



Société anonyme au capital de 21 231 115.25 euros
Siège Social : 92 Boulevard du Montparnasse
75014 Paris
R.C.S. Paris 572 230 829

INTERIM FINANCIAL STATEMENTS 2nd QUARTER & 1st HALF YEAR 2006-2007

The English language version of this document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original language version of the document in French takes precedence over this translation

Key factors for HY1 are as follows:

Euros millions	30/09/2006	30/09/2005	Variation (% ou m€)
Net sales	33,3	37,3	-10,8%
Gross Margin	15,3	15,8	-2,9%
	<i>46,1%</i>	<i>42,3%</i>	
EBIT (excluding non recurring items)	(2,4)	(5,1)	2,8
Non recurring items	5,0	(23,9)	28,9
EBIT	2,6	(29,0)	31,7
Financial expenses	(0,8)	(1,4)	0,6
Net profit/(loss)	1,2	(31,5)	32,7
Earnings per share (in Euro)	0,00	(5,05)	5,06

1. FOLLOW-UP OF THE BUSINESS PLAN IMPLEMENTATION

Business Plan decided by the Management Board late February included numerous actions that were undertaken during the previous year and continued in the present period.

1.1. CAPITAL INCREASE

The share capital increase occurred in June for a total amount of 41,8 millions euros.

Two third of the minority shareholders were involved in the capital increase, the remaining part has been covered by D and D International.

After the share capital increase D and D International owns 69% of shares and voting rights.

1.2. MANAGEMENT BOARD CHANGES

As indicated early 2006, William CHRISTIE accepted to come back as chairman of the Management Board for a temporary assignment so that the Supervisory Board could find a new chairman.

On Sept, 4th, the Supervisory Board appointed Alain CREVET as new chairman. William CHRISTIE will stay as member of the Management Board as General Manager until Jan, 8th, 2007.

1.3. RESTRUCTURING PLAN

In order to decrease costs, a social plan was decided in March 2006 and then presented to the labor councils in order to have their position. This last between March and October 2006. Due to labor council's election that took place in April, negotiation actually started in may 2006. As the labor councils did not accept to have a joint negotiation on reasons of the social plan and measures (Book III & IV of the Labor Law), negotiations regarding measures for the social plan only started in July when labor councils gave their opinions on the reasons of the social plan.

Labor councils gave their opinion on the measures in October which led to the implementation of the social plan in France.

Regarding European subsidiaries, decrease in personnel costs were carried in the first half year.

In France, in order to limit to a maximum the impact of the social plan in term of firing people, we came to an agreement with the unions in order to come back to a weekly 35 hours labor time (vs. 31,2 hours previously) as from Apr, 1st, 2007 in Faverges by decreasing the number of staff reduction by 15 FTE.

The impact of resignations as from March 2006 and negotiations with labor councils led to a decrease of the number of lay-off. The draft plan anticipated 155 FTE lay-offs while the final plan is 90, including 30 real lay-offs (the remaining being voluntary departures, retirement)

In March, 31st 2006, we booked a provision in order to cover the costs of the plan. This was based on the draft social plan presented to the labor councils. The anticipated cost per capita was in line with the benchmark we've done on other companies.

Negotiations with the labor council, the change in mix (retirement, departures, and lay-offs), the 35 hours agreements and the actual needs for the manufacturing labor force led to a significant reduction in the social plan cost. In addition, labor councils focused on the number of lay-offs instead of the lay-offs indemnities.

Despite the decrease in redundancies, the target in term of cost reduction remains roughly at the same level as previously.

During the negotiation period, we faced some troubles in production and shipping, including a strike late September that impacted our sales by 2,5 M€. This will be recovered in Q3.

1.4. CHANGE IN THE BUSINESS ORGANIZATION

We continued to challenge our business partners (POS, customers, wholesalers and suppliers).

Through this, the number of POS decreased in Western Europe and we are deeply analysing our wholesaler's performance in order to evaluate their ability to increase our business.

The same process was carried on with our suppliers in order to optimize our costs with the same quality standard.

This will continue in HY2

1.5. RESTRUCTURING THE PRODUCT MIX

Our product mix has also been analyzed in order to cancel the low margin SKUs. This led to a 18% decrease in the number of SKUs compared to 2005.

The launch of new products has been limited and, as far as limited editions are concerned, they will be launched in HY2 (Versailles, James Bond, Nocturne).

2. NET SALES

Net sales are as follows :

en millions d'euros	30/09/06	30/09/05	Variation %
Sales products	30,4	35,1	-13,2%
Licences	2,8	2,2	26,0%
Net sales	33,3	37,3	-10,8%

Sales per business sectors

<i>Millions d'Euros</i>	30 septembre 2006	30 septembre 2005	Variation Including exchange rates
Lighters & writing instruments	16,2	19,1	- 15,3
Leather goods	11,3	12,5	- 9,0
Others	2,9	3,5	- 16,5
Sales Products	30,4	35,1	- 13,2
Licences	2,8	2,2	+ 26,0
Net sales	33,3	37,3	- 10,8

Decrease in sales, excluding the impact of the strike in Faverges, is in line with the business plan. As previously mentioned, the lack of sales due to the strike will be recovered in Q3. Considering this, we anticipate to be over the budget by year end.

