

AKKA TECHNOLOGIES

Passion for technology

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PRESS RELEASE – Interim 2014 results

Results in line with objectives

Despite the delay of a major contract

Net improvement in the performance of MBtech in Q2

Acceleration of diversification in Germany and internationally

- The interim 2014 results show a significant improvement in the operating performance of MBtech. After reaching a low in Q1, MBtech reported organic revenue growth of 9.0% in Q2, combined with an improvement in its recurring operating margin.
- This turnaround confirms the validity of the acquisition of MBtech in April 2012, and action undertaken to integrate and transform its activities since then. It paves the way for the launch of the second phase of MBtech's integration, which is aimed at stepping up the pace of diversification in Germany and internationally.
- This acceleration and the delay of a major contract weighed on margins in the first half, notably by increasing non-recurring expenses and compressing margins in France. It backs up the Group's medium-term objectives.

(€ million)	H1-2014	H1-2013
Revenue	438.4	435.7
Profit from business operations	22.8	23.7
As a % of revenue	5.2%	5.4%
Non-recurring income and expenses	-7.3	-1.5
Operating income	15.5	22.2
Pre-tax income	11.8	17.9
Net income – Group share	11.5	14.7
As a % of revenue	2.6%	3.4%
EPS	0.71	0.88
Net debt	76.1	63.2
Gearing	41.3%	35.9%

- The Board of Directors approved the financial statements on Wednesday 10 September.
- Change in revenue by BU at constant scope and exchange rates.
- Profit from business operations is calculated before non-recurring items and expenses relating to stock options and free shares.
- H1-2013 EPS has been adjusted for the distribution of new shares allocated free of charge to shareholders at the rate of 1 new share for every 10 AKKA Technologies shares held in May 2014.



Interim 2014 results

- The AKKA Technologies Group recorded revenue growth of 0.6% to €438.4 million in the first half of 2014 (+1.0% at constant scope and exchange rates). After a contraction of 3.1% in the first quarter, attributable to contract deferrals early in the year, the Group achieved growth of 4.7% in Q2, with +2.2% for the French BU, +7.7% for the German BU and +6.3% for international operations.
- Profit from business operations amounted to €22.8 million (€23.7 million in H1-2013). The decline in the margins of the French activities was offset by improved margins at MBtech, both in Germany and internationally (MBtech delivered a 4.1% margin overall in H1-2014, vs 0.6% in H1-2013). Overall, the recurring operating margin was 5.2% in the first half of 2014, compared with 5.4% in the same period of 2013.
- Operating income amounted to €15.5 million. It was impacted by non-recurring expenses stemming primarily from the ongoing transformation plan (€7.3 million in H1-2014, vs €6.7 million in H2-2013 and €1.5 million in H1-2013). This resulted in a slight decline in net income Group share to €11.4 million, vs €14.7 million in H1-2013. The net margin was 2.6%, compared with 3.4% in H1-2013.

Revenue by BU at constant scope and exchange rates

- The revenue of the **French operations** amounted to €224.2 million, the same level as in H1-2013. Revenue growth of 2.2% in Q2-2014 offset the decline in the first quarter. However, the challenging economic environment in France has led to the acceleration of the transformation plan. This acceleration, productivity and the delay of a major project with a Russian customer weighed on margins. The recurring operating margin was accordingly 2.7%, vs 6.2% in H1-2013. Determined action has been taken to improve the operating profitability of this BU starting in the second half of 2014.
- After reaching a low in Q1, **Germany** benefited in Q2 from the first effects of the integration and transformation work carried out over the last two years, notably in terms of productivity and efficiency. The group thereby recorded strong revenue growth with its leading customer in the second quarter. Overall, the German BU reported stable revenue of €152.8 million over H1 as a whole (-6.9% in Q1 and +7.7% in Q2) and multiplied its recurring operating margin by 3 to 3.7% in H1-2014.
- **International operations** continued to record front-ranking performances. Their revenue grew by 7.8% to €61.4 million, thanks chiefly to growth of more than 10% in Romania, the Czech Republic and the Middle East. Most countries recorded impressive margins of more than 10%, despite continued investment on future growth. In total, international operations generated a recurring operating margin of 12.7%, an increase of 130bp, representing profit from business operations of €7.8 million.

Cash-flow generation and net debt

- In line with the Group's strategy, revenue growth in Q2 (+4.7%, including +7.7% in Germany) resulted chiefly from a temporary increase in the proportion of packages and contracts with milestone payments, which are billed as work progresses. This has resulted in an increase in the Group's working capital. This increase, coupled with the acceleration of the transformation plan (almost €8 million spent in the first half), resulted in a €27 million decline in free cash flow over the first half as a whole. However, these impacts were temporary, and free cash-flow generation is expected to be positive again in the second half.
- As of 30 June, gross cash totalled €100.4 million. Net debt amounted to €76.1 million, on shareholders' equity of €184.3 million. This represented a seasonal peak of gearing at 41.3%, compared with 35.9% as of 30 June 2013 and 15.7% as of 31 December 2013.

