4.6 thousand.



23. FINANCIAL INCOME AND EXPENSE

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
Financial income		170	126	283
Financial expense		(2,409)	(1,519)	(1,343)
Exchange gains, net		767	1,044	408
Total		(1,472)	(349)	(652)

24. NON-RECURRING ITEMS FROM CONTINUING OPERATIONS

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
Non-recurring expense, net		(66)	(866)	(2,002)
Net losses on disposals of assets		(283)	(33)	(66)
Total		(349)	(899)	(2,068)

For the year ended March 31, 2005, non-recurring items primarily included:

- a €173 thousand charge to the provision for claims and litigation relating to staff departures;
- €79 thousand in costs relating to the closure of the Lyon store;
- employee-related costs in an amount of €157 thousand;
- €195 thousand in gains on the sale of the Brussels store.

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

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

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

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

25. PROVISION FOR INCOME TAXES

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
Current income taxes		(199)	(695)	(969)
Deferred income taxes (Note 26)		(211)	26	(272)
Total		(410)	(669)	(1,241)

The net tax benefit resulting from non-recurring items amounted to €27 thousand.



26. DEFERRED TAXES

26.1 Net change in deferred taxes (assets and liabilities)

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
Deferred tax assets at beginning of year		1,147	1,310	1,563
Deferred tax liabilities at beginning of year		(12)	(195)	(101)
Net deferred tax assets at beginning of year		1,135	1,115	1,462
Impact on income	Asset	(204)	(152)	(170)
	Liability	(7)	178	(102)
Changes in Group structure	Asset	0	0	0
	Liability	0	0	0
Other	Asset	0	0	0
	Liability	0	(1)	0
Exchange rate changes	Asset	(40)	(11)	(83)
	Liability	0	6	8
Deferred tax assets at year-end		903	1,147	1,310
Deferred tax liabilities at year-end		(19)	(12)	(195)
Net deferred tax assets at year-end		884	1,135	1,115

Unrecognized deferred tax assets related to ordinary tax loss carryforwards amounted to €12,048 thousand at March 31, 2005 (€10,073 thousand at March 31, 2004 and €4,780 thousand at March 31, 2003).

Unrecognized deferred tax assets related to evergreen tax loss carryforwards in France amounted to €9,780 thousand at March 31, 2005 (€8,150 thousand at March 31, 2004 and €4,295 thousand at March 31, 2003).

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

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
Elimination of intercompany profits		345	563	574
Provisions		178	132	182
Retirement commitments		227	230	384
Depreciation		90	0	2
Deficit		0	14	30
Other		63	208	138
Total assets		903	1,147	1,310
Provisions		0	0	(89)
Other		(19)	(12)	(106)
Total liabilities		(19)	(12)	(195)



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

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
Statutory tax rate in France		34.93%	35.42%	35.42%
Theoretical income tax at statutory rate		1,827	1,521	1,331
Effect of subsidiaries taxed at foreign tax rates		434	490	423
Effect of changes in tax rate		(16)	19	38
Non-taxable income and expenses		616	487	366
Utilization of tax loss carryforwards		280	33	(901)
Unrecognized deferred tax assets		(3,571)	(3,206)	(2,498)
Miscellaneous adjustments		20	(13)	0
Provision for income taxes		(410)	(669)	(1,241)
Effective rate of income tax		-7.8%	-15.6%	- 33.0%

Unrecognized deferred tax assets include an adjustment of €111 thousand following a change in the Group's estimates relating to the recoverability of deferred tax assets.

Miscellaneous adjustments include a research tax credit recorded in France representing €242 thousand and an adjustment to the tax rate applicable to deferred tax assets recognized in prior years (€157 thousand deduction).

27. EARNINGS/(LOSS) PER SHARE

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

Net loss (in € thousands)	(5,963)
Weighted average number of shares outstanding	6,226,665
Loss per share, in euros	(0.96)

As the Group incurred a loss in 2004-2005, the diluted loss per share is the same as the primary loss per share, i.e. €0.96 per share.



