GROUPE SEB

2013 Results

27 February 2014

THIERRY DE LA TOUR D'ARTAISE
Chairman and Chief Executive Officer

GROUPE SEB

Overall Environment and Small Domestic Equipment market

A Year of Contrasts

2013 Business and Results

Outlook for 2014

2013 Financial Highlights

Revenue
€4,161m

5.4% LFL
+ 2.5% as reported

Operating Result from Activity
€410m
+ 7.2% LFL
- 1.2% as reported

Attributable profit
€200m

+ 2.9% as reported

Net debt at 31 Dec.
€416m

- **€140m**
vs 31 Dec 2012

Dividend proposed at the Annual Meeting: €1.39, + 5.3%

2013 Review – Our achievements

Announced	Achieved	State	Comments
Solid product dynamic	Champion and star products = drivers	✓✓	International approach Increased spending on innovation
Loyalty programmes	€110m	✓✓	Outstanding year 2-3 major programmes
Intensified advertising/marketing resources	€288m	✓	Growing but less than in initial forecasts
Acceleration of the digital strategy	Sales with pure players + 40 %	✓	Development of digital resources
Maintain ORFA*	€410m	✓	In line 7% growth at constant exchange rates
Cash generated	€201m	✓✓	Higher than initial forecasts

*Operating Result from Activity

2013 macro-economic environment

- ✓ Mature markets
  - Stabilised environment in Europe
  - Recovery in the US
  - Demand held firm in Japan and South Korea
- ✓ Emerging markets
  - Socio-political issues in a number of countries (Turkey, Egypt, etc.)
  - Slower growth in certain markets (Turkey, Russia, Brazil, etc.)
  - Solid growth in China
- ✓ Some currencies fell sharply against the euro

Annual change*

JPY	RUB	TRY	BRL	COP	ARS
- 21 %	- 11%	- 20 %	- 17 %	- 12 %	- 28%

**From 1 January to 31 December, 2013*

Worldwide small domestic equipment market trending favourably

2013 trends

€45 billion*

Cookware
€13 billion

Pots and pans
Pressure cookers

Small electrical appliances

€32 billion

Food preparation
Beverage preparation
Home care
Home comfort
Electrical cooking
Linen care
Personal care

Mature markets

Slight growth

Emerging markets

Growth led by China

*Groupe SEB & consultant (estimates): Addressed market

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Outlook for 2014

A complex year…

- ✓ Unfavourable currency impact
- ✓ A tougher competitive environment
- ✓ Complicated markets
  - France
  - Russia
  - Turkey
- ✓ Maharaja Whiteline: a year of transition

A tougher competitive environment

Competition in small domestic equipment

+

Competition among retailers

Price Wars
Promotions

Complicated markets

FOCUS

France
Turkey
Russia

France
Group's largest country

Population	**66 million**
2013 GDP growth	**0.3%**

Group sales in 2013: -3% vs 2012

- ✓ Groupe SEB: **No.1** in cookware
- ✓ Groupe SEB: **No.1** in small electrical appliances

Problems encountered

- Non-recurring 2012 loyalty programme
- Decline in the steam station and deep fryer markets
- Increased competition in pod coffee making
- Levelling off in hypermarket traffic

Positive points

- Market responsive to innovation
- Growing food preparation and vacuum cleaner markets
- Developing sales with supermarkets and specialty stores

Turkey
Group's 13th largest country

Population	**81 million**
2013 GDP growth	**3.9%**

Group sales in 2013: -11% vs 2012 LFL

- ✓ Groupe SEB: **No. 2**(e) in cookware
- ✓ Groupe SEB: **No. 2** in small electrical appliances

Problems encountered

- Socio-political issues
- Protectionism
- Highly competitive, promotion-driven market
- Sharp depreciation of the Turkish lira ➔ price increases

Positive points

- Strong positions and brands
- Product dynamic
- 160 Tefal shops

Russia
Group's 5th largest country

Population	**142 million**
2013 GDP growth	**1.3%**

Group sales in 2013: -3% vs 2012 LFL

- ✓ Groupe SEB: **No.1** in cookware
- ✓ Groupe SEB: **No. 2** in small electrical appliances

Problems encountered

- Slower consumer spending since summer 2013
- 2 price increases (April and Sept.) in a highly promotion-driven market
- Q4 ➔ shortfall / Loyalty Programme in 2012
- Difficult in food preparation / competition

Positive points

- Market share gains in ironing (Freemove in the top 3), espresso and personal care
- Growth with large specialty retail chains

MAHARAJA WHITELINE : a year of transition

- ✓ 8 months with no control over the business
- ✓ Losses for fiscal 2012/2013 (closure 31 March)
- ✓ High Court in Delhi, 19 July 2013: Groupe SEB restored in the company's operational management
- ✓ Operations restarted
  - Reactivated industry, logistics and ASS operations
  - New brand platform
  - Strengthened marketing dynamic
  - Ambitious product pipe, 20 new products already launched

MAHARAJA
WHITELINE
life gets easier
Red Treasure
COLLECTION

A rich year…

- ✓ Strong product dynamic fostered by innovation
  - Champion products
  - The year's stars
- ✓ Success stories – Selected countries
  - China, Germany, United States, Japan
- ✓ Sales & marketing vitality
  - Dynamic category management
  - Loyalty programmes: an exceptional year
- ✓ Growing trend toward digitisation
  - Moving toward connected products
  - Developing digital campaigns
  - Increase in online sales

Strong product dynamic: champion products

Units sold

Pots & pans Ranges Just **So tasty** > 7

Easy care range SUPOR 苏泊尔 > 2

Antirust Wok SUPOR 苏泊尔 > 1

Strong product dynamic: champion products

Small electrical appliances

Units sold

Dolce Gusto > 3

Kettles
Aprecia > 2

Actifry > 1

Rice cooker
New Cleverness > 1

Fresh Express = 1

Strong product dynamic: the year's stars*

Cookware

Ceramic-covered range

SUPOR

Ceramic control range

Tefal

Clipso +

Kitchen Tools

SUPOR

*Largest contributors to growth

Strong product dynamic: the year's stars*

Electrical cooking

Deep fryers

Kettles

Full-auto espresso machines

Blenders (Faciclic)

