

# Parent company





## 1. BUSINESS PROFILE

### 1.1 Overview

S.T.Dupont France S.A. reported net sales of €72.6 million for fiscal 2004-2005, up 13,0% on the prior year.

Sales generated by French operations, including exports, came in at €12.1 million, accounting for 16.6% of total sales, versus 15.5% the previous year. Domestic sales climbed 21.5% year-on-year, and export sales rose 11.42%.

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

### 1.2 Capital expenditure and other investments

In 2004-2005, the Company's total investment outlay amounted to €5.4 million, against €4.5 million in 2003-2004.

Expenditure on property, plant and equipment represented €4.2 million. Manufacturing spending was €2.2 million and distribution expenditure stood at €2 million.

Spending on intangible assets totaled €1.2 million, reflecting the purchase and installation of new software applications, as well as the acquisition of the leasehold rights relating to the store in Cannes, and ready-to-wear collection costs. The amounts expended were more or less the same for each of these items.

## 2. BUSINESS RESULTS

The Company reported an operating loss of €7.3 million, marking an improvement on the year-earlier figure of €8.1 million. Operating margin was a negative 10.0% versus a negative 12.6% in 2003-2004.

Research and development costs stood at €2.3 million, on a par with the previous year.

Net financial income totaled €1.4 million. This amount primarily breaks down as dividends received from subsidiaries in an amount of €2.6 million, translation gains (excluding provisions) amounting to €0.9 million, interest paid in relation to the Océane bonds (€1.5 million), and a €0.2 million charge to provisions for impairment in value of shares in subsidiaries.

Net non-recurring income was €0.1 million.

In 2004-2005, S.T.Dupont S.A. was able to use certain tax loss carryforwards from prior years

The Company recorded a net loss of €5.5 million for the year ended March 31, 2005, compared with a net loss of €4.8 million the previous year.

## 3. BALANCE SHEET STRUCTURE

Slower-than-anticipated growth in sales, coupled with one-off manufacturing costs, had a material effect on the Company's balance sheet during the year.

Inventories rose from €17.0 million at March 31, 2004 to €23.2 million at March 31, 2005. This increase stemmed mainly from flat sales in the last few months of the year, and the extended number of product lines. Working capital requirements increased by €2.3 million. Net cash used by operating activities came to €4.9 million, and net cash used by investing activities totaled €4.8 million, reflecting sustained investment spending throughout the year.

At March 31, 2005, cash and cash equivalents amounted to €4.6 million, compared with the year-earlier figure of €12.7 million (including the bridging loan from D and D International B.V.). It is anticipated that during certain months in 2005-2006 when cash requirements are traditionally the highest, the Company's cash will be fully utilized.

S.T.Dupont is undertaking significant steps to further reduce costs and bring down working capital requirements, and consequently improve cash flow. At the same time, appropriate financing is being arranged to enable the Company to keep up the pace of its business expansion.

#### 4. DIVIDENDS PAID

At the Annual General Meeting of September 9, 2005, the Management Board will recommend that no dividend payout be made, in view of the Company's financial position and the need to continue to invest in developing the brand.

Dividends paid over the last three years were as follows:

Year ended	Number of shares	Net dividend per share	Avoir fiscal tax credit per share	Gross dividend per share
March 31, 2003	6,226,182	-	-	-
March 31, 2004	6,226,413	-	-	-
March 31, 2005	6,226,724	-	-	-

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

#### 5. OWNERSHIP STRUCTURE

##### 5.1 Capital stock

At March 31, 2005, S.T.Dupont's capital stock was divided into 6,226,724 common shares with a par value of €1.60 each.

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

	Number of shares	%	Number of voting rights	%
D and D International B.V.*	3,457,197	55.5	6,914,394	71.4
Members of the Supervisory Board	17,515	0.3	17,717	0.2
Members of the Management Board	55	0.0	55	0.0
Publicly-owned stock	<sup>(a)</sup> 2,743,689	44.1	2,745,743	28.4
Treasury stock	8,268	0.1	0	0
<b>Total</b>	<b>6,226,724</b>	<b>100.0</b>	<b>9,677,909</b>	<b>100.0</b>

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

<sup>(a)</sup> Including 4,150 shares held in the STD corporate mutual fund.

At March 31, 2004, the breakdown in ownership structure was as follows:

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

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

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

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

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

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



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

The number of voting rights totaled 9,677,909 at March 31, 2005, of which D and D International B.V. held 71.4%. The total amount includes the 6,914,394 double voting rights granted since December 6, 2000.

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

## 5.2 "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. These bonds represent a total 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 bonds 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.

## 5.3 Treasury stock

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

At March 31, 2005, the Company held 8,268 S.T.Dupont shares in accordance with this agreement, representing €45 thousand. The number of treasury shares held decreased by 4,004 in 2004-2005, reflecting total purchases of 35,149 shares and total sales of 39,153 shares.

## 5.4 Stock option plans

At its January 4, 2005 meeting, the Management Board granted stock options to one of its members, as authorized by the Ordinary and Extraordinary General Meeting of September 17, 2004 and confirmed by the Extraordinary General Meeting of January 4, 2005.

On March 6, 1997, the Management Board granted S.T.Dupont stock 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.

No stock options were exercised in 2004-2005.

## 6. HUMAN RESOURCES AND ENVIRONMENTAL DATA

In accordance with article L.225-102-1 of the French Commercial Code (*Code de commerce*), information is presented below regarding principal data on human resources and environmental issues relating to 2004-2005.

The human resources data have been extracted from the corporate human resources report for the calendar year 2004. These data primarily concern the parent company, as the 13 subsidiaries are exclusively involved in sales and marketing operations.



## 6.1 Human resources data

### Number of employees

At December 31, 2004, the Group had 875 employees, of whom 515 worked at the manufacturing facility, 136 were based at headquarters and 224 worked in the Company's subsidiaries, including for the first time employees of the Chinese subsidiary.

Out of this headcount, 143 employees worked in the Retail network, representing a sharp increase on the prior-year figure.

The majority of personnel work in manufacturing, as well as in sales and marketing – sectors that have undergone significant development over the last few years.

The allocation of the parent company's staff between the different socio-professional categories encompassing Engineers and Managerial Staff, Non-Managerial Staff/Technicians/ Supervisors and Blue-collar workers remained more or less the same as in 2003. Managerial staff represented 14.5% of total personnel, with an increase in the percentage of sales and marketing personnel. Non-managerial staff, Technicians and Supervisors accounted for 29.5% of the overall headcount. The proportion of Blue-collar workers was slightly lower than in 2003, representing 56% of total employees.

During 2004-2005, the parent company hired 61 persons, mainly to strengthen a number of teams and replace people leaving the Company. Of these 61 hires, 23 were fixed-term contracts (mainly in S.T.Dupont's shop-in-shops) in order to increase the sales staff for the year-end holiday season. Over the same period, 76 people left the Company. Of these, 25 retired, 24 came to the end of a fixed-term contract and 18 resigned.

Employee numbers in S.T.Dupont's subsidiaries rose in 2004. The increase was especially high in the Hong Kong/Chinese subsidiaries, due to the opening of new stores, but this impact was partially offset by staff reductions in the German, Swiss and Benelux subsidiaries following restructurings.

The Company did not encounter any particular difficulties with recruitment in 2004.

More than 90% of employees working both in and outside France are on permanent contracts. People are only employed under fixed-term contracts on an occasional basis. However, the Company employed a relatively high number of temporary staff in 2004 in order to cope with an increase in production and to replace temporary absences.

The average monthly number of temporary employees in 2004 was 14.16, and the corresponding expenses amounted to €2,336,634.

At March 31, 2005, 36,551 annualized hours of overtime had been recorded at the manufacturing facility. This time will be recovered or paid.

### Organization of work schedules

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

In France, manufacturing employees work on the basis of 31.18 hours a week, other non-managerial employees at the manufacturing facility work 34.64 hours, and non-managerial employees at headquarters work 35 hours. Managers work on the basis of a set number of days per year. At the manufacturing facility and headquarters, a system of annualized and variable hours has been put in place.

In France, part-time work has been extensively developed, with 13.5% of the parent company's employees (mainly female staff) working part-time based on either 80% or 50% of a full-time schedule.

At 5.46%, the absenteeism rate for 2004 was significantly down on 2003, and was primarily attributable to sick leave and maternity leave (female workers account for more than half of the total headcount).

At headquarters, the absenteeism rate was 2.22%, again down sharply on the previous year.



## Compensation

S.T.Dupont seeks to achieve a fair and transparent compensation policy, based on the market practices of each business sector concerned.

It is focused on individual salary raises for all categories of staff. General salary increases are negotiated with trade unions, and Group Management harmonizes all raises for managerial staff.

Each subsidiary sets pay increases in line with the economic and labor environment, in agreement with Group Management.

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

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

On a permanent employee basis, the parent company's total payroll costs were relatively well contained in 2004, up by just 2.4% on the prior year, which was slightly higher than inflation. Total compensation paid during the calendar year increased by 3.6% compared with 2003.

The average monthly compensation for the parent company's staff in 2004 was €2,950, including the extra month's salary paid to employees.

S.T.Dupont has investment bonus and profit-sharing schemes, as well as an employee savings plan, but no payments could be made into these, due to the company's results.

## Employee relations

The Group is keenly aware of the importance of achieving high quality labor-management relations, rooted in dialogue and information transparency. Discussions regularly take place with employee representatives as part of various meetings held in accordance with applicable legislation. During these meetings, the Company provides information on how it is faring. Employee representatives carry out their functions and duties in accordance with the relevant legislation and bylaws.

## Health and safety in the workplace

Health and safety in the workplace is one of the Company's priority focuses. It devotes a significant budget to this area, enabling it to keep its payroll tax rate for workplace accidents at the relatively low levels of 0.92% for headquarters and 2% for the manufacturing facility.

In 2004-2005, spending on enhancing working and safety conditions amounted to €283,646.

In 2004, the Human Resources Department, the company doctor and the Risk Prevention Department launched a number of measures at the manufacturing facility to prevent musculo-skeletal injuries. These measures have been implemented in association with a physiotherapist. In addition, pilot groups, comprising a safety manager, operators, process planning technicians, members of the Health, Safety and Working Conditions Committee, as well as the company nurse and doctor, have been trained in preventive measures for such injuries. At the same time, the Risk Prevention Manager has carried out a survey of each workstation with a view to proposing improvements in working methods. The selected methods are based on the input received from the workstation operators themselves.

## Training

Training in areas of expertise is one of the Company's core values and a key strategic goal of human resources policy. S.T.Dupont devoted 2.5% of total payroll to training in 2004, with a view to maintaining and acquiring the expertise and technical know-how required for developing its various business segments and strengthening its competitive edge.

An HR Intranet site, which went on line in 2002, and the in-house newsletter Dixit, are aimed at facilitating information access and sharing.



#### **Hiring of disabled workers**

The Company attaches a great deal of importance to providing work opportunities for disabled persons and to finding alternative employment for employees who become unable to carry out their current duties. Disabled employees represent 5.8% of the total headcount.

One of the Company's priority focuses is to take into account the requirements of these employees, particularly concerning the organization of workstations.

In addition, the manufacturing facility outsources some work to workshops employing persons with special needs.

#### **Employee benefits**

For the 2004 calendar year, expenditure on employee benefits, which include meals and transportation as well as health insurance and death/disability insurance, came to €1,314,369. Subsidies granted to the various company works councils represented 1.25% of the Company's total payroll costs.

#### **Outsourcing**

The manufacturing facility produces the bulk of the brand's traditional products, including lighters, pens and accessories. However, the Company outsources on occasions when it requires highly specific skills.

For example, the Company uses subcontractors for manufacturing products that cannot be made at the manufacturing facility for its diversification lines including ready-to-wear, leather goods and watches.

#### **Impact on employment in local communities**

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

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

## **6.2 Environmental data**

S.T.Dupont's manufacturing procedures pose relatively few technological risks.

The Company seeks to contain the environmental impacts of the manufacturing facility by optimizing its consumption of energy and reducing atmospheric, chemical and water-based pollution. It also recycles waste whenever possible.

#### **Optimizing energy consumption**

During the year, S.T.Dupont focused on three objectives:

- reducing water consumption/effluent;
- reducing atmospheric emissions;
- preventing/reducing waste pollution.

#### **Reducing water consumption/effluent**

In 2004-2005, S.T.Dupont's water consumption amounted to 68,332 cu.m.

The Company reached the objective set at the end of the previous year of reducing effluent by 57%, representing 51,000 cu.m. This reduction was achieved largely thanks to the implementation of closed circuit cooling water systems, as well as to the replacement of trichloroethylene machines in several workshops. Since July 2004 a system has been set up whereby water consumption can be analyzed on a quarterly basis.

In parallel, a study was carried out during the year on reducing water consumption in the surface treatment workshops.

#### **Reducing atmospheric emissions**

S.T.Dupont had set up a three-year plan to reduce atmospheric emissions (Volatile Organic Compounds), mainly relating to trichloroethylene. This plan, which represented an outlay of €600,000 over the three years, was successfully completed in November 2004, with the last phase focused on the lighter mechanics workshops.

Other measures were also carried out during the year to reduce atmospheric emissions, such as installing ventilation for the surface treatment chemical baths.



### **Preventing/reducing waste pollution**

Procedures have been put in place to eliminate both specific and ordinary manufacturing waste. Studies are currently underway to examine methods of recovering, recycling, storing and transporting waste.

Discharges to water and atmospheric emissions are periodically analyzed, either by the regional environmental agency, by the regional water authorities, or by the regional syndicate for the Lac d'Annecy area.

Specific storage, handling and authorization procedures have also been implemented in order to contain chemical risks, particularly in the surface treatment workshop.

Lastly, the manufacturing facility is run on the municipal heating system, enabling significant energy savings. In 2004, a total of 97,512 liters of fuel oil were used.

### **Financial resources**

Total expenditure relating to risk prevention and reducing energy consumption and waste amounted to €572,400.

€130,000 were dedicated to a second stage of work designed to prevent accidental contamination.

Meanwhile, the fire safety program was completed as planned, representing €50,000.

The safety/environmental training budget for 2004 totaled €33,477.

### **Environmental reporting**

S.T.Dupont has a Sustainable Development/Safety Committee, comprising the Personnel Director, safety managers, technicians, and engineers from the Research and Development and Methods/Manufacturing and Maintenance departments. The Committee's role is to analyze environmental impacts and risks, draw up related action plans, propose an appropriate investment budget and monitor expenditure. During the year, the Committee was also responsible for preparing an environmental reporting package.

