

## 2018 Annual Results: a year of significant progress

- Finalization of the acquisition of DNV3837, a promising antibiotic for treating severe gastrointestinal infections caused by *Clostridium difficile*, expected to begin Phase II in mid-2019
- Successful start of the AGIR Program: the automated platform for the extraction and screening for antibiotic activity is now up and running, an achievement validated through the payment of €1.5m for milestone 1
- Commercial launch of the first proprietary cosmetic ingredient: PHYT-N-RESIST®. Strong international distribution agreements with Solvay and Univar for startup of sales in 2019
- Launch of an active ingredient for cosmetics in partnership with Greentech and implementation of other agreements for developments to begin in 2019
- Ongoing development for an upcoming cosmetic active ingredient including prospects for a launch in 2019
- Simplification of the group's legal structure: change from 4 to 2 entities following (i) the transfer of all of DEINOBIOTICS' assets to DEINOVE (ii) merger of BIOVERTIS into DEINOVE
- 2018 net income of the Group: -€8.7m vs. -€7.3m in 2017, mainly due to the progress in the AGIR program and the integration of the DNV3837 clinical program
- 2017 R&D Tax Credit (CIR) of €2.5m received in January 2019

DEINOVE (Euronext Growth Paris: ALDEI), a French biotech company that uses a disruptive approach to develop innovative antibiotics and bio-based active ingredients for cosmetics and nutrition, **announced today that its Board of Directors had approved the 2018 annual accounts.**

**Charles Woler, Chairman of the Board of Directors at DEINOVE, said, "In 2018, we made significant progress in our two main fields of activity. In the field on antibiotics, the AGIR program is moving forward as planned, with the development of the automated platform for the extraction and screening of antibiotic activity and the signing of several research partnerships to expand our potential. At the same time, the acquisition of DNV3837, an antibiotic compound that meets a major therapeutic need, has provided us with a first candidate in clinical development and with strong potential. Likewise, our first cosmetic ingredient, PHYT-N-RESIST®, an anti-aging active ingredient, is now on the market, as is the first product from our collaboration with Greentech. I am proud of the work accomplished by our teams."**

*"We are heading into 2019 with determination. Our teams are actively preparing for the start of the Phase II clinical trial for DNV3837, a significant new step. Remarkable technological progress has been made, providing us with a unique R&D tool for exploring all the potential of*

rare bacterial strains in view of providing answers to the challenges of the fight against antibiotic resistance. At the same time, we are counting on the growth of our portfolio of bioactive ingredients to generate income in the short term," added Emmanuel Petiot, CEO of DEINOVE.

## Highlights

The 2018 net result of the Group is a loss of €8.7m. The changes to the scope over the year, i.e. the acquisition of BIOVERTIS and its subsidiary, MORPHOCHEM, makes it difficult to compare this with the €7.3 m loss of the previous year.

The net cash position amounted to +€3.9m as of December 31 2018. During the 2018 financial year, the Group raised €8.8m through the Kepler Cheuvreux equity line funding and more importantly through a private placement in June 2018. After closing the accounts, the Group received €2.5m under the 2017 R&D Tax Credit and €1.5m for the 2<sup>nd</sup> payment as part of the support from the PIA (Investments for the Future Program) for the AGIR antibiotic project.

The TVM Capital investment fund, one of the major venture capital firms in the life sciences sector in Canada, the United States and Europe, entered the capital of DEINOVE in May of 2018, after the BIOVERTIS acquisition, thus strengthening the shareholder structure. It consolidated its position during the capital increase in June 2018.

On an operational level, the main areas of progress concerned:

- Progress on the AGIR (Antibiotics against Resistant Infectious Germs) Program, with the automated platform for extraction and screening for antibiotic activity being now up and running, which will provide faster analysis for DEINOVE's rare bacterial strains;
- The clinical-stage compound DNV3837, a *first-in-class* antibiotic candidate whose Phase II trial is expected to begin in mid-2019, joined DEINOVE's pipeline. This compound, targeting a severe disease that is growing strongly (*Clostridium difficile* infections), represents a significant advance in DEINOVE's product portfolio;
- Marketing of DEINOVE's first active ingredients for cosmetics, both proprietary (PHYT-N-RESIST®) and in a partnership (Hebelys®, with Greentech). The marketing agreements set up with Univar and Solvay for the distribution of PHYT-N-RESIST® should generate income in the short term.

