



2004 Reference Document

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This is a free translation of the reference document. The French version of the reference document was filed with the A.M.F. *Autorité des Marchés Financiers* (Paris Stock Exchange Authorities) on April 8, 2005, in accordance with Articles 211-1 to 211-42 of the A.M.F.'s General Regulations. It may be used in support of financial transactions only if accompanied by a prospectus approved by the A.M.F.

The reference document (in French) may be obtained as follows on the web site for the A.M.F. ([www.amf-france.org](http://www.amf-france.org)) and on the BIC corporate site ([www.bicworld.com](http://www.bicworld.com)).

A copy of this document can also be obtained, without charge, by calling Investor Relations for SOCIÉTÉ BIC, in France +33 1 45 19 52 26 or by sending a letter to SOCIÉTÉ BIC, 14 rue Jeanne d'Asnières, 92611 Clichy cedex.



# CHAIRMAN'S MESSAGE

Ladies, Gentlemen, Dear Shareholders,  
2004 was a challenging but rewarding year for the Group.

Rewarding in the sense that we generated solid results, strengthened our competitive position in many areas and delivered operating margins above 15% for the 11th consecutive year; but challenging is the sense that competitive pressures have not abated and the currency markets continued to move against us.

In past years, I have provided commentary and perspective on the annual operating results, but this year, I've given my BIC® pen to Mario Guevara, named COO of BIC in March 2004, to provide his specific insight into the results. I will focus my commentary on the Group strategy and the future perspective.

I want to reinforce my belief that the BIC® brand will continue to grow. In 2004 we implemented several initiatives that leverage the strength of our brand. These initiatives included the following:

- We took the strategic decision to re-brand our Conté® line under the BIC® Kids brand.

- We acquired the Stypen fountain pen business – a dynamic category in France – and quickly launched a refillable school fountain pen under the BIC® brand.
- We continue to leverage the strength of the BIC® brand in lighters, where new branding initiatives have further differentiated BIC® from counterfeits and low quality competitors.
- We launched the line of BIC® Select value-added writing instruments – an effort to leverage the strong quality perception of our brand in a slightly more upscale segment.
- We continued to leverage the BIC® brand in the growing triple blade segment of wet shave, where an ingenious approach in design combined with improved shaving quality has generated solid sales.





Geographic expansion is also part of our strategy. In 2004 we completed the acquisition of our distributor in Japan to accelerate growth and to provide a strong base for a profitable future in the Asia region.

I look forward to 2005 and beyond with optimism. I am confident that our long-term strategies and a focused management team are building broad-based momentum across our core categories; and our corporate value of Teamwork has resulted in a more agile and involved culture. But the future will not be without challenges. We will continue to be confronted by the currency markets since a majority of our sales and profits are generated in the Americas. Consistent growth in this region is an important element of our long-term strategy, but in the short-term the weak dollar will impact our results. We also face a new environment in shavers, but we are accustomed to

competing against large and well-resourced brands in this category.

We will face these challenges and are committed to consistent sales growth and growing profits faster than sales. We will also pursue acquisitions to further accelerate growth provided they offer the right strategic fit at a fair value. Alternatively we will continue to reward shareholders as we have done over the past 3 years with 366 million euro in dividends and share repurchases.

Finally, I offer my heartfelt thanks to my colleagues around the world for the many contributions they made to the Group's achievements in 2004. As always, we thank our customers and shareholders for their continuing confidence and support.

Sincerely,

**Bruno Bich**  
Chairman & CEO



# 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 <sup>(1)</sup>
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%
<b>TOTAL</b>	<b>1,491.6</b>	<b>1,360.1</b>	<b>1,386.4</b>	<b>+ 1.9 %</b>	<b>+ 6.0%</b>

## Comparison of key figures: 2002-2004

### BIC GROUP

<i>In euro millions</i>	2002	2003	2004	Change 2004/2003	On a comparative basis <sup>(1)</sup>
Sales	1,491.6	1,360.1	1,386.4	+ 1.9%	+ 6.0%
<b>GROSS PROFIT</b>	<b>830.2</b>	<b>742.6</b>	<b>741.7</b>	<b>- 0.1%</b>	<b>+ 3.6%</b>
<b>INCOME FROM OPERATIONS</b>	<b>252.5</b>	<b>209.0</b>	<b>215.1</b>	<b>+ 2.9%</b>	<b>+ 10.3%</b>
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%
<b>INCOME BEFORE TAX</b>	<b>213.5</b>	<b>179.0</b>	<b>159.5</b>	<b>- 10.9%</b>	<b>- 4.1%</b>
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%
<b>GROUP NET INCOME</b>	<b>126.7</b>	<b>110.3</b>	<b>98.9</b>	<b>- 10.3%</b>	<b>- 2.6%</b>
<b>EARNINGS PER SHARE (IN EURO)</b>	<b>2.23</b>	<b>2.03</b>	<b>1.87</b>	<b>- 7.8%</b>	<b>+ 0.2%</b>
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 Stypen (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 Styphen and sale of Ballograf facility) had an impact on sales growth of 1.2 points. On a comparative basis<sup>(1)</sup>, 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 1<sup>st</sup> Half, 33 million euro in the 2<sup>nd</sup> 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 Styphen 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 2<sup>nd</sup> 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.

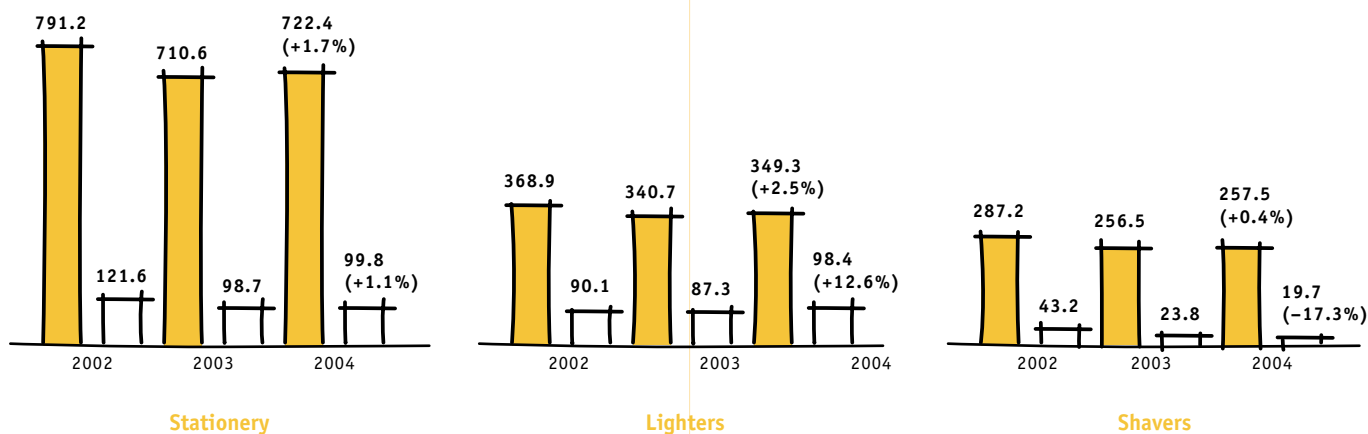
Income from operations for this region in 2004 decreased, negatively impacted by plastic price increases.

## 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.

## SHAVERS

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:

<b>EQUITY AS OF DEC 31, 2003 - FRENCH GAAP</b>	<b>1,109,864</b>
Minority Interests reclassification within equity <sup>(1)</sup>	2,057
Recognition of actuarial gains/losses formerly within the corridor <sup>(2)</sup>	(103,947)
Tangible assets revaluation in Spain and Portugal - IFRS deemed costs <sup>(3)</sup>	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)
<b>EQUITY AS OF JAN 1, 2004 - IFRS</b>	<b>1,040,311</b>

## 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
<b>TOTAL NON-CURRENT ASSETS</b>	<b>724,222</b>	<b>33,145</b>		<b>(23,615)</b>		<b>733,752</b>
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
<b>TOTAL CURRENT ASSETS</b>	<b>733,697</b>	<b>0</b>		<b>(15,212)</b>		<b>718,485</b>
<b>TOTAL ASSETS</b>	<b>1,457,919</b>	<b>33,145</b>		<b>(38,827)</b>		<b>1,452,237</b>

### 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
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,109,864</b>	<b>(71,610)</b>		<b>2,057</b>		<b>1,040,311</b>
<b>MINORITY INTEREST</b>	<b>2,057</b>			<b>(2,057)</b>		<b>0</b>
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
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>89,806</b>	<b>104,755</b>		<b>(22,327)</b>		<b>172,234</b>
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
<b>TOTAL CURRENT LIABILITIES</b>	<b>256,192</b>	<b>0</b>		<b>(16,500)</b>		<b>239,692</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,457,919</b>	<b>33,145</b>		<b>(38,827)</b>		<b>1,452,237</b>



## 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 <sup>(1)</sup>
Hedging of stock-options plans <sup>(3)</sup> 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
<b>TOTAL<sup>(2)</sup></b>	<b>607,748</b>	<b>40.24</b>	<b>1.17</b>

Number of shares cancelled between Jan. 1, 2004 and Dec. 31, 2004	2,042,200
Shares repurchased in 2004 (Art L.225-209) <sup>(4)</sup>	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:

Name	As of December 31, 2004	
	% 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 Pélisson	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 sales, operating income, net income and inventory levels (for a total of 70% of the bonus) and on 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 Pélisson	19,000					
Marie-Henriette Poinso	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 Tirlemontoise (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:

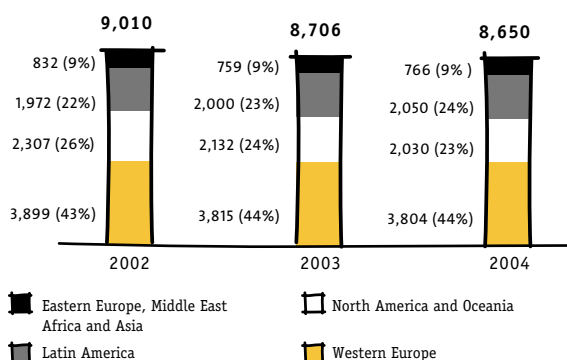
## Workforce 2004 by geography

### 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
<b>TOTAL PERMANENT WORKFORCE IN FULL-TIME EQUIVALENT</b>	<b>9,010</b>	<b>8,706</b>	<b>8,650</b>	<b>(56)</b>
Temporary workforce	738	687	942	+ 255
<b>TOTAL IN FULL-TIME EQUIVALENT</b>	<b>9,748</b>	<b>9,393</b>	<b>9,592</b>	<b>+ 199</b>



### 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.

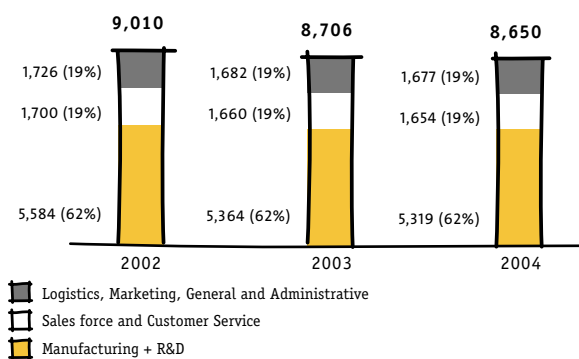
The decrease in the total permanent workforce is mainly explained by the implementation of the manufacturing rationalization program in North America.

### Workforce 2004 by activity

#### BIC GROUP

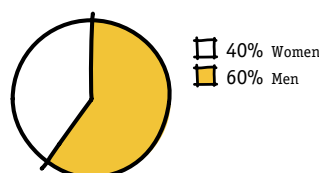
	2002	2003	2004	Variance 2004/2003
Manufacturing and R&D	5,584	5,364	5,319	(45)
Sales force and customer service	1,700	1,660	1,654	(6)
Logistics, Marketing, General and Administrative	1,726	1,682	1,677	(5)
<b>TOTAL PERMANENT WORKFORCE</b>	<b>9,010</b>	<b>8,706</b>	<b>8,650</b>	<b>(56)</b>

### 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.

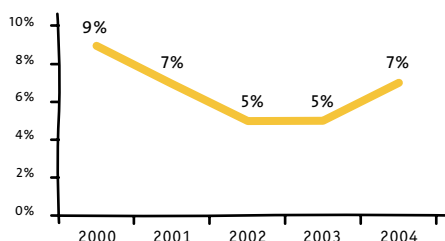
20% of the Group's permanent workforce are managers and 27% of these managers are women.

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](mailto: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.

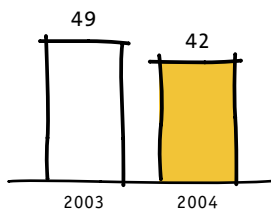
➤ **ACTIONS TAKEN TO REPAIR DAMAGE TO THE ENVIRONMENT**

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**

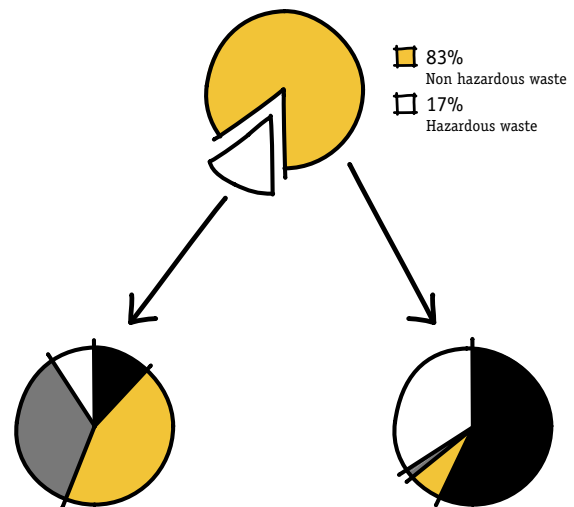
The primary raw materials consumed in our industry are plastics, metals and cardboard for packaging. We are committed to optimizing the quantity of materials necessary to manufacture our products and distribute them in commerce.

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.

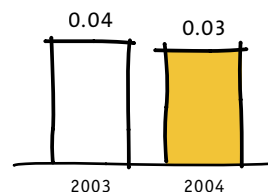
In each European country, we work to recover packaging put on the market by BIC by participating in the national packaging recovery programs in place in Europe.

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

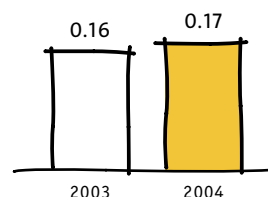
BIC Group (tonne / tonne)



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)

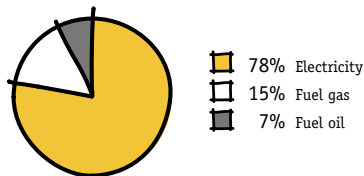


We experienced a slight increase in our generation of non hazardous waste in 2004 when normalized to production. Successes in manufacturing waste reduction were countered by exceptional waste generating activities in 2004, including demolition of obsolete buildings and operations as well as start up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



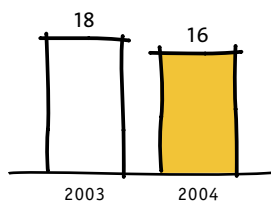
**CONSUMPTION OF ENERGY RESOURCES INCLUDING, IF APPLICABLE, MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY AND USE OF RENEWABLE ENERGY SOURCES**

**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.

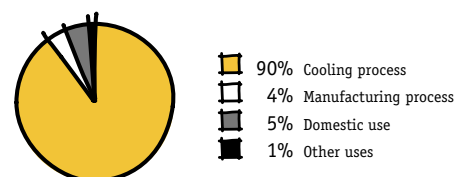
For plants outside of France, equivalents cannot be easily translated into relevant data. The information cannot be compiled, since each plant has its own methods for monitoring pollutants relevant to its activities and the requirements of local regulations.

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 Cabreuva, 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
<b>I. AUTHORIZATION WITH THE SHAREHOLDERS’ PRE-EMPTIVE RIGHT OF SUBSCRIPTION</b>				
Shares or various securities or share warrants	50	June 3, 2004	26 months Aug. 2, 2006	Not used
<b>II. AUTHORIZATION WITHOUT THE SHAREHOLDERS’ PRE-EMPTIVE RIGHT OF SUBSCRIPTION</b>				
Shares or various securities or share warrants	50	June 3, 2004	26 months Aug. 2, 2006	Not used
<b>III. AUTHORIZATIONS IN FAVOR OF EMPLOYEES</b>				
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
<b>IV. CLASSICAL BONDS</b>				
	1,500	May 28, 2002	5 years May 27, 2007	Not used

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated income statement

FOR THE YEAR ENDED DECEMBER 31, 2004

Notes	In euro thousands	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
3	Net sales	1,491,622	1,360,137	1,386,421
4	Cost of goods	(661,399)	(617,519)	(644,727)
	<b>GROSS PROFIT</b>	<b>830,223</b>	<b>742,618</b>	<b>741,694</b>
4	Distribution costs	(335,635)	(317,918)	(310,870)
4	Administrative expenses	(162,313)	(141,208)	(137,892)
4	Other operating expenses	(79,734)	(74,500)	(77,798)
	<b>INCOME FROM OPERATIONS</b>	<b>252,541</b>	<b>208,992</b>	<b>215,134</b>
5	Finance income/ (costs) - net	(18,551)	(8,873)	(7,770)
	Income from other investments			
	Income from associates	(1,110)	646	0
6	Other income / (Other expenses)	(8,586)	(10,415)	(33,949)
10	Goodwill amortization	(10,749)	(11,297)	(13,904)
	<b>INCOME BEFORE TAX</b>	<b>213,545</b>	<b>179,052</b>	<b>159,511</b>
7	Income tax expense	(81,432)	(68,319)	(60,406)
	<b>INCOME BEFORE MINORITY INTEREST</b>	<b>132,113</b>	<b>110,733</b>	<b>99,105</b>
18	Minority interest	(5,425)	(410)	(184)
	<b>GROUP NET INCOME</b>	<b>126,688</b>	<b>110,323</b>	<b>98,921</b>
	Earnings per share (in euro)	<b>2.23</b>	<b>2.03</b>	<b>1.87</b>
	Diluted earnings per share (in euro) *	2.21	1.99	1.83
17	Number of shares outstanding net of treasury shares	56,743,634	54,393,854	52,882,591

\* Diluted items are options for subscribing for new shares.



## Consolidated balance sheet

FOR THE YEAR ENDED DECEMBER 31, 2004

### ASSETS

Notes	<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
9	Property, plant and equipment	479,676	417,287	376,533
10	Goodwill	162,921	142,945	128,254
11	Intangible assets	105,066	91,186	78,235
13	Equity and other investments	9,197	398	381
14	Prepayments, loans and deposits	23,235	19,963	18,076
22	Deferred tax assets	56,189	52,443	66,037
	<b>TOTAL NON-CURRENT ASSETS</b>	<b>836,284</b>	<b>724,222</b>	<b>667,516</b>
15	Inventories	256,267	241,899	255,190
	Other current assets	24,565	23,539	20,255
16	Trade and other receivables	306,449	287,160	304,219
16	Temporary cash investments	85,570	144,794	137,807
16	Bank balances and cash	56,415	36,305	41,164
	<b>TOTAL CURRENT ASSETS</b>	<b>729,266</b>	<b>733,697</b>	<b>758,635</b>
	<b>TOTAL ASSETS</b>	<b>1,565,550</b>	<b>1,457,919</b>	<b>1,426,151</b>



## EQUITY AND LIABILITIES

Notes	<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
17	Issued capital	187,619	205,953	196,905
	Accumulated profits	1,107,714	1,085,111	1,044,200
	Translation reserves	(115,190)	(181,200)	(196,152)
	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,180,143</b>	<b>1,109,864</b>	<b>1,044,953</b>
18	<b>MINORITY INTEREST</b>	<b>1,780</b>	<b>2,057</b>	<b>1,532</b>
19	Long-term borrowings	8,422	3,576	2,418
21	Retirement benefit obligation	24,848	14,929	26,075
20	Provisions for risks and charges	22,827	21,408	20,819
22	Deferred tax liabilities	58,530	49,893	43,511
	<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>114,627</b>	<b>89,806</b>	<b>92,823</b>
19	Trade and other payables	88,825	83,289	100,846
	Short-term borrowings	34,013	28,653	18,972
	Accrued expenses	146,162	144,250	167,026
	<b>TOTAL CURRENT LIABILITIES</b>	<b>269,000</b>	<b>256,192</b>	<b>286,843</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,565,550</b>	<b>1,457,919</b>	<b>1,426,151</b>



# Consolidated cash flow statement

FOR THE YEAR ENDED DECEMBER 31, 2004

Notes	In euro thousands	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
	<b>OPERATING ACTIVITIES</b>			
PL	Net income	126,688	110,324	98,921
	Adjustments to reconcile net income to net cash:			
PL	Minority interests	5,425	410	184
5, 9, 10, 11, 20, 21, 22	Amortization and provision	101,085	102,131	124,992
7	Deferred tax variation	(6,679)	(3,844)	(21,379)
6, 9, 11	(Gain) loss from disposal of fixed assets	(3,237)	(14,331)	306
	<b>CASH FLOWS</b>	<b>223,282</b>	<b>194,690</b>	<b>203,024</b>
BS	(Increase) decrease in net current working capital	37,607	3,578	13,230
	<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>260,889</b>	<b>198,268</b>	<b>216,254</b>
	<b>INVESTING ACTIVITIES</b>			
(a)	Dividends received from equity investments and other investments		3,466	
(b)	Proceeds on disposals of subsidiaries	4,472	3,832	
6, (c)	Proceeds on disposals of property, plant and equipment	8,695	24,458	13,063
9, 11	Purchases of property, plant and equipment	(60,420)	(60,740)	(61,316)
13	Purchases of marketable securities	(603)	(11)	24
11	Purchases of patents and trademarks	(24,977)	(8,438)	(8,517)
	Proceeds on disposal (acquisition) of BIC shares booked in temporary cash investments	(1,651)		800
14	Other investment expenditures	(280)	(32)	(39)
(d)	Acquisition of subsidiaries		(1,232)	(3,061)
	<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(74,764)</b>	<b>(38,697)</b>	<b>(59,046)</b>
	<b>FINANCING ACTIVITIES</b>			
(e) SHEQ	Dividends paid	(37,547)	(43,345)	(63,480)
(f)	Minority interests buy back	(40,114)	(156)	(1,748)
19	Repayments of borrowings	(15,079)	(5,776)	(12,899)
19	Repayments of obligations under finance leases	(403)	(422)	(419)
(g), 17	Increase in treasury shares	(64,774)	(71,159)	(85,633)
	New bank loan raised			
	<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(157,917)</b>	<b>(120,858)</b>	<b>(164,179)</b>
	Net increase / (decrease) in cash and cash equivalents	28,208	38,713	(6,971)
BS	Opening cash and cash equivalents	103,234	118,529	157,610
(h)	Exchange difference	(12,913)	368	9,488
BS	<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>118,529</b>	<b>157,610</b>	<b>160,127</b>



Cash and cash equivalents include cash, temporary cash investments and bank overdrafts.

(a) Dividends received from equity and other company in 2003 correspond to the dividends received by Ceratizit South Carolina Inc. (ex. Carbide Alloys) for 3,5 million euro (3,9 million US Dollar). This subsidiary has been sold end of 2003.

(b) The proceeds of disposal of subsidiaries in December 2003 are related to the disposal of Ceratizit South Carolina Inc. (ex. Carbide Alloys) for 1.4 million euro and Anthem for 1.7 million euro.

(c) The proceeds on disposal of property, plant and equipment include in 2004 part of the Italian offices sales as well as the sales of Ballograf manufacturing operations.

(d) Acquisition of subsidiaries in December 2004 are related to the impact of treasury of Stypen Group for -3,5 million euro and BIC Kosaido KK for +0.4 million euro. Acquisition of subsidiaries

in December 2003 were related to the impact of treasury of DAPE 74 Distribution for 1.2 million euro.

