

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS FOR 2004

Ladies, Gentlemen, Dear Shareholders,

In this report, your Board of Directors presents a summary of the Group's activities during the fiscal year 2004 and discusses its prospects for the future.

BIC is one of the world leaders in the stationery, lighter and shaver markets. Our products are sold all over the globe, in more than 160 countries. Channels of distribution include stationery stores, tobacco shops, mass-merchandisers, convenience stores, office supply companies, wholesalers and cash-and-carry outlets.

The Group's development strategy has three major elements, all aimed at meeting the needs of today's increasingly global customers and consumers:

- 1) continuous improvement of our classic products, with selective expansion of the geographic areas in which they are sold;
- 2) development of new value-added products; and
- 3) sustained efforts to improve productivity.

Following this strategy, BIC Group's operational efforts and highlights for the year 2004 can be briefly summarized as follows:

- The Group made two acquisitions: Stypen in France and BIC Kosaido KK in Japan;
- BIC gained overall market share in both stationery and lighter categories worldwide;
- In an intensely competitive marketplace, the shaver category showed a positive trend, particularly with the successful launch of BIC® Soleil™ triple-blade shaver for women.

In value terms, triple-blade sales now account for 20% of the Group's total sales in this category;

- The Americas performed very well, with both North America and Latin America showing gains;
- European sales were down, particularly in lighters due to competition from Asian imports;
- In 2004, the US Dollar versus the euro exchange rate fluctuations negatively impacted our consolidated sales growth by 5.3 points;
- USA restructuring: BIC announced in April 2004 the closure of its BIC® ballpoint pen and BIC® shaver manufacturing operations in Milford, Connecticut, USA, and its Sheaffer® manufacturing facility in Fort Madison, Iowa, USA by the end of 2006. The estimated cost to BIC Group P&L is approximately 65 million US Dollar with an estimated annual savings of 25 million US Dollar. The Group expects to realise a portion of the savings as early as 2005. The restructuring expenses impacted the 2004 income before tax by 51 million US Dollar (40 million euro.)

Around the world, BIC continues to invest in brand name development, making the most of this precious asset to strengthen its recognition and reputation among customers and consumers in both developed and emerging markets. Our goal is to produce efficiently at lower cost, either in-house with our own technologies or, to a lesser extent, by outsourcing to increase flexibility or to take advantage of new technologies. This strategy is tied closely with our commitment to achieving exceptional customer service, with increased productivity and efficiency in every aspect of our multinational operation.



BIC Group sales by region 2002-2004

<i>In euro millions</i>	2002	2003	2004	Change 2004/2003	On a comparative basis ⁽¹⁾
Western Europe	457.1	444.5	452.4	+ 1.8 %	- 1.7%
North America & Oceania	718.7	637.4	640.3	+ 0.5 %	+ 8.6%
Latin America	194.5	175.5	182.1	+ 3.8 %	+ 14.1%
Eastern Europe, Middle East, Africa and Asia	121.3	102.7	111.6	+ 8.7 %	+ 8.7%
TOTAL	1,491.6	1,360.1	1,386.4	+ 1.9 %	+ 6.0%

Comparison of key figures: 2002-2004

BIC GROUP

<i>In euro millions</i>	2002	2003	2004	Change 2004/2003	On a comparative basis ⁽¹⁾
Sales	1,491.6	1,360.1	1,386.4	+ 1.9%	+ 6.0%
GROSS PROFIT	830.2	742.6	741.7	- 0.1%	+ 3.6%
INCOME FROM OPERATIONS	252.5	209.0	215.1	+ 2.9%	+ 10.3%
Financial income / (costs)	(18.6)	(8.9)	(7.8)	- 12.4%	- 17.8%
Income from associates	(1.1)	0.6	0	ns	ns
Other income / (expense)	(8.6)	(10.4)	(33.9)	× 3.3	× 3.5
Goodwill amortization	(10.7)	(11.3)	(13.9)	+ 23.1%	+ 27.5%
INCOME BEFORE TAX	213.5	179.0	159.5	- 10.9%	- 4.1%
Income tax expense	(81.4)	(68.3)	(60.4)	- 11.6%	- 6.2%
Minority interest	(5.4)	(0.4)	(0.2)	- 55.1%	- 51.3%
GROUP NET INCOME	126.7	110.3	98.9	- 10.3%	- 2.6%
EARNINGS PER SHARE (IN EURO)	2.23	2.03	1.87	- 7.8%	+ 0.2%
Number of shares*	56,743,634	54,393,854	52,882,591		

* Average number of shares outstanding net of treasury shares.

(1) In 2004, comparative basis excludes the additional sales and results of the recently acquired companies DAPE 74 Distribution in France (from January 1, 2004), BIC Kosaido KK in Japan (from April 1, 2004) as well as Styphen (from June 1, 2004). Comparative basis means at comparable perimeter and at constant currencies. Constant currency figures are calculated by translating the current year figures at prior year monthly average exchange rates.



Total Group sales were 1.386 billion euro, up 1.9% from 2003. 2004 net sales were negatively impacted by foreign exchange effects, particularly the declines in the US Dollar and the Brazilian Real, which account for approximately 60% of the Group's total net sales. The result was a cumulative negative impact of 5.3 points on its growth as of December 31, 2004.

The three core business lines of the Group are stationery products, lighters and shavers. They represent 96% of BIC Group sales.

The change of perimeter (consolidation in 2004 of DAPE 74 Distribution, acquisitions of BIC Kosaido KK, and Stypen and sale of Ballograf facility) had an impact on sales growth of 1.2 points. On a comparative basis⁽¹⁾, i.e., excluding the additional sales from the integration of these companies and at constant currencies, the Group's sales increased by 6.0%.

Consolidated income from operations was 215 million euro, up 2.9% from 2003. The operating margin increased slightly from 15.4% of sales in 2003 to 15.5% in 2004. The increase in production costs was offset by lower operating expenses.

Income before tax decreased by 10.9%, from 179 million euro in 2003 to 160 million euro in 2004 (margin declined 1.7 points). This decline is due to the US restructuring, of which costs were 40 million euro (7 million euro in the 1st Half, 33 million euro in the 2nd Half).

In 2004, the Group's effective tax rate was maintained at 38%.

Group net income decreased from 110 million euro in 2003 to 99 million euro in 2004, a 10.3% decline over 2003, primarily due to the US restructuring (26 million euro after tax). Total net income before adjustment for minority interests was 99 million euro in 2004 compared with 111 million euro in 2003.

Dividends

The Board will propose a net dividend of 0.90 euro at the Annual Shareholders' Meeting on May 19, 2005. The pay-out ratio would be 47% in 2004, versus 39% in 2003. An interim dividend of 0.40 euro was already paid on November 3, 2004. The dividends paid for the last three fiscal years were as follows:

Year	Net Dividend (in euro)	Shareholder tax benefit (in euro)	Total (in euro)	Net Dividend divided by earnings per share
2003	0.80	0.40	1.20	39%
2002	0.80	0.40	1.20	36%
2001	0.65	0.325	0.975	30%

(1) See footnote page 5.

The Board will also propose a special dividend of 1.00 euro per share at the Annual Shareholders' Meeting.

The Company has a positive net cash position and a strong balance sheet. Net cash position was 160 million euro as of December 31, 2004.

It is specified that the Board of Directors did not make any share capital increase even though it had received authorization at the Annual Shareholders' meeting on June 3, 2004.

Group performance by geography

WESTERN EUROPE

Sales in Western Europe, 452 million euro, were up 1.8% as reported compared to 2003, but down 1.7% on a comparative basis (+2% in volume). The difference is mainly due to the consolidation of Stypen and DAPE 74 Distribution.

The consumer stationery business was up as reported in this region, driven by both classic and value-added products, with BIC® being the only major brand gaining market share against the competition. In contrast, sales in the imprinted business had an unfavorable effect on the stationery sales trend.

Lighter sales were down, under the continued pressure of competition from low-priced, low-quality products from Asia, especially with the growing discount retail segment in Western Europe.

Shaver sales were essentially flat. Sales of single- and twin-blade shavers declined, but this decline was offset by the success of BIC's triple-blade shavers, BIC Comfort 3™, launched in March 2003, and BIC® Soleil™, launched in March 2004.

The management team in Western Europe is addressing the challenges and growth opportunities in all three categories with increased promotional activity and advertising.

To strengthen its position in the stationery market in 2004, BIC launched BIC® Kids to replace Conté®, a complete line of felt pens, coloring pencils and crayons dedicated to children. Made in France by BIC, the BIC® Kids products are created with the Conté® team's expertise.

In 2004, BIC Group also acquired 100% of Stypen, a French manufacturer of writing instruments since 1934. This acquisition illustrates our strategy of acquiring local companies in key market segments and represents an important step in BIC's evolution as a leading full-line stationery supplier in Europe. Stypen, which reported 2003 sales of 17 million euro mainly in France, provides BIC with a 10% share of the refillable "school fountain pen" segment, one of the largest writing instrument segments in France today. In addition, Stypen has an attractive portfolio of licensed brands, as well as an imprinted business, which BIC will leverage to strengthen its position throughout Europe.

Effective November 1, 2004, BIC Group sold its Ballograf® business to Ballograf's management. Ballograf® branded writing instruments, which include value-added ball pens and mechanical pencils, were launched in 1947 in Sweden. BIC will continue to distribute Ballograf consumer products in Scandinavia, Austria and Switzerland, as well as Ballograf promotional products worldwide.

In this region, income from operations decreased due to higher production costs, mainly as a result of material price increases.

➤ EASTERN EUROPE, MIDDLE EAST, AFRICA AND ASIA

Sales in EEMEA (Eastern Europe, Middle East and Africa) and Asia, which reached 112 million euro compared with 103 million euro in 2003, were up 8.7% both as reported and on a comparative basis (+5% in volume).

The strengthening of the euro versus the US Dollar negatively impacted the Group's sales in the EEMEA region, but performance in the stationery category with distributors and in the lighter category were particularly strong. In this region, we continued to optimize our distribution network and improve relationships within these networks. BIC also remains committed to carefully building its business in Asia. In March 2004, BIC announced that it had acquired Kosaido Shoji, its distributor for more than 30 years in Japan. The newly named Company, BIC Kosaido KK, marks an important milestone in BIC Group's expansion strategy for Asia, as BIC now directly distributes its stationery, lighter and shaver products in the Japanese marketplace.

The sales increase in Asia in the 2nd Half of 2004 reflected the positive integration of BIC Kosaido KK.

Income from operations in this region improved, primarily due to the sales increase.

➤ NORTH AMERICA AND OCEANIA

The North America and Oceania region includes the USA, Canada, Australia and New Zealand.

The weak performance of the US Dollar against the euro (the US Dollar depreciated an average of 9% over the year) negatively

impacted the Group's sales performance in this region.

Therefore, sales increased slightly, +0.5% as reported, while on a comparative basis they increased by 8.6% (and +3% in volume). Sales in all three categories increased on a comparative basis in this region.

The stationery consumer business continued to be strong, driven by both classic and value-added products with BIC gaining market shares in the US in all channels, but with sales essentially flat in Canada and Oceania. 2004 was also highlighted by the successful re-launch of BIC's permanent marker line, BIC® Mark-It™.

Sales were up in the imprinted business as well. This business is linked to the promotional and advertising spending of our customers, primarily hotels and pharmaceutical companies.

