AKKA
PASSION FOR TECHNOLOGIES

10 September 2019 at 5:45pm
Inside information/regulated information

FIRST-HALF 2019 RESULTS

41% INCREASE IN NET PROFIT

PRESS RELEASE

H1 2019 PERFORMANCE	• Excellent performance in H1 • Revenue growth of 25.2% at €891.4 million • Operating margin excluding PDS Tech: up 40bp to 7.3% • AKKA North America operating margin tripled
OUTLOOK FOR 2019 REITERATED	**TARGETS FOR 2019 CONFIRMED** • Organic growth: ≥ 6% • Operating margin: ≥ 8% • FCF: ≥ 5%

Mauro Ricci, Chairman and Chief Executive Officer of AKKA, commented:

"We performed very well during the first half of the year. The successful integration of PDS Tech demonstrates the relevance of the AKKA business model in the United States and is paving the way for further diversification in aerospace. The shift in R&D strategies in the German automotive sector has fanned hesitancy among OEMs affecting traditional workloads. Thanks to its positioning, AKKA is reaping the benefit of the major developments in digital, which are supporting our growth and our margins. Our new *Strategic Customers Department* is helping to better harness AKKA's dual expertise in both engineering and digital, which lies at the heart of the digital transformation challenges facing its clients. The series of high value-added large contracts we have won is proof-positive of this successful start and it will help us to accelerate the pace at which we aim to reach all our CLEAR 2022 targets."

H1 2019 RESULTS

(€ million)	H1 2019	H1 2018	% change
Revenue	**891.4**	**711.9**	**+25.2%**
Operating profit from ordinary operations excluding PDS Tech	**55.2**	**48.8**	**+13.1%**
As a % of revenue	***7.3%***	***6.9%***	***+40bp***
PDS Tech	*4.8*	*0*	
Operating profit from ordinary operations[1]	**60.0**	**48.8**	**+23.0%**
As a % of revenue	*6.7%*	*6.9%*	
Operating profit	**45.1**	**37.1**	**+21.6%**
As a % of revenue	*5.1%*	*5.2%*	
Net profit group share[2]	**26.3**	**18.7**	**+40.8%**
As a % of revenue	*2.9%*	*2.6%*	***+30bp***
EPS	**1.31**	**0.95**	**+38.2%**

[1] *Operating profit calculated before non-recurring items and costs related to stock options and free shares*
[2] *Net profit Group share after IFRS 16*

PRESS RELEASE

The AKKA Group's Board of Directors met on 4th, September 2019 to approve the financial statements for the first six months of 2019. The following figures include the impact of IFRS 16 – "Lease Contracts". Appendix 4 contains a reconciliation of the key figures for the first half before and after the introduction of IFRS 16.

H1 2019 KEY FIGURES: STRONG IMPROVEMENT IN OPERATING AND FINANCIAL PERFORMANCE

Upbeat growth

- The Group's **revenue advanced by 25.2%** in the first half of 2019 thanks to the strong growth rates recorded by the France and AKKA North America BUs.
- The $300 million multi-year contract signed during Q2 in the aerospace sector, demonstrates the successful integration of PDS Tech and has boosted the North America BU's potential for growth and margin improvement.

Operating margin excluding PDS Tech up 40bp at 7.3%

- All four Business Units – France, Germany, North America and International – delivered improved margins. **The Group's operating profit from ordinary operations[3] rose 23% to €60.0 million** in the first half of 2019 (€0.8 million increase linked to the impact of IFRS 16).
- Non-recurring costs came to €11.5 million. They are related to the integration of PDS Tech, the launch of the Strategic Customers Department, and the finalization of the Germany BU's organization. The cost of stock options and free shares came to €3.4 million in the first half.
- **Consolidated net profit[4] surged by 28% to €26.3 million in H1 2019.** This represents 2.9% of revenue during the first half as a whole.