(e) The dividends paid mainly represent the dividends paid by SOCIÉTÉ BIC to BIC shareholders and the interim dividend paid in November 2004 (Cf. note 8).

(f) SOCIÉTÉ BIC proceeded to the minority buy back of BIC Holdings Southern Africa on April 29, 2004 for 1,5 million euro.

(g) 2,373,903 shares had been bought back by SOCIÉTÉ BIC in 2004 for a total amount of 85,8 million euro and sold 5,255 shares for 0.2 million euro. 2,343,236 shares had been bought back by SOCIÉTÉ BIC in 2003 for a total amount of 71.2 million euro.

(h) The exchange difference includes a hedging benefit on US Dollar dividends in 2004 for 11 million euro and in December 2003 for 10 million euro.



## Consolidated statement of changes in equity

FOR THE YEAR ENDED DECEMBER 31, 2004

Notes	<i>In euro thousands</i>	Share capital	Translation reserve	Treasury shares	Accumulated profits	Total
	<b>BALANCE AT JANUARY 1, 2003</b>	<b>218,517</b>	<b>(115,190)</b>	<b>(30,898)</b>	<b>1,107,714</b>	<b>1,180,143</b>
	Increase / decrease in share capital	(12,564)		30,898	(89,493)	(71,159)
	Exchange differences arising on translation of overseas operations		(66,010)			(66,010)
	Other				(105)	(105)
	Group Net income for the period				110,324	110,324
8	Dividends				(43,329)	(43,329)
	<b>BALANCE AT JANUARY 1, 2004</b>	<b>205,953</b>	<b>(181,200)</b>	<b>-</b>	<b>1,085,111</b>	<b>1,109,864</b>
	Increase / decrease in share capital	(7,801)			(65,947)	(73,748)
	Exchange differences arising on translation of overseas operations		(14,952)			(14,952)
	Other	-	-	-	5	5
	Treasury shares	(1,247)			(10,638)	(11,885)
	Group Net income for the period				98,921	98,921
8	Dividends				(63,252)	(63,252)
	<b>BALANCE AT DECEMBER 31, 2004</b>	<b>196,905</b>	<b>(196,152)</b>	<b>-</b>	<b>1,044,200</b>	<b>1,044,953</b>

On June 3, 2004 and on December 15, 2004, the Board of Directors, authorized by the General Assembly of June 3, 2004 has decided to cancel a total of 2,042,200 shares and to reduce the issued share capital to 198,151,330.32 euro divided into 51,872,076 shares of 3.82 euro each.

Main items impacting the translation reserve variance for the period are the followings:  
USD -8.3 million euro, Mexican Peso -2.1 million euro.



# Notes to the financial statements

FOR THE YEAR ENDED DECEMBER 31, 2004

## Note 1. Presentation of consolidated financial statements

### ➤ 1 - ACCOUNTING POLICIES

#### 1.1 - General

The consolidated financial statements of BIC Group have been prepared in accordance with French accounting principles as defined by the French law of January 3, 1985 and the new French regulation, 99-02 by the "Comité de la Réglementation Comptable".

The principal accounting policies adopted are set out below and remain unchanged from the previous year.

According to the French regulation n°2002-10 by the "Comité de la Réglementation Comptable" on the amortization and impairment of assets, which have to be implemented for January 1, 2005, an early implementation was possible. SOCIÉTÉ BIC has not implemented it by anticipation in the Financial Statements as of December 31, 2004.

#### 1.2 - Principles of consolidation

All Group companies are consolidated based on annual financial statements at December 31.

The financial statements of consolidated companies prepared in accordance with local accounting principles have been restated to comply with the principles and policies applied by the Group.

The accounts of material subsidiaries in which the BIC Group has, directly or indirectly a controlling interest are fully consolidated, including those with sales over 1 million euro and net worth over 500,000 euro.

Investments in companies where BIC group has a significant influence but no controlling interest are accounted for using the equity method.

Material transactions, assets and liabilities between fully consolidated companies are eliminated in consolidation. Gains and losses on transactions between fully consolidated companies are also eliminated.

In the consolidated income statement, companies acquired or disposed during the year are consolidated as from the effective date of acquisition or to the effective date of disposal.

#### 1.3 - Translation of financial statements of foreign subsidiaries

The consolidated financial statements are stated in euro.

The financial statements of subsidiaries using a different functional currency are converted into euro as follows:

- at the year-end exchange rate for the balance sheet items
- at the average rate for the year for the income statement and cash flow items.

Translation adjustments arising from the application of these rates are recorded under « Cumulative translation adjustment » included in the consolidated shareholders' equity. These cumulative translation adjustments are recorded in the income statement when the related foreign investments are sold or liquidated.

The following exchange rates were used to translate the financial statements of the main foreign subsidiaries, excluding euro countries.

The following schedule shows euro equivalents of one unit of foreign currency (for instance: average year 2004 is 0.80 euro = 1 USD).



## CURRENCIES

	2002	2003	2004	Dec.31, 2002	Dec.31, 2003	Dec.31, 2004
<i>In euro</i>	Average	Average	Average			
US Dollar	1.06	0.88	0.80	0.95	0.79	0.73
Australian Dollar	0.58	0.58	0.59	0.54	0.60	0.57
Canadian Dollar	0.67	0.63	0.62	0.60	0.62	0.61
Swiss Franc	0.68	0.66	0.65	0.69	0.64	0.65
Chinese Renminbi	0.13	0.11	0.10	0.12	0.10	0.09
British Pound	1.59	1.45	1.47	1.54	1.42	1.42
Hong Kong Dollar	0.14	0.11	0.10	0.12	0.10	0.09
Indian Rupee	0.02	0.02	0.02	0.02	0.02	0.02
Japanese Yen	0.0085	0.0076	0.0074	0.0080	0.0074	0.0072
Korean Won	0.0009	0.0007	0.0007	0.0008	0.0007	0.0007
Malaysian Ringgit	0.2786	0.2327	0.2118	0.2510	0.2084	0.1932
New Zealand Dollar	0.49	0.51	0.53	0.50	0.52	0.53
Philippine Peso	0.021	0.016	0.014	0.018	0.014	0.013
Polish Zloty	0.26	0.23	0.22	0.25	0.21	0.24
Swedish Krona	0.11	0.11	0.11	0.11	0.11	0.11
Singapore Dollar	0.5916	0.5077	0.4761	0.5495	0.4662	0.4492
South African Rand	0.10	0.12	0.12	0.11	0.12	0.13
Argentinian Peso	0.33	0.30	0.27	0.28	0.27	0.25
Brazilian Real	0.36	0.29	0.28	0.27	0.27	0.28
Mexican Peso	0.11	0.08	0.07	0.09	0.07	0.07

### 1.4 - Foreign currency transactions

Foreign currency transactions are accounted for at the rate prevailing on the transaction date or at the hedging rate, when applicable.

At year-end, assets and liabilities denominated in foreign currencies that have not been hedged are converted at the year-end exchange rate. Unrealized gains and losses resulting from these conversions are recorded in finance income / (costs).

### 1.5 - Derivatives

As a matter of principle the Group does not enter into derivatives contracts for speculative purposes. The Group uses currency derivatives to eliminate or reduce the exposure of its foreign currency denominated assets and liabilities, and to hedge future transactions and cash flow exposures of one-year duration or less.

Foreign exchange option contracts are revalued using the year-end exchange rates. Gains and losses resulting from this revaluation are accounted for either in the statement of income to compensate the unrealized gains and losses on the assets or liabilities covered by these instruments or deferred if the instruments have been designated as hedges for future transactions.

The Group also uses interest rate derivatives in order to reduce its exposure to interest rate fluctuation risk, on existing debt or cash.

Interest rate swaps used to hedge financial assets and liabilities are recorded in the income statement prorata temporis. Premiums paid are recorded in the income statement when the payment incurred.

### 1.6 - Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest of the assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognized as an asset and amortized on a systematic basis following an assessment of the foreseeable life of the asset, subject to a maximum of 20 years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary or associate entity, the attributable amount of unamortized goodwill or negative goodwill is included in the determination of the profit or loss on disposal. In the case of a permanent decline in value, goodwill is written down accordingly to the expected cash flow.

### 1.7 - Patents and trademarks

The initial cost of acquiring a patent or trademark is recognized as an asset and amortized on a straight-line basis over its estimated useful life, up to a maximum of 40 years. The cost of renewing patents and trademarks is charged to the income statement.



### 1.8 - Research and development costs

Research and development costs are capitalized when the projects of significant research and development costs (above the threshold of 500,000 euro) are clearly identifiable, the costs to be capitalized correspond to development cost, it is highly probable that the project will be technically successful and profitable, and the costs to be capitalized can be identified and measured reliably. From the beginning of the manufacturing process, capitalized research and development costs are amortized over a period of 3 to 5 years on a straight-line basis.

### 1.9 - Property, plant and equipment

Land and buildings are stated in the balance sheet at cost, less any subsequent accumulated depreciation.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Depreciation of these assets, on the same basis as other property assets, starts when the assets are ready for their intended use.

Other items of property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases per year:

Buildings	25 years
Fixtures, machinery and equipment	5 to 8 years
Vehicles	3 to 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal write-off of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

### 1.10 - Impairment of intangible assets and goodwill

The Group ensures at year end that no internal or external item is deemed to impact the carrying value of a long term asset.

The carrying amount of the asset is compared to its recoverable value which represents the higher of the net selling price and the value in use. The value in use is calculated based on the future discounted cash flows method. In case of a positive variance between the carrying amount of the assets and their net present value is recognized as a charge in the income statement.

### 1.11 - Finance and operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income over the term of the relevant lease.

### 1.12 - Equity interest

Shares in non-consolidated companies are stated at the lower of cost and fair value, corresponding to the Group's equity in the underlying net assets, as adjusted where appropriate.

### 1.13 - Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. In general cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### 1.14 - Trade receivable

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### 1.15 - Cash equivalents

Temporary cash investments (including stock-options) held for the short-term are carried at market value at the balance sheet date. Increases or decreases in the carrying amount of temporary cash investments are recognized as income or expenses of the period.

### 1.16 - Treasury stock

SOCIÉTÉ BIC shares held by the parent company or fully consolidated companies are recorded as follows:

- temporary cash investments included as assets in the balance sheet if they are acquired for the specific purpose of being allocated to employee stock-options plans or stock price regulation;
- as a deduction from shareholders' equity in all other cases.

### 1.17 - Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Financial liabilities include trade and other payables, interest-bearing bank loans and overdrafts, and lease obligations.



Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### **1.18 - Provisions for risks and charges**

Provisions for risks and charges are liabilities for which maturity or amount are not valued precisely. The provisions for risks and charges are calculated with the best estimation based on the cash needed to close the liability.

#### **1.19 - Net sales recognition**

Sales are recorded at the time products are shipped to trade customers and when risk of ownership transfers, net of discounts and rebates granted to our customer.

Trade support actions are treated as distribution expenses.

Financial cash discounts allowed are recorded as financial expenses and are allowed to customers when a payment is received before usual payment terms mentioned on invoices.

#### **1.20 - Government grants**

Government grants towards staff re-training costs are recognized as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

#### **1.21 - Borrowing costs**

All borrowing costs are charged to income in the period in which they are incurred.

#### **1.22 - Other income / (other expense)**

Other income / (other expense) comprise income statement items which, due to their nature or frequency may not be inherent to the Group operating activity.

#### **1.23 - Taxation**

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rate that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Tax losses are also activated when it is probable that they will be used.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement.

Deferred tax assets and liabilities are not discounted as a reversal calendar could not be established.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Taxes payable on dividends distributed by subsidiaries are treated as transfer taxes provided for as soon as the liability becomes probable.

BIC Sport, Bima 83, BIC Écriture 2000, BIC Services, Conté, Société Immobilière BIC Clichy, Société Immobilière Valiton Gesnouin, BIC Rasoirs, Société du Briquet Jetable 75, BIC Graphic France, BIC Assemblage, BIC Technologies, Compagnie de Moulages and DAPE 74 Distribution are part of SOCIÉTÉ BIC tax Group.

#### **1.24 - Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the amended benefits become vested.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Others benefits are valued the same way and provided for in the balance sheet:

- termination benefits,
- retiree medical and life insurance (mainly in United States)

If the accumulated unrecognized actuarial gains and losses exceed 10% of the greater of the defined benefit obligation or the fair value of plan assets, a portion of that net gain or loss is required to be recognized as income or expense.



### 1.25 - Earnings per share

Earnings per share correspond to Group net income divided by the weighted monthly average, number of shares outstanding during the year less the number of shares held in treasury stock and unallocated, if any.

## Note 2. Changes in group structure

On September 1, 2004, SOCIÉTÉ BIC has processed a minority buy back for BIC Product (Singapore) Pte. Ltd., the ownership interest increase from 76% to 100% .

On May 19, 2004, the Group BIC acquired 100% of Stypen, French manufacturer of writing instruments since 1934 (consolidated from June 1, 2004).

On March 31, 2004, the Group BIC acquired 100% of BIC Kosaido KK, previously distributor of BIC products in Japan (consolidated from April 1, 2004).

The Group BIC has processed a minority buy back for BIC Holdings Southern Africa Pty. Ltd. on April 29, 2004, the ownership interest increase from 95% to 100%.

## Note 3. Business and geographical segments

### Business segments

The Group is currently organised into operating divisions by product category: manufacture and distribution of stationery, lighter, shaver and other products. These divisions are the basis on which the Group regroups its primary segment information.

### SEGMENT INFORMATION

In euro millions	Net sales			Income from operations		
	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Stationery products	791	711	722	122	99	100
Lighters	369	341	349	90	87	98
Shavers	287	257	258	43	24	20
Other	45	51	57	(2)	(1)	(3)
<b>TOTAL</b>	<b>1,492</b>	<b>1,360</b>	<b>1,386</b>	<b>253</b>	<b>209</b>	<b>215</b>

### Geographical segments

The Group's operations are principally located in Europe, North America and Latin America.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

### SALES REVENUE BY GEOGRAPHICAL MARKET

In euro millions	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
Western Europe	457	444	452
North America and Oceania	719	637	640
Latin America	194	176	182
Eastern Europe, Middle East, Africa and Asia	122	103	112
<b>TOTAL</b>	<b>1,492</b>	<b>1,360</b>	<b>1,386</b>



## OPERATING ASSETS BY GEOGRAPHICAL MARKET

(inventories, tangible and intangible assets, trade and other receivables, other current assets)

<i>In euro millions</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Western Europe	585	582	581
North America and Oceania	405	314	278
Latin America	137	133	141
Eastern Europe, Middle East, Africa and Asia	34	32	34
<b>TOTAL</b>	<b>1,161</b>	<b>1,061</b>	<b>1,034</b>

## EMPLOYEES BY GEOGRAPHICAL AREA

<i>Number of employees</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Western Europe	3,899	3,815	3,804
North America and Oceania	2,307	2,132	2,030
Latin America	1,972	2,000	2,050
Eastern Europe, Middle East, Africa and Asia	832	759	766
<b>TOTAL</b>	<b>9,010</b>	<b>8,706</b>	<b>8,650</b>

*For confidentiality purposes, the number of employees by nature is not disclosed.*

## Note 4. Operating expenses

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Raw materials and consumables used and change in inventory	297,940	266,126	295,212
Staff costs	394,740	382,327	371,426
Amortization expense	89,226	90,241	87,381
Other operating expenses	457,175	412,451	417,268
<b>TOTAL</b>	<b>1,239,081</b>	<b>1,151,145</b>	<b>1,171,287</b>

Research and development costs expensed for full year 2004 amount to 24.3 euro million versus 23.5 million euro for full year 2003.



## Note 5. Finance income/(costs) - net

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Interest income (Expense)	(3,865)	(779)	1,287
Cash discounts allowed	(13,227)	(12,015)	(12,646)
Royalty income (Expense)	(177)	(78)	(88)
Foreign exchange income (loss)	(477)	2,761	3,819
Revaluation of BIC shares in temporary cash investments	(805)	1,238	(142)
<b>TOTAL</b>	<b>(18,551)</b>	<b>(8,873)</b>	<b>(7,770)</b>

The interest income is mainly impacted by the decrease of the interest rates, the decrease in net debt and by the reimbursement of damages for delay of the English Tax Authority for 0.7 million euro.

The foreign exchange income is mainly due to the hedge euro/dollar.

## Note 6. Other income and other expense

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
<b>OTHER INCOME AND OTHER EXPENSE</b>	<b>(8,586)</b>	<b>(10,415)</b>	<b>(33,949)</b>

Other income / other expense as of December 31, 2004 include:

- the impact to BIC Group for the USA restructuring is 40.2 million euro,
- a gain on sale of property, plant and equipment of 8.0 million euro (mainly related to the sale of the italians premises for 4.1 million euro; 2.2 million euro for BIC Nordic AB (ex BIC Ballograf AB) and a gain on sale of the Conté à Paris trademark by SOCIÉTÉ BIC for 1.5 million euro,
- the impairment of the intellectual property rights for 2.3 million euro from the Amerikids company,
- additional costs related to EMA change in administrative and finance management structure (Europe, Middle East and Africa) for 2.9 million euro,
- Stypen badwill for 3.7 million euro.

Other income / other expense as of December 31, 2003, included:

- additional costs related to the stationery streamlining costs occurred in 2002 for 2.5 million euro in North America, for 1.2 million euro in Italy,
- non recurring costs related to EMA change in administrative and finance management structure (Europe, Middle East and Africa) for 5.1 million euro,
- impairment of idle machines in the USA, France and Greece for respectively 5.4, 2.6 and 1.3 million euro,
- 6 million euro of litigation between France and former Middle East distributors, 5 million euro being termination fees,
- a gain on sale of property of 13.7 million euro (12 million euro for SOCIÉTÉ BIC and its French subsidiaries mainly related to the sale of Impasse des Cailloux for 9 million euro, Rue Foucault for 0.7 million euro and Montreuil for 2.3 million euro and 1.7 million euro for the sale of Switzerland office).



## Note 7. Income tax expense

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
<b>CURRENT TAX</b>			
Domestic	18,002	19,709	19,495
Foreign	70,109	52,454	63,530
	<b>88,111</b>	<b>72,163</b>	<b>83,025</b>
Deferred tax (note 22)	(6,679)	(3,844)	(22,619)
<b>INCOME TAX EXPENSE</b>	<b>81,432</b>	<b>68,319</b>	<b>60,406</b>

Domestic income tax is 35.39% for the fiscal year 2004 (2003: 35.4%).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Income before tax	213,545	179,053	159,511
Tax rate	35.40%	35.40%	35.39%
<b>THEORETICAL TAX CHARGE</b>	<b>75,595</b>	<b>63,385</b>	<b>56,451</b>
Effects of:			
– differences of tax rates	(1,651)	(1,820)	(1,464)
– income taxed at reduced rate	(1,466)	(2,577)	(3,016)
– permanent differences	16,277	18,320	15,802
– intercompany accruals elimination	(1,415)	149	(61)
– tax assets not activated on tax losses	2,662	1,345	2,052
– tax assets activated on prior years	(4,291)	(6,620)	(5,602)
– tax credits	(4,429)	(4,007)	(3,774)
– foreign exchange differences	150	144	18
<b>INCOME TAX EXPENSE</b>	<b>81,432</b>	<b>68,319</b>	<b>60,406</b>
<b>EFFECTIVE TAX RATE</b>	<b>38.13%</b>	<b>38.16%</b>	<b>37.87%</b>

No deferred tax assets have been recognized on the unused tax losses of 35 million euro at December 31, 2004. The amount was 34 million euro at December 31, 2003.

The amount related to permanent differences in 2004 principally relates to goodwills (3.3 million euro), BIC Corporation dividends withholding tax (6.0 million euro) and the 5% tax due on dividends received under the French affiliation privilege regime (2.7 million euro).

## Note 8. Dividends

For the year 2004, the shareholders received an interim dividend of 0.4 euro per share on November 3, 2004.

For the year 2003, the shareholders received, on June 3, 2004, a dividend of 0.8 euro per share.

For the year 2002, the shareholders received, on June 5, 2003, a final dividend of 0.8 euro per share.

## Note 9. Property, plant & equipment

<i>In euro thousands</i>	Land & Buildings	Machinery & equipment	Construction in progress	Other fixed assets	Total
<b>GROSS VALUE</b>					
<b>AT JANUARY 1, 2004</b>	<b>315,120</b>	<b>820,187</b>	<b>25,368</b>	<b>27,031</b>	<b>1,187,706</b>
Additions	2,191	28,088	29,494	2,588	62,361
Acquired on acquisition of subsidiary	3,163	8,991	3	854	13,011
Exchange differences	(5,781)	(20,948)	(395)	(120)	(27,244)
Disposals	(14,995)	(53,874)	(405)	(6,765)	(76,039)
Transfers	1,552	21,558	(23,110)		
<b>AT DECEMBER 31, 2004</b>	<b>301,250</b>	<b>804,002</b>	<b>30,955</b>	<b>23,588</b>	<b>1,159,795</b>
<b>DEPRECIATION</b>					
<b>AT JANUARY 1, 2004</b>	<b>143,600</b>	<b>609,820</b>		<b>16,999</b>	<b>770,419</b>
Operating charge for the year	13,874	58,259		2,616	74,749
Impairment loss	1,032	8,843			9,875
Exchange differences	(3,082)	(17,829)		(116)	(21,027)
Eliminated on disposals	(7,554)	(50,853)		(3,295)	(61,702)
Acquisition of subsidiary	590	9,938		420	10,948
<b>AT DECEMBER 31, 2004</b>	<b>148,460</b>	<b>618,178</b>		<b>16,624</b>	<b>783,262</b>
<b>NET VALUE</b>					
<b>AT DECEMBER 31, 2004</b>	<b>152,790</b>	<b>185,824</b>	<b>30,955</b>	<b>6,964</b>	<b>376,533</b>
<b>AT DECEMBER 31, 2003</b>	<b>171,520</b>	<b>210,367</b>	<b>25,368</b>	<b>10,032</b>	<b>417,287</b>

## Note 10. Goodwill

<i>In euro thousands</i>	
<b>GROSS VALUE</b>	
<b>AT JANUARY 1, 2004</b>	<b>223,115</b>
Exchange differences	(5,797)
Acquisitions	3,188
Disposals	0
<b>AT DECEMBER 31, 2004</b>	<b>220,506</b>
<b>AMORTIZATION</b>	
<b>AT JANUARY 1, 2004</b>	<b>80,170</b>
Exchange differences	(1,836)
Charge for the year	13,918
Disposal of subsidiary	0
<b>AT DECEMBER 31, 2004</b>	<b>92,252</b>
<b>NET VALUE</b>	
<b>AT DECEMBER 31, 2004</b>	<b>128,254</b>
<b>AT DECEMBER 31, 2003</b>	<b>142,945</b>



The above includes net goodwill on the acquisition of BIC Violex of 42 million euro and BIC Corporation for 68.7 million euro at December 31, 2004.

The acquisitions 2004 include mainly the goodwill of BIC Holding Southern Africa Pty. Ltd. for 1.2 million euro, BIC Kosaido KK for 1.9 million euro.

The DAPE 74 Distribution calculation have been reviewed and an additional goodwill have been booked. The final goodwill is 3.4 million euro (3.3 million euro end of 2003).

This goodwill as well as the goodwill on our Indonesian subsidiary have been fully depreciated in 2004 which represents an expense amounting respectively to 3.4 and 1.4 million euro.

