AKKA
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2018 first half results

Inside/regulated information – September 12, 2018 at 05:45pm

FIRST-HALF 2018 RESULTS

MAJOR IMPROVEMENT IN OPERATING PERFORMANCE

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PERFORMANCE HY 2018	• Revenue growth of **7.9%**[1] • Increase of **24.0%** in operating profit • Net income up by **18.0%**
OUTLOOK 2018	• Organic growth above **6%** • Operating margin from ordinary activities of at least **8%** • Free cash flow greater than or equal to **4.5%**

Maurice Ricci, Chairman and CEO of AKKA, said:

"The first half of 2018 reflects the impetus of CLEAR 2022. The strategic plan we launched at the start of the year is boosting our growth momentum and further improving our margins. Together with the launch of The AKKADEMY, our platform for recruiting and training young digital talent, we have set the stage for our diversification in aerospace with the acquisition of PDS Tech in the United States and strengthened our growth potential in Germany with the full acquisition of MBtech. These three defining actions have put the Group on track for a new phase of growth and illustrate our ambition to doubling in size within five years and capture growth generated by the digital revolution."

FIRST-HALF 2018 RESULTS

At the meeting on 12 September 2018, the Board of Directors of AKKA Technologies approved the financial statements for the first half of 2018.

(€ million)	H1 2018	H1 2017	% change
Revenue	**711.9**	**666.5**	**+7.9%**[1]
Operating profit from ordinary activities[2]	**48.8**	**41.5**	**+17.6%**
As a % of revenue	*6.9%*	*6.2%*	
Operating profit	**37.1**	**29.9**	**+24.0%**
As a % of revenue	*5.2%*	*4.5%*	
Net income	**20.6**	**17.4**	**+18.0%**

[1] *Growth at constant scope, exchange rates and number of working days*

[2] *Profit from business operations calculated before non-recurring items and cost of stock options and free shares*

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As a % of revenue	*2.9%*	*2.6%*	

LAUNCH OF THE CLEAR 2022 STRATEGIC PLAN WITH THREE DEFINING ACTIONS FROM THE FIRST-HALF

- **Diversification in aerospace with the acquisition of PDS Tech in the United States**
- **Launch of The AKKADEMY, the Group's digital talent factory**
- **Acquisition of 100% of MBtech**

KEY H1 2018 FIGURES: IMPROVEMENT OF OPERATING AND FINANCIAL PERFOMANCES

- **Consolidated revenue increased by 7.9% on an economic basis to €711.9 million in the first half of 2018.** Organic growth was 7.3% during the half-year (6.2% in Q2, after 8.3% in Q1). Momentum was strong in each of the Group's three business units: organic growth amounted to 8.7% in France, 3.5% in Germany and 11.0% in International. Growth in France was driven by numerous contracts in the mobility sector. Germany is finalizing the implementation of its new regional organization and its cross-sector digital offer. International is experiencing good momentum in each of its major countries.

- **Sharp increase in profitability:**

  ✓ **Operating profit from ordinary activities[3] surged by 17.6% to €48.8 million** (compared with €41.5 million in the first half of 2017). This performance stemmed from an improvement in profitability of each of the three Business Units – France, Germany and International. Germany notably recorded a 100bp increase in its operating margin to 7.3%.

  ✓ Non-recurring expenses amounted to €8 million. They resulted from the launch of the CLEAR 2022 plan (launch of The AKKADEMY, managerial and M&A investments to drive organic and external growth) and the finalization of the transformation of the Germany BU. The expense relating to the Management Incentive Program was stable at €3.7 million. In total, **operating income amounted to €37.1 million, up by a substantial 24%.**

  ✓ **Consolidated net income was up 18.0% at €20.6 million.** It represented 2.9% of revenue, compared with 2.6% in H1 2017.

- **Cash generation also increased:**

  ✓ **Cash flow amounted to €45.3 million in the first half, an increase of 10.2%** compared with the first half of 2017.

[3] *Profit from business operations calculated before non-recurring items and cost of stock options and free shares*

- **Operating cash flow benefited from this stellar performance.** After financing the Group's strong growth, it amounted to a negative €1.2 million, compared with a negative €14.5 million in H1 2017.

- **The balance sheet is healthy and robust, and providing the Group with the means for future growth:**

  - **Net debt is under control.** After payment of dividends and acquisitions, and taking into account the customary seasonal trend in the first half, net debt amounted to €243 million as of 30 June 2018, putting gearing at 89% (93% as of 30 June 2017).

