



smoby majorette



Smoby Majorette group consolidated profile

TURNOVER : 273 M euros

From : Toys	Industry
91%	9%

EMPLOYEES : 2150

55 % outside France

PRESENT IN 51 COUNTRIES :

60% of turnover generated abroad
15 international subsidiaries

R & D : 4% of turnover in design creativity and innovation
250 new products every year

MEDIA communication : 4 % of turnover

2.5 % outside France

HANDLED VOLUMES :

25000 tonnes of plastic
1 200 000 m³ shipped

Corporate governance

► Supervisory board :

Chairman: Dany Breuil
Other members: Roger Moquin, Karine Breuil, Anne-Marie Roy, Bernard Jacquet

► Board of directors :

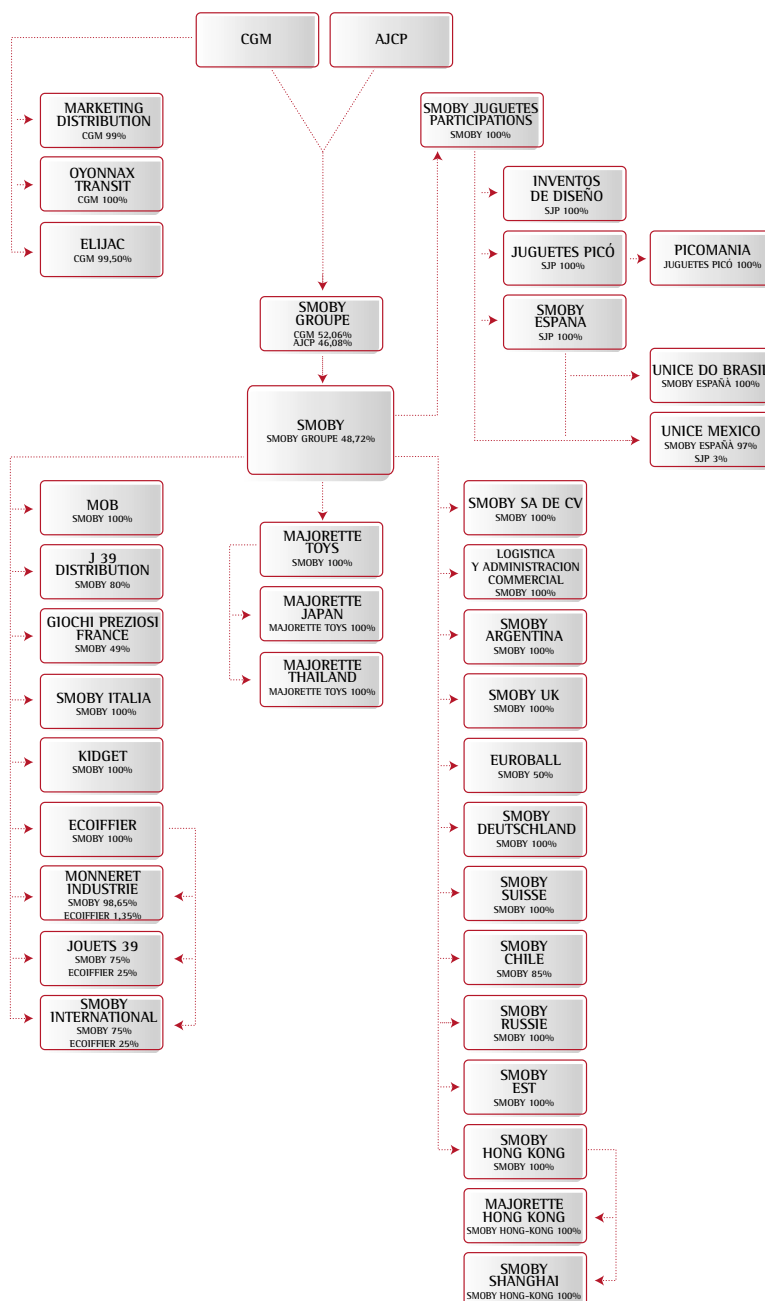
Chairman: Jean-Christophe Breuil
Other members: Jacques Ecoiffier, Gérard Bondier, Denis Michaud

► Incumbent statutory auditors:

FIDULOR

► Broker :

BNP EQUITIES





Message from the chairman

► From Smoby to Smoby Majorette

This year's major event was the acquisition of Majorette in August 2003. The results in the first year of operation confirm all hopes placed in acquiring this company in order to reinforce our group.

