

## Press release

# 2017 Annual Results and commercial developments

Libourne – 5 March 2018 – Fermentalg (Euronext – FALG), a French leader in microalgae for nutrition and health has published its 2017 annual results. Fermentalg's Board of Directors, chaired by Philippe Lavielle, approved the financial statements for the year ending 31 December 2017. The consolidated financial statements have been audited. The audit certification report is currently being prepared.

Philippe Lavielle, Fermentalg Chairman and CEO, made the following comments: *“2017 was above all a year of consolidation. From a financial standpoint, the successful fund-raising carried out enabled us to end the year with cash assets of €21.8m. From a business standpoint, the market launch of our first algal oil, naturally rich in Omega-3, and the signing of an initial distribution agreement with European company IMCD, marks the beginning of a new chapter for our company. Finally, a strategic agreement signed with DIC Corporation, a Japanese leader in the global chemicals industry, enables us to step up the development of two new innovative products intended for the health and nutrition market. Fermentalg also maintained a high level of operating expenses in 2017, both in terms of technology and industrial investments, in order to strengthen its product pipeline over the short and medium term. All of these factors enable us to tackle 2018 with increased confidence in the company's business potential.”*

### **Cash assets of €21.8 million at 2017 year-end**

2017 was marked by the success of two financial operations, a €12.6 million capital increase largely subscribed by current shareholders and new investors, and a €5 million convertible bond issue subscribed by DIC Corporation as part of the strategic partnership entered into by the two Groups.

These operations significantly bolstered the company's cash position, enabling it to roll out its industrial and commercial strategy. Cash used by operations<sup>1</sup> remained stable in 2017 at €7.3 million. The industrial ramp-up and ongoing investment in R&D were offset by a decrease in fees and other non-recurring expenses. The change in working capital was negative in 2017 at €1.9 million, compared to a €2.0 million positive change in 2016, while capital expenditures (excluding R&D) significantly decreased to €1.1 million in 2017, compared with €6.8 million in 2016

Cash assets amounted to €21.8 million at 31 December 2017, up from €15.7 million at 31 December 2016, and shareholders' equity of €41.2 million. Borrowings of €8.0 million comprise repayable advances on innovation programs and the convertible bond issue.

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<sup>1</sup> Cash flow + net capitalised R&D costs

### A pipeline bolstered by the addition of new products

Two new programs have been added to our three algal product ranges already being developed for the health and nutrition market (Omega-3, phycocyanin and protein), in close cooperation with our Japanese partner DIC Corporation. All of these innovative products reflect the major fundamental trends changing the agri-food sector: the growing demand for natural products (fewer synthetics in our foods), the increasingly close link between nutrition and health (maintaining health through food) and the growing concern for the environment (no GMOs or overly-intensive practices).

In accordance with its business plan, Fermentalg launched its first product in 2017, a DHA-rich algal oil (DHA ORIGINS 350® with a minimum oil concentration of 350 mg/g). In just a few months, Fermentalg reached all of its technological and regulatory milestones, produced the first industrial work packages and signed a European distribution agreement with IMCD Group, a leader in the sale, marketing and distribution of speciality chemical products and nutritional ingredients.

These key milestones, combined with the numerous sales contacts made, give Fermentalg the best chance for a successful launch in 2018 of its second product DHA ORIGINS 550®, the most naturally concentrated algal Omega-3 on the market (minimum oil concentration of 550 mg/g). This product, which is already attracting a certain amount of interest, will be unveiled at the 2018 VITAFODDS EUROPE event in May.

In addition, Fermentalg's road map includes the launch of an algal protein in 2019 and an initial algal colourant in 2020. This pipeline is bolstered by the strategic partnership with DIC Corporation, whose operational focus is the joint development of two new products, including an innovative phycocyanin.

Finally, major advancements were made in the development of an urban and industrial "carbon sink", designed to purify the atmosphere by capturing CO<sub>2</sub> and other pollutants, in partnership with the SUEZ Group. In 2017, the partners launched two test programs: one for the capture of incinerator fumes, and the other in the heart of Paris dedicated to exhaust gases.

### About Fermentalg:

Fermentalg is a leader in France in the microalgae sector. Based in Libourne (Nouvelle Aquitaine), the company produces oils, pigments and proteins derived from the bio-industrial use of microalgae. Its primary markets are the food, feed and health markets. Fermentalg shares are listed on Euronext in Paris (FR0011271600 - FALG). For more information, visit: [www.fermentalg.com](http://www.fermentalg.com)



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### Comprehensive income statement

| (€ thousands)  | 31/12/2017    | 31/12/2016    |
|--|---------------|---------------|
| <b>Revenue</b>   | <b>170</b>    | <b>137</b>    |
| Other income from operations   | 1,103         | 568           |
| Production costs   | -1,115        | -133          |
| Research and Development expenses  | -4,522        | -2,566        |
| Administrative and sales expenses  | -2,873        | -4,250        |
| <b>Operating income before share-based payments and non current elements</b> | <b>-7,237</b> | <b>-6,244</b> |
| Payroll expenses linked to share-based payments                              | -35           | 138           |
| Other non-recurring operating income and expenses                            | 30            | -1,594        |
| <b>Operating income after share-based payments and non current elements</b>  | <b>-7,242</b> | <b>-7,700</b> |
| Income from cash and cash equivalents  | 43            | 328           |
| Cost of gross borrowings   | -72           | -70           |
| <b>Cost of net borrowings</b>  | <b>-29</b>    | <b>258</b>    |
| Other financial income and expenses  | 0             | -61           |
| Net tax expense  | 0             | -67           |
| <b>Consolidated net income</b>   | <b>-7,271</b> | <b>-7,570</b> |
| Minority interests   | 2             | 11            |
| <b>GLOBAL CONSOLIDATED NET INCOME (GROUP SHARE)</b>                          | <b>-7,269</b> | <b>-7,559</b> |
| Consolidated net earnings per share (in euros)                               | -0.56         | -0.63         |
| Consolidated diluted net earnings per share (in euros)                       | -0.56         | -0.62         |

