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MAÎTRE ORFÈVRE, LAQUEUR & MALLETIER DEPUIS 1872

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**INTERIM FINANCIAL STATEMENTS
2nd QUARTER & 1st HALF YEAR 2007-2008**

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1. MANAGEMENT BOARD REPORT SECOND QUARTER AND 1ST HALF YEAR 2007-2007

KEY INDICATORS

Key indicators regarding the 2nd quarter and half year 1 for 2007-2008 can be summarised as follow:

| Consolidated (€ 000) | QUARTER 2 | | | HALF YEAR | | | |
|-------------------------|---------------|---------------|--------------|----------------|---------------|--------------|----------------|
| | 30/09/2007 | 30/09/2006 | variation | 30/09/2007 | 30/09/2006 | variation | |
| Sales | 19 547 | 16 889 | 15,7% | 36 504 | 33 252 | 9,8% | |
| Gross Margin | 9 977 | 7 505 | 32,9% | 18 547 | 15 324 | 21,0% | |
| | % | 51,0% | 44,4% | 6,6 Pts | 50,8% | 46,1% | 4,7 Pts |
| Overheads | -9 901 | -7 447 | | -18 336 | -17 678 | | |
| Other income & charges | 248 | 5 426 | | 7 | 5 241 | | |
| Profit/Loss on exchange | -357 | -241 | | -491 | -269 | | |
| EBIT | -34 | 5 242 | | -272 | 2 618 | | |
| | % | -0,2% | 31,0% | -0,7% | 7,9% | | |
| Associated companies | -129 | -284 | | -216 | -347 | | |
| Interests | -450 | -270 | | -670 | -821 | | |
| Taxation | -242 | -125 | | -128 | -248 | | |
| Net results | -855 | 4 564 | | -1 286 | 1 201 | | |
| | % | -4,4% | 27,0% | -3,5% | 3,6% | | |

All the key indicators are better than what was planned in the February 2006 business plan.

Nevertheless, 2006-07 and 2007-08 are not fully comparable:

- In term of sales, one must remember that the implementation of the business plan leads to troubles in September 2006 with a strike in the plant that block the shipments for a 6 days period. This impacted the Q2 sales for last year and has an impact on the sales increase for this quarter.
- Other income for last year took into account the withdrawal of not-used provisions for risks because of the closing of negotiation with labour councils. Such items don't exist for this year.

Regarding the second quarter, the major item concerns the breakeven position reached in EBIT, despite a major negative impact of exchange rate over the period. Based on this, we might consider that a 19 millions euros level of sales on average during a quarter leads to a breakeven position in EBIT.

SALES

Per geographical areas

| | Quarter | Variation | Variation (organic) | Cumulative | Variation | Variation (organic) |
|-----------------------|---------------|--------------|---------------------|---------------|--------------|---------------------|
| France | 2 222 | 38,3% | 38,3% | 4 417 | 11,5% | 11,5% |
| Europe (ex France) | 5 729 | 67,4% | 67,4% | 10 746 | 40,0% | 40,0% |
| Asia | 8 044 | -8,5% | -3,1% | 14 767 | -7,0% | -1,2% |
| Américas | 543 | -23,9% | -18,5% | 1 211 | -8,9% | -2,1% |
| Others | 1 451 | 129,2% | 129,2% | 2 696 | 69,1% | 69,1% |
| Total Products | 17 989 | 18,6% | 22,0% | 33 838 | 11,2% | 14,5% |
| Royalties | 1 558 | -9,8% | -3,5% | 2 666 | -5,3% | 0,5% |
| Total Sales | 19 547 | 15,7% | 19,4% | 36 504 | 9,8% | 13,3% |

Impact of exchange rate is very material and amounts -3.7% for the quarter and -3.5% for the first 6 months. This comes from the mix of sales in which more than 50% of our sales is in foreign currencies. The portion of these sales is slightly lower than last year.

