First half 2018 results

PRESS
RELEASE

Toulouse, 17 September 2018 at 6.00 p.m.

In € millions	H1 2018(1)	H1 2017(2)	H1 2017(3)	Var.	2017(2)
Revenue	226.6	218.7	218.2	+3.6%	435.3
EBITDA(4)	15.2	12.1	11.1	+26.4%	31.6
as a % of revenue	*6.7%*	*5.5%*	*5.1%*	-	*7.3 %*
Operating income	1.0	6.3	6.3	<84.8%>	19.8
as a % of revenue	*0.4%*	*2.9%*	*2.9%*	-	*4.5 %*
Financial income	3.8	<3.7>	<3.7>	+201.7%	<9.0>
Net income	2.1	2.4	2.4	<14.9%>	8.5
Group share of net income	1.9	2.3	2.3	<15.6%>	8.3
Gearing ratio	110.1%	76.6%	76.6%		87.9%
EBITDA excluding hedging instruments	10.1	14.7	13.7	<31.0%>	35.6
as a % of revenue	*4.5 %*	*6.7%*	*6.3%*		*8.2 %*

(1) Audited data. The consolidated financial statements were approved by the Board of Directors at its meeting on 17 September 2018 and submitted to the Supervisory Board on the same day.
(2) 2017 data adjusted for IFRS 15.
(3) Data published in 2017 without IFRS 15 adjustment.
(4) EBITDA: Net income + taxes + impairment of goodwill + interest and financial expenses + depreciation and amortisation.

Revenue for the first half 2018 came in at €226.6 million, recording year-on-year growth of 3.6% (+6.2% at constant exchange rates). Accelerated growth in the second quarter (12.7% revenue increase) translates a surge of new contracts in the Automotive and Telecommunications divisions.

Due to the production cycles of these contracts, which are set to run over several years, and the current product mix, this revenue growth cannot yet be reflected in the results; amid ongoing tensions in the international components market, the Group anticipates better profitability in the second half of 2018.

❖ BUSINESS OVERVIEW FOR H1 2018

ACTIA Group has enjoyed solid sales performance both in France and in international markets. French operations generated revenues of €101.4 million (44.8% of Group revenue, +5.5%), while sales from international subsidiaries totalled €125.2 million (55.2% of Group revenue, +2.1%). Sales to international customers accounted for 71.5% of the Group's business (compared to 70.3% in H1 2017). Sales performance was notably buoyed by the renewal of the Automotive accounts portfolio and a sharp rise in Telecommunications growth drivers.

As planned, ACTIA is preparing a new growth cycle driven by wider diversification of its account portfolio. The strategy being rolled out is spurred on by the good sales performance recorded in 2017 and includes investments made to purchase a new manufacturing plant in the United States and the creation of ACTIA Africa, the new Tunisian subsidiary, on the back of securing an initial share of the Egyptian market in the Bus and Cars sector and ongoing Telecommunications projects. /

ABOUT ACTIA

ACTIA Group is a mid-market company (ETI) founded in 1986. It is at once a family and an international business whose head office is located in France. This family aspect guarantees the long-term future of the Group and its independence with an ever-present entrepreneurial spirit. ACTIA's business is to design and produce the electronics that control systems in the particularly demanding fields of the automotive industry, rail, aeronautics, the aerospace industry, defence, energy and telecommunications.

The commitments made by ACTIA can be seen in the Group's ambitious contributions to tackling challenges that currently face society: mobility, connectivity, safety and the environment. Control over the design and production of products bearing the ACTIA signature is a true guarantee of quality. All Group employees share this demanding approach to quality in an environment that is fully certified.

Consolidated key figures:

- 2017 revenue: €436.1 million.
- More than 3,500 employees globally including 1,000 engineers and technicians working in R&D.
- Operations in 16 countries.
- 13 to 15% of turnover invested every year in R&D.

