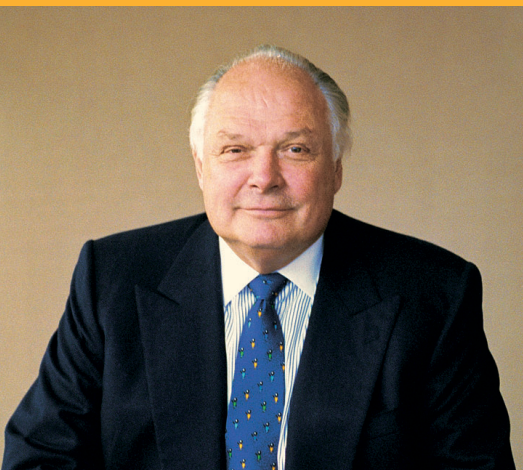


# Shareholders' Letter

No. 3 APRIL 2005



CHAIRMAN'S MESSAGE

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## NEWS

- *Dividend of €0.90 per share (including an interim dividend of €0.40 already paid out in November 2004) + Special dividend of €1.00 per share to be paid out on May 27, 2005.*
- *The Annual Shareholders' Meeting will be held on: May 19, 2005, at 9 a.m. at Centre Chaillot Galliera 28 avenue George V – Paris 8*
- *Visit our new website on [www.bicworld.com](http://www.bicworld.com)*

Ladies, Gentlemen, Dear Shareholders,

I am very pleased to welcome you to this issue of our *Shareholders' Newsletter* and give you my views on the 2004 fiscal year and prospects for the future.

2004 was a very dynamic year as Group net sales increased by 6% on a comparative basis<sup>(1)</sup>.

I want to thank all the members of our teams for their efforts. They achieved excellent performance in all three categories and successfully drove overall market share gains. Stationery products net sales grew by almost 6%, while lighter net sales rose by nearly 8% and shaver net sales by almost 5% – all in increasingly complex and competitive markets.

We managed to increase our operating margin to 15.5% of net sales even though production costs were impacted by the rise in material prices and unfavorable exchange rate fluctuations. This superior performance can be attributed to the very rigorous control of operating expenses.

As announced, Group net income declined in 2004 due to the restructuring costs resulting from the decision to close some of our manufacturing operations in the United States by the end of 2006. However, this restructuring plan will enable us to achieve approximately \$25 million savings on a full year basis, beginning in 2007.

BIC continues to generate a high level of cash flow: close to €160 million in 2004. The Board of Directors will propose that the next Annual Shareholders' Meeting vote the dividend increase up to €0.90 per share, up 12.5% over 2003, and also approve a special dividend of €1.00 per share.

We have ambitious goals for 2005. We plan to increase net sales by approximately 6% on a comparative basis, and we will maintain our efforts to improve our operating margin. We will continue to invest in our products and in our brand, particularly in the shaver category, where we want to strengthen our position in triple-blade one-piece shavers.

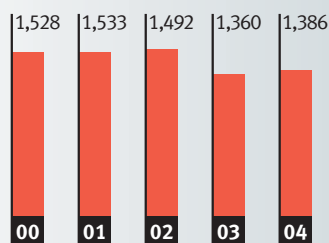
Thank you for your confidence in our Group and for your continued support. I look forward to seeing you at the Annual Shareholders' Meeting in May.

Bruno Bich  
Chairman and CEO



<sup>(1)</sup> We are emphasizing trends on a comparative basis (i.e., at constant perimeter and exchange rates) to give you a clearer view of our actual performance.

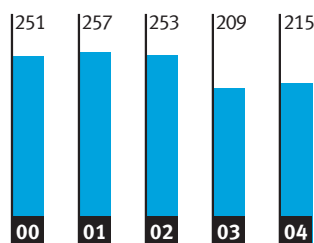
# 2004 Key points



## NET SALES

**1,386** million Euro

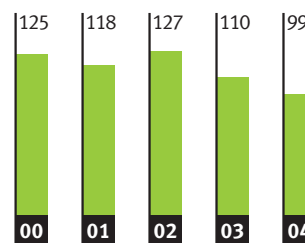
Net sales increased on a comparative basis by an average of 4.5% during the 2002-2004 period, and by 6% on a comparative basis in 2004.



## INCOME FROM OPERATIONS

**215** million Euro

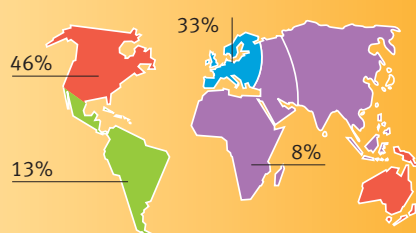
Operating income rose by 10.3% on a comparative basis in 2004, resulting in an operating margin of 15.5% of net sales.