Right from the official announcement of the acquisition, the company's outstanding popularity amongst the general public became clear, Majorette being a brand recognised as part of the French heritage.

Majorette's synergy in terms of sourcing in the dollar zone is another strength that allows us to constantly diversify risks in our group more efficiently.

Finally, the performance of their automobile range for boys over 5 years perfectly completes Smoby's product know-how for toddlers and girls.

The integration process started with reorganising international distribution which was Majorette's weak point. By the end of 2004, Majorette products will be distributed by the group's subsidiaries and we will be able to monitor the first sales results throughout next financial year.

The second priority concerned the regroupment of technical development capacities in Hong Kong and Changping to optimise skills.

Finally, Majorette's management was structured with a young, ambitious and dynamic team, in line with our company's ethos.

In order to finalise the newly merged group's harmonisation and capitalise on Majorette's brand image, we have decided to change our identity and, from now on, be known as "**Smoby Majorette**" with a new logo reflecting the group's values:



smoby majorette



Jacques Ecoiffier

Member of the Supervisory Board
CEO

G rard Bondier

Member of the Supervisory Board
CEO

Denis Michaud

Member of the Supervisory Board
CEO

► Expansion: the number one long-lasting development tool

This year's results highlight the group's fresh advance on a diverse global market which is declining in Europe. With a 20% turnover progression, a 30% improvement of our operating results and a 23% growth of our net income, our strategy over the past three years has been vindicated and we are now starting to reap the rewards.

► Creating values within the company to create values amongst children

Our history, our group dynamics developed through three generations, our core values, our past results and our recent entry in the world's top ten lead us to a new, more ambitious and more efficient company: A company generating long-lasting values.

Our company vision relies on continuous progress dynamics by combining three distinct and interactive levers: economic, social and environmental in order to create sustainable assets. We want our economic performance to be built around 4 poles:

- A creative product innovation culture which will enable us to establish our leadership over time and create a durable bond with our consumers worldwide thanks to recognised brands.
- A competitive and flexible production capacity to diversify risks on a short-term basis and to strengthen the company in the long run.
- A consistent turnover growth ambition by increasing market share on all continents.
- Continuous improvement of our profitability to ensure complete autonomy.

This declaration gives men and women of the company the chance of promotion and to be part of the Smoby Majorette adventure. With 2150 partners, we are committed to develop these strong social ties wherever we are. We believe in a multicultural managerial policy because we believe in a multicultural world for the future of our children.

And since their future also relies on a protected and vibrant planet, Smoby Majorette want to take on their full environmental responsibilities with a voluntary approach built on an eco-management charter.

If asked what "a toy company conveying values for children" means to us, we would say "a future which comes true but is still the future".

