1.1. History

● Acquisitions ● Organic growth ● Innovations

Organic growth	1857	Creation of a tin-plating workshop in Selongey in the Burgundy region, France
Innovations	1932	First hand-crank food mill by Moulinex
	1944	The company takes the name SEB. (*Société d'Emboutissage de Bourgogne*)
Innovations	1953	Launch of the Super Cocotte pressure cooker, which was to give rise to the Seb brand
Innovations	1954	The first Tefal non-stick pan and the first Calor steam iron
Innovations	1967	Seb invents the odourless electric fryer
Acquisitions	1968	Acquisition of Tefal and its European subsidiaries (Germany, Belgium, Denmark, Netherlands, Italy)
Acquisitions	1972	Acquisition of Calor
Organic growth	1972	Opening of subsidiaries in England and the US
	1973	Creation of Groupe SEB
	1975	Initial public offering of SEB S.A.
Organic growth	1975	Opening of a subsidiary in Japan
Innovations	1978	First Tefal *raclette* grill
Innovations	1981	First Calor electronic iron
Acquisitions	1988	Acquisition of the German company, Rowenta
Organic growth	1991-93	Opening of subsidiaries: Mexico, Poland, the Czech Republic, Slovakia, Hungary, Turkey, Canada and Portugal
Innovations	1994	Seb Clipso pressure cooker with innovative opening mechanism
Innovations	1994	Dymbo vacuum cleaner by Rowenta
Organic growth	1994-96	Further international expansion (Russia, United Arab Emirates, Brazil, Argentina)
Innovations	1995	Pots and pans with Ingenio removable handles by Tefal
Organic growth	1997-98	Opening of subsidiaries in Australia and South Korea
Acquisitions	1997-98	Acquisitions of the Brazilian company, Arno, and the Colombian company, Volmo (Samurai brand)

Innovations	2000	Thermospot by Tefal (heat indicator integrated in the nonstick surface)
Acquisitions	2001	Moulinex-Krups takeover
Organic growth	2003-04	Further development in Asia (Thailand and Malaysia)
Acquisitions	2004	Acquisition of All-Clad, high-end cookware specialist in the United States
Innovations	2006	Repelente anti-mosquito fan by Arno
Acquisitions	2005	Acquisitions of the Brazilian company, Panex and the Italian company, Lagostina
Innovations	2006	Actifry, "low-fat" fryer with only a spoonful of oil
Acquisitions	2007	Acquisition of a majority shareholding in the Chinese company, Supor
Innovations	2007	Silence Force vacuum cleaner by Rowenta
Acquisitions	2011	Acquisitions of Imusa in Colombia and Asia Fan in Vietnam
Acquisitions	2011	Majority shareholding in the Indian company, Maharaja Whiteline
Acquisitions	2011	Creation of the SEB Alliance investment fund
Acquisitions	2011	Acquisition of an additional 20% capital interest in Supor
Innovations	2012	Cookeo multicooker by Moulinex, Freemove cordless iron, and Steampod, the professional hair-straightening solution in partnership with L'Oréal
Innovations	2013	Cuisine Companion, the first cooking food processor by Moulinex and Optigrill, the intelligent grill
Innovations	2014	Cookeo Connect, the connected version of Cookeo
Acquisitions	2015	Acquisition of the Scandinavian company, OBH Nordica
Acquisitions	2016	Capital stake in Supor increased to 81%
Acquisitions	2016	Acquisition in Germany of EMSA, the kitchen utensil and accessory specialist
Acquisitions	2016	Acquisition of WMF, the world leader in professional automatic coffee machines and leader in cookware in Germany

1.2. Business sector

THE SMALL DOMESTIC EQUIPMENT MARKET

Groupe SEB has forged over the years **a leadership position as the world reference in Small Domestic Equipment**. This sector covers **cookware** and **small electrical appliances**, accounting respectively for approximately 30% and 70% of its sales.

The global Small Domestic Equipment market is by nature highly diverse, reflecting the multitude of local consumer cooking, eating and product utilization habits. This means that the global market lacks genuine homogeneity and is divided into many distinct national and regional markets. As a result, it does not benefit from a comprehensive coverage by research panels (primarily GFK) or other market research bodies. This at times makes it difficult to reconcile industry figures (inclusion of new categories or geographic segments for example) in order to produce a global picture. Accordingly, based on the latest available statistics and Group estimates (including certain changes in scope resulting from the addition of new categories and countries), the size of the market addressed by Groupe SEB has been updated. The market is now currently estimated at around **€38 billion for small electrical appliances** (revised upwards from the figure of €34 billion published in the 2015 Registration Document) and **€22 billion for cookware and kitchen utensils** (compared to €14 billion in 2015).

- **The small electrical appliance market addressed by Groupe SEB** includes several segments varying considerably in size, and ranked below according to their global weight:
  - **home comfort**: fans, heaters, air treatment appliances;
  - **home care**: vacuum cleaners;
  - **food preparation**: blenders, kitchen machines, heating/cooking food processors, beaters, mixers, citrus squeezer and juicers, etc.;
  - **electrical cooking**: rice cookers, electrical pressure cookers, multicookers, toasters, deep fryers, grills and barbecues, sandwich-makers, table-top ovens, induction hobs, etc.;
  - **beverage preparation**: kettles, coffee makers (filter and pod, espresso machines);
  - **personal care**: hair care appliances (hairdryers, blow-drying hairstylers, hair straighteners), hair trimmers, epilators, bathroom scales. The Group does not operate in the dental care or men's shaving segments which are accordingly excluded from its target market;
  - **linen care**: ironing (dry and steam irons, steam generators and garment steamers), semi-automatic washing machines, etc.

  Groupe SEB has built **a global reference position in the small electrical appliance** market that it addresses. This position is based on number one rankings in several categories, top-tier positions in others and a reinforced presence in new product families.

- **The cookware and kitchen tool and utensil market** breaks down more or less evenly between the two segments. For cookware (mainly frying pans, saucepans, pressure cookers, bakeware and oven dishes) Groupe SEB is **the undisputed leader** and is continuing to expand its product offering by regularly introducing new materials. The kitchen utensils and accessories market is in contrast highly fragmented yet extremely promising. It is estimated to be comparable in size to the cookware market. Currently, Groupe SEB's position on the kitchen tool market remains relatively small. This market includes, for example, spatulas, ladles, skimmers, kitchen knives, gadgets, vacuum flasks and mugs, food storage boxes and containers, etc. By combining sustained organic growth and a strategy of industry consolidation exemplified by the recent acquisitions of EMSA and WMF, Groupe SEB now ranks among the top five global players in this segment.

At worldwide level and from a long-term perspective, the Small Domestic Equipment sector has demonstrated **its resilience during periods of crisis and solid development within a neutral or positive economic environment**. This performance reflects the combined impact of several different factors:

- moderate but steady growth in most mature markets, with a high installed base though unevenly spread across product families, responsiveness to innovation, a robust replacement market and a trading up trend reflecting demand for higher status products. At the same time, the entry-level segment, driven by demand for basic, low-priced products, has remained steady;
- overall solid but more volatile growth in emerging markets, according to general environment and events. These markets are experiencing strong demand from first-time buyers and their buoyant growth is fuelled by rising consumption stemming from the greater purchasing power of a booming middle class, increasing urbanization and the development of modern retail channels, particularly e-commerce, etc.;
- the coexistence of "global" products addressing universal needs or easy to adapt on a country scale with a product offering adapted to the specific lifestyles and consumption habits (in particular, as for food) in local markets;
- an average sale price of around €50 for a small electrical appliance in Europe for example, largely affordable by the general public and requiring no or a limited use of credit. Sales are further boosted by in-store or online traffic driven by promotional campaigns within a very competitive market environment;
- strong seasonality, shared by all market players, largely linked to the high percentage of products, and in particular small electrical appliances, sold as gift items during the holiday periods (the fourth quarter for most markets in Western countries, January/February for China around the Chinese New Year, etc.);

- strong contributions for many years from products and solutions developed in partnership with major consumer goods players, as for example in the case of single-serve coffee making;
- the emergence of new consumer trends worldwide: more Western in Asian or South American countries, more ethnic in Western countries, the rediscovery of "home-made" products and increasing attention paid to food ingredients in Europe, heightened environmental awareness, etc.