Lighter sales achieved double-digit growth due to increased distribution, visibility, improved branding and active communication and education of customers regarding BIC's long-standing reputation for quality and value in this category.

In the United States, BIC continued its efforts to heighten customer and consumer awareness about the importance of lighter safety and risks posed by some imported lighters that do not meet industry standards.

As a member of the Lighter Association, the US trade association of the lighter industry whose members include all of the major manufacturers and distributors of lighters in the US, BIC supported a petition filed with the US Consumer Product Safety Commission (CPSC) requesting a mandatory lighter safety standard under the Consumer Product Safety Act (CPSA). On December 1, 2004, the CPSC voted unanimously to start development of a mandatory safety standard for lighters. The mandatory standard could be based on the current voluntary "Standard Consumer Safety Specification for Lighters" (ASTM F-400). This is the standard to which all of the Lighter Association members currently comply on a voluntary basis.

In the shaver category, triple-blade sales offset declines in single-blade shaver sales. The market trend in this region clearly showed a faster than expected "trade up" by consumers to the triple-blade products (triple-blade segment has value share of over 33% in the US compared to approximately 16% in Europe). BIC also experienced a very encouraging launch of the BIC® Soleil™ triple-blade shaver for women in March 2004.

In this region, income from operations increased due to the strong performance of the three categories.

➤ LATIN AMERICA

The Latin America region includes Mexico, Central America and South America.

During the year 2004, the Brazilian currency devaluated by 4% against the euro, while inflation in Brazil reached 7% in the same period. The valuation of the Brazilian currency against



the US Dollar was 5%. This resulted from the global weakness of the US Dollar and also the good performance of the Brazilian economy that has received many foreign investments during the year. The combined effect of currency fluctuations and devaluation cost BIC 10.3 points of growth.

Stationery, lighter and shaver all showed an increase in sales on a comparative basis in this region. The trend is positive as reported in lighters and shavers. The positive impact of the fight against counterfeit products in Brazil has helped us regain lost lighter units of close to 15 million but at a lower average sales price.

The increase in sales was 3.8% as reported, while on a comparative basis sales increased by 14.1% (and by 10% in volume). In 2005, we will continue to focus on regaining price points lost because of devaluation.

In the stationery category, ballpoint pens and graphite pencils performed well and we gained market share from the competition. Lighter sales were strong, as we made excellent progress in our fight against counterfeit products. In fact, we continue to work

with the government on anti-counterfeit measures through an association, as well as provide training for customs employees throughout the region. We have received requests from companies to form this type of association both in Venezuela and in Argentina for next year.

In the shaver category, our advertising campaign was well-received by consumers and drove volumes up. BIC® Comfort Twin shaver continued to do well.

We are always looking for new categories to be added to our portfolio that can benefit from our brand and our strength in distribution. Our battery business, which is out-sourced and was launched in 2003, will help us achieve this goal. We have expanded our distribution and now will sell this line in Argentina, Chile, Uruguay, Paraguay, Ecuador, El Salvador, Panama and the Dominican Republic. Prospects are to increase sales to at least three to five more countries in 2005.

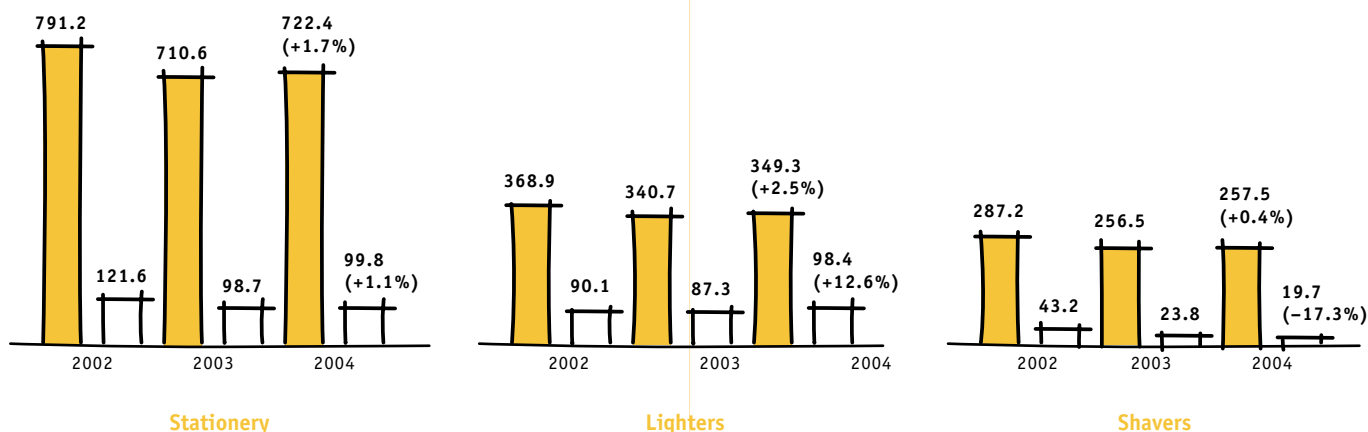
Income from operations for this region in 2004 decreased, negatively impacted by plastic price increases.

Group performance by category

BIC Group net sales by product category 2002-2004

(in euro millions)

■ Net sales
□ Income from operations



STATIONERY

Stationery represents a market of over 7 billion euro (BIC's estimate at the manufacturer selling price level) that remained relatively flat in 2004. BIC's worldwide market share is about 9% in value terms and it is the only branded company to grow and gain market share from the competition.

As reported, sales were up 1.7%, to 722 million euro and up 5.6% on a comparative basis in value (+7% in volume). Gains in 2004 resulted from increasing market share, particularly in North America and in Europe. Sales increased as well, excluding the Stypen contribution.

The stationery perimeter changed with the acquisition of Stypen.

Overall, BIC's new products and product line extensions accounted for approximately 21% of stationery sales, with very strong back-to-school performance in Western Europe and North America. Both BIC's classic and value-added stationery products showed positive trends, especially mechanical pencils, correction products and the BIC® Disney Magic Artist range of coloring products.

Sales in the imprinted advertising business increased in 2004 on a comparative basis. In the United States, the imprinted business is seeing increased activity in sales of BIC® Sticky Notes™, re-positionable adhesive notepads.

In 2004, we continued our focus on new product introductions while the correction, ballpoint pen, mechanical pencil and gel ink segments fueled the growth. The classic line of BIC® writing instruments also grew in a very competitive environment through targeted promotional programs.

Sales were down in the Sheaffer® product line of luxury writing instruments in 2004. However, we are encouraged by the successful launch of Sheaffer® Prelude® MPI, an upscale, user-friendly, fine writing instrument that converts from ballpoint pen to highlighter with a simple twist of the barrel.

Overall, the operating margin slightly decreased to 13.8% of net sales versus 13.9% in 2003. The decrease was mainly due to additional material costs, currency fluctuations and to the imprinted business that was under pressure in line with the advertising industry.

LIGHTERS

The global disposable lighter market is estimated to be flat with a volume of 7.2 billion units and value of 800 million euro at Average Sell Price (BIC estimates). BIC's worldwide market share, in value terms, is about 35%.

As reported, sales were up 2.5% to 349 million euro. On a comparative basis, sales showed positive growth of 7.9% in value (+6% in volume), despite continued strong competition from inexpensive Asian products, most of which do not meet ISO safety standards. As in 2003, sales in the United States were particularly strong, while sales in Western Europe declined the most, mainly because of Asian imports. In order to regain market share,

BIC Western Europe teams will begin a communication program in 2005, similar to the one conducted in the USA, with the aim of educating the trade on quality and safety.

The Group continued its successful fight against counterfeit products, particularly in South America (Brazil, Paraguay).

Sales in the multipurpose lighter segment continued to show positive growth. This segment already represents 7% of the category sales. In 2004, BIC continued to build market share of its innovative three-position candle lighter.

Total lighter profitability is driven mainly by the performance in North and Latin America. Also, the impact of more value-added products (candle lighter) helped to increase profitability. Overall, the operating margin was 28.2% of net sales, up 2.6 points over 2003.

Child-resistant lighter regulations have been postponed in Europe. BIC has already made the necessary capital investments in this technology and is well prepared for this transition. The Group has been selling child-resistant lighters, in accordance with local government standards, in North America, Australia and New Zealand for several years.

SHIVERS

BIC has about 20% in value terms of the one-piece wet shaving market in the United States and Europe (AC Nielsen, IRI and BIC estimates).

As anticipated, in 2004 we experienced intense competition in the triple-blade segment and aggressive increases in promotional spending by competitors. Overall, BIC® shaver sales increased slightly, by +0.4%, to 258 million euro. On a comparative basis, sales increased by 4.9% in value and decreased 2% in volume.

In emerging markets, single-blade and twin-blade products performed well. In developed countries, there were very aggressive new product launches that captured customer and consumer attention.

Faster than anticipated consumer preference for triple-blade shavers drove sales in this category, especially in North America where the triple-blades market share is above 33% (versus approximately 16% in Europe). The first BIC® triple-blade shavers, BIC Comfort 3™ for men, launched in 2003, and BIC® Soleil™ for women, launched in March 2004, performed well, more than offsetting the overall decline in single- and twin-blade shavers.

The operating margin in this category declined by 1.7 points, to 7.6% of net sales, mostly due to the reduction of single-blade shaver sales. This decrease is also the result of our decision to invest more in brand support and Research & Development to build our triple-blade franchise. Additionally, the manufacturing consolidation, announced in April 2004, will improve our future shaver manufacturing efficiencies from 2006.

Competitive pressure will remain strong in this category following mergers and consolidation in the consumer goods sector.



➤ OTHER PRODUCTS

Other product sales include mainly BIC Sport sales, pantyhose sales in Greece, Austria and Ireland, and DAPE 74 Distribution sales. This also includes battery, magnet and mouse pad sales.

In 2004, BIC Sport became the number one brand in the surf market, with a continued growth in this segment of 15% over 2003. Kayak sales doubled.

As a result of the declining windsurf market, BIC refocused successfully on more dynamic segments.

BIC Sport launched a line of kayaks in Europe in 2002. With an innovative design and simple products, BIC Sport quickly became the leader of leisure kayaks in Europe.

BIC Sport helps reinforce the BIC® brand image in the youth market, providing boards for the passions of young people.

BIC Sport sales were flat in 2004, at 21.9 million euro. BIC Sport also produced some writing instruments (accounting for about 12% of BIC Sport's total sales figures).

Income from operations was at breakeven in 2004, in spite of the launching of this business in the United States through the creation of a subsidiary in 2003.

Management of currency and interest rate risks

➤ HEDGING FOREIGN EXCHANGE RISKS ON INTERNATIONAL MARKETS

Since BIC has a presence in over 160 countries, business is subject to fluctuations in financial markets. Foreign exchange (FOREX) risk management policy is to hedge transactions in foreign currencies throughout options and forwards contracts. The Group does not hedge against FOREX conversion variations arising in the consolidation of foreign affiliates, except for intra-Group dividends. Direct and equity investments are also usually carried out in local currencies.

These operations exclude all purely speculative transactions. BIC manages foreign exchange risks in order to improve profitability and enhance liquidity and security. Corporate treasury is not a profit center and reports the status of its FOREX hedges to senior management on a monthly basis, separating the matured and non-matured operations, and also the FOREX results attached.

