MONDAY, 24 OCTOBER 2011

THIRD QUARTER 2011

QUARTERLY FINANCIAL INFORMATION
BUSINESS AND FINANCIAL REVIEW FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

SIGNIFICANT EVENTS OF THE QUARTER

Economic Environment

The global economic environment tightened considerably in the third quarter, led by the following factors:

- The inability of certain Southern European countries to clean up their finances, raising concerns that spread across the euro zone.
- The stalled US economy, brought to a halt by a string of bad news – the ratings downgrade by Moody's and Standard & Poor's, a lower GDP growth forecast, persistently high unemployment – that fuelled a general sense of gloom.
- A severely weakened European banking industry, which dragged down financial and stock markets over the summer.
- Rumours of an economic slowdown in emerging markets, especially China, primarily as a result of their exposure to foreign capital and the declining growth in their exports to mature economies.
- North African and Middle Eastern markets still roiled by the repercussions of the Arab Spring.

Indeed, in the third quarter, overall consumer spending further cooled in Western Europe and the United States, but continued to rise in the emerging economies, with demand generally remaining highly favourable over the period. In this environment, demonstrating its resilience in the different crisis situations, the small domestic equipment market remained on an upward trend over the period, albeit with more aggressive competition and a continuation of the promotional practices observed in the first half.

Currencies

Exchange rates swung widely over the first nine months of the year, with gains in most of the Group's operating currencies against the euro in the first three months giving way to declines in the second and third quarters (based on average exchange rates for 2010 and 2011). The second-quarter downward trend continued and sometimes worsened in the third for the dollar (down 9%), the Turkish lira (down 20%), the British pound (down 5%), the Brazilian real (down 2%) and the Russian rouble (down 4%), with a negative impact on revenue when translated into euros. The Chinese yuan, on the other hand, lost proportionally less value compared with third quarter 2010, so that the impact was less unfavourable than in the second quarter.

While the currency effect was not material in the first half, third quarter changes led to a negative impact of €18 million over the full nine months.

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Raw materials

After two years of steadily rising prices, metals saw a sharp downward break in the summer of 2011. This was particularly the case for aluminium, nickel and copper, whose prices collapsed in the third quarter, losing respectively 17%, 25% and 23% since June and July. While currently flat after two years of price increases, the plastics market has not shown any real signs of a fall-off. In any case, average prices paid in 2011 across the raw materials base are much higher than in 2010, despite the favourable impact of hedging on metals. The increase has also led to higher prices for sourced products, which also reflect rising wages in China.

As a result, the Group's purchasing cost index will be higher than in 2010, in line with forecasts. In response, the Group has increased prices, implemented productivity programmes in every plant and is carefully managing its purchases of raw materials, components, sub-assemblies and sourced products.

Increased stake in Supor

On 17 February 2011, Group SEB announced its intention to raise its stake in Chinese subsidiary Supor by an additional 20%, to a total of 71.31%.

The process is being completed in several stages, with two decisive steps taking place in July and October:

- 16 February: purchase contract signed, whereby the Group agrees to acquire 115,450,400 shares from Supor's founding shareholders for CNY 30 per share.
- 16 February: Supor's Board of Directors approves the transaction.
- 4 March: Supor shareholders meet and approve the project.
- 7 July: authorisation issued by the Foreign Investment Department of the Ministry of Commerce of the People's Republic of China (MOFCOM).
- 18 October: final authorisation to increase the stake in Supor granted by the China Securities Regulatory Commission (CSRC).
- A few administrative procedures must still be carried out but the transaction is expected to be completed in the coming weeks.

The total purchase price amounted to CNY 3,464 million or approximately €400 million. The Su family will retain a 12.5% stake in the company. The remaining shares make up the free float and will continue to be traded on the stock market. The membership of the Board of Directors will not change and Xianze Su will remain as Chairman.