## NET INCOME

**99** million Euro

Group net income decreased by 10.3% as a result of the exceptional costs of the United States restructuring.



## NET SALES BY GEOGRAPHIC AREA

<b>452</b> million Euro	Western Europe
<b>640</b> million Euro	North America and Oceania
<b>182</b> million Euro	Latin America
<b>112</b> million Euro	Eastern Europe, Middle East, Africa and Asia

## OUR PERFORMANCES

Consumers choose to purchase:

**22** million BIC® stationery products  
**4** million BIC® lighters  
**11** million BIC® shavers  
 each day\*

\*daily sales - base=220 days

## OUR TARGETS

### MID-TERM OPERATING MARGIN

Stationery	<b>16-17%</b>
Lighters	<b>23-24%</b>
Shavers	<b>10-12%</b>
Group	<b>16-18%</b>

# Key events of 2004 fiscal year

*Figures on a comparative basis.*

## Business activity in 2004:

Group activities grew sharply. Net sales rose by 6% on a comparative basis, which represents solid performance in the overall consumer goods industry. The increase reflects all geographic areas, with particular strength in the Americas.

- Stationery products, which account for 52% of our total net sales, showed a 5.6% increase over 2003. BIC was the only major brand in this industry to gain market share in 2003 and 2004.
- Net sales of lighters, 25% of our total net sales, grew by 7.9% despite a declining market. In the last few years, BIC has recaptured market share from Asian imports in North and Latin America.
- Finally, net sales of shavers, 19% of Group net sales, increased by 4.9% thanks to the capital expenditures we made to strengthen our triple-blade shavers segment: the triple-blade shavers BIC Comfort 3™ for men and BIC® Soleil™ for women already accounted for 20% of Group net shaver sales in 2004.

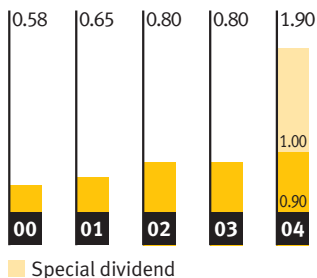
## Earnings figures for 2004:

BIC's operating margin was over 15% for the 11th consecutive year, despite the impact of an increase in material costs and unfavorable exchange rates on our production costs and an ever more competitive environment.

Group net income declined as a result of the exceptional restructuring costs in the United States. A major part of these costs was recognized in fiscal year 2004 (€40 million off pre-tax income). Beginning in 2006, this plan will provide savings that will enable the Group to remain competitive and maintain the affordable prices that the BIC® brand promises its customers.

## Returns to shareholders:

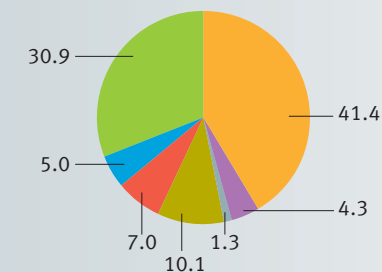
The Board of Directors' meeting on March 2, 2005, decided to propose that the Annual Shareholders' meeting of May 19, 2005, vote a total dividend payout of €1.90 per share, divided in an annual dividend of €0.90, up 12.5% over 2003, and a special dividend of €1.00. In all, during the 2004 fiscal year, the Group returned to its shareholders €128 million, including both dividends and the share buyback program, representing 81% of the free cash flow.



#### NET DIVIDEND

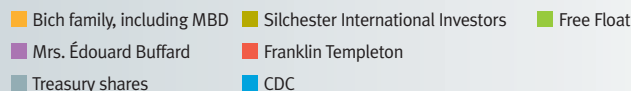
**1.90** Euro

The Group will propose that the Annual Shareholders' Meeting vote a net dividend of €0.90 per share for the 2004 fiscal year, an increase of 12.5% over 2003, combined with a special dividend of €1.00 per share.



#### CAPITAL OWNERSHIP

Estimated figures, in %, as of December 31, 2004



#### VOTING RIGHTS

Estimated figures, in %, as of December 31, 2004

#### HIGHLIGHTS



#### BIC® Select: sophisticated writing instruments at BIC® prices

Sophistication, clean lines, metal barrels... BIC's new writing instrument line includes rollers, fountain pens, and ballpoint pens. These products meet a demand for sophisticated products at affordable prices – from 5 to 9 euros - and will appeal to consumers who prefer more upscale writing instruments.

#### European lighter campaign on quality and safety

Each BIC® lighter passes over 50 automatic quality checks to ensure quality and safety. To draw retailers' attention to their responsibility to sell safe products to consumers, BIC has launched a wide-reaching communications campaign in Europe, to occur in several phases from 2005 through 2007.



