

Press release

H1 2016 results

Libourne – 15 September 2016 – Fermentalg, an industrial biotechnology company that specializes in the production of oils and proteins derived from microalgae, has published its results for the first half of 2016. Fermentalg's Board of Directors, which met on 13 September 2016, has approved the financial statements as at 30 June 2016. A limited review was carried out by the company's statutory auditors, and the half-yearly financial report will be available to the public no later than 30 September 2016.

Andrew Echatti, Chief Executive Officer, said: *"The first half of 2016 marks an important stage in Fermentalg's development. The industrialization of our flagship product, DHA, was successfully launched in record time, and is clear proof of our ability as a company to rapidly go-to-market with a major new innovation. We have also prepared for the future, with the implementation of our roadmap for the 4 other programmes linked to our portfolio of products. All of this work has been carried out whilst respecting a strict policy of cost control and in close collaboration with the Board of Directors chaired by Philippe Lavielle."*

Major headway for Fermentalg's 1st product: DHA

The strategic plan set in place last March defined the roadmap for the first 5 products to be developed by Fermentalg, with priority given to the commercialization of DHA before the end of the year.

DHA is a highly sought-after essential fatty acid (Omega 3) known for its role in the prevention of numerous illnesses. It is recognized for its beneficial effects on the brain (tissue, healthy development and increase in intellectual capacity) and the heart (reduction in triglycerides, cholesterol and the risk of cardiovascular disease).

Between March and September 2016, several key milestones were achieved:

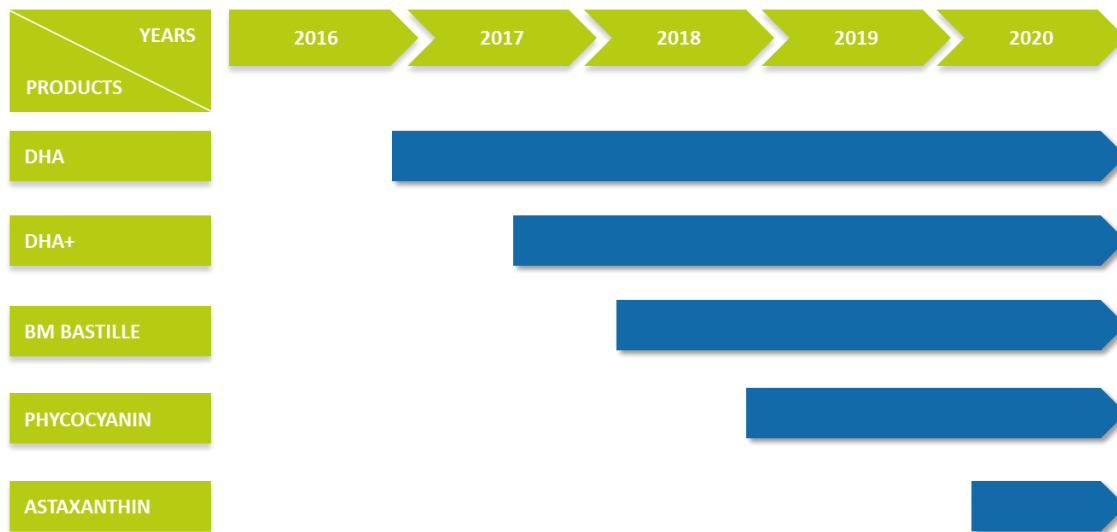
- the signing of an industrial agreement for the large-scale production of DHA with ARD, a company specializing in bio-refining, industrial biotechnologies and bio-based chemistry;
- the completion of the DHA process book which is the last stage in pre-industrialization at the company's scientific facilities in Libourne and opens the way for large-scale production;
- the negotiations currently underway for a refining and logistics services contract with an expert from the edible oils industry which is expected to be finalized during the third quarter of 2016.



As a result, Fermentalg should be able to begin the production and commercialization of DHA as of the second half of 2016, once the test and scale-up phases have been completed (production using fermenters with a capacity of 150 m³) by its partner, ARD. Fermentalg's industrial investments for the first half of 2016 are estimated at €2 million (including materials and labor).

