Appendix: List of CSR Information that we considered to be the most important

Social performance indicators:

- Total workforce and breakdown by gender and geographical region, including indicators of changes in employees by geographical region, breakdown by type of contract (excluding trainees) and breakdown of men/women by category
- Hires and redundancies
- Absenteeism, including absenteeism rate
- Organisation of social dialogue, including an indicator of collective agreements
- Workplace health and safety conditions
- Workplace accidents, in particular their frequency and severity
- Training policies, including an indicator of the number of staff trained (men and women)
- Number of training hours
- Respect for freedom of association and the right to collective bargaining
- Elimination of discrimination in employment and occupation
- Elimination of forced labour.

Corporate responsibility indicators:

- Corporate partnership or philanthropic actions, including an indicator of total corporate philanthropic expenses
- Inclusion of social and environmental criteria in the purchasing policy
- Extent of sub-contracting and consideration of the corporate responsibility of suppliers and contractors in dealings with them
- Measures taken in favour of consumer health and safety.

Environmental performance indicators:

- Company organisation to address environmental issues
- Resources allocated to prevent environmental risks and pollution
- Measures to prevent, reduce or remedy emissions into the air, water or soil that seriously affect the environment
- Water consumption and supply according to local constraints, including an indicator of total water consumption
- Measures to prevent, recycle and dispose of waste, including indicators of non-hazardous waste (NHW), percentage of NHW recycled, percentage of NHW recovered for energy, production of hazardous waste (excluding waste oil, effluent and sludge) and sludge produced by internal purification plants
- Energy consumption, measures taken to improve energy efficiency and use of renewable energy, including an indicator of total electricity consumption, total natural gas consumption; total consumption of liquefied gas, and total consumption of non-fuel fuel-oil
- Greenhouse gas emissions (production and eco-logistics).

4

COMMENTARY ON THE FINANCIAL YEAR

4.1. 2013 HIGHLIGHTS

General environment

Macroeconomic conditions in 2013 remained strained and uneven. The European economy stabilised after an especially troublesome 2012, but did not find its way back to growth. The United States, by contrast, showed some recovery, benefiting to household spending. In South America, where general environment remained favourable but bumpy, demand was volatile, particularly in Brazil. Demand in China, on the other hand, was on the right track, with sustained growth, although at a slower pace than in 2010-2011. In Russia, all business activity hit a sharp, pronounced slowdown in the summer after three years of uninterrupted rapid expansion. In fact, several emerging countries were impacted by the current economic stresses, along with social and political unrest of varying proportions (in Brazil, Turkey, Egypt, Thailand, etc.). In this uncertain and complicated climate, the massive depreciation of several currencies against the euro, especially since the summer, has been a destabilising factor for markets, as well as a challenge in terms of competitiveness for a good many international companies.

In this environment, the market for Small Domestic Equipment, although affected by these stresses and strains, remained positive. It was bolstered both by product replacements and upgrades in mature markets, thanks to product innovation, and by the adoption of appliances by a fast-rising middle class in new economies. Performance in the sector, however, varied by product category: strong dynamic in food and beverage preparation, home care (vacuum cleaners), fans (favourable weather) or cookware, whereas linen care and electrical cooking declined flat. As in 2012, the market was highly competitive and promotion-driven, a trend amplified by the distribution industry, due to a price war waged at the retail level. The uncertainty surrounding the entire year, incidentally, caused many distributors to manage their inventories very cautiously, while holding their suppliers to tight delivery times.

Lastly, the transformation of the retail sector continued, and at a faster pace with: the rapid development of online commerce, development of the “Drive” phenomenon in France, the decline of hypermarkets, the continued growth of specialty stores. Taken together, these changes brought about a few defaults and store closings, but no major business failures in 2013. The Group did not undergo losses thanks to a judiciously managed commercial policy and high credit insurance levels.

Currencies

Exchange rates continued to fluctuate wildly as in previous years. 2013 was marked by the decline of many currencies versus the euro, in some cases very sharply. The changes cited below are based on average exchange rates for 2013 as compared to 2012. The Japanese yen plummeted -20.8% against the euro following actions taken especially by the Central Bank of Japan intended to boost the country’s exports. This drop presented only a minor challenge to the Group in 2013, however, inasmuch as hedges placed in 2012 offered nearly complete protection against it. In addition, the downward trend that had already been seen for several months in certain currencies like the Brazilian real abruptly became worse and more widespread over the summer months, prompting a decline in nearly all emerging-market currencies, following the first announcements from the U.S. Federal Reserve signalling a reduction in asset-buying. This is what happened, for example, to the Russian ruble (down -5.7% against the euro), the Turkish lira (down -8.6%), the Brazilian real (down -12.6%), the Ukrainian hryvnia (down -4.0%) and the Hungarian forint (down -2.6%). The decline was not limited to emerging market currencies. The US dollar depreciated 3.2%, the pound sterling 4.5%, the Canadian dollar 6.1% and so on. The Chinese yuan levelled off in 2013 (down -0.7%) after several years of appreciation.

