

Quantel

PRESS RELEASE

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2016 EARNINGS: A YEAR OF CONSOLIDATION AND MANAGEMENT TRANSITION

- Record level of sales maintained
- Contraction in operating income: +€1.1 million, versus €2.3 million in 2015
- Continued deleveraging

On February 27, 2017, Quantel's Board of Directors approved the accounts for the year ended December 31, 2016. The Group achieved in 2016 a record level of revenues of €63.3 million, despite contrasting business trends, with revenues stabilizing for major contracts (+4% to €12.0 million), following strong growth in 2015, a contraction in sales of industrial and scientific products (-13% to €20.9 million) and a dynamic performance by the medical business (+14% to €30.5 million). The drop in sales of industrial and scientific products has affected the US subsidiary's accounts, resulting in a lower level of consolidated operating income, which the medical division's dynamic development has not been able to offset. Alongside this, the Group has finalized work launched in 2015 to rationalize its strategic assets (inventories and R&D), which impacted its 2016 accounts for €1 million. Operating income came to €1.1 million, versus €2.3 million in 2015, with €0.65 million of consolidated net income, versus €2.1 million. In one year, net financial debt has been reduced from €9.6 million to €7.3 million, with €30.4 million of equity (versus €27.1 million in 2015).

Consolidated full-year earnings (audited data)

€ million	2015	2016 ⁽¹⁾
Revenues ⁽³⁾	62.1	63.3
Income from ordinary operations	2.3	1.1
Operating income	2.3	1.1
Pre-tax earnings	1.8	0.65
Total net income	2.1	0.65

⁽¹⁾ Audited data (report currently being issued)

2016 business

Industrial and Scientific Products

Throughout the year, QUANTEL had to contend with a significant contraction in sales of Industrial Lasers to original equipment manufacturers (OEM), particularly in the US. The slight pick-up in orders at the end of the year in this sector had limited impact on the fourth quarter. More specifically, the portable LIBS business, which seemed very promising at the end of 2015, has taken longer than expected to become significant. This sharp contraction has been partially offset by the very sustained level of business for both Laser Diodes (+35%) and the Services activity (+17%). The scientific product line has shown a good level of resilience, particularly with the launch of a new range of Dye Lasers at the start of the year, which have received a positive response from international laboratories, particularly with the first units set up in China.

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Activities that were discontinued (laser marking) represented a €1.4 million drop in revenues for 2016.

Major Contracts

In 2016, the Group made its first serial deliveries for orders received in 2015:

- > The first serial preamplifier module unit was delivered in June 2016 for the MegaJoule. Since then, business and deliveries have been moving forward as planned. An operational maintenance contract has been signed with the French Alternative Energies and Atomic Energy Commission (CEA) to maintain the installed fleet.
- > For military lasers, investments to increase industrial capacity have been launched and are operational since the beginning of 2017. An additional order was received in 2016 for \$5 million, with good prospects for regular orders on the same scale. The Group is also maintaining these products under a maintenance contract.

Ophthalmology Division

For the full year in 2016, revenues are up 14%. This progress has notably been built around growth in the diagnostics range (+13%), as well as the delivery of a tender in India in January 2016 equipping 61 military hospitals with photocoagulation lasers and other equipment for €2.9 million.

At the ESCRS show in Copenhagen on September 6, 2016, QUANTEL MEDICAL presented a new photocoagulation laser, EASYRET, the first retinal surgery application of the fiber laser technology developed by Quantel's team in Lannion, France. The first deliveries were completed in the fourth quarter and the orders recorded for this product, which is currently being registered in the United States, are in line with expectations, while this new technology has received a very good response from ophthalmologist clients.

Financial structure and results

As a result of the lower contribution by the Industrial and Scientific Products division, only slightly offset by a better contribution for the medical division, 2016 operating income is down €1.2 million to €1.1 million. Net income comes out at €0.65 million, compared with €2.1 million in 2015.

With its increase in investments (€4.4 million vs €3.2 million in 2015), financed with €4.1 million of operational cash flow, the Group has continued to reduce its debt thanks to the €2.3 million capital increase carried out in November 2016. The Group's net financial debt represented €7.3 million at December 31, 2016 (versus €9.6 million at December 31, 2015), with shareholders' equity up to €30.4 million (versus €27.1 million at December 31, 2015).

Moreover, the research tax credit and competitive employment tax credit receivables from the French State represented €6.0 million at December 31, 2016, virtually equivalent to all its net debt.

Outlook

Considering the visibility provided by the key contracts signed, the outlook for its major industrial clients, the dynamic development of its medical business and the various actions rolled out to improve its industrial and commercial efficiency, the Group is setting itself a target to continue growing its business and sustainably improve its financial performance.

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Founded in 1970, Quantel is one of the world's leading specialists in laser technology for scientific (laboratories and universities), industrial (material processing, process analytics, marking) and medical (ophthalmology) markets. With design and manufacturing facilities in France and the US, the Quantel Group achieved in 2015 a turnover of 62 M€, with close to 70% worldwide, divided into scientific and industrial laser applications (56%) and medical applications (44%).

Quantel shares are listed on the Euronext Paris C Compartment. FR0000038242 – QUA www.quantel.fr



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