# 1.1. History

*Acquisitions* *Organic growth* *Innovations*

| | |
|---|---|
| 1857 | Creation of a tin-plating workshop in Selongey in the Burgundy region, France |
| 1932 | First hand-crank food mill by Moulinex |
| 1944 | The company takes the name S.E.B. (Société d'Emboutissage de Bourgogne) |
| 1953 | Launch of the Super Cocotte pressure cooker, which was to give rise to the Seb brand |
| 1954 | The first Tefal non-stick pan and the first Calor steam iron |
| 1967 | Seb invents the odorless electric fryer |
| 1968 | Acquisition of Tefal and its European subsidiaries (Germany, Belgium, Denmark, Netherlands, Italy) |
| 1972 | Acquisition of Calor |
| 1972 | Opening of subsidiaries in England and the US |
| 1973 | Creation of Groupe SEB |
| 1975 | Initial public offering of SEB S.A. |
| 1975 | Opening of a subsidiary in Japan |
| 1978 | First Tefal raclette grill |
| 1981 | First Calor electronic iron |
| 1988 | Acquisition of the German company, Rowenta |
| 1991-93 | Opening of subsidiaries: Mexico, Poland, the Czech Republic, Slovakia, Hungary, Turkey, Canada, and Portugal |
| 1994 | Seb Clipso pressure cooker with innovative opening mechanism |
| 1994 | Dymbo vacuum cleaner by Rowenta |
| 1994-96 | Further international expansion (Russia, United Arab Emirates, Brazil and Argentina) |
| 1995 | Pots and pans with Ingenio removable handles by Tefal |
| 1997-98 | Opening of subsidiaries in Australia and South Korea |
| 1997-98 | Acquisitions of the Brazilian company, Arno, and the Colombian company, Volmo (Samurai brand) |
| 2000 | Thermospot by Tefal (heat indicator integrated in the nonstick surface) |
| 2001 | Moulinex-Krups takeover |
| 2003-04 | Further development in Asia (Thailand and Malaysia) |
| 2004 | Acquisition of All-Clad, a high-end cookware specialist in the United States |
| 2004 | Repelente anti-mosquito fan by Arno |
| 2005 | Acquisitions of the Brazilian company, Panex, and the Italian company, Lagostina |
| 2006 | Actifry, "low-fat" fryer with only a spoonful of oil |
| 2007 | Acquisition of a majority shareholding in the Chinese company, Supor |
| 2007 | Silence Force vacuum cleaner by Rowenta |
| 2011 | Acquisitions of Imusa in Colombia and Asia Fan in Vietnam |
| 2011 | Acquisition of a majority shareholding in the Indian company, Maharaja Whiteline |
| 2011 | Creation of the SEB Alliance investment fund |
| 2011 | Acquisition of an additional 20% capital interest in Supor |
| 2012 | Cookeo multicooker by Moulinex, Freemove cordless iron, and Steampod, the professional hair-straightening solution, in partnership with L'Oréal |
| 2013 | Cuisine Companion, the first cooking food processor by Moulinex and Optigrill, the intelligent grill |
| 2014 | Cookeo Connect, the connected version of Cookeo |
| 2015 | Acquisition of the Scandinavian company, OBH Nordica |
| 2016 | Capital stake in Supor increased to 81% |
| 2016 | Acquisition in Germany of EMSA, the kitchen utensil and accessory specialist |
| 2016 | Acquisition of WMF, the world leader in professional automatic coffee machines and leader in cookware in Germany |
| 2017 | Acquisition of the Swiss company, Swizzz Prozzz, which specializes in mini hand choppers |
| 2017 | Air Force 360, the all-in-one cordless handstick vacuum cleaner |
| 2017 | Body Partner by Tefal, the connected bathroom scales |

# 1.2. Business sector



## THE SMALL DOMESTIC EQUIPMENT MARKET

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

The global Small Domestic Equipment market is divided into many distinct national and regional markets with their own local consumer cooking, eating and product utilization habits. It also lacks 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. Based on the latest available statistics and Group estimates, the size of the market addressed is currently estimated at approximately €40 billion for **small electrical appliances** and €22 billion for cookware and kitchen utensils.

- **The small electrical appliances market targeted by Groupe SEB** includes several segments varying considerably in size, and ranked below according to their overall weighting:
  - **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);
  - **food preparation**: blenders, kitchen machines, heating/cooking food processors, beaters, mixers, citrus squeezers and juicers, etc.;
  - **linen care**: ironing (dry and steam irons, steam generators and garment steamers), semi-automatic washing machines, etc.;
  - **personal care**: hair care appliances (hairdryers, blow-drying hairstylers, hair straighteners), hair trimmers, depilators, bathroom scales. The Group does not operate in the dental care or men's shaving segments which are accordingly excluded from its target market;
  - **home care**: vacuum cleaners;
  - **home comfort**: fans, heaters, air treatment appliances.

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 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 utensil and accessories market includes, for example, spatulas, ladles, skimmers, kitchen knives, 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 Swizzz Prozzz, EMSA and WMF, Groupe SEB now ranks among the top five global players in this segment. However, its share of this highly fragmented but extremely promising market remains limited.

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 various factors:

- global consumption trends driven by a growing interest in health and wellbeing, encouraging the development of "home-made" products;
- 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 the general environment and events. These markets are experiencing strong demand from first-time buyers and their buoyant growth is fueled 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;
- the co-existence of "global" products addressing universal needs or easy to tailor on a country scale with a product offering adapted to the specific lifestyles and consumption habits (particularly in relation to 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 credit 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 sold during holiday periods or for special events (back to school, Christmas, Chinese New Year, Singles' Day, Black Friday, 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.

On top of these specific moves, changes in distribution are playing a crucial role in the emergence of new consumer purchasing behavior: the 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), sometimes to the detriment of retail banners with a physical presence. As a result, growth in this market is currently being broadly driven by e-commerce: major online specialists (pure players like Amazon, Tmall, JD.com, Nova Pontocom, etc.) as well as the websites of initially "physical" retailers ("bricks-and-mortar" retailers).

## MULTIPLE FORMS OF COMPETITION

In a global context, the very nature of the Small Domestic Equipment market requires **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 and solid positions in local markets. On this basis, Groupe SEB is the only player boasting such **broad international reach**, supported by a portfolio containing a wealth of global brands and brands with local leadership positions. This gives it a strategic advantage versus a very disparate range of competitors consisting of:

- **large global groups (with, for some of them, only a marginal exposure to the small electrical appliance sector)**. Philips and Electrolux, for example, have a diversified product offering and a huge international presence. These two players are joined by Spectrum Brands and Conair, which mainly roll out their product ranges in Europe and the US, while Bosch-Siemens and Braun (P&G) are principally active in Europe. De Longhi completes the list: this major player in coffee and food preparation is expanding its sectoral and international presence;
- **major cookware manufacturers** marketing a broad product range internationally, such as the US group Meyer, and the German companies Fissler and Zwilling-Staub;
- **numerous international players in the highly fragmented kitchen utensils market,** including Tupperware, Rubbermaid (Newell Brands), Ikea, Oxo (Helen of Troy), Thermos and Lifetime Brands;
- **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 Polaris in Russia; Newell Brands, which mainly addresses North America, Hamilton Beach Brands and SharkNinja on the American continent; Mallory, Mondial, Britania and Tramontina (cookware) in South America; and Panasonic in Asia;
- **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;
- **specialists** concentrating on one or two product segments: in small electrical appliances with innovative technologies, for example Dyson and iRobot, or with high-end positioning, such as Vorwerk and Jura; and in cookware, for example the French company Le Creuset, which specializes in cast iron cookware;
- **private labels or white label goods** in large part focused on aggressively priced entry-level products from Chinese sub-contractors which, however, have a market share that is weak overall in terms of small electrical appliances. Conversely, in cookware, the Group's main competitors internationally are often private labels;
- finally, certain companies' activities and brands are present in both B2B and consumer segments, as in the cases of Kitchen Aid (Whirlpool), Magimix (Robot-Coupe), Jura, and Vorwerk, for example.

Generally speaking, in both small electrical appliances and cookware, competition is intense and 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.

## THE PROFESSIONAL COFFEE MARKET

The acquisition of WMF has represented a great opportunity for Groupe SEB to enter the highly attractive market of professional automatic coffee machines for hotels, restaurants, cafés, bakeries and convenience stores.

On a professional coffee machine market worth nearly €8 billion globally (source: Estin & Co.), Groupe SEB has thus penetrated a very specific segment: fully automatic machines, which represent approximately 25% of the total market (including equipment and services), and whose sales are driven by rapid growth in out-of-home consumption of speciality and premium coffees.

The Group has positioned itself as the undisputed global leader in this high concentrated market segment through two brands, WMF and Schaerer. Franke, Thermoplan and Melitta are also global benchmark players, alongside more minor groups in this segment but with a strong presence in other categories (La Cimbali, Rancilio through the Egro brand, and Jura).

# 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 unrivaled brand portfolio within the industry and a capacity to work with all distribution channels. On the other hand, it relies on a constant search for competitiveness, which is achieved via a complete manufacturing base and a rigorous and responsible purchasing policy.

## A STRONG PRODUCT INNOVATION DYNAMIC

Innovation is firmly rooted in the Group's values and is one of its most powerful development and differentiation drivers. It gives the Group the leading edge required to stay ahead of the competition and 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

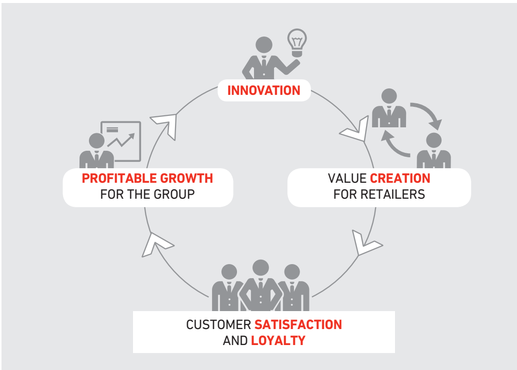
The Group's history is one of continual innovations and breakthroughs incorporating unique concepts, new features and ingenious discoveries. These innovations have been reflected in tangible advances in the everyday life of consumers. Iconic products, such as the Seb pressure cooker or the Moulinex hand-crank 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 machines and home beer-tapping machines;
- the introduction of several innovative products, 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 Cyclonic 4AAAA and Silence Force Extreme vacuum cleaners, which combine power with very low noise levels; silent fans, the Airforce 360 versatile handstick vacuum, smart appliances (Cookeo and Optigrill), and the Cuisine Companion cooking food processor; anti-limescale iron and high pressure steam generator irons, etc.;
- the introduction of new features such as a self-cleaning iron sole-plate, fast-heating steam generators, and wireless irons in linen care; heating and cooking blenders in the food preparation segment; anti-mosquito fans in home comfort, etc.

Innovations are now largely based on digital technology, with the development of connected products to improve the daily life of the consumer, but also associated services offered as part of a global ecosystem (e.g. kitchen recipes updated on mobile app). Groupe SEB's new connected devices aim to provide more customization, efficiency and immediacy. The most recent launches include: Cookeo Connect by Moulinex (monitoring of recipe creation and guidance from tablet or mobile), i-Companion (connected version of the Cuisine Companion cooking food processor by Moulinex), Latte Smart by Krups (preparation and recording of a coffee recipe from a mobile app), Cooking Connect by Tefal (connected kitchen scales) and Body Partner by Tefal (connected bathroom scales).

## 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.

In 2017, in order to accelerate product development and launches, Groupe SEB decided to set up a global Innovation hub for the small electrical domestic appliance business in Écully, France. The aim is to bring together all of the Innovation chain's main players in this market on a single site. 230 employees from the marketing and research teams will be relocated to the Group's global headquarters by the summer of 2018.

The Group also plans to implement a shared, collaborative approach to innovation internally. 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.

This approach is also open to external partners. In 2013, 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. SEB&You, launched in December 2015, also directly involves consumers in the innovation process, inviting them to test new concepts or areas of innovation: since late 2015, 1,037 products have been tested and the community now has 2,800 members.

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 benefit from 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, such as 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 in 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.

Lastly, inspired by the idea of fablabs (labs dedicated to creativity and materialization), Groupe SEB now has a SEBLab gathering the various tools conducive to new product creation. This space for experimentation brings together mixed teams (marketing, research, design, internal and external experts) to work on the same project in short sessions (four days on average): the aim is to shorten the innovation cycle for certain products and identify the potential of new ideas more quickly.

## SEB ALLIANCE: FINANCING AND PARTNERING INNOVATIVE START-UPS

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 reducing the environmental footprint.

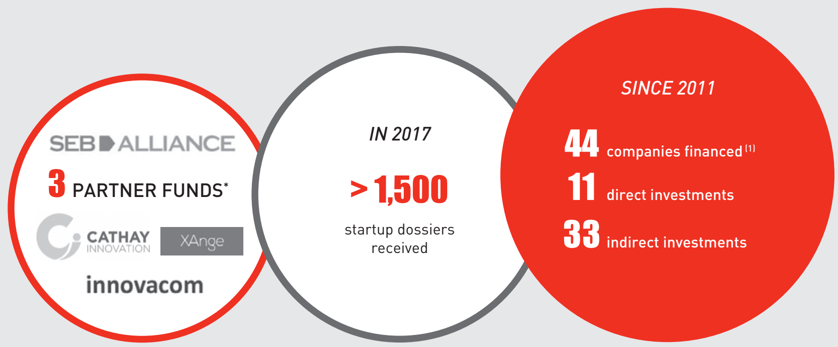
In this context, SEB Alliance favors acquiring initial minority stakes (5-15% of the share capital), for an average amount of approximately €1 million. SEB Alliance has invested directly in around ten companies since it was created, in areas that are consistent with Groupe SEB's strategic areas for innovation and could result in consumer applications, such as:

- digital/Big Data, with Alkemics (a specialist in product data exchange between brands and retailers);
- beauty/health with Feeligreen (active and passive patch technologies for cosmetic and therapeutic applications);
- the Internet of Things with SeniorAdom (telecare that enables people with reduced mobility to remain at home) and robotic connected products with Robart (smart navigation solutions) and Keecker (voice-enabled multimedia robot);

- air purification with Ethera (solutions to measure and purify indoor air);
- water filtration with Memtech (filtration solutions based on an innovative membrane technology).

These companies provide technological “bricks” that the Group can use to accelerate in certain areas of innovation. For example, the collaboration with Ethera has resulted in the creation of a new range of air purifiers (Intense Pure Air by Rowenta); and, more recently, the new range of robot vacuum cleaners by Rowenta has been launched, incorporating Robart navigation technology.

In order to further expand the scope of its watch and its ecosystem (in the US, China and very specific sectors), SEB Alliance has also forged strategic partnerships with three multi-corporate investment funds (Cathay Innovation, Technocom 2 and Xange Digital 3) that the company may accompany in co-investment.




