STORE ELECTRONIC SYSTEMS

Press release Paris, August 28, 2013

Results for the 1st half of 2013

- H1 2013 growth of +14%
- Acceleration in international sales: +47%
- Major contracts signed in Northern Europe and Asia
- Half-year orders reach a record €49 million
- Operating profit of €2.1m (6% of sales) due to international development costs
- H2 outlook: growth driven by international activity, increase in profitability

Store Electronic Systems (NYSE Euronext: SESL, FR0010282822), the leader in Electronic Shelf Labeling (ESL) systems for large-scale food and non-food retailers, today announces its financial results for the 1st half of 2013.

IFRS, € million	**H1 2013**	H1 2012	Δ
SALES	**34.8**	30.7	+14%
OPERATING PROFIT (EBIT)	**2.1**	3.0	-30%
% OF SALES	**6%**	10%	
NET PROFIT	**1.7**	2.1	-19%
% OF SALES	**5%**	7%	

SES continued its development in H1 2013, with sales up +14% to €35 million driven by international activity, which recorded its 3rd straight quarter of buoyant growth with sales increasing by +47%. SES recorded a satisfactory performance in France, with sales up by 7.5% compared with the previous half, at over €20 million. Major contracts won in recent months enabled orders taken to reach a record €49 million over the half. The implementation of the i^3 strategic plan focusing on International, Innovation and Industrialization, is gaining pace. This program leading to expenses running ahead of income, profitability remained under pressure during the 1st half of the year. However, the anticipated further growth, with international activity on the verge of exceeding 50% of the Company's overall activity, and the gradual stabilization of expenses should allow SES to see profitability begin to improve over the 2nd half of the year.

Acceleration in international activity

SES is successfully pursuing its international development plan and, for the 3rd quarter in a row, international activity recorded a buoyant increase in sales (+64% in Q4 2012, +26% in Q1 2013 and +71% in Q2 2013).

Thanks to a number of major deployment contracts signed in recent months, there was a significant increase in the number of stores fitted out. This growth also concerned renewals and maintenance activity. Over the 1st half of the year, Latin America, Southeast Asia and Northern Europe saw particularly strong growth thanks to the sales and marketing efforts undertaken since 2012 to develop these markets. Sales in Southern Europe (Italy, Spain) also saw an upturn, despite a difficult economic environment, as a result of solid sales momentum.

Moreover, considerable development efforts continued in other high-potential regions (North America, Eastern Europe, Middle East and Far East). Over the 1st half of 2013, SES opened a subsidiary in the United States (Boston, MA) and set up a local technical sales team. In the Asia-Pacific region, a sales representative office has been opened in Sydney (Australia), and prospecting efforts are also being undertaken in other countries in that region. This business development activity is resulting in an increase in the number of new pilot projects and in the sales opportunity portfolio, thus providing visibility regarding the future. Over the 2nd quarter, international sales accounted for 46% of total SES sales, a percentage that should continue to rise in coming quarters.

Sales upturn in France

France recorded sequential half-year sales growth of +7.5% between the 2nd half of 2012 (€18.8 million) and the 1st half of 2013 (€20.2 million). Coming despite the large number of stores already fitted out and an economic situation that has limited the number of new installations, this performance can notably be explained by client loyalty and the high rate of renewal for SES' installed base on its domestic market, as well as by the Company's innovation policy. The range's new products (G-tag+, NFC-tag) and software packages have been introduced into the majority of major independent and integrated chains of retailers that are clients of SES. Over the 1st half, sales generated by the installed base (maintenance and renewals) were up by more than 10%.

Record orders taken

SES has reaffirmed its positive sales dynamic with a substantial increase in orders taken during the 1st half of 2013, doped by international activity with, in particular, the signing of two major contracts in Asia and Northern Europe, two strategic regions. All in all, orders taken over the 1st half of 2013 came to €49 million, giving a book-to-bill ratio of 140%, and notably concern the fitting out of 860 new stores (80% of them abroad), a number that is up +40% on the 1st half of 2012.

Operating profit represented 6% of sales, due to the cost of the development plan

The Group's profitability remained under pressure over the 1st half, with the operating margin slipping to 6%. The costs associated with the implementation of the "i3" strategic plan (International, Innovation, Industrialization) continued to grow over the 1st half of the year:

- Increase in the international sales and technical workforce and strengthening of support teams
- Opening of the Innovation Center in early 2013
- Increase in other expenses: marketing, travel, consultancy fees associated with the transformation plan, creation of new subsidiaries, legal costs, taxation (stock options)

In the 1st half of 2013, this increase in expenses was again running ahead of the income curve because of the need to rapidly put in place the means for the Company's operational internationalization and restructuring, at a time when most new regions are still in their launch phase and therefore beneath their critical size.

The margin was also, to a lesser extent, affected by:

- The evolution of the product mix, with the rapid growth of the new G-tag+ and NFC-tag ranges whose dearer products have a higher unit margin but a lower margin level than the segment ranges
- The persistence of substantial competition on prices combined with the sales efforts required to conquer international markets

Financial structure: net cash position of close to €19 million, increase in WCR

SES had no debt and a net cash position of €18.5 million at June 30 2013, compared with €24.7 million at end-December 2012. This decrease was notably due to the following reasons:

- WCR totaling €38.8 million over the period, an increase of €7.5 million over the half essentially because of growth and the following factors:

    - **A +€3.6 million increase in inventories**, exclusively due to the rapid growth of the new G-tag+ and G-tag+ NFC ranges whose stocks were limited at the start of the year and orders for which increased fourfold on the previous half. Stocks of the graphical ranges' components and work in progress (manufacturing and transit) thus increased sharply in order to adapt to this transformation in the composition of sales. This effect more than offset the positive effect of the reduction in stocks of the range's other products (S-tag and S-tag+) within the framework of the ongoing operational improvement program.

    - **Increase in client receivables (+€5.8 million)** as a result of the substantial 2nd quarter growth and a deterioration in payment deadlines, notably in Southern Europe and Latin America, in part attributable to the tougher economic situation.

  In order to reduce this high WCR level, in terms of both client receivables and inventory management, the Group is working to improve its processes and tools via the setting up of a new ERP and the reorganization of the supply chain.

- The investment program reaches €3.5m over the 1st half of the year, essentially devoted to R&D (€2.9m) and to modernizing the Group's IT Systems (ERP project).

H2 2013 outlook: further growth, upturn in profitability

For H2 2013, SES is anticipating further buoyant sales growth driven by international activity. This growth, combined with the gradual stabilization of the costs associated with the Company's transformation and development, should, as expected, lead to an improvement in profitability.

Thierry Gadou, CEO of SES, concludes: "*Over the 1st half of this year, SES won further market share, both in France and abroad, and further strengthened its position as the world number 1 in Electronic Shelf Labeling. The implementation of our i^3 strategic plan is making good headway on each of its three lines: International, Innovation and Industrialization. These growth and transformation investments have quite logically affected our short-term profitability but, thanks to the growth dynamic created by i3 and to the gradual stabilization of expenses, profitability should begin to improve over the 2nd half of the year as anticipated. SES will see the contribution of international sales increase to over 50% of total sales, and this figure will subsequently continue to increase in line with our ambition, which is to make SES an innovative, successful and global company, a partner of the planet's largest retailers in the digital revolution and a group able to fully benefit from the market's future growth.*"

Next press release

3rd quarter sales will be published on October 29, 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 and developing new contactless uses for consumers.

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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