Press Release

22 October 2013

Business rebound in third-quarter
Operating profit from activity stable, in line with expectations
2013 targets confirmed

Sales by region

Revenue (in €m)	Q3 2013	% change		9 months 2013	% change	
		Reported	Like-for-like		Reported	Like-for-like
France	152	+0.9 %	+0.9 %	414	-5.4 %	-5.4 %
Other Western EU countries	178	+13.2 %	+14.4 %	516	+7.8 %	+8.4%
North America	121	- 0.5 %	+5.5 %	319	+2.9%	+5.0%
South America	113	-1.0 %	+17.1%	307	-2.3%	+9.3%
Asia-Pacific	270	+14.8 %	+17.0%	791	+10.8%	+10.5%
Central Europe, Russia and other countries	164	-2.7 %	+2.7%	486	+0.7%	+2.8%
TOTAL	998	+5.3 %	+10.0%	2,833	+3.5%	+5.5%

Maharaja Whiteline not consolidated *Rounded figures in € millions* *% based on non-rounded figures*

Revenue performance

In a persistently difficult overall economic environment, consumer spending in the third quarter showed encouraging signs in some regions and stalled in others. The rapidly accelerating and significant decline of some currencies (Brazilian real, ruble, Turkish lira...) against the euro in July and August affected the markets more than had been initially expected.

In this environment, the small domestic equipment market showed improved resilience, but remained highly competitive and promotion-driven. In almost all countries, retailers kept a tight rein on inventory, restocking little and often, which required increased flexibility from manufacturers.

Groupe SEB's revenue for the first nine months of 2013 stood at €2,833 million, an increase of 3.5% vs. last year. On a like-for-like basis, revenue was up by 5.5%. These figures reflect a significant acceleration in revenue growth in the third quarter, to 5.3% as reported and 10% like-for-like, driven by volumes. Following the sharp depreciation of some of the Group's currencies during the summer, the currency effect on sales for the first nine months was a negative €54 million (half of which was linked to the Brazilian real), representing considerably more than the first half's negative €10 million.

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Sales by region

FRANCE: A SLIGHT IMPROVEMENT IN A LACKLUSTRE ENVIRONMENT

In a persistently challenging and heavily promotion-driven consumer spending environment, the market for small domestic equipment recovered a certain resilience in the third quarter. The decline in cookware sales gradually eased and demand for small electrical appliances picked up slightly with the softening impact of a major rival loyalty program in 2012. Small electrical appliance sales were led by the food preparation appliance and vacuum cleaner segments, while demand for irons and breakfast appliances softened. In this mixed environment, Groupe SEB's revenue rose slightly, after a first half down 8.8% mainly due to the non-recurrence of a loyalty operation for cookware conducted with a major retailer in 2012. Third quarter sales growth was led in particular by continuing advances in kitchen machines, blenders, vacuum cleaners, and full-automatic espresso machines, as well as by the success of new steam generator models and the FreeMove iron. In addition, Dolce Gusto maintained its momentum in the single-serve coffeemaker segment that has been hit hard by the proliferation of different systems and by excessive and unreasonable promotions on machines. In contrast, sales remained poor for cookware, and pressure cookers struggled.

OTHER WESTERN EU COUNTRIES: SOFT CONSUMER SPENDING BUT MARKED IMPROVEMENT FOR THE GROUP

The uncertain macro-economic environment continued to weigh on consumer spending, and the small domestic equipment market, which was relatively strong overall in the first half, slowed over the summer in several countries. Despite this, the Group's performance — already robust in the first half — improved significantly in the third quarter. This was due to low prior-period comparatives, large-scale loyalty programs, and buoyant sales on the whole. In Northern Europe, performances were highly satisfactory except in the Netherlands where the Group was affected by lacklustre consumer spending. Sales were particularly strong in Germany, where they were boosted by a catch-up effect following a sharp decline in the third quarter of 2012. The main growth drivers were cookware, linen care, vacuum cleaners, food preparation appliances and full-automatic espresso machines. Sales were also vibrant in the United Kingdom (helped by new retail slots for Ingenio cookware, increased market shares for food processors and irons, etc.) and in Austria, while business picked up in Belgium and Scandinavia. Southern Europe saw a strong rebound in the third quarter. In Spain, the Group continued to enjoy a healthy sales dynamic in a lacklustre market thanks to solid commercial momentum. Sales were also buoyant in Portugal. In Italy, sustained growth was led by sound fundamentals, with Rowenta continuing to strengthen its position, and by a loyalty program in the small electrical appliance segment.