### Balance sheet

| (€ thousands)                             | 31/12/2017    | 31/12/2016    |
|---|---------------|---------------|
| <b>ASSETS</b>                             |               |               |
| Intangible assets                         | 8,069         | 6,020         |
| Tangible assets                           | 16,511        | 17,613        |
| Non-recurring financial assets            | 171           | 140           |
| Deferred tax assets                       | 3,236         | 3,236         |
| <b>TOTAL NON-RECURRING ASSETS</b>         | <b>27,987</b> | <b>27,009</b> |
| Inventories                               | 840           | 558           |
| Client receivables                        | 113           | 7             |
| Other receivables                         | 3,313         | 2,814         |
| Cash and cash equivalents                 | 21,752        | 15,707        |
| <b>TOTAL CURRENT ASSETS</b>               | <b>26,018</b> | <b>19,086</b> |
| <b>TOTAL ASSETS</b>                       | <b>54,005</b> | <b>46,095</b> |
| <b>EQUITY &amp; LIABILITIES</b>           |               |               |
| Capital                                   | 686           | 484           |
| Additional paid-in capital                | 52,036        | 50,289        |
| Reserves and retained earnings            | -4,261        | -6,582        |
| Global net income                         | -7,269        | -7,559        |
| <b>Shareholders' equity (Group share)</b> | <b>41,192</b> | <b>36,632</b> |
| <b>Minority interests</b>                 | <b>0</b>      | <b>-43</b>    |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>         | <b>41,192</b> | <b>36,589</b> |
| Borrowings                                | 7,958         | 3,348         |
| Retirement commitments                    | 70            | 64            |
| <b>TOTAL NON-RECURRING LIABILITIES</b>    | <b>8,028</b>  | <b>3,412</b>  |
| Provisions for current risks              | 305           | 590           |
| Trade payables                            | 1,830         | 3,175         |
| Other current liabilities                 | 2,650         | 2,329         |
| <b>TOTAL CURRENT LIABILITIES</b>          | <b>4,785</b>  | <b>6,094</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>       | <b>54,005</b> | <b>46,095</b> |

### Cash flow statement

| (€ thousands)   | 31/12/20<br>17 | 31/12/20<br>16 |
|---|----------------|----------------|
| <b>Global net income</b>  | <b>-7,271</b>  | <b>-7,570</b>  |
| Depreciation, amortization and provisions (excluding provisions against current assets) | 1,914          | 1,840          |
| Expenses on shared-based payments   | 35             | -138           |
| Change in deferred tax  | 0              | 66             |
| Gains and losses on disposals of fixed assets   | 0              | 235            |
| <b>Cash flow</b>  | <b>-5,323</b>  | <b>-5,567</b>  |
| Cost of gross borrowings  | 62             | 70             |
| <b>Cash flow before cost of borrowings, net of tax</b>                                  | <b>-5,261</b>  | <b>-5,497</b>  |
| Tax   | 0              | 15             |
| Change in inventories   | -282           | -373           |
| Change in trade receivables   | -106           | 509            |
| Change in trade payables  | -1,194         | 1,165          |
| Change in other current assets and liabilities (a)                                      | -321           | 712            |
| <b>Change in working capital related to operations</b>                                  | <b>-1,903</b>  | <b>2,028</b>   |
| <b>NET CASH FLOW FROM OPERATIONS</b>  | <b>-7,164</b>  | <b>-3,469</b>  |
| Production of fixed assets (capitalised R&D)  | -2,481         | -2,460         |
| Share of subsidies and research tax credit linked to development projects underway      | 430            | 595            |
| Acquisitions of other tangible and intangible assets                                    | -1,091         | -6,848         |
| Change in fixed asset liabilities   | -3             | -304           |
| Disposal of financial assets  | -31            | 211            |
| <b>NET CASH FLOW FROM INVESTMENTS</b>   | <b>-3,176</b>  | <b>-8,806</b>  |
| Capital increase linked to parent company   | 11,688         | 0              |
| Acquisitions and disposals of own shares  | 3              | -7             |
| New loans and other borrowings  | 4,694          | 332            |
| Change in current accounts  | 0              | 51             |
| Interest paid on loans and borrowings   | 0              | 0              |
| <b>NET CASH FLOW FROM FINANCING</b>   | <b>16,385</b>  | <b>376</b>     |
| Change in cash and cash equivalents   | 6,045          | -11,899        |
| Opening cash and cash equivalents(1)  | 15,708         | 27,607         |
| Closing cash and cash equivalents(1)  | 21,752         | 15,708         |
| (a): including change in Research tax credit:   | -1,153         | 1,312          |