Europe is strongly increasing because of:

- Material increase in sales of ST Dupont products in France (+23% cumulative), especially in the retail business (Montaigne shop and SIS in department stores) and also because of a better perception of the product mix by our wholesalers.
- Implementation of the new distributor contract in Russia. This is mostly sell-in at the moment as Mercury needs to have its own stock. If this may not be recurrent, it's obvious that our forecasted sales in Russia are far above the level of sales reached by the previous distributor.
- Decrease in sales for third parties (-8.5%) as our strategy is to dedicate to a maximum our industrial resources to STD products that have a substantial higher margin.

Asia is decreasing because of the exchange rate impact (-5.8%). This decrease is also due to:

- Japan (-26.5% of which -8.2% for exchange rates). This decrease comes from our decision to have a better balance between Wholesale and Retail. Development of the retail network will take time before it can be seen in the subsidiary's level of sales.
- Other Asian subsidiaries (mostly Hong-Kong/China) are increasing by +5% (organic) and flat including exchange rates. Actions launched in Europe in term of merchandising are now effective and will be implemented in Asia in the coming months. The weight of wholesalers in the Asian business (especially in China) makes us feel that results could be seen in 2009-2010.

Americas suffers from the decrease of the US\$ and the decision to limit to a maximum the special editions for these markets as margin is too low.

The rest of the world, mostly Middle-East is doing pretty well after years of decline.

Per sector of business

| | Quarter | Variation | Variation (organic) | Cumulative | Variation | Variation (organic) |
|--------------------------------|---------------|--------------|---------------------|---------------|--------------|---------------------|
| Lighters & writing instruments | 8 519 | 11,4% | 14,4% | 17 263 | 6,4% | 9,6% |
| Leather goods & RTW | 9 470 | 26,0% | 29,7% | 16 575 | 16,6% | 20,0% |
| Total Sales products | 17 989 | 18,6% | 22,0% | 33 838 | 11,2% | 14,5% |

For the first time for years, lighters are increasing; this is mainly an increase in value due to an increase of the average selling price through higher added value products.

It's quite the same for writing instruments through a better mix in sales and the decrease of the business gifts segment as margins are not high enough.

If Ready-to-wear is stable, leather goods, belts and accessories are strongly increasing as planned in our business plan.

In conclusion, sales are strongly increasing. This has been carried on despite the absence of launch of new products or limited editions that will take place in the second part of the year or early next year (New York limited edition Neoclassic, black diamond, diamond leather,...).

Nevertheless, exchange rates remain one of our major concerns as almost 90% of our costs are in euros while only 50% of our sales are in euro.

In the same way, the better balance between wholesale and retail will take some time.

OPERATING ITEMS

Gross margin

Gross margin increase by +4.7 points compared to last year. This comes from:

- Implementation of the restructuring of our costs (head office, plant, European subsidiaries) in order to be in line with the forecasted level of sales ;
- Increase of gross margin through the stop of low margin products either STD or third parties products ;
- Increase in the average selling price through higher added value products;
- Pressure on sub contractors in order to decrease our costs.

Overheads

As a whole, they slightly increase but in various ways:

- Selling expenses are decreasing thanks to the cost cutting plan implemented last year.
- Administrative expenses are also decreasing for the same reasons.
- Consumers' studies and merchandising costs are increasing in order to comfort our decisions in term of new products so that they will be well perceived by our consumers in all our markets.
- Advertising expenses are strongly increasing both because they were at a very low level last year and because the implementation of the new strategy (STD DNA, product mix, new products, 135 anniversary,...) makes us able to tell a real story to our markets that can be heard both by media and consumers. This can be seen in the new advertising campaign, PR events, remodeling of existing shops,...

Non recurring items

While they were very material (positive) last year, it's almost nil for this year.

Exchange rates impact

They significantly increase compared to last year and amount -0.5 millions euros. As mentioned in the sales analysis, the Group faced the increase of the euro vs. other currencies.

