Press Release

23 October 2012

Deteriorated Third-Quarter Business Environment Adversely Affects Sales and Profits

- **Sharp fall in sales in September**
- **Operating result from activity lower**
- **Healthy financial structure and strengthened debt profile**

Sales by Region

Revenue (in €m)	9 months 2011	9 months 2012	% change	
			Reported	Like-for-Like
France	444	**438**	*-1.3%*	*-1.3%*
Other Western European countries	526	**479**	*-9.1%*	*-10.0%*
North America	271	**309**	*+14.2%*	*+4.0%*
South America	305	**314**	*+2.9%*	*+0.6%*
Asia-Pacific	654	**714**	*+9.2*	*-1.9%*
Central Europe, Russia and other countries	461	**499**	*+8.3%*	*+6.0%*
TOTAL	**2,661**	**2,753**	***+3.5%***	*-1.1%*

Rounded figures in € millions *Percentages based on non-rounded figures*

Revenue (in €m)	Q3 2011	Q3 2012	% change	
			Reported	Like-for-Like
France	153	151	-1.6%	-1.6%
Other Western European countries	185	157	-15.0%	-16.4%
North America	99	122	+22.7%	+8.5%
South America	115	114	-1.0%	+0.8%
Asia-Pacific	220	235	+6.7%	-4.5%
Central Europe, Russia and other countries	169	173	+2.9%	+0.8%
TOTAL	941	**952**	**+1.1%**	-3.4%

Rounded figures in € millions *Percentages based on non-rounded figures*

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The crisis of confidence that has lasted for several months is impacting consumption as well as retail sectors in both mature and emerging markets. It has generated a decline in demand and store traffic. In the third quarter, the recession worsened and spread, leading to a sharp deterioration of the business environment in Europe, in particular in September, and to a significant slowdown in demand in China. At the same time, the American economy showed a few signs of recovery.

Despite having demonstrated the ability to hold its own in earlier recessions, the small domestic equipment market was negatively affected in this weakened context, becoming more and more competitive and promotion-driven in all countries.

Against this backdrop, the Group's revenue for the nine months ended 30 September 2012 totalled €2,753 million, an increase of 3.5%. This included a €35 million contribution from changes in the scope of consolidation and a positive currency effect of €87 million due mainly to the rise in the US dollar and Chinese yuan against the euro. On a like-for-like basis, 9-month revenue registered a limited decline of 1.1% compared with the same period of 2011 and was down 3.4% in the third quarter alone. While this decrease reflects market situations that were more difficult than expected, it should also be reminded that prior-year comparatives were high, as organic growth in the third quarters of 2011 and 2010 amounted to respectively +7.2% and 11.8%.

Operating result from activity totalled €232 million at 30 September 2012, compared with €271 million for the first nine months of 2011. The drop-off was due on the one hand to lower sales and the corresponding under-absorption of production costs and on the other hand to a highly unfavourable currency effect, especially with regard to the dollar.

Net debt at 30 September amounted to €646 million, slightly lower than the level of 30 June 2012.

Sales by region

In France, the relative resilience of the small electrical appliance market was largely due to a first-half loyalty programme conducted by a retailer. On the contrary, the cookware segment felt the aftereffects of a large-scale programme of the same type that artificially inflated 2011 market. The third quarter did not bring any particular change in the first-half situation, which was shaped by sluggish demand, a still highly competitive market, retailer inventory drawdowns and price wars. However, the Group managed to limit the erosion in revenue in this unfavourable environment thanks to a strong performance in cookware, led by the success of a loyalty programme conducted with a major mass retailer and the promising introduction of a new range of ceramic-coated items. While business was more challenging in the electrical appliance segment, it was nonetheless lifted by the extension of the food processor range, encouraging initial sales of the Free Move cordless iron and the silent hairdryer, and on-going strong demand for vacuum cleaners.

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In the other Western European countries, the widening of the recession to Northern Europe, already apparent in the first half, intensified and worsened in the third quarter. This had a major impact on demand, which dropped sharply in the last few weeks of the period in nearly all countries. The Group's third-quarter sales were severely impacted by these developments. In addition to on-going dismal sales in Greece, Spain and Portugal, revenue was also down sharply in Italy as well as in a number of northern markets like Belgium and the Netherlands. In Germany, the overreaction of consumers to macro-economic uncertainties and the non-recurrence of several loyalty programmes conducted by the Group in third-quarter 2011 led to a significant – albeit in part temporary – decline in sales. In the United Kingdom sustained growth was maintained thanks to the continued success of flagship products like the Actifry fryer, steam irons and generators, the Fresh Express shredder, Nespresso and Dolce Gusto coffee makers...

