GROUPE SEB

Press release

25 July 2012

Satisfactory performance in a challenging environment

- Stable first-half sales on a like-for-like basis
- Operating performance in line with expectations
- Strong cash generation

Consolidated Financial Results (in €m)	H1 2011	**H1 2012**	Change
Revenue	1,719	**1,801**	*+4.7%*
Operating Result from Activity (formerly Operating Margin)	155	**143**	*-8.1%*
as a % of revenue	*9.0%*	*7.9%*	
Operating profit	152	**127**	*-17.0%*
Profit attributable to equity holders of the parent	93	**74**	*-21.0%*
Net debt (at 30 June)	257	**654**	*+397*
	Rounded figures in € millions		(Percentages based on non-rounded figures)

Commenting on the first-half 2012 results, Thierry de La Tour d'Artaise, Chairman and Chief Executive Officer of Groupe SEB, said:

"Groupe SEB ended the first six months of 2012 with revenue stable like-for-like and operating result from activity maintained at a satisfactory level. After the all-time highs recorded in the first-half of 2010 and 2011, this performance demonstrates the Group's resilience in a difficult global economic environment in which mature markets are under pressure and emerging economies are experiencing a temporary slowdown in their dynamics. Our sales in Europe were particularly hard hit, in an environment of increased competition and promotional activity, and in China, Supor suffered from a certain temporary softening in demand for small household equipment, as in first-half 2009. Outside these two geographies, sales continued to climb, with modest increases in North and South America and solid growth in Russia and the Middle East.

Despite a challenging environment and limited visibility, we are confident in the Group's ability to generate slight organic sales growth over the full year. While it seems unlikely that we will make up the shortfall in the first half operating result from activity, we're aiming in the second half to come close to the historically high level of 2011 second half. Looking beyond the ups and downs of the economy, our business model, which is based on innovation and balanced international development, represents our greatest asset for taking advantage of the recovery as soon as it appears."

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Revenue

First-half 2012 was shaped by a weakened global economic environment that weighed down on consumer spending. However, the small household equipment market remained relatively resilient, even though performances varied between the two quarters and the various geographies. The first half of the year also saw a high level of competition and promotional activity.

Groupe SEB generated first-half revenue of €1,801 million, up 4.7% as reported. This included a positive currency effect of €49 million, due to the increase against the euro of virtually all currencies, and a €32 million contribution from changes in scope of consolidation relating to acquisitions carried out in 2011, with two additional months of revenue for Imusa and six months for Asia Fan and Maharaja Whiteline. Revenue remained stable at constant scope of consolidation and exchange rates thanks to organic second-quarter growth of 2%, which offset a decline in sales in the first quarter. It should be noted that the record growth achieved in the first half of 2010 and 2011 – with organic gains of 9.5% and 8.4% respectively – created a particularly high basis for comparison.

Sales by Region

Revenue (in €m)	H1 2011	H1 2012	% change	
			Reported	Like-for-Like
France	291	**287**	*-1.2*	*-1.2*
Other Western European countries	341	**322**	*-5.8*	*-6.5*
North America	172	**188**	*+9.2*	*+1.4*
South America	190	**200**	*+5.3*	*+0.5*
Asia-Pacific	433	**478**	*+10.1*	*- 0.5*
Central Europe, Russia and other countries	292	**326**	*+11.5*	*+9.0*
TOTAL	**1,719**	**1,801**	***+4.7***	*+0.1*

Rounded figures in € millions (Percentages based on non-rounded figures)

Revenue (in €m)	Q2 2011	Q2 2012	% change	
			Reported	Like-for-Like
France	144	155	+7.9	+7.9
Other Western European countries	161	156	-3.0	-4.2
North America	91	97	+6.5	-2.1
South America	96	102	+6.2	+8.3
Asia-Pacific	199	222	+11.7	-1.4
Central Europe, Russia and other countries	140	152	+8.6	+5.4
TOTAL	831	**884**	**+6.5**	+2.0

Rounded figures in € millions (Percentages based on non-rounded figures)

In **France**, the small electrical appliances market held up relatively well while the cookware market experienced a sharp decline, returning to its “normal” level after a first-half 2011 heavily inflated by a competitor’s loyalty programme. Against a backdrop of lacklustre consumer spending, retailer inventory drawdowns and significant promotional activity, the Group conducted successful promotional campaigns by leveraging the reputation of its brands. At the same time, it continued to develop its flagship products – the Air Force vacuum cleaner, the Soup & Co heating blender and the Masterchef food preparation appliance – and capitalised on the market launches of the Free Move cordless iron and the brand-new silent hair dryer. After recording a decline in revenue in the first quarter, the Group lifted its performance in the second quarter to end the first half of the year with sales just slightly down on the prior-year period.

