

## Press release

# 2018 first half results and second half perspectives

Libourne – 13 September 2018 – Fermentalg (Euronext – FALG), a French leader in microalgae for nutrition and health, releases its first half 2018 results and provides perspectives for the second half of the year.

Philippe Lavielle, Fermentalg Chairman and CEO, comments: *“We have now finalised the last stages in the lead-up to the market launch of our DHA ORIGINS® range of algal oils, and we expect the first major orders to start coming in during the second half of 2018. At the same time, we are making rapid progress with the development of our protein and natural food pigment platform, particularly thanks to our partnership with the Japanese DIC Corporation Group. All of these operations have been accomplished within a tight financial framework which has allowed us to reduce cash outflow compared to first half 2017.”*

### **Market launch of DHA ORIGINS® range**

The presentation of DHA ORIGINS 550® at the 2018 Vitafoods Europe event last May confirmed the interest of major operators in the food supplement market for the first algal oil with a minimum natural DHA concentration of 550 mg/g.

Fermentalg recorded the first sales of DHA ORIGINS 550® after the qualification of marketing leads for the new product during H1 2018. However, H1 2018 revenues of €110,000<sup>1</sup> were mainly generated via an intellectual property agreement with a partner group.

Fermentalg is reasonably confident that all its marketing efforts to date will translate in sales of significant volumes of DHA ORIGINS 550® during the second half of the year.

### **Advances in proteins and natural pigments**

Over the last few months Fermentalg achieved a notable progress in the scale up of its second technological platform for algal proteins and phycocyanin, a natural blue colourant with a strong demand in the food industry. The R&D teams successfully completed several 1,000 and 2,000 litres fermentation trials, and delivered the basic engineering studies for blue print of a semi-industrial demonstration plant, designed to test the production process in large scale and to provide the market with test quantities of material.

Given the industrial and commercial outlook for the platform, Fermentalg decided to capitalise R&D expenses incurred on projects related to this second platform as of 1 January 2018.

Meanwhile, research projects carried out in cooperation with DIC Corporation, a leading player in the Japanese chemical sector, proceeded according to plan; last January, the partners selected the second target product (confidential) alongside the previously announced thermotolerant phycocyanin.

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<sup>1</sup> As a consequence of the first half financial statements including the application of IFRS 15, Fermentalg transferred R&D costs passed on to collaborative project partners from revenues to ‘Other income’. This explains the difference compared to the unaudited estimated revenue figure reported on 19 July 2018.

### Cash assets of €17.4 million at 30 June 2018

Strict control of company expenses has enabled the company to reduce cash outflow<sup>2</sup> from €5.5 million in H1 2017 to €4.6 million in the first half of 2018. The increase in cash expenses linked to the production launch of DHA ORIGINS 500® was offset by an important reduction in administrative costs.

After inclusion of financing cash flows (€200,000 inflow during the period), gross cash and cash equivalents<sup>3</sup> totalled €17.4 million at 30 June 2018 versus €21.8 million at the end of 2017. Net cash, after deduction of debt consisting of the convertible bond issue subscribed by DIC Corporation and repayable advances on development programmes, came to €9.0 million (€13.8 million at 31 December 2017) compared to shareholders' equity of €38.3 million (€41.2 million at 31 December 2017).

### Publication of the first half financial report

The first half financial statements were approved by the Board of Directors on 6 September 2018 and have undergone a limited review by the statutory auditors. The financial report was made available to the public on September 13, 2018 and was filed with the French financial markets authority (AMF) on the same day. The report may be downloaded in French from the company website at <https://www.fermentalg.com/en/financial-reports.html>).

### About Fermentalg:

An expert in research and bio-industrial use of microalgae, Fermentalg seeks to provide sustainable solutions and innovative products that contribute towards the creation of natural, healthy and effective products. Our business: development, production and sale of active ingredients extracted from microalgae for the agri-food, health and nutrition sectors. Natural nutritional oils, pigments and antioxidants, as well as specialty proteins, comprise our present and future offering.

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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<sup>2</sup> Net cash flow from operating activities + Net cash flow from investing activities

