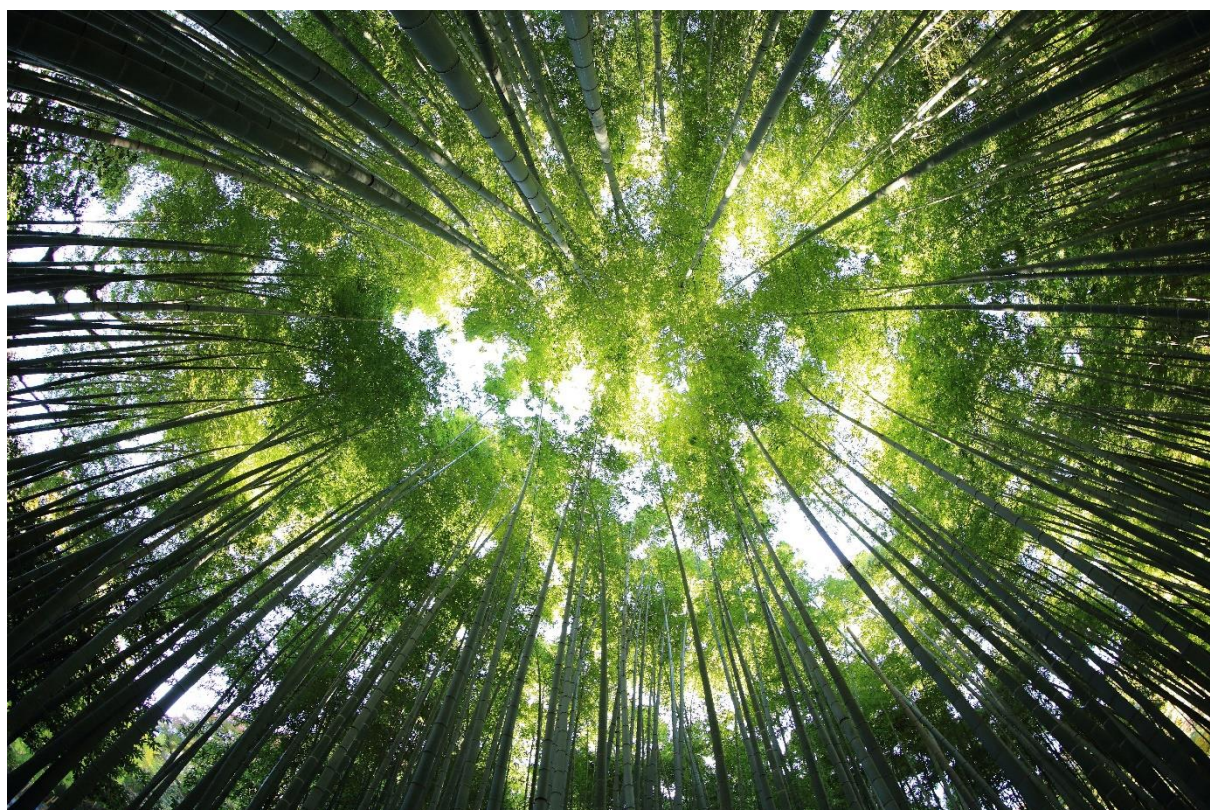




2023 HALF-YEARLY FINANCIAL REPORT



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1. DECLARATION BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

"I certify that to my knowledge, the condensed IFRS financial statements for the past six months have been prepared in accordance with the applicable accounting standards and provide a true and fair view of the net assets, financial position and financial performance of the Company. I equally certify that to my knowledge, the attached half-yearly business report faithfully represents the significant events that have occurred during the first six months of the financial year and their impact on the financial statements, as well as the main transactions that have taken place with related parties, and provide a description of the principal risks and uncertainties associated with the remaining six months of the financial year".

Nicolas Sordet, Chief Executive Officer

Signed in Lyon, France, on 18 September 2023



2. Half-yearly business report

2. HALF-YEARLY BUSINESS REPORT

2.1 Alternative performance indicators

In addition to accounting aggregates, management has identified several alternative performance indicators (“APIs”) to monitor the performance of its activities, including two financial indicators, production revenues and EBITDA margin (current and current production margin). These financial indicators are not representative for the first half of 2023 as the Company has not recorded any significant income yet, but they should eventually make it possible to monitor the economic performance of each of the production units, and the Group's overall development. It complements other, more operational indicators such as committed and installed capacity, and ESG (environmental, social and governance) performance indicators currently under development.

These indicators are described in detail in Chapter 3 - Management Report, section 3.11 - Alternative Performance Indicators of the Company's 2022 Annual Financial Report.

2.2 Outlook and trends

As of the date of this Half-yearly Financial Report, AFYREN NEOXY, the first industrial-scale production unit using AFYREN technology, is in the process of making operations more reliable with a view to starting up continuous production. The technical solutions identified are gradually being deployed and the positive results mean that AFYREN NEOXY can expect to break even in the first half of 2024 (initially planned for the end of the 2023 financial year).

At the same time, AFYREN is also involved in the preparation of a second plant on the Asian continent. This project was launched in partnership with Mitr Phol, a leading Thai group in the production of cane sugar and its derivatives. Negotiations concerning the joint venture that will carry out the project (70% owned by AFYREN and 30% by Mitr Phol) are at an advanced stage with a view to signing¹ and launching engineering studies to specify the necessary investment and the construction and production start-up schedule.

Financial objectives for 2027

As part of its growth strategy, the Company aims to meet the following objectives by 2027:

- three production units with a combined installed capacity of around 72,000 tonnes;
- cumulated production revenue from the three units of more than €150 million;
- a target recurring EBITDA margin at Group level of around 30%.

These objectives depend on a number of variables, in particular:

- (i) a schedule for the construction, commissioning and ramp-up of plants 2 and 3, depending in particular on the feedback from AFYREN NEOXY, engineering studies from plant 2, and the choice for plant 3 between a scenario of an expansion of AFYREN NEOXY or a project at a new site;
- (ii) the direct and indirect effects of the macroeconomic context, in particular the availability of equipment and materials during the construction phase, and the impact of the energy crisis on plant operating costs and sales prices, which tend to offset each other. AFYREN offers a robust model in the face of petroleum-based competition, which influences prices for the entire market.

¹ Subject to agreement between the parties on the final terms of the partnership

2.3 Significant events during the period

Operations

In January 2023, AFYREN announced that it had entered into a partnership project with Mitr Phol, a world leader in the sugar industry, to set up a biorefinery in Thailand. This project will be carried out by a joint venture owned by AFYREN (70%) and Mitr Phol (30%), targeting the Asian market, which represents 25% of the global carboxylic acid market. This second plant project aims to achieve a production capacity of around 28,000 tonnes per year, representing revenues of around €60 million at full capacity. As of the date of this Half-Yearly Financial Report, discussions concerning the joint venture that will carry out the project are at an advanced stage, with a view to signing² and launching engineering studies to specify the necessary investment and the construction and production start-up schedule.

In June 2023, AFYREN announced significant progress in the plant's production operations and the delivery of the first batches of biobased organic acids. As a reminder, once industrial production begins, AFYREN plans to gradually ramp up volumes to produce 16,000 tonnes of carboxylic acids per year at full capacity. This production, which offers a unique, low-carbon, local alternative to petroleum-based competition, has applications in markets as varied as human and animal nutrition, flavourings and fragrances as well as lubricants and technical fluids.

Since the beginning of 2023, strategic customers have renewed their confidence in the project led by AFYREN, confirming commercial commitments for cumulative contractual revenues of over €165 million³. AFYREN NEOXY will recognise revenues when acid batches are delivered from continuous production.

ESG

Success of the first HR barometer (AFYREN Global People Survey), reflecting the commitment of our teams

In January 2023, AFYREN organised its first internal barometer for all employees. Carried out in the form of an online survey on themes such as support for Group strategy and objectives, internal relations, quality of working life, and skills development and recognition, the exercise was a resounding success, with a 97% employee participation rate.

This barometer highlighted strengths and areas for improvement at various levels of the organisation. It was followed by collective workshops, organised from April to July 2023 within each team, to co-construct concrete action plans. A Group action plan based on certain initiatives is also being rolled out.

AFYREN is setting up a long-term monitoring system to track progress: a second HR barometer is scheduled for 2024.

Improvement of the Gaia non-financial rating

AFYREN's constant efforts to document and improve processes related to the company's sustainable development have led to a new improvement in its ESG rating. In March 2023, AFYREN obtained an Ethifinance non-financial rating of 78/100, up 6 points compared to the previous year, which highlights, based on the 2021 benchmark, a clearly higher level of ESG maturity than for comparable companies (in terms of workforce and business sector).

AFYREN joins the Business Convention for the Climate (CEC)

² Subject to agreement between the parties on the final terms of the partnership

³ Total volumes x selling price over the contract period

In 2023, AFYREN joined the CEC (Lyon area) in order to engage with expert stakeholders, share with other economic and scientific players and accelerate the definition of an ambitious roadmap to meet the societal and environmental challenges. The goal of this roadmap will be to position AFYREN as a regenerative company.

Finance and financial instruments

Financing

In March 2023, AFYREN NEOXY secured a €5 million overdraft facility with BNP for 2023, reduced to €2.5 million in 2024, to cover possible short-term financing needs (pre-financing of disbursements of grants, etc.).

At the end of March 2023, AFYREN repaid in cash the convertible bonds issued in March 2020 for €3.6 million.

In April 2023, both AFYREN and AFYREN NEOXY took out a €1 million Innovation Loan with Bpifrance. These loans are repayable in 31 quarterly instalments, including a deferred principal repayment on the first 11 instalments.