In **other Western European countries**, the further deterioration in Southern European economies affected consumer spending across the entire region and the small household equipment market was no exception. First-half sales dropped by 6.5% as a result, dragged down by the continued fall-off in demand in Spain, Portugal and Greece, and a more modest decline in Italy. In Northern Europe, sales were up overall, reflecting very strong gains in the United Kingdom thanks to the confirmed success of Actifry, Fresh Express and single-serve coffeemakers; solid growth in Scandinavia and Austria; an upturn in demand in Belgium; and a gradual improvement in Germany where the market remains cautious. In the Netherlands, the Group reported a mixed performance due in part to strong competition in the linen care segment.

In **North America**, growth was dampened by a downturn in sales in the second quarter, after a positive start to the year. The decline can be attributed to the Group’s performance in the United States, where consumer spending is sluggish and the small household equipment market inconsistent. Rowenta consolidated its position in a contracted steam iron market and Krups continued to recover. However, the situation was more mixed in cookware, with lower sales of mid-range products – despite the Group’s confirmed leadership in a weakened market – and a more favourable performance in the premium segment. Canada pursued its growth dynamic, buoyed by retail slot gains and the on-going success of the Group’s cookware products and Actifry, notably. In Mexico strong sales growth was mainly fueled by a loyalty programme run with a retail customer.

In **South America**, first-half revenue was stable at constant scope of consolidation and exchange rates, with solid gains in the second quarter offsetting a slower start to the year. In Brazil, less enthusiastic consumer spending led retailers to draw down inventory but the real’s decline against the US dollar enhanced the competitiveness of locally manufactured products compared to imports. The Group’s performance was weighed down in the first quarter by price increases and unfavourable weather for fan sales but it picked up sharply in the second quarter thanks to the small electrical appliances segment. In Colombia, the momentum of our brands combined with the expanding economy drove further growth for Imusa, particularly in small electrical appliances, and strong performances from Samurai. On the whole, sales trends were positive in other Latin American countries, particularly in Argentina and Venezuela.

In the **Asia-Pacific region**, sales remained unchanged on an organic basis, with Supor's performance in China masking revenue gains in virtually every other country. In China, the small household equipment market was adversely affected by the slowdown in growth and consumer spending in recent months. Supor's sales were also impacted by a misinformation campaign in the media about stainless steel products. As a result, Supor’s revenue in China was stable at constant exchange rates, made out of a gain in cookware and a decline in small electrical appliances, with Supor nonetheless outperforming the market. Japan reported sustained growth in Ingenio cookware as well as kettles, and in South Korea, we maintained our strong dynamic and consolidated our market positions in the food preparation and cookware segments. Solid progress was made in other Southeast Asian countries, including Thailand and Malaysia, and further sales growth was achieved in Australia thanks to the sustained success of our flagship products.

In **Central Europe, Russia and other countries (Turkey, the Middle East and Africa)**, first-half turnover was up an organic 9%. In Russia, dynamic consumer spending drove solid gains in revenue, particularly in the food preparation, steam iron and cookware segments. In the Ukraine, on the other hand, the Group’s performance was heavily impacted by a sharp deterioration in the economic environment. In Poland, sales contracted because of price increases and the non-renewal of the 2011 loyalty programmes. In Turkey, revenue was higher in the second quarter in a buoyant but highly competitive environment, thanks in particular to the success of Fresh Express, yogurt makers, vacuum cleaners and coffee makers. Nonetheless, sales for the first half as a whole declined slightly. In the Middle East, business momentum accelerated in the second quarter in Saudi Arabia and the United Arab Emirates.

Operating Result from Activity

First, as usual, it should be reminded that first-half operating result from activity is not representative of full-year performance and should not be extrapolated.

