

Building stronger operations & perspectives with the combination of ECA and iXblue

The first half of 2022 was marked by the acquisition of iXblue, a transforming operation for Groupe Gorgé. The combination of iXblue and ECA Group has created a French technological champion, leader in its markets. The group now has solid assets to support its ambitions: technological leadership, quality of teams, experience in the execution of major programs and ability to compete internationally. This is demonstrated by the orders received by ECA group during the first half of the year, with €60 million in new contracts, as well as the activity on major tenders on which the group is positioned. During the first half of the year, the preparation of the collaboration between the teams of the two companies has enabled to strengthen the execution of certain programs and the growth perspectives on the group's markets. The synergies between the two companies will allow this momentum to continue after the closing of the transaction, still scheduled at the end of September.

Contracts still well on-track, with execution improved by the combination with iXblue

Major milestones achieved in the Belgian-Dutch program this semester

The flagship program with the Belgian and Dutch navies, now representing a total of €500 million, reached important milestones during the first half of 2022. Following the customer's validation of the Critical Design Review in January, the first steps of the pre-production phase have been successfully taken: the sea trials of the Launch & Recovery System (LARS), one of the key points of the drones system, for the USV Inspector 125, took place in January; the inauguration of the new assembly site in Ostend, close to the mine-hunting training center for NATO countries, took place in June.

The combination between ECA Group and iXblue will also strengthen the technological developments on this program. As part of this contract, iXblue is providing several products integrated into the various ECA drones and ships: innovative FLS sonars (Front Looking Sonars), inertial navigation systems of various accuracies and acoustic positioning systems. The precise positioning of the different vehicles and the good communication between them are critical points of the demining system, which will be better managed by the integration of the two companies' teams.



Successful execution of the modernization program for the Latvian Navy

ECA Group has won the international tender for the modernization of 3 earlier generation mine-hunting ships in 2020. Each of the ships will be equipped with a UMIS drone system consisting of one A-18 underwater drone, two SEASCAN identification drones, 10 K-STER consumable drones, as well as UMISOFT mission management software. As a complete system provider, ECA Group is also in charge of the modernization of the ship's architecture to integrate the new Mine Warfare Data Center equipment (communication, navigation system, autopilot, drone system controls).



The 3 mine hunters of the Latvian Navy

The program is proceeding as planned and several major milestones were achieved during the first half of the year, following the validation of the Critical Design Review at the end of 2021. The customer has taken delivery of the Mine Warfare Data Center, followed by the successful completion of Factory Acceptance Tests (mine control, command and identification systems). Delivery of the ships and drone systems is scheduled for 2024.

The complementarity between ECA Group and iXblue also improves the operational performance for the Latvian Navy. iXblue was selected by ECA to provide compact inertial units for drones, acoustic positioning systems and a GECDIS data processing and display module for this program.

As with other programs, the size of this contract can be increased through various amendments, covering operational maintenance and other services or options not included in the base contract. Initially at €20 million, it could reach €25 million or more in total, illustrating once again the strength of ECA Group's business model, which consists of supplying complete systems and maintaining them in operational condition for several years, thus generating recurring revenues.

Results for the first half of 2022 by division: good profitability in the Drones & Systems division and slight deterioration in the Engineering & Protection Systems division

Profitability remains uneven between the Drones & Systems division (19% current EBITDA margin) and the Engineering and Protection Systems division (7% margin). The results of the previous first half have been restated to take into account the exit of the 3D Printing division at the end of 2021 and the withdrawal from the nuclear doors business.

Income from ordinary activities by division

(In € million)	H1 2022	H1 2021	Variation	
Drones & Systems	Revenues	62,9	58,8	+7,1%
	Current EBITDA ¹	11,7	12,1	-3%
	Current EBITDA margin (%)	18,7%	21%	-1,9 pts
	Income from ordinary activities ²	5,4	6,5	-1,0 M€
Engineering & Protection Systems	Revenues	34,2	32,2	+6,2%
	Current EBITDA ¹	2,5	2,7	-6,6%
	Current EBITDA margin (%)	7,3%	8,3%	-1,0 pts
	Income from ordinary activities ²	1,3	1,3	+0,0 M€

