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Speakers: Mario Guevara and Jim DiPietro

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Mario Guevara: Good afternoon. Thank you for being here at our headquarters in Clichy. Today we will present the Group Full Year 2014 Results, and again, we are pleased that you joined us here at our offices in Clichy this afternoon.

So, our agenda for today is the following. Jim DiPietro – Chief Group Financial Officer – and I will review the Group results with the main highlights by category. I will then share with you our perspectives for this year by category and for the Group as well as our long-term strategic priorities. We will then be open for your questions.

So let me start by a quick summary of our major achievements in 2014. First, I am pleased to share with you that we delivered a sustained and profitable growth in all our consumer categories. The performance was well-balanced across geographies. We grew mid-single digit in both mature markets, notably Europe and North America, and in the developing regions. This good performance was achieved through market share gains in all three categories and in most of the geographies.

BIC Graphic recovered sales growth, reaching the objectives that we shared with you, although the promotional product market in Europe did remain challenged, particularly in the southern countries. BIC Graphic Europe experienced a – flat sales. North America registered a good performance in art goods, and developing markets benefit from the dynamism of BIC Graphic in this region. We also maintained a high level of cash generation thanks to an effective working capital management during the year.

In terms of numbers, as you can see, our sales reached €1,979.1 million, a growth of 4.9% on a comparative basis. The Consumer business grew 5.3% with a well-balanced growth in developed and developing markets, and BIC Graphic did resume growth with a growth of 2.5%, and I will come back later in this presentation to give you more details.

Our income from operations did increase 8.9%, and the normalised IFO, which excludes the non-recurring items, was €370 million, up 7.5% with a margin of 18.7%, an improvement of 50 basis points compared to 2013. Earnings per share at the Group level was €5.57, an increase of 8.6%, and our cash at the end of December reached €320.2 million. And Jim will give you more details later in this presentation.

In this slide, number six, you can see the constant of our Group to deliver a good margins and a consistent growth. So the normalised IFO margins, as I explained to you, improved 0.5 percentage points in 2014, due notably to a better cost – better fixed-cost absorption and a positive raw material impact. We achieved this healthy margin without sacrificing our investments in brand support or our investments in research and development and product development. And also we devoted a significant amount of our investment in capex, mainly to increase capacity and to develop new products. If we take the investments done in 2014, now €112 million, 45% of this amount was devoted to developmental capex.

In terms of cash generation, as you can see on the slide eight, and consistent with our strategy, we maintained a strong cash generation in 2014, with €238.7 million of free cash flow before acquisition and disposals and €183.6 million after acquisitions and disposals.

Yesterday, and with confidence in the Group financial situation and the sustainability of its performance, the Board of Directors will propose to pay €2.85 of ordinary dividends this year. It represents an increase of 9.6% and a ratio of pay-out of 51%. Although total shareholder remuneration decline is likely in 2014, the Group use-of-cash policy remains the same. Let me remind you: first, to invest in the business, as I explained before, through either organic or external growth when opportunities arise. Second, ordinary dividend that should be sustained in the long-term, as it was the case we – in 2014 with an increase of 9.6%. Third, a buyback programme, and then when we still have excess cash we would consider a payment of a special dividends.

Now, let me reveal more detail the last year result performance by category and by geography. As you can see on slide 12 our Consumer business, as I mentioned to you before, increased 5.3% on a comparative basis last year. With developed markets show a good performance with sales up 5% in Europe, still driven by the good performance on – in Central and Eastern European countries. North America grew 4.4%, notably to the good performance of the Lighter category in this region. And developing markets, net sales grew 6.6% with Latin America and Middle East and Africa up high-single digits.

Let me now start the performance by category with the Stationery category. On the slide 13 we can see that our market share trends is – we can see our market share trends is different by different regions of the world. We gain market share in most of the geographies. This was achieved thanks to our quality and value positioning and the success of both our core products and our new products.

If we focus the Stationery market on the European and the North American market, we can see that the Europe – in Europe the market was growing low single-digits at the end of the month of June, with retail mass market growing at a faster rate than the total market. In the US the Stationery category was up 25 at the end of December of last year, and the main growth channels were the Office Product channel with 3% growth and the E-commerce with 17% growth. The Brick & Mortar channel, which includes notably modern mass market and office superstore, grew only 1%.