NORTH AMERICA: SUSTAINED GROWTH IN THE THIRD QUARTER, BUT A MIXED PICTURE DEPENDING ON THE COUNTRY

In the United States, after a surge in the second quarter, sales remained more or less in line with the modest growth in the small domestic equipment market. In cookware, Group sales are mainly focused on the T-fal and All-Clad brands, for which we benefited from wider distribution as well as from more frequent restocking after a period of retailer inventory drawdowns. In electrical appliances, Krups gained new retail slots in the coffeemaker segment, Rowenta consolidated its leadership in premium ironing solutions (irons and garnment steamers), and T-fal's mid-range irons made further inroads in mass retail. In September, the Optigrill smart grill was launched on teleshopping channels with highly encouraging results. In Canada, in a generally brisk market, Groupe SEB reported very strong sales across its range (Fresh Express, steam generators, breakfast appliances, etc.) and extended its leadership in the deep fryer segment with the on-going development of Actifry. In Mexico, revenue was hit by the non-renewal of a loyalty program with a retailer, but underlying business remained fairly strong for both cookware and small electrical appliances.

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SOUTH AMERICA: STRONG SALES DYNAMIC BUT SIGNIFICANT NEGATIVE CURRENCY EFFECT

The on-going significant decline of the Brazilian real against the euro explains the wide gap between reported and like-for-like revenue growth. In Brazil, second quarter orders and sales that were disrupted by social unrest in June have, as expected, been pushed back to July. The return to normal was accompanied by a strong sales dynamic, with a revival of business with certain retailers and on-going rapid development of on-line sales. Several of the Group's best-selling products such as Ultimate ceiling fans, the Planetaria kitchen machine, Dolce Gusto, pressure cookers, steam irons, and new 10kg-capacity semi-automatic washing machines helped to drive growth, while sales were more mixed for cookware (pots and pans) in a tougher market environment. In Colombia, the summer saw a more complicated and unfavourable environment than in the second quarter, with sluggish economic growth, national social movements that affected business, the non-renewal of specific commercial operations, etc. These factors together led to a slight downturn in third quarter revenue, with growth in small electrical appliance sales only partly offsetting the decline in sales of cookware, especially pressure cookers. Among the other countries in the region, Argentina delivered strong organic growth.

ASIA-PACIFIC: LEADING CONTRIBUTOR TO THE GROUP'S ORGANIC GROWTH IN THE THIRD QUARTER

This performance was mainly due to growth momentum in China, which accelerated over the period. In a sluggish Chinese small domestic equipment market, Supor enjoyed robust sales growth and strengthened its position in the market. In the cookware segment, vibrant demand for Thermospot products (woks, pots and pans) and the depth of the pressure cooker range put Supor ahead of the competition. In small electrical appliances, best-selling products continued to perform well and new products were very well received (new induction rice cooker models, extra-long portable induction hobs, on-going development of soya milk makers, etc.). Development in Tier 3 and Tier 4 cities, an increased in-store presence and the take-off of online sales also contributed to performance. In Japan, the yen's decline against the euro is a matter of concern for all market players, but has no impact on the Group's 2013 revenues because of currency hedging. Third-quarter revenues were up slightly like-for-like, particularly due to vigorous kettle sales and the success of recently launched products such as Air Force vacuum cleaners, FreeMove cordless irons, and blenders. In South Korea, the improving economy resulted in higher revenue over the period. However, business remained difficult in Australia. In Thailand, the Group continued to enjoy very high rates of growth, thanks to the expanding product line-up and investing significantly in growth drivers.

CENTRAL EUROPE, RUSSIA, OTHER COUNTRIES (TURKEY, MIDDLE EAST, AFRICA, ETC.): SLOWER GROWTH AND MORE ERRATIC BUSINESS.

Two major factors had an impact on sales. First, the significant weakening of several of the region's currencies against the euro, which led the Group to introduce or announce price increases in certain countries to preserve profitability of local subsidiaries. Second, a marked slowdown in several major markets led to a decline in sales. This was especially true in Russia, where demand stalled during the summer after 13 quarters of uninterrupted growth. In this environment, the Group was nonetheless the only international player to strengthen its market position in the small electrical appliance segment. In Poland, the continued economic improvement enabled the Group to maintain the strong growth dynamic of the second quarter, especially in food preparation appliances, full-automatic espresso machines, kettles and steam generators. In Ukraine, sales remained sluggish in the third quarter. Market growth slowed significantly in Turkey, where the situation has been complicated for the Group for several months due to protectionist measures, political unrest, and a particularly competitive and promotion-driven environment. Lastly, the Group enjoyed sustained growth in the Middle East (Saudi Arabia and the United Arab Emirates).