  - The leverage ratio (net debt to EBITDA) is also under control. At 2.0x, it is well below the covenant of 4x.

  - **The Group's available cash amounted to €278 million.** Its strong cash generation capacity, its €200 million revolving credit facility and its NEU CP program[4] give the Group the capacity to implement CLEAR 2022 without compromising its financial balances.

- **The strong recruitment momentum in the first half of 2018 resulted in an increase of 11.4% in the Group's workforce compared to 30 June 2017, and 7.1% compared to 31 December 2017.** As of 30 June, the Group had 16,619 employees, of which 7,645 were based in France, 4,880 in Germany and 4,093 internationally.

H1 2018 RESULTS BY GEOGRAPHY: AN ENHANCED GEOGRAPHICAL BALANCE

- With revenues of €301.4 million in the first half, the **France Business Unit** recorded **excellent organic growth of 8.7%** (8.9% in Q1 2018 and 8.5% in Q2 2018). This trend was driven by the net recruitment of 650 engineers (+9% organic) and the signing of numerous contracts in the **mobility** sector**, particularly in autonomous vehicles.** The French operations benefited from market gains in the automotive, aerospace, life sciences and energy sectors. Furthermore, their margins continue to improve**. They recorded an operating margin from ordinary activities of 7.4%,** against 7.0% in H1 2017. Including recurring subsidies, the margin amounted to 10%.

- The **Germany Business Unit** also made a good start to the year. It reported **revenue of €252.0 million** in the first half of 2018, with organic growth of 3.5%. Growth was mainly driven by the signing of contracts with Bosch, Contiental, INEOS, Porsche and Volkswagen. **The operating margin from ordinary activities rose by 100bp to 7.3%.** This increase reflects two levers: the improvement of the utilization rate[5] and the early impact of the Germany BU's transformation plan, which aims to roll out the Group's entire portfolio of skills under a single brand through an integrated organization, regionalized. The finalization of this transformation will be boosted by the full acquisition of MBtech. These two levers will enable the BU to deliver an operating margin of 10% from ordinary activities[6] in the second half of 2018.

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[4] *Negotiable European Commercial Paper*
[5] *Excluding paid leave*
[6] *Operating margin from business operations calculated before non-recurring items and cost of stock options and free shares*

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- **The Group's international operations** (excluding Germany) posted **revenues of €158.6 million** in the first half, **an increase of 11.0% on an organic basis.** After an excellent first quarter, the second quarter saw a renewed acceleration. Organic growth was 13.0%, compared with 8.9% in the first quarter of 2018. As in the first quarter, growth was driven chiefly by North America, Asia, Italy and the United Kingdom. The Energy and Life Sciences activities confirmed their momentum and their short- and medium-term potential. **The International BU's margin firmed to 9.5% in the first half,** compared with 9.3% in the same period last year, despite the fact that investments were made to ensure its very strong growth. It is expected to continue to develop in the next few semesters.

FIRST-HALF 2018 HIGHLIGHTS

AKKA unveiled its CLEAR 2022 strategic plan in January. This plan will reinforce AKKA's position as a leader in Mobility Technology Consulting, while sustainably improving the company's financial performance and making the United States the third pillar of its geographic development. **The plan's launch in the first half of the year is reflected in the following three structuring actions:**

- **AKKA launches its international university, The AKKADEMY.** This international training program, delivered through our campus in Geneva, will leverage the Group's strong employer brand by recruiting and training digital natives from all over Europe who will assist the Group's customers in their digital transformation.

- **AKKA acquires 100% of MBtech, which has been renamed AKKA Automotive.**[7] On 4 September 2018, AKKA completed the acquisition of the 35% stake in MBtech held by Daimler. This means that AKKA now wholly owns MBtech, thus accelerating the transformation of its German subsidiary, placing it under a single brand and an integrated organization. At the same time, AKKA and Daimler are strengthening their strategic partnership with the development of new key technologies for mobility systems and electric vehicles.