These changes, which mostly occurred in the second half of 2013, resulted in a negative effect on sales of -€116 million, recognised almost entirely (-€106 million) in the second half-year, versus a positive effect in 2012 of €114 million and a negative impact in 2011 of -€26 million. This trend also hurt profitability, with a -€35 million impact on operating result from activity. The dollar’s decline slightly mitigated this impact but did not offset it, as the Group buys more than its sells in this currency. Therefore, in the second half of 2013, the Group began to take such corrective actions as price increases and strict cost controls, aimed at lessening the impact of foreign exchange on profitability in the countries concerned.

Raw materials

The Group's business is exposed to fluctuations in the price of certain raw materials, including metals such as aluminium, nickel (used in stainless steel) and copper. It is also exposed to price changes in plastics used in the design of small domestic appliances. These exposures are direct, or indirect if the manufacturing of the product is outsourced to subcontractors. Over the course of the past few years, raw materials prices have experienced great volatility: a jump up in 2007, then a collapse with the financial crisis of 2009, a quick recovery based on economic stimulus plans, and back to a downward trend since mid-2011. In 2013, raw materials prices came out lower, particularly metals. With global demand flagging (lack of economic growth in Europe, slowdown in China, pressures on several emerging markets, etc.) raw materials saw prices decline throughout the year. On average, in 2013, commodities hovered around levels lower than in 2012.

The price of aluminium fell by almost 9% in 2013 with an average price of $1,845 per tonne ($2,020 in 2012). The price of copper followed the same path (down -9%) with an average price of $7,325 per tonne, versus $8,065 in 2012. Lastly, nickel also experienced a significant drop in 2013 (-11%) with an average price of $15,245 per tonne ($17,160 in 2012). The market prices of the principal metals used by the Group ended the reporting period near their yearly lows. It should be recalled, nonetheless, that in order to smooth out the effect of these variations, the Group has implemented a hedging policy for twelve rolling months for a significant portion of its metal needs.

Plastics remained generally stable in 2013, as they did in 2012. It should be noted that the Group purchases mainly pre-manufactured plastic parts, which means that these fluctuations have less of an effect on its purchasing prices.

The prices of outsourced finished goods stabilised despite wage inflation in China, owing to a broad-scale drop in raw materials, purchasing terms negotiated and suppliers' productivity gains. The Group's index of purchased finished goods for 2013 therefore was unchanged from 2012.

Given the stable Brent prices, maritime transport costs rose by 5% to 15% depending on the line, after steep declines in shipping rates in 2012.

Creation of Groupe SEB Egypt for household appliances

During Q1 2013, Groupe SEB created a joint venture, 75%-owned by Groupe SEB, with Egypt's Zahran industrial group, which is a market leader in Egypt's small domestic equipment markets and was previously the Group's leading cookware retailer. Groupe SEB Egypt for Household Appliances marks Groupe SEB's first direct facilities in Africa, and is intended to boost the Group's sales in this country, which were previously made indirectly through retailers. Operational since March, the joint venture was fully consolidated but had limited impact on the financial statements for 2013.

Fonds Stratégique de Participations acquires stake in SEB S.A.

In June, the French investment fund Fonds Stratégique de Participations (FSP) acquired a 5.25% stake in SEB S.A. This transaction was one of FSP's first investments. It was carried out on a friendly basis in full agreement with the Group's Board of Directors and Management and is intended to be a long-term holding. In this way, FSP has demonstrated both its confidence in the Group's growth and its willingness to support its development.

As part of this long-term investment policy, FSP will be represented on SEB S.A.'s Board of Directors by an independent director. At its meeting on 25 February 2014, the SEB S.A. Board of Directors, upon the recommendation of the Nominations and Remuneration Committee (NRC), voted FSP onto the Board and welcomed their permanent representative, Ms. Catherine Pourre. At the recommendation of the NRC, the Board considers FSP as an independent director. In addition, the Board named Ms. Pourre to the Audit Committee, which she will chair, replacing Philippe Lenain, who, after chairing the Committee for 14 years, expressed the wish to end his term in office. This appointment will be submitted for ratification at the next SEB S.A. General Meeting on 15 May 2014.

Appointments to the board of directors and executive committee

On 14 May 2013, the Annual General Meeting of SEB S.A. approved the appointments of Ms Laure Thomas and Ms Sarah Chauleur as directors representing the Founder Group for a four year term and Ms Yseulys Costes as an Independent director. It also renewed the FFP company's tenure as director on the Board of Directors; FFP is represented by Mr Christian Peugeot.