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Sales by product family

At constant exchange rates, all the major product families saw growth in the first nine months of 2013, with the pace stepping up in the third quarter in almost all cases:

- Like in the first half, the **home comfort** product segment performed best despite growth slowing in the third quarter. Fans remained the main growth driver in Latin America, led by the Ultimate ceiling fan that was launched this year and is proving very popular.
- In **electrical cooking**, the Group continued to benefit from vibrant sales of rice cookers and electrical pressure cookers in China and the Cookeo range's solid momentum, as well as a good sales run for multicookers in Central Europe and Russia. Actifry remains one of the best selling products for the Group and, with about 900,000 units sold annually, a major contributor to the electrical cooking activity.
- In the **vacuum cleaner** segment, further new products were deployed and the business continued to expand internationally in an increasingly competitive environment. Market share gains could be achieved in several countries, led by the outstanding success of the Air Force models and the Group's competitive advantage in the "silent" vacuum cleaner segment.
- In the **food preparation** appliance segment, the now comprehensive range (mixers, immersion blenders, beaters, choppers, meat mincers, blenders including heating blenders, kitchen machines, etc.) and increasingly international presence have helped to speed up the pace of growth in recent quarters.
- In the **beverage preparation** appliance segment, the Group regained strong momentum in the third quarter, building on Dolce Gusto's continuous development which offset the drop in sales of Nespresso machines in an increasingly competitive single-serve coffeemaker market.
- In the **ironing** segment, recovery came as expected from the ramp-up of new steam generator models and the continuing international deployment of the FreeMove cordless iron, which gave a strong boost to sales in the third quarter.
- In **personal care**, after a lacklustre first half in line with the market, sales picked up thanks to the success of the Steampod straighteners designed in partnership with L'Oréal. Bathroom scales and the Silence hairdryer also made a positive contribution to growth.
- **Cookware** sales improved in the third quarter, led by China (especially the success of Thermospot), Canada, Japan, and Germany, and by inroads of the ceramic-coated cookware ranges.

Operating result from activity

Operating result from activity for the first nine months of 2013 stood at €233 million, basically unchanged from the €232 million reported for the same period of 2012. The total included €96 million for the third quarter alone, representing an 8% increase over third quarter 2012. The stable nine-month performance matches Group expectations and is in line with annual expectations. This stability is explained by compensating factors:

- on one hand, the positive impact from organic growth in sales and an active management of prices and costs;
- on the other hand, the negative impact of currencies as well as slightly higher investment in growth drivers and future development.

Analysis of debt at 30 September 2013

Net debt at 30 September 2013 totalled €575 million, compared with €556 million at 31 December 2012. The slight increase was mainly due to the higher level of inventories in response to both internal factors (anticipation of upcoming loyalty programs notably) and outside factors (to offset retailers' low inventories and ensure timely deliveries to these customers). Note that net debt at 30 September 2012 stood at €646 million.
Groupe SEB's balance sheet remains very healthy.

Significant events of the period

Groupe SEB announced on 3 July 2013 that the French investment fund Fonds Stratégique de Participations (FSP) acquired a 5.25% stake in SEB SA in June. The transaction was one of FSP's first investments. It was carried out on a friendly basis, in full agreement with the Company's Board of Directors and management, and is intended to be a long-term holding. In this way, FSP has demonstrated both its confidence in the Group's business model and its willingness to effectively support the Group's growth, alongside the founding family, whose commitment remains steadfast.

As part of this long-term investment strategy, FSP will be represented on SEB SA's Board of Directors by an independent director, whose appointment will be proposed for ratification at the Annual General Meeting in 2014.

Outlook

Faster growth in the third quarter helped to mitigate increased negative currency effects on operating result from activity following the significant decline of some currencies against the euro. The Group's performance in the first nine months of 2013 and the teams' responsiveness to currency fluctuations strengthen the Group SEB's confidence in its ability to deliver stronger revenue growth than initially expected and to maintain operating result from activity at the same level as in 2012. In addition, the necessary measures will be taken to enable the Group to continue reducing its debt.

Based on current exchange rates, the real, the ruble, and the Turkish lira in particular, will weigh on 2014 performances on a full-year basis. When existing currency hedges expire, at the end of 2013, the yen will also have a negative impact. It is therefore cautious to anticipate a potentially significant impact on 2014 business and results. In addition to making targeted price increases, the Group will implement additional actions to offset the effect of unfavourable exchange rates, as in 2013. However, building on its solid fundamentals and a return to a healthy sales momentum, the Group will maintain a high level of investment in future growth drivers, in line with its long-term strategic objectives.

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The world leader in small domestic equipment, Groupe SEB operates in nearly 150 countries with a unique portfolio of top brands including Tefal, Rowenta, Moulinex, Krups, Lagostina, All-Clad, and Supor, marketed through multi format retailing. Selling some 200 million products a year, it deploys a long-term strategy focused on innovation, international development, competitiveness and service to clients. Groupe SEB has nearly 25,000 employees worldwide.