Highlights of the first half

- The AKKA Technologies Group has become a member of the E-Mobil cluster in the region of Baden-Württemberg, in Germany. The E-mobil cluster promotes exchanges and cooperation between local industrial actors in the field of electro-mobility. The Group's nomination demonstrates its innovative capacity, its integration in the region and its expertise in the field of mobility, particularly in hybrid and electric engines.
- AKKA Research, AKKA Technologies' R&D centre, has been appointed to coordinate the Air COBOT project (Aircraft enhanced Inspection by smaRt & Collaborative rOBOT), the first autonomous robot for the visual inspection of aircraft. Air-COBOT is designed to carry out 70% of the visual inspections required by regulations, on a daily basis, for the maintenance, repair and inspection of aircraft.
- The AKKA Group has made a commitment, alongside 14 other major digital companies, in favour of the employment of people with disabilities by launching the "Handi-digital" portal, the sector's first website dedicated to jobs and training for people with disabilities.

2014 and medium-term outlook

- The AKKA Technologies Group has achieved the structural transformation of MBtech since its acquisition in April 2012. This has allowed the subsidiary to improve its skills and competitiveness under the PACT 17 transformation plan. This work resulted in a return to growth for the German BU in Q2-2014. The positive revenue trend in Germany and internationally allows the Group to confirm its objective of recording slight revenue growth over 2014 as a whole, despite the delay of a major contract, which is weighing on the performance in France.
- The success of the first stage of the integration of MBtech has led Daimler (MBtech's biggest customer) to announce its intention of strategically increasing its volume of business with MBtech in Germany and internationally. This will allow the AKKA Technologies Group to launch the second phase of its transformation plan, aimed at further improving the skills and competitiveness of its German subsidiary, diversifying its activities and accelerating its internationalisation from its Franco-German base.

This backs up the Group's medium-term objectives of achieving revenue of €1.2 billion, with a recurring operating margin of between 8% and 10%, and profit from business operations of €100 million* without compromising its financial equilibrium.

**Profit from business operations is calculated before non-recurring items and expenses relating to stock options and free shares.*

Next release: Q3-2014 revenue, on 13 November 2014 after trading.



Interim 2014 revenue

(€ million)	H1-2014	H1-2013	% change	% change at constant scope and exchange rates*
Revenue	438.4	435.7	+0.6%	+1.0%
France	224.2	224.3	0.0%	0.0%
Germany	152.8	152.9	-0.1%	-0.1%
International	61.4	58.4	+5.1%	+7.8%

Interim 2014 revenue

(€ million)	Q1	Q2	H1-2014	H1-2013
Change at constant scope and exchange rates*				
Revenue	218.3	220.1	438.4	435.7
	-2.8%	+5.0%	+1.0%	
France	113.1	111.0	224.2	224.3
	-2.2%	+2.2%	0.0%	
Germany	75.6	77.2	152.8	152.9
	-6.9%	+7.7%	-0.1%	
International (excluding Germany)	29.6	31.8	61.4	58.4
	+6.8%	+8.9%	+7.8%	

Profit from business operations by BU

(€ million)	H1-2014	H1-2013
France	6.0	13.8
	2.7%	6.2%
Germany	5.7	1.9
	3.7%	1.2%
International (excluding Germany)	7.8	6.7
	12.7%	11.4%
Other	3.3	1.3
Group	22.8	23.7
	5.2%	5.4%

*“The best way to predict the future is to invent it.
Let’s share our passion for technology.”*

AKKA Technologies is an international Group with nearly 11,000 employees working in Europe, America and Asia. Its experts serve in the field of innovation, assisting large manufacturing and tertiary services companies in the full range of their innovation processes and in the lifecycle of their products, from initial studies to the start of large-scale production.

With AKKA Research, the Group boasts its own research centre, dedicated to innovation and the anticipation of future technologies. AKKA Technologies’ centres of excellence work throughout Europe on international work packages, offering unique expertise in key areas: Systems Engineering, Product Engineering, Process Engineering, Engineering Support, Embedded and Electronics Systems, Information Systems and Consulting.

Its ability to carry out large transnational projects, which represent real strategic challenges for its customers, makes AKKA Technologies a key leader in Technology Consulting and Engineering.

After 30 years of growth in the service of innovation, AKKA Technologies, listed in Paris since 2005, today (2013) generates revenue of €879 million.

AKKA Technologies is listed on Euronext Paris TM - Segment B, ISIN code FR0004180537.

CAC® Small, CAC® Mid & Small, CAC® All-Tradable, CAC® All-Share indices

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In case of discrepancy between the French and English versions of this press release, only the French version should be deemed valid.

AKKA Technology contacts

Nicolas Valtille

Group CFO

Tel.: +33 4 7892 6083

finances@akka.eu

Dov Lévy

Investor Relations & Corporate Development

Tel.: +33 1 5669 2652

dov.levy@akka.eu

Actus contacts

Amalia Naveira

Analyst/Investor Relations

Tel.: +33 4 7218 0497

anaveira@actus.fr

Marie-Claude Triquet

Press Relations

Tel.: +33 4 7218 0493

mctriquet@actus.fr