On 1 June 2013, the Group announced the appointment of Vincent Léonard as Senior Executive Vice-president, Finance. He joined the Groupe SEB Executive Committee in March. He succeeds Jean-Pierre Lac who retired on this date after holding this position within the Group for 12 years.

Awards for Groupe SEB

In 2013, Groupe SEB received a wide variety of distinctions:

- on 25 November 2013, the Group won the 7th Annual Finance Competition held by the Lyons Chamber of Commerce and Industry. The award was for a project implementing a global e-learning application to improve financial and non-financial users' command of the management tool. Given by the Rhône Alpes Auvergne chapter of the Association Nationale des Directeurs Financiers et Contrôleurs de Gestion (DFCG), the Award recognises the exciting and innovative work being done in the region to implement highly effective management concepts and tools. It singles out the Financial Director or Controller of a business in the region for the appropriateness of his or her management methods and the results they achieved;
- in 2013, the Group received the silver medal for the best investor relations in the sustainable development category (after the gold in 2009 and silvers in 2010 and 2012 in all categories combined.) These awards are given out based on responses to a questionnaire sent to a selection of French analysts and portfolio managers who are members of the French Society of Financial Analysts (SFAF). The questionnaire covers criteria such as clarity, transparency, availability and responsiveness;
- the Group's employability policy was recognised once again. On 5 February 2013, the Group received the "Jobs and Human Development" award for its employability policy. This award, supported by the Ministry of Industrial Renewal, is intended to honour the best initiatives taken by manufacturers of mass consumption products in the area of Corporate Social Responsibility (CSR). A jury of experts in environmental, societal and consumer products issues named the best initiatives in six different areas, such as energy conservation or social action.

4.2. COMMENTARY ON CONSOLIDATED SALES

Sales *(in € millions)*	**2013**	2012	Change *(based on exact figures, not rounded)* Reported	Like-for-like
France	666	688	-3.3%	-3.3%
Other Western European countries	821	759	+8.2%	+8.8%
North America	468	457	+2.3%	+5.6%
South America	426	451	-5.5%	+6.5%
Asia-Pacific	1,087	992	+9.6%	+11.4%
Central Europe, Russia and other countries	693	713	-2.7%	+0.7%
TOTAL	**4,161**	**4,060**	**+2.5%**	**+5.4%**

Sales *(in € millions)*	**4th qrtr. 2013**	4th qrtr. 2012	Change *(based on exact figures, not rounded)* Reported	Like-for-like
France	252	250	+0.4%	+0.4%
Other Western European countries	305	280	+8.9%	+9.7%
North America	149	148	+1.0%	+6.9%
South America	119	137	-12.7%	+0.1%
Asia-Pacific	296	278	+6.6%	+13.7%
Central Europe, Russia and other countries	207	230	-9.8%	-3.9%
TOTAL	**1,328**	**1,323**	**+0.4%**	**+5.1%**

The strained and uncertain overall economic environment that prevailed throughout 2013 affected consumer spending in many countries. Demand was fragile or volatile, markets were highly competitive and promotion driven, and retailers drew down or tightly managed their inventories. The small domestic equipment segment, though inherently resilient, was impacted by volatile or sluggish demand and performed unevenly across geographies as well as product categories.

With €4,161 million in 2013 sales, Groupe SEB's reported growth stood at 2.5%, while organic growth was 5.4%. This solid organic growth rate, driven by volume, reflects in particular a net rebound in business in the second half, to +7.1% after a first-half at +3.1%.

Organic growth in sales by quarter in 2011, 2012 and 2013

As in 2012, demand varied from one country to another in 2013. On one hand, growth was driven by Europe, the Americas and Asia-Pacific, with a very strong momentum in China. On the other hand, revenue was down in France, due mainly to the non-renewal of a major loyalty program with a retailer. Sales declined in Turkey and have slowed substantially in Russia since last summer, in an environment shaped by sluggish consumer spending. In this contrasted environment, Group revenue rose by 4% in mature markets (which accounted for 54% of 2013 revenue) and by 7% in emerging economies (46% of the total).

Sales were heavily impacted by a negative -€116 million foreign exchange effect (-€106 million of which was from the second half), in marked contrast with the positive one recorded in 2012 of +€114 million. This effect was due to the drop in most of the Group's functional currencies against the euro.

Product sales performance

The Group relies on a product thrust driven by new concepts, the introduction of new functional features, fresh designs, opening up new categories, the geographical expansion of certain ranges, etc. Among these innovations, a few products have been the locomotives pulling the whole product range. In addition, the Group capitalised on its flagship products, striving to transform them into product categories by conducting an in-depth work to exploit all possible applications and thereby create a product family.

