

Offering Circular dated 15 December 2003



Société Anonyme des Galeries Lafayette

(A *société anonyme à Directoire et Conseil de Surveillance* established under the laws of the Republic of France)

€300,000,000

4.875 per cent. Bonds due 2010

Issue Price: 99.438 per cent.

The €300,000,000 4.875 per cent. Bonds due 2010 (the “**Bonds**”) of Société Anonyme des Galeries Lafayette (the “**Issuer**”) will be issued outside the Republic of France and will bear interest from 17 December 2003 at the rate of 4.875 per cent. per annum payable annually in arrear on 17 December of each year commencing on 17 December 2004.

Unless previously redeemed or exchanged or purchased and cancelled, the Bonds will be redeemed at their principal amount on 17 December 2010. The Bonds may, and in certain circumstances shall, be redeemed, in whole but not in part, at their principal amount together with accrued interest in the event that certain French taxes are imposed (see “Terms and Conditions of the Bonds – Redemption, Exchange and Purchase”).

Application has been made to list the Bonds on the Luxembourg Stock Exchange.

The Bonds have been accepted for clearance through Euroclear France, Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and Euroclear Bank SA/N.V., as operator of the Euroclear System (“**Euroclear**”). The Bonds will, upon issue, be inscribed (*inscription en compte*) in the books of Euroclear France which shall credit the accounts of the Euroclear France Account Holders (as defined in “Terms and Conditions of the Bonds – Form, Denomination and Title”) including the depositary banks for Euroclear and Clearstream, Luxembourg.

The Bonds will be issued in bearer form in the denomination of €1,000 each. The Bonds will at all times be represented in book entry form (*dématérialisé*) in the books of the Euroclear France Account Holders in compliance with article L.211-4 of the French *Code monétaire et financier*. No physical document of title will be issued in respect of the Bonds.

BNP PARIBAS

HSBC CCF

LEHMAN BROTHERS

CREDIT AGRICOLE INDOSUEZ

CDC IXIS CAPITAL MARKETS

CREDIT MUTUEL - CIC

NATEXIS BANQUES POPULAIRES

SG CORPORATE & INVESTMENT BANKING

The Issuer confirms that this Offering Circular contains all information with respect to the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole (the “**Group**”) and the Bonds which is material in the context of the issue and offering of the Bonds, that the information and statements contained in this Offering Circular relating to the Issuer, the Group and the Bonds are in every material particular true and accurate and not misleading, that the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts in relation to the Issuer, the Group or the Bonds the omission of which would in the context of the issue of the Bonds make any information or statement in this Offering Circular misleading in any material respect and that all reasonable enquiries have been made by the Issuer to ascertain such facts and matters and to verify the accuracy of all such information and statements. The Issuer accepts responsibility accordingly.

This Offering Circular does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers (as defined in “Subscription and Sale” below) to subscribe or purchase, any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions, including the United States, the United Kingdom and France, may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Bonds and distribution of this Offering Circular, see “Subscription and Sale” below.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

In making an investment decision regarding the Bonds, prospective investors must rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. The contents of this Offering Circular are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Bonds. The Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Bonds or their distribution.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). Subject to certain exceptions, the Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”).

In this Offering Circular, unless otherwise specified or the context requires, references to “euro”, “Euro”, “EUR” and “€” are to the single currency of the participating member states of the European Union.

In connection with this issue, Lehman Brothers International (Europe) (the “Stabilising Agent”) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilising Agent or any agent of it to do this. Such stabilising, if commenced, may be discontinued at any time, must be brought to an end after a limited period and will be carried out in compliance with all applicable laws and regulations.

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INCORPORATION BY REFERENCE

The audited non-consolidated and consolidated financial statements of the Issuer as at, and for the years ended, 31 December 2001 and 2002, which are contained in the annual reports of the Issuer for each such year, and the consolidated financial statements of the Issuer as at, and for the six month periods ended, 30 June 2002 and 2003, are incorporated by reference in this Offering Circular. Copies of such financial statements may be obtained, free of charge, at the specified office of each of the Paying Agents (as defined in “Terms and Conditions of the Bonds”) during normal business hours so long as any of the Bonds is outstanding, as described in “General Information”.

TERMS AND CONDITIONS OF THE BONDS

The issue outside the Republic of France of the €300,000,000 4.875 per cent. Bonds due 2010 (the “**Bonds**”) of Société Anonyme des Galeries Lafayette (the “**Issuer**”) has been authorised pursuant to a resolution of the *Assemblée Générale Ordinaire* of the shareholders of the Issuer adopted on 31 May 2001, a resolution of the *Conseil de Surveillance* of the Issuer adopted on 7 November 2003 and a resolution of the *Directoire* of the Issuer adopted on 5 December 2003. The Bonds are issued with the benefit of a fiscal and paying agency agreement (the “**Fiscal Agency Agreement**”) dated 15 December 2003 between the Issuer, Kredietbank S.A. Luxembourgeoise, as fiscal agent and principal paying agent (the “**Fiscal Agent**”, which expression shall, where the context so admits, include any successor for the time being as Fiscal Agent) and the other paying agent named therein (together, the “**Paying Agents**”, which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents or any additional paying agents appointed thereunder from time to time). Holders of the Bonds (the “**Bondholders**”) are deemed to have notice of the provisions of the Fiscal Agency Agreement applicable to them. Certain statements in these Terms and Conditions are summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement, copies of which are available for inspection at the specified offices of the Paying Agents. References below to “**Conditions**” are, unless the context otherwise requires, to the numbered paragraphs below.

1. Form, Denomination and Title

The Bonds are issued in bearer form (*au porteur*), in the denomination of €1,000. Title to the Bonds will be evidenced in accordance with article L.211-4 of the French *Code monétaire et financier* by book-entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article 7 of *décret* no. 83-359 of 2 May 1983) will be issued in respect of the Bonds.

The Bonds will, upon issue, be inscribed in the books of Euroclear France which shall credit the accounts of the Euroclear France Account Holders. For the purpose of these Conditions, “**Euroclear France Account Holder**” shall mean any authorised financial intermediary institution entitled to hold accounts, directly or indirectly, on behalf of its customers with Euroclear France, and includes the depositary banks for Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”).

Title to the Bonds shall be evidenced by entries in the books of Euroclear France Account Holders and will pass upon, and transfer of Bonds may only be effected through, registration of the transfer in such books.

2. Status of the Bonds

The Bonds constitute direct, unconditional, unsecured (subject to the provisions of Condition 3 below) and unsubordinated obligations of the Issuer and rank and will rank at all times *pari passu* without any preference or priority among themselves and (subject to such exceptions as are from time to time mandatory under French law) equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer.

3. Negative Pledge

So long as any of the Bonds remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not create or permit to subsist any mortgage, lien, charge, pledge or other form of security interest (*sûreté réelle*) upon any of its assets or revenues, present or future, to secure (i) any Relevant Indebtedness (as defined below) or (ii) any guarantee or indemnity granted in respect of any Relevant Indebtedness, unless, at the same time or prior thereto, the Issuer’s obligations under the Bonds are equally and rateably secured therewith.

For the purposes of these Conditions, “**Relevant Indebtedness**” means any present or future indebtedness for borrowed money represented by bonds (*obligations*), notes or other securities (including *titres de créances négociables*) which are for the time being, or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter market or other securities market.

4. Interest

- (a) Each Bond bears interest on its principal amount from (and including) 17 December 2003 (the “**Issue Date**”) at the rate of 4.875 per cent. per annum payable annually in arrear on 17 December of each year (each an “**Interest Payment Date**”) commencing on 17 December 2004.
- (b) Interest will cease to accrue on each Bond on the due date for redemption thereof unless, upon such due date, payment of principal is improperly withheld or refused or if default is otherwise made in

respect of payment thereof. In such event, interest will continue to accrue at the relevant rate per annum as specified in the preceding paragraph (as well after as before judgment) on the principal amount of such Bond until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

- (c) If interest is required to be calculated in respect of a period which is equal to or shorter than an Interest Period (as defined below), the day count fraction used will be the number of days elapsed in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last). The period beginning on the Issue Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next successive Interest Payment Date is called an “**Interest Period**”.

5. Redemption, Exchange and Purchase

The Bonds may not be redeemed otherwise than in accordance with this Condition 5.

(a) Final Redemption

Unless previously redeemed, exchanged or purchased and cancelled as provided below, the Bonds will be redeemed at their principal amount on 17 December 2010 (the “**Maturity Date**”).

(b) Exchange

Nothing in these Conditions shall prevent the Issuer from making any offers to the Bondholders to exchange their Bonds for other bonds, notes or other securities issued by the Issuer.

(c) Redemption for Taxation Reasons

- (i) If, by reason of a change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Bonds, not be able to make such payment without having to pay additional amounts as specified under Condition 7, the Issuer may, at any time, subject to having given not more than sixty (60) nor less than thirty (30) days’ prior notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 10, redeem all, but not some only, of the Bonds at their principal amount with accrued interest (if any) to the date set for redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.
- (ii) If the Issuer would on the next payment of principal or interest in respect of the Bonds be prevented by French law from making payment to the Bondholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 7, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven (7) days’ prior notice to the Bondholders redeem all, but not some only, of the Bonds then outstanding at their principal amount plus any accrued interest to the date set for redemption provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or, if such date has passed, as soon as practicable thereafter.

(d) Purchases

The Issuer and any of its subsidiaries or affiliates may at any time purchase Bonds in the open market or otherwise at any price.

(e) Cancellation

All Bonds which are redeemed, exchanged or purchased by the Issuer pursuant to paragraph (b), (c) (i) or (ii) or (d) of this Condition 5 will be cancelled and accordingly may not be reissued or sold.

6. Payments

(a) Method of Payment

Payments in respect of principal and interest on the Bonds will be made in Euro by credit or transfer to a Euro denominated account (or any other account to which Euro may be credited or transferred) specified by the payee with a bank in a country within the TARGET System (as defined below). Such payments shall be made for the benefit of the Bondholders to the Euroclear France Account Holders (including the depository banks for Euroclear and Clearstream, Luxembourg) and all payments validly made to such Euroclear France Account Holders in favour of Bondholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment.

Payments in respect of principal and interest on the Bonds will, in all cases, be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable in respect of such payments but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged by the Issuer, the Fiscal Agent or any Paying Agent to the Bondholders in respect of such payments.

