

ERRATUM - H1 2023 results: €154 million in revenue and 21% in current EBITDA margin

Errors have occurred into the table on page 2 column "H1 2022 equivalent scope" and the associated variations. The press release has been modified on this table.

Financial results at a good level

- Revenues: +14% in the 1st half, with an acceleration in the second quarter (+19%)
- Profitability: current EBITDA of €32 million, or 21% margin
- Net income of +€26 million
- Cash flow from operations of +€28 million

€139 million in order intake

- Good performance in short-cycle activities, especially navigation systems
- Commercial activity remains intense on ongoing tenders
- A backlog of €614 million

Outlook confirmed

- The group's markets remain well oriented, both in Defence and Civil sectors
- R&D efforts, through numerous projects, are maintained to renew our products and conquer new markets
- 2023 guidance confirmed: revenue growth >15%.

H1 2023 income statement

| (€ million) | H1 2023 | H1 2022 equivalent scope ¹ | H1 2022 restated ² | Var M€ (vs equivalent scope) | Change % |
|-----------------------------------------------------|--------------|---------------------------------------|-------------------------------|------------------------------|------------|
| Backlog at the end of period | 614 | - | 482 | - | - |
| Revenues | 153,6 | 134,9 | 63,3 | +18,7 | +14% |
| Current EBITDA³ | 31,8 | 32,4 | 11,4 | -0,6 | -2% |
| <i>Current EBITDA margin (%)</i> | <i>20,7%</i> | <i>24,0%</i> | <i>18,1%</i> | <i>-3,3 pts</i> | - |
| Income from operating activities⁴ | 17,4 | 18,5 | 4,9 | -1,1 | -6% |
| Other operating income | -9,4 | -0,8 | -1,4 | -8,5 | <i>n.a</i> |
| Operating income | 8,0 | 17,7 | 3,5 | -9,7 | -55% |
| Financial result | -11,8 | -10,6 | -1,0 | -1,2 | 11% |
| Taxes | -1,1 | -0,8 | -5,6 | -0,3 | 34% |
| Net income from discontinued operations | 31,4 | -2,5 | -2,5 | +33,9 | <i>n.a</i> |
| Consolidated net income | 26,5 | 3,8 | -5,6 | +22,7 | <i>n.a</i> |
| Net income group share | 25,7 | 1,0 | -5,8 | +24,7 | <i>n.a</i> |

The last disposal of the activities of the former Engineering & Protection Systems division was completed at the end of the first quarter 2023, in accordance with the announced schedule. In 2023, this transaction generated a cash inflow of €30 million for Exail Technologies, the capital gain is fully recognized in the first-half accounts. The ISP division now contributes to the 2022 income statement only on the line of income from discontinued operations (application of IFRS 5).

¹ The 2022 figures on an equivalent scope include the IXBLUE Group as if its acquisition had taken place on January 1, 2022. Normativity restatements have been applied: neutralization of acquisition costs, normalization of interest expense based on its structure at the acquisition date, neutralization of the negative impact of changes in the scope of consolidation on Exail Technologies' deferred taxes. These 2022 figures are given for information only and do not comply with IFRS.

² Income statement for the first half of 2022 after reclassification on the line "net income from discontinued operations" of the contribution from operations discontinued in the first half of 2023.

³ See glossary in the appendix for definitions of alternative performance indicators.

154 million in revenues in the first half of 2023

Exail technologies achieved +14% revenue growth in the 1st half of 2023, with an acceleration in the second quarter (+19%).

Navigation & Maritime robotics segment: advances in civil and defense applications

Revenues in the Navigation & Maritime robotics segment grew by +11% in the 1st half of 2023, including +20% in the 2nd quarter of 2023. This segment includes the two main activities of the group, vertically integrated: the sale of navigation and positioning systems and the marketing of drones and autonomous drone systems for maritime applications. Revenue growth is driven by three important drivers:

- Progress on ongoing major defence programmes, including underwater mine action programmes
- The growth of existing applications in the maritime field, for various sectors (marine renewable energies, shipyards, etc.)
- The breakthrough on booming applications thanks to differentiating solutions, such as underwater mapping by drone or space navigation.

