GROUPE Gorgé

Press release
Paris, September 22, 2020, 7:00pm

2020 Half-year results

- **First-half performance impacted by the Covid-19 crisis but gradual recovery across all activities**
- **Available cash and cash equivalents strong at €80.2 million at 30 June 2020**
- **Completion of the refocusing within the Protection of High-Risk Installations Division and strengthening of business lines with a high technology content**
  - Launch of StedY in the engineering and technology consulting service
  - Contemplated merger between Groupe Gorgé and its subsidiary ECA, preceded by a proposed simplified public tender offer on ECA shares under its share buyback programme

Groupe Gorgé (Euronext Paris: GOE) publishes its 2020 half-year results today.

(in € millions)	**H1 2020**	**H1 2019**	**Change**
Backlog at end of period	**617.3**	641.2	*-3.7%*
Revenue	**108.0**	135.4	*-20.2%*
EBITDA[1]	**7.1**	14.3	*-50.4%*
EBITDA margin (%)	***6.6%***	*10.5%*	*-399 bp*
Income from ordinary activities[2]	**(4.3)**	3.2	*-€7.4 M*
Operating income	**(14.3)**	(0.0)	*-€14.2 M*
Financial result	**(0.4)**	(0.2)	*-€0.2 M*
Tax	**1.0**	(2.2)	*+€3.3 M*
Net result – Group share	**(10.0)**	(2.1)	*-€8.0 M*

The consolidated financial statements for the first half of 2020 were approved by the Board of Directors at its meeting on 22 September 2020. The financial statements have been subject to a limited review by the Statutory Auditors and their reports are in the process of being issued.

Groupe Gorgé's **revenue** for the first half of 2020 was severely affected by the Covid-19 pandemic and the impact of the lockdown on operations despite business continuity plans. It stood at €108 million, a decrease of 20.2% on a reported and comparable basis, including a decrease of 35.2% during the second quarter of 2020.

At 30 June 2020, the **backlog** was 2.6% higher than at 31 March 2020. It stood at €617 million, equivalent to over two years' revenue for the Group, which has maintained strong business momentum across all its divisions throughout the period.

Since the outbreak of the crisis, Groupe Gorgé has implemented cost savings and industrial facility streamlining initiatives. These actions have enabled to mitigate the downturn to some extent, while continuing to invest in technologies to support future growth. **EBITDA** was affected by the decline in activity caused by the Covid-19 crisis, partially offset by measures taken to

[1] Operating income before "depreciation, amortisation and provisions", "other items of operating income" and "Group share of the earnings of affiliated companies".
[2] Operating income before "other items of operating income" and "Group share of the earnings of affiliated companies".

reduce costs and the implementation of government measures (furlough) within all divisions. It stood at €7.1 million, while the EBITDA margin for the first half of 2020 was 6.6%.

During the first half of 2020, **EBIT** was -€4.3 million, representing a decline of €7.4 million.

Due to the unusual context of the health crisis, the Group performed in-depth reviews of the value of all its assets this summer. Impairment losses totalling €8.5 million were recorded with respect to inventory, R&D projects and intangible assets recognised at fair value at the time of acquisition. These impairment losses had no cash effect during the period. They comprise the majority of **other operating income** which stood at -€10.0 million for the first half of 2020, compared to -€3.2 million for the first half of 2019.

Operating income therefore totalled -€14.3 million for the first half of 2020.

Financial income was -€0,4 million, compared with -€0,2 million in first-half 2019.

After net income from discontinued activities of -€1.0 million, **net income (Group share)** stood at -€10.0 million, compared with -€2.1 million for the first half of 2019 and +€20.9 million for full-year 2019. Provisions without cash effect had a major impact on the results for the period.

Performance by division

(in € millions)			**H1 2020**	**H1 2019**	*Change*
Smart Safety Systems	Revenue		**43.1**	57.1	*-24.5%*
	EBITDA		**5.3**	9.9	*-46.8%*
		EBITDA margin (%)	***12.2%***	*17.3%*	*-512 bp*
Protection of High-Risk Installations[3]	Revenue		**38.5**	43.5	*-11.5%*
	EBITDA		**0.9**	2.0	*-56.2%*
		EBITDA margin (%)	***2.2%***	*4.5%*	*-229 bp*
3D Printing	Revenue		**26.8**	35.3	*-23.9%*
	EBITDA		**1.4**	2.6	*-44.5%*
		EBITDA margin (%)	***5.3%***	*7.3%*	*-197 bp*

Smart Safety Systems

This division's revenue for first-half 2020 was down 24.5% to €43.1 million, including a drop of 42.8% during the second quarter. This decline is due to the sharp contraction in the aeronautics market affecting the Aerospace business (-36.1%), the impact of lockdown on operations, despite business continuity plans, and an adverse base effect, due to high revenue for the first half of 2019.