(b) Payments on Business Days

If the due date for payment of any amount of principal or interest in respect of any Bond is not a Business Day (as defined below), payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Business Day and the Bondholder shall not be entitled to any interest or other sums in respect of such postponed payment.

For the purposes of these Conditions, “**Business Day**” means any day, not being a Saturday or a Sunday, (i) on which commercial banks and foreign exchange markets are open for general business in Paris, (ii) on which Euroclear France, Euroclear and Clearstream, Luxembourg are operating and (iii) which is a TARGET Settlement Day; “**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer System; and “**TARGET Settlement Day**” means any day on which the TARGET System is operating.

(c) Fiscal Agent and Paying Agents

The name and specified office of the initial Fiscal Agent and the name and specified office of the other initial Paying Agent are as follows:

FISCAL AGENT

Kredietbank S.A. Luxembourgeoise
43, boulevard Royal
L-2955 Luxembourg

PAYING AGENT

CCF
103, avenue des Champs Elysées
75008 Paris

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or any Paying Agent and/or appoint another Fiscal Agent or Paying Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent or any Paying Agent acts, provided that there will at all times be (i) a Fiscal Agent having a specified office in a European city, (ii) so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, a Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent) and (iii) a Paying Agent having a specified office in Paris. Any notice of a change in Fiscal Agent or Paying Agent or their specified office shall be given to Bondholders as specified in Condition 10.

7. Taxation

(a) Tax Exemption

The Bonds being denominated in Euro and deemed issued outside the Republic of France, interest and other revenues in respect of the Bonds benefit under present law from the exemption provided for in Article 131 *quater* of the *Code Général des Impôts* (General Tax Code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source.

(b) *Additional Amounts*

If French law should require that payments of principal or interest in respect of any Bond be subject to deduction or withholding in respect of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or any authority therein or thereof having power to tax, the Issuer shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the holder of each Bond, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such withholding; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Bond to a Bondholder (or beneficial owner (*ayant droit*)):

- (i) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Republic of France other than the mere holding of such Bond; or
- (ii) more than thirty (30) days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of thirty (30) days; or
- (iii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

For this purpose, the “**Relevant Date**” in relation to any Bond means whichever is the later of (A) the date on which the payment in respect of such Bond first becomes due and payable, and (B) if the full amount of the moneys payable on such date in respect of such Bond has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given to Bondholders that such moneys have been so received.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition 7.

8. **Events of Default**

The Representative (as defined in Condition 9) of the *Masse* (as defined in Condition 9) (upon written request of any Bondholder) may upon written notice to the Issuer, with a copy to the Fiscal Agent cause the Bonds held by such Bondholder to become immediately due and repayable, whereupon they shall without further formality become immediately due and payable at their principal amount, together with interest accrued to the date of repayment, in any of the following events (“**Events of Default**”) unless prior to the receipt of such notice all Events of Default in respect of the Bonds shall have been cured:

- (a) **Non-Payment:** if any amount of principal of, or interest on, any Bond shall not be paid on the due date thereof and such default shall not be remedied within a period of seven (7) days; or
- (b) **Breach of Other Obligations:** if default is made by the Issuer in the due performance or observance of any other obligation of the Issuer in these Conditions and such default continues for a period of thirty (30) days (unless such default is not curable in which case such period shall not apply) following receipt of a written notice of such default by the Issuer from the Representative; or
- (c) **Cross-Default:** if (i) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes due (or becomes capable of becoming due) and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer fails to pay when due or, as the case may be, within any applicable grace period, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness and/or guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds €10,000,000 (or its equivalent in any other currency); or

- (d) **Enforcement Proceedings:** if a distress attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer with an aggregate value which equals or exceeds €10,000,000 or its equivalent in any other currency and is not discharged or stayed within thirty (30) days; or
- (e) **Security Enforced:** if any mortgage, charge, pledge, lien, security interest (*sûreté réelle*) or other encumbrance, present or future, created or assumed by the Issuer becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) provided that the aggregate amount of indebtedness secured by mortgages, charges, pledges, liens or other encumbrances in relation to which any such step is taken equals or exceeds €10,000,000 or its equivalent in any other currency; or
- (f) **Winding-up:** if an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, or the Issuer ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an *Assemblée Générale* of the Bondholders; or
- (g) **Insolvency:** if the Issuer makes any proposal for a general moratorium in relation to its debt or enters into an amicable settlement (*accord amiable à la suite d'un règlement amiable*) with its creditors or a judgment is issued for the judicial liquidation (*liquidation judiciaire*) or for a judicial transfer of the whole of its business (*cession totale de l'entreprise*) or, to the extent permitted by applicable law, if it is subject to any other insolvency or bankruptcy proceedings and/or if it makes any conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors; or
- (h) **Illegality:** if it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds.

9. Representation of the Bondholders

(a) *The Masse*

The Bondholders will be grouped automatically for the defence of their respective common interests in a masse (hereinafter referred to as the “*Masse*”).

The Bonds being issued outside the Republic of France, the *Masse* is, in accordance with Article L228-90 of the French Commercial Code, governed solely by the legal provisions that are expressed as applicable to the Bonds as stated below and subject to the following paragraphs.

The *Masse* will be governed by the provisions of the French Commercial Code (with the exception of the provisions of Articles L228-48, and L228-59 thereof) and by French *décret* no. 67-236 of 23 March 1967, as amended (with the exception of the provisions of Articles 218, 222 and 224 thereof) provided that notices calling for a general meeting of the Bondholders (a “**General Meeting**”), resolutions passed at any General Meeting and any other decision to be published pursuant to French legal and regulatory provisions will be published as provided under Condition 10.

(b) *Legal Personality*

The *Masse* will be a separate legal entity, by virtue of Article L228-46 of the French Commercial Code acting in part through one representative (the “**Representative**”) and in part through a general assembly of the Bondholders.

The *Masse* alone, to the exclusion of all individual Bondholders, shall exercise the common rights, actions and benefits which now or in the future may accrue with respect to the Bonds.

(c) *Representative*

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representative:

- (i) the Issuer, the members of its Supervisory Board (*conseil de surveillance*), the members of its Executive Board of Directors (*directoire*), its statutory auditors or its employees and their ascendants, descendants and spouses;

- (ii) companies possessing at least 10 per cent. of the share capital of the Issuer or of which the Issuer possesses at least 10 per cent. of the share capital;
- (iii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their Board of Directors (*conseil d'administration*), Executive Board (*directoire*), or Supervisory Board (*conseil de surveillance*), their statutory auditors, managers, as well as their ascendants, descendants and spouses;
- (iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing a business in whatever capacity.

The initial Representative shall be:

Suzanne Caillaut of 85 Rue Petit, 75019 Paris, France

The alternate Representative shall be:

Louise Auffret of 8 Rue d'Aldeguier, 31500 Toulouse, France.

In the event of the death, retirement or revocation of appointment of the initial Representative, she will be replaced by the alternate Representative. In the event of the death, retirement or revocation of appointment of the alternate Representative, an alternate will be elected by a general assembly of the Bondholders.

The Issuer shall pay to the acting Representative an amount of €300 per year, payable on each Interest Payment Date during the issue. The replacement Representative will only become entitled to the annual remuneration above if it exercises the duties of an initial Representative on a permanent basis. Such remuneration will accrue from the day on which they assume such duties.

All interested parties will at all times have the right to obtain the name and the address of the acting Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

(d) Powers of the Representative

The acting Representative shall, in the absence of any decision to the contrary of the general assembly of Bondholders, have the power to take all acts of management to defend the common interests of the Bondholders.

All legal proceedings against the Bondholders or initiated by them in order to be justifiable, must be brought against the acting Representative or by it, and any legal proceedings which shall not be brought in accordance with this provision shall not be legally valid.

The acting Representative may not interfere in the management of the affairs of the Issuer.

(e) General Assemblies of Bondholders

General assemblies of the Bondholders may be held at any time, on convocation either by the Issuer or by the acting Representative. One or more Bondholders, holding together at least one-thirtieth of outstanding Bonds may address to the Issuer and the acting Representative a demand for convocation of the general assembly; if such general assembly has not been convened within two (2) months from such demand, such Bondholders may commission one of themselves to petition the competent court in Paris to appoint an agent who will call the meeting.

Notice of the date, hour, place, agenda and quorum requirements of any meeting of a general assembly will be published as provided under Condition 10 not less than fifteen (15) days prior to the date of the general assembly for a first convocation and not less than six (6) days in the case of a second convocation.

Each Bondholder has the right to participate in meetings of the *Masse* in person or by proxy. Each Bond carries the right to one (1) vote.

(f) Powers of General Assemblies

A general assembly is empowered to deliberate on the dismissal and replacement of the acting Representative, and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Bonds, including authorising the acting Representative to act as plaintiff or defendant.

A general assembly may further deliberate on any proposal relating to the modification of the Conditions of the Bonds, including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that a general assembly may not increase amounts payable by the Bondholders nor establish any unequal treatment between the Bondholders, nor decide to convert the Bonds into shares.

Meetings of a general assembly may deliberate validly on first convocation only if Bondholders present or represented hold at least one quarter of the principal amount of the Bonds then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a simple majority of votes cast by the Bondholders attending such meeting or represented thereat.

(g) *Notice of Decisions*

Decisions of the meetings must be published in accordance with the provisions set out in Condition 10 not more than ninety (90) days from the date thereof.

(h) *Information to the Bondholders*

Each Bondholder or representative thereof will have the right, during the fifteen (15) day period preceding the holding of each meeting of a general assembly, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting, which will be available for inspection at the principal office of the Issuer, at the offices of the Paying Agents and at any other place specified in the notice of meeting.

(i) *Expenses*

The Issuer will pay all reasonable expenses incurred in the operation of the *Masse*, including expenses relating to the calling and holding of meetings and the expenses which arise by virtue of the remuneration of the acting Representative, and more generally all administrative expenses resolved upon by a general assembly of the Bondholders, it being expressly stipulated that no expenses may be imputed against interest payable on the Bonds.

10. Notices

Any notice to the Bondholders will be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and, so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

11. Prescription

Claims against the Issuer for the payment of principal and interest in respect of the Bonds shall become prescribed ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the due date for payment thereof.