Performance indicators were identified related to the use of energy, water, consumable commodities and packaging, as well as to water effluent/waste, the discharge of gases, and hazardous waste. Subsequently, a single measure was established for all of these environmental criteria. A database is currently being created, which will enable S.T.Dupont to regularly input information relating to these criteria and thus monitor the impact of any environmental measures implemented.

In addition, a working group has been set up in order to implement a waste recycling plan and to pave the way for ATEX certification.

### **Insurance cover for environmental risks**

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

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

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

## **7. FINANCIAL RISK FACTORS**

A description of S.T.Dupont's financial risk factors is provided in the notes to the financial statements of the parent company.



## 8. MANAGEMENT STRUCTURE AND COMPENSATION

### 8.1 Members of the Management Board and Supervisory Board

#### Supervisory Board

##### Walter Wuest, Chairman

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

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

##### Charles Jayson, Vice-Chairman until January 4, 2005

Joined the Board on March 28, 2002 and resigned on January 4, 2005.

##### Joseph Wan, Vice-Chairman

Joined the Board on May 27, 1999. Elected Vice-Chairman on January 4, 2005.

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

##### André Tissot-Dupont

Joined the Board on September 30, 1995.

#### Management Board

##### William Christie, President

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

William Christie is also Chairman of S.T.Dupont SpA and S.T.Dupont S.A.(Suisse). He is a director of S.T.Dupont Japan K.K. and Orfarlabo, and represents S.T.Dupont on the Boards of S.T.Dupont Benelux and S.T.D. Finance.

##### Charles Jayson, Director General

Joined the Board on January 4, 2005.

Until January 4, 2005, Charles Jayson was Vice-Chairman of the Supervisory Board.

He also holds the following directorships: Chairman of Dickson North America Inc. – a subsidiary of the Dickson Concepts Group, Hong Kong –, Dickson Trading (North America) Inc., and Dickson Investment (North America) Inc.; Vice-Chairman of Tommy Hilfiger Handbags and Small Leather Goods; Chief Executive Officer of Dickson Transport (N.A.) Inc.; and director of S.T.Dupont Inc.

##### Christian Gayot

Joined the Board on October 30, 1992.

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

##### Catherine Leducq

Joined the Board on September 13, 1996.

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

##### Benjamin Comar

Joined the Board on June 2, 2003. Resigned on March 31, 2005.

##### Jessie Lau

Joined the Board on May 31, 2005.

Jessie Lau is also a director of S.T.Dupont Marketing Ltd.

#### Executive Committee

William Christie

Christian Gayot

Catherine Leducq

Benjamin Comar until March 31, 2005

Éric Sampré

Bernard Rony

Geoffroy Ebrard

Corinne Delattre

Anne Monfray-Leopoli since September 15, 2005



## 8.2 Compensation paid to the Supervisory Board

Attendance fees totaling €4,575, decided on by the General Meeting of September 17, 2004, for the 2004-2005 fiscal year, were granted to André Tissot-Dupont.

## 8.3 Compensation paid to the Management Board and Executive Committee

Compensation paid to members of the Management Board and Executive Committee is set in line with market practices of comparable groups. This may lead the Company to base compensation on studies carried out by specialized consultants.

This compensation includes a fixed and variable portion, reflecting the individual contribution of members to the Group's earnings performance.

The differences in compensation are attributable to the fact that the figures relate to a full year for some members of the Management Board or Executive Board and to their level of expertise.

### 8.3.1 Compensation paid to the Management Board

Members of the Management Board received the following compensation for 2004-2005:

William Christie: €215,078;

Benjamin Comar: €277,050, including €3,050 for Board work;

Christian Gayot: €141,050, including €3,050 for Board work;

Catherine Leducq: €132,050, including €3,050 for Board work.

In April 2004, the following variable portions were paid for 2003-2004:

William Christie: €50,000;

Benjamin Comar: €40,000;

Christian Gayot: €12,000;

Catherine Leducq: €18,000.

In addition, Benjamin Comar received variable compensation of €25,000 for 2004-2005.

Compensation in kind corresponding to a company car and Corporate Officer's liability insurance represented €21,716 for William Christie. Compensation in kind corresponding to a company car represented €5,155 for Benjamin Comar and €4,319 for Christian Gayot.

Three members of the Management Board held 10,600 stock options under the plan described in section 5.4.

One member of the Management Board held 311,335 stock options under the plan described in section 5.4.

### 8.3.2 Compensation paid to the Executive Committee

The aggregate amount of remuneration for 2004-2005 paid by S.T.Dupont to members of the Executive Committee was €1,554,887. This amount includes fixed and variable compensation as well as compensation in kind.

At March 31, 2005, the Company was not aware of any conflict of interest relating to the above persons.

## 9. RECENT TRENDS AND OUTLOOK

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

The success stories of 2004-2005 are 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.

The expansion of the Retail network undertaken in 2004-2005 should significantly contribute to boosting sales for full-year 2005-2006.

Barring unforeseen circumstances, the Group expects to enhance its performance in the coming year.



12 months to	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
<b>I. Capital at year-end</b>					
Capital stock (in € thousands)	9,963	9,962	9,962	9,962	9,913
Number of shares outstanding					
- common shares	6,226,724	6,226,413	6,226,182	6,226,182	6,195,682
- preferred shares	0	0	0	0	0
Maximum number of shares to be issued					
- on conversion of bonds	4,756,664	1,163,983	1,164,204	1,164,204	1,194,704
- on exercise of warrants	0	0	0	0	0
<b>II. Results of operations (in € thousands)</b>					
Net sales	72,617	64,277	62,819	66,660	63,226
Income/(loss) before taxes, employee profit-sharing, depreciation, amortization and provisions	(808)	148	579	8,411	6,228
Corporate income tax	(242)	19	19	4	(90)
Employee profit-sharing	0	0	0	0	0
Depreciation, amortization and provisions	4,978	4,895	6,483	4,991	3,188
Net income/(loss)	(5,544)	(4,765)	(5,923)	3,416	3,130
Dividends	0	0	0	932	928
<b>III. Per share data (in euros)</b>					
Income/(loss) after taxes and employee profit-sharing and before depreciation, amortization and provisions	(0.09)	0.02	0.09	1.35	1.02
Net income/(loss)	(0.89)	(0.77)	(0.95)	0.55	0.51
Dividends	0	0	0	0.15	0.15
<b>IV. Employee data</b>					
Average number of employees	644	657	648	642	639
Total payroll (in € thousands)	21,277	20,176	19,584	18,022	17,904
Total benefits – Social Security, etc. (in € thousands)	10,437	9,590	9,086	8,066	8,733



## SIMPLIFIED STATEMENTS OF OPERATIONS

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
<b>Operating revenue</b>				
Net sales		72,617	64,277	62,819
Other operating revenue		16,873	9,581	11,754
<b>Total operating revenue</b>		<b>89,490</b>	<b>73,858</b>	<b>74,573</b>
<b>Operating expenses</b>				
Purchases and change in inventories		(26,292)	(20,002)	(21,708)
Other purchases and external expenses		(24,422)	(19,175)	(17,850)
Taxes other than on income		(1,930)	(1,908)	(1,854)
Wages and payroll-based taxes		(31,714)	(29,767)	(28,670)
Total depreciation, amortization and provisions		(11,592)	(10,922)	(12,513)
Other expenses		(800)	(223)	(39)
<b>Total operating expense</b>		<b>(96,750)</b>	<b>(81,997)</b>	<b>(82,634)</b>
<b>Operating income/(loss)</b>		<b>(7,260)</b>	<b>(8,139)</b>	<b>(8,061)</b>
Financial income		4,991	6,500	5,280
Financial expense		(3,613)	(3,081)	(2,675)
<b>Net financial income</b>		<b>1,378</b>	<b>3,419</b>	<b>2,605</b>
<b>Income/(loss) before tax and non-recurring items</b>		<b>(5,882)</b>	<b>(4,720)</b>	<b>(5,456)</b>
Non-recurring income		1,874	1,299	1,808
Non-recurring expense		(1,778)	(1,325)	(2,256)
<b>Net non-recurring income/(expense)</b>		<b>96</b>	<b>(26)</b>	<b>(448)</b>
Employee profit-sharing		0	0	0
Provision for income taxes		242	(19)	(19)
<b>Net income/(loss) for the year</b>		<b>(5,544)</b>	<b>(4,765)</b>	<b>(5,923)</b>

The notes are an integral part of the financial statements.



## SIMPLIFIED BALANCE SHEETS

### ASSETS

(In € thousands)	Gross	March 31, 2005 Depreciation, amortization and provisions	Net	March 31, 2004	March 31, 2003
<b>I. Non-current assets</b>					
Intangible assets (net)	10,923	4,972	5,951	5,482	5,424
Property, plant and equipment (net)	42,046	29,985	12,061	10,824	9,589
Long-term investments and other non-current assets (net)	18,260	6,821	11,439	11,613	11,376
<b>Total non-current assets</b>	<b>71,229</b>	<b>41,778</b>	<b>29,451</b>	<b>27,919</b>	<b>26,389</b>
<b>II. Current assets</b>					
Inventories and work-in-progress (net)	27,715	4,540	23,175	17,034	20,448
Trade accounts receivable (net)	22,014	5,027	16,987	15,345	13,927
Other receivables (net)	4,064	150	3,914	4,089	3,106
Cash and marketable securities	4,569	0	4,569	12,780	1,493
<b>Total current assets</b>	<b>58,362</b>	<b>9,717</b>	<b>48,645</b>	<b>49,248</b>	<b>38,974</b>
Accruals	1,855	0	1,855	1,083	1,541
<b>Total assets</b>	<b>131,446</b>	<b>51,495</b>	<b>79,951</b>	<b>78,250</b>	<b>66,904</b>

The notes are an integral part of the financial statements.



## LIABILITIES AND SHAREHOLDERS' EQUITY

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
<b>III. Shareholders' equity</b>			
Capital stock	9,963	9,962	9,962
Additional paid-in capital	1,013	1,021	1,019
Retained earnings	14,594	19,399	25,322
Net income/(loss) for the year	(5,544)	(4,765)	(5,923)
Investment grants	0	0	7
Untaxed provisions	1,331	1,180	1,344
<b>Total shareholders' equity</b>	<b>21,357</b>	<b>26,797</b>	<b>31,731</b>
<b>IV. Provisions for contingencies and charges</b>	<b>6,304</b>	<b>6,993</b>	<b>6,771</b>
<b>V. Long-term liabilities</b>			
Long-term debt	22,538	43	12,039
Trade accounts payable	34	0	0
<b>Total long-term liabilities</b>	<b>22,572</b>	<b>43</b>	<b>12,039</b>
<b>VI. Current liabilities</b>			
Short-term debt	10,674	30,029	1,407
Trade accounts payable	9,982	6,328	7,098
Accrued personnel costs and taxes other than on income	6,880	6,307	6,277
Other payables	2,053	1,529	1,547
<b>Total current liabilities</b>	<b>29,589</b>	<b>44,193</b>	<b>16,329</b>
Accruals	129	224	34
<b>Total liabilities and shareholders' equity</b>	<b>79,951</b>	<b>78,250</b>	<b>66,904</b>

The notes are an integral part of the financial statements.



## SIMPLIFIED STATEMENTS OF CASH FLOWS

(In € thousands)	12 months to	March 31, 2005	March 31, 2004	March 31, 2003
<b>I. Cash flows from operating activities</b>				
Working capital (used)/provided by operations		(2,578)	(1,809)	451
Change in operating working capital requirement		(2,333)	1,230	2,305
<b>Net cash (used)/provided by operating activities</b>		<b>(4,911)</b>	<b>(579)</b>	<b>2,756</b>
<b>II. Cash flows from investing activities</b>				
Additions to property, plant and equipment		(4,219)	(3,630)	(3,009)
Additions to other non-current assets		(1,175)	(870)	(771)
<b>Cash used by investing activities</b>		<b>(5,394)</b>	<b>(4,500)</b>	<b>(3,780)</b>
Proceeds from disposals of property, plant and equipment		197	53	23
Proceeds from disposals of other non-current assets		375	17	27
<b>Cash provided by investing activities</b>		<b>572</b>	<b>70</b>	<b>50</b>
<b>Net cash used by investing activities</b>		<b>(4,822)</b>	<b>(4,430)</b>	<b>(3,730)</b>
<b>III. Cash flows from financing activities</b>				
Repayments of borrowings		(26,168)	(524)	(524)
Increase in borrowings		23,500	12,600	0
Change in bank overdrafts		4,252	4,015	(132)
Dividends paid by S.T.Dupont S.A. during the year		0	0	(932)
<b>Net cash provided/(used) by financing activities</b>		<b>1,584</b>	<b>16,091</b>	<b>(1,588)</b>
<b>Net change in cash and cash equivalents</b>		<b>(8,149)</b>	<b>11,082</b>	<b>(2,562)</b>
Cash and cash equivalents at beginning of year		12,720	1,638	4,200
Cash and cash equivalents at end of year		4,571	12,720	1,638

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Shareholders' equity at beginning of year	26,797	31,731	38,800
Dividends	0	0	(932)
Conversion of bonds	(7)	2	0
Other movements	(40)	0	0
Net income/(loss) for the year	(5,544)	(4,765)	(5,923)
Change in investment grants	0	(7)	(7)
Change in untaxed provisions	151	(164)	(207)
<b>Shareholders' equity at end of year</b>	<b>21,357</b>	<b>26,797</b>	<b>31,731</b>

The notes are an integral part of the financial statements.



## LONG-TERM INVESTMENTS AND OTHER NON-CURRENT ASSETS

(In € thousands)	March 31, 2005	March 31, 2004	March 31, 2003
Shares in subsidiaries and affiliates	18,102	18,102	18,102
Advances to subsidiaries and affiliates	0	0	0
Other	158	138	63
<b>Total, gross</b>	<b>18,260</b>	<b>18,240</b>	<b>18,165</b>
Shares in subsidiaries and affiliates	(6,821)	(6,627)	(6,789)
Advances to subsidiaries and affiliates	0	0	0
Other	0	0	0
<b>Total provisions</b>	<b>(6,821)</b>	<b>(6,627)</b>	<b>(6,789)</b>
Shares in subsidiaries and affiliates	11,281	11,475	11,313
Advances to subsidiaries and affiliates	0	0	0
Other	158	138	63
<b>Total, net</b>	<b>11,439</b>	<b>11,613</b>	<b>11,376</b>

At March 31, 2005, provisions for impairment in value of shares stood at €6,821 thousand, which breaks down as follows: €2,292 thousand for S.T.Dupont Investment Pte Ltd, €1,359 thousand for S.T.Dupont Inc, €513 thousand for S.T.Dupont Benelux, €375 thousand for S.T.Dupont U.K., €157 thousand for S.T.Dupont Italy, €2,080 thousand for S.T.Dupont Deutschland GmbH, and €45 thousand for S.T.Dupont Malaysia Sdn Bhd.