Licences increase by 26,0% compared to last year because of renegotiation that took place late 2005.

Exchange rate impact can be estimated to 0,7 million euros, i.e. -1,7 % sales.

For HY1, major items are :

- Sales in Asia remain stables while they decrease in other markets ;
- Because of the lack of new products in HY1, all business sectors are declining.
- Increase in licences revenues.
- Third parties products increase by 0,4 million euros.
- Retail sales are now 20,9% of total sales (vs. 18,5% last year).
- HY1 confirmed the trend anticipated in the budget. Lighters are still declining but to a lower extend while writing instruments and leather goods are not in a good position. This should be considered while taking into account the impact of the strike late September.

3. GROSS MARGIN

Gross Margin rate is increasing compared to last year (+3,8 points) ; this compensated the decrease in sales volume.

This increase in gross margin is the first step of the business plan concerning the cost reduction (suppliers, components). It's also linked to the increase in licences revenues that represent 1,7 point of gross margin.

HY1 Gross margin doesn't include major impact due to the FTE redundancies. This will be more important in HY2.

4. EBIT (excluding non recurring items)

EBIT excluding non recurring items is -2.4 millions euros vs. -5,1 millions euros last year.

Despite the decrease in gross margin in value, this increase in EBIT comes from the decrease in indirect expenses by -3.2 millions euros (-15.3%) compared to last year.

All indirect expenses (communication, selling & administrative) are concerned.

The control over indirect expenses will help for achieving our break-even target for 2007/2008.

5. NON RECURRING ITEMS

Impairment test impacted significantly last year results through a 22,5 millions euros depreciation in HY1.

As sales are still decreasing and despite the costs reduction, there are no evidence that the fair value of the company's assets are increasing as at September, 30th, 2006. Fair value is impacted by a standstill increase in sales and a structural positive EBIT that are not yet achieved.

During HY1, non recurring items include the positive impact of the withdrawal of the provision for social plan as the actual cost will be lower than expected. This is due to the lower number of redundancies (dismissal, 35 hours agreement) and a different mix in terms of lay-offs and departure. The positive impact (8.3 millions euros) has been partly compensated through provision for risks linked to the implementation of the business plan (-2.4 millions euros).

The net impact of non recurring items is +5,0 millions euros vs. -23,9 millions euros as at September, 30, 2005.

6. FINANCIAL INCOME & EXPENSES

Because of the capital increase in late June, financial results significantly increase in HY1 (-0.8 millions euros vs. -1,4 millions euros last year). Capital increase not only brings overdraft to nil but resulted also in financial incomes on short term treasury bonds.

The main financial expenses are the cost of the OCEANE.

7. CASH FLOW

Operational cash flow amounts -3.3 millions euros as last year. The stability compared to the net profit is due to the impact of non financial items on the net profit (depreciation, provisions).

Nevertheless, through the improvement in monitoring working capital, cash flow generated by operations amounts to -0.7 million euros vs. -4.7 millions euros for last year.

Capital expenditures were kept at a low level and amount 0,8 millions euros in HY1 vs. 2,0 millions euros last year.

Through the above mentioned actions and capital increase, treasury (excluding overdrafts) is positive by 36.7 millions euros vs. 11.9 million euros last year.

8. NET PROFIT

Net profit amounts +1.2 millions euros vs. -31.5 millions euros as at September, 30, 2005 because of non recurring items.

Nevertheless, the significant improvement in operational revenues and expenses makes us confident in reaching the break-even target next year as planned in the business plan.

Half year consolidated financial statements (synthesis)

PROFIT & LOSS ACCOUNT

(Euros 000))	30/09/2006	31/03/2006	30/09/2005
Net sales « products »	30 438	77 780	35 064
Royalties	2 814	6 032	2 234
Net sales	33 252	83 812	37 298
Cost of sales	(17 928)	(47 907)	(21 521)
Gross Margin	15 324	35 905	15 777
Communication expenses	(1 413)	(5 284)	(2 650)
Selling expenses	(7 325)	(17 765)	(8 820)
Administrative expenses	(8 950)	(18 944)	(9 447)
Other income & expenses	4 762	(18 982)	(1 381)
EBIT before impairment	2 397	(25 070)	(6 521)
Impairment (IAS 36)	220	(22 534)	(22 516)
Operational expenses	(12 707)	(83 509)	(44 814)
EBIT	2 618	(47 604)	(29 037)
Gross financial income	422	381	165
Gross financial expenses	(1 074)	(2 260)	(1 079)
Net financial result	(652)	(1 879)	(914)
Other financial expenses	(170)	(620)	(478)
Share of results in associated companies	(347)	(132)	(256)
Result before tax	1 449	(50 235)	(30 685)
Tax	(248)	(1 285)	(782)
Net result	1 201	(51 520)	(31 467)
EPS (euros)	0,00	(8,27)	(5,05)
EPS diluted (euros)	0,01	(8,27)	(5,05)