In 2019, DEINOVE foresees increased activity in its Antibiotics program aimed at developing a pipeline of innovative antibiotics capable of fighting against antibiotic resistance. For this, DEINOVE is strengthening its screening capacities, pursuing its strategy for optimizing molecules and multiplying its contacts with partners in the sector that could work with the company to reach its goals.

At the same time, DEINOVE is actively preparing the start of its first clinical trial, the Phase II trial testing DNV3837 in *Clostridium difficile* infections. If the results of this trial are positive, DEINOVE plans to undertake a Phase III trial.

DEINOVE is also continuing with the development of its activities in bioactive ingredients. The year 2019 should bring material commercial progress on the ingredients launched in 2018, currently being tested by many cosmetic brands, and bring about the launch of new proprietary and partnership ingredients.

DEINOVE is firmly committed to the development of a panel of compounds to serve its target markets.

## Summary of consolidated financial data

DEINOVE's consolidated accounts as of December 31, 2018 were certified by the Group's Statutory Auditors, PwC (PricewaterhouseCoopers).

### INCOME STATEMENT

(in thousands of euros)	31.12.2018	31.12.2017
Operating revenues	759	214
Of which operating grants	699	106
Operating costs	11,225	9,895
Of which Research & Development costs	8,527	7,440
Of which Administrative and General costs	2,698	2,455
<b>OPERATING PROFIT / LOSS</b>	<b>-10,467</b>	<b>-9,681</b>
FINANCIAL RESULTS	-6	-5
PROFIT / LOSS FROM NON-RECURRING ITEMS	172	296
Income tax and deferred taxes	-2,014	-2,430
Goodwill amortization	460	376
Results from equity affiliates	-	-
<b>CONSOLIDATED PROFIT / LOSS</b>	<b>-8,747</b>	<b>-7,335</b>
(in thousands of euros)	31.12.2018	31.12.2017
Term deposit	1,301	2,000
Provision for impairment of marketable securities		
Cash on hands	2,601	2,876
ICNE and bank overdrafts		

CASH & CASH EQUIVALENTS

3,902

4,876

## Operational progress during the year and after the end of the period

### ANTIBIOTIC ACTIVITIES

#### AGIR PROGRAM – ANTIBIOTICS AGAINST RESISTANT INFECTIOUS GERMS

The AGIR program was selected in 2017 by the Investments for the Future Program overseen by Bpifrance, and receives financial support of €14.6m over 5 years for a total investment of €25m. Its aim is to explore rare micro-organisms to identify and develop a portfolio of drug candidates.

##### *Research collaboration with Naicons<sup>1</sup>*

DEINOVE has signed an exclusive research license with the Italian biopharmaceutical firm Naicons. DEINOVE will use the power of its automated technology platform to detect and characterize the antibiotic activities of 400 strains. If a strain of interest is discovered, DEINOVE may acquire it either via a commercial license or full ownership, to initiate the development of drug candidates.

##### *Collaboration with bioMérieux to discover new antibiotics<sup>2</sup>*

DEINOVE is working with bioMérieux, a major player in the diagnosis of infectious diseases. As a first step, bioMérieux will provide DEINOVE with more than 250 strains of 130 different species. DEINOVE and bioMérieux have jointly selected the strains for this project with the aim of biological diversity.

##### *Cooperation with Calibr to expand the exploration of the anti-infectious potential of the DEINOVE bacterial collection<sup>3</sup>*

As part of this collaboration, DEINOVE will provide Calibr with bacterial extracts from its own collection of rare microorganisms. Calibr will explore the potential of these bacteria for the treatment of neglected parasitic and infectious diseases, such as tuberculosis or malaria, that have not been targeted by DEINOVE.

##### *Post-closure: The AGIR program passes milestone 1 and receives €1.5m from Bpifrance<sup>4</sup>*

DEINOVE has announced the successful completion of the first milestone of the AGIR program. Passing this milestone triggered payment of €1.5m.

The purpose of the program is to speed up the exploration of the antibiotic activity of many strains under various conditions in order to detect new antibiotic structures. The first phase

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<sup>1</sup> Press release of March 8, 2018

<sup>2</sup> Press release of June 28, 2018

<sup>3</sup> Press release of October 24, 2018

<sup>4</sup> Press release of March 21, 2019

has led to the development of an automated platform for the extraction and screening of strains for identifying antibiotic activity. First interesting extracts have been detected.