On top of these specific moves, changes in distribution are having a crucial role in the emergence of new consumer purchasing behavior: rapid development in many countries – mature and emerging – of alternative distribution networks, in particular e-commerce, has profoundly transformed the market, boosting online sales (particularly for small electrical appliances). As a result, growth in this market is currently being broadly driven by e-commerce: major online specialists (pure players like Amazon, Tmall, Nova Pontocom, etc.) as well as the internet sites and platforms of initially "physical" retailers ("brick-and-mortar" retailers).

MULTIPLE FORMS OF COMPETITION

In the frame of a worldwide approach, the specificities of the Small Domestic Equipment market require **a strategy that is both global and local** in order to effectively address the expectations of consumers around the globe. The expansion of international brands, which can in some cases be marketed under strong local/regional brands in their domestic market, falls in line with this two-pronged approach and combines the benefits of both economies of scale with solid positions in local markets. On this basis, Groupe SEB is the only player boasting such **broad international reach,** supported by six global brands and a very strong portfolio of brands with local leadership positions. This gives it a strategic advantage versus a very disparate range of competitors consisting of:

- large international groups that include operations in the small electrical appliance sector: Philips and Electrolux, with a wide product offering and a global presence; Bosch-Siemens and Conair, with an extremely comprehensive product range distributed primarily in Europe and the United States; Newell, operating mainly in North America; De Longhi is to be added to these international players as a major operator in coffee making and food preparation appliances that is expanding its segment-focused and international presence;
- major cookware manufacturers marketing a broad product range internationally like the US group Meyer, the German companies Fissler or Zwilling-Staub;
- groups or companies operating primarily in their domestic market or a small number of reference markets: Magimix, Taurus, Imetec, Severin, in particular, in several European countries; Arcelik in Turkey; Bork and Redmond in Russia; Spectrum Brands and NACCO in North America; Mallory, Mondial, Britania or Tramontina (cookware) in South America; Panasonic in Asia;
- high-end specialists concentrating on one or two product segments (Dyson, Vorwerk, Jura and Laurastar in small electrical appliances) achieving differentiation through an innovative product offering – or on a specific area of expertise, like the French company Le Creuset, which specializes in cast iron cookware;
- local competitors, notably in booming Asian emerging markets (China, India and Indonesia), driven by buoyant domestic markets and, in the case of China, by growth in exports, both regionally (particularly South-East Asia) and worldwide. In China, the Group's main competitors are Midea and Joyoung for small kitchen electrics and ASD for cookware;
- private labels or white label goods in large part focused on aggressively priced entry-level products. In small electrical appliances, their presence is often linked to promotional campaigns based on products manufactured under one-off contracts with Chinese subcontractors specifically and mainly designed to generate traffic at points of sale. Nevertheless, their overall market share remains low. Conversely, in cookware, the Group's main competitors internationally are often private labels;
- finally, certain companies' activities and brands cover both B2B and consumer or end-user segments, as in the cases of Kitchen Aid (Conair), Magimix (Robot-Coupe) and Vorwerk for example.

In general, competition has become fierce in recent years, in both small electrical appliances and cookware. This trend has been reinforced by additional pressure on prices exerted by retailers in order to maintain or boost traffic in stores in response to strong momentum in on-line sales.

In this competitive discount-driven market, sales continue to be largely fuelled by European groups such as Groupe SEB, Philips, Bosch Siemens or De Longhi which have been developing new products and concepts, opening up new categories and expanding into new territories.

1.3. A profitable growth strategy

On the one hand, Groupe SEB's expansion is based on a strategy of steady growth, driven by a strong product innovation policy, a global presence, an unrivalled brand portfolio within the industry and a capacity to work with all distribution channels. On the other hand, it relies on an unswerving commitment to competitiveness which is achieved via a balanced manufacturing base and on a rigorous and responsible purchasing policy.

STRONG PRODUCT INNOVATION DYNAMIC

Firmly rooted in the Group's values, innovation is one of its most powerful development and differentiation drivers. It gives the Group the head start it requires to stay ahead of the competition and to fight commoditization. The Group uses innovation to offer new products, designs, or differentiated marketing approaches. This provides real added value for consumers, allowing Groupe SEB to stand out in an effective way and thus strengthen its positioning and conquer new markets.

A LONG-TIME COMMITMENT

The Group's history is one of continual innovations and breakthroughs incorporating unique concepts, new features and ingenious discoveries. These innovations have been reflected in tangible advances in the everyday life of consumers. Iconic products such as the SEB pressure cooker or the Moulinex hand-crank food mill paved the way for the first electrical appliances in the 1950s and 1960s: irons, coffee grinders, the Charlotte and Marie multi-purpose food processors, etc. The design of products making everyday life easier and eliminating tedious tasks continued to develop at a faster pace in the 1960s and 1970s with new steam irons, vacuum cleaners, kitchen machines and the launch by Seb of odorless deep fryers. The 1970s and 1980s marked the arrival of more sophisticated functions with the introduction of electronically enhanced products: bathroom scales, programmable coffee machines, etc. This era also saw the emergence of new lifestyles, reflected in the launch of informal meal appliances such as the *raclette* grill and home espresso coffee makers. In the decade from 1990 to 2000, both Groupe SEB and Moulinex brought new simplicity to the world of small electrical appliances, including pressure cookers with simplified closing mechanisms, removable handles for frying pans and saucepans, compact vacuum cleaners with triangular-shaped heads, coffee makers incorporating doser-grinders, frying pans with a visual heat indicator, food processors including storage systems, etc.

The 2000s marked a new acceleration in the product offering renewal process through:

- the Group's first partnerships, developed from 2006 onwards with leading food industry operators, which gave it access to new product categories such as pod coffee makers and home beer-tapping machines;
- the introduction of several innovative concepts, in response to new consumer expectations (nutrition and health, home-made, convenience, well-being, etc.), often leading to major commercial success: the Actifry fryer with only a spoonful of oil; the Silence Force 4A and Silence Force Extreme vacuum cleaners, which combine power with very low noise levels; silent and anti-mosquito fans, smart and/or connected appliances (Cookeo and Optigrill), and the Cuisine Companion cooking food processor; anti-calc iron and high pressure steam generator irons, etc.;
- the introduction of new features such as a self-cleaning iron sole-plate and fast-heating steam generators in linen care; heating and cooking blenders in the food preparation segment; anti-mosquito fans in home comfort, etc.

A VIRTUOUS STRATEGY

Groupe SEB's innovation strategy is consistent with a pragmatic approach to product creation that involves both business unit teams and head office departments in research and development, industry, purchasing, logistics and strategic marketing, design and quality. New products are the result of the in-depth analysis of consumer needs (which include both expressed and latent needs), the invention of breakthrough concepts, the use and evaluation of new technologies and the creation of differentiating or one-of-a-kind designs. For Groupe SEB, innovation is part of a virtuous circle: as a creator of value for customers/retailers and a source of progress and satisfaction for consumers, it generates profitable growth which makes it possible to reinvest in innovation to restart the cycle.

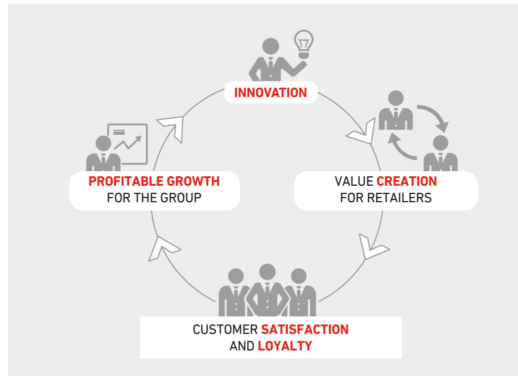
This approach to innovation relies on a shared, collaborative basis internally and is also open to external partners. The Group has, therefore, structured relations within its innovation community, comprising 1,300 employees, using collaborative tools that make it possible to enrich the collective vision on strategic issues and to promote the sharing of knowledge and best practices.

At the same time, the Group has developed partnerships with universities, schools, engineering firms, testing laboratories, research institutes and other companies with which it collaborates on major projects. Reinforcing and effectively exploiting these research networks allow it to accelerate its innovation process, expand its scope of intervention and receive the benefits of additional expertise in a broad range of fields (materials, information and communications technologies, electrical engineering, food sciences and technologies, etc.). Examples include projects in the field of health and nutrition as for Nutrition-Santé-Longévité, Vitagora and Q@limed. The Group also contributes to better living and general health as an EIT Knowledge Innovation Community member and is a major stakeholder in France and international markets within the FoodTech ecosystem that seeks to anticipate new food related trends. In association with other companies specialized in different sectors (food industry, consumer goods, digital transition, etc.), the Group takes part to these projects by designing and marketing connected objects, developing a culinary platform with Orange, launching an online cooking platform (www.foodle.fr) and developing partnerships with both large groups and startups.