BUSINESS REVIEW

Revenue in €m	2010 (9 months)	**2011 (9 months)**	% change *(based on exact figures)*	
			Reported	Like-for-Like
France	452	**444**	-1.9 %	-1.9 %
Other Western European countries	496	**526**	6.2 %	6.5 %
North America	276	**271**	-1.7 %	-1.6 %
South America	239	**305**	27.5 %	10.4 %
Asia-Pacific	543	**651**	19.9 %	17.7 %
Central Europe, Russia and other countries	417	**461**	10.5 %	12.9 %
TOTAL	2,423	**2,658**	**9.7 %**	**8.0 %**

At €2,658 million, revenue for the nine months ended 30 September 2011 was up 9.7% on the year earlier period, reflecting:

- Like-for-like growth of 8% for the period, led by:
  - Further growth in the small domestic equipment market.
  - Continued robust momentum in emerging markets, which generated 46% of consolidated revenue for the third quarter and accounted for 79% of top line growth.
  - Firm resilience in Western Europe, despite a turbulent summer.

- An €58 million contribution from Colombia's Imusa, which was consolidated as from 1 March 2011. Imusa's sales improved sharply in comparison to the same period in 2010, both in Latin America and the United States.
- A €17 million negative currency effect resulting from pronounced exchange rate volatility and the depreciation of many currencies (including the US dollar, Turkish lira, Brazilian real and Russian rouble) against the euro since the second quarter.

In terms of products, all of the Group's businesses experienced growth in the first nine months, with the exception of the home comfort category, which continued to contract over the period despite a third-quarter stabilization in fan sales. Sales of beverage preparation appliances were substantially higher, lifted mainly by the ongoing success of single-serve coffeemakers developed through partnerships and growth in electric kettle sales. Electric cookware sales maintained strong momentum, thanks in particular to a significant contribution from deep fryers and renewed demand for breadmakers. In the home care segment, our Silence Force and Air Force vacuum cleaner ranges continued to meet with success, lifting sales of the entire product line-up. Demand for personal care items picked up during the period, particularly the revamped hair care appliances range and the hair removal systems. Business continued on an upward path in food preparation, driven primarily by the Moulinex relaunch, the gradual deployment of the Fresh Express concept and strong demand for meat mincers in certain Eastern European markets. The cookware business grew slightly over the period, despite difficulties encountered in France.

Third-quarter 2011 sales amounted to €939 million, up 8.2% on the prior-year period, including organic (like-for-like) growth of 7.2%.

Revenue in €m	Third quarter 2010	**Third quarter 2011**	% change *(based on exact figures)*	
			Reported	**Like-for-Like**
France	155	**153**	-1.2%	-1.2%
Other Western European countries	173	**185**	+7.0%	+7.8%
North America	109	**99**	-9.0%	-7.1%
South America	91	**115**	+26.7%	+11.7%
Asia-Pacific	186	**218**	+16.8%	+14.1%
Central Europe, Russia and other countries	154	**169**	+9.5%	+14.3%
TOTAL	868	**939**	**+8.2%**	**+7.2%**

SALES BY REGION

In France, the small domestic equipment market was relatively favourable during the first nine months of the year, although demand began to contract in July and August. Competition intensified as certain specialists expanded their positions while established brands stepped up their promotional activity and mass retailers followed suit in a bid to increase sales of their private label value lines. In contrast, specialized retailers and pure players in e-commerce enjoyed rapid growth, serving as drivers of the Group's value-creation strategy.

In this environment, Groupe SEB reported third-quarter 2011 sales on a par with the year-earlier period, although performances varied from one business to another. In cookware, sales were held back by the effects of a competing loyalty programme run by a retail customer in the first half of the year. Fuelled by demand that was largely concentrated in the first six months, the market had more limited potential for growth in the following months. However, the Group's marketing successes in the small electrical appliance segment almost entirely offset the effects of the third-quarter loss of momentum. Market share gains were achieved in the vacuum cleaner segment, thanks to a healthy performance by Air Force and Silence Force, in the coffeemaker segment, which continued to be led by the success of the Dolce Gusto and Nespresso partnerships, in hair care and in breakfast items, where our sustained commitment to win back market share proved effective, thanks to an attractive offering. In addition, sales of steam generators and Fresh Express remained relatively brisk.