## Note 11. Intangible assets

<i>In euro thousands</i>	Software Development Costs	Trademarks & Patents	Other	Research & development	Total
<b>GROSS VALUE</b>					
<b>AT JANUARY 1, 2004</b>	<b>31,913</b>	<b>103,862</b>	<b>1,962</b>	<b>9,332</b>	<b>147,069</b>
Additions	6,408	1,734	2	443	8,587
Acquisition of subsidiary	66	22	351	–	439
Exchange differences	(555)	(5,297)	(37)	–	(5,889)
Disposals	(653)	(568)	(116)	–	(1,337)
<b>AT DECEMBER 31, 2004</b>	<b>37,179</b>	<b>99,753</b>	<b>2,162</b>	<b>9,775</b>	<b>148,869</b>
<b>AMORTIZATION</b>					
<b>AT JANUARY 1, 2004</b>	<b>13,607</b>	<b>38,476</b>	<b>1,490</b>	<b>2,310</b>	<b>55,883</b>
Charge for the year	5,506	9,042	385	3,809	18,742
Exchange differences	(438)	(2,449)	(12)	–	(2,899)
Disposals	(653)	(323)	(116)	–	(1,092)
<b>AT DECEMBER 31, 2004</b>	<b>18,022</b>	<b>44,746</b>	<b>1,747</b>	<b>6,119</b>	<b>70,634</b>
<b>NET VALUE</b>					
<b>AT DECEMBER 31, 2004</b>	<b>19,157</b>	<b>55,007</b>	<b>415</b>	<b>3,656</b>	<b>78,235</b>
<b>AT DECEMBER 31, 2003</b>	<b>18,306</b>	<b>65,386</b>	<b>472</b>	<b>7,022</b>	<b>91,186</b>

### Research and Development

SOCIÉTÉ BIC capitalized 0.4 million euro in 2004 related to development costs on new stationery products development.

SOCIÉTÉ BIC capitalized in 2003 1.7 million euro related to development costs on new writing technology and new stationery products development. SOCIÉTÉ BIC capitalized in 2002 2.3 million euro related to development costs for ink technologies. These development costs incurred in the US and France and have been amortized in 2003 when new products incorporating this new technology have been manufactured.

SOCIÉTÉ BIC had previously booked in research and development 5.2 million euro related to a stationery production line stopped in 2004. This costs are fully amortized in 2004 for 2.1 million euro.

### Trademark and patents

Trademarks and patents amount is mainly BIC Corporation and BIC Violex trademarks which represent respectively 51 million euro and 20 million euro amortized over a 40 years period.

This company operations have been very profitable since a number of years and no new event leads the Group to believe that there is any loss in value. The valuation carried out for the purpose of the BIC Corporation minority interest repurchase done in May 2002 confirms this opinion.

SOCIÉTÉ BIC acquired in 2002 the intellectual property rights for 6.8 million euro from the company Amerikids which amortization began in 2003 and that are fully amortized in 2004 for 4.5 million euro.

### Software

Softwares acquired in 2004 et 2003 principally relate to the investments linked to the upgrade of the European information systems.

## Note 12. Consolidated subsidiaries

The main operating companies at December 31, 2004 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest (direct or indirect)	Principal activity
<b>FRANCE</b>			
BIC Assemblage SARL	Clichy	100.00%	Manufacturing consumer products
BIC Services SA	Clichy	99.90%	Holding company
Bima 83 SASU	Clichy/Cernay	100.00%	Manufacturing consumer products
Société du Briquet Jetable 75 SAS	Clichy/Redon	100.00%	Manufacturing consumer products
DAPE 74 Distribution	Paris	100.00%	Distribution of consumer products
Electro Centre SAS	Velars-sur-Ouche	93.00%	Manufacturing consumer products
BIC Technologies SA (ex SO.BI.TU SA)	Montreuil	99.90%	Manufacturing consumer products
BIC Rasoirs SASU	Verberie	100.00%	Manufacturing consumer products
BIC Sport SASU	Vannes	100.00%	Manufacturing and distribution of consumer products
Conté SASU	Boulogne-sur-Mer	100.00%	Manufacturing consumer products
BIC Graphic France SASU	Clichy	100.00%	Manufacturing and distribution of consumer products
BIC Écriture 2000 SASU	Clichy/Montevrain	100.00%	Manufacturing consumer products
Voiles Gateff SAS	La Garde	90.00%	Manufacturing and distribution of consumer products
SI Valiton Gesnouin SASU	Clichy	100.00%	Real estate
SI BIC Clichy SASU	Clichy	100.00%	Real estate
Stypen SA	Joigny	100.00%	Manufacturing and distribution of consumer products
<b>EUROPE</b>			
BIC Deutschland GmbH & Co. OHG	Germany	100.00%	Distribution of consumer products
BIC Erzeugnisse GmbH	Germany	100.00%	Holding company
BIC Verwaltungs GmbH	Germany	100.00%	Holding company
BIC Beteiligungs GmbH	Germany	100.00%	Holding company
BIC GmbH	Germany	100.00%	Holding company
A. Hauser GmbH & Co., KG	Germany	100.00%	Distribution of consumer products
A. Hauser Verwaltungsgesellschaft mbH	Germany	100.00%	Distribution of consumer products
Ballograf BIC Austria Vertriebsgesellschaft mbH	Austria	100.00%	Distribution of consumer products
BIC Belgium SPRL	Belgium	99.00%	Distribution of consumer products
BIC Iberia SA	Spain	100.00%	Manufacturing (distribution) of consumer products
BIC Graphic Europe SA	Spain	100.00%	Manufacturing and distribution of consumer products
Stypen United Brands España SA	Spain	84.90%	Manufacturing and distribution of consumer products
BIC Violex SA	Greece	100.00%	Manufacturing and distribution of consumer products
BIC (Ireland) Ltd.	Ireland	100.00%	Distribution of consumer products
BIC Italia SPA	Italy	99.90%	Distribution of consumer products
BIC Netherland BV	Netherlands	99.00%	Distribution of consumer products
BIC Europackaging BV	Netherlands	99.00%	Packaging of consumer products
BIC Polska SP ZOO	Poland	100.00%	Distribution of consumer products
BIC Portugal SA	Portugal	100.00%	Distribution of consumer products



Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest (direct or indirect)	Principal activity
BIC (Romania) Marketing & Distribution SRL	Romania	100.00%	Distribution of consumer products
BIC CIS	Russia	100.00%	Distribution of consumer products
BIC UK Ltd.	United Kingdom	100.00%	Distribution of consumer products
BIC Nordic AB (ex BIC Ballograf AB)	Sweden	100.00%	Manufacturing and distribution of consumer products
Société BIC (Suisse) SA	Switzerland	100.00%	Distribution of consumer products
BIC Ukraine	Ukraine	100.00%	Distribution of consumer products
<b>NORTH AMERICA</b>			
BIC Inc.	Canada	100.00%	Distribution of consumer products
BIC Corporation	USA	100.00%	Holding company
BIC USA Inc.	USA	100.00%	Distribution of consumer products
BIC Consumer Products Manufacturing Co. Inc.	USA	100.00%	Manufacturing consumer products
BIC Graphic USA Manufacturing Co. Inc.	USA	100.00%	Manufacturing consumer products
Sheaffer Manufacturing LLC	USA	100.00%	Manufacturing and distribution of consumer products
BIC Sport North America Inc.	USA	100.00%	Manufacturing and distribution of consumer products
Wite out Products Inc.	USA	100.00%	Manufacturing and distribution of consumer products
Furtuna Holding	BVI	100.00%	Holding company
Xenia Insurance	Bermuda	100.00%	Insurance coverage
<b>OCEANIA</b>			
BIC Australia Pty. Ltd.	Australia	100.00%	Distribution of consumer products
BIC (NZ) Ltd.	New-Zealand	100.00%	Distribution of consumer products
<b>LATIN AMERICA</b>			
BIC Argentina SA	Argentina	60.00%	Distribution of consumer products
BIC Brasil SA	Brazil	100.00%	Distribution of consumer products
BIC Graphic Brasil Ltda.	Brazil	100.00%	Distribution of consumer products
BIC Amazonia SA	Brazil	100.00%	Manufacturing and distribution of consumer products
BIC Chile SA	Chile	100.00%	Distribution of consumer products
BIC Colombia SA	Colombia	100.00%	Distribution of consumer products
BIC Ecuador SA	Ecuador	100.00%	Manufacturing and distribution of consumer products
BIC de Guatemala SA	Guatemala	100.00%	Distribution of consumer products
No Sabe Fallar SA de CV	Mexico	100.00%	Manufacturing and distribution of consumer products
BIC Uruguay SA	Uruguay	100.00%	Distribution of consumer products
BIC Nelgor	Uruguay	100.00%	Holding company
BIC de Venezuela CA	Venezuela	100.00%	Distribution of consumer products
<b>ASIA</b>			
Shanghai-Sheaffer Wingsung Stationery Co. Ltd.	China	75.00%	Distribution of consumer products
BIC Stationery (Shanghai) Co. Ltd.	China	100.00%	Distribution of consumer products
BIC Product (Korea) Ltd. (ex BIC Sun Corporation)	South Korea	100.00%	Distribution of consumer products
BIC India Pvt. Ltd.	India	100.00%	Distribution of consumer products



Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest (direct or indirect)	Principal activity
PT Buana Inti Cakrawala	Indonesia	100.00%	Distribution of consumer products
BIC Kosaido KK	Japan	100.00%	Distribution of consumer products
BIC GBA Sdn. Bhd.	Malaysia	95.00%	Distribution of consumer products
BIC Product (Singapore) Pte. Ltd. (ex BIC A&T)	Singapore	100.00%	Distribution of consumer products
BIC Product (Asia) Pte. Ltd. (ex BIC Asia Group Services)	Singapore	100.00%	Distribution of consumer products
BIC Product (Thailand) Ltd.	Thailand	100.00%	Distribution of consumer products
<b>AFRICA</b>			
BIC 2003 (ex BIC South Africa) Pte. Ltd.	South Africa	100.00%	Manufacturing and distribution of consumer products
BIC (South Africa) Pte. Ltd. (ex Molin)	South Africa	100.00%	Manufacturing consumer products
BIC Holdings Southern Africa (Pty.) Ltd.	South Africa	100.00%	Holding company
BIC Botswana Pty. Ltd.	Botswana	70.00%	Distribution of consumer products
BIC Malawi	Malawi	100.00%	Distribution of consumer products
BIC Mozambique Limitada	Mozambique	100.00%	Distribution of consumer products
BIC Zambia Ltd.	Zambia	100.00%	Distribution of consumer products

### Note 13. Equity and other investments

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Equity investments	4,532	73	72
Other investments	4,665	325	309
	<b>9,197</b>	<b>398</b>	<b>381</b>

In 2003, BIC Corporation sold its 49% of the capital of Ceratizit South Carolina Inc. (formerly Carbide Alloys Inc). This investment was consolidated under the equity method accounting as of November 30, 2003.

In 2003, the decrease in other investments mainly corresponded to Anthem sale for 1.4 million euro of BIC Corporation and to the endowment policy for 1.6 million euro of BIC (South Africa) Pte. Ltd.

### Note 14. Other non current assets

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Guarantee deposits	12,856	10,945	10,295
Other non current assets	10,379	9,018	7,781
	<b>23,235</b>	<b>19,963</b>	<b>18,076</b>



## Note 15. Inventories

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Raw materials	53,952	49,681	53,892
Work-in-progress	65,185	50,930	52,991
Finished Goods	153,621	158,889	169,193
<b>TOTAL GROSS</b>	<b>272,758</b>	<b>259,499</b>	<b>276,076</b>
Raw materials	2,359	1,476	2,269
Work-in-progress	749	472	1,019
Finished Goods	13,383	15,652	17,598
<b>TOTAL DEPRECIATION</b>	<b>16,491</b>	<b>17,600</b>	<b>20,886</b>
<b>TOTAL NET</b>	<b>256,267</b>	<b>241,899</b>	<b>255,190</b>

## Note 16. Other assets & credit risk

Trade and other receivables comprise amounts receivable for the sale of goods of 304 million euro in 2004 vs 287 million euro in 2003. Trade and other receivables are short-term assets, with maturity dates within twelve months.

An allowance has been made for estimated irrecoverable amounts from the sale of goods of 21 million euro in 2004 and 25 million euro in 2003. This allowance has been determined by reference to past default experience.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Bank balances and cash comprise cash and short-term deposits held by the group treasury function. The carrying amount of these assets approximates to their fair value.

### Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

The credit risk on liquid funds and derivative financial instrument is limited because the counterparts are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparts and customers.

## Note 17. Share capital

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Authorized, issued and fully paid	218,517	205,953	198,152
Repurchase of shares of the Company	(30,898)	0	(1,247)
<b>SHARE CAPITAL</b>	<b>187,619</b>	<b>205,953</b>	<b>196,905</b>

The share capital of SOCIÉTÉ BIC 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, SOCÉTÉ BIC held 607,748 of these shares, acquired at the average price of 40.24 euro in accordance with the 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 <sup>(1)</sup>
Hedging of stock-options plans <sup>(3)</sup> 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%
<b>TOTAL<sup>(2)</sup></b>	<b>607,748</b>	<b>40.24</b>	<b>1.17%</b>
Number of shares cancelled in 2004	2,042,200		
Shares repurchased in 2004 (Art. L.225-209) <sup>(4)</sup>	2,365,083		

The 2004 share repurchase program received the French stock exchange approval (visa AMF) n° 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 shares SOCIÉTÉ BIC to hedge its own stock-options plans representing 0.10% of the shareholder equity.

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

(4) Excluding the liquidity agreement implemented in October 2004.

To the Company 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:

	Dec. 31, 2004	Dec. 31, 2004
	% 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

### Repurchase of shares of the company

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 entire 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 management of the Company.

In addition, the Boards of Directors meetings held on June 3, 2004 and December 15, 2004, 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.

### Group stock-options plans

As authorized at the Annual 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. The options cannot be exercised until three years after the date of the award.



	Plan n°1	Plan n°2	Plan n°3	Plan n°4	Plan n°5	Plan n°6	Plan n°7
Annual Shareholders' meeting date	May 12, 1998	May 12, 1998	May 12, 1998	May 12, 1998	May 12, 1998	May 28, 2003	May 28, 2003
Board of Directors' meeting date	Dec. 16, 1998	Dec. 16, 1999	Dec. 18, 2000	Dec. 13, 2001	Dec. 10, 2002	Dec. 17, 2003	Dec. 15, 2004
Number of beneficiaries	148	223	539	551	564	555	563
Number of stock-options (purchase plan)	173,800	180,350	–				
Number of stock-options (subscription plan)			376,150	367,700	375,000	377,550	370,450
Among which, number of shares available to be subscribed or purchased by current members of the leadership management team as of December 31, 2004	26,100	28,100	58,600	60,100	68,100	80,000	65,500
Date from which options may be exercised	Dec. 17, 2001	Dec. 17, 2002	Dec. 19, 2003	Dec. 14, 2004	Dec. 11, 2005	Dec. 18, 2006	Dec. 16, 2007
Option expiration date	Dec. 16, 2008	Dec. 16, 2009	Dec. 17, 2010	Dec. 12, 2011	Dec. 9, 2012	Dec. 16, 2013	Dec. 14, 2014
Exercise price (in euro)*	51.13	40.83	41.03	36.57	30.93	36.96	36.76
Number of options exercised at December 31, 2004	0	0	0	0	0	0	0
Total number of cancelled options	63,400	60,750	108,500	68,400	43,350	15,300	0
Total number of remaining options	110,400	119,600	267,650	299,300	331,650	362,250	370,450

\* No discount on the exercise price.

## Note 18. Minority interest

*In euro thousands*

<b>AT DECEMBER 31, 2002</b>	<b>1,780</b>
Dividends paid	(76)
Other movements	(17)
Exchange differences	(40)
Purchase of minority interest in subsidiaries	0
Net income	410
<b>AT DECEMBER 31, 2003</b>	<b>2,057</b>
Dividends paid	(251)
Other movements	(67)
Exchange differences	(3)
Purchase of minority interest in subsidiaries	(388)
Net income	184
<b>AT DECEMBER 31, 2004</b>	<b>1,532</b>

This item represents minority interest in the net assets and income of fully consolidated subsidiaries.

On September 1, 2004, SOCIÉTÉ BIC has purchased the 24% minority interest on BIC Product (Singapore) Pte. Ltd.

The April 29, 2004, SOCIÉTÉ BIC has purchased the 5% minority interests on South Africa (around 0.4 million euro). Now, Argentina (1 million euro) represents the larger part of the total amount of minority interests.

## Note 19. Borrowings

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Bank loans/overdrafts	<b>42,435</b>	<b>32,229</b>	<b>21,391</b>
<b>THE BORROWINGS ARE PAYABLE AS FOLLOWS</b>			
On demand or within one year	34,013	28,653	18,972
In the second year	6,934	958	1,652
In the third to fifth year inclusive	1,416	2,568	735
After 5 years	72	50	31
	<b>42,435</b>	<b>32,229</b>	<b>21,390</b>
Amount due for settlement within 12 months (shown under current liabilities)	34,013	28,653	18,972
Amount due for settlement after 12 months (shown under non-current liabilities)	8,422	3,576	2,418

The amount due for settlement within 12 months includes bank overdrafts of 6.7 million euro in 2004 and 10.6 million euro in 2003.

The percentage breakdown in borrowings after 12 months is as follows: euro-zone 19%, Latin America 67% and other 14%, and for those within 12 months: euro-zone 34%, Latin America 36%, North America 5%, Asia 24% and other 1%.

## Note 20. Provision for risks and charges

<i>In euro thousands</i>	<b>Litigation</b>	<b>Warranty, workers' compensation and other risks</b>	<b>Total</b>
<b>AT JANUARY 1, 2003</b>	<b>13,089</b>	<b>9,739</b>	<b>22,827</b>
Additional provisions	7,263	2,923	10,186
Utilized during the period	(4,713)	(4,681)	(9,394)
Unused amounts reversed	(1,367)	(250)	(1,617)
Exchange differences	(1,899)	(677)	(2,576)
Reclassification to current liabilities		1,982	1,982
<b>AT DECEMBER 31, 2003</b>	<b>12,373</b>	<b>9,036</b>	<b>21,408</b>
Additional provisions	1,870	3,818	5,688
Utilized during the period	(1,878)	(2,021)	(3,899)
Unused amounts reversed	(645)	(1,408)	(2,053)
Exchange differences	(616)	(236)	(852)
Reclassification to current liabilities and employee benefits	501	26	527
<b>AT DECEMBER 31, 2004</b>	<b>11,605</b>	<b>9,214</b>	<b>20,819</b>

### Provisions for risks and charges:

The litigation provision is mainly represented by BIC Corporation product liability provision for 3.4 million euro and distributors risks for 4.7 million euro as of December 31, 2004. The others risks are mainly tax risks and worker compensation in USA.



## Note 21. Defined benefit plan

Amounts recognized in respect of that scheme are as follows:

<i>In euro thousands</i>	Obligation	Plan assets	Expensed return on gain	Provisions
<b>NET LIABILITY AT JANUARY 1, 2003</b>	<b>280,976</b>	<b>159,713</b>	<b>96,415</b>	<b>24,848</b>
Reclassification from provision for risks and charges	1,037	–	–	1,037
Total period costs:	26,578	11,754	(7,074)	21,898
– service costs	9,535			9,535
– interest costs	16,584			16,584
– return on assets		11,932		(11,932)
– gain / (losses) recognized	99	7	(6,714)	6,806
– past service costs	360	(185)	(360)	905
Benefits paid	(12,094)	(10,847)		(1,247)
Contributions paid		29,192		(29,192)
Actuarial gain / (loss) on obligation	40,457		40,166	291
Actuarial gain / (loss) on plan assets		9,172	(9,184)	12
Exchange differences on foreign plan	(43,397)	(24,667)	(16,012)	(2,718)
<b>NET LIABILITY AT JANUARY 1, 2004</b>	<b>293,557</b>	<b>174,317</b>	<b>104,311</b>	<b>14,929</b>
Reclassification and acquisition of subsidiary	2,105	157	681	1,267
Total period costs:	34,632	15,446	(7,061)	26,246
– service costs	9,970			9,970
– interest costs	16,933			16,933
– return on assets		13,773		(13,773)
– gain / (losses) recognized	(113)	164	(7,916)	7,638
– past service costs	7,842	1,509	855	5,478
Benefits paid	(13,703)	(12,008)		(1,695)
Contributions paid		12,833		(12,833)
Actuarial gain / (loss) on obligation	3,511		3,541	(30)
Actuarial gain / (loss) on plan assets		2,890	(2,786)	(104)
Exchange differences on foreign plan	(17,308)	(10,551)	(5,052)	(1,705)
<b>NET LIABILITY AT DECEMBER 31, 2004</b>	<b>302,794</b>	<b>183,084</b>	<b>93,634</b>	<b>26,075</b>

The actuarial assumptions used to calculate the benefit obligations vary according to the economic conditions of the country in which the plan is located. They were adjusted according to the actual interest rate and the mortality table.

Defined benefit plans are mainly related to the US. assumptions used by BIC Corporation for the calculation are the following:

- weighted average long term rate of return on plan assets: 8.5% in 2004 (8.5% in 2005)
- rate of compensation increase: 4%
- discount rate: 5.75% at December 31, 2004 and 6% at December 31, 2003.

Retirement benefits and other long term employee benefits granted are mainly:

- termination benefits,
- other benefits as pension, retirement indemnity (lump-sum), life insurance and medical insurance (mainly for our subsidiaries BIC Corporation and BIC UK Ltd.).

The obligation for retiree life and medical insurance for BIC Corporation amounts to 46 million euro for 2004 (52 million euro in 2003).

In 2004, total period costs include non recurring expenses amounting to 7.6 million euro related to BIC Corporation restructuring.

## Note 22. Deferred tax

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Deferred tax liabilities	(58,530)	(49,893)	(43,511)
Deferred tax assets			
Gross amount	58,053	52,735	66,335
Depreciation	(1,864)	(292)	(298)
Net value	56,189	52,443	66,037
<b>NET POSITION</b>	<b>(2,341)</b>	<b>2,550</b>	<b>22,526</b>

The movement of the year in the Group's deferred tax position was as follows:

<i>In euro thousands</i>	
At the beginning of the year	2,550
Charge to deferred tax charge for the year	22,619
Reclassification from current to deferred tax in the balance sheet	1,588
Booked in shareholder equity	(3,648)
Acquisition of subsidiary	298
Exchange differences	(881)
<b>AT THE END OF THE YEAR</b>	<b>22,526</b>

Origin of deferred tax:

<i>In euro thousands</i>	
Deferred tax calculated on temporary differences	20,255
Deferred tax asset activated on tax losses	2,271
<b>DEFERRED TAX ASSETS</b>	<b>22,526</b>

## Note 23. Off-balance sheet financial instruments

The following are the Group's main off-balance sheet financial instruments:

### Currency derivatives

As of December 31, 2004, the Group had contracted:

- Derivatives contracts (forward and options), maturing in 2005, for an equivalent of 76 million euro. These contracts hedge a significant part of the dividends to be received from the Group subsidiaries in 2005. The fair market value of these contracts at December 31, 2004 amounts to 4 million euro.
- Derivatives contracts (forward and options), maturing in 2005 and 2006 for an equivalent of 225 million euro. These contracts hedge, on the basis of forecasted cash flows, a significant part of the Group foreign currency transactions risks. The foreign currency transactions are denominated in US Dollar, British

Pound, Japanese Yen, Canadian Dollar, New Zealand Dollar, Mexican Pesos, Australian Dollar, Swiss Franc, Swedish Crone, Danish Crone, Polish Zloty, South African Rand and Brazilian Real. The fair market value of these contracts December 31, 2004 amounts to 12 million euro.

- Currency swaps for an equivalent of 15 million euro, in connection with the intercompany debt and deposit. The fair market value at December 31, 2004 of these contracts is close to zero.

The EUR/USD hedging amounts to 68% of the total hedging (cash flows and dividends).

For the year 2005, the foreign currency exposure transaction is hedged with a ratio above 90%.

### Interest rate derivatives

As of December 31, 2004, there is not outstanding amount anymore. The last interest rate swap has matured in October 2004.