*SEB Alliance is a strategic financial investor in these funds

[1] At end-December 2017

**3 main target sectors**

Digital and connected home
Wellbeing and population ageing
Reducing the environmental footprint

**Shared technology Watch**

R&D collaboration
International scope
of which Europe,
the US and China

**R&D and Business Collaboration**

Prototypes and studies
Co-development
Commercial partnerships

### MAJOR INVESTMENTS IN INNOVATION: €225 MILLION IN 2017

Each year, the Group invests 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 2017, gross investment in R&D excluding CIR (research tax credit) and capitalization amounted to €138.5 million (€104 million in 2016). Excluding WMF, investment in strategic marketing stood at €81 million (compared with €75 million in 2016). 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.

## AN UNRIVALED BRAND PORTFOLIO

The Group has a portfolio of 29 brands, the largest in its industry, which is a strong pillar for its strategy of profitable growth. This multi-brand strategy gives it a broad coverage of its markets.

Each brand has a clearly defined identity that is expressed through its product selection, functionalities and the look of its products, or its communication platform. There are three main sub-groups:

- **Core brands** that are very well known and whose coverage is global (Tefal, Rowenta, Moulinex and Krups) or regional (Arno in Brazil, Supor in China, Imusa in Colombia, and Seb and Calor in France). These brands’ coverage may vary greatly depending on the product family; from specialist brands (such as Moulinex and Krups in kitchen electrics, and Rowenta in non-kitchen electrics) to more general brands (e.g. Tefal and Supor).

- **Premium brands** (WMF, Lagostina, All-Clad and Silit), distributed through selective channels. These are managed in a specific way, guaranteeing strong, uniform expression of their identity and values (communication, design, pricing policy, etc.)
- **BtoB brands** (WMF, Schaerer and Hepp) are only sold B to B to professionals.

The Group's digitization strategy is fully integrated with the positioning and communication of these brands in their market. In this context, the global Consumer brands have overhauled their platforms, websites and social networks in order to be perfectly in line with their target consumers. This project, which was launched in 2015, is now completed and the new brand platforms are fully operational.

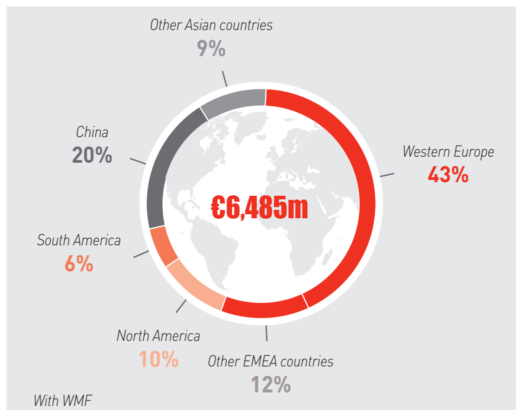
In addition to the management of its brand portfolio, the Group pursues a strategy of partnerships to develop new concepts and step up its sales through the co-branding of two high-profile brands. Accounting for almost 10% of sales, these partnerships are major drivers of innovation and growth for the 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 Western Europe, China, Russia, Japan, 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 2017, 59% of its sales were generated in mature countries (53% excluding WMF) and 41% in emerging countries (47% excluding WMF).

SALES BY REGION IN 2017



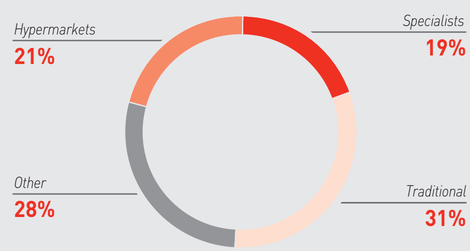
## A MULTI-CHANNEL DISTRIBUTION STRATEGY

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 overweighted in emerging markets. The percentage of online sales continues to grow rapidly (representing close to one quarter of sales in 2017), driven by both e-commerce specialists (pure players) and bricks-and-mortar retailers, including specialist brands, as they ramp up their online presence (click-and-mortar).

In addition, the Group also has a network of stores, either directly operated or under franchise, numbering more than 1,200 at the end of 2017: their positioning may be multi-brand (Home & Cook and Tefal Shops) or mono-brand (Supor Lifestores and, more recently, WMF). This network, which is the Group's biggest customer, represents nearly 7% of consolidated sales, but may exceed more than 20% in some countries (e.g. Turkey and Japan). These stores showcase the diversity of the Group's offering and represent a unique opportunity to get close to the consumer and improve our understanding of market trends.

SALES BY DISTRIBUTION CHANNEL




*Excluding WMF*

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-store, to ensure that its products are promoted on its customers' shelves and websites. This approach is supported by investment in marketing and advertising, which has been significantly strengthened in recent years: excluding WMF, it amounted to €480 million in 2017 (including €74 million in expenditure reclassified from Supor), compared to €435 million in 2016. The objectives remain as follows:

- further strengthen brand and product recognition through advertising;
- continue to roll-out of the best in-store execution through category management, effective merchandising, the creation of dedicated shop-in-shops and promotional events;
- guide and support the Group's new product launches;
- accelerate digital marketing (brand websites, digital campaigns, data marketing, etc.) and support the ramp up of e-commerce.

## AN ACTIVE ACQUISITION POLICY

Acquisitions are another pillar of the Group's development 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 achieve leadership status 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) bringing its current holding up to 81.17%.

Furthermore, in February 2011, the Group acquired Imusa, a Colombian cookware company. In May 2011, it 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 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. EMSA is a well-known brand in German-speaking countries and is the market leader in thermoware and food storage containers in Germany. 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:

- acquired a solid worldwide leadership in the very attractive professional coffee machines market characterized by strong growth, high profitability and significant recurring revenue reflecting important contributions from after-sales operations;
- considerably strengthened its position in the cookware segment by becoming the leader in Germany, with, in particular, a high-end stainless steel product offering;
- gave a further boost to its development, following EMSA's acquisition, in the key kitchen utensils and accessories market;
- consolidated its portfolio by adding strong new brands including the iconic WMF as well as Schaerer, Silit, Kaiser, and Hepp;
- accessed a network of 200 proprietary retail outlets in Germany, providing a powerful vehicle for promoting its image and sales.

In 2017, the Group continued its expansion in kitchen utensils with the acquisition of Swiss company Swizzz Prozzz, a specialist in mini hand choppers with high-performance multiple blades. Swizzz Prozzz's products, which are very complementary to those of the Group, had previously been marketed under license through various kitchen utensil brands, generating pro forma annual sales of around €10 million.

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# THE NEED FOR COMPETITIVENESS

This is one of Groupe SEB's major strategic pillars, complementary to growth. The Group's competitiveness is based on a powerful and versatile manufacturing base, long-term optimization of industrial productivity and a rigorous and responsible purchasing policy.

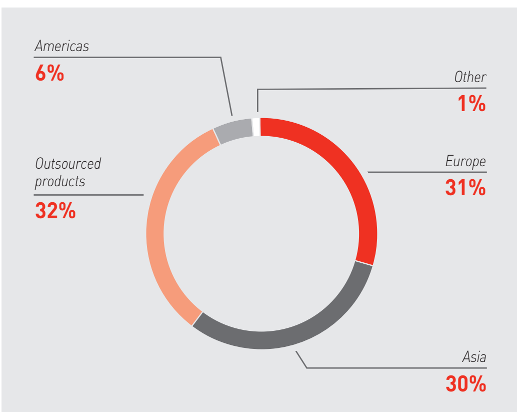
## A COMPLETE MANUFACTURING BASE

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.

After acquiring EMSA and WMF, it has 40 manufacturing sites which produce 68% of the products sold by the Group throughout the world. The other 32% are outsourced, in particular in China.

### SALES BY ORIGIN OF PRODUCTION




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 the product offering. This makes it possible to promote the concept of the "technical basis" 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 needs.

In 2017, the Group began the final phase of the reorganization of its industrial facilities in Brazil, combining the Brazilian production activities of Mooca and São Bernardo do Campo within a single, modern industrial site at Itatiaia in Rio de Janeiro State.

The small electrical appliances plant at Mooca, in the heart of the São Paulo megalopolis, was suffering from productivity levels below Group standards as well as major logistical limitations. The new plant in Itatiaia is located in a fast-growing industrial area with a design that is fully in line with all of the Group's industrial and environmental standards. A new logistics center is located nearby, which is helping to optimize customer service across Brazil's entire South Region.

The relocation took place in several phases: it began in November 2016 with the iron manufacturing lines and ended with completion of the full relocation of Mooca's lines at the end of August 2017. This has been followed, in a second phase, by the relocation of São Bernardo do Campo's cookware lines, which is scheduled for completion at the end of the first half of 2018.

This project highlights the Group's commitment to modernize its manufacturing base in a country where economic conditions remain very volatile and the foreign exchange environment calls for significant gains in productivity.

## 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;
- and is reflected in a single, scalable framework resulting from a fully collaborative approach.

Since its launch, the OPS program has enabled the Group to ensure a high level of quality in both its processes and its products. The commitment of the new sites acquired by the Group to incorporating these principles is a highly effective way of introducing an approach of excellence and continuous performance improvement. In China, this has helped with the ramp-up of the Supor Shaoxing site, which is the Group's largest small electrical appliance site. The OPS program was presented at the 11 production sites of EMSA and WMF in 2017, with a view to a roll-out in 2018.

Although it is in a mature phase, the projects and workshops in 2017 continued to broaden the program's coverage to support services and services peripheral to production. As well as industrial activities and maintenance, it now covers logistics, human resources, control and purchasing.

Focusing on the involvement and empowerment of teams across all areas of the value chain, the program now relies on a new matrix: health and safety, quality, cost, time, involvement and environment. For each business, maturity grids by process were developed according to 5 levels. These grids, which were updated and evaluated in 2017, will be rolled out across all sites in 2018, with a dual objective: achieving by the end of 2019 the level of maturity required for all businesses in order to enter the Plant of the Future, standardize measurement approaches and improve performance.

In early 2013, the Group also introduced the PCO (Product Cost Optimization) project which aims to reduce the cost price of present products, optimize the future product offering, and 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 aim of steadily decreasing 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 115 to 118.

Lastly, another key component of the Group's competitiveness is the supply chain, which 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 enables is to develop 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. Since 2017, WMF has been in the Group's direct purchasing scope, with the gradual integration of some of its key suppliers into the Group's panel. In this temporary configuration, in 2017, the panel of direct suppliers for manufacturing supplies comprised 463 suppliers (475 in 2016), with a global purchasing coverage of 72% (compared with 85% in 2016).

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 37% of non-production purchases (versus 42% in 2016: WMF is in the process of joining the panel). 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 been concentrating its panel of approved finished-product suppliers for a number of years: in 2017, 72 companies represented 80% 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. Organization of internal control

The nature of Groupe SEB's business and its large international presence opens up significant development opportunities, but also exposes it to various types of internal and external risks. These risks may adversely affect the Group's results, financial position or assets, or have consequences for its various stakeholders - consumers, employees, shareholders, customers, suppliers, partners, etc. The Group implements a range of measures to identify risks and measure their potential impacts and probability of occurrence. These risks are then managed according to risk control plans that are regularly reviewed and involve the players concerned in the Group's various departments. As with any control system, however, it cannot provide an absolute guarantee that all risks are fully controlled or eliminated.

The scope of application of internal control and risk management procedures encompasses all of the Group's companies and employees, from governance bodies to individual employees. The operational and functional management structures are responsible for implementing these procedures.

Groupe SEB is an international entity, organized primarily into geographical zones by continent, each with their own ranges of products to sell. In addition, operations are managed by activity, covering a group of product lines and trademarks. Lastly, functional management supports operations transversally across all of the Group's businesses. The primary aim of this functional management is to ensure that activities are consistent and effective and to oversee the control functions (e.g. by means of financial standards, IT tools, quality rules, etc.).

The Group's conduct and operational processes are based on two key documents: the Group's Code of Ethics and the Internal Control Manual, which sets out what is expected of employees.

## ORGANIZATION OF INTERNAL CONTROL AND KEY PLAYERS

The key control activities are identified within the functional departments described below, which report directly to a member of the Group Executive Committee.

- Group Executive Committee (COMEX)
  - Audit and Internal Control department
  - Legal department
  - Finance and Treasury department
  - Accounting and Tax department
  - Group Controlling department
  - Financial Communication and Investor Relations department
  - Sustainable Development department
  - Purchasing department
  - Personnel Administration department
  - Health and Safety department
  - Quality and Environment department
  - Supply Chain department
  - Information Systems department

## Audit and Internal Control department

The Audit and Internal Control department is tasked with evaluating compliance with the Group's internal rules and procedures, detecting non-compliance with local legislation and ensuring that Group assets are protected. This department is also required to evaluate the efficient conduct of operations and to ensure that business risks are anticipated and mitigated.

To achieve this, the Audit and Internal Control department is focused on three parallel activities:

1) **Defining and rolling out internal control procedures** ("Internal Control Manual"). This document covers all of the Group's control processes. It is circulated to all Group's entities once a year, and the Audit team carries out an annual update to reflect changes in operations, regulations and management systems;
2) **The implementation of a multi-year audit plan**, based on a prioritization of the entities to be covered according to several parameters: assessment of the level of risk (size of the subsidiary, geography, information system, etc.); frequency of audit coverage; and lastly, the rating of the most recent audit. The plan is approved by the Audit Committee each year. In 2017, the audit team covered 37 Group entities (including 9 WMF entities) and carried out 15 audit follow-up missions;
3) **Coordination and oversight of risk mapping.** The Group's risk map is updated every year using the process described on p. 28 "Risk identification and control process".

The Group's audit team comprised 13 auditors as at 31 December 2017.

## Legal department

The role of the Group Legal department is to ensure compliance with legal and regulatory requirements in the various countries, to protect the Group's assets (and particularly its intellectual assets) and businesses, and to protect the interests of the Group.

Its main tasks are based on the following activities:

1) **Legal support for operations,** regarding all types of regulations, drawing up and updating standard contracts (purchase of goods and services, terms of sale, promotional operations, etc.), oversight of legal firms consulted, pre-litigation and litigation management, defense strategy for intellectual creations, protection of industrial property titles (trademarks and trade dress in particular), and legal watch;
2) **Coordination of the Group's insurance program,** described in detail on p. 36 "Insurance", allowing for an appropriate insurance program for the Group's activities;
3) **Participation in the Group's acquisition strategy:** preparatory agreements, merger control, contract negotiation, and post-acquisition restructuring. The Legal department also helps to implement integration processes within Groupe SEB.