Jean-Christophe Breuil
Chairman of the board of directors

2003-2004

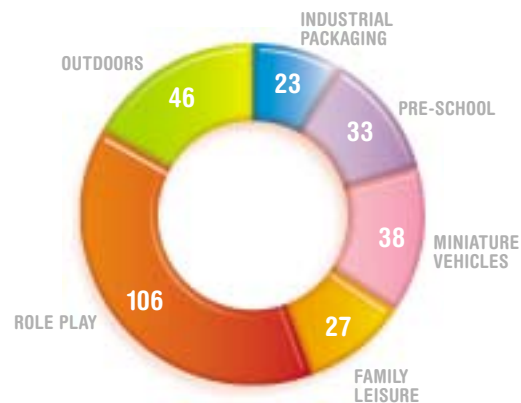
Key figures

A year of strong growth



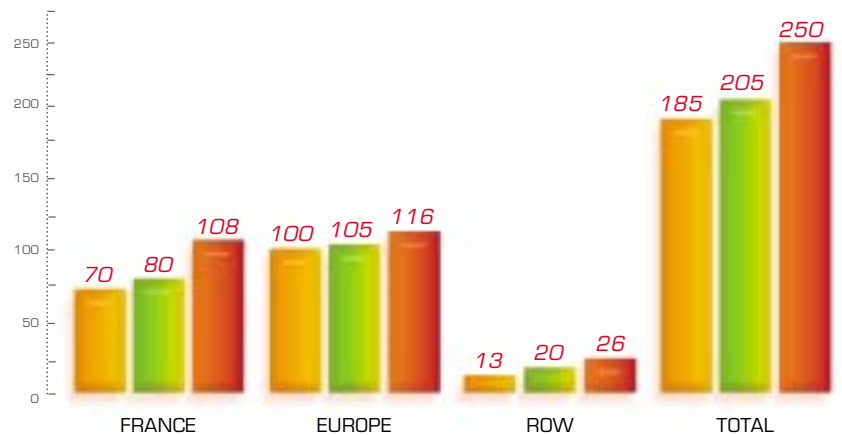
► Turnover by business sector

in million euros



► Toy Market

in million euros

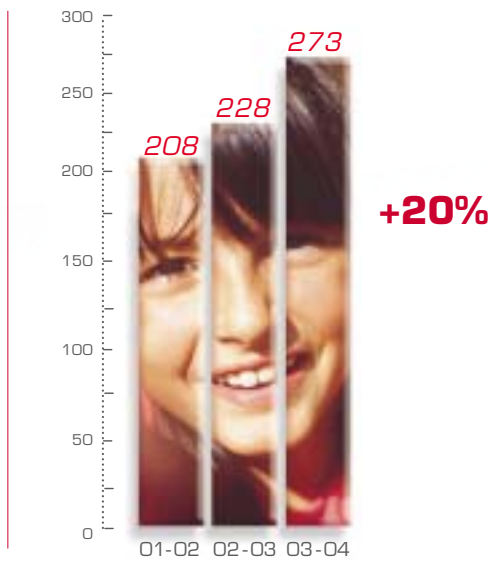


► Shareholders information

	2001/2002	2002/2003	2003/2004
TURNOVER	208	228	273
OPERATING RESULTS	7,6	13,6	17,2
NET INCOME, GROUP SHARE	0,2	6,7	8,3
EBITDA	19,5	28,5	34,2
MBA	14	19	22
RESULTS / STOCK	0,23	7,45	9,18