12. Further Issues

The Issuer may from time to time without the consent of the Bondholders issue further bonds to be assimilated (*assimilables*) with the Bonds as regards their financial service, provided that such further bonds and the Bonds shall carry rights identical in all respects (or in all respects except for the first payment of interest thereon) and that the terms of such further bonds shall provide for such assimilation. In the event of such assimilation, the Bondholders and the holders of any assimilated (*assimilables*) bonds will for the defence of their common interests be grouped in a single *Masse* having legal personality.

13. Governing Law and Jurisdiction

The Bonds and the Fiscal Agency Agreement are governed by, and shall be construed in accordance with, the laws of the Republic of France.

Any action against the Issuer in connection with the Bonds may be brought before any competent courts in Paris.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds are approximately €297,264,000 and will be used to maintain the diversification of the Group's funding sources and repay existing short-term Group debt in order to lengthen the Group's debt maturity profile.

CAPITALISATION

The following table sets out the unaudited consolidated capitalisation of the Issuer as at 30 June 2003.

	As at 30 June 2003
	(in thousands of euros)
Shareholders' equity	
Share capital	26,762
Additional paid-in capital	119,170
Consolidated Reserves	874,684
Earnings for the period	22,013
Minority interests	270,536
Total shareholders' equity	1,313,165
Other shareholders' equity⁽¹⁾	229,056
Financial debt	
Short-term financial debt:	758,736
Medium and long-term financial debt: ⁽²⁾	226,926
Total financial debt	985,662
Total consolidated capitalisation	2,527,883

Notes:

- (1) Other shareholders' equity comprises subordinated perpetual loan notes of €110 million issued by Cofinoga, preferred shares of €100 million issued by Cofinoga, and a subordinated perpetual loan of €38.113 million issued by the Monoprix group and recorded in the Issuer's consolidated balance sheet for an amount of €19.056 million (proportional consolidation).
- (2) Medium and long-term financial debt will be increased by the present issue of Bonds.

There has been no material change in the consolidated capitalisation of the Issuer since 30 June 2003.

DESCRIPTION OF THE ISSUER

Introduction

Société Anonyme des Galeries Lafayette (“**Galeries Lafayette**” or the “**Issuer**”) is a French *société anonyme à directoire et conseil de surveillance* registered with the *Registre du Commerce et des Sociétés de Paris* under number 542 094 065. Its registered office is located at 40, boulevard Haussmann, 75009 Paris. The Issuer was incorporated on 4 September 1899 for a term expiring (unless renewed) on 30 August 2048. The Issuer is governed by the French *Code de Commerce, décret* no. 67-236 of 23 March 1967 and its constitutional documents (*statuts*).

The share capital of the Issuer amounts to €26,762,290 consisting of 13,381,145 ordinary shares of €2 nominal value each. As at 30 September 2003, 61 per cent. of the share capital and 76 per cent. of the voting rights were held by the founder’s family group. The Issuer is listed on the *Premier Marché* of Euronext Paris.

Business

Overview

The Galeries Lafayette Group (the “**Group**”) is a major French retailer operating in the sectors of fashion and beauty, food and drink, leisure and the home, as well as in customer relations management and financial services. The Group’s main activities are organised through the following four divisions: Galeries Lafayette/Nouvelles Galeries, BHV, Monoprix and Lafayette Services (“**LaSer**”). Through its department stores (Galeries Lafayette, Nouvelles Galeries and BHV), the Group accounts for two-thirds of sales in France in the department stores sector, and the Galeries Lafayette flagship store on boulevard Haussmann in the centre of Paris is Europe’s leading department store in terms of sales. The Group owns a total of over one million square metres of sales floor across France, and operates more than 350 stores in prime locations in French cities.

In 2002, the Group recorded sales of €5,467.3 million (€4,478.8 million of which retail) (a 4.6 per cent. increase compared to 2001) and operating income of €275.7 million (€153.1 million of which retail) (a 19.9 per cent. increase compared to 2001).

Key Figures

The following table shows key Group figures over the last five years:

(€ millions)	1998 Restated ⁽¹⁾	1999 Restated ⁽¹⁾	2000 Restated ⁽¹⁾	2001 Actual	2002 Actual	2002/2001 Growth (%)	2002/1998 Average % change (%)
Tax-inclusive retail sales	3,978.0	4,021.0	4,210.0	4,390.6	4,672.1	6.4	4.1
Ex-tax sales	4,571.4	4,677.2	4,956.1	5,225.3	5,467.3	4.6	4.6
Operating income	191.5	213.7	225.1	229.9	275.7	19.9	9.5
Income before tax and exceptionals	178.3	201.6	218.9	227.8	214.8	-5.7	4.7
Net income before exceptionals, Group share . .	66.9	77.3	90.5	98.5	90.3	-8.4	7.8
Net income, Group share	82.4	78.0	314.2	64.3	83.9	30.3	0.5

Note

(1) Restated figures show proportional integration for Monoprix in those years on the basis of a 49.35 per cent. holding.

History

- 1893: Opening of a 70m² store on rue Lafayette in Paris
- 1899: Creation of Société Anonyme des Galeries Lafayette
- 1912: Inauguration of the first Galeries Lafayette department store
- 1932: Birth of the Monoprix chain store
- 1964: Purchase of Inno, the Group’s first acquisition
- 1991: Acquisition of Société Française des Nouvelles Galeries, including BHV, Uniprix and Cofinoga
- 1993: Cetelem becomes a major shareholder of Cofinoga (49 per cent.)
- 1994: Legal and financial restructuring of the Group. Introduction of a divisional organisation structure
- 1997: Acquisition of Prisunic by Monoprix and acquisition of a minority stake of 21.4 per cent. by Casino in Monoprix.

- Alliance between Cofinoga, BNP, LaSer and Cetelem. BNP, enters into LaSer share capital (10 per cent.)
- 2000: Increase of Casino's participation in Monoprix up to 50 per cent. Simplified bid for the remaining minority interests in BHV
- 2001: Acquisition by LaSer of Cofinoga shares (5 per cent.).
Acquisition of 100 per cent. of Marks & Spencer France share capital
- 2003: Renegotiation of Galeries Lafayette and Casino partnership in Monoprix.

Strategy

The strategy of the Group is to strengthen its position in the retail sector, as a leading department store, while also relying on a number of complementary activities relating to distribution and services.

The Group draws its strength in the department store sector from the worldwide recognition of its Galeries Lafayette brand.

It continues to develop its brand through significant investments and innovation in its boulevard Haussmann flagship store. This is further complemented by:

- multiform events and promotions by the Galeries Lafayette/Nouvelles Galeries department stores, based on a strict segmentation of the types of stores;
- repositioning of the BHV brand through reconstruction of its identity and clearer strategy for the future.

Priority is being given to growing profitability of the department stores with the aim of achieving a high level of performance that would match the leading image of the Group in the sector. Four measures are being undertaken in this direction:

- distinction between the capital employed in the real estate used by the department stores and the capital employed in the department store business itself;
- improvement in return on working capital and better control of the supply chain;
- development of marketing through the integration of a dynamic utilisation of the Group's strengths in customer relations management (e.g. private cards, loyalty programmes); and
- reduction in headquarter's costs, in particular through the development of synergies between Galeries Lafayette and BHV.

In parallel with these measures revolving around the department stores division, the Group is developing complementary activities in the distribution and services sectors. These are aimed, on the one hand, at providing the Group with greater stability, given the sensitivity of the department store sector to the general economic climate, and, on the other hand, at improving the return on capital employed while offering higher perspectives for growth.

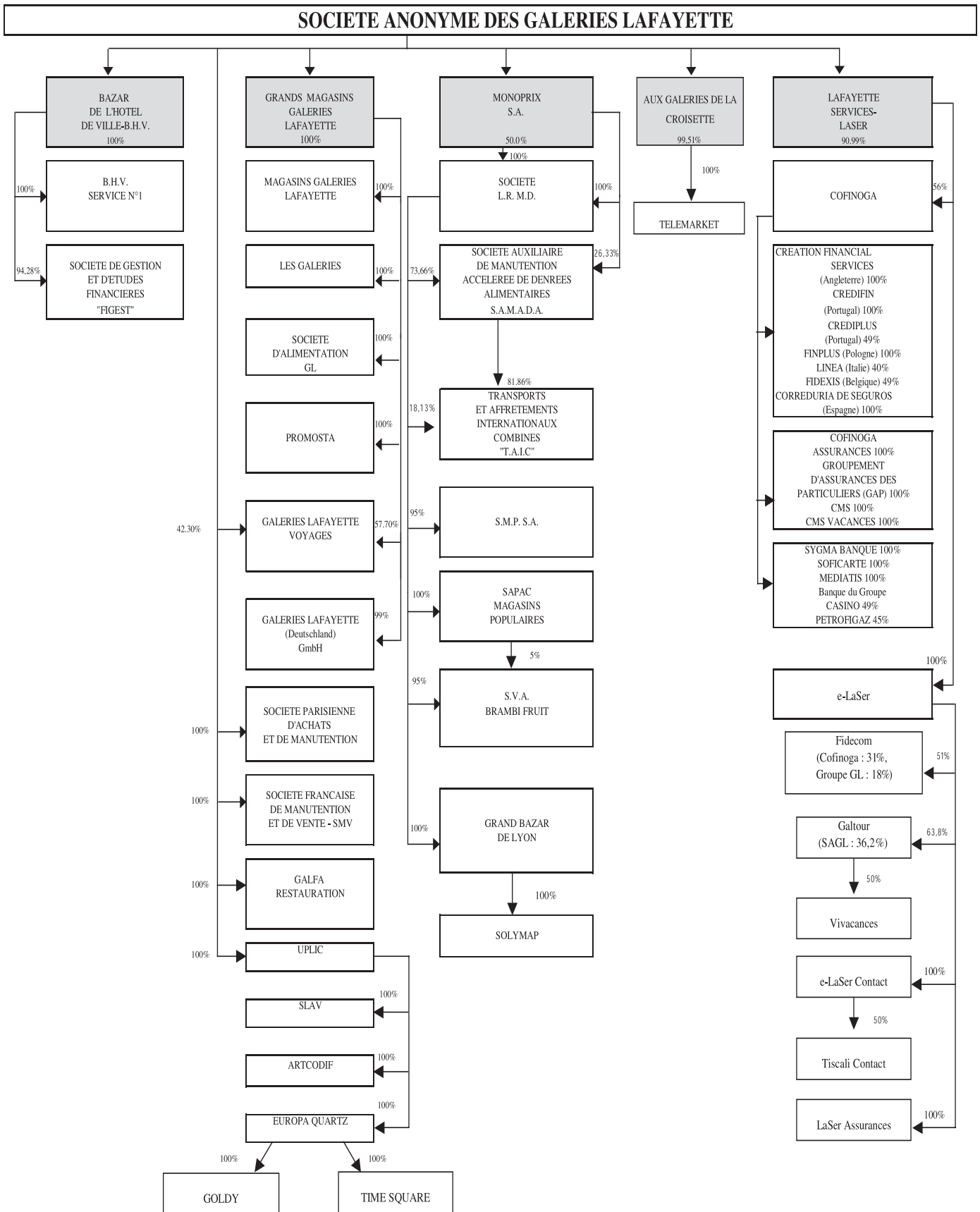
Two business sectors, also providing know-how synergies, are being used for this purpose:

- Monoprix, whose brand is predominantly focussed on city-centre food retailing ("Citymarkets");
- LaSer-Cofinoga, whose services are based on know-how developed in customer relations and consumer credit.