- **AKKA strengthens the diversification of its aerospace business in the United States.** On 5 June 2018, **AKKA entered exclusive and firm negotiations to acquire PDS Tech.**

  PDS Tech is one of the American leaders in Engineering and Technology services, with revenues of $260 million in 2017, and 2,600 talents. Mirroring AKKA's successful development in Germany, which was achieved by combining organic growth and transforming acquisitions, the Group is taking a controlled and orderly approach to the United States. PDS Tech will be the first step in AKKA's acceleration in North America, and will allow it to:

  - ✓ Reach critical mass in the United States;
  - ✓ Grow in aerospace in the United States, building on its expertise in Europe, and to access a pre-eminent industrial customer base;
  - ✓ **Combine its established expertise in high value-added solutions with the tremendous recruiting capacity of PDS Tech across the entire US territory in order to accompany the growth of the market;**

[7] *AKKA Automotive is the commercial brand adopted by MBtech since the second quarter of 2018*

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- ✓ Strengthen its capacity to support European customers in the US market;
- ✓ Take full advantage of the very strong momentum in the aerospace sector in the United States;
- ✓ Make an accretive acquisition from the first year.

The closing of the deal is expected in the coming weeks. It is conditional upon the signing of final agreements and subject to the approval of the relevant authorities.

2018 OUTLOOK

- **2018:** The strong revenue momentum and vigorous hiring observed in 2017 continued into the first half of 2018. This momentum bolsters the Group's objectives for the 2018 financial year: organic growth above 6%, operating margin from ordinary activities of at least 8% and free cash flow greater than or equal to 4.5%.

- **CLEAR 2022** will enable the Group to capture the growth brought about by the digital revolution, permanently improving its financial performance. Its 2022 targets are as follows:

  - **€2.5 billion** in revenue
  - **€250 million** in operating profit from ordinary activities[8]
  - **€150 million** in free cash flow

Commenting on the H1 2018 results and the growth outlook, Nicolas Valtille, Group Managing Director of AKKA, said:

"In the second quarter, AKKA recorded its 15th consecutive quarter of revenue growth, with a further improvement in margins over the entire half year. This performance already reflects the first positive effects of our CLEAR 2022 strategic plan and bodes well for its future implementation. The quality of our financial balances will enable us to capture the growth brought about by the digital revolution and to achieve our 2022 objectives with confidence."

Upcoming events:

Q3 2018 revenue: Thursday 8 November 2018

Q4 2018 revenue: Wednesday 7 February 2019

[8] *Profit from business operations calculated before non-recurring items and cost of stock options and free shares*

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About AKKA
AKKA ranks as the European leader in engineering consulting and R&D services in the mobility sector. As an innovation accelerator for its clients, AKKA supports leading industry players in the automotive, aerospace, rail and life-sciences sectors throughout the life cycle of their products with cutting edge digital technologies (AI, ADAS, IoT, Big Data, robotics, embedded computing, machine learning, etc.).
Founded 1984, AKKA has a strong entrepreneurial culture and is pursuing is its fast-paced growth and international development in line with its strategic plan CLEAR 2022. With 16,300 employees in 29 countries, who are passionate about technology and dedicated to advancing the future of industry, the Group recorded revenues of €1.3 billion in 2017.
AKKA is listed on Euronext Paris – Segment B – ISIN code: FR0004180537.
For more information, please visit www.akka-technologies.com
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In case of discrepancies between the English and the French versions, the French version prevails.

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ANNEX 1: KEY H1-2018 FIGURES

(€ million)	H1 2018	H1 2017	*% change*	H1 2016
Revenue	**711.9**	**666.5**	***+6.9%***	**550.2**
Operating profit from ordinary activities[9]	**48.8**	**41.5**	***+17.6%***	**31.4**
As a % of revenue	*6.9%*	*6.2%*		***5.7%***
MIP[10]	**-3.7**	-3.9	***-3.8%***	0.0
Non-recurring income and expenses	-8.0	-7.7	***-3.8%***	-5.2
Operating profit	**37.1**	**29.9**	***+24.0%***	**26.2**
As a % of revenue	**5.2%**	**4.5%**		**4.8%**
Financial income/(expense)	-9.4	-7.2	***+31.0%***	***-5.1***
Profit before tax	27.7	22.7	***+21.7%***	21.1
Taxes	-7.1	-5.3	***+34.2%***	-4.0
Net income	**20.6**	**17.4**	***+18.0%***	**17.1**
As a % of revenue	**2.9%**	**2.6%**		**3.1%**
EPS[11]	0.95	0.84	***+13.3%***	0.79
Non-controlling interests	**-1.9**	**-1.0**	***+97.0%***	**-1.5**
Net profit attributable to owners of the parent	**18.7**	**16.5**	***+13.3%***	**15.6**
Net debt	**243**	**222**	***+9.5%***	**141**
Gearing	**89%**	**93%**		**62%**