## Currency derivatives

Hedge nominal different from euro are converted in euro at December 31, 2004 closing rates.

The mark to market of the hedges is computed according to international banking standards in terms of inputs (Spot, yield curve, volatility curve) and pricing models.

### December 31, 2004 currency hedgings

Forward portfolio detail

Hedge support <i>In euro millions</i>	Nominal in euro equivalent	Mark to market	Maturity	Type of hedge
Dividends flows 2005	5.4	0.0	2005	Forward
Commercial flows 2005	198.1	11.2	2005	Forward
Commercial flows 2006	3.7	0.0	2006	Forward
Loan / Borrowing	14.7	0.0	2005	Currency swap
<b>TOTAL</b>	<b>221.9</b>	<b>11.2</b>		

Options portfolio detail

Hedge support <i>In euro millions</i>	Nominal in euro equivalent	Mark to market	Maturity	Type of hedge
Dividends flows 2005	70.8	4.4	2005	Options
Commercial flows 2005	23.6	0.9	2005	Options
<b>TOTAL</b>	<b>94.4</b>	<b>5.2</b>		

## Note 24. Off-balance sheet avals and guarantees

The following schedule summarizes the off balance-sheet avals and guarantees for the Group.

No other security for assets or registered shares is to be reported.

### GUARANTY ISSUED

Guarantor	Guarantee	Beneficiary	Issuing Date	Maturity Date	Currency	Amount	Purpose of guaranty
SOCIÉTÉ BIC	BIC Corp.	State of Connecticut Worker's compensation commission	Jan. 19, 00	Adavance notice of 2 months before cancellation of the guarantee	USD	450,000	Social security payment guarantee
SOCIÉTÉ BIC	BIC Corp.	680 fifth avenue associates LP	Mar. 3, 00		USD	720,000	New York office guarantee
BIC Nordic AB	BIC Nordic AB	Handelsbanken	Jul. 8, 02		SEK	3,000,000	Security of 3,000,000 SEK for a credit line



## GUARANTY RECEIVED

Guarantor	Guarantee	Beneficiary	Issuing Date	Maturity Date	Currency	Amount	Purpose
Natexis Banques populaires	BJ75	Préfecture d'Ille-et-Vilaine	Aug. 27, 01	Aug 28, 06	EUR	137,204	Environnemental Guarantee
Société Générale	Conté	Dunkerque Customs	Jun. 1, 97	Tacitly renewable	EUR	60,979	Deposit that allows Conté to buy ethyl alcohol
Banca Intesa	BIC Italia SPA	Ministry of Finance	From Jun. 8, 98		EUR	365,115	Commercial guarantee
Banca Intesa	BIC Italia SPA	Ministry of Finance	Sep. 30, 99 Jun. 2, 00 Jul. 20, 01	Dec. 31, 04 Dec. 31, 05 Dec. 31, 05	EUR EUR EUR	622,339 613,357 235,966	VAT reimbursement guarantee
Banca Nazionale del Lavoro SPA	BIC Italia SPA	Tregi union SPA	Dec. 16, 04	Jul. 15, 05	EUR	2,790,000	Guarantee the payment of the remaining part of the sales of the building

### Other off balance sheet items

Following the breakdown of a distribution contract with Kamalpoor in December 2002, SOCIÉTÉ BIC engaged itself to pay, for a fifteen years period, to this company, 8% of its sales of stationery done in the UAE zone, with a minimum of 60 thousand US Dollars and a maximum of 120 thousand US Dollars. Also, the new retailer of this zone is taking in charge half of the cost.

## Note 25. Obligations under financial leases

Finance leases represent an insignificant portion of the Group's Property, Plant and Equipment (less than 1%).

The fair value of the Group's lease obligations approximates to their carrying amount.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

## Note 26. Contingent liabilities

### BIC Corporation USA

BIC Corporation has significant contingent liabilities with respect to pending litigation, claims and disputes, principally

relating to its lighters, which arise in the ordinary course of business.

While the ultimate liability with respect to the above matters, including any additional liability not provided for, is not presently determinable, it is the opinion of management, after consultation with counsel to the Corporation, that any liabilities resulting therefrom will not have an adverse material effect on the Corporation's consolidated financial position or on its results of operations.

### Other BIC Group companies

As of December 31, 2004, neither SOCIÉTÉ BIC nor its other subsidiaries had any significant pending litigation, claims or disputes which, in the opinion of management, after consultation with their advisors, would have a material adverse impact on the consolidated financial statements.



## Note 27. Important customers and suppliers

Only one external important customer represents more than 5% of the total BIC Group Net Sales (70 million euro):

<i>In euro millions</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Wal Mart	75	115

We have no suppliers which represent more than 5% of the BIC Group purchases (35 million euro).

## Note 28. BIC USA restructuring update

In the first semester 2004, the Group BIC has decided to close its BIC® ballpoint pen and BIC® shaver manufacturing operations in Milford, Connecticut, USA, and its Sheaffer® manufacturing facility in Fort Madison, Iowa, USA. The shutdown of these manufacturing operations, which could be completed by the end of 2006, would impact approximately 400 positions.

51 million US Dollar (40 million euro) have already been recorded in "Other income and other expense" as of December 31, 2004.

## Note 29. Operating lease arrangements

At the balance sheet date, the Group had outstanding commitments under non cancellable operating leases which fall due as follows:

<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
Within one year	4,460	4,980	5,219
In the second to fifth years inclusive	10,508	11,038	10,010
After five years	5,093	3,088	2,909
<b>TOTAL</b>	<b>20,061</b>	<b>19,106</b>	<b>18,138</b>

(Operating lease payments primarily represent rentals payable by the Group for certain of its office properties.)

## Note 30. Directors' remuneration

Remuneration paid in 2004 to the Board of Directors and Officers of SOCIÉTÉ BIC with respect to their functions within the Group during the year was as follows:

<i>In euro thousands</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
	2,518	2,436

# Statutory Auditors' report on the consolidated financial statements

YEAR ENDED DECEMBER 31, 2004

In accordance with our appointment as statutory auditors by your Annual General Meeting, we have audited the consolidated financial statements of SOCIÉTÉ BIC for the year ended December 31, 2004, as shown on page 31 to 58.

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

## Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as of December 31, 2004 and the results of its operations and are in accordance with accounting principles generally accepted in France.

## Justification of our assessments

In accordance with Article L.225-235 of the French Commercial Code governing the justification of our assessments, we draw your attention to the following:

– We have assessed the reasonableness of the material estimates adopted, particularly concerning the provision for the restructuring of BIC in the US, as described in Note 28.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of the unqualified opinion in the first part of this report.

## Specific procedures and disclosures

We have also performed the procedures required by law on the Group financial information given in the management report of the Board of Directors, in accordance with professional standards applicable in France. We have no comment to make as to the fair presentation of this information or its consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, March 18, 2005

The Statutory Auditors  
Alain Lainé

Deloitte & Associés  
Dominique Jumaucourt Thierry Benoit

*This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified or not, explanatory paragraphs separate from and presented below the audit opinion discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. Such report, together with the statutory auditors' report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.*





# STATUTORY ACCOUNTS

## Income statement

Notes	<i>In euro thousands</i>	<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>
12	Net sales	378,852	363,711	417,363
	Change in stocks of finished goods and work in progress	(1,769)	(604)	1
	Write-back of depreciation and provision, transfer of charges	1,563	7,376	610
13	Other income	20,173	44,738	40,881
	<b>TOTAL OPERATING REVENUES</b>	<b>398,819</b>	<b>415,221</b>	<b>458,855</b>
	Purchases of goods and changes in stocks	197,545	229,417	268,047
	Purchases of raw materials, other consumables and changes in stocks	37,045	6,454	5,908
	Other purchases and external charges	115,842	124,819	132,886
	Taxes and similar payment	1,673	1,468	2,162
14	Payroll costs	1,898	1,683	2,216
	Depreciations and provisions	9,718	17,453	16,211
	Other expenses	78	151	261
	<b>TOTAL OPERATING EXPENSES</b>	<b>363,798</b>	<b>381,445</b>	<b>427,691</b>
	<b>NET OPERATING INCOME</b>	<b>35,021</b>	<b>33,776</b>	<b>31,164</b>
15	<b>NET FINANCIAL INCOME</b>	<b>111,051</b>	<b>116,888</b>	<b>157,704</b>
16	<b>NON RECURRING INCOME (EXPENSE)</b>	<b>(5,431)</b>	<b>(7,669)</b>	<b>(2,585)</b>
17 to 19	Income tax	15,384	15,898	15,177
	<b>NET INCOME</b>	<b>125,257</b>	<b>127,097</b>	<b>171,106</b>



## Balance sheet as of December 31, 2004

### ASSETS

Notes	Dec. 31, 2002		Dec. 31, 2003		Dec. 31, 2004	
	Net	Net	Gross	Deprec., amort. and provisions	Net	
	<i>In euro thousands</i>					
	<b>NON-CURRENT ASSETS</b>					
	Research and development expenses	6,547	5,295	8,506	6,104	2,402
	Patents and similar rights	17,696	28,097	40,964	20,576	20,388
	Intangible assets under construction	14,565	4,533	7,569		7,569
3-4	<b>INTANGIBLE ASSETS TOTAL</b>	<b>38,809</b>	<b>37,925</b>	<b>57,039</b>	<b>26,680</b>	<b>30,359</b>
	Land	2,033	1,680	1,680		1,680
	Buildings	4,450	3,874	14,063	10,778	3,285
	Industrial and technical plant	2,908	133	26,750	24,983	1,767
	Other tangible assets	4,355	3,958	10,735	6,969	3,766
	Construction in progress	5,933	3,671	4,326	2,427	1,899
	Advances and prepayments	473	105	0		0
3-4	<b>TANGIBLE ASSETS TOTAL</b>	<b>20,153</b>	<b>13,421</b>	<b>57,554</b>	<b>45,157</b>	<b>12,397</b>
24	Investments	595,880	592,231	643,008	46,065	596,943
6-7	Loans to equity investments	8,219	2,949	2,897		2,897
3	Other long-term investment securities	31,017	118	251	133	118
6	Other long-term investments	698	372	12,288		12,288
3-5	<b>LONG-TERM INVESTMENTS TOTAL</b>	<b>635,815</b>	<b>595,670</b>	<b>658,444</b>	<b>46,198</b>	<b>612,246</b>
	<b>TOTAL</b>	<b>694,777</b>	<b>647,016</b>	<b>773,037</b>	<b>118,035</b>	<b>655,002</b>
	<b>CURRENT ASSETS</b>					
	Raw materials and supplies	44	15	0	0	0
	Work-in-process - goods	321	0	793	792	1
	Consumables	14,422	21,480	26,366	2,482	23,884
	<b>INVENTORIES TOTAL</b>	<b>14,787</b>	<b>21,495</b>	<b>27,159</b>	<b>3,274</b>	<b>23,885</b>
	Advances and prepayments paid	580	584	448		448
6-7	Trade receivables and related accounts	96,543	91,939	100,659	2,824	97,835
6-7	Other receivables	92,791	95,149	115,514	8,549	106,965
8	Financial investments	76,757	133,674	128,485	2,253	126,232
	Cash and cash equivalents	6,212	8,208	6,638		6,638
	<b>PREPAYMENTS AND ACCRUED INCOME</b>					
6	Prepaid expenses	3,685	3,231	2,373		2,373
9	Unrealized gains and losses from foreign exchange	5,262	4,412	4,804		4,804
	<b>TOTAL</b>	<b>296,617</b>	<b>358,692</b>	<b>386,080</b>	<b>16,900</b>	<b>369,180</b>
	<b>TOTAL ASSETS</b>	<b>991,393</b>	<b>1,005,708</b>	<b>1,159,117</b>	<b>134,935</b>	<b>1,024,182</b>

## LIABILITIES & SHAREHOLDERS' EQUITY

Notes	<i>In euro thousands</i>	After appropriation of earnings			Before appropriation of earnings
		<i>Dec. 31, 2002</i>	<i>Dec. 31, 2003</i>	<i>Dec. 31, 2004</i>	<i>Dec. 31, 2004</i>
	<b>SHAREHOLDERS' EQUITY</b>				
	Share capital	218,517	205,953	198,151	198,151
	Share premium, merger contribution	70,468	1,663	1,685	1,685
	Legal reserve	22,410	22,410	22,410	22,410
	General reserve	295,305	295,305	295,305	295,305
	Retained earnings	140,996	206,380	214,298	140,762
	<b>NET INCOME FOR THE YEAR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>171,106</b>
	Interim dividend	0	0	0	(20,673)
10	<b>TOTAL</b>	<b>747,697</b>	<b>731,711</b>	<b>731,849</b>	<b>808,746</b>
	<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>				
11	Provisions for contingencies	9,418	11,114	13,827	13,827
	<b>TOTAL</b>	<b>9,418</b>	<b>11,114</b>	<b>13,827</b>	<b>13,827</b>
	<b>LIABILITIES</b>				
6	Bank borrowings (Bank overdraft)	9,083	4,977	2,714	2,714
6	Other borrowings	96,162	130,897	97,085	97,085
	<b>TOTAL LONG-TERM BORROWINGS</b>	<b>105,245</b>	<b>135,874</b>	<b>99,799</b>	<b>99,799</b>
6-7	Trade payables and related accounts	70,919	62,325	74,729	74,729
6	Tax and employee-related liabilities	49,877	48,735	84,257	7,360
6	Other liabilities	5,497	7,461	9,794	9,794
	Deferred income		105	1,852	1,852
	<b>TOTAL OPERATING LIABILITIES</b>	<b>126,293</b>	<b>118,626</b>	<b>170,632</b>	<b>93,735</b>
	<b>ACCRUALS AND DEFERRED INCOME</b>				
	Unrealized gains and losses from foreign exchange	2,740	8,383	8,075	8,075
	<b>TOTAL</b>	<b>234,278</b>	<b>262,883</b>	<b>278,506</b>	<b>201,609</b>
	<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>991,393</b>	<b>1,005,708</b>	<b>1,024,182</b>	<b>1,024,182</b>



## Cash flow statement

Notes	<i>In euro thousands</i>	2002	2003	2004
	<b>OPERATING ACTIVITIES</b>			
	Net income	125,257	127,097	171,106
	Dividends received	(110,103)	(112,649)	(144,167)
	Amortization and provision excluding provision on current assets	34,404	18,980	19,291
	(Gain) Loss from the disposal of fixed assets	(4,183)	(5,681)	(1,424)
	Cash flow	45,375	27,747	44,806
	(Increase) Decrease in net current working capital	30,088	110	5,154
	<b>NET CASH FLOWS FROM OPERATIONS</b>	<b>75,463</b>	<b>27,857</b>	<b>49,960</b>
	<b>INVESTMENT ACTIVITIES</b>			
15	Dividends received from subsidiaries	110,103	112,649	144,167
	Fixed assets disposal	14,275	6,454	2,001
	Acquisition of fixed assets	(13,170)	(3,776)	(3,552)
	Acquisition of intangible assets	(30,829)	(5,774)	(7,432)
	Acquisition of treasury shares	(66,425)	(71,160)	(85,633)
	Other investing expenses	92	77	(31)
24-2	Acquisition of subsidiaries	(32,545)	(8,924)	(5,900)
	<b>INVESTING CASH FLOWS</b>	<b>(18,499)</b>	<b>29,546</b>	<b>43,620</b>
	<b>FINANCING ACTIVITIES</b>			
	Dividends paid	(35,555)	(43,256)	(63,252)
	Repayments of loans	(3,962)	(4,100)	(4,087)
	New intercompany loans	(735)	8,193	52
	Movement in current account	21,300	40,894	(38,518)
	<b>FINANCING CASH FLOWS</b>	<b>(18,952)</b>	<b>1,731</b>	<b>(105,805)</b>
	Net increase/decrease in cash	38,012	59,134	(12,225)
	Cash and cash equivalent - opening	34,918	72,930	132,064
	<b>CASH AND CASH EQUIVALENT - CLOSING</b>	<b>72,930</b>	<b>132,064</b>	<b>119,839</b>

# Notes to the company's financial statements

## 1 - Significant events of the year

During 2004, the companies Société Fragances Distribution SARL and Société Industrielle Vendôme SA were merged into SOCIÉTÉ BIC.

An interim dividend of 0.40 euro per share was given as of November 3, 2004 for a global amount of 20,673 thousands euro.

## 2 - Accounting principles, rules and methods

The financial statements are prepared according to French accounting regulations applicable for the year ended December 31, 2004.

They have been drawn up according to the basic accounting principles of:

- going concern,
- consistency,
- appropriate cut-off

According to the French regulation n°2002-10 by the "Comité de la Réglementation Comptable" on amortization and impairment of assets, has to be implemented by January 1, 2005, an early implementation is possible. SOCIÉTÉ BIC did not implement it by anticipation in the Financial Statements as of December 31, 2004.

The items presented in the accounts are valued on a historical cost basis, with the exception of those items detailed in D) below.

The main accounting rules and methods adopted are the following:

### ➤ A) INTANGIBLE ASSETS

Research and development costs are capitalized when the projects of significant research and development costs (above 500,000 euro) are clearly identifiable, the costs to be capitalized correspond to development cost, it is highly probable that the project will be technically successful and profitable, and the cost to be capitalized can be identified and measured reliably. From the beginning of the manufacturing process, capitalized research and development costs amortized over a period of 3 to 5 years on a straight line basis.

Patents and technical processes are amortized over their period of protection or use.

### ➤ B) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at their purchase price or production cost. Depreciation is calculated on a straight-line basis over periods depending on the asset type:

- Buildings	20 years
- Fixtures and fittings	8 to 10 years
- Industrial plant, machinery and fittings	2 to 8 years
- Vehicles	4 years
- Office and IT equipment, furniture	3 to 6 years

### ➤ C) FIXED ASSETS EVALUATION

Each year, SOCIÉTÉ BIC checks on the net realizable value of its assets.

If the carrying amount of fixed assets exceeds the net realizable value of the asset, an impairment charge is recorded.

### ➤ D) LONG-TERM INVESTMENTS

Long-term investments are recorded at the value they were brought into assets, except for equity investments purchased prior to December 31, 1976 which have been revalued in accordance with legislation (note n°5).

A provision for impairment is booked when the current value of an investment is less than its purchase cost.

The current value is determined in reference to shareholders' equity of the relevant investment, adjusted to take into consideration the importance of the company to the Group and its development and profit perspectives.

In addition, BIC shares purchased following the article L. 225-209 of the French Commercial Code, not intended exclusively for stock-options plans or in order to regulate the stock market price, are recorded within long-term investments. Treasury stocks are valued at purchase cost and an impairment provision is booked at year-end when the probable trading value (based on the average stock market price during the last month of the fiscal year or the exercise price of the options for which they were purchased) is less than purchase cost.

### ➤ E) INVENTORY

Consumables are valued at purchase cost, including incidental expenses, in accordance with the weighted-average cost method.

Inventory provisions are booked, when necessary, to reduce inventory value to the market value.

### ➤ F) RECEIVABLES AND PAYABLES

Receivables and payables are recorded at nominal value.

Receivables are written down by way of provision, when appropriate, to take in consideration recovery risks.



Foreign currency denominated receivables and payables are translated at the official closing exchange rate.

Unrealized losses on foreign exchange are booked as assets with a related provision for foreign exchange risk. Unrealized profits on foreign exchange are booked as liabilities.

### ➤ G) FINANCIAL INVESTMENTS

Financial investments are composed of investments in transferable securities, and BIC shares bought back under stock-options plans or in order to regulate the stock market price according to article L. 225-208 and L. 225-209 of the French

Commercial Code. Treasury stocks are valued at purchase cost. An impairment provision is booked at year-end when the probable trading value (based on the average stock market price during the last month of the fiscal year or the exercise price of the options for which they were purchased) is less than purchase cost.

### ➤ H) PROVISIONS FOR CONTINGENCIES AND LOSSES

Provisions for contingencies and losses are liabilities for which maturity or amounts are not valued precisely. Provisions for contingencies and losses are calculated with the best estimation of needed funds to close the liability.

## Notes to the balance sheet

### 3 - Non-current assets

<i>In euro thousands</i>	Gross value as of <i>Dec. 31, 2003</i>	Additions	Disposals	Gross value as of <i>Dec. 31, 2004</i>
Research and development expenses	7,596	910		8,506
Other intangible assets <sup>(1)</sup>	43,837	5,667	971	48,533
<b>TOTAL INTANGIBLE ASSETS</b>	<b>51,433</b>	<b>6,577</b>	<b>971</b>	<b>57,039</b>
Land	1,680			1,680
Buildings	14,098	80	115	14,063
Industrial and technical plant	26,920	732	902	26,750
Other tangible assets	10,802	510	577	10,735
Fixed assets under construction	3,671	2,368	1,713	4,326
Advances and prepayments	105	22	127	0
<b>TOTAL TANGIBLE ASSETS</b>	<b>57,276</b>	<b>3,712</b>	<b>3,434</b>	<b>57,554</b>
Investments <sup>(2)</sup>	637,108	6,698	798	643,008
Loans to equity investments	2,949	25	77	2,897
Other long-term investment securities	251			251
BIC shares <sup>(3)</sup>	0	11,885		11,885
Loans and other long-term investments	372	143	112	403
<b>TOTAL LONG-TERM INVESTMENTS</b>	<b>640,680</b>	<b>18,751</b>	<b>987</b>	<b>658,444</b>

<sup>(1)</sup> The increase of intangible assets is mostly due to the purchase of a worldwide Child Guard patent for the lighter department (2.7 million euro), capitalization of study and development of a writing instrument (0.7 million euro) and development of a software (0.5 million euro).

<sup>(2)</sup> Investments are detailed in note 24.

<sup>(3)</sup> 322,883 shares bought in order to reduce the legal capital and 3,565 shares managed by Natexis Bleichroeder for a liquidity contract.

## 4 - Depreciation and amortization

<i>In euro thousands</i>	Deprec. and amort. as of <i>Jan. 1, 2004</i>	Charge for the year	Releases during the year	Deprec. and amort. as of <i>Dec. 31, 2004</i>
Research and development expenses <sup>(1)</sup>	2,301	3,803		6,104
Patents and similar rights <sup>(2)</sup>	11,207	9,369		20,576
<b>TOTAL INTANGIBLE ASSETS</b>	<b>13,508</b>	<b>13,172</b>	<b>0</b>	<b>26,680</b>
Buildings	10,224	624	70	10,778
Industrial and technical plant <sup>(3)</sup>	24,312	1,252	581	24,983
Other PP&E	6,844	660	535	6,969
<b>TOTAL PP&amp;E</b>	<b>41,380</b>	<b>2,536</b>	<b>1,186</b>	<b>42,730</b>

(1) An exceptional allowance of 2.1 million euro was recorded for research and development expenses attached to a production stopped during the year. This allowance is bringing the net book value of the asset to zero.

(2) The increase of the assets is due to the amortization for 4.6 million euro (among which are 2.3 million of exceptional charges) of the intellectual ownership rights bought for 6.8 million in 2002, to Amerikids. The net booked value of those ownership rights is, therefore, zero at the end of the year.

(3) Reclassification of 2,475 thousand euro at the beginning of the year in the allowance table, shown on point 11. It's an allowance for fixed assets in construction and not an amortization.

