Tuesday, October 25, 2016

Nine-month 2016 Sales and Financial data

Ongoing strong momentum in the third quarter 2016 objectives raised: organic sales growth of 6% and 15% increase in Operating Result from Activity

- **9-month sales: €3,368m, +3.9% as reported and +6.2% like-for-like**
- **Third-quarter sales: €1,204 million, + 6.8% as reported and + 6.5% LFL**
- **9-month OrfA: €312 million, +19% as reported and 60% LFL**
- **Financial debt at September 30, 2016: €619m, +€303m vs end-2015**

GENERAL COMMENTS ON GROUP PERFORMANCE

Groupe SEB posted very good operational performance in the third quarter, consistent with the first half-year.

At €1,204m, third-quarter sales rose **6.8%, with organic growth of 6.5%**, **a currency effect of -1.7% (-€18m) and a scope effect of +2.0% (+€21m)** linked to the integration of OBH Nordica over 3 months (compared with one month in 2015) and of the German company EMSA since July 1, 2016. The 6.5% organic growth was driven by **positive contributions from all the regions.**

Sales for the first nine months of the year totaled **€3,368m, up 3.9%, including organic growth of 6.2%** fueled by all the Group's product lines. At end-September the currency effect stood at **-3.4% (-€110m** vs +€139m in 2015), with a considerable negative impact from the depreciation of the yuan against the euro. The scope effect came out at **+1.1% (€37m).**

Operating Result from Activity for the first nine months of the year totaled €312m, up 19% on September 30, 2015. On a like-for-like basis, the increase rises to **60%**, driven by robust organic sales growth and savings in purchasing.

The Group's financial debt at end-September stood at €619m, up €303m on end-2015. This change can be attributed to the acquisitions made in the first half of the year, namely the German company EMSA and the additional 7.9% stake in Supor. Excluding these external growth transactions, the Group generated €176m cash flow from operations over the first nine months, sharply up versus 2015 (€64m).

REVENUE BY REGION

Sales (€m)	Nine-months 2015	Nine-months 2016	Change 2016/2015 As reported	Change 2016/2015 Like-for-like
EMEA	**1,486**	**1,586**	**+6.7%**	**+6.1%**
Western Europe	1,067	1,148	+7.4%	+4.7%
Other countries	419	438	+4.7%	+9.6%
AMERICAS	**681**	**617**	**-9.4%**	**-2.6%**
North America	406	374	-7.8%	-5.3%
South America	275	243	-11.7%	+1.4%
ASIA	**1,073**	**1,165**	**+8.6%**	**+11.9%**
China	769	844	+9.7%	+14.9%
Other Asian countries	304	321	+5.6%	+4.3%
TOTAL	**3,240**	**3,368**	**+3.9%**	**+6.2%**

Sales (€m)	Third-quarter 2015	Third-quarter 2016	Change 2016/2015 As reported	Change 2016/2015 Like-for-like
EMEA	**520**	**570**	**+9.6%**	**+6.9%**
Western Europe	383	416	+8.6%	+4.6%
Other countries	137	154	+12.6%	+13.1%
AMERICAS	**261**	**265**	**+1.5%**	**+2.0%**
North America	160	160	-0.3%	+1.4%
South America	101	105	+4.3%	+3.0%
ASIA	**346**	**369**	**+6.5%**	**+9.5%**
China	248	259	+4.4%	+10.2%
Other Asian countries	98	110	+11.6%	+7.6%
TOTAL	**1,127**	**1,204**	**+6.8%**	**+6.5%**

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

Figures and information given by geographical area are presented on the basis of the new organization implemented in September 2015. 2015 data have been restated consequently.

AIRBAKE I ALL-CLAD I ARNO I ASIAVINA I CALOR I CLOCK I EMSA I IMUSA I KRUPS I LAGOSTINA I MAHARAJA WHITELINE I MIRRO
MOULINEX I OBH NORDICA I PANEX I ROCHEDO I ROWENTA I SAMURAI I SEB I SUPOR I TEFAL I T-FAL I UMCO I WEAREVER

SALES BY REGION

EMEA

WESTERN EUROPE

Since the end of 2015, the overall European small domestic equipment market has grown moderately, with only Switzerland and the UK showing decreases. With organic growth of 4.6% in the third quarter and 4.7% in the first nine months, the Group has achieved a solid and steady performance since the start of the year, extremely satisfying relative to the demanding comparatives in 2015.