**DNV3837 – A FIRST-IN-CLASS CLINICAL-STAGE ANTIBIOTIC CANDIDATE FOR SEVERE GASTROINTESTINAL INFECTIONS**

*Acquisition of BIOVERTIS and MORPHOCHEM and their antibiotic compound<sup>5</sup>*

DEINOVE has acquired the Austrian firm BIOVERTIS and its German subsidiary MORPHOCHEM, at the same time acquiring ownership of the MCB3837 (since renamed DNV3837) *first-in-class* antibiotic program. This molecule, ready to enter Phase II, targets the treatment of severe gastrointestinal infections with *Clostridium difficile*, a pathogen classified as a priority by the WHO and the CDC (US Centers for Disease Control and Prevention). This operation significantly boosts DEINOVE's 'Antibiotics' activity with the inclusion in its pipeline of a clinical-stage compound.

DNV3837 is an antibiotic administered intravenously. It precisely targets the site of the infection. It has demonstrated its ability to eliminate *Clostridium difficile* bacteria without destroying other microorganisms in the gastrointestinal flora.

The General Meeting of May 23, 2018, approved DEINOVE's acquisition of the entire share capital in BIOVERTIS, which itself holds the entire share capital in the German company MORPHOCHEM, through a contribution in kind of shares, options and rights, mainly from two specialized investment funds managed by TVM Capital, a major European player in venture capital in the life sciences sector? and which has thus become a DEINOVE shareholder.

*Preparation for the start of Phase II for DNV3837 with Medpace<sup>6</sup>*

At the end of January 2019, DEINOVE announced progress in the preparations for the Phase II study that will test DNV3837, its most advanced antibiotic candidate for *Clostridium difficile* (ICD) infections. DEINOVE chose Medpace (NASDAQ: MEPD) as the Clinical Research Organization (CRO) to oversee the clinical trial expected to begin mid-2019.

The trial will be a multicenter trial with a large quota in the United States, where there is greater prevalence and the regulatory authorities are looking for new treatment options.

Medpace is an internationally-recognized player that notably has a great deal of experience in infectious diseases, especially gastrointestinal infections like CDIs.

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<sup>5</sup> Press releases of April 13, 2018 and May 23, 2018

<sup>6</sup> Press release of January 31, 2019

## LICENSING OPTION AGREEMENT WITH REDX PHARMA FOR A FAMILY OF ANTIBIOTIC MOLECULES<sup>7</sup>

In March 2018, DEINOVE signed an exclusive licensing option with the British firm Redx Pharma (AIM: REDX) for the acquisition of its NBTI (*Novel Bacterial Topoisomerase Inhibitor*) anti-infectious program targeting multi-resistant Gram-negative bacteria. DEINOVE had 9 months to assess these molecules and, if the results were positive, to confirm its interest and exercise the option. In January 2019<sup>8</sup>, DEINOVE announced that the option on the NBTI program would not be exercised, as the data gathered during the assessment phase were not considered to be in line with DEINOVE's expectations for pursuing the program.

## BIOACTIVE INGREDIENT BUSINESS

### *Partnership with Oléos-Hallstar for the development of two cosmetic active ingredients<sup>9</sup>*

DEINOVE has entered into a partnership with Oléos-Hallstar to develop two new, 100% natural cosmetic active ingredients combining the exclusive properties of DEINOVE's bacteria and Oléos' patented oleo-eco-extraction technology. Marketing may be launched for one of them in 2019.

Oléos-Hallstar already sells some 20 active ingredients to cosmetics brands in France and internationally.

### *Launch of PHYT-N-RESIST<sup>®</sup>, an anti-aging active ingredient based on pure Phytoene<sup>10</sup>*

In April 2018, DEINOVE launched its first innovative carotenoid, Phytoene, for use as a cosmetic active ingredient.

Phytoene is manufactured by the fermentation of natural sugars, performed by the extremophilic bacterium *Deinococcus geothermalis*.

DEINOVE has signed two strategic agreements<sup>11</sup> for the worldwide distribution of PHYT-N-RESIST<sup>®</sup>:

- With Univar for distribution in the EMEA zone (Europe, Middle East, Africa);
- With Solvay Novecare HPC for marketing in North America and Asia, under the name ReGeN-oPhyt<sup>®</sup>. This collaboration could be extended to other developments.

