Groupe Gorgé

Press release

Paris, September 18, 2019, 7 a.m.

First-half 2019 results

- **Record backlog**
- **Sharp rise in profitability across the three divisions**
- **Cash flow from operations up to €10.6 million**

Groupe Gorgé (Euronext Paris: GOE) reports its first-half 2019 results today.

(in € millions)	H1 2019[1]	H1 2018[2]	Change
Backlog at end of period	**641.2**	202.3	*+216.9 %*
Revenue[3]	**135.4**	123.0	*+10.0 %*
EBITDA[4]	**14.3**	5.3	*+169.2 %*
Current operating income	**2.6**	(1.9)	*+237.5 %*
Operating income	**0.0**	(4.5)	*+4.5 M€*
Tax	**(2.2)**	(0.1)	*-2.1 M€*
Net income from discontinued activities	**0.3**	0.3	-
Net income	**(2.1)**	(4.5)	*+2.3 M€*
Net income – Group share	**(2.1)**	(3.6)	*+1.5 M€*
Cash flow from operations	**10.6**	1.1	*+861.7 %*

The consolidated financial statements for first-half 2019 were approved by the Board of Directors at its meeting dated September 17, 2019. The financial statements were subject to a limited review by the Statutory Auditors; the audit reports are currently being issued.

In first-half 2019, Groupe Gorgé's **revenue** was up by 10.0 % to €135.4 million. This growth was driven by strong performance in the Robotics and Aerospace businesses in Smart Safety Systems and across all businesses in the 3D Printing division.

At June 30, 2019, Groupe Gorgé's backlog reached a historic high of €641.2 million, multiplied by more than three since June 30, 2018, on the back of a major order of about €450 million from the Belgian and Dutch navies for naval robotics in the Smart Safety Systems division.

The Group's **EBITDA** jumped 169.2 % to €14.3 million in first-half 2019. It reflects the strong improvement in profitability across all divisions, and for €2.9 million the application of IFRS 16 –

[1]First-time application of IFRS 16 - *Leases* as from January 1, 2019 (the effects are described in the half-year report, no retrospective modification for 2018).

[2] In the Protection of High-Risk Installations division, Cimlec and its subsidiaries (Cimlec group) were disposed of on July 9, 2019. In accordance with IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*, the Cimlec group's contribution is recorded under "Net income from discontinued activities" and not in each line of the income statement. For information, these businesses represented €20.5 million in first-half 2018 and €22.0 million in first-half 2019.

[3] Published revenue shows a €0.9 million discrepancy compared with the revenue reported on July 28, 2019, due to changes in the conditions of application of IFRS 15 - *Revenue from Contracts with Customers* for some contracts in the Smart Safety Systems division (ECA).

[4] Current operating income before depreciation, amortization and provisions, and before bonus share allocation expenses.

Leases as from January 1, 2019. The Group's EBITDA margin was 10.5 %, compared with 4.3 % in the first half of 2018.

Current operating income was €2.6 million, compared with a loss of -€1.9 million in the first half of 2018. **Non-recurring items** in operating income were -€2.7 million in first-half 2019, including in particular restructuring costs across the three divisions for an amount of -€1.0 million.

Financial income was -€0.2 million, compared with -€0.3 million in first-half 2018.

The **income tax** expense was -€2.2 million, compared with -€0.1 million in first-half 2018. This increase was partially due to the improved profitability of the businesses. The Group was also penalized by an unfavorable change in deferred taxes (approximately €1.4 million) related to tax loss carryforwards and recognized as assets.

Net income from discontinued activities (Cimlec Industrie) was €0.3 million, both in 2019 and 2018. **Net income group share** improved by €1.5 million to -€2.1 million in the first half, compared with -€3.6 million for the same period in the previous year. Net income for the period does not yet reflect the profit of more than €20 million from the disposal of Cimlec group on July 9, 2019.

The impact of the first-time application of IFRS 16 – *Leases* was €2.9 million on EBITDA, but had virtually no effect on operating income and net income (less than €0.2 million).