The full year BIC Stationery net sales did increase 4.2% on a comparative basis, with volumes up 4% for the whole year. In Europe net sales grew high single-digit with a good performance in Eastern Europe, which posted a double-digit growth, thanks to strong performance in countries like Russia and Turkey. Although the competitive environment did remain challenging during the Back to School period, we increased market share in key European countries like France, the UK, Belgium, Italy and Spain.

In North America, net sales increased low single-digit, resulting in market share gains. Our good performance was driven by the Office Product channel and also by a strong Back to School execution and the launch of our campaign, 'Fight for Your Write.' This is an important initiative which builds awareness among consumers regarding the benefits of handwriting.

In developing markets, net sales increased low single-digits on a comparative basis, that is to say, excluding the Cello and Sheaffer sales. In Latin America we continue our successful expansion in key countries such as Brazil and Argentina. In Brazil we grew in line with the stationery market, which has been effected by the country's economic slowdown. In Mexico, despite a highly challenging competitive environment, we maintained our leadership position in ball pen Classic segment.

In the Middle East and Africa, net sales increased high single-digits as a result of significant distribution and market share gains. In North and West Africa sales of BIC Cristal did increase in Egypt and Tunisia where we decided to take a different market approach. And also we posted a strong growth in South East and Central Africa.

Let me now focus on the Cello Pens performance in 2014. Net – Cello net sales at constant currency decreased in 2014 and were affected by an adverse competitive environment. The Stationery market in India remains very competitive. For example over the last 12 months, the ball pen and the graphite pencil segments have experienced continuous pressure on prices. This is linked to the rupee/US fluctuations. With lower consumer income disposal their sub-5 rupee pen industry, which represents 60% of total market, was very active and continues to play a large role in the Indian domestic market.

The normalised IFO margin was 16.5% compared to 23% in 2013. It was impaired by the decline in net sales as well as the negative impact of the product mix and by an increased raw material prices. The investments done to strengthen the management team and improve governance led to an increase in opex and consequently an impact in the margin. We also – on top of this, we also aligned the Cello accounting practices to meet accounting standards.

Despite these short-term headwinds in Cello in India, we take a long-term view in this part of the world. We will have hoped for better results in 2014, but we are very happy with the progress in the transition of the management from the previous owners to now the BIC management. In 2015 we will continue to manage this transition and to reinforce the management team. We expect to recover growth in domestic sales, and we will benefit from reduced raw material cost increases.

The Indian stationery market is one of the world's largest stationery markets, and is expected to grow over the next few years. Recently, the National Literacy Mission was defined as a priority for the new government in India. So ball pens, gel pens and pencils are the Indian consumer's first choice, with the ball pen at the number one position, and this is a strong foothold for Cello and a great opportunity for BIC Cello.

The consumer awareness of the Cello brand remains very robust, with 90% top-of-mind recognition, and this explains also the solid distribution network and the solid manufacturing and great flexibility that we enjoy in our factories in India.

Let me now turn to slide 18 to present the Lighter results. As you can see in this slide, BIC Lighter market share gains were driven in most of the regions of the world, with the except of Asia, where our market share still is low single-digits. In terms of the results, Lighter net sales increased 8.3% on a comparative basis and the volumes for the whole year were up 4%. In Europe the net sales grew mid-single digits, although facing challenging economic environment in the Southern countries of Europe. The Western countries grew low single-digits, and the Eastern European countries posted a double-digit increase thanks notably to distribution gains driven by new listings in the different regions of Eastern European countries.

The net sales in North America grew mid-single-digits, reflecting a continued distribution and market share gains both in the US and Canada, where the sleeves strategy for lighters continued to be a real success. Developing market lighter sales grew double-digits, particularly in Latin America, where we gained distribution across most countries of the region. In Mexico and Brazil we gained distribution in areas where the consumption of matches did – was still high. In the Middle East and Africa we benefit from our proximity strategy to improve distribution and gain visibility. So, another great year for our Lighter category.

In Shavers, you will look at the markets in Western Europe and the USA. We can see that in Europe the market – the wet shaver market experienced a decline of 3.7% at the end of June, and out of this 3.7% decline only -1.4% did correspond to the one-piece shavers. In the US the total wet shaver market was down 2%, with the refillable market down 3.2% and the one-piece segment was almost flat in value growth with a good recover during the last quarter of 2014.

