

Press Release

H1 2022 Results: Progress on the three programs in a deteriorated macroeconomic context

- Doubled sales of Omega-3s in a troubled international context and a growing economic slowdown in the agri-food sector;
- Completion of industrialization work and start of the pre-commercialization process for the natural blue colorant;
- Investment in CarbonWorks, alongside leading investors, to finance the development of CO2 capture and valorization;
- Results impacted by increases in cost of sales (energy and raw materials), as well as CarbonWorks' share of earnings;
- Robust cash position, supported by the exercise of warrants issued in 2020 (BSA-DE and BSA-EL).

Libourne - September 22, 2022 - Fermentalg (Euronext - FALG), the French microalgae expert, presents its results for the first half of 2022¹ after approval of the accounts by the Board of Directors on September 21, 2022.

On this occasion, Philippe Lavielle, CEO of Fermentalg, said: *"The commercial results of the first half of the year as well as the renewed confidence of our strategic and financial partners in our programs underline the relevance of our solutions in the context of the ecological transition. We are closely monitoring signs of short-term economic slowdown and cyclical difficulties in the energy and raw materials, while remaining convinced of the financial and non-financial benefits of our innovations."*

Strong sales growth in a context of rising operating costs

(in K€)	S1 2021	S1 2022
Turnover	2 537	5 241
Operating income before share-based payments and non-current items	-4 004	-4 530
Cost of net financial debt	-377	-173
Net income	-4 756	-5 439

The accounts for the first half of the year reflect the company's growing industrial and commercial strength, but also the effects of the exceptional inflation in energy and raw material prices.

¹The Board of Directors of Fermentalg, meeting under the chairmanship of Philippe Lavielle, approved its IFRS half-yearly financial statements on Wednesday, September 21, 2022. The limited review procedures of the auditors on these accounts have been carried out. The audit report is currently being prepared and the half-year financial report will be published by September 30, 2022 at the latest.

Indeed, over the first 6 months of 2022, sales of DHA ORIGINS[®], the first Fermentalg program to enter the commercialization phase, have strongly increased (107%) and represent a turnover of €5.2 million. The momentum reflects the progressive adoption of this more sustainable alternative to fish oil and enriched source of Omega-3s essential to a healthy and balanced diet.

On the industrial and production cost front, Fermentalg is continuing the work begun in 2021 to strengthen its supply chain. The aim is to improve the productivity of each operation in order to optimize the consumption of raw materials and energy and thus to lower production costs. These measures, carried out in collaboration with subcontractors, are incurring implementation costs in the first half of the year but are not yet having an impact on the cost of sales. This, combined with inflation, explains the slower growth in gross margin (€1.2 million versus €1 million) than in sales.

Operating expenses excluding R&D, which increased by approximately €0.5 million over the previous year, reflect investments in marketing and sales, as well as in staff training and CSR commitment.

The net R&D expense in the income statement remains stable due to the capitalization of costs of the Blue ORIGINS[®] program, which are higher in the industrial demonstration scale development phase. The amount activated amounts to € 2.3 million, which is almost as much as in 2022, and in line with the program schedule.

The operating result for the first half of the year was - €4.5 million compared to - €4.0 million a year earlier.

After integrating the cost of financial debt divided by two (€0.2 million compared to €0.4 million in the first half of 2021) and the share of the results of CarbonWorks, a subsidiary in an acceleration phase in the development of its business, net income was -€5.4 million, compared to -€4.8 million a year earlier.

Robust financial structure

(in K€)	31/12/21	30/06/22
Shareholders' equity	47 002	45 521
Cash and cash equivalents	26 010	20 286
Gross financial debt	9 608	9 683

As of June 30, 2022, Fermentalg had a gross cash position of €20.3 million, compared to €26.0 million at the beginning of the year. In addition to operating cash consumption (€4.1 million) and current investments (€2.5 million), the variation includes an investment of €2.9 million made in the first half of the year as part of the capital increase of CarbonWorks, the joint subsidiary with Suez, which saw the entry of BNP Paribas Principal Investments, Bpifrance, Demeter Investment Managers via its Agrinnovation fund, and Aquiti Gestion via NACO in association with the Nouvelle-Aquitaine region. This investment, of which 1 M€ will be paid back to the company at the end of the series A, will allow Fermentalg to hold a third of the capital of its subsidiary at the end of this first round of financing.