Cookeo

Extra Long induction hobs

*Largest contributors to growth

Strong product dynamic: the year's stars*

Personal, home and linen care

Silence
AC Motor

SteamPod

Air Force

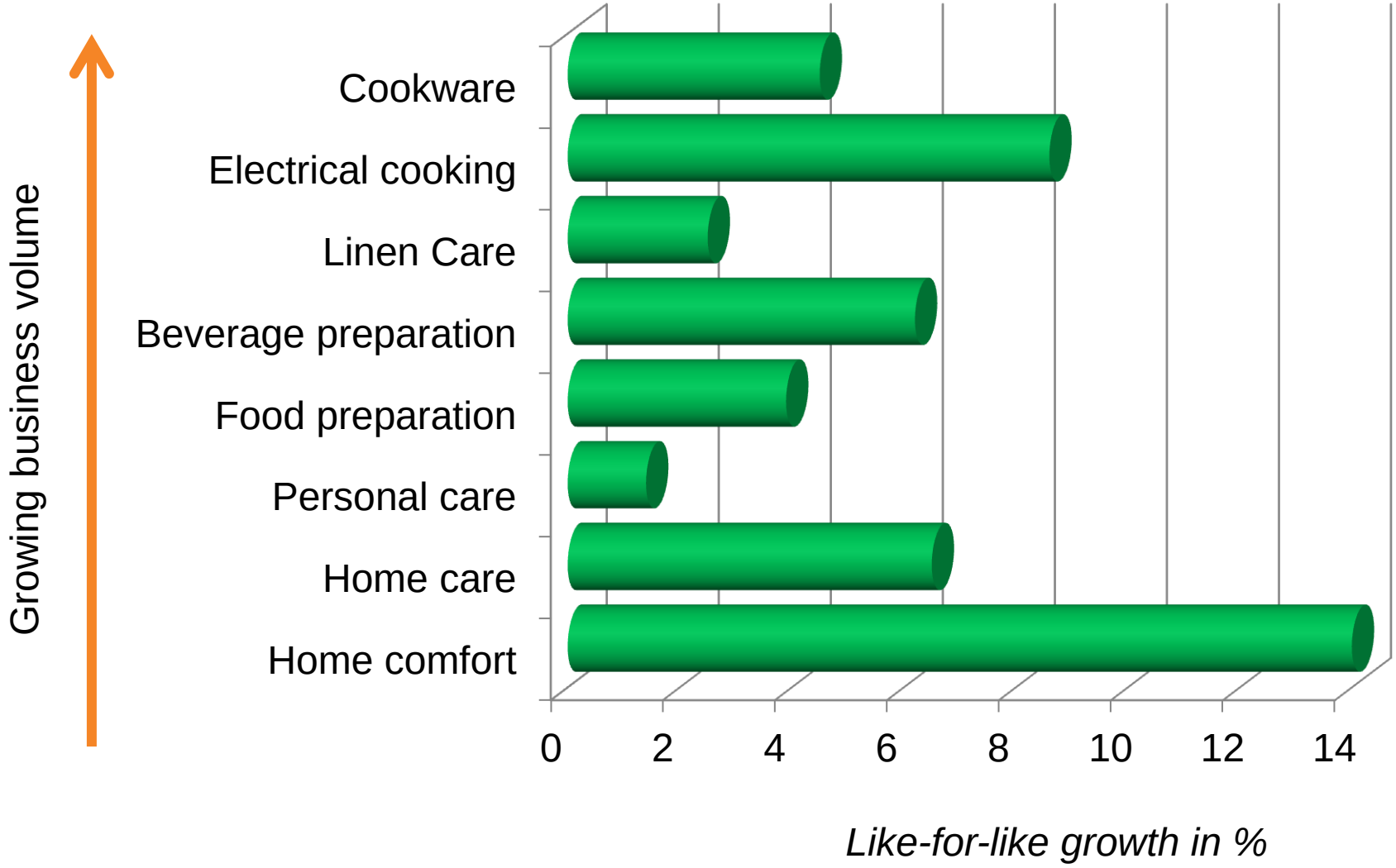
Ultimate
ceiling
fans

FreeMove

PRO EXPRESS Control

*Largest contributors to growth

2013 sales: sales performance by product line



Success stories - Selected Countries

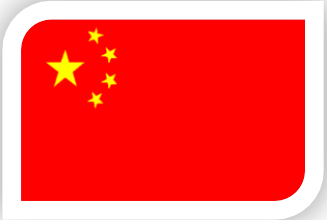
FOCUS

China
Germany
US
Japan

CHINE

Group's 2nd largest country

Population	1.3 billion
2013 GDP growth	7.7%



China sales: +16% vs 2012 LFL

- ✓ SUPOR: **No. 1** in cookware
- ✓ SUPOR: **No. 3** in kitchen small electrics

2013 successes

- Pressure cookers
- Pots and pans
- Steam cookers
- Rice cookers
- Soy milk makers

- Brand awareness

Distribution

- 40,000 sales outlets, of which 27,500 in Tier 3 + 4 cities
- 1,025 Supor Lifestores
- Online sales growing very fast

GERMANY

Group's 6th largest country

Population	**81 million**
2013 GDP growth	**0.4%**

Group sales in 2013: +17% vs 2012

- ✓ Groupe SEB: **No. 3** in cookware
- ✓ Groupe SEB: **No. 4** in small electrical appliances

2013 successes

- Cookware
- Full-auto espresso machines
- Food processors
- Bagless vacuum cleaners
- Ironing

Distribution

- All channels
- Loyalty programmes (Kaufland – Oct. 2013-Jan. 2014)
- Sales with pure players growing fast

United States

Group's 3rd largest country

Population	316 million
2013 GDP growth	1.9%

Group sales in 2013: + 5.2% LFL vs 2012

- ✓ Groupe SEB: **No. 1** in cookware
- ✓ Groupe SEB: **No. 1** in ironing

2013 successes

– Cookware
– Irons and garment steamers
– Optigrill

Distribution

– Online sales sharply up
– Listing gains for T-fal and Rowenta

JAPAN

Population	127 million
2013 GDP growth	1.9%

Group's 7th largest country

Group sales in 2013: +2.3% LFL vs 2012

- ✓ Groupe SEB: **No. 1** in cookware
- ✓ Groupe SEB: **No. 1** in kettles and **No. 3** in irons

2013 successes

- Cookware
- Kettles / record sales
- Irons
- Vacuum cleaners
- Mixers

Distribution

- All channels
- Growing Web sales of small electrical appliances
- Dynamic in Group stores

Sales & marketing vitality

FOCUS

Dynamic category management

Cooperation: Groupe SEB and Retailers

Knowledge of consumers' needs

+

In-depth analysis of shoppers' behaviour

↓

In-store execution
Improved merchandising

Programmes that have produced tangible results

Italy– EURONICS (Galimberti)

Q4 2013 – 2 pilot stores

Before

After

Groupe SEB:

14% of ironing products on shelves

Groupe SEB:

32% of ironing products on shelves

Group sales x 2

Loyalty programmes: an exceptional year

€110m, ≈ 15 operations > €1m

2 major operations

Spain
Q2 2013

BBVA

Germany
Q3-Q4 2013

Kaufland

Growing trend toward
Digitalisation

FOCUS

@ Russia

@ Canada

@All-Clad

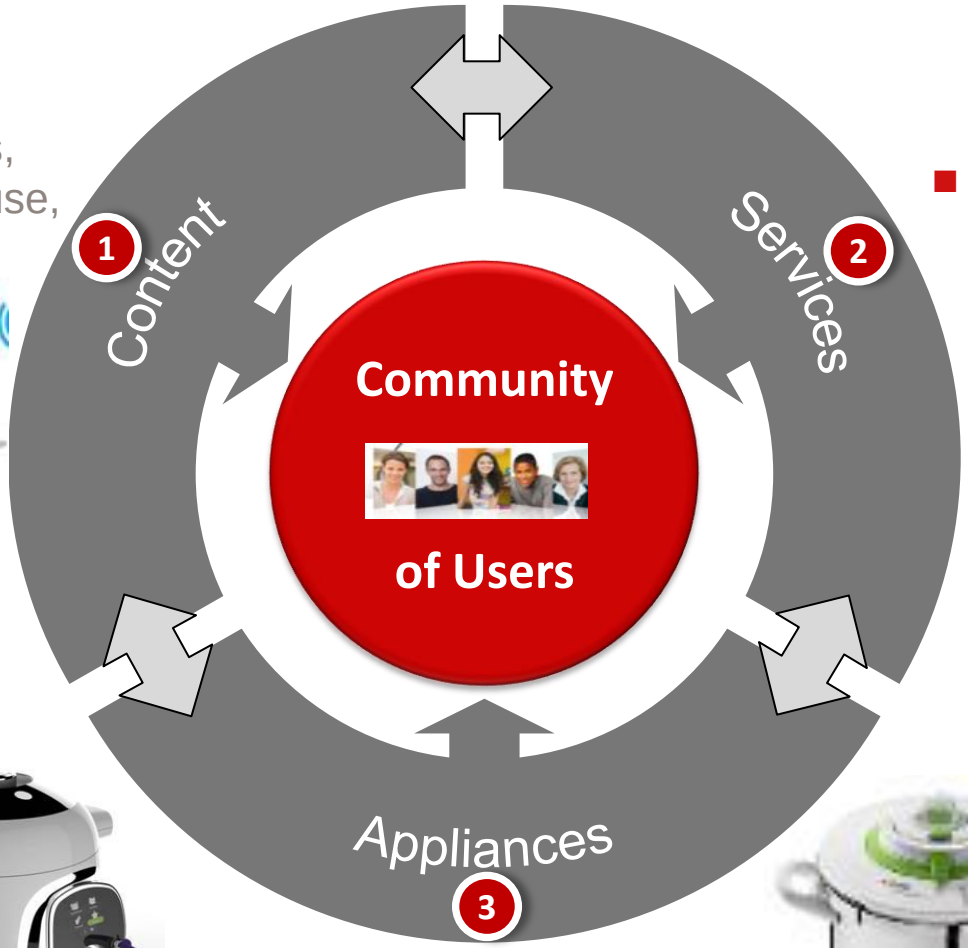
@ South Korea

@ Turkey

@ UK

Moving toward connected products

- Content (recipes, instructions for use, advices, etc.)



- Services (coaching, delivery, nutritional planning, ingredients, etc.)