<sup>3</sup> Cash and cash equivalents less bank overdrafts

## Comprehensive income statement

(€000)	H1 2018	2017	H1 2017
<b>Revenue</b>	<b>110</b>	<b>170</b>	<b>0</b>
Other income from operations	906	1,103	336
Production and industrial deployment costs	(658)	(1,115)	(485)
Research and development expenses	(1,503)	(4,522)	(1,588)
Administrative and sales expenses	(1,386)	(2,873)	(1,619)
<b>Operating income/(loss) before share-based payments and non-recurring items</b>	<b>(2,532)</b>	<b>(7,237)</b>	<b>(3,356)</b>
Payroll expenses linked to share-based payments	(588)	(35)	(18)
Other non-recurring operating income and expenses	(42)	30	241
<b>Operating income/(loss) after share-based payments and non-recurring items</b>	<b>(3,162)</b>	<b>(7,242)</b>	<b>(3,133)</b>
Income from cash and cash equivalents	18	43	134
Gross cost of borrowings	(234)	(72)	(38)
<b>Net (cost of borrowings)/income from cash and cash equivalents</b>	<b>(216)</b>	<b>(29)</b>	<b>96</b>
Other financial income and expenses	(11)	0	(12)
Net tax expense	0	0	0
<b>Consolidated net income/(loss)</b>	<b>(3,389)</b>	<b>(7,271)</b>	<b>(3,050)</b>
Minority interests	0	2	2
<b>CONSOLIDATED NET INCOME/(LOSS) (GROUP SHARE)</b>	<b>(3,389)</b>	<b>(7,269)</b>	<b>(3,048)</b>
Items of other comprehensive income	0	0	0
<b>COMPREHENSIVE CONSOLIDATED NET INCOME/(LOSS)</b>	<b>(3,389)</b>	<b>(7,271)</b>	<b>(3,050)</b>
Minority interests	0	2	2
<b>COMPREHENSIVE CONSOLIDATED NET INCOME (GROUP SHARE)</b>	<b>(3,389)</b>	<b>(7,269)</b>	<b>(3,048)</b>
Consolidated net earnings per share (€)	(0.20)	(0.56)	(0.25)
Consolidated diluted net earnings per share (€)	(0.20)	(0.56)	(0.25)

## Balance sheet

(€000)	30/06/2018	31/12/2017	30/06/2017
<b>ASSETS</b>			
Intangible assets	9,857	8,069	7,408
Property, plant and equipment	15,949	16,511	17,245
Non-current financial assets	180	171	133
Deferred tax assets	3,236	3,236	3,236
<b>TOTAL NON-CURRENT ASSETS</b>	<b>29,223</b>	<b>27,987</b>	<b>28,022</b>
Inventories	1,224	840	683
Trade receivables and other assets related to customer contracts	116	113	17
Other receivables	2,437	3,313	2,718
Cash and cash equivalents	17,373	21,752	10,248
<b>TOTAL CURRENT ASSETS</b>	<b>21,150</b>	<b>26,018</b>	<b>13,666</b>
<b>TOTAL ASSETS</b>	<b>50,373</b>	<b>54,005</b>	<b>41,688</b>
<b>EQUITY &amp; LIABILITIES</b>			
Capital	686	686	484
Additional paid-in capital	42,958	52,036	40,549
Reserves and retained earnings	(1,929)	(4,261)	(4,388)
Comprehensive net income/(loss)	(3,388)	(7,269)	(3,048)
<b>Shareholders' equity (Group share)</b>	<b>38,327</b>	<b>41,192</b>	<b>33,597</b>
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>(45)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>38,327</b>	<b>41,192</b>	<b>33,552</b>
Borrowings	8,382	7,958	3,386
Retirement commitments	73	70	64
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>8,455</b>	<b>8,028</b>	<b>3,450</b>
Provisions for current risks	305	305	301
Trade payables	1,022	1,830	1,704
Other current liabilities	2,263	2,650	2,681
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,590</b>	<b>4,785</b>	<b>4,686</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50,373</b>	<b>54,005</b>	<b>41,688</b>

## Cash flow statement

(€000)	H1 2018	2017	H1 2017
<b>Comprehensive net income/(loss)</b>	<b>(3,389)</b>	<b>(7,271)</b>	<b>(3,050)</b>
Depreciation, amortization and provisions (excluding provisions against current assets)	1,039	1,914	580
Expenses on shared-based payments	514	35	18
Change in deferred tax	0	0	0
Gains and losses on disposals	0	0	(1)
<b>Cash flow</b>	<b>(1,835)</b>	<b>(5,322)</b>	<b>(2,453)</b>
Gross cost of borrowings	227	62	34
<b>Cash flow before cost of borrowings, net of tax</b>	<b>(1,608)</b>	<b>(5,260)</b>	<b>(2,419)</b>
Tax	0	0	0
Change in inventories	(384)	(282)	(125)
Change in trade receivables	(3)	(106)	(10)
Change in trade payables	(895)	(1,194)	(1,492)
Change in other current assets and liabilities (a)	519	(321)	126
<b>Change in operating working capital</b>	<b>(763)</b>	<b>(1,903)</b>	<b>(1,501)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(2,371)</b>	<b>(7,164)</b>	<b>(3,920)</b>
Production of fixed assets (capitalised R&D)	(2,319)	(2,481)	(1,674)
Share of subsidies and research tax credit linked to capitalised development projects	407	430	267
Acquisitions of other PP&E and intangible assets	(351)	(1,091)	(483)
Change in fixed asset liabilities	58	(3)	340
Disposal of financial assets	(9)	(31)	7
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(2,215)</b>	<b>(3,176)</b>	<b>(1,541)</b>
Capital increase linked to parent company	0	11,688	0
Acquisitions and disposals of treasury shares	10	3	(3)
New loans and other borrowings	372	4,694	0
Change in current accounts	0	0	2
Interest paid on loans and borrowings	(175)	0	0
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>207</b>	<b>16,385</b>	<b>(1)</b>
Change in cash and cash equivalents	(4,379)	6,045	(5,462)
Opening cash and cash equivalents (1)	21,752	15,708	15,708
Closing cash and cash equivalents (1)	17,373	21,752	10,246
(a): including change in research tax credit:	441	(1,153)	(500)

(1) Cash assets less bank overdrafts