Since 2000, the Group has annualized FOREX hedging, permitting subsidiaries to bring their exposure close to zero while all risks are centralized at parent company level, except for non-convertible currencies. A regular reporting process common for all subsidiaries allows the identification of FOREX positions for each currency, and their forward-looking evolution during the year. SOCIÉTÉ BIC consolidates subsidiaries' foreign exchange risk and hedges the residual risk on financial markets. This net exposure is mirrored with the subsidiaries through internal FOREX guarantee contracts.

The goal is to cover any net exposure currency by currency. The most important risk remains the US Dollar-Euro rate. It is covered at over 95% for 2005.

All hedging contracts are set up with top-level banking institutions, making counterparty risk very low.

In countries for which it is not possible to centralize the risk as described above, foreign exchange exposure is managed locally, and Group treasury with the local affiliate give special attention to monitoring the situation. Such exposure is concentrated in the following countries or regions:

- **Brazil** – The Brazilian subsidiary locally produces most of the products sold on its national market, but also imports some components manufactured inside the Group. Local hedging is set up, with coverage for 2005 at 80%.
- **Asia** – Asian subsidiaries import mainly from SOCIÉTÉ BIC and BIC Corporation in US Dollar. Hedges are set up locally to meet national regulatory and tax requirements. For 2005, coverage will be set up on a case-by-case basis, depending on trends in the local political and economic situation in each country.

The exposure to Asian currencies is not material for the Group.

➤ MANAGING INTEREST RATE RISKS

Interest rate exposure is very limited. All local financing needs are directly indexed to a variable interest rate base. Borrowers' positions are not significant enough and on too short periods to require any hedging on rate risk.

Investor Relations

The Investor Relations department is fully available to answer all inquiries from retail and institutional investors alike.

Over the past several years, institutional investors have taken an increased stake in the capital of BIC, clearly demonstrating the keen interest they show in our Company. Their interest is further enhanced by our more proactive financial communications policy.

Throughout the year, BIC holds meetings with analysts and institutional investors through road shows in the major financial marketplaces.

At the retail investor level, BIC has reinforced its proactive communication. In line with our objective, we sent our first two shareholders' newsletters in 2004, focusing on strategy, new products and results, with an updated calendar. The first BIC Group "Shareholders' Newsletter" was sent in January 2004 and the second in October 2004. It is a four-page document, issued twice yearly, and includes key figures, the Chairman's message, a focus on new products and details about BIC shares. The feedback from individual investors is very positive.

BIC has also initiated its first meeting dedicated to its retail investors. On October 1, 2004, Bruno Bich made a Company presentation in front of more than 450 people at the "Forum de l'Investissement." We plan to organize in 2005 at least two meetings for retail investors in two large French cities, where our shareholders are concentrated.

We have also put in place a toll-free number for retail investors at the end of 2004: 0 800 10 12 14.

Prospects for 2005 and strategy

Although the future is always difficult to predict, our overall performance in 2004 gives us confidence that we are well-positioned to capture opportunities in our three categories in 2005. New products and line extensions will continue to support our strong market share in stationery and lighters. In the shaver category, we will build upon the success of our new products in the growing triple-blade segment.

Building on the growth of our stationery category in 2004, we will continue to focus on dedicating our manufacturing expertise and design resources toward developing products and line extensions that strengthen the BIC® brand equity and meet the unique needs of consumers in different parts of the world.

As the leader in high-quality pocket lighters, BIC will more aggressively communicate its quality message to the consumer and customer, particularly in areas such as Western Europe, where we continue to experience intense competition from Asian imports. This strategy has proven very effective in North America where we continue to see similar competitive pressures during the past few years.

To capture opportunities in the expanding triple-blade shaver segment, the BIC Comfort 3™ Advance™ shaver for men will be launched initially in the United States in the spring of 2005. In developed countries, BIC® triple-blade shavers are very well-positioned from both a quality and price perspective, while single- and twin-blade shavers continue to bring opportunities for growth in emerging markets. Our research and development focus includes the advance of both our blade and product development programs to deliver improved shaving performance, as well as innovative and differentiated products to the marketplace.

The Group's objectives for 2005 build on the momentum gained in 2004, including strategies for maintaining and improving profitable growth in each of our core businesses. Our goal is to maintain the sales growth of our core businesses in line with 2004 (+6% on a comparable basis) and grow at a rate comparable or better than today's multinational consumer product companies who compete in similar markets.

Risks and opportunities

From a Group perspective, we expect that the slowdown in the growth of the European economy and foreign currency fluctuations, particularly the weakness of the US Dollar, will continue to have an impact on results in 2005. There is also uncertainty in the price of raw materials.

As we consider the risks and opportunities in each of our three categories, we are facing the growth of private labels in the stationery category, especially in ballpoint pens. We are addressing this challenge with the inherent strength of the BIC® brand, a proven asset illustrated by the market share we gained in 2004. Our marketing teams are focused on better understanding the local consumer, while further maintaining and improving our brand equity around the world. To meet the challenge of private label we will continue to differentiate our products and provide unique product benefits, from better grips to new inks and ink systems.

Asian competition in the lighter market continues to be a challenge, especially in Europe, but we believe we are making progress by educating consumers and customers about the safety, quality and value of BIC® lighters. The multipurpose segment continues to offer opportunities for growth and innovation, as shown by the success of our multi-position candle lighter.

In the intensely competitive shaver market, we believe that we are in an important transition period where the challenge is profitable growth of our business. Triple-blade sales now account for 20% of our total sales in this category and we are focusing on balancing the growth of these value-added product sales against the continuing decline of single-blade shavers in developed regions, particularly Western Europe and North America.

For all three categories, our greatest opportunity remains the strength of our brand and continuing to differentiate our products to achieve both consumer satisfaction and loyalty.

Research and Development (R&D)

Each year, BIC invests approximately 2% of sales for research and development of new products.

Performance goals

Sales growth, higher margins, positive trends in cash flow and working capital are the principal indicators of the Group's performance. Our focus is to grow profitability at a faster rate than sales (+6% on a comparable basis), while managing the challenges of raw material increases and the impact of currency fluctuations.



Switching to International Financial Reporting Standards

REGULATORY FRAMEWORK

European regulation 1606/2002, dated July 19, 2002, and published on September 11, 2002 in the Official Journal of the European Communities, requires all companies that are listed on a regulated market of a European Union member country to present consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB).

This requirement applies to SOCIÉTÉ BIC, which is listed on Euronext Paris and is the parent company of the BIC Group. Consequently, the 2005 consolidated financial statements of BIC Group will be prepared in accordance with International Financial Reporting Standards (IFRS*), which require 2004 comparative data to be disclosed on the same basis.

IFRS will be applied by 7,000 European groups, potentially affecting their financial indicators, their relations with the financial markets and certain strategic decisions.

MANAGEMENT OF THE TRANSITION TO IFRS

The BIC Group addressed these issues by setting up a project team in the beginning of 2003 managed by the CFO and reporting regularly to the Audit Committee and the Board of Directors.

The project is being conducted in three phases:

- the first phase, already completed, consisted of identifying and resolving the operational issues arising from the practical adoption of IFRS, and deciding on options;
- a phase of analysis of options and their impact on financial statements achieved during the first half of 2004;
- an implementation phase completed at the end of 2004, including the adaptation of information systems and the organization of training sessions for the teams involved in producing the consolidated financial statements as well as preparing 2004 proforma according to IFRS.

The first diagnosis phase was conducted based on a review of detailed questionnaires completed by the subsidiaries and organized through workshops related to the main standards.

This phase allowed the Group to focus on:

- accounting challenges (financial statements presentation and accounting method change);
- internal organization challenges (training, centralized process or not);
- information systems challenges;
- financial communication challenges.

* Previously known as International Accounting Standards ("IAS")

The phase related to analysis of options and impact review is based on accounting policies and principles elected by the Group.

An IFRS accounting manual had been prepared and provided to the finance directors of the Group subsidiaries. This manual is the basis of the training program developed for the worldwide finance team.

NARRATIVE AND QUANTIFIED INFORMATION RELATED TO SWITCHING TO IFRS

IFRS reporting calendar

According to the AMF recommendations related to switching to IFRS, letter issued July 2, 2004, BIC Group has decided to disclose the impact of this change in standards on the transition date (January 1, 2004) through a reconciliation of shareholders' equity between French rules and IFRS rules as the available information is sufficiently reliable and precise (see page 14).

This opening Balance Sheet has been externally audited by our statutory auditors.

The following information related to fiscal year 2004 pro forma IFRS, and for which the process of auditing has not yet been completed, will be disclosed with the 2005 half-year financial statements:

- reconciliation of shareholders' equity between French rules and IFRS rules at December 31, 2004, following the same format and level of information as the one used for the transition date;
- reconciliation of consolidated income statement for comparative disclosed periods i.e., June 30, 2004 and December 31, 2004, under French GAAP and IFRS, follows the same format and level of information;
- financial notes related to main impacts and adjustments on the cash flow statement.

Options and related accounting treatments

The following options have been elected for the IFRS opening balance sheet as of January 1, 2004, according to IFRS 1, *First Time Adoption of IFRS*:

- Presentation of the cumulative translation differences for all foreign operations at a deemed zero balance and reclassification of the related amount as retained earnings for the IFRS opening;
- Business combinations completed before January 1, 2004: no restatement of past business combinations;
- Tangible and intangible assets as of January 1, 2004: historical costs except Spanish and Portuguese tangible assets for which opening amounts are based on past legal revaluation values;
- Employee benefits: all existing unrecognized actuarial differences under French rules as of December 31, 2003, are booked against equity as of January 1, 2004.

IAS 32 and 39 related to financial instruments will be applied as of January 1, 2005, with no comparative presentation.

IFRS 2, *Share-based payment*, and IFRS 5, *Non-current assets held for sale and discontinued operations*, will be anticipated with an application as of January 1, 2004.

The main options elected by the Group in compliance with IFRS, besides those related to the opening balance sheet disclosed previously, are as follows:

- Intangible and tangible assets: accounting for using the cost method (IAS 16 and 38);
- Investment property: accounting for using the cost method (IAS 40);
- Employee benefits: corridor method maintained for actuarial gains and losses (IAS 19).

Whereas detailed information with figures will be fully disclosed in the reconciliation of the income statement for the fiscal year 2004, according to IFRS rules in the consolidated financial

statements at the 2005 half-year closing, the main expected impacts or reclassifications are the following:

- Presentation of some distribution costs and cash discounts as a decrease of net sales;
- Additional expense related to stock-options plans;
- Cancellation of the goodwill amortization;
- Reclassification of other income and expenses mainly above income from operations.

Also, in connection with the accounting of the unrecognized actuarial gains and losses on employee benefits measurement at the transition date, as it is allowed in IFRS 1, *First Time Adoption of IFRS*, the actuarial gains and losses impacting the 2004 income statement under French rules will be restated under IFRS to be maintained within the IFRS corridor limits, thus with no impact on the IFRS income statement for fiscal year 2004.

Additional information will be provided in the notes of the consolidated financial statements under consideration of IFRS standards.



Equity reconciliation

The following impacts related to equity have been booked as of January 1, 2004, IFRS transition date:

EQUITY AS OF DEC 31, 2003 - FRENCH GAAP	1,109,864
Minority Interests reclassification within equity ⁽¹⁾	2,057
Recognition of actuarial gains/losses formerly within the corridor ⁽²⁾	(103,947)
Tangible assets revaluation in Spain and Portugal - IFRS deemed costs ⁽³⁾	1,892
<i>Tax impacts of IFRS</i>	<i>30,445</i>
Actuarial gains and losses on employee benefits	31,012
Tangible assets revaluation in Spain and Portugal	(567)
EQUITY AS OF JAN 1, 2004 - IFRS	1,040,311

Comments

(1) According to IFRS, minority interests are part of BIC Group equity, whereas they were separately disclosed under French rules.