The BIC market shave – the BIC shaver market share was flat in Western Europe and Latin America and we grew in Eastern Europe. In our largest market, the US, we gained market share for the fourth year in a row, and at the end of December 2014 the BIC share of disposable shavers was 24.9% in value. It's up 2.1 points during the last year.

BIC Shaver net sales did increase 4.1% on a comparative basis, and volumes were up 5%. Our value proposition – quality shaving performance at the fair price – continues to drive success and growth in all regions and in all price segments. In Europe, sales increased low single-digits led by our best value triple blade products such as BIC-3 and BIC Miss Soleil, and you have a sample in your bags today.

In North America, as I just mentioned, we gained market share in both men and woman segments and we grew sales in the mid-single digits. The growth drivers include our best value single and twin offers, as well as our premium products like BIC Flex-3, BIC Flex-4 and BIC Soleil Glow triple blade shaver.

In developing markets we grew mid-single digit. Latin America growth was led by the performance of our triple blade products, and in this part of the world the consumers slowly evolve towards the more premium product like this triple blade shavers. Net sales in Mexico, Brazil and Argentina grew compared to the previous year, but this good growth was partially offset by no sales in Venezuela due to the import restrictions in this country didn't allow us to have a product available to sell in the market.

Our best value single and twin offers continue to dominate the Middle Eastern, Africa regions and were the key drivers of our growth this part of the world. The triple blade segment contributes – has contribute to overall growth in this region, but from a smaller base than in the rest of the Middle East and Africa countries.

Let me now say a few words of the BIC other products. The full year 2014 sales did decrease 2.8% on a comparative basis. This – we're proud to say that BIC Sport net sales reached €26.9 million, an increase of 3.9% on a comparative basis, and the growth was driven again by stand up paddle board sales in Europe and in the rest of the world.

Other consumer products 2014 normalised IFO was -11.3% euros. That includes €9.6 million expenses related to the portable fuel cell project. As you may recall, in November 2014 we announced our decision to significantly reduce our investments in portable fuel cell R&D resources and to actively explore alternatives to monetise it. We have shared some interest from fuel industry fuel cell players at this moment.

If we look at the different normalised IFO margins in the three – three Consumer categories we see that in Stationery the normalised IFO margin was 12.5% compared to 12.7% in the – in 2014. And we experienced a benefit from better gross profit, the consolidation of Cello Pen who was partially offset by the increased investment in brand support across all the different regions.

The normalised Lighter IFO margin was 37.7%. That compares favourably with 37% in 2013, thanks to a favourable geographic mix. We have a higher growth rate of our Lighter sales in North America and in Latin America, and also we experienced a positive raw material impact during 2014.

And finally, the Shaver normalised IFO margin was 17.8%. That compares favourably to the 17% of 2013 as a result of a low – low cost of production. Here we have much better fixed cost absorption and raw materials.

Let me now say a word on the Promotional Product division. If we look at slide 25 to the North American Promotional Product market, we can see there the total market was up 5.1% in 2014 and the growth was driven by the Hard Good and Writing Instrument segments. The Calendar segment experienced a slight decline of 1%.

In this context BIC Graphic net sales increased 2.5% on a comparative basis in line with our objectives, and in all geographies the quality, the safety, the compliance and trademarks are becoming major growth drivers within this industry, who recognise the deep expertise of BIC Graphic on all these fields.

In Europe, the Northern countries started to show signs of recovery, while conditions in the Southern countries continued to be challenging. BIC grew in the UK, where customers are sensitive to quality and brand awareness, and in the Southern countries, notably Italy, Spain, Greece and Portugal, mainly due to a growth in medium and small customers that really appreciates our flexibility, quality and service of our BIC Graphic division.

In North America, where the industry has evolved into a price-driven and perceived value products, net sales grew low single-digits with a solid performance in Hard Goods. This performance was supported by the success of our good value lines, the new products and the innovative practice in printed technology, was still performing in line with our expectations. In developing markets net sales increased double-digits, benefit from a strong performance in Latin America as we focus on the development of new products.

So this ends my comments of our 2014 operational performance, and now I'm going to pass the microphone to Jim who will comment on our consolidated results. Jim?

Jim DiPietro: Thank you, Mario. So, let me start by reviewing the summarised P&L results on slide 28. In 2014, net sales increased 4.8% as reported and 4.9% on a comparative basis. Gross profit increased 4.5%, while normalised IFO increased 7.5%. And the full year tax rate for 2014 was 30%, which is consistent with the full year rate of 2013. Net income Group share increased 8.5%, and finally EPS Group share increased 8.6% to €5.57 compared to €5.13 in 2013.