## 5 - Revaluation differences

<i>In euro thousands</i>	Asset revaluations				
	Gross	Prior year depreciation	Current year depreciation	Depreciation at the year end	Amount included in capital
Equity investments	32,743	0	0	0	32,743
<b>TOTAL</b>	<b>32,743</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,743</b>

## 6 - Matured assets and liabilities analysis

### A - ASSETS

<i>In euro thousands</i>	Gross	1 year or less	More than 1 year	Notes receiv.	Incl. assoc. undertakings
Loans to equity investments	2,897		2,897		2,897
Other long-term investments	12,288	11,885	403		11,885
Trade receivables and related accounts	100,659	100,659		15,540	45,444
Other receivables	115,514	115,514			100,651
Prepayments	2,373	2,373			
<b>TOTAL</b>	<b>233,731</b>	<b>230,431</b>	<b>3,300</b>	<b>15,540</b>	<b>160,877</b>

### B - LIABILITIES

<i>In euro thousands</i>	Gross	1 year or less	More than 1 year	Notes payables	Incl. assoc. undertakings
Bank borrowings	2,714	2,714			
Other borrowings	97,085	97,085			96,881
Trade payables and related accounts	74,729	74,729			40,301
Tax and employee-related liabilities	7,360	7,360			
Other liabilities	9,794	9,794			362
Prepaid Income	1,852	1,852			1,636
<b>TOTAL</b>	<b>193,534</b>	<b>193,534</b>	<b>0</b>	<b>0</b>	<b>139,180</b>



## 7 - Affiliates' information

In euro thousands	Affiliates
<b>ASSETS</b>	
Equity investments	643,008
Loans to equity investments	2,897
Others long term investments	11,885
Trade receivables and related accounts	45,444
Other receivables	100,651
<b>LIABILITIES</b>	
Other long term loans and investments	96,881
Trade payables and related accounts	40,301
Other debts	362
Prepaid expenses	1,636

## 8 - Financial investments

### NET VALUE

In euro thousands	Amount
<b>PLACEMENT</b>	
BIC shares	10,318
Securities <sup>(1)</sup>	115,914
<b>TOTAL</b>	<b>126,232</b>

<sup>(1)</sup> Corresponding to low-risk short term securities

## 9 - Translation adjustments

Unrealized losses from foreign exchange are recorded in provision for contingencies and losses (4,804 thousand euro).

## 10 - Shareholders' equity

### ➤ 10.1 - CAPITAL

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

To the knowledge of the company, as of December 31, 2004, shareholders known to 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:

	% of shares (approx.)	% voting right (approx.)
Bich Family including MBD	41.4%	57.2%
Mrs Édouard Buffard	4.3%	6.0%
Silchester International Investors <sup>(1)</sup>	10.1%	7.0%
Franklin Templeton	7.0%	4.9%
CDC	5.0%	3.5%

<sup>(1)</sup> Silchester International Investors passed the level of 10% during the year 2004

As of December 31, 2004, SOCIÉTÉ BIC held 607,748 BIC shares classified as follow:

- (1) Financial asset: 322,883 shares that will be cancelled during 2005, and 3,565 shares bought for a private banking contract signed with Natexis Bleichroeder.
- (2) Security trading: 281,300 shares to cover stock-options plans.

## 10.2 - MOVEMENTS IN SHAREHOLDERS' EQUITY

In euro thousands

<b>SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2003 (BEFORE APPROPRIATION)</b>	<b>774,617</b>
Dividend distribution with respect to fiscal year 2003	42,579
<b>SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2003 (AFTER APPROPRIATION)</b>	<b>732,038</b>
Share capital's reduction <sup>(1)</sup>	(7,801)
Share premium, merger, input	23
Carry-forward <sup>(1)</sup>	(65,947)
Net income for the year	171,106
Interim dividend <sup>(2)</sup>	(20,673)
<b>SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2004 (BEFORE APPROPRIATION)</b>	<b>808,746</b>

(1) During 2004, the board of directors of SOCIÉTÉ BIC decided to cancel 2,042,200 shares. Following this operation, the issued capital is 51,872,076 shares with a nominal value of 3.82 euro.

(2) Interim dividend of 0.40 euro per share was paid to shares holders on November 3, 2004.

## 11 - Provisions

In euro thousands	As of Jan. 1, 2004	Charge for the year	Releases during the year (used)	Releases during the year (not used)	As of Dec. 31, 2004
Risk Iran	1,013				1,013
Distributors risks	2,500	501			3,001
FOREX losses	4,412	4,804	4,412		4,804
Sheaffer Hong Kong	2,500				2,500
Other provisions for contingencies <sup>(1)</sup>	689	1,920	100		2,509
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>	<b>11,114</b>	<b>7,225</b>	<b>4,512</b>	<b>0</b>	<b>13,827</b>

(1) Among which 1,485 thousand euro provisioned for the tax adjustment for year 2001. 2002 is being controlled. 2003 is open to control but wasn't yet subject to an accounting verification.

In euro thousands	As of Jan. 1, 2004	Charge for the year	Releases during the year	As of Dec. 31, 2004
Long term asset	2,475	4,358	48	6,785
Investments	44,877	2,353	1,165	46,065
Other long-term investment securities	133			133
Work-in-process - goods	792			792
Consumables	2,516		34	2,482
Trade receivables	3,400		576	2,824
Other trade receivables <sup>(1)</sup>	11,542	83	3,076	8,549
Other provisions for depreciation	2,302		49	2,253
<b>PROVISIONS FOR DEPRECIATION</b>	<b>68,036</b>	<b>6,794</b>	<b>4,948</b>	<b>69,882</b>

(1) Among which 3,065 thousand euro of "recovery" for the cancellation of the courant account of Fragrances Distribution SARL, without any impact on the result.



## Notes to the income statement

### 12 - Sales breakdown

The net sales can be analyzed as follows:

In euro thousands	2002 <sup>(1)</sup>			2003			2004		
	France	Export	Total	France	Export	Total	France	Export	Total
Stationery	78,499	109,098	187,597	80,462	117,521	197,983	81,944	156,719	238,663
Lighter	32,538	69,631	102,169	19,431	74,562	93,993	16,493	85,390	101,883
Shaver	25,763	51,395	77,158	27,729	37,850	65,579	27,840	41,833	69,673
Others	247	11,681	11,928	81	6,075	6,156		7,144	7,144
<b>TOTAL</b>	<b>137,047</b>	<b>241,805</b>	<b>378,852</b>	<b>127,703</b>	<b>236,008</b>	<b>363,711</b>	<b>126,277</b>	<b>291,086</b>	<b>417,363</b>

(1) Data restated to take into account changes in the presentation of the income statement as of year end 2003.

### 13 - Other income

Other revenues are mainly composed of royalties (18,622 thousand euro) and management fees (14,405 thousand euro) invoiced to affiliates.

### 14 - Management compensation

#### COMPENSATION

In euro thousands	2003	2004
Administrative bodies	80	123
Management bodies	1,206	1,162

Note: SOCIÉTÉ BIC has no salaried employees as of December 31, 2004.

The members of the management bodies have the same additional retirement plan as the BIC managers in France.

### 15 - Financial income

Net financial income amounts to 157,704 thousand euro (including 144,167 thousand euro from affiliates) and is detailed as follows:

In euro thousands	2002 <sup>(1)</sup>	2003	2004
Dividends received	110,103	112,649	144,167
Interest income	8,214	3,085	2,424
Net reversal of provision	(14,265)	(836)	(1,583)
Foreign exchange gain and loss	8,447	4,082	14,314
Net profit on disposal of securities	(522)	0	0
Other	(926)	(2,092)	(1,618)
<b>FINANCIAL INCOME</b>	<b>111,051</b>	<b>116,888</b>	<b>157,704</b>

(1) Data restated to take into account changes in the presentation of the income statement as of year end 2003.

## 16 - Non recurring income and expense

The non recurring income and expense breakdown is as follows:

<i>In euro thousands</i>	2002	2003	2004
Capital gains on asset disposals <sup>(1)</sup>	4,182	5,697	1,424
Provision for contingencies (net of reversal)	(2,500)	(2,546)	(1,820)
Debt waiver	(2,975)	(7,376)	(2,800)
Cancellation BIC shares	(2,160)		
Loss on absorption	(245)		(28)
Restructuring costs	(52)		
Compensation for contract breaking		(3,343)	
Other	(1,681)	(101)	639
<b>NON RECURRING INCOME AND EXPENSE</b>	<b>(5,431)</b>	<b>(7,669)</b>	<b>(2,585)</b>

*(1) In 2004, the net capital gain is mainly due to the disposal of the brand "Conté à Paris" (capital gain of 1,470 thousand euro).*

## 17 - Income tax

<i>In euro thousands</i>	Net income before tax	Tax charges	Net income after tax
Income before tax and non recurring operations	188,868	(16,672)	172,196
Non recurring income and expense	(2,585)	1,495	(1,090)
<b>TOTAL</b>	<b>186,283</b>	<b>(15,177)</b>	<b>171,106</b>

## 18 - Tax grouping

SOCIÉTÉ BIC is the parent company of a tax Group composed by the following companies as of December 31, 2004: BIC Sport, Bima 83, BIC Ecriture 2000, BIC Services, BIC Rasoirs, BIC Graphic France, Conté, S.I. BIC Clichy, S.I. Valiton Gesnouin, Société du Briquet Jetable 75, BIC Technologies, Compagnie de moulages SARL, DAPE 74 Distribution and BIC Assemblage.

The gain for SOCIÉTÉ BIC resulting from the tax consolidation is 456,483 euro.

## 19 - Main increases/decreases in the future deferred tax base

<i>In euro thousands</i>	Dec. 31, 2004
Organic	692
Provisions for contingencies	300
Trade receivables	2,482
FOREX losses	8,571
Others	1,203
<b>TOTAL</b>	<b>13,248</b>
<b>DECREASE IN THE FUTURE DEFERRED TAX LIABILITIES</b>	<b>(4,690)</b>



## Notes to the off-balance sheet commitments

### 20 - Off-balance sheet financial instruments

The following are SOCIÉTÉ BIC main off-balance sheet financial instruments:

#### Currency derivatives

Hedge Nominal different from EUR are converted to euro at December 31, 2004 closing rates.

The mark to Market of the hedges is computed according to international banking standards in terms of inputs (Spot, yield curve, volatility curve) and pricing models.

#### FORWARD PORTFOLIO DETAIL

Hedging support	Nominal (euro)	Mark to Market (euro)	Maturity	Instrument
Commercial Flows 2005	188,566,693	11,553,720	2005	Forward
Commercial Flows 2006	3,668,860	(20,909)	2006	Forward
Loans / Borrowing	14,693,036	18,033	2005	Currency Swaps
<b>TOTAL</b>	<b>206,928,589</b>	<b>11,550,844</b>		

#### OPTIONS PORTFOLIO DETAIL

Hedging support	Nominal (euro)	Mark to Market (euro)	Maturity	Instrument
Dividends Flows 2005	70,845,113	4,373,500	2005	Options
Commercial Flows 2005	23,585,251	854,473	2005	Options
<b>TOTAL</b>	<b>94,430,363</b>	<b>5,227,973</b>		

As of December 31, 2004, SOCIÉTÉ BIC has contracted:

- Derivatives contracts (options) maturing in 2005 for an equivalent of 70.8 million euro. These contracts hedge the dividends to be received from SOCIÉTÉ BIC's subsidiaries in 2005. The fair market value of these contracts at December 31, 2004 amounts to 4.4 million euro.
- Derivatives contracts (Forward and options) maturing in 2005 and 2006 for an equivalent of 215.8 million euro. These contracts hedge, on a basis of forecasted cash flows, the Group foreign currency transactions risks. The foreign currency transactions are denominated in US Dollar, British Pound, Canadian Dollar, Australian Dollar, New Zealand Dollar, Japanese JPY, Swiss Franc, Danish Crone, Polish Zloty and

Brazilian Real. The fair market value of these contracts amounts to 12.4 million euro.

- Currency swaps for an equivalent of 14.7 million euro, in connection with the inter company debt and deposit. The fair market value of these contracts is close to zero.

The EUR/USD hedging amounts to 68% of the total hedging (cash flows and dividends).

For the year 2005, the foreign currency exposure transaction is hedged with a ratio above 90%.

#### Interest rate derivatives

As of December 31, 2004, there is not outstanding amount any more. The last interest rate swap has matured in October 2004.

## 21 - Commitments

### > 21.1 - GUARANTEES

#### GUARANTEES GIVEN

Guarantor	Guarantee	Beneficiary	Issuing date	Maturity date	Currency	Amount	Purpose of the guaranty
SOCIÉTÉ BIC	BIC Corporation	State of Connecticut worker's compensation commission	Jan. 19, 00	Advance notice of 2 months before cancellation of the guarantee	USD	450,000	Social security payment guarantee
SOCIÉTÉ BIC	BIC Corporation	680 fifth avenue associates LP	Mar. 03, 00		USD	720,000	New York Office lease guarantee

#### GUARANTEES RECEIVED

Guarantor	Guarantee	Beneficiary	Issuing date	Maturity date	Currency	Amount	Purpose of the guaranty
Natexis Banque Populaire	Société du Briquet Jetable 75 SAS	Préfecture d'Ille-et-Vilaine	Aug. 27, 01	Aug. 28, 06	EUR	137,204	Environmental guarantee

In addition, no asset of SOCIÉTÉ BIC was lodged as security.

### > 21.2 - OTHER COMMITMENTS

Following the breakdown of a distribution contract with Kamalpoor in December 2002, SOCIÉTÉ BIC engaged itself to pay, for a fifteen years period, to this company, 8% of its sales of stationery done in the UAE zone, with a minimum of 60 thousand US Dollars and a maximum of 120 thousand US Dollars.

Also, the new retailer of this zone is taking in charge half of the cost.

## Other information

### 22 - Stock market price

In euro	Dec. 31, 2003	Dec. 31, 2004
BIC shares	36.64	37.00



## 23 - Stock-options plans

Using the authorization given during the shareholders' Meeting of May 28, 2003, the Board of Directors in its meeting of December 15, 2004 granted subscription options to 563 senior management and employees of BIC and its subsidiaries entitling them to subscribe for 370,450 shares at a price of 36.76 euro. These options may not be exercised before the end of three year following allotment.

	Plan n° 1	Plan n° 2	Plan n° 3	Plan n° 4	Plan n° 5	Plan n° 6	Plan n° 7
Annual Shareholders' meeting date	May 12, 1998	May 12, 1998	May 12, 1998	May 12, 1998	May 12, 1998	May 28, 2003	May 28, 2003
Board of Directors' meeting date	Dec. 16, 1998	Dec. 16, 1999	Dec. 18, 2000	Dec. 13, 2001	Dec. 10, 2002	Dec. 17, 2003	Dec. 15, 2004
Number of beneficiaries	148	223	539	551	564	555	563
Number of stock-options (purchase plan)	173,800	180,350					
Number of stock-options (subscription plan)			376,150	367,700	375,000	377,550	370,450
Among which, number of shares available to be subscribed or purchased by current members of the leadership management team as of December 31, 2004	26,100	28,100	58,600	60,100	68,100	80,000	65,500
Date from which options may be exercised	Dec. 17, 2001	Dec. 17, 2002	Dec. 19, 2003	Dec. 14, 2004	Dec. 11, 2005	Dec. 18, 2006	Dec. 16, 2007
Option expiration date	Dec. 16, 2008	Dec. 16, 2009	Dec. 17, 2010	Dec. 12, 2011	Dec. 9, 2012	Dec. 16, 2013	Dec. 14, 2014
Exercise price (EUR)	51.13	40.83	41.03	36.57	30.93	36.96	36.76
Number of options exercised as of December 31, 2004	0	0	0	0	0	0	0
Total number of cancelled options	63,400	60,750	108,500	68,400	43,350	15,300	0
Total number of remaining options	110,400	119,600	267,650	299,300	331,650	362,250	370,450

Mr. Bruno and François Bich were not granted any options under the above stock-options plans. As of December 31, 2004, members of Leadership management team held stock-options for a total of 386,500 options.

## 24 - Equity investments

### 24.1 - SUBSIDIARIES AND PARTICIPATING INTERESTS

#### 1 - FRENCH SUBSIDIARIES

Subsidiaries and participating interests <i>In euro</i>	Number of shares S: Shares P: Parts	% interest	Net book value	Net loans	Common stock
Compagnie de moulages SARL	65,000 P	100	1,478,761	0	990,600 EUR
BIC Assemblage SARL	1,000 P	100	15,245	0	15,240 EUR
BIC Services SA	69,541 S	99	1,042,612	0	1,061,085 EUR
Bima 83 SASU	23,689 S	100	5,550,661	0	355,335 EUR
BIC Technologies SA	69,944 S	99	2,743,988	0	2,134,300 EUR
BIC Rasoirs SASU	8,750 S	100	528,373	0	399,875 EUR
Electro-Centre SAS	3,708 S	92	636,475	0	60,960 EUR
Société du Briquet Jetable 75 SAS	2,954,600 S	100	40,568,296	0	45,028,104 EUR
BIC Sport SASU	489,750 S	100	5,701,593	0	1,812,075 EUR
Voiles Gateff SAS	2,250 S	90	0	0	38,100 EUR
BIC Graphic France SASU	5,000 S	100	315,904	0	76,200 EUR
Stypen SA	151,500 S	100	1,702,518	0	2,121,000 EUR
Conté SASU	5,465,181 S	100	34,270,085	0	27,325,905 EUR
BIC Écriture 2000 SASU	3,202,500 S	100	51,302,021	0	39,198,600 EUR
SI BIC Clichy SASU	65,595 S	100	2,498,167	0	997,044 EUR
SI Valiton Gesnouin SASU	748,440 S	100	18,777,264	0	14,295,204 EUR
DAPE 74 Distribution	70,000 S	100	0	0	1,070,000 EUR
<b>TOTAL</b>			<b>167,131,963</b>	<b>0</b>	

#### 2 - FOREIGN SUBSIDIARIES

Subsidiaries and participating interests <i>In euro</i>	Number of shares S: Shares P: Parts	% interest	Net book value	Net loans	Common stock
BIC Belgium SPRL - Belgium	2,778 S	99	1,657,805	0	2,550,000 EUR
Ballograf BIC Austria Vertriebs GmbH - Austria	–	100	381,123	0	109,009 EUR
BIC Erzeugnisse GmbH - Germany	2 P	100	0	0	664,679 EUR
BIC Beteiligungs GmbH - Germany	2 P	100	0	0	25,565 EUR
BIC Verwaltungs GmbH - Germany	2 P	100	0	0	25,565 EUR
BIC GmbH - Germany	1 P	100	0	0	25,565 EUR
Société BIC (Suisse) SA - Switzerland	2,000 S	100	558,573	0	2,000,000 CHF
BIC UK Ltd. - England	12,000,000 S	100	7,759,655	0	1,500,000 GBP
BIC Iberia SA - Spain	2,052,145 S	100	50,962,254	0	12,333,391 EUR
BIC Portugal SA - Portugal	464,715 S	100	3,074,586	0	2,323,575 EUR
BIC Italia SPA - Italy	4,999,583 S	99	4,055,129	0	5,150,000 EUR
BIC Viorex SA - Greece	13,895,505 S	51	13,692,742	0	16,255,000 EUR
BIC (Romania) Marketing & Distribution SRL -Romania	370,455 S	100	1,341,688	0	37,045,500,000 ROL
BIC Corporation - United States	22,769,073 S	100	318,192,042	0	5,774,578 USD
BIC International Co. - United States	100 S	100	1	0	1 USD
BIC Brasil SA - Brazil	297,640,078 S	100	12,909,900	0	130,366,354 BRL
BIC Argentina SA - Argentina	9,000 S	60	1,670,288	0	15,000 ARS



## 2 - FOREIGN SUBSIDIARIES (CONTINUED)

Subsidiaries and participating interests <i>In euro</i>	Number of shares S: Shares P: Parts	% interest	Net book value	Net loans	Common stock
BIC Polska SP ZOO - Poland	485,430 P	100	1,830,667	0	24,271,500 PLN
BIC CIS - Russia	410,000 S	100	165,502	0	4,305,000 RUR
Sheaffer (Hong-Kong) Co. Ltd. - China	7,800,000 P	100	0	2,896,933	7,800,000 HKD
BIC Stationery Shanghai Co. Ltd. - China	-	100	223,039	0	200,000 USD
Shanghai sheaffer - wingsung stationery Co. Ltd. - China	-	75	550,000	0	4,000,000 USD
BIC Philippines Inc. - Philippines	150,000 S	100	0	0	15,000,000 PHP
BIC Product (Singapore) Pte. Ltd. - Singapore	297,000 S	99	0	0	300,000 SGD
BIC Product (Asia) Pte. Ltd.	5,627,602 S	100	1,398,122	0	5,627,602 SGD
Nihon BIC - Japan	8,926 S	89	1,003,999	0	100,000,000 JPY
BIC Kosaido KK - Japan	1,600 S	100	89,960	0	80,000,000 JPY
BIC India Pvt. Ltd. - India	8,087,395 S	100	0	0	80,873,960 RPS
Ball point manufacturing Co. - Iran	90 S	45	0	0	16,000,000 IRR
BIC Product (Korea) Ltd. - South Korea	345,320 S	100	342,247	0	1,726,600,000 KRW
BIC Product (Thailand) Ltd. - Thailand	1,000,000 S	100	0	0	100,000,000 THB
PT Buana Inti Cakrawala - Indonesia	289,999 S	100	919,409	0	29,000,000,000 IDR
Mondial Sdn. Bhd. - Malaysia	1,140,000 S	30	339,901	0	3,800,000 MYR
BIC GBA Sdn. Bhd. - Malaysia	1,195,000 S	95	0	0	1,260,000 MYR
<b>TOTAL</b>			<b>423,118,632</b>	<b>2,896,933</b>	

## 3 - FOREIGN PARTICIPATING INTERESTS

Subsidiaries and participating interests <i>In euro</i>	Number of shares S: Shares P: Parts	% interest	Net book value	Net loans	Common stock
BIC Amazonia SA - Brazil	60,013,003 S	29	4,948,857		107,176,500 BRL
BIC Holdings Southern Africa Pty. Ltd.- South Africa	41,860 S	5	1,522,934		8,372 RAN
BIC Nordic AB - Sweden (ex BIC Ballograf AB)	18,000 S	16	220,990		11,029,500 SEK
<b>TOTAL</b>			<b>6,692,781</b>	<b>0</b>	
<b>TOTAL GROUP</b>			<b>596,943,377</b>	<b>2,896,933</b>	

Net sales, net income and shareholders' equity other than common stock of subsidiaries are not provided for commercial and industrial strategic reasons.

## 24.2 - ANALYSIS OF MOVEMENTS IN EQUITY INVESTMENTS

*In euro thousands*

<b>EQUITY INVESTMENTS (NET) AS OF DECEMBER 31, 2003</b>	<b>592,231</b>
<b>ACQUISITIONS, STOCK ISSUES, CREATIONS AND DISPOSALS IN 2004</b>	
Buy Back of BIC (Romania) Marketing & Distribution SRL's shares from an affiliate	1,342
Acquisitions of minority from Société du Briquet Jetable 75 SAS	150
Increase of capital BIC India Pvt. Ltd.	300
BIC Product (Singapore) Pte. Ltd. - Singapore	43
Acquisition of Société Industrielle Vendôme SA	2,500
Acquisition of BIC Kosaido KK	90
Acquisition of 5% of the minority of BIC Holdings Southern Africa Pty. Ltd.	1,523
Buy back of Shanghai Sheaffer Wingsung Stationery Co. Ltd.'s shares from an affiliate	750
Merge of Société Industrielle Vendôme SA and of Fragances Distribution SARL	(798)
<b>CHARGES TO/(RELEASES OF) PROVISIONS IN 2004</b>	
BIC CIS - Russia	(165)
BIC Polska SP ZOO - Poland	(1,000)
BIC Product (Asia) Pte. Ltd. - Singapore	900
BIC Product (Singapore) Pte. Ltd. - Singapore	43
BIC India Pvt. Ltd. - India	300
DAPE 74 Distribution - France	910
Shanghai Sheaffer Wingsung Stationery Co. Ltd.- China	200
<b>EQUITY INVESTMENTS (NET) AS OF DECEMBER 31, 2004</b>	<b>596,943</b>

The companies Fragances Distribution SARL and Société Industrielle Vendôme SA have been merged into SOCIÉTÉ BIC in 2004. These operations have generated a loss of 6 thousand euro.