¹ See the glossary in the appendix for definitions of alternative performance indicators

Drones & Systems

The +7% increase in revenues in the Drones & Systems division is the combined result of:

- ▶ **The strong increase in the naval and maritime field (>70% of Drones & Systems revenues): +16%**, both thanks to the BENL program and to other robotics and integrated systems contracts.
- ▶ **Growth in on-board equipment and associated solutions for the aerospace sector (c.20% of Drones & Systems revenues): +15% growth**. It was driven in particular by a significant flow of orders for emergency beacons.
- ▶ The decline in other activities, particularly industrial, which account for less than 10% of Drones & Systems revenues: -41% (maintenance equipment, production tooling, etc.).

More details are available in the [press release of July 27th](#).

The division's current EBITDA margin stood at 19% for the first half. It remains at a good level despite a drop of 2 pts and reflects:

- **A slight improvement in gross margins**, reflecting good execution and compliance with client delivery deadlines despite tighter supply conditions.
- **The mobilization of significant resources on projects that are not yet generating revenue**, such as responses to the several hundred million of euros of tenders in progress or the development of the AMR activity.

Amortizations have increased compared to last year, due to the increase in tangible and intangible assets on the balance sheet. As a result, the operating result of the Drones & Systems division amounts to €5.4 million.

Engineering & Protection Systems

This division now represents €34 million of revenues in the first half of 2022, generated by two activities: fire protection and consulting in engineering and technology. As a reminder, the technical doors business for the nuclear industry is now classified as discontinued operations (IFRS 5) and does not contribute to the published revenues, including in the historical data. Groupe Gorgé had previously announced during the 2021 annual results the plan to withdraw from this activity, which is still loss-making.

Revenue growth was driven by the continued development of the engineering consulting business, while revenues from the fire protection business were down slightly compared to the first half of 2021.

The current EBITDA margin of this division stands at 7%, down by 1 pt due to a temporary drop in the fire protection business. Operating income remained stable on a constant basis at €1.3 million.

Consolidated P&L of the 1st semester 2022

<i>(in € million)</i>	H1 2022	H1 2021	Var M€	Variation %
Revenues	96,6	90,4	+6,2	+7%
Current EBITDA ²	13,9	14,3	-0,3	-2%
<i>Current EBITDA margin (%)</i>	14,4%	15,8%	<i>n.a.</i>	-1,4 pt
Income from ordinary activities ²	6,2	7,2	-1,0	-14%
Operating income	4,5	6,7	-2,1	-32%
Financial result	-1,3	-0,6	-0,7	-
Tax	-6,1	-2,6	-3,5	-
Net income from discontinued activities	-2,8	-3,1	+0,4	-
Net income	-5,6	0,3	-5,9	-
Net income in group share	-5,8	0,3	-6,1	-

Groupe Gorgé achieved organic revenue growth of +7%. Current EBITDA amounted to €14 m, close to the level of the 1st half 2021. Other non-current items of operating income increased by €1 m, almost entirely comprising acquisition costs of iXblue.

The tax charge is significant (€6.1 m) due to deferred taxes (€5.1 m) with no impact on cash. The forthcoming withdrawal of ECA Group from the Groupe Gorgé tax group, as a result of the structuring of the current operation with iXblue, significantly reduces the prospects of using the tax group's tax loss carryforwards.

Net income from discontinued operations (Baumert subsidiary) made a negative contribution of around €3 m, as this activity is still structurally loss-making.

All in all, Groupe Gorgé generated a net loss of €5.8 m, group share, penalized by discontinued operations and deferred taxes.

² See glossary in the appendix for a definition of alternative performance indicators.

Solid cash generation and healthy balance sheet

The cash-flow from operations³ of Groupe Gorgé stood strong in the first half of 2022, at €11 million, generated mainly by the Drones & Systems division. **As a matter of fact, the cash-flow from operations of this division increased by 3% vs H1 2021.**

Net cash flow generated by operations is up sharply due to the improvement in working capital requirements (+9 M€). This variation is notably linked to the payment milestones of the Belgian-Dutch contract, whose payment cycle was unfavorable for the year 2021 alone.

Investments in the first half of the year were lower than in the first half of 2021 (€8.5 m versus €12.4 m) with the completion of the new drone assembly site in Ostend.