At 30 June 2020, the division's backlog stood at a high level of €531 million, up 3.1% compared to 31 March 2020.

[3] 2019 data of the Protection of High-risk Installation division are excluding the contribution of group Cimlec, disposed of in 2019.

The division maintained a double-digit EBITDA margin, at 12.2% of revenue. EBITDA was affected by the decline in activity caused by the Covid-19 crisis, that partially offset measures taken to reduce costs and the implementation of government aid schemes (furlough), particularly within the Aerospace business.

Protection of High-Risk Installations

In the Protection of High-Risk Installations Division, revenue showed some resistance, totalling €38.5 million, down 11.5% on a reported basis and down 9.8% on a comparable basis[4]. This evolution reflects the resilience of the Fire Protection activities in France and the stability of the Nuclear business, whereas the Oil & Gas business, deconsolidated at the start of July by the merger with its competitor InterDam, had a negative impact on performance over the half-year. Restated for this activity, revenue for the first half-year fell only 5.6%.

At 30 June 2020, the division's backlog stood at €81 million, stable compared to 31 March 2020.

The division's EBITDA totalled €0.9 million, a fall of €1.1 million compared with the first half of 2019. Over half of this decline relates to the Van Dam subsidiary which will be deconsolidated during the second half of 2020. The implementation of government initiatives has only partially offset the impact of the lockdown measures on business. The EBITDA margin was 2.2%, compared with 4.5% in the first half of 2019.

3D Printing

During the first half of 2020, the 3D Printing Division's revenue fell 23.9% to €26.8 million. The division, and the Products business in particular (-30.4% in H1 2020), was adversely affected by the Covid-19 health crisis in the second quarter of 2020. The situation then improved month-by-month across all businesses.

The division's EBITDA remained positive at €1.4 million for the first half of 2020, despite being impacted by the decline in activity caused by Covid-19. The profitability of the Systems business showed strong resilience, with EBITDA up 5.6% during the first half of 2020. The Group's ongoing restructuring and cost-savings initiatives, combined with the government aid schemes, contributed to this performance. Furthermore, investments in products and technologies dedicated to production applications on an industrial scale continued to stimulate future growth. The division's EBITDA margin fell slightly to 5.3% during the first half of 2020, against 7.3% for the first half of 2019.

Financial position

Cash flows generated by the activity stood at €8.3 million for the first half of 2020, a slight decline of €1.3 million compared with the first half of 2019. The working capital requirement improved by €5.2 million, benefiting from the decline in activity and the deferral of social security contributions during the second half.

[4] Excluding Hoekstra-Suwald Techniek BV, which was sold in April 2019, and the goodwill of The Wind Factory, sold in early 2020.

Investments reached a high level of €13.3 million during the first half of 2020, versus €11.2 million during the first half of 2019. The Group maintained a sustained level of R&D investment, notably as part of the Smart Safety Systems Division's Belgian-Dutch project.

Cash and cash equivalents were strengthened by State Guaranteed Loans in the amount of €22.6 million. At 30 June 2020, **available cash and cash equivalents** amounted to €80.2 million. Only €21.5 million of the €55 million in confirmed credit lines had been drawn. Net financial debt[5] totalled €20.1 million at 30 June 2020, compared with €8.2 million at 31 December 2019.

Outlook

The Group is confident in its outlook and anticipates recovery in terms of revenue during the second half of 2020, while remaining prudent in light of the uncertainties associated with the current health and macroeconomic climate. Groupe Gorgé's end markets are diverse and are not expected to be those hardest hit by the current crisis, with the exception of Aerospace (around 10% of Group revenue), which has seen the most severe impacts in the Smart Safety Systems Division.

The Group completed the refocusing of its Protection of High-Risk Installations Division, with the merger between Van Dam and its competitor InterDam early July. The conclusion of this operation will generate capital gains of around €3 million during the second half of the year, in addition to a capital gain of nearly €4 million associated with the sale of a property asset for €6.9 million at the end of July.