Advanced Technologies segment: strong demand translates into record deliveries

This segment consists of developing and marketing the most efficient photonic and quantum components (special optical fibers, optical modulators, quantum measurement instruments) and products using the most advanced technologies (embedded communication equipment, simulators, decision-making autonomy). These components and products are sold directly to third parties or integrated into the systems of the Navigation & Maritime robotics segment.

The ramp-up of the production rate of this segment continues and was able to meet the significant orders of the quarter, both for internal needs and for third-party customers. Revenues in this segment increased by +28%. The very diverse customer base includes many leading players in lasers, telecommunications, aeronautics, space, defense and quantum, who rely on Exail as a strategic and recurring supplier.

More details on H1 2023 revenues are available in the dedicated press release published on July 26, 2023 ([link to the press release](#)).

Operating income by division⁴

| <i>(€ million)</i> | | H1 2023 | H1 2022 equivalent scope⁵ | VarM€ | Change% |
|-------------------------------------------|----------------------------------|----------------|---------------------------------------------|-------|---------|
| Navigation & Maritime Robotics | Revenues | 116,4 | 104,7 | +12 | +11% |
| | Current EBITDA | 24,8 | - | - | - |
| | <i>Current EBITDA margin (%)</i> | 21,3% | - | - | - |
| | Income from ordinary activities | 14,9 | - | - | - |
| Advanced technologies | Revenues | 41,3 | 32,2 | +9 | +28% |
| | Current EBITDA | 7,4 | - | - | - |
| | <i>Current EBITDA margin (%)</i> | 17,9% | - | - | - |
| | Income from ordinary activities | 4,8 | - | - | - |

A current EBITDA margin of 21%

Exail Technologies generated recurring EBITDA of €32m in the first half of 2023, in line with expectations in this first year of integration of the new Exail group. On an equivalent basis, the current EBITDA margin was down on last year and close to that of the second half of the year. It is at a good level and may vary from one half-year to the next depending on the mix of margins on business delivered during the year.

The Navigation and Maritime Robotics segment, which accounts for the bulk of the Group's activities, achieved a recurring EBITDA margin of 21% in the first half, thanks to progress on major defense programs and deliveries of inertial navigation systems.

The Advanced Technologies segment generated 18% current EBITDA margin. It includes on the one hand high-margin activities, such as optical fibers for laser applications, but also activities in development (such as terrestrial drones and some quantum instruments) that still contribute little to the group's profitability this year. The performance of this division is also impacted by the decline in products sold for the aerospace sector, where customers are waiting for the new version of the ELITE SC emergency beacon.

⁴ The sum of the aggregates of the two divisions must be supplemented by intra-group eliminations and the structure to obtain the consolidated result presented above. Details of these items can be found in the 2023 half-year report.

⁵ The company is unable to disclose the income statement by segment for 2022 on an equivalent scope due to the complexity and time that would have been required to retroactively reconstruct the various aggregates.

Operating income of €8 million

Depreciation and provisions amounted to €14 million in the 1st half of 2023, a stable level compared to last year. Income on ordinary activities thus amounted to €17.4 million.

Other operating income amounted to €9 million, half of which came from the decline in the value of Prodways Group shares and had no effect on cash⁶. These Prodways Group shares were distributed to shareholders in June 2023. The balance includes costs related to the employee incentive and retention plan implemented by iXblue (renamed EXAIL) for several years and the latest costs related to the acquisition of iXblue. As a result, the company's operating income amounted to €8 million.

Cost of financial debt on the rise, with partial effect on cash flow

The acquisition of iXblue was carried out without a capital increase by Exail Technologies thanks to the leverage effect created at the level of the subsidiary EXAIL HOLDING, to which ECA Group was contributed. This financial structure offers significant value creation potential, due to the amplification of the effects of the group's growth through financial leverage. However, it generates an increase in the cost of financial debt, to €12 million in the 1st half of 2023.

A significant portion of the interest recognized - the interest on bonds issued to ICG - is capitalized and therefore has no effect on cash. Disbursements related to debt interest therefore represent slightly more than half of the expense in the income statement. These costs are expected to decrease in the coming years as the company gradually deleverages.

