Quantel

# PRESS RELEASE

Les Ulis, September 19, 2017

## SIGNIFICANT IMPROVEMENT IN FIRST-HALF EARNINGS

**During its meeting on September 18, Quantel's Board of Directors approved the accounts at June 30, 2017. After returning to a position to break even in the first half of 2016, earnings for the first half of this year have clearly moved back into positive territory thanks to the efforts made in terms of development and management, making it possible to improve margins and stabilize spending.**

| | H1 2016 | H1 2017(1) | Change |
|---|---|---|---|
| **Revenues** | **31.3** | **32.8** | **+4.8%** |
| *Of which* | | | |
| *Industrial and Scientific Products* | *9.6* | *12.2* | *+27%* |
| *Major contracts* | *5.4* | *5.0* | *-8.0%* |
| *Medical/Ophtalmology* | *16.3* | *15.6* | *-4.0%* |
| **Operating income** | 0.2 | 1.3 | +702% |
| **Financial income** | (0.2) | (0.2) | -9.9% |
| **Pre-tax earnings** | 0 | 1.1 | ns |
| **Net income** | 0 | 1.1 | ns |

(1) Audited data extracted from the half-year financial statements at June 30, 2017 by the Board of Directors on September 18, 2017

### Half-year highlights for each business line:

**Industrial and Scientific Division**
With revenues up 27% from the first half of 2016, the Industrial and Scientific Division is confirming its dynamic development that began in the first quarter, supported by the upturn in business in Asia, particularly for flat screens manufacturing, and the ramping up of diode production capacity, with the order book representing nearly six months of business.

**Major Contracts**
The major contracts business - MegaJoule and military - shows a slight slowdown in revenues for the first six months of 2017, but the production and delivery schedules are still on track. Quantel is working to reduce production timeframes in order to prepare for the MegaJoule project's next phase and showcase its strong industrial capabilities with key contracting authorities, opening up possibilities for new partnerships.

**Ophthalmology Division**

The Ophthalmology Division's sales are down 4%. Excluding the €2.9 million non-recurring contract with India in 2016, they are up 16.7%, thanks in particular to the positive market response and the ramping up of production for the new Easyret laser and, to a lesser extent, the good commercial performances achieved by the Optimis-Fusion. It is important to remember that the margin on the Indian tender was lower than the usual margins and the replacement of this exceptional order with ordinary sales will have a positive impact on earnings.

## Earnings

The improvement in profitability over the first half of this year is linked to three main factors:

> Good global level of the "current" business volume;

> Significant improvement in the gross margin, with no "non-current" sales recorded, while highly targeted work has been carried out on materials costs, production lead-times and reducing excess production costs.

> Effective management of fixed costs: staff costs and external costs represent a total of €16.3 million, up 4.8% year-on-year, equivalent to the growth in revenues, despite spending to modernize industrial facilities, including the American subsidiary's relocation in the first quarter.

## Financial structure

At June 30, 2017, Quantel still had a sound financial position, with €9.1 million of net financial debt (€7.3 million at December 31, 2016), based on €11.7 million of financial debt (€11.9 million at December 31), with €4.0 million of financing for the research tax credit and the competitiveness and employment tax credit, as well as €2.6 million of cash (€4.7 million at December 31). However, €6.0 million of state receivables linked to the research tax credit and the competitiveness and employment tax credit are not deducted from debt.

## Outlook

In view of its half-year performances and the various orders underway, Quantel is maintaining its objective to consolidate the level of revenues achieved in 2016 despite the fact that 2017 will not include the Indian contract.

## Business combination with the Keopsys group

On June 23, 2017, Quantel announced a proposed business combination with the Keopsys group, based on the Keopsys group transferring all its companies to the Quantel Group. This proposed business combination, aiming to create a European champion for lasers, is fully aligned with the existing relationships between the two groups and the successful development of synergies since Esira, the Keopsys group's holding company, entered Quantel's capital.

The general meeting to deliberate on the transfer has been convened by Quantel's Board of Directors for October 6, 2017, from 9:30 am, at Quantel's registered office. Quantel's shareholders are invited to consult the preparatory documents for the general meeting made available to them on the Company website (www.quantel.fr), including the information memorandum ("Document E") describing the characteristics of the operation, as filed with the French financial markets authority (AMF), when it becomes available.

The **half-year financial report** is available online on Quantel's website

**Next date:** general meeting on October 6





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