NINE (9) SECTOR STUDIES FOR THE SMALL AND MEDIUM SIZED ENTERPRISES

SECTOR ANALYSIS:

EXECUTIVE SUMMARY

INDUSTRIAL PROCESS CONTROL EQUIPMENT

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ΥΠΟΥΡΓΕΙΟ ΑΝΑΠΤΥΞΗΣ
ΓΕΝΙΚΗ ΓΡΑΜΜΑΤΕΙΑ
ΒΙΟΜΗΧΑΝΙΑΣ

Hellastat

Strategic Review

Major points of the sector:

- The companies' activities of the sector entail the designing and development of automation and robotic systems, as well as providing integrated solutions, mostly to industrial sectors.
- Around 60% of the total companies (53 firms) are small individual entrepreneurs. Moreover, 11 are societe anonyme, 10 are limited partnerships, general partnerships and 8 are limited liabilities companies. 2/3 of the companies are registered in the two major districts of Attica and Central Macedonia.
- There is no legal framework that directly affects the sector's operations, the licenses etc. However, the automation systems that are developed by the companies are bound to meet the international standards of quality and reliability.
- Given the fact that the major drawback of these systems is the high initial cost, the greater production capacity -for quicker depreciation- and the availability of government grants and subsidies are vital for the demand side.
- A positive economic concurrence and optimistic expectations by the enterprises and the consumers are prerequisites for a company to undertake an investment on its industrial equipment. In general, there is high correlation between demand for the sector's products and systems and the financial situation, especially of the productive sectors.
- This drawback is dealt with the grants offered for extending and renewing the industrial equipment of the clients. When subsidies programs like the 3rd Community Support Framework are in place, there is an increase of demand. On the other hand, in case of an announcement of investment programs that are to be realised, demand decreases.
- The expected time period for the depreciation of a palletizer is 2,5-3 years. However, in the Greek market, due to its small size and the limited industrial production, the depreciation usually is slow and lasts longer.
- Until 2004, demand was constantly increasing, as the majority of sectors followed a development path. However, due to the economic downturn that followed 2004, the market declined. The grants of the Investment Law on the other hand, helped to keep demand at a fair level.
- The automation systems that are used in the domestic market come from either domestic firms or international companies. In the latter case, local dealers handle all the contact with the international firm and the after sales service, while the international firm is responsible for installing the system in Greece.
- The competition between the companies of the sector lies mostly in the price offered, understanding the clients' needs, specialisation, quality, after sales service and the capacity to develop a broad clientele base. In addition, developing a strong brand name in the market is important.
- The biggest industries in Greece usually import the systems (from Germany and Italy mostly) and the local dealers handle the after sales service.
- In general, the sector's companies prefer to get involved in similar projects, concerning the characteristics and the technology used, so as to develop economies of scale and reduce costs. Furthermore, they can establish long-run cooperation with specific clients.

Strategic Review

Strengths & Opportunities:

The dynamic environment of the sector features the following aspects:

- The products and the systems developed offer important advantages to the companies that use them (improvement of quality, shortened production cycle, reduction of costs etc).
- The grants of the Investment Law increased demand.
- Dealing systems from well-established international groups.
- After sales service.
- Increased demand in logistics and pharmaceuticals sectors.
- High gross and EBITDA margins.

The rising opportunities for the companies of the sector are summarised in the following:

- Involvement in similar projects lead to economies of scale, reduction of costs and long-run cooperation with specific clients.
- The integration of information and communication technologies and automation makes room for the development of advanced applications.
- Innovations on traceability contributes to further development of automations.
- Suitable environment for cooperation between domestic and international companies.
- Undertaking of projects in the greater Balkan area, where labour costs are gradually increased.
- Prospects for expanding to the shipping and waste management industries (in the second occasion the Public and Private Partnerships will play an important role).
- Lagging of domestic production in packaging equipment (especially in end-of-line applications).
- Use of sorter applications in warehouse management.