## Financial Communication and Investor Relations department

This department works closely with the other departments within the Finance Function (Group Controlling, Consolidation and Accounting, Treasury and Finance, Legal, Audit and Internal Control), with the operational, functional and continental management structures, and with the Sustainable Development and Corporate Communications departments, in order to carry out several key tasks related to the status of SEB S.A. as a listed company:

1) **Development and implementation of the Group's financial communication.** This communication takes place according to a specific timetable and in compliance with the regulatory framework (AMF*, ESMA*, etc.), ensuring in particular the dissemination of clear, accurate, precise and true financial information, as well as conformity to the principles of equal treatment of investors and consistency of information. The documents and materials produced, published and circulated (Registration Document, Convening Notice, press releases, Analyst and Investor presentations, etc.) undergo a structured production process and are prepared in close collaboration with the Group's various functions. They are reviewed by concerned business Managers and finally approved by the Executive Committee. The Financial Communication department, in conjunction with the Legal department, coordinates the "MAR (Market Abuse Regulation)" Committee described on p. 26;
2) **Identification of the shareholder base and investor relations throughout the year,** through physical or telephone conferences, roadshows, analyst/investor days or individual meetings. These exchanges are intended to give the market information about the Group's strategy, performance and outlook, and to maintain and fuel interest in the stock. In 2017, 32 events were organized, resulting in around 340 contacts.

All the Group's financial information is constantly updated and is available on the website at www.groupeseb.com.

## Finance and Treasury department

The Group's Finance and Treasury department is tasked with ensuring the liquidity of Group operations, the security, transparency and efficiency of treasury and finance operations, and hedging against all financial risks. Its areas of work are as follows:

- managing financial resources, to ensure the Group's liquidity;
- managing and securing cash flows (cash management);
- quantifying and hedging against financial risks (particularly currency, interest rates and commodity risks);
- monitoring relations with banks;
- financing projects, particularly acquisitions;
- overseeing strategies for hedging customer risk.

* *French and European stock market authorities.*

## Sustainable Development department

The Sustainable Development department drives and coordinates the sustainable development policy. It documents and rolls out short- and medium-term action plans, in line with the Group's priority criteria, in each division and on every continent, thus promoting appropriate conduct. It is supported by a dedicated Steering Committee, described on p. 27.

In addition, the Sustainable Development department is responsible for the content of the Group's Code of Ethics and ensures that it is properly circulated and understood in all the entities. As the principles of the Code of Ethics are included in the Internal Control Manual, the ethical compliance of our subsidiaries is regularly checked on site by the internal audit teams. Conformity to the values mentioned in the Code of Ethics does not stop with the company: the Sustainable Development department also monitors the application of these principles by suppliers, by means of a Responsible Purchasing Charter, which is circulated to and signed by all its partners, and regular outsourced audits. This last measure is fully in keeping with our action plans for compliance with the "SAPIN II" and «Duty of Vigilance» laws.

Each of the Group's plants is organized to prevent any pollution (of air, water, or soil) or environmental accidents and to reduce its carbon and environmental impact (particularly in terms of energy, water, and waste). To achieve this, each plant complies with local environmental regulations as well as standards shared by all Group sites. The regulations, and changes in them, are monitored locally by Health, Safety and Environment coordinators. Measures to assess risks, prevent pollution and reduce environmental impact are implemented locally and coordinated at Group head office: a dedicated staff member is responsible for setting environmental goals and defining shared standards. This department also ensures the implementation of performance indicators, which are then monitored and consolidated.

Environmental risk is overseen by a dedicated Group team which regularly monitors changes in regulations and transcribes these regulations into the Group's standards. The *processes* are then rolled out to the plants.

As part of its compliance policy, the Sustainable Development department appoints an external service provider to audit the Group's industrial sites in countries presenting ethical, social and environmental risks.

## Group Controlling department

The Group Controlling department coordinates budget planning and control, using a handbook of management procedures and rules applicable to all entities, including Group budgeting, re-projections and management reporting methods.

Its key oversight responsibilities are as follows:

1) **Budgeting process.** Guidelines and recommendations are circulated to the various entities for budgeting purposes. The Group Controlling department consolidates and oversees the various budgetary adjustments before a budget is approved by the Executive Committee and the Board of Directors;
2) **Re-projections:** throughout the year, as the Group's activities evolve, the Group Controlling department alerts the Executive Committee in the event of a deviation from the budget, quantifies the impact of corrective measures and coordinates re-projections at key times during the year. These are then consolidated and approved at the Executive Committee level;
3) **Reporting and analysis:** every month, to enable effective Group oversight, the Group Controlling department consolidates all information from a single, centralized management tool to establish dashboards for the Executive Committee and Group management. The dashboards include appropriate analyses of significant deviations and trends.

## Accounting and Tax department

The Accounting and Tax department is responsible for ensuring that the Group's accounting principles and standards are compliant with commonly accepted international accounting standards. It defines the Group's accounting standards and oversees their distribution and application, particularly through training courses. It is responsible for preparing the Group's Consolidated Financial Statements and closes the Group's financial statements, in collaboration with the entities, in a timely manner.

The Group Accounting and Tax department oversees and coordinates the Shared Service Centers for Accounting and Management Services. These entities, in France, Poland, Germany, the United States, and China, help improve the Group's internal control system through the sharing of best practices and standardization of procedures, and through the positive effect of the work of the Shared Service Centers on the division of tasks.

The Group Accounting and Tax department also ensures compliance with tax regulations and obligations in all countries where the Group operates, by (i) monitoring tax inspections carried out by tax authorities in all of the Group's entities, (ii) ensuring consistency in the tax procedures used by the entities, and (iii) liaising with tax consultants to verify that the Group's main activities are compliant with current legislation.

### Personnel Administration department

The Group had 33,600 employees in its workforce at 31 December 2017, divided between more than 100 operational entities world-wide. The Personnel department is responsible for ensuring the consistency of personnel management processes. It is organized around three main areas:

- **Definition of personnel management rules** applicable to all of the Group's businesses, in line with local regulations: management of working time and leave, business expenses, tools available to personnel (computers, telephones, cars, etc.), and the payroll process (checks, approval, and security);
- **Rollout and oversight of a single personnel management tool** at Group level, in accordance with local data protection regulations. This includes the administrative process related to employee entry, performance monitoring, and exit;
- **Management of the Shared Service Center** dedicated to payroll for all French entities, ensuring the division of tasks and a strict level of control. The Personnel department also reviews the standard processes for setting up outsourced payroll management;
- **Safety of people:** the Personnel department is responsible for drawing up safety rules, particularly in countries identified as risky (Ministry of Foreign Affairs) and coordinates the monitoring of traveling employees with an external partner to ensure their safety.

### Purchasing department

The scope of the Purchasing department includes the purchasing of components and raw materials required to manufacture products, purchases of finished products, and indirect purchases related to the marketing of products world-wide. The scale of the financial flows involved means that the Purchasing department is central to the Group's internal control process:

- **Centralized purchasing management** in France and Asia to be close to our suppliers. This oversight begins with the implementation of strict rules on how to manage purchases (calls for tenders, purchase requests, approvals, etc.);
- **Oversight of suppliers**, including through performance indicators and reviews and audits of suppliers, relating not only to operational aspects (quality, supply chain, etc.) but also responsibility and ethical, social and environmental compliance, in partnership with the Sustainable Development department;
- **Monitoring purchasing performance:** establishing purchasing strategies, objectives and analyses to optimize efficiency and strengthen control.

### Quality & Environment department

Improving the quality of its products and processes has always been a central concern for Groupe SEB. Groupe SEB uses a Quality Management System (QMS), which is a key pillar of any business, implemented through a shared tool that is available on the Group intranet.

This system includes all the procedures, tools and methods relating to the Group's key processes:

- **Management procedures** with the definition of Group policy, strategic planning, continuous quality improvement, and safeguarding of the environment;
- **Operational processes including strategic** marketing, R&D, sales and marketing, customer order processing and production;
- **Operational support functions, covering human** resources, information systems, purchasing, finance, after-sales service, and customer assistance.

**Monthly reporting allows** the Quality department to accurately track key indicators and adjust its actions.

### Supply Chain department

The distribution of the Group's businesses across all continents requires constant optimization of flows *and procurement.* The Supply Chain department's task is to meet these needs while securing processes:

- **Definition and rolling out of** stock management procedures that apply to all the Group's warehouses, outsourced or not, including: receipt and dispatch management process, inventory management process, security requirements at storage sites;
- **Oversight of product flows:** definition and optimization of product flows (with a view to improving the flexibility of industrial sites) in line with international regulations and in compliance with customs regulations.

| Information Systems department | Health and Safety department |
|---|---|
| Groupe SEB's information systems are designed to guarantee the security, integrity, availability and traceability of information.<br><br>Several priority areas within the Information Systems department help to improve the Group's control environment, including:<br><br>1) **Security of information systems and personal data protection:** a Chief Information Security Officer (CISO) oversees the Group's key indicators, monitors the implementation of security rules in projects, and takes the necessary information, awareness and risk prevention measures. This activity is supported by an Information Systems Security Committee (described on p. 26). With regard to personal data protection requirements, the CISO works with the Legal and Personnel departments: this cross-functional organization is described on p. 31 ("Security of information systems and personal data protection");<br><br>2) **Network architecture:** the Information Systems department ensures the consistency, availability, and integrity of the Group's networks;<br><br>3) **Operational tools** (ERP, business software, office automation, communication): the Information Systems department oversees operations for the Group's tools and participates in an Information Systems Steering Committee, described on p. 26;<br><br>4) **Digital applications:** The Information Systems department ensures the implementation of software components and infrastructure to ensure the quality, security and availability of the service provided to customers: downloadable applications on mobile phones, and tablets to facilitate the use of connected products and give access to digital content, photos, recipes, etc. | Industrial activity has been a central part of the Group's activities since its creation. The health and safety of people working at the sites is a top priority and the responsibility of all Group employees. It is coordinated by the Group Health and Safety department.<br><br>The oversight of the health and the safety of people is based on six key points which are continually emphasized at all our sites:<br><br>• positioning health and safety at the management level;<br>• focusing on one objective, monitored with indicators at site and Group level;<br>• highlighting each accident or serious incident;<br>• sharing the same level of skills and requirements, based on shared standards;<br>• feedback on events and potential adaptation of good practices;<br>• acting promptly on any recorded non-compliance to address it rapidly.<br><br>A cross-functional Strategic Health/Safety Committee is described on p. 26. |

Alongside these departments overseeing the Group's control activities, Committees have been set up on spanning various control topics. These Committees meet two to four times a year and involve managers from the aforementioned departments. Each are responsible for identifying, in their respective areas, any situations requiring action at the central level (regulatory changes, evolution of the market context, etc.). In this case, each Committee will report to the Group Executive Committee.

**Group Executive Committee (COMEX)**

| | |
|---|---|
| Thierry de La Tour d'Artaise | Chairman and Chief Executive Officer |
| Bertrand Neuschwander | Chief Operating Officer |
| Vincent Léonard | Senior Executive Vice-president, Finance |
| Harry Touret | Senior Executive Vice-president, Human Ressources |
| Stéphane Laflèche | Executive Vice-president, Industrial Operations |
| Philippe Crevoisier | Executive Vice-president, Products and Innovation |
| Cyril Buxtorf | Executive Vice-president, EMEA |
| Luc Gaudemard | Executive Vice-president, Americas |
| Frederic Verwaerde/Vincent Tai | Executive Vice-president, Asia |

**Compliance Committee:**

- Audit and Internal Control department
- Legal department
- Human Resources department
- Sustainable Development department
- Finance and Treasury department

**MAR (Market Abuse Regulation) Committee:**

- Chairman and Chief Executive Officer
- Chief Operating Officer
- Senior Executive Vice-president, Finance
- Legal department
- Financial Communication and Investor Relations department

**Information Systems Steering Committee:**

- Information Systems department
- Continental departments
- Products & Innovation department
- General Finance department
- General Human Resources department

**Information Systems Security Committee:**

- Information Systems department
- Audit and Internal Control department
- Human Resources department

**Sustainable Development Steering Committee:**

- Sustainable Development department
- Audit and Internal Control department
- Human Resources department
- Quality & Environment department
- Research department
- Brands department
- Marketing department
- Sales department
- Strategy department
- Legal department
- Customer Satisfaction department
- Industrial department
- Purchasing department

**Health and Safety Committee:**

- Senior Executive Vice-president, Human Resources
- President, Group Industry
- Group Safety department
- Directors of Industrial Activities

In particular, the Compliance Committee implements measures relating to recent regulatory developments. A cross-functional action plan involving several Group departments has been drawn up to address the requirements of the SAPIN II law and the Duty of Vigilance law relating to parent companies and principals. This action plan focuses on the following key points, most of which are already in place:

- Code of Ethics;
- internal whistle-blowing system;
- risk mapping, corruption and suppliers;
- customer and supplier assessment procedures;
- internal and external accounting control procedures;
- training system;
- disciplinary system;
- system of control and internal assessment of measures.

Lastly, to ensure efficient overall management, Groupe SEB relies on the decentralization of operational responsibilities and clearly defined rules of operation and delegation. It also benefits from a well-established corporate culture, rooted in shared fundamental human values that foster an ethical working environment: Entrepreneurial drive, Passion for innovation, Professionalism, Group spirit, and Respect for people.

Groupe SEB has been a signatory of the Global Compact since 2003 and supports the values set out in this document, promoting them throughout the company. The Group Human Resources department states in its guiding principles: “The Group is a community of men and women who share the same objectives and values”.

The Code of Ethics, published in September 2012, serves as the frame of reference for Groupe SEB’s values and standards. It defines individual and collective rules of conduct to guide the actions and inspire the decisions of each employee. It is supplemented by a whistle-blowing system that allows any employee to report a serious violation of the Code of Ethics. More details on the whistle-blowing system are provided in Chapter 3.5, page 103.

# 1.5. Risk factors

## RISK IDENTIFICATION AND CONTROL PROCESS

The risk identification and control process is an ongoing process incorporated within the Group's operations. In order to provide comprehensive information, the various stages of collecting and processing information were defined as follows: operational approach, Group approach at Executive Committee level and, finally, consolidation by key theme.

### COLLECTION OF OPERATIONAL RISKS

Operational risks are identified and reviewed annually by means of data collection grids sent to all entity managers (sales subsidiaries, factories, Shared Service Centers) and to all function managers. Questionnaires are partially guided (based on the usual risk typologies) and partially open to ensure the broadest possible range of information.

The questionnaires are then consolidated by the Audit and Internal Control department to identify the main issues by theme.

On the basis of this consolidation, each function director meets individually with the Audit and Internal Control Director so as to assess thoroughly the main risks and associated risk management plans.

### CONSOLIDATION AT GROUP LEVEL

An annual working meeting is held with the Executive Committee members on the basis of the above elements. This meeting covers all the information from the operational collection as well as those stemming from the previous year's risk mapping. Each risk is reviewed in detail, to evaluate how it has evolved and its relevance in terms of both potential financial impact for the Group and probability of occurrence.

