

2012 annual results: a year of transformation and conquests

- 2012 sales growth of 7%, despite a difficult environment
- Buoyant international growth: 23% in H2
- Profitability impacted by growth investments and transformation
- Intensification of R&D investments
- Net cash position of €25 million

Store Electronic Systems (NYSE Euronext: SESL, FR0010282822), leader in Electronic Shelf Labeling (ESL) systems for large-scale food and non-food retailers, today announces its full year results to December 31, 2012.

| IFRS, €m | 2012 | 2011 | Δ |
|-------------------------|------|------|------|
| Sales | 63.0 | 58.9 | +7% |
| Operating profit (EBIT) | 5.8 | 12.6 | -54% |
| % of sales | 9% | 21% | |
| Net profit | 4.1 | 8.7 | -53% |
| % of sales | 7% | 15% | |

2012 was a year of transformation for SES on all fronts: innovation, international, quality and operating performance. The Group has returned to a position of strength with a renovated and competitive product range including a number of innovations. SES recorded sales of €63 million in 2012, up 7% on the year, driven essentially by international sales, which increased by 11% to €24.2 million and thus accounted for 38% of total sales. As expected, the 2nd half operating margin was at a similar level to that of the 1st half, representing 9% of annual sales. Profitability was impacted by 1/ international expansion and operational improvement projects, 2/ pricing pressure in France and Southern Europe, 3/ a negative forex variation 4/ non-recurrent elements and tax on the stock option plan and performance shares granted to staff.

For 2013, despite the ongoing difficult economic situation in Europe in early 2012, SES's target is to record higher growth and profitability than in 2012.

Growth in activity, both in France (+4%) and abroad (+11%)

In 2012, SES increased its market share in France and abroad and recorded sales of €63 million, an increase of 7%, thus reaching its highest-ever level in terms of both sales and the number of stores fitted out over the period (891). Maintenance and renewal sales totaled €25.2 million, or 40% of total sales, an increase of 9% over the year.

In France, sales recorded moderate growth of 4% to €39 million, within a particularly difficult economic environment at the end of the year that led supermarkets and hypermarkets to reduce or postpone their expenditure. This pressure on volumes also resulted in a considerable intensification in competition on prices and pressure on margins.

International sales grew by 11% to €24.2 million over the year, thanks to a strong H2 (+23%) driven by sales in the Americas and other regions outside Europe. The Group thus reaped the initial rewards of its international expansion plan launched at the start of 2012 in order to rapidly expand its coverage and prospection means in high-potential regions: Northern and Eastern Europe, the Americas and the Asia-Pacific region. SES also intensified its cooperation with targeted strategic partners. In 2012, the number of stores outfitted abroad exceeded the number outfitted in France (528 vs. 363), taking the number to more than 2,100 abroad, or 40% of the Group total (5,300). All in all, this buoyant growth outside Europe more than offset the effects of the difficult economic situation in Europe, notably in France and Southern Europe, markets that still accounted for 75% of total sales.

Profitability impacted by growth investments and transformation

Despite a satisfactory year in terms of activity, the Group recorded a similar profitability level over the two halves, with a 2012 operating margin of 9%. This profitability level was due to 3 factors:

- The cost of the strategic transformation plan
 - International expansion: increase in dedicated marketing and technical resources
 - Strengthening of the Group's organization and the program to improve its performance and operational quality
 - Participation of all staff in the Group's development through the attribution of stock options and performance shares (costing €0.3 million in tax and social charges)
- Pressure on prices and margins
 - Effects of the difficult competitive and pricing environment in France and Southern Europe
 - Negative forex variation
- Exceptional charges (governance) and non-recurrent provisions relating to inventories and client accounts

Intensification of R&D investments

SES intensified its R&D investments in 2012 (€5.7 million before Research Tax Credit) in order to strengthen its technological positioning and its strategic assets, notably thanks to a renovated product range and major innovations: dynamic display HD screen range, NFC-tag and mobile-shopping solution, new software platform, wireless infrastructure. Numerous other technological projects are currently underway in order to accentuate SES' strategic and competitive leadership.

Financial structure: net cash position of €25 million

SES has no debt and had a net cash position of €24.7 million at December 31 2012, compared with €34 million at the end of 2011. This decrease was notably the result of the Group's R&D investments (€5.7 million), the payment of an exceptional dividend of €5.5 million and share buybacks of €0.4 million.

Working Capital Requirements stood at €31.1 million over the period, a slight increase of +€1.5 million compared with 2011, and thus represented 49% of sales versus 50% in 2011. Furthermore, the level of WCR stabilized over the 2nd half of the year compared with the 1st half, thanks to the initial results of a program to improve control over inventories and client receivables. Within this context, the +€2.7 million increase in inventories was essentially due to the creation of a regional software platform in Mexico and the higher cost of new products. The increase in client receivables was the result of the high level of sales recorded in Q4, whilst at the same time SES has significantly reduced its outstanding arrears (-€3 million i.e. -32%).

2013 outlook: higher growth and profitability than in 2012

2013 is seeing a pursuance of the strategic plan's priorities: innovation, internationalization and industrialization.

Thierry Gadou, CEO and Chairman of SES, says: *"2012 was a year of transformation on all fronts. In terms of innovation, SES is back at the forefront, notably via our G-Tag+ NFC-tag graphics range, currently the most-advanced product on the market. At a time when contactless technology is on the verge of becoming the next major technological wave, our gamble on NFC is being acknowledged as visionary, and a number of new retail chains have already come onboard this path to the future. Moreover, other R&D projects are currently being developed to accentuate our competitive advantage in every area of the offer (wireless, ESL and software).*

Beyond these unrivalled innovation efforts in this sector, SES has also strengthened its organization and launched an ambitious international expansion and operational transformation plan aimed at achieving a high level of industrialization, quality and scalability, another key factor for success in a market that will record substantial global growth over the coming 5 years.

For 2013, despite the fact that the European economic situation remains difficult in this early part of the year, we have confidence in the prospects of the global ESL market and the growth drivers put in place in 2012. We are targeting higher growth than in 2012, driven by international activity, and higher profitability from the 2nd half of the year onwards, thanks to the combined effects of growth, increased differentiation and better operating productivity."

Next press release

Sales for the 1st quarter of 2013 will be published on April 25, 2013

About Store Electronic Systems

Store Electronic Systems is the leader in Electronic Shelf Labeling systems (ESL) for large-scale food and non-food retailers. The Group 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.

Ticker: SESL – ISIN Code: FR0010282822 – Reuters: SESL.PA – Bloomberg: SESL.FP

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