Operating result from activity for first-half 2012 stood at €143 million, down 8.1% on the prior-year period. This level of €143 million is among the Group's highest first-half figures ever and represents a satisfactory performance.

The main factors behind the decline were as follows:

- Lower volumes had a €13 million negative impact, reflecting mainly an under-absorption of production costs related to the reduction of our inventory during the period.
- Changes in the price mix had a positive impact of €16 million, due to overall price increases whose impact was dampened by local price cuts and promotions.
- Purchasing prices were kept under control, remaining virtually stable over the period and much better than expected, as the Group benefited from a softening in raw material prices. Moreover, the rise in sourced product prices was more moderate than expected.
- The negative €20 million currency effect was due mainly to the rise in the dollar against the euro.
- Fixed costs were reduced by €5 million, including:
    - A slight increase in R&D spending and accrued costs to strengthen support functions.
    - A decline in advertising and marketing expenditure – with a selective approach between the markets expanding and those in recession – and a sharp reduction in internal costs.

Operating profit and attributable profit

Operating profit for first-half 2012 totalled €127 million, compared with €152 million in first-half 2011. Aside from the lower operating result from activity, the 16.5% decline can primarily be attributed to the €14 million capital gain realised on the sale of a plot of land in Brazil in first-half 2011.

Finance costs and other financial income and expense represented a net expense of €14 million, compared with €7 million in first-half 2011. The increased expense reflects a rise in average debt over the period, due mainly to the acquisition of an additional 20% stake in Supor in December 2011.

As a result of the above factors, profit attributable to equity holders of the parent declined to €74 million, from €93 million in first-half 2011. Income tax expense for the period was €32 million, corresponding to an effective rate of 28%, which was slightly higher than in the prior-year period. Minority interests, which concern Supor, amounted to €7 million, down sharply compared to first-half 2011 because the Group now holds a 71% stake in Supor versus a previous 51%.

Financial position

The Group boasted a solid financial position at 30 June 2012, with a strong balance sheet.

Equity stood at €1,388 million, slightly up from €1,362 million at 31 December 2011.

Net debt came to €654 million at 30 June 2012, versus €673 million six months earlier. The €19 million decrease stems from cash generated from operations of €113 million during the period.

With gearing below 50% and a debt-to-EBITDA ratio of 1.3, Groupe SEB's balance sheet ratios remained healthy at 30 June 2012, supported by diverse and flexible sources of financing.

Outlook

In a mixed but generally more challenging economic environment, Groupe SEB delivered a satisfactory performance in first-half 2012 despite the particularly high basis of comparison created by the exceptional results achieved in 2010 and 2011. This resilience, which has already been demonstrated in previous periods of crisis, makes us reasonably confident about the coming months in spite of the uncertainties and the limited level of visibility.

Unless a significant change occurs in the economic environment in the second half of the year, the Group is aiming for a slight increase in revenue for the full year. As for operating result from activity, it will be difficult to make up the first-half shortfall but the Group's objective is to reach a level close to that achieved in second-half 2011. To accomplish this, it will deploy an aggressive product strategy starting in September and target its use of key growth drivers to market conditions. At the same time, it will keep on enhancing productivity and competitiveness, continue to optimise the management of working capital requirement, and rigorously control all costs. So far, 2012 looks like a year of transition. However, we are expecting a gradual improvement in the global economic environment and a return to more dynamic growth in emerging markets, in which we expect to be among the first to reap the benefits.

Our confidence in the future is further demonstrated by the employee share issue planned for the third quarter. On 15 June, the Board of Directors of SEB S.A. decided on the principle of issuing up to 499,518 new SEB S.A. shares, corresponding to a maximum of 1% of the capital, to the benefit of employees. Expected to take place by the end of 2012, the new share issue reflects management's wish to more closely associate its employees around the world to the Group's future development and performance. The implementation of the offering is subject to official notification to or approval by competent authorities in the countries concerned. The details of the transaction will therefore be published at a later date.

The Interim Financial Report will be available at www.groupeseb.com on 27 July 2012

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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.