The risk control action plan is reviewed for each risk: actions implemented during the past year and actions to be put in place for the year to come are assessed. This action plan is also reviewed once, mid-year, by the Executive Committee to ensure that the various subjects are being monitored and executed properly.

Lastly, the review of the Group's risk mapping activity is the subject of a specific agenda item at a yearly meeting of the Audit Committee (review of methodology, risks, their assessment by Group management and the associated action plans).

## CONSOLIDATION BY THEME

When information relating to potential risks for the Group has been collected and analyzed, the Audit and Internal Control department consolidates it by key theme for circulation to the Group's various stakeholders.



OPERATIONAL
- Image and reputation
- Evolution of distribution channels
- Integration of new operations (including WMF)
- Country default
- Information systems and personal data protection

INDUSTRIAL AND ENVIRONMENTAL
- Safety and environment
- Product quality and risks related to product liability
- Business continuity and dependence on suppliers
- Supply chain and seasonality
- Climate change

LEGAL
- Laws and regulations
- Internal and external frauds
- Intellectual property

FINANCIAL AND MARKET
- Commodities
- Currency fluctuations
- Debt, liquidity and interest rates
- Equity markets

# DESCRIPTION OF MAIN RISK FACTORS AND ASSOCIATED MANAGEMENT PLANS

## IMAGE AND REPUTATIONAL RISK

### Description of risk

In an environment where information circulates more and more rapidly (through news sites, instant messaging, social networks, etc.), any information with negative connotations may have an impact on the Group's image, sales and earnings at the level of a country, a region, or even globally, or on its share price. These situations may arise due to information that is or is not well-founded, on topics as diverse as product quality or safety, the health effects of food materials, business practices, ethical behavior or compliance with regulations (tax, social, etc.).

### Management of risk

- The first aspect of image risk coverage is preventive and consists in not generating situations that could give rise to negative communication about the Group. This is achieved by conforming to the Group's values and the Code of Ethics, and complying with internal processes (particularly quality, financial reporting, internal control, safety, etc.). All Group employees are regularly reminded of these key principles: not only when they are hired, but also during training and in communications.
- The second part of image risk coverage consists in setting up a responsive system for monitoring information: in addition to conventional instruments for monitoring traditional media, the Group uses an e-reputation tracking tool on social networks, alongside an internal (feedback to management, decision-making) and external (crisis management) communication process.

## EVOLUTION OF DISTRIBUTION CHANNELS

### Description of risk

The retail sector has undergone major changes in recent years, which naturally have repercussions on the Group's business: the emergence and rapid growth of e-commerce specialists have profoundly changed the business environment.

In this context, some of the Group's long-standing customers, mainly traditional retailers from mature markets, have not completed their transformation to adapt to this trend. For such customers, this transition phase may be accompanied by financial difficulties, plans for store closures, arbitrage within the portfolio of products sold or even bankruptcies in the most extreme cases. On the other hand, the specialists channel has been able to develop more successfully its activity through click & mortar in consumer electronics. This might, however, result in the non-recovery of certain receivables, and loss of sales or market share for the Group.

### Management of risk

- The adaptation of commercial approaches to changes in the retail sector is a central pillar of our business plan. Many of our customers are long-standing partners with whom we have a solid business relationship.
- At the same time, our sales teams in the various markets are watching out for all these changes and are constantly adapting the sales policy to ensure product availability by diversifying the distribution circuits.
- One of the objectives of the sales teams is to achieve consistent growth in market share, regardless of whether the distribution channel is offline or online.
- With regard to customer credit risk, the geographical distribution and diversity of activities (cookware, small electrical appliances and now professional coffee machines) as well as the variety and multiplicity of the Group's distribution networks limit the risk and probability of major impact at consolidated level. In addition to customer diversification (no customer representing more than 5% of consolidated sales), the Group has obtained insurance cover which considerably limits the risk of claims. At 31 December 2017, the majority of the Group's subsidiaries had trade receivable insurance to cover the company in the event of non-recovery. Additional information is provided in Notes 16 et 26.4 to the consolidated financial statements.

## RISK ASSOCIATED WITH THE INTEGRATION OF NEW OPERATIONS

### Description of risk

In addition to its organic growth targets, the Group is implementing an external growth strategy to accelerate its expansion and strengthen its position. This strategy has resulted in the acquisition of companies that are complementary in terms of market (geographical or product category), in somewhat different ways: SUPOR in China, OBH Nordica in the Nordic countries, and more recently WMF in Germany in high-end segments, professional products, etc.

Each of these acquisitions has specific features in terms of corporate culture, structure, operational processes and distribution channels. Failing to identify these specific features or not taking them into account could have an adverse effect on the integration process and the value creation expected from these operations, in particular:

- development of the business;
- generation of synergies;
- increased value of intangible assets.

### Management of risk

- Over the years, the Group has built up real experience and strong skills in integration. An ad hoc structure is set up to oversee each integration process.
- The Group Strategy department is tasked with designing and overseeing the integration plan, whatever it may be, and with coordinating communication for all stakeholders (acquired company, Business Units concerned within Groupe SEB, and markets concerned by the acquisition). For WMF, the Integration Committee is specifically guided by the Chairman and CEO, i.e. exceptional governance in view of the size of the acquisition and the diversity of WMF's activities.
- The Group Controlling department, together with the Strategy department, integrates the new entities into the Group's reporting and decision-making processes. This ensures reliable and regular monitoring of the business plan and key indicators previously defined by the operational entities concerned.
- The Information Systems department develops a plan to achieve consistency in communication systems.
- The Human Resources department assists the relevant teams (the acquired company and Groupe SEB employees concerned) in order to integrate new employees into a homogenous environment as smoothly as possible.
- The Audit and Internal Control department implements its standard processes and carries out an audit mission during the integration phase, to make an inventory of processes with shortcomings and identify the relative action plan.

## COUNTRY DEFAULT

### Risk description

The Group's presence in nearly 150 countries exposes it to currency risk (described on p. 35) but also to risks of political, economic, monetary or social instability, especially in emerging countries, where it achieves a significant percentage of its turnover. Any major political, economic or social change in countries where the Group is established could have a direct impact on its business, locally or globally (if its industrial activities are taken into consideration). In particular, periods of deep economic recession in some emerging countries, or protectionist policies, could have a significant impact on the Group's operations, and therefore on its results, in the countries concerned.

### Risk management

- Constantly adapting to changes in the market is an integral part of the Group's know-how. A three-year projection of the operations of each subsidiary, including an analysis of local risks, is carried out every year and reviewed by the Group Executive Committee.
- A risk map is also drawn up each year by the Audit and Internal Control department, in collaboration with the management teams of the entities concerned, to assess the evolution of risks (political, social, economic, etc.) for each country.
- Generally speaking, the Group's international presence - both commercial and industrial - helps to diversify risks, as they can be offset between countries and geographical areas.

## INFORMATION SYSTEMS AND PERSONAL DATA PROTECTION

### Risk description

Information systems are embedded within the Group's businesses, in terms of both operational processes (production management, accounting, reporting, etc.) and means of communication (telephone, mail, networks, tablets and objects connected to the mobile network). Any failure of these tools would have a potentially significant impact on the Group (including in the case of intentional or unintentional contamination of systems by a computer virus).

In addition, our infrastructure and applications are constantly renewed and upgraded, which may affect operational functioning.

Lastly, the sharp increase in the volume of information processed and the development of connected objects are making data management processes and tools more complex and more technical. This – combined with the reinforcement of international regulations on data protection (particularly GDPR in Europe) – significantly increases the impact that a security breach could have on data.

### Risk management

- A coordinated watch with several suppliers specializing in systems protection and security aims to monitor developments and actions to counter cybercrime (antiviruses, firewalls, and user identification processes). The Information Systems department draws up an annual IT risk map, in collaboration with the Audit and Internal Control department.
- The Group has a highly centralized information systems management policy, in order to guarantee consistency in the security and management of tools. Specifically, most of our application servers and data servers are hosted by third parties located in France, in highly secure and redundant environments, enabling business continuity without loss of data. Backup and filtering solutions (antivirus, antispam, web filtering, etc.) are continuously reinforced.
- Resources are specifically dedicated to these issues, both internal (reporting to the CISO and the Information Systems Security Committee) and external (e.g. an intrusion detection specialist). Generally speaking, however, the Group is responsible for making all employees accountable: specialists (developers, network administrators, etc.) or end-users (password protection, procedures for opening e-mails, compliance with the IS Usage Charter included in an annex to the internal rules).
- When tools are developed and new activities integrated, the Information Systems department, in collaboration with the Group Controlling department, sets up dedicated transition/project teams to ramp up new systems while maintaining existing systems to ensure a smooth and seamless transition.

- Groupe SEB regards data protection as imperative and fully in line with the Group's values and Code of Ethics. In particular, the Group has a structure in place to prepare for the new European General Data Protection regulation (GDPR) in 2018. Hence, the monitoring of information protection has been strengthened by the creation of the cross-functional position of Data Privacy Coordinator, whose role is to coordinate the various functions, especially local, in interaction with the Data Protection Officers. In addition, a working group ensures the implementation of a response plan in the event of a security breach in our personal information management systems.
- In this context, connected products are subject to specific monitoring: extra security requirements for these products and their computer protocols, and technical analyses of certain products and their IT environment on the cloud to validate their robustness.
- Lastly, it should be noted that insurance specifically covering attacks on the IT systems has been taken out by the Group. This policy also covers attacks on personal data. Further details are provided on p.37.

## SAFETY AND ENVIRONMENT

### Description of risk

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. With nearly 40 industrial sites worldwide and just over 24,000 employees at these sites, there is a constant risk of accidents (particularly minor accidents). Despite the Group's efforts to limit such workplace accidents and occupational illness, their occurrence cannot be completely ruled out, and could have a detrimental effect on the Group's operations and results in the event of civil or criminal sanctions, and on its reputation.

Although the Group's industrial operations are subject to multiple environmental risk management and control measures, they are nevertheless exposed to residual risks of pollution or environmental accidents.

### Management of risk

The Group's health and safety policy is extremely strict and is overseen by the Health and Safety department. It is based on the following key areas:

- the systematic establishment of an organization dedicated to health, safety and the environment at all sites;
- standard health and safety indicators with associated targets, monitored on a monthly basis at all sites and resulting in improvement actions for hazardous situations;
- immediate reporting of any incident or accident to Group management, accompanied by an analysis and remedial action plan;
- mandatory safety training: relating to workstations, the use of personal protection equipment, musculoskeletal disorders, etc.
- Details of Group initiatives to reduce workplace accidents and musculoskeletal disorders are provided in Chapter 3 on Corporate social responsibility on pages 111 to 114.
- With regard to environmental risk management, measures to assess risks, prevent pollution and reduce environmental impacts are implemented locally and coordinated at Group level by the Quality and Environment department: a dedicated staff member at the Group's head office is responsible for defining shared standards. These standards are based on local regulations and the best practices of the sites.

## BUSINESS CONTINUITY AND DEPENDENCE ON SUPPLIERS

### Description of risk

Because of its size and product diversity, Groupe SEB manages an increasingly complex procurement process that includes raw materials, components and finished products. Given the Group's significant purchasing volumes, an excessive concentration of suppliers could result in dependence and therefore a substantial risk to business continuity in the event of default (delay, interruption in activity, termination of commercial relationship, major incident e.g. fire, etc.).

### Management of risk

The Group is particularly careful to spread its risk base and limit its dependence in terms of procurement. Its priority is to ensure continuity of production under optimum economic conditions, while conforming to ethical principles, and to have alternatives at its disposal within a single product family or for a specific technology. Since 2017, WMF has been in the Group's direct purchasing scope, with the gradual integration of some of its key suppliers into the Group's panel. In this temporary configuration, in 2017, the panel of direct suppliers for manufacturing supplies comprised 463 suppliers (475 in 2016), with global purchasing coverage of 72% (compared with 85% in 2016).

## PRODUCT QUALITY AND RISKS RELATED TO PRODUCT LIABILITY

### Description of risk

The Group is particularly vigilant in matters of consumer safety and pays the utmost attention to the safety 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, harming the brand image and generating significant costs.

Meanwhile, regulations regarding food products and materials liable to create a health risk are constantly changing (generally moving towards a tightening of standards) and are sometimes preceded by viral campaigns about the harmfulness of certain materials. Any of these situations might generate a risk zone for the Group if one or more of the materials concerned were used in the production of our products.

### Management of risk

The Group's quality policy is fully incorporated into the design and manufacture of all products: each stage of product design is part of a standard quality process and is subject to successive approvals, particularly with regard to the components used, the materials implemented, and the suppliers selected.

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.

In the markets, the Group uses a network (usually outsourced) of service centers, which manage product repair and follow-up. The service centers receive regular and comprehensive training from the Group so that they can provide optimum support to customers with concerns about any of our products. The service centers are also authorized to handle customer complaints, repairs under and outside warranty, and the sale of spare parts and consumables, in order to provide the best level of service to our customers.

With regard to potential health risks, the Group has set up a regulatory and technical watch process (on all media, including the internet). This ensures that standards and restrictions in this area (including, amongst other things, the update following the European Directive on Dangerous Substances) are rolled out to the R&D teams.

The Group has also recorded a provision for product warranty costs based on historical statistics and has put in place insurance coverage for civil liability (see paragraph on Insurance).

## SUPPLY CHAIN AND SEASONALITY

### Description of risk

As the Group operates on a global scale, the logistics flows in place are increasingly complex. The Group's factories supply a large number of markets, leading to a strong dependence on certain logistics routes (China to Europe, China to the United States, Europe to the Middle East or the Americas, etc.). Particularly in the event of natural risks, a failure of the factories, modes of transport or warehouse operations could have a significant impact on the Group's activity and profitability.

In addition, a high percentage of products are sold during holiday periods or for special events (back to school, Black Friday, Christmas, Chinese New Year, Singles' Day, etc.). A substantial proportion of sales is therefore generated at the end of the year. Thus, both sales and earnings are traditionally heavily weighted towards the fourth quarter. Any disruptions affecting the economic environment during these periods could 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.

### Management of risk

- The Group takes an active approach to industrial risk prevention by conducting regular audits, investing in maintenance and optimizing certain processes in order to limit the probability of such risks occurring.
- The European, US and Chinese sites are generally not, or only slightly, exposed to major natural risks (hurricanes, floods, earthquakes, etc.), and the same is true of the warehouses.
- With regard to logistics routes, there is no systematic redundancy possible for all flows, but the Group encourages as many alternative routes as possible, such as river transport, as part of its sustainable development policy.
- Lastly, the Group also strives to boost its business outside highly seasonal periods by launching new products or by implementing marketing initiatives. The planning process makes it possible to anticipate and adapt the capacities of production sites, warehouses and means of transport to strong seasonal variations.