The Group's product dynamic once again held strong in 2013, and it covered an enlarged worldwide reach, with products specifically designed for certain markets.

The various product categories contributed to the Group's performance as described below:

- **home comfort** grew strongly thanks to the fans driven by the Turbo Silencio range in Brazil and new advances in ceiling fans, a market that accounts for approximately one quarter of fan sales in Brazil and where the Group had no presence at all two years ago. Colombia and Asia also saw growth in this category. The Group's air treatment business pursued its gradual development;
- **home care** showed solid sales growth. Bagless vacuum cleaners continued their strong growth thanks to the introduction of the Xtrem Power Cyclonic and the roll-out of the Compact Force Cyclonic. Upright vacuums continued on their upward trend thanks to their deployment in Japan and Korea. 2013 was also highlighted by the Group's entry into the robot vacuum cleaner segment;
- **food preparation** grew in 2013. The business enjoyed high growth in large food processors and blenders, two products that fit nicely into the current major trends toward home-made and healthy food, which has been driving the global food preparation appliance market for several years. The Group now has a presence in the cooking food processor category with the promising introduction in France of the Cuisine Companion late last year;
- **linen care** saw a slight growth in sales from 2012 in a global market in decline. Steam irons rose, particularly in the United States, Germany and Mexico, and benefited from the continued success of the FreeMove cordless iron. Steam generator sales rose slightly due to the expansion of this category in Russia and the advertising campaigns produced in Germany capitalising on the very good results obtained for two years in Germany's leading product comparison, the Stiftung Warentest;
- **the personal care** business increased sales slightly in 2013. In hair care, despite the success of the Silence hair dryer range, the business ended slightly in decline with a drop in straighteners, though clippers continued to grow in a dynamic market. Steampod, the professional straightener designed in partnership with L'Oréal, continued to grow and made a positive contribution to the business' sales. Depilation stayed even with 2012 and benefited from the success of SoftExtrême;
- **cookware** saw higher sales in 2013, boosted largely by strong growth in China, where Supor continued to gain market share. Fixed-handle frying pans and saucepans grew significantly, primarily from a major loyalty programme with a German distributor toward the end of the year. The Ingenio ranges with removable handles, by contrast, were somewhat softer due to the discontinuation of a similar programme with a French distributor. Sales of pressure cookers fell off, suffering from sluggish demand in the French market and slowing demand in Japan, despite the very good performance of this product in Brazil;
- **electrical cooking** achieved a year of modest growth, with mixed trends product by product. Steam cookers were somewhat out of favour, which held the business back, whilst yoghurt makers also lost sales after several positive years. Conversely, the pressure cooker Cookeo saw a sharp momentum in several countries: France, Spain, Portugal, Russia, Australia and others. Rice cookers enjoyed very high demand, especially in Russia, but also in China, bolstered by several new product launches. With sales in the order of one million items, Actifry strengthened its market positions globally (Canada, United-Kingdom, Thailand, etc.), whilst the Group made new progress with traditional deep fryers in North America;
- **beverage preparation** saw significant sales growth in 2013. In an environment none the less competitive for single-portion coffee, the Group grew in coffee partnerships, sustained largely by Nestlé's marketing efforts on behalf of Dolce Gusto. In full-automatic espresso machines, the Group made new progress, especially by extending its product range, in particular in Germany. In kettles, business grew thanks again to Japan where sales reached record levels, while revenue of drip coffee makers fell further due to the non-recurrence of promotional activities.

Geographical performance

BREAKDOWN OF 2013 BUSINESS ACTIVITY BY GEOGRAPHICAL ZONE

France: a subdued end to the year

In France, the end-of-year holidays failed to lift consumers out of the ambient gloom, and the Christmas sales surge was considerably delayed because shoppers not only deliberately put off their purchases until the last minute, but also tended to wait for pre-Christmas bargains and promotions. The small domestic equipment market echoed the overall trend, but confirmed a return to moderate growth that began in the third quarter, both in cookware and electrical appliances. The uptrend was led by particularly brisk sales of food preparation appliances, vacuum cleaners and personal care products. All in all, after falling short of the very high 2012 comparatives in the first half, the Group turned the situation around. By returning to slight growth in the second half of the year, with sales up 0.9% in the third quarter and 0.4% in the fourth, Groupe SEB was able to limit the decline in annual revenue to just 3.3%. The contraction was largely attributable to a major non-recurring loyalty campaign that had inflated cookware revenue in 2012. Business was stronger in the small electrical appliances segment, where the Group saw very successful sales of food preparation appliances (e.g. kitchen machines, blenders, Soup & Co heating blenders and Infiny Force mixers), handstick vacuum cleaners, Cookeo multicookers and Dolce Gusto pod coffeemakers. In addition, market shares rose to record highs in the ironing segment, helped by strong sales of the Free Move cordless iron, in a nevertheless weakening market. Lastly, the launch of the Cuisine Companion cooking kitchen machine was very well received, with demand greatly outstripping supply.