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<sup>7</sup> Press release of March 22, 2018

<sup>8</sup> Press release of January 31, 2019

<sup>9</sup> Press releases of January 30 and May 30, 2018

<sup>10</sup> Press releases of February 26 and April 10, 2018

<sup>11</sup> Press releases of September 13 and October 2, 2018

*Launch of Hebelys<sup>®</sup>, the first cosmetic active ingredient born of the collaboration with Greentech<sup>12</sup>*

In April 2018, DEINOVE and Greentech announced the launch of Hebelys<sup>®</sup>, the first anti-aging active ingredient from the collaboration launched in March 2017<sup>13</sup>.

This anti-aging active ingredient is obtained by fermentation of a bacterium of the genus *Sphingomonas* stemming from the DEINOVE strain library. Hebelys<sup>®</sup> is marketed by Greentech.

*COLOR2B Program: Confirmed progress and prospects<sup>14</sup>*

The COLOR2B project, carried out in collaboration with Groupe Avril, has gone forward according to plans.

The 3<sup>rd</sup> phase of the project, launched in early 2017, aimed to validate the final choice of the strain and to test the various production options in view of the industrialization and marketing of a range of feed additives for farm animals. The final producer strain has been selected for its performance, comparable to the products from the petrochemical sector currently in use. The next steps will focus on the validation of optimal dosages, process scaling, and the regulatory approach.

## Financial results for the 2018 financial year

### CHANGES IN THE SCOPE OF CONSOLIDATION

In 2017, the DEINOVE Group's consolidated accounts included DEINOVE and DEINOBIOTICS, its wholly-owned subsidiary.

The following changes occurred in the scope of consolidation during 2018:

- May 23: acquisition of 100% of the share capital in BIOVERTIS and MORPHOCHEM;
- June 30: cross-border merger between DEINOVE and BIOVERTIS;
- November 1<sup>st</sup>: takeover of DEINOBIOTICS by DEINOVE through a complete transfer of assets and liabilities.

These differences in the scope of consolidation between the two financial years makes it impossible to compare certain items in the consolidated balance sheet and income statement between the years 2017 and 2018.

### OPERATING REVENUE

The Group recorded €759k in operating revenue over the year, mainly including payment of the grant by Bpifrance corresponding to the launch of the AGIR program, and marginally a

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<sup>12</sup> Press release of April 16, 2018

<sup>13</sup> Press release of March 27, 2017

<sup>14</sup> Press release of 22 May 2018

payment from the partner Avril corresponding to its share of research expenses, and a subsidy from the Occitanie Region connected to the program co-developed with Oléos-Hallstar. In 2017, operating income amounted to €214k, mainly including payments from partners for their participation in research expenses.

Over the same period, the Group's operating expenses reached €11.2m, of which 76% was in R&D activities. The net change in operating expenses between 2017 and 2018 amounted to +€1,331k (+13%). This was mainly the result of developing the team and infrastructure for R&D (+€716k for salaries, +€188k for other expenses and +€62k for provision for depreciation). Changes in other external purchases and expenses (+€343k) included a +€287k impact related to the integration of BIOVERTIS and MORPHOCHEM.

In 2018, the Group's average workforce was 62.0 FTE, compared to 56.4 FTE in 2017.

### NET INCOME

The consolidated net loss for the year amounts to €8.7m. It includes profit from non-recurring items of +€172k, of which €209k in income related to Bpifrance's debt waiver for the THANAPLAST™ program and an extraordinary expense related to BIOVERTIS. The financial result was not significant (-€6 k).

Corporate income tax was almost exclusively made up of the R&D Tax Credit. The Group's receivables for the 2018 financial year are estimated at €1,997k.

### Financial position

Financial requirements for the year mainly concerned operating expenses for €10.4m (excluding depreciation and amortization), along with investments in laboratory equipment (including leasing rents) for €1.9m. Over the same period, the Group received €2.6m in public aid. Furthermore, DEINOVE raised €0.7m (net of commissions) through the equity line funding signed with Kepler Cheuvreux in December 2014, and €8.0m (net) through private placement in June 2018. After closing the accounts, the Group received €2.5m under the 2017 R&D Tax Credit (January) and €1.5m for the 2<sup>nd</sup> payment as part of support from the PIA (Investments for the Future Program) for the AGIR antibiotic project (March).

At December 31, 2018, the Group's net financial position amounted to +€3.9m. The Group considers that it has the resources needed to finance its activities in the current configuration of its projects through to the start of the 2<sup>nd</sup> quarter of 2020, by pursuing the use of the new line of equity financing set up with Kepler Cheuvreux at the end of 2018.