Loss on exchange is split into conversion loss (-162 thousand euros vs. +60 thousand euros as at Sept, 30, 2006) and transaction loss amounting -376 thousand euros (vs. -274 thousand euros last year). Increase in transaction loss comes from the existing carry forward hedge contracts last year before the cancellation of the hedge agreements by our banks. Although the cancellation of the bank agreement is effective as from May 2007, the level of euro vs. other currencies and the forecasted change in parity prevent us from implementing a successful hedging strategy that would not have a negative impact on our P&L.

Financial expenses

They're decreasing compared to last year. This is the combined impact of:

- Share capital increase in June 2006 amounting 41.8 millions (of which 34.8 millions in new money) that had a positive impact on the cash position for 1 quarter last year ;
- Use of cash in order to finance the cost of the social plan, capital expenditures and operations.

EBIT

EBIT amounts -0.3 millions euros vs. +2.6 millions euros last year. EBIT loss is lower than the exchange loss booked to the P&L. Decrease compared to last year comes from the improvement of all the operational key indicators and the fact that there are no non recurring items this year while they amounted +5.4 millions euros last year.

NET RESULT

The net loss amounts -1.3 millions euros vs. +1.2 millions euros last year. Because of the significant amounts of non recurring items last year, the comparable variation is an improvement of 3.0 millions euros.

CASH

Operational cash flow for half year 1 amount -1.5 millions euros vs. -3.3 millions euros last year.

Because of increase in sales, working capital needs amounts -4.9 millions euros vs. +2.8 millions euros as at Sept, 30, 2006.

Thus cash flow generated by operations is -5.8 millions euros vs. -0.7 millions euros for the same period of last year.

Capital expenditures are above last year (1.6 millions euros vs. 0.8 millions euros as at Sept, 30, 2006). This mostly comes from capital expenditures dedicated to the plant.

Including interest expenses and repayment of short term debts or overdrafts, operational cash flow has been financed through the cash available that decreased by -9.8 millions euros vs. a +18.5 millions euros increase last year, including the share capital increase and the repayment of bank overdrafts.

As at Sept, 30, 2007, consolidated available cash is 25.2 millions euros vs. 36.7 millions as at Sept, 20, 2006 and 34.9 millions euros as at March, 31, 2007.

BALANCE SHEET

Trades receivables increase by +12.7% compared to last year, i.e. less than the sales increase in quarter 2, due to the continuation of the actions in view of monitoring debtors.

Inventories gross value decreased by -2.8% compared to last year. They're not yet at the optimal level in order to have a proper monitoring of the supply chain. Actions in view of improving our performance either for product manufactured by the plant or by sub contractors have been launched and shall bear their effects in the coming months.

Inventories depreciation remains stable at 28%.

2. CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1. Profit & Loss Account

| (Euros 000) | Notes | 30/09/2007 | 31/03/2007 | 30/09/2006 |
|-----------------------------------|--------|----------------|----------------|---------------|
| Sales « products » | | 33 838 | 71 379 | 30 438 |
| Other operational income | | 2 666 | 5 095 | 2 814 |
| Net sales | | 36 504 | 76 474 | 33 252 |
| Cost of sales | | (17 957) | (40 430) | (17 928) |
| Gross margin | | 18 547 | 36 044 | 15 324 |
| Communication expenses | | (2 149) | (5 112) | (1 413) |
| Selling expenses | | (6 771) | (14 794) | (7 325) |
| Administrative expenses | | (9 416) | (17 962) | (8 950) |
| Other income & charges | | (510) | 2 158 | 4 761 |
| Impairment (IAS 36) | | 27 | 200 | 220 |
| EBIT | | (272) | 534 | 2 618 |
| Financial income | 2.5.19 | 446 | 968 | 422 |
| Financial expenses | 2.5.19 | (1 067) | (2 213) | (1 074) |
| Net financial | | (621) | (1 245) | (652) |
| Other financial expenses | | (49) | (93) | (170) |
| Results of shared companies | | (216) | (192) | (347) |
| Result before tax | | (1 159) | (996) | 1 449 |
| Tax | | (128) | (22) | (248) |
| Net result | | (1 286) | (1 018) | 1 201 |
| Résultat net | | (1 286) | (1 018) | 1 201 |
| Groupe | | (1 286) | (1 018) | 1 201 |
| Minority interests | | - | - | - |
| Earning per share (euros) | 2.5.20 | (0,003) | (0,00) | 0,00 |
| Diluted earning per share (euros) | 2.5.20 | (0,003) | (0,00) | 0,01 |

