Bollène (France), October 25, 2022 – 07 :00 am (CET)
Press Release

2022 Half year results

- **H1 2022 sales at €16.02m: - 3.5% YoY, Egide SA (+4.5%) and Santier (+4.9%) sales do not fully compensate for the decrease in Egide USA sales (-20.5%)**
- **Consolidated operating income: - €1.294 million, affected by recruitment and supply difficulties in the United States**
- **Net income: - €2.016 million, the losses of the American entities not being offset by the capital gain on the sale of the Cambridge building in IFRS treatment in the consolidation.**
- **Outlook:**
  - The Group expects an improvement in the second half of 2022.
  - Some promising commercial negotiations are underway both in France and the USA.
  - Difficulties related to price increases, in particular for energy and chemical products, are anticipated, with consequent negotiation of sales price increases.

The Audit Committee and the Board of Directors met to approve the half-year financial results as of June 30, 2022. As a reminder, on Euronext Growth, the half-year financial statements are not submitted to an audit by the statutory auditors (Euronext Growth Rules, art. 4.2.1). The financial statements presented below are not and will not be audited.

The Egide Group's consolidated EBITDA (adjusted from IFRS16) for the six months ended June 30, 2022, amounts to €1.87 million.

First-half Results consolidated P&L (In €m)	H1 2021	*As a percentage of revenues*	H1 2022	*As a percentage of revenues*
Sales	**16.60**		**16.02**	
Current EBITDA *	**1.19**	***7%***	**1.87**	***11%***
Operating Income (Ebit)	**0.52**	***3%***	**(1.29)**	***(8%)***
Net Income	**0.24**	***1%***	**(2.02)**	***(13%)***

**Ebitda corrected from IFRS16*

CONSOLIDATED FINANCIALS AS OF JUNE 30, 2022

The Egide group's consolidated revenues for the first half of 2022 were €16.02 million, down 3.5% compared with the first half of 2021, despite a 4.5% increase in sales at Egide SA and a 4.9% increase at Santier, which did not fully offset the 20.5% decrease in sales at Egide USA, which was favorably impacted by an exchange rate effect, since in constant dollars the group's growth would have been negative 8.2% (In US$, Egide USA revenue is down 27.9% and Santier is down 4.8%).

These results are mainly explained by the difficulties in recruiting personnel and supply that have disrupted US production. Measures have been taken to increase the salaries of the direct labor force, but the situation remains tense.

In terms of business, with the replacement of the Bollène facility manager and the Cambridge facility manager, the group continued to renew its management with the arrival of David Hien to manage the factory in Bollène (France) and Terry Toh for the one in Cambridge (USA).

Thus, the highlights of the activity of the 3 sites can be analyzed as follows:

- Egide SA continues to grow and consolidates its leadership position in the thermal imaging market in Europe (notably with the acquisition of new customers), Asia (China and South Korea) and the Middle East. The strategy focused on the development of high quality packages for power, optronics and microwave applications continues to be successful with new projects, in line with the production tool modernization plan, currently being deployed.

- Egide USA has been heavily impacted by the labor shortage in the United States, despite adjusting salary schedules to above-market levels. As new employees were brought into the plant, training and "rework" affected operational efficiency. Despite these industrial difficulties, which are beginning to subside, business activity and order backlog are high, thanks in particular to the thermal battery and defense sectors. The order book is solid.

- Santier's business improved in the first half of the year, but like the Cambridge plant, San Diego is suffering from the same U.S. labor market and supply chain issues.

Sales in dollars accounted for 52% of the group's total revenues in the first half of 2022.

RESULTS AS OF JUNE 30, 2022

The split by entity of the consolidated operating result is as follows:
Egide SA, (37k€)
For Egide USA, (312k€)
For Santier (879k€), including (345k€) additional goodwill impairment.

The results of the US companies are mainly impacted by the problems of the US labor market, supply difficulties and other inefficiencies related to the need to train incoming staff.

The non-recurring operating income and expenses for the first half of 2022 mainly concern the sale of the Cambridge building. The accounting impact before IFRS treatment of this sale represents a capital gain of €2,952k, however the IFRS 16 treatment of lease-back transactions is extremely restrictive and only recognizes a capital gain of €160k. The major difference comes from the reclassification of €2,450k in financial debt and not in profit. The subsequent corollary, during the entire term of the lease, will be an appreciation in loan repayment and interest of a large part of the rent.

The immediate consequence is that, unlike what had been anticipated, the first-half losses of the American entities are not offset by the capital gain on the sale of the building.

Beyond this initial impact, it was decided to recognize taxes on this capital gain in the amount of the remaining deferred tax asset, i.e., €534k.