## CLIMATE CHANGE

### Description of risk

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

### Management of risk

- This is a global issue, but at its level the Group incorporates measures against climate change far upstream of internal processes, starting in the product design phase. The Group focuses as well on optimizing the use of raw materials as on ensuring energy efficiency, repairability, recyclability and 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 products (base year: 2013);
  - 20% less energy consumption by production plants (base year: 2010);
  - Incorporation of at least 20% recycled materials in new products;
  - 20% fewer greenhouse gas emissions from transporting products (base year: 2013).
- A report on these commitments at end-2017 is provided in section 3.9.

- In 2016, Groupe SEB signed up to the Science Based Targets initiative 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 less than 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 Chapter 3, section 3.9 "Reduction of environmental impacts".

## LAWS AND REGULATIONS

### Description of risk

The international regulatory environment has tightened over the years, with a proliferation of directives, laws and regulations on various subjects: Personal data protection (GDPR), anti-corruption (SAPIN II, UK Bribery Act, US Bribery Act), cash flows (countries under embargo), stock market regulations (MIFID II, MAR, etc.), taxation (tax evasion, "black-listed" countries, tax changes, customs duties, etc.), the duty of vigilance of parent companies and principals, rules on competition, etc.

Any deviation from these regulations constitutes a risk factor on two levels: first, there is a risk of conviction or fines, for potentially very significant amounts; then there is also an image and reputational risk, in the event that a proven breach is made public, with the consequences described above, vis-à-vis our partners and customers.

### Management of risk

- Compliance with international and local regulations is a Group priority, and compliance with the law is part of our Code of Ethics. All Group operations must comply with local regulations on employment, accounting, tax, the environment, etc.
- Each local management team is responsible for applying these rules, including the general manager and chief financial officer of the subsidiary, with the support of central or local legal teams, or a local law firm.
- The new regulations with an international dimension are the responsibility of the Compliance Committee described on p. 27, and a specific Group action plan has been put in place (SAPIN II and Duty of Vigilance laws).
- The Group is developing training courses adapted to regulatory developments within an overall "Compliance" training program. The program includes a "Code of Ethics" training course as a starting point, as well as more specific training such as an "Antitrust" course that defines the rules and conduct that comply with competition law in relations with third parties, a "Personal Data Protection" course following the GDPR regulation, and an "Anti-corruption" course in line with the requirements of SAPIN II.
- The Group also works with an outside partner, "Intertek", to carry out social audits of our suppliers, based on international working condition standards (Working Condition Assessments)

## INTERNAL AND EXTERNAL FRAUDS

### Risk description

The Group's expansion into new geographical areas, the development of technological resources likely to facilitate fraud, and greater competitive pressure, are all factors that increase the risks of fraud situations, whether originating internally or externally, occurring within Group entities.

In addition, the number of attempted "fake President" frauds (involving the theft of identities of members of the Group's Executive Committee) is steadily growing.

### Management of 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 (particularly updating our firewalls). A major initiative to raise awareness among financial employees and the systematic implementation of dual checks, for example, have enabled the Group to fight against attempts of identity theft at customer, supplier and Group manager levels through technological means.
- Fraud risks in our market companies were mapped in 2016. This 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, based on the Group's information systems.
- Finally, the Group's standard processes are regularly reviewed to ensure that fraud risks are taken into account. This review results in the reinforcement of the processes if necessary (for example, additional controls on changes of bank account for suppliers).
- Page 31 provides more details on the management of computer security.

## INTELLECTUAL PROPERTY

### Description of risk

The Group has a large portfolio of international and regional, premium and core registered brands. This portfolio gives the Group a competitive advantage and continues to grow as a result of the recent acquisitions. The Group also has a substantial portfolio of domain names. Innovations give rise to industrial patent applications (542 filings in 2017 worldwide) and the filing of designs and pattern 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 innovations lead to the infringement of various of its intellectual property rights (patents, trademarks, designs), cybersquatting (registration of a domain name that matches a protected trademark), and phishing.

Conversely, the Group's active innovation approach is likely to invite criticism if one of its new products is positioned in conflict with a patent or a design already filed by a competitor. This would result in a litigation, reputational or financial risk in the event of a recall of the product concerned.

### Management of risk

- the Group allocates the budgets required to protect and develop its key intangible assets such as trademarks and innovation, and to combat counterfeiting. A strategy of targeted registration of trademarks, designs and patents has been implemented, taking into account the sales outlook and high-risk countries;
  - anti-counterfeiting measures are being systematically applied in the field, primarily in high-risk countries such as China and the Middle East (monitoring of trade fairs, investigations, customs seizures, legal actions, destruction of molds and inventories) as well as in high-stake trading countries,
  - anti-counterfeiting measures are being taken against online piracy (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;
- competitive intelligence is integrated into the product innovation and development process. Many product launch projects are subject to a freedom to operate analysis of the trademarks, designs and patents before validation and launch. Nevertheless, the probability remains that a prior industrial property right has not been identified, and in this case, the Group may have to modify its technical or aesthetic construction to eliminate any risk of litigation or involve specialist external partners to assist it in settling any dispute out of court.

## CURRENCY FLUCTUATIONS AND SENSITIVITY

### Description of risk

Groupe SEB has a commercial presence in nearly 150 countries. With production rather concentrated in Europe and in China, its business is, therefore, highly exposed to transaction currency risk when its products are billed to its 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. Currency fluctuations can have a significant impact on the Group's results.

### Management of risk

- The Group's currency position is short in dollars and yuan and long in all other currencies. To limit its risk, the Group hedges a portion of its highly probable future cash flows, as well as almost all of its balance sheet transaction risk, by means of forward contracts and options.
- Given the sometimes sudden fluctuations in exchange rates, the Group constantly adapts 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.
- Details of currency risks are given in the notes to the Consolidated Financial Statements (Note 26.2.1).



## COMMODITY RISK

### Description of risk

Groupe SEB uses a certain number of commodities in its manufacturing processes: aluminum (for cookware), nickel (for certain steel alloys, mainly stainless steel), copper (mainly wire for motors and electric cords), plastics (a key material in small electrical appliances) and paper/cardboard products for printed documents and packaging. These materials and components vary as a percentage of direct purchases for the Group: hence, aluminum accounted for 15% of direct spend in 2017, steel/metallic parts for 16%, plastics/plastic parts for 21% and electrical/electronic components for 23%.

The Group is therefore exposed to risks concerning the availability of commodities and fluctuations in their prices. These include both a risk of shortages and of being forced to pass all or part of price increases on to consumers, which could affect performance (sales and earnings).

### Management of risk

- To deal with this exposure, Groupe SEB has implemented a hedging policy intended to protect it against the effects of abrupt changes in the prices of metals and thus enable it to avoid any brisk changes in sale prices. This policy has no speculative purpose but, for any given year and in relation to actual market prices, may produce:
  - Positive impacts when commodity prices are rising;
  - Negative impacts when commodity prices are falling.
- In addition, the Group constantly endeavors to improve its manufacturing productivity and to reduce its purchasing costs, which both help to offset market volatility.
- Commodity risks are dealt with in Note 26.2.3 to the Financial Statements.

## DEBT, LIQUIDITY AND INTEREST RATES

### Description of risk

The Group uses various forms of financing (bank loans, private placements, bonds, commercial papers, etc.), and is therefore subject to interest rate, liquidity and counterparty risk.

### Management of risk

- The Group uses mostly fixed-rate loans, in particular with long maturities, in currencies that correspond to its needs (mainly the euro, Brazilian real and US dollar). The longest maturity among these loans (2026) is fixed-rate, making it possible for the Group to protect itself against the likelihood of interest rate rises. Details of interest rate risks are given in the notes to the Consolidated Financial Statements (Note 26.2.2).
- Liquidity risk management is handled centrally by the Treasury and Financing department. It is based on a solid financing architecture 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.

## RISKS RELATING TO SHARES

### Description of risk

As at 31 December 2017, Groupe SEB held 534,706 treasury shares with an acquisition cost of €67,287,456. This treasury stock is deducted from shareholders' equity at acquisition cost.

### Management of risk

- Based on the closing SEB share price on 31 December 2017 (€154.45), the market value of shares held in treasury at that date stood at €82,585,341.70. This market value has no impact on the Group's Consolidated Financial Statements and the change has no impact on the consolidated income statement or shareholders' equity.
- Further information on equity risks is given in Note 26.2.4 to the Consolidated Financial Statements. This data also includes the risk regarding financial instruments and the Supor share, which is listed on the Shenzhen stock market.

# INSURANCE

## GROUP GENERAL INSURANCE COVER (EXCLUDING PERSONAL INSURANCE)

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. Acquired companies are incorporated into global insurance programs.

## 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 the quantification of the risks to which the Group is exposed 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.

## CYBER

Financial protection held by Groupe SEB against attacks on its IT systems covers damage and liability for a total amount of €15 million.

This broad-scope insurance policy also covers attacks on personal data.

## CUSTOMER RISK

With rare exceptions relating to local issues, the Group's subsidiaries hold 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.

# 4.1. 2017 highlights

## GENERAL ENVIRONMENT

In 2017, the Small Domestic Equipment market once again performed well and even accelerated in the great majority of countries. The few major declining markets included: the UK, which remains in an uncertain position after the Brexit vote (lower household confidence and renewed inflation following the depreciation of sterling), and Japan, whose recovery in consumption has only been very gradual, despite budgetary stimuli.

Outside the United Kingdom, the economies of the eurozone remained generally well-oriented and benefited from firm consumption (an almost universal increase in employment and wages) and even robust consumption in some countries (e.g. Germany, Spain, Portugal, and France). In a competitive and promotional context, the Small Domestic Equipment market in this area continues to be driven by innovation and upscaling.

In the United States, despite consumer confidence, the Small Domestic Equipment market reflects a marked dichotomy between rapid growth in online commerce and an unprecedented crisis in traditional, bricks-and-mortar retailing. The consequences have been many, ranging from tighter management of inventories, massive destocking and store closures to the financial collapse of some brands. This situation, which can also be seen in Canada, complicates and significantly hinders business activity with the affected customer retailers.

In the emerging markets, 2017 ended on a very positive overall note, despite the return of currency volatility in the second half of the year. In China – in a political context favorable to household consumption – the Small Domestic Equipment market remained well oriented, stimulated by increasing urbanization, gains in purchasing power and a surge in e-commerce. In Brazil, the market has certainly returned to growth, but while the environment is normalizing (with inflation at a record low), many uncertainties remain (including political uncertainties). In Russia, the market is structurally volatile and highly dependent on oil prices, but since the summer of 2016 it has been rebounding strongly – worth noting after more than two difficult years. In Turkey, the market has performed well against a backdrop of fiscal stimulus, high inflation and persistent political risks. Lastly, in India, market growth was severely hampered in the first six months of the year by government reforms (demonetization of notes and introduction of a single VAT system), before recovering slightly at the end of the year.

Overall growth in the Small Domestic Equipment market in 2017 was very geographically diversified, as it was by product category: a positive momentum continued in electrical cooking, floor care (particularly in Europe), air purification (driven by Asia), fans (particularly in Europe, unlike in Latin America, due to the weather conditions), and in beverage preparation and cookware; but there was more moderate growth in food preparation and the linen care market, despite a boom in the garment steamer category.

## CURRENCIES

It should be remembered that the US dollar and the Chinese yuan are currencies for which the Group is “short”, i.e. the weight of its purchases denominated in these currencies is greater than that of its sales.

2017 was marked by a near-continuous weakening of the US dollar, which accelerated from the second quarter. This bout of weakness went in tandem with a strengthening of the euro against the major currencies. On average over the year, the euro/dollar parity was thus down by 3%, but the year-on-year decrease was 14% at 31 December. For its part, and by comparison with the euro, the yuan depreciated by 3% on average over the year (-7% at 31 December).

In the case of “long” currencies, in which the Group has revenues higher than its costs, the trend was downward, as most of the Group’s main currencies depreciated against the euro. These depreciations were significant in countries with high inflation: the Egyptian pound was down 49%, the Turkish lira down 19% and the Argentine peso down 14% (annual average). They were more measured in other countries: sterling was down 11%, the Ukrainian hryvnia down 8% and the Mexican peso down 3%. The currencies most closely correlated to commodities/oil were exceptions, with respective appreciation of 4% in the Brazilian real and 10% in the Russian ruble.

In response to constant exchange rate volatility, the Group has hedged for several years certain currencies to limit sudden effects on its performance or to smooth out its impact over time. At the same time, it implements an agile pricing policy, passing on tariff increases to compensate for the adverse effects of weakened currencies on local profitability.

In 2017, exchange rate fluctuations had a total negative impact of €98 million on the Group’s sales (compared with an impact of -€122 million in 2016) and -€10 million on the Operating Result from Activity (-€122 million in 2016).

## RAW MATERIALS AND TRANSPORT

The Group is exposed to fluctuations in the price of certain raw materials, including metals such as aluminum, nickel (used in stainless steel) and copper. It is also exposed to price changes in plastics used in the manufacture of small electrical appliances and paper for packaging. These exposures are direct (for in-house production), or indirect if the manufacturing of the product is outsourced to subcontractors. In order to spread over time the effects of sometimes abrupt fluctuations in metal prices, the Group partially hedges its requirements (aluminum and nickel) which protects it in the event of a sharp rise in prices, but which results in some inertia in the event of decline.

After several years of decline and a low point in early 2016, commodity prices have started to recover since that date, with an acceleration of the rise at the end of 2016, which continued throughout 2017. Thus, aluminum prices increased by 23% on average in 2017 (i.e. an average price of $1,970 per ton, compared with $1,605 in 2016). In a market in which volatility continued, copper also rose by 27%, averaging $6,170 per ton, compared with $4,860 in 2016. Lastly, the same trend has been seen in nickel, but to a lesser extent, with an 8% increase and an average price of $10,411, compared with $9,609 in the previous year.

After Russia and the OPEC members reduced their production, the price of oil per barrel hit a two-year high: it stood at $67 at the end of December 2017, with an average price of $55 over 12 months, up 22%. At the same time, plastics prices rose sharply (particularly thermoplastics).

Paper prices followed this uptrend, as shortages in the Asian market accelerated. As a reminder, the Chinese government decided in October 2016 to put stricter regulations in place, resulting in the closure of several paper mills. Paper prices increased by 30% on average in Asia, which was reflected in the European market (+10%).

Furthermore, although the cost of road transport remained broadly stable over the year, this was not the case for sea freight (Asia Pacific/Europe/America), which reached historically low levels in 2016, driving prices upwards in 2017.

### CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

On 11 May 2017, the Annual General Meeting of SEB S.A. approved the reorganization of the Board of Directors, resulting in:

- a reduction in the size and the recomposition of the Board of Directors, in order to incorporate an employee director representing shareholders and an employee director, while meeting the target quotas for female representation (46%) and independence (33%). The Board of Directors was thus composed of 13 members following the Annual General Meeting of 11 May 2017, and has had 14 members since the appointment by the Works Council of the directors representing employees within six months of the Annual General Meeting;
- the reappointment as directors for four years of Yseulys Costes and FFP Invest, represented by Bertrand Finet;
- the ratification of the appointment by co-option of Delphine Bertrand to replace Tristan Boiteux, who had resigned, for a period of one year;
- the appointment of Brigitte Forestier as director representing employee shareholders, for a period of four years;
- the resignations of Bruno Bich, Tristan Boiteux, Pascal Girardot, and Christian Peugeot.

### INTEGRATION OF WMF

The acquisition of WMF was completed on 30 November 2016. The launch of WMF's integration was therefore a priority in 2017, implemented through a global approach guided by a Combined Integration Committee made up of employees from Groupe SEB and WMF. The process is structured around 22 projects, including 10 to link up WMF to Groupe SEB and 12 to create value.

In terms of organization, WMF's management team was strengthened and the Group mobilized Group experts to contribute to and optimize the progress of the projects. The Consumer business was structured into a Business Unit with a strengthening of strategic marketing and the creation of a Business Development function. It underwent a commercial restructuring with, on the one hand, the attachment of the German/Swiss/Austrian sales team to the Chairman and CEO of WMF, and, on the other, the taking over of the activity by Groupe SEB's subsidiaries in seven other countries. The professional business – coffee and hotel equipment – is still managed on the basis of a specific organization.

Several initial projects have already been implemented, relating to purchasing and supply chain harmonization, product offerings in the Consumer business, progress with the optimization of the WMF retail network and the strengthening of the sales and increased digitization of the Professional Coffee business. A Premium structure was created, bringing together the All-Clad, Lagostina, WMF, and Silit brands, with a dedicated sales force.

As well as the organizational and structural aspects, the immediate linking up of the key functions was also crucial. In terms of Human Resources, the focus was immediately placed on the merging and collaboration of the Groupe SEB – WMF teams, the alignment of Human Resources management (training, job transfers, talent management, etc.) and variable compensation schemes for senior management. In Finance, the approach was implemented, in particular, around the harmonization of accounting principles, the implementation of reporting tools and Group processes and the centralization of certain corporate functions such as treasury, tax and internal audit. At the same time, the harmonization of information systems was launched straight away. This represents a major challenge for WMF's tie-up with Groupe SEB, and will be spread over several years.

## ACQUISITION OF SWIZZZ PROZZZ

In June, the Group completed its acquisition of Swiss company Swizzz Prozzz, a specialist in mini hand choppers with high-performance multiple blades. Swizzz Prozzz's products had been marketed under license through various kitchen utensil brands: the business generates proforma annual sales of around €10 million. With this acquisition, Groupe SEB has continued its expansion in kitchen utensils, with simple products that are easy to use, affordable and very complementary to its ranges.

## SUCCESSFUL PLACEMENT OF A NEW 500 MILLION, SEVEN-YEAR BOND

In 2017, Groupe SEB successfully placed a €500 million bond maturing in seven years (on 31 May 2024), with a coupon of 1.50%. This issue was four times oversubscribed by a diverse investor base. It allows Groupe SEB to further strengthen the architecture of its debt by securing its medium-term financing, extending the average maturity of its debt and obtaining attractive financing conditions.

## ACQUISITION OF CALL OPTIONS

In two transactions of identical size (28 July and 7 December), Groupe SEB acquired, 60,000 US call options in 2017, relating to 60,000 treasury shares. The acquisition of these call options will enable the Group to partially cover its obligations for the delivery of existing treasury shares or payment, in relation to the eventual exercising of the conversion rights of the ORNAE (bonds redeemable in cash and/or for existing shares), maturing on 17 November 2021.

## CREATION OF A GLOBAL INNOVATION HUB FOR SMALL ELECTRICAL APPLIANCES IN ÉCULLY

Following on from the creation of the Products and Innovation department in September 2015, the Group has decided to bring together, at its global headquarters in Écully, the marketing and research teams of the kitchen electrics business, currently based in Selongey, with those of the home and personal care business. The aim is to optimize the innovation process, gaining agility and transversality. The teams will be set up gradually, starting in the summer of 2017, and 230 employees from the marketing and research teams will be relocated to the Group's global headquarters by the summer of 2018.

## ONGOING INDUSTRIAL RESTRUCTURING IN BRAZIL

In 2017, the Group began the final phase of the reorganization of its industrial facilities in Brazil, combining the Brazilian production activities of Mooca and São Bernardo do Campo within a single, modern industrial site at Itatiaia in Rio de Janeiro State.

The historic plant at Mooca, in the heart of the São Paulo megalopolis, was suffering from productivity levels below Group standards as well as major logistical limitations. The new plant in Itatiaia is located in a fast-growing industrial area with a design that is fully in line with all of the Group's industrial and environmental standards. A new logistics center is located nearby, which is helping to optimize customer service across Brazil's entire South Region.

The relocation took place in several phases: it began in November 2016 with the iron manufacturing lines, and ended with completion of the full relocation of Mooca's lines at the end of August 2017. This has been followed, in a second phase, by the relocation of São Bernardo do Campo's cookware lines, which is scheduled for completion at the end of the first half of 2018.

This project highlights the Group's commitment to modernize its manufacturing base in a country where economic conditions remain very challenging and the foreign exchange environment demands significant gains in productivity.

## AWARDS FOR GROUPE SEB

Groupe SEB received a wide variety of awards:

### The CSR Grand Prix at the Responsible Consumption Awards organized by the ESSEC business school

On 1 February 2017, for the second time in a row, Groupe SEB was awarded the CSR (Corporate Social Responsibility) Grand Prix at the Responsible Consumption Awards organized by the ESSEC Business School. Launched at the behest of ESSEC's Chair of Fast-Moving Consumer Goods, this award was organized in partnership with the French Ministry of the Economy, Industry and Digital Sector. In this category, the Group was rewarded by the jury for its commitment to ensuring that its products remain repairable for a period of 10 years. In addition to this prize, it was the quality of all the projects submitted by the Group that allowed it to win the CSR Grand Prix.

### Thierry de La Tour d'Artaise named 2016 "Financier of the Year"

As part of the award organized by ANDESE (Association Nationale des Docteurs ès Sciences Économiques et en Sciences de Gestion) and the weekly magazine *Investir-Journal des finances*, Thierry de La Tour d'Artaise was elected 2016 "Financier of the Year". He was presented with the award on 18 April by François Villeroy de Galhau, Governor of the Bank of France. The "Financier of the Year" award, which was created in 1984, is presented to the person who has contributed the most during the past year to the development of financial activity in France. A jury of more than 300 members of the French financial community voted on the five nominees for the award.

### Innovation Award at the 2017 Digital Transformation Awards

The second edition of the Digital Transformation Awards presented Groupe SEB with one of its four "Innovation Awards", alongside SNCF, FDJ and Nantes Métropole Habitat. Organized by the *Solutions Numériques* trade review, these awards recognize enterprises that, thanks to digital, have been able to reinvent and transform their organization, their products or their business model, with gains in terms of growth and customer or internal benefits. Groupe SEB stood out by creating connected products and combating planned obsolescence, which is detrimental to consumers, by providing an extended warranty and supplying spare parts produced by 3D printers.

### First prize at 2017 "Cristal des Achats"

Groupe SEB's Purchasing department won first prize at the 2017 "Cristal des Achats" event held by the French National Purchasing Board to reward best practice. The prize was presented to Hervé Montaigu, the Group's Purchasing Director, and Perrine Baylin, Purchasing Performance Manager, at the "Université des Achats" event on 15 May. The award related to the "purchasing maturity grid" built using OPS tools during a workshop involving 12 French, German and Chinese buyers. The Group's various purchasing teams can now assess themselves on the basis of several criteria, and define an annual plan for progress in the areas that are most important for them, while sharing and challenging themselves around best practices and successes.

### Award for best Finance department

At the seventh edition of the Leaders of Finance Awards held by *Décideurs* Magazine/Leaders League on 20 April in Paris, Vincent Léonard, Senior Executive Vice-president, Finance received the award for the Best Finance department of an international group. The ceremony was held during a gala dinner attended by 700 financial professionals from companies, banks, brokerages and specialist consultancy firms. This award recognizes a year of record performance and intense external growth activity.

### Club des Trente Award for best financial operation in 2016

The Club des Trente, which brings together CFOs from the largest French groups, presented its 2016 award for best financial operation, mergers and acquisitions category, to Thierry de La Tour d'Artaise on 31 May. The award recognized Groupe SEB's acquisition of WMF in Germany. Through this award, Club des Trente seeks to demonstrate how finance and the financial markets can be made to serve ambitious business strategies that are compatible with the aims of sustainable development. The jury, chaired by Vincent Descours (CFO of the Louis Delahaize group), saw in this acquisition a future case study for business schools. The operation, which was welcomed by the stock market, brought together both geographical and business complementarities: Groupe SEB has thus become the leading cookware group in Germany and the world leader in professional coffee machines.

### Groupe SEB recognized for excellent investor relations

Groupe SEB was selected from more than 1,500 enterprises to receive one of "Europe's Most Honored Companies Awards", which recognized the excellence of its relationships with investors, through General Management, the Finance department and the Investor Relations department. The award, allocated by a jury of financial analysts and the Investors community, was presented on 26 June to Vincent Léonard, who represented Groupe SEB at a ceremony at the London Stock Exchange.

### Best Investor Relations by a CEO award

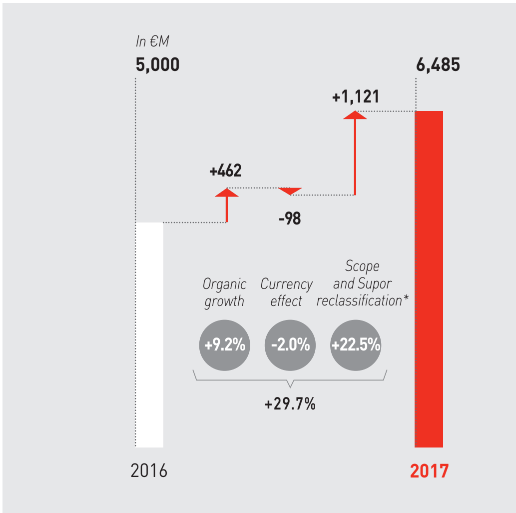
At Forum IR, the annual French event for investor relations professionals, which took place in December 2017, Thierry de La Tour d'Artaise was presented with the Best Investor Relations by a CEO award. This is the seventh time in nine events that the Group's financial communication and investor relations has been recognized by Forum IR.

# 4.2. Commentary on consolidated sales

| Sales *(in € millions)* | 2017 | 2016 | Change (based on exact figures, not rounded) As reported | Like-for-like |
|---|---|---|---|---|
| **EMEA** | **2,690** | **2,495** | **7.8%** | **7.6%** |
| Western Europe | 1,962 | 1,834 | 7.0% | 5.8% |
| Other countries | 728 | 661 | 10.1% | 12.6% |
| **AMERICAS** | **939** | **919** | **2.2%** | **3.1%** |
| North America | 573 | 564 | 1.7% | 3.8% |
| South America | 366 | 355 | 3.0% | 2.0% |
| **ASIA** | **1,709** | **1,586** | **7.7%** | **15.3%** |
| China | 1,240 | 1,122 | 10.4% | 21.0% |
| Other Asian countries | 469 | 464 | 1.2% | 1.6% |
| **TOTAL EXCL. WMF** | **5,337** | **5,000** | **6.7%** | **9.2%** |
| **WMF** | **1,148** | | **5.1%** | |
| **GROUPE SEB** | **6,485** | **5,000** | **29.7%** | |

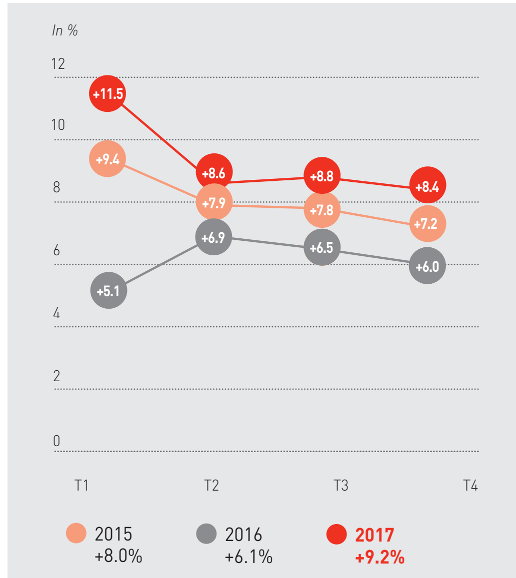
| Sales *(in € millions)* | Q4 2017 | Q4 2016 | Change (based on exact figures, not rounded) As reported | Like-for-like |
|---|---|---|---|---|
| **EMEA** | **967** | **910** | **6.3%** | **7.9%** |
| Western Europe | 738 | 687 | 7.4% | 8.1% |
| Other countries | 229 | 223 | 2.8% | 7.4% |
| **AMERICAS** | **293** | **301** | **-2.9%** | **4.1%** |
| North America | 185 | 189 | -2.0% | 4.2% |
| South America | 108 | 112 | -4.5% | 3.9% |
| **ASIA** | **431** | **421** | **2.5%** | **12.7%** |
| China | 296 | 278 | 6.2% | 19.4% |
| Other Asian countries | 135 | 143 | -4.9% | -0.5% |
| **TOTAL EXCL. WMF** | **1,691** | **1,632** | **3.6%** | **8.4%** |
| **WMF** | **335** | | **-1.4%** | |
| **GROUPE SEB** | **2,026** | **1,632** | **24.1%** | |

2016-2017 SALES GROWTH




* Excluding €3m in WMF sales already generated by SEB subsidiaries and SUPOR reclassification of -€74m

ORGANIC GROWTH IN SALES BY QUARTER IN 2015, 2016, AND 2017






After a brisk fourth quarter, Groupe SEB achieved in 2017 an excellent performance, off of already high prior-year comparatives. In the fourth quarter, the 24.1% increase in sales to €2,026 million breaks down as follows: organic growth of 8.4% (+€138 million), a currency effect of -3.8% (-€62 million), a scope effect of €338m (WMF) and a €20m reclassification of some of Supor's marketing spend to sales deductions, with no impact on Operating Result from Activity. It should also be noted that EMSA, consolidated since 1 July 2016, had no further impact on scope in the second half of the year.