The group's debt has also decreased by €9 m, with nearly €10 m repaid in the first half. In the end, net debt will be €73 m at the end of June 2022 (compared with €80 m at the end of December 2021).

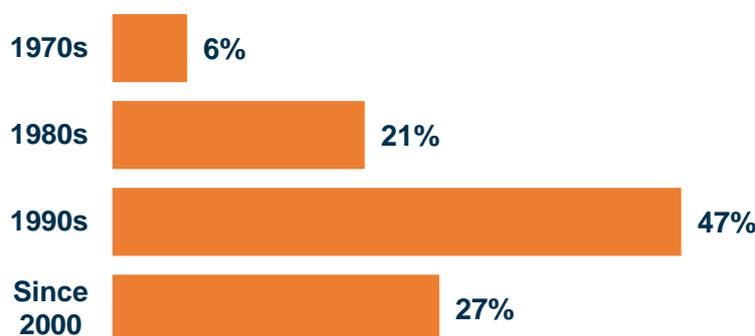
Perspectives

Mine-hunting: aging fleets in need of renewal in the coming years

The threat posed by underwater mines has increased this year, particularly in the Black Sea. A Romanian mine-hunting vessel was recently damaged after setting off a floating mine. The Latvian navy, which until now has been equipped with mine warfare ships built in the 1980s (as have Belgium and the Netherlands), will be the first navy to be equipped with a state-of-the-art robotic mine clearance system. Other navies, equipped with ships built in the 1990s, such as the Royal Australian Navy, have already started preparing renewal programs. Overall, of the more than 300 mine-hunting vessels in service in Europe, Asia-Pacific and the Middle East/North Africa⁴, more than 70% are more than 20 years old and are rapidly becoming obsolete.

Almost all navies concerned are expected to have launched modernization or complete replacement programs to equip themselves with robotic systems by 2030, representing a market worth several billion euros. ECA Group, a leader in this field, is already identified as a key player in future calls for tender and has gained significant recognition thanks to the program with the Belgian and Dutch navies, NATO references in this field. The quality of ECA systems will be strengthened by the acquisition of iXblue and supports the group's ambition to win a significant share of this market.

Distribution of the fleet of c.300 minehunters by decade of commissioning in Europe, Asia Pacific and Middle East/North Africa



Several tenders are already underway, notably in Australia and the Middle-East, representing a total of more than €200 million in potential orders. Their results should be known within the next 18 months. These various tenders have mobilized large teams since the beginning of the year.

³ Cash flow from operations after neutralization of the net borrowing cost and taxes and before change in working capital

⁴ Representing ECA's addressable markets: Europe, Asia-Pacific, the Middle East/North Africa, excluding Russia, China and Iran

Drone systems also for civil markets, such as hydrography and seabed mapping

The civil maritime markets also represent significant growth opportunities over the next decades, with multiple applications. Many players in different sectors will require the deployment of surface and underwater drones, particularly for mapping large areas and collecting data.



*DriX survey mission
in St-Nazaire*

The installation of offshore wind turbines, tidal turbines and other sources of marine energy will require increasing needs for robotic solutions to carry out maritime operations. The European Union, for example, aims to have 60 GW of offshore wind capacity by 2030 and 300 GW by 2050, which implies around 50,000 km² of seabed that will need to be mapped for the technical needs of the installations and the impact studies of the surrounding areas.

iXblue has already successfully completed a mapping mission for the offshore wind project in the Bay of Saint-Nazaire in France. The company deployed its DriX USV, remotely supervised from the control center located in La Ciotat in the south of France ([read the press release](#)).

In order to offer the most efficient systems to existing and potential customers, the teams of both companies have already started to work together on the collaboration between their drones. A demonstration of the cooperation between the DriX surface drone and the A-18 underwater drone took place in September.



[Link to the video of
the demonstration](#)

The robotization of all these missions will enable all of the group's current and future clients to carry out their missions more efficiently, more safely, at lower financial cost and with a limited environmental impact. The deployment of a ship represents the financial and carbon equivalent of the deployment of a hundred drones. Groupe Gorgé is already preparing to take full advantage of these important growth levers in the years to come.