Performance by division

(in € millions)	Revenue			EBITDA[4]		
	H1 2019	**H1 2018**	**Change**	**H1 2019**	**H1 2018**	**Change**
Smart Safety Systems	**57.1**	50.1	*+13.9 %*	**9.9**	5.5	*+4.4 M€*
Protection of High-Risk Installations	**65.7**	65.7	*+0.0 %*	**3.5**	0.2	*+3.3 M€*
3D Printing	**35.3**	27.6	*+28.1 %*	**2.6**	0.2	*+2.4 M€*
Structure & disposals	***(0.9)***	*(0.5)*	*n.s.*	***(0.2)***	*0.6*	*n.s*
Discontinued activities[5]	**(21.8)**	(20.1)	*n.s*	**(1.5)**	(1.0)	*n.s*
Other adjustments[6]	**-**	0.3	*n.s*	**-**	(0.1)	*n.s*
Consolidated	**135.4**	123.0	*+10.0 %*	**14.3**	5.3	*+169.2 %*

Smart Safety Systems

In first-half 2019, revenue of the Smart Safety Systems division was €57.1 million, up by a sharp 13.3 %. This acceleration is driven by the remarkable performance of the Robotics (+29.6 %) and Aerospace (+11.2 %) businesses, offsetting the decline in Simulation, which now accounts for only 4.5% of the division's revenue, at €2.6 million (-54.3%). During the half-year period, the division recorded a portion of the revenue that could be recognized this year from the contract

[5] The adjustment to IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations* concerns the contribution of Cimlec and its subsidiaries (Cimlec group) within the Protection of High-Risk Installations division. These subsidiaries were disposed of on July 9, 2019 and are consolidated within discontinued activities.

[6] In the Smart Safety Systems division, 2018 sectorial data are adjusted from the contribution of activities for which the closure or disposal were decided in 2017 (sale of the business capital of SSI in August 2018).

with the Belgian and Dutch navies; the teams are in place, recruitments are on-going, and the project design phase has begun.

At June 30, 2019, the division's backlog reached a record high of €545.5 million, 5.5 times higher than the amount at June 30, 2018.

EBITDA was up by 85.4 % to €9.9 million. The EBITDA margin rose sharply from 10.6 % in first-half 2018 to 17.3% in first-half 2019. This reflects the excellent growth in the Robotics division, a return to profitability in the Aerospace division and the application of IFRS 16 – *Leases* for €1.1 million.

After deducting non-recurring items of €0.4 million, operating income was up 322.9% to €3.8 million. The operating margin was 6.6%, up sharply compared with first-half 2018.

Protection of High-Risk Installations

In the Protection of High-Risk Installations division, including Cimlec and its subsidiaries disposed of on July 9, 2019, revenue was €65.7 million in first-half 2019, stable compared with first-half 2018. In the second quarter, the Group disposed of subsidiaries NTS and Hoekstra; those two businesses contributed €3.8 million to revenue for financial year 2018.

In application of IFRS 5, Cimlec and its subsidiaries are consolidated on a single line of the profit and loss statement (Discontinued operations), the division's revenue excluding its contribution was €43.5 million. The division now accounts for 32 % of Groupe Gorgé's half-year revenue.

The division's backlog was €89.2 million at June 30, 2019.

The division's EBITDA increased this half-year to €3.5 million, up €3.3 million, thanks to the recovery in the Nuclear business, and by the application of IFRS 16 for €0.8 million. The EBITDA margin was 5.3 %.

After deducting non-recurring items for €1.2 million, related in particular to restructuring costs for €0.4 million and disposal for €0.8 million, operating income improved by €2.5 million to -€0.2 million in first-half 2019.

3D Printing

First-half 2019 revenue was €35.3 million, up sharply by 28.1 % compared with first-half 2018. The half-year period was marked by continued dynamic organic growth in the Systems (+33.1 %) and Products (+19.7 %) businesses, strengthened by a favorable scope effect due to the consolidation of companies acquired in 2018 and early 2019 (€5.3 million).

EBITDA was €2.6 million, multiplied by 13 over one year. This reflects a strong improvement in the company's profitability, and for €1.0 million the application of IFRS 16. EBITDA margin increased to 7.3 % in first-half 2019, compared to 0.7 million in first-half 2018.

Operating income improved by €0.1 million to -€2.5 million in first-half 2019, although it was penalized by non-recurring items of €1.0 million, due mainly to the amortization of intangible assets recognized at fair value during the acquisitions, restructuring costs in the medical division, and an expense related to bonus share allocations of €0.5 million this half-year. In January 2019, Prodways Group established a new bonus share allocation plan (802,800 shares, i.e. maximum dilution of about 1.58% on the basis of existing share capital) for all employees. This plan is subject to the achievement over three years of performance criteria based on operating income and helps strengthen the alignment of the interests of management and employees with those of shareholders.

Financial position at June 30, 2019

Cash flow from operations for the half-year period was €9.5 million, compared with €4.4 million in first-half 2018, benefiting from the improved cash flow from operating activities at €10.6 million versus €1.1 million in June 2018, and from the positive evolution of working capital requirement of €0.8 million.