## Corporate information

### BOARD OF DIRECTORS

TVM Capital was designated as a Member of the Board by the General Meeting of May 23 for a three-year term, expiring at the end of the General Meeting called to the accounts for the 2020 financial year. TVM Capital was initially represented by Dr. Helmut Schuhsler, and then by Mr. Jean-François Labbé (Board of Director's meeting of September 25, 2018).

Mr. Michael Carlos resigned from his term as Member of the Board as of December 16, 2018. At the Board of Director's meeting of March 26, 2019, Mrs. Anne Abriat was co-opted for the remainder of her predecessor's term (GM called to the accounts for the 2019 financial year), and on condition of this nomination's ratification by the GM of May 20, 2019.

### EQUITY STRUCTURE

At December 31, 2018, the Company's capital consisted of 15,624,701 common shares with a par value of €0.40, of which 19,540 (or 0.13% of the capital) were held by the Company under the liquidity contract entrusted to Kepler Cheuvreux.

#### *Breakdown of capital as of December 31, 2018 – non-diluted basis*

Shareholders	Number of stocks	Percentage held	Voting rights	Percentage
Funds managed by Truffle Capital	1,385,637	8.87%	1,833,952	11.28%
Funds managed by TVM Capital	1,155,617	7.40%	1,155,617	7.11%
Scientific founders	20,000	0.13%	40,000	0.25%
Management and administrators	53,990	0.35%	88,101	0.54%
Floating	13,009,457	83.26%	13,145,233	80.83%
<b>TOTAL</b>	<b>15,624,701</b>	<b>100.00%</b>	<b>16,262,903</b>	<b>100.00%</b>

### CHANGES IN SHARE CAPITAL

During the 2018 financial year, the Board of Directors observed the issuance of 350,000 new shares under the Kepler Cheuvreux lines of equity financing<sup>15</sup> and 8,217 new shares after the partial exercise of BSA-2017-1.

<sup>15</sup> Press releases of December 1st, 2014 and November 21, 2018

The Combined General Meeting of May 23, 2018, approved the issuance of 500,001 new shares in compensation for the contribution in kind of shares, options and preferential rights from BIOVERTIS in favor of DEINOVE<sup>16</sup>.

On June 14, 2018, DEINOVE undertook a gross capital increase for €8,500,002.30 by issuing 3,148,149 new shares subscribed at €2.70 (par value: €0.40; share premium: €2.30)<sup>17</sup>.

In all, 4,006,367 new shares were issued during the 2018 financial year, for a €1,602,546.80 increase in the share capital. At December 31, 2018, the Company's capital comprised 15,624,701 shares with a par value of €0.40 each.

*The 2018 annual financial report will be available on March 29<sup>th</sup> at the following address:*  
<http://www.deinove.com/en/investor-room/documentation-center/financial-reports>

## ABOUT DEINOVE

DEINOVE is a French biotechnology company, a leader in disruptive innovation, which aims to help meet the challenges of antibiotic resistance and the transition to a sustainable production model for the cosmetics and nutrition industries.

DEINOVE has developed a unique and comprehensive expertise in the field of rare bacteria that it can decipher, culture, and optimize to disclose unsuspected possibilities and induce them to produce biobased molecules with activities of interest on an industrial scale. To do so, DEINOVE has been building and documenting since its creation an unparalleled biodiversity bank that it exploits thanks to a unique technological platform in Europe.

DEINOVE is organized around two areas of expertise:

- **ANTIBIOTICS, new-generation anti-infective agents:** DEINOVE is preparing to enter a first antibiotic candidate into Phase II. The Company is also pursuing the systematic exploration of biodiversity to supply its portfolio with new leads, drawing notably on partnerships with Naicons and bioMérieux (AGIR program supported by Bpifrance).
- **BIOACTIVES, Active ingredients of natural origin** with cosmetics as the first market and potential in nutrition and health: DEINOVE already markets a first innovative active ingredient, a second in partnership with Greentech, while two others are in development with Oléos (Hallstar Group). It also runs a program in animal nutrition with Groupe Avril. Several other partnerships are also being planned.

Within the Euromedecine science park located in Montpellier, DEINOVE employs 62 employees, mainly researchers, engineers, and technicians, and has filed more than 300

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<sup>16</sup> Press release of May 23, 2018

<sup>17</sup> Press release of June 15, 2018

**MONTPELLIER**  
**MARCH 28, 2019**  
**7:30 PM CET**



patent applications internationally. The Company has been listed on EURONEXT GROWTH® since April 2010.

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