In **other Western European countries**, the business environment has tightened since January. While third-quarter sales were up 7.8% at constant exchange rates, this performance masked sharply contrasting conditions in the north and south of the region. The deteriorating economic and employment situation in southern Europe caused consumer spending to collapse, even in the small electrical appliances market. Sales fell back sharply in Greece and also in Spain despite marketing successes in vacuum cleaners, hair removal systems and steam generators. In Portugal, sales were maintained at prior-year levels and the Group outperformed a contracting market thanks mainly to the successful Moulinex relaunch. In Italy, despite worsening market conditions, growth was reported in almost all product families, most notably in flagship products such as Air Force, Fresh Express, Nespresso and steam generators.

Demand was healthier in northern Europe, where the Group delivered solid performances. This was particularly the case in the United Kingdom, which enjoyed vigorous growth in the third quarter despite a very competitive environment. The improvement was primarily attributable to sustained demand for linen care appliances, single-serve coffeemakers and deep fryers, led by the ongoing success of Actifry. Austria and Germany saw robust revenue growth that was mainly underpinned by the successful Moulinex relaunch, as well as by sales of beverage preparation appliances, vacuum cleaners and Actifry. Momentum was also sustained in Belgium and the Scandinavian countries where increased demand for several product families was complemented by Moulinex's resounding comeback and rapid market share gains.

In **North America**, the market became more challenging and sales dropped 7.1% like-for-like in the third quarter. In the United States, consumer spending fell sharply and sales flagged in the third quarter, with varying situations in the different business segments. The third quarter proved more difficult in cookware due to very aggressive price competition, in both core products and the premium segment. As a result, revenue came in lower for the period after several quarters of continuous growth. In contrast, in the small electrical appliance segment, Rowenta reported higher sales thanks to the success of recent model launches and gains achieved in the steam generator segment. A leader in steam irons, Rowenta is positioned at the premium end of this market. Krups enjoyed a rebound, helped by the relaunch of several key products and low prior-period comparatives, while Imusa USA, which was consolidated over the last seven months of the period, made a very healthy €15 million contribution to Group revenue for the period.

In Canada, the economic environment tightened in the third quarter and demand in the small domestic equipment market showed signs of softening. However, the Group delivered a solid third-quarter performance, reporting higher sales in both cookware and small electrical equipment mainly driven by Dolce Gusto, electric kettles and other beverage preparation appliances as well as by breakfast appliances, Actifry and raclette grills.

Lastly, the environment in Mexico remained generally favourable, but certain developments, such as the economic impact of the peso's sharp depreciation, called for caution. The market was favourable and the Group performed well in steam irons and breakfast items. However, sales were deeply impacted by the not yet renewed loyalty programme by a major retailer.

In **South America,** the environment remained buoyant overall and the Group reported like-for-like sales growth of 10.4% over the first nine months, led by an 11.7% increase in the third quarter. Colombian-based Imusa, consolidated since 1 March, added €43 million to the Group's revenue in the region.

In Brazil, the economic environment started to deteriorate in the third quarter, with higher inflation and a steep fall in the value of the real. Demand nevertheless remained strong and the Group's sales rose sharply, particularly in the small electrical appliances segment (semi-automatic washing machines, filter coffeemakers, sandwich toasters and personal care appliances). Fan sales stabilized after a very difficult start to the year due to unfavourable weather conditions and record volumes in 2010. In cookware, the marketing reorganization initiated in late 2010 led to further advances in this segment. Lastly, market coverage was deepened through the ongoing deployment of the proprietary store network, leading to improved brand penetration and increased market shares. In Colombia, the environment remained vibrant and the development of modern retail formats boosted the already dynamic consumer demand. Sales of small electric appliances rose sharply, lifted by renewed demand for fans as weather conditions became more favourable than in the early part of the year, and by strong sales of irons, rice cookers, coffeemakers, La Moulinette grinder and blender and Rowenta-brand personal care appliances. During the period, the Group began deploying the Imusa brand alongside Samurai for certain electrical products. In cookware, Imusa reported robust sales thanks to a B2B transaction with a customer and to the synergies created with other Groupe SEB entities (leading for example to the introduction of Ingenio removable handles), while Tefal's premium offering met the needs of high-end consumers.