The Group intends to expand its portfolio of complementary activities through acquisitions when opportunities present themselves. Any such acquisitions would have to meet appropriate qualitative conditions (i.e., a 100 per cent. controlled target of significant size, with growth potential, which is a leader or co-leader in its sector and which offers a good return on capital employed).

Group Structure

The following chart shows a diagrammatic breakdown of the Group's principal structure as at 31 October 2003



BUSINESS DIVISIONS

Galeries Lafayette / Nouvelles Galeries

The Galeries Lafayette and Nouvelles Galeries

The Group operates 60 stores in France and abroad (one store in Berlin, which opened in 1996), including the boulevard Haussmann flagship store and the Nouvelles Galeries chain acquired by the Group in 1991. The Galeries Lafayette chain also includes 14 affiliate stores. These stores offer a wide range of brands based largely on fashion, accessories and beauty products (in the provinces, the Group is developing "Lafayette Beauty" spaces offering a wide range of beauty products), but extend also to leisure, the home and food and drink (Lafayette Gourmet). The Galeries Lafayette/Nouvelles Galeries contributed €1,923.0 million to Group sales in 2002 (a 1.4 per cent. increase compared to 2001) and operating income of €61.3 million (a 0.3 per cent. increase compared to 2001).

Haussmann

Galeries Lafayette's flagship store, located on the boulevard Haussmann in the centre of Paris, has a sales area of 56,000 m² and an average daily customer rate of 80,000. It is Europe's leading department store in terms of sales, contributing €810.5 million to Group tax-inclusive sales in 2002 (of which €787 million retail, the rest including services). Tourists account for approximately one-third of retail sales.

The Group has built its reputation in French and international fashion, especially clothing, accessories and lingerie. All major French and international fashion brands can be found in the Haussmann store. Lafayette Homme, adjacent to the Haussmann store, dedicates 10,000 m² to men's fashion and, in autumn 2002, the first Lafayette Homme outlet outside Paris was opened in Bordeaux. From 1989, the Group has also developed its own fashion brands, such as *Briefing*, *Jodhpur* and *Avant-Première*.

In March 2004, the Group plans to open an almost 9,000 m² store, *Lafayette Maison* (also located on the boulevard Haussmann), dedicated to home furnishings and kitchenware.

Following the events of 11 September which stalled growth in 2001, the flagship store recovered to an extent in 2002 (5 per cent. increase in sales compared to 2001), despite concerns over the international climate at the end of 2001. However, the Group's department store activities were affected by a number of external factors in 2003 (eg. SARS affected sales attributable to international tourism; the relative high value of the euro; the May strikes in France disrupted access to the Group's stores; the summer heatwave; the general economic climate).

In 2002, the breakdown of sales by core product groups was as follows:

	(%)
Fashion	63.7
Beauty	11.1
Home	10.4
Food & Drink	9.4
Leisure	5.4
Total	100.0

The following table sets out selected operating data for 2001 and 2002.

	Number of stores		Selling Space			Tax inclusive retail sales (€ million)		
	2002	2001	2002	2001	(change %)	2002	2001	(change %)
Haussmann	1	1	56,000	56,500	(0.9)	787.0	746.4	5.4
Chain	59	59	390,000	388,500	0.4	1,434.7	1,432.7	0.1
Affiliates	14	20	30,200	37,600	(19.7)	96.5	107.6	(10.3)
Total	74	80	476,200	482,600	(1.3)	2,318.2	2,286.7	1.4

BHV

The Bazar de l'Hôtel de Ville (BHV) has built on its success in DIY (Do-it-yourself) and home improvement over the last 30 years, and has expanded into household goods, leisure and men's fashion. Integrated into the Group via the Nouvelles Galeries in 1991, the BHV chain comprises a flagship store on the rue de Rivoli in Paris, six additional department stores based in the Paris area and seven specialist stores (home improvement and household equipment), including a sales warehouse. The network also includes four affiliate stores.

Faced with growing competition in the DIY segment and a positioning that was somewhat unclear to customers, management initiated a complete repositioning of the chain in 2002, with the appointment of Alexandre Meyer as new CEO in May 2002. A number of further measures have been implemented such as the reintroduction of toys and children's clothes in the flagship rue de Rivoli store and the closure of Box & Co (specialised in storage solutions for offices and kitchens).

The concept of BHV today is one of "well-being at home" focused on home design. Its range of goods include not only the very latest in DIY products but also everything for the home. The BHV flagship store offers 5,400 m² dedicated to hi-fi stereos, television, CDs, video games, as well as books, art, stationery and creative leisure. Most recently, a men's fashion department (work, evening wear, sportswear, casual) has been created.

BHV recorded sales of €600.2 million in 2002 (11 per cent. contribution to Group sales), a 3.8 per cent. decrease compared to 2001, and operating income of €6.8 million (compared to €11.7 million in 2001). The decrease in sales in 2002 was due to sluggish economic conditions.

In 2002, the breakdown of sales by core product groups was as follows:

	(%)
Home	66.3
Fashion	18.4
Leisure	12.3
Beauty	3.0
Total	100.0

The following table sets out selected operating data for 2001 and 2002.

	Number of Stores		Selling Space			Tax inclusive retail sales (€ million)		
	2002	2001	2002	2001	change (%)	2002	2001	change (%)
Rivoli	1	1	35,500	35,500	0	343.6	351.5	(2.2)
Chain (Paris Region)	6	6	62,700	62,700	0	257.4	266.8	(3.5)
Specialists	7	8	34,600	36,900	(6.3)	79.2	85.6	(7.5)
Affiliates	4	4	18,300	17,800	2.8	68.8	69.1	(0.4)
Total	18	19	151,100	152,900	(1.2)	749.0	773.0	(3.1)

Monoprix

Monoprix is a retailer of food, clothing, beauty and home and leisure products. It operates 228 local city-centre retail stores or "Citymarkets" (*citymarchés*) (and 68 affiliate stores, of which 9 are located outside mainland France). The "Citymarket" concept is one of a local, quality, large scale grocery store, to cater for today's inner-city living. The strength of the Monoprix brand is intrinsically linked to its prime inner-city location (present in 85 per cent. of France's largest cities) and Parisian stronghold, where it generates 51 per cent. of sales. Monoprix expanded its operations significantly in October 1997, through the acquisition of Prisunic, one of its competitors. Food is the main vocation of the Monoprix and Prisunic Citymarkets (representing 65 per cent. of sales), which offer quality, every-day food products, including an extensive range of own-label products, such as *Monoprix Bio* (quality controlled natural products); *Monoprix Vite Prêt* (ready-made meals for busy working and family life), *Monoprix Gourmet* (a selection of rural French products) and "*Une vie, une vigne, un vin*" (wine products). Large areas of the Citymarkets are dedicated to fruit and vegetables from all over the world, as well as fresh fish, fresh meat and catering. Monoprix and Prisunic stores also dedicate an area to high quality beauty and

daily well-being products in each of their stores, as well as pharmaceuticals. In addition, Monoprix has used the services of renowned designers, such as Terence Conran, to revamp its range of household goods.

Monoprix segments its network into three categories of stores in order to optimise its offering:

- *Citimarché Star*, with revenues per store exceeding €25 million, floorspace exceeding 2,500 square meters, high quality and expensive urban stores.
- *Citimarché Classique*, with revenues per store between €10 million and €25 million and floorspace of approximately 1,500 to 2,000 square meters.
- *Challenge*, with revenues below €10 million, mainly located in small towns. Since 1998, Monoprix has been in the process of renovating and upgrading such stores to the *Citimarché* concept, with a target of 80 per cent. of *Challenge* stores renovated (totally or partially) by 2004.

Monoprix recorded €3,718.9 million of sales (including services) in 2002 (a 3.6 per cent. increase compared to 2001) (of which €1,738.2 million contributed to Group retail sales on a proportional basis) and operating income of €184.2 million (a 34 per cent. increase compared to 2001) (of which €92.1 million contributed to Group operating income on a proportional basis).

The following table sets out selected operating data for 2001 and 2002:

	Number of Stores		Selling Space			Tax inclusive retail sales (€ million)		
	2002	2001	2002	2001	change (%)	2002	2001	change (%)
Monoprix (excluding affiliates)	228	225	421,576	415,500	1.5	3,089.0	2,792.5	5.0

In 2002, the breakdown of sales by core product groups was as follows:

	(%)
Food	65.0
Clothing	13.3
Beauty	13.1
Home	5.1
Leisure	3.5
Total	100.0

Sales in Paris and the Paris region account for approximately 60 per cent. of sales, with the remaining 40 per cent. accounted for by the provincial stores.

Monoprix makes two thirds of its sales in food and drink. This has helped to stabilise the Group's businesses and profitability and was boosted by the deal signed with Casino in May 2000, aiming to support the development of Monoprix. In March 2003, this deal was extended, maintaining the balanced management structure of Monoprix between Galeries Lafayette and Casino, and Monoprix was subsequently delisted (see further "—Recent Developments—Agreement with Casino"). The new agreement envisages, amongst other things, greater upstream integration of Monoprix with Casino, with a view to harnessing additional synergies between these two groups (see further "—Recent Developments—Agreement with Casino").

Other retail activities

- **Europa Quartz**

In March 2002, the Group acquired Europa Quartz, the French leading watch specialised retail chain, which was consolidated as from 1 April 2003. Europa Quartz contributed €26.4 million in sales and €3.2 million in operating income to the Group for the last nine months of the 2002 financial year. Europa Quartz recently acquired the Goldy store chain (see "—Recent Developments—Acquisition of the Goldy Stores Chain" below). Following this acquisition, the Group operates 135 stores (including 26 affiliates) in France.