## Additional Information on the company financial statements

### Five year financial summary

<i>In euro</i>	2000	2001	2002	2003	2004
<b>1 - SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2004</b>					
Common stock	211,230,720	211,230,720	218,516,977	205,952,534	198,151,330
Number of shares outstandings	55,296,000	55,296,000	57,203,397	53,914,276	51,872,076
Number of bonds convertible into shares	–	–	–	–	–
<b>2 - NET RESULTS</b>					
Net sales	325,735,415	347,441,528	378,852,148	363,711,216	417,363,108
Net income before tax, deprec., amort. and provisions	105,036,988	21,616,149	166,437,693	153,850,894	205,287,114
Income tax	10,250,006	11,168,570	15,383,543	15,897,865	15,177,740
Net income after tax, deprec., amort. and provisions	114,601,379	95,125,385	125,256,748	127,097,242	171,105,343
Dividend distribution	31,725,755	35,554,725	43,830,989	42,906,381	97,569,226
<b>3 - PER SHARE DATA</b>					
Net income after tax, but before deprec., amort. and provisions	1.71	0.19	2.64	2.56	3.66
Net income after tax, deprec., amort. and provisions	2.07	1.72	2.19	2.36	3.30
Dividend per share	0.58	0.65	0.80	0.80	1.90
<b>4 - PAYROLL</b>					
Non-employed staff	3	3	3	3	3
Total payroll	1,005,354	1,148,242	1,364,687	1,215,348	1,172,805
Social welfare benefits (social security, social works)	370,325	423,750	533,001	467,405	1,043,566

# Statutory Auditors' report on the annual financial statements

YEAR ENDED DECEMBER 31, 2004

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2004, on :

- the audit of the accompanying financial statements of SOCIÉTÉ BIC, as shown on pages 61 to 77,
- the justification of the assessments,
- the specific procedures and disclosures required by law.

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

## Opinion on the financial statements

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

In our opinion, the annual financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2004 and the results of its operations and are in accordance with accounting principles generally accepted in France.

## Justification of our assessments

In accordance with Article L.225-235 of the French Commercial Code governing the justification of our assessments, we hereby inform you that our assessments cover the appropriateness of the accounting policies applied and the reasonableness of the material estimates adopted.

These assessments are part of our audit approach to the annual financial statements taken as a whole and therefore contributed to the expression of our opinion given in the first part of this report.

## Specific procedures and disclosures

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

We have no comments to make as to the fair presentation and consistency with the financial statements of the information given in the report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with the law, we have verified that the Board of Directors' report contains the appropriate disclosures as to the identity of and percentage interests and votes held by shareholders.

Paris and Neuilly-sur-Seine, March 18, 2005

The Statutory Auditors  
Alain Lainé

Deloitte & Associés  
Dominique Jumaucourt Thierry Benoit

*This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditors' report, whether qualified or not, explanatory paragraphs separate from and presented below the audit opinion discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. Such report, together with the statutory auditors' report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.*



## Auditors' report to the shareholders

YEAR ENDED DECEMBER 31, 2004

As statutory auditors of your Company, we are required to report on those related party transactions that have been brought to our attention. The terms of our engagement do not require us to identify such transactions.

We hereby inform you that no transaction entered into during the year to which Article L.225-38 of the French Commercial Code would be applicable has been brought to our attention.

Paris and Neuilly-sur-Seine, March 18, 2005

The Statutory Auditors

Alain Lainé

Deloitte & Associés

Dominique Jumaucourt    Thierry Benoit

*This is a free translation of the original text in French for information purposes only.*

*It should be understood that the agreements reported on are only those provided by the Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*



## Auditors' report to the shareholders on the decrease in common stock by canceling shares purchased

In accordance with our appointment as statutory auditors of SOCIÉTÉ BIC and pursuant to paragraph 5 of Article L.225-209 of the French Commercial Code concerning common stock decreases by canceling shares purchased, we hereby report to you on our assessment of the reasons and terms and conditions of the proposed common stock decrease.

This transaction involves the purchase by the Company of its own shares, for up to a maximum of 10% of common stock, pursuant to the terms and conditions set forth in paragraph 3 of Article L. 225-209, of the French Commercial Code. This purchase authorization, to be granted for a period extending to the end of the Annual General Meeting held to approve the financial statements for the year ended December 31, 2005, is subject to adoption by shareholders.

Shareholders are requested to confer all necessary powers to the Board of Directors, during a period of one year, to cancel the shares purchased by the Company pursuant to the share

purchase authorization, for up to 10% of common stock by 24 month period.

We conducted our review in accordance with professional standards applicable in France. Those standards require that we plan and perform the review in order to examine the fairness of the reasons for and the terms and conditions of the proposed common stock decrease.

We have no comments on the reasons for or the terms and conditions of the proposed common stock decrease, which you are reminded may only be performed subject to the prior approval by the General Meeting of the purchase by the Company of its own shares.

Paris and Neuilly-sur-Seine, March 18, 2005

The Statutory Auditors  
Alain Lainé

Deloitte & Associés  
Dominique Jumaucourt    Thierry Benoit

*(This is a free translation of the original French text for information purposes only.)*



## Auditors' special report to the shareholders on the granting of existing or newly-issued shares for no consideration to employees and company officers

In our capacity as statutory auditors of your Company and in accordance with Article L. 225-197-1 of the French Commercial Code, we have prepared this report on the project to grant existing or newly-issued shares for no consideration to the members of personnel of SOCIÉTÉ BIC, its subsidiaries or affiliated companies within the meaning of Article L. 225-197-2 of the French Commercial Code, or certain categories of personnel, and/or to the company officers of SOCIÉTÉ BIC as defined by law. The total number of shares thus granted, including the number of shares that may be granted from current share subscription/purchase plans, may not exceed the 10% of SOCIÉTÉ BIC's common stock as determined on May 19, 2005.

Shareholders are requested to authorize the Board of Directors, for a period of thirty-eight (38) months as from this General Meeting, to grant existing or newly-issued shares for no consideration in accordance with Articles L. 225-197-1 to L. 225-197-5 of the French Commercial Code. It is the responsibility of the Board of Directors to prepare a report on the transaction

which it wishes to perform. It is our responsibility, where necessary, to give you our comments on the information which is communicated to you on the proposed transaction.

In the absence of any professional accounting standards applicable to this transaction, pursuant to a legislative provision of December 30, 2004, we performed the procedures that we deemed necessary. These procedures involved verifying that the proposed terms and conditions presented in the management report of the Board of Directors conform to the provisions provided for by law.

We have no comment to make on the information given in the management report of the Board of Directors relating to the proposed transaction.

Paris and Neuilly-sur-Seine, March 18, 2005

The Statutory Auditors

Alain Lainé

Deloitte & Associés

Dominique Jumaucourt    Thierry Benoit

*(This is a free translation of the original French text for information purposes only.)*

## 1 - Persons responsible for the prospectus and persons responsible for auditing the accounts

### ➤ 1.1 - NAME AND FUNCTION

Bruno Bich

Chairman of the Board of Directors and Chief Executive Officer

### ➤ 1.2 - STATEMENT BY RESPONSIBLE PERSON

*"To the best of our knowledge, the data provided in this prospectus is accurate; it includes all information that investors would need to form an opinion on the assets, the activity, the financial situation, the results and the prospects of the issuer; nothing has been omitted that would in anyway alter the scope thereof."*

Bruno Bich

Chairman of the Board of Directors and Chief Executive Officer

### ➤ 1.3 - NAME, ADDRESS AND STATUS OF THE STATUTORY AUDITORS

The statutory and consolidated accounts for SOCIÉTÉ BIC represented in reports by the accounting firm of and partner:

#### **Deloitte & Associés**

Represented by Mr. Thierry Benoit and Mr. Dominique Jumaucourt

185, avenue Charles-de-Gaulle

92200 Neuilly-sur-Seine

Tel: + 33 1/40 88 28 00

Deloitte & Associés was appointed as statutory auditor for SOCIÉTÉ BIC for the first time at the Extraordinary General Meeting of shareholders on May 4, 1999. The mandate of Deloitte & Associés as statutory auditors, is in place for a period of six fiscal years and will expire in 2005, at the General shareholders' meeting confirming the accounts for fiscal year 2004, which close December 31, 2004.

#### **Mr. Alain Lainé**

2, rue du Colonel-Moll

75017 Paris

Tel: +33/1 53 81 93 00

Mr. Alain Lainé was appointed as statutory auditor for SOCIÉTÉ BIC for the first time at the Extraordinary General Meeting of shareholders on May 4, 1999. The mandate of Mr. Alain Lainé as statutory auditor, is in place for a period of six fiscal years and will expire in 2005, at the General shareholders' meeting confirming the accounts for fiscal year 2004, which close December 31, 2004.

Substitute auditors:

Société BEAS, was appointed as substitute auditor for the first time at the Extraordinary General Meeting of shareholders on May 4, 1999. The mandate will continue for the same period as that of Deloitte & Associés.

Société Proxima, was appointed as substitute auditor for the first time at the Extraordinary General Meeting of shareholders on May 4, 1999. The mandate will continue for the same period as that of Mr. Alain Lainé.

#### **Auditor's attestation on the reference document for fiscal year 2004**

*The following is a free translation of a French language original for convenience purposes only. Accounting principles and auditing standards and their application in practice vary among nations. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than France. In addition, the procedures and practices utilized by the statutory auditors in France with respect to such financial statements included in a prospectus may differ from those generally accepted and applied by auditors in other countries. Accordingly, the French financial statements and the auditors' report of which a translation for convenience purpose only is presented in this document are for use by those knowledgeable about French accounting procedures, auditing standards and their application in practice.*

As statutory auditors of SOCIÉTÉ BIC and in accordance with Article 211-5-2 of the A.M.F.'s General Regulation (Paris Stock Exchange Authorities) and professional standards applicable in France, we have performed procedures on the information contained in the "reference document" relating to the financial position and historical financial statements of the Company.

Mr. Bruno Bich, Chairman of the Board of Directors, is responsible for the preparation of the "reference document".



Our responsibility is to report on the fairness of the information presented in the “reference document” relating to the financial position and the financial statements.

In accordance with professional standards applicable in France, our procedures consisted in assessing the fairness of the information presented relating to the financial position and the financial statements, and verifying its consistency with the financial statements in respect of which an opinion has been issued. Our procedures also include reading the other information contained in the reference document in order to identify material inconsistencies with the information relating to the financial position and financial statements and to report any apparent material misstatement of facts that we may have uncovered in reading the other information based on our general knowledge of the Company obtained during the course of our engagement. This reference document does not contain selected prospective data resulting from an organized process.

We expressed an unqualified opinion on the Company and consolidated financial statements for the years ended December 31, 2002, 2003 and 2004, approved by the Board of Directors.

Our report on the consolidated financial statements for the year ended December 31, 2002 drew attention to the changes in presentation as disclosed in Note 1 to the consolidated financial statements.

Our report on the Company financial statements for the year ended December 31, 2003 drew attention to the Note 2 to the financial statements relating to the changes in the presentation of the income and cash flow statements.

Our report on the consolidated financial statements for the year ended December 31, 2003 drew attention to the post balance sheet event disclosed in Note 30 to the consolidated financial statements.

Based on these procedures, we have no matters to report regarding the fairness of the information of relating to the financial statements presented in the reference document.

Paris and Neuilly-sur-Seine, March 18, 2005

The Statutory Auditors

Alain Lainé

Deloitte & Associés

Dominique Jumaucourt Thierry Benoit

#### Appended information:

This reference document includes:

- the statutory auditors’ reports on the Company and consolidated financial statements for the year ended December 31, 2004 including, on pages 79 and 59 respectively, the justification of our assessments prepared in accordance with Article L.225-235 of the French Commercial Code.
- the statutory auditors’ report (page 102) prepared in accordance with the last paragraph of L.225-235 of the French

Commercial Code on the report prepared by the Chairman of the Board of Directors with respect to internal control procedures for the preparation and treatment of accounting and financial information.

- the statutory auditors’ report on related party transactions (page 80).
- the statutory auditors’ report on the decrease in common stock by canceling shares purchased (page 81).
- the statutory auditors’ report on the granting of existing or newly-issued shares for no consideration to employees and company officers (page 82).

#### ➤ 1.4 - NOTIFICATIONS POLICY

##### Financial Communications Manager

Ms. Carole Imbert

Tel: +33 1 45 19 55 28

Shareholder and general financial and economic information regarding SOCIÉTÉ BIC is available via the Company’s internet web-site:

<http://www.bicworld.com>

or by addressing an e-mail to [investors.info@bicworld.com](mailto:investors.info@bicworld.com)

##### 2005 Financial Information calendar:

January 20, 2005	Fourth Quarter and full year 2004 Net Sales
March 3, 2005	2004 Full Year Earnings
April 14, 2005	First Quarter 2005 Net Sales
May 19, 2005	Combined Annual and Extraordinary Shareholders’ Meeting
July 21, 2005	Second Quarter and first semester 2005 Net Sales
September 8, 2005	2005 First Half Earnings
October 13, 2005	Third Quarter and 9 months 2005 Net Sales

SOCIÉTÉ BIC issues financial press releases six times per year:

- Four for Quarterly Sales Results
- Two for Earnings: Half Year and Full Year

The Company purchases advertising space in several French economic and financial publications to ensure the largest possible distribution of its financial information.

The Chairman and Chief Executive Officer accompanied by the Chief Financial Officer present the company full year and half year earnings to the financial community represented by financial analysts and journalists.



## 2 - General information on the issuer and the issuer's stated capital

### 2.1 - GENERAL INFORMATION ON THE ISSUER

#### 2.1.1 - Issuer Company

**Name:** SOCIÉTÉ BIC  
**Headquarters:** 14, rue Jeanne d'Asnières  
92110 Clichy, France

#### 2.1.2 - Legal structure of issuer: "Société anonyme"

#### 2.1.3 - Legislation governing the issuer

"Société anonyme" governed by French law, and in particular by the French Commercial Code and the decree n° 67-236 dated March 23, 1967.

#### 2.1.4 - Date of incorporation: March 3, 1953

**Date of expiration:** March 2, 2052

Unless dissolution occurs prior to or decided at an Extraordinary Shareholders' Meeting.

#### 2.1.5 - Statement of Company objectives

##### **Extract (Article Three) – "Object"**

*"The Company's object, in all countries, is the purchase, sale, commissioning, brokerage, representation, importing & exporting of all products, and in particular of all which is used for writing.*

*And generally speaking all personal, real estate, financial, industrial or commercial operations pertaining directly or indirectly to the foregoing object or to all similar or related products or to products apt to further the extension or development thereof.*

*The company may carry out all operations falling within its object, either alone and for its own account, or for the account of third parties, as representative, licensee or intermediary, for the commissioning, brokerage, subcontracting, as lessee, farmer, manager, or in a joint venture or partnership, in any form whatsoever."*

#### 2.1.6. Name of business register (RCS)

552 008 443 Nanterre (1980 B 00863)

#### Registration number APE code

741 J Holding services

366 E Other manufacturing activities

#### 2.1.7 - Address of premises where legal documents pertaining to the issuer may be consulted

Legal documents and information relating to the company are available for review at the headquarters offices located at 14, rue Jeanne d'Asnières - 92110 Clichy, France

#### 2.1.8 - Financial year

January 1 to December 31 (1-year).

#### 2.1.9 - Profit sharing as provided for in the bylaws

##### **Extract (Article Sixteen) – "Company accounts"**

*"The Company year begins on January 1 and ends on December 31.*

*I. The net profits are made up of the year's net profits such as they are recorded on the annual balance sheet, after deducting overhead costs and other company costs, amortizations of fixed assets and all provisions for commercial and industrial risks, as the case may be. From these net profits for the year, after deducting previous losses as the case may be, 5% is levied to create what is known as the "Legal Reserve". This levy ceases to be mandatory when the reserve fund amounts to one-tenth of the share capital. It is resumed when this reserve falls below the legal minimum.*

*II. The net profits, after deducting previous losses and the levy stipulated in the foregoing paragraph, plus the profits carried forward, constitute the profit available for distribution.*

*Furthermore, the annual Ordinary Meeting of the Shareholders may decide to distribute sums levied from the reserves at its disposal, specifying the reserve items from which the sums distributed are levied.*

*III. From the profit available for distribution, as established at the Shareholders' Meeting, after approval of the accounts, the following sums are levied successively:*

- 1. The sum necessary for providing to the shares, as an initial dividend, 6% of the sums paid-up on them and not amortized, including the fraction of the face value of the shares corresponding to reserves incorporated into the capital, without its being possible, if the profits of a given year do not permit this payment, that the shareholders can claim it from the profits of subsequent years, unless the Shareholders' Meeting has the right to place on reserve or carry forward all or a portion of said sum;*
- 2. The sums which the Ordinary Meeting of the Shareholders decides either to carry forward or to earmark for all general or special reserves;*
- 3. The balance is distributed among the shares."*

#### 2.1.10 - a) General meetings (convening, rules for admission, rules for exercising voting rights)

##### **Extract (Article Fifteen) – "Shareholders' Meetings"**

*"Shareholders' Meetings are convened, and deliberate on the conditions stipulated by law and the enactments in force.*

*Any shareholder may take part, personally or by proxy, in the Shareholders' Meetings, upon presenting proof of his identity and of the ownership of his shares, in the form either of a nominative registration, or the depositing of his bearer shares in the places mentioned in the notice of the meeting. The period during which these formalities must be performed expires five days prior to the date on which the Meeting is scheduled to convene."*



## **2.1.10 - b) Conditions for acquisition of voting rights**

### **Double voting rights**

(this article was introduced in the articles of association at the Extraordinary shareholders' meeting of June 26, 1972)

*"A voting right which is double the right conferred on the other shares, in light of the portion of the share capital they represent, is attributed to all the fully paid-up shares for which proof is provided of a nominative registration for at least two years in the name of the same shareholder.*

*Any share converted to a bearer share or the ownership of which is transferred loses the aforementioned double voting right. Nonetheless, a transfer following death, the liquidation of the community estate of two spouses or a donation among the living in favor of a spouse or a relative entitled to inherit does not cause the loss of the right acquired and does not interrupt the two-year period referred to above.*

*Furthermore, in the event of a capital increase, through the incorporation of reserves, profits or share premiums, the double voting right may be conferred, at the time of issue, upon the nominative shares allotted to a shareholder at no charge due to former shares for which he enjoys this right."*

### **Extract from "articles of association" (Article Eight bis) – "Ownership Threshold"**

(article introduced into the articles of association at the Ordinary and Extraordinary General Shareholders' meeting on May 12, 1998)

*"Any individual or company holding either a share of the capital or of the voting rights equal or superior to 2% and, from this threshold, any additional holding which is a multiple of 1%, shall notify to the company the number of shares said individual or company has, by registered mail with return receipt requested. This notification shall be made within the two weeks a threshold is met.*

*This requirement applies as well, in the same conditions and timing, when the holding in the share capital decreases and becomes inferior to a threshold percentage indicated above.*

*Declaration upon attaining ownership threshold must take into consideration the sum total of shares owned by companies holding more than 50% directly or indirectly, of the declaring company."*

*In case of non-compliance with this provision, and upon a request, duly registered in the minutes of the Shareholders' Meeting, from one or more shareholders holding at least 2% of the share capital of the company and/or of its voting rights, all the shares exceeding the threshold which should have been declared will be deprived of their voting rights at any shareholders' meeting until notification of compliance.*

### **2.1.11 - Other: purchase of its own shares, identifiable bearer shares**

#### **Extract (Article Sixteen bis) – "Identification of shareholders"**

(article introduced into the articles of association at the Ordinary and Extraordinary General Shareholders' meeting on May 4, 1999)

*"The company is entitled, on the legal and regulatory conditions in force, to request, against remuneration to be paid by it, of the organization responsible for clearing the shares, the name or, in the case of a legal entity, the company name, nationality, year of birth or, in the event of a legal entity, the year of creation, and the address of the owners of the shares conferring immediately or in the future the voting right in its own shareholders' meetings, as well as the number of shares owned by each of them and, as the case may be, the restrictions which may encumber these shares."*

*Cf. note 17 of the Consolidated Financial Statements.*

## **2.2 - GENERAL INFORMATION ON THE ISSUER'S STATED CAPITAL**

### **2.2.1 - Amount of share capital subscribed, number and class of financial instruments it represents and main characteristics thereof**

Capital under subscription.

The total amount of capital under subscription on December 31, 2004 is 198,151,330.32 euro.

It is divided into 51,872,076 shares at 3.82 euro each.

### **2.2.2 - Amount of authorized non-issued capital and if applicable, expiry of authorization**

Not Applicable



### 2.2.3 - Table showing evolution of capital. Description of evolution of the company's capital over the course of the last five years

Share capital evolution for the past five years

Date	Operation	Amount (in euro)	Total share capital (in euro)	Shares outstanding at conclusion of the operation
2000			211,230,720	55,296,000
2001			211,230,720	55,296,000
2002 (May 28 EGM)	Capital increase	12,872,208.16	224,102,928.16	58,665,688
2002 (Dec. 10 Board Meeting)	Cancellation of treasury shares, as authorized by EGM of May 28, 2002	(5,585,951.62)	218,516,976.54	57,203,397
2003 (Jan. 13 Board Meeting)	Cancellation of treasury shares, as authorized by EGM of May 28, 2002	(3,613,280.70)	214,903,695.84	56,257,512
2003 (Mar. 19 Board Meeting)	Cancellation of treasury shares, as authorized by EGM of May 28, 2002	(5,610,724.32)	209,292,971.52	54,788,736
2003 (May 28 Board Meeting)	Cancellation of treasury shares, as authorized by EGM of May 28, 2003	(1,672,468.58)	207,620,502.94	54,350,917
2003 (Sep. 10 Board Meeting)	Cancellation of treasury shares, as authorized by EGM of May 28, 2003	(1,667,968.62)	205,952,534.32	53,914,276
2004 (June 3 Board Meeting)	Cancellation of treasury shares, as authorized by Board Meeting of June 3, 2004	(1,487,721.92)	204,464,812.40	53,524,820
2004 (Dec. 15 Board Meeting)	Cancellation of treasury shares, as authorized by Board Meeting of June 3, 2004	(6,313,482.08)	198,151,330.32	51,872,076



## 2.3 - CURRENT BREAKDOWN OF CAPITAL AND VOTING RIGHTS

### 2.3.1. State, giving the date on which the information was acquired

– The total number of voting rights is 74,667,274 at December 31, 2004.

– Shareholders having declared reaching statutory ownership thresholds are the following:

#### AT DECEMBER 31, 2004

Name	Number of shares	% of shares (approximately)	% of voting rights (approximately)
1. MBD	12,000,000	23.1	32.1
2. Family Bich excl. MBD	9,489,408	18.2	25.1
3. Mrs Édouard Buffard	2,227,111	4.3	6.0
4. Silchester International Investors	5,240,136	10.1	7.0
5. Franklin Templeton	3,650,932	7.0	4.9
6. CDC	2,593,598	5.0	3.5

#### AT DECEMBER 31, 2003

Name	Number of shares	% of shares (approximately)	% of voting rights (approximately)
1. MBD (ex MBE)	12,000,000	22.3	32.4
2. Family Bich excl. MBD	9,783,959	18.2	21.6
3. Mrs Édouard Buffard	2,227,112	4.1	6.0
4. Aim Trimark	4,346,728	8.1	5.9
5. Silchester International Investors	4,331,320	8.0	5.9
6. Franklin Templeton	4,085,000	7.6	5.5
7. CDC IXIS	2,904,508	5.4	3.9

#### AT DECEMBER 31, 2002

Name	Number of shares	% of shares (approximately)	% of voting rights (approximately)
1. MBE	12,000,000	21.0	31.3
2. Family Bich excl. MBE	10,007,936	17.5	21.6
3. Mrs Édouard Buffard	2,227,112	3.9	5.8
4. Templeton Investment (ex-Franklin Resources)	4,535,223	7.9	5.9
5. Aim Funds Management (ex-Trimark Investment)	3,798,355	6.5	5.0
6. Oppenheimer Funds	2,860,077	5.0	3.7



#### At December 31, 2004

The only shareholder having declared statutory ownership threshold is Silchester International (+10% of shares) in 2004.