Accompanying notes are an integral part of the financial statements.

2.2. **Balance sheet**

| ASSETS (euros 000) | Notes | 30/09/2007 | 31/03/2006 | 30/09/2006 |
|---------------------------------|--------------|-------------------|-------------------|-------------------|
| Non current assets | | | | |
| Good will | 2.5.3 | 2 838 | 2 995 | 3 179 |
| Intangible assets (net) | 2.5.4 | 466 | 578 | 197 |
| Tangible assets (net) | 2.5.5 | 2 389 | 1 731 | 1 018 |
| Financial assets | | 1 716 | 1 491 | 1 489 |
| Share companies | 2.5.6 | 629 | 845 | 289 |
| Deferred tax | | 208 | 219 | 238 |
| Total non current assets | | 8 246 | 7 859 | 6 409 |
| Current assets | | | | |
| Inventories & work in progress | 2.5.7 | 21 172 | 19 279 | 21 278 |
| Trade receivables | 2.5.8 | 12 030 | 9 949 | 10 661 |
| Other receivables | 2.5.9 | 4 159 | 3 327 | 3 762 |
| Curent tax | | 650 | 867 | 1 059 |
| Financial assets | 2.5.10 | 0 | 0 | 0 |
| Cash & cash equivalent | 2.5.11 | 26 412 | 35 908 | 36 715 |
| Total current assets | | 64 422 | 69 330 | 73 475 |
| Total Assets | | 72 668 | 77 189 | 79 884 |

Accompanying notes are an integral part of the financial statements.

| LIABILITIES | | | | |
|--|--------|---------------|---------------|---------------|
| (Euros 000) | Notes | 31/03/2007 | 31/03/2007 | 30/09/2006 |
| Retained Earnings (Group) | | | | |
| Shared capital | 2.5.12 | 21 231 | 21 231 | 21 231 |
| Additional paid-in capital | | 967 | 967 | 952 |
| Treasury shares | | 0 | -5 | -1 |
| Equity component of convertible bonds | | 1 904 | 1 904 | 1 904 |
| Fair value of hedging instruments | | 0 | 0 | 0 |
| Reserves | | -5 062 | -4 039 | -3 986 |
| Conversion reserves | | -1 723 | -1 251 | -566 |
| Equity – Group | | -1 286 | -1 018 | 1 201 |
| Total Equity – Group | | 16 031 | 17 789 | 20 736 |
| Total Equity – Minority interests | | | | |
| Non current debts | | | | |
| Convertible bonds | 2.5.14 | 21 228 | 20 856 | 20 573 |
| Financial debts | 2.5.15 | -36 | 0 | 38 |
| Financial debt (lease) | 2.5.13 | 131 | 133 | 248 |
| Hedging instruments (over 1 year) | | | | |
| Deferred tax | | 22 | 19 | 15 |
| Provision for risks | | 0 | 0 | 0 |
| Provision for retirement indemnities | 2.5.13 | 6 176 | 6 170 | 6 334 |
| Total non current debts | | 27 522 | 27 179 | 27 208 |
| Current debts | | | | |
| Trade payables | 2.5.16 | 6 894 | 7 037 | 6 087 |
| Other payables | 2.5.17 | 9 111 | 8 967 | 8 964 |
| Tax current | | 666 | 545 | 467 |
| Provision for risks | 2.5.13 | 9 042 | 11 057 | 13 010 |
| Convertible bond (short term) | 2.5.14 | 772 | 1 544 | 772 |
| Financial debts | 2.5.15 | 2 463 | 2 830 | 2 388 |
| Financial debts lease | 2.5.15 | 167 | 242 | 252 |
| Hedging instruments (short term) | | 0 | 0 | 0 |
| Total current debts | | 29 114 | 32 221 | 31 940 |
| Total Liabilities | | 72 668 | 77 189 | 79 884 |