- **Telemarket**

Created ten years ago and transferred from LaSer to the retail division in 2002, Telemarket is an on-line food store which provides a home delivery service. It contributed €39.6 million to Group sales in 2002. It posted an operating loss of €9.8 million for the same period.

Lafayette Services (“LaSer”)

Initially created around the private card developed by Cofinoga, the Group’s service activity has grown to encompass credit, financial services, leisure and everyday services, as well as services based in the internet and IT. Organised with a consistent entity centered on customer relations since the summer of 2002, LaSer accounts for 18.0 per cent. of Group sales and 47.5 per cent. of Group operating income and has almost 10 million clients throughout Europe.

LaSer (91 per cent. owned by the Group, the remainder being held by BNP Paribas), combines its two supporting operational subsidiaries – Cofinoga and e-LaSer – to offer its customers card management, consumer credit facilities, loyalty schemes and customer contact.

LaSer focuses on customer relations, capitalising on the expertise acquired by Cofinoga and incorporating it into a unified structure of technology and operational marketing. LaSer operates not only within the Group’s retail network, but also with companies outside the Group. Its partnerships with, and acquisition of, customer relations specialists, have enabled LaSer to deploy its entire range of services across Europe.

LaSer helps companies with their customer relations, collecting knowledge on those customers’ needs and habits, increasing business volumes and profit margins, and growing and rewarding loyalty. Operational synergies, the complementary activities of the consumer credit business and support functions also help to promote the customer capital of LaSer’s partners.

LaSer contributed €982.1 million to Group sales in 2002, a 4.6 per cent. increase compared to 2001, and operating income of €131 million, compared to €93.7 million in 2001. Telemarket, the subsidiary specialised in online food retail, was transferred to Aux Galeries de la Croisette, a wholly-owned subsidiary of Galeries Lafayette, with effect from 1 May 2002.

In 2002, the breakdown of sales by core product groups was as follows:

	(%)
Credit activities	67.5
Non-Credit activities (Loyalty, Contacts, Services)	11.0
International	21.4

LaSer is structured into three major operational divisions. The first is based on the card business in France and also handles consumer credit facilities. This activity is carried out by Cofinoga. The second deals with loyalty building and the management of customer contacts, both remotely and in-store. The third is responsible for international operations and aims to deploy LaSer’s offering across Europe.

Credit Activities:

Financial Services: with its card portfolio and direct offering of traditional and revolving personal loans, Cofinoga is the third largest consumer-credit company in France. Cofinoga’s credit activities now represent the profitable core of LaSer. Cofinoga now administers directly (or through its subsidiary, Soficarte) around 80 private label cards either in its own name or in the name of the distributors, in approximately 20 sectors, the most important of which are high street shops (department stores, high street shops and shopping centres), hypermarkets, clothing, leisure activities, cars and general domestic appliances. Approximately 30 per cent. of the card-related profits are made through clients of the Group. In 1994, Cofinoga became the sole owner of Galerie Lafayette’s private-label cards business. In 1998, Cofinoga created the Mediatis brand in order to market a complete range of direct credit facilities. Customers are recruited by advertising (through television, outdoor billboards and the press) and through hired mailing lists. In 2002, Médiatis and Banque du Groupe Casino – 49 per cent. owned by Cofinoga – both saw strong growth, and Cofinoga also acquired a stake of 44.8 per cent. in Petrofigaz, as part of a deal with Gaz de France in order to develop the customer relations management of Petrofigaz.

In 2001, LaSer increased its stake in Cofinoga, which now stands at 56 per cent., 44 per cent. being held by CETELEM (part of the BNP Paribas Group).

Non-Credit Activities:

LaSer has positioned itself as a global designer and operator of loyalty schemes for companies which cater to the general public and which cover a wide range of businesses (e.g., retail, telecommunications, Internet, transport, leisure, audiovisual). This division encompasses three activities:

- **Non-Financial Services:** LaSer offers products and services designed to increase the loyalty of partners' customers, such as insurance and leisure products (e.g., tourism, press subscriptions, wine club). In addition, e-LaSer is involved in the design and operation of marketing programmes, putting in place customer loyalty schemes and managing them on a day-to-day basis (e.g. "Point Ciel").
- **Remote Contact Management:** Due to its expertise in relational marketing and experience in the management of remote customer relations, the Group is one of the most experienced specialists in the global management of customer portfolios, and its clients include RATP, Orange, Tiscali, Monoprix and France Télévisions.
- **In-store Contact Management:** LaSer is France's leading supplier of customer relations services at points of payment, checkouts and card terminals. These information services are the starting point for the development of marketing and loyalty operations at the point of sale. Several projects were launched in 2002 that management believes have demonstrated the growth potential of this activity over the next few years.

International:

LaSer's international development is primarily focused on Europe and the eurozone. LaSer is present in seven European countries other than France: Belgium, Spain, the UK, Italy, Poland, Portugal and, most recently, the Netherlands, with the acquisition in February 2003 of a 60 per cent. stake in PrimeLine, a leader in storecards with over 700,000 cardholders with debit/credit loyalty cards.

Internet

The Group operates over 20 websites and portals for the general public, geared towards the diversification of customer relations and the enrichment of the meaning behind its brands' messages.

The sites focus on information and practicality. Every Galeries Lafayette store has its own website, providing its opening hours, means of access, ground plans, and the list of brands and services it offers. The Monoprix site combines information of this kind, as well as information on urban services. BHV shares its site with *cyberbricoleurs.fr*, a "community-based", non-commercial site for DIY forums and exchanges.

In 2002, increased traffic also boosted commercial applications based on the commercialisation of services, bringing the Group around €100 million in sales on four segments: time-saving (Telemarket), "convivial" services such as wedding lists, financial services (Cofinoga and Médiatis) and leisure (Lafayette Voyages, Vivacances).

MANAGEMENT, AUDITORS AND EMPLOYEES

Directors and Management

In 1998, the Group adopted a management system consisting of an Executive Board of Directors (*Directoire*) and a Supervisory Board (*Conseil de Surveillance*). A Finance and Audit Committee and then a Remuneration Committee were put in place in 1998 and 1999, respectively. A Group Executive Committee was appointed in 1998. The composition of these bodies are as follows:

Supervisory Board

Chairwoman	Mme Léone MEYER
Vice Chairman	M. Jacques CALVET
Vice Chairwoman	Mme Ginette MOULIN
Members	M. Charles de CROISSET M. Jean-Louis DESCOURS M. Eduardo MALONE M. Alexandre MEYER M. David MEYER Mme Isabelle MOULIN M. Xavier de VILLEPIN M. Pierre XAVIER
Censor	M. Michel PEBEREAU

Executive Board

Co-Chairman	M. Philippe HOUZE
Co-Chairman	M. Philippe LEMOINE
Member	M. Etienne MOULIN

Finance and Audit Committee

Chairman	M. Jacques CALVET
Member	M. Pierre XAVIER

Remuneration Committee

Chairman	M. Eduardo MALONE
Member	M. Jacques CALVET

Group Executive Committee

M. Philippe HOUZE
M. Philippe LEMOINE
M. Guillaume GASZTOWTT
M. Alexandre MEYER
M. Paul DELAOUTRE
M. Etienne MOULIN
M. Michel PHILIPPIN
M. Claude SENDOWSKI

Auditors

The statutory auditors of the Issuer are:

- M. Jacques-Etienne de T'Serclaes
(PricewaterhouseCoopers Audit)
- M. Gilles Guillaume

Employees

The average number of employees employed by the group in 2002 (including all Monoprix employees) was 28,249.

RECENT DEVELOPMENTS

Agreement with Casino

On 20 March 2003, the Group and Casino announced the terms of a strategic agreement to amend and extend the partnership agreement signed in May 2000 regarding Monoprix.

From May 2000 until March 2003, the Group and Casino were both holding an equal interest of 49.35% in Monoprix, the rest being held by the public. Following the delisting of Monoprix in May 2003, each of the Group and Casino now holds an equal 50% stake in Monoprix.

The major terms of this agreement are as follows:

- Monoprix Earnings Distribution

Monoprix will distribute the following dividends:

- A contractual dividend equal to 25% of consolidated current net income for the year ended 31 December 2002. A € 30.2 million dividend was paid in July 2003 in that respect.
- An exceptional dividend of €249.1 million, also paid in July 2003, corresponding to the difference between the put option exercise price as provided in the 2000 partnership agreement and a €219 per Monoprix share price. The difference between this amount and the level of dividend planned initially within the agreement (i.e. €261.5 million of exceptional dividends) will increase the price of the put option (Put 1) granted to Galeries Lafayette.
- Any financial resources deemed unnecessary for its operations, currently estimated at between €400 million and €500 million, which would be deducted from the exercise price of Put 1.
- As from the 2003 financial year and until exercise by Casino of its call option, Monoprix will distribute each fiscal year 75% of consolidated current net income provided this distribution can be implemented without incurring any liability for the *précompte* (equalisation tax). Following exercise of such call option, the payout ratio will be reduced to 50%.

- Put and Call Agreements

The Group holds a put option with three different prices depending on the exercise date. Casino holds a call option on 10% of Monoprix' share capital, exercisable from 1 April 2009.

- From March 2003 to January 2006: Standstill period:
 - Galeries Lafayette's put option is not exercisable;
 - However, Galeries Lafayette may monetise the put option to a financial institution until 31 December 2008.
- From January 2006 to 31 March 2009: Galeries Lafayette can exercise a put option (Put 1) on 50% of Monoprix shares (Casino's entire holding) at the higher of:
 - A price of €219 per share, indexed to the Euribor rate plus 210 basis points (capitalised pro rata temporis from the signature of the agreement until the date the option is exercised), less all sums distributed that qualify for deduction from this price. Such sums refer to the aggregate amount of dividends or other sums distributed to each Monoprix shareholder between the date of the agreement is signed and the date the option is exercised, except for those dividends representing the exceptional dividend and the contractual dividend; and
 - 50% of the indexed price plus 50% of the appraised value (AV) of Monoprix, as determined using a multi-criteria method and without taking into account any synergies not yet implemented.
- From 1 April 2009 and onwards:
 - Put 2: the Group can exercise a put option on 50 % of Monoprix' share capital (Casino's entire holding) at their appraised value (AV).