In 2014, the Group launched an open site for innovators, “Innovate with Groupe SEB”, targeting inventors, scientists, researchers and designers who want to propose an innovation to the Group. The site offers three ways of working together: propose an invention, join the Groupe SEB innovation network or take part in challenges based around themes set by the Group.

In May 2011, the Group created an investment company, SEB Alliance, to improve its technology monitoring system by investing in innovative, technology-focused companies in areas such as connected home and digital applications, robotics, well-being and population aging, and sustainable development. These companies provide the Group with technological bricks it can use to develop its products. Since its creation, SEB Alliance has directly invested in 10 companies operating in fields that are aligned with the Group’s priorities for strategic innovation: big data, air treatment, water filtration, health and beauty, connected devices, robotics… which may lead to consumer applications in the future. It has also invested in two venture capital funds, Cathay Innovation and Innovacom Technocom 2.

A VIRTUOUS STRATEGY



AN INNOVATION POLICY SUSTAINED BY MAJOR INVESTMENTS

The Group invests every year significant amounts in R&D, product design, strategic marketing, or range optimization in order to better target consumer expectations, enabling it to stand out as one of the most innovative players in its industry. In 2016, gross investments in R&D before CIR (research tax credit) and capitalization amounted to €104 million (€100 million in 2015). Investments in strategic marketing stood at €75 million in 2016 (€68 million in 2015). The R&D teams have been significantly strengthened over the last few years, in terms of both employee numbers and employee qualifications, with the hiring of highly specialized engineers, for instance. These specialists bring expertise in cutting-edge fields such as coatings and materials, connected products, batteries, motors, food processing, sensors, etc.

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AN UNRIVALLED BRAND PORTFOLIO

For many years the Group has boasted the largest brand portfolio in the industry, providing strong growth pillars for its strategy of profitable growth. This portfolio includes international brands such as Tefal, Moulinex, Rowenta, Krups, Lagostina and All-Clad and regional brands/local leaders or reference players in their domestic markets such as Air Bake, Arno, AsiaVina, Calor, Clock, Imusa, Maharaja Whiteline, Mirro, OBH Nordica, Panex, Rochedo, Samurai, Seb, Supor, T-fal, Umco, WearEver. Following the acquisitions in 2016, the WMF, Silit, Kaiser, Schaerer, HEPP and EMSA brands have been added to the Group's portfolio.

This multi-brand strategy makes it possible for the Group to:

- better address the various needs of consumers throughout the world, with each brand responding to specific consumer behaviors;
- offer relevant and complementary responses to retailer strategies.

Each brand has a clearly defined identity with specific values that are expressed through the assortment, features and design of the products as well as brand-specific marketing and communication.

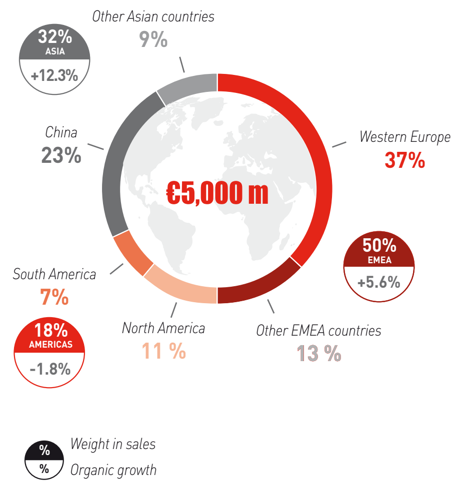
In addition to the management of its brand portfolio the Group pursues a strategy of partnerships to develop new concepts and step up its sales. Accounting for almost 10% of sales, these partnerships are major drivers of growth and innovation for the Group. Joint development agreements have also been signed with major names in the food industry, such as Nestle for Nespresso and Dolce Gusto, and Heineken for BeerTender and The Sub, and in the cosmetics industry, such as L'Oréal for Steampod. Some partnerships also impart image, associating our products with other brands or organizations (WWF, etc.), with licensing agreements with brands such as Elite, or with endorsement contracts where, for example, cookware lines are developed in collaboration with renowned chefs such as Jamie Oliver or Thomas Keller.

A GLOBAL AND DIVERSIFIED PRESENCE

Over the last 40 years, the Group has successfully developed strong positions across all continents with a commercial presence in nearly 150 countries as a result of an expansion strategy combining internal growth with acquisitions. It has leading positions in Europe, China, Russia, Brazil, Colombia, Turkey, etc.

The Group's strong local presence is due to the relevance of its offering and its capacity to adapt to the needs of different markets. Its global presence enables it to seize opportunities for profitable growth in the various countries in which it has a presence and to diversify its exposure to different economies. In 2016, 54% of its sales were made in mature countries and 46% in emerging countries.

SALES BY REGION IN 2016



A MULTI-CHANNEL DISTRIBUTION STRATEGY

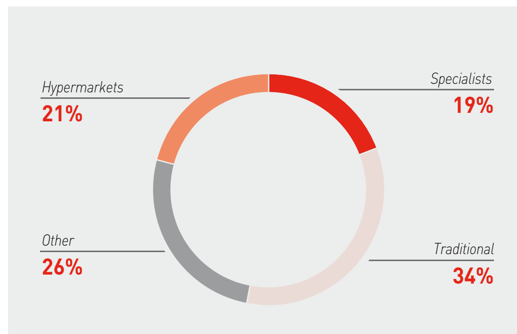
The Group works with an extremely large and diverse network of distributors, giving it a decisive competitive edge. It develops constructive long-term relationships with customers on the basis of the most extensive product offering on the market and with strong brands, which are vectors of growth and profitability for each of the parties.

The network mainly comprises mass food retailers, specialist retailers as well as convenience stores or groups of independents, of which there are still a high percentage in emerging markets. The percentage of online sales continues to grow rapidly driven by both e-commerce specialists (pure players) and specialist brick-and-mortar retailers as they do ramp up their online presence (click-and-mortar). In 2016, online sales represented some 20% of Group sales. The Group has also developed a network of proprietary stores (Home & Cook, Tefal shops, Supor Lifestores, etc.) giving it direct access to consumers in certain emerging countries where retail coverage is inadequate while providing an outlet for discontinued products in mature countries.

Customer relations is one of the Group's core concerns and it seeks operational excellence both in the supply chain, to guarantee the best levels of service, and in the in-store execution, to ensure that its products are promoted on its customers' shelves and websites. This approach is supported by marketing and advertising investments that have been significantly strengthened in recent years (€435 million in 2016 up from €390 million in 2015) for the purpose of:

- further strengthening brand and product recognition through advertising;
- ongoing roll out of best in-store execution through category management, effective merchandising, the creation of dedicated shop-in-shops or promotional events;
- guiding and supporting the Group's new product launches;
- accelerating digital marketing (brand websites, digital campaigns, etc.) and supporting the ramp up of e-commerce.

SALES BY DISTRIBUTION CHANNEL



AN ACTIVE ACQUISITION POLICY

Acquisitions are another pillar of the Group's growth strategy. As an operator in the Small Domestic Equipment market, which is still highly fragmented, the Group is positioning itself as the industry consolidator. The Group's history is one of numerous transactions which have enabled it to take leading positions in many countries and product categories.

In addition to having the necessary financial capacity, external growth requires an ability to integrate new acquisitions effectively and to generate synergies. Groupe SEB has built up considerable experience over the years in integrating new acquisitions. Following Moulinex-Krups in 2001-2002, it acquired All-Clad in the United States in 2004, Panex in Brazil and Lagostina in Italy in 2005, Mirro WearEver in the United States in 2006, and acquired a controlling interest in China-based Supor in late 2007. The latter stood out because of the major challenges it presented (geographical and cultural remoteness, language barrier, more complex integration, coordination of communications between two listed companies, etc.). The Group's stake was increased in several stages (20% in December 2011, 1.6% in January 2015 and 7.91% in June 2016…) leading to its current holding of 81.17%.