Now, reviewing the non-recurring items in 2014, this will help to explain the difference between normalised and reported IFO. As we've seen in both 2013 and 2014, changes to the US retiree medical plan had a favourable impact of €13.7 million. The restructuring costs related to the divestiture of Sheaffer was an impact of €2.4 million. We also had restructuring expenses linked to the reduced investment in fuel cell, and that was the amount of €1.9 million. Finally, €7.2 million was recorded in 2014 related to the revaluation of Venezuela inter-company accounts payable, which was denominated in US dollars using the new SICAD II rate, which led to this revaluation of 7.2. In total, non-recurring items had an impact of €0.7 million in 2014, and that's compared to €5 million in 2013.

As we review the change of normalised IFO for the fourth quarter of 2014 compared to the fourth quarter of 2013, we can see that this year we've finished at 17.4% compared to 13.3% for last year fourth quarter. We can see that a decrease of four tenths of a point in gross margin, also lower brand support investments, had an impact of 0.2 points. Opex and other expenses were favourable 1.3.

Looking at the full year normalised IFO margin here on slide 30, we can see in 2014 we finished at 18.7% compared to 18.2% in 2013. As we've seen throughout 2014, the gross profit change was the driver of the net normalised IFO margin change. Gross profit margin increased a half a point versus last year as a result of lower production costs year-on-year, with the favourability of manufacturing absorption being the main element of change. Brand support and other operating expenses were flat compared to last year.

On slide 31 we will review the capex investments for the year. We can see that in 2014 we invested €112.3 million. Due to timing of the projects, this investment level was lower than our estimated range of €120 million. As we look at 2015, we would expect the estimated investment to be in the range of €120–130 million.

On slide 32, we can see that the end of year change in working capital was impacted by inventory. Inventory increased by almost €27 million, and that increase is mainly due to Shaver. We can see in Shaver the inventory was related to the build of inventory needed to meet forecasted sales in 2015, which includes new product launches.

Slide 33 summarises the evolution of our net cash position between December 2013 and December 2014. We generated solid cash from operation activities which funded our €112.3 million of capex investment, €132.6 million of dividends in share buyback, and the cash received through stock options exercised net of liquidity was of a favourable €15.3 million. Finally, the cash received from the sale of Sheaffer was €8.4 million, and as a reminder, the net cash position is impacted by the future value of Cello's remaining put option.

This ends the review of our consolidated results, and I'll give the floor back to Mario.

Mario Guevara: Thank you. Thank you, Jim. Let's now turn on how we see 2014 for our Group. Let me start by – with a short presentation of our main new products. In 2015 we expect the Stationery market to continue to grow low-to-mid single-digit, and our objective remains again to gain market share in most of the regions.

In developed markets we will continue to focus on our champion brands through new product offerings. Our goal is to offer consumers improved writing performance, always at the fair price, and to cover all consumer needs at home, at school or at the office. In 2014, the new products represented 23% of the net sales. This is an important growth driver for the category.

As you can see in this slide, the BIC Atlantis Value-Added Products represented 17% of the total BIC Atlantis champion brands sales. That compares to almost nothing four years ago. You have one of these new Atlantis Value-Added ball pens in your bags. It has got a great, comfortable grip, and I see you – one of our audience members writing notes with it, so thank you. Beyond the Atlantis line, we will continue to implement this up-market at an affordable price strategy in all champion brands, included like the 4-Color champion brands line, the M10 that is quite popular in South Africa, New Zealand and France. This year, for example, we will launch a 4-Color with a stylus – again, it's in your bag – that bodes well with digital and classic writing. And also, we will launch a 4-Color with a charm fashion for the young students who like to write and show its bright writing instrument.

In developing markets, we will continue to leverage the increasing consumer purchasing power to broaden our footprint, and we will achieve this with new products like the marker line in Latin America and the BIC Cristal Clic, a retractable crystal pen. These products are manufactured in Manaus. In the Middle East and Africa, where consumers like to write with fine points, we have developed a very smooth writing pen with a middle point that will be sold in the Middle East and Africa, and in Asia we will extend our extra-easy range to conquer the hearts of the new consumers.