In France, in a market that trended positively but was marked by disparities between product families, the Group posted a 6.1% rise in revenue at end-September, following growth of 6.9% in the third quarter. The acceleration in the last three months was evenly-generated by:

- cookware, which benefited from the implementation of a large-scale loyalty program with a major food retailer;
- the small electrical appliance business, which continued to be bolstered by Cookeo, along with vacuum cleaners, Dolce Gusto, Cuisine Companion and Soup & Co. In contrast, business was more difficult in ironing.

As in the first half of the year, Group momentum was driven by strong commercial presence in the field and by continuously optimized in-store execution.

In the other Western European countries, sales increased but the situation differed from one market to the next. In Germany, the double-digit revenue growth was fueled by vacuum cleaners, electrical cooking (Actifry and Optigrill) and cookware (core business and loyalty program). In Italy, the sharp business acceleration in the third quarter was underpinned by the entire product range, and in particular by a new Cuisine Companion campaign. In Spain, the downturn in quarterly sales stems from the non-repeat of loyalty programs rolled out in 2015. In contrast, the core business remained firm. In the UK, in a declining small electrical appliance market and in a context of devaluation of the British Pound, Group activity stabilized in the third quarter, with the drop in cookware turnover offset by brisk business in Optigrill and Nespresso coffee makers.

OTHER COUNTRIES

In the other EMEA countries, the sales upswing chalked up in the second quarter intensified in the third quarter, with a 13.1% increase on a like-for-like basis. Central Europe, the Balkan countries and Saudi Arabia were the major drivers of the momentum, with double-digit growth rates. In Russia, the gradual market recovery has confirmed and contributed to our sales expansion, also boosted by an agile pricing policy, increased growth drivers and strong activation in stores, all product families combined. In addition to the thriving core business, a loyalty program on food preparation appliances was implemented with one of our large clients. The Group also benefited from a more favorable environment in Ukraine, which reflected positively in our performance. In both countries, we strengthened our market share over the period. In Turkey, the third quarter was marked by the events of July, which weighed on consumption, and by the continued depreciation of the Turkish lira. Against this backdrop and despite a further rise in price in August, the Group maintained a strong level of activity, notably through new retail gains in vacuum cleaners, the resounding success of the Titanium cookware range, the highly positive contribution of our own retail outlets, and the surge in online sales.

AMERICAS

NORTH AMERICA

After a substantial downturn in the first half-year (-9.5% like-for-like), the Group got back to growth in the third quarter, on the basis of demanding 2015 comparatives. While still modest, the rise marks a turnaround in the trend, fueled by the United States and Canada. In the United States, further to a better-oriented second quarter, business continued to improve: in cookware, T-Fal sales stabilized while the momentum remained very favorable for Imusa in ethnic products, with broader distribution, as well as for All-Clad in the premium segment, with the launch of new hard-anodized ranges and a sharp increase in online sales. But it was Rowenta, in linen care, which was largely responsible for the significant pick-up in activity in the third quarter, through the successful introduction of new anti-scale steam iron models and the confirmed success of garment steamers (Ultrasteam and Access Steam).

In Canada, in an overall environment that remained sluggish, the third quarter nevertheless saw an end to the sharp drop in sales experienced in the first half of the year, thanks to robust momentum in small electrical appliances: stronger presence at certain retailers, vigorous recovery in linen care, enhanced growth drivers for Actifry and Optigrill, promotions, etc. In Mexico, while the non-renewal of loyalty programs organized in 2015 had a negative impact on sales, the core business remained brisk, driven by cookware, ironing and the promising launch of blenders, a major category for the market.

SOUTH AMERICA

Group activity in South America has been impacted for several quarters by a complex macroeconomic environment, a sharp depreciation in the continent's currencies and a lacklustre consumption. Against this backdrop, our sales have demonstrated extreme volatility from one quarter to the next. At September 30, they were growing 1.4% like-for-like, after a positive first quarter, a negative second quarter, and a 3% increase in the third. The trend was contrasted between countries.