(2) IFRS 1, *First Time Adoption of IFRS*, permit to impact opening equity with the past unrecognized actuarial differences stocked in a corridor, if IAS 19 method, Employee Benefits, was already applied under French rules. As this is the case for BIC Group, this option was elected.

Impacts on other lines of the opening balance sheet are as follows:

- Increase of retirement benefits obligation of K€ 104,755;
- Booking of a plan asset for K€ 808.

This adjustment on equity is decreased by a related deferred tax impact of K€ 31,012.

(3) As permitted per IFRS 1, *First Time Adoption of IFRS*, Spanish and Portuguese tangible assets for which opening amounts are based on a past legal revaluation values used as “deemed cost.” The impact of this option on opening equity is the revaluation difference related to these tangible assets, i.e., K€ 1,892, decreased by the related deferred tax for K€ 567.

In addition to these items impacting the total opening equity, a reclassification related to the presentation of the cumulative translation differences for all foreign operations at a deemed zero balance and the reclassification of the related amount as retained earnings for the IFRS opening has been booked. This reclassification for K€ 181,200 has no impact on the total equity.

Opening IFRS balance sheet

ASSETS

<i>In euro thousands</i>	Assets Dec. 31, 2003 French rules audited	Ajustment Audited	Notes	Reclass Audited	Notes	Assets IFRS as of Jan. 1, 2004 Audited
Goodwill	142,945			38,840	a	181,785
Intangible assets	91,186			(53,310)	a	37,876
Property, plant and equipment	417,287	1,892	1	(16,330)	a, b	402,849
Investment properties	0			8,135	b	8,135
Equity and other investments	398					398
Prepayments, loans and deposits	19,963	808				20,771
Deferred tax assets	52,443	30,445	1, 2	(950)	c	81,938
TOTAL NON-CURRENT ASSETS	724,222	33,145		(23,615)		733,752
Inventories	241,899					241,899
Other current assets	23,539					23,539
Trade and other receivables	287,160			(15,212)	d	271,948
Temporary cash investments	144,794					144,794
Bank balances and cash	36,305					36,305
TOTAL CURRENT ASSETS	733,697	0		(15,212)		718,485
TOTAL ASSETS	1,457,919	33,145		(38,827)		1,452,237

LIABILITIES

<i>In euro thousands</i>	Equity and liabilities Dec. 31, 2003 French rules audited	Ajustment Audited	Notes	Reclass Audited	Notes	Equity & Liabilities IFRS as of Jan. 1, 2004 Audited
Issued capital	205,953					205,953
Accumulated profits	1,085,111	(71,610)	1, 2	(181,200)	g	832,301
Translation reserves	(181,200)			181,200	g	0
Minority interest IFRS	0			2,057	f	2,057
TOTAL SHAREHOLDERS' EQUITY	1,109,864	(71,610)		2,057		1,040,311
MINORITY INTEREST	2,057			(2,057)		0
Long-term borrowings	3,576			1,288	g	4,864
Retirement benefit obligation	14,929	104,755	2			119,684
Provisions for risks and charges	21,408					21,408
Deferred tax liabilities	49,893			(23,615)	a, c	26,278
TOTAL NON-CURRENT LIABILITIES	89,806	104,755		(22,327)		172,234
Trade and other payables	83,289					83,289
Short-term borrowings	28,653			(1,288)	g	27,365
Accrued expenses	144,250			(15,212)	d	129,038
TOTAL CURRENT LIABILITIES	256,192	0		(16,500)		239,692
TOTAL EQUITY AND LIABILITIES	1,457,919	33,145		(38,827)		1,452,237



Comments

Adjustments

The adjustments column is mainly related to opening equity adjustments, which are disclosed under the above equity reconciliation section.

- (1) Spanish and Portuguese tangible assets value based on a past legal revaluation values used as “deemed cost.” The impact of this option on opening equity is K€ 1,325 and the counterpart is:
- Tangible assets: increase net value of K€ 1,892
 - Deferred tax asset: decrease of K€ 567
- (2) Past unrecognized actuarial differences included in the corridor impact in equity: in accordance with IFRS 1, First Time Adoption option, there are no more unrecognized actuarial differences arising from defined benefit plans and the counterpart to equity is:
- Increase of retirement benefits obligation of K€ 104,755;
 - Booking of a plan asset for K€ 808 disclosed as other non-current assets;
 - Deferred tax asset: increase of K€ 31,012.

Reclassifications

- (a) Despite the option elected by BIC Group not to restate past business combinations before January 1, 2004, IFRS 1, *First Time Adoption of IFRS*, requires to derecognize past assets that do not comply with the asset definition under IFRS. When minority interests related to BIC Corporation and BIC Viorex were bought back, part of the goodwill was allocated in these subsidiaries accounts to the use by these subsidiaries of BIC trademark and a logo. These assets are not compliant with the definition of intangible assets under IFRS and have been reclassified as goodwill as of January 1, 2004.
- | | |
|--|--------------------|
| – Intangible assets reclassification: | K€ 61,505 |
| – Impact on past deferred tax liabilities: | <u>K€ - 22,665</u> |
| – Net impact on goodwill: | K€ 38,840 |
- (b) IAS 1, *Financial Statements presentation* requires to report on a separate line of the balance sheet assets investments properties that are held to be rented or increase capital invested rather than for use or sale as operating activities. BIC Group has reclassified K€ 8,135 at transition date from tangible assets to a new line investment properties.
- (c) This reclassification is related to the option according to IAS 12, *Income Tax*, to compensate deferred tax assets and liabilities when there is a right legally enforceable that allows this presentation, and so long as these assets and liabilities concern similar taxes to be paid to the same tax authorities. Related to this option, K€ 950 assets and liabilities related to BIC UK Ltd. have been compensated at transition date.
- (d) Trade and other receivables should reflect the economic value, which means that credit notes should be deducted from accounts receivable, whereas under French rules, these items were reported as a liability. The new presentation is thus impacted by the reclassification of K€ 15,212 credit note from trade and other payables to trade and other receivables.
- (e) The cumulative translation for all foreign operations at a deemed zero balance and the reclassification of the related amount as retained earnings for the IFRS opening has been booked. This reclassification for K€ 181,200 has no impact on the total equity.
- (f) This reclassification is related to minority interest now being reported as part of consolidated retained earnings, as required by IFRS 1, presentation of financial statements.
- (g) The presentation of financial debt according to current/non-current leads to reclassify part of the BIC Brasil debt; i.e., K€ 1,288; in non-current liabilities whereas it was before part of current liabilities.

Share capital

The share capital is 198,151,330.32 euro divided into 51,872,076 shares of 3.82 euro each, the par value. The registered shares held for more than two years carry double voting rights.

In addition, SOCIÉTÉ BIC held 607,748 of these shares, acquired at the average price of 40.24 euro in accordance with Articles L.225-208 and L.225-209 of the French commercial Code, which represent 1.17% of the shareholders' equity.

SOCIÉTÉ BIC OWNED SHARES

As of December 31, 2004

Purpose of the repurchase	Number of Shares	Average acquisition Price (in euro)	% capital ⁽¹⁾
Hedging of stock-options plans ⁽³⁾ Art L.225-208 and Art L.225-209	281,300	44.69	0.54
Optimization of the investments Art L.225-209	326,448	36.41	0.63
TOTAL⁽²⁾	607,748	40.24	1.17

Number of shares cancelled between Jan. 1, 2004 and Dec. 31, 2004	2,042,200
Shares repurchased in 2004 (Art L.225-209) ⁽⁴⁾	2,365,083

The 2004 share repurchase program received the French Stock Exchange approval (visa AMF:04-386).

(1) As of December 31, 2004, the share capital is divided into: 51,872,076 shares.

(2) BIC Corporation holds in addition as of December 31, 2004, 50,060 SOCIÉTÉ BIC shares to hedge its own stock-options plans representing 0.10% of shareholder equity.

(3) of which 51,300 shares related to invalid options as of Dec 31, 2004, due to employees leaving the Group.

(4) Excluding liquidity agreement implemented in October 2004.

Share capital breakdown

To the Company's knowledge, as of December 31, 2004, the shareholders who hold more than two-thirds, one-half, one-third, twenty percent, ten percent or five percent of the share capital and/or of the voting rights of the Company were as follows:

As of December 31, 2004		
Name	% of shares (approx.)	% of voting rights (approx.)
Bich Family including MBD	41.4	57.2
Mrs Édouard Buffard	4.3	6.0
Silchester International Investors	10.1	7.0
Franklin Templeton	7.0	4.9
CDC	5.0	3.5

Silchester International went over the threshold of 10% of the share capital during the fiscal year 2004.



Share repurchase program – cancelled shares

The Annual Shareholders' meeting on June 3, 2004, renewed its approval authorizing the Board of Directors of SOCIÉTÉ BIC to proceed to repurchase of shares. This new program obtained the visa AMF n° 04-386. Pursuant to this program, SOCIÉTÉ BIC purchased 1,975,627 shares at December 31, 2004.

During the fiscal year 2004, SOCIÉTÉ BIC purchased a total amount of 2,365,083 shares at the average rate of 36.15 euro on the basis of the article L.225-209 of the French Commercial Code, excluding the liquidity agreement. Shares were repurchased in order to optimize the financial and assets management of the Company.

In addition, the Board of Directors' meetings held on June 3, 2004 and December 15, 2004, as authorized by the Annual Shareholders' meeting on June 3, 2004, decided to proceed successively to cancel 389,456 shares and 1,652,744 shares. 2,042,200 shares were cancelled during the fiscal year 2004.

During the last 24 months, SOCIÉTÉ BIC cancelled 5,331,321 shares, 10.28% of the share capital as of December 31, 2004.

As authorized at the Shareholders' Meeting of May 28, 2003, on December 15, 2004, the Board of Directors granted stock-options on 370,450 shares to 563 managers and employees of SOCIÉTÉ BIC or its subsidiaries, at a strike price of 36.76 euro. These options cannot be exercised until three years after the date they were awarded.

Senior Management Compensation

For fiscal year 2004, total compensation and benefits in kind awarded by SOCIÉTÉ BIC or by companies it controls, as defined in Article L.233-16 of the French commercial Code, to the members of the Board of Directors and senior management of SOCIÉTÉ BIC in accordance with their functions (including senior management functions) or their employment contracts were as follows:

Gross remuneration and benefits in kind for fiscal year 2004						
Members of the Board of Directors and Senior Management	SOCIÉTÉ BIC (in euro)			Subsidiaries (in USD)		
	Base salary	Bonus	Benefits in kind	Base salary	Bonus	Benefits in kind
Bruno Bich*	207,688	255,195		384,000 (€ 309,054)	499,200 (€ 401,771)	33,030 (€ 26,584)
François Bich**	321,169	164,921				
Marie-Aimée Bich-Dufour***	190,966	84,617	3,336			
Mario Guevara****				436,965 (€ 351,682)	450,000 (€ 362,173)	19,700 (€ 15,855)
Gilles Péliçon	19,500					
Marie-Henriette Poinot	22,000					
Olivier Poupart-Lafarge	22,000					
Antoine Treuille	23,500					
Frédéric Rostand	22,000					
Marie-Pauline Chandon-Moët	14,500					

* The 2004 bonus of the Chairman/CEO is based on five criteria (with same weight) proposed by the Compensation Committee and authorized by the Board of Directors at the beginning of 2004: sales, net income, net cash from operating activities, share performance versus SBF 120 and individual objectives. In 2004, the paid out bonus amounted to 87% percents of the bonus target. In 2004, Mr. Bruno Bich had the following benefits: a Company car and life insurance. He is also eligible for the complementary retirement plan dedicated to the executive members of the Company in the United States (Supplementary Executive Retirement Plan.) In addition, Mr. Bruno Bich does not receive any attendance fees for the mandates he has within the Group.