In addition, an impairment loss was recognized which led to the recognition of an additional impairment of the goodwill of Santier Inc. of €345k.

IFRS 16 has reclassified €336k of rental income into €242k of depreciation and €68k of interest, over H1 2022.

The consolidated net result was thus negative by K€ 2016.

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2022

ACTIF			PASSIF		
	Dec 2021	**June 2022**		Dec 2021	**June 2022**
Non-current assets	12.85	**11.05**	Shareholders' Equity	11.57	**10.32**
Inventory, trade, and other receivables	13.86	**15.91**	Financial debt and provisions	4.71	**7.77**
Cash	1.59	**3.89**	Trade and other payables.	12.02	**12.76**
TOTAL	28.30	**30.85**	**TOTAL**	28.30	**30.85**

Capital expenditure for the half-year were €483k, including €245k at Egide SA, €160k at Egide USA and €78k at Santier. The working capital requirement (inventories + account receivables + other current assets – accounts payable - other current liabilities) is 104 days of sales, compared to 95 days on June 30, 2021.

Financial debts are mainly composed of 3 PGE loans for €1,142k from Egide SA, equipment loans for €748k from Egide USA and Santier. It should be noted that these American loans do not comply with the Covenants and have therefore all been reclassified as short-term. Egide SA also has 615k€ of other loans, including 456k€ for financing the Research Tax Credit.

The IFRS treatment of the factor has reintegrated the €1,558k of financed receivables into debt and accounts receivable. On the other hand, two revolving credit facilities to finance working capital are used in the USA for €1,129k and €1,239k respectively by Egide USA and Santier. These two accounts receivable and inventory financing facilities were contracted with the Banc of California, which does not wish to continue its relationship with the group.

REVIEW OF THE US ENTITY FINANCING SITUATION.

In the USA, the need to replace the current banking partner (Banc of California) at its request was a major disruptive factor, causing a delay in the publication of the Group's 2021 annual reports and constituting a going concern risk. This risk has been greatly reduced thanks to a $6 million lease-back of the Cambridge building, in return for the repayment of the corresponding $1.2 million outstanding real estate loan. This refinancing operation should be a key point in the resolution of the group's financing problems in the USA.

However, as of June 30, 2022, and at the date of publication of these financial statements, the replacement for this American banking partner has not yet been finalized. Gibraltar, which had been presented as a potential successor, seems to have requirements difficult to meet and further talks have started with other players.

The deadline has been extended with Banc of California, to December 31, 2022, and the group's management is confident about the outcome of the current financing search.

OUTLOOK

The Group expects some improvement in the second half of the year without any favorable or unfavorable events. Some promising commercial negotiations are underway both in France and in the USA, which would allow a return to healthy growth at least for 2023.

In addition to the staffing problems already mentioned, the group will be facing difficulties linked to price increases, particularly for energy and chemicals. The energy situation has not yet changed much, as supply contracts are still running. Moreover, while energy prices have risen five or tenfold in Europe, they have "only" increased by 50% in the USA. The group is taking measures to negotiate price increases with its customers, including on multi-year orders.
The objectives of modernizing the group's production tool are still valid, to which are now added more ecological objectives and drastic energy savings.

Jim Collins, President, and CEO of Egide, comments: "*It has been a difficult recovery from the pandemic and the industrial fire at our Cambridge facility. In the United States, recruitment difficulties have had a negative impact on our business. The lack of an available skilled workforce has required us to hire entry-level workers while increasing the cost of our existing workforce to retain them. In addition, our metal component suppliers are experiencing the same labor issues, as well as limited availability of special metal materials. This has disrupted our supply chain for these components. The result is significant delays in delivery of existing orders. While the company is working to resolve recruitment and supply chain delays, our customer base remains loyal.*"

He concluded: "*Our Bollène plant has stabilized at break-even in terms of profitability, a major improvement over the past years. The prospect of increased revenue is encouraging for continued improvement. At the Group level, new opportunities have appeared in all our market segments in Europe and the United States. We are therefore ready to take the necessary steps to seize these opportunities. The result will be increased revenue and profitability*."

FINANCIAL CALENDAR

Half Year 2021 Results presentation to analysts & Investors – Video Conference	October 25, 2022 – 11 :30 am Paris Time
Availability of the 2022 Half-Year Financial Report	October 26, 2022
2022 full year sales	January 26, 2023

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About Egide - www.egide-group.com
Egide is a group with an international dimension, specialized in the manufacture of hermetic packages and heat dissipation solutions for sensitive electronic components. It operates in cutting edge markets with strong technology barriers to entry in all critical industry segments (Thermal Imaging. Optronics. High-Frequency. Power Units…). Egide is the only pure player in this market niche with manufacturing bases in France and the United States.

ALGID EURONEXT GROWTH

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