- Board members, senior managers or members of the supervisory board of SOCIÉTÉ BIC hold 9.78% of share capital and 13.53% of voting rights. This excludes the 23.1% of capital held by MBD (ex MBE) of which Mr Bruno and Mr François Bich, and Mrs Marie-Aimée Bich-Dufour, Mrs Marie-Henriette Poinot and Mrs Marie-Pauline Chandon-Moët have interests.
- The number of treasury shares purchased and held by the issuer or by an affiliated company with direct or indirect ownership exceeding 50% is 657,808 shares of which:
  - 607,748 shares are held as treasury stock by SOCIÉTÉ BIC and;
  - 50,060 shares were purchased by BIC Corporation, an affiliated company with direct or indirect ownership by the issuer exceeding 50%. These shares are held in order to cover the stock-options program for this subsidiary.
- Percentages of capital and voting rights, if any, held by the staff directly or through specialized unit trusts:

Not applicable

- If provisions in agreements stipulate preferential terms for the sale or acquisition of shares that have been admitted to listing on a regulated market, or for which listing has been requested:

Company MBD concluded agreements of conservation of titles relating to SOCIÉTÉ BIC shares, with various members of the Bich family as well as Mrs Édouard Buffard, so that the latter benefit by provisions of article 47 of the Law 2003-721 dated August 1, 2003, codified at the article 885-1bis of the General Tax Code and by the provisions of article 787B of the same code.

#### 2.3.2 - Changes in shareownership during the last three years

*Cf.: 2.3.1 State, giving the date on which the information was acquired.*

#### 2.3.3 - Names of persons and legal entities known by the issuer that exercise or may exercise control over the company

At December 3, 2004, the Bich family, including MBD, held approximately 41.4% of the company's share capital and 57.2% of the voting rights.



# PRINCIPLE OPERATING COMPANIES (AT DECEMBER 31, 2004)



**SOCIÉTÉ BIC**

**EUROPE**

- ▶ 100%
- ▶ 100%
- ▶ 90%
- ▶ 100%
- ▶ 100%
- ▶ 100%
- ▶ 100%
- ▶ 100%
- ▶ 100%
- ▶ 100%
- ▶ 99,9%
- ▶ 100%
- ▶ 99%
- ▶ 51%
- ▶ 100%
- ▶ 100%
- ▶ 16%
- ▶ 100%

**FRANCE**  
Core businesses\*  
BIC Sport  
Voiles Gateff

**AUSTRIA**  
Ballograf BIC Austria

**POLAND**  
BIC Polska SP ZOO

**PORTUGAL**  
BIC Portugal SA

**SWITZERLAND**  
Société BIC (Suisse) SA

**CIS**  
BIC CIS

**UKRAINE**  
▶ 100% BIC Ukraine

**ITALY**  
BIC Italia SPA

**SPAIN**  
BIC Iberia SA

▶ 100% BIC Graphic Europe SA

**BELGIUM**  
BIC Belgium SPRL

**THE NETHERLANDS**  
▶ 100% BIC Netherlands BV

**GREECE**  
BIC Violex SA

BIC Corporation\*\* ▲ 49%

**ROMANIA**  
BIC (Romania)  
Marketing & Distribution SRL

**UNITED KINGDOM**  
BIC UK Ltd.

**SWEDEN**  
▶ 84% BIC Nordic AB

**IRELAND**  
▶ 100% BIC Ireland Ltd.

**GERMANY**  
BIC Deutschland GmbH & Co. OHG



**SOCIÉTÉ BIC**

**NORTH AMERICA & OCEANIA**

- ▶ 100%
- ▶ 100%
- ▶ 100%
- ▶ 100%

**UNITED STATES**  
BIC International Co.  
BIC Corporation

**CANADA**  
▶ 100% BIC Inc. (Canada)

**UNITED KINGDOM**  
BIC UK Ltd.\*\*

**AUSTRALIA**  
▶ 100% BIC Australia Pty. Ltd.

**NEW ZEALAND**  
▶ 100% BIC (NZ) Ltd.



**SOCIÉTÉ BIC**

**LATIN AMERICA**

- ▶ 100%
- ▶ 100%
- ▶ 60%
- ▶ 100%
- ▶ 28.6%

**UNITED STATES**  
BIC Corporation\*\*

**GUATEMALA**  
▶ 100% BIC de Guatemala SA

**MEXICO**  
▶ 94,36% No sabe Fallar, SA de CV  
5,64% ▲ 29%  
▶ 71% Industrial de Cuautitlan, SA de CV

**ARGENTINA**  
BIC Argentina SA

**BRAZIL**  
BIC Brasil SA

**AMAZONIA**  
▶ 71,4% BIC Amazonia SA

**CHILE**  
▶ 100% BIC Chile SA

**URUGUAY**  
▶ 100% BIC Uruguay SA

**VENEZUELA**  
▶ 100% BIC de Venezuela CA

**ECUADOR**  
▶ 100% BIC Ecuador SA

**COLOMBIA**  
▶ 100% BIC Colombia SA





**SOCIÉTÉ BIC**

**AFRICA & MIDDLE EAST**

> 100%	<b>UNITED KINGDOM</b> BIC UK Ltd.**
> 5%	<b>SOUTH AFRICA</b> > 95% BIC Holdings Southern Africa Pte. Ltd.
	<b>SOUTH AFRICA</b> > 100% BIC (South Africa) Pte. Ltd.
	<b>MOZAMBIQUE</b> > 100% BIC Mozambique
	<b>ZAMBIA</b> > 100% BIC Zambia Ltd.
	<b>MALAWI</b> > 100% BIC Malawi Pty. Ltd.
	<b>BOTSWANA</b> BIC Botswana Pty. Ltd.

> 70%



**SOCIÉTÉ BIC**

**ASIA**

> 100%	<b>CHINA</b> BIC Stationery (Shanghai) Co. Ltd.
> 100%	<b>JAPAN</b> BIC Kosaido KK
> 100%	<b>INDIA</b> BIC India Pvt. Ltd.
> 94,8%	<b>MALAYSIA</b> BIC GBA Sdn. Bhd.
> 100%	<b>SOUTH KOREA</b> BIC Product (Korea) Ltd.
> 99%	<b>SINGAPORE</b> BIC Product (Singapore) Pte. Ltd.
> 100%	<b>SINGAPORE</b> BIC Product (Asia) Pte. Ltd.
> 100%	<b>INDONESIA</b> PT Buana Inti Cakrawala
> 100%	<b>THAILAND</b> BIC Product Thailand Ltd.

\* cf. note 12 to the consolidated financial statements.

\*\* This company is consolidated in a different geographical segment but is listed here to show legal ownership.



## 2.4 - MARKET OF THE ISSUER'S FINANCIAL INSTRUMENTS

BIC is quoted on the Eurolist Euronext Paris Isin FR0000120966.

The number of outstanding shares as of December 31, 2004 was 51,872,076.

### EVOLUTION OF THE RATE AND VOLUME OF THE BIC SHARE

Date	High (month trade)	Low (month trade)	Close (last trade)	Volume (monthly average)	Transaction value in euro <sup>(1)</sup>
Jun-02	43	38.03	40.5	66,612	55,015,375
Jul-02	40.3	32.4	35.2	40,856	34,170,022
Aug-02	39	32.17	39	31,003	24,268,653
Sept-02	39.5	32.57	33.5	34,316	26,277,783
Oct-02	35	31	31.6	82,779	62,504,218
Nov-02	33.5	27.21	33.16	145,964	91,470,555
Dec-02	34	31.46	32.85	67,910	42,648,110
Jan-03	33.6	28.7	29.5	75,865	50,425,434
Feb-03	30.9	28.53	29.6	59,853	35,178,563
Mar-03	30.8	26.1	29.65	60,044	36,804,101
Apr-03	31.8	29.1	31.5	35,894	21,606,617
May-03	33.7	30.5	32.5	56,533	38,691,451
Jun-03	35.24	32	33.9	84,352	58,433,687
Jul-03	35.45	33	34.2	44,573	35,473,032
Aug-03	39.45	33.3	37.5	43,487	32,121,472
Sept-03	38.09	34.28	36.6	60,069	47,606,428
Oct-03	36.64	33.95	35.62	67,085	53,909,134
Nov-03	38.1	35.62	37.09	20,623	15,452,038
Dec-03	37.63	35.65	36.64	33,313	25,526,607
Jan-04	38.6	35.1	35.86	20,027	15,488,489
Feb-04	35.95	34	34.79	60,800	42,184,060
Mar-04	34.95	33.71	34.5	46,681	36,761,817
Apr-04	36.36	34.17	36.2	39,976	28,379,981
May-04	36.59	35.17	35.5	32,517	24,342,548
Jun-04	38.01	35.12	36.58	56,843	45,432,601
Jul-04	37	35.1	35.63	24,112	19,341,205
Aug-04	36.2	34.24	35.09	17,986	13,956,198
Sept-04	37.64	34.46	37.1	58,577	47,074,679
Oct-04	37.78	36.2	36.34	32,735	25,531,374
Nov-04	37.32	36.1	36.49	50,722	41,058,875
Dec-04	37.22	36	37	56,242	47,380,046
Jan-05	43.4	36.55	41.99	20,027	41,082,337
Feb-05	43.1	41.36	42.28	60,800	36,694,252

(1) The transactions values are expressed on the basis of the daily closing rate.

## 2.5 - DIVIDENDS

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%
2000	0.58	0.29	0.87	26%
1999	0.48	0.24	0.72	26%



The Board of Directors of SOCIÉTÉ BIC proposes the distribution of dividends primarily as a function of the company's earnings, its investment policy as well as comparisons with peer companies in the same sector. BIC does not foresee a material change in this distribution policy of dividends.

An interim dividend of 0.40 euro per share has been paid to the shareholders on November 3, 2004.

### 3- Information on the issuer's activity

#### 3.1 - PRESENTATION OF THE COMPANY AND OF THE GROUP

##### 3.1.1 - Brief history and development of the Group structure over the past few years

In 1950 in Clichy, Marcel Bich improves the process of a ballpoint pen invented by Hungarian Laslo Biro. Associated since 1945 with Édouard Buffard in a company of penholders, he then decides to launch this product of revolutionary writing on the French market.

He names it "pointe BIC®" in a shortened and easily memorable version of its own name. In 1953, Marcel Bich and Édouard Buffard create SOCIÉTÉ BIC to manufacture and distribute the ballpoint pens BIC®.

As of the following year, SOCIÉTÉ BIC undertakes the conquest of the foreign markets: in 1954 in Italy, in 1956 in Brazil, 1957 in England and in all the sterling area. In 1958, the company repurchased the Waterman Pen Company and started the conquest of the North-American market, developing in parallel the Africa and the Middle East areas.

On November 15, 1972, SOCIÉTÉ BIC is quoted on the "Bourse de Paris" and in 1973, BIC diversifies its activities and launches the BIC® lighter with adjustable flame. Its reliability and its quality make an immediate success of them. After revolutionizing the

##### 3.1.3 - Production volumes over the past three financial years

###### PRODUCTION TRENDS

<i>In billions of units</i>	2002	2003	2004
Stationery products	4.864	4.646	4.959
Lighters	0.923	0.923	0.978
Shavers	2.398	2.164	2.125

Since 2002, the BIC Group has launched 150 new products, 120 of which are in the stationery category.

Stationery & Lighter market habits, BIC is the first to launch in 1975 a one piece shaver.

In 1981, the Group diversifies in the leisure's industry with its subsidiary company BIC Sport, specialized in the windsurf boards.

To widen its range of stationeries, BIC purchases in 1992 the American brand of correction products Wite-Out®, then in 1997 the brand TIPP-EX®, European leader of correction products. The same year, the Group also becomes purchaser of Sheaffer®, the top range brand of writing instruments.

For the past few years, the BIC Group has been carrying out both a strategy of diversification of its ranges by launching new products, and a conquest of foreign markets by establishing in Central Europe, Eastern Europe and Asia. Hence, in 2004 BIC acquired its Japanese distributor, Kosaido Shoji. This acquisition is an important step in BIC Group's development in Japan, the world's second largest stationery and shaver market. BIC also penetrated a new market segment in stationery, the refillable school fountain pen, with the acquisition of Styphen in France in May 2004.

##### 3.1.2 - Description of the issuer's main activities

BIC is one of the world leaders in stationery products, lighters and shavers. BIC products are distributed in a variety of retail locations from local food and tobacco shops, stationery stores, supermarkets and large hypermarkets, to office retail outlets, superstores, mass merchandisers and warehouse clubs. In addition, BIC established BICLINK.com in order to expand its distribution network reaching new channels in the US through the latest business-to-business, Internet technology. BIC has a strong presence in many of the mature markets, as well as in emerging markets throughout the world. It is the company mission to offer consumers of the world affordably priced products to simplify their lives.



### 3.1.4 - Net Sales over the past three financial years

#### SALES BY GEOGRAPHY 2004

BIC GROUP In euro millions	2002	2003	2004	Change 2004/2003
Western Europe	457.1	444.5	452.4	+ 1.8%
North America and Oceania	718.7	637.4	640.3	+ 0.5%
Latin America	194.5	175.5	182.2	+ 3.8%
Eastern Europe, Middle East, Africa and Asia	121.3	102.7	111.6	+ 8.7%

#### SALES BY CATEGORY

KEY FIGURES BY CATEGORY OF PRODUCTS In euro millions	2002	2003	2004	Change 2004/2003
<b>STATIONERY PRODUCTS</b>				
Sales	791	711	722	+ 1.7%
Income from operations	122	99	100	+ 1.1%
<b>LIGHTERS</b>				
Sales	369	341	349	+ 2.5%
Income from operations	90	87	98	+ 12.6%
<b>SHAVERS</b>				
Sales	287	257	258	+ 0.4%
Income from operations	43	24	20	(17.3)%

### 3.1.5 - Principal properties for the Group in France and the US

Country	Use	Location	Own/Lease
USA	Offices	New York, NY	Lease
	Offices, Factory	Milford, CT	Own
		Clearwater, FL	Own
		Fountain Inn, SC	Own
		Gaffney, SC	Own
		Fort Madison, IA	Own
	Factories	Clearwater, FL	Own
		St. Petersburg, FL	Own
	Warehouses	Charlotte, NC	Own
		Charlotte, NC	Lease
		Cerritos, CA	Lease
	Offices	Bentonville, AR	Lease
		Mission Viejo, CA	Lease
		Clearwater, FL	Lease
Woodbury, NY		Lease	
France	Offices	Clichy	Own
	Warehouses	St-Ouen-l'Aumône	Lease
	Factories	Montévrain	Own
		Vannes	Own
		Cernay	Own
		Redon	Own
		Longueil-Sainte-Marie	Own
		Boulogne-sur-Mer	Own
Samer		Own	



### 3.1.6 - Principal intra-Group transactions

SOCIÉTÉ BIC holds the majority of its principal operational subsidiaries with nearly 100%. These principal subsidiaries realize with SOCIÉTÉ BIC, and the BIC Group in general, a certain number of transactions usual inside a group. These transactions cover in particular the rebilling of various expense (Headquarter operating expense, expenses of industrial engineering, data-processing, insurance charges...), the purchase and the resale of finished goods, loans, conventions of treasury and current accounts.

None of these transactions are carried out under conditions different from those of the market.

### 3.1.7 - Exceptional events

Not Applicable.

### ➤ 3.2 - SUMMARY OF INFORMATION ON ANY DEPENDENCE OF THE ISSUER ON PATENTS AND LICENSES, SUPPLY CONTRACTS, INDUSTRIAL, COMMERCIAL OR FINANCIAL AGREEMENTS OR NEW MANUFACTURING PROCEDURES

Not Applicable.

### ➤ 3.3 - AVERAGE HEADCOUNT AND CHANGE IN HEADCOUNT OVER THE PAST THREE FINANCIAL YEARS AND INVESTMENT IN TRAINING

#### • Breakdown:

The BIC Group has 8,650 full-time employees, of which 20% are executive professionals.

The breakdown of employees by geography is as follows:

Western Europe	3,804	44.0%
North America and Oceania	2,030	23.5%
Latin America	2,050	23.7%
Eastern Europe, Middle East, Africa and Asia	766	8.8%

#### • Training:

The number of training days for year 2004 is: 10,300

Training expenditures are done at the local country level in order to meet the needs of employees for careers specific to BIC as well as to allow for personal and professional development.

On a global level, BIC University, which is based in France, creates and develops training programs that are made available worldwide. These programs promote the BIC corporate culture and address the main themes of management and personal development.

#### • Social Audit:

Certain French subsidiaries conduct their own social audit in compliance with relevant laws. SOCIÉTÉ BIC does not conduct a social audit.

*Cf. Management report.*

### ➤ 3.4 - INVESTMENT POLICY

#### 3.4.1 - Details on the company or the Group research and development policy

Research and development function are organized by product category. In 2004 there were 130 employees located in Western Europe and North America in these functions. The research and development budget was approximately 2% of sales in 2004.

#### 3.4.2 - Primary investments

For the past four years, the primary investment by the BIC Group were the following:

The BIC Group reorganized its manufacturing activities in two areas:

- First in continued quality improvement for each production line, including investments in manufacturing processes and new technologies.
- Secondly, in the specialization of focused production sites by product category. In the last three years, investments of this type have been made in Europe, with the increased production capacity of Conté manufacturing and the construction of a state-of-the-art stationery products facility which represents the production of seven different factories. The total capital expenditure was 43 million euro.

In the area of financial investments, the BIC Group, via its subsidiary BIC Corporation acquired in 2001 51% of the share capital of BIC Viorex, of which SOCIÉTÉ BIC already held 49%. BIC Viorex is specialized in the design and manufacture of blades and shavers and is a critical center for technology, research and development for this product category.

The BIC Group's global ownership of BIC Viorex capital rose to 93% and the gross outlay for this transaction was 57 million euro.

This ownership rose to 100% in 2002 following the repurchase of BIC Corporation minority interest described as follows:



To simplify the Group structure, the Board of Directors of SOCIÉTÉ BIC, gathered on March 26, 2002, approved the repurchase of the 14% of the shares of its American subsidiary, BIC Corporation, which it did not still hold. This acquisition of minority interests, with members of the Bich family, was paid by the issue of 3,369,688 new shares of SOCIÉTÉ BIC and for 38.3 million euro. This operation was realized on the basis of an evaluation of BIC Corporation made by BNP Paribas, who delivered a certificate of equity, to which a discount of about 15% was applied. This deal was presented for to the approval of the shareholders during the General Assembly of SOCIÉTÉ BIC of May 28, 2002.

In 2004, we acquired our distributor in Japan and Stypen in France (see section 3.1.1).

### 3.4.3 - Details of the main investments in the process of being made

Not Applicable.

### 3.4.4 - Details on issuer's main future investments

Not Applicable.

## ➤ 3.5 - INFORMATION ABOUT THE GROUP

Information previously provided above.

Also see the corporate annual report for description of businesses.

## ➤ 3.6 - HISTORICAL BACKGROUND OF THE BUSINESS IS NOT REPRESENTATIVE OF THE ISSUER'S CURRENT SITUATION

Not applicable

## ➤ 3.7 - ISSUER'S RISKS

### 3.7.1 - Market risks

#### Exchange rate risk management

*Cf. Management report*

#### Management of interest rate exposure

*Cf. Management report + Note 23 of the consolidated financial statements*

### 3.7.2 - Legal risks

All information described below is understood as being likely to have, or to have had in the recent past, a substantial impact on the financial situation of the issuer, its business, its earnings, and where applicable, the group to which it belongs:

To the knowledge of the Company, there is no dispute, of arbitrage or exceptional fact, susceptible to have or having had in the recent past a significant impact on the financial situation, the result, the activity and the assets of the Company and the Group.

### 3.7.3 - Environment-related risks

The main industrial and environmental risks are related to the storage and use of dangerous, flammable and non-flammable products and substances. Among those, are:

- Gas for lighters in France, Spain, the United States and Brazil;
- Solvents for correction fluids in the United States, for permanent markers and dry-wipe markers in France and the United States;
- Solvents chlorinated for the industrial cleaning processes.

SOCIÉTÉ BIC fully integrates a concern for the environment and safety management in its daily activities.

1. Constant attention is paid to the protection and safety of the storage areas for gas and solvents. Suitable technical controls and equipment are in place to minimize risk from the physicochemical properties of the substances. Priority is given to the use of fire prevention systems and suitable equipment for fire control.
2. Risk studies are carried out in the Group factories; procedures are established to identify, evaluate, and prevent incidents and accidents.
3. The work force is trained according to the specific risks related to their activities.
4. SOCIÉTÉ BIC is committed to continuous improvement of its facilities, equipment, industrial processes and procedures to control the risks generated by its activities.

The industrial activities of the BIC sites are subject to the requirements of the local regulations relating to environmental protection.

Compliance with these requirements is part of the daily management procedures of the sites.

In addition, BIC does not foresee any significant provisions for environmental risks. In any eventuality, BIC considers the costs related to reparations of this type should not have any material impact on the Group's results.

### 3.7.4 - Insurance – Coverage of any risks to which the issuer may be exposed

BIC is covered by :

- insurance for "Civil Responsibility," including environmental risk related to gradual pollution and accidental pollution;
- insurance for operational damages and loss that covers all the sites.

Management believes that coverage and limits of these policies are appropriate.

The objective of the Company's property and liability program is to develop a uniformly high level of risk management and insurance protection for all of the BIC operating entities.



This, in turn, will protect the corporate assets and earnings against insurable perils and controllable risks.

BIC believes in the risk management process as a means of protecting its assets from the adverse effects of accidental loss. That is, the practice of identification, analysis and management of all risks in relation to its operations. This discipline of risk management is expected to be practiced at all levels of the organization.

In those areas where it is able to exercise effective loss prevention and loss control, BIC retains a portion of the risk. While BIC relies on its proactive philosophy of managing risk for the protection of its assets, it nonetheless purchases insurance to protect against catastrophic loss, or in some cases, the probable exposure to loss, when taking into account its risk control programs.

The global cost estimate of the BIC Group policy insurance amounts is approximately 6 million euro. The total amount covered by the property damage/business interruption insurance amounts to 3 billion euro.

It is BIC's intent to control risk through effective management techniques, as well as insurance, in order to meet its long-range objectives of continuous operation, growth and profit.

By meeting the above criteria, BIC's assets and profitability should be protected to the greatest extent possible.

Litigation related to product liability is primarily in the United States. Provisions to cover the risk related to those liabilities are limited to USD 1 million, which is the amount of the deductible for each individual case.

The sole captive insurance company held by the Group is Xenia Insurance Company Limited, which is a wholly owned captive of BIC Corporation. Xenia was created as a means to provide coverage for certain risks that are not covered by traditional insurance.

BIC Corporation is insured by Xenia Insurance Company Limited, via three contracts. The first issues product liability certificates of insurance for BIC's customers. The second one is a finite reinsurance policy that covers excess employment practices liability, environmental liability, patent infringement, punitive damages, product recall, Florida windstorm and unforeseen events. The third contract is a "DIC/DIL" policy that provides coverage for property and/or casualty events that are not covered or payable under any existing BIC Corporation policies.

### 3.7.5 - Other special risks

As a result of the international reputation of BIC brands and products, counterfeits of its most well-known products circulate principally throughout Africa, the Middle East, Eastern Europe and South America.

These counterfeits, mostly of low quality, are mainly produced in Asia.

