



***A first half-year still complicated by the pandemia effects...
... and marked by long term investments in the future which
affect the costs***

Ormes, 29th of October 2021

The Board of Directors held a meeting on the 28th of October 2021 to approve the first half-year accounts.

In M€	1st HY 2021	1st HY 2020
Sales	6.53	6.40
Other Incomes	1.09	0.52
Costs of supplies	(2.05)	(1.5)
Personnel expenses	(5.09)	(4.7)
Other operating expenses	(2.83)	(2.08)
Tax & duties	(0.19)	(0.19)
Depreciation & provisions	(0.22)	(0.27)
Operating income	(2,76)	(2.04)
Financial result	(0.16)	(0.09)
Current result before tax	(2.92)	(2.13)
Extraordinary result	(0.01)	0.32
Corporate tax	0.05	(0.01)
Minority interests' share	-	-
Net Group Result	(2.88)	(1.82)

Note : the statutory auditors carried out a limited review of the first half-year consolidated accounts

First half-year sales revenue : 6.532 M€ (6.440 M€ in 2020)

The first half-year 2021 occurred, as the year 2020, against a complicated context : continuing spread of the COVID 19 epidemic, with significant direct & indirect impacts for the group : massive price increase of containers, transports, steel, considerable disruptions in the supply chain (deadlines, unexpectedness, stricter terms of payment), impossibility of travelling in many countries, etc

In addition to a traditional weak first half-year by VERGNET, those conditions have impacted the activity. However, with this sales revenue comparable to that of 2020, the group demonstrates a real resilience ; beyond, and this is essential, the group has strongly prepared the near and long term future.

In terms of activity, the order book continues to hold steady (around forty millions euros), despite, in last summer, a loss of 6M€ contracts in La Réunion and Mayotte, due to inability to obtain the bank guarantees linked to those contracts...

This order book is sustained by the AGADEZ contract, whose renegotiation is being finalized. It will include a price increase, and a bigger part for VERGNET within the consortium being in charge of the power plant construction. Interesting progress has to be raised from smaller contracts, regarding also the operations, as demonstrated by the success in Ouvéa, of our subsidiary VERGNET Pacific, which is efficiently supported by BCI, first Bank of New Caledonia.

After a full standstill in 2020, due to considerable unpaid debts, our other important contract in Africa (Chad) was marked, for the first half-year 2021, by the signature of a maintenance contract for the existing plant.

The Company expects the visit of its customer in France in a very near future, in order to renegotiate the EPC contract conditions, in light of the past experience and the new market conditions.

A first half-year result (- 2.8 M€) impacted by preparation activities for the future

The consolidated half-year result amounts to -2.8 M€. The reasons for those losses are numerous and have to be analysed :

1. **The idle capacity** : the Group's first half-year usually generates a sales revenue of around 6 M€, insufficient to cover the overheads.
This idle capacity is attributable to the fact that, except for New Caledonia and Niger, the Group does not yet have the required bank guarantees for its activity. The work of the sales team, as well as the one of the project & production management is, then, halted. We actively continue to follow up on the steps to reconstitute our bank pool for guarantees.

2. **A head office too heavy regarding the level of activity, and in view of the decentralisation process which is under way for the subsidiaries**

The group's decentralisation to the subsidiaries, already existing, newly created (Brasil and Wallis&Futuna) or to be created (Indian Ocean), is proving to be very efficient, both commercially and at an operational level. Our customers and prospectives do appreciate this proximity.

In those conditions, we have to adapt our organisation to this new situation. This adaptation is under way since the beginning of 2021.

The teams in the head office have been reduced in number since the beginning of this year. At the end of September, the personnel expenses of the head office have been reduced by 12%, compared with 2020.

This general overhead cost reduction policy is going on for the second half year.

It leads, however, to departure costs amounting 600 K€ for the first half-year.

3. **Litigation costs**

Litigation costs have been particularly high for the first half-year. Those costs are sometimes related to defending causes for VERGNET (such as the NYSTA litigation in the USA), but also in several cases related to claiming causes. This applies in particular to the arbitration brought before the ICC in Geneva, to get the settlement of invoices from an ethiopian customer, and to follow up the process engaged after VERGNET's objection related to legal redress liabilities ; the investigations we have conducted about those liabilities led us to contest them, and also to sue this provider given the way in which the services were provided, and the invoices issued. We do not exclude to file a criminal complaint against this provider.

The total litigation costs have amounted 785 K€ for the first half year, including 500 K€ related to claiming causes. This amount should decrease, as the investigation & studies for the cases are mainly finished.

4. **Continuation of R&D investments**

Notwithstanding the difficulties, VERGNET Group has continued the R&D investments. They are related, first, to a development of a more powerful, profitable, and performing wind turbine, and, second, to the development of the ECHLO 2, autonomous & light device for water potabilization and disinfection. The related costs, on the first half-year, amounted repectively 410 K€ and 240 K€.

During the first half year, the wind turbine has passed successfully the feasibility stage.

It will now enter into the detailed studies stage.

The ECHLO 2 has given full satisfaction during the tests in real situation in France. It is now tested in real conditions trough its subsidiaries in Chad and New-Caledonia. Further to those tests on site, we will launch the industrial production.

A decisive credit line to take the first half-year stage and finance the offensive actions of the Group

Since the end of February, the shareholders decision to get a credit line of 7M€ maximum, has played a significant role to meet the cashflow requirements, and continue the « offensive » work that was initiated (cost reduction, litigation, R&D).

At the end of the first half-year, 3 M€ have been raised. As at 30th of June, 2.35 M€ were converted into shares. On the balance sheet, the net equity has been increased by the corresponding amount, and 0.65M€ of convertible bonds remained. Those bonds have been converted after the 30th of June. Those operations allowed, on the balance sheet, to offset the first half-year losses.

Those amounts have been used by more than 60% of the 3M€ raised, for « offensive » actions : 0.7 M€ for R&D, 0.7 M€ for the adaptation of our organisation, and 0.5 M€ for our « offensive » litigation.

At the date of the financial statements approval by the Board, VERGNET has just raised the 6th part of this credit line. The seventh, and last, will be raised within the end of this year.

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All in all, in a complicated first half-year, VERGNET Group is going ahead by adapting to the new conditions of carrying out its business and setting the different topics of its strategy. It is a demanding challenge, in human and financial terms. The management has tackled this challenge and is committed to go ahead.

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About Vergnet SA

Vergnet group is a global renewable energy solutions company with a track record in delivering high performing reliable and affordable clean energy turnkey projects around the world.

With its advanced technology and expertise in providing tailored solutions for its customers, Vergnet creates sustainable and profitable energy and water development infrastructures.

The Group has implemented more than 900 wind turbines and 365 MW, covering all energies. It is present in more than 40 countries and is comprised of 200 employees over 11 locations.

Vergnet is listed on the Euronext Growth Stock Exchange since the 12th of June 2007.

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