28. ISSUER RISKS

28.1 Liquidity risk

Repayment schedule for the main categories of debt (excluding accrued interest and receivables assigned as guarantees under the Dailly Act in France):

Type of debt	Interest rate	Amount (in € thousands)	Maturity	Hedging
Bond issue	Fixed	22,499	2009*	None
Bank overdrafts and short-term bank loans				
Euro	Floating	5,060	2005	None
US dollar	Floating	1,009	2005	(Loans
Swiss franc	Floating	326	2005	maintained at
Hong Kong dollar	Floating	1,365	2005	floating
Taiwan dollar	Floating	949	2005	rate in local
Yen	Floating	4,552	2005	currency)
Other borrowings				
Market-making agreement	Floating	9	2005	None
Regional financing	Fixed	45	2005/2014	None
Undrawn confirmed lines of credit				
Euro		3,604	2005**	None
Swiss franc		97	2005	None
Hong Kong dollar		759	2005/2006	None
Taiwan dollar		267	2005	None
Singapore dollar		23	2005	None
Malaysian ringitt		112	2005	None

* Bonds convertible and/or exchangeable into new or existing S.T.Dupont shares, redeemable from April 1, 2009.

** A default clause in relation to €3,500 thousand is currently being renegotiated.

Excluding accrued interest, bonds accounted for 63% of total borrowings. The 2004 Océane bond issue provided the Group with the necessary financing to continue to implement its strategic brand repositioning plan, and to redeem the €12.2 million worth of convertible bonds issued in 1999 which matured in April 2004.

Credit lines

The S.T.Dupont Group has access to confirmed and unconfirmed lines of credit granted by international banks.

At March 31, 2005, **unconfirmed** lines of credit granted to S.T.Dupont entities totaled €14,168 thousand, of which €5,688 thousand were unused. The underlying agreements do not contain covenants concerning the financial ratios of the entity concerned or the parent company, or events likely to have a substantially unfavorable impact on the Group's financial situation.



By way of a guarantee for the drawn-down portion of these unconfirmed credit lines, the Group has assigned receivables to the parent company's banks in the form of unnotified transfers in accordance with the Dailly Act applicable in France. These transfers were recorded in an amount of €4,445 thousand in S.T.Dupont S.A.'s balance sheet at March 31, 2005.

As well as overdraft authorizations, the Group also has **confirmed** lines of credit. These include a drawdown facility for S.T.Dupont S.A. (France) repayable in annual installments for €500 thousand per year and maturing in August 2005, as well as a short-term credit line granted to S.T.Dupont Marketing Ltd which may be drawn down in multiple tranches of €1,000,000 for renewable one, two, three or six month periods, subject to an overall ceiling of €3,000,000. In addition, S.T.Dupont Investment Pte Ltd has a spot type short-term facility with a limit of 10,000,000 Hong Kong dollars (approximately €992 thousand) as well as a general operating credit facility, in the form of a bank overdraft or short-term loan, with a limit of 50,000,000 Taiwan dollars (€1,216 thousand).

Clauses requiring the immediate repayment of amounts drawn down under these confirmed credit lines, or their cancellation if they have not been used, relate mainly to respecting minimum thresholds for shareholders' equity and maximum thresholds for debt-to-equity ratios, calculated at six-monthly intervals. Based on the figures at March 31, 2005, it appears that the Group is in default in relation to its covenants concerning its confirmed credit line of €3,000 thousand. The related default clauses are currently being renegotiated with the banks concerned and the Group expects the negotiations to be completed by the end of July 2005. Only the credit line repayable in installments, which accounts for 7.6% of the total drawdowns under the credit lines, carries a change in control clause which, if triggered, would generate the same effects as the above-mentioned clauses.

28.2 Exposure to interest-rate and currency risks

Interest rate risk

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

The Group Treasury Department is responsible for managing interest rate risk related to total net borrowings. This debt is tracked by a monthly cash reporting system, which differentiates between types of instrument and types of rate (fixed or floating). Additionally, each Group entity provides details of its debt structure on a six monthly basis as part of the preparation of the consolidated financial statements. These details include the proportion of fixed and floating-rate debt, as well as long- and short-term debt, and the corresponding rates of interest. They also include a description of any related financial instruments. In accordance with Group financial policy, these instruments must be simple, such as interest rate swaps and forward rate agreements, and must be handled by foremost banking institutions.

