

January – June 2011 (H1) consolidated results

Strong EBIT growth despite pressure on purchase prices and sustained investments

- EBIT: €6 522 K, i.e. +22% year-on-year
- Net profit: 16% of sales

In €K (French GAAP)	H1 2010	H1 2011	% change
Net sales	20,930	28,244	+35%
Operating profit	5,368	6,522	+22%
Operating margin (%)	25.6%	23.1%	
Net profit	3,795	4,629	+22%
Net margin	18.1%	16.4%	

In €K (IFRS)	H1 2010	H1 2011	% change
Net sales	20,930	28,244	+35%
EBIT	5,589	6,413	+15%
EBIT margin (%)	26.7%	22.7%	
Net profit	4,114	4,388	+7%
Net margin (%)	19.7%	15.5%	

Turnover

After a difficult year in 2010, Store Electronic Systems (SES) saw a return to growth in the first half of 2011, achieving net sales of €28 244 K against €20 930 K in the same period the previous year (+35%). The French market (€18 246 K€, +29%) and the international market (€9 998 K, +48%) both contributed to this substantial rebound.

France has seen a recovery across the board: business has picked up with independent networks as well as major integrated chains, and there has been an increase in both new store installations and recurring sales. Of particular interest is that the supplier agreements with Intermarché and Système U (exclusive) have been renewed, and that the Monoprix group has decided to install 70 additional stores over 2011 and 2012. In all these cases, SES was selected over competing bids.

Export sales continue to exhibit very strong growth, to the extent that installations abroad in H1 exceed those in France by nearly 4%. It should be noted that Denmark accounts for a significant proportion of export sales, thanks to the continued rollout of the SES solution in Føtex supermarkets and to the installation of the first Bilka hypermarkets, all part of the Dansk Supermarked group. All export markets are performing well, especially Italy, where SES signed an agreement to install 45 Multicedi supermarkets in 2011.

Consolidated results

SES' accounts according to French GAAP show a significant increase in operating profit (+22% year-on-year), in spite of:

- Increasing cost of goods [labor costs in China, price of raw materials (PVC, gold, copper) and electronic components],
- Downward pressure on selling prices for major rollouts,
- Sustained investments required in two strategic areas, i.e. sales coverage and product development.

Net profit after tax amounts to 16.4% of sales, up 22% over H1 2010.

Since setting up its commercial subsidiary Store Electronic Systems Asia Pacific on January 1st 2011, SES reports its accounts according to IFRS. Employee profit sharing has therefore been reclassified at EBIT level, while main impacts on net profit result from currency exchange gains/losses and from the valuation of foreign currency hedges.

Balance sheet

SES had a net cash position of €36 991 K on June 30th 2011, compared with €36 183 K six months earlier (+2%). This relative stability in its cash position results from a strong self-financing capacity (€5 421 K after tax), largely absorbed by the increased working capital requirement (€2 063 K, due to the upturn in business) and investment needs (€2 586 K). The Company is therefore in a position to finance its future growth and maintain its product development efforts, if need be through the acquisition of new technologies.

Outlook

Orders rose 16% in the first half of FY 2011. Management is therefore confident regarding business prospects for the second half of the year, even if the rollouts at Dansk Supermarked are largely accounted for in H1 sales.

SES will continue to implement its sales and R&D strategies. The investment in a new subsidiary in Latin America and the development of a new generation of graphic labels are clear indications of these strategies. The Company has now established a direct presence on three continents in addition to its preferred partner network, and will continue to open and expand new markets.

Net sales for Q3 2011 will be published on November 10th, 2011.

■ About Store Electronic Systems

Store Electronic Systems is the worldwide leader in Electronic Shelf Labelling systems (ESL) for large-scale food and non-food retailers. The company designs, markets and installs all the system's components (software and communication platform, displays, mounts) thus providing clients with a turnkey solution. The range of products and services offered by SES allows retailers to manage pricing dynamically, while significantly improving store productivity.

Store Electronic Systems is listed on Compartment C of Euronext™ Paris.

Mnémo: SESL - ISIN: FR0010282822 - Reuters: SESL.PA - Bloomberg: SESL.FP

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