New provisions booked during the year amounted to €194 thousand.

### Treasury shares

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

At March 31, 2005, the number of treasury shares held under this agreement totaled 8,268, corresponding to €45 thousand. The Company's treasury shares decreased by 4,004 in 2004-2005, reflecting total purchases of 35,149 shares and total sales of 39,153 shares.

The provision booked at end-March 2005 to write down the shares to market value was not material.

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

**S.T.Dupont S.A.**  
**92, boulevard du Montparnasse**  
**75685 Paris Cedex 14**  
**FRANCE**



**S.T.DUPONT S.A. SUBSIDIARIES AND AFFILIATES AT MARCH 31, 2005**

Foreign subsidiaries and affiliates	Capital stock	Retained earnings after currency translation adjustments	Percent interest	Cost of shares
<b>I. Detailed information on subsidiaries and affiliates with book value in excess of 1% of S.T.Dupont S.A.'s capital stock.</b>				
1) Subsidiaries (over 50%-owned by S.T.Dupont S.A.)				
<b>S.T.Dupont SpA</b>				
ITALY – Milan	EUR 120,000	EUR (238,040)	100%	EUR 156,697
<b>S.T.Dupont KK</b>				
JAPAN – Tokyo	JPY 50,000,000	JPY 376,437,458	100%	EUR 128,248
<b>S.T.Dupont Ltd</b>				
UNITED KINGDOM – Oxon	GBP 300,000	GBP (360,912)	100%	EUR 374,695
<b>S.T.Dupont GmbH</b>				
GERMANY – Cologne	EUR 102,300	EUR (527,515)	100%	EUR 2,080,148
<b>S.T.Dupont Benelux</b>				
BELGIUM – Brussels	EUR 513,000	EUR (1,759,991)	100%	EUR 512,925
<b>S.T.Dupont Marketing Ltd</b>				
HONG KONG – Kowloon	HKD 12,780,000	HKD 53,044,782	100%	EUR 9,892,848
<b>S.T.Dupont Singapore Pte</b>				
SINGAPORE – Singapore	SGD 3,834,884	SGD (189,544)	100%	EUR 2,292,026
<b>S.T.Dupont Inc.</b>				
USA – New York	USD 1,630,648	USD (1,449,668)	100%	EUR 1,498,057
<b>S.T.Dupont Distribution Pte</b>				
SINGAPORE – Singapore	SGD 1,385,000	SGD (901,707)	100%	EUR 347,188
<b>S.T.Dupont Malaysia SDN BHD</b>				
MALAYSIA – Kuala Lumpur	MYR 2	MYR 1,368,588	100%	EUR 435,583
2) Affiliates (10% to 50%-owned by S.T.Dupont S.A.)				
<b>Orfarlabo S.A.</b>				
SPAIN – Madrid	EUR 522,209	EUR 1,539,216	33.33%	EUR 327,461
<b>II. General information on other subsidiaries and affiliates not mentioned above</b>				
a) French subsidiaries	-	-	-	EUR 38,112
b) Foreign subsidiaries	-	-	-	EUR 17,620



Net book value of shares	Outstanding loans and advances	Guarantees given by the Company	2004-2005 net sales in local currency	2004-2005 net income/ (loss) in local currency	Dividends received during the year
EUR 0		EUR 1,213,674	EUR 4,616,966	EUR (316,769)	-
EUR 128,248		JPY 270,000,000	JPY 1,751,064,226	JPY (24,434,758)	-
EUR 0		-	GBP 305,505	GBP (182,038)	-
EUR 0		-	EUR 6,185,892	EUR (559,119)	-
EUR 0		EUR 147,510	EUR 1,573,994	EUR 114,775	-
EUR 9,892,848		-	HKD 137,921,687	HKD 21,749,103	USD 2,824,422
EUR 0		HKD 12,000,000 TWD 50,000,000	SGD 0	SGD (41,722)	-
EUR 138,912		-	USD 0	USD 9,778	-
EUR 347,188		SGD 450,000	SGD 2,207,406	SGD (108,465)	-
EUR 390,334		EUR 366,000	MYR 2,470,431	MYR (124,964)	-
EUR 327,461		-	EUR 5,126,317	EUR (161,545)	-
EUR 38,112	-	-	-	-	-
EUR 17,620	-	-	-	-	CHF 500,000



## STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY 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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

***This report refers to the complete financial statements of the parent company available at the address stated on page 103 of this document and not to the simplified financial statements of the parent company set out on pages 99 to 105.***

To the shareholders,

In compliance with the assignment entrusted to us by the Annual General Meeting, we hereby report to you, for the year ended March 31, 2005, on:

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

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

### 1. Opinion on the financial statements

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

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities, as of March 31, 2005, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

### 2. Justification of our assessments

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

Note 1.2 to the financial statements entitled "Intangible assets" describes the accounting rules and methods applicable to the measurement of leasehold rights. The probable realizable value of these rights was determined based on expert reports. We read these reports and reviewed the approaches used to determine the probable realizable value of these assets.

Note 1.5 to the financial statements entitled "Shares in subsidiaries and affiliates" describes the accounting rules and methods applicable for determining the value in use of said shares. Value in use is calculated based on the revalued net assets of the company concerned, its profitability and its earnings outlook. Based on the information available at the date of our report, we reviewed the approach used and the calculations performed by the Company and assessed the consistency of the assumptions used as well as the resulting valuations.



The Company records provisions for contingencies and charges where an identifiable, probable obligation has arisen as a result of past or current events, the amount or timing of which are uncertain. The provisions for contingencies and charges are described in Note 15 to the financial statements.

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

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

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

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

### 3. Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the report of the Management Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with legal requirements, we have also verified that the identity of the principal holders of shares and voting rights, as well as information relating to cross-holdings, are disclosed in the report of the Management Board.



## STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

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

To the shareholders,

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

### Agreements authorized during the year

In application of article L.225-88 of the French Commercial Code (*Code de Commerce*) we have been informed of the agreements authorized in advance by the Supervisory Board.

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

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

#### With ST.Dupont Ltd (U.K.)

1.1 Sales agent agreement under which S.T.Dupont Ltd (U.K.) carries out on behalf of S.T.Dupont S.A. wholesale distribution operations in the United Kingdom and Ireland. S.T.Dupont Ltd (U.K.) will pay a 20% commission on the sales it achieves in connection with this agreement. The contract also provides for repayment by S.T.Dupont S.A. of the full salaries of sales staff working on S.T.Dupont stands in Harrods and Selfridges, plus a 5% margin for administrative expenses. In the year ended March 31, 2005, S.T.Dupont S.A. recorded expenses of €130,621 in relation to this agreement. Authorized at the Supervisory Board meetings of June 2, 2004 and January 4, 2005, this agreement concerns

William Christie and Catherine Py-Leducq, who are respectively President and a member of the S.T.Dupont S.A. Management Board, and Chairman of the Board of Directors and a director of S.T.Dupont Ltd (U.K.).

1.2 Agreements authorized in connection with the restructuring of S.T.Dupont Ltd (U.K), further to which the latter has become a sales agent for the Company and S.T.Dupont S.A. has taken over the invoicing of the wholesale business directly, while S.T.Dupont Ltd (UK) has retained the invoicing of Retail operations. During its January 4, 2005 meeting, the Supervisory Board authorized agreements relating to the following:

- purchase of inventory in an amount of €12,220;
- authorization to capitalize payables due before the restructuring, corresponding to £336,000;
- authorization to pay a subsidy to S.T.Dupont Ltd (U.K.);
- authorization to grant a loan, not to exceed £30,000.

The latter three authorizations were not used during the year.

These agreements concern William Christie and Catherine Py-Leducq, who are respectively President and a member of the S.T.Dupont S.A. Management Board, and Chairman of the Board of Directors and a director of S.T.Dupont Ltd (U.K.).

#### With S.T.Dupont S.A. (Suisse)

1.3 Authorization to grant a short-term loan or interest-bearing advance to S.T.Dupont S.A. (Suisse) by tranche of CHF100,000, for renewable periods of one, three or six months up to a maximum of CHF 1,000,000. Interest will only be paid on amounts that are actually drawn down, at a rate indexed to the Swiss franc LIBOR. The applicable interest rates and margin may be revised in line with market conditions. This agreement, which concerns William Christie – President of the Management Board of S.T.Dupont S.A. and Chairman of the Board of Directors of S.T.Dupont S.A. (Suisse) – had no impact on the Company's accounts in the year ended March 31, 2005.



#### With other subsidiaries

1.4 Service agreement between S.T.Dupont S.A. and the subsidiaries listed below, intended to enable them to benefit from the experience and organizational structure of the parent company in rolling out the brand repositioning strategy. As consideration for its assistance, S.T.Dupont will receive from each subsidiary payment corresponding to a portion of the selling, communication and retail expenses incurred in relation to the brand repositioning plan. This payment will be based proportionally on the subsidiary's sales and direct costs, plus a margin of 8%. In the year ended March 31, 2005, S.T.Dupont S.A. recorded the following income amounts in relation to this agreement:

• S.T.Dupont K.K. (Japan)	€282,062
• S.T.Dupont S.p.A.	€81,192
• S.T.Dupont Benelux	€24,589
• S.T.Dupont Ltd (U.K.)	€8,322

This agreement concerns William Christie – President of the S.T.Dupont S.A. Management Board and a member of the Boards of Directors of S.T.Dupont K.K. (Japan), S.T.Dupont S.p.A. and S.T.Dupont Ltd (U.K.); Christian Gayot – a member of the S.T.Dupont S.A. Management Board and of the Boards of Directors of S.T.Dupont S.p.A. and S.T.Dupont Benelux; and Catherine Py-Leducq – a member of the S.T.Dupont S.A. Management Board and of the Boards of Directors of S.T.Dupont Benelux and S.T.Dupont Ltd (U.K.).

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

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

#### With S.T.Dupont Benelux

2.1 Service agreement, relating to the consideration paid for the administrative services carried out by the parent company S.T.Dupont S.A. for the corporate gifts and Duty Free Shops distribution businesses in the Benelux countries. As consideration for this service, S.T.Dupont S.A. will rebill to S.T.Dupont Benelux on an accruals basis a portion of the salaries of the S.T.Dupont S.A. employees assigned to these activities, as well as a portion of rental expenses plus a margin of 5%. This agreement was not implemented in the year ended March 31, 2005.

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

#### With S.T.Dupont S.A. (Suisse)

2.3 Service agreement relating to the management and monitoring of distributors in Eastern Europe. As consideration for these services S.T.Dupont S.A. reimburses S.T.Dupont S.A. (Suisse) a portion of the salaries of the employees assigned to this activity, as well as a portion of rental expenses, plus a margin of 5%. In the year ended March 31, 2005, S.T.Dupont S.A. recorded expenses of €63,116 in relation to this agreement.

2.4 Service agreement concerning the Swiss subsidiary's brand portfolio. As consideration for these services, S.T.Dupont S.A. rebills to S.T.Dupont S.A. (Suisse) an amount representing salary costs plus a margin of 5% and related administrative expenses. In the year ended March 31, 2005, S.T.Dupont S.A. recorded income of €9,728 in relation to this agreement.

#### With S.T.D.Finance

2.5 Tax consolidation agreement.

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



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

### Extraordinary General Meeting of September 9, 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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the shareholders,

In our capacity as Statutory Auditors of S.T.Dupont S.A. and in accordance with articles L.225-135 and L.228-92 of the French Commercial Code (*Code de Commerce*), we hereby present our report on the planned issues of shares and share equivalents, as described in the ninth, tenth, twelfth, thirteenth, fourteenth, fifteenth and sixteenth resolutions submitted to shareholders for approval.

Based on its report, the Management Board is seeking a twenty-six month authorization to establish the terms and conditions of these issues. Shareholders will also be asked to waive their pre-emptive rights to subscribe for securities issued under the terms of the tenth, twelfth, thirteenth, fourteenth, fifteenth and sixteenth resolutions.

The authorizations being sought by the Management Board are as follows:

- authorization to issue, on one or several occasions, shares and share equivalents of the Company, or a company in which it directly or indirectly owns more than half the capital, with pre-emptive subscription rights for existing shareholders (ninth resolution).
- authorization to issue, on one or several occasions, shares and share equivalents of the Company, or a company in which it directly or indirectly owns more than half the capital, without pre-emptive subscription rights for existing shareholders (tenth resolution).

- authorization to issue shares and share equivalents in accordance with the tenth resolution as stated above, with an exception concerning the provisions relating to setting the issue price. Under the twelfth resolution the following conditions apply to setting the issue price for these shares and share equivalents:
  - the maximum nominal value of any capital increases under this resolution may not exceed 10% of the Company's capital in any given period of twelve months;
  - the minimum issue price must be the weighted average price quoted for S.T.Dupont shares in the trading session preceding the announcement of the issue, less a maximum discount of 5%.
- authorization to increase the number of securities issued under the ninth, tenth and twelfth resolutions, in accordance with the terms and conditions set out in article L.225-135-1 of the French Commercial Code (*Code de Commerce*), subject to the ceilings specified in the ninth and tenth resolutions (thirteenth resolution).
- authorization to issue shares and share equivalents in payment for securities tendered under a public exchange offer made by S.T.Dupont S.A. concerning the shares of another company traded on a regulated market (fourteenth resolution).



- authorization to issue shares and share equivalents as payment for shares and share equivalents granted to S.T.Dupont S.A. in the form of contributions in kind. The maximum aggregate par value of the securities issued under this authorization may not exceed 10% of the Company's capital at the date of issue (fifteenth resolution).
- authorization to issue ordinary shares on the exercise of share equivalents issued by one or more companies in which S.T.Dupont S.A. directly or indirectly owns more than half of the capital. The maximum aggregate par value of the shares issued under this authorization may not exceed €2,000,000 (sixteenth resolution).