▶ Group growth

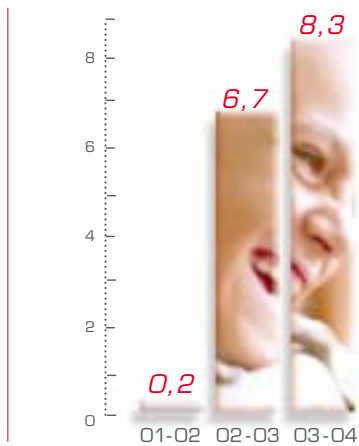
in million euros



06
07

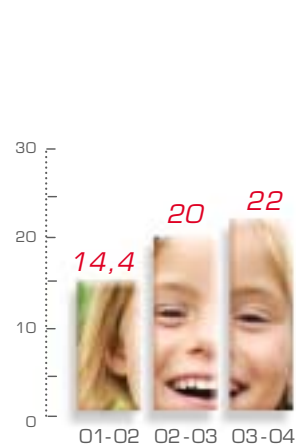
▶ Net results

in million euros



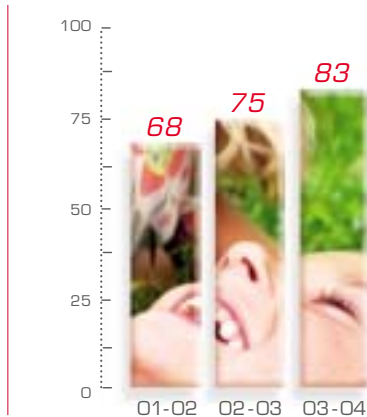
▶ Internal financing capacity

in million euros



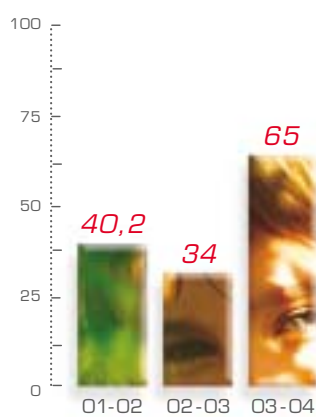
▶ Owner's equity

in million euros



▶ Medium and long-term loans

in million euros



Well known complementary brands



to give "children of the world access to play and imagination"

Smoby

Emotion
Understanding
Imagination

Enable children to familiarise with reality in order to love life

Diversified mid/upper range quality toy collections which enable the development of children's adaptability and autonomy from 0 to 8 years:

- ▶ Smoby is the European leader in outdoor toys with everything from balls to garden equipment.
- ▶ Smoby is the European leader in rôle play with nursery lines, dolls, markets, kitchens, workbenches, DIY, etc...
- ▶ Smoby uses its innovation ability in a very competitive pre-school market.

65%
SMOBY

2003/2004 sales
breakdown
per brand

écoiffier

Toys for all

Mass-market toys which sell all year round on global markets. Ecoiffier offers multifunctional toys for all budgets.





“At Smoby Majorette, we love toys and this passion accompanies children at each stage of their development.”



08
09



Action
Imagination
For all generations

A world of miniatures and adventure for boys

13%
ECOIFFIER

The most extensive reproduction collection of European car manufacturers' most beautiful models, from 1/64 to 1/8 scale.

Majorette offers imaginative play worlds with vehicles.

Action-packed remote control vehicles from Majorette for older children.

New concept cars with Majorette's Fiction range.



22%
**MAJORETTE
SOLIDO**



The world's largest car museum in stores

Genuine top-of-the-range reproductions of yesterday's and today's vehicles, in various scales, for passionate collectors of all ages. From the dreams of yesterday to those of today, Solido caters for your passion for cars.

Heavyweight brand communication through European media:

As for most consumables, advertised toys, particularly TV advertised, represent an ever-increasing part of our sales.

Each year, we enhance our communication strategy to consolidate our brands' image, both in France and abroad.

Products supported by TV campaigns account for 30% of Smoby Majorette's turnover.

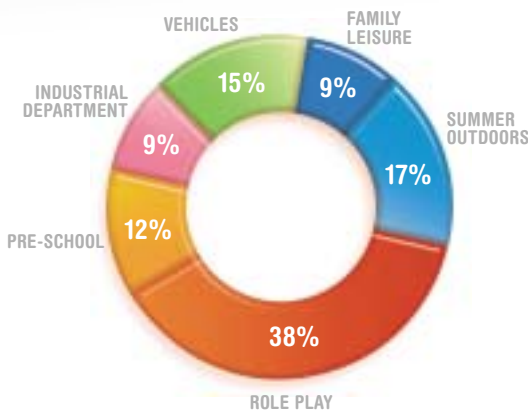
Many trade-marketing operations are relayed by our subsidiaries' sales force. A significant PR budget completes this operation in large European countries.

- ▶ Media investment in Europe: 4% of turnover
- ▶ 22 TV advertised products in 2004





A culture and strategy of creative innovation



Turnover breakdown per category for 2003/2004

► Risks diversification

In a market governed by fashion, Smoby Majorette **diversifies risks** by being present on a wide range of market segments and by launching new ranges regularly, anticipating customers' expectations. The group's ranges cover 75% of the market offer.

► The design culture

Thanks to the company's **Product culture**, the group has earned several design prizes over 20 years and a number of "Grand Prix du Jouet" prizes in 2004.