AFYREN NEOXY capital increase and convertible bonds

In accordance with existing financing agreements, AFYREN subscribed in May 2023 to:

- a €2 million cash capital increase for AFYREN NEOXY as part of a €3.5 million capital increase subscribed by its shareholders AFYREN and Bpifrance;
- an AFYREN NEOXY convertible bond for €1.5 million as part of a €3 million issue, again subscribed by its shareholders AFYREN and Bpifrance;

This financing covers the progress of the AFYREN NEOXY start-up.

Share buybacks / liquidity

In April 2023, AFYREN implemented a share buyback programme in accordance with the decision of the AFYREN Board of Directors at its meeting of 21 March 2023. In a context of low share prices, this programme limits shareholder dilution resulting from multi-year share allotment plans, with no significant impact on cash, since it concerns a maximum of 52,000 shares. As of 30 June 2023, the volume of shares bought back under this programme amounted to 16,240 shares.

At the end of April 2023, by an amendment to the current contract, AFYREN increased the funds allocated to the liquidity contract by €150,000. As a reminder, €300,000 was paid when the contract was implemented in November 2021.

Free share grants and BSPCE exercises

As part of its strategy of attracting and retaining the company's executives and employees, the Board of Directors has implemented the delegation of authority granted by the combined general meeting of 11 June 2021 to grant 16,521 new 2021 free shares to two Company employees and one salaried manager of a subsidiary. Following the departure of an employee, the balance is 10,075 2021 free share grants.

The Company recorded the definitive vesting, with effect from 24 March 2023, of 25,762 free ordinary shares to each of the two executives, in accordance with the grant decided by the Board of Directors on 24 March 2022.

In addition, AFYREN recorded the exercise of 44,998 BSPCE 5 giving rise to the issue of the same number of ordinary shares in the Company. At the same time, 26,667 BSPCE 5 were cancelled following the departure of employees.

2.4 Business commentary

The reader is invited to read the following information relating to the Company's financial position and results together with the Company's condensed financial statements prepared for the purposes of the interim financial report for the first half of 2022 and 2023, which have been subject to a limited review by the statutory auditor whose limited review report is presented in section 3.2.

The comments on the financial statements below are based solely on these financial statements.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU-IFRS").

Figures in thousands of euros in the tables and analyses in this section have been rounded. As a result, the totals may not correspond to the sum of the separately rounded figures. Similarly, the sum of the percentages, calculated from rounded figures, may not add up to 100%.

Key figures

In € thousands	2023.06	2022.06	Change
Revenues	1,956	1,763	+11%
<i>Of which license and development of industrial know-how</i>	708	708	-
<i>Of which other services</i>	1,247	1,054	+18%
Current operating income	(3,097)	(2,581)	+20%
Operating income	(3,097)	(2,580)	+20%
Net financial income	503	(160)	-
Share in income of equity-accounted companies	(2,529)	(1,420)	+78%
Net income	(5,123)	(4,160)	+23%

The Group's results reflect a phase in which the teams are fully focused on the start-up of the first plant and the preparation of the subsequent plants.

The reader is invited to refer to the review of the accounts and results in the notes to the IFRS Financial States closed on 30 June 2023 in section 3.1.

Simplified balance sheet

In € thousands	2023.06	2022.12
Non-current assets	21,832	20,998
<i>Of which equity-accounted securities</i>	16,456	16,513
Current assets	54,548	63,822
<i>Of which cash and cash equivalents</i>	52,652	62,333
Total assets	76,380	84,821
Equity	65,920	70,978
Non-current liabilities	5,354	5,885

<i>Of which borrowings and financial liabilities⁴</i>	3,641	3,485
Current liabilities	5,107	7,958
<i>Of which borrowings and financial liabilities</i>	1,597	5,054
Total liabilities	76,380	84,821

The Company had cash and cash equivalents of €52.7 million at the end of the financial year. It can thus finance its future development, including R&D work and the development of future industrial projects.

As of 30 June 2023, total debt stood at €5.2 million, down €3.3 million following the repayment of a convertible bond in March 2023.

Revenues

The accounting treatment and components of revenues are detailed in note 6.2 to the IFRS financial statements for the year ended 30 June 2023 in section 3.1.

In € thousands	2023.06	2022.06
Licence and development of industrial know-how	708	708
Other services	1,247	1,054
Total revenues	1,956	1,763

The Company's revenues amounted to €1.96 million in the first half of 2023, up 11% from €1.76 million in the first half of 2022.

Change in revenues by type

Revenues are essentially made up of:

- income from patent and know-how licenses granted to AFYREN NEOXY since December 2018 for a total of €0.7 million in the first half of 2023 (€1.4 million on an annual basis) unchanged from the first half of 2022;
- various contracts for the provision of services (technical, commercial, administrative, etc.) entered into with AFYREN NEOXY for a total of €1.2 million in the first half of 2023, up compared with 2022 because of various technical services provided in the context of the start-up of the plant.

Current operating income

Operating expenses

Net operating expenses⁵ amounted to €5 million in the first half of 2023, compared with €4.3 million in the first half of 2022, an increase of €0.7 million.

This increase was mainly attributable to:

- purchases and external expenses, up €0.3 million, including expenses related to the development of the Group's next plants, particularly in Thailand;
- personnel costs up €0.2 million due to the increase in the number of employees, with the average number of full-time equivalents (FTE) increasing from around 31 as of 30 June 2022 to nearly 40 as of 30 June 2023 (excluding AFYREN NEOXY).

⁴ Including lease liabilities, which amounted to €195 thousand at end-June 2023

⁵ Net of other income, mainly operating grants including in particular the research tax credit. This item is detailed in Note 6.3 "Other income" of the IFRS financial statements in section 3.1.

These expenses include €0.4 million related to development costs for the Group's future plants, up by €0.2 million compared with the first half of 2022. In addition, research and development spending recognised as expenses increased from €0.6 million in the first half of 2022 to €0.9 million in the first half of 2023.

These items are detailed in note 6.4 to the IFRS financial statements in section 3.1.

Current operating income

After recognition of other expenses of €(0.5) million, current operating income was €(3.1) million, the increase in expenses was partially offset by the increase in revenues.

Formation of net income

Net financial income (expense)

Financial expenses amounted to €0.2 million in the first half of 2023 and mainly include interest related to IFRS restatements (on convertible bonds and on the license agreement). This was largely offset by financial income from cash investments, which totalled €0.7 million for the half-year, resulting in positive net financial income of €0.5 million.

Share in income of equity-accounted company (net of tax)

The share accounted for in AFYREN NEOXY's net income was €(2.5) million in the first half of 2023, compared with €(1.4) million in the first half of 2022. This change is mainly related to the plant's operating expenses, in the absence of revenues. AFYREN NEOXY will recognise revenues when acid batches are delivered to its customers from continuous production.

The reader is invited to refer to Note 5 of the IFRS financial statements in section 3.1.

In the first half of 2023, AFYREN NEOXY's overall net income was €(5.0) million, compared with €(2.8) million in the first half of 2022.

Net income

Net income was €(5.1) million at the end of June 2023, compared with €(4.2) million at the end of June 2022: the net loss reflects a phase in which AFYREN and AFYREN NEOXY teams have been fully mobilised by the reliability and start-up of the first plant and the development of subsequent plants.

Information on the share capital, cash and funding sources

AFYREN's sources of financing are mainly the capital increase carried out at the time of the Company's IPO in October 2021, and more generally the equity contributed by AFYREN's investors as well as bank loans taken out with credit institutions, repayable advances and loans from Bpifrance.

Financial debt and cash

In € thousands	2023.06	2022.12
Convertible bonds	-	3,412
Other borrowings	4,894	4,714
<i>Of which State guaranteed loan (PGE)</i>	2,000	2,349
<i>Of which repayable advances</i>	388	604
<i>Of which other borrowings</i>	2,268	1,521
<i>Of which accrued interest</i>	238	242
Total borrowings	4,894	8,128
Lease liabilities (IFRS 16)	345	411
Total borrowings and financial liabilities	5,239	8,539
Total cash and cash equivalents	52,652	62,333

As of 30 June 2023, AFYREN's total financial debt was low, at €5.2 million including lease liabilities and €4.9 million excluding lease liabilities. The Group has a cash position of €52.7 million which enables it to meet its obligations and finance its future developments.

See Notes 13 (Cash and cash equivalents), 16 (Borrowings, financial liabilities and lease liabilities), and 18 (Financial instruments and risk management) to the IFRS Financial Statements in section 3.1.

Simplified cash flow statement

In € thousands	2023.06	2022.06
Net income for the period	(5,123)	(4,160)
Depreciation of fixed assets and rights of use	406	301
Net financial income	(503)	160
Share in income of equity-accounted company (net of tax)	2,529	1,420
Cost of share-based payments	593	1,033
Other	49	
Cash flow	(2,049)	(1,246)
Net change in WCR	(258)	(290)
Net cash from operating activities	(2,307)	(1,536)
Net cash used in investing activities	(3,557)	(232)
Net cash used in financing activities	(3,816)	(528)
Net change in cash and cash equivalents	(9,681)	(2,298)

Change in working capital requirement (WCR)

In € thousands	2023.06	2022.06
Trade receivables	(448)	142
Customer contract liabilities	(611)	(636)
Trade payables	98	(106)
Provisions and employee benefits	(9)	16
Other current receivables/payables	713	295
Total changes	(258)	(290)

Other current receivables/debt are primarily tax-related.

Cash flow from investing activities

As of 30 June 2023, the net cash used in investing activities amounted to €3.6 million. The main items were the subscription to the capital increases (for €2.0 million) and to AFYREN NEOXY's convertible bond (for €1.5 million), the additional payment under the liquidity contract and a new payment in connection with the launch of the share buyback programme (€0.4 million), net of interest received from the investment of the Group's cash (€0.7 million).