Definition of a roadmap for the portfolio of products

Alongside DHA, which is currently its most advanced product, Fermentalg has confirmed its calendar for the development of 4 additional products between now and 2020 (DHA+, BM Bastille, Phycocyanin and Astaxanthin).



End to construction for the IDU scheduled for the third quarter of 2016

In line with the industrial plan presented at the start of the year, Fermentalg intends to produce BM Bastille and Phycocyanin at its Industrial Development Unit (IDU) in Libourne (Gironde). The commissioning of the unit, which represents an estimated investment in the process of €23 million, is still scheduled for 2018.

The delivery of the building (excluding equipment) is expected at the end of the third quarter of 2016 and has so far represented an investment of €6.2 million.

Strict financial management and cash assets that are consistent with the needs of the plan

The strict financial management that has gone hand-in-hand with the implementation of this roadmap has enabled Fermentalg to maintain an adequate level of cash flow.

The company has notably reduced the budget allocated to research and development (€1.2 million for the first half of 2016 as against a figure of €1.7 million for the same period in 2015) given the maturity of its different programs, whilst upping its administrative and commercial expenditure (€1.9 million compared with €1.8 million) in order to strengthen its structure and prepare for the industrial and commercial deployment of its products.

Since the end of its financial year, the company has recruited a full-time HR Director (1 July 2016) and Industrial Director (1 August 2016).

Fermentalg's current operating income¹ amounted to -€2.5 million for the first half of 2016 (vs. -€2.8 million for the first half of 2015). Excluding other income and expenses, net income amounted to -€2.6 million which is in line with the figure reported for the first six months of 2015.

Aside from the operating loss reported, Fermentalg's cash assets were also impacted by the investment for its IDU booked over the period (€3.0 million). At 30 June 2016, Fermentalg reported a gross cash position of €22.3 million (€28.5 million on 31 December 2015), a net cash position of €19.3 million (€25.6 million) and €41.7 million in equity (€44.4 million).

Stronger governance

Fermentalg also reinforced its governance with the co-option² of Philippe Lavielle as an independent director in May 2016 and his appointment as Chairman of the Board of Directors in September 2016.

An expert in the management of innovative companies primarily specializing in biotechnologies, Philippe Lavielle has lived and worked in San Francisco for more than 10 years. He also spent more than 20 years with Genencor, one of the leading architects in industrial enzymes acquired by DuPont, where he worked as Vice President and BU Manager before being named Executive Vice President in charge of Business Development.

About Fermentalg

Based in Libourne (Gironde), Fermentalg is an industrial biotechnology company and a global leader in the production of oils and proteins derived from the fermentation of microalgae. Its primary markets are the human nutrition and animal feed sectors and the green chemistry industry. Fermentalg shares are listed on Euronext in Paris (FR0011271600 - FALG). For more information, visit the Fermentalg website at: www.fermentalg.com.

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¹ Operating income before share-based payments

² Co-option ratified by the General Meeting of Shareholders of 28 June 2016

Comprehensive income statement

(€ thousands)	30/06/16	31/12/2015	30/06/2015
Revenue	172	479	0
Other income from operations	466	1,185	705
Production costs	0	0	0
Research and Development expenses	-1,196	-3,096	-1,698
Administrative and sales expenses	-1,949	-4,236	-1,758
Other operating income and expenses	0	0	0
Operating income before share-based payments	-2,507	-5,668	-2,751
Payroll expenses linked to share-based payments	-8	-117	-38
Other non-current operating income and expenses	-284	-50	-50
Operating income after share-based payments	-2,799	-5,836	-2,839
Income from cash and cash equivalents	209	581	312
Cost of gross financial debt	-32	-56	-27
Cost of net financial debt	177	525	285
Other financial income and expenses	-2	16	5
Net tax expense	0	0	0
Consolidated net income	-2,624	-5,295	-2,549
Minority interests	0	6	-2
Consolidated net income (Group share)	-2,624	-5,288	-2,551
Other consolidated income	0	0	0
Global consolidated net income	-2,624	-5,295	-2,549
Minority interests	0	6	-2
Global consolidated net income (Group share)	-2,624	-5,288	-2,550
Consolidated net earnings per share (in euros)	-0.22	-0.44	-0.21
Consolidated diluted net earnings per share (in euros)	-0.22	-0.43	-0.21