Guidance 2022

The good performance of operations is leading the group to reiterate the guidance given at the beginning of the year: Groupe Gorgé had set itself the target of revenue growth of between +10% and +20% in 2022 for the Drones & Systems division and the maintenance of a good level of profitability. For the Engineering & Protection Systems division, the group is still aiming for a continuation of the current trajectory. However, the 2022 income statement will be transformed by the acquisition of iXblue.

Update on the timetable for the operation of combination of ECA Group and iXblue

In March, Groupe Gorgé announced the operation of combination of ECA Group and iXblue in order to create a world leader in cutting-edge technologies for critical applications, particularly in the defense, space and maritime sectors. A presentation of the operation took place at the beginning of April with the management teams of both companies to explain the strategy and the growth perspectives ([link to the presentation](#)). As a reminder, the new ECA Group-iXblue entity has the ambition to achieve revenues of more than €500 million and an EBITDA margin of around 25% by 2025-2026.

The last foreign administrative approval has been obtained and the closing of the transaction is expected to take place at the end of September, according to schedule.



About Groupe Gorgé

Groupe Gorgé is a high-tech industrial group driven by a strong entrepreneurial culture. The Group is present in drones, engineering and protection systems. The Group generated revenue of €202 million in 2021.

More information on www.groupe-gorge.com

Groupe Gorgé is listed on Euronext Paris Compartment B (GOE).

Contacts:

Investor Relations

Hugo Soussan
Tel. +33 (0)1 44 77 94 86
h.soussan@groupe-gorge.com

Claire Riffaud
Tel. +33 (0)1 53 67 36 79
criffaud@actus.fr

Media Relations

Manon Clairet
Tel. +33 (0)1 53 67 36 73
mclairet@actus.fr

Follow Groupe Gorgé on :

groupe-gorge.com



Disclaimer

Groupe Gorgé's press releases may contain forward-looking statements regarding objectives. These forward-looking statements reflect the current expectations of Groupe Gorgé. However, their materialisation depends on known and unknown risks, uncertainties and other factors that could cause actual results, performance or events to differ significantly from those anticipated. Some of these risks are listed and presented in detail in our Universal Registration Document available on the Groupe Gorgé website (www.groupe-gorge.com). These risks, hazards and other factors are not exhaustive. This press release and the information it contains do not constitute an offer to sell or subscribe, or the solicitation of an order to buy or subscribe, the shares of Groupe Gorgé or its subsidiaries listed in any country.

Appendix

Consolidated income statement

<i>(in thousands of euros)</i>	H1 2022	H1 2021 ⁵
REVENUE	96 625	90 384
Capitalized production	4 936	6 623
Inventories and work in progress	373	(1 236)
Other income from operations	4 025	3 120
Purchases and external charges	(44 346)	(41 349)
Personnel expenses	(46 909)	(42 499)
Tax and duties	(1 113)	(993)
Depreciation, amortization, and provisions (net of reversals)	(7 738)	(7 092)
Other operating income and expenses	316	204
INCOME FROM ORDINARY ACTIVITIES	6 171	7 162
Group share of the earnings of affiliated companies	-	-
Non-recurring items in operating income	(1 625)	(486)
OPERATING INCOME	4 546	6 676
Interest on gross debt	(1 375)	(1 074)
Interest on cash and cash equivalents	18	2
NET BORROWING COST (A)	(1 357)	(1 072)
Other financial income (b)	96	378
Other financial expense (c)	(42)	104
FINANCIAL INCOME AND EXPENSES (D=A+B+C)	(1 303)	(589)
Income tax	(6 101)	(2 639)
NET INCOME FROM CONTINUING OPERATIONS	(2 858)	3 448
Net income from discontinued operations	(2 777)	(3 133)
CONSOLIDATED NET INCOME	(5 635)	315
INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDER	(5 790)	339
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	155	(24)

Average number of shares	17 105 486	17 237 390
--------------------------	------------	------------

⁵ H1 2021 column restated for discontinued operations under IFRS 5.