- Casino can exercise a call option on 10% of Monoprix shares held by Galeries Lafayette at their appraised value (AV) plus 21%.
- Put 3: During the 12 months following Casino’s exercise of its call option on 10% of Monoprix shares, Galeries Lafayette can exercise a put option on its remaining 40% interest. The price is based on the value of the call option upon exercise.

Results for the first half of 2003

The following is the English translation of a Group press release dated 26 September 2003:

“INCREASE IN OPERATING INCOME DURING FIRST HALF 2003: +5%

The Supervisory Board (*Conseil de Surveillance*), at its meeting on 25 September 2003, examined the interim consolidated accounts approved by the Executive Board (*Directoire*).

Consolidated income (€ millions)	1st half 2003	1st half 2002	Change (%)
Total sales, excluding tax	2,629.6	2,591.7	+1.5
Operating income	78.7	75.0	+5.0
Net financial revenue/(expense)	(6.2)	(8.0)	na
Current net income	45.0	40.1	+12.2
Net exceptional revenue/(expense) including amortisation.	(2.5)	(2.3)	na
Total Net income.	42.5	37.7	+12.6
Net income, Group share	22.0	21.8	+1.0

Total sales were slightly up by 1.5%: this was due to a 4.8% growth in sales in the first quarter and an abrupt halt in growth in the second quarter (–1.9%). The department stores division, which is more sensitive to a decrease in consumer spending, is the main reason for such a slowdown, accentuated at the boulevard Haussmann store due to a significant decrease in tourism. On a like-for-like consolidation basis, sales increased by 0.3% over the period.

Operating income increased by 5%: this was due to an improvement in the margin (+5.4%), in spite of the fall in sales in the second quarter, and due to a good reaction in terms of cost controls (+3.7% excluding credit risk costs, +5.5% including credit risk costs).

Considering the different rates of evolution of the Group’s activities, the evolution of operating income has been distinguished according to each of the Group’s business divisions:

The **Galeries Lafayette** and **Nouvelles Galeries** department stores recorded a net decrease of €8.9 million for the first half of 2003 compared to a €0.3 million increase for the same period last year, while the **BHV** department stores recorded a €4.5 million decrease, compared to a €2.6 million decrease in the first half of 2002.

Monoprix, on a Galeries Lafayette Group proportional consolidation basis, recorded €36.6 million operating income, compared to €31.1 million in 2002, i.e. a 17.4% increase.

LaSer generated €63.9 million of operating income, compared to €52.5 million in 2002, due to the good results of the **Cofinoga** business, especially at the international level, and to a further reduction of e-LaSer losses. This represents a 13.9% increase.

Operating loss at the holding company level was reduced from €(5.7) million in 2002 to €(1.9) million in 2003 and “other retail activities” generated an operating loss of €(6.4) million compared to €(0.6) million in 2002. On a like-for-like consolidation basis, these other activities were stable at €(6.4) million compared to €(6.3) million for the same period in the previous year.

Net financial expense has been reduced from €(8) million to €(6.2) million, which is mainly a result of the decrease in refinancing rates from one semester to the other.

Total Net income increased by 12.6% to €42.5 million.

Net income, Group share progressed by 1% to €22.0 million, due to the more important weight of department stores in the 100% owned activities.

Results for the first half of the year should be viewed in the context, already indicated at the beginning of the year, of weak consumer spending and strong uncertainty in the department stores, in terms of both sales and income. Following the months of July and August in line with the second quarter's activity, a reinforcement of the promotions programme and of the cost-cutting effort has been implemented."

Results for the third quarter of 2003

The following is the text of a Group press release dated 31 October 2003:

"THIRD QUARTER 2003: DECLINE IN SALES RESTRICTED TO 1% 0.6% IMPROVEMENT OVER 9 MONTHS

Sales for the third quarter of 2003 were down by 1% compared to the same period in 2002. This figure should be taken in the context of the year to date, with a sound first quarter (+4.8%) followed by a significant downturn in the second quarter (-1.9%).

Over the first nine months of 2003, consolidated sales increased by 0.6% (-0.2% on a like-for-like consolidation basis).

This improvement in the third quarter featured some specific elements which marked the months of July and August. During the heatwave, the retail sector as a whole recorded a drop in sales volumes, especially in clothing.

Continued growth in the third quarter for businesses which are less sensitive to the economic climate

Sales for the Monoprix branch increased by 2.1%, thereby showing a slight slowdown, due to the heatwave, compared to an increase of 2.3% over the first nine months. On a like-for-like basis in terms of number of stores, VAT-inclusive retail sales improved by 2% in the third quarter, compared to 3.7% in the first half.

On a like-for-like consolidation basis for the year to date, retail sales and overall turnover increased respectively by 3.2% and 2.7%.

Sales for the "Other retail business" branch increased by 2.8%.

Over nine months, sales increased by 3.2%, but this figure includes the favorable impact over this period of sales for Europa Quartz, a company acquired at the end of March 2002. On a like-for-like consolidation basis, sales for this branch increased by 0.1%.

Turnover for the LaSer Services branch improved by 9%.

Over nine months, turnover increased by 10%, driven by new credit business which was up by 13.3%. On a like-for-like consolidation basis, turnover for this branch increased by 4.7%, and by 5.8% for the credit activity.

Sales for Department Stores, which are much more sensitive to the economic climate, remained stable in the third quarter compared to the second

In the third quarter of 2003, sales were down by 6.3% compared to 5.8% in the second quarter. Taking into account the postponement until October of "Six Days of Autumn", the BHV's major sales event, the figure for the third quarter also comes out at 5.8%.

Retail sales, incl. VAT, on like-for-like basis	1st quarter	2nd quarter	3rd quarter	3rd quarter	At 30 Sep
	2003 %	2003 %	2003 %	2003* %	2003 %
GL/NG.	+0.1	-6.9	-6.8	-6.8	-4.5
BHV	+0.9	-2.2	-4.6	-2.7*	-2.0**
Total	+0.3	-5.8	-6.3	-5.8*	-3.9**

* Restated to include the rescheduling of the BHV "Six Days of Autumn" event (from 24 Sep to 5 Oct in 2003, instead of 13 Sep to 5 Oct in 2002).

** -1.1 and -3.8 following the above restating.

Given that a high proportion of sales for the Department stores is in clothing, which bore the full brunt of the heatwave, this stabilization is an encouraging sign. In the months of July and August alone, sales for the Department stores were down by 7.6%.

The upturn in sales for foreign tourists in the Galeries Lafayette/Nouvelles Galeries branch was confirmed at the boulevard Haussmann store. On September 2003, duty free sales were back at the 100 index (compared to a low of 60 in May).

This figure for September alone was 96.4 for the Galeries Lafayette/Nouvelles Galeries branch, and 96.6 for the BHV branch (taking into account the impact of the rescheduling of the “Six Days” event).

The Group remains cautious about its prospects for the fourth quarter, which will have a decisive effect on the result of the department stores business; however the trend for October would appear to confirm the upturn in sales already recorded in September.”

Acquisition of the Goldy stores chain

In October 2003, Europa Quartz acquired the Goldy stores chain, the second largest watch retail chain in France. Europa Quartz and Goldy together operate a network of 135 stores, including 26 affiliates, throughout France, Europa Quartz being mainly concentrated in the North of France, whereas Goldy operates mainly in the South of France.

SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF THE ISSUER

The following tables are summaries of the audited consolidated financial statements of the Issuer as at, and for the financial years ending, 31 December 2001 and 2002 extracted from such financial statements and should be read in conjunction with the audited consolidated financial statements of the Issuer and the related notes as at, and for the financial years ending, 31 December 2001 and 2002, which are incorporated by reference in this Offering Circular.

CONSOLIDATED BALANCE SHEET

	As at 31 December	
	2002	2001
	(in thousands of euros)	
Assets		
Non-Current Assets		
Goodwill	121,037	83,615
Intangible assets	305,818	268,029
Property, plant & equipment	1,235,686	865,006
Long-term investments	51,421	415,885
Interests in companies accounted for at equity	940	1,134
Total Non-Current Assets	1,714,902	1,633,669
Current Assets		
Inventories	619,952	601,532
Trade receivables	187,283	178,233
Consumer credit loans	5,514,055	4,892,733
Other receivables	499,439	393,723
Marketable securities	228,114	284,996
Cash	245,422	223,232
Prepaid charges and deferred charges	48,109	56,344
Total Current Assets	7,342,374	6,630,793
Total Assets	9,057,276	8,264,462
Shareholders' Equity & Liabilities		
Shareholders' Equity – Group Share		
Capital stock	26,762	26,762
Additional paid-in capital	119,170	119,174
Consolidated reserves	808,961	751,289
Net income for the year – Group share	83,871	64,343
Shareholders' Equity – Group Share	1,038,764	961,568
Minority Interests	268,571	231,008
Total Shareholders' Equity	1,307,335	1,192,576
Other Shareholders' Equity	129,056	129,056
Provisions for Contingencies and Charges	306,742	275,334
Long-Term and Short-Term Financial Debt	640,110	555,894
Current Liabilities		
Trade payables	851,171	889,596
Consumer credit refinancing	4,974,122	4,458,467
Other liabilities	791,758	711,744
Total Current Liabilities	6,617,051	6,059,807
Deferred income	56,982	51,795
Total Liabilities	7,314,143	6,667,496
Total Shareholders' Equity & Liabilities	9,057,276	8,264,462

CONSOLIDATED INCOME STATEMENT

	For the year ending 31 December	
	2002	2001
	(in thousands of euros)	
Sales of goods, excluding tax		
– Retail	3,947,779	3,801,756
– Wholesale	122,731	158,531
– Catering	24,780	23,762
Sales of services, excluding tax	491,417	449,312
Revenues from the consumer credit business	880,641	791,909
Total Sales, excluding Tax	5,467,348	5,225,270
Writeback of provisions, amortisation and depreciation	28,401	35,126
Other operating revenues	35,385	32,737
Total Operating Revenues	5,531,134	5,293,133
Cost of goods sold	(2,849,906)	(2,778,830)
Cost of financing consumer credit business	(216,285)	(218,261)
Payroll expenses	(903,167)	(842,194)
Other operating expenses	(892,443)	(862,427)
Taxes, duties and similar	(109,407)	(115,026)
Depreciation and amortisation	(141,705)	(124,577)
Provisions	(22,374)	(32,070)
Net loss on consumer credit loans	(120,115)	(89,847)
Total Operating Expenses	(5,255,402)	(5,063,232)
Operating Income	275,732	229,901
Net Financial Revenue/(Expense)	(60,908)	(2,140)
Income before Tax and Exceptionals	214,824	227,761
Exceptional Revenue/(Expense)	2,675	(24,748)
Corporate income tax	(87,355)	(97,964)
Net Income from Consolidated Companies	130,144	105,049
Share in net income of companies accounted for at equity	(430)	(9,953)
Goodwill amortisation	(6,604)	(4,218)
Net Income before Minority Interests	123,110	90,878
Minority interests	39,239	26,535
Net Income, Group Share	83,871	64,343
Earnings Per Share, Group Share (in euros)	6.39	4.97
Diluted Earnings Per Share, Group Share (in euros)	6.39	4.97