Balance sheet

(€ thousands)	30/06/16	31/12/2015	30/06/2015
ASSETS			
Goodwill	0	0	0
Intangible assets	4,925	4,241	3,569
Tangible assets	14,884	12,455	9,471
Non-current financial assets	132	351	342
Deferred tax assets	3,302	3,302	3,303
TOTAL NON-CURRENT ASSETS	23,244	20,349	16,685
Inventories	0	0	0
Client receivables	55	516	1
Corporate income tax receivables	0	15	19
Other receivables	3,624	3,969	2,985
Other non-financial current assets	0	0	0
Cash and cash equivalents	22,273	28,506	32,521
TOTAL CURRENT ASSETS	25,952	33,006	35,526
TOTAL ASSETS	49,196	53,355	52,211
LIABILITIES			
Capital	484	484	484
Premiums	50,289	56,632	56,632
Reserves and retained earnings	-6,449	-7,466	-7,552
Global net income	-2,623	-5,287	-2,550
Shareholders' equity (Group share)	41,701	44,362	47,013
Minority interests	17	17	-24
TOTAL SHAREHOLDERS' EQUITY	41,718	44,380	46,989
Financial debt	2,933	2,902	2,034
Retirement commitments	65	56	77
Provisions for non-current risks	355	300	350
Other non-current liabilities	0	0	0
Affiliated companies	0	0	0
Deferred tax liabilities	0	0	0
TOTAL NON-CURRENT LIABILITIES	3,353	3,258	2,461
Bank overdrafts	0	900	82
Current accounts	0	0	0
Other financial debt	0	0	0
Provisions for current risks	0	0	0
Corporate income tax liabilities	0	0	0
Supplier debt	1,602	1,881	1,590
Other current liabilities	2,523	2,936	1,089
TOTAL CURRENT LIABILITIES	4,125	5,717	2,761
TOTAL LIABILITIES	49,196	53,355	52,211



Cash flow statement

	30/06/16	31/12/2015	30/06/2015
Global net income	-2,624	-5,295	-2,549
Depreciation, amortization and provisions (excluding provisions against current assets)	591	992	572
Expenses on share-based payments	2	117	38
Other computed expenses	0	0	0
Change in deferred tax	0	0	0
Share in income of companies accounted for by the equity method	0	0	0
Gains and losses on disposals	169	0	0
Share in subsidiaries	0	0	0
Cash flow	-1,862	-4,186	-1,939
Cost of gross financial debt	31	56	27
Tax	0	0	0
Cash flow before cost of financial debt, net of tax	-1,831	-4,130	-1,912
Tax	15	0	0
Change in consumables	-61	12	-6
Change in client receivables	461	-486	29
Change in supplier payables	-197	1,078	829
Change in other current assets and liabilities (a)	8	-279	-980
Change in working capital requirement linked to operations	226	325	-128
Net cash flow linked to operations	-1,605	-3,805	-2,040
Production of fixed assets (capitalized R&D)	-867	-2,039	-1,029
	299	739	376
Acquisitions of other tangible and intangible assets	-3,047	-8,407	-4,908
Change in fixed asset liabilities	-114	-264	-448
Acquisitions of financial fixed assets	0	-1	0
Disposals of other tangible and intangible assets	0	5	0
Disposals of financial assets	50	4	6
Cash linked to the acquisition and disposal of subsidiaries	0	0	0
Net cash flow linked to investments	-3,679	-9,963	-6,003
Capital increase linked to parent company	0	727	727
Capital increase reserved for employees	0	49	-17
Acquisitions and disposals of own shares	-49	-8	0
New borrowings and other financial debt	0	889	0
Repayments of borrowings and other financial debt	0	0	0
Change in current accounts	0	-54	1
Interest on borrowings and financial debt	0	0	-1
Net cash flow linked to financing	-49	1,603	710
Change in cash	-5,333	-12,165	-7,333
Opening cash (1)	27,607	39,772	39,772
Closing cash (1)	22,274	27,607	32,439
(a) o/w change in research tax credit:	242	-1,347	-737

(1) Available cash less bank overdrafts.