

2004 consolidated results
(financial year of 1 January 2004 to 31 December 2004)

Operating profit of €2.8 million

Net loss (Group share) of €61.1 million after taking into account the withdrawal project from Etam England

**Appointment of Richard Simonin
as CEO of Etam Développement**

	In € millions	
	2004	2003
Turnover net of VAT	1,047	1,073
Operating profit	2.8	47.4
Financial result	-26.9	2.0
Extraordinary income	- 11.8	0.1
Tax	-8.3	- 23.1
Amortisation of goodwill	-12.2	- 2.7
Consolidated net income	- 56.4	23.7
Minority interests	4.7	4.3
Net income (loss), Group share	- 61.1	19.4
Net financial debt	111.7	59.7
Net debt / Shareholders' equity	82%	29%

Activity

In 2004, the Group's consolidated turnover net of VAT stood at €1,047.03 million, down 2.4% and 4.4% like for like *:

- France: €608.3 million (down 3.3% and 3.7% like for like),
- United Kingdom: €251.4 million (down 9.7% and 7.2% like for like),
- Other European countries: €103.1 million (down 0.5% and 5.4% like for like),
- China: €84.3 million (up 37% and 8.1% like for like). This figure includes a negative currency impact of €7.1 million. The Group opened 520 new retail outlets during the year.

* excluding the impact of opening and closing of stores and excluding exchange rate effects

Margin

Gross margin stood at €587.2 million as compared with €593.8 the previous year. The gross profit margin rose slightly at 56.1% as against 55.4% for the year ended 31 December 2003.

Results

Operating profit dropped to €2.8 million compared with €47.4 million in fiscal 2003. This slump is due to the €6.6 million drop in gross margin as well as the €38 million increase in operating expenses, which reflects:

- A fixed cost structure that is not very flexible at a time when there is a downturn of activity like for like,
- The increase in development costs as a result of the expansion in the number of stores in China (520 additional stores in 2004) and the lingerie business in Europe,
- The increase in net operating provisions of €12.5 million, in particular with respect to stocks.

The Group underlines in particular the strong deterioration of its operations in the United Kingdom, which recorded an operating loss of €31.7 million and the under-performance of its French operations, which posted profits of €27.4 million instead of the €51 million recorded in 2003.

The worsened situation of Etam Plc led the Group to envisage several solutions that resulted in its withdrawal project from the company, as announced in the press release of 25 January 2005. Since this date, the Group has been carrying out a number of negotiations, the current conditions of which have led it to account for the withdrawal project in the financial result, tax and the depreciation expense for goodwill.

There was a financial loss of €26.9 million after the financial provisions of €28.3 million corresponding to the loss of Etam plc's financial current accounts linked to the withdrawal project.

There was an extraordinary loss of €11.8 million, which was made up of net charges of €3.9 million from the management of the store network, €2.7 million from various restructuring actions that had been decided in the past, and €5.2 million from commercial disputes and other.

Tax expense stood at €8.3 million and comprised the amortisation of the deferred tax asset for the United Kingdom of €3.9 million.

Depreciation expense for goodwill stood at €12.2 million after an exceptional expense of €9.4 brought down the residual goodwill of the British subsidiary to zero.

There was a consolidated net loss of €56.4 million.

After taking the following into account:

- the net loss for the year (€37.8 million)
- the provision made for the financial current accounts (€23.5 million after tax)
- the deactivation of deferred taxes (€3.9 million)
- the exceptional depreciation expense of goodwill (€9.4 million),

the United Kingdom made a negative contribution of €74.6 million to the Group's consolidated net result (a loss of €56.4 million).

The Group share of net result, less minority interests, is a loss of €61.1 million for the year ended 31 December 2004.

Debt

Group cash flow stood at €26.2 million.

Net investments, in particular investments for the development and maintenance of stores, stood at €46 million.

At the end of the 2004 financial year, net financial debt was €111.7 million against €59.7 million the previous year, accounting for 82% of shareholders' equity.

Outlook

For 2005, Etam Développement first intends to finalise its withdrawal from the United Kingdom. The Group will also focus on its efforts on improving its performances in continental Europe. It will also continue to develop operations in China and expand its international franchises.

Trends for the first months of fiscal 2005

After the sales period in France that was not satisfactory, sales for February and beginning of March took off with difficulty as a result of the exceptional weather conditions. With the new collection, the sales have, however, picked up since the middle of March.

Organisation of the Group and switchover to the new IFRS accounting standard

Richard Simonin has joined the Group as Chief Executive Officer. Mr Simonin was until now, Chief Executive of Harrods in London. Before that, he had occupied other high-profile positions including that of Managing Director of Licences and Member of the Board of Directors of Escada, Chief Executive Officer of La Redoute (PPR Group), Kenzo and Givenchy Couture (LVMH Group).

With respect to the IFRS standards, the Group will publish the impacts of the changeover to the new standards in its consolidated financial statements through a press release on 28 June 2005 after the closing of the Paris Stock Exchange (meeting of analysts on 29 June at 10 am).

In accordance with regulations, it will publish its first-quarter turnover for the year 2005 using the IFRS standards. The impact on turnover is not expected to be significant.

Dividend

The management will propose to shareholders at the next annual general meeting and extraordinary meeting scheduled for 8 June 2005 not to pay any dividends for the year ended 31 December 2004.

Etam Développement will publish its first-quarter 2005 turnover on Thursday 26 April 2005 (to be published after the closing of the Paris Stock Exchange).

Information for analysts and investors

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