Cash flow from financing activities

As of 30 June 2023, net cash used in financing activities amounted to €3.8 million, mainly reflecting the cash repayment of the convertible bonds subscribed in March 2020 for €3.6 million.

New borrowings and repayments are described in Note 16 (Borrowings, financial liabilities and lease liabilities) to the IFRS financial statements in section 3.1.

2.5 Investments

Main investments made

AFYREN did not make any significant investments during the period, apart from participating in the cash capital increase and subscribing to an AFYREN NEOXY convertible bond. This financing covers the progress of the AFYREN NEOXY start-up.

Major investments underway or firmly committed to, and how they will be financed

The main investments in progress correspond to the finalisation of the AFYREN NEOXY construction work as well as additional reliability work.

2.6 Stake in the equity-accounted company

The following table summarises the financial information of AFYREN NEOXY as prepared in its IFRS financial statements using the same accounting methods as AFYREN. It also reconciles the summary financial information of the carrying amount of AFYREN's holding in AFYREN NEOXY:

In €k	2023.06	2022.12	2022.06
Percentage of shares held	51.08%	50.62%	50.62%
Non-current assets	78,568	69,847	
Current assets excluding cash and cash equivalents	2,306	10,508	
Cash and cash equivalents	6,707	8,440	
Non-current liabilities	29,778	28,272	
Current liabilities	25,754	27,903	
Net assets (100%)	32,048	32,620	
Net assets attributable to Afyren	16,370	16,513	
Goodwill	85		
Carrying value of interests in the Neoxy joint venture	16,456	16,513	
Operating income	-4,498		-2,510
Net financial income (expense)	-540		-232
Income tax	42		-
Net income	-4,996		-2,808
Other comprehensive income	-		5
Comprehensive income (100%)	-4,996		-2,804
Afyren's share of Neoxy's comprehensive income	-2,529		-1,419
Dividends received by Afyren	-		-

2.7 Main related party transaction

The main transactions with related parties are detailed in Note 19 of the Condensed Financial Statements as of 30 June 2023 in section 3.1.

2.8 Subsequent events

Financing

In August 2023, AFYREN NEOXY took out a €6 million New Industry loan (Prêt Nouvelle Industrie) with Bpifrance. The loan is repayable in 60 quarterly instalments, including a deferred principal repayment on the first 12 instalments.

In September 2023, AFYREN NEOXY signed two factoring contracts with BPCE Factor for the assignment of receivables from French and foreign customers (European Union and United States).

Long-term incentive plan

In September 2023, AFYREN introduced a new long-term incentive plan for certain employees and corporate officers. It is based on performance targets, including a non-financial component, to be achieved by 2025, provided that the beneficiary is still employed by the Company on that date. This plan corresponds to a total potential volume of 190.206 shares.

2.9 Description of the main risks and uncertainties for the remaining six months

The main risks and uncertainties to which the Company believes it is exposed as of the date of this half-yearly financial report are detailed in section 3.9 “Risk factors” of the 2022 annual financial report, published on 13 April 2023 and available [here](#). These risk factors remain applicable as of the date of this report and have not changed significantly. AFYREN does not anticipate any change to its initial assessment of the risks relating to the supply of raw materials and energy (linked to climate risk and Ukraine risk).



3. Condensed financial statements

3. CONDENSED FINANCIAL STATEMENTS

3.1 Condensed financial statements as of 30 June 2023

Condensed half-yearly consolidated income statement

In €k	Notes	2023.06	2022.06
Revenues	6.2	1,956	1,763
Other income	6.3	226	234
Purchases and external expenses	6.4	-1,538	-1,210
Payroll costs	6.4	-3,249	-3,024
Depreciation of fixed assets and rights of use	9. & 10.	-406	-301
Other expenses		-86	-42
Current operating income		-3,097	-2,580
Operating income		-3,097	-2,580
Financial income	7.	746	14
Financial expenses	7.	-243	-174
Net financial income		503	-160
Share in income of equity-accounted company (net of tax)	5.	-2,529	-1,420
Income before tax		-5,123	-4,160
Income tax	8.	-	0
Net income for the period		-5,123	-4,160
Earnings per share			
Basic earnings per share (in euros)	14.2	-0.20	-0.16
Diluted earnings per share (in euros)	14.2	-0.20	-0.16

Condensed half-yearly consolidated statement of comprehensive income

In €k	Notes	2023.06	2022.06
Net income for the period		-5,123	-4,160
Other comprehensive income			
Revaluations of defined benefit liabilities (actuarial gains and losses)		1	27
Related tax		0	-7
Equity-accounted company - share of other comprehensive income (actuarial gains and losses, net of tax)		0	5
Total items that will not be reclassified subsequently to profit or loss		1	25
Total items that will be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of tax		1	25
Comprehensive income for the period		-5,121	-4,135

Condensed half-yearly consolidated financial statements

In €k	Note	2023.06	2022.12
Intangible assets	9.1.	3,492	3,621
Property, plant and equipment	9.2.	349	358
Rights of use	10.	363	446
Equity-accounted securities	5.	16,456	16,513
Non-current financial assets		1,172	62
Non-current assets		21,832	20,998
Trade receivables	12.	1,237	788
Current financial assets	12.	361	71
Other current assets	12.	298	630
Cash and cash equivalents	13.	52,652	62,333
Current assets		54,548	63,822
Total assets		76,380	84,821
		2023.06	2022.12
Share capital	14.	519	517
Issue premiums	14.	85,179	85,089
Reserves	14.	-4,937	399
Retained earnings	14.	-9,720	-5,828
Net income for the period	14.	-5,123	-9,200
Equity attributable to the owners of the Company		65,920	70,977
Non-current borrowings and financial liabilities	16.	3,446	3,261
Non-current lease liabilities	16.	195	224
Defined benefit liabilities		57	67
Non-current provisions	15.	14	14
Non-current deferred income (customer contract liabilities)	6.2.	661	1,321
Non-current deferred income (grant)	17.	981	997
Non-current liabilities		5,354	5,885
Current borrowings and financial liabilities	16.	1,447	4,867
Current lease liabilities	16.	150	187
Trade payables	16.	488	520
Current deferred income (customer contract liabilities)	6.2.	1,369	1,319
Other current liabilities	17.	1,652	1,066
Current liabilities		5,107	7,958
Total liabilities		10,461	13,843
Total equity and liabilities		76,380	84,821

Condensed half-yearly statement of changes in equity

In €k	Note	Attributable to owners of the Company							Total shareholders' equity
		Share capital	Issue premiums	Equity component of convertible bonds	Treasury share reserve	Other reserves	Retained earnings	Net income for the period	
Situation as of 1 January 2022		515	85,069	227	-70	-1,143	-3,133	-3,609	77,856
Net income for the period								-4,160	-4,160
Other comprehensive income for the period				-	-	25			25
Comprehensive income for the period		-	-			25	-	-4,160	-4,135
Appropriation of earnings from previous year						-914	-2,695	3,609	-
Capital increase	14.								-
Convertible bond issue	16.								-
Share-based payments settled in equity instruments	6.4.1					1,033			1,033
Purchases/sales of treasury shares					-85				-85
Total transactions with the Company's owners		-	-	-	-85	119	-2,695	3,609	948
Position as of 30 June 2022		515	85,069	227	-154	-992	-5,828	-4,160	74,676
Position as of 1 January 2023		517	85,089	227	-173	346	-5,828	-9,200	70,977
Net income for the period								-5,123	-5,123
Other comprehensive income for the period						1			1
Comprehensive income for the period		-	-	-	-	1	-	-5,123	-5,121
Appropriation of earnings from previous year						-5,308	-3,892	9,200	-
Capital increase	14.	2	91						93
Repaid convertible bonds	16.			227					227
Share-based payments settled in equity instruments	6.4.1					401			401
Purchases/sales of treasury shares					-202				-202
Total transactions with the Company's owners		2	91	-227	-202	-4,907	-3,892	9,200	64
Position as of 30 June 2023		519	85,179	-	-375	-4,561	-9,720	-5,123	65,920

Notes to the condensed half-yearly financial statements

In €k	Note	2023.06	2022.06
Net income for the period		-5,123	-4,160
<i>Adjustments for:</i>			
– Depreciation of fixed assets and rights of use	9. & 10.	406	301
– Net financial income	7.	503	160
– Share in income of equity-accounted company (net of tax)	5.	2,529	1,420
– Gains and losses on disposal of property, plant and equipment		14	
– Cost of share-based payments	6.4.1	593	1,033
– Income tax	8.	-	-0
– Other items		35	
Total elimination of expenses and income with no impact on cash		3,074	2,914
Total cash flow		-2,049	-1,246
<i>Changes in:</i>			
– Trade receivables	12.	-448	142
– Customer contract liabilities	6.2	-611	-636
– Trade payables	17.	98	-106
– Provisions and employee benefits	6.4.1	-9	16
– Other current receivables/payables	12. & 17.	713	295
Total changes		-258	-290
Cash flows from operating activities		-2,307	-1,536
Taxes paid	8.	-	-
Net cash from operating activities		-2,307	-1,536
Acquisition of property, plant and equipment and intangible assets, excluding development costs	9.	-221	-198
Proceeds from the disposal of property, plant and equipment and intangible assets		-10	
Capitalised development expenses	9.	-76	-17
Investment grants (incl. CIR offsetting capitalised expenses)		-15	-31
Subscription to Neoxy capital increases		-2,000	-
Interest received	7.	665	14
Increase in non-current financial assets	11.	-1,501	-
Increase in current financial assets (liquidity contract)		-400	-
Net cash flow related to investment activities		-3,557	-232
Capital increase	14.1.	93	-
Purchases/sales of treasury shares		-202	-
Proceeds from the convertible bond issue	16.	-	-
Proceeds from new borrowings and financial liabilities	16.	1,001	76
Repayment of borrowings and financial liabilities	16.	-818	-274
Repayment of bonds		-3,567	-
Payment of lease liabilities	10.	-110	-52

Interest paid on convertible bonds	16.	-178	-178
Interest paid on borrowings and financial liabilities	16.	-27	-99
Interest paid on lease liabilities	16.	-9	-1
Net cash used in financing activities		-3,816	-528
<hr/>			
Net change in cash and cash equivalents		-9,681	-2,297
Cash and cash equivalents as of 1 January		62,333	67,128
Effect of exchange rate changes on cash held			
Cash and cash equivalents as of 30 June		52,652	64,831

3.2 Notes to the condensed half-yearly financial statements

1. Description of the Company and the business

AFYREN S.A. ("the Company" or "AFYREN") is a French company with its registered office in Clermont-Ferrand (63100).