Cash flow from operations up 64%

- Cash flow from operations totaled €74.4 million in the first half, up a very significant 64.3% compared with the first half of 2018.
- The Group's very strong growth, especially in the United States, and reduced managerial pressure led to a one-off increase in the WCR. Operating cash flow at - €36.7 million in the first half of 2019. The Group has launched a bold action plan in order to return to customary levels by the end of the year.

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[3] *Operating profit from ordinary operations calculated after IFRS 16 and before non-recurring items and costs related to stock options and free shares*

[4] *After IFRS 16*

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AKKA's finances are healthy and robust, providing the Group with the resources it needs for its future growth

- **Net debt is under control.** It stood at €368.9 million at 30 June 2019, or equivalent to a gearing of 131%, while the **leverage ratio** (net debt/EBITDA) was at **2.3x**, well below the maximum level permitted by covenant of the Group. Restated for the impact of IFRS 16 on leases, net debt came to €526 million.

- AKKA optimizes its financing arrangements, taking advantage of a favorable interest-rate environment and advantageous credit conditions. The Group arranges new credit lines amounting to €370 million for an initial period of 5 years, which may be extended to 7 years.

- Taking into account its gross cash, unused existing financing and the new credit lines, **the Group will have increased its resources to fund future growth plans**. In line with its strategy, it will pursue a combination of strong organic growth in digital and selective acquisitions, particularly in the United States.

H1 2019 RESULTS BY REGION: STRONG PERFORMANCE BY THE FOUR BUs

- The **France Business Unit** recorded strong economic growth of 9.0% in the first half, with revenue totalling €330.8 million. **The operating margin from ordinary operations**[5] **moved up 50bp to 10.5% in the first half**. Demand was strong across all sectors of activity, and the BU is speeding up its recruitment drive to sustain its future growth.

- **Germany** posted revenue of €255.4 million, representing economic growth of 2.1%. Seasonal effects are strong this year with the low number of business days in H1. The traditional businesses continued to decline, but the impact was offset by the acceleration in digital. **The BU's operating margin rose by 40bp to 7.7% in the first half as a result of productivity improvements at its centers of expertise.**

- **Pro forma growth in North America** (including PDS Tech) **accelerated in the first half to 26.1%**, generating revenue of €152.4 million, thanks to the strong trends in business with Boeing, Honeywell, United Technologies, Daimler and Porsche. **The BU's profitability tripled to 3.6% in the first half.** This improvement backs up the Group's objective of achieving an operating margin of 7% by 2020 and 10% by 2022.

- **International operations** posted first-half revenue of €152.8 million, representing organic growth of 5.8%. Northern Europe, Southern Europe and Asia delivered strong growth, which was masked by temporary issues affecting Switzerland and the energy sector in Italy. Restated for these activities, the BU recorded growth of 10%. The **BU's operating margin came to 11.1% in the first half, up significantly from the 9.5% posted in H1 2018** (10.7% excluding AKKA North America).

5 *Operating margin calculated including tax credit (CIR)*

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FIRST-HALF 2019 HIGHLIGHTS

SUCCESSFUL INTEGRATION OF PDS TECH

- AKKA's commercial strategy has been rolled out rapidly in North America. The first-half performance has been very solid. It highlights the rapid integration of PDS Tech and the initial benefits of commercial synergies.

- The improvement of both AKKA North America's and PDS Tech's operating performance, along with the $300 million multi-year contract in the aerospace sector **reflect the successful integration of PDS Tech and have boosted the North America BU's potential for growth and margin improvement**.

MAJOR CONTRACTS – FIRST SUCCESSES OF THE STRATEGIC CUSTOMERS DEPARTMENT

- AKKA has a unique positioning in the market, with high value-added expertise in both engineering and digital. **The CLEAR 2022 strategic plan leverages these two areas of expertise to establish strong relationships with 20 key accounts.** The goal is to win contracts generating greater visibility and stronger margins.