Turning to Lighters, one of the questions that we received most frequently is: 'How can you explain the ongoing growth of your Lighter business where tobacco consumption continues to decline?' So, let me give you some insights. First of all, when we study the pocket lighter growth drivers, for us, it is more relevant to consider the number of the smokers rather than the cigarette consumption. Based on the Euromonitor publications, the total number of the smokers is expected to grow by almost 1% until 2017, and it is true that the number of smokers in Europe and in North America is expected to decline, but it is expected to increase in Asia, Middle East, Africa and Latin America.

On this new slide, we show the different growth drivers for the BIC Pocket Lighter sales in the US between 2009 and 2013. As you can see, the impact of the declining cigarette consumption has been almost thoroughly offset by the increase in other combustibles, like cigars and candles for example. And we also benefit from the tremendous success of the Sleeves trade-up strategy and from distribution gains. On top of that, we have taken benefit from our good pricing power.

On the slide number 40, you can clearly see the impact of the BIC Sleeve Pocket Lighter strategy, which the compound annual growth rate between 2010 and 2014 has been more than twice than the regular BIC Lighter. And also, in terms of lighter users, cigarettes account for only 63%, while the other 37% it's assured between the use of lighters to light candles and other uses. In addition to this, BIC plays aggressively against matches, and we see this in most – in some developing countries where our advertising targets matches users to convert them to BIC Lighters, and this helps to drive growth in this part of the world. As an example of the lighter – of the Sleeve Lighter strategy, you can see here the different themes that we will launch in the different regions like Europe, North America, Latin America, Middle East, Africa and Asia.

Turning to Shavers, in Shavers we will continue with the formula that has driven our recent success: improved product performance and sales at a fair price. In North America, in 2015 we will launch the new BIC Flex 5, a BIC first – 5 razor, who offers the best technology to these possible users who want to try it out. So this shaver will offer a very close shave and a very ergonomic handle, with a balancing sphere which offers a better control of the shaving experience. And consistent with our value proposition, this shaver will be priced at 70% index to the best in class competitor. This launch will be supported with a comprehensive promotional campaign that – and we will conduct in support of the launch of this product. The same value added at the fair prices strategy will be placed in developing countries. The most important event this year will be the most aggressive rollout of the BIC Soleil for women in the Latin American region. This product is especially adapted to this region, where 50% of the women still use another shaver mainly devoted to men. It is a great opportunity for our BIC Soleil in Latin America.

In 2015, in the BIC Graphic business, we will focus on delivering profitable growth in all the regions. In the North American market, sales shall grow at a higher pace, and we will continue to focus on our branded promotional products, the technology related new products, and our good value lines, bringing our costumers the perceived value expected by the whole industry. In Europe, the weakness of the Southern countries should be offset by the slight increase of our promotional product sales in countries like France, Germany and the UK.

In developing markets, we expect continued double-digit growth because we will target the Asian hospitality market, where we will expand our reach into the new line categories in the Latin American market. In these developing markets we also have secure local supply partners that will help us to improve our service and have a quicker turnaround time to meet our customer needs. And these trends will be supported by BIC Graphic reinforced umbrella brand strategy, and enhanced and comprehensive marketing and communication campaigns including printed and digital advertising catalogues and large presence in the main trade shows. Also, as an industry leader and consistent with the BIC DNA, we will continue to innovate with our new products and to increase our commitment to product safety and comply with the regulatory requirements.

Let me now turn to 2015 full year guidance, and the Group long-term priorities. Our 2014 solid results have reinforced our confidence and optimism about the short- and long-term prospects for our company. In 2015, we will once again leverage our strengths to generate another year of sound and profitable growth in all categories. In an environment that we expect to remain volatile, and with evolving consumption patterns, we expect Group net sales to grow between 4 and 5% on a comparative basis. As regards to profitability and excluding major currency fluctuations, we anticipate consumer business normalised IFO margin to be consistent with the margin we experienced in 2014. Let me add that Shavers normalised IFO margin should decline slightly as we will support the launch of the new BIC Flex 5 shaver in North America, and we will reinvest most of the expected savings, not only from fuel cell or raw materials, to support this long-term growth. BIC Graphic normalised IFO margin is expected to improve and to deliver mid-single-digit margins.

As regards to shareholder remuneration and given the level of net cash in the balance sheet at the end of 2014, and subject to full achievement of our 2015 Group objectives and considering the absence of significant investments or any other significant change, we will consider an extraordinary dividend in 2016.