In North America, Groupe SEB's third-quarter revenue rose in the region's three markets. In the United States, in a still volatile environment, sales growth was sustained due in particular to upwards trending business in cookware as well for mid-range products sold under the T-fal and Emeril brands as for All-Clad high-end items. Regarding All-Clad, sales held up well, lifted by new product launches and an expanded retail network. In small electrical appliances, Rowenta consolidated its leadership in the premium iron segment and Krups continued its recovery in the field of coffee preparation. Canada again reported robust growth, both for electrical appliances (with the confirmed success of Actifry and improved sales of ironing products) and for cookware. In Mexico, strong activity in core business was bolstered by the renewal of a loyalty programme with a retailer.

In South America, market dynamics varied from one country to another. The Group's third-quarter revenue growth in the region was still sluggish but the environment is gradually improving. In Brazil, demand seemed to pick up somewhat and the current weakness of the real is beneficial to manufacturers that produce locally, like Arno and Panex. In the third quarter, the Group's revenue was up slightly, led by a favourable sales trend on fans, washing machines, electrical cooking appliances and cookware (recovering after a difficult first half). However, turnover was adversely impacted by a decline in blender sales and the postponement of a significant order from a retailer to the fourth quarter. In Colombia, the Group achieved solid performance, driven in particular by fans, frying pans and pressure cookers. Third-quarter revenue nevertheless suffer from high comps due to the introduction in September 2011 of new Imusa ranges that generated strong sell-in as well as from the non-recurrence of a non-profitable loyalty programme.

In the Asia-Pacific region, market situations and performance varied from one country to another. The decline in third-quarter revenue was due for the most part to China's negative contribution for the last three months. In an environment shaped by slower growth, consumer spending remained declined in the country and the market for small household equipment contracted. Supor's third-quarter sales were lower overall, with an increase in cookware and a sharp decline in small electrical appliances. Nonetheless, Supor continued to outperform the market, thereby consolidating its positions. Elsewhere in the region, sales were higher in nearly all markets. Japan turned in a strong performance, led by cookware and the promising launch of the Air Force upright vacuum cleaner and the Free Move cordless iron. While the increase was more moderate in the highly competitive South Korean market, business remained solid in Australia and was brisk in the other countries of South-East Asia.

In Central Europe, Russia and the other countries (Turkey, Middle East, Africa, etc.), the Group maintained sustained momentum despite a third quarter that was more modest than the previous quarters. In Russia, the business environment and the small household equipment segment remained buoyant, and the Group continued to expand in the local market, capitalizing on both new and flagship products, making targeted adjustments to strengthen its growth drivers and developing its network of proprietary stores. In Ukraine and Central Europe – difficult markets because they are highly competitive and promotion-driven – business was down and the Group lost ground although it maintained its leadership in Ukraine. In the Middle East, Turkey remained a vigorous but highly competitive market in which the Group has long held strong positions. Third-quarter sales of electrical appliances were robust. At the same time, the rapid ramp-up in Saudi Arabia and the United Arab Emirates continued.

Change in Operating Result from Activity

Operating result from activity for the first nine months of 2012 stood at €232 million, down 15% compared with the same period in 2011. It included €89 million for the third quarter alone, versus €116 million for the prior-year period. This decline was due to:

- The impact on profits of the drop in third-quarter sales and the resulting under-absorption of production costs, accentuated by the Group's efforts to draw down inventory.
- A highly adverse currency effect, linked mainly to the unfavourable impact of the stronger dollar on Group purchases.

Analysis of debt at 30 September 2012

At 30 September, Groupe SEB had net debt of €646 million, slightly lower than debt at 30 June 2012. The third quarter does not usually make the largest contribution to cash generation.
Underpinned by a solid balance sheet, the Group improved its debt profile during the quarter thanks to the issue of €220 million in German private placement notes (Schuldschein), which extended the average life of its debt and optimized borrowing costs.

Outlook

In the third quarter, Groupe SEB was faced with an economic environment that worsened slowly early in the period, then in September suddenly intensified and extended to a large number of markets.
Taking into account this new situation, the Group anticipates a slight growth in sales for the fourth quarter leading to stable sales like-for-like for the full year. It will not make up the accumulated 9-month shortfall in operating result from activity by the end of the year. The Group moreover reaffirms its resolve not to put short-term goals ahead of investing in the growth drivers needed to attain its long-term objectives, in which its employees have a stake. The success, in France and other countries, of the employee rights issue launched on 19 September reflects employees' confidence in the Group's future and their determination to contribute to its continued growth.

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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 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 more than 25,000 employees worldwide.