Smoby has just been awarded the First Age "Grand Prix du jouet" prize for the new Cotoons concept. The animated cartoon version will be aired on Europe's main TV channels at the end of the year.



► Products innovation

Smoby Majorette's competitive edge relies -first and foremost- on innovation at three levels:

- Marketing concept/design innovation: Star Party in 2003, Cotoons in 2004.
- Functional innovation: constant search for new features to ensure safety, convenience and interest.
- Technological innovation: water injection in plasturgy and aluminium injection. Both techniques were used for the first time in the toy industry in 2004.



▶ **The license business**

Licensed products' business increases significantly every year. In Christmas 2003, over 20% of the toys sold in Europe were inspired by characters loved by children. Smoby Majorette has an ambitious licensing policy by mainly banking on leading and long-lasting brands or characters which fit in with the group's image.

| Smoby Majorette currently hold 37 licensing contracts which meet with children's realism expectations when it comes to brands (Seb, Black & Decker, Unilever, prestigious car brands...) or characters' strong trends (Disney, Warner, Marvel...).



▶ **A considerable R&D budget for Smoby Majorette's point of difference**

A significant budget for Smoby Majorette's real added value:

- ▶ 4% of turnover is invested in R&D each year. In 2004, this corresponded to a 10-million euro investment.
- ▶ 30% of the range is renewed each year.
- ▶ Over 250 new lines are introduced each year.

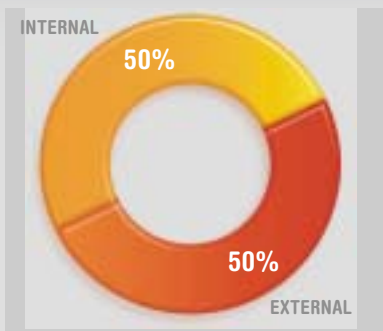


A R&D Department dedicated to Children

- ▶ Testing sessions with children monitored by a Psychologist in Child Behaviour in France and in Spain.
- ▶ A product marketing organisation working closely with each market manager.
- ▶ 3 design departments: in France, in Spain and in Hong Kong (75 people) driven by a state-of-the-art technological research centre.



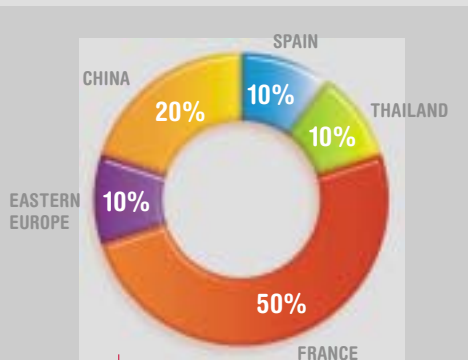
A flexible and competitive production capacity



Manufacturing value breakdown

Own production facilities to maintain know-how

Outsourcing flexibility to cope with seasonal requirements



Manufacturing breakdown by Euro/dollar monetary risk zones

Production:

60% in euro zone

40% in dollar zone

► An optimised mix of production sources

Industrial restructuring investments over the past few years have enabled us to specialise internally on differentiation know-how and automated technologies.

Smoby Majorette's industrial policy steers towards rationalising production sites:

- Reinforcing automation in France
- Selecting the most competitive locations based on product type
- Diversifying supply sources to balance the euro/dollar monetary risk



Our environmental responsibilities

Founded and located in the heart of the Haut Jura's regional park, one of the group's core values is to respect the environment. Smoby Majorette is committed and backs this commitment with a voluntary environmental policy demonstrating a true desire to act and improve the present.

The 2003/2004 financial year is marked by the adoption of our new eco-management charter which aims at emphasising our internal practices and globalising them. We are working on a multi-criteria approach (material and energy consumption, air and water emissions, waste...) taking into account the various life cycle stages of the materials from manufacturing through use to re-use. The focus is not only on the toy as a product but also on the whole packaging.