Financial structure at end-June 2023

Cash flow from operating activities⁷ amounted to €28m in the first half of 2023. This performance was offset by a sharp increase in working capital (+€31m), penalized by a traditionally unfavorable seasonality between the two half-year periods, particularly this year on the BENL program payment milestones. WCR was also impacted by a payment delay of one working day (from June 30 to July 4), amounting to €7 million.

Capex amounted to €14 million, mainly including investments in R&D, as well as investments in certain production tools.

Exail Technologies also received €30 million thanks to the sale of the ISP division in the 1st half of 2023. This sale proceeds were used in July 2023 to acquire 5% of the subsidiary EXAIL Holding for €24.5 million (see press release of 26 July).

⁶ On June 21, 2023, Exail Technologies distributed the balance of its Prodways Group shares to Exail Technologies shareholders. These shares were valued at the stock market price, a loss was noted due to the decline in Prodways Group's share price since December 31, 2022.

⁷ Before change in working capital requirements

At the end of June 2023, the Group's cash position therefore amounted to €70 million (compared to €59 million at the end of 2022). The adjusted group's net debt was relatively stable at €269 million, including the obligations *in fine* (2030) subscribed by financial partner ICG. It stands at €183 million excluding these bonds, which have no cash impact before maturity.

Perspectives

Order intake of €139m in H1 2023, up 6% on H1 2022

New orders for the first half were driven by the Navigation & Maritime Robotics segment, with €110 m of new orders, up €14 m on the same period last year. Although this performance was relatively disappointing, it remains solid given the postponement of certain ongoing tenders in the field of underwater mine countermeasures, particularly in the Middle East. Several processes are still underway and Exail Technologies will continue to communicate on the progress of these projects, while respecting the confidentiality constraints of these processes.

The Advanced Technologies segment booked €31 m of orders in the first half of 2023, down €6 m on the same period last year. Against a backdrop of strong sales momentum in the optical components business, the Group decided to give priority to the internal needs of the Navigation & Maritime Robotics segment at the expense of external orders, to be able to meet the high demand for inertial navigation systems. Orders were also adversely affected by lower sales of on-board equipment for the aerospace industry, as mentioned earlier in this press release.

Supportive and well-oriented markets

The Group's markets remain buoyant thanks to the continuation of supportive underlying trends in the Group's main applications. In the civil sector, the needs for cutting-edge equipment for hydrographic missions remains strong. They are driven by sovereign priorities such as the construction of offshore wind farms, ocean protection and deep-sea exploration. These trends are reflected in recent orders taken by the Group, which in September announced a record order in the civil maritime sector for navigation equipment and a new order for the DriX drone.

In the defense sector, the overall increase in defense budgets worldwide (+\$130 billion by 2022) is supporting the Group's activities. The modernization and dronization of naval forces is beginning, enabling navies to carry out protection and surveillance missions more effectively and at lower cost. The French Navy's Centre for Strategic Studies expects "a proliferation of drones"⁸, which should benefit the Group's activities.

⁸ Source : Etudes Marines January 2023

Exail Technologies achieves a start to 2023 with a good level of revenue and profitability. The Group confirms its 2023 objective of revenue growth of more than 15% compared to 2022 revenue on an equivalent scope. The Group's management therefore expects significantly higher revenue in the second half of the year.

Upcoming financial events

- Q3 2023 activity: October 26, 2023

About Exail Technologies

Exail Technologies is the new name of Groupe Gorgé, adopted after the transformation of the group at the end of 2022, now focused on the activities of its subsidiary Exail. Exail Technologies is an industrial company specialized in high technologies in the field of autonomous robotics with a vertical integration of professions. The group offers complex drone systems, navigation, as well as products for aerospace and photonics. Exail Technologies provides performance, reliability and safety to its civil and military customers operating in harsh environments and generates revenues in nearly 80 countries.