At the same time, the exercise of warrants by shareholders (BSA-DE and BSA-BLUE) and the use of the equity line (BSA-EL) have raised a total net amount of €3.9 million².

At the end of June 2022, the company had a positive net cash position of €10.6 million, after taking into account the financial debt (€9.7 million), essentially composed of repayable advances, and equity of €45.5 million.

Perspectives

Tensions in the supply of energy and raw materials, induced by the international geopolitical situation, continued in the second half of the year, after the brief respite seen in the second quarter. The high volatility of these costs and the early signs of macroeconomic deterioration in all geographic zones worldwide are slowing down the sales outlook for the second half of the year, as well as the effects of the industrial optimization work expected so far on the recovery of the gross margin rate. Thus, Fermentalg still anticipates a strong annual growth but less dynamic than previously expected with an annual turnover of approximately €8 million.

In parallel, Fermentalg has made major progress in the first half of the year towards the market launch of a natural blue food colorant in 2023 in partnership with DDW, a subsidiary of the Givaudan Group, with the achievement of a technical milestone and the payment in July of a €1 million repayable advance³. Beyond this short-term marketing perspective of its natural colorant, Fermentalg is working on the full potential of its second platform and is studying opportunities for cross-development of broader applications in the food and nutraceutical field (antioxidants) and the valorization of co-products, such as algal protein for animal feed.

Fermentalg is thus pursuing its commitment to the development of sustainable and essential solutions for tomorrow's food, more responsible and more sovereign.

Next publication : Q3 2021 financial information

October 20, 2022 (after the close of trading)

²Following the exercise of warrants issued under the equity line agreement (creation of 1,115,000 shares), of "BSA-DE" granted to shareholders in June 2020 (creation of 517,180 shares) and of "BSA-Blue" granted to shareholders in December 2021 (creation of 108,232 shares) - See Note 15 of the half-year financial report.

³[Fermentalg reaches a final milestone and begins the pre-commercialization of its natural food blue with DDW, a subsidiary of the Givaudan Group](#)

About Fermentalg

As an expert in research and bioindustrial exploitation of microalgae, Fermentalg's objective is to offer sustainable solutions and innovative products contributing to the development of healthy, natural and efficient products. Our business : the development, production and marketing of sustainable solutions and active ingredients from microalgae for nutrition, health and the environment. Nutritional lipids, alternative proteins, natural food colorings and innovative environmental solutions make up our company's current and future offer.

Fermentalg shares are listed on Euronext Paris (FR0011271600 - FALG) and are eligible for the PEA-PME and the "SRD long-only". Fermentalg is part of the Gaïa index, which is designed for Socially Responsible Investment (SRI), and which includes small and medium-sized companies with the best environmental, social and governance (ESG) performance ratings.

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Appendixes

Statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME (in thousands of euros)	30/06/22	31/12/21	30/06/21
Turnover	5 241	5 647	2 537
Other income from operations	440	1 149	677
Cost of goods sold	-4 046	-3 664	-1 564
Research and development expenses	-2 487	-4 650	-2 490
Operating expenses excluding R&D	-3 678	-6 906	-3 164
Other current operating income and expenses	0	0	0
Operating income before share-based payments and non-current items	-4 530	-8 424	-4 004
Employee benefits expense related to share-based payments	-36	-56	-27
Other non-current operating income and expenses	-225	2 624	-306
Operating income after share-based payments and non-current items	-4 792	-5 856	-4 338
Income from cash and cash equivalents	3	51	21
Gross cost of financial debt	-175	-691	-398
Net cost of financial debt	-173	-640	-377
Other financial income and expenses	-47	-33	-42
Net income tax expense	0	0	0
Share of net income of associates	-428	-321	
Net income	-5 439	-6 850	-4 756
Minority interests	0	0	0
NET INCOME, GROUP SHARE	-5 439	-6 850	-4 756
Other comprehensive income (actuarial gains and losses on pension obligations, not recyclable in the income statement)	78	241	0
NET COMPREHENSIVE INCOME	-5 361	-6 609	-4 756
Minority interests	0	0	0
NET INCOME ATTRIBUTABLE TO THE GROUP	-5 361	-6 609	-4 756
Net earnings per share (in €)	-0,13	-0,19	-0,17
Diluted earnings per share (in €)	-0,13	-0,19	-0,17