The overall climate in Brazil is unfavorable to consumption. Retailers across the board are rolling out promotions to soften the blow of the price increases made to offset the weak real and to generate in-store traffic. In a small domestic equipment market that has contracted since the start of the year, Group sales dropped 5.9% in real in the first nine months. Activity was practically stable in the third quarter, the fall in linen care and coffee making – on the basis of very high 2015 comparatives – being almost offset by higher sales in cookware, food preparation appliances and fans, despite moderately favorable weather conditions.

In parallel, the project to transfer small electrical appliance production to the new Itatiaia site is moving ahead according to plans with a partial startup scheduled late 2016.

In Colombia, revenue were down in the third quarter, heavily impacted by the transportation strikes in July. Apart from this temporary issue, business trended positively in blenders and juicers as well as in cookware and food storage containers, but was less buoyant in fans given the unfavorable weather conditions and the demanding comparatives of 2015. Our sales increased in the other countries, including Argentina and Chile.

ASIA

CHINA

In a small household equipment market that continued to grow, Supor posted a 10.2% increase in sales on a like-for-like basis in the third quarter. The performance is highly satisfying given second-quarter organic growth of 23.5%, which included anticipated sales ahead of the closure of the Hangzhou and Shaoxing plants prior to the organization of the G20 summit meeting in Hangzhou in early September. The rise in turnover was driven by solid product momentum, both in cookware (particularly new Thermospot Wok, thermos cups) and small electrical appliances, with strong development in rice cookers, electric pressure cookers, kettles and high-speed blenders. The latter enjoy increasing interest from end-consumers as an alternative to soy milk makers, the market for which is down. Innovation remained the main driver of Supor's growth and move up-market. Supor also continued to expand its network of brick and mortar sales outlets (now numbering over 55,000 in all categories of city) and pursued its rapid growth in e-commerce. In a highly competitive and promotion-driven market, Supor stepped up its offline and online marketing initiatives with powerful and targeted campaigns.

OTHER ASIAN COUNTRIES

In the other Asian countries, the third quarter proved highly successful with a 7.6% rise in sales on a like-for-like basis, up sharply on the second quarter (+2.4%). As in the first half-year, the performance was the result of a double-digit organic growth in most of the mature countries and a substantial downturn in a few emerging countries.

We made a number of advances in Japan. These concerned all retail circuits, including e-commerce and our 25 Home&Cook stores, and were fueled by several product categories, such as the new range of T-Fal cookware (which benefited from merchandising activation in over 900 stores), kettles, garment steamers, and the newly launched Cook4Me multicooker. In South Korea, the robust momentum of the first half-year was confirmed. Performance was driven by the entire assortment, with outstanding dynamic for cookware and kitchen tools, as well as for the Air Force vacuum cleaner and hair dryers, the sales of which were boosted by the successful brand transfer, from Rowenta to Tefal. Business activity was also positive in Australia, Hong Kong and Singapore, but declined in Thailand and Vietnam owing to the worsened economic environment in the former and the weather conditions in the latter, which negatively impacted fan sales.

OPERATING RESULT FROM ACTIVITY

Over the first nine months, Operating Result from Activity (ORfA) stood at **€312m, up 19%** compared with end-September 2015. The figure includes **a negative currency effect of €104m** and a negligible scope effect (-€3m). On a like-for-like basis, ORfA for the first nine months came out at **€419m, up 60%**.

In the third quarter, Operating Result from Activity stood at **€140m, up 21%** on 2015. The figure includes a **currency impact of -€43m and a scope effect of -€3m**. At constant scope and exchange rates, the ORfA for the quarter came out at **€186m, up 60%.**

The improvement in the ORfA – both quarterly and over the nine months - results primarily from solid organic sales growth, with its volume and price-mix components, and from gains on purchases stemming from the favorable trend in raw material prices. At the same time, growth drivers were stepped up significantly, particularly investments in operational marketing.

FINANCIAL DEBT AT SEPTEMBER 30, 2016

At end-September 2016, financial debt totaled **€619m. The €138m increase on September 30, 2015 and €303m increase on end-December 2015** can be attributed to the acquisitions made in first-half 2016, namely:

- the additional 7.9% stake in Supor, increasing our total holding in the company to 81.2%;
- the acquisition of the German company EMSA, which was consolidated as of July 1.