- Connected appliances

Powerful digital campaigns

Training
Entirely in-store and one-on-one

Showcasing the product

Newsletters

Cuisine Companion

Companion Academy

Banners

Co-branded media campaign

Developing e-business (1/3)

Lively presence on our retailers' websites
➔ creating value

Developing e-business (2/3)

Marketing strategy with pure players

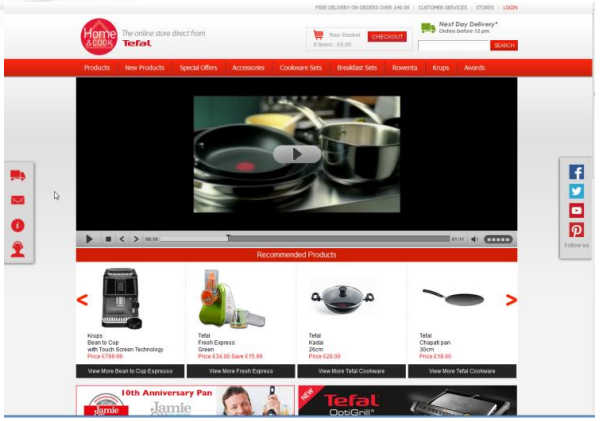
Developing e-business (3/3)

Targeted deployment of the Group's e-commerce sites

@ Tefal Shop South Korea

@ Tefal Shop Turkey

@ All-Clad US



@ Home & Cook UK

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VINCENT LEONARD
Senior Executive Vice-President, CFO

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Outlook for 2014

2013 sales by region

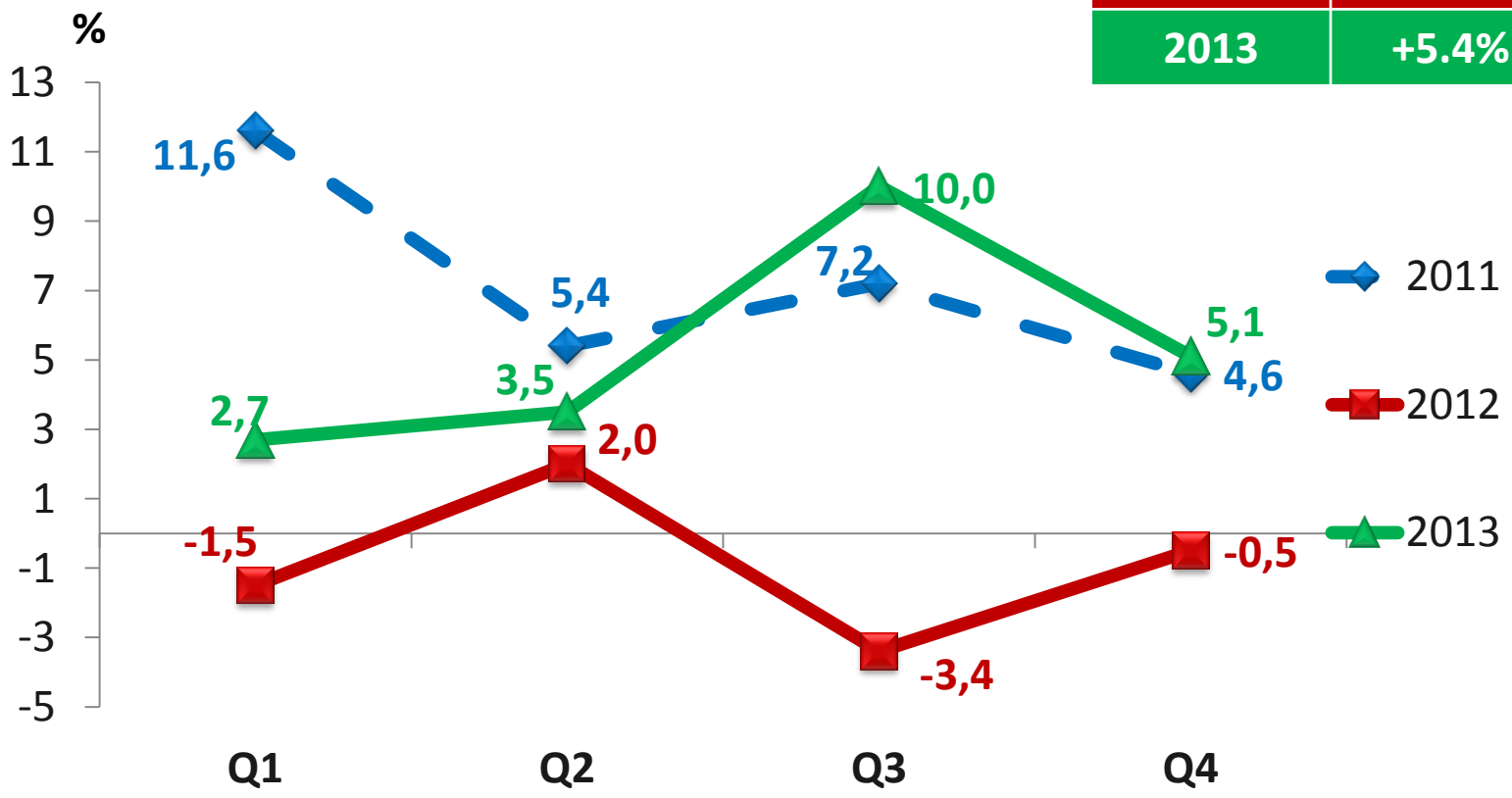
2013/2012 in %*

€m	2012	2013	As reported	Like-for-like
France	688	666	- 3.3%	- 3.3%
Other Western EU	759	821	+ 8.2%	+ 8.8%
North America	457	468	+ 2.3%	+ 5.6%
South America	451	426	- 5.5%	+ 6.5%
Asia-Pacific	992	1,087	+ 9.6%	+ 11.4%
Central Europe, Russia and other countries	713	693	-2.7%	+ 0.7%
TOTAL	4,060	4,161	+ 2.5%	+ 5.4%

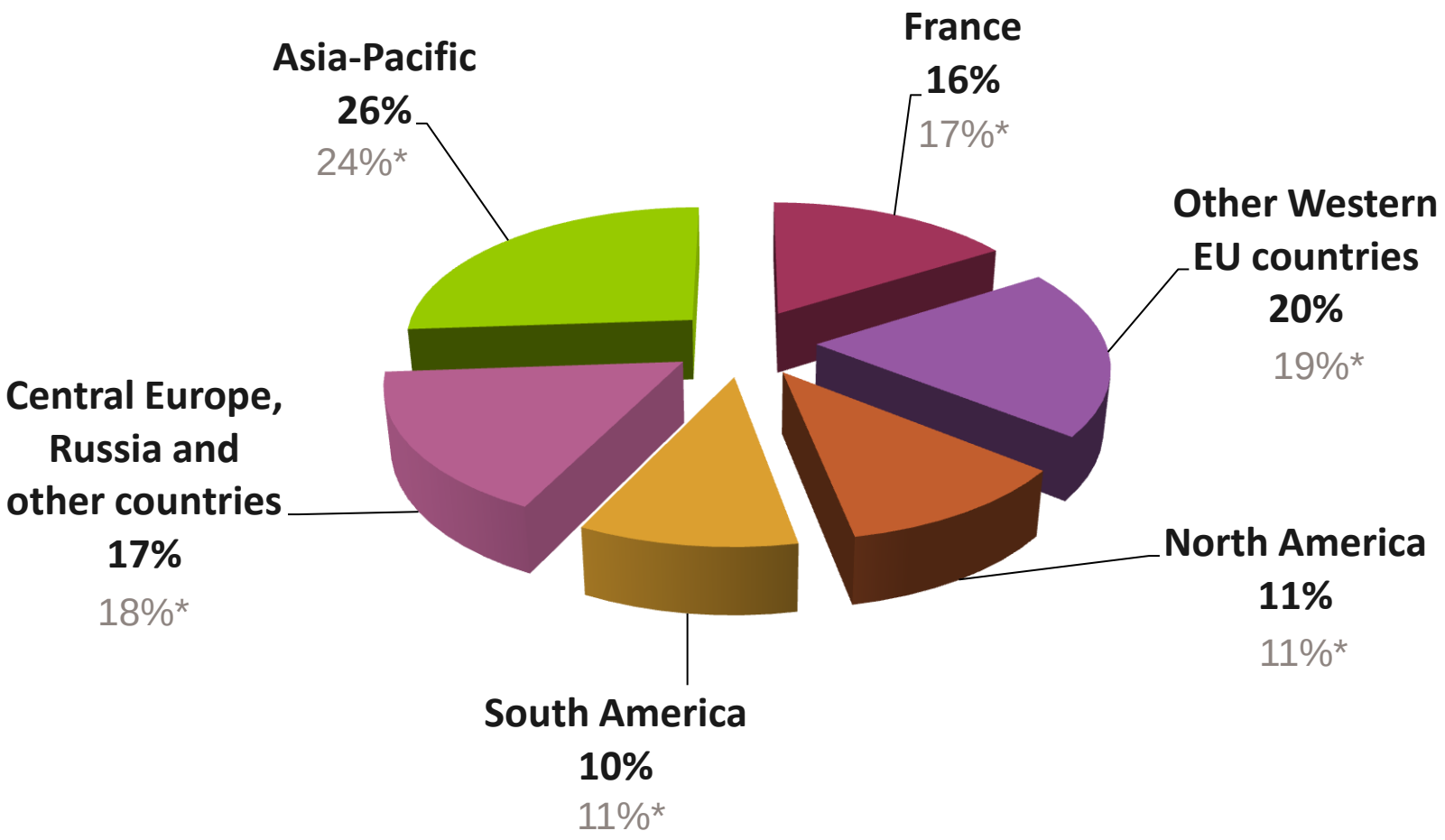
**Percentages based on non-rounded figures*