** The 2004 bonus is based on sales, operating income, net income and inventory levels (for a total of 70% of the bonus) and on personal objectives (for 30% of the bonus.) The personal and team objectives of the Group Lighter category have been exceeded. Mr. François Bich is eligible for the complementary retirement plan dedicated to the executive members of the Company in France. In addition, Mr. François Bich does not receive any attendance fees for the mandates he has within the Group.

*** The 2004 bonus is based on sales, operating income, net income and inventory levels (for a total of 70% of the bonus) and on personal objectives (for 30% of the bonus.) The personal and Group objectives have been achieved according to expectations. Mrs. Marie-Aimée Bich-Dufour has a Company car and is eligible for the complementary retirement plan dedicated to the executive members of the Company in France. In addition, Mrs. Marie-Aimée Bich-Dufour does not receive any attendance fees for the mandates she has within the Group.

**** The 2004 bonus is based on five criteria: net sales, operating income, net income, net cash from operating activities and personal objectives. All objectives have been achieved. In 2004, Mr. Mario Guevara had the following benefits: a company car, life insurance and specialized assistance for tax preparation. He is also eligible for the complementary retirement plan dedicated to the executive members of the Company in the United States (Supplementary Executive Retirement Plan.) In addition, Mr. Mario Guevara does not receive any attendance fees for the mandates he has within the Group.

Amounts in USD were translated into euro by using the average exchange rate for FY 2004 (1 euro = 1.2425 USD). (See Note 1.3 to the Consolidated Financial Statements.)

Gross remuneration and benefits in kind for fiscal year 2003

Members of the Board of Directors and Senior Management	SOCIÉTÉ BIC (in euro)			Subsidiaries (in USD)		
	Base salary	Bonus	Benefits in kind	Base salary	Bonus	Benefits in kind
Bruno Bich*	230,320	261,142		384,000 (€ 339,538)	495,360 (€ 438,003)	33,030 (€ 29,206)
François Bich**	306,059	116,120				
Marie-Aimée Bich-Dufour***	185,338	62,036	3,067			
Mario Guevara****				369,512 (€ 326,727)	212,248 (€ 187,672)	20,861 (€ 18,446)
Gilles Péliссon	19,000					
Marie-Henriette Poinsoт	24,000					
Olivier Poupart-Lafarge	24,000					
Antoine Treuille	23,000					
Frédéric Rostand	19,000					
Marie-Pauline Chandon-Moët	14,000					

* The 2003 bonus of the Chairman/CEO is calculated on six criteria proposed by the Compensation Committee and authorized by the Board of Directors at the beginning of 2003: sales, operating income, net income, free cash flow, inventory levels and share performance versus SBF 120. In 2003, the results were slightly lower than expected for the first four objectives whereas they were exceeded for the two others. In 2003, Mr. Bruno Bich had the following benefits: the allowance of a Company car and life insurance. He also benefits from the complementary mode of retirement plan dedicated to the executive members of the Company (Supplementary Executive Retirement Plan.) In addition, Mr. Bruno Bich does not receive any attendance fees for the mandates he has within the Group.

** The 2003 bonus is calculated on the basis of sales, operating income, net income and inventory levels (for a total of 70% of the bonus) and on personal goals (for 30% of the bonus.) The personal and team objectives of the Group Lighter category have been exceeded. Mr. François Bich benefits from the complementary mode of retirement plan dedicated to the executive members of the Company (Supplementary Executive Retirement Plan.) In addition, Mr. François Bich does not receive any attendance fees for the mandates he has within the Group.

*** The 2003 bonus is calculated on the basis of sales, operating income, net income and inventory levels (for a total of 70% of the bonus) and on personal goals (for 30% of the bonus.) The expected personal and Group results have been achieved. Mrs. Marie-Aimée Bich-Dufour benefits from the allowance of a Company car and the complementary mode of retirement plan dedicated to the executive members of the Company (Supplementary Executive Retirement Plan.) In addition, Mrs. Marie-Aimée Bich-Dufour does not receive any attendance fees for the mandates she has within the Group.

**** The 2003 bonus is calculated on the basis of sales, operating income, net income and inventory levels (for a total of 70% of the bonus) and on personal goals (for 30% of the bonus.) North and South America objectives have been exceeded. In 2003, Mr. Mario Guevara had the following benefits: the allowance of a Company car, life insurance and specialized assistance for his tax preparation. He also benefits from the complementary mode of retirement plan dedicated to the executive members of the Company (Supplementary Executive Retirement Plan.) In addition, Mr. Mario Guevara does not receive any attendance fees for the mandates he has within the Group.

Amounts in USD were translated into euro by using the average exchange rate for FY 2003 (1 euro = 1.13095 USD.) (See Note 1.3 to the Consolidated Financial Statements.)

Mandates of the Company Officers

Purchase or sale of BIC shares by members of the Board of Directors, the Management Board or the Supervisory Board: No relevant information related to purchase or sale of BIC shares, occurring after October 14, 2004, and amounting to 5,000 euro or more, has been communicated to the Company.

Board of Directors

CHAIRMAN OF THE BOARD OF DIRECTORS

Bruno Bich

58 years old, dual nationality, French and American
Date of election as Chairman of the Board of Directors, May 27, 1993
Date of election as Director: Annual Shareholders' meeting of June 2, 1986
Last mandate renewed at the Annual Shareholders' meeting of June 3, 2004, until the Annual Shareholders' meeting of 2007 for fiscal year 2006.

Other Group mandates:

– Permanent representative for SOCIÉTÉ BIC in BIC Services (France)

- Chairman of the Board of Directors of BIC Graphic Europe SA (Spain), BIC Violex SA (Greece)
- Chairman and Chief Executive Officer of BIC Corporation (USA)
- Chairman and President of BIC International (USA)
- Chairman of the Board of Sheaffer (Hong Kong) Co. Ltd., BIC Philippines Inc., PT Buana Inti Cakrawala ("PT BIC") (Indonesia)
- Director of the Board of BIC Portugal SA (Portugal), BIC Iberia SA (Spain), BIC Graphic Europe (Spain), BIC Violex SA (Greece), BIC Corporation (USA), BIC International Co. (USA), BIC Australia Pty. Ltd., BIC (NZ) Ltd. (New Zealand), BIC Stationery (Shanghai) Co. Ltd. (China), Shanghai Sheaffer-Wingsung Stationery Co. Ltd. (China), Sheaffer (Hong Kong) Company Ltd. (Hong Kong), Nihon BIC Co. Ltd. (Japan), BIC Kosaido KK (Japan), BIC GBA Sdn. Bhd. (Malaysia), BIC Product (Singapore) Pte. Ltd., BIC Product (Asia) Pte. Ltd., PT Buana Inti Cakrawala ("PT BIC") (Indonesia), BIC Philippines Inc., BIC Product (Korea) Ltd., BIC Product (Thailand) Ltd.
- Managing director of BIC GmbH (Germany), BIC Verwaltungs GmbH (Germany), BIC Beteiligungs GmbH (Germany)

Directorships of non-BIC Group companies:

- Member of the Board of Directors of Altadis (Spain) and Kosaido Co. Ltd. (Japan).



EXECUTIVE VICE PRESIDENT AND DIRECTOR

François Bich

55 years old, French nationality

Date of election as Executive Vice President: December 15, 1988

Date of election as Director: September 30, 1977 at the Annual Shareholders' meeting of May 29, 1978, last mandate renewed at the Annual Shareholders' meeting of May 28, 2003

Expiration date of mandate as Director: Annual Shareholders' meeting of 2006 for fiscal year 2005.

Other Group directorships:

– President of Société du Briquet Jetable 75 "B.J. 75" (France)

Directorships of non-BIC Group companies:

– Chairman of Supervisory Board of MBD (France)

Mario Guevara

45 years old, Mexican nationality

Date of election as Director: Annual Shareholders' meeting of May 22, 2001

Last mandate renewed at the Annual Shareholders' meeting of June 3, 2004, until Annual Shareholders' meeting in 2007, for fiscal year 2006.

Executive Vice President and Chief Operating Officer of SOCIÉTÉ BIC

Other Group directorships:

- President and Chief Operating Officer of BIC Corporation (USA)
- President and Chief Executive Officer of Ergo Pen, Inc. (USA)
- President of BIC USA Inc. (USA), Furtuna Holding Co. Ltd. (British Virgin Islands), GLNA, Inc. (USA), Tritec International Co. (USA), Astor Blade Corp.
- Chairman of the Board of BIC Venezuela CA (Venezuela),
- Member of the Board of BIC Corporation (USA), BIC Graphic Manufacturing Co., Inc. (USA), BIC Kosaido KK (Japan), BIC Sport USA Inc. (USA), BIC USA Inc. (USA), Ergo Pen, Inc. (USA), Furtuna Holding Co. Ltd. (British Virgin Islands), GLNA, Inc. (USA), BIC Venezuela CA (Venezuela), BIC Chile SA (Chile), BIC Colombia SA (Colombia), Tritec International Co. (USA).

DIRECTORS

Marie-Pauline Chandon-Moët

37 years old, French nationality

Date of election as Director: Annual Shareholders' meeting of May 28, 2003

Expiration date of mandate as Director: Annual Shareholders' meeting in 2006, for fiscal year 2005.

General Manager Europe of Real Estate

Directorships of non-BIC Group companies:

- Director of Supervisory Board of MBD (France)
- Chairman and Chief Executive Officer of Ferrand SA (France)

Gilles Pélisson

47 years old, French nationality

Non-affiliated Director

Date of election as Director: Annual Shareholders' meeting of May 22, 2001

Last mandate renewed at the Annual Shareholders' meeting of June 3, 2004, until Annual Shareholders' meeting in 2007, for fiscal year 2006.

Chairman of the Compensation Committee

Since 2004: Chairman and Chief Executive Officer of Bouygues Telecom (France)

From 2001 to 2004: Executive Vice-President of Bouygues Telecom (France)

Other directorships:

– Director of Bouygues Telecom (France) and TPS (France)

Marie-Henriette Poinot

43 years old, French nationality

Date of election as Director: Annual Shareholders' meeting of May 21, 1997

Last mandate renewed at the Annual Shareholders' meeting of May 28, 2003, until Annual Shareholders' meeting in 2006, for fiscal year 2005.

Member of the Compensation Committee

Director of Strategic planning of the Options Group.

Directorships of non-BIC Group companies:

- Director of Tosniop SA (France) and Ferrand SA (France)
- Director of the Supervisory Board of Options SA (France)

Olivier Poupart-Lafarge

62 years old, French nationality

Non-affiliated Director

Date of election as Director: Annual Shareholders' meeting of May 25, 2000

Last mandate renewed at the Annual Shareholders' meeting of May 28, 2003, until Annual Shareholders' meeting in 2006, for fiscal year 2005.