Founded in 2012, AFYREN is a sustainable chemical ("greentech") company offering innovative solutions to replace petroleum-based ingredients with products derived from natural microorganisms, in a zero industrial waste circular economy approach.

The solutions offered by AFYREN make it possible to produce a family of seven fully biobased organic acids and a natural fertiliser from non-food biomass.

Based on renewable raw materials such as the by-products of the sugar production process (in particular molasses and beetroot pulp), which do not compete with human food chains, AFYREN's technological platform - AFYNERIE® - makes it possible to produce 100% biobased organic acids on an industrial scale and at a competitive cost, offering the same chemical properties as those produced from oil, but with a carbon footprint divided by 5.

On 1 October 2021, AFYREN successfully completed its IPO on the unregulated Euronext Growth market in Paris, in order to accelerate its development, particularly internationally.

In 2022, AFYREN inaugurated its first plant: AFYREN NEOXY with a capacity of 16,000 tonnes of organic acids and 28,000 tonnes of fertilisers.

These condensed consolidated half-yearly IFRS financial statements include the financial statements of AFYREN and its subsidiary AFYREN CANADA, as well as the equity-accounted shares of AFYREN NEOXY, in which AFYREN held a 51.08% stake as of 30 June 2023 (compared with 50.62% as of 31 December 2022), and was jointly controlled by AFYREN and Bpifrance. They were approved by the Company's Board of Directors on 18/09/2023.

2. Basis of preparation

2.1. Statement of compliance

These condensed half-yearly consolidated financial statements of the Company for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union (EU) and should be read in conjunction with the Company's most recent annual financial statements for the year ended 31 December 2022 (the "most recent annual financial statements").

They do not include all the information required for a full set of consolidated financial statements prepared in accordance with IFRS. They do, however, include a selection of notes explaining significant events and transactions with a view to understanding changes in the Group's financial position and performance since the last annual financial statements.

The accounting principles used to prepare these condensed half-yearly consolidated financial statements are identical to those applied by the Company at 31 December 2022, with the exception of:

- Texts that are mandatory for application from 1 January 2023;
- Specific provisions of IAS 34 used to prepare the half-yearly consolidated financial statements
- The consolidation of the new Canadian subsidiary AFYREN CANADA;

- The provisions of IAS 28 used to treat the increase in AFYREN's percentage stake in AFYREN NEOXY;
- Accounting principles applied to recognise convertible bonds issued by AFYREN NEOXY and subscribed by AFYREN and BPI:
 - AFYREN NEOXY's financial instruments include a debt component (simple bonds excluding conversion options) and an equity component (conversion options). The debt component is measured at fair value on initial recognition, based on a market interest rate, and then at amortised cost. The equity component is calculated as the difference between the fair value of the convertible bonds (corresponding to their subscription price) and the fair value of the debt component.
 - At AFYREN level, subscribed convertible bonds are recognised as non-current financial assets and measured at fair value through profit or loss. This item also includes the consideration for AFYREN's share of the equity component recognised in AFYREN NEOXY's financial statements.

The new texts that are mandatory for application from 1 January 2023 are IFRS 17 (Insurance contracts) and its amendments, an amendment to IAS 12 (Deferred taxes relating to assets and liabilities arising from the same transaction), an amendment to IAS 1 and Practice Statement 2 (Disclosure of accounting policies), and an amendment to IAS 8 (Definition of accounting estimates). The new texts do not have a material impact on the Company's consolidated financial statements.

Standards and interpretations that are not yet mandatory at 30 June 2023 have not been applied early. The expected impacts are not material

2.2. Use of estimates and judgements

In preparing these condensed half-yearly consolidated financial statements, Management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual values may differ from estimated values depending on changes in uncertainties.

The significant judgements made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty are those described in the most recent annual financial statements, together with estimates made in connection with the fair value measurement of convertible bonds as non-current financial assets, and of the debt and equity components of AFYREN NEOXY's financial statements.

2.3. Functional and presentation currency

The financial statements are presented in euros, which is the Company's functional currency. Amounts are rounded to the nearest million euros unless otherwise stated.

2.4. Seasonality of activities

The Company's activities are not seasonal by nature. Consequently, the interim results at 30 June 2023 are indicative of those that may be expected for the full year 2023.

3. Significant events during the period

AFYREN

Partnership(s)

In January 2023, AFYREN announced that it had entered into a partnership project with Mitr Phol, a world leader in the sugar industry, to set up a biorefinery in Thailand. This project, carried out by a joint venture owned by AFYREN (70%) and Mitr Phol (30%), targets the Asian market, which accounts for 25% of the global carboxylic acid market. This second plant aims to have a production capacity of approximately 28,000 tonnes per year, representing revenues of approximately €60 million at full capacity.

As of the date of this Half-Yearly Financial Report, discussions concerning the joint venture that will carry out the project are at an advanced stage, with a view to signing⁶ and launching engineering studies to specify the necessary investment and the construction and production start-up schedule.

Wholly-owned subsidiary in Quebec

These financial statements include, for the first time as of 30 June 2023, the accounts of the subsidiary 9478-2687 Québec Inc ("AFYREN CANADA"). AFYREN CANADA was created during the 2022 financial year and is wholly owned by AFYREN. AFYREN subscribed to the capital in the amount of seven thousand euros during the first half of 2023. The subsidiary has not commenced operations and these accounts are not material to these financial statements.

Financing

In April 2023, AFYREN took out a €1 million Innovation loan (Prêt Innovation) with Bpifrance. The loan is repayable in 31 quarterly instalments, including a deferred principal repayment on the first 11 instalments.

In May 2023, in accordance with existing financing agreements, AFYREN subscribed to:

- a €2 million cash capital increase for AFYREN NEOXY as part of a €3.5 million capital increase subscribed by its shareholders AFYREN and Bpifrance;
- an AFYREN NEOXY convertible bond for €1.5 million as part of a €3 million issue, again subscribed by its shareholders AFYREN and Bpifrance;

These funds cover AFYREN NEOXY's start-up progress.

At the end of March 2023, AFYREN repaid in cash the convertible bonds issued in March 2020 for €3.6 million.

Liquidity contract / share buybacks

By an amendment to the current liquidity contract with NATIXIS and ODDO BHF SCA, dated 18 April 2023, AFYREN increased the resources made available under this liquidity contract by an additional €0.15 million. As a reminder, €0.3 million was paid when the contract was implemented in November 2021.

As of 30 June 2023, the following resources were included in the liquidity account:

- Number of shares: 37,308 shares
- Cash balance of the liquidity account: €197,390

⁶Subject to agreement between the parties on the final terms of the partnership

In April 2023, AFYREN implemented a share buyback programme in accordance with the decision of the AFYREN Board of Directors at its meeting of 21 March 2023. In a context of low share prices, this programme limits shareholder dilution resulting from multi-year share allotment plans, with no significant impact on cash, since it concerns a maximum of 52,000 shares. As of 30 June 2023, the volume of shares bought back under this programme amounted to 16,240 shares.

In addition, AFYREN bought back shares over the counter during the first half of 2023. As of 30 June 2023, the number of shares bought back over the counter amounted to 18,205.

Capital transactions linked to free share grants and BSPCE

During the first half of 2023, capital increases linked to the exercise of BSPCEs and the vesting of free shares were recorded for a total amount of €1,930, corresponding to 96,522 shares with a nominal value of €0.02 each.

Details of these transactions are provided in Note 14.1.

Equity instrument plans

During the first half of 2023, the Board of Directors decided to award free shares. Details of these transactions are provided in Note 6.4.2.

During the first half of 2023, 26,667 BSPCE 5 were cancelled following the departure of employees.

Significant events for the first half of 2022 are set out in the company's 2022 Half-Yearly Financial Report, available [here](#).

AFYREN NEOXY (equity-accounted company)

Financing

In March 2023, AFYREN NEOXY secured a €5 million overdraft facility with BNP for 2023, reduced to €2.5 million in 2024, to cover possible short-term financing needs (pre-financing of disbursements of grants, etc.).

In May 2023, AFYREN NEOXY took out a €1 million Innovation loan (Prêt Innovation) with Bpifrance. The loan is repayable in 31 quarterly instalments, including a deferred principal repayment on the first 11 instalments.

Bond issue

AFYREN NEOXY's general meeting of 11 May 2023 decided to issue 3,000,000 bonds convertible into shares with a nominal value of €1, representing a total principal amount of €3 million. These bonds convertible into shares were subscribed in equal parts by the two shareholders of AFYREN NEOXY, i.e. €1.5 million for AFYREN and €1.5 million for Bpifrance.