Furthermore, in February 2011, the Group acquired Imusa, a Colombian cookware company. In May 2011, the Group took control of a Vietnamese company – Asia Fan – specializing in the production and sale of fans, and in December, it acquired a 55% stake in an Indian company – Maharaja Whiteline – specializing in small electrical appliances. In early 2013, the Group partnered with its long-standing distributor in Egypt (Zahran) to form a joint venture (Groupe SEB Egypt for Domestic Appliances), in which it has a 75% interest. At the end of the financial year 2013, the Group acquired the Canadian company Coranco to take direct control over the marketing of Lagostina products in Canada. In 2014, it announced the acquisition of the remaining shares of Maharaja Whiteline and Asia Fan. In 2015, it acquired OBH Nordica, a major operator in small electrical appliances in the Scandinavian markets.

2016 marked a new stage for the Group with two strategic acquisitions in Germany in May.

The Group first acquired EMSA, specialized in the design, manufacturing and distribution of kitchen utensils and accessories. A well-known brand in German-speaking countries, EMSA boasts strong positions in Germany in thermoware and food storage containers, where it is the market leader. EMSA also operates in the rest of Europe and the Middle-East. It reported €85 million in sales in 2016.

This was followed by the acquisition of WMF, a German industrial flagship with three major business lines: professional automatic coffee machines, Small Domestic Equipment (cookware and small electrical appliances) and hotel equipment. Through this strategic acquisition, Groupe SEB:

- acquires a solid worldwide leadership in the very attractive professional coffee machine market characterized by strong growth, high profitability and significant recurring revenue given the existence of after-sales service activities;
- considerably strengthens its position in cookware by becoming the number one in Germany, notably through its high-end stainless steel product range;
- accelerates its development, following EMSA's acquisition, in the key kitchen utensils and accessories market;
- consolidates its portfolio by adding strong new brands including iconic WMF as well as Schaerer, Silit, Kaiser and HEPP;
- accesses a network of 200 proprietary retail outlets in Germany providing a powerful vehicle for promoting its image and sales.

In 2016, the WMF Group achieved €1,100 million in revenue (€1.062 billion in 2015) with annual growth of 4.2%. The breakdown by business line is 55% for Small Domestic Equipment (2015: 56%), 38% for professional coffee machines (2015: 37%) and 7% for hotel equipment (2015: 7%). By region, Europe accounts for three quarters of revenue (with Germany approximately one half) with the other main markets being the United States, China, Japan and South Korea and representing roughly equivalent amounts for the remainder. WMF's 2016 EBITDA amounted to €128 million (up 8.5% compared with €118 million in 2015).

COMPETITIVENESS

This is one of Groupe SEB's major strategic pillars. In addition to innovation, commercial excellence and exemplary in-store execution, which are all crucial factors, the Group's competitiveness is based on a balanced manufacturing base, long-term optimization of industrial productivity and a rigorous and responsible purchasing policy.

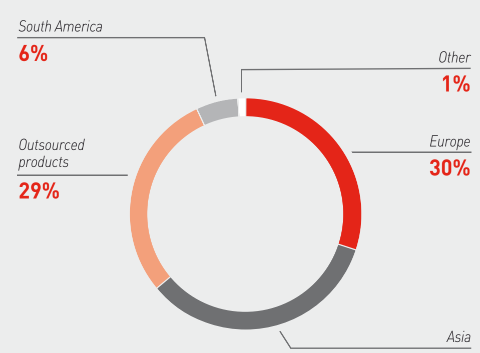
A BALANCED MANUFACTURING BASE

Throughout the world, the Group's manufacturing base is set to respond to market characteristics:

- European manufacturing targets mainly mature markets. French and European plants are dedicated to products for which the Group is a market leader. To this end, the Group takes advantage of technological barriers in relation to product concepts or processes;
- manufacturing in emerging markets focuses on the needs of these markets, and for mature markets, on products for which the Group wishes to retain control of its specific technologies (concerning products and processes);
- outsourcing production for basic products or those for which the Group lacks a strong leadership position or as part of partnership arrangements.

It has 29 manufacturing sites which produce 71% of the products sold by the Group throughout the world. The other 29% are outsourced, in particular in China. Following the acquisition of EMSA and WMF, the Group's industrial tool has been reinforced by an additional 11 plants: 3 for EMSA (Germany, China, Vietnam) and 8 for WMF (Germany, Switzerland, Czech Republic, China, India).

SALES BY ORIGIN OF PRODUCTION



Excluding EMSA and WMF.

The Group's industrial strategy aims to best serve markets by continuously improving competitive performance and quality over the long-term.

The Group's industrial competitiveness comes from its edge as a designer of products, especially through its centers of expertise and technological poles:

- centers of product expertise bring together the specific expertise in research and development, industrialization and production for a given product category;
- technological poles reinforce the centers of product expertise through their knowledge of key technologies in relation to materials, plastics, and electronics.

At relevant sites, project platforms foster collaboration between marketing teams and centers of industrial expertise in the development of product offering. This allows the concept of the "technical basis" to be promoted so as to standardize sub-assemblies and components, in order to be more responsive to customer demand.

To ensure and optimize the competitiveness of its manufacturing base, the Group continues to adapt its factories, taking account of economic market realities by adjusting production volumes or rescaling sites, transferring operations from one entity to another, refitting sites, strict control of manufacturing costs, refocusing production and outsourcing according to need.

In 2016, the Group's factories continued to operate against the backdrop of a relatively buoyant global demand for Small Domestic Equipment with, however, some extremely difficult markets. By way of example, in Colombia the total cookware production was transferred from Copacabana to Rionegro; in Omegna, Italy, the Lagostina site was also refitted; and in Egypt, a new production site was commissioned to better serve Middle Eastern markets. In addition, the Group continued to reorganize its manufacturing base in Brazil to improve its competitiveness in a difficult market and currency environment: the transfer of operations for small electrical appliances from Mooca/São Paulo to a newly built site in Itatiaia in the state of Rio de Janeiro is in progress. The Chinese sites benefited from sustained local demand and the continued re-integration of production that had previously been outsourced. The Group's largest site in China for small electrical appliances in Shaoxing continued to ramp up production in 2016, exceeding the mark of 28 million manufactured units.

CONTINUAL OPTIMIZATION OF INDUSTRIAL PRODUCTIVITY

Launched in 2011, our global industrial and operational excellence program, OPS (*Opération Performance SEB*) continued to roll out "fundamentals" (5S, TPM, etc.) to achieve further improvements in the productivity of our sites. This practical program of continuous performance improvement:

- links health and performance in all Group improvement projects;
- involves all hierarchical levels (managers, technicians and operators) and all departments;

- aims to share best practices so as to build a real Group manufacturing culture;
- results in a common language with the aim of promoting a Group spirit;
- is reflected in a single, scalable framework resulting from a fully collaborative approach.

While now in a mature stage the OPS projects and workshops this year made it possible to achieve further savings. In addition, the success of the OPS for manufacturing operations inspired other functions like accounting or marketing to improve methodology guidelines and common tools. Thanks to OPS, the Group is able to guarantee a high level of quality both in its processes and products and look ahead with confidence to the new challenges of tomorrow.

In early 2013, the Group also introduced the PCO (Product Cost Optimization) project which aims to reduce the cost price of present products, to optimize the future product offering and to increase perceived value. The approach consists in applying a method for analyzing products and taking into account customer concerns by involving experts (R&D, marketing, design, manufacturing, etc.) as part of multidisciplinary group workshops, to challenge existing solutions and invent new ones.

These improvement plans are systematically supported by the Group's approach to health and safety as safety of personnel in the workplace is a key priority for the Group. A three-year plan has been launched in this regard, with the objective of a steady decrease in the number of workplace accidents. This plan must enable the Group to cut by half the number of accidents at the end of this period. For further details refer to Chapter 3 on Corporate social responsibility on pages 111 to 114.

Lastly, another key component of the Group's competitiveness, the supply chain is managed on a global level with the aim of rationalizing finished product inventory, optimizing the quality of this inventory and implementing a process to improve customer service and ensure customer satisfaction. To deliver these results, the Group focuses on a series of common and shared processes, supported by the roll-out of plans to optimize the global logistics chain, from marketing company sales forecasts to planning capacities and production. At the same time, the creation of a Supply Chain School makes possible the development of the aptitudes and skills of our specialist teams.