CONSOLIDATED INCOME STATEMENT

(in € millions)	2012 6 months	2011 6 months	2011 12 months
Revenue	1,801.4	1,719.4	3,963.3
Operating expenses	(1,658.9)	(1,564.3)	(3,510.0)
OPERATING RESULT FROM ACTIVITY	**142.5**	**155.1**	**453.3**
Discretionary and non-discretionary profit-sharing	(15.7)	(19.1)	(43.9)
RECURRING OPERATING PROFIT	**126.8**	**136.0**	**409.4**
Other operating income and expense	(0.2)	15.7	(8.9)
OPERATING PROFIT	**126.6**	**151.7**	**400.5**
Finance costs	(13.8)	(6.4)	(19.1)
Other financial income and expense	(0.3)	(0.6)	(8.1)
Share of profits/(losses) of associates	-	-	-
PROFIT BEFORE TAX	**112.5**	**144.7**	**373.3**
Income tax expense	(31.5)	(37.9)	(112.4)
PROFIT FOR THE PERIOD	**81.0**	**106.8**	**260.9**
Non-controlling interests	(7.2)	(13.4)	(26.4)
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**73.8**	**93.3**	**234.6**
EARNINGS PER SHARE (in €)			
Basic earnings per share	1.55	1.94	4.90
Diluted earning per share	1.52	1.89	4.78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	2012 6 months	2011 6 months	2011 12 months
PROFIT FOR THE PERIOD	**81.0**	**106,8**	**260,9**
Exchange differences on translating foreign operations	**12.9**	(54.0)	39.4
Gains (losses) on cash flow hedges	**3.5**	(2.7)	(8.5)
Other comprehensive Income	**16.4**	**(56.7)**	**30.9**
COMPREHENSIVE INCOME	**97.4**	**50.1**	**291.8**
Non-controlling interests	**(9.7)**	(3.3)	(41.4)
COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**87.7**	46.8	250.4

CONSOLIDATED BALANCE SHEET

ASSETS *(in € millions)*	**30/06/2012**	**30/06/2011**	**31/12/2011**
Goodwill	527.3	417.8	464.5
Other intangible assets	446.8	414.0	445.7
Property, plant and equipment	497.0	448.9	475.5
Investments in associates	-	-	-
Other investments	7.5	11.6	57.4
Other non-current financial assets	9.8	8.6	9.5
Deferred tax assets	58.9	50.0	38.2
Other non-current assets	6.8	7.7	7.7
Long-term derivative instruments			0.3
NON-CURRENT ASSETS	**1,554.1**	**1,358.6**	**1,498.7**
Inventories	730.3	752.7	702.2
Trade receivables	604.7	506.2	828.4
Other receivables	74.4	63.4	71.6
Current tax assets	16.7	35.4	57.6
Short-term derivative instruments	5.5	10.0	7.8
Cash and cash equivalents	170.6	475.0	196.0
CURRENTS ASSETS	**1,602.3**	**1,842.7**	**1,863.5**
TOTAL ASSETS	**3,156.4**	**3,201.3**	**3,362.2**

EQUITY AND LIABILITIES *(In € millions)*	**30/06/2012**	**30/06/2011**	**31/12/2011**
Share capital	50.0	50.0	50.0
Reserves and retained earnings	1,311.4	1,398.7	1,281.7
Treasury stock	(102.6)	(55.7)	(93.3)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**1 ,258.8**	**1,392.9**	**1,238.4**
NON-CONTROLLING INTERESTS	129.3	168.5	123.4
EQUITY	**1,388.1**	**1,561.4**	**1,361.8**
Deferred tax liabilities	80.0	64.1	79.0
Long-term provisions	133.1	120.2	127.6
Long-term borrowings	533.8	536.6	534.1
Other non-current liabilities	29.8	26.3	26.8
Long-term derivative instruments	0.4	0.7	1.5
NON-CURRENT LIABILITIES	**777.1**	**747.9**	**769.1**
Short-term provisions	51.6	57.3	62.1
Trade payables	400.0	409.3	515.6
Other current liabilities	196.8	184.5	238.7
Current tax liabilities	42.9	35.2	66.7
Short-term derivative instruments	7.3	7.6	16.1
Short-term borrowings	292.7	198.1	332.1
CURRENT LIABILITIES	**991.1**	**892.0**	**1,231.3**
TOTAL EQUITY AND LIABILITIES	**3,156.4**	**3,201.3**	**3,362.2**

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