The maximum aggregate amount of share issues that may be carried out under the ninth, tenth, twelfth, thirteenth, fourteenth, fifteenth and sixteenth resolutions, directly and/or on conversion, exchange, redemption or exercise of share equivalents, may not exceed €9,200,000. For issues carried out under the ninth, tenth, fourteenth, fifteenth and sixteenth resolutions, this ceiling does not include the par value of any shares to be issued pursuant to the law to protect the rights of existing holders of S.T.Dupont S.A. share equivalents.

The maximum face value of debt securities issued under the authorizations described in the ninth and tenth resolutions is set at €90,000,000.

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

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

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

Paris, July 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



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

Extraordinary General Meeting of September 9, 2005 (17<sup>th</sup> resolution)

*This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the shareholders,

In our capacity as Statutory Auditors of S.T.Dupont S.A. and in accordance with article L.225-038 of the French Commercial Code (*Code de Commerce*), we hereby present our report on the planned issue of shares to employees under a company savings plan, representing a maximum aggregate par value of €920,000, submitted to shareholders for approval.

In accordance with article L.225-129-6 of the French Commercial Code, based on its report, the Management Board is seeking a 26-month authorization to proceed with these issues and set the terms and conditions thereof in accordance with article L.443-1 *et seq* of the French Labor Code. It is also requesting that shareholders waive their preferential subscription rights.

The Management Board is recommending that where the holding period of the subscribed shares is below ten years, the maximum discount in relation to the issue price be set at 20% of the average of the opening prices quoted for the Company's shares on Euronext Paris S.A. during the twenty trading sessions preceding the date of the Management Board's decision to open the subscription period. When the holding period is ten years or more, the Management Board is recommending that the maximum discount be set at 30%.

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

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

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

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

Paris, July 6, 2005

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

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Ladies and Gentlemen,

We have called you to a combined General Meeting in order to decide on the following ordinary and extraordinary resolutions :

## RESOLUTIONS WITHIN THE JURISDICTION OF THE ORDINARY GENERAL MEETING

### 1. Financial statements (1<sup>st</sup> resolution)

We are asking you in the first resolution to approve the financial statements of the Company for financial year 2004-2005, the transactions reflected in these accounts showing a loss of €5,544,273.59 as well as non-deductible costs and expenses, as defined in Article 39-4 of the General Tax Code, of €59,054.03. Given the group's tax situation (loss carried-forward), these recorded costs will not incur payment of any tax other than the annual fixed-rate tax of €18,750.

The discussion of the financial situation, the activity and the results of the Company in the course of financial year 2004-2005, the annual accounts of the Company as well as the information stipulated by law and regulations are presented to you in the Company's activity and management report in the course of financial year 2004-2005, to which we request that you kindly refer.

### 2. Consolidated financial statements (2<sup>nd</sup> resolution)

We are asking you in the second resolution to approve the consolidated financial statements of the Group for the year 2004-2005, as well as the transactions reflected in these accounts showing a consolidated loss for the group of €5,963,169.

The consolidated accounts are presented to you in the Group activity and management report in the course of financial year 2004-2005, to which we request that you kindly refer.

### 3. Appropriation of the results (3<sup>rd</sup> resolution)

The result of the financial year shows a loss of €5,544,273.59.

In the third resolution we are recommending to you that you appropriate the results as follows:

Loss carried forward from the previous financial year	(€20,349,330.41)
Transfer of 2.5% tax of the long-term capital gains	(€39,239.00)
Loss for the financial year just ended	(€5,544,273.59)
Retained earnings/losses account	(€25,932,843.00)

As required by law, the following table shows the dividends paid in the last three financial years:

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

### 4. Transfer of the long-term capital gains reserve to the ordinary reserve (4<sup>th</sup> resolution)

Article 39 of the Finance Amendment Act 2004 of 30 December 2004 created an exceptional tax of 2.5% based on the amounts appearing on the liabilities side of the balance sheet in the "special long-term capital gains reserve" account. These amounts do not bear the tax except within the limit of 200 million euros, less a deduction of €500,000.

In order to pay off this tax, companies must make a deduction from this special reserve within the limit of 200 million euros to be transferred to an ordinary reserve account, this transfer must take place before 31 December 2005 under penalty of the doubling of the tax (i.e., 5%).



For the special reserves that exceed 200 million euros, the transfer to an ordinary reserve account is optional and possible up until 31 December 2006.

In that the amount of the special long-term capital gains reserves amounts to two million and sixty nine thousand five hundred and sixty one euros and eighty four cents euros (2,069,561.84), the obligatory part of the tax amounts to €39,239. It shall be payable for one-half on 15 March 2006 and one-half on 15 March 2007. It had been entered as a tax payable by the debiting of the balance brought forward account in accordance with the opinion of the emergency committee of the CNC (National Accounting Council) of 2 February 2005. At the time of the transfer from the special reserve to the ordinary reserve, the ordinary reserve account shall be debited of the amount of the tax by the crediting of the balance brought forward account.

For the application of such measures, the Management Board recommends to the meeting the authorization of the transfer of the entire amount recorded in the long-term capital gains reserve to an ordinary reserve. As a result of this transfer, the amount of the tax will be debited from the ordinary reserve account and credited to the retained earnings/losses account.

#### **5. Agreements governed by article L.225-86 of the commercial code (5<sup>th</sup> resolution)**

The agreements covered by Articles L.225-86 et seq. of the Commercial Code and described in the special report of the statutory auditors are submitted for your approval in the fourth resolution.

#### **6. Appointment of a member of the Supervisory Board (6<sup>th</sup> resolution)**

Mr. Charles Jayson whose term of office was due to expire at the close of the General Meeting called to approve the financial statements for the year ending 31 March 2007 having resigned from his office of member of the Supervisory Board, and the Management Board propose to appoint Mr. Robert Nuesch for four years until the Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2009.

#### **7. Setting of the attendance fees of the Supervisory Board (7<sup>th</sup> resolution)**

In the sixth resolution you are asked to set at €9,150 the amount of the attendance fees allocated to the Supervisory Board for the current financial year.

#### **8. Delegation of authority for the Management Board to repurchase the company's shares (8<sup>th</sup> resolution)**

European Regulation no. 2273/2003 of 22 December 2003, implementing Directive no. 2003/6/EC relating to market abuse, has entered into force and effect on 13 October 2004.

For operations carried out in connection with a program for the redemption of shares, the Regulation expressly provides for the appropriation of the redeemed shares to one of the following objectives: the decrease of the stated capital or the covering of commitments connected to debt securities giving access, immediately or in the future, to the capital and programs for stock options or other allotments of shares to the employees of the issuer or an associated company.

The Directive provides, however, for the possibility of continuing the practices already allowed on the markets when they fulfill a list of criteria laid down by Directive 2004/72 of 29 April 2004 concerning the terms and conditions for the application of the Directive. In this connection, the AMF (French Financial Markets Authorities), in two decisions of 22 March 2002, agreed to two market practices that are complementary to the objectives prescribed by the European Regulations : (i) the regulating of the stock price through a liquidity contract entered into with an investment service provider that conforms with an ethics charter recognized by the AMF, and (ii) the purchase by the issuers for the purpose of keeping them and subsequently delivering them for exchange or in payment in connection with external growth transactions.

We hereby inform you that this resolution submitted to your General Meeting takes into account the new regulations and the two market practices recognized by the AMF.



The Management Board requests that you again grant it the power to purchase a number of shares of the company ST Dupont that may not exceed 10% of the total number of shares comprising the stated capital (i.e., by way of indication, 6,226,724 shares on the date of the last capital placed on record on 31 March 2005. According to Article L.225-210 of the Commercial Code, any repurchases made pursuant to this resolution, may not lead to the company owning more than 10% of its share capital, taking into account the shares already held.

The purpose of this resolution is to enable the Company to intervene on its own shares for the purpose, in particular, of :

- invigorating the market or liquidity of ST Dupont shares, engaging the services of an investment service provider under a liquidity agreement in compliance with the AFEI (French Association of Investment Firms) code of ethics on liquidity agreements dated 14 March 2005, approved by the Financial Markets Authority;
- granting share options to employees or officers of the company and/or of companies in its group, affiliated to it according to the terms of Article L.225-180 of the Commercial Code;
- allotting shares to the employees for their profit-sharing or a company or group savings scheme;
- retaining the said shares, transferring them, in particular as part of any external growth transaction, in compliance with the market practices approved by the AMF;
- issuing them on the exercise of rights attaching to securities entitling their owners, immediately or in the future, to the allocation of shares of the Company;
- generally, realising any transaction authorized under the applicable regulations.

External growth transactions are today the only market practices allowed by the regulations in force and may, in particular, consist in exchanges or remittances of shares.

The maximum unit purchase price is set at 8.00 euros.

The acquisition, sale and transfer of these shares may be made or paid by any and all means, on the market or outside of the market, privately and, in particular, by a block acquisition or sale, by recourse to derivative financial instruments or warrants or, more generally, to securities giving right to shares of the Company, or in connection with public offers, at the times that the Management Board shall determine.

In the case of a public offer of the shares of the Company paid entirely in cash, the Company may continue the execution of its program for repurchasing shares.

The Management Board recommends that this authorization, which cancels and replaces, as concerns the part that has not been used, the authorization given by the General Meeting of 17 September 2004, i.e., be granted for a period of 18 months as from this meeting

## **RESOLUTIONS WITHIN THE JURISDICTION OF THE SPECIAL GENERAL MEETING**

Your Management Board has called you to a combined General Meeting in order to request that you authorize it to possibly proceed with the various issues of securities and to amend the bylaws.

In the past, your meeting has regularly given the Management Board the necessary financial authorizations enabling it to bring together the financing means necessary for the development of the Group depending on the opportunities afforded by the financial markets.

The resolutions submitted last year came within the scope of the new legislative framework resulting from the Order of 24 June 2004, which has in essence unified and simplified the system for capital increases. The implementing decree of the aforesaid Order, i.e., Decree no. 2005-112 of 10 February 2005 appeared in the Journal Officiel (Official Gazette) on 12 February 2005, thereby justifying, in spite of the 26-month period of the financial authorizations that you adopted at the Extraordinary General Meeting last year, that they be submitted to you again within a completed legislative and regulatory framework.



We hereby inform you that the new law thus clarifies the possibility for the General Meeting to delegate to the Management Board its competence for increasing the stated capital. Such delegation may be made within the limit of a maximum over all ceiling and for a maximum period of 26 months by the issue of any and all types of securities, giving immediate or future access to the capital of the issuer or, which is new, a company that directly or indirectly holds the majority of the capital of the issuer or a company of which the issuer directly or indirectly holds the majority of the capital.

Within this framework, the Order has created new delegation rights, including in particular the possibility for the meeting to grant the power to the Management Board to increase the amount of the initial issue, in the case of an excess demand (Article L.225-135-1 of the Commercial Code). It also provides for the possibility for the meeting to grant the power to the Management Board, within the limit of 10% of the stated capital, to carry out a capital increase in order to compensate contributions in kind made to the company and constituted by capital shares or securities giving access to the capital, when the provisions in respect of public offers of exchange are not applicable (Article L.225-147 of the Commercial Code).

For capital increases by means of a sale on a stock exchange, without preferential subscription rights, the Order has deleted reference to the “average of the prices placed on record for these shares during ten consecutive stock exchange days selected from amongst the last twenty stock exchange days preceding the beginning of the issue” for determining the share subscription price. For the setting of such price, the Order makes reference to a decree of the Council of State. The aforesaid decree states that henceforth the share issue price must be “at least equal to the weighted average of the prices of the last three sessions of the stock exchange preceding its setting, possibly decreased by a maximum discount of 5%.” In addition as concerns such price, the Order also introduces the right, within the limit of 10% per annum, for the Extraordinary General Meeting to authorize the board of the directors to set the price freely based solely on the terms and conditions determined by the meeting.

The Order of 24 June 2004 has abolished the possibility of issuing new shares with preferential dividend rights without voting rights, investment certificates and priority shares. On the other hand, it has introduced a new category of shares, preference shares, which may be issued with or without voting rights, together with special rights of any nature, temporarily or permanently and which necessitate for their issuance the vote of a specific resolution that is not sought this year by your Management Board.

The Order has furthermore unified the system applicable to securities giving access to the capital by abolishing the specific systems that governed various categories of shares: bonds with subscription warrants, bonds convertible into shares, obligations exchangeable against shares and the securities governed by the former Articles L.228-91 et seq. of the Commercial Code. All of these securities henceforth belong to the single category of securities giving access to the capital.

Within the framework of this new legal mechanism, your Management Board requests a delegation of competence from your meeting, for a period of 26 months, in order to decide the issue, with shareholders’ preferential right of subscription (9<sup>th</sup> resolution) to issue ordinary shares of the Company, as well as any and all securities giving access, immediately and/or in the future, to ordinary shares of the Company, whether existing or to be issued, or of a company of which it owns, directly or indirectly, more than half of the stated capital (hereinafter a “Subsidiary”). Furthermore, as in the past and in order to seize all the opportunities that might present themselves on the market and, as the case may be, in order to diversify the shareholding of the Company, your Management Board also requests a delegation of competence to furthermore, also for a period of 26 months, issue with elimination of shareholder’s preferential rights (10<sup>th</sup> resolution) ordinary shares of the Company, as well as any and all securities giving access by any and all means, immediately and/or in the future, to the ordinary shares of the Company, whether existing or to be issued, or of a Subsidiary. These authorizations shall be granted within the limit of a maximum nominal amount of a capital increase of 9 million two hundred thousand (9,200,000) euros.

There shall be expressly excluded the issue of preference shares and securities giving access, immediately and/or in the future, to preference shares of the Company.



Your meeting is also requested to grant the Management Board, for the same period of 26 months, specific delegations of competence in order to meet legal requirements and the clarity of the decisions submitted to you.

- The purpose of the 11<sup>th</sup> resolution is to allow for the increase of the capital by the capitalization of reserves, profits or premiums.
- The purpose of the 12<sup>th</sup> resolution is to enable the Management Board to fully benefit from the new right created by law to issue shares within the limit of 10% of the capital by 12-month period and without preferential subscription rights, at the most favorable price taking into account market conditions at the time of the offer, and according to the terms and conditions determined by the General Meeting.
- The purpose of the 13<sup>th</sup> resolution is to authorize the Management Board, in the case of a capital increase with or without elimination of the shareholders' preferential right of subscription, to increase the number of shares to be issued in the case of excess demands.
- The purpose of the 14<sup>th</sup>, 15<sup>th</sup> and 16<sup>th</sup> resolutions is the issue, without preferential subscription rights, of ordinary shares or securities giving access to ordinary shares, either to allow for the realization of public offers of exchange that shall be initiated by your Company (14<sup>th</sup> resolution), or in accordance with the new right created by the law in order to allow for the compensation by your Company of contributions in kind consisting of capital shares or securities giving access to the capital within the limit of 10% of the stated capital (15<sup>th</sup> resolution), or to allow for the issue by the subsidiaries of S.T.Dupont of securities giving access to ordinary shares of your Company (16<sup>th</sup> resolution).