The main characteristics of the loan are as follows:

- Term of the loan: 4 years.
- Interest: Capitalised interest of 8.00% per annum
- Conversion ratio: one share in the company for one bond convertible into shares

Capital transaction

AFYREN NEOXY's general meeting of 11 May 2023 approved a €3.5 million cash capital increase, raising the company's capital from €46.101 million to €49.601 million, through the creation of 3,500,000 shares with a nominal value of €1 each, issued at par. AFYREN subscribed €2 million of this capital increase, with the balance being subscribed by Bpifrance.

Industrial commissioning and production start-up

In June 2023, AFYREN announced significant progress in the plant's production operations and the delivery of the first batches of biobased organic acids. Work to make operations more reliable is continuing, with a view to starting continuous production. AFYREN then plans to gradually ramp up volumes in order to produce 16,000 tonnes of carboxylic acids per year at full capacity.

Significant events for the first half of 2022 are set out in the company's 2022 Half-Yearly Financial Report, available [here](#).

4. Subsequent events

Financing

In August 2023, AFYREN NEOXY took out a €6 million New Industry Loan with Bpifrance. The loan is repayable in 60 quarterly instalments, including a deferred principal repayment on the first 12 instalments.

In September 2023, AFYREN NEOXY signed two factoring contracts with BPCE Factor for the assignment of receivables from French and foreign customers (European Union and United States).

Long-term incentive plan

In September 2023, AFYREN introduced a new long-term incentive plan for certain employees and corporate officers. It is based on performance targets, including a non-financial component, to be achieved by 2025, provided that the beneficiary is still employed by the Company on that date. This plan corresponds to a total potential volume of 190,206 shares.

5. Equity-accounted investment in AFYREN NEOXY

In December 2018, a partnership with Bpifrance was set up via the AFYREN NEOXY joint venture under the joint control of both partners.

The following table summarises the financial information of AFYREN NEOXY as prepared in its consolidated IFRS financial statements using the same accounting methods as AFYREN. It also reconciles the summary financial information of the carrying amount of AFYREN's holding in AFYREN NEOXY:

In €k	2022.12	2022.12	2022.06
Percentage of shares held	51.08%	50.62%	50.62%
Non-current assets	78,568	69,847	
Current assets excluding cash and cash equivalents	2,306	10,508	
Cash and cash equivalents	6,707	8,440	
Non-current liabilities	29,778	28,272	
Current liabilities	25,754	27,903	
Net assets (100%)	32,048	32,620	
Net assets attributable to Afyren	16,370	16,513	
Goodwill	85		
Carrying value of interests in the Neoxy joint venture	16,456	16,513	
Operating income	- 4,498		-2,510
Net financial income (expense)	- 540		-232
Income tax	42		-
Net income	- 4,996		-2,808
Other comprehensive income	-		5
Comprehensive income (100%)	- 4,996		-2,804
Afyren's share of Neoxy's comprehensive income	- 2,529		-1,419
Dividends received by Afyren	-		-

Capital transaction(s) and convertible bonds

The general meeting of 11 May 2023 approved a €3.5 million cash capital increase, raising the company's capital from €46.101 million to €49.601 million, through the creation of 3,500,000 shares with a nominal value of €1 each, issued at par. AFYREN subscribed €2 million of this capital increase, with the balance being subscribed by Bpifrance.

This additional investment increased AFYREN's stake in AFYREN NEOXY from 50.62% at 31 December 2022 to 51.08% at 30 June 2023. This additional investment resulted in the recognition of goodwill of €0.09 million, which is included in the value of investments in associates.

AFYREN NEOXY's annual general meeting of 11 May 2023 approved the issue of 3,000,000 bonds convertible into shares with a nominal value of €1, representing a total principal amount of €3 million. These bonds convertible into shares were subscribed in equal parts by the two shareholders of AFYREN NEOXY, i.e. €1.5 million for AFYREN and €1.5 million for Bpifrance.

The main characteristics of the loan are as follows:

- Term of the loan: 4 years.
- Interest: Capitalised interest of 8.00% per annum.
- Conversion ratio: one share in the company for one bond convertible into shares.

The accounting treatment of these convertible bonds is set out in Note 2.1.

Recognition of know-how licence

AFYREN grants AFYREN NEOXY a license to the technology consisting of patent rights and know-how to enable it to manufacture and market products. The rights of use start from the plant's industrialisation phase, which includes a design phase (carrying out studies and adapting the technology to the industrial level), a construction phase and then a start-up phase until the end of a ramp-up phase and the following twelve months. AFYREN staff are made available to AFYREN NEOXY during these phases and re-invoiced without any margin.

The plant design and construction phase ran from 2019 to 2021, i.e. a duration of three years, and AFYREN NEOXY plans to use this licence as soon as it is granted and during the start-up of production at its plant, which is expected to last 20 years.

The exclusivity of the licence agreement is granted until AFYREN NEOXY reaches a production capacity of 50,000 tonnes. This license will have an initial duration of 10 years and will continue as long as AFYREN NEOXY continues its production.

On the basis of these elements, AFYREN NEOXY recorded an intangible asset with a present value of €10.6 million corresponding to 23 years of licence fees (3 years since its granting + 20 years of production), of which €7.5 million was paid in advance for the first 10 years. The outstanding balance is recorded as fixed asset liabilities for €4.3 million as of 30 June 2023 (compared with €4.2 million as of 31 December 2022).

The license is amortised over a period of 23 years, i.e. an annual expense of €0.5 million. In addition, an interest expense related to the accretion of this debt is recorded in financial expenses, i.e. €6.7 million over 23 years with insignificant annual amounts in 2023 and 2022.

Bio Based Industries (BBI) grant:

Since May 2020, AFYREN NEOXY has led a consortium of several companies in an innovative industrial project that will last for four years with an estimated overall cost of €33 million. The overall grant paid by the European Commission will amount to €20 million, of which €16 million will be allocated to AFYREN NEOXY relating to a spending commitment of €27.6 million. If the level of spending is not reached, the Company will not be entitled to the planned level of grant, i.e. €16 million.

The total amount of this €16 million grant is divided into an operating grant of €13.5 million recognised at the rate of progress of expenditure and an investment grant of €2.4 million which will be recognised at the rate of depreciation of the asset once it is commissioned.

A first disbursement of €9.6m (i.e. 60%) was obtained in May 2020. On this first disbursement, a guarantee withholding of €0.8 million (i.e. 5% of the total amount to be paid) was taken by the financier and recorded as a non-current financial asset at fair value on the initial recognition date and then at amortised cost. The company did not receive any payments in 2021.

A second payment of €1.7 million was made in the first half of 2022.

ERDF grant:

In 2019, AFYREN NEOXY signed an agreement to receive €2 million in European support under the European Regional Development Fund (ERDF). A payment of €1.6 million was made in the first half of 2022.

Regional grant:

In 2019, AFYREN NEOXY signed a financing agreement with the Grand Est Region to finance the installation of the production unit for a total amount of €1 million. A payment of €0.5 million was made in the first half of 2022.

Banque Populaire loan:

In 2021, AFYREN NEOXY received the first €2.5 million tranche of the loan taken out with the Banque Populaire (for a total of €5 million). In the first half of 2022, it received the second €2.5 million tranche of this financing.

6. Operational data

6.1. Segment reporting

AFYREN's activity is to carry out research and development, as well as industrialisation and marketing in order to develop processes for the production of molecules, extraction of molecules and metabolites, all from fermentable biomass. Moreover, it has so far granted only one licence, to AFYREN NEOXY. The Company therefore has only one operating segment. In addition, almost all of its activities and assets are located in France. The activities and assets of the Canadian subsidiary are not material.

6.2. Revenues

Revenues break down as follows:

In €k	2023.06	2022.06
Licence and development of industrial know-how	708	708
Other services	1,247	1,054
Total revenues	1,956	1,763

The €0.2 million increase in other services as of 30 June 2023 is explained by an increase in technical services to AFYREN NEOXY.

Changes in contract liabilities (deferred income) are explained as follows:

In €k	2023.06	2022.12
Contract liabilities as of 1 January	2,640	3,912
Increase in financial expenses for the year on the licence agreement	98	145
Revenues recognised during the period included in the opening	-708	-1,417
Contract liabilities at end of period	2,030	2,640
Of which current liabilities	1,369	1,319
Of which non-current liabilities	661	1,321

As of 30 June 2023, the remaining duration of the industrialisation phase is 1.5 years. Accordingly, the sum of the non-discounted services still to be performed at the balance sheet date under the license and industrialisation service agreement amounts to approximately €2 million, representing revenue of €1.3 million per year.

6.3. Other income

Other income is not significant and breaks down as follows:

In €k	2023.06	2022.06
Operating grant	184	204
Investment grant recognised under profit or loss	32	32
Capitalised production	0	-
Gain on disposal of fixed assets	10	-
Other	0	-1
Total other income	226	234

6.4. Operating expenses

Operating expenses break down as follows:

In €k	2023.06	2022.06
Total employee benefits	-3,249	-3,024
Purchases of consumables and equipment	-138	-94
Rental expenses	-74	-45
Maintenance and repairs	-21	-9
Remuneration of intermediaries and fees	-794	-633
Travel and assignment expenses	-236	-241
Advertising and communication	-66	-79
Other external expenses	-209	-109
Total purchases and external expenses	-1,538	-1,210
Total depreciation of fixed assets and rights of use	-406	-301
Taxes	-30	-22
Other expenses	-56	-21
Total other expenses	-86	-43

The increase in remuneration of intermediaries and fees at 30 June 2023 is mainly due to an increase in financial intermediaries and fees relating to the listing, as well as an increase in fees relating to development work on future plants (particularly in Thailand).