A RIGOROUS AND RESPONSIBLE PURCHASING POLICY

Purchasing combines both production procurement, which covers requirements for materials (metals, plastics, paper/cardboard packaging, etc.) and components (parts, sub-assemblies, etc.) for manufacturing, non-production purchasing (transport and logistics, services, information systems, travel, etc.) and purchases of sourced finished products. Generally speaking, and for a number of years, purchases have increasingly been managed at Group level, through a panel of approved suppliers and the use of shared global product family platforms making it possible to consolidate volumes and standardize materials and components. This approach makes it possible to optimize negotiations (on price, quality, on-time delivery, etc.) and to develop pooled procurement offering greater flexibility between manufacturing sites and increased synergies within the Group.

The Group's direct spend policy is based on reducing costs by seeking out and selecting the most competitive suppliers at the same time as introducing suppliers to the Group's approach to innovation and its required quality standards. Amongst other things, this policy makes it possible to establish and maintain a real partnership with the best-performing suppliers and to closely involve them in the improvement process and the Group's objectives in terms of competitiveness. In 2016, the Group continued to consolidate its panel of direct suppliers (475) for manufacturing supplies, with a global purchasing coverage of 85%.

Non-production purchases continue to follow the same process aimed at better qualifying approved suppliers and building an across-the-board Group purchasing methodology with a panel of approved suppliers representing 42% of non-production purchases. The purchasing office team undertakes to cover a very broad range of expenditures and an increasingly large international scope for sourcing. Calls for tender are launched on a regular basis and cross-functional teams thoroughly rework our specifications to optimize purchasing in new fields.

For sourced finished products, the organizational set-up strengthens purchasing quality processes by ensuring technical and methodological assistance from Group teams for suppliers. At the same time, it demonstrates the Group's desire for upstream integration of suppliers in the product development processes in order to foster greater fluidity in creating the product offering. With this approach the Group has concentrated its panel of approved finished product suppliers, which, at the end of 2016, comprised some 50 companies representing 91% of purchases made. The Group's approved supplier panels consist of carefully selected and tested companies in terms of both performance (lead times, quality, cost, etc.) and social and environmental responsibilities (environmental impact, compliance with Human Rights, etc.).

1.4. Risk factors

The nature of Groupe SEB's business and its large international presence opens up significant development opportunities but also exposure to different types of internal and external risks: exogenous, operational, industrial and environmental, legal, financial and market risks. These risks may adversely affect the Group's results, financial position or assets or have consequences for its different stakeholders - consumers, employees, customers, suppliers, partners or its environment.

Groupe SEB is aware of these issues and pursues a policy of active and prudent management of the risks with the objective of limiting the effects on its operating performances and protecting its assets and/or the interests of all its stakeholders. This approach is based on a detailed mapping and analysis of the main risks faced by the company, which make it possible to rank them according to their potential impact as well as their probability of occurrence.

Based on this mapping established by the Audit and Internal Control department, a comprehensive review of all these risks is conducted annually by the Group's Executive Committee and the Audit Committee.

The main risks to which the Group is exposed on the date of this Registration Document are described below. However, it should be noted that this description is not exhaustive and despite the procedures adopted, the Group cannot assert in all certainty that the risks which could adversely affect its economic and financial performances and its assets have been fully eliminated. The Group may also be impacted by other risks not yet known or considered to be insignificant at the present time.

If the risks described in this section have measurable financial consequences and/or result in a potentially significant liability, these financial consequences and/or contingent liabilities are reflected in the Group's consolidated financial statements as prepared according to applicable IFRS.

Summary of the main risk factors to which Groupe SEB is exposed on the date of this Registration Document:

Exogenous risks	Operational risks	Industrial and environmental risks	Legal risks	Financial and market risks
• Country-specific and economic situation risks • Risks relating to competition • Commodity risks	• Product liability and related risks • Business seasonality risks • Risks related to acquisitions • Customer risks • Risks relating to human resources management • Risks concerning information systems • Fraud and corruption risks • Image and reputational risks • Dependence on suppliers	• Production and supply chain risks • Risks relating to employee health and safety • Climate change-related risks	• Intellectual and industrial property risks • Risks associated with changes in tax regulations	• Risks relating to the impairment of intangible assets • Liquidity and counterparty risks • Currency risks • Interest rate risk • Risks relating to shares

EXOGENOUS RISKS

COUNTRY-SPECIFIC AND ECONOMIC SITUATION RISKS

The international nature of the Group's business exposes it not only to currency risks (covered in Note 26.2.1 to the Consolidated Financial Statements) but also to risks of political, economic, monetary or social instability risks, especially in emerging countries where the Group conducts a significant percentage of its business. This was the case for example in Turkey or in Brazil in 2016. The Group has a significant exposure to China which, after strong economic growth over the last years and solid expansion for Supor's operations, has become the Group's largest country. In addition to these risks, certain countries have legal environments that are less developed or which offer limited protections (particularly in the area of intellectual property) or may apply import duties (as in the case of Turkey for certain electrical appliances), import restrictions (as in Argentina and Ecuador for electrical devices and cookware) and exchange controls (Egypt), etc. These factors may interfere with the Group's business and have an impact on its financial position. At the same time, the international presence also represents a factor of risk diversification, contributing to a balanced global revenue mix by offsetting country and regional impacts.

Given the limited amount the purchase of a product or small domestic appliance represents, this industry tends to be more resilient than others during periods of crisis. In the past, the Group's business has sometimes bucked the trend in challenging economic climates.

Nonetheless, the Group's business is dependent on the economic context and changes in consumer habits in each of the countries where it operates. This in turn is tied to consumer purchasing power and the financial and economic health of the Group's distribution networks.

RISKS RELATING TO COMPETITION

The Group operates in a fierce competitive environment organized around large international groups with global brands, regional and national players, specialists and retailers' private labels whose development may be achieved at the expense of established traditional brands. In this environment, maintaining or gaining market share is dependent on brand reputation and the relevance of the product offer that must be boosted by innovation and by an accurate and agile marketing, advertising and pricing policy.

For this reason, the capacity to develop and launch genuinely differentiating, added-value innovations is crucial. The launch of a new concept well received by consumers may significantly and lastingly impact an entire product family and have a material effect on results: highly positive for the holder of the breakout product in question, very negative for its competitors.

Advertising and promotional investments as well as execution at points of sale or commercial websites constitute decisive levers, supplementing an agile pricing policy, indispensable for succeeding in volatile markets.

In addition to the competition within the sector, the development of e-commerce drives significant changes in every dimension of the commercial and marketing approach (customer relationship, dedicated offerings, price, logistics, targeted consumer approach, etc.).

Groupe SEB therefore strives to limit these risks by intensifying its R&D efforts (with namely enhanced resources in recent years both in terms of skills and investments), increasing its marketing and advertising expenditures and applying a pricing policy that is agile and adapted to market conditions.

Because of market consolidation, the Group is also led to respond on a regular basis to industry surveys or surveys on anti-competitive practices conducted by the French or European competition authorities. These types of surveys may result in sanctions or compliance undertakings. As a major player within its business sector, the Group is also called upon to cooperate with competition authorities by contributing to the ongoing development of their doctrine or recommendations on certain topics by completing questionnaires (e-commerce in 2012, concentration of food retailers in France in 2015).

COMMODITY RISKS

Groupe SEB uses un certain number of raw materials in its manufacturing processes: aluminum (for cookware), nickel (for certain steel alloys), copper (mainly wire for motors and electric cables), plastic (a key material in small electrical appliances) and paper products for printed documents and packaging. These materials vary as a percentage of spend for the Group: aluminum accounted for approximately 15% of direct spend in 2016 (14% in 2015), steel/metallic parts for 12% (13% in 2015) and plastics/plastic parts for 18% (20% in 2015).

The Group is therefore exposed to risks concerning the availability of commodities and fluctuations in their prices. These include, on the one hand a risk of shortages and, on the other hand, of being forced to pass all or part of price increases on to consumers with a potential impact on sales.

To deal with this intrinsic exposure related to its manufacturing operations, Groupe SEB has implemented a partial hedging policy intended to protect it against the effects of abrupt changes in the prices of metals and to enable it to forecast or limit any price hikes that it may have to pass on to its customers. This policy has no speculative purposes but, for any given year and in relation to actual market prices, may produce:

- positive impacts when raw material prices are rising;
- negative impacts when raw material prices are dropping.