These authorizations are granted within the limit of a maximum nominal value of a capital increase of nine million two hundred thousand (9,200,000) euros common to the 9<sup>th</sup> to 16<sup>th</sup> resolutions.

The purpose of the 17<sup>th</sup> resolution is to enable the Management Board to increase the stated capital of your Company for the benefit of members of the Company's or group's savings plan, within the limit of a maximum nominal amount of a capital increase of nine hundred twenty thousand (920,000) euros, independently of the ceiling of the 10<sup>th</sup> resolution.

The capital increase ceilings set in the resolutions do not take into account the additional amount of the ordinary shares to be issued in order to maintain, in accordance with law, the rights of bearers of securities giving right to the shares of capital of your Company.

Subscriptions to the capital increases resulting from all of the resolutions may be made either in cash or by compensation with debts.

As was the case last year, the resolution relating to the issue of securities giving access to the capital in the case of a public offer involving the shares of the Company is no longer put to the vote of the general shareholders meeting. Article L.225-129-3 resulting from the Order concerning securities of 24 June 2004, in fact provides for the suspension of all delegations granted by the General Meeting to the Management Board during the period of a public offer to purchase or exchange concerning the shares of the company, except if within the normal activity of the company and the implementation thereof is not liable to cause the offer to be defeated. Your Management Board therefore intends to use all of the flexibility allowed by the law and proceed, under the conditions of law, with all the issues authorized by this General Meeting in the case of a public offer.

Most of the financial authorizations submitted to your meeting cancel and replace, for the part that has not been initiated, those granted the previous years and which are expiring. Only the authorizations to grant share subscription or purchase options decided by the General Meeting of 17 September 2004 for a term of 38 months are not to be renewed.

All the financial authorizations whose implementation shall lead to the issue of securities giving access to the capital shall entail waiver by the shareholders of their preferential subscription rights to the ordinary shares of your Company to which the securities that might be issued could give right.



When the resolutions provide for the Management Board' right of sub-delegation, such right is in favor of any person accredited by law, that is, in favor of the Chairman or, with the latter's consent, to one or several directors in accordance with the new flexibility allowed by the Order of 24 June 2004.

Your Management Board shall draw up, as the case may be and in accordance with law, at the time that it shall use your authorizations, an additional report describing the final conditions of the decided issue. This report, as well as that of the statutory auditors, shall thus be made available to you at the registered office then read to you at the next meeting.

While proposing that you grant it these delegations, your Management Board wishes to enlighten you regarding the scope of the resolutions submitted for your approval.

#### **9. Issue of ordinary shares or securities giving access to ordinary shares of the company or of one of its subsidiaries, while maintaining preferential subscription rights (9<sup>th</sup> resolution)**

Pursuant to the 9<sup>th</sup> resolution, your Management Board requests that your meeting grant it, for a period of 26 months, a delegation of competence, with the right to delegate to any person accredited by law, to issue ordinary shares or securities giving access to the ordinary shares of your Company or of one of its Subsidiaries while maintaining preferential subscription rights, in one or more installments, in euros or foreign currency, both in France and abroad, within the limit of a maximum nominal amount of nine million two hundred thousand (9,200,000) euros common to the 10<sup>th</sup> to 16<sup>th</sup> resolutions.

The Management Board may issue ordinary shares or securities granting rights to acquire ordinary shares in the capital of the company or a Subsidiary, which may be debt securities or be associated with the issue of such securities, or allow for their issue as intermediate securities. These securities may be subordinated or non-subordinated, for a fixed or indefinite term, be repaid only after the paying off of the other creditors, to the exclusion of or including holders of prêts participatifs (loans entitling the bank to an interest in the company) or titres participatifs (non-voting shares in a public sector company) or have attributed to its preferential order of payments. The duration of the loans (giving access to the ordinary shares of the Company or of a Subsidiary) other than those represented by securities

for an open-ended period, may not exceed 15 years. Loans (granting rights to acquire ordinary shares in the capital of the company or a Subsidiary) may be subject to fixed and/or variable rate interest, whether or not capitalized, and may be redeemed, with or without a premium, or subject to amortization. The securities may also be repurchased on the stock market or as part of a tender offer or exchange offer by the company.

The nominal amount of the debts that may be issued by virtue of this delegation may not exceed ninety million (90,000,000) euros on the issuance date. This amount is common to the debt securities whose issue is provided for in the 11<sup>th</sup> to 16<sup>th</sup> resolutions but is autonomous and distinct ceiling from the amount of the debt securities whose issue shall be decided or authorized by the Management Board in accordance with Article L.228-40 of the Commercial Code.

The shareholders may exercise their preferential subscription rights, on an as-of-right basis or by making an application for excess shares, under the conditions prescribed by law.

Within the framework of this financial authorization, the Management Board shall determine the features, amount and methods of any issues, as well as the issued securities. In particular, the Management Board shall determine the category of securities to be issued and set their subscription price, with or without a premium, the terms and conditions for their being paid up, the date of their enjoyment, which might be retroactive and the terms and conditions pursuant to which the securities issued based on this resolution shall give access to the ordinary shares of the Company or of a Subsidiary. The issue price of the shares and the securities giving access to the ordinary shares of the Company or of the Subsidiaries shall be such that the amount immediately received by the Company or by the Subsidiary, increased as the case may be by the amount liable to be subsequently received by the Company or the Subsidiary, depending on the case, for each ordinary share issued as a consequence of such issues shall be equal to at least the par value of the ordinary share of the Company or of the Subsidiary, depending on the case.



For this purpose, the Management Board shall use the widest powers for determining the terms and conditions of the securities thus issued and deciding the terms and conditions of their repayment, in particular with respect to warrants.

#### **10. Issue of ordinary shares or securities granting rights to acquire equity in the company or one of its subsidiaries cancelling the shareholders' preferential subscription right (10<sup>th</sup> resolution)**

In order to be able to seize the opportunities offered by the market, the Management Board requests that your meeting grant it, for a period of 26 months, a delegation of competence with the right to delegate to any person accredited by law, for issuing ordinary shares or securities giving access to the ordinary shares of the Company or of one of its Subsidiaries with elimination of preferential subscription rights, in one or more installments, either in cash (in euros or in foreign currency) or by compensation with debts, both in France and abroad, within the limit of a maximum nominal amount of nine million two hundred thousand (9,200,000) euros that shall be applied against the ceiling of nine million two hundred thousand (9,200,000) euros set in the 9<sup>th</sup> resolution.

The Management Board may issue ordinary shares or securities giving access to the ordinary shares of the Company or of a Subsidiary that might, in particular, consist of debt securities or be associated with the issue of such securities, or allow for the issuance thereof as intermediary securities, under the same conditions as those indicated in the 9<sup>th</sup> resolution. The nominal amount of the debt securities that might be issued by virtue of this delegation may not, as within the framework of the 9<sup>th</sup> resolution, exceed ninety million (90,000,000) euros on the date of issue, a ceiling which is autonomous and distinct from the amount of the debt securities whose issue shall be decided or authorized by the Management Board in accordance with Article L.228-40 of the Commercial Code.

The Management Board may institute, in favor of the shareholders, a preferred right on an as-of-right basis and/or by an application for excess shares for a duration set by decree, which is currently at least 3 stock exchange days. The securities that are not subscribed to by virtue of this right shall be the subject of a public placement in France and/or abroad, and/or on an international market.

The issue price of the ordinary shares or the securities to be issued by the Company or the Subsidiaries in connection with this resolution shall be determined in such a manner that the amount immediately received by the Company or by the Subsidiary, increased as the case may be, by that liable to be subsequently received by the Company or the Subsidiary, depending on the case is, for each ordinary share issued as a result of these issues, equal to at least the amount set under the conditions of law and regulations in force at the time of the use of this authorization after correction, if any, of such amount in order to take into account the difference in the enjoyment date.

In accordance with the provisions of law and regulation currently in force resulting, in particular, from Article 155-5 of Decree no. 2005-112 of 10 February 2005 amending Decree no. 67-236 of 23 March 1967 concerning trading companies and relating to securities issued by trading companies, the price of each share thus issued shall be equal to at least the weighted average of the prices of the last three sessions of the stock exchange preceding its being set less, as the case may be, a maximal discount of 5%.

Within the framework of this financial authorization, the Management Board shall determine the category of securities to be issued and set their subscription price, with or without a premium, the terms and conditions for their being paid up, their date of enjoyment that may be retroactive and the terms and conditions pursuant to which the securities issued on the basis of this resolution shall give access to the ordinary shares of the Company or of a Subsidiary. For this purpose, the Management Board shall use the widest powers to determine the terms and conditions of the securities thus issued and decide their terms and conditions of repayment, in particular with respect to warrants.



### **11. Increase of the capital by capitalization of reserves, profits or premiums (11<sup>th</sup> resolution)**

Pursuant to the 11<sup>th</sup> resolution, your Management Board requests that your General Meeting grant it, for a period of 26 months, a delegation of competence, with the right to delegate to any person accredited by law, in order to increase the capital by the capitalization of reserves, profits or premiums, in one or several installments, in the proportions and at the times that it shall determine within the limit of a maximum nominal amount of two million euros (2,000,000), a ceiling which is autonomous and distinct from the ceiling of nine million two hundred thousand (9,200,000) euros set by the 9<sup>th</sup> resolution of this General Meeting.

If the increase in capital is realized by means of a free allotment of shares, the Management Board may decide that the fractional allotment rights will not be transferable and that the corresponding shares will be sold, with the proceeds of sale being allocated to the rights owners in accordance with legal requirements.

### **12. Issue of shares without the shareholders' preferential subscription right on the same terms as in the tenth resolution, to define, within a limit of 10% of the capital, the issue price according to the conditions laid down by the shareholders in General Meeting (12<sup>th</sup> resolution).**

Considering the volatility of the markets and in order to enable your Company to benefit from the market opportunities so as to proceed with the issuance of securities when the market conditions do not allow for realizing an issue under the conditions set out in the 10<sup>th</sup> resolution, your Management Board requests that your meeting grant it, for a period of 26 months, a delegation of competence, with the right to delegate to any person accredited by law, to issue ordinary shares or securities with elimination of preferential subscription rights, under the conditions of the 10<sup>th</sup> resolution, and within the limit of 10% of the stated capital by 12-month period, under the following price conditions:

“the issue price may not be less than the average price, weighted according to the volume of share sales during the stock exchange trading session preceding the announcement of the launch of the transaction, less a maximum discount of 5%”.

The securities thus issued shall satisfy all of the conditions and terms prescribed by the 10<sup>th</sup> resolution, to the exclusion of the price.

### **13. Increase of the amount of the initial issue, in the case of an issue maintaining or eliminating the shareholders' preferential subscription rights decided pursuant to the 9<sup>th</sup>, 10<sup>th</sup> and 12<sup>th</sup> resolutions (13<sup>th</sup> resolution)**

Pursuant to the 13<sup>th</sup> resolution, the Management Board requests that your General Meeting grant it a delegation of competence with the right to delegate to any person accredited by law, to increase the amount of an initial capital increase, carried out while maintaining or eliminating preferential subscription rights pursuant to the 9<sup>th</sup>, 10<sup>th</sup> and 12<sup>th</sup> resolutions, when the Management Board places on record an excess demand under the conditions laid down by law; such additional amount of the capital increase shall be applied to the respective ceilings of these resolutions.

Given that this right to increase the capital is the subject of a special resolution by virtue of the law applies to all issues decided based on the 9<sup>th</sup>, 10<sup>th</sup> and 12<sup>th</sup> resolutions, it is therefore granted for a period of 26 months.

### **14. Issue of ordinary shares and securities granting rights to acquire ordinary shares in the company, in the event of a public exchange offer initiated by the company (14<sup>th</sup> resolution)**

Pursuant to the 14<sup>th</sup> resolution, your Management Board requests that your General Meeting grant it, for a period of 26 months, a delegation of competence with the right to delegate to any person accredited by law, to issue ordinary shares or securities giving access to the ordinary shares of the Company, in the case of a public offer of exchange initiated by the Company, for a maximum nominal amount of the capital increase of nine million two hundred thousand (9,200,000) euros to be applied to the ceiling set by the 9<sup>th</sup> resolution.

This resolution shall allow the Company, in accordance with Article L.225-148 of the Commercial Code, to make public offers of exchange concerning the securities of the Company or another company whose securities are admitted for negotiation on a regulated market of a party State to the agreement concerning the European Economic Space or a member of the Organization for Economic Cooperation and Development. It shall also permit the Company, as permitted by the above mentioned Article L.225-148 as amended by the Order of 24 June 2004 concerning the reform of the securities issued by trading companies, to make public offers of exchange concerning its own securities.



This decision shall entail elimination of shareholders' preferential rights to such shares or securities, in favor of the bearers of the securities that are the subject of the public offer of exchange.

**15. Issue of ordinary shares and securities granting rights to acquire ordinary shares in the company in consideration of contributions in kind up to a limit of 10% of the share capital (15<sup>th</sup> resolution)**

Pursuant to the 15<sup>th</sup> resolution, your Management Board requests that your General Meeting grant it, for a period of 26 months, a delegation of competence with the right to delegate to any person accredited by law, to issue ordinary shares or securities giving access to ordinary shares, in compensation for contributions in kind made to the Company and consisting of capital shares or securities giving access to the capital, within the limit of a nominal amount of the capital increase, immediately or in the future, of 10% of the stated capital of the Company (as existing on the date of this General Meeting), applied to the ceiling of the 10<sup>th</sup> resolution.

As for all contributions in kind operations, this delegation shall entail the elimination, in favor of the bearers of the shares or securities that are the subject matter of the contributions in kind, of the shareholders' preferential subscription rights to the shares and securities thus issued.