Member of the Audit Committee

Since 2002: Executive Vice-President of the Bouygues Group

Other directorships:

- Director of Bouygues (France), Bouygues Telecom (France), Télévision Française 1 (TF1) (France), Société d'Aménagement Urbain et Rural (SAUR) (France), Colas (France)
- Permanent representative of the company Bouygues in its affiliates Bouygues Immobilier (France) and Bouygues Construction (France)

Frédéric Rostand

42 years old, French nationality

Non-affiliated Director

Date of election as Director: Annual Shareholders' meeting of May 28, 2003

Expiration date of mandate as Director: Annual Shareholders' meeting in 2006, for fiscal year 2005.

Member of the Audit Committee

Member of the Compensation Committee

Chairman of the Directory Board of Saint Louis Sucre (France)

Director of the Directory Board of Südzucker AG (Germany)

Directorships of non-BIC Group companies:

– Permanent representative of the company Saint Louis Sucre as President of the "SAS" in Société Française d'Organisation et de Participation (France), Saint Louis Sucre International (France)

– Vice-President of the Supervisory Board of Compagnie Financière de l'Artois (France), Slaska Spolka Cukrowa SA (Poland)

– Permanent representative of Saint Louis Sucre in the company Sucreries de Bourgogne (France)

– Director of Distilleries Ryssen, Raffinerie Tirlémontoise (Belgium), Eastern Sugar (Netherlands)

Antoine Treuille

56 years old, French nationality

Non-affiliated Director

Date of election as Director: Annual Shareholders' meeting of May 21, 1997

Last mandate renewed at the Annual Shareholders' meeting of May 28, 2003, until Annual Shareholders' meeting in 2006, for fiscal year 2005.

President of the Audit Committee

Executive Managing Director of Mercantile Capital Partners (USA)

Other Directorships:

– Director of Eramet (France)

– President of Charter Pacific Corporation (USA)

– Director of Eye Care Centers of America (USA), Dry Ice Corporation (USA), Partex Corporation (USA), Harris Interactive, Inc. (USA)

EXECUTIVE VICE-PRESIDENT

Marie-Aimée Bich-Dufour

46 years old, French nationality

Date of election as Executive Vice-President: 1995

Other Group directorships:

– Director of the Board of BIC Services (France), BIC Portugal SA (Portugal), BIC Iberia SA (Spain), BIC Viorex SA (Greece), Sheaffer (Hong Kong) Co. Ltd., Shanghai Sheaffer-Wingsung Stationery Co. Ltd. (China), BIC Stationery (Shanghai) Co. Ltd. (China), BIC India Pte. Ltd. (India), BIC Products Pte. Ltd. (India), BWI Manufacturing India Pte. Ltd. (India), Nihon BIC Co. Ltd. (Japan), BIC Kosaido KK (Japan), BIC Malaysia Sdn. Bhd., Mondial Sdn. Bhd. (Malaysia), BIC-GBA Sdn. Bhd. (Malaysia), BIC Product (Singapore) Pte. Ltd., BIC Product (Asia) Pte. Ltd., BIC Product (Korea) Ltd., BIC Product (Thailand) Ltd.

Employee Information

WORKFORCE

For the fiscal year ending December 31, 2004, BIC Group had 8,650 permanent employees and 942 temporary employees throughout the world. The number of employees varies by geography and activity as follows:

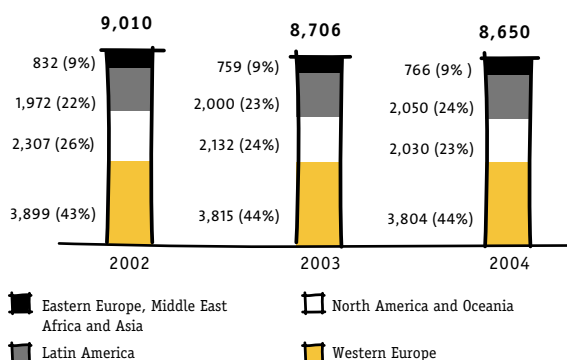
Workforce 2004 by geography

BIC GROUP

	2002	2003	2004	Variance 2004/2003
Western Europe	3,899	3,815	3,804	(11)
North America and Oceania	2,307	2,132	2,030	(102)
Latin America	1,972	2,000	2,050	+ 50
Eastern Europe, the Middle East, Africa and Asia	832	759	766	+ 7
TOTAL PERMANENT WORKFORCE IN FULL-TIME EQUIVALENT	9,010	8,706	8,650	(56)
Temporary workforce	738	687	942	+ 255
TOTAL IN FULL-TIME EQUIVALENT	9,748	9,393	9,592	+ 199



Permanent workforce by geography



Total permanent employment in 2004 decreased by 56 despite the Group acquisition of BIC Kosaido KK (workforce: +27) and Stypen (workforce: +114). In addition, on November 1, 2004, BIC sold its Ballograf® business and manufacturing operation in Sweden (workforce: -38.5) to Ballograf's management.

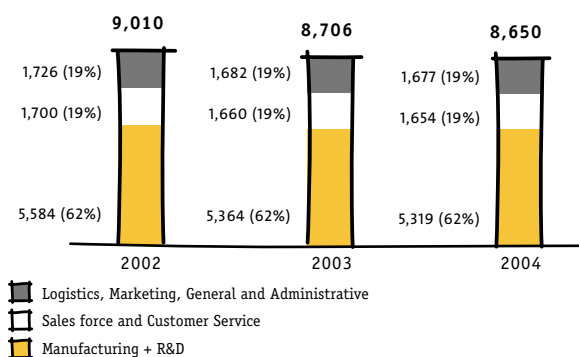
The decrease in the total permanent workforce is mainly explained by the implementation of the manufacturing rationalization program in North America.

Workforce 2004 by activity

BIC GROUP

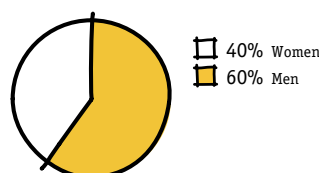
	2002	2003	2004	Variance 2004/2003
Manufacturing and R&D	5,584	5,364	5,319	(45)
Sales force and customer service	1,700	1,660	1,654	(6)
Logistics, Marketing, General and Administrative	1,726	1,682	1,677	(5)
TOTAL PERMANENT WORKFORCE	9,010	8,706	8,650	(56)

Permanent workforce by activity



Most temporary employees are located in the United States, Greece, Mexico and Indonesia. Due to BIC's strong seasonal activities, they are hired for manufacturing (76% of temporary employees), sales support (12%) and distribution (6%).

Women represented approximately 40% of the Group permanent workforce in 2004 (35% in Europe – Africa – Middle East, 47% in North America and 41% in Latin America).



In the units with workforce reductions, the BIC Group systematically offers special plans to help the employees: internal job reclassification, outplacement services and financial support.

The permanent employees represent 90% of the total workforce, whereas temporary employees represent 10%. This 10% represents interim staff, short-term contract staff and student interns.

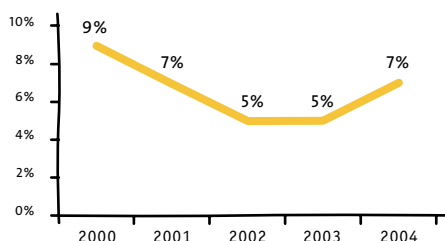
20% of the Group's permanent workforce are managers and 27% of these managers are women.

The definition of a Manager within the BIC Group is to be an employee that coordinates the use of resources with the delegated autonomy to pursue and be responsible for the achievements of at least annual objectives. Management may concern the staff, projects, processes or technology, clients or suppliers. The BIC managers are on average 40 years old with 7 years of seniority.



Our voluntary staff turnover at Group level in 2004 increased to 7%. In 2002 and 2003 it was 5%, in 2001, 7% and in 2000, 9%. This increase is mainly due to the labor market being more dynamic in 2004 than in 2003 in most of the countries, and is also the consequence of workforce reductions in some units.

Voluntary turnover



For recruitment purposes, the BIC Group has developed over the past few years a strong policy of mobility and internal promotion. This policy relies on the efficient use of career management tools (Individual Development Plan, Succession Plan, Talents, et caetera). In 2004, for the three first management levels, the rate of internal promotion was 82% versus 66% in 2003.

The implementation of an internal job posting system also encouraged and increased the number of internal job applications at every level.

Finally, the Company does not have external recruitment problems thanks to the use of innovative and qualitative human resources tools (such as our internet address: humanresources@bicworld.com, specialized exhibitions in Mexico for instance) which promote the BIC name in the international labor market. The Company also works with internationally recognized recruitment specialists.

Within BIC, the Group enhanced the competencies of its managers in terms of recruitment techniques and developed a new and more efficient recruitment process.

WORK ORGANIZATION

Work organization and schedules are based on the production needs of each site and the client service required. BIC continuously improves this organization. For instance, this year in Greece, the shaver factory was completely reorganized into profit centers in order to improve work conditions, increase the work organization efficiency and facilitate communication in the workshops.

Overtime is strictly accounted for and supervised in the units where it is used.

The average absenteeism rate for the Group decreased slightly in 2004 to 1.9% versus 2% in 2003. Sickness is the major reason. The Human Resources management team published at Group level a comparative analysis of the detailed results of each unit in order to focus attention on this topic. In addition, action plans

were put in place in all European plants which include a bonus for a good presence rate.

HANDICAPPED EMPLOYEES

The number of handicapped employees in 2004 in the major BIC Group sites was 62 (excluding outsourced contracts). These employees are based in Europe (27), in South America (16) and in North America (19).

REMUNERATION

Within the Group, 2004 labor costs per employee were on average 41,300 euro per year (including social security payroll taxes). This represents a decrease of 1.7% versus 2003. The decrease is mainly due to the EUR/USD exchange rate variation in 2004.

At constant currency, we have a 2.6% increase compared to 2003, generated by the following factors:

- increase of the average gross salary (+1.2%);
- increase of fringe and other payrolls benefits (+1.4% due to increasing social security costs).

Recognizing both individual and team performance is a key element of BIC's remuneration policy. Thus, for the managers, the salary increases are based on individual merit (except in certain countries with legal obligations for general wage increases). Variable remuneration based on performance represents an average of 15% of the managers' fixed remuneration.

Internal differentials have credible justification and reflect experience, performance, potential and market practice. In 2004, a full analysis of external competitiveness of the base salary by country was done. The results show that, on average, the BIC employees' base salary is positioned slightly above the median of their reference market, in accordance with the Group compensation policy.

BIC Group welcomes differences and remuneration policies and practices do not discriminate on grounds such as race, religion, age, marital status or sexual preference.

LABOR RELATIONS AND THE RESULTS OF COLLECTIVE AGREEMENTS

In 2004, BIC USA Inc. announced that, in an effort to consolidate worldwide operations, the Company would close its ballpoint pen and single-blade shaver manufacturing operations in Milford, Connecticut, as well as its Sheaffer Pen manufacturing facility in Fort Madison, Iowa. The shutdown of the manufacturing operations would be completed by the end of 2006 and would impact approximately 400 positions.

In accordance with its collective bargaining agreements, BIC negotiated shutdown agreements with the unions representing the Company's hourly workforce – the United Steelworkers of America (USWA) in Milford and the United Auto Workers (UAW) in Fort Madison. In this difficult context, the Company and the



unions worked together to create solutions that balanced the needs of the business with our responsibility as a fair employer to our workforce.