During the half-year period, the Group maintained a strong level of investments at €11.2 million. €5.3 million are related to acquisitions (Surdifuse-L'Embout Français, Avenao earn-out, and acquisition of minority interests in the 3D Printing division) and disposals (NTS and Hoekstra in the Protection of High-Risk Installations division, EN Moteurs in the Smart Safety Systems division). The proceeds from the disposal of Cimlec was collected in July 2019.

At June 30, 2019, the Group recorded net debt (excluding rental debt resulting from the application of IFRS 16 and including treasury share) of €31.9 million, versus net debt of €27.7 million at December 31, 2018.

2019 outlook

For 2019, the Smart Safety Systems division confirms that it expects to greatly exceed its +5 % revenue growth target.

The very healthy backlog level of the Aerospace division suggests strong performance in the second half-year. The business momentum remains positive, especially in the Automated Guided Vehicles segment, where the Group applies its expertise to drones and land vehicles; these new developments are receiving strong expressions of interest, in particular in the aeronautics segment. ECA Group anticipates significant potential for this business in the medium term. The Group is expecting significant calls for tender in the Simulation division, which should boost the business's recovery.

Lastly, the Robotics business should continue to deliver a very strong performance, driven by the fulfillment of the supply contract of 12 mine countermeasures vessels to the Belgian and Dutch navies. Some new opportunities for mine hunting contracts are already identified in several countries.

In the **Protection of High-Risk Installations** division, the recovery observed throughout 2018 is expected to continue in 2019 for all the division's businesses, and several major contracts are expected.

The reorganization of capital in the France Fire Protection business (CLF Satrem, AMOPSI and SVF) will make it possible to accelerate the development of these businesses, which saw a decline in performance in recent years. The leveraged buy-out where management owns 30% of the business capital was finalized on July 25, 2019. The business will remain consolidated in the Group's financial statements.

The **3D Printing** division has been working for several years on 3D Printing industrialization projects in various business sectors. These projects would involve a large number of machines dedicated to production applications consuming several tonnes of material. The Group observes a positive trend in some sectors and significant progress has been made over the last few months on several projects. The Group expects a first order intake of this type in the next 6 months.

The disposal of Cimlec group changes the revenue outlook for the Protection of High-Risk Installations division**.** Nevertheless, the **Group** confirms its 10 % growth target for 2019.

Net income for the year should show a strong increase compared with the previous year without taking into account the disposal of the Cimlec group, which took place on July 9, 2019, and which will increase net income for the period by more than €20 million. Those elements should enable the Group to reach a record net income in 2019. Proceeds from the disposal will also significantly improve the Group's net debt.

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Conference call on Wednesday, September 18, 2019 at 11:00 am CET

The information on the first half 2019 results includes this press release and the presentation available on the Groupe Gorgé website: www.groupe-gorge.com.

Today, Wednesday, September 18, 2019, Raphaël Gorgé, Chairman and CEO, and Loïc Le Berre, Deputy Chief Executive Officer - Finance, will provide the financial community with their comments on the Groupe Gorgé interim results and respond to questions from analysts during a conference call in French from 11:00 a.m. (Paris time).

To participate in the conference call, you may call any of the following telephone numbers approximately 5 - 10 minutes prior to the scheduled start time:

- France: +33 (0) 1 72 72 74 03;
- United Kingdom: +44 (0) 2 07 19 43 759;
- Germany: +49 (0) 6 92 22 22 54 29;
- United States: +1 64 67 22 49 16.

Access code: 94804312#

A replay will be available as soon as possible on the Groupe Gorgé investors' website, "Financial press releases" section.

Next report:
Third-quarter 2019 revenue released on October 24, 2019 before the stock market opening.

About Groupe Gorgé
Founded in 1990, Groupe Gorgé is an independent group that specializes in high-tech industries. Today, the Group is active in the fields of security and protection in extreme environments, as well as in the 3D printing sector. In its more than twenty-five year history, Groupe Gorgé has always developed and driven the latest technological and industrial innovations.

Smart Safety Systems:
Developing complete, innovative technological solutions for complex missions in hostile and confined environments.

Protection of High-Risk Installations:
Protecting people and ensuring the active and passive protection of installations for energy markets and industrial and tertiary sectors in France. Ensuring the maintenance of these protection systems.

3D Printing:
Enabling major industry players to find new routes to successful innovation and production processes by providing 3D printers, premium material, software and 3D printed parts.

The Group reported revenue of €296 M in 2018. It is backed by 2,000 employees and operations in close to 10 countries.

More information on www.groupe-gorge.com / Follow us on Twitter @GroupeGorge

Groupe Gorgé is listed on Euronext Paris compartment B
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Forward Looking Statement