Strategic Review

Weaknesses & Threats:

The weak points of the sector are the following:

- Small size of the market and small number of operating firms.
- The Greek industry is characterised of small size of production and orders.
- Lack of specialised manpower; long period to train new technicians.
- The price competition puts pressure on profit margins.
- The international groups have more expertise and experience.
- Limited use of robot palletizers in the Greek market.
- Marketing department's specifications sometimes hardens the development of packaging systems.
- The limitations in storage space (e.g. small size) and high costs prevent the use of certain categories of equipment (e.g. stacker cranes).
- Low EBT margin.
- Major need for financing and working capital.
- Major use of external capital.

The major threats of the sector are the following:

- The financial crisis will lead to a decline of the market, as the clients are expected to reduce their budget on acquiring or upgrading their equipment.
- Extensive use of systems imported from abroad (policy that is adopted by the multinational enterprises that operate in Greece).
- Gradual decrease of industrial production in Greece.
- Reduction of investment until the new Investment Law initiation.

Summary of financial indicators

- The turnover of the 12 companies in the sample increased by 8,2% in 2007 and reached €38,36 mn. 6 companies improved their turnover compared to the previous year.
- Gross profits were €10,42 mn. showing remarkable growth rate compared to 2006 (21%). The respective profit margin was high (26,1%).
- The sample is characterized by negative EBITDA and EBT (€1,84 mn. and €5,43 mn. respectively); this is mainly due to the increase of losses of Zenon S.A.
- The EBITDA margin improved to 11%; on the contrary, EBT margin remained at low levels (0,7%).
- In 2007 the trading cycle was extended to 184 days, from 157 days in 2006 and 124 days two years ago, while debt to equity ratio increased to 1,97.

Population:	**12**
Population per turnover size	
Above € 2,5 mn.	3
Between € 0,3 mn.and € 2,5 mn.	5
Between € 0 mn. and € 0,3 mn.	4

Profitable	**8**
Increase	*4*
Decrease	*1*
Loss reversal	*3*
Loss making	**4**
Increase	*2*
Decrease	*1*
Profit reversal	*1*

Key Statistics	Industrial process control equipment 2007	Economy median 2007
Sales increase	6 - (54,5% of the sample)	*55,4%*
Sales reduction	5 - (45,5% of the sample)	*44,6%*
Median sales growth	-6,1%	*4,3%*
Median earnings growth	85,5%	*6,4%*

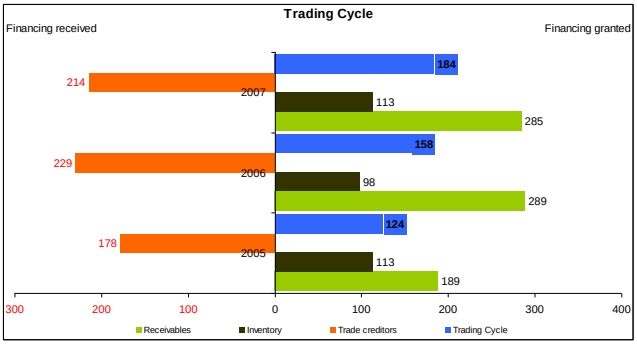
Key ratios	Industrial process control equipment 2007	trend	Economy median 2007	trend
Debt to equity	1,97	-	*1,14*	-
Asset turnover	0,66	+	*0,62*	+
Quick ratio	1,18	+	*1,24*	+
EBITDA margin	11,0%	+	*9,4%*	+
Net margin	0,7%	+	*2,7%*	+
RoE	1,6%	+	*4,6%*	+