The completion of this refocusing, which began 18 months ago, reflects the Group's ambition to focus on industrial activities with a high technological content. The Group's growth will follow three complementary axes:

Firstly, organic growth generated by a promising commercial outlook for the second half of the year across all activities and notably illustrated by the recent contract for over €6 million in the Nuclear business. Other significant orders are expected in the Fire Protection and Smart Safety Systems Divisions with, as announced in July 2020, a contract to provide mine warfare robotic systems worth over €20 million to an export client expected in the third quarter of 2020.

Secondly, acquisitions. With nearly €80 million in available cash and cash equivalents, the Group has never been in a better position to seize acquisition opportunities that may arise in the current context.

Lastly, strengthening existing business lines. As announced, the Group's refocusing on businesses with high technological content will also translate into a strengthening of the Group's most promising activities. This strategy involves, firstly, the launch of StedY, a digital service offering that redefines engineering and technology consulting services and enhances the Group's positioning in this area, in which it has been present since 2012. (press release of 17 September

[5] Net debt excluding lease liabilities resulting from the application of IFRS 16 and including the value of treasury stock.

2020). In parallel, Groupe Gorgé announced today a contemplated merger-absorption of ECA by Groupe Gorgé. Through this contemplated merger-absorption, Groupe Gorgé has confirmed its intention to support the long-term development of ECA. The merger would help to unify and simplify the structure of Groupe Gorgé by eliminating the dual listing of Groupe Gorgé and ECA. It would provide access to greater liquidity for shareholders in the two companies, particularly the shareholders of ECA, by way of an increase in the size of Groupe Gorgé's free-float; this in turn would boost the potential interest of French and international investors in the Group. It would also lead to cost savings.

The principle of this transaction was approved on 21 September 2020 by the Board of Directors of ECA and on 22 September 2020 by the Board of Directors of Groupe Gorgé, on the basis of an indicative parity of 9 Groupe Gorgé shares per 5 ECA shares, based on a multi-criteria approach.

The press release about the transaction is available on the Groupe Gorgé website, under "Press releases".

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Conference call on Wednesday 23 September 2020 at 10:00 am CET

Presentation available prior to the conference on the Groupe Gorgé website: www.groupe-gorge.com, under "Financial press releases".

On Wednesday 23 September 2020 at 10:00 am, Raphaël Gorgé, Chairman and Chief Executive Officer, and Loïc Le Berre, Chief Financial Officer, will comment to the financial community on the half-year results of Groupe Gorgé and the contemplated merger between Groupe Gorgé and ECA, and will answer questions from analysts, at a conference call in French.

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 70 71 01 59
- 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: 80305337#

A replay will be available as soon as possible on the Groupe Gorgé investor site, under "Financial press releases".

Financial calendar:
Q3 2020 revenue: 28 October 2020 after stock market closing

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. **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 €274,6 M in 2019. It is backed by close to 1,800 employees and operations in 7 countries.

Groupe Gorgé is listed on Euronext Paris compartment B
ISIN: FR0000062671
Ticker: GOE

More information on www.groupe-gorge.com

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This press release could contain statements on past events and forward-looking statements including statements regarding future goals or targets. Forward-looking statements reflect current expectations for results and future events.
Groupe Gorgé press releases may contain forward-looking statements regarding Groupe Gorgé's targets. These forward-looking statements reflect Groupe Gorgé's current expectations. Such forward-looking statements and targets depend on known and unknown risks, uncertainties and other factors that could cause actual results, performance or events to differ materially from those anticipated herein. The risks and uncertainties that could affect the Group's future ability to achieve its targets include, in addition to those indicated in the press release: the strength of competition; the development of markets in which the Group operates and notably the 3D printing division; currency fluctuations; obtaining the export authorizations that may be required for certain activities; control of costs and expenses; changes in tax legislation, laws, regulations or their enforcement; our ability to successfully keep pace with technological advances; our ability to attract and retain qualified personnel and key staff; the evolution, interpretation and uniform application and enforcement of International Financial Reporting Standards (IFRS), according to which we prepare our financial statements; manufacturing and supply chain bottlenecks; the performance of our business partners (subcontractors, agents, suppliers, etc.). Some of these risk factors are set forth and detailed in our Universal registration document (including the annual financial report filed with the French *Autorité des Marchés Financiers*), available on our website www.groupe-gorge.com. This list of risks, uncertainties and other factors is not limitative. Other unanticipated, unknown or unforeseeable factors, such as changes in the economic situation or financial markets, could also have a material adverse effect on our targets.

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