Let me now conclude this presentation on a more long-term vision. Since the inception of our company, our business model has relied on unchanged values and solid assets. We have a well-known brand around the world; our quality, reliable, affordable and innovative products, our wide distribution network around the world and exemplary and committed BIC teams around the world. This winning equation we will continue to be at the centre piece of our long-term, strategic priorities.

We believe in our business model and in the 17,000 women and men implementing the BIC success formula in more than 160 countries. We are convinced BIC will continue to create long-term value by outperforming its market. This will be achieved notably through an expanded distribution network in all geographies, an increased focus on value-added segments in the developed markets and a large consumer base in developing markets.

While increasing sales low to mid-single digit on an annual basis, we will grow normalised IFO from operations through increased productivity, while continuing to invest in our people, in new products and in our brand. Our strong cash generation will continue to fund strategic bolt-on acquisitions and to sustain total shareholder remuneration in the long term.

Thank you, and now we are ready to entertain your questions.

Speaker: I have two questions actually, first one on the forex environment. So, we know that you will benefit from the strengthened dollar in 2015 from a translation standpoint, but what about the transaction standpoint? Because you have, in Shavers especially, factories in Greece and Mexico. You sell in the US. So is it going to benefit to the margin or not?

Second question on raw materials, plastics and probably butane will be cheaper in 2015. Are you going to benefit or is it going to be offset by the strength in the dollar? So these are two questions.

Jim DiPietro: Let me address those questions. On the transaction side in 2015, we are hedged based on our guidelines and policy at 125.50. So versus a year ago where it was closer to 132, we had that economic benefit, 132 up to 125.50. So again, the hedge is set for 2015 at that rate. Translation, as you said, is going to vary obviously, depending on where the rates are throughout the year. The one thing to keep in mind is while the dollar is stronger versus the euro, other currencies, especially in developing markets in Eastern Europe, are going the other way. So the net impact isn't as significant as some would think.

Regarding raw materials, looking at this year versus last, again current market prices today could be a little bit better than last year. We still anticipate maybe some increases in the balance of the year, one depending on what happens with the oil prices and commodity prices, but also not only with the market, but with supply. So while some of the rates could be – and trends – could be better today, they could be changing in the balance of the year. So we would see, you know, possible upside but not significant upside.

Nicolas Langlet: Hello, Nicolas Langlet, Natixis. I've got three questions, first on Cello. So if I understand it well, you expect positive top line growth next year in 2015. What makes you this comfortable with positive sales growth in 2015? Is it market condition or lower internal issue for Cello? In terms of margin, would it be possible to break down the margin deterioration between the four elements you mentioned in the press release? This is for Cello.

And second question on Lighters. So, you talked about positive raw material impact in 2014. Do you expect still some benefit in 2015? And In terms of price increase, you didn't pass any price increase this year. Do you expect to pass some next year?

Mario Guevara: Okay Nicolas, let me take a few elements of your two questions and then I will let Jim help me to answer the rest. On the Cello sales recovery, we have optimism to resume sales growth at Cello, basically because 2014 has been a very challenging year in terms of market conditions and also in the change of management. As I shared with you, the management team should be completed in the Q1 of this year. So with the management in place and also some of the economic headwinds being less strong in 2015, notably the raw material cost pressures and also the fact that we increased prices in April of last year, so we are confident that the growth will resume in 2015, basically because the market will continue to grow.

In Lighters, yes, we didn't have a price adjustment last year. We expect to adjust prices in 2015 in selected countries.

Nicolas Langlet: In the US?

Mario Guevara: In the US, yes.

Nicolas Langlet: Okay.

Jim DiPietro: Let me go back to Cello and talk about the margin change year to year. A couple of things to keep in mind, first, if we start almost at the sales level. In sales, if we go back to some of the accounting policy changes, we did have some impact in returns, especially, not only the returns policy but also taking back some returns that were in the market. So we cleaned up some of the excess inventory during the year. So that was one impact that impacts sales as well as margin.

Pure margin change, if we look at a little less than seven point change year to year is roughly split between GP and opex. The GP drivers are really coming from the increase of raw material, which we experienced probably more the first six months of the year, and then the full year, especially in the second half, had more of an absorption, unfavourable absorption, based on the sales trends being a little bit softer. There's also an impact, probably a little less than material, in absorption related to unfavourable mix with the 5 – 3–5 rupee pen outpacing some of the higher-priced products. So that's the composition of the margin, the gross profit change.