6.4.1. Personnel costs

Operating expenses break down as follows:

In €k	2023.06	2022.06
Wages and salaries	-1,835	-1,427
Social security contributions	-542	-402
Expenses related to defined contribution post-employment plans	-194	-141
Expenses related to defined benefit post-employment benefit plans	9	-16
Share-based payments settled in equity instruments	-593	-1,033
Other personnel expenses	-95	-5
Total	-3,249	-3,024

The increase is mainly linked to the increase in the workforce.

6.4.2. Share-based payments

On 26 June 2019, the general meeting of AFYREN authorised the Chairman to implement a plan to award BSPCE 5 to AFYREN employees. The exercise of the warrants is subject to a condition of presence. The vesting period is three years (divided into three annual tranches of 1/3) from the grant date. The warrants expire after 10 years from their granting decided by the Chairman. Under this plan, the Company made several grants between 2019 and 2021.

In accordance with the terms of the combined general meeting of 11 June 2021, the following delegations of authority have been implemented during 2022 and 2023:

- At its meeting of 4 February 2022, the Board of Directors decided to issue founder share warrants (the “2021 BSPCE”). This grant covers 17,500 2021 BSPCE to the Chairman of the Board of Directors. Vesting of the shares is subject to continued employment for a period of three years (33% after 12 months and then 1/24th per month).
- At its meeting of 24 March 2022, the Board of Directors decided to issue founder share warrants (the “2021 BSPCE”). This grant covers 15,000 2021 BSPCE to an AFYREN employee. Vesting of the shares is subject to continued employment for a period of three years (33% after 12 months and then 1/24th per month).
- The Board of Directors decided on 24 March 2022 to grant 257,620 free shares to each of the two executives. Vesting of the shares is subject to continued employment for a period of three years and market performance (three 10% tranches subject to a condition of employment only and a final 70% tranche also subject to a market performance condition).
- At its meeting of 5 July 2022, the Board of Directors decided to issue founder share warrants (the “2022 BSPCE”). This grant covers 7,500 2022 BSPCE in favour of an AFYREN director. Vesting of the shares is subject to continued employment for a period of three years (33% after 12 months and then 1/24th per month).
- On 3 October 2022, the Board of Directors decided to award 4,033 free shares to an AFYREN employee. Vesting of the shares is subject to continued employment for a period of one year.
- The Board of Directors decided on 5 December 2022 to grant 13,936 free shares to employees of AFYREN and AFYREN NEOXY. Vesting of the shares is subject to continued employment for a period of one year.
- On 17 February 2023, the Board of Directors decided to grant 3,589 free shares (2021 free share grant) to an AFYREN employee on 17 February 2023. Vesting of the shares is subject to continued employment for a period of one year.
- On 21 March 2023, the Board of Directors decided to grant 3,940 free shares (2021 free share grant) to an AFYREN NEOXY executive on 6 March 2023. Vesting of the shares is subject to continued employment for a period of one year.
- On 20 June 2023, the Board of Directors decided to grant 2,546 free shares (2021 free share grant) to an AFYREN employee on 12 June 2023. Vesting of the shares is subject to continued employment for a period of one year.

The main characteristics and conditions relating to grants under these plans are as follows:

	Number of shares granted	Grant date	Vesting conditions	Contractual life of options	Average fair value of the three tranches (in €)
BSPCE 5	25,000	27/06/2019	Employment (three years)	10 years	5.69
BSPCE 5	52,500	01/07/2019	Employment (three years)	10 years	5.69
BSPCE 5	87,500	01/07/2019	Employment (three years)	10 years	5.69
BSPCE 5	10,000	22/10/2019	Employment (three years)	10 years	5.70
BSPCE 5	15,000	30/10/2019	Employment (three years)	10 years	5.70
BSPCE 5	95,000	12/12/2019	Employment (three years)	10 years	5.70
BSPCE 5	7,500	21/05/2020	Employment (three years)	10 years	5.71
BSPCE 5	175,000	16/09/2020	Employment (three years)	10 years	5.68
BSPCE 5	10,000	01/11/2020	Employment (three years)	10 years	5.67
BSPCE 5	10,000	01/12/2020	Employment (three years)	10 years	5.67
BSPCE 5	102,500	21/01/2021	Employment (three years)	10 years	5.67
2021 free share grants	106,544	07/12/2021	Employment (1 year)	n.a.	9.07
BSPCE 5	17,500	04/02/2022	Employment (three years)	10 years	3.83
BSPCE 5	15,000	24/03/2022	Employment (three years)	10 years	3.65
2021 free share grants	515,240	24/03/2022	Employment (three years)	n.a.	5.36
BSPCE 5	7,500	05/07/2022	Employment (three years)	10 years	2.95
2021-2 free share grants	4,033	03/10/2022	Employment (1 year)	n.a.	6.01
2021-3 free share grants	13,936	05/12/2022	Employment (1 year)	n.a.	5.95
2021-4 free share grants	3,589	17/02/2023	Employment (1 year)	n.a.	6.24
2021-5 free share grants	3,940	06/03/2023	Employment (1 year)	n.a.	5.81
2021-6 free share grants	2,546	12/06/2023	Employment (1 year)	n.a.	4.98
Total	1,279,828				

The data used to measure the fair values at the grant date of the BSPCE 5 and 2021 free share grant granted in 2022 and 2023 are as follows:

	BSPCE 5 issued in 2022	2021 free share grants issued in 2022	2021 free share grants issued in 2023
Fair value at grant date (in €)	From 2.95 to 3.83	From 5.36 to 6.01	From 4.98 to 6.24
Share price on grant date (in €)	From 7.91 to 8.22	7.91	From 4.98 to 6.24
Option exercise price (in €)	8.02	N/A	N/A
Expected volatility (weighted average)	53%	61%	N/A
Expected life (weighted average)	5 to 6 years	5 to 6 years	1 year
Expected dividends	0%	0%	0%
Risk-free interest rate (based on government bonds)	From -0.65% to 0.50%	From -0.56% to 0.50%	n.a.

In 2022 and 2023, the change in the number of BSPCE 5 is as follows:

Number of BSPCE 5	2023.06	Weighted average exercise price 2023.06 (in €)	2022.12	Weighted average exercise price 2022.12 (in €)	2022.06	Weighted average exercise price 2022.06 (in €)
Outstanding as of 1 January	630,000	2.39	590,000	2.02	590,000	2.06
Lapsed during the period	-26,667	2.06	-	-	-	-
Exercised during the period	-44,998	2.06	-	-	-	-
Granted during the period	-	-	40,000	7.81	32,500	8.02
Outstanding at year-end	558,335	2.43	630,000	2.39	622,500	2.37
Exercisable at year-end	509,167	-	454,168	-	285,000	-

In 2022 and 2023, the change in the number of 2021 free share grants is as follows:

Number of 2021 free share grants	2023.06	Weighted average exercise price 2023.06 (in €)	2022.12	Weighted average exercise price 2022.12 (in €)	2022.06	Weighted average exercise price 2022.06 (in €)
Outstanding as of 1 January	533,209	-	106,544	-	106,544	-
Lapsed during the period	-2,549	-	-	-	-	-
Exercised during the period	-51,524	-	-106,544	-	-	-
Granted during the period	10,075	-	533,209	-	515,240	-
Outstanding at year-end	489,211	-	533,209	-	621,784	-
Exercisable at year-end	-	-	-	-	-	-

In 2022 and over the first half of 2023, the number of BSPCE 2, BSPCE 3 and BSPCE 4 is unchanged.

7. Net financial income (expense)

The Company's financial income and expenses include:

In €k	2023.06	2022.06
Interest expense on borrowings	-20	-15
Interest expense on convertible bonds	-106	-74
Interest expense on repayable advances	-9	-12
Interest expense on lease liabilities - IFRS 16	-9	-1
Financing component on the license agreement	-98	-72
Foreign exchange losses	-1	-0
Total financial expenses	-243	-174
Other financial income	665	14
Change in fair value of financial assets	81	-
Total financial income	746	14
Net financial income (expense)	503	-160

The change in the fair value of financial assets corresponds to the change in the fair value of the convertible bonds issued by AFYREN NEOXY and subscribed by AFYREN.

8. Income tax

The effective tax rate used was 25% for both periods.

9. Intangible assets and property, plant and equipment

9.1. Intangible assets

Intangible assets break down as follows:

In €k	2022.12	Acquisitions	Disposals	Charges for the period	Reclassifications	2023.06
Technology developed in-house	3,682	-	-	-	-	3,682
Concessions, patents and similar rights	744	14	-	-	-	759
Ongoing development costs	905	76	-	-	-	981
Other intangible assets	-	-	-	-	-	-
Intangible assets (gross value)	5,331	90	-	-	-	5,421
Amortisation of technology developed in-house	-1,485	-	-	-183	-	-1,667
Amortisation of concessions, patents and similar rights	-225	-	-	-36	-	-261
Amortisation of other intangible assets	-	-	-	-	-	-
Amortisation of intangible assets	-1,710	-	-	-219	-	-1,929
Total net value	3,621	90	-	-219	-	3,492

In €k	2021.12	Acquisitions	Disposals	Charges for the period	Reclassifications	2022.06
Technology developed in-house	3,682	-	-	-	-	3,682
Concessions, patents and similar rights	685	28	-	-	-	713
Ongoing development costs	660	17	-	-	-	677
Other intangible assets	-	-	-	-	-	-
Intangible assets (gross value)	5,027	45	-	-	-	5,071
Amortisation of technology developed in-house	-1,117	-	-	-183	-	-1,299
Amortisation of concessions, patents and similar rights	-150	-	-	-37	-	-187
Amortisation of other intangible assets	-	-	-	-	-	-
Amortisation of intangible assets	-1,267	-	-	-220	-	-1,487
Total net value	3,760	45	-	-220	-	3,585

Changes in concessions, patents and similar rights correspond to the acquisition of patents required for research and development.