#### BIC® Soleil™ Scent™: the new triple-blade shaver for women with the fragrances of Provence

Available in shades of pink, fuchsia, and violet, BIC® Soleil™ Scent™ is the first triple-blade shaver with a perfumed grip. Its sweet fragrances of lavender and the gardens of Provence soothe and relax at bath time, making BIC® Soleil™ a true beauty product.

#### FOCUS

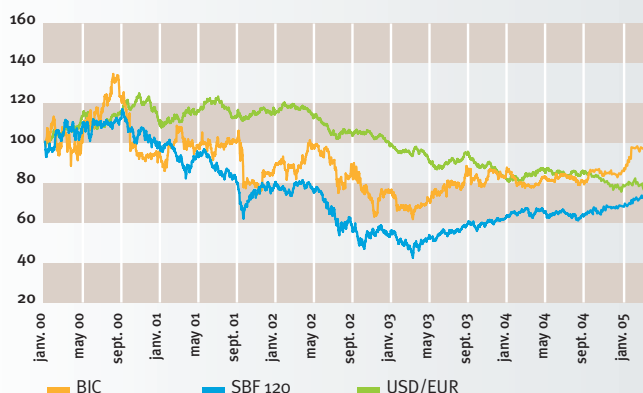


#### Communications campaign on BIC Group and BIC stock

Attached to this letter you will find the communications campaign we launched in the beginning of April 2005 to give individual investors in France more information on the various dimensions of the BIC Group. This campaign is part of our determined effort to expand BIC's shareholder base of individual investors.

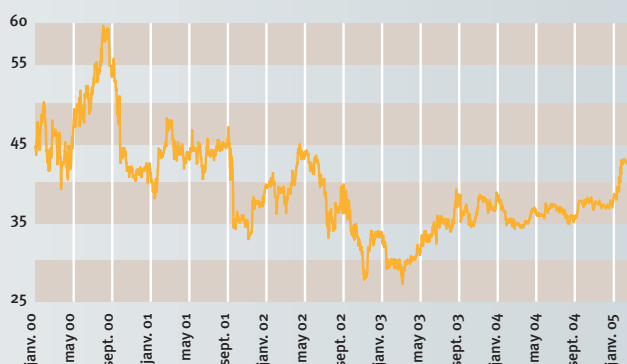
# Information on the Share

→ BIC SHARE PRICE VS. SBF 120 AND USD/EUR REBASED 100 AT JANUARY 2000



This graph, rebased 100 at 3 January 2000, shows the correlation between the BIC share price, the SBF 120 and the USD/EUR fluctuations.  
Financial data as of mid-March 2005.

→ BIC SHARE PRICE



The chart moved up when 2004 net sales figures were released at the beginning of January 2005 (from €37 to €40). The market later furthered this increase (from €40 to more than €42 up to now) in revaluing BIC upward after Procter & Gamble's announcement that it would acquire Gillette.

## → BIC SHARE

As of December 31, 2004

- **Capital:** 198,151,330.32 Euro
- **Number of common stocks:** 51,872,076 shares at 3.82 Euro face value.
- **Quoted on Euronext Paris**
- **ISIN:** FR 0000120966
- **Average daily volume** (in 2004): 41,525 shares
- **Index:** SBF 120 and CAC Mid100

## → KEY DATES FOR SHAREHOLDERS

**May 19, 2005**

- Shareholders' General Meeting

**June 21, 2005**

- Shareholders' Meeting in Lyon

**July 21, 2005**

- 1st Half 2005 Net Sales

**September 8, 2005**

- 1st Half 2005 Results

**October 13, 2005**

- Nine Months 2005 Net Sales

## → CONTACT

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If you want to receive  
BIC Shareholders' newsletter,  
please contact us.



## → YOUR QUESTIONS/OUR ANSWERS

### *What is the status of BIC's manufacturing facilities after the plant closings in the United States?*

BIC has been consolidating its worldwide manufacturing organization since 1997, reducing the number of plants from 46 to 22 at the end 2004. Consolidation in Europe resulted in the opening of our ultra-modern plant in Marne-La-Vallée, near Paris, inaugurated in 2000 and combining the production capacities of several European factories. The restructuring plan in the United States will reduce the number of plants by another three by the end of 2006, without taking into account acquisitions (i.e., Stypen in 2004) or a possible new facility (in China for instance). In the competitive international environment, with strong Asian competition, it is essential that BIC rein in costs. The strength of the BIC® brand is indeed to offer consumers quality products at **affordable prices**. It is this positioning that leads the wise consumer to choose BIC® products. It is up to the Group to maintain its ability to control costs.