Opex is really tied to the infrastructure investments we're making in the management team, having a more I would say professional team now managing the operation as we've introduced both the general manager, the CFO as well as supporting, I would say, executive team around those positions as well. With that, we also had some additional investments to try to get things more up to BIC standards, related to employees, related to different policies, etc. Some of that will be one-time, some of it's going to be ongoing, especially the structure of the new team going forward. So again, the margin split, if you look at it, basically split 50/50 between the gross profit drivers that we just talked about and the opex investment.

Lighter raw material, as you mentioned, we had the benefit in 2014 versus 2013. This year in total probably more neutral, because there's going to be really pluses and minuses netting out, so as we look at it right now it's probably going to be more neutral of an effect 2015 versus 2014.

Nicolas Langlet: Regarding Cello margin, so the 50% related to gross profit could potentially reverse next year if you had lower raw material and better fixed cost absorption?

Jim DiPietro: Yeah, to go back to Mario's comment a few seconds ago, they took the price increase in 2014 late- or mid-year, so some of that benefit will be realised this year. Material cost, the higher material cost, that we would purchase probably the end of 2013 and then use through production in roughly the first six months of 2014, have now gone through production. Remember that's when the rupee was weak. Now the rupee has picked up strength in 2014, so we should see a little bit of a favourable trend in material purchases in Cello. And then the absorption obviously, like other categories, will be tied with volume increases.

Operator: Ladies and gentlemen over the phone, if you wish to ask a question please dial 0 and 1 on your telephone keypad. Thank you.

Speaker: Regarding the [inaudible], the business, if it were to be sold, how much would it be?

The second regards the lighter factory in China. Where do we stand in terms of schedule and when do you believe the factory will be up to speed?

And finally, the writing business; two weeks ago, Newell Rubbermaid has posted 25% EBIT margin in the writing business. Do you think the discrepancy with BIC's margin only comes from the fine writing business, or is there other things? Thank you.

Mario Guevara: As you mentioned on the fuel cell technology, we are – our plan is to monetise this technology. We have received a few offers from a few industrial fuel cell players; at this moment we are binded by confidentiality agreements so I cannot disclose anything. But, you know, once we have something to share, we will share it with you.

The lighter factory in China, the lighter is on schedule, on target, and as I mentioned to you, it will start production in the first half of 2015, you know, just to start up, and should be fully operational by the year end.

In terms of the margins, you know, of the industry, certainly the margins from our competitor, Newell, are probably the best in class. If you look at the trends of the big stationary margins we're pretty much in line, and that's the result of our geographical mix, our product mix. I have no insights into the details of our competitor, but what we do is have a constant improvement on our margins and to reinvest to have a sustainable growth of this business into the long term.

Speaker: Good afternoon. I am [inaudible]. I have a few questions please, the first one on Stationery. In Q1 2015 do you expect further selling for the Back to School in Latin America? Second question on capex, you mentioned an increase in capex in 2015. Can you detail your project on capex? Lastly on BIC Flex 5, when do you plan exactly to launch this product? And do you plan a rollout in other regions in North America? Thank you.

Mario Guevara: Let me start with your last question. We just launched the Flex 5 in North America. For the moment, the plan is to keep the launch in this part of the world, and certainly our teams are studying the deployment of this product in other markets.

In terms of the capex, as I mentioned, the largest part of the 2015 capex will also be devoted to increase capacity, to develop new products. So we continue to add capacity in Lighters, in Shavers and in the Stationery business.

The Q1 Back to School, as I mentioned to you recently, the Back to School POS for Brazil remains very encouraging. Also there are countries in South America and also is the case for South Africa and Australia.

Denis Moreau: Denis Moreau, UBS. Three questions please, the first one regarding the Shavers business. I note that volumes were up 5% but revenues on the like-for-like basis up only 4%, which is a bit counterintuitive to me given the price mix evolution that I would have expected in this business. So could you elaborate on that? And perhaps can you say how much, in percentage, of your sales of shavers are in three blades or more, in volumes, if you have some indications on that?

My second question relates to your cash at hand. How much – can you break it down by currency, is that all in euros and how much do you have in dollar at year end?

And my last question relates to – sorry – yes, to the brand support effort for 2015. Do you expect that to increase in line with revenues? Or do you expect to do a little bit more in percentage of sales – brand support?