Excluding these non-operational transactions, the Group generated cash flow from operations of €176m in the first nine months (compared with €64m for the same period in 2015) through the tighter management of the working capital requirement and in particular a substantial and continuous improvement in stock ratios.

OUTLOOK

Despite demanding historical performances (organic growth of 5.1% in 2013, 4.9% in 2014 and 7.2% in 2015), the Group should maintain strong sales momentum in the fourth quarter, fueled by an attractive product range underpinned by considerably enhanced growth drivers.

Given the very good performance posted at this stage of the year and the confident outlook for the fourth quarter, which remains a crucial one for business activity, **the Group now aims at achieving in full year 2016 a 6% organic sales growth and an increase of 15% of its Operating Result from Activity.** The ORfA figure takes into account a currency effect that continues to be estimated at -€120m.

GLOSSARY

On a like-for-like basis (LFL) – Organic

The amounts and growth rates at constant exchange rates and consolidation scope in a given year compared with the previous year are calculated:
- using the average exchange rates of the previous year for the period in consideration (year, half-year, quarter);
- on the basis of the scope of consolidation of the previous year.

This calculation is made primarily for sales and Operating Result from Activity.

Operating Result from Activity (ORfA)

Operating Result from Activity (ORfA) is Groupe SEB's main performance indicator. It corresponds to sales minus operating costs, i.e. the cost of sales, innovation expenditure (R&D, strategic marketing and design), advertising, operational marketing as well as commercial and administrative costs. ORfA does not include discretionary and non-discretionary profit-sharing nor other non-recurring operating income and expense.

Adjusted EBITDA

Adjusted EBITDA is equal to Operating Result from Activity minus discretionary and non-discretionary profit-sharing, to which are added operating depreciation and amortization.

Net debt – Net indebtedness

This term refers to all recurring and non-recurring financial debt minus cash and cash equivalents as well as derivative instruments linked to Group financing having a maturity of under one year and easily disposed of. Net debt may also include short-term investments with no risk of a substantial change in value but with maturities of over three months.

Operating cash flow

Operating cash flow corresponds to the "net cash from operating activities / net cash used by operating activities" item in the consolidated cash flow table, restated from non-recurring transactions with an impact on the Group's net debt (for example, cash outflows related to restructuring) and after taking account of recurring investments (CAPEX).

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www.groupeseb.com or click here

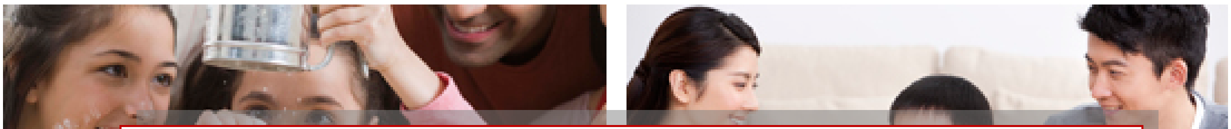
● 2017 Agenda ●

February 21
2016 full-year results

May 11
Annual General Meeting

April 27
2017 first-quarter sales and key financial data

July 26
2017 first-half sales and results



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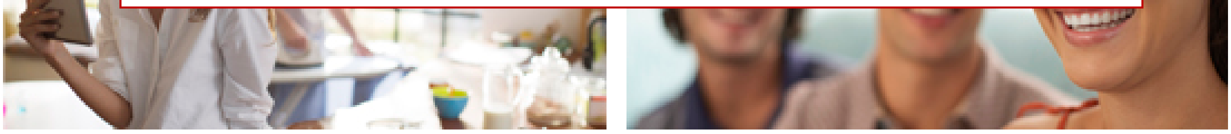

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The world leader in small domestic equipment, Groupe SEB operates in nearly 150 countries with a unique portfolio of top brands including Tefal, Rowenta, Moulinex, Krups, Lagostina, All-Clad, and Supor, marketed through multi-format retailing. Selling some 250 million products a year, it deploys a long-term strategy focused on innovation, international development, competitiveness and service to clients. Groupe SEB has nearly 26,000 employees worldwide.