Other western EU countries: solid momentum

Despite a complex, generally dull macroeconomic environment, in a fluctuating, uneven small domestic equipment market, the Group had an excellent year in other Western EU countries. After a significant slump in 2012, due to the effects of the economic crisis, business benefited from a combination of several more favourable factors in 2013: low prior-year comparatives, an end to the economic downturn in Southern Europe, the launch of major loyalty programs with retailers and a solid product dynamic underpinned by strengthened growth drivers. Revenue was higher in virtually all countries in the region, particularly in Germany, with an excellent second semester, where business was driven, at the end of the year, by a major loyalty campaign set up with a retailer in the cookware segment. Groupe SEB also delivered a very good performance in the United Kingdom throughout the year, achieving significant advances in Ingenio cookware and food preparation appliances, and generating record sales of Actifry fryers. Lastly, 2013 saw very solid growth in Spain, mainly thanks to a Dolce Gusto loyalty operation launched in the first half of the year, and particularly vigorous growth in Portugal. However, sales for the full year were stable in Italy, where demand slowed considerably in the fourth quarter.

North America: a very satisfactory year

In a relatively dynamic overall market environment, the Group enjoyed sustained growth in 2013, with the pace of expansion gathering speed in the fourth quarter. In the United States, where the market trended more favourably while nevertheless remaining intensely competitive, the Group leveraged renewed vigour in the cookware segment, gaining new retail slots for the T-fal brand and enjoying a strong recovery in All-Clad sales in the second half of the year. In electrical appliances, growth was robust in ironing systems, thanks to new advances by Rowenta in the premium steam iron and garment steamer segment and the ongoing deployment of T-fal mid-range product offering in mass-retail. At the same time, the new All-Clad waffle makers and slow-cookers were a hit with consumers and the Optigrill smart grill launched in September generated encouraging initial results. Business was healthy in Mexico, particularly in cookware and linen care, but annual sales were down on 2012 at constant exchange rates due to a non-recurring loyalty program. In Canada, in a solid market, the Group's sales trajectory remained highly positive. A very good overall performance was achieved for the year, along with new market shares gains, thanks to Actifry and other flagship products in the ironing and cookware categories.

Note that Groupe SEB acquired Canada's Coranco on 16 December 2013 with the purpose of obtaining direct control of Lagostina product marketing operations in Canada. Through this acquisition, Groupe SEB significantly strengthens its positions and becomes the unrivalled leader in the cookware market.

South America: sustained growth, but volatile sales

In South America, 2013 was shaped by the ongoing, significant depreciation of the Brazilian real, which led to very large gaps between the year-on-year change in revenue as reported and at constant exchange rates. In Brazil, added to these currency effects, economic uncertainty and social unrest led to erratic demand and mixed performances from one quarter to the next: dynamic start to the year, second quarter penalized by weak sales in June, robust third quarter, end-of-year conditions tighter due to a combination of slower consumer spending and the adverse impact on fan sales of cool weather, in contrast to the very buoyant 2012 season. Nevertheless, organic growth was strong for the year, led by sales of electrical appliances such as the Planetaria kitchen machine, the Dolce Gusto pod coffeemaker, steam irons and new 10kg-capacity semi-automatic washing machines, which more than offset a decline in cookware. In Colombia, the economy remained firm and consumer spending was quite strong. After a soft beginning of the year, Groupe SEB regained a certain degree of momentum along the year, despite the absence of specific commercial operations. Momentum was particularly strong in the linen care segment, while fan sales were also higher and demand improved for pressure cookers as well as for cooking utensils and accessories, leading to market share gains. The Group had a good year in Argentina, shaped by significant organic growth.

Asia-Pacific: a decisive contribution to growth

2013 sales were robust in the heterogeneous mix of markets comprising the Asia-Pacific region, with most countries experiencing increased demand. China was the regional heavyweight and the largest contributor to growth. The Chinese small domestic equipment market picked up after an anaemic 2012, with Supor achieving a very substantial improvement in locally generated revenue to outperform the competition and gain new market share. This energetic performance was attributable to a strong product dynamic, constantly fuelled by innovation and range extension. In cookware, the Thermospot range was expanded with the introduction of new woks and other items, and the launch of stainless steel and Clipso pressure cookers was exceptionally well received by retailers and consumers alike. In small electrical appliances, local best-sellers went from strength to strength and the launch of new products such as round-pot rice cookers and juice extractors helped to enhance the Supor brand's presence on store shelves. At the same time, Supor pursued its geographic expansion into Tier 3 and Tier 4 cities, added many new sales outlets to its network and stepped up development of on-line sales. In Japan, where the steep fall in the yen became a major concern for all market players, the Group achieved another year of organic growth despite an already high basis of comparison in 2012. Anticipating a much more complicated 2014, as no currency hedges are in place, Groupe SEB is taking the necessary measures to limit the effects of the weakening local currency on business and the translation of results into euros. In South Korea, business gradually picked up after a dull first half, helped by the improved economic environment and the upswing in demand. Lastly, Thailand and Malaysia continued to act as very powerful growth drivers throughout the year.