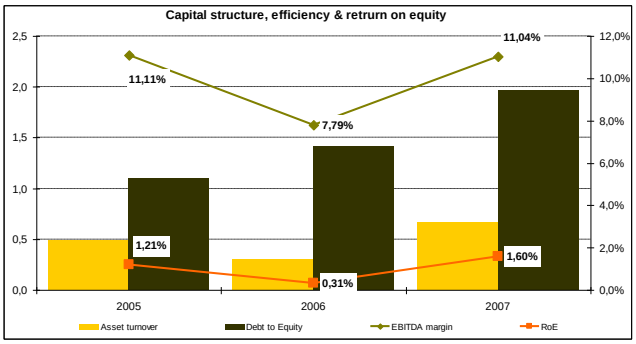
The major companies

Key Figures [2007]	Sales	Gross results	EBITDA	Earnings before taxes	Total Assets	Equity capital	Current liabilities
1 SABO SA	26,10	5,52	2,88	1,25	24,03	7,81	12,97
2 ZENON AUTOMATION TECHNOLOGIES SA	4,29	1,64	-5,71	-6,17	18,50	9,02	9,21
3 SOUKOS ROBOTS SA	2,61	1,23	0,63	-0,47	17,85	6,62	8,74
4 KEMIM SA	1,73	0,41	0,10	0,00	1,37	0,24	1,11
5 INTERLINK AUTOMATIONS SA	1,01	0,32	0,16	0,07	1,19	0,07	1,12
6 KOUVALIAS N. SA	0,90	0,28	0,13	0,04	1,36	0,35	0,55
7 INOS HELLAS SA	0,59	0,41	0,05	0,04	0,30	0,12	0,18
8 INDUSTRIAL ROBOTS SA	0,37	0,00	-0,28	-0,33	2,91	0,18	2,73
9 TREZOS SA	0,30	0,56	0,17	0,16	0,56	0,08	0,48
10 HELLENIC ROBOT TECHNOLOGY SA	0,23	0,00	0,03	0,00	0,82	0,37	0,45
11 KINEMATIK SA	0,23	0,05	0,01	0,00	0,68	0,67	0,01
12 MODERN TECHNOLOGY LTD	0,00	0,00	-0,01	-0,01	0,17	-0,31	0,18

Industry financial ratios

Industry Financial Ratios	Median			Average excluding outliers			Economy median		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Capital Structure									
Current liabilities to sales	0,64	1,26	0,89	1,18	1,13	1,27	0,59	0,59	0,54
Short term bank debt to sales	35,5%	35,8%	11,5%	81,8%	51,2%	32,5%	25,7%	25,5%	23,5%
Debt to equity	1,97	1,41	1,10	4,00	2,22	1,60	1,14	1,09	1,04
Debt to total assets	69,1%	58,3%	52,5%	72,3%	61,4%	59,0%	57,3%	56,3%	54,4%
Interest coverage	2,63	2,38	3,90	14,03	2,16	15,20	3,14	3,09	3,57
Current liabilities to assets	57,5%	54,5%	52,2%	66,2%	56,5%	55,5%	46,3%	46,8%	45,6%
Operating current liabilities to assets	35,0%	20,8%	20,6%	31,3%	30,1%	30,5%	27,5%	28,3%	27,6%