2004 also sees the creation of an Environmental Hygiene Safety Observation group focused on our production sites' environmental impact. The aim of this group is above all to measure each of our sites' annual consumption of water, electricity, gas and fuel as well as quantifying all types of waste including re-used and eliminated waste as well as other atmospheric emissions. This Observation group serves as an environmental industrial database, logging information year after year, thus allowing us to measure the impact of our eco-conception efforts through each product manufacturing stage.



The Cyclic Box:

Developed in partnership with Emin-Leydier paper mills, this product was awarded an honourable mention at the 2003 "Etoiles de l'Ondulé" in the innovation category.

This packaging innovation consists of a light weight recycled cardboard which is part of our environment-friendly approach.

Maxi Nature Outdoor toys range:

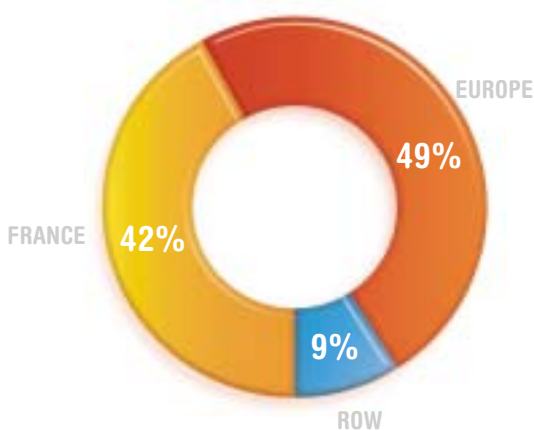
Smoby markets a range of "ecologically" designed outdoor toys designed to blend in with the garden perfectly thanks to the colour and material used. These toys contribute to raising the child's environmental awareness.

The Smoby Live Club:

Created in 2004, the Club already has nearly 2000 members in France. Its objective is to raise awareness amongst children on the respect and protection of nature by teaching them simple environmental friendly actions through play. With their membership card, children receive a copy of "Linxy mag" magazine.



Dynamic market risks management based on sales globalisation



2003/2004 turnover breakdown by geographic zone

▶ A highly developed distribution organisation

At times of uncertain consumption from one country to another and one year to another, Smoby Majorette's strategy consists of diversifying risks related to consumption levels by speeding up our distribution's globalisation whilst still catering for each country's cultural differences.

Our strong position in France, enhanced by Majorette's significant domestic turnover is a great launch platform to expand in Europe.

Further international growth will be achieved, in particular, with a wider distribution of Majorette's ranges thanks to the networks Smoby has put in place over the years. We are carrying on with our sustained subsidiary-opening policy with three new implantations this year in emerging countries where our main customers are present: Mexico, Moscow and Shanghai. They complete a performing team of 13 corporate-owned subsidiaries: France, Spain, UK, Italy, Germany, Switzerland, Portugal, Honk Kong, Argentina, Chile, Brazil, Japan and Thailand.



► **An efficient logistics system**

| A successful information system: ERP, Business Object, Cartesis conso internationale

| A proximity strategy on the main consumption markets with 140,000 m² of

logistical space managed worldwide.

| 1,200,000 m³ of toys shipped annually.





A long lasting commitment for a high social performance

- ▶ Smoby Majorette is committed to developing a durable social company environment for its 2150 employees worldwide. The principle is that the social organisation is not an adjustable factor but rather the group's number one asset. Why is this so important to Smoby? A Smoby Majorette toy is designed and produced by men and women for children. There is a human bond between a child and its toy which needs to be preserved.
- ▶ Nowadays, over two thirds of toys worldwide are made in Asia. Smoby Majorette, however, designs all its products in Europe and produces two toys out of three there, favouring France with over 1,000 direct and 2,500 indirect jobs.
- ▶ Smoby Majorette has implemented a company charter for its different production sites and subcontractors. This complies with the SA8000 international standard (Social Accountability 8000) which defines the universal social responsibility requirements regardless of the company's geographic location, industrial sector or size.

Smoby Majorette's employees profile: young, international, committed, flexible.



A young group, average age: 36 years and 8 months.



An international group: 40% of management staff is international.