Organic revenue growth, by quarter

2011	+6.9%
2012	-0.9%
2013	+5.4%



Revenue breakdown by region



*2012

Top 20 Markets: Full-year Sales

85% of consolidated revenue

Belgium
France
Netherlands
Italy
Mexico
Russia
Turkey

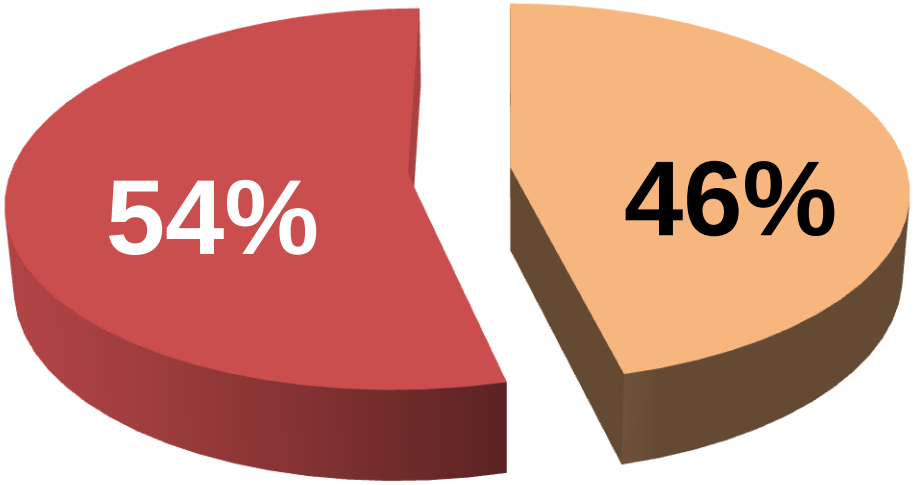
Germany
Saudi Arabia
Australia
Brazil
Canada
China

