Press Release

Tuesday, 27 October 2009

2009 Nine-Month Business Review

Sales and Margins Continue to Hold Firm
Cash Flow Very Satisfactory

- **Small household equipment market remains resilient**
- **Sales decline limited to 3.7% at current exchange rates and 2.8% at constant rates**
- **Operating margin down a controlled 6.4%, to €194 million**
- **Net debt sharply reduced to €386 million**

(in € millions)	2008 (9 months)	**2009 (9 months)**	% Change	
			Current exchange rates	**Constant exchange rates**
France	430	**434**	+ 0.9	+ 0.9
Other Western European countries	478	**457**	- 4.3	- 3.0
North America	268	**235**	- 12.6	- 18.1
South America	199	**186**	- 6.0	+ 0.4
Asia-Pacific	345	**418**	+ 21.1	+ 7.9
Central Europe, CIS and other countries	464	**374**	- 19.4	- 6.7
TOTAL	2,184	**2,104**	**- 3.7**	**- 2.8**

There were no major changes in the general economy in the third quarter, and our business continued to demonstrate its relative resistance in a lacklustre environment, although consumer spending shifted to lower priced products during the period.

Sales for the first nine months of the year stood at €2,104 million, a decline of 2.8% at constant exchange rates. This was the same as in the first half, attesting to Groupe SEB's sustained ability to withstand a hostile environment. The limited contraction reflected the combination of either favourable and or unfavourable factors:

- **A significant fall-off in unit sales in certain countries hard hit by the crisis.**
- **A still positive price and mix effect.**
- **An €18 million negative currency effect. The large number of currencies trading at very low average rates against the euro had a severely adverse impact compared with the first nine months of 2008. The negative effect worsened in the third quarter: the declines in the dollar, the yen and the renminbi against the euro since the beginning of the year attenuated the positive impact that these currencies had had on sales until now.**

Operating margin for the first nine months amounted to €194 million, compared with €208 million for the prior-year period. Given current market conditions, this was still a limited decline that demonstrated the effectiveness of the measures taken by the Group as from 2008 year-end.

Net debt came to €386 million at 30 September 2009, versus €696 million a year earlier. This very significant reduction was due to the highly disciplined management of working capital, which generated substantial cash flow.

Sales by region

In **France**, demand for small household equipment continued to trend upwards, although the pace was dampened by limited retailer restocking. Growth is being led by the rising popularity of home-cooked meals, which is driving demand for food preparation appliances, pressure cookers, yogurt-makers, pastry moulds, etc. A strong third-quarter enabled sales to end the first nine months of the year up a slight 0.9%. The Group strengthened its market share in small household equipment and maintained its positions in cookware. Sales continued to be lifted by Actifry and other deep fryers, the new line of silent vacuum cleaners, food processors and pressure cookers. However, growth was slower in breakfast appliances and in the bread maker segment, which is currently fairly well saturated.

In the other **Western European countries**, the third quarter saw demand weaken in several markets (although not to the point of collapse), with the result that sales again varied by country. The sharp contraction observed in Scandinavia and the UK in the first half continued unabated in the third quarter, while business has also been difficult in the Netherlands in recent months. In Italy, firm demand for household equipment was offset by difficulties in cookware. On the upside, and despite a fragile local economy in most cases, sales continued to rise in Switzerland, Austria, Belgium, Portugal and Greece, thanks to the steady broadening of the product offering. While market conditions remained gloomy in Spain, the Group continued to enjoy robust growth and win new market share. Lastly, operations in Germany rebounded strongly in the third quarter after posting a mixed performance at the end of the first half; the Group benefited from a strong demand for a wide range of products, including irons and steam generators, food processors, and the Nespresso Citiz and Dolce Gusto/Circolo lines.

In **North America,** the third quarter unfortunately did not see any revival in demand. The general environment remained very tight in all three countries, with currency weakness further roiling performance for the period. The US market was highly promotional and the high end segment continued to suffer. Retailers are still very cautious in their restocking policies, which has dimmed sales visibility. All of this meant that, despite a few blips here and there, Group sales fell steeply over the period. Rowenta is facing a major drop in the iron market, Krups is still having difficulties and All-Clad is being hurt by its overly premium positioning, which is currently inoperative. T-fal, on the other hand, is still expanding, with in particular a number of new cookware listings at retailers while WearEver's sales resumed well in the third quarter. The gloomy environment led to a decline in sales in Canada and Mexico.