Chile's booming economy helped to drive a surge in local sales led by cookware and best-selling products such as Fresh Express and Actifry, supported by the ongoing development of the proprietary store network. In Argentina, sales continued to be seriously affected by the protectionist measures introduced by the government last year. In Venezuela, after maintaining a local presence during the crisis the Group was ideally placed to reap the full benefits of the market's return to growth.

In Asia-Pacific, the Group enjoyed robust 14.1% like-for-like growth in the third quarter, reflecting strong demand in all of its host markets in the region. In China, Groupe SEB's second largest market, sales continued to expand rapidly, growing 25% in the third quarter. The best selling products were small electrical appliances, a segment in which the Group outperformed the market thanks to a broad offering of flagship products such as electric pressure cookers, rice cookers, induction hobs and electric kettles. In cookware, Supor enjoyed strong demand for frying pans, saucepans, woks and steam cookers, but pressure cooker sales were hit by the shift in demand towards electric models. The brand's sales were further boosted by the sustained rapid deployment of the Supor Lifestore network.

In Japan, the Group performed well in the third quarter, helped by a more favourable environment after the dramatic events that took place in the early part of the year. Growth drivers included the broad cookware line-up (comprising frying pans, saucepans, casserole dishes and other items), electric kettles, which represent an expanding market, and the recently launched food preparation appliances, which are also growing in popularity. In South Korea, the strong uptrend enjoyed in the early part of the year continued in the third quarter, reflecting the Group's growing share of the electric kettle market, its attractive and recently expanded offering for the booming personal care appliance market and robust blender sales. In Southeast Asia (Thailand, Singapore, Malaysia), Hong Kong and Taiwan, the Group pursued the development of its operations by organizing the local sales forces. Lastly, sales in Australia continued to recover rapidly in a highly competitive price-driven market, with strong demand for the Group's flagship cookware, Actifry and vacuum cleaner products driving market share gains.

In Central Europe, Russia and other countries (Turkey, the Middle East and Africa), sales continued to grow, rising 14.3% like-for-like despite emerging tensions in some markets. Exchange rates were an important factor in the region's performance. In Central Europe, the Group leveraged its broad and attractive product line-ups in single-serve coffeemakers (Nespresso and Dolce Gusto) and in food preparation appliances, with the successfully relaunched Moulinex brand in neighbouring countries and the popular Fresh Express, as well as in home care products. In Poland, the Group's redefined marketing strategy paid dividends, helping to drive market share gains in espresso machines, steam cookers and vacuum cleaners. In Russia, the uptrend accelerated, helping to drive higher sales of the Group's new cookware ranges and its small electrical appliance offerings such as vacuum cleaners, Nespresso and Dolce Gusto single-serve coffeemakers, meat mincers and handheld mixers. The Group also expanded its share of the very dynamic Ukrainian market and continued to enjoy improving sales in the Czech Republic.

In the Near and Middle East, trends remained positive despite the events of the Arab Spring. In Turkey, sales continued to grow at a very rapid pace. While custom barriers that were put in place added a competitive issue for the Group, solutions were found and the overall effect was an upgrading in the local small electrical appliance market. The Group consolidated its presence in this market despite raising its prices, thanks to several flagship products including Actifry, Fresh Express, Air Force, Silence Force, steam generators and yogurt makers. In Saudi Arabia and the Arab Emirates, business momentum is being restored with the help of new agents, leading to rapid growth in the third quarter.

Business remained weak in the difficult North African markets but the Group is beginning to expand in certain sub-Saharan countries.

FINANCIAL REPORT

Operating margin

Operating margin for the first nine months of 2011 totalled €271 million, compared with €276 million in the same period of 2010. The period-on-period decline was limited to 1.9% thanks to a good third quarter, when operating margin came to €116 million versus €108 million in third quarter 2010.

Debt

Net debt came to €305 million at 30 September 2011, versus €208 million a year earlier. This amount included financing for first-half acquisitions, such as Imusa in Colombia, 65% of Asia Fan in Vietnam, and Key Ingredients purchased through the SEB Alliance investment fund. It also included the effect of the share buybacks carried out during the summer, which were the main reason for the increase in debt between the end of June (€ 257m) and 30 September 2011.

The Group's balance sheet remains healthy and robust.