Mario Guevara: Okay, then let me start with your question on the apparent discrepancy between value growth and sales growth. The volume growth, in terms of units, was driven mainly in Africa and Middle East, while the value growth was mainly driven in North America and Europe. So that's why you can perceive a change in the – or a discrepancy in the growth of value and the volume growth. If you recall, the unit growth has been negative in the developed market just because the launch of new, highly added – more value-added shavers who last longer. And also the shaving habits have changed, have driven value growth but unit decline. That's not the case in other parts of the world, where the unit growth continues to be driven by higher consumption of new consumers.

Let me – in terms of the brand support, as I mentioned, particularly in Shavers, we will increase our percentage to sales brand support, due to the launch of products like BIC Soleil in Latin America and BIC Flex 5 in North America.

Jim, would you like to take the other two?

Jim DiPietro: Yeah, the cash question, most of the cash is euro because we have a regular basis of bringing the cash back to euro. There is some cash balances sitting in US dollars as well as local currency. Okay, and then the last question – I believe that was still open – was shaver volume, and I believe 60 – right? Yeah, so three blade or greater, 60% of the volume.

Speaker: [Inaudible] Securities. Just one small point: you told that you were hedged against dollar on the transaction side. Can you give us an idea of the amount you hedge on a full year?

Jim DiPietro: The full year hedge for 2015 is a little in excess of $300 million.

Denis Moreau: Yes, I have an additional question on the shaver business in the US. When I look at the last Nielsen data for BIC in the US, they were very strong on November and December, probably up 10%. So it's obviously a retail sales, but I was wondering if you benefitted from it in terms of reordering from retailers since the beginning of the year? Or is it just that retailers had high levels of inventories?

Mario Guevara: Well, we experienced a good start due to that factor. It's fortunately that a strong POS has translated into a robust [inaudible]. But it is too early to say. We are just at the beginning of the quarter.

Denis Moreau: I also have a question on the comments you made about the exceptional dividend in 2016. So if there is an extra div, it's going to be paid in 2017 for 2016, right? Or – I mean –

Jim DiPietro: It paid in 2016, based on 2015 results.

Nicolas Langlet: Nicolas Langlet, Natixis, three additional questions. First on the lighter factory in China, so the factory will ramp up all over the year. Do you expect a negative impact on margin, given the lower fixed cost absorption of this production unit? First question.

Second question on Venezuela, so you said you had this negative impact linked to export restriction. Is it possible to quantify what will be the impact on – at EBIT line for the full year?

And last question on Others within Consumer, given the reduction in fuel cell spending, what's the – can you give us a guidance of EBIT for next year? It's going to be -€5 million, -€4 million for others at EBIT level for 2015?

Jim DiPietro: Repeat that please.

Nicolas Langlet: Yeah, so Others subdivision within Consumer, given the reduction in spending for fuel cell technology, what is the good EBIT we should put for this line?

Mario Guevara: On the lighter factory, the China lighter factory question, when we – when I showed to outlook for the year, we had baked all these effects into the Lighter category. So to your point, you know, we will have some start-up costs, but those are already considered into the margin assumptions for 2015. The Venezuela impact, I will let Jim answer.

Jim DiPietro: If I heard the question, Nicolas, the amount, the impact, if we go back to page 29, we can see the impact of 2014 on the re-evaluation was 7.2.

Nicolas Langlet: [Inaudible].

Jim DiPietro: 7.2 is the re-evaluation of their inter-co payables back to BIC subs.

Nicolas Langlet: Okay, so you considered everything as exceptional cost for this year?

Jim DiPietro: Yeah, that's right.

Nicolas Langlet: And for the Others?

Jim DiPietro: The last, on the Other, I think the best way to answer that is, knowing fuel cell investments were in the 11 million range, you just realise that we're not going to have that investment going forward.

Nicolas Langlet: Thank you.

Jim DiPietro: Now, again, just to be clear, that's the Other Product answer. But at the Group level, that 11 million is going to be redeployed, reinvested elsewhere, for example in advertising Flex 5 and other development opportunities. So for Other Products, the change is fuel cell at the Group level, we'll be using that elsewhere. Just to be clear.

Mario Guevara: Well, we don't have more questions. Once again, I would like to thank you. Thank you for attending this 2014 Full Year Result Presentation, and we expect to see you in our Q1 release. Thank you.