Colombia
South Korea
Spain
Japan
Poland
UK
US

Top 10 countries

Well-balanced exposure between mature and emerging markets

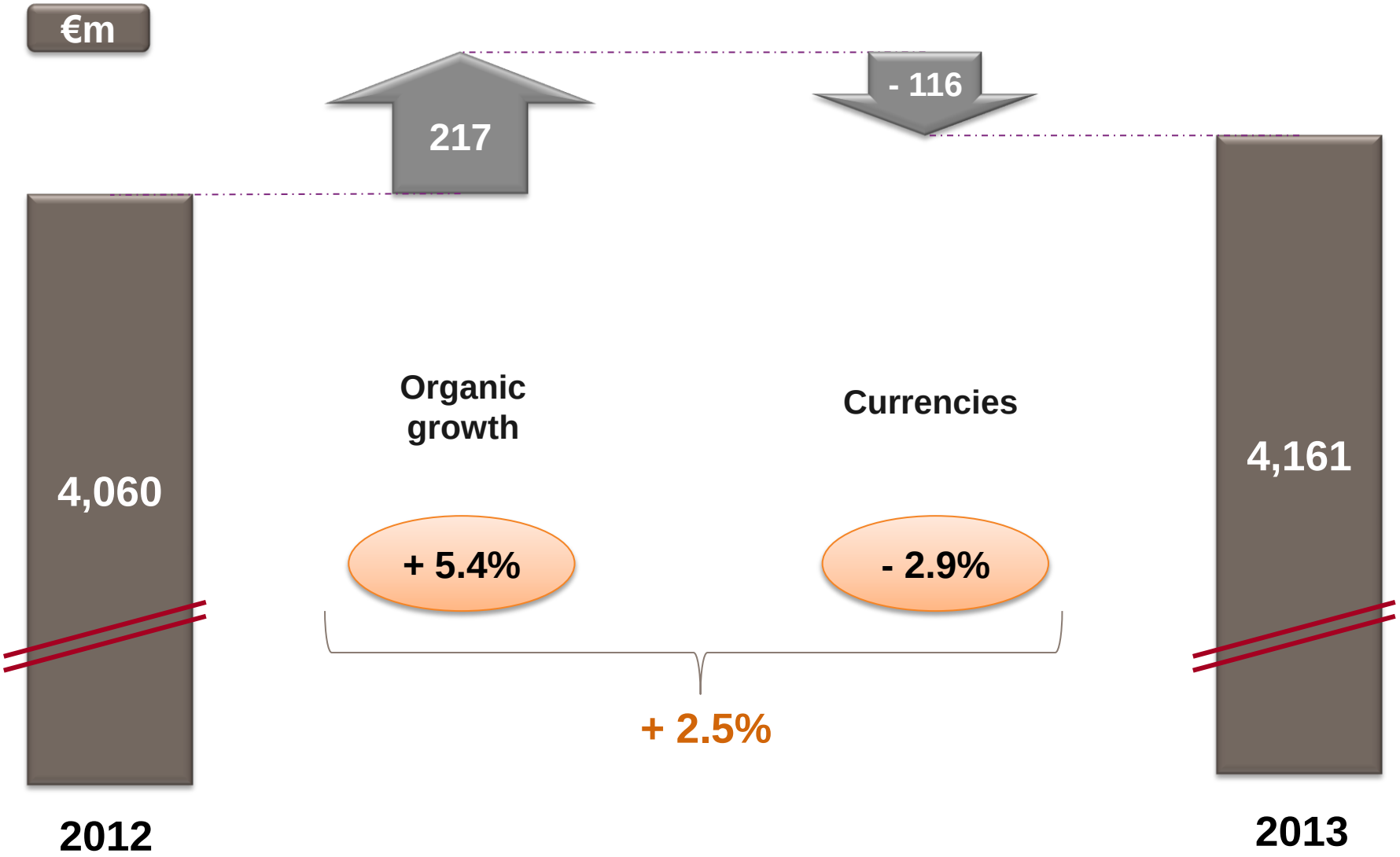
2013 revenue: €4,161 m



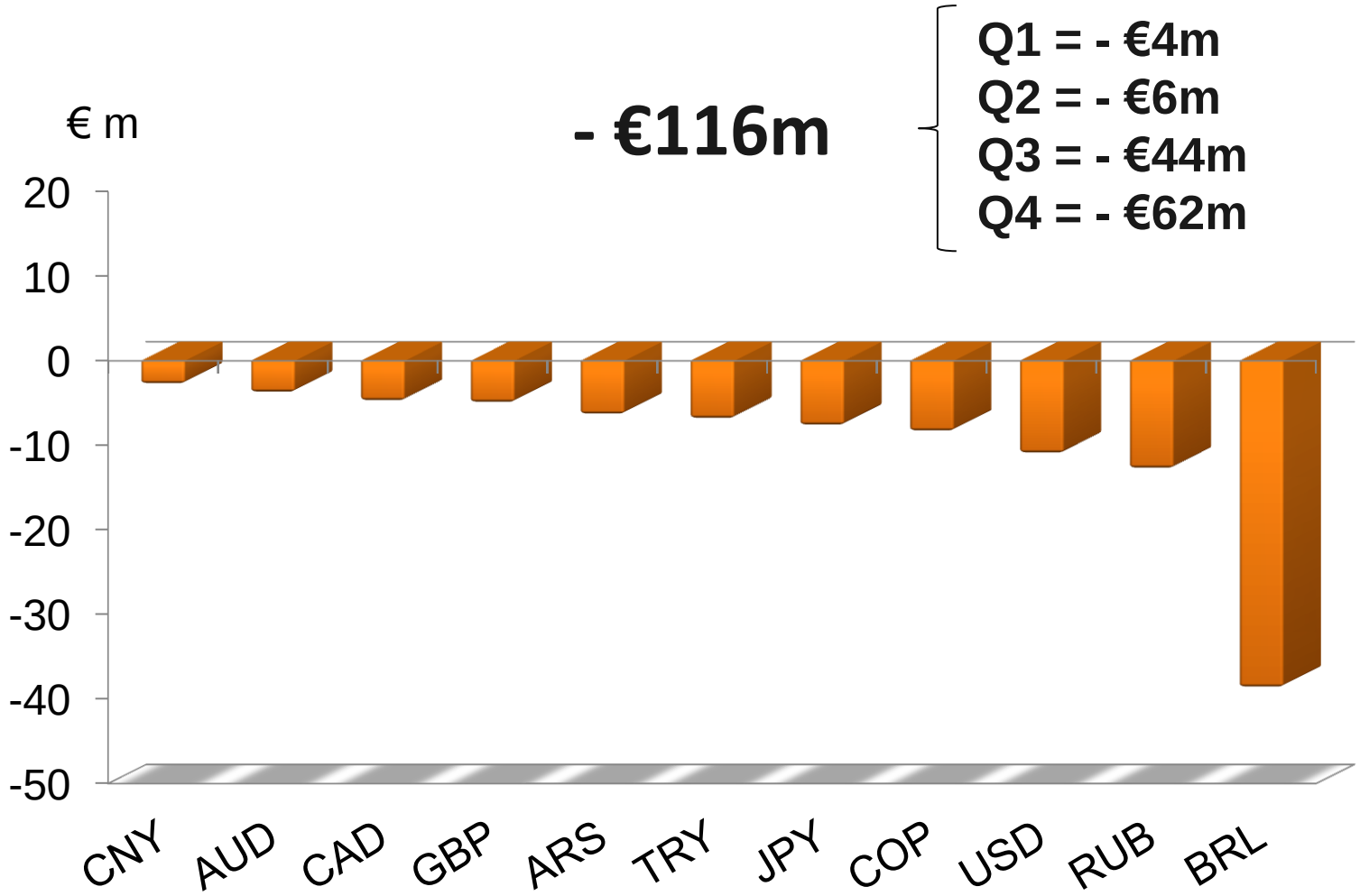
Mature markets
+ 4% LFL

Emerging markets
+7% LFL

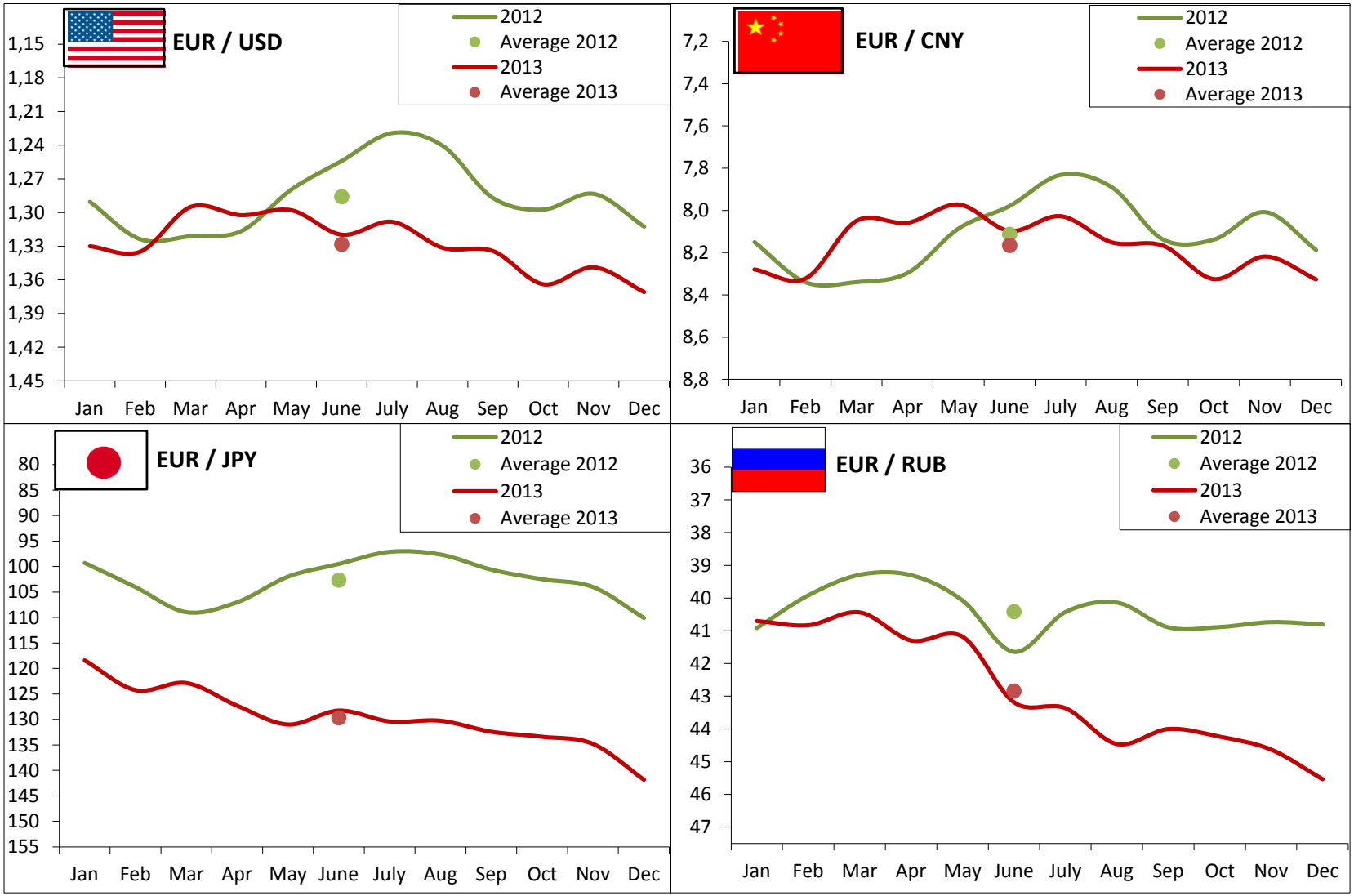
2013 Revenue growth: details



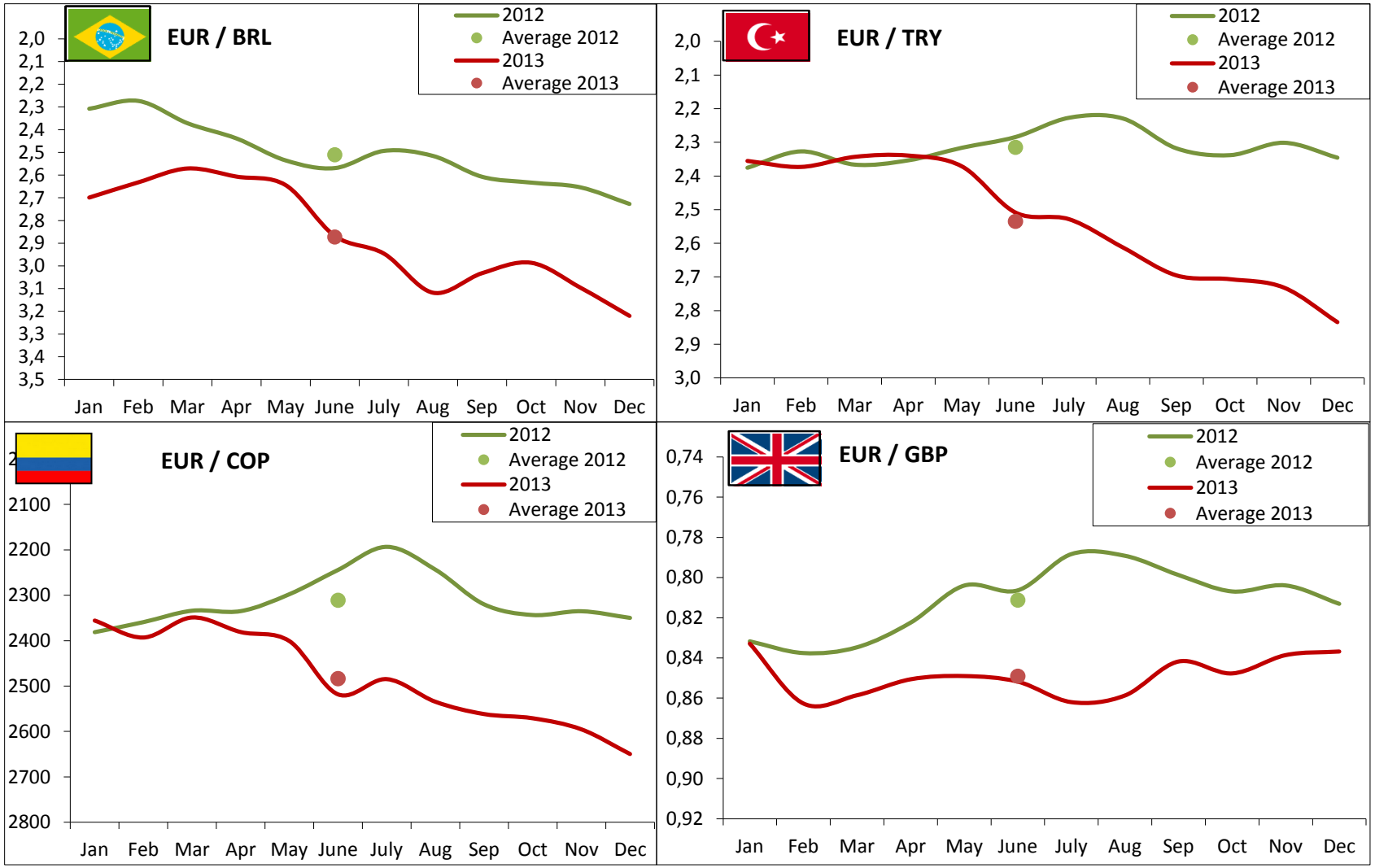
Currency impact on 2013 sales



FOREX – Selected currencies 1/2



FOREX – Selected currencies 2/2

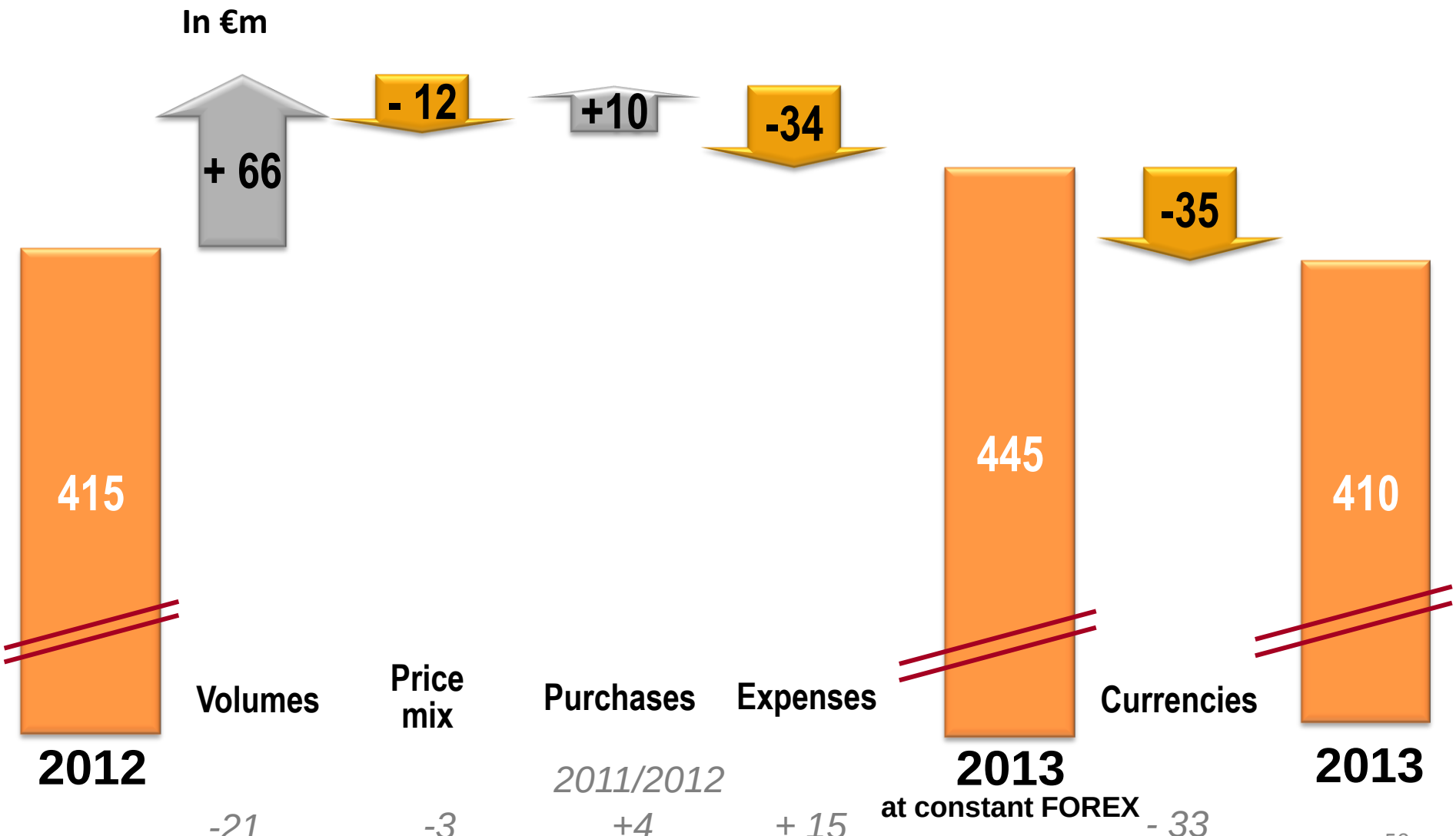


Operating Result from Activity

€m	2012	2013	Change, as reported	Change, like-for-like
Revenue	4,060	4,161	+ 2.5%	+5.4%
Operating expenses	3,645	3,751		
Operating Result from Activity	415	410	- 1.2%	+7.2%
Operating Margin	*10.2%*	*9.9%*		

Percentages based on non-rounded figures

Operating Result from Activity: 2012/2013 bridge



Growth drivers: investment in innovation