**16. Issue of ordinary shares of the company as a result of the issue of securities by the subsidiaries of the group (16<sup>th</sup> resolution)**

Pursuant to the 16<sup>th</sup> resolution, your Management Board requests that your General Meeting grant it, for a period of 26 months, a delegation of competence with the right to delegate to any person accredited by law, to issue shares of the Company as a consequence of the issuance of securities issued by the subsidiaries of the Company giving right to the shares of the Company, within the limit of a nominal amount of the capital increase of two (2,000,000.00) euros, to be subtracted from the ceiling of the increase in the capital set by the tenth resolution.

The company's shareholders shall not have a preferential subscription right in such securities. This decision shall entail, furthermore, in favor of the owners of securities, waiver by the shareholders of their preferential subscription right to the ordinary shares of the Company to which the securities issued by the subsidiaries may give entitlement.

The issue of such securities shall be authorized by an Extraordinary General Meeting of the shareholders of the subsidiary involved and the issue of shares of the Company to which these securities shall give right shall be decided, in particular, by your Management Board on the basis of this financial authorization, following the prior authorization of the Supervisory Board.

**17. Issue of capital shares or securities giving access to the capital of the company reserved to the employees of the group (17<sup>th</sup> resolution)**

Pursuant to the 17<sup>th</sup> resolution, your Management Board requests that your General Meeting grant it, for a period of 26 months, a delegation of competence with the right to delegate to any person accredited by law, for issuing, within the framework of the provisions of L.225-138-1 and L.225-1-129-6 of the Commercial Code and Articles L.443-1 et seq. of the Labor Code, capital shares or securities granting rights to acquire equity in the company, to be reserved for employees and former employees contributing to savings schemes set up by the company or the group, up to a maximum par value ceiling of nine hundred and twenty thousand euros (920,000), an amount independent of the ceiling set by the 10<sup>th</sup> resolution.

This decision shall entail waiver of the shareholders' preferential subscription right in favor of such employees to the equity shares and securities, if applicable, allotted free of charge and waiver of their preferential subscription right over the ordinary shares to which these securities give entitlement.

**18. Powers to carry out formalities (18<sup>th</sup> resolution)**

Lastly, we request that you grant full powers to the Management Board to carry out the legal advertising formalities, and to a bearer of an original, abstract or certified copy of the minutes recording its deliberations to carry out any formalities required by law.

In accordance with the legal and regulatory provisions, in the management report you will find the information concerning the conduct of business in the course of the financial year closed on 31 March 2005 and in the course of the first months of the financial year 2005-2006.

In conclusion, we thank you for voting in favor of the various resolutions presented to you.



## RESOLUTIONS WITHIN THE JURISDICTION OF THE COMPANY IN ORDINARY GENERAL MEETING

### First resolution (approval of the company's financial statements)

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, after reviewing the Management Board report, the Supervisory Board report and the report of the Chairman of the Supervisory Board on the guidelines for the preparation and organisation of the business of the board and the internal controls implemented by the company, and the statutory auditors' general report on the company's financial statements for the year 2004-2005, and their remarks on the aforementioned report of the Chairman of the Supervisory Board, approve the financial statements for the year ending 31 March 2005, as tabled before the meeting, and all the transactions reflected in the accounts and summarised in the reports, showing a loss of €5,544,273.59 and non-deductible costs and expenses, as defined in Article 39-4 of the General Tax Code, of €59,054.03. Given the group's tax situation (loss carried-forwards), these recorded costs will not incur payment of any tax other than the annual fixed-rate tax of €18,750.

Accordingly, the shareholders in General Meeting grant discharge to the members of the Management Board, Supervisory Board and the statutory auditors for having fulfilled their duties for financial year just ended.

### Second resolution (approval of the consolidated financial statements)

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, after reviewing the Management Board report, the Supervisory Board report and the report of the Chairman of the Supervisory Board on the guidelines for the preparation and organisation of the business of the board and the internal controls implemented by the company, and the statutory auditors' report on the company's consolidated financial statements for the year 2004/2005, and their remarks on the aforementioned report of the Chairman of the Supervisory Board, approve the consolidated financial statements for the year ending 31 March 2005, as tabled before the meeting, and all the transactions reflected in the accounts and summarised in the reports, showing a consolidated loss for the group of €5,963,169.

Accordingly, the shareholders in General Meeting grant discharge to the members of the Management Board, Supervisory Board and the statutory auditors for having fulfilled their duties for financial year just ended.

### Third resolution (appropriation of the results reflected in the company's financial statements)

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, after reviewing the Management Board report recording a loss for the financial year just ended of 5,544,273.59 euros, resolve to appropriate this result as follows:

Loss carried forward from the previous financial year	€20,349,330.41
Transfer of 2.5% tax of the long-term capital	€39,239.00
Loss for the financial year just ended	€5,544,273.59
Retained earnings/losses account	€25,932,843.00

As required by law, the following table shows the dividends paid in the last three financial years:

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

### Fourth resolution (transfer of the long-term capital gains reserve to the ordinary reserve)

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, after reviewing the Management Board report stating that Article 39 of the Finance Amendment Act 2004 introduced an exceptional tax of 2.5% on amounts appropriated to the long-term capital gains reserve up to a ceiling of 200 million euros, and after reviewing the remarks of the Supervisory Board, resolve to transfer the entire amount recorded in the long-term capital gains reserve, i.e. two million and sixty nine thousand five hundred and sixty one euros and eighty four cents (€2 069 561.84) to the ordinary reserve.



As a result of this transfer, the amount of the tax will be debited from the ordinary reserve account and credited to the retained earnings/losses account.

The shareholders in General Meeting grant the Management Board full powers to implement this resolution, to carry out all requisite formalities, to make relevant accounting entries and pay all relevant taxes due as a result of this resolution.

#### **Fifth resolution (agreements governed by article L.225-86 of the Commercial Code)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, after reviewing the statutory auditors' special report and the Management Board report, expressly approve each of the agreements covered by Article L.225-86 of the Commercial Code, referred to in the aforementioned report.

#### **Sixth resolution (appointment of a member of the Supervisory Board)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, after reviewing the Management Board report, accept Mr. Charles Jayson's resignation from the Supervisory Board, whose term of office was due to expire at the close of the General Meeting called to approve the financial statements for the year ending 31 March 2007, resolve to appoint Mr. Robert Nuesch for four years until the Ordinary General Meeting called to approve the financial statements for the year ending 31 March 2009.

#### **Seventh resolution (corporate officers' attendance fees)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, after reviewing the Management Board report, resolve to pay members of the Supervisory Board an annual attendance fee of €9,150 for the current financial year.

#### **Eighth resolution (authorization for the management board to buy back the company's shares)**

The shareholders in general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, and after reviewing the report of the Management Board and the information set out in the Information Memorandum approved by the *Autorité des Marchés Financiers (AMF)*, resolve to:

- cancel, with immediate effect, the unused portion of the authorization to buy back the Company's shares, granted to the Management Board in the seventh resolution of the Ordinary General Meeting held on September 17, 2004;
- authorize the Management Board, in accordance with articles L.225-209 *et seq.* of the French Commercial Code, to buy back the Company's shares subject to a ceiling of 10% of the Company's capital stock at March 31, 2005, representing 6,226,724 shares. In accordance with article L.225-210 of the French Commercial Code, any shares buybacks carried out pursuant to this resolution may not result in the Company holding more than 10% of its own capital stock, taking into account shares already held.

At March 31, 2005, the Company held 8,268 shares out of the 6,226,724 shares comprising its capital stock.

This authorisation may be used for the following purposes:

- market making and guaranteeing the liquidity of S.T.Dupont shares, in accordance with a liquidity agreement signed with an investment firm, which complies with the *AFEI* (French Association of Investment Firms) code of ethics on liquidity agreements dated March 14, 2005, approved by the *AMF*;
- granting stock options to employees or officers of the Company and/or affiliates which are related to the Company in accordance with the definition provided in article L.225-180 of the French Commercial Code;
- granting free shares to employees under a company savings scheme or group savings scheme;
- holding the said shares, selling them or, generally, transferring them, including by exchanging them or remitting them as consideration for an external growth transaction, in compliance with the market practices authorized by the *AMF*;
- allotting the shares on the exercise of share equivalents;
- and more generally, to carry out any transaction authorized under the applicable regulations.



The above-mentioned purposes are set out in decreasing order of importance, without prejudice to the effective order of use of the authorization, which will depend on the Company's requirements and opportunities.

The shareholders in general meeting resolve that:

- said shares may be acquired, held, sold or transferred on one or several occasions, at any time, including during a public tender offer, subject to compliance with the applicable laws and regulations. Said operations may be carried out by any means, either on the market or over-the-counter, including through block sales or purchases or through share equivalents or derivatives (excluding the purchase by the Company of call options), subject to the terms and conditions laid down by the market authorities.

The maximum purchase price under this resolution may not exceed €8.00 per share. This ceiling will be adjusted to take into account any dividends or rights that may be detached from the shares during the term of validity of this authorization and any transactions involving the Company's capital or the par value of the shares ;

- the Company may continue to implement its share buy-back program in the event of a tender offer involving the Company's shares paid entirely in cash.

Given the number of own shares already held by the Company, the maximum number of shares that it may purchase under this authorization is 614,404.

Given the maximum purchase price referred to above, the aggregate amount of funds devoted to purchasing the Company's shares shall not exceed €4,915,232.

The shareholders in general meeting grant full powers to the Management Board to determine how to implement this authorization and to define the relevant terms and conditions. They also authorize the Board, with a right to sub-delegate its powers, as provided for by law, to

carry out any routine actions required to implement the buyback program, including to place orders on the stock exchange, to enter into agreements, to buy and sell derivatives (subject to the limits laid down in this authorization and ensuring, in accordance with market authority recommendations, that share volatility is not exacerbated), to prepare all documents, including information memoranda, to carry out all publication and other formalities (including notifying the AMF of any transactions entered into pursuant to this authorization) and, generally, to take all action necessary to implement this resolution.

This authorization is valid for a period of eighteen months from the date of this meeting.

The Management Board will notify the Annual General Meeting of the transactions entered into pursuant to this authorization, including share purchases, transfers, sales or cancellations of shares realised pursuant hereto.



## RESOLUTIONS WITHIN THE JURISDICTION OF THE COMPANY IN SPECIAL GENERAL MEETING

### Ninth resolution (delegation of authority to the Management Board to increase the share capital by issuing ordinary shares or securities granting rights to acquire equity in the company or one of its subsidiaries maintaining the shareholders' preferential subscription right)

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Special General Meetings, after reviewing the Management Board report, the statutory auditors' special report, having acknowledged that the company's share capital is fully paid up, and in accordance with Articles L.225-129-2, L.228-92 and L.228-93 of the Commercial Code, resolve to:

- cancel, with immediate effect, the delegation of authority granted to the Management Board by the shareholders in mixed General Meeting on 17 September 2004 by passing the eighth resolution put to them in that meeting, to issue shares and securities granting rights to acquire equity in the company maintaining the shareholders' preferential subscription right;
- delegate to the Management Board for a period of 26 months, with a right for it to sub-delegate to any person accredited by law, the power to decide one or more increases in capital by issuing ordinary shares in the company, in France or abroad, maintaining the shareholders' preferential subscription right, and any other securities granting rights by whatever means, immediately and/or in the future, to acquire existing or future ordinary shares in the company or a company in which it directly or indirectly owns more than half the share capital (a "Subsidiary"), subscription for which may be made in cash or by offsetting the price of the shares against the company's debts.

The maximum par value of the immediate and/or future increases in share capital realised pursuant to this delegation may not exceed nine million two hundred thousand (9,200,000) euros. This ceiling also applies to capital increases realised pursuant to the delegations granted in the tenth to sixteenth resolutions. The par value of any capital increase realised pursuant to this resolution will be subtracted from this amount. If applicable, the additional value of any shares issued to safeguard, as required by law, the rights of the owners of securities granting rights to acquire equity in the company will be added to this ceiling.

- The shareholders in General Meeting resolve that the securities issued accordingly, granting rights to acquire ordinary shares in the capital of the company or a Subsidiary, may be debt securities or be associated with the issue of such securities, or allow for their issue as intermediate securities. They may or may not be in the form of subordinated securities, for a fixed or indefinite term, and be issued in euros, foreign currency or any monetary units defined by reference to several currencies.

The par value of the debt securities issued accordingly may not exceed ninety million (90,000,000) euros or their exchange value in euros at the date of the decision to issue. This ceiling applies to all the debt securities issued pursuant to the eleventh to sixteenth resolutions put to the vote at this General Meeting. It is independent of the value of the debt securities issued by or under the authority of the Management Board pursuant to Article L.228-40 of the Commercial Code. The term of loans (granting rights to acquire ordinary shares in the capital of company or a Subsidiary) other than those represented by securities for an indefinite term, may not exceed 15 years. Loans (granting rights to acquire ordinary shares in the capital of the company or a Subsidiary) may be subject to fixed and/or variable rate interest, whether or not capitalised, and may be redeemed, with or without a premium, or subject to amortisation. The securities may also be repurchased on the stock market or as part of a tender offer or exchange offer by the company.

- Shareholders also have a preferential right, proportional to the value of their shares, to subscribe for ordinary shares or securities issued pursuant to this resolution. The Management Board will define the terms, conditions and limits for the exercise by the shareholders of their subscription right on a pro rata basis (à titre irréductible) in accordance with the applicable legal provisions and may grant shareholders a preferential subscription right over shares in addition to those to which they are entitled as a matter of law (à titre réductible), exercisable in proportion to their subscription rights up to a ceiling of the number of shares or securities requested.

If the number of subscriptions as a matter of law and, if applicable, the subscriptions by request, has not used up the entire issue of shares or securities as defined above, the Management Board may make use of the option granted under Article L.225-134 of the Commercial Code, namely to offer all or part of the unsubscribed securities to the public.



- The shareholders in General Meeting acknowledge that this delegation entails a waiver by shareholders of their preferential subscription right over the ordinary shares in the company to which the securities issued pursuant to this delegation of authority might have entitled them.
- The Management Board will define the category of securities to be issued and will set their subscription price, based on the information contained in its report, without or without a premium, as well as the terms and conditions governing their payment, the date from which holders will be entitled to receive dividends which may be retroactive, the terms and conditions on which the securities issued pursuant to this resolution will grant rights to acquire ordinary shares in the capital of the company or a Subsidiary.

Generally, the Management Board will define all of the characteristics, the value, the terms and conditions of any issue and the securities issued and, where the securities issued are or will be associated with debt securities, whether or not they have a fixed term and how they will be remunerated.