### *What are BIC's projects in Asia?*

Asia is a very big market that is slowly opening up. Today, major international companies cannot ignore this marketplace. After acquiring its distributor Kosaido in 2004, BIC now has a direct presence in Japan. The Group is now considering the best strategy for entering the mainland Asian market, particularly China. A local manufacturing facility is necessary to compete with Chinese manufacturers' prices. BIC's on-site teams are examining the best legal, competitive, and political configurations for opening a plant in China while protecting the Company's industrial expertise. BIC wants to move as fast as possible while ensuring the best chance for success.

### *How will the BIC Group be affected by Procter & Gamble's acquisition of Gillette?*

Gillette has always been the leader in the shaving market, particularly shavers with replaceable blades. When BIC launched the first one-piece shaver 30 years ago, in 1975, Gillette and Schick Wilkinson, its two main competitors in the market, also followed with their own one-piece models.

Since then, BIC has fought back and consolidated its position as the number-two manufacturer of one-piece shavers (volume net sales - U.S. and Western Europe), facing these competitors that are much larger companies. BIC already experienced such a merger between two large entities: Newell Rubbermaid's acquisition of Gillette's stationery line five years ago created a giant twice the size of BIC. But today, BIC is the only major worldwide brand that continues to gain market share in stationery. BIC's management is assured but attentive, confident that the Group's capital expenditures made in shavers today will guarantee the category's future tomorrow.

# BIC to Adopt IFRS Standards

APRIL 2005



**Effective January 1, 2005, BIC has adopted IFRS standards.**

As a result of this change, the first quarter net sales to be released on April 14, 2005, and all subsequent BIC Group financial data and consolidated statements, will be published in compliance with International Financial Reporting Standards (IFRS).

The adoption of IFRS standards concerns the some 7,000 publicly-held companies in Europe, with the goal of harmonizing the accounting systems in different countries to facilitate cross-border comparisons between companies.

The adoption of the standards will not affect BIC's global business performance; the economic realities will not change. Instead, the way in which the business is reflected in the accounts and the way in which items are reported will change.

## CONTACT

Complete, detailed accounting information regarding the estimated impact on BIC with the change to IFRS standards is available on our Web site at: [www.bicworld.com](http://www.bicworld.com) in line with the AMF recommendations.

If you have further questions or would like additional information on IFRS, please contact:  
BIC - Investor Relations by telephone in France: +33 (0) 800 10 12 14, by e-mail at

[actionnaires@bicworld.com](mailto:actionnaires@bicworld.com)  
or on [www.bicworld.com](http://www.bicworld.com)

## READY FOR IFRS STANDARDS, AFTER A TWO-YEAR COMPREHENSIVE STANDARDS PROJECT

**BIC has had a team working on the IFRS standards project since 2003. A dedicated project team was created and department-based work groups were created** in the areas of controlling taxation, treasury, human resources, investor relations, internal monitoring, and consolidation.

During the initial preparatory phase, the accounting options available were reviewed and the impact each option would have was assessed. A manual outlining IFRS accounting principles was then produced and distributed to all BIC subsidiaries. Finally, in 2004, training was provided to all BIC finance staff. The BIC consolidation team manages and coordinates all questions or issues raised by the concerned parties regarding the change in accounting standards.

## IFRS: IMPACT FOR BIC REMAINS LIMITED

BIC had anticipated this change and implemented the accounting principles recommended by the IFRS standards as soon as French regulatory authorities granted the necessary authorization. **Furthermore, given the nature of BIC's statements (no debt; off-balance-sheet items do require no recognition), the IFRS standards will have no major impact.**

The changes will mainly affect the way the statements are presented and will involve the reclassification of a number of account items. Among the changes, the most significant is the reported decrease in the consolidated net sales, which is estimated at about 9% for 2004. This does not mean that BIC sales actually decreased. Unlike French accounting standards, the IFRS standards consider "net sales" as funds actually received by BIC from customers (distributors, stationers, etc.), meaning sales minus discounts and other promotions offered by BIC. In short, IFRS net sales correspond more to the amount BIC receives from its customers. Cash amounts received by BIC remain the same.

**The IFRS will not have any major impact on the balance sheet, other than:**

- **The reclassification of account items** (an example of this is the appearance of a new item, "investment properties," in order to separate properties acquired for financial investment purposes). This will primarily result in a slightly different way of presenting the accounts; and
- **Some impact linked to the new accounting rules** (the way pensions are recognized for instance).

**BIC has solid equity capital, its balance sheet remains strong, and the Group is able to finance its business without incurring any debt.**

**Finally, the Group net income under the IFRS system is expected to increase as a result of additional credit items** (mainly due to the fact that goodwill will no longer be amortized). As the new standards will not have any impact on BIC's cash flow, **BIC's distribution policy will not change as a result of the IFRS standards.**