CONSOLIDATED STATEMENT OF CASH-FLOW

For the year ending 31 December

	2002	Holding function o/w Retailing and Services	o/w Consumer credit	2001
(in thousands of euros)				
Operating Activities				
Total net income	123,110	39,704	83,406	90,878
Depreciation, amortisation & provisions	154,454	127,339	27,115	46,611
Elimination of change in deferred taxes	(7,534)	(363)	(7,171)	22,726
Elimination of capital gains or losses on disposal	(4,361)	(4,531)	170	(24,200)
Elimination of share in income of companies accounted for at equity	430	421	9	9,953
Cash flow from operations	266,099	162,570	103,529	145,968
Dividends received from companies accounted for at equity				(62)
Change in operating working capital	(29,834)	12,224	(42,058)	9,335
Change in working capital requirement for consumer credit business	(30,898)		(30,898)	125,378 ⁽¹⁾
Net Cash Provided/(Used) by Operating Activities . . .	205,367	174,794	30,573	280,619
Investing Activities				
Additions to intangible assets and property, plant & equipment	(263,319)	(237,563)	(25,756)	(173,360)
Additions to long-term investments	(16,661)	(11,268)	(5,393)	(450,596) ⁽¹⁾
Disposals and retirements of non-current assets	21,177	16,260	4,917	65,952
Change in amounts due to suppliers of non-current assets	12,103	12,149	(46)	118,089
Recognition of deferred expenses	(7,652)	(2,244)	(5,408)	(3,444)
Net Cash Provided/(Used) by Investing Activities . . .	(254,352)	(222,666)	(31,686)	(443,359)
Financing Activities				
Additions to debt	159,506 ⁽²⁾	143,764 ⁽²⁾	15,742	191,586
Retirement of debt	(123,023)	(118,846)	(4,177)	(38,808)
Dividends paid	(21,881)	877	(22,758)	(43,399)
Net Cash Provided/(Used) by Financing Activities . . .	14,602	25,795	(11,193)	109,379
Change in basis of consolidation and impact of changes in exchange rates	(78,861)	(117,864) ⁽³⁾	39,003 ⁽⁴⁾	(42,933)
Change in Cash & Cash Equivalents	(113,244)	(139,941)	26,697	(96,294)
Opening cash & cash equivalents	349,030	281,013	68,017	445,324
Closing cash & cash equivalents	235,786	141,072	94,714	349,030
Change in Cash & Cash Equivalents	(113,244)	(139,941)	26,697	(96,294)
Analysis of Cash & Cash Equivalents				
Marketable securities	228,114	225,008	3,106	284,996
Cash	245,422	92,184	153,238	223,232
Bank overdrafts	(237,750)	(176,120)	(61,630)	(159,198)
Cash & Cash Equivalents	235,786	141,072	94,714	349,030

Notes:

- (1) Including a Groupe Casino loan of €140.2 million, restated in 2002 as Consumer credit loans.
- (2) Including €140 million in respect of a property lease on the Lafayette Maison building.
- (3) Including €85.1 million in respect of GL Opéra and €26.2 million in respect of Europa Quartz.
- (4) Including €40.8 million in respect of Pétrofigaz.

STATUTORY AUDITORS' REPORT ON THE ISSUER'S AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Free translation of the French original)

In compliance with the terms of our appointment, we have audited the accompanying consolidated financial statements of Société Anonyme des Galeries Lafayette, expressed in euros, for the year ended 31 December 2002.

These consolidated financial statements are the responsibility of the Executive Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that 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 consolidated financial statements referred to above, which have been prepared in accordance with generally accepted French accounting standards, give a true and fair view of the financial position, assets and liabilities of the group of consolidated companies as of 31 December 2002 and of the results of its operations for the year then ended.

Without qualifying our opinion, we draw your attention to Note 2.1 of the Notes to the consolidated financial statements, which explains the impact on these statements of the change in French accounting standards following the application, from 1 January 2002, of Regulation CRC 2000-06 relating to liabilities.

We have also verified the information concerning the Group given in the report of the Executive Board. We have no comments concerning the fairness of this information and its conformity with the consolidated financial statements.

Paris, 19 March 2003

The Statutory Auditors

Gilles Guillaume

Coopers & Lybrand Audit
Member of PricewaterhouseCoopers

Jacques-Etienne de T'Serclaes

**SUMMARY UNAUDITED SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
OF THE ISSUER**

The following tables are summaries of the unaudited semi-annual consolidated financial statements of the Issuer as at, and for the six months ending, 30 June 2002 (except in the case of the consolidated balance sheet below) and 2003 extracted from such financial statements and should be read in conjunction with the unaudited semi-annual consolidated financial statements of the Issuer and the related notes as at, and for the six months ending, 30 June 2002 and 2003, which are incorporated by reference in this Offering Circular. The consolidated balance sheet below, as at 31 December 2002, is a summary of the audited consolidated balance sheet of the Issuer as at 31 December 2002 extracted from the audited consolidated financial statements of the Issuer as at, and for the financial year ending, 31 December 2002, and should be read in conjunction with such audited consolidated financial statements and the related notes, which are incorporated by reference in this Offering Circular.

Consolidated Balance Sheet

	As at 30 June 2003	As at 31 December 2002
	(in thousands of euros)	
Assets		
Non-Current Assets		
Goodwill	127,423	121,037
Intangible assets	331,337	305,818
Property, plant & equipment	1,208,097	1,235,686
Long-term investments	47,043	51,421
Interests in companies accounted for at equity	1,100	940
Total Non-Current Assets	1,715,000	1,714,902
Current Assets		
Inventories	624,437	619,952
Trade receivables	129,869	187,283
Consumer credit loans	5,882,465	5,514,055
Other receivables	543,457	499,439
Marketable securities	164,399	228,114
Cash	417,166	245,422
Prepaid charges and deferred charges	53,221	48,109
Total Current Assets	7,815,014	7,342,374
Total Assets	9,530,014	9,057,276
Shareholders' Equity & Liabilities		
Shareholders' Equity – Group Share		
Capital stock	26,762	26,762
Additional paid-in capital	119,170	119,170
Consolidated reserves	874,684	808,961
Net income for the year – Group share	22,013	83,871
Shareholders' Equity – Group Share	1,042,629	1,038,764
Minority Interests	270,536	268,571
Total Shareholders' Equity	1,313,165	1,307,335
Other Shareholders' Equity	229,056	129,056
Provisions for Contingencies and Charges	240,094	306,742
Long-Term and Short-Term Financial Debt	985,662	640,110
Current Liabilities		
Trade payables	644,402	851,171
Consumer credit refinancing	5,393,189	4,974,122
Other liabilities	670,816	791,758
Total Current Liabilities	6,708,407	6,617,051
Deferred income	53,630	56,982
Total Liabilities	7,747,699	7,314,143
Total Shareholders' Equity & Liabilities	9,530,014	9,057,276

Consolidated Income Statement

	For the six month period ending 30 June	
	2003	2002
	(in thousands of euros)	
Sales of goods, excluding tax		
– Retail	1,857,898	1,866,576
– Wholesale	60,186	61,584
– Catering	10,846	11,709
Sales of services, excluding tax	215,636	225,337
Revenues from the consumer credit business	484,985	426,525
Total Sales, excluding Tax	2,629,551	2,591,731
Writeback of provisions, amortisation and depreciation	12,260	11,262
Other operating revenues	12,192	13,182
Total Operating Revenues	2,654,003	2,616,175
Cost of goods sold	(1,345,731)	(1,370,452)
Cost of financing consumer credit business	(110,747)	(108,562)
Payroll expenses	(460,779)	(444,192)
Other operating expenses	(451,998)	(419,467)
Taxes, duties and similar	(54,110)	(56,000)
Depreciation and amortisation	(72,320)	(70,173)
Provisions	(6,673)	(19,267)
Net loss on consumer credit loans	(72,946)	(53,092)
Total Operating Expenses	(2,575,304)	(2,541,205)
Operating Income	78,699	74,970
Net Financial Revenue/(Expense)	(6,192)	(8,039)
Income before Tax and Exceptionals	72,507	66,931
Exceptional Revenue/(Expense)	(349)	(905)
Corporate income tax	(26,704)	(27,486)
Net Income from Consolidated Companies	45,454	38,540
Share in net income of companies accounted for at equity	(210)	1,036
Goodwill amortisation	(2,766)	(1,837)
Net Income before Minority Interests	42,478	37,739
Minority interests	20,465	15,938
Net Income, Group Share	22,013	21,801
Earnings Per Share, Group Share (in euros)	1.68	1.66
Diluted Earnings Per Share, Group Share (in euros)	1.68	1.66