In addition, the Group constantly endeavors to improve its manufacturing productivity and to reduce its purchasing costs, which helps to compensate for market volatility.

Commodity risks are dealt with in Note 26.2.3 to the Financial Statements.

OPERATIONAL RISKS

PRODUCT LIABILITY AND RELATED RISKS

Groupe SEB considers consumer safety an absolute priority. In this respect, it affords maximum attention to safety precautions in terms of raw materials, components and finished products. It may, however, have to accept liability or witness its image, or that of its brands, being tarnished as a result of a product malfunction. Instances of users being hurt when a product malfunctions or is used inappropriately cannot be ruled out. The Group is, therefore, exposed to risks of warranty or liability claims from customers and consumers. Product recalls may prove necessary in some cases, incurring significant costs and impacting the Group's profitability.

To manage such risks, the Group carries out numerous quality controls on the products that it markets. It also endeavors to include user information sheets with its products to warn of potentially hazardous uses. Lastly, the Group has recorded a provision for product warranty costs based on historical statistics and has obtained insurance coverage for civil liability (see paragraph on Insurance on page 27).

BUSINESS SEASONALITY RISKS

A significant proportion of the Group's products are purchased to be offered as gifts. For that reason, a large percentage of sales are concentrated at year-end in many markets, before Christmas in Europe, before the Chinese New Year in China and, more generally, during festive periods. As a result, both sales and earnings are traditionally heavily weighted towards the fourth quarter. Any disruptions affecting the economic environment during these periods could, in consequence have an adverse effect on Group results.

Some products are also dependent on weather conditions such as, for example, fans in Latin America and Southeast Asia.

The Group limits this risk, on the one hand, by virtue of its global exposure, which tends to smooth out the seasonal effects mentioned above. On the other hand, it also strives to boost its business outside these periods by launching new products or by implementing marketing initiatives.

RISKS RELATED TO ACQUISITIONS

Pursuing its leadership strategy has led Groupe SEB to combine, for more than 40 years, organic growth and acquisitions. Today, it plays a key role in consolidating the still-fragmented Small Domestic Equipment sector.

Despite the resources deployed and the disciplined approach adopted both during the due diligence and post-acquisition phases, the Group may encounter difficulties in integrating the operations, personnel, products or technologies of the companies acquired. The Group cannot be absolutely certain that the businesses or companies acquired do not include liabilities that were not identified at the time of the acquisition and against which the Group may not be protected or may be only partially protected by the transferor or partner.

An Integration Committee regularly monitors the progress of each project and the synergies implemented in order to promote success, limit the risk of failure and refocus action as necessary.

In 2016, the Group acquired the German kitchen utensil and accessories specialist, EMSA. The company was consolidated as of 1 July 2016 and the integration process is already well advanced.

On 30 November 2016, the Group completed the acquisition of WMF, the German specialist for professional coffee machines and cookware. With this acquisition representing 20% of Group revenue and its integration a major priority, a dedicated team has been set up for this purpose.

CUSTOMER RISKS

The Group sells its products to a large number of distributors and is therefore exposed to the risk of non-recovery of receivables as a result of cash flow issues or bankruptcies.

The Group's broad geographical distribution, as well as the variety and number of its retail distribution networks, limit risk and, therefore, the probability of a major impact at a consolidated level. In addition, the Group's position in both cookware and small electrical appliance markets contributes to a diversified customer base. The retail sale of cookware occurs, in large part, in mass food retail, while specialized distributors play an important role in the sale of small electrical appliances. In 2016, the Group's ten largest customers accounted for slightly under 34% of consolidated sales, bearing in mind that no single customer exceeds 5% of sales. On a country level, however, a customer default may have significant consequences for the trading activity of the subsidiary in question.

In addition to ensuring a diversified customer base, the Group has obtained insurance cover which considerably limits the risk of claims. In 2016, these policies covered over 90% of consolidated revenue (excluding China), despite a reduction in coverage in Brazil and Turkey. At the same time, the Group maintains an internal risk-taking policy allowing it to manage its relations with retailers on a long-term basis. Such risk-taking is strictly controlled and so the risk of any customer failure having a major impact on the Group's results is very limited.

Supplementary information is provided in Notes 16 and 26.4 to the Consolidated Financial Statements.

RISKS RELATING TO HUMAN RESOURCES MANAGEMENT

The Group is built on the skills of its employees, particularly those with key roles, and on its ability to attract talented individuals to enhance its growth. Should the Group fail to attract or retain these key personnel, it may find it difficult to implement its strategy, with an accompanying negative impact on its business and its results. This is why it strives to provide a motivational working environment and to retain talented individuals. It also implements succession plans to remedy possible employee departures.

In the frame of acquisitions, as most recently with WMF and EMSA, Group human resources play a decisive role and they are associated early on in the process for the purpose of mapping the key skills and expertise of new teams and retaining the best profiles.

Moreover, the Group is constantly adapting its structures, particularly its manufacturing base, to ensure that it remains competitive. It has established a forecast planning system for jobs and skills in a permanent effort to address industrial and employment issues in collaboration with employee representatives and to take the necessary steps to avoid redundancies. The Group relies heavily on the quality of employee-management dialog to solve difficult labor issues responsibly and in the best possible conditions for everyone. Throughout its history, Groupe SEB has carried out restructuring on various occasions, both domestically and outside of France, and has always done so in keeping with its corporate ethics. The Group has a history of committing substantial resources in order to help every employee concerned to find a solution. Groupe SEB provides retraining and ensures that practical steps are taken for the industrial redevelopment of the employment areas in question.

RISKS CONCERNING INFORMATION SYSTEMS

The Group continues to roll out consistent IT systems in all its subsidiaries to ensure better management and client service and to minimize the risks inherent in obsolete local systems. It concentrates its IT budget on a limited number of software packages used selectively throughout the Group, depending on the size of each subsidiary (SAP R/3 for larger entities, or those participating in clusters, and SAP Business One for more compact entities, etc.).

This increased dependency on information systems, greater integration with outside partners and the multiplication of cyber attacks pose risks regarding the integrity and confidentiality of data and possible disruption of IT services. A risk mapping is updated annually with the Audit and Internal Control department in order to identify and prioritize security measures.

A failure might lead to loss of data, errors or delays that could impede the proper functioning of the company and affect its results. Thorough testing prior to the deployment of new systems and a strict information system security policy (monitored by a Steering Committee) are in place to ensure that systems are fully reliable, secure and accessible. Regular investments are made to improve the Business Continuity Plan in case of a major disaster on the primary IT processing center. Anti-hacking audits are carried out each year to identify any security loopholes in the Group's network. Lastly, the management rules for access rights to systems are audited and then updated on a regular basis.

FRAUD AND CORRUPTION RISKS

The Group's expansion into new locations, the development of new technologies that sometimes facilitate fraud and greater competitive pressure all increase the risk of fraud occurring within the Group's entities. The Group is strengthening its control measures at various levels to address this heightened risk.

With respect to the fight against external fraud, a process of systematically reporting information on attempted fraud to the Audit and Internal Control department allows the Group to analyze these situations, inform all entities of the risks and respond quickly by implementing new checks. A major initiative to raise awareness among financial employees and the systematic implementation of dual checks, for example, have limited the risk of customer, supplier and Group manager identity theft through technological means.

A mapping of fraud risks in our sales branches was drawn up in 2016. This mapping forms the basis for tests performed on our IT systems by the Audit and Internal Control department to identify potential fraud. This approach is reinforced every year by measures including the use of a specialized tool for processing and analyzing data which is based on the Group's information systems.

Groupe SEB's code of ethics clearly sets out the requirements of the Group's management with respect to anti-corruption measures. In terms of relationships with suppliers, the Responsible Purchasing Charter sets out the required rules of conduct.

Checks are carried out in the field by internal audit teams on decision-making processes affecting relationships with suppliers and with customers who represent the main risk areas of passive and active corruption. These checks focus in particular on collective responsibility and transparency when a decision is made to award a contract to a supplier on the one hand, and on strict control over the amount and type of business expenditure on the other.

IMAGE AND REPUTATIONAL RISKS

Operating in the universe of consumer goods on an international scale through a large brand portfolio, Groupe SEB is exposed to a risk that information or criticism, whether founded or unfounded, causes harm to its image or reputation. Today this risk has been increased by the speed at which information is disseminated, facilitated by new technologies and in particular social media or networks.