The Management Board will be vested with full powers to implement this resolution by entering into any agreement to this effect, to ensure, in particular, that any issue is satisfactorily completed, and to proceed with the aforementioned issues in one or more tranches, in such proportions and at such times as it shall see fit, in France and/or, as the case may be, abroad and/or on the international market – and, if appropriate, to postpone such issues – to record their completion and to amend memorandum and articles of association accordingly, and to carry out all formalities, make all announcements and apply for all such approvals as may prove necessary for the completion and satisfactory conclusion of such issues.

**Tenth resolution (delegation of authority to the Management Board to increase the share capital by issuing ordinary shares or securities granting rights to acquire equity in the company or one of its subsidiaries cancelling the shareholders' preferential subscription right)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Special General Meetings, after reviewing the Management Board report, the statutory auditors' special report, having acknowledged that the company's share capital is fully paid up, and in accordance with Articles L.225-129-2, L.225-136, L.228-92 and L. 228-93 of the Commercial Code, resolve to:

- cancel, with immediate effect, for the unused fraction, the delegation of authority granted to the Management Board by the shareholders in mixed General Meeting on 17 September 2004 by passing the ninth resolution put to them in that meeting, to issue shares and securities granting rights to acquire share capital and securities entitling holders to be allotted debt securities without the shareholders' preferential subscription right;
- delegate to the Management Board for a period of 26 months, with a right for it to sub-delegate to any person accredited by law, the power to decide one or more increases in capital by issuing ordinary shares in the company, in France or abroad, without a shareholders' preferential subscription right, and any other securities granting rights, by whatever means, immediately and/or in the future, to acquire existing or future ordinary shares in the company or a company in which it directly or indirectly owns more than half the share capital (a "Subsidiary"), subscription for which may be made in cash or by offsetting the price of the shares against the company's debts. The shareholders in General Meeting therefore resolve to cancel the shareholders' preferential subscription right over the ordinary shares or securities to be issued.



The maximum par value of the immediate and/or future increases in share capital realised pursuant to this delegation of authority may not exceed nine million two hundred thousand (9,200,000) euros. This ceiling also applies to capital increases realised pursuant to the delegations granted in the ninth, twelfth to sixteenth resolutions. If applicable, the additional value of any shares issued to safeguard, as required by law, the interests of the owners of securities granting rights to acquire equity in the company will be added to this ceiling.

The shareholders in General Meeting resolve that the securities issued accordingly, granting rights to acquire ordinary shares in the capital of the company or a Subsidiary, may be debt securities or be associated with the issue of such securities, or allow for their issue as intermediate securities. The same provisions will apply for their issue, during their existence, as regards the rights they grant to acquire ordinary shares, to their redemption or amortisation, as those applicable to securities of the same type issued pursuant to the previous resolution. The par value of the securities that may be issued pursuant to this delegation may not exceed ninety million (90,000,000) euros or their exchange value in euros at the date of the decision to issue. This amount will be subtracted from the ceiling defined in the ninth resolution. These securities may be in the same form and have the same characteristics as those provided for in the ninth resolution and, generally, all of the relevant provisions of the ninth resolution will be applicable to them.

The shareholders in General Meeting acknowledge that this delegation entails a waiver by shareholders of their preferential subscription right over the ordinary shares in the company to which the securities issued pursuant to this delegation of authority might have entitled them.

The shareholders in General Meeting resolve that the Management Board may grant, for the benefit of shareholders, a priority right, on a pro rata basis (*à titre irréductible*) and/or in addition to those to which they are entitled as a matter of law (*à titre irréductible*) pursuant to Article L.225-135 of the Commercial Code, to subscribe for the ordinary shares or securities, without creating negotiable rights.

The shareholders in General Meeting resolve that:

- the issue price of the ordinary shares or securities issued by the company or Subsidiaries pursuant to this resolution will be determined in such a manner that the amount received immediately by the company or Subsidiary, plus, if applicable, the amount that may be received subse-

quently by the company or Subsidiary, as the case may be, will be no less for each ordinary share issued than that laid down by the applicable legal or regulatory provisions in force at the time this authorisation is implemented, after adjustment of this amount, if necessary, to take into account of any difference in the date from which shareholders are entitled to receive dividends;

- the Management Board may reduce the amount of the increase in capital on the terms laid down by law.

Generally, the Management Board will define all of the characteristics, the value, the terms and conditions of any issue and the securities issued and, where the securities issued are or will be associated with debt securities, whether or not they have a fixed term and how they will be remunerated.

The Management Board will be vested with full powers to implement this resolution by entering into any agreement to this effect, to ensure, in particular, that any issue is satisfactorily completed, and to proceed with the aforementioned issues in one or more tranches, in such proportions and at such times as it shall see fit, in France and/or, as the case may be, abroad and/or on the international market – and, if appropriate, to postpone such issues – to record their completion and to amend the memorandum and articles of association accordingly, and to carry out all formalities, make all announcements and apply for all such approvals as may prove necessary for the completion and satisfactory conclusion of such issues.

#### **Eleventh resolution (delegation of authority to the Management Board to increase the share capital through capitalisation of reserves, profits, share issue, merger or share tender premiums)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, after reviewing the Management Board report, and in accordance with Articles L.225-129-2 and L.225-130 of the Commercial Code, resolve to:

- cancel, with immediate effect, for the unused fraction, the delegation of authority granted to the Management Board by the shareholders in General Meeting on 17 September 2004 by passing the ninth resolution put to them in that meeting;



- delegate to the Management Board for a period of 26 months, with a right for it to sub-delegate to any person accredited by law, the power to decide one or more increases in capital, in the proportions, at the times and according to the terms and conditions that it shall define, through the successive or simultaneous capitalisation of reserves, profits, share issue, merger or share tender premiums, followed by the free allotment of shares and/or the increase of the par value of existing shares or any combination of these two methods

The par value of any capital increase realised pursuant to this delegation may not exceed two million (2,000,000) euros. If applicable, the additional value of any shares issued to safeguard, as required by law, the rights of the owners of securities granting rights to acquire equity in the company will be added to this ceiling. The ceiling defined in this delegation is autonomous and separate from the ceiling of nine million two hundred thousand (9,200,000) euros referred to in the ninth resolution.

The shareholders in General Meeting resolve that if the increase in capital is realised by means of a free allotment of shares, in accordance with Article L.225-130 of the Commercial Code, the Management Board may decide that the fractional allotment rights will not be transferable and that the corresponding shares will be sold, with the proceeds of sale being allocated to the rights owners in accordance with legal requirements.

The shareholders in General Meeting grant the Management Board full powers to implement this resolution and, generally, to take all measures and carry out all formalities required for the satisfactory completion of the capital increase and to amend the memorandum and articles of association accordingly.

**Twelfth resolution (delegation of authority to the Management Board in case of an issue shares without the shareholders' preferential subscription right on the same terms as in the tenth resolution, to define, within a limit of 10% of the capital, the issue price according to the conditions laid down by the shareholders in General Meeting)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Special General Meetings, after reviewing the Management Board report and the statutory auditors' special report, and in accordance with Article L.225-136 of the Commercial Code, resolves to:

- authorise the Management Board, for a period of 26 months, to issue ordinary shares or securities granting rights, immediately and/or in the future, to acquire equity in the company or a company in which it directly or indirectly owns more than half the share capital (a "Subsidiary"), without the shareholders' preferential subscription right, on the same terms, especially as regards value, as those provided for in the tenth resolution, it being specified that the Management Board may make an exception to the conditions for setting the price provided for in the aforementioned tenth resolution and, instead, set the price in accordance with the following conditions:

The issue price may not be less than the average price, weighted according to the volume of share sales during the stock exchange trading session preceding the announcement of the launch of the transaction, less a maximum discount of 5%.

The maximum par value of the increase in capital resulting from the implementation of this resolution may not exceed 10% of the share capital per 12 month period and the overall ceiling set by the tenth resolution from which it will be subtracted.

- vest the Management Board with full powers to implement this resolution by entering into any agreement to this effect, to ensure, in particular, that any issue is satisfactorily completed, and to proceed with the aforementioned issues in one or more tranches, in such proportions and at such times as it shall see fit, in France and/or, as the case may be, abroad and/or on the international market – and, if appropriate, to postpone such issues – to record their completion and to amend the memorandum and



articles of association accordingly, and to carry out all formalities, make all announcements and apply for all such approvals as may prove necessary for the completion and satisfactory conclusion of such issues.

**Thirteenth resolution (delegation of authority to the Management Board to increase the value of the initial issue, in the case of an issue maintaining or cancelling the shareholders' preferential subscription right, decided pursuant to the ninth, tenth and twelfth resolutions respectively)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Special General Meetings, after reviewing the Management Board report and the statutory auditors' special report, and in accordance with Article L.225-137-1 of the Commercial Code, resolves to authorise the Management Board, for a period of 26 months, with a right for it to sub-delegate to any person accredited by law, the power to decide, for each of the issues decided pursuant to the ninth, tenth and twelfth resolutions, that the number of ordinary shares and securities to be issued may be increased by the Management Board [...] where it sees that there is excess demand according to the terms of Article L.225-135-1 and up to the limit of the ceilings provided for in the ninth and tenth resolutions.

**Fourteenth resolution (delegation of authority to the Management Board to issue ordinary shares and securities granting rights to acquire ordinary shares in the company, in the event of a public exchange offer initiated by the company)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Special General Meetings, after reviewing the Management Board report and the statutory auditors' special report, and in accordance with Articles L.225-129 to L.225-129-6, L.225-148 and L.228-92 of the Commercial Code, resolve to:

- cancel the authorisation granted to the Management Board by the shareholders in General Meeting on 17 September 2004 by passing the eleventh resolution put to them in that meeting, to issue securities in the case of a public exchange offer initiated by the company;
- delegate to the Management Board, for a period of 26 months, with a right for it to sub-delegate to any person accredited by law, the power to decide to issue ordinary shares in the company or securities, by whatever means, immediately and/or in the future, to acquire existing

or future ordinary shares in the company, in consideration of securities tendered in a public exchange offer initiated by the company, in France or abroad, according to local regulations, for another company's securities which are listed for trading on one of the regulated markets referred to in the aforementioned Article L.225-148, and resolve, to the extent necessary, to waive the shareholders' preferential subscription right over the ordinary shares and securities to be issued for the benefit of the holders of these securities;

The ceiling for the par value of the immediate or future increase in capital resulting from the implementation of this delegation is set at nine million two hundred thousand (9,200,000) euros. This ceiling is the same as the overall ceiling provided in relation to the tenth resolution from which it will be subtracted. It is set not taking into account the par value of the ordinary shares to be issued, if applicable, by virtue of the adjustments made to safeguard, as required by law, the rights of the owners of securities granting rights to acquire equity in the company.

- acknowledge that this delegation entails a waiver by shareholders of their preferential right to subscribe for the ordinary shares in the company to which the securities issued pursuant to this delegation of authority might have entitled them;
- vest the Management Board with full powers to implement the public offers referred to in this resolution, including:
  - to set the exchange parity and, if required, the amount of the balancing cash adjustment to be paid;
  - to record the number of securities tendered in exchange;
  - to define the dates, the terms and conditions of the issue, particularly the price and the dividend entitlement date, of the new shares or, if applicable the securities granting rights, immediately and/or in the future, to a proportional share in the capital of the company;
  - to record on the liabilities side of the balance sheet in a "share tender premium" account, listing the rights of all the shareholders, the difference between the issue price of the new shares and their par value;
  - to charge, if applicable, all of the costs and duties incurred in relation to the authorised transaction against the said "share tender premium" account;
  - generally, to take all necessary measures and enter into any agreements that may be required to complete the authorised transaction satisfactorily, to record the resulting increase or increases in share capital and amend the memorandum and articles of association accordingly.



**Fifteenth resolution (delegation of authority to the Management Board to issue ordinary shares and securities granting rights to acquire ordinary shares in the company in consideration of contributions in kind up to a limit of 10% of the share capital)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Special General Meetings, after reviewing the Management Board report and the statutory auditors' report, and in accordance with Articles L.225-129 to L.225-129-6 and L.225-147 of the Commercial Code, resolve to:

- delegate to the Management Board, for a period of 26 months, with a right for it to sub-delegate to any person accredited by law, the power to decide, based on the statutory auditors' report referred to in the aforementioned Article L.225-147 (1) and (2), to issue ordinary shares in the company or securities granting rights, by whatever means, immediately and/or in the future, to acquire existing or future ordinary shares in the company in consideration of contributions in kind made to the capital of the company comprising equity shares or securities granting rights to acquire capital where the provisions of Article L.225-148 of the Commercial Code do not apply.

The ceiling for the par value of the immediate or future increase in capital resulting from the issues realised as a whole pursuant to this delegation is set at 10% of the company's share capital (at its existing level at the date of this General Meeting), it being specified that the maximum par value ceiling for this increase in capital may not exceed the ceiling provided for in the tenth resolution from which it will be subtracted. It is set not taking into account the par value of the ordinary shares to be issued, if applicable, by virtue of the adjustments made to safeguard, as required by law, the rights of the owners of securities granting rights to acquire equity in the company.

The shareholders in General Meeting resolve to waive the shareholders' preferential right to subscribe for the ordinary shares and securities issued accordingly for the benefit of the owners of these shares and securities tendered by means of contribution in kind, and acknowledge that

this delegation entails a waiver by shareholders of their preferential right to subscribe for the ordinary shares in the company to which the securities issued pursuant to this delegation of authority might have entitled them.

The shareholders in General Meeting resolve to grant the Management Board full powers to implement this resolution, particularly to approve the report of the capital contribution valuer(s) referred to in the aforementioned Article L.225-147 (1) and (2) assessing the value of the contributions and the grant of special advantages, to record the final completion of the increases in capital realised pursuant to this delegation, to amend the memorandum and articles of association accordingly, to carry out all formalities, make such announcements and apply for any requisite approvals that may prove necessary for the completion of these capital contributions.

**Sixteenth resolution (delegation of authority to the Management Board to issue ordinary shares as a result of the issue by subsidiaries of the company of securities granting rights to acquire ordinary shares in the Company)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Special General Meetings, after reviewing the Management Board report and the statutory auditors' special report, and in accordance with Articles L.225-129 to L.225-129-6 and L.228-93 of the Commercial Code, resolve to:

- delegate to the Management Board, for a period of 26 months, with a right for it to sub-delegate to any person accredited by law, in relation to the fifteenth resolution set out above, the power to decide to issue ordinary shares in the company, entitlement to which has been granted by securities issued by one or more companies in which the company directly or indirectly owns more than half the share capital (a "Subsidiary").