Consolidated Statement of Cash-Flow

For the six month period ending 30 June

	Holding function o/w Retailing and Services		Holding function o/w Retailing and Services		o/w Consumer credit	
2003			2002			
(in thousands of euros)						
OPERATING ACTIVITIES						
Total net income	42,478	339	42,139	37,739	1,769	35,970
Depreciation, amortisation & provisions	10,594	(6)	10,600	54,798	34,640	20,158
Elimination of change in deferred taxes	(27,388)	(23,135)	(4,253)	(2,855)	2,950	(5,805)
Elimination of capital gains or losses on disposal	7,637	7,240	397	(4,500)	(4,508)	8
Elimination of share in income of companies accounted for at equity	210	210	—	(1,036)	(1,044)	8
Cash flow from operations	33,531	(15,352)	48,883	84,146	33,807	50,339
Dividends received from companies accounted for at equity	—	—	—	(11)	—	(11)
Change in operating working capital	(229,026)	(219,222)	(9,804)	(108,984)	(128,674)	19,690
Change in working capital requirement for consumer credit business	70,163	—	70,162	(74,005)	—	(74,005)
Net Cash Provided/(Used) by Operating Activities	(125,332)	(234,574)	109,241	(98,854)	(94,867)	(3,987)
INVESTING ACTIVITIES						
Additions to intangible assets and property, plant & equipment	(88,549)	(81,690)	(6,859)	(155,558)	(145,803)	(9,755)
Additions to long-term investments	(16,258)	(14,802)	(1,456)	(17,312)	(9,246)	(8,066)
Disposals and retirements of non-current assets	47,168	46,165	1,003	14,483	13,392	1,091
Change in amounts due to suppliers of non-current assets	(100,290)	(100,465) ¹	175	6,305	6,416	(111)
Recognition of deferred expenses	(844)	(361)	(483)	(3,465)	(684)	(2,781)
Net Cash Provided/(Used) by Investing Activities	(158,773)	(151,153)	(7,620)	(155,547)	(135,925)	(19,622)
FINANCING ACTIVITIES						
Additions to debt	584,113	478,738	105,375	288,211	284,996	3,215
Retirement of debt	(24,728)	(20,623)	(4,105)	(7,552)	(4,012)	(3,540)
Dividends paid	(27,370)	(347)	(27,023)	(21,807)	950	(22,757)
Buy back of own shares	(1,342)	(1,342)	—	—	—	—
Net Cash Provided/(Used) by Financing Activities	530,673	456,426	74,247	258,852	281,934	(23,082)
Change in basis of consolidation and impact of changes in exchange rates	(24,307) ²	(890)	(23,417)	(88,225)	(86,931)	(1,294)
Change in Cash & Cash Equivalents	222,261	69,810	152,451	(88,774)	(35,789)	(47,985)
Opening cash & cash equivalents	235,786	141,072	94,714	349,030	281,013	68,017
Closing cash & cash equivalents	458,047	210,882	247,165	265,256	245,224	20,032
Change in Cash & Cash Equivalents	222,261	69,810	152,451	(83,774)	(35,789)	(47,985)
Analysis of Cash & Cash Equivalents						
Marketable securities	164,399	162,381	2,018	281,345	274,518	6,827
Cash	417,166	149,281	267,885	254,693	157,361	97,332
Bank overdrafts	(123,518)	(100,780)	(22,738)	(270,782)	(186,655)	(84,127)
Cash & Cash Equivalents	458,047	210,882	247,165	265,256	245,224	20,032

Notes:

(1) of which €114.5 million attributable to debt with regard to the acquisition of GL Opera shares paid on 31 March 2003.

(2) of which €22.8 million attributable to PrimeTime.

**STATUTORY AUDITORS' LIMITED REVIEW REPORT ON THE ISSUER'S UNAUDITED
SEMI-ANNUAL FINANCIAL STATEMENTS**

(Free translation of the French original)

Pursuant to the article L 232-7 of the French Companies Act (*Code de commerce*), we have reviewed the accompanying half-year consolidated financial statements of Société Anonyme des Galeries Lafayette, covering the period from 1 January to 30 June, 2003 and verified the information contained in the half-year management report.

The half-year consolidated financial statements are the responsibility of the Management Board (Directoire). Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the professional standards applicable in France. Those standards require that we plan and perform the review to obtain moderate assurance, lesser than that which would result from an audit, that the half-year consolidated financial statements are free of material misstatement. A review excludes certain audit procedures and is limited primarily to analytical procedures and to inquiries of group management and knowledgeable personnel on information that we deemed necessary.

Based on our review, nothing has come to our attention that causes us to believe that the half-year consolidated financial statements, prepared in accordance with French accounting principles, do not give a true and fair view, in all material respects, of the financial position, the assets and liabilities of the Group as at June 30, 2003 and of the results of its operations for the six month period then ended.

We have also verified, in accordance with professional standards applicable in France, the information contained in the half-year management report supplementing the half-year consolidated financial statements submitted to our review.

We have no comment to make as to the conformity with the half-year consolidated financial statements and the fairness of the information contained in the half-year management report.

Paris, September 25, 2003

The Statutory Auditors

Gilles Guillaume

PricewaterhouseCoopers Audit

Jacques-Etienne de T'Serclaes

SUBSCRIPTION AND SALE

Lehman Brothers International (Europe), CCF and BNP Paribas (the “**Joint Lead Managers**”) and Credit Agricole Indosuez, CDC IXIS Capital Markets, Crédit Industriel et Commercial, Natexis Banques Populaires and Société Générale (together with the Joint Lead Managers, the “**Managers**”) have pursuant to a subscription agreement dated 15 December 2003 (the “**Subscription Agreement**”), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Bonds at a price equal to 99.438 per cent. of their principal amount. The Issuer has agreed to pay the Managers total commissions in respect of the offering and underwriting of the Bonds of 0.35 per cent. of the principal amount of the Bonds. In addition, the Issuer has agreed to reimburse the Managers in respect of certain of their legal and other expenses incurred in connection with the issue of the Bonds. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds.

General

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any other offering material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any circular, prospectus, form of application, advertisement or other offering material relating to the Bonds may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

Republic of France

Each of the Managers and the Issuer has acknowledged that the Bonds being denominated in euro, are deemed to be issued outside the Republic of France and, accordingly, has represented and agreed that in connection with their initial distribution, (i) it has not offered or sold and will not offer or sell, directly or indirectly, the Bonds to the public in the Republic of France and (ii) offers and sales of Bonds in the Republic of France will be made only to qualified investors (“*investisseurs qualifiés*”) as defined in and in accordance with Article L.411-2 of the French *Code monétaire et financier* and *décret* no. 98-880 dated 1 October 1998. In addition, each of the Managers and the Issuer has represented and agreed that it has not distributed or caused to be distributed, and will not distribute or cause to be distributed, in the Republic of France this Offering Circular or any other offering material relating to the Bonds other than to investors to whom offers and sales of Bonds in the Republic of France may be made as described as above.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Manager has agreed that it will not offer, sell or deliver the Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the date of issue of the Bonds, within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

The Bonds are being offered and sold only outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms used in this section have the meanings given to them by Regulation S.

United Kingdom

Each Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Bonds, will not offer or sell any Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSMA;
- (b) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Germany

Each Manager has represented and agreed that it has and will only offer Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 9 September 1998, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities in the Federal Republic of Germany.

Netherlands

Each Manager has represented, warranted and agreed that it has not offered, transferred, delivered or sold and will not offer, transfer, deliver or sell any Bonds in or from the Netherlands as part of its distribution or as part of any re-offering, and that it may not distribute either this Offering Circular or any other document in respect of the offering in or from the Netherlands, other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade (which includes banks, investment institutions, securities intermediaries, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises), in which case it must be made clear upon making the offer and from any documents or advertisements in which a forthcoming offering of Bonds is publicly announced that the offer is exclusively made to the said individuals or legal entities.

Italy

The offering of the Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Bonds in the Republic of Italy in a solicitation to the public at large, and that sales of the Bonds in the Republic of Italy shall only be negotiated on an individual basis with “Professional Investors”, as defined under Article 31, paragraph 2, of CONSOB Regulation no. 11522 of 1 July 1998, as amended, and effected in compliance with the requirements of Articles 94 and seq. of Legislative Decree no. 58 of 24 February 1998, as amended (“**Legislative Decree no. 58**”) and CONSOB Regulation no. 11971 of 14 May 1999, as amended (“**Regulation no. 11971**”) and shall in any event be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, each Manager has represented and agreed that the Bonds may not be offered, sold or delivered and neither this Offering Circular nor any other material relating to the Bonds may be distributed or made available in the Republic of Italy, unless such offer, sale or delivery of Bonds or distribution or availability of copies of this Offering Circular or any other material relating to the Bonds in the Republic of Italy is:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree no. 58, Regulation no. 11971 and any other applicable laws and regulations;
- (ii) in compliance with Article 129 of Legislative Decree no. 385 of 1 September 1993 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of

securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending *inter alia* on the amount of the issue and the characteristics of the securities, applies; and

- (iii) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear France and Clearstream, Luxembourg and Euroclear with the Common Code number 018184249. The International Securities Identification Number (ISIN) for the Bonds is FR0010034355.
2. Application has been made to list the Bonds on the Luxembourg Stock Exchange. In connection with the application for the listing of the Bonds on the Luxembourg Stock Exchange, the legal notice relating to the issue of the Bonds and copies of the by-laws (*statuts*) of the Issuer will be lodged with the Trade Register in Luxembourg (*Registre du Commerce et des Sociétés à Luxembourg*) prior to the listing thereof, where such documents are available for inspection and where copies thereof can be obtained.
3. The issue of the Bonds was authorised pursuant to a resolution of the *Assemblée Générale Ordinaire* of the shareholders of the Issuer adopted on 31 May 2001, a resolution of the *Conseil de Surveillance* of the Issuer dated 7 November 2003 and a resolution of the *Directoire* of the Issuer adopted on 5 December 2003.
4. Save as disclosed in the Offering Circular, there has not been any material adverse change in the Issuer's consolidated financial or trading position or prospects since 31 December 2002.
5. There are no actions, suits, arbitration or administrative proceedings against or affecting the Issuer or any of its subsidiaries which are material in the context of the issue of the Bonds and, to the best of the knowledge of the Issuer, no such actions, suits, arbitration or administrative proceedings are pending or threatened.
6. The Issuer publishes (i) audited annual non-consolidated and consolidated accounts and (ii) semi-annual consolidated accounts. Copies of the latest published annual report of the Issuer, including its consolidated and non-consolidated accounts, and the latest published unaudited semi-annual consolidated accounts of the Issuer, may be obtained from, and copies of the Fiscal Agency Agreement and the *statuts* of the Issuer will be available for inspection at, the specified offices for the time being of each of the Paying Agents during normal business hours, so long as any of the Bonds is outstanding.
7. Gilles Guillaume and PricewaterhouseCoopers Audit (formerly Coopers & Lybrand Audit) have audited and rendered unqualified audit reports on the non-consolidated and consolidated financial statements of the Issuer for the financial years ended 31 December 2001 and 2002.
8. Legal opinions in connection with the issue of the Bonds will be given by Mr Claude Baj, the Group's Legal Director, as to French law, and by Linklaters, legal advisers to the Managers as to French law.
9. The EU has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from a date not earlier than 1 January 2005 to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person to an individual resident in another Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments unless during such period they elect otherwise.

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PAYING AGENT

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