In the Boulogne sites, due to the irreversible decline of traditional wood pencils (graphite and color), the voluntary retirement departures are facilitated. In addition, management and unions agreed to implement a multi-competency training plan to prepare employees for new developing markets.

➤ PEOPLE DEVELOPMENT AND TRAINING

The aim of the People Development function is to:

- Communicate the BIC vision and values throughout the Group
- Identify and train future BIC managers
- Improve operational efficiency of the teams and their managers

In 2004, the objectives of SOCIÉTÉ BIC in terms of “People Development” were:

- Carry out individual development plans at every level to allow employees to realize their potential. These plans provide practical training and offer participation in ambitious projects.
- Offer promotion opportunities to efficient employees with the right attitude.

These goals have been achieved thanks to the efforts of the leadership team and general managers, using the processes implemented in all the Group entities. These processes are:

- Individual Development Plans (after a one-to-one interview with all managers)
- Identify and promote the talents - the future BIC managers
- Succession Plan (76% of key positions have one or more identified successors)
- Support internal promotions (82% of promotions concerning the three first management levels were within BIC)
- Support professional and practical training (more than 10,300 training days provided)

Since 1998, BIC University (“BIC U”) has offered training to BIC employees at every responsibility level. BIC U organises for the sites of Clichy (France), Milford (United-States) and Manaus (Brazil), a wide range of training on the following topics:

- BIC vision and values
- BIC culture and technical know-how
- Management skills
- Individual development
- Foreign languages and computer skills

General topics in relation with to the Company business are also covered, such as the Chinese economic model, Design and Innovation.

In each site, training is targeted to meet local needs (by continent and by factory). Global trainings are also provided to allow participants to acquire common skills and knowledge. In 2004, 145 training sessions have been organized by BIC University in Clichy and in Europe, involving 1,673 employees. These sessions were rated on average 4,5 out of 5.

In 2004, more than 10,300 days of training were organized at Group level. This is a significant increase from last year (7,710 days in 2003).

➤ CHARITABLE ORGANIZATIONS

In 2004, BIC contributed 1.5 million euro to the charitable activities of its subsidiaries in France, in accordance with Article R432-2 of the Labor Code.

Environmental Data

➤ BIC AND THE ENVIRONMENT

Ethical conduct toward our employees, consumers, customers, suppliers and shareholders is a fundamental and pervasive operating principle within the BIC Group. Accordingly, BIC has maintained a long-standing commitment to protecting the environment, as well as safeguarding the health and welfare of our employees, neighbors and consumers.

We recognize that nearly every aspect of a manufacturing business, including the production, distribution, and end disposal of a product and its packaging, has the potential to impact the environment, human health or safety.

It is clearly our responsibility to minimize those impacts. The challenge is to develop solutions that protect people and the environment and allow us to maintain the product quality and value that consumers demand. BIC accepts this responsibility and this challenge.

Our approach is to collaborate with our employees, suppliers, customers and consumers to identify, assess and minimize the environmental, health and safety impacts resulting from our manufacturing operations, our products, and our product packaging.

This year, BIC publishes a sustainable development report which describes in detail the BIC environmental, health and safety policy.

➤ SCOPE AND CHOICE OF INDICATORS

SOCIÉTÉ BIC has chosen to broaden the scope of this report beyond that outlined in Article 116 of the Law on New Economic Regulations, which prescribes the environmental data required from publicly traded companies.

In order to supply pertinent information in conformity with the law, BIC supplies worldwide consolidated data whenever it is available and pertinent.

Indicators were chosen to provide greater clarity for all data provided and were selected to reflect the Group's activities and the impact of those activities on the environment.

The information presented here represents consolidated data from all subsidiary factories, French and foreign, unless only local data is available, or if this data is more pertinent than consolidated data. This report includes all industrial plants of the BIC Group that manufacture finished or semi-finished products for sale to the general public, our engineering companies and the main BIC warehouses.

The Ballograf business was sold during 2004, therefore the data from the plant is not included in the 2004 report.

➤ COMPANY INTERNAL ENVIRONMENTAL MANAGEMENT. CAPACITIES FOR REDUCING ENVIRONMENTAL RISKS

BIC has implemented a new, unified Group policy on the environment, health and safety (EH&S). This policy is backed up with a set of worldwide objectives and guidelines that direct the efforts of our product designers, manufacturers and supply chain personnel toward achieving continuous improvement. To carry out our policy and objectives, we are currently focused on revising or establishing site-specific EH&S management systems at each BIC location.

We believe that a locally grown management system is best suited to address the products, risks, regulations and culture associated with the areas served by each BIC facility. Measurement and tracking of results through both local and global Key Performance Indicators (KPIs) helps keep us focused on our objectives, as well as continual improvement.

A full implementation of the Group environmental management system is expected to be completed by the end of 2007.

➤ ENVIRONMENTAL EVALUATION OR CERTIFICATION

Each factory has the liberty to choose how to implement its management system within the framework of the corporate Environmental, Health and Safety management systems, to achieve the goals that we have set.

ISO 14000 certification is not implemented in the whole Group, but for selected factories which have chosen this way to make progress. However, we do not promote nor forbid the use of this certification.

For example, our plant in Mexico has obtained the "Clean Industry" certification (national certification).

➤ MEASURES TAKEN, WHERE APPLICABLE, TO ENSURE THAT OPERATIONS ARE IN CONFORMITY WITH APPLICABLE LAWS AND REGULATIONS CONCERNING THE ENVIRONMENT

The plants maintain routine and periodic controls intended to ensure compliance with local regulatory requirements. These controls are carried out internally, or with the assistance of an independent external company. An action plan is established to correct any compliance issues detected during the process.

➤ CONTINGENCY PLANS SET UP TO DEAL WITH POLLUTION ACCIDENTS WITH CONSEQUENCES OUTSIDE OF THE PLANTS

Whenever there is the risk of an accident that might have consequences outside of our manufacturing plants, organizational contingency plans have been set up.

In particular, our SEVESO plants have a "Plan d'Opération Interne". Outside of France, some of our plants have equivalent emergency plans. For example, all of our plants in the United States have an "Emergency Response Plan," and our plant in New Zealand has an "Emergency Management Plan."

For our high-threshold SEVESO plant, we have a major hazard prevention policy and have implemented a safety management system to prevent major accidents, in conformity with the ministerial decree of May 10, 2000, transposition in French law of the European Council directive 96/82/EC.

➤ TRAINING AND INFORMATION ON THE ENVIRONMENT AND SAFETY

Employee information and training programs are designed and implemented locally to address site-specific environmental information.

Training programs cover a wide range of topics, including waste management, emergency response, accident prevention, employee safety, as well as job-specific work instructions.

➤ EXPENSES FOR PREVENTING CONSEQUENCES TO THE ENVIRONMENT

Investment budgets related to the environment are an integral part of the annual budgets of all factories.

➤ PROVISIONS AND GUARANTEES FOR ENVIRONMENTAL RISKS

The Company has insurance to cover its installations for potential civil liability. The Company has environmental liability and civil liability insurance in the event of injury or damage to third-parties. In addition, the Company carries mandatory insurance for its employees, as well as property damage and business interruption insurance for its buildings and business personal property.



In particular, our high-threshold SEVESO plant has constituted the financial guarantees with banking act of guarantee, according to regulations.

➤ **COMPENSATION PAID DURING THE FISCAL YEAR UNDER COURT ORDER**

None.

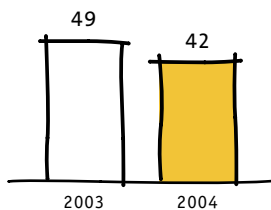
➤ **ACTIONS TAKEN TO REPAIR DAMAGE TO THE ENVIRONMENT**

No significant activities were necessary in 2004.

➤ **CONSUMPTION OF WATER RESOURCES**

The source and quantity of water consumed by plants of the BIC Group depend on the plant's activities, their location and the available water supplies.

Annual water consumption normalized to production BIC Group (cubic meters / tonne)



Total water consumption for the BIC Group did not increase between 2003 and 2004, despite a significant increase in reported production. Water-use efficiency, represented by consumption per tonne of product, actually improved by 13% over 2003.

Cooling water usage at only two manufacturing plants represents 86% of the total water consumption for the BIC Group. Since most of the water is used only for cooling, the environmental impact is very low. Nevertheless, these two plants will be targets of opportunity for significant reductions in water usage in the next few years.

Most BIC facilities achieved significant improvements in water-use efficiency as a direct result of local actions implemented by the plants to reduce their water consumption. Examples of activities include: the installation of new flow meters to monitor and manage consumption, improvements in the efficiency of a recycled water system, improvements to existing cooling tower systems, and even collection of rain water for watering of gardens.

➤ **CONSUMPTION OF RAW MATERIALS**

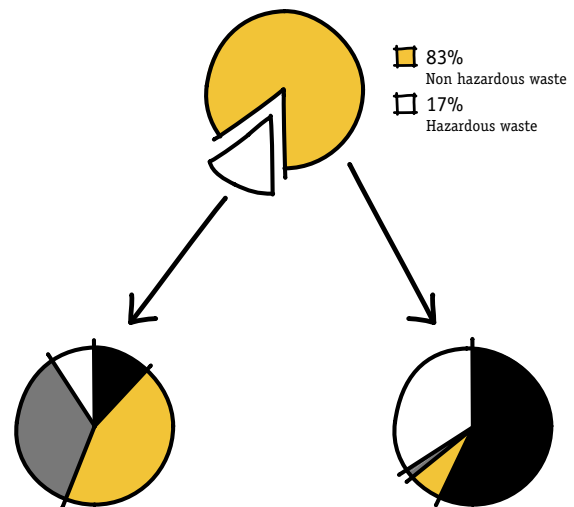
The primary raw materials consumed in our industry are plastics, metals and cardboard for packaging. We are committed to optimizing the quantity of materials necessary to manufacture our products and distribute them in commerce.

Raw materials are selected not only to guarantee the quality of the product, but also to ensure that it is safe for human health and the environment. BIC maintains a product safety assurance program, which includes a review of environmental aspects for our products. For example, product criteria include a limit on heavy metals like lead and cadmium. This systematic approach also applies to product packaging for the Group.

➤ **WASTE**

2004 waste production BIC Group

(% of total expressed in tonne)



2004 hazardous waste treatment

- 12% Recycled
- 44% Incinerated with energy recovery
- 35% Other treatments / Disposal
- 9% Land disposal

2004 non hazardous waste treatment

- 57% Recycled
- 7% Incinerated with energy recovery
- 1% Other treatments / Disposal
- 35% Land disposal

Note: For simplicity, "Other treatments/Disposal" represents all other forms of waste treatment, including incineration without energy recovery.

The distribution of waste management methods for the BIC Group did not change significantly between 2003 and 2004.



Waste reduction has always been, and continues to be, a critical performance measure for all BIC manufacturing facilities. Where further reduction of waste is not feasible, internal and external recycling or recovery of waste materials is pursued. Although we have achieved a very respectable worldwide recycling rate of 57% for non hazardous wastes, we are challenged to do even better, sometimes limited by the availability of regional facilities and markets for recyclable materials.

Starting in 2004, BIC has implemented a new internal standard to identify wastes generated within the BIC Group that may be hazardous to human health or the environment, regardless of the country of origin. This classification system is interpreted conservatively, therefore, it often includes wastes that would be classified as non hazardous in the plant's host country. This new standard will help us to unambiguously identify global opportunities for the reduction of environmental impacts due to hazardous materials.