- The ***Strategic Customers Department*** is accelerating this trend and will make it possible to generate revenue of between €100 million and €300 million with each of its main OEM customers, and up to €100 million with Tier 1 groups.

AKKA RESTATES ITS AMBITIONS IN GERMANY

- The **Germany BU has strengthened its organization** to meet strong demand from its clients in the digital segment. Measures included appointing additional managers, opening an AKKADEMY in Leipzig, and setting up a specialized digital center of excellence in Magdeburg.

- AKKA's excellent relationships with the main German OEMs feed its pipeline of major contracts. Together with the success of these various initiatives, it will boost the BU's growth and help to reach its 10% operating margin target.

THE UPBEAT START TO THE YEAR PUTS THE GROUP ON TRACK TO MEET ITS 2019 AND 2022 TARGETS

Nicolas Valtille, Group Managing Director and CFO of AKKA, commented: "During the first half, the Group again demonstrated its ability to deliver a combination of strong growth and improved operating performance, in line with its CLEAR 2022 targets. The successful integration of the PDS Tech reflects the Group's expertise in acquisitions and integration and has boosted the Group's outlook in North America. At the same time, the new credit line, which was arranged over the summer, strengthens the Group's resources, putting it in a position to finance its future growth plans comfortably."

PRESS RELEASE

2019 OUTLOOK	• Organic growth: ≥ 6% • Operating margin from ordinary operations: ≥ 8% • Free cash flow: ≥ 5%

2022 OUTLOOK	• Revenue of €2.5 billion • €250 million in operating profit from ordinary activities[6] • €150 million in free cash flow

Next events:

Publication of third-quarter 2019 revenue: Thursday, 7 November 2019

Publication of fourth-quarter 2019 revenue: Thursday, 6 February 2020

6 *Operating profit calculated before non-recurring items and costs related to stock options and free shares*

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

About AKKA

AKKA is the European leader in engineering consulting and R&D services in the mobility segment. 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 in 1984, AKKA has a strong entrepreneurial culture and is pursuing its fast-paced growth and international development in line with its CLEAR 2022 strategic plan. With 21,000 employees, who are passionate about technology and dedicated to advancing the future of industry, the Group recorded revenues of €1.5 billion in 2018.

AKKA Technologies is listed on Euronext Paris – Segment A – ISIN code: FR0004180537.

For more information, please visit www.akka-technologies.com

Follow us on: twitter.com/AKKA_Tech

AKKA Contacts

Investor Relations
Dov Levy
VP Investor Relations
Tel: +32(0) 2 712 61 24
dov.levy@akka.eu

Media Relations
Markus Leutert
Group Head of Communications
Tel.: +32(0) 4 96 26 27 55
markus.leutert@akka.eu

FTI Consulting
akka@fticonsulting.com
Media Relations, France
Emily Oliver
Tel.: +33(0) 1 47 03 68 65

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APPENDIX 1: H1 2019 KEY FIGURES

(€ million)	H1 2019	H1 2018	*% change*	H1 2017
Revenue	**891.4**	**711.9**	***25.2%***	**666.5**
Operating profit from ordinary operations [1]	**59.2**	**48.8**	***21.3%***	**41.5**
As a % of revenue	*7.3%*	*6.9%*	***+40bp***	*6.2%*
IFRS 16 impact	**0.8**			
Operating profit from ordinary operations [2]	**60.0**	**48.8**	***22.9%***	**41.5**
As a % of revenue	*6.7%*	*6.9%*		*6.2%*
MIP program[3]	**-3.4**	**-3.7**	***-8.1%***	-3.9
Non-recurring income and expense	-11.5	-8.0	***43.8%***	-7.7
Operating profit	**45.1**	**37.1**	***21.6%***	**29.9**
As a % of revenue	**5.1%**	**5.2%**		**4.5%**
Net financial income/(expense)	-8.2	-9.4	***-12.8%***	-7.2
Profit before tax	36.9	27.7	***33.5%***	22.7
Taxes	-10.6	-7.1	***50.0%***	-5.3
Net profit	**26.3**	**20.6**	***27.8%***	**17.4**
As a % of revenue	**2.9%**	**2.6%**		**2.4%**
EPS[4]	€1.31	€0.95	***38.2%***	0.84
Non-controlling interest	**-0.04**	**-1.9**	***-97.9%***	**-1.0**
Net profit Group share	**26.3**	**18.7**	***40.8%***	**16.5**