Exail technologies is listed on Euronext Paris Compartment B (EXA).
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ANNEXES

Definition of alternative performance indicators

- **Current EBITDA:** Operating income before "net depreciation and amortization and provisions", "other operating income" and "share in the results of associates".
- **Income from ordinary activities: Operating** income before "other operating income" and "share of associates' earnings".
- **Cash flow from operations:** Cash flow from operating activities before changes in working capital and after neutralisation of the cost of net financial debt and tax.
- **Adjusted net debt:** Net debt including treasury liability, excluding IFRS 16 lease debt.

H1 2023 income statement

| (EUR thousands) | H1 2023 | H1 2022 | H1 2022 equivalent scope ⁹ |
|---------------------------------------------------------------|-----------------|----------------|---------------------------------------|
| REVENUES | 153 583 | 63 317 | 134 886 |
| Capitalized production | 10 666 | 4 754 | 9 244 |
| Inventories and work in progress | 5 598 | 373 | 4 929 |
| Other income from operations | 9 884 | 3 478 | 9 805 |
| Purchases and external charges | (78 311) | (28 853) | (63 808) |
| Personnel expenses | (66 860) | (30 740) | (61 935) |
| Tax and duties | (1 764) | (692) | (1 373) |
| Depreciation, amortization, and provisions (net of reversals) | (14 465) | (6 577) | (13 905) |
| Other operating income and expenses | (967) | (178) | 662 |
| INCOME FROM ORDINARY ACTIVITIES | 17 363 | 4 883 | 18 505 |
| Group share of the earnings of affiliated companies | - | - | - |
| Non-recurring items in operating income | (9 351) | (1 426) | (802) |
| OPERATIONAL RESULTS | 8 012 | 3 457 | 17 703 |
| Financial interest on gross debt | (11 717) | (1 431) | (11,757) |
| Financial income relating to cash and cash equivalents | 88 | 12 | 14 |
| COST OF NET FINANCIAL DEBT | (11 629) | (1 419) | (11 743) |
| Other financial income (b) | 187 | 95 | 1 532 |
| Other financial charges (c) | (371) | 281 | (389) |
| FINANCIAL INCOME AND EXPENSES (d=a+b+c) | (11 813) | (1 043) | (10 599) |
| Income tax | (1 096) | (5 551) | (818) |
| NET INCOME FROM CONTINUING OPERATIONS | (4 896) | (3 137) | 6 286 |
| Net income from discontinued operations | 31 365 | (2 498) | (2 498) |
| NET RESULT OF THE CONSOLIDATED GROUP | 26 469 | (5 635) | 3 788 |
| INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDER | 25 704 | (5 790) | 992 |
| INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 765 | 155 | 2 797 |
| Average number of shares | 17 105 312 | 17 105 312 | 17 218 321 |

⁹ The 2022 figures at equivalent scope include the IXBLUE group as if it had been acquired on 1 January 2022. Standardisation adjustments have been applied: neutralisation of acquisition costs, standardisation of interest expense based on its structure at the acquisition date, neutralisation of the negative impact of changes in the scope of consolidation on the deferred tax of Exail Technologies. These 2022 figures are given for information only and do not comply with IFRS.

Consolidated balance sheet - Assets

| <i>(EUR thousands)</i> | 30/06/2023 | 31/12/2022 |
|---------------------------------|-------------------|-------------------|
| NON-CURRENT ASSETS | 460 987 | 458 734 |
| Goodwill | 298 894 | 292 289 |
| Other intangible assets | 64 045 | 59 441 |
| Tangible capital assets | 46 396 | 47 207 |
| Rights of use | 35 847 | 34 305 |
| Holdings in associates | - | - |
| Other financial assets | 9 613 | 19 495 |
| Deferred tax assets | 4 228 | 3 905 |
| Other non-current assets | 1 954 | 2 091 |
| CURRENT ASSETS | 379 152 | 331 728 |
| Net inventories | 74 109 | 64 284 |
| Net trade receivables | 60 869 | 53 020 |
| Contract assets | 111 670 | 85 191 |
| Other current assets | 28 909 | 31 469 |
| Tax assets payable | 24 547 | 30 043 |
| Other current financial assets | 9 054 | 8 964 |
| Cash and other cash equivalents | 69 994 | 58 756 |
| Assets for sale | - | 50 352 |
| TOTAL ASSETS | 840 129 | 840 814 |