In **South America,** after a very weak first half, the third quarter saw a noticeable upturn in the economy that broke with prior-period trends. Economic indicators are generally improving and the first green shoots of recovery have emerged since the summer. This is particularly the case in Brazil (which represents 80% of the Group's sales on the continent), where local conditions seemed to return to normal. In this contexte, revenue rose firmly during the quarter, led by semi-automatic washing machines, the new blender models and the launch of Dolce Gusto, which has introduced the country to single-serve pod coffeemakers. On the other hand, business remained challenging in cookware due to highly aggressive price competition. Markets are improving in the rest of South America as well. In Colombia, the top-to-bottom revamping of the Samurai product line drove a satisfactory recovery in sales. Sales swung wildly in Venezuela, but continued to rise in Argentina across every product family (cookware, food processors, kettles, bread makers, etc.).

Market conditions in the **Asia-Pacific** region were fairly mixed. While the Chinese economy shows signs of improving, the other countries are often having to deal with a worsening environment. However, Group sales in the region are generally trending upwards. In China, which is now the Group's second largest market, Supor sales rose by almost 5% over the first nine months but much faster in the third quarter, with an excellent performance in September. Growth was led by sustained market share gains, a broader product offering (with kettles, blenders, the Ingenio concept…) and assertive implementation of the Supor Lifestores opening programme. In Japan, overcoming the general gloom, the Group reported robust growth thanks to the success of the kettle, pressure cooker and steamer lines. Sales in South Korea rose at constant exchange rates, despite the recession and the collapse of the won. Growth in Thailand, Malaysia, Taiwan and other new markets gained further momentum with the introduction of the Supor brand. After a difficult first half in a weakened economy, operations in Australia recovered in the third quarter, which saw brisk growth.

In **Central Europe, CIS and other countries** (Turkey and other countries in the Middle East and Africa), the weakness of local currencies against the euro remained an important factor disrupting sales, although some of the impact was offset by price increases. While helping to preserve local margin integrity, these increases are beginning to represent a more or less serious handicap, depending on the country, at a time of rising price sensitivity. In the region as a whole, sales fell sharply during the period. However, the Group fared relatively well in Central Europe, reporting increased sales, particularly in Poland. This was not the case in Russia, where the persistent recession is having a highly adverse impact on the Group's sales volumes. Business remained poor in Ukraine despite the Group's strong brand notoriety. In Turkey, the prevailing gloom did not have much of an impact on sales, which eased back slightly at constant exchange rates; having a local proprietary retail network of Tefal Shops represents a major competitive advantage.

Lastly, business is gradually recovering in the Middle East, with in particular a satisfactory relaunch in Saudi Arabia following the appointment of a new import agent.

Analysis of growth in operating margin

Operating margin for the first nine months of 2009 stood at €194 million, down 6.4% from the €208 million reported in the prior-year period. The performance reflected a firmer margin in the third quarter, when it contracted by just 3.2%.

The nine-month decline was caused by the fall-off in unit sales and the still unfavourable currency effect. These factors were partially offset by :

- the positive impact from the cost-cutting plan, which is continuing to deliver benefits in purchasing and overheads;
- the postponing of some marketing expenditure and advertising spend.

Analysis of debt at 30 September

At 30 September 2009, net debt amounted to €386 million, versus €696 million at the end of September 2008. This €310 million reduction over 12 months was led essentially by tighter working capital management, with in particular a cash generation of €118 million on the sole third quarter 2009.

A nine-month 2009 business review has also been published. More detailed than the press release, it can be downloaded from the Groupe SEB website www.groupeseb.com.

2009 sales will be released on Tuesday, 19 January 2010.

The world leader in small household equipment, Groupe SEB operates in more than 120 countries with a unique portfolio of top brands 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 19,000 employees worldwide.

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