The average interest rate on the 2004 bond issue, which constitutes a major portion of the Group's borrowings, amounts to 7%.

No derivatives were used to hedge interest rate risks in 2004-2005.



The table below shows the schedule at March 31, 2005 for financial assets and liabilities (excluding accrued interest and receivables assigned as guarantees) before and after the impact of hedging. The Group has no debt obligations with adjustable rates.

(In € thousands)	Overnight to 1 year	1 to 5 years	Beyond 5 years	Total
Total financial assets (excluding accrued interest and receivables assigned as guarantees)	13,809	0	0	13,809
Fixed	13,562	0	0	13,562
Floating	247	0	0	247
Total financial liabilities (excluding accrued interest and receivables assigned as guarantees)	(13,996)	(22,538)	0	(36,534)
Fixed	(6)	(22,538)	0	(22,544)
Floating	(13,990)	0	0	(13,990)
Net position before the impact of hedging	(187)	(22,538)	0	(22,725)
Off-balance sheet position				-
Net position after the impact of hedging	(187)	(22,538)	0	(22,725)

Sensitivity to interest rate risk

At March 31, 2005, an overall 1% rise in interest rates would increase the Group's net annual interest expense by €137 thousand, assuming that the total amount of floating-rate debt remained stable.

Currency risk

Conversion risk

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

If the euro gains strength in relation to another currency, the value of the assets, liabilities, income and expenses initially denominated in that currency will fall. By contrast, if the euro loses ground against the other currency, the value of items initially recorded in said other currency will rise on

conversion. Thus, any movement in the value of the euro is likely to have an impact on assets, liabilities, income and expenses that are not euro-denominated, even if their value has held firm in the original currency.

Net sales break down as follows by billing currency:

EUR	49%
USD	25%
JPY	15%
Other	11%
Total	100%

Based on figures for fiscal 2004-2005, the Group estimates that a €0.01 increase or decrease versus the US dollar and pegged currencies would have around a €238 thousand impact on consolidated results.

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



Transaction risk

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

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

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

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

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

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

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

- forward sales to hedge balance sheet positions, based on the subsidiaries' business cycle and payment terms;
- currency options used to hedge future sales and protect future profits.

The table below details the derivative instruments recognized in the balance sheet at March 31, 2005. These were contracted by the parent company to hedge commercial transactions that were not yet unwound in 2004-2005, as well as transactions planned for 2005-2006.

(In € thousands)	Nominal value	Premium paid	Fair value
Forward currency contracts			
Purchase of euros against foreign currency			
EUR/USD	1,643	-	(23)
EUR/JPY	3,096	-	79
EUR/HKD	2,986	-	(32)
EUR/CHF	459	-	5
Total	8,184	-	29
Currency options			
EUR/USD	87	1	4
EUR/JPY	134	3	(22)
EUR/HKD	222	4	3
EUR/CHF	128	1	(5)
Total	571	9	(20)
of which purchased options	4,513	9	(74)
of which sold options	(3,942)	0	54
Total	8,755	9	9



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

Derivatives are marked to market.

At March 31, 2005, approximately 54% of the position corresponding to estimated fiscal 2005-2006 cash flows of the parent company in US dollars was hedged (including 29% through European put options). This hedging strategy has helped to maintain an average exchange rate of USD 1.3095 to the euro while the strategy implemented for the remaining 46% of the above mentioned cash flows allows the Company to benefit from any favorable changes in the euro/dollar exchange rate. At the same time, around 37% of the Japanese yen position is hedged to maintain an average exchange rate of JPY 135.88 to the euro, allowing the Company to benefit from around 63% of any favorable fluctuations. 46% of the position corresponding to estimated cash flows of the parent company in Hong Kong dollars was hedged at around HKD 10.105 to the euro at March 31, 2005. Lastly, at the same date, around a third of the parent company's position in Swiss francs was hedged, with 23% of estimated cash flows hedged at a weighted average of around CHF 1.505 to the euro. The inclusion of the Company's exposure in relation to the remaining approximately 70% of estimated annual cash flows has been deferred to April as S.T.Dupont expects the CHF/EUR exchange rate to fall below 1.54 during that month.