€m	2012	2013
Research & Development*	82	**87**
Strategic marketing	59	**61**
TOTAL	141	**148**

*Gross figure, before Research tax credit and capitalization

Growth drivers: investment in marketing and advertising

€m	2012	2013
Operational marketing	174	**179**
Advertising	103	**109**
TOTAL	277	**288**

Retail operations and consumer promotions	87	**88**

Operating profit

€m	2012	2013	Change
Operating Result from Activity	**415**	**410**	**- 1.2%**
Discretionary and non-discretionary profit-sharing	(48)	(37)	
Other operating income and expense, net	1	(9)	
Operating profit	**368**	**364**	**-1.0%**

Attributable profit

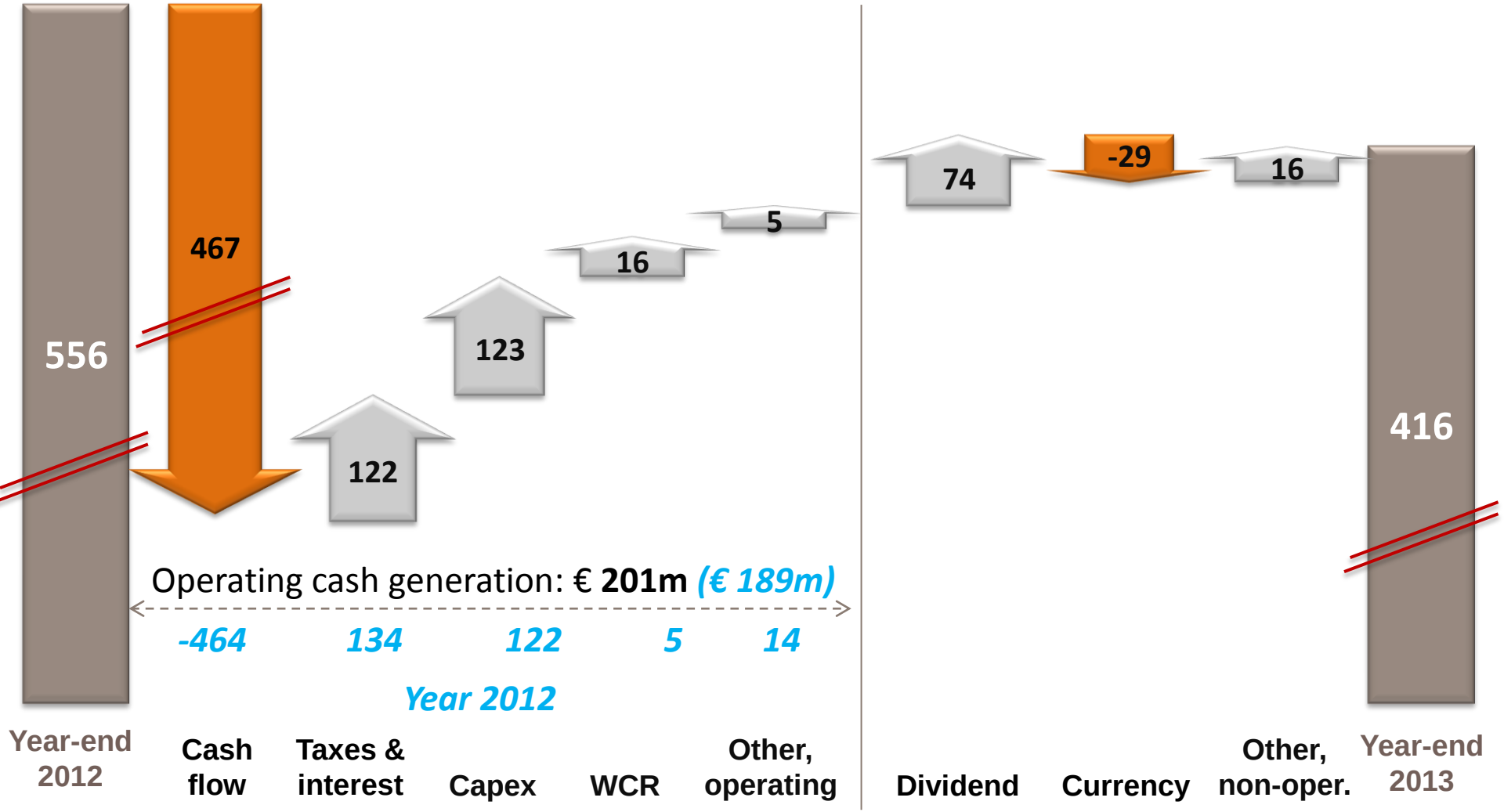
€m	2012	2013	Change
Operating profit	**368**	**364**	**-1.0%**
Financial expense / borrowings	(30)	(31)	
Other financial expenses	(33)	(24)	
Income tax expense	(94)	(87)	
Minority interests	(17)	(22)	
Attributable profit	**194**	**200**	**+2.9%**