Because of a deliberate preference for energy recovery, recycling and treatment, less than 9% of BIC's hazardous waste is managed via land disposal. In most cases, these are wastes that are not suitable for any other form of treatment and land disposal is the last option.

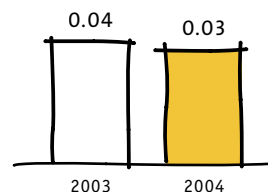
In each European country, we work to recover packaging put on the market by BIC by participating in the national packaging recovery programs in place in Europe.

When possible, BIC packaging is designed with physical-chemical properties that make it appropriate for recycling or incineration with energy recovery.

For example, our product transport packaging (the outer packaging) used in Europe contains an average of 80% recycled cardboard (by weight).

Annual production of hazardous waste normalized to production

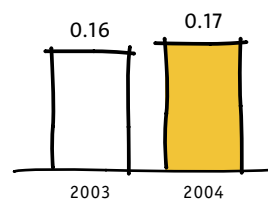
BIC Group (tonne / tonne)



Although manufacturing output increased in 2004, the amount of hazardous waste generated per tonne of production dropped by approximately 9% for the entire BIC Group.

Annual production of non hazardous waste normalized to production

BIC Group (tonne / tonne)

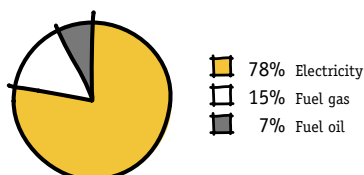


We experienced a slight increase in our generation of non hazardous waste in 2004 when normalized to production. Successes in manufacturing waste reduction were countered by exceptional waste generating activities in 2004, including demolition of obsolete buildings and operations as well as start up of new activities.



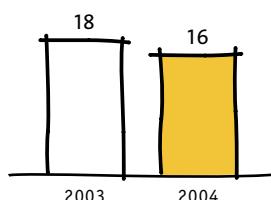
CONSUMPTION OF ENERGY RESOURCES INCLUDING, IF APPLICABLE, MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY AND USE OF RENEWABLE ENERGY SOURCES

2004 total energy consumption by source
BIC Group (% of total expressed in gigajoule / tonne)



Electricity from public supplies is the single largest source of energy consumed, as measured in gigajoule. Electricity used for machinery, buildings and support functions is supplemented by fuel gas and fuel oil, used primarily for building or process heating. The mix of electricity, gas and oil varies for each facility depending on facility operational needs, the regional availability of energy and local environmental restrictions.

Annual energy consumption normalized to production
BIC Group (gigajoule / tonne)



Despite a significant increase in production, the BIC Group has documented an 11% reduction in energy consumed per tonne of production compared to 2003.

Energy efficiency has long been an important focus for all BIC plants worldwide. For example, in 2004, some plants were successful in improving the efficiencies of building heating systems and compressed air power systems.

CONDITIONS FOR USE OF GROUNDS

In Europe, as part of the industrial restructuring leading to the closing of factories, BIC has ensured that the plants involved were cleaned up appropriately.

Between 1999 and 2003, BIC carried out studies of the soil and subsoil, although most plants were not subject to any such compulsory examination.

These pollution studies made on European plants used for a long period of time, show that our business does not have a significant impact on soil and subsoil.

For French plants subject to specific regulatory requirements, the policy for preventing the risk of soil pollution is an integral part of the general plan.

AIR, WATER AND SOIL RELEASES THAT SERIOUSLY AFFECTS THE ENVIRONMENT. MEASURES TAKEN TO LIMIT THE EFFECTS ON BIOLOGICAL BALANCE, NATURAL HABITATS, AND PROTECTED ANIMAL AND PLANT SPECIES

In France, some plants are subject to rules issued by local administrations that list the substances to analyze and monitor on a regular basis, in order to limit pollutants that seriously affect the environment.

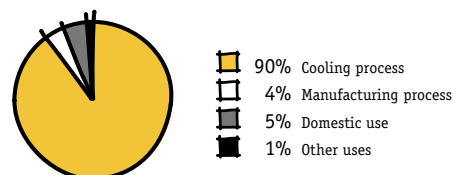
For plants outside of France, equivalents cannot be easily translated into relevant data. The information cannot be compiled, since each plant has its own methods for monitoring pollutants relevant to its activities and the requirements of local regulations.

Nevertheless, over 90% of the water consumed by the BIC Group is used for process and building cooling, a use which is widely recognized to pose a very low environmental risk. Direct use in manufacturing represents only 4% of consumption.

Waste water generated from product manufacturing or sanitary uses is mainly discharged in the public water treatment system or is internally treated.

Distribution of water consumption between the main activities in the plants of BIC Group

(% of total expressed in cubic meters)



➤ NOISE AND ODOR IMPACT

The odor impact is not considered significant in our activities.

As far as noise impact is concerned, measures are taken within the property limits in the context of local regulations.

In the event that noise pollution should be brought to our attention, we would make the necessary studies and put adapted corrective actions into place.

➤ SUBCONTRACTING AND THE MANNER IN WHICH THE COMPANY MAKES SURE ITS SUBCONTRACTORS AND ITS SUBSIDIARIES RESPECT THE PROVISIONAL INTERNATIONAL LABOR ORGANIZATION CONVENTIONS

BIC derives 89% of its sales from products manufactured in its own factories.

As a leading global consumer products company, BIC is committed to conducting its range of business activities from manufacturing to marketing and sales in a socially responsible manner. The BIC Group Code of Conduct is a set of business and social principles describing our commitment to work with contract manufacturers who share a commitment to these principles.

The major BIC plants are located in Brazil, France, Greece, Mexico, South Africa, Spain and the United States.

All BIC factories conduct their operations in a manner which is consistent with the business and social principles that are formalized in our BIC Group Code of Conduct. This commitment is being monitored by a self-assessment process in our factories.

BIC expects its contract manufacturers to commit to the same Code of Conduct. Although BIC derives only 11% of its sales from outsourced products, mainly in the stationery business, BIC has implemented a specific program to monitor how the Code of Conduct is actually implemented by contract manufacturers.

Since 2000, BIC has established a Corporate Social Responsibility Program that is an integral part of the qualification process for our new products manufactured by contract manufacturers. Participation in BIC's Social Responsibility Program – which includes compliance with BIC's Code of Conduct for Contract Manufacturers and factory assessments by an independent external monitoring agency – is mandatory for all BIC contract manufacturers.

BIC views Corporate Social Responsibility as a partnership with its contract manufacturers to further shared values. We develop this partnership by motivating improvement, setting goals and seeking commitment to improvement rather than termination. BIC seeks to work with those contract manufacturers who show a commitment by responding promptly and providing a detailed and honest plan for improvement.

Principles of BIC Code of Conduct

- Safe and Healthy Work Environment
- Fair Wages and Reasonable Working Hours
- No Child Labor
- No Forced Labor
- No Discrimination
- Freedom of Association
- Legal Compliance
- No Animal Testing
- Environmental Responsibility
- Publication

➤ FOREIGN SUBSIDIARIES AWARENESS OF THE IMPACT OF THEIR BUSINESS ON REGIONAL DEVELOPMENT AND LOCAL POPULATIONS

Our subsidiaries have launched a number of initiatives to improve living conditions for local populations. They are of three types:

1 - Initiatives aimed at BIC employees and their families

As an example, since 1999, in a country particularly affected by the AIDS epidemic, our South African subsidiary has been running the BIC SA HIV/AIDS program to provide personnel with access to free education, AIDS prevention, and medical care, including assistance for BIC employees who have been infected by the virus.

2 - Initiatives of the Company made by its employees

In Tampa, Florida, BIC Graphic USA has supported certain local schools in their educational programs. Six managers from BIC Graphic USA recently taught in the Junior Achievement program and the company has also made a number of donations.

Every year, BIC Graphic USA makes financial gifts and sends teams of employees to participate in "Women Race for the Cure breast-cancer "awareness days, Juvenile Diabetes Research Foundation events, and "Paint Your Heart Out", a program that provides exterior painting services for the homes of the handicapped or elderly. In addition, BIC Graphic USA also sends volunteers to help with the organisation of the Special Olympics (a day-long sports event for handicapped children) and provides all volunteers with lunch.

In Mexico, BIC is pursuing its Support to the Community initiative. In 2004, 160 BIC employees and their families helped to renovate a center for handicapped children. A fund-raising campaign was also run.

In Brazil, in Cabreúva, in the "Hope for Christmas" program, BIC organises food, clothing, and toy drives for at-risk families the goal this year is to collect 20 tonnes of donated goods.

In Manaus (Amazonia), BIC took part in World Environment Day by sending volunteers to clean up the banks of a local river and to educate the local populations about protecting the environment.



3 - Initiatives aimed at local population

BIC (South Africa) Pte. Ltd. created the “Pen for Africa” project, which aims to improve schooling for 135,000 children between the ages of five and six from at-risk families throughout the country.

For the “Educators in Industry” program, BIC Graphic USA holds two or three sessions each year to train Pinellas County educators. BIC Graphic USA also sponsors the “Enterprise Village” program, the goal of which is to teach students about the principles of free enterprise.

In Canada, BIC makes donations to a number of children’s and medical research charities.

In Cabreuva (Sao Paolo), Brazil, BIC has provided the Santa Casa de Misericordia hospital, where more than one quarter of the city’s population is born, with medical equipment. This year,

BIC fully furnished a hospital room and provided a birthing table. BIC Brasil is also sponsoring the “Students in Free Enterprise” initiative, where students design projects to support the community.

In other South American countries, BIC distributed more than 7,000 products to various institutions (schools, hospitals, foundations, and institutions serving native populations) in 2004.

In France, BIC is a partner and sponsor of schools for qualified labourers, and young, middle, and top managers. These schools have been selected in order to help the community. They work closely with our work units and enable us to promote their educational programs. In November, 80 managers attending a conference in Morocco spent an afternoon distributing more than 60,000 BIC products to children and teachers in schools in remote areas.

Annex of the management report of the board of directors

FINANCIAL AUTHORIZATIONS AT THE CLOSING OF 2004 FINANCIAL YEAR

SOCIÉTÉ BIC has, at December 31, 2004, of the following authorizations which were granted by the Shareholders’ Meetings of May 28, 2002, May 28, 2003, and June 3, 2004:

AUTHORIZATIONS OF CAPITAL INCREASE

<i>in euro millions</i>	Maximum Amount	Date of the authorization	Term and Limit date of validity	Use of the authorization
I. AUTHORIZATION WITH THE SHAREHOLDERS’ PRE-EMPTIVE RIGHT OF SUBSCRIPTION				
Shares or various securities or share warrants	50	June 3, 2004	26 months Aug. 2, 2006	Not used
II. AUTHORIZATION WITHOUT THE SHAREHOLDERS’ PRE-EMPTIVE RIGHT OF SUBSCRIPTION				
Shares or various securities or share warrants	50	June 3, 2004	26 months Aug. 2, 2006	Not used
III. AUTHORIZATIONS IN FAVOR OF EMPLOYEES				
Issue of shares as part of an employee savings	3% of the social capital	June 3, 2004	5 years June 2, 2009	Not used
Options of subscription or purchase of shares	Legal limitations	May 28, 2003	38 months July 27, 2006	Not used
IV. CLASSICAL BONDS				
	1,500	May 28, 2002	5 years May 27, 2007	Not used