Operating current liabilities to total current liabilities	58,0%	56,4%	52,0%	47,8%	54,6%	54,9%	90,9%	91,8%	92,5%
Liquidity									
Quick ratio	1,18	1,17	1,00	1,21	1,26	1,24	1,24	1,22	1,23
Acid test	0,86	1,06	0,87	0,99	1,03	1,05	0,99	0,98	0,98
Trading Cycle	184	157	124	185	86	159	46	42	37
Days sales outstanding	285	289	189	309	253	247	140	135	124
Days in inventory	113	98	113	117	121	157	72	71	67
Days in accounts payable	214	229	178	241	289	245	166	164	154
Inventory to current assets	19,8%	14,3%	18,6%	19,7%	20,5%	24,9%	21,1%	21,6%	21,9%
Inventory to assets	11,7%	10,5%	8,2%	14,3%	13,1%	11,8%	13,7%	13,7%	13,9%
Efficiency									
Receivables turnover	1,26	1,25	1,91	2,43	2,17	1,95	2,00	2,06	2,27
Inventory turnover	3,19	3,76	3,38	33,79	7,48	3,85	5,16	5,19	5,51
Assets turnover	0,66	0,29	0,49	0,76	0,91	0,62	0,62	0,62	0,65
Administration expenses to sales	12,1%	10,6%	11,8%	21,3%	13,4%	22,3%	9,7%	9,9%	9,7%
Selling expenses to sales	9,5%	8,9%	6,0%	9,2%	8,5%	16,1%	10,5%	10,6%	10,1%
Total operating expenses to sales	29,4%	23,7%	22,7%	50,1%	29,7%	43,5%	21,8%	22,2%	21,1%
Interest expenses to sales	3,82%	3,19%	2,00%	6,58%	5,06%	3,65%	1,72%	1,58%	1,47%
Extraordinary expenses to sales	0,55%	0,53%	0,71%	0,63%	0,85%	3,43%	-0,04%	-0,05%	-0,02%
Profitability & Return on capital									
Gross margin	26,1%	30,3%	21,2%	26,5%	25,5%	18,8%	27,8%	27,2%	26,7%
EBIT margin	6,7%	0,5%	6,1%	-3,9%	2,0%	5,1%	5,2%	4,5%	4,9%
EBITDA margin	11,0%	7,8%	11,1%	2,5%	7,2%	14,8%	9,4%	8,9%	9,3%
EBT margin	0,7%	0,7%	1,7%	-9,4%	-1,1%	-1,7%	2,7%	2,2%	2,6%
Return on assets	0,2%	-0,3%	0,7%	0,4%	-0,3%	1,3%	1,5%	1,1%	1,4%
Return on equity	1,6%	0,3%	1,2%	9,6%	14,0%	6,4%	4,6%	3,6%	4,1%