Changes in ongoing development costs correspond to expenses incurred in connection with the "R&D Booster" project which began in February 2019.

9.2. Property, plant and equipment

Property, plant and equipment breaks down as follows:

In €k	2022.12	Acquisitions	Disposals	Charges for the period	Reclassifications	2023.
Other technical facilities, equipment and tools	451	70	-	-	5	
Fixtures and fittings	75	-	-26	-	67	
Office furniture	17	-	-	-	42	
Computer hardware	8	1	-	-	-	
Other property, plant and equipment	-0	-	-0	-	-	
Property, plant and equipment in progress	120	6	-	-	-113	
Property, plant and equipment (gross value)	671	77	-26	-	-0	
Depreciation of other technical installations, equipment and tools	-270	-	-	-49	-	
Depreciation of fixtures and fittings	-27	-	14	-16	-	
Depreciation of office furniture	-12	-	-	-8	-	
Depreciation of computer equipment	-4	-	-	-1	-	
Depreciation of other property, plant and equipment	-0	-	-	0	-	
Depreciation of property, plant and equipment	-313	-	14	-73	-	
Total net value	358	77	-12	-73	-0	

In €k	2021.12	Acquisitions	Disposals	Charges for the period	Reclassifications	2022.06
Other technical facilities, equipment and tools	294	167	-	-	-	461
Fixtures and fittings	57	3	-	-	-	60
Office furniture	17	-	-	-	-	17
Computer hardware	6	-	-	-	-	6
Other property, plant and equipment	0	-	-	-	-	0
Property, plant and equipment in progress	2	20	-	-	-	22
Property, plant and equipment (gross value)	376	190	-	-	-	566
Depreciation of other technical installations, equipment and tools	-210	-	-	-25	-	-235
Depreciation of fixtures and fittings	-15	-	-	-6	-	-21
Depreciation of office furniture	-10	-	-	-1	-	-11
Depreciation of computer equipment	-3	-	-	-1	-	-3
Depreciation of other property, plant and equipment	0	-	-	-	-	0
Depreciation of property, plant and equipment	-237	-	-	-33	-	-270
Total net value	139	190	-	-33	-	296

Changes in property, plant and equipment during the periods ended 30 June 2022 and 2023 mainly relate to acquisitions of equipment.

9.3. Impairment testing

No indication of impairment was identified in either period.

10. Leases

In the course of its business, the Company leases premises, vehicles and equipment.

The main contracts are:

- The 3-6-9 contracts for the Clermont-Ferrand and Lyon offices signed in May and September 2020. The lease periods used correspond to the first three-year period insofar as an extension beyond that period is not reasonably certain given the growing needs for the premises. These are indexed fixed lease payments. The contract for the Lyon offices expired in June 2023.
- The 3-6-9 contract for the new Lyon offices signed in December 2022. The lease term corresponds to the first three-year period as an extension beyond that period is not reasonably certain given the growing needs for the premises. These are indexed fixed lease payments.
- Vehicle leases have fixed lease payments and terms of approximately three years that do not contain any early termination or renewal options.
- Short-term exempted contracts are mainly for temporary premises. Low-value exempt contracts are mainly for computer hardware.

The rights of use break down as follows:

In €k	Premises	Vehicles	Equipment	TOTAL
Balance as of 1 January 2022	118	30	0	148
Depreciation charge for the period	-82	-28		-110
Reversal of depreciation for the period				-
Additions to the "rights of use" asset	344	64		408
Derecognition of the "rights of use" asset				-
Balance as of 31 December 2022	380	65	0	446
Depreciation charge for the period	-99	-15		-113
Reversal of depreciation for the period				-
Additions to the "rights of use" asset	42			42
Derecognition of the "rights of use" asset	-11			-11
Balance as of 30 June 2023	312	51	0	363

In addition, the related impacts on the income statement and in terms of cash flows are as follows:

- Amounts recognised in net income

In €k	2023.06	2022.06
Interest expense on lease liabilities	9	1
Expenses related to short-term leases	17	4
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	35	25
Balance as of 30 June	60	31

- Amounts recognised in cash flows:

In €k	2023.06	2022.06
Total cash outflows from leases	176	94

11. Non-current financial assets

Non-current financial assets break down as follows:

In €k	2023.06	2022.12
Convertible bonds	1,109	-
Deposits and guarantees paid	63	61
Non-current financial assets	1,172	61

Non-current financial assets correspond to:

- As of 30 June 2023 and 31 December 2022, €0.06m in guarantees paid under lease contracts
- As of 30 June 2023, convertible bonds (issued by AFYREN NEOXY) subscribed by AFYREN during the first half of 2023 for €1.1 million, corresponding to the fair value of the instruments of €1.6 million, to which €0.5 million was charged corresponding to AFYREN's share of the equity component of the bonds, recognised in AFYREN NEOXY's financial statements. See Note 2.1 for accounting treatment.

12. Trade receivables and other current assets

Trade receivables and other current assets break down as follows:

In €k	2023.06	2022.12
Trade receivables	1,237	788
Impairment of receivables in respect of expected losses	-	-
Total trade receivables	1,237	788
Current financial assets	361	71
Prepaid expenses	161	91
Tax receivables	87	96
Shareholder loans - assets	6	6
Research tax credit receivable	-	365
Other current assets	44	73
Total other current assets	298	630

Trade receivables correspond to receivables from AFYREN NEOXY under service agreements entered into with the latter.

The "Research tax credit receivable" is zero at 30 June 2023 due to the double repayment of the 2022 research tax credit - see note 16.

The "Current financial assets" item amounting to €0.4 million as of 30 June 2023 and €0.07 million as of 31 December 2022 relates to:

- The liquidity account subscribed on 1 November 2021;
- The share buyback account subscribed in April 2023, as part of a share buyback programme to be used for multi-year free share grant plans.

When signing this 12-month liquidity agreement (with tacit renewal) with Oddo (the "Liquidity Provider"), the Company made a payment of €0.3 million. This sum is intended to finance purchases and sales of treasury shares made by the Liquidity Provider at market conditions. During the first half of 2023, AFYREN increased the resources made available under the liquidity contract by €0.15 million.

When the share buyback agreement was signed with the same Liquidity Provider, the Company made a payment of €0.25 million. In a context of low share prices, this programme limits shareholder dilution resulting from multi-year free share plans.

13. Cash and cash equivalents

In €k	2023.06	2022.12
Bank accounts	3,070	8,168
Cash equivalents	49,583	54,164
Cash and cash equivalents in the statement of financial position	52,652	62,333
Bank overdrafts repayable on demand and used for cash management purposes	-	-
Cash and cash equivalents in the cash flow statement	52,652	62,333

The "Cash equivalents" item corresponds to term accounts. As of 30 June 2023, these term accounts are open for a period ranging from 3 months to 5 years and are redeemable at any time early subject to 32 days notice.

14. Equity

14.1. Share capital

The Company's share capital consists of:

	Ordinary shares		A preference shares		Total	
	2023.06	2022.12	2023.06	2022.12	2023.06	2022.12
Number of shares:						
Outstanding as of 1 January	15,577,403	15,470,859	10,291,165	10,291,165	25,868,568	25,762,024
Capital decrease	-	-	-	-	-	-
Capital increase	96,522	106,544	-	-	96,522	106,544
Outstanding at end of period - fully paid-up shares	15,673,925	15,577,403	10,291,165	10,291,165	25,965,090	25,868,568

	Ordinary shares		A preference shares		Total	
	2022.06	2021.12	2022.06	2021.12	2022.06	2021.12
Number of shares:						
Outstanding as of 1 January	15,470,859	7,184,500	10,291,165	10,291,165	25,762,024	17,475,665
Capital decrease	-	-	-	-	-	-
Capital increase	-	8,286,359	-	-	-	8,286,359
Outstanding at end of period - fully paid-up shares	15,470,859	15,470,859	10,291,165	10,291,165	25,762,024	25,762,024

2023 capital transactions

Capital transactions during the first half of 2023 were as follows:

- On 21 March 2023, a capital increase was recorded as a result of the exercise of 19,921 BSPCEs for a total amount of €398, through the issue of 19,921 new ordinary shares with a nominal value of €0.02 each. The total exercise price was €41,037, representing an issue premium of €40,639.
- On 24 March 2023, a capital increase was recorded following the vesting of free shares granted on 24 March 2022 for an amount of €1,030, by the issue of 51,524 new ordinary shares with a nominal value of €0.02 each. The capital increase was carried out by drawing on the Company's reserves.
- On 20 June 2023, a capital increase was recorded as a result of the exercise of 23,411 BSPCEs for a total amount of €468, through the issue of 23,411 new ordinary shares with a nominal value of €0.02 each. The total exercise price was €48,227, representing an issue premium of €47,758.
- On 30 June 2023, a capital increase was recorded as a result of the exercise of 1,666 BSPCEs for a total amount of €33, through the issue of 1,666 new ordinary shares with a nominal value of €0.02 each. The total exercise price was €3,432, representing an issue premium of €3,399.

As of 30 June 2023, the share capital was €519,302, divided into 25,965,090 shares.