[9] *Operating profit from ordinary activities is calculated before non-recurring items and expenses relating to stock options and free shares*
[10] *Management incentive programme*
[11] *Based on net profit attributable to owners of the parent*

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ANNEX 2: QUARTERLY REVENUE

Revenue (€ million)	Q1 2018	Q2 2018	H1 2018	Q1 2017	Q2 2017	H1 2017
France	**158.0**	**143.3**	**301.4**	**145.2**	**132.1**	**277.3**
Economic	***+8.9%***	***+8.5%***	**+8.7%**	***+11.4%***	***+4.3%***	***+7.9%***
Organic change[12]	*+8.9%*	*+8.5%*	**+8.7%**	*+11.4%*	*+4.3%*	*+7.9%*
Economic growth[13]	*+10.6%*	*+8.5%*	**+9.5%**	*+7.9%*	*+9.4%*	*+8.7%*
Germany	**118.6**	**133.3**	**252.0**	**110.6**	**132.9**	**243.5**
Economic	***+7.2%***	***+0.3%***	**+3.5%**	***+33.4%***	***+37.0%***	***+35.3%***
% organic	*+7.2%*	*+0.3%*	**+3.5%**	*+13.1%*	*+5.2%*	*+8.8%*
Economic growth[14]	*+5.3%*	*+2.0%*	**+3.7%**	*+7.6%*	*+10.3%*	*+8.6%*
International (excl. Germany)	**77.3**	**81.3**	**158.6**	**72.4**	**73.2**	**145.7**
Economic	***+6.7%***	***+11.1%***	**+8.9%**	***+31.7%***	***+26.0%***	***+28.8%***
% organic	*+8.9%*	*+13.0%*	**+11.0%**	*+10.6%*	*+4.4%*	*+7.4%*
Economic growth	*+11.0%*	*+12.3%*	**+11.7%**	*+8.0%*	*+8.2%*	*+8.0%*
Total Group	**353.9**	**358.0**	**711.9**	**328.3**	**338.2**	**666.5**
Economic	***+7.8%***	***+5.8%***	**+6.8%**	***+22.3%***	***+20.0%***	***+21.1%***
% organic	*+8.3%*	*+6.2%*	**+7.3%**	*+11.7%*	*+4.6%*	*+8.1%*
Economic growth	*+10.2%*	*+5.5%*	**+7.9%**	*+8.0%*	*+9.5%*	*+8.7%*

12 *Change in revenue at constant scope and exchange rates*
13 *Growth at constant scope, exchange rates and number of working days*
14 *Growth at constant scope, exchange rates and number of working days and adjusted for the seasonal impact of Gigatronik in H1 2017*

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ANNEX 3: HEADCOUNT AS OF END-JUNE 2018

Headcount	H1 2018	H1 2017	% change	H1 2016
France	7,645	6,739	*+13.4%*	6,088
Germany	4,880	4,630	*+5.4%*	3,368
International (excl. Germany)	4,093	3,544	*+15.5%*	2,938
Total Group	**16,619**	**14,916**	***+11.4%***	**12,394**

ANNEX 4: OPERATING MARGIN FROM ORDINARY ACTIVITIES[15] BY Business Unit (BU)

(€ million)	H1 2018	H1 2017	% change	H1 2016
France	**22.4**	**19.5**	**+14.8%**	**15.5**
% of revenue	*7.4%*	*7.0%*		*6.0%*
Germany	**18.5**	**15.3**	**+20.8%**	**8.1**
% of revenue	*7.3%*	*6.3%*		*4.5%*
International (excl. Germany)	**15.0**	**13.5**	**+11.1%**	**11.3**
% of revenue	*9.5%*	*9.3%*		*10.0%*
Other	**-7.1**	**-6.8**	**-3.6%**	**-3.6**
Total Group	**48.8**	**41.5**	+17.6%	**31.4**
% of revenue	*6.9%*	*6.2%*		*5.7%*

[15] *Margin based on operating profit from ordinary activities, calculated before non-recurring items and expenses relating to stock options and free shares*