The Group's full-year sales amounted to €6,485 million, up 29.7%, with organic growth of 9.2% (+€462 million), driven primarily by volumes, and a currency effect of -2.0% (-€98 million, resulting mostly from the depreciation of the yuan, the Turkish lira, the Egyptian pound and the US dollar). The scope effect amounted to €1,195 million (WMF over 12 months and EMSA over 6 months for €1,151 million and €44 million, respectively) and the reclassification of Supor's marketing spend to -€74 million.

The robust sales growth was driven by all product lines and all geographical areas.

## PRODUCT SALES PERFORMANCE

All the major product categories made a positive contribution to this strong sales performance:

- despite high comparatives, the very strong dynamic continued in home care, with growth in activity of 30% on a like-for-like basis, driven by all the product families. Bagless vacuum cleaners are the main driver of growth, with further progress in Turkey, where the Group is expanding its product offering, including with locally manufactured products, and performing well in France, Spain, Germany and Russia, among others. Sales are also growing rapidly and steadily in China. In Europe and Turkey, which has adopted European regulations on performance labeling of vacuum cleaners, the Silence Force 4A model is a big driver of growth. Meanwhile, the Clean and Steam vacuum cleaner has continued to grow, mainly in France and Italy. Lastly, the launch of the Air Force 360 has enabled the Group to position itself in the new segment of versatile handstick vacuum cleaners with a high-quality model with robust sales, particularly in France, Germany and Spain. As in previous years, these excellent performances resulted in increased market share in floor care for the Group in Europe;
- double-digit growth in food preparation with, as in 2016, contrasting situations according to product families: in blenders (the largest market in the category), the Group repeated the very good performance of 2016, due in particular to the very rapid growth of high speed blenders in China and the solid development of sales in South Korea and Mexico. In heating and cooking food processors, business was sustained despite the non-recurrence of a special operation on Cuisine Companion in Italy. The same was true of small food preparation appliances (beaters, hand blenders) and

juicers. However, sales of soy milk extractors were down in China (due to strong competition from high speed blenders), but gradually recovered in meat mincers, sustained by a dynamic Russian market;

- solid sales growth was registered in electrical cooking, covering nearly all the product families, except for deep fryers. Major contributors to this dynamic include rice cookers and electric pressure cookers in China – where Supor continues to stand out, thanks to continuous improvement in the functionality of its products – as well as multicookers, driven by Cookeo and Cookeo Connect, particularly in France. Known as Cook4me internationally, Cookeo is gradually being rolled out to other countries (e.g. Germany, Japan, and Australia). Optigrill has also confirmed its success and has continued its geographical expansion (in Russia, for example). 2017 was also a good year for informal meal appliances (including sandwich makers and waffle makers), and for toasters, driven particularly by the large-scale launch of a kitchen electrics range under the Krups brand in the US;
- cookware sales were extremely positive, driven by an increase in the vast majority of countries, with the notable exception of two: the US, where the (perhaps temporary) emergence of new players has significantly disrupted the market in 2017 and adversely affected T-fal's sales in North America; and France, due to the non-recurrence of a major loyalty program with a retailer in 2016. Excluding the US and France, buoyant sales of pots and pans reflect both a solid core business (China, Germany, Japan, South Korea, etc.) and new loyalty programs in several countries (Germany, Central Europe, Mexico, etc.). It is also worth noting that the premium segment, served within the Group by All-Clad and Lagostina (and now also WMF), also performed well. Meanwhile, sales of kitchen utensils again registered strong growth, again largely driven by cups, mugs and thermal cups in China, but steadily expanding geographically;
- the home comfort business registered solid growth in 2017 on a like-for-like basis. Sales of air purifiers again grew rapidly, mainly in China. Fan sales suffered throughout the year from adverse weather conditions in Colombia and Brazil, but rebounded at the end of the year in Brazil, thanks to the launch of new large and ceiling models, which enabled 2017 to end in positive territory;
- in linen care, organic growth was also pronounced, based on two main products types: steam generators – particularly fast-heating models – in France, Central Europe and Turkey, for example, and garment steamers (standing or handheld), with new advances in China, Japan and the US, which are fast-growing markets. However, sales of irons proved to be more difficult in an almost stable world market, despite clear commercial success in Russia and Brazil. The Group's constant innovation and its ability to adapt to new uses and local needs (as was the case with the Freemove compact iron, launched successfully in Japan) have enabled it to strengthen its positions;
- in the beverage preparation market, the Group maintained a steady pace of growth, thanks in particular to the major contribution of the new Nespresso contracts signed in Switzerland and Austria, as well as the strong performance achieved in Dolce Gusto coffee machines, whose product offering continues to expand. Sales of automatic espresso machines also continued to grow, particularly in Europe, and filter coffee makers benefited from the introduction of the new Krups range of kitchen electrics in the US. Kettle sales were down, despite strong momentum in Japan, where the Group has strengthened its leadership, due to a very high 2016 comparison base in China. In home beer-tapping machines, BeerTender and Le Sub achieved a net increase in sales compared with 2016;
- lastly, in personal care, sales were up slightly on a like-for-like basis, driven by male beauty appliances (mainly hair trimmers) and hair removal (a loyalty program with a retailer in France), while the Steampod professional hair straightener, designed in partnership with L'Oréal, again registered strong sales that were nevertheless down compared with an exceptional performance in 2016.

## GEOGRAPHICAL PERFORMANCE

### EMEA

#### Western Europe

In a European market remaining overall sound, Groupe SEB achieved organic sales growth of 5.8% in 2017 and 8.1% in the fourth quarter. At year-end, and despite their different environments and high comparatives, almost all countries posted like-for-like growth. This robust momentum translated into market share gains.

The Group delivered record performances in France, with fourth-quarter sales of €307 million (+4.7%) and full-year sales of €791 million (+1.4%). Despite a strong year-end, cookware revenue remained sluggish due to the non-repeat of loyalty programs. In small electrical appliances, however, business was excellent, driven by a broad range of products, including vacuum cleaners (bagless, uprights, the Clean & Steam model and the versatile stick Air Force 360), steam generators, Cookeo, the Cuisine Companion cooking food processor, full-automatic espresso machines, Dolce Gusto, etc., and led to a significant improvement in our leadership on the French small electrical appliance market in 2017.

In Germany, the Group's 2017 performance was outstanding. Business was underpinned by the ongoing roll-out of flagship products such as Optigrill, Actifry, vacuum cleaners, coffee makers (full-automatic espresso machines, Nespresso and Dolce Gusto) and cookware – all boosted by major growth drivers – and was further bolstered by loyalty programs with retailers. The sharp increase in sales in Switzerland and Austria can be attributed to new partnerships with Nespresso. Despite the non-renewal of special sales campaigns in 2016, the Group also had a good year in Spain where its growth, fueled by almost all categories, strengthened its leadership offline and online.

The core business, excluding special campaigns, was also very strong in Italy due mainly to the confirmed success of vacuum cleaners, steam generators, Optigrill and Dolce Gusto, as well as our continued headway in e-commerce. In the United Kingdom, despite an uncertain overall environment and the price hikes implemented to offset the depreciation of the pound sterling, Group revenue was up like-for-like. In Belgium, the Netherlands and Portugal, the Group achieved a very good year.

Moreover, 2017 was the first year of consolidation for WMF, with, in particular, the progressive takeover of the operational management of WMF's Consumer business by Groupe SEB market companies, apart from Germany, Austria and Switzerland. These first reorganization steps naturally caused some temporary disruptions but put the Group on the right track for 2018, with powerful action plans to roll-out and accelerate revenue synergies.

### Other countries

In the other EMEA countries, the Group's organic growth stood at 12.6% for the year, following a fourth quarter posting a still solid growth of +7.4%. The vast majority of countries contributed to this very good performance which, as was the case in Western Europe, led to market share gains.

The Group continued to make headway in Central Europe in 2017, through a combination of development of its core business, underpinned by mainstay categories and supported by strong marketing campaigns, and special sales campaigns with retailers. Our sales in Ukraine have grown tremendously on a quarterly basis and rose by more than 50% at constant exchange rates for the full year. Momentum slowed significantly in the fourth quarter in Russia, due mainly to the non-repeat of loyalty programs in cookware, but the vigorous growth in core business held steady, driven by all categories except coffee makers, by considerable gains in retail and by the ramp-up in our network of proprietary stores. In Turkey, the continued depreciation of the Turkish lira led us to increase prices substantially. However, sales in volume remained resilient, in both cookware (due in particular to the launch of Ingenio in fourth-quarter) and small electrical appliances, with a strong contribution from vacuum cleaners. Special emphasis should be given to the increasing weight in the business of products manufactured locally or at our plant in Egypt.

The fourth quarter showed growing sales in Saudi Arabia – despite still high inventories at our distributor's – and stable revenue in India in a wait-and-see market context. Nonetheless, the improving trend could not compensate for the decline in turnover accumulated since the beginning of the year.

## AMERICAS

### North America

After 4.2% organic growth in the fourth quarter, the Group's 2017 sales were up 3.8% like-for-like in NAFTA countries. This improvement can be attributed to a positive performance in the United States in the fourth quarter and to a good year-end in Canada.

In the United States, despite the favorable impact of the launch of the new Krups kitchen electric range, in particular in the first quarter, the Group had a challenging year: difficulties or weaknesses at several retail brands in light of fast-rising e-commerce; sales of core-range cookware (T-fal) disrupted by a fierce competitive backdrop; decline in the market of irons, not offset by sharp impetus in garment steamers, etc. While these factors were still relevant at the end of the year, growth resumed in the fourth quarter thanks to the replenishment of Krups products, the rapid development of our sales with online pure players as well as strong momentum in the premium cookware segment with All-Clad and the introduction of the Lagostina brand. Consequently, full-year turnover was stable in dollars.

In Canada, as expected, fourth-quarter sales benefited from a more favorable momentum thanks to better cookware sales and solid growth in linen care (generators and garment steamers). Nevertheless, the overall environment remains complicated, especially in the retail industry.

Mexico is the key contributor to growth in the NAFTA region in 2017. In spite of the earthquake's impact on consumption, business dynamic remained quite robust in the fourth quarter, driven in particular by cookware, blenders and irons, as well as by a new loyalty program with one of our key clients.



### South America

The turnaround in the exchange rate trend that began in the summer was confirmed in the fourth quarter, with a significant depreciation of the Brazilian real and the Colombian peso against the euro. However, the Group achieved over the period a somewhat firmer business activity.

The Brazilian economy is showing signs of recovery, which materialize in household consumption, but the overall environment and the political agenda are key uncertainties. The Group posted organic sales growth in the fourth quarter of 3% which contributed to a slight annual increase of 1%. This positive trend was driven mainly by fans and irons – due to new product launches – while sales were down in food preparation and cookware. With cookware manufacturing still in the transfer phase, the segment should soon benefit from the new, more competitive production lines at the Itatiaia site.

In Colombia, the decrease in sales in pesos continued to stem primarily from the drop-in fan revenue due to poor weather. In contrast, cookware business remained on track and growth was maintained in blenders. Moreover, the Group achieved a very good year in Argentina and ensured, despite high inflation, a double-digit growth in unit sales.

## ASIA

### China

With sales growing organically at around 20%, both in the fourth quarter and over the year, the Group has again recorded a remarkable performance in China, in a market largely driven by e-commerce and which is creating value. Supor continued to implement an innovation strategy and contribute to the trade-up of the market in its flagship products in cookware and kitchenware (woks, thermal flasks and mugs, in particular), kitchen electrics (rice cookers, electrical pressure cookers, high-speed blenders, etc.) as well as in the non-kitchen small electrical appliance segment (air purifiers, irons and garment steamers, vacuum cleaners). Internet sales continued to expand, and e-commerce accounted for more than 35% of 2017 revenue, bolstered by a Double 11 day progressing by more than 40% against 2016. All these outstanding performances of Supor must be put in perspective of a rich sales history including several years of double-digit organic growth.

It should be noted that, to better reflect the nature of some expenditure and ensure full consistency with other Group entities in terms of financial statements, an adjustment was made to the accounting format in 2017, whereby for full-year, €74 million in marketing spend was reclassified as a sales decrease (of which €20 million in the fourth quarter), with no impact on Operating Result from Activity.

## Other Asian countries

The fourth quarter was slightly down like-for-like in Asia excluding China, reflecting the diverse situations in different countries. While Japan and South Korea, the Group's two largest markets in the region, confirmed their role as strong drivers, momentum slowed somewhat in Australia and business was down – sometimes significantly – in other countries that account for a very small percentage of sales.

In Japan, the Group maintained in the fourth quarter a solid growth rate, grounded in its three mainstays: cookware and kitchen tools; linen care, with continued progress in the expanding garment steamer category and the promising launch of the Freemove Mini compact cordless iron; and kettles, where the robust improvement in sales further strengthened our leadership on the market. This strong momentum was fueled throughout the year by substantial growth drivers. In addition, the excellent performance of our network of about 30 proprietary stores (with six openings in 2017) should be highlighted. In South Korea, as in 2016, the Group had another good year in 2017, mainly owing to the ongoing business development in cookware, blenders and hair dryers. In Australia, after a vigorous third quarter boosted by the introduction of new products, growth in local currency slowed at the end of the year. Sales nevertheless remained on track, in particular in cookware, irons, electrical pressure cookers and Optigrill.

In the other South-East Asian countries, however, 2017 performances were very mixed: revenue improved on a like-for-like basis in Thailand and Malaysia after double-digit growth in the fourth quarter but fell sharply in Vietnam and was penalized by high 2016 comparatives in Singapore (non-recurring B2B campaigns).

## WMF

WMF's 2017 sales stood at €1,151 million, up 5.5% year-on-year. In the fourth quarter, WMF's sales amounted to €338 million, practically stable versus 2016.

In the professional business, WMF's annual sales were €563 million, up 13%, with coffee (PCM) contributing +17% and the hotel equipment business down 9% due to the lack of major projects compared with 2016. Turnover for the fourth quarter stood at €137 million and was stable. For professional coffee machines in particular, as has been specified throughout the year, the 2017 performance should be analyzed from two perspectives: on one hand, a core business that continued to grow at a sustained pace in both Germany (with strong year-end momentum) and internationally; on the other hand, the major impact of two large contracts signed in 2016 with Canadian and Japanese clients, but which gradually faded: as most of the deliveries were made between fourth-quarter 2016 and the summer of 2017, the effect strongly mitigated in the third quarter, before disappearing entirely in the fourth quarter.

In the Small Domestic Equipment business ("Consumer"), sales amounted to respectively €588 million and €201 million for full-year and fourth-quarter, almost unchanged versus 2016, due to a combination of several factors: still sluggish cookware sales in Germany, the non-repeat of a major loyalty program of end-2016 in Asia and one-off disruptions caused by the sales reorganizations outside of Germany, Austria and Switzerland. However, growth in sales of small electrical appliances was in the double digits fueled in particular by new product launches; WMF stores achieved a slight growth in sales in Germany; and lastly, international expansion is progressing rapidly.