An international group: 55% of the employees work abroad



Long lasting employment: 50% of employees have been with the company for over 10 years.

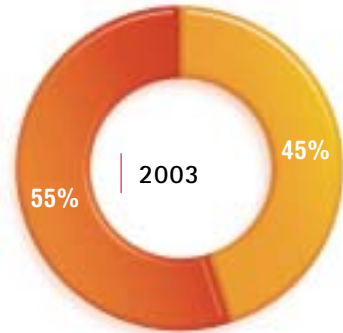
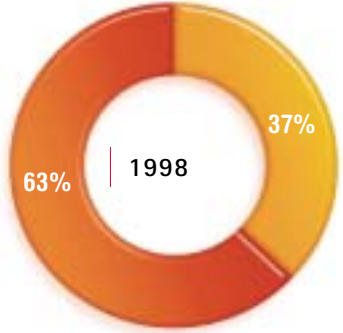


- ▶ Abroad, we ensure the strict enforcement of local social laws. We take into account the regional culture to adapt the social advantages offered by the company. This process is monitored by a dedicated team.
- ▶ In terms of recruitment, working conditions, remuneration and training, Smoby Majorette believes in a non-discrimination policy. In order to assist the integration and development of disabled workers, we set up workstations with the help of "AGE-FIPH" and occupational physicians.
- ▶ Our training program is above legal requirements and a significant percentage of the budget is dedicated to language training, reflecting the group's growing international dimension, as well as to adapting skills to fit in with the company's development. The group also contributes to training younger people through a voluntary apprenticeship policy, whatever the trainee's level. Candidates currently in demand are those which fit in with the strategy for the group's future: research and development, design and innovation, operational marketing and international sales network.

A clear move towards specialised staff:

Over the last five years, the managerial and supervisory staff rate has increased from 37% to 45%

Total staff and personnel breakdown in 1998 and 2003:



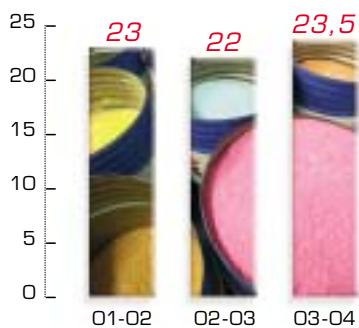
- Executives / assimilated lower management / lower management / technicians / employees
- Workers / "TAD" / block-release trainees / trainees

The change in jobs and skills adapt to the development of the group, from production level to marketing designer know-how.



Our industrial department

Mob industry (turnover in m€)



► MOB SA

SMOBY owns an industrial subsidiary essentially focused on producing plastic packaging (vials and jerrican) destined for the food industry, chemistry, parachemistry and cosmetics. This year's results reflect the efforts to restore the operations volume level and profitability.

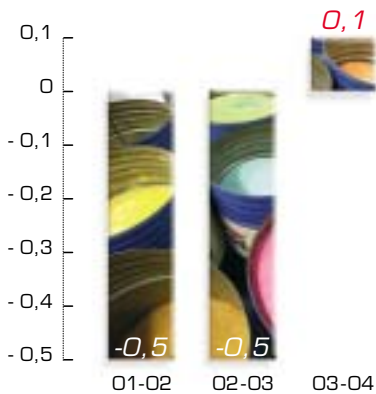
The business volume has risen by 6%. The net result has become positive and M.B.A. increased by 70%.

Investments have been maintained at a level in accordance with the results and have focused on implementing new technology.

The forecast for 2004/2005 is optimistic and is based on the notable growth in the business since January 2004.

This will allow us to keep up the upward trend observed since 2003.

Mob operating results (in m€)



► SMOBY ENGINEERING PRODUCTION

Since 1988, the group has developed an industrial activity based on a complementary technology enabling production of large and complex parts by rotational moulding. This division will head its productions towards various fields, including industrial ones, in order to obtain a more independent development of the toy industry.

Today, Smoby Engineering is structured to meet a significant demand for products that require complex technologies.





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