

ACTIVITY AND COVID 19 IMPACT**ANNUAL RESULTS 2019**

The end of 2019 and first half of 2020 disrupted by events

Social unrest in France at the end of 2019, followed by the global health crisis linked to Covid 19, has penalized the execution of a number of the Group's projects. In particular, the closing off for 3 major projects was disrupted resulting, inter alia, in a delay in the recognition of the associated revenues estimated at around € 1.3 million:

- Itochu (Japan): The two SLG solutions sold in 2019 could not be delivered as scheduled at the end of December due to the transport disruption because of roadblocks by the yellow jackets. The solutions were delivered in January 2020. They have not yet been implemented in Japan due to the closure of the borders.

- Orlando (USA): the project was substantially implemented and executed over H2 2019 with formalization of final acceptance stages planned in Q1 2020, before the accounts were closed, to enable revenue recognition in December 2019. The stages scheduled in Q1 2020 had to be suspended but are expected to be finalized this summer with a return to the client site from mid-June.

- Aqualia (Spain): the first phase of this multi-phase project was completed in December 2019 but the project has been frozen since March 2020. As a result of the Covid 19 crisis, Aqualia and Orège have been led to re-negotiate the commercial terms of this project which should now comprise revenues being generated from gain sharing over several years.

Orège's operational activity in the first half of 2020 has been significantly impacted by the Covid 19 crisis. All the projects in execution (15 signed contracts) were stopped either in February (Japan and Lombardy-Italy) or in March.

Orège has resumed the execution of 4 projects in June and anticipates the resumption of most of the other projects over the course of the summer as and when borders reopen, air travel becomes possible again and customers authorize our teams to be able to resume project execution on their sites.

At the date of this press release, these 15 contracts under execution represent some € 5 million of turnover, of which € 3 million should be recorded and cashed in during 2020. The balance would be recorded and cashed in over the following years (leasing, long-term rental, or gain sharing contracts).

Summary financial information for the year ended December 31 2019.

(Consolidated financial statements approved by the board of directors on June 12, 2020.
The audit procedures by the statutory auditors are being finalized)

In k€ - IFRS	2019	2018
Turnover	935	2 260
Net operating expenses:		
Payroll costs	-3 814	-4 030
Operating expenses:		
Manufacturing, sub-contracting	-1 816	-2 350
Travel and subsistence expenses	-829	-1 019
Leasing and maintenance	-460	-897
Other operating expenses	-1 510	-1 713
Depreciation	-54	-455
Amortization	-781	-333
Total net operating expenses	- 9 264	- 10 797
Operating loss	-8 329	-8 537
Net financial loss	-1 859	-2 378
Corporation tax	-	-
Net loss	-10 188	-10 915

Turnover

Turnover for the year 2019 was 935 k€ compared to 2 260 k€ for 2018.

Operating expenses

Total operating expenses were down 14% compared to the previous year. This decrease is principally a result of the continuous efforts to optimize the organization of Orège and to reduce the costs related to the development of SLG solutions.

Financing and cash flow

At 31 December 2019, the Group had 237 k€ of cash and cash equivalents (321 k€ at 31 December 2018).

Financial debt totaled 17 849 k€, including 15 767 k€ of shareholder current account advances (2018: 44 975 k€, including 42 443 k€ of shareholder current account advances). Net equity was -12 186 k€ (2018: -40 670 k€).

The balance of undrawn shareholder current account advances guaranteed by Eren Industries of 2 350 k€ at the date of this press release will enable the Group to meet all its financing requirements for the whole year in 2020.



Impact of the 2019 health crisis and measures taken and implemented by Orège

During this exceptional period, Orège management has worked to rationalize and optimize its organization, its costs and its cash.

A number of important measures have been taken and implemented since March 2020:

- A salary reduction of 20% for a dozen managers (France, USA, UK) with effect from April and until the end of 2020, with a potential claw back clause once positive EBITDA reached.
- Implementation of the partial employment scheme for part of the Orège workforce in France (*chômage partiel*) and in Great Britain (*furlough*).
- Receipt of a loan from the United States federal government (*PPP loan* scheme) for an amount of \$ 180k, part of which should be transformed into a grant at the end of 2020 (about \$ 100k)
- Early mobilization of the 2019 Research Tax Credit for a value of 550k€
- Significant reduction in costs (termination of certain service providers and consultants, renegotiation of real estate leases, etc.)

Outlook

The outlook for Orège is part of a development trajectory driven by growing recognition of the efficiency and effectiveness of its SLG® solutions, the acceleration of their commercial deployment in high-potential regional markets, and the creation of an increasingly large installed base generating recurrent revenues and providing strong, visible industrial references.

A collaboration has been initiated with the Spanish group Aqualia (4th largest private company in the water sector in Europe) on the Toledo WWTP (Spain) for the implementation of SLG solutions for an innovative triple application for Orège (sludge thickening, “boost” of anaerobic digestion and optimization of sludge dewatering).

But above all, a strategic worldwide commercial partnership was signed on June 12 2020 with the Scandinavian group Alfa Laval, a world leader in delivering innovative solutions to the wastewater treatment industry (see separate press release on June 15 2020).

Additional Information

The 2019 Annual financial report (in French) will be available on the company’s website (www.orege.com) from 25 June 2020.

Orège has been listed on the regulated market Euronext – Paris since 5 July 2013 ISIN FR0010609206 - OREG.E.

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