The above financial statements are a free translation of the french half year financial statements

Balance Sheet

ASSETS

(Euros 000)	Notes	30/09/2006	31/03/2006	30/09/2005
Non current assets				
Goodwill		3 179	3 325	3 417
Intangible assets (net)		197	0	0
Tangible assets (net)		1 018	633	549
Financial assets		1 488	1 575	1 642
Equity in associated companies		289	636	513
Deferred tax assets		238	257	248
Total non current assets		6 409	6 426	6 369
Current assets				
Inventories		21 278	21 608	31 165
Accounts receivables trade		10 661	13 962	15 148
Other receivables		3 762	4 335	3 797
Taxation (current)		1 059	898	833
Financial assets		0	4	10
Cash		36 715	19 496	11 942
Total current assets		73 475	60 303	62 895
Total assets		79 884	66 729	69 264

The above financial statements are a free translation of the french half year financial statements

LIABILITIES

(Euros 000)	Notes	30/09/2006	31/03/2006	30/09/2005
Equity				
Capital		21 231	9 963	9 963
Premium		953	1 250	1 665
Self checking stocks		-1	-24	-57
Share of capital convertible bonds		1 904	1 943	1 951
Fair value of hedging instruments		0	9	-216
Consolidated reserves		-3 986	17 269	17 269
Conversion reserves		-566	-151	86
Net result (Group)		1 201	-51 520	-31 467
Equity (Group)		20 736	-21 261	-806
Equity (Minority interests)				
Long term liabilities				
Convertible bonds		20 573	20 754	20 609
Loans		38	7 040	43
Leasing (over 1 year)		248	301	368
Financial instruments (over 1 year)				184
Deferred tax		15	29	29
Retirement indemnity provisions		6 334	5 826	7 040
Total long term debts		27 208	33 950	28 273
Current liabilities				
Accounts payable (trade)		6 087	4 971	6 637
Other payables		8 964	11 191	10 205
Taxation (current)		467	413	26
Provisions for risks & charges		13 010	19 464	4 336
Convertible bonds (within 1 year)		772	1 575	785
Short term financial debt		2 388	16 141	19 353
Leasing (within 1 year)		252	285	289
Financial instruments (within 1 year)		0	0	166
Total current liabilities		31 940	54 040	41 797
Total Liabilities		79 884	66 729	69 264

The above financial statements are a free translation of the french half year financial statements

CASH FLOWS

(Euros 000)	30/09/2006	31/03/2006	30/09/2005
I – Operations			
Net result before tax	1 201	(51 520)	(31 467)
Depretiation & impairment	525	25 339	25 096
Underlying capital gain and loss on variation of fair value	(9)	36	(189)
Stock options expenses	0	204	357
Change in provision	(5 914)	14 399	446
Net interest expenses	807	2 499	1 348
Capital gain on fixed assets	(477)	961	49
Taxation	248	1 285	782
Share of results in associated companies]	347	132	255
Operational cash flow	(3 272)	(6 665)	(3 323)
Change in inventories	2	8 221	(1 225)
Change in accounts receivables	3 126	5 557	4 552
Change in other receivables	553	(428)	413
Change in accounts payable	1 153	(6 552)	(4 910)
Change in other receivables	(2 024)	90	(843)
Change in working capital (operations)	2 810	6 888	(2 013)
Interest paid	(295)	(526)	(416)
Intérêts received	415	386	169
Income tax paid	(356)	658	863
CASH FLOW FROM OPERATIONS	(698)	741	(4 720)
II – Capital expenditures			
Intangible assets	(13)	(512)	(215)
R&D expenditures	(191)	(598)	(397)
Tangible assets	(598)	(2 284)	(1 281)
Other financial assets	(5)	(202)	(64)
Cash needs (capital expenditures)	(807)	(3 596)	(1 957)
Sales of intangible assets	0		
Sales of tangible assets	0	110	27
Sales of financial assets	29	177	125
Sales of Assets	29	287	152
CASH FLOW FROM FIXED ASSETS	(778)	(3 309)	(1 805)
III – Financing			
Capital increase	41 210		8
Capital decrease	(14)	204	
Purchase of stocks	23	21	(12)
New loans	331	1 259	976
Shareholders current account	(7 000)	7 000	
Repayment of loans	(14 335)	(385)	(244)
Interest paid	(1 074)	(2 260)	(1 079)
Other cash flow from financing	(596)	2 272	4 863
CASH FLOW FROM FINANCING	18 545	8 111	4 512
Exchange rates impact on cash	150	199	201
Net variation of cash	17 219	5 742	(1 812)
Cash beginning of period	19 496	13 754	13 754
Cash end of period	36 715	19 496	11 942
Net change in cash position	17 219	5 742	(1 812)

The above financial statements are a free translation of the french half year financial statements