To reduce the risk of negative publicity that could significantly impact its business and performances, the Group has adopted in all its subsidiaries good practices and rules of confidentiality. This has been accompanied by a system designed to rapidly identify potential risks and alert management when necessary and, as applicable, set up a dedicated crisis management unit with clearly defined and shared processes.

DEPENDENCE ON SUPPLIERS

As part of its global purchasing policy, the Group relies on an approved panel of suppliers for production (475 in 2016 versus 470 in 2015), which accounted for approximately 85% of its worldwide needs in 2016. The top 50 suppliers accounted for 38% of direct spend by value (41% in 2015). With respect to the procurement of finished products, Groupe SEB has established a panel of some 50 suppliers who account for 91% of total purchases.

Based on 2016 figures, the top three production suppliers provide nearly 6% of purchases (identical to 2015), and split almost evenly among them. The top three suppliers of finished products provide around 37% of the total, with the leading supplier contributing around 23% alone, the second 8% and third 5%.

Excluding the leading supplier, the weak weight of the next-in-line show that the Group's policy of optimising purchasing procedures (in particular sourcing from a smaller number of suppliers) has not resulted in an excessive concentration of risks. Indeed, the Group is dependent on external suppliers, where a late service or delivery or a bankruptcy could be highly prejudicial to its trading activity; it is therefore especially vigilant in spreading its risk base and limiting its reliance with regard to procurement. Its priority is to ensure continuity of production under optimum economic conditions and to have a variety of options at its disposal, within a single product family or for a specific technology.

INDUSTRIAL AND ENVIRONMENTAL RISKS

PRODUCTION AND SUPPLY CHAIN RISKS

Groupe SEB is exposed to events of varying origins (natural disasters, fire, technical failures, contamination, etc.) that may have a negative impact on a plant or logistics warehouse's operations, thereby affecting the market availability of its products. These types of events may have negative consequences for the Group's business, preventing it from achieving sales targets, and leading to a deterioration – one-off or sustained – of the relationship with certain distributors affected by the problems in question. The possibility that these types of events, particularly those affecting the Group's production sites, may have environmental repercussions, also cannot be ruled out.

The Group takes an active approach to industrial risk prevention by conducting regular audits, investment in maintenance and the optimization of certain processes in order to limit the probability of such risks occurring. In practice, the European, US and Chinese sites are generally not, or only slightly, exposed to major natural risks (hurricanes, floods, earthquakes, etc.). Nevertheless, the Group has introduced training initiatives to help its employees deal with these types of events.

In parallel, the Group has long prioritized safeguarding the environment by implementing an eco-production policy to limit its environmental footprint, which has materialized in ISO 14001 certification of its industrial sites. Details of measures adopted are given in section 3, pages 127 to 135.

RISKS RELATING TO EMPLOYEE HEALTH AND SAFETY

The health and safety of its employees are among Groupe SEB's foremost concerns. Nonetheless, the risk of occupational illness or workplace accidents damaging physical integrity or posing a threat to human life cannot be ruled out. Besides metal stamping (pressure cookers, frying pans and saucepans), surface treatments (nonstick) and the manufacture of certain components that occupy less than 10% of total production staff, most of Groupe SEB's production involves assembly operations. The most sensitive processes are closely monitored. In assembly processes, the most likely risks are minor bodily injuries or injuries due to handling, as well as musculoskeletal disorders for which the Group takes all necessary precautions (training in ergonomics, specialist advisers and Steering Committee on each site, etc.) to minimize their occurrence. The Group makes employees at all levels aware of safety issues, particularly via the global Safety in SEB program which aims to spread good practice and systematically propose corrective measures to combat potentially hazardous situations. Details of Group initiatives to reduce workplace accidents and musculoskeletal disorders are given in section 3, page 111.

Despite the Group's efforts to limit workplace accidents and occupational illnesses, they cannot be completely ruled out and may have a negative effect on results in the event of civil or criminal sanctions, as well as damaging the Group's reputation.

CLIMATE CHANGE-RELATED RISKS

Due to its industrial activity, Groupe SEB is exposed to a certain number of risks that are directly related to climate conditions : storms, droughts, flooding, heat waves, etc, and as such, more widely, to climate change.

Thus, the Group set up a risk assessment of these risks and has all the necessary insurances to cover any financial consequences.

Combating climate change is taken into account way upstream of internal processes and from the design of the products. The Group focuses as well on optimizing the use of raw materials as on ensuring energy efficiency, repairability, recyclability or transport optimization in order to reduce its products' carbon footprint. It thus measures the greenhouse gas emissions stemming from the production and transport of its products and has set itself four ambitious goals to be met by 2020:

- 20% less energy consumption by electrical product (base year: 2013);
- 20% less energy consumption by production plant (base year: 2010);
- at least 20% recycled materials in new products;
- 20% less greenhouse gas emissions from transporting products (base year: 2013).

In 2016, Groupe SEB signed up to the Science Based Targets intitiative launched in 2015 by WWF together with the Global Compact (UN), the WRI (World Resources Institute) and the CDP (Carbon Disclosure Project). This initiative encourages multinational groups to bring their greenhouse gas emission reduction targets into line with the IPCC (Intergovernmental Panel on Climate Change) recommendations to limit average global warming to 2°C.

With regard to the assessment of climate-change related risks and the steps taken by the Group to reduce them as a part of its environmental strategy, please refer to section 3.9 "Reduction of environmental impacts".

LEGAL RISKS

RISKS ASSOCIATED WITH COUNTERFEITING

The Group has a large portfolio of international and regional trademarks, registered worldwide, giving it a decisive competitive advantage. This portfolio is continually growing on the back of the Group's recent acquisitions and the launch of new products each year, accompanied by a large portfolio of domain names. The innovation and creativity shown by the Group each year give rise to industrial patent applications (127 high-priority applications in 2016), filing of design patents (trade dress pertaining to the protection of product look and feel) along with other intellectual property assets protected by copyright such as a large database of cooking recipe photographs for example.

The recognition enjoyed by Groupe SEB's brands and the success of its innovative products give rise to the infringement of various of its intellectual property rights (patents, trademarks, trade dress), cybersquatting (registration of a domain name that matches a protected trademark), phishing. The Group's response is multi-faceted:

- a strategy of targeted registration of trademarks, trade dress and patents having regard to the sales outlook and high-risk countries;
- a strategy to fight against counterfeit that is systematically applied in the field, primarily in high-risk countries such as China and in the Middle East (monitoring of trade fairs, investigations, customs seizures, legal action, destruction of molds and inventories) as well as in high-stake trading countries;
- enhanced efforts to combat piracy online (marketplaces, websites) thanks to a global monitoring system that generates regular reports and makes it possible to take rapid action to remove online copies and combat trademark infringement and cybersquatting. These efforts are to be strengthened by a social network monitoring system designed to, for example, remove fake pages of our brands on social media networks.

The Group continues to set aside the budgets required to protect its key intangible assets such as trademarks, innovation and to combat counterfeit.

RISKS ASSOCIATED WITH CHANGES IN TAX REGULATIONS

Groupe SEB has a commercial presence in many countries and is subject to numerous different domestic tax laws. Adverse changes in tax regulations in certain countries in which it has a presence cannot be ruled out. It is in particular exposed to risks of increases in existing taxes or of the introduction of new ones, especially those relating to corporate income tax, customs duties, statutory deductions or the repatriation of dividends from its various subsidiaries. These factors could have an adverse effect on the Group's tax liability, cash flow or earnings.

FINANCIAL AND MARKET RISKS

RISKS RELATING TO THE IMPAIRMENT OF INTANGIBLE ASSETS

Groupe SEB has built its business on a powerful portfolio of brands, some of which are treated as assets in its balance sheet. The total value of brand assets as at 31 December 2016 was €554 million, concerning mainly All-Clad, Supor, Lagostina, Arno and Rowenta as well as a preliminary amount for WMF.

Moreover, as Groupe SEB regularly engages in external growth transactions, goodwill is shown in the Consolidated Financial Statements at the end of 2016 for an amount of €1.847 billion, most of this amount having been recognized at the time of the All-Clad and Supor acquisitions as well as WMF for which the amount, at this stage, is preliminary.