Central Europe, Russia, other countries (Turkey, Middle East, Africa, etc.): stalled demand since the summer

After trending upwards in the first half of 2013, demand in this region suddenly stalled in the summer, mainly due to the abrupt slowdown of the Russian economy on top of the already difficult, tense situation in Turkey. In addition, the significant, persistent decline in several of the region's currencies against the euro led to a serious disruption of the markets concerned. As a result, sales were sharply impacted in the second half of the year, particularly in Russia where, despite forefront positions supported by its rich product offering and established brand equity, the Group had to face a dramatic drop in demand in the second part of the year, along with inventory drawdowns by retailers. In addition to this more challenging environment, Groupe SEB was affected by the non-renewal in the fourth quarter of 2012 loyalty programs. In Central Europe, despite a contraction in Poland in the fourth quarter, annual revenue grew significantly at constant exchange rates, thanks primarily to strong demand for food and beverage preparation appliances, such as automatic espresso machines and kettles, as well as for linen care appliances. In Ukraine, demand was flat until September, when it was lifted by a marketing operation with a retailer and several successful new product launches. In a politically complex, protectionist environment defined by significant promotional activity, the Group's sales were weak in Turkey throughout the year, leading to an erosion of its market shares. In contrast, demand was very robust in the Middle East (Saudi Arabia and the United Arab Emirates) and in Egypt (where business is conducted through a joint venture), resulting in a very good fourth quarter.

4.3. COMMENTARY ON THE CONSOLIDATED RESULTS

Income statement

The results for the Group were at levels close to those of 2012. As expected, the operating result from activity for 2013 is very nearly that of 2012 and came in at €410 million versus €415 million in 2012, down 1.2% despite a negative foreign exchange effect of €35 million. At constant exchange rates, the operating result would be €445 million, a rise of 7.2%.

This change stems from a combination of several factors, positive and negative:

- higher volumes resulting in higher sales in the majority of markets, and particularly in China, Europe and on the American continent. The volume effect on the 2013 operating result from activity amounts to +€66 million, whereas in 2012, this impact was a negative -€21 million;
- a slightly negative price-mix effect of €12 million, as price increases did not offset the impact of promotions in a more competitive environment;
- a €10 million reduction in purchasing costs reflecting very good purchasing cost controls, lower price of raw materials, particularly of metals, and level prices for outsourced products;
- A €34 million increase in expenses due in particular to greater spending on growth drivers (R&D, advertising, marketing, etc.), digital development actions and a temporary increase in overhead costs.

Operating profit amounted to €364 million, down 1% on 2012. This was after discretionary and non-discretionary profit-sharing of €37 million, considerably lower than last year's €48 million. This drop can be attributed to poorer performances in France and the fact that higher level in 2012 included the Group's matching funds for the «Horizons 2012» employee share ownership plan. Other operating income and expense, which was negligeable in 2012, resulted in a net expense of €9 million, including limited realignment costs.

Net financial expense amounted to -€55 million, compared with -€63 million in 2012. This includes financial expenses on the debt in the amount of -€31 million, more or less stable with last year, and including a slight increase in the Group's average financing rate. It also includes other financial expenses, including a €7.5 million provision for impairment of shares concerning the Indian company Maharaja Whiteline following a difficult and disputatious year with our Indian associate. Net financial expense was further penalised by €4 million in foreign exchange losses due primarily to currency movements in Latin America, whereas gain had been recognised in 2012.

Net profit Group share stood at €200 million, versus €194 million in 2012, for an increase of 2.9%. This was calculated after taxes of €87 million, representing a rate of 28.2%, lower than the rate of 30.9% in 2012. This improvement is explained mainly by the change in the geographic mix of the taxation rates. The net profit Group share also included the non-controlling interest in Supor earnings, which amounted to €22 million to be deducted (€17 million in 2012). This figure is significantly higher than in the preceding year due to the improved financial performance of this subsidiary.