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Industry financial statements

	Amounts in mn €			COMMON SIZE			TREND ANALYSIS		
Balance Sheet									
	2007	**2006**	**2005**	**2007**	**2006**	**2005**	**2007/2006**	**2006/2005**	**2007/2005**
Formation expenses	0,76	0,49	0,38	1,1%	0,8%	0,7%	54,2%	29,1%	41,1%
Fixed assets	19,70	22,95	20,24	28,2%	36,3%	35,4%	-14,2%	13,4%	-1,4%
Participations	1,60	2,33	1,65	2,3%	3,7%	2,9%	-31,4%	40,8%	-1,7%
Current Assets	47,49	37,44	34,92	68,1%	59,2%	61,0%	26,9%	7,2%	16,6%
Inventory	*9,24*	*8,08*	*8,85*	*13,2%*	*12,8%*	*15,5%*	*14,4%*	*-8,7%*	*2,2%*
Receivables	*25,23*	*18,91*	*21,88*	*36,2%*	*29,9%*	*38,2%*	*33,4%*	*-13,6%*	*7,4%*
Cash & securities	*13,02*	*10,45*	*4,20*	*18,7%*	*16,5%*	*7,3%*	*24,6%*	*148,9%*	*76,1%*
Transitory accounts	0,20	0,04	0,02	0,3%	0,1%	0,0%	412,7%	60,3%	186,7%
Total Assets	**69,75**	**63,25**	**57,23**	**100,0%**	**100,0%**	**100,0%**	**10,3%**	**10,5%**	**10,4%**
Equity capital	25,21	29,52	22,79	36,1%	46,7%	39,8%	-14,6%	29,5%	5,2%
Share capital	*15,02*	*14,45*	*14,42*	*21,5%*	*22,9%*	*25,2%*	*3,9%*	*0,2%*	*2,1%*
Reserves & retained earnings	*10,19*	*15,06*	*8,37*	*14,6%*	*23,8%*	*14,6%*	*-32,4%*	*80,1%*	*10,3%*
Provisions	0,63	0,52	0,41	0,9%	0,8%	0,7%	22,3%	25,6%	24,0%
Long term liabilities	5,99	6,89	2,85	8,6%	10,9%	5,0%	-13,1%	142,0%	45,0%
Reserves & retained earnings	*5,40*	*6,50*	*1,32*	*7,7%*	*10,3%*	*2,3%*	*-17,0%*	*391,8%*	*102,1%*
Other	*0,59*	*0,39*	*1,53*	*0,8%*	*0,6%*	*2,7%*	*52,1%*	*-74,5%*	*-37,7%*
Current liabilities	37,72	26,23	31,10	54,1%	41,5%	54,4%	43,8%	-15,7%	10,1%
Suppliers	*9,03*	*6,26*	*9,91*	*13,0%*	*9,9%*	*17,3%*	*44,3%*	*-36,8%*	*-4,5%*
Checks & notes payable	*7,71*	*3,74*	*6,58*	*11,1%*	*5,9%*	*11,5%*	*106,0%*	*-43,1%*	*8,2%*
Short-term bank debt	*12,89*	*11,86*	*11,90*	*18,5%*	*18,8%*	*20,8%*	*8,6%*	*-0,3%*	*4,1%*
Taxes and social contibutions	*1,68*	*0,97*	*0,71*	*2,4%*	*1,5%*	*1,2%*	*73,3%*	*35,5%*	*53,3%*
Dividends payable	*0,56*	*0,03*	*0,05*	*0,8%*	*0,0%*	*0,1%*	*1718,4%*	*-37,6%*	*236,8%*
Intercompany liabilities	*0,00*	*0,00*	*0,00*	*0,0%*	*0,0%*	*0,0%*			
Other	*5,86*	*3,37*	*1,95*	*8,4%*	*5,3%*	*3,4%*	*73,9%*	*73,0%*	*73,4%*
Transitory accounts	0,19	0,10	0,08	0,3%	0,2%	0,1%	99,8%	25,4%	58,3%
Total Equity & Liabilities	**69,75**	**63,25**	**57,23**	**100,0%**	**100,0%**	**100,0%**	**10,3%**	**10,5%**	**10,4%**
Off-balance sheet accounts	21,20	9,80	10,20	30,4%	15,5%	17,8%	116,4%	-3,9%	44,2%
Profit & Loss Statement									
Sales	**38,36**	**35,45**	**35,83**	**100,0%**	**100,0%**	**100,0%**	**8,2%**	**-1,0%**	**3,5%**
Gross results	**10,42**	**8,62**	**8,43**	**27,2%**	**24,3%**	**23,5%**	**20,9%**	**2,2%**	**11,1%**
Gross margin	*27,2%*	*24,3%*	*23,5%*						
Administration expenses	4,24	3,08	3,35	11,1%	8,7%	9,4%	37,9%	-8,3%	12,5%
Selling and distribution expenses	2,80	2,75	2,04	7,3%	7,8%	5,7%	1,8%	35,0%	17,2%
EBITDA	**-1,84**	**2,81**	**3,69**	**-4,8%**	**7,9%**	**10,3%**		**-23,9%**	
EBITDA margin	*-4,8%*	*7,9%*	*10,3%*						
EBIT	**-3,66**	**1,36**	**1,92**	**-9,5%**	**3,8%**	**5,4%**		**-29,1%**	
EBIT margin	*-9,5%*	*3,8%*	*5,4%*						
Earnings before taxes	**-5,43**	**-1,05**	**-0,87**	**-14,1%**	**-3,0%**	**-2,4%**			
EBT margin	*-14,1%*	*-3,0%*	*-2,4%*						
Income taxes	1,18	0,46	1,00	3,1%	1,3%	2,8%	158,8%	-54,6%	8,4%

Financial Statements under IFRS for fiscal years 2005-2004, either detailed or condensed, may not be comparable to 2003 Greek GAAP data