Balance sheet, summary

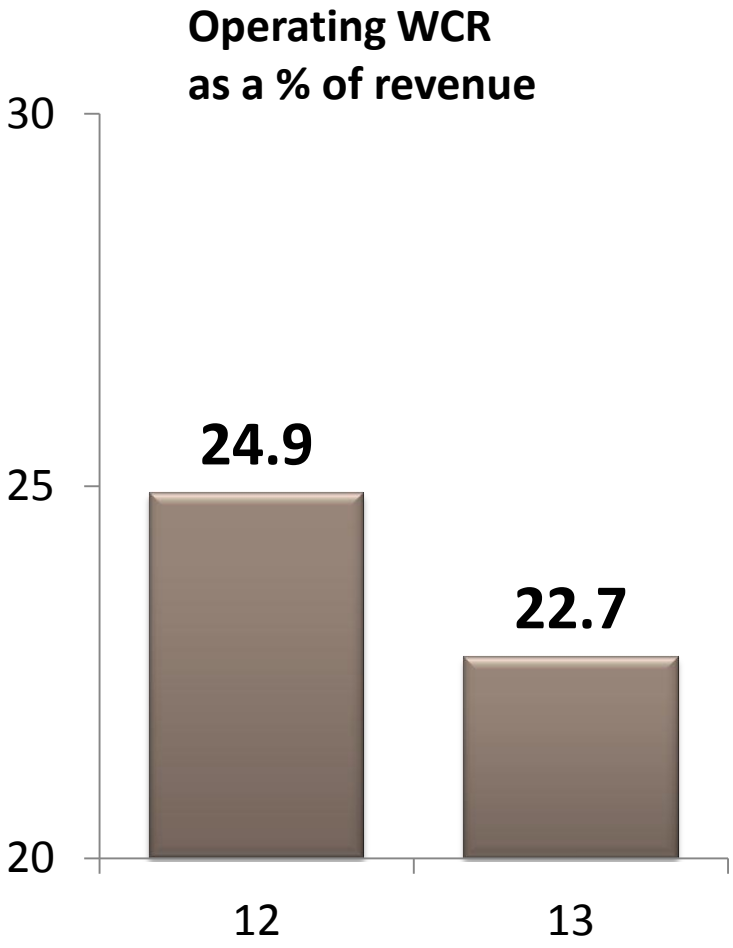
€m	31 Dec. 2012	31 Dec. 2013
Capital employed		
Non-current assets	1,434	1,413
Operating WCR*	1,009	946
Total capital employed	**2,443**	**2,359**
Financing		
Equity	1,462	1,532
Provisions	216	219
Other current assets and liabilities	209	192
Net debt	556	416
Total financing	**2,443**	**2,359**