Balance sheet

Consolidated equity stood at €1,532 million at 31 December 2013, versus €1,462 million at 31 December 2012, including a contribution from non-controlling interests of €143 million (€130 million at 31 December 2012). This change was the result of a variety of factors:

- €81 million in exchange losses due to the weakening of several of the Group's functional currencies and the impact on the valuation of the share in the net position of subsidiaries;
- the net total profit for the year, amounting to €222 million, less the dividends paid in 2013 for the year 2012, i.e. €74 million (€68 million for 2011).

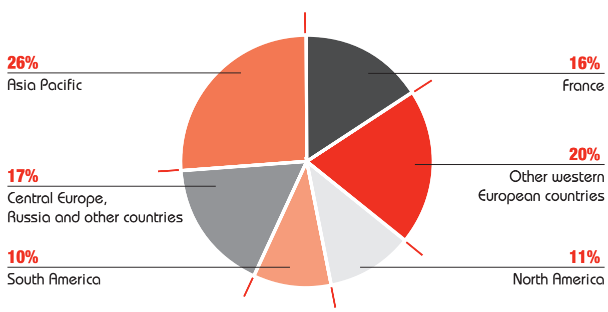
Equity is reported net of treasury stock. At year-end 2013, the Group held 1,412,347 own shares, versus 2,050,102 at year-end 2012. This change arose from the sale of shares upon the exercise of purchase options.

Net debt amounted to €416 million, versus €556 million in late December 2012. This improvement was due to strong operating cash flows in 2013 and the payment of €74 million in dividends. Working capital requirements improved, representing 22.7% of sales at year-end, versus 24.9% one year before. WCR benefited from an improvement in trade receivables and payables and favourable foreign exchange effects.

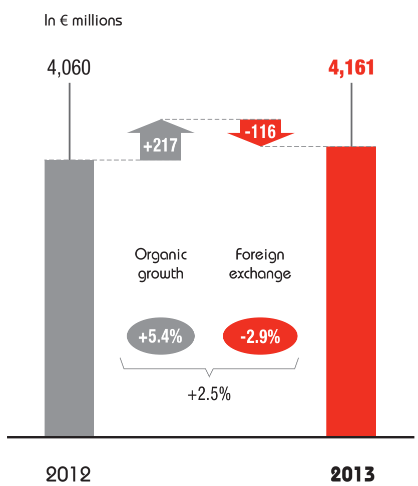
Gearing ratios improved in 2013 compared to the previous year. The ratio of net debt-to-equity equalled 27%, versus 38% at year-end 2012, while the ratio of net debt-to-EBITDA stood at 0.87x versus 1.17 x at year-end 2012. Groupe SEB finished the financial year with an even stronger balance sheet and relies on a solid and diversified financial structure. Further information on the borrowing terms and the funding structure are available in Note 25 to the Consolidated Financial Statements.

2013 capital expenditure totalled €127 million, little changed from 2012 (€128 million). In general, investment was mainly in tangible assets (approx. 70%) with almost equivalent distribution between moulds and tools for new products on one hand, and production equipment (installation of new assembly lines, injection presses, etc.) and/or the renovation of buildings on the other hand. The remaining 30% covered mostly capitalised development costs and production-related computer software linked to the production and to the development of the Group's own retail brand outlets.