These securities will be issued by the Subsidiaries with the consent of the Management Board and will, in accordance with Article L.228-93 of the Commercial Code, entitle their holders, by whatever means, immediately and/or in the future, to acquire ordinary shares in the company. They may be issued in one or more tranches in France, on foreign markets and/or on the international market.



The ceiling for the par value of the increase in the capital of the company resulting from all of the issues realised pursuant to this delegation is set at two million (2,000,000) euros. This amount will be subtracted from the ceiling set by the tenth resolution, it being specified that this ceiling is defined not taking into account the par value of the ordinary shares to be issued by virtue of any adjustments made to safeguard the interests of the holders of rights attaching to the securities which may be issued pursuant to this delegation.

In any event, the amount paid on issue, or which may subsequently be paid to the company, must, according to the terms of the tenth resolution be no less, for each ordinary share issued as a result of the issue of these securities, than the minimum amount provided for by law after adjustment, if applicable, of this amount to take into account any difference in the date from which shareholders are entitled to receive dividends.

The shareholders in General Meeting note that the company's shareholders do not have a preferential subscription right either in the aforementioned securities issued by the Subsidiaries or in the ordinary shares in the company to which these securities give entitlement.

The shareholders in General Meeting grant full powers to the Management Board to implement this resolution, in agreement with the boards of directors, Management Boards or other management or governance bodies of the Subsidiaries issuing the securities referred to in this resolution, including authority to set the number of securities to be issued, define the terms and conditions of the issue and the category of securities to be issued, set the date from which holders will be entitled to beneficial enjoyment, which may be retroactive, of the rights to be created and, generally, to take all necessary measures and enter into any agreements that may be required to ensure the satisfactory completion of the intended issues, in accordance with the applicable French laws and regulations and, if relevant, any foreign laws or regulations. It also grants full powers to the Management Board to make such amendments to the memorandum and articles of association as may be made necessary by the implementation of this delegation, in compliance with the terms of its report to this General Meeting.

The shareholders in General Meeting acknowledge that this delegation deprives any previous delegation dealing with the same subject matter of all effect.

### **Seventeenth resolution (delegation of authority to the Management Board to issue shares to be reserved for group employees)**

The shareholders in General Meeting, voting in accordance with the quorum and majority requirements for Special General Meetings, after reviewing the Management Board report and the statutory auditors' report, and in accordance with Articles L.225-129-6, L.225-138-1 of the Commercial Code and Articles L.443-1 et seq. of the Labour Code, resolves to:

- cancel the authorisation granted to the Management Board by the shareholders in General Meeting on 17 September 2004 by passing the twelfth resolution put to them in that meeting, to increase the company's share capital by issuing new shares to be reserved for employees as part of a company savings scheme ;
- delegate to the Management Board, for a period of 26 months, the necessary powers to increase the share capital up to a maximum par value ceiling of nine hundred and twenty thousand (920,000) euros per issue, in one or more tranches, subject only to the board's deliberations, of shares or securities granting rights to acquire equity in the company, to be reserved for employees and former employees contributing to savings schemes set up by the company or the group, either by allotting free shares or securities granting rights to acquire equity in the company or by capitalising reserves, profits or premiums, and allotment of free shares or securities granting rights to acquire equity in the company to employees.

This capital increase will be realised in accordance with Article L.225-138 of the Commercial Code and Article L.443-5 of the Labour Code. It may involve subscription for all forms of securities granting immediate or future rights to acquire equity in the company.

Employees and former employees of the group are entitled to subscribe for this capital increase, either individually or via a company mutual investment fund.



Accordingly, the shareholders in General Meeting resolve that:

- this authorisation entails waiver of the shareholders' preferential subscription right in favour of those contributing to a company savings scheme, as regards the equity shares and securities to be issued or, if applicable, allotted free of charge, pursuant to this resolution and a waiver of their preferential subscription right over the ordinary shares to which these securities give entitlement;
- the Management Board will set the share subscription price according to Article L.443-5 of the Labour Code, which may not be less than 20% (or 30%) of the average of the opening listed prices for ST Dupont shares on Euronext Paris during the twenty stock exchange trading sessions preceding the Management Board resolution setting the opening date for subscription. This maximum discount will be defined according to whether the securities directly or indirectly subscribed relate to assets subject, respectively, to a term of inalienability of less than ten years or of ten years or more. However, the shareholders in General Meeting expressly empower the Management Board not to award the aforementioned discount, if it sees fit, especially if this is to take into account new international accounting rules or legal, accounting, tax or employment regulations applicable locally. The Management Board may also replace all or part of the discount with an allotment of equity shares or securities granting rights to acquire equity in the company in accordance with the provisions set out above;
- the Management Board may allot free shares or other securities granting immediate or future rights to acquire equity in the company, it being understood that the total financial benefit received by virtue of such an allotment in terms of the employer's contribution to a company savings scheme (abondement) may not exceed the legal or regulatory limits;
- the characteristics of other securities granting rights to acquire equity in the company will be defined by the Management Board according to the rules laid down by regulation;

- full powers will be vested in the Management Board, with a right for it to delegate such powers on the terms laid down by law, to implement this authorisation, including:
  - resolving that issues may be made directly in favour of the beneficiaries or via mutual securities investment organisations;
  - if appropriate, defining the scope of the companies eligible to benefit from the offer more narrowly than the scope of the companies eligible to take part in the company savings scheme;
  - setting the terms and conditions of issues to be realised pursuant to this authorisation, including the date from which shares will carry dividend rights, the terms for paying up the securities, the subscription price of equity shares or securities granting rights to acquire equity in the company, provided they remain within the parameters laid down by law;
  - deciding the subscription opening and closing dates;
  - setting the amount of time allowed to subscribers to pay up their equity shares or securities granting rights to acquire equity in the company;
  - determining, if applicable, to what extent the amounts will be capitalised subject to the aforementioned limit, the equity accounts against which they will be drawn and the terms and conditions for their allotment;
  - recording completion of the increase in capital according to the value of the equity shares or securities granting rights to acquire equity in the company actually subscribed;
  - making the necessary amendments to the memorandum and articles of association and, generally, doing anything that may prove necessary.

The Management Board will be entitled to delegate to any person accredited by law the power to decide the issue, or to postpone it, subject to the limits and in accordance with the terms and conditions that it has previously defined.

#### **Eighteenth resolution (powers to carry out formalities)**

The shareholders in General Meeting hereby grant full powers to the Management Board to carry out the legal registration formalities, and to a bearer of an original, abstract or certified copy of the minutes recording its deliberations to carry out any formalities required by law.



In accordance with article L.225-68 of the French Commercial Code (*Code de Commerce*), we hereby submit our comments on the reports of the Management Board, and on the financial statements of the parent company and the consolidated financial statements for the year ended March 31, 2005.

**1. Comments on the report of the Management Board and the financial statements of the parent company for the year ended March 31, 2005**

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

**2. Comments on the business and results of the Group and the consolidated financial statements**

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

**The Supervisory Board**



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

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

**1. CORPORATE GOVERNANCE AND OPERATION OF THE SUPERVISORY BOARD**

**1.1 Membership of the Supervisory Board**

The Supervisory Board is composed of three members, one of whom is independent as defined by the recommendations issued in the Bouton Report on corporate governance in French listed companies. The members of the Supervisory Board have varied and complementary skills that offer a good fit with the operations of the Company. One of its members has recognized expertise in financial matters, rooted in a specifically related educational and professional background, and provides the Board with this know-how in terms of accounting and financial issues.

In order to facilitate the future creation of specialized committees of the Board (an Audit Committee and a Compensation Committee), the Company's bylaws were amended at the Extraordinary General Meeting held on January 4, 2005 in order to enable the appointment of non-voting members of the Board.

During 2004-2005, the Supervisory Board appointed Charles Jayson – formerly a member of the Supervisory Board – as a member of the Management Board. Charles Jayson has extensive expertise in the international luxury retail segment, in-depth knowledge of the U.S. market, and wide experience in the leather goods business. He is also Vice-Chairman of Tommy Hilfiger Handbags and Small Leather Goods, where he has forged a successful development strategy.

**1.2 Operation of the Supervisory Board**

In accordance with the bylaws, the Supervisory Board meets as often as the Company's interest requires. During fiscal 2004-2005, the Supervisory Board held nine meetings, called by the Chairman.

The Supervisory Board reviewed the financial statements for the year ended March 31, 2004 as well as the half-yearly financial statements. One of its first meetings of fiscal 2005-2006 was devoted to reviewing sales data for the year ended March 31, 2005. In accordance with legal requirements and the Company's bylaws, the Supervisory Board also reviewed and approved the quarterly management reports prepared by the Management Board, as well as the Management's discussion and analysis of the financial statements. The Supervisory Board also reviewed and approved the renewal of guarantees and pledges, as well as intercompany service agreements.

In addition, the Supervisory Board examined several strategic issues, particularly concerning the financing of the Company further to the lower-than-forecast sales in 2004-2005. It approved the cost-cutting and inventory-reduction program recommended by the Management Board.

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

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

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

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

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

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

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



## 2. INTERNAL CONTROL PROCEDURES

This report provides a description of the Company's internal control system. The information provided herein was compiled in preparatory meetings organized by the Chairman of the Supervisory Board with the President of the Management Board and each of the members of the Executive Committee.

### 2.1 Objectives of the internal control organization

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

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

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

### 2.2 General internal control policy: key organizational features

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

#### The Supervisory Board

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

#### The Management Board

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

#### The Executive Committee

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

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

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

#### Internal audit

A number of junior auditors joined the Group during the year, as part of a drive to review the internal control process. Also in the fiscal year ended March 31, 2005, internal audits were carried out within Group subsidiaries, which led to the implementation of an action and improvement plan.

At the same time, the Internal Audit Department continued to review Group procedures, thus contributing to bolstering S.T.Dupont's internal control culture. In 2004-2005, it carried out two assignments at Group subsidiaries and reviewed three major procedures.

Finally, the Internal Audit Department updated the initial risk mapping process set up at March 31, 2004. The results of this process were validated by the Group's Executive Committee.



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

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

#### **3.1 Overall organization of accounting and financial functions**

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

- The Group Consolidation Department prepares the Group's consolidated financial statements on a monthly, half-yearly and annual basis and draws up its financial communications overseen by the President of the Management Board.

This Department also consolidates and updates forecasts for Group results, balance sheet data, key indicators and cash flows. It defines, with members of the Management Board, the key indicators used for Group strategy and analyzes the Group's results.

The Consolidation Department handles relations with shareholders, investors and financial analysts. It produces all publications related to financial communications and participates, alongside the President of the Management Board, in the organization of corporate actions.

- The Management Accounting Department is responsible for the budgeting process, its updates, the validation of results and monthly reporting, in accordance with the applicable accounting standards.

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

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

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

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

Each subsidiary has a Chief Financial Officer who is responsible for financial accounting, local tax issues and management accounting. He or she reports to the Group on a monthly basis.

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

Two major projects were completed in 2004-2005:

- the Group's reporting and consolidation tool was upgraded in order to comply with IFRS disclosure requirements from April 1, 2005;
- A new version of the Group's fixed asset software was installed in order to comply with IFRS and CRC standard 2002-10.

During the year, several other IT applications required as a result of adopting IFRS were developed in coordination with the Finance Department.



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

#### Instructions and policies concerning the reporting and consolidation process

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

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

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

#### Budgeting process and updating of forecasts

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

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

The Management Accounting Department verifies the consistency of the data and the estimated resources, in accordance with S.T.Dupont's strategic focuses.

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

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

#### Group reporting and consolidation process

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

##### • Monthly reporting

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

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

##### • Monthly consolidation

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

The Group Consolidation Department records intercompany adjustment entries and controls the accuracy of reporting of intercompany transactions that generate automatic eliminations.

In addition, the Consolidation Department analyzes the Group income statement, balance sheet and cash flow data based on cost-accounting principles, and prepares summaries for the Executive Committee. An analysis of exchange-rate impacts is also performed systematically, owing to the Group's sensitivity to fluctuations in exchange rates.

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



• **Half-yearly and annual consolidation**

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

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

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

Since 2003, accounting and financial information is controlled using the Group's high-performing and secure reporting and consolidation software package. The Internal Audit Department has a role in the control process in order to help ensure that the financial data transmitted is reliable.

**Relations with the Statutory Auditors**

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

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

**4. ORGANIZATION OF THE WORK PERFORMED BY S.T.DUPONT REGARDING THE DESCRIPTION OF INTERNAL CONTROL PROCESSES AND ACTION PLAN FOR 2005-2006**

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

The Management Board used the major risk mapping results drawn up at March 31, 2004 in order to define the internal control measures required to cover these risks.

Risk mapping is reviewed regularly in order to take into account any changes in the Group's operating environment and to identify any risks that should be considered when establishing internal control measures.

The key aims of this project are two-fold. First, to further raise the efficiency of operations, thereby contributing to reaching the S.T.Dupont Group's strategic objectives; and second, to pinpoint the responsibilities of operational managers regarding internal control.

The main steps undertaken in 2004-2005 were as follows:

- the Extraordinary General Meeting authorized the appointment of non-voting members of the Board pending the creation of an Audit Committee;
- the newly restructured internal audit function began operations by carrying out audits within the Group's subsidiaries;
- additional documentation was drawn up relating to procedures and controls;
- the risk mapping process was updated;
- previously defined action plans were reviewed.

Measures that are currently in progress concern:

- setting up a specific management control process for overseeing the Retail business;
- strengthening internal control tests;
- drafting an accounting procedures manual based on the disclosure requirements under IFRS;
- finalizing an internal audit charter and a Group internal audit manual.

The Supervisory Board will be regularly informed of the progress made in the above areas, and the key findings will be included each year in this report.

**Walter Wuest,**  
**Chairman of the Supervisory Board**



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

Year ended March 31, 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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the shareholders,

In our capacity as Statutory Auditors of S.T.Dupont S.A., and in accordance with the final paragraph of article L.225-235 of the French Commercial Code (*Code de Commerce*), we report to you on the report prepared by the Chairman of the Supervisory Board in accordance with article L.225-68 of the French Commercial Code for the year ended March 31, 2005.

It is for the Chairman of the Supervisory Board to give an account, in his report, notably of the conditions in which the work of the Supervisory Board is prepared and organized and the internal control procedures in place within the Company. It is our responsibility to report to you our observations on the information set out in the report of the Chairman of the Supervisory Board on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information

set out in the report of the Chairman of the Supervisory Board on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

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

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

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