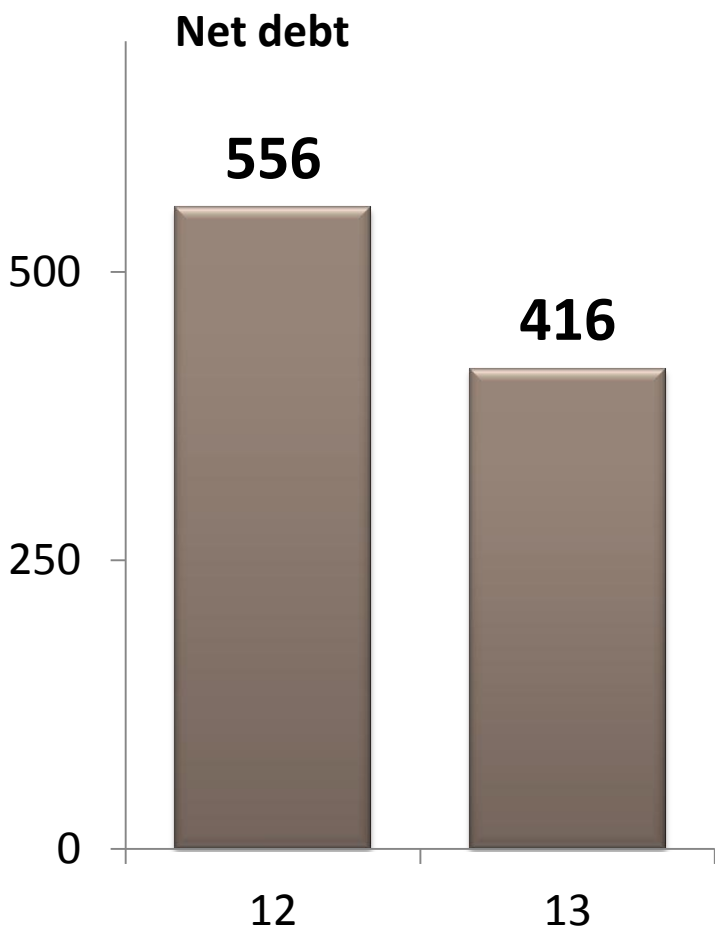
*Working Capital Requirement

Analysis of change in debt: 2012-2013 waterfall

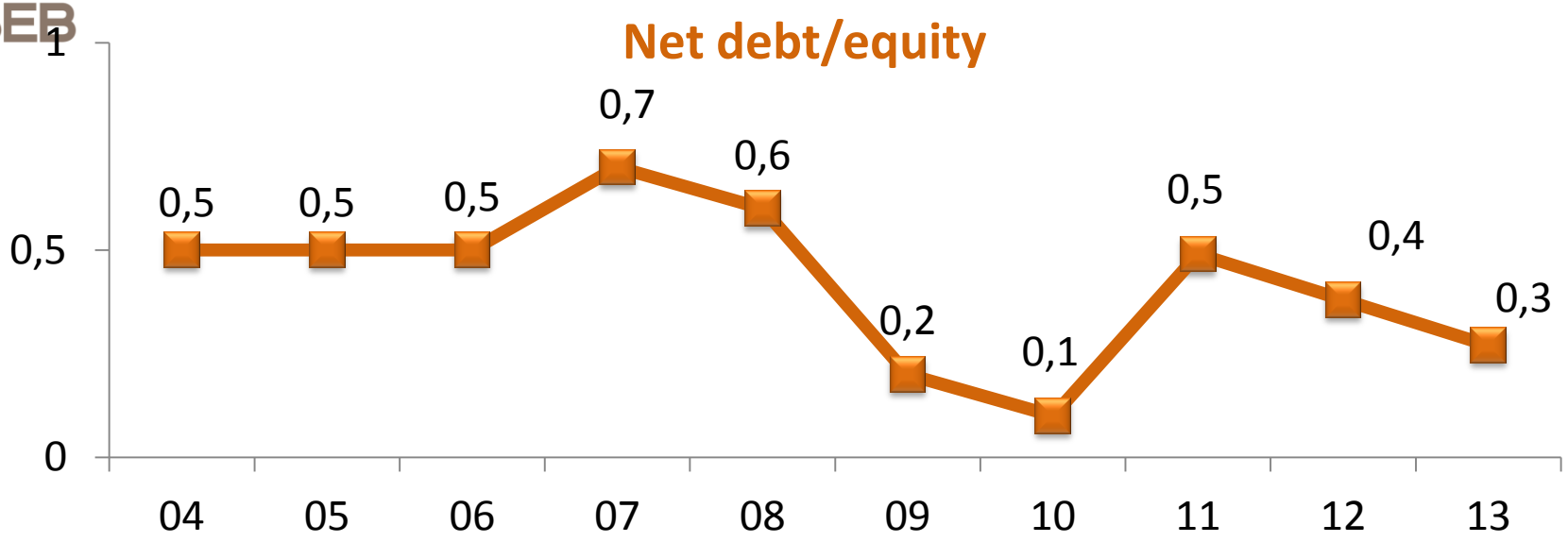


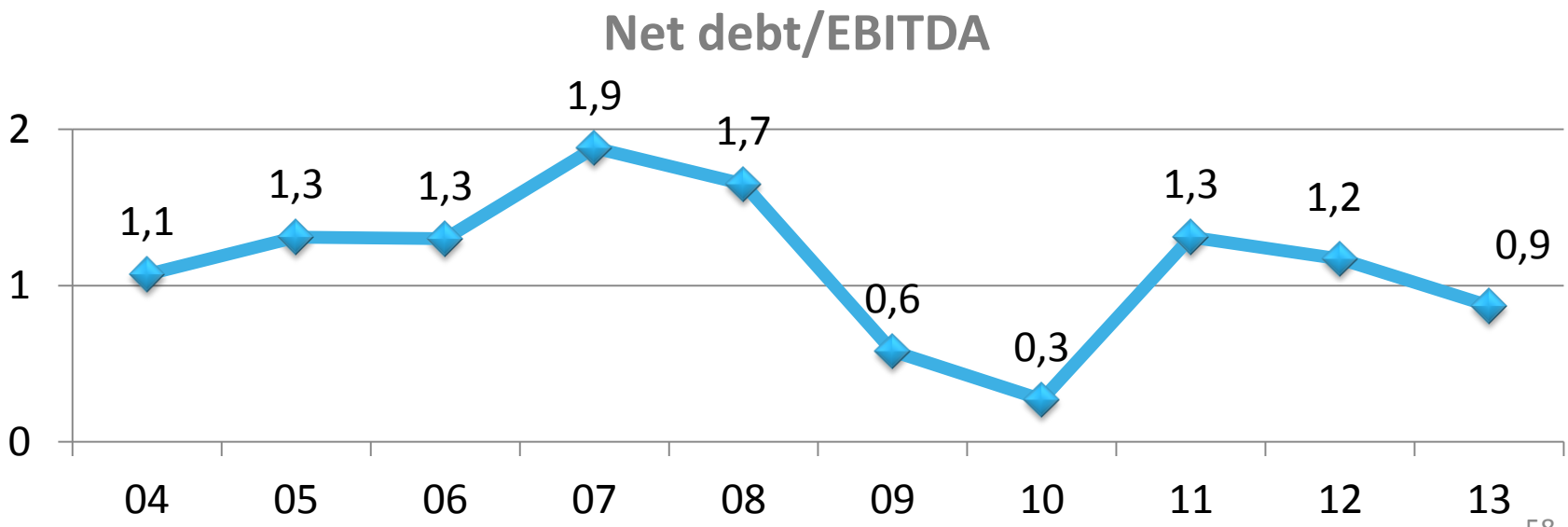
Operating WCR and net debt





Debt ratios at 31 December





Conclusion: a good year in a difficult context

- ✓ Strong product dynamic driven by innovation
- ✓ Good performance
  - Solid organic growth: sales and Operating Result from Activity
  - Net income up
- ✓ A healthy financial position
  - Cash generation
  - Solid balance sheet

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Chairman and Chief Executive Officer

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Outlook for 2014

- ✓ An on-going tense economic environment
- ✓ Our vision of the markets in 2014, by geography
- ✓ Optimising operational efficiency and targeted local actions
- ✓ Group objectives for 2014

An on-going tense economic environment

- ✓ Pressure on consumer spending in Europe and Russia
- ✓ Political and social instability in Egypt, Turkey, Ukraine, Thailand, etc.
- ✓ A large number of very important currency issues

	JPY	RUB	TRY	BRL	ARS	CZK	AUD
2013	105	42.7	2.54	2.90	7.37	25.9	1.39
Spot rate,24-02	140	48.9	3.02	3.25	10.71	27.4	1.52
Decline vs. €	-25%	-13%	-16%	-11%	-31%	-5%	-9%

➔ Very unfavourable impact

- On sales
- On Operating Result from Activity

Our vision of the markets in 2014, by geography

	MARKET	GROUPE SEB
FRANCE	– Sluggish small domestic equipment market	– Slightly higher revenue ▪ Strong product dynamic in small appliances ▪ Increased marketing and advertising support
OTHER W. EUROPEAN COUNTRIES	– Small domestic equipment market varies from one country to another	– Revenue stable at best ▪ High 2013 comps ▪ Fewer loyalty programmes planned
NAFTA	– Overall demand holding firm	– Dynamic demand
LATIN AMERICA	**Brazil** – Volatility **Colombia** – Market holding up well	– Firm growth in Brazil – Sustained growth in Colombia

Our vision of the markets in 2014, by geography

	MARKET	GROUPE SEB
CHINA	– Firm consumer spending	– Solid increase in business
JAPAN	– High prior-year comps – Increase in VAT on 1 April with uncertain impact on consumer spending – Special FOREX challenge for the Group	– Targeted actions
CENTRAL EUROPE, RUSSIA, TURKEY AND OTHER COUNTRIES	**RUSSIA** – Challenging small domestic equipment market **TURKEY** – Complex market: protectionism, competition, promotions	**RUSSIA** – High levels of retailer inventories – Sales stable **TURKEY** – Return to sales growth

2014: optimising operational efficiency

Growth boosters

- ✓ Innovation ➔ product mix
- ✓ Strengthening marketing and advertising resources ➔ organic growth
- ✓ Medium-term investments preserved

Cost-management actions

- ✓ Optimising manufacturing productivity
- ✓ Streamlining operations
- ✓ Targeted local actions
- ✓ Reducing operating expenses

Major launches 1/2

Easy Clipso

IH Spherical Pot Rice Cooker

Infiny Force

Cuisine Companion

OptiGrill

Actifry Express

Cookeo USB

The SUB

Major launches 2/2

Volum' 24

Soft Extreme

Air Force
Lithium

ERGO FORCE Cyclonic

PRO EXPRESS TOTAL
Xpert Control

Medium-term investments preserved

A few examples

Full-auto Espresso machines

Vacuum cleaners

Asean

Africa

Optimising manufacturing productivity (1/3)

Constant productivity improvements

OPS
OPERATION PERFORMANCE SEB

2012	2013	2014
15 projects	**67 projects**	**> 100 planned projects**

A few examples of projects:

- ✓ Production flow optimization
- ✓ Better-balanced production lines
- ✓ Increased utilization rate of tools / machinery
- ✓ ….

Optimising manufacturing productivity (2/3)

Stepped-up pace of value assessment projects

PCO* Approach

Around 50 initiatives over 2 years

«Redesign»/ existing products + **Design/ new products** → **> € 20m in savings in 2 years**

* Product Cost Optimization

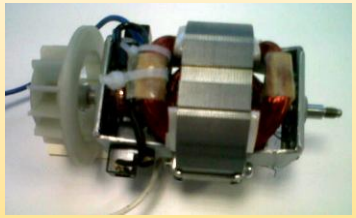
Optimising manufacturing productivity (3/3)

Extension / Widespreading of shared technical platforms

- ✓ Kettles: Shaoxing Supor platform
  - Volumes: 8m units
  - Unit cost – 30 % in 4 years (average)
- ✓ Extended to toasters, filter coffeemakers, blenders…

Blender motors

13 suppliers / 21 platforms



3 years

3 suppliers / 5 platforms

Streamlining operations

1 example: SKUs

- International development / Acquisitions
- Channel management
- Promotions / Loyalty programmes

- Increase in the number of SKUs
- Impact on profitability and WCR
- Impact on Group's agility

- 15% reduction in the number of SKUs by year-end 2014
- Increase in SKUs' country commonality
- Extending the use of technical platforms / Leverage effect on production

Targeted local actions (1/2)

- ✓ Price increases / currency declines against the euro
  - Russia, Turkey, Brazil, Colombia, Argentina, Australia...
- ✓ Specific product plans
  - Russia:multicookers, kettles,...
  - Turkey: cookware, linen care, Actifry...
  - Brazil: fans, food prep...
- ✓ Industrial competitiveness programmes
  - Brazil
- ✓ Reducing operating expenses
  - Adapting Group Retail network (Brazil)
  - Lightening inventories
  - Adjusting structure costs

Targeted local actions (2/2)

✓ Specific measures for a special case: Japan

25% decline in JPY vs. € ➔ one-off impact on P&L due to 2013 hedgings

- 8% average increase in price in Jan. 2014
- Expansion of the product offering and accelerated pace on some existing categories
- High level of spending maintained

Attenuate the impact in 2014
2-3 years to absorb

Objectives for 2014

Ensure sustained organic growth in Sales and Operating Result from Activity at constant FOREX.

Q&A

Disclaimer

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