[1] Operating profit from ordinary operations is calculated before non-recurring items and costs related to stock options and free shares

[2] Operating profit from ordinary operations is calculated before non-recurring items and costs related to stock options and free shares

[3] Management incentive program

[4] Calculated based on net profit Group share

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APPENDIX 2: REVENUE BY QUARTER

Revenue (€ million)	Q1 2019	Q2 2019	H1 2019
France	**169.1**	**161.7**	**330.8**
% change	5.4%	11.0%	8.1%
Organic growth[5]	5.4%	11.0%	8.1%
Economic growth[6]	**7.1%**	**11.0%**	**9.0%**
Germany	**126.2**	**129.2**	**255.4**
% change	6.4%	-3.1%	1.4%
Organic growth[5]	6.4%	-3.1%	1.4%
Economic growth[6]	**6.4%**	**-1.6%**	**2.1%**
North America	**75.6**	**76.8**	**152.4**
% change	1,433.1%	1,392.7%	1,412.5%
Organic growth[5]	35.9%	60.1%	48.2%
Economic growth[6]	**35.7%**	**60.3%**	**48.2%**
International	**75.4**	**77.4**	**152.8**
% change	7.7%	4.9%	6.2%
Organic growth[5]	7.3%	4.4%	5.8%
Economic growth[6]	**7.3%**	**4.4%**	**5.8%**
Total Group	**446.3**	**445.2**	**891.4**
% change	26.1%	24.4%	25.2%
Organic growth[5]	6.6%	5.1%	5.9%
Economic growth[6]	**7.3%**	**4.8%**	**6.0%**

[5] Growth at constant scope and exchange rates

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

APPENDIX 3: OPERATING MARGIN FROM ORDINARY OPERATIONS[7] BY BU

(€ million)	H1 2019	H1 2018	% change	H1 2017
France	**24.9**	**21.9**	**13.7%**	**19.5**
% of revenue	*7.5%*	*7.2%*		*7.0%*
Germany	**19.7**	**18.5**	**6.4%**	**15.3**
% of revenue	*7.7%*	*7.3%*		*6.3%*
North America	**5.6**	**0.1**	*n/a*	*n/a*
% of revenue	*3.6%*	*1.1%*	*n/a*	*n/a*
International	**17.0**	**15.4**	**10.4%**	*n/a*
% of revenue	*11.1%*	*10.7%*		*n/a*
Other	**-7.1**	**-7.1**	**0.6%**	**-6.8**
Total Group	**60.0**	**48.8**	**23%**	**41.5**
% of revenue	*6.7%*	*6.9%*		*6.2%*

[7] Margin based on operating profit from ordinary operations calculated before non-recurring items and costs related to stock options and free shares

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APPENDIX 4: RECONCILIATION BEFORE – AFTER IFRS 16

	H1 2019 (EXCLUDING IFRS 16)	% of Revenue	IFRS 16 impact	H1 2019 (IFRS 16)	% of Revenue
EBIT	59.2	6.6%	0.8	60.0	6.7%
EBITDA	69.4	7.8%	16.3	85.7	9.6%
NET INCOME	27.1	3.0%	-0.8	26.3	2.9%
NET DEBT	368.9		157.4	526.3	
LEVERAGE	2.26x			2.96x	
COVENANT	<3.5x			<4.5x	