Consolidated balance sheet - Liabilities

| (EUR thousands) | 30/06/2023 | 31/12/2022 |
|-----------------------------------------------------------------|----------------|----------------|
| EQUITY (GROUP SHARE) | 126 287 | 106 318 |
| Minority interests | 102 502 | 104 259 |
| NON-CURRENT LIABILITIES | 353 874 | 361 547 |
| Long-term provisions | 5,981 | 5 994 |
| Long-term financial debt – more than one year away | 278 892 | 288 872 |
| Rent debts – share more than one year | 31 365 | 30 122 |
| Deferred tax liabilities | 3,946 | 3 729 |
| Commitments to purchase minority securities | 30 310 | 29 645 |
| Other non-current liabilities | 3,380 | 3 185 |
| CURRENT LIABILITIES | 257 466 | 221 463 |
| Short-term provisions | 4 145 | 5 323 |
| Long-term financial liabilities – share less than one year away | 68 339 | 42 201 |
| Rent debts – share less than one year away | 6,734 | 6 465 |
| Other current financial liabilities | 4 615 | 5 077 |
| Operating trade payables | 57 131 | 44 834 |
| Contract liabilities | 46 769 | 48 046 |
| Other current liabilities | 69,447 | 69 195 |
| Tax liabilities payable | 286 | 322 |
| Sales liabilities | - | 47 226 |
| TOTAL LIABILITIES | 840 129 | 840 814 |

Cash Flow Statement

| <i>(EUR thousands)</i> | 30/06/2023 | 30/06/2022 ⁽¹⁾ |
|----------------------------------------------------------------------------------------------|-------------------|----------------------------------|
| NET RESULT OF CONTINUING OPERATIONS | (4 896) | (3 137) |
| Calculated income and expenses | 15 591 | 5 224 |
| Capital gains and losses on disposals | 4 636 | (28) |
| Share of profit of associates | - | - |
| CASH FLOW (before neutralizing the cost of net financial debt and taxes) | 15 331 | 2 059 |
| Expense for net debt | 11 629 | 1 282 |
| Tax expense | 1 096 | 5 551 |
| SELF-FINANCING CAPACITY (after neutralizing the cost of net financial debt and taxes) | 28 056 | 8 892 |
| Taxes paid | (1 177) | (471) |
| Change in working capital requirement | (31 167) | 6 971 |
| NET FLOW OF CASH GENERATED BY ACTIVITY (A) | (4 288) | 15 393 |
| Investing activities | | |
| Payments/acquisition of intangible assets | (10 135) | (4 975) |
| Payments/acquisition of property, plant and equipment | (3 544) | (3 190) |
| Proceeds/disposal of property, plant and equipment and intangible assets | 56 | 28 |
| Payments/acquisition & Proceeds/disposal of non-current financial assets | 3 489 | 177 |
| Net cash inflow/outflow on the acquisition/disposal of subsidiaries | 27 310 | 116 |
| NET CASH FLOWS RELATED TO INVESTMENT OPERATIONS (B) | 17 177 | (7 845) |
| Financing operations | | |
| Capital increases or contributions | - | - |
| Dividends paid | (1) | (584) |
| Other capital transactions | (1 757) | (143) |
| Receipts from borrowings | 23 352 | 777 |
| Repayments of loans | (13 348) | (9 097) |
| Repayment of rent debts | (3 410) | (1 091) |
| Paid cost of net financial debt | (5 957) | (804) |
| Other funding flows | (498) | - |
| NET CASH FLOWS RELATED TO FINANCING OPERATIONS (C) | (1 620) | (10 941) |
| CASH FLOW GENERATED BY CONTINUING OPERATIONS (D = A+B+C) | 11 268 | (3 3992) |
| Cash flow from discontinued operations | (7 520) | (2550) |
| VARIATION OF TRESORRY | 3 748 | (5 943) |
| <i>Impact of exchange rate movements</i> | (31) | 17 |
| CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR | 58 756 | 38 230 |
| Cash flow from discontinued operations | | (710) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 69 993 | 34 146 |