Under IFRS accounting standards, the value of brands and goodwill must be tested annually to check that the value entered in the balance sheet is consistent with the actual performance of the relevant brands and subsidiaries in their own markets. Any significant drop in expected cash flow, notably related to a brand's commercial under-performance, or reduced profitability of the subsidiaries concerned, could require an adjustment in the balance sheet which may involve a partial or total recognition of impairment of the asset's value.

Furthermore, with a view to creating value for its brands, the Group is investing in R&D in order to nurture its offering with innovative, ground-breaking products, as well as in advertising and marketing with the aim of improving the visibility of its brands, boosting its sales and strengthening its competitive positions in the field.

Supplementary information is provided in Note 10 to the Consolidated Financial Statements.

LIQUIDITY AND COUNTERPARTY RISK

Groupe SEB's business is based on a short-term cycle and requires little heavy capital investment.

Liquidity risk management is handled centrally by the Treasury and Financing department. It is based on a solid financing architecture (no financing includes covenant-linked early repayment clauses) and diversified over the short and medium-terms, with commercial paper, syndicated loans, *Schuldschein* private placements and bonds. Groupe SEB also has unused confirmed medium-term credit lines with leading banks.

The Group considers itself to have little exposure to financial counterparty risk as it prioritizes relationships with leading banks and diversifies its counterparty portfolio.

Details of the maturity dates of the instruments used and the financing sources available are provided in Notes 24, 25 and 26 to the Consolidated Financial Statements.

CURRENCY RISKS

Groupe SEB sells its products in close to 150 countries. With production rather concentrated in France and in China, its business is, therefore, highly exposed to transaction currency risk when products are billed to our customers in a currency that is different from that used in production. This makes managing foreign exchange fluctuations a competitive priority. There is also a translation effect when converting revenues and earnings from different countries into euros on consolidation.

The Group's currency position remains short in dollars and yuan and long in many other currencies. To limit its risk, the Group hedges a portion of its highly probable cash flows, as well as almost all of its balance sheet transaction risk, by means of forward contracts and options.

Nevertheless, for several years, the Group's trading activity has been strongly disrupted by volatile exchange rates. Given the sometimes sudden fluctuations in exchange rates, the Group has been constantly led to adapt its pricing policy: increasing sale prices to preserve the local profitability of commercial subsidiaries where the relevant currency depreciates against the production currency and adjusting prices downwards to preserve market momentum and competitiveness if exchange rates improve. The effects on the Group's financial performance are therefore very different from one year to the next.

Details of exchange rate risks are given in the notes to the Consolidated Financial Statements (Note 26.2.1).

INTEREST RATE RISK

The Group uses different types of financing (bank borrowing, private placements, bonds, commercial paper, etc.) to meet its development and investment policy requirements. It uses mostly fixed-rate loans, in particular with long maturities, in currencies that correspond to its needs (mainly the euro and the Brazilian real). The longest-term among these loans, extending to 2026, has been financed at a fixed rate, making it possible for the Group to protect itself against the likelihood of interest-rate rises.

It should be noted that none of these loans comes with early repayment clauses based on covenants.

Details of interest rate risks are given in the notes to the Consolidated Financial Statements (Note 26.2.2).

RISKS RELATING TO SHARES

As at 31 December 2016, Groupe SEB held 622,110 treasury shares for a total value of €56.8 million. This treasury stock is deducted from shareholders' equity at acquisition cost.

Based on the closing price of the SEB share as at 31 December 2016 (€128.75), the market value of treasury stock was €80.1 million (this market value has no impact on the Group's Consolidated Financial Statements). A 10% increase or decrease in the share price would therefore have led to an €8 million change in the market value of treasury stock. This change has no impact on the consolidated income statement or shareholders' equity.

Further information on share risks is given in Note 26.2.4 to the Consolidated Financial Statements. This data also takes account of risk on the Supor share which is quoted on the Shenzhen stock market.

SENSITIVITY ANALYSIS

Groupe SEB conducted a sensitivity analysis based on financials published in 2016 to assess the impact of euro-dollar exchange rate fluctuations on its Operating Result from Activity and the effect of interest-rate variations on profit before tax.

The Group has had a short position for the US dollar for a number of years. The sensitivity analysis shows that a 1% rise in the dollar against the euro would have a negative impact of about €6 million on the Operating Result from Activity. The Group also holds a significant short position on the Chinese yuan. A 1% rise in the yuan against the euro would have a negative impact of about €3 million on the Operating Result from Activity. However, other important operating currencies for the Group could also have a significant impact on the Operating Result from Activity. These include the yen, the ruble, the Brazilian real, the pound sterling, the Turkish lira, the South Korean won, the Polish zloty, and the Mexican peso.

This sensitivity analysis does not take into account the impact of currency exchange fluctuations on the competitiveness of the European manufacturing base, which still accounts for a large percentage of the Group's production: a strong euro in relation to most other currencies, notably the US dollar, makes European manufacturing more expensive than production in dollar zones, and thus acts as a curb on exports. Conversely, a stronger dollar is a source of better competitiveness for our European manufacturing base. Since the Group relies less on sourced finished products than its competitors, it has a lower exposure to the US dollar (which remains the standard currency for purchasing outsourced products) than other companies.

With regard to interest rates, sensitivity analysis shows that the impact of a change of 100 base points in short-term interest rates on profit before tax would be €4.3 million, based on Group debt at the end of 2016.

Notes 26.2.1, 26.2.2 and 26.2.3 to the Consolidated Financial Statements provide additional information on the Group's sensitivity to currency fluctuations and changes in interest rates and raw material prices.

INSURANCE

GROUP GENERAL INSURANCE COVER

Groupe SEB's policy concerning insurance coverage is, on the one hand, to protect its assets against risks that could affect the Group and, on the other, to cover its liability for any damages caused to third parties. This transfer of risk to insurance companies is nonetheless accompanied by risk protection and prevention measures. For confidentiality reasons, the amount of the premiums is not disclosed.

INTEGRATED WORLDWIDE COVERAGE

The Group has established worldwide insurance plans with major international insurers to protect itself against major risks, which include damage to property and loss of earnings, civil liability, environment, transport and inventory and customer risks.

DAMAGE TO ASSETS AND LOSS OF EARNINGS

Coverage for risk of property damage and consequent loss of earnings resulting from common risks (fire, flooding, etc.) amounts to €250 million per claim for factories and warehouses, with an additional €150 million for certain strategic sites.

This figure was calculated using the "Maximum Foreseeable Loss" hypothesis in consultation with the insurer and its assessors who analyzed the impact of the total destruction of one of the Group's main production centers. Lower thresholds are in place for other types of more specific or localized risk, such as the risk of earthquake in certain regions where the Group operates abroad.

This policy takes into consideration additional risk protection measures at Group sites, which are regularly visited by specialist risk prevention assessors from the insurance companies concerned.

CIVIL LIABILITY

All the Group's subsidiaries are included in a worldwide civil liability insurance plan that covers liability relating to their operations and the products that they manufacture or distribute, as well as the cost of product recalls.

The amounts of coverage are based on reasonable estimates of the risks incurred by the Group in view of its business.

The Group also covers its management for civil liability under a specific insurance policy.

ENVIRONMENT

A multi-risk environmental insurance policy covers environmental risks on all Group sites.

Coverage applies to:

- accidental, historical and gradual pollution;
- damage to biodiversity;
- pollution clean-up costs.

TRANSPORT AND INVENTORY

The Group's transport insurance covers damage to transported merchandise for all types of transport: sea, road/rail or air transport anywhere in the world.

This insurance covers transport risks up to an amount of €10 million per occurrence.

It also covers incidents occurring at warehouses up to a maximum of €15 million, with any amount over this limit being covered by the policy for damage to property and loss of earnings.

CUSTOMER RISK

With rare exceptions relating to local issues, the Group's subsidiaries have taken out credit risk insurance under a Group plan to cover the majority of their risk on customer receivables.

LOCAL INSURANCE POLICIES

More specific insurance policies are taken out locally by each of the Group's companies, as appropriate.

SIGNIFICANT EVENTS AND LITIGATION

There were no exceptional events or litigation proceedings other than those referred to in Note 29.1 to the Consolidated Financial Statements.

In the past 12 months, other than the proceedings reflected in the financial statements and described in the accompanying Notes 29.1 and 29.2 of Chapter 5 Consolidated Financial Statements, there have been no other government, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) which may have or have had in the recent past significant effects on the Group's financial position or profitability.