The Group continues its long fight against these counterfeit products and maintains its vigilance through its anti-counterfeiting department, and by working in close cooperation with the authorities (Police, Customs, etc.) and local partners (lawyers, private investigators, intellectual property protection associations, et caetera).

In 2004, the number of seizures has nevertheless decreased (less 30% versus 2003). This is the result of several years of successful anti-counterfeit measures.

However, it is important to note that despite the increased sensitivity and reactivity of the authorities on this matter, the fight is made more difficult because of counterfeiters being more cautious and organized.

The economic stakes, as well as the protection of our brand image, justify our aggressive strategy.

## 4 - Assets – financial situation – results

*Cf. Management report and consolidated financial statements*

## 5 - Corporate governance and internal control

### 5.1 - COMPOSITION AND FUNCTIONING OF BOARD OF DIRECTORS, MANAGEMENT BOARD AND SUPERVISORY BOARD

#### 5.1.1 - Composition of board of directors, management board and supervisory board

*Cf. Management report*

#### 5.1.2 - Functioning of board of directors, management board and supervisory board

a) Number of meetings held by the Board of Directors during the course of the last fiscal year, special provisions relating to Directors (charter, internal regulations, et caetera).

The Board of Directors has the role of determining the strategic objectives of the Company, overseeing their implementation, and ensuring the smooth operation of the Company and regulation of the businesses that relate to it.

Four of the nine members of the Board of Directors of SOCIÉTÉ BIC are independent Directors of the Board within the meaning of the Bouton report, i.e., not maintaining any relation of any kind with the Company, its Group or its direction, which can compromise the exercise of their independent of judgment.

In addition, the Board of Directors of SOCIÉTÉ BIC is represented by three nationalities, helping the BIC Group benefit from an international vision.



The Board of Directors has to give its opinion on matters that can have a significant impact on the development, the strategy or the operation of the Group.

In order to carry out its mission, the Board of Directors of SOCIÉTÉ BIC is kept informed on a regular basis regarding the activity of each product category, as well as the financial and treasury situations and the liquidity of the Company.

The Board of Directors is assisted by two committees of experts, the Audit Committee and the Compensation Committee. These Committees meet several days prior to the Board Meeting, which allows the management team to recommend any necessary corrective measures to be reviewed at the Board meeting.

Invitation and notification to Board members for upcoming meetings are always confirmed in writing.

The Board of Directors meets at least four times a year in ordinary session, in particular:

- In March, to review the previous year's financial statements and approve the upcoming annual budget;
- In May, after the Annual Shareholders' Meeting, to review the activity of the Company since the beginning of the fiscal year;
- In September, for the half-year results;
- In December, to analyze the activity and the first estimated fiscal year results.

Other meetings of the Board of Directors are organized any time that it is required by the Group's activity.

Number of these meetings serve to provide the Board with regular and accurate information and thus, to ensure an environment for good corporate governance.

As per the Chairman and Chief Executive Officer's request, the Executive Vice Presidents and the Leadership Team members, the statutory auditors or any other person having a particular skill as to the matters included in the agenda, are authorized to attend the whole or part of the Board meeting.

In addition, rules of procedures formalizing the mission and ethical principles that guide the actions of the Board of Directors were developed in 2003.

Those rules establish that once per annum, the Board of Directors will devote a point of its agenda to a discussion on its operation.

This evaluation makes it possible to give a progress report on the procedures of the Board of Directors in order to increase its efficiency, and to ensure that the important questions are suitably prepared and discussed.

At the beginning of 2005, an evaluation of the Board of Directors, based on the 2004 fiscal year, was conducted through a questionnaire that was sent to each Director.

This questionnaire was mainly related to the composition of the Board of Directors, the access to the Board members' information, to the quality and efficiency of the discussions held

within the Board of Directors, as well as to the role and performance of the committees of experts.

This evaluation made it possible to acknowledge that it was neither necessary to modify the rules of procedure, nor to further formalize the rules of operation of the Board of Directors.

During the year 2004, the Board of Directors of SOCIÉTÉ BIC met four times. The average rate of effective attendance of the members was 97%.

b) Committees set up by the Board of Directors, the management board or the supervisory board.

Two committees of experts, the Audit Committee and the Compensation Committee assist the Board of Directors.

### **Audit Committee**

Antoine Treuille – President (non-affiliated Director)

Frédéric Rostand (non-affiliated Director)

Olivier Poupart-Lafarge (non-affiliated Director)

The Audit Committee was created in 1997. Its primary mission is to ensure that the accounting principles applied to the Company's consolidated and statutory accounts comply with current standards and are consistently applied, and to ensure that the internal consolidation procedures and controls yield financial statements that fairly represent business results.

The Committee is responsible for providing its opinion of external auditors, as well as attesting to the quality of the auditors' work and their independence. This includes verifying there is no potential conflict of interest between the auditors and the Company.

During 2004, the Audit Committee met two times in the presence of its President and of the other members. Representatives from both audit firms attended the meetings. Some of the meeting discussions were conducted with members of the management team, and others in the absence of management.

Among other tasks, the Committee reviewed the internal control requirements introduced by the new law of Financial Security (LSF) and the Company's implementation plan to meet these requirements.

The Audit Committee also reviewed the implementation of the plan to report under International Financial Reporting Standards (IFRS 2005)\*. The Committee was also involved in the preparation and review of the Reference Document.

\* Previously known as International Accounting Standards (IAS).



## Compensation Committee

Gilles Pélisson – President (non-affiliated Director)

Marie-Henriette Poinot

Frédéric Rostand (non-affiliated Director) who replaced Olivier Poupart-Lafarge (non-affiliated Director) during 2004.

The Compensation Committee was created in 2001. It is responsible to examine and propose to the Board of Directors compensation package of senior management and company officers, including the global principles of bonus program and stock-options plans.

During 2004, the Compensation Committee met three times in the presence of its President and the two other members. The activity of the Committee was to determine the annual compensation package (salary + bonus) of the Chairman of the Board of Directors and the three Executive Vice Presidents, and to define the principles and the grants of stock-options in 2004. The Committee gave its opinion on the compensation packages of the management team, the retirement plan dedicated to the executive members of the Company in France and the bonus program for the managers of the Group. The committee also worked on the principles of a performance share program.

## 5.2 - INTERNAL CONTROL

### 5.2.1 - Objectives of the Company as regards to Internal Control procedures

Internal Control is defined as a process, effected by the Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives, in the following three areas:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

The first addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of resources. The second relates to the preparation of reliable published financial statements, including full, interim and condensed financial statements and selected financial data derived from such statements, such as earnings releases, reported publicly. The third deals with complying with those laws and regulations to which the entity is subject. These distinct but overlapping areas address specific needs, while ensuring continuity of procedures.

Internal Control systems operate at different levels of effectiveness. Internal Control can be judged effectively in each of these three areas, respectively, if the Board of Directors and management have reasonable assurance that:

- They understand the extent to which the entity's operations objectives are being achieved;
- Published financial statements are being prepared reliably;
- Applicable laws and regulations are being complied with.

One of the objectives of the Internal Control system is to prevent and control the risks resulting from the Company's activity and the risks of mistakes or fraud, in particular in the accounting and finance fields. Like any system of control, it cannot provide an absolute guarantee that these risks are completely eliminated.

The Internal Control process in the Group is decentralized in order to ensure better control within operations, whereas some key functions are centralized by nature of their underlying risks such as Legal (intellectual property, trademarks and patents, anti-counterfeit measures).

Treasury functions are also centralized in order to ensure better control.

### 5.2.2 - The structures driving internal control within the Group are the following

The Board of Directors of SOCIÉTÉ BIC, which represents the shareholders, acts in all circumstances in the interest of the Company. It must also analyze and approve the Company's strategic objectives.

The Leadership Team's main goal is to put in place the strategy of the Company as defined by the Board. It is also responsible for defining the implementation and the supervision of the means to achieve the objectives.

The Leadership Team is directed by Mario Guevara, Chief Operating Officer and is composed, in addition to the Executive Vice Presidents François Bich and Marie-Aimée Bich-Dufour, of the following members:

- Representatives of transverse functions:
  - Marie-Aimée Bich-Dufour, General Counsel
  - François Eyssette, Director of Human Resources
  - Jim DiPietro, Chief Financial Officer
  - Jack Teague, General Manager BIC GRAPHIC
- Operational representatives responsible for continents:
  - Nicolas Paillot, Europe, Middle East and Africa
  - Rick McEttrick, North America and Oceania
  - Edgar Hernandez, Latin America
- Representatives of the categories of products:
  - Bruno Vanhaelst, General Manager Stationery (Finance & Marketing)
  - Patrice Franquenk, Group Stationery Category Manager (Manufacturing)
  - François Bich, General Manager Lighters
  - Ed Dougherty, General Manager Shavers



Category General Managers are directly responsible for Manufacturing, New Product Development, Research and Quality Assurance. In addition, Category Managers are responsible for developing and proposing each Category's long-term strategy.

#### **5.2.2.1 - Presentation of summary information on the Internal Control procedures implemented by the Group**

##### **General information**

The Internal Control procedure provides a reasonable assurance to the managers on the achievement of their operational objectives, on the reliability of financial information and compliance with applicable laws and regulations.

The BIC Group endeavours, in all its activities, to adhere to the fundamental values of ethical behaviour towards its employees, consumers, customers, suppliers and shareholders.

In an increasingly international environment, the Leadership Team ensures that these fundamental values are understood and shared by all the employees of the Group.

For example, since 1997, the values and ethics of the Group have been posted at all Group locations so that employees can share these values. An ethics policy has been created and is available for all the employees of the Group.

The Leadership Team also puts in place the operational tools that emphasize the importance of ethics in the workplace on a day-to-day basis.

The Leadership Team validates the Group Code of Ethics, the procedures and policies, and cascades them throughout the Group.

It also monitors the quality of the Internal Control process and the implementation of risk coverage.

The Leadership Team also makes sure, with the Group CFO's support, that indicators are consolidated in order to measure the operational performance against the budget and, if necessary, focus on the variances and corrective measures that may need to be implemented. In addition to the budget, forecasts are prepared and revised three times during the year to monitor the budget achievement and understand any current marketplace dynamics. In addition, we have developed a strategic planning process that will help identify future growth opportunities.

#### **5.2.2.2 - Internal Control procedures related to the preparation and process of finance information**

The accounting and financial information given to the shareholders is generated through the following organization: the finance teams of the subsidiary companies, under the control of their own finance and operations directors, report information to the continent finance teams who then report to the Group. The calendar and the format of this Group reporting as well as the accounting rules, are decided and communicated

by the finance headquarters of the Group and are documented in the Group Accounting Manual. This reported information is audited by the local auditors who prepare review reports.

Cost controllers work closely with operations and report to local management and functionally to the finance organization.

The Group developed a Controller's Manual of policies and procedures in 2000 that was provided and presented to the finance directors of the subsidiaries. During 2004, the Controller's Manual has been reviewed and key policies were updated and validated by appropriate functional management. This update will continue during 2005. "Internal Control Bulletins" have also been developed and are communicated via the employee Intranet and cascaded by the Leadership Team to ensure all subsidiaries and employees are aware of enhancements to existing policy and new policies. The bulletins will provide a short description of the policy and direct the reader to the full policy. The Controller's Manual includes a specific section related to off-balance-sheet items authorization and follow-up procedures. It also includes policies to cover capital expenditure guidelines for approval limits and procedures, fixed assets, purchasing, cash and inventory management.

##### **The reporting procedures within the Group are the following:**

- The Group finance information system allows preparation of statutory consolidations and management consolidations within the same reference frame;
- The Group also uses a statistical sales reporting system. A monthly and systematic reconciliation is prepared from this statistical and financial reporting. Every variance is explained;
- The Group financial information system is used in all the subsidiary companies, which allows an analysis at each level of reporting (subsidiaries, continents, Group or by category of products) starting from the same source data and according to the same report format;
- The Group internal financial information is analyzed monthly and compared with the budget at the subsidiaries level and the Leadership Team also reviews on a monthly basis the consolidated data and the related analysis;
- An analysis is done between the budgets and the strategic plans and is reviewed by the Leadership Team;
- The consolidated financial information is then validated by the Group CFO. Significant issues are then reviewed with the Chairman and Chief Executive Officer and the Chief Operating Officer;
- The Audit Committee validates this information and provides the Board of Directors with a report if necessary;
- The auditors are involved in the validation of the production process of financial information.



### **IFRS reporting process:**

The IFRS reporting process was finalized in 2004, and the opening 2004 balance sheet is included in the Management Report to the Board of Directors section of the Reference Document.

During 2004, comprehensive training was provided to all locations to inform them of new IFRS reporting requirements. In addition, there is written documentation to illustrate and provide explanations for these new rules.

A full set of IFRS financial statements for 2004 will be released with the June 2005 financial statements. All of the processes are in place to ensure this will be done in compliance with the AMF requirements.

### **Internal Control status end of 2004**

Each country completed an Internal Control self-assessment questionnaire. This information was consolidated and reviewed. The questionnaire was based on policy and procedure as defined by the Controller's Manual. A country review was conducted for the four largest subsidiaries (providing ≈ 73% coverage based on 2003 Net Fixed Assets).

The country review included evaluation and follow-up on the Internal Control self-assessment questionnaire, documentation of controls and policies, review of select processes to analyze efficiency and testing of operational effectiveness of controls surrounding selected functions. In addition to documenting and testing internal controls, the Group utilized the opportunity to share best practices during the country reviews. In 2004, country reviews were carried out in Mexico and Greece and also included testing of operational effectiveness of controls surrounding the purchasing function. The country reviews in France and the USA. included documentation of certain processes and review of existing policies. When necessary, recommendations for improvements were made and when the opportunity arose, good existing processes were shared among the subsidiaries. This opens the communication lines between the Group and countries.

Also during 2004, each subsidiary completed a risk assessment. This exercise highlights principal and potential risks faced locally at every subsidiary. This is an ongoing annual requirement. The risk assessment is also completed at a category manufacturing level (Stationery, Lighter and Shaver) to ensure cross-coverage throughout the Group.

The Group's principal risks are identified below in section 3.7 Issuer's Risks.

All general managers and finance directors of the subsidiaries signed a letter attesting that the Internal Control procedure in place allowed a reasonable confidence for the achievement of the operational goals, the reliability of the financial information transmitted to the Group and the respect of the laws and rules in force. This is now an annual requirement.

If necessary, the General Manager of the subsidiary provides the detail of the areas presenting

non-significant weaknesses for which corrective actions will be put in place in 2005 to allow a reasonable confidence for the achievement of the operational goals, the reliability of the financial information transmitted to the Group and the respect of the laws and rules in force. All of the letters have been collected for 2004 and no major issues were identified.

### **Action Plan for 2005**

The Internal Control team has been expanded; this strategy will enhance global coverage in 2005. With this expansion, we gain additional opportunities to share and spread best practices throughout the Group and countries.

Some of the areas to be addressed in 2005 include follow-up country reviews to ensure compliance with improvement recommendations made during 2004 and increased communication of new and enhanced Group policies and procedures ("Internal Control Bulletins").

The Group will continue to review the operational effectiveness of controls at both the Group and subsidiary level in 2005. This process will include country reviews, testing of key controls over selected processes to assess appropriateness and operating effectiveness of those controls and analysis to improve efficiency of those selected processes.

As mentioned previously, the Controller's Manual will become a working document. During 2005, the review and necessary updates to existing policy will continue.

A summary of the work prepared during 2004 has been presented to the Leadership Team, Audit Committee and Board of Directors. The analysis includes a summary of the Internal Control attestation letters signed by each country General Manager and lists a timeline for improvements to be made, a summary of the risk analysis and controls and action plans for 2005.



➤ **5.3 - AUDITOR'S REPORT ON INTERNAL CONTROL PREPARED IN ACCORDANCE WITH THE LAST PARAGRAPH OF ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SOCIÉTÉ BIC, WITH RESPECT TO THE INTERNAL CONTROL PROCEDURES FOR THE PREPARATION AND TREATMENT OF ACCOUNTING AND FINANCIAL INFORMATION**

Year ended December 31, 2004

Dear Shareholders,

In our capacity as statutory auditors of SOCIÉTÉ BIC and in accordance with the last paragraph of Article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of the Board of Directors of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2004.

It is the responsibility of the Chairman to report, in his report, on the conditions of preparation and organization of the Board of Directors works and on internal control procedures in force within the Company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of accounting and financial information.

We conducted our procedures in accordance with the professional guidelines applicable in France. Those guidelines require that we assess the fairness of the information set forth in the Chairman's report concerning the internal control

procedures for the preparation and treatment of financial and accounting information. Specifically, these procedures consist in:

- taking due note of the objectives and the general organization of internal control, and the internal control procedures for the preparation and treatment of financial and accounting information presented in the Chairman's report;
- taking due note of the work underlying the information set forth in the report.

On the basis of our procedures, we have no comment to make on the information concerning the internal control procedures for the preparation and treatment of financial and accounting information, set forth in the report of the Chairman of the Board, prepared in accordance with the last paragraph of Article L.225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, March 18, 2005

The Statutory Auditors

Alain Lainé

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*(This is a free translation of the original text in French for information purposes only.)*



➤ **5.4 - MANAGERS' INTERESTS IN THE ISSUER'S SHARE CAPITAL, IN THAT OF A COMPANY WHICH HAS CONTROL THERE OVER, IN THAT OF A SUBSIDIARY OF THE ISSUER OR ANY OF THE ISSUER'S MAJOR CUSTOMERS OR SUPPLIERS**

**5.4.1 - Overall amount of total payments and benefits of any sort paid out, during the financial year, directly or indirectly, personally to each director, by the issuer and by any company in the Group**

Law NRE 15/05/2001: Applicable information from the annual report concerning the fiscal year 2002: the report of the Board of directors reports the total payment and the benefits of all kinds paid, during the year, to every director. It also indicates the amount of the payments and the advantages of all kinds which each of these directors received during the year on behalf of controlled companies in the consolidation. It also includes the

list of mandates and functions exercised in any company by each of these directors during the year.

*Cf. Management report + paragraph 5.4.2.*

- 1) Selective Employee Retirement Plan for Mr Bruno Bich and Mr Mario Guevara: This is a defined benefit plan which benefit formula is:  $2,5\% \times \text{final 3-year average compensation} \times \text{Credited Service}$ , maximum of 20 years. The target benefit level is 50% of final 3 years compensation after 20 years Credited Service and off-set the US qualified Salaried Pension Plan.
- 2) Mrs Marie-Aimée Bich-Dufour and Mr François Bich will benefit from a defined benefit plan, complementary to national pension schemes. The benefit formula is  $1\% \times \text{Final Year Compensation} \times \text{Credited Service}$ , maximum of 10% of this final year of compensation.

**5.4.2 - Number of options awarded by the issuer to members of the Board of Directors**

Stock-options granted to Company Officers and options exercised by the latter	Beneficiary	Number of options allocated / shares subscribed or bought	AVG. Weighted price (in euro)	Vesting date	Plan number
Options granted during the financial year to each Company Officer by the issuer and by any company in the group	Mario Guevara	12,000	36.76	Dec 14, 2014	7
	Marie-Aimée Bich-Dufour	5,000	36.76	Dec 14, 2014	7
Options exercised during the financial year by each director	N/A				

**5.4.3 - Information on the nature and size of transactions entered into between the company and its directors**

No regulated transactions were undertaken with any member of the Board of Directors during fiscal year 2004.

**5.4.4 - Statement of the total amount of loans and guarantees granted or set up in favor of the members of the Board of Directors, the management board or the supervisory board**

No loans were granted to, or in favor of, any member of the Board of Directors during fiscal year 2004.



## 5.5 - DESCRIPTION OF STAFF PROFIT SHARING SCHEME

### 5.5.1 - Agreements for profit sharing

No plan in conformance with the issuer but every subsidiary can have its own agreement according to the applicable law.

### 5.5.2 - Stock-options (recommendation COB n° 95-02)

Stock-options granted to the ten highest paid employees who are not Company Officers, and options exercised	Total number of attributed options / of signed or bought shares	Balanced average price (in euro)	Average date of maturity	Number of plan
Options granted during the exercise by the issuer and by any company included in the perimeter of allocation of the options, to ten employees of the issuer and any company included in this perimeter, receiving the highest number of options so granted	48,500	36.76	Dec 14, 2014	7
Options held on the issuer and the companies concerned previously, raised, during the year, by the ten employees of the issuer and these companies, receiving the highest number of so bought or signed options	N/A			

### STOCK-OPTIONS

	Plan n°1	Plan n°2	Plan n°3	Plan n°4	Plan n°5	Plan n°6	Plan n°7
Annual Shareholders' meeting date	May 12, 1998	May 12, 1998	May 12, 1998	May 12, 1998	May 12, 1998	May 28, 2003	May 28, 2003
Board of Directors' meeting date	Dec. 16, 1998	Dec. 16, 1999	Dec. 18, 2000	Dec. 13, 2001	Dec. 10, 2002	Dec. 17, 2003	Dec. 15, 2004
Total number of shares available for subscription or purchase.	173,800	180,350	376,150	367,700	375,000	377,550	370,450
Type of option	Purchase	Purchase	Subscription	Subscription	Subscription	Subscription	Subscription
Among which, number of shares available to be subscribed or purchased by members of the Board of Directors (Current members of the Leadership team)	26,100	28,100	58,600	60,100	68,100	80,000	65,500
Number of managers concerned	10	11	12	11	11	12	12
Date from which options may be exercised	Dec. 17, 2001	Dec. 17, 2002	Dec. 19, 2003	Dec. 14, 2004	Dec. 11, 2005	Dec. 18, 2006	Dec. 16, 2007
Option expiration date	Dec. 16, 2008	Dec. 16, 2009	Dec. 17, 2010	Dec. 12, 2011	Dec. 9, 2012	Dec. 16, 2013	Dec. 14, 2014
Exercise price in euro	51.13	40.83	41.03	36.57	30.93	36.96	36.76
Total number of cancelled options	63,400	60,750	108,500	68,400	43,350	15,300	0
Total number of remaining options	110,400	119,600	267,650	299,300	331,650	362,250	370,450
Potential total dilution resulting from the exercise of the options	0.21%	0.23%	0.52%	0.58%	0.64%	0.70%	0.71%
Exercise method (if plan has several parts)	-	-	-	-	-	-	-
Number of shares subscribed at December 31, 2004	0	0	0	0	0	0	0



## ➤ 5.6 - FEES OF THE AUDITORS AND THE MEMBERS OF THEIR NETWORKS

Joint audit firms yearly audit fees included in the Group Income Statement

In euro thousands	Deloitte & Associés		Alain Lainé	
	2003	2004	2003	2004
<b>AUDIT FEES</b>				
Statutory accounts	1,429	1,448	23	23
Other audit services	629	933	2	0
<b>SUB TOTAL</b>	<b>2,058</b>	<b>2,381</b>	<b>25</b>	<b>23</b>
<b>NON AUDIT SERVICES</b>				
Tax and Legal <sup>(1)</sup>	1,081	1,372	0	0
Information technology	0	0	0	0
Internal audit	0	0	0	0
Other non audit services	4	72	0	0
<b>SUB TOTAL</b>	<b>1,085</b>	<b>1,444</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>3,143</b>	<b>3,825</b>	<b>25</b>	<b>23</b>

(1) "Tax compliance" missions have been mainly carried out in foreign subsidiaries.

## 6 - Information of recent developments and future prospects

### ➤ 6.1 - RECENT DEVELOPMENTS

Cf. Management report.

### ➤ 6.2 - FUTURE PROSPECTS

Cf. Management report



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In order to simplify reading the registered annual report as a reference document, below is a table of contents which cross-references the major sections required by the "autorité des marchés financiers" (French stock exchange authority) according to its rules and instructions.

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LIMITED COMPANY. CAPITAL: EURO 198,151,330.32  
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