Accompanying notes are an integral part of the financial statements.

2.3. Cash flow statement

| (Euros 000) | 30/09/2007 | 31/03/2007 | 30/09/2006 |
|--|----------------|----------------|----------------|
| I – Cash flow from operations | | | |
| Net loss before tax | (1 286) | (1 018) | 1 201 |
| Depretiation & provision | 298 | 1 119 | 525 |
| Good will depretiation | 0 | 0 | |
| Unrealized gains and losses from changes in fair value | 0 | (9) | (9) |
| Income/expense related to stock options | 0 | 0 | 0 |
| Changes in provisions | (1 989) | (8 000) | (5 914) |
| Net financial expenses | 690 | 1 351 | 807 |
| Capital gain/loss | 430 | (653) | (477) |
| Taxation | 128 | 22 | 248 |
| Share results in associated companies | 216 | (209) | 347 |
| Cash flow | (1 513) | (7 397) | (3 272) |
| Change in inventories | (2 179) | 1 676 | 2 |
| Change in receivables (trade) | (2 176) | 3 673 | 3 126 |
| Change in receivables (other) | (864) | 972 | 553 |
| Change in payables (trade) | (83) | 2 171 | 1 153 |
| Change in payables (other) | 180 | (1 980) | (2 024) |
| Cash flow from operations | (5 122) | 6 512 | 2 810 |
| Financial expenses paid | (73) | (406) | (295) |
| Financial income received | 447 | 961 | 415 |
| Income tax paid | 238 | 168 | (356) |
| CASH FLOW | (6 023) | (162) | (698) |
| II – Capital Expenditures | | | |
| Intangible assets | 0 | 0 | (13) |
| R & D expenses | (256) | (450) | (191) |
| Tangible assets | (1 025) | (1 731) | (598) |
| Other financial assets | (300) | (79) | (5) |
| Total Capex | (1 581) | (2 260) | (807) |
| Sale of tangible assets | 0 | 16 | 0 |
| Sale of other financial assets | 20 | 34 | 29 |
| Sale of assets | 20 | 50 | 29 |
| CASH FLOW FROM INVESTMENTS | (1 561) | (2 210) | (778) |
| III – Financing | | | |
| Share capital increase | 0 | 41 154 | 41 210 |
| Reduction in share capital | | | (14) |
| Treasury shares | 0 | 19 | 23 |
| New financial debts | 297 | 430 | 331 |
| Shareholders current account | 0 | (7 000) | (7 000) |
| Repayment of financial debts | (1 386) | (3 913) | (14 335) |
| Interests paid | (1 067) | (2 036) | (1 074) |
| Other | 0 | (10 551) | (596) |
| CASH FLOW FROM FINANCING | (2 156) | 18 103 | 18 545 |
| Impact of exchange rates | (77) | (285) | 150 |
| Net change in cash | (9 817) | 15 446 | 17 219 |
| Cash (opening balance) | 34 942 | 19 496 | 19 496 |
| Cash (closing balance) | 25 125 | 34 942 | 36 715 |
| Net change in cash | (9 817) | 15 446 | 17 219 |

Accompanying notes are an integral part of the financial statements.