2022 capital transactions

On 9 December 2022, the Board of Directors noted a capital increase on 7 December 2022 resulting from the definitive vesting of the free share plan of 7 December 2021 for an amount of €2,131 by the issue of 106,544 new ordinary shares with a nominal value of €0.02 each. The capital increase raised the share capital to €517,371, divided into 25,868,568 shares.

14.2. Earnings per share

Net income attributable to holders of ordinary (basic) shares	2023.06	2022.06
In €k		
Net income for the period attributable to owners of the Company	-5,123	-4,160
Net income attributable to holders of ordinary shares	-5,123	-4,160
Weighted average number of ordinary (basic) shares	2023.06	2022.06
Number of ordinary shares as of 1 January	25,868,568	25,762,024
Capital decrease	-	-
Capital increase (in number of shares)	96,522	-
Weighted average number of ordinary shares during the period	25,889,382	25,762,024
Basic earnings per share (in €)	-0.20	-0.16
Diluted earnings per share (in €)	-0.20	-0.16

Diluted earnings per share correspond to basic earnings insofar as the BSPCE issued are anti-dilutive given the Company's negative net income.

15. Provisions and contingent liabilities

As of 30 June 2023 and 31 December 2022, the provision of €0.01 million relates to a labour dispute.

Furthermore, the Company has not identified any material contingent liabilities.

16. Borrowings, financial liabilities and lease liabilities

16.1. Main terms and conditions of borrowings and financial liabilities

The terms and conditions of outstanding loans are as follows:

In €k	Currency	Variable/fixed interest rate	Maturity year	Nominal value	2023.06 Carrying amount	2022.12 Carrying amount
Convertible bonds	EUR	Fixed rate	2023	3,567	-	3,412
Total convertible bonds				3,567	-	3,412
State guaranteed loan (PGE) - BNP	EUR	Fixed rate	2026	780	600	699
State guaranteed loan (PGE) - BPI	EUR	Fixed rate	2026	300	225	281
State guaranteed loan (PGE) - BPAR	EUR	Fixed rate	2026	780	589	685
State guaranteed loan (PGE) - CA	EUR	Fixed rate	2026	780	587	683
Total state guaranteed loans (PGE)				2,640	2,000	2,349
BPI PAI 1 repayable advance	EUR	Average 3-month EURIBOR rate	2023	50	-	3
BPI PAI 2 repayable advance	EUR	Fixed rate	2024	150	30	45
BPI PAI 3 repayable advance	EUR	Fixed rate	2024	302	91	136
BPI PAI 3 repayable advance	EUR	Fixed rate	2025	198	89	119
BPI CMI2 repayable advance	EUR	Fixed rate	2024	573	178	302
Total repayable advances				1,273	388	604
FIAD Zero rate	EUR	Fixed rate	2021		-	-
BPI ADI Zero rate	EUR	Fixed rate	2024	690	173	276
Total equity loan	EUR	Fixed rate	2024	400	112	179
BPI R&D Innovation loan 1	EUR	Fixed rate	2027	750	675	750
BPI R&D Innovation loan 2	EUR	Fixed rate	2028	200	200	200
BPI R&D Innovation loan 3	EUR	Fixed rate	2030	1,000	1,000	-
BP Boehringer loan	EUR	Fixed rate	2027	75	56	64
BPI Prospecting insurance	EUR	Fixed rate	2029	52	52	52
Total other borrowings				3,167	2,268	1,521
Lease liability	EUR	Fixed rate		345	345	411
Accrued interest					238	242
Total				10,992	5,239	8,539
Current portion					1,597	5,054
Non-current portion					3,641	3,485

In 2022, the Company took out:

- A Boehringer revitalisation loan from Banque Populaire for €0.075 million;
- An export prospecting insurance with BPI for an amount of €0.1 million, of which €0.05 million was received during the financial year.

In 2023, the Company took out:

- An R&D innovation loan from Bpifrance for €1 million.

At the end of March 2023, AFYREN repaid in cash the convertible bonds issued in March 2020 for €3.6 million.

17. Current and non-current trade and other liabilities

Trade payables and other liabilities break down as follows:

In €k	2023.06	2022.12
Total trade payables	488	520
Current deferred income (customer contract liabilities)	1,369	1,319
Social security liabilities	1,248	919
Tax liabilities	404	147
Total other current liabilities	1,652	1,066
Non-current deferred income (customer contract liabilities)	661	1,321
Non-current deferred income (grant)	981	997
Total	5,152	5,222

Regarding current and non-current deferred income relating to customer contract liabilities - see Note 6.2.

The increase in "Social security liabilities" is linked to the rise in the number of employees, as well as to contributions due on new equity instrument plans.

The increase in "Tax liabilities" relates to VAT collected on invoices for the provision of services, and to the fact that the refund of the Research Tax Credit 2022 was received in duplicate for an amount of €0.4 million at 30 June 2023.

This situation was regularised in July 2023.

Other non-current deferred income relates to investment grants received and mainly includes two grants:

- CMI 2 grant for €0.6 million received as part of Bpifrance's innovation support programme;
- Booster R&D grant received as part of the project to demonstrate the semi-industrial production of natural products in the Auvergne-Rhône-Alpes region.

18. Financial instruments and risk management

18.1. Classification and fair value of financial instruments

In €k	Accounting category	Level in the fair value hierarchy	2023.06		2022.12	
			Total net carrying amount	Fair value	Total net carrying amount	Fair value
Convertible bonds	Fair value per income statement	Level 3 - Note 6	1,109	1,109	-	-
Deposits and guarantees	Fair value	Level 2 - Note 2	63	63	62	62
Total non-current financial assets			1,172	1,172	62	62
Trade receivables	Amortised cost	Note 1	1,237	1,237	788	788
Other current financial assets	Amortised cost	Note 1	361	361	71	71
Other current financial assets	Amortised cost	Note 1	6	6	38	38
Cash and cash equivalents	Amortised cost	Note 1	52,652	52,652	62,333	62,333
Total current financial assets			54,256	54,256	63,230	63,230
Total assets			55,428	55,428	63,292	63,292
Convertible bonds	Fair value	Level 2 - Note 5	-	-	-	-
Borrowings and financial liabilities	Amortised cost	Level 2 - Note 5	3,446	3,446	3,261	3,261
Total non-current financial liabilities			3,446	3,446	3,261	3,261
Non-current lease liability	Amortised cost	Level 2 - Note 3	195	195	224	224
Convertible bonds	Fair value	Level 2 - Note 5	-	-	3,412	3,412
Borrowings and financial liabilities	Amortised cost	Level 2 - Note 5	1,447	1,447	1,455	1,455
Trade payables	Amortised cost	Note 1	488	488	520	520
Total current financial liabilities			1,935	1,935	5,386	5,386
Current lease liability	Amortised cost	Note 3	150	150	187	187
Total liabilities			5,727	5,727	9,059	9,059

Note 1 - The net carrying amount of current financial assets and liabilities is considered to be an approximation of their fair value.

Note 2 - The difference between the carrying amount and the fair value of borrowings and guarantees is not considered significant.

Note 3 - As permitted by IFRS, the fair value of the lease liability and its level in the fair value hierarchy is not provided.

Note 5 - The fair value of borrowings and financial liabilities has been estimated using the discounted future cash flow method at a market rate. However, the difference with the carrying amount of the instruments is not significant given the slight change in the Company's risk-free interest rates and credit spread.

Note 6 - The fair value of the convertible bonds has been estimated using a Black-Scholes model. The main assumptions used are as follows:

	11/05/2023	30/06/2023
Fair value per share (in €)	1.00	1.00
Risk-free interest rate	2.74%	3.20%
Dividend yield	0%	0%
Expected share volatility	48.06%	52.94%
Credit spread (basis points)	1,567	1,505

Sensitivity: as of 30 June 2023, a change of +/- 0.5% in the share price would lead to a change in fair value of +€1 million / -€0.8 million. A change in volatility of +/- 10% would lead to a change in fair value of +/-€0.2 million. A change in the credit spread of +/- 1% would lead to a change in the fair value of -/+€0.07 million.

19. Related party transaction

Transactions with AFYREN NEOXY are as follows:

€k	2023.06	2022.12	2022.06
Non-current financial assets	1,109	-	
Trade receivable	1,286	788	
Customer contract liabilities (deferred income)	2,030	2,640	
Financial expenses	-98		-72
Financial income	10		-
Purchases and external expenses	72		-
Revenues	1,956		1,763
- <i>Licensing income and development of industrial know-how</i>	708		708
- <i>Other services</i>	1,247		1,054

20. Off-balance sheet commitment

In €k	2023.06	2022.12
Guarantees given (related to BPI advances)	33	33
Guarantees received:		
BPI guarantee received: National guarantee fund - Equity loan for the start-up of SMEs and VSEs.	84	122
BPI guarantee received: Auvergne PPA Fund	12	18
BPI guarantee received: AI/SI Intervention Guarantee Fund	-	1
BPI guarantee received: European Investment Fund	72	102

3.3 STATUTORY AUDITOR'S REVIEW REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

STATUTORY AUDITOR'S REVIEW REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS AT THE 30 JUNE 2023

Period from 1 January 2023 to 30 June 2023

To the Chairman of the Board of Directors,

In our capacity as statutory auditor of AFYREN and in response to your request, we have reviewed the condensed interim financial statements of AFYREN, prepared under IFRS, for the period from January 1, 2023, to June 30, 2023 as they are attached to this report.

These condensed interim financial statements are the responsibility of the Chairman of the Board of Directors. Our role is to express a conclusion on these condensed interim financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 - IFRS standard as adopted in the European Union relating to interim financial information.

Signed in Lyon, France, on 18 September 2023

The statutory auditor

RSM Rhône-Alpes

Gael DHALLUIN

Partner