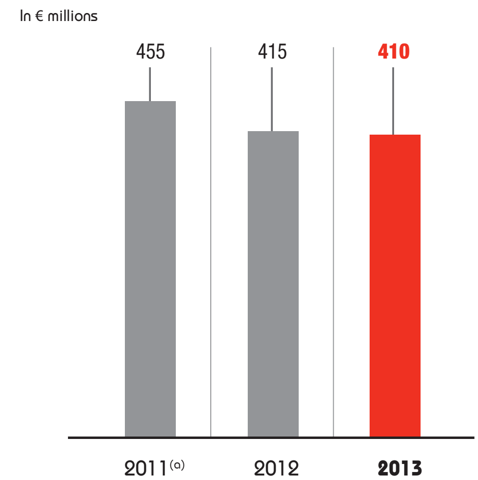
Geographical breakdown of 2013 sales



2012-2013 sales growth

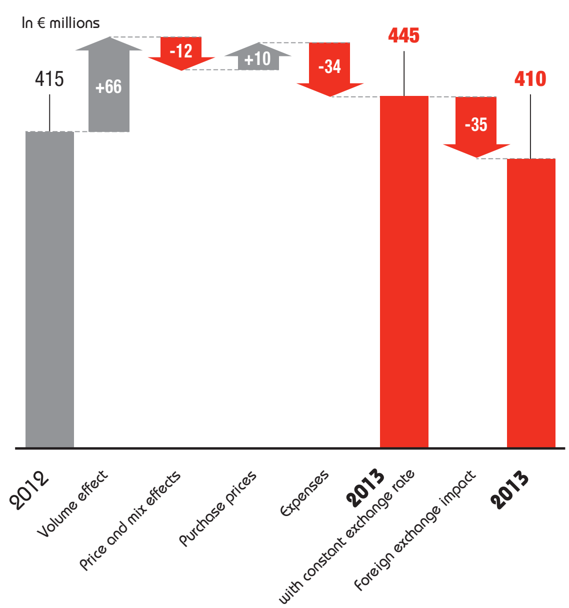


Change in operating result from activity

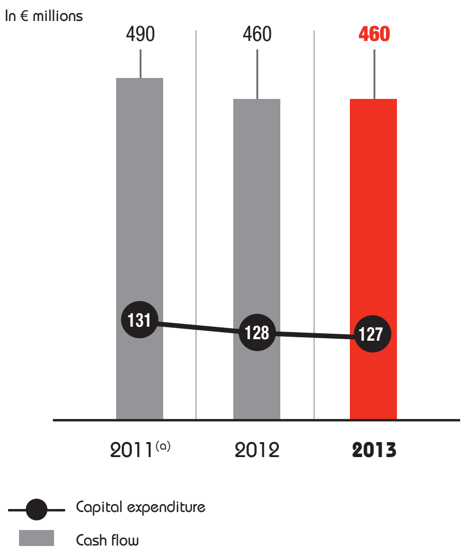


(a) Restated for the effects of applying IAS 19R.

Breakdown of operating result from activity

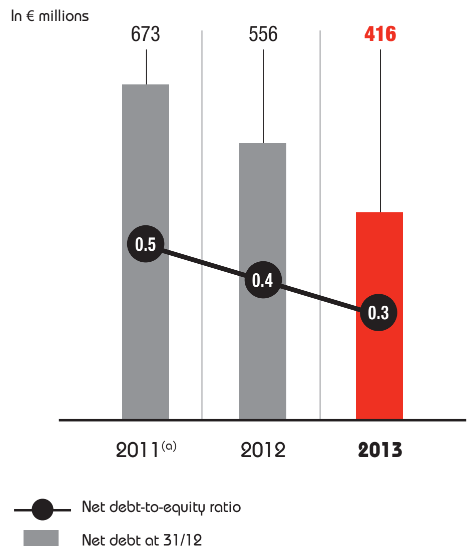


Cash flow and capital expenditure



(a) Restated for the effects of applying IAS 19R.

Net debt and debt ratio



(a) Restated for the effects of applying IAS 19R.

4.4. OUTLOOK

2014 will probably be shaped by a still-contrasted economic environment. The currency-related challenges that adversely affected Group results in 2013 are continuing and appear to be having a much more severe impact this year.

In terms of market demand, for 2014, the Group is forecasting a slightly improved situation in France, buoyed by strong product development and greater marketing and advertising support. For the rest of Europe, however, the Group is taking a more cautious approach given that 2013 was an exceptional year that constitutes a high basis for comparison. The Group expects to enjoy continued positive developments in the Americas, with high demand maintained in North America, reliable growth in Brazil in a volatile market, and sustained sales growth in Colombia. In China, the Group should post solid growth given the upward trend in small domestic appliances there and continue to win market share by maintaining an active product innovation policy sustained by investments in marketing and advertising. In Japan, where an uncertain market has seen price increases and a higher VAT rate as of 1 April 2014, the Group will pursue expansion by gradually broadening its offer and keeping up high levels of capital expenditure. Confronted with a specific currency issue following the fall of the yen in 2013 and the expiration of hedges placed in 2012, the Group instituted a number of targeted actions aiming to defend our profitability without compromising our market positions and long-term development. The Group has greater reservations about Russia, where consumer spending remains very dismal and distributors' inventories, high. In Turkey, in a highly promotional market, and facing keen competition from local players, amplified by protectionist measures (import duties), the Group intends to recapture sales growth from an historically low base.

Although highly competitive and promotion-driven, the worldwide small domestic equipment market is expected to keep on trending favourably overall and generally be responsive to innovation. That's why the Group will maintain a strong product dynamic, and continue to invest in sales, advertising and marketing, while ensuring that its operating efficiency is optimised (reduced number of stock keeping units, continually improved productivity, acceleration of value analysis projects, wider adoption of shared technical platforms and so forth) and its costs are effectively managed.

This firm demand combined with the commitment to pursuing its development with an extensive portfolio of products should enable the Group to generate sustained organic revenue growth in 2014. Given the current exchange rate situation and despite the positive impact of our revenue growth, we will take the necessary and relevant actions to partially absorb the very high currency effect that we anticipate on the operating result from activity. Against this backdrop, the Group aims at ensuring growth in its markets and pursuing to improve operating result from activity at constant exchange rates.