No major foreign currency position has been left unhedged.

28.3 Counterparty risks

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

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

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

28.4 Equity risk

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

The Group does not own shares in any listed companies. However, it does own 8,268 treasury shares, which are recognized in the accounts of the parent company. At March 31, 2005 the market value of these shares stood at approximately €45 thousand. The parent company has signed an agreement with a stockbroker with a view to stabilizing the performance and liquidity of S.T.Dupont shares, subject to an overall limit of €305 thousand.

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

28.5 Fair value of financial instruments

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



29. AVERAGE NUMBER OF EMPLOYEES

	March 31, 2005	March 31, 2004	March 31, 2003
France	644	657	648
<i>of which</i>			
- Managers	91	85	78
- Supervisors and sales representatives	17	19	21
- Other	536	553	549
Outside France	234	189	187
Total	878	846	835

30. RELATED-PARTY TRANSACTIONS

Financial transactions with related parties are presented in Note 15 to the consolidated financial statements. The main related party transactions in fiscal 2004-2005 concerned:

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

Name of the company	Nature of transaction	Amount of transactions during the year Profit/(expense) (in € thousands)	Amount in the balance sheet Asset/(liability) (in € thousands)
Bondwood Investment	Royalties	1,551	306
	Other	(300)	
Dickson Concept Limited	Rent	(56)	(2)
	Other	(23)	
Dickson Concept Limited (Retail division)	Services	(107)	(2)
Dickson Concept Limited (Wholesale division)	Services	(279)	(7)
Dickson Warehousing Limited	Services (Shatin warehouse)	(57)	
Ever Success Management Limited	Services	(83)	
Hong Kong Seibu	Net sales at sales outlets	867	32
	Rent	(228)	
	Other	(21)	25
Dickson Communication Ltd	Advertising expenses	(327)	
Golden Creation (Retail Division)	Salaries	(78)	(7)
Hinkley Retail Division	Services	(81)	(10)
Leading Way Apparel Shanghai Ltd	Sales	436	1
	Orders	(590)	
Shenzen Seibu Dpt Store Cy Ltd	Sales	527	79
Other	Sales, purchases, services, etc.	69	(2)
Total		1,220	413



STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2005

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

This report, together with the Statutory Auditors' report addressing financial and accounting information in the report of the Chairman of the Supervisory Board on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by the Annual General Meeting, we have audited the accompanying consolidated financial statements of S.T.Dupont S.A. for the year ended March 31, 2005.

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

1. Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and principles applicable in France.

2. Justification of our assessments

In accordance with the requirements of article L.225-235 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

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

Notes 1.8 and 3 to the consolidated financial statements entitled "Goodwill" describe the accounting rules and methods applicable to the measurement of goodwill. An impairment loss is recorded when the carrying amount of goodwill is impaired based on the discounted net results of the acquired companies. Based on the information available at the date of our report, we reviewed the approach used and the calculations performed by the Company in order to assess the resulting valuations.



As stated in Note 1.16 entitled "Other provisions", 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 or timing of which are uncertain. These provisions for contingencies and charges are described in Note 13 to the consolidated financial statements.

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

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

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

3. Specific verification

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

In relation to the transition to IFRS, we draw your attention to section 9 of the management report entitled "Transition to International Financial Reporting Standards (IFRS)" which describes the procedures implemented and their current state of advancement.

Paris, July 6, 2005

The Statutory Auditors
Members of the *Compagnies Régionales* of Versailles and Paris

PricewaterhouseCoopers Audit
represented by Hervé Panthier

Ricol, Lasteyrie & Associés
represented by Gilles de Courcel