Balance sheet

BALANCE SHEET (in thousands of euros)	30/06/22	31/12/21	30/06/21
ASSETS			
Intangible assets	14 065	12 636	10 196
Tangible assets	12 934	12 814	13 138
Investments in associates	4 024	1 542	0
Financial and other non-current assets	95	173	136
Deferred tax assets	0	0	0
TOTAL NON-CURRENT ASSETS	31 118	27 165	23 470
Inventories	4 961	2 907	1 201
Trade receivables and other assets related to customer contracts	1 024	1 541	1 122
Other receivables	3 762	3 253	3 334
Cash and cash equivalents	20 286	26 010	22 698
TOTAL CURRENT ASSETS	30 033	33 711	28 355
TOTAL ASSETS	61 151	60 876	51 825
LIABILITIES			
Capital	1 668	1 599	1 281
Share premium	43 399	44 819	26 908
Reserves and net income	5 815	7 193	7 572
Total net income	-5 361	-6 609	-4 756
Shareholders' equity, group share	45 521	47 002	31 005
Minority interests	0	0	0
TOTAL EQUITY	45 521	47 002	31 005
Non-current financial liabilities	8 551	9 002	11 292
Retirement commitments	331	368	561
Other non-current liabilities	212	218	0
TOTAL NON-CURRENT LIABILITIES	9 094	9 589	11 853
Current financial debts	1 132	605	5 372
Provisions for current risks	340	230	230
Trade payables	3 485	1 428	1 172
Income tax liabilities	0	0	0
Other current liabilities	1 579	2 023	2 192
TOTAL CURRENT LIABILITIES	6 536	4 286	8 966
TOTAL LIABILITIES	61 151	60 876	51 824

Cash flow statement

CASH FLOW (in thousands of euros)	30/06/2022	31/12/2021	30/06/2021
Total net income	-5 439	-6 850	-4 756
Depreciation and provisions (excluding current assets)	922	723	1 422
Share-based payment expense	36	49	24
Change in deferred taxes	0	0	0
Share of profit of associates	428	321	0
Capital gains and losses on disposals	-67	-694	-18
Share of grants in income	-6	-280	-274
Write-offs of receivables	0	0	0
Cash flow from operations	-4 127	-6 731	-3 602
Cost of gross financial debt	175	692	398
Income tax expense	0	0	0
Cash flow before cost of financial debt net or tax	-3 951	-6 039	-3 204
Income tax paid	0	0	0
Change in inventories	-2 054	-887	819
Change in trade receivables (trade receivables, other assets and liabilities related to customer contracts)	517	-298	121
Change in trade accounts payable	2 333	-304	-405
Change in other current assets and liabilities (a)	-931	134	260
Change in working capital requirements related to operations	-135	-1 355	796
NET CASH FLOW FROM OPERATING ACTIVITIES	-4 086	-7 393	-2 408
Production of fixed assets (capitalized R&D)	-2 284	-2 350	-1 085
Share of grants and CIR related to capitalized development projects	434	685	353
Acquisition of other tangible and intangible assets	-939	-1 804	-849
Acquisition of associated companies (MEQ)	-2 910	-500	0
Change in payables on fixed assets	-281	-563	-969
Change in other non-current assets and liabilities	78	-48	-11
Disposal of tangible and intangible assets	536	-168	0
Disposal of financial assets	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	-5 366	-4 747	-2 561
Capital increase related to the parent company	3 924	30 193	15 429
Purchase and sale of treasury shares	-78	45	7
New loans and other financial liabilities	0	1 391	391
Repayment of loans and other financial liabilities	-100	-5 050	0
Change in current accounts	0	0	0
Interest paid on borrowings	-18	-268	-2
NET CASH FLOWS FROM FINANCING ACTIVITIES	3 728	26 311	15 825
Change in cash and cash equivalents	-5 724	14 170	10 855
Opening cash position	26 010	11 840	11 840
Closing cash and cash equivalents	20 286	26 010	22 696
(a): including change in research tax credit (CIR):	-800	-174	-972