Cash flow statement

<i>(in thousands of euros)</i>	H1 2022	H1 2021
NET INCOME FROM CONTINUING OPERATIONS	(2 858)	3 448
Accruals	6 424	3 836
Capital gains and losses on disposals	(26)	(16)
Group share of income of equity-accounted companies	-	-
CASH FLOW FROM OPERATIONS (before neutralization of the net borrowing cost and taxes)	3 539	7 268
Expense for net debt	1 357	1 072
Tax expense	6 101	2 639
CASH FLOW (after neutralization of the net borrowing cost and taxes)	10 997	10 978
Tax paid	(984)	(1 068)
Change in working capital requirements	9 199	(10 812)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	19 212	(901)
Investing activities		
Payments/acquisition of intangible assets	(5 262)	(7 081)
Payments/acquisition of property, plant and equipment	(3 530)	(5 317)
Proceeds/disposal of property, plant and equipment and intangible assets	31	-
Payments/acquisition & Proceeds/disposal of non-current financial assets	97	40
Net cash inflow/outflow on the acquisition/disposal of subsidiaries	115	-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	(8 549)	(12 359)
Financing activities		
Capital increase or contributions	-	-
Dividends paid to parent company shareholders	-	(5 509)
Dividends paid to non-controlling interests	(327)	(276)
Other equity transactions	(143)	(1 666)
Proceeds from borrowings	917	90 537
Repayment of borrowings	(12 266)	(73 803)
Cost of net debt	(874)	(891)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	(12 692)	8 392
CASH FLOW GENERATED BY CONTINUING OPERATIONS (D = A+B+C)	(2 029)	(4 868)
Cash flow generated by discontinued operations	(3 913)	(6 493)
EFFECTS OF EXCHANGE RATE CHANGES	(5 943)	(11 361)
<i>Effects of exchange rate changes of the year</i>	17	4
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	42 835	57 857
Restatement of cash and cash equivalents cash equivalents at the end of the year	(135)	(1 676)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	40 685	51 317

Consolidated balance sheet – Assets

<i>(in thousands of euros)</i>	30/06/2022	31/12/2021
NON-CURRENT ASSETS	122 640	116 244
Goodwill	23 792	23 792
Other intangible assets	35 662	34 172
Property, plant and equipment	43 845	38 355
Investments in affiliated companies	6	5
Other financial assets	18 900	18 543
Deferred tax assets	429	1 378
Other non-current assets	-	-
CURRENT ASSETS	215 111	203 565
Net inventories	20 944	23 003
Net trade receivables	35 558	43 757
Contract assets	82 827	63 189
Other current assets	18 558	17 115
Tax receivables payable	16 324	13 375
Other current financial assets	196	217
Cash and cash equivalents	40 705	42 909
ASSETS HELD FOR SALE	30 304	32 751
TOTAL ASSETS	368 056	352 560

Consolidated balance sheet - liabilities

<i>(in thousands of euros)</i>	30/06/2022	31/12/2021
EQUITY ATTRIBUTABLE TO OWNER OF THE PARENT	54 285	59 300
Stakes attributable to non-controlling interests	4 636	5 001
NON-CURRENT LIABILITIES	106 224	107 355
Long-term provisions	4 123	5 224
Long-term liabilities – portion due in more than one year	81 608	86 696
Lease liabilities – portion due in more than one year	12 582	11 972
Other financial liabilities	3 108	3 138
Deferred tax liabilities	4 639	150
Other non-current liabilities	164	175
CURRENT LIABILITIES	170 550	148 643
Short-term provisions	4 806	4 881
Long-term liabilities – portion due in less than one year	37 133	41 114
Lease liabilities – portion due in less than one year	3 683	3 279
Operating payables	34 741	32 843
Contract liabilities	45 555	22 504
Other current liabilities	44 369	43 780
Tax liabilities payable	263	242
Liabilities held for sale	32 362	32 260
TOTAL LIABILITIES	368 056	352 560

Definitions of alternative performance indicators

- **Current EBITDA:** Operating income before “depreciation, amortization and provisions”, “other items of operating income” and “Group share of the earnings of affiliated companies”.
- **Income from ordinary activities:** Operating income before “other items of operating income” and “Group share of the earnings of affiliated companies”.
- **Net Debt :** Net debt excluding lease liabilities resulting from the application of IFRS 16 and including the value of treasury stock.