Stock Markets:

- Euronext B
- ISIN FR0000076655 – Mnemonic: ATI
- Reuters: MRSP.PA – Bloomberg: AIELF: FP
- Indices: ENT PEA-PME150 – CAC PME – CAC Small – CAC Mid & Small – CAC Industrials – CAC EL.&EL.EQ – TECH 40 – Gaïa-Index

Automotive operations (€208.5 million, 92.0% of Group turnover) recorded growth of 4.5%, concentrated in the second quarter (+12.6% turnover). Sales performance over the first half was maintained by the swift rebalancing of sales due to new contracts and the stability of other equipment and services in the Original Equipment Manufacturers department (+5.5%). At this stage of the upswing in new production launches, margins are being built up: for the time being, they are somewhat dented by increased R&D costs in the run-up to production launches, and purchasing components in a squeezed market, resulting in price tensions and less efficient use of production equipment. For the first half, these factors were reflected in the operating income of the Automotive business which came in at €1.1 million, or 0.5% of the division's turnover. The delivery of new products and careful management of purchases and production schedules will enable better performance in the second half of 2018.

The Telecommunications division (€18.0 million, 7.9% of Group turnover) was down 5.8% over the first half. Behind the drop observed over this period, new contracts took off in the second quarter (+13.0% turnover) which will gain traction this year and in the years ahead, sustained by a major multi-year SatCom order in the international market and continued growth in the energy and rail sectors. Balanced operating income was periodically impacted by efforts deployed to launch large programmes requiring heightened R&D expertise, and at times when staffing requirements were outsourced pending recruitment. Deliveries scheduled for the forthcoming quarters will put the Telecommunications division back on track for its usual profitability levels.

❖ RESULTS AND FINANCIAL SITUATION

Group operating income was €1.0 million compared to €6.3 million for the first half of 2017; this incorporates the purchase of components which were temporarily subjected to a price hike due to market tensions, and the level of innovation that went into equipment and solutions newly brought to market. The increase in research tax credit (+38.9%) corresponds to the deployment phase of innovative products but conceals a drop in R&D funding from customers just starting their contracts (rate of 29.3%, compared to 33.9% for H1 2017). The same cycle effect occurred with increased external costs (+7.2%), primarily related to outsourcing in response to a sudden increase in business and new infrastructure projects. The Group's workforce grew from 3,459 at the end of 2017 to 3,516 on 30 June 2018 (+1.6%) and will continue to increase in the second half. ACTIA needs to prioritise recruitment to serve its current and future customers, but also to consolidate its growth in Africa and the United States, where recruitment is strained due to a highly competitive labour market in full boom.

The rise of the dollar during the second quarter, which partly explains the increase in purchase prices and lower operational performance, positively influenced financial income due to adjustments made to hedging instruments. Thus, financial income stands at +€3.8 million, compared to <€3.7 million> for the first half of 2017. This also takes into account an increase in the cost of debt which masks better overall borrowing rates achieved by leveraging low-interest fixed-rate bank loans.

After rising tax costs of €2.6 million (compared to a gain of +€0.2 million in the first half of last year), generated by the good performance of some international subsidiaries, net income was €2.1 million, down by 14.9%.

❖ 2018 OUTLOOK

For 2018, ACTIA will maintain its objective of moderate growth with improved profitability. The tensions announced and observed in the international components market are likely to limit the progress of profitability and rein in the implementation of any potential levers beyond the initial objective.

The Automotive division will continue replacing the historical contract (almost 10% of its turnover) with new contracts in diverse market segments (geographically and industry-wise) thereby lessening its exposure to business risks. Furthermore, stronger partnerships with Alstom and Airbus confirm the Group's favourable outlook in the rail and aeronautics sectors. Finally, the Telecommunications division is on track to record strong growth from this year onwards.

With high-performing manufacturing facilities, heightened potential in international markets, a solid financial situation and a recognised capacity for innovation in fields of strategic excellence, ACTIA is confident that it will be pursue its profitable growth strategy.

NEXT PUBLICATION:

- **SFAF meeting for the 2018 first half results:**
  Wednesday 19 September at 2.00 p.m.
- **2018 third quarter turnover:**
  Wednesday 14 November (before start of trading)

CONTACTS:

ACTIA - Catherine Mallet - Tel: +33 (0)5 61 17 61 98 -
contact.investisseurs@actia.fr
CALYPTUS - Marie Calleux - Tel: +33 (0)1 53 65 68 68 -
actia@calyptus.net

For further information about ACTIA Group: www.actia.com