# 4.3. Commentary on the consolidated results

## INCOME STATEMENT

### OPERATING RESULT FROM ACTIVITY (ORFA)

Operating Result from Activity (ORfA) totaled €661 million, up 30.8%. and comprised the following:

- excluding WMF, Group ORfA amounted to €583 million, up 15% on 2016. Hence, Group operating margin excluding WMF came out at approximately 11%. In addition, the currency effect (-€10 million) was much lower than in previous years (-€122 million in 2016 in particular);
- WMF ORfA excluding one-off PPAs was €95 million, up 12% on 2016;
- the one-off impacts of the WMF purchase price allocation (revaluation of inventories and order books) represented -€17 million and were fully recognized in first-half 2017. Consequently, WMF's net contribution to Group ORfA totaled €78 million.

As such, Group Operating Result from Activity in 2017 excluding one-off impacts of the WMF purchase price allocation amounted to €678 million, up 34.2%, for an operating margin of 10.5%. It should be noted that the integration of WMF's Small Domestic Equipment business into the Group's market companies will not allow for this detailed analysis in 2018.

In addition, organic growth in ORfA can be broken down as follows:

- a positive volume effect of €133 million;
- a positive mix-price effect of €80 million, which, versus previous years, is largely driven by an improvement in the mix;
- a €32 million increase in production costs, particularly reflecting more expensive raw materials starting in the summer period (aluminum, nickel, copper, plastics, etc.). This rise in costs was only partially offset by better absorption of industrial costs, thanks to an increase in volumes;
- a €70m increase in investment in growth drivers; approximately a quarter allocated to innovation and three quarters for advertising and marketing;
- a €22 million increase in commercial and administrative expenses.

### OPERATING PROFIT AND NET PROFIT

At end-December 2017, the Group's Operating profit in its new scope totaled €580 million, compared with €426 million in 2016. The figure takes account of discretionary and non-discretionary profit-sharing expense of €38 million, practically stable on last year. It also includes other operating income and expense of -€44 million (-€42 million in 2016), composed primarily of the industrial and logistics reorganization implemented in Brazil (transfer of production from the Mooca and San Bernardo sites to the new Itatiaia site), charges stemming from the integration of WMF and the pooling of Groupe SEB and WMF entities in several countries, and expenses incurred by the creation of the Group's global Innovation Hub in Lyon for the small electrical appliance business.

Net financial expense came out at -€72 million, compared with -€58 million in 2016. At €35 million (€30 million in 2016), interest expense rose moderately despite the increase in debt, mainly due to the excellent financing conditions for the acquisition of WMF. Other financial expense primarily included a €9 million increase in the fair value of the optional part of the November 2016 convertible bond issue and unfavorable currency translation adjustments.

Net profit amounted to €375 million, up 45%. The total included a tax expense of €99 million representing an exceptionally low effective tax rate of 19.5% in 2017, thanks notably to a non-recurring effect of the tax reform in the United States and the restitution of the tax on dividends in France. It also comprised non-controlling interests of €34 million, up on last year owing to the continued improvement of Supor's performance in China.

## BALANCE SHEET

At 31 December 2017, equity stood at €1,964 million, an increase of €128 million on end-2016 despite the inclusion of negative translation adjustments of €148 million (penalizing effect of the yuan, US dollar, Brazilian real and Colombian peso).

At end-2017, net debt totaled €1,905 million, compared with €2,019 million a year earlier. The €114 million decrease can be attributed to the robust generation of operating cash flow. This last amounted to €322 million for the year, used in part, excluding dividend payments and share purchases, to cover non-operational outflows (mainly restructurings under way, WMF integration costs and the acquisition of Swizzz Prozzz).

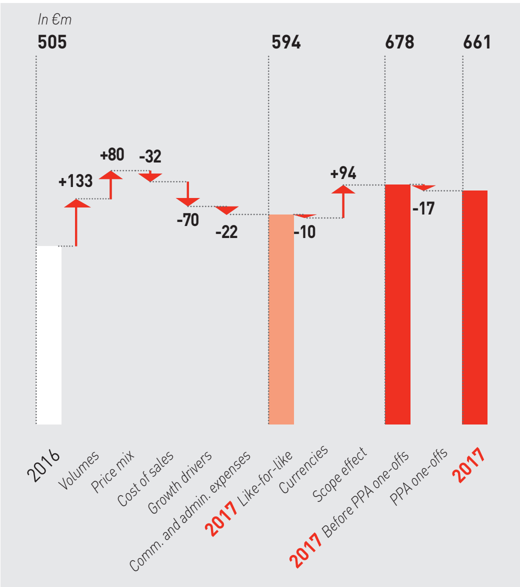
At end-2017, the working capital requirement stood at €1,222 million, equal to 18.8% of Group sales (19.6% at end-2016). WMF had a slight negative impact on this ratio, which amounted to 18.2% for the former business scope.

The Group thus ended the year with a debt to equity ratio of 97% (110% on a pro forma basis at end-2016) and a net debt/adjusted EBITDA ratio of 2.4, compared with 2.8 at 31 December 2016. This ratio is consistent with the debt reduction objectives announced in May 2016.

## CAPITAL EXPENDITURE

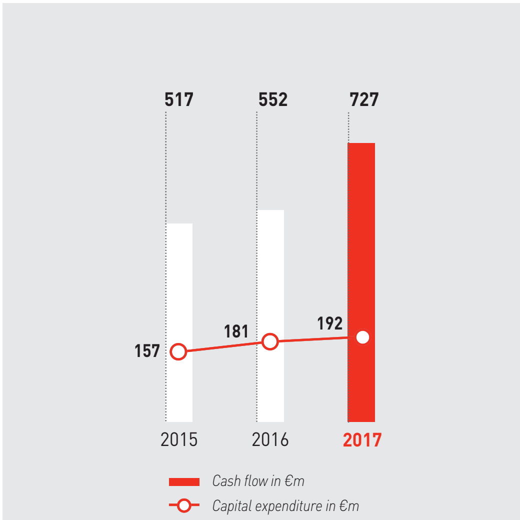
Capital expenditure was €192 million, compared with €181 million in 2015; adjusted for the scope effect related to WMF, it was, overall, in line with the average for previous years. The main capital expenditure was on molds and tooling for new products, production equipment (e.g. injection molding machines, new assembly lines) and the renovation of certain buildings. This comes on top of capital expenditure on production-related computer software, capitalized development costs and the refurbishing of the Group's proprietary stores.

### BREAKDOWN OF OPERATING RESULT FROM ACTIVITY




* Like-for-like: at constant exchange rates and scope of consolidation.

### CASH FLOW AND CAPITAL EXPENDITURE



# 4.4. Commentary on SEB S.A.'s results

## PRESENTATION OF SEB S.A.'S RESULTS

SEB S.A., the parent company of Group SEB, is a holding company. It therefore defines and implements the Group's development strategy. It holds financial interests that enable it to have direct and indirect control over Group companies. SEB S.A. also manages the Group's cash, implements the financing policy and centralizes the management of the market risks to which the subsidiaries and the Group are exposed.

The financial statements of SEB S.A. at 31 December 2017 are characterized by the following amounts and transactions:

An operating expense of €17.1 million in 2017, compared with an expense of €19.5 million in 2016.

Net financial income of €268.9 million in 2017, compared with €48.6 million in 2016, representing an increase of €220.3 million year-on-year. This net financial income mainly comprises:

- Dividends received, which increased substantially in 2017 to €223.4 million, from €100.3 million in 2016;
- Favorable currency effects in 2017 of €87.1 million, compared with a loss of €47.9 million in 2016;
- Net write-downs of equity investments of €44.9 million, compared with €7.9 million in 2016.

Profit from ordinary activities before tax was therefore €251.8 million in 2017, compared with €29.1 million in 2016. An extraordinary net expense of €9.5 million was registered, compared with an expense of €5.3 million in 2016. €26.5 million in income was registered for corporation tax in 2017, compared with €21.8 million in 2016. As SEB S.A. is the lead company of the tax consolidation group, it recognizes tax income corresponding to the tax saving related to the deduction of the losses of the loss-making subsidiaries from the overall group's tax result of €19.8 million in 2017, as well as income of €10 million corresponding to the reimbursement relating to the contribution of 3% on the amounts distributed for 2013 and 2016.

SEB S.A.'s net profit for the 2017 was €268.8 million, compared with €45.6 million for 2016.

At 31 December 2017, total assets amounted to €4,699.5 million, compared with €4,697.9 million at the end of 2016, representing a slight increase of €1.6 million.

Non-current assets amounted to €4,341.5 million, up €30.0 million compared with 31 December 2016. They mainly comprised equity investments for a net amount of €1,574.2 million, compared with €1,619.9 million in 2016, and long- and medium-term loans granted for €2.766.1 million, compared with €2,690.5 million in 2016.

In terms of liabilities, the company's equity stood at €1,224.0 million at 31 December 2017, compared with €1,043.9 million in 2016. SEB S.A.'s borrowings amounted to €3,207.6 million at 31 December 2017, compared with €3,177.9 million in 2016.



## ACQUISITIONS OF EQUITY INVESTMENTS

SEB S.A. acquired an equity investment of 56.9% in the capital of Ethera on 28 July 2017.

SEB S.A. did not acquire any other significant equity investments in 2017 in companies with their registered offices in France.

## DIVIDENDS PAID OUT IN THE LAST THREE FINANCIAL YEARS

| | Dividends | Share premium |
|---|---|---|
| 2015 | 70,901,642 | 2,722,104 |
| 2016 | 75,896,898 | 2,936,383 |
| 2017 | 85,347,160 | 3,236,360 |

## BREAKDOWN OF TRADE PAYABLES BY DUE DATE

| *(in € millions)* | 0 days (indicative) | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or more | Total(1 day or more) |
|---|---|---|---|---|---|---|
| | Article D. 441 I.-1°: Invoices received and not settled at the closing date of the financial year that are in arrears | | | | | |
| **(A) Late payment tranches** | | | | | | |
| Number of invoices concerned | | | | | | 12 |
| Total amount of invoices concerned excl. VAT | (1.80) | - | - | - | - | - |
| Percentage of total amount of purchases excl. VAT for the year | 20% | 0% | 0% | 0% | 0% | 0% |
| **(B) Invoices excluded from (A) relating to debts and receivables that are disputed aor not reported** | | | | | | |
| Number of invoices excluded | 10 | | | | | |
| Total number of invoices excluded | 0.00 | | | | | |
| **(C) Payment deadlines for references used (contractual or statutory deadline – Article L. 441-6 or Article L. 443-1 of the French commercial code)** | | | | | | |
| Payment deadlines used to calculate late payments | Statutory deadlines: The payment deadlines range from 30 days to 60 days. Contractual deadlines: The payment deadlines conform to the legal deadlines. | | | | | |

## SUMPTUARY EXPENSES AND NON-TAX DEDUCTIBLE EXPENSES

Pursuant to the provisions of Article 223 *quater* of the French Tax Code, we inform you that the financial statements for the last financial year contain sumptuary expenses of €20,403 corresponding to the depreciation of passenger vehicles. This expense is not deductible from the tax result according to Article 39-4 of the French General Tax Code.

# 4.5. Outlook

Groupe SEB posted an excellent year in 2017, combining strong performances in line with its objectives and a promising start from WMF.

Like 2017, 2018 will be a rich and busy year marked by a two-fold objective:

- pursue the Group's profitable growth (former scope) in a small household equipment market that should remain buoyant, by continuing to harness our solid fundamentals – innovation, the power of our brands, broad distribution, international presence, industrial expertise and top-quality execution – to make a difference;
- pursue in parallel the integration of WMF by rolling out the projects initiated, executing investment and acceleration plans in Professional Coffee, implementing the actions to improve profitability in the Consumer business, and ramping up operational synergies. Delivering on all these topics will once again call for a strong mobilization of the teams.

Moreover, the economic environment is likely to be more challenging in 2018 in terms of commodities and currencies. Despite high comparatives for the former scope and an exceptional 2017 in Professional Coffee for WMF, Groupe SEB's objective in 2018 is to achieve further organic sales growth, improve its Operating Result from Activity and continue to reduce its debt level in order to bring its net debt/adjusted EBITDA ratio down below 2 at the end of 2018.

# 4.6. Post-balance sheet events

## EGYPT

Groupe SEB signed an agreement at end-2017 to merge the small electrical appliances and cookware businesses with its historic partner in Egypt, the Zahran family, with the aim of strengthening its industrial base in the country to serve the local market and for exports.

The Zahran group, established in 1967, is Egypt's largest cookware manufacturer. It has two industrial sites and 11 Zahran stores, and employs more than 700 people. It has been producing and selling cookware under the Tefal and Zahran brands in Egypt since 1973.

In addition, in 2013, Groupe SEB created a joint venture with Zahran, Groupe SEB Egypt, in which it has a controlling shareholding of 75%, which manufactures and sells small electrical appliances (including vacuum cleaners, blenders, and small food processors), mainly under the Moulinex and Tefal brands. The plant is located at Borg El-Arab, near Alexandria.

With a view to strengthening their existing cooperation, Groupe SEB and the Zahran family have set up a new entity, Groupe SEB Egypt Zahran, owned 55% by Groupe SEB and 45% by Zahran. Bringing together the small electrical appliance and cookware businesses, the company aims to:

- accelerate sales growth in Egypt and take best advantage of the market's strong potential;
- capitalize on the relationship of trust established over a number of years with the Zahran family;
- strengthen the Group's production base in the region to facilitate access to certain markets in Africa and the Middle East.

The transaction has been submitted to the approval of the Egyptian regulatory authorities and should be finalized in second-quarter 2018.

Groupe SEB posted sales of around €20 million in Egypt in 2017.

## FRANCE – LINEN CARE

As part of its strategy of strengthening its competitiveness in linen care, Groupe SEB announced capital expenditure in France of nearly €15 million in early 2018.

By 2020, this project will involve the transfer of the business and all of the employees from the Saint-Jean-de-Bournay site to the neighboring site at Pont-Evêque, whilst keeping jobs.

The two sites, which are 18km apart, are interdependent and are the only industrial production sites for the Group's irons and steam generators in France. Saint-Jean-de-Bournay (162 employees on permanent contracts) is dedicated to plastics, making injected parts for the neighboring site of Pont-Évêque (619 employees on permanent contracts), which manufactures and assembles these products. The new product ranges call for increasingly innovative plastic injection processes and require new, high-tonnage injection molding machines which the Saint-Jean-de-Bournay site cannot accommodate.

Groupe SEB therefore plans to extend the existing site at Pont-Évêque by building an injection molding machine workshop with a surface area of 7,300 $m^2$ and two storage buildings. These new premises, which are designed to be ergonomic and safe, will improve the working conditions of employees and optimize logistical flows.