DEINOVE

Interim financial report – Half-year 2019

DEINOVE Group
Cap Sigma – ZAC Euromédecine II
1682 rue de la Valsière – 34790 Grabels
Tel: +33 4 48 19 01 00
Fax: +33 4 99 23 24 50

CONTENTS

1 | MANAGEMENT AND ADMINISTRATIVE BODIES

1 | 1 Board of Directors

At the date of the report hereof, the composition of the Board of Directors is as follows:

Chairman of the Board of Directors:	Charles WOLER
Directors:	Truffle Capital, represented by Philippe POULETTY[1]
	Christian PIERRET (Independent Director)[2]
	Hervé BRAILLY (Independent Director)
	Bernard FANGET (Independent Director)
	Vincent JARLIER (Independent Director)
	Yannick PLÉTAN (Independent Director)
	TVM Capital GmbH, represented by Jean-François LABBE
	Anne ABRIAT[3] (Independent Director)

1 | 2 Committees

Remuneration Committee

Chairman:	Philippe POULETTY
Member:	Charles WOLER

Audit Committee

Chairman:	Christian PIERRET
Member:	Yannick PLÉTAN

1 | 3 Management

Chief Executive Officer	Emmanuel PETIOT
Director of Finance & Administration	Julien COSTE
Director of Research & Development	Georges GAUDRIAULT
Director of Operations	Marie BÉZENGER
Business Development Director	Sébastien ENAULT

[1] At its meeting on June 26, 2019, the Board of Directors took note that Philippe POULETTY was appointed as permanent representative of Truffle Capital, one of the company's directors, replacing Christian PIERRET, who has resigned.
[2] Christian PIERRET was appointed director at the Combined General Meeting held on 20 May 2019.
[3] At the meeting of the Board of Directors of March 26, 2019, Mrs. Anne ABRIAT was appointed by the board as a new director, thereby replacing the former incumbent, Mr. Michael CARLOS. Her appointment was approved at the Combined General Meeting of May 20, 2019.

Director of Human Resources	Johane RINALDI
Marketing, Communications & Investor Relations Manager	Coralie MARTIN

BIOVERTIS AG (Austria)

Chief Executive Officer	Julien COSTE (since 22 August 2018)*
Members of the Supervisory Board	Isabelle TOURENNE (since 22 August 2018)*
	Emmanuel PETIOT (since 22 August 2018)*
	Christopher SCHRANK (since 22 August 2018)*

* the cross-border merger between BIOVERTIS, wholly owned by DEINOVE, and DEINOVE was completed on 13 March 2019. This merger resulted in the dissolution of BIOVERTIS.

MORPHOCHEM GmbH (Germany)

Chief Executive Officer	Emmanuel Petiot (since 13 August 2018)

2 | INTERIM ACTIVITY REPORT

In the Interim Activity Report hereof, the term "Group" refers to DEINOVE and its subsidiaries, while the terms "DEINOVE" or the "Company" refer to DEINOVE.

2 | 1 The DEINOVE Group

2.1.1 Description of the DEINOVE Group's activities

DEINOVE is a French biotechnology company which, through its focus on radical innovation, intends to meet the challenges represented by resistance to antibiotics and the transition towards a sustainable production model for the cosmetics and nutrition industries.

DEINOVE has developed a unique and comprehensive expertise in the field of rare bacteria, which it knows how to decipher, cultivate, and optimise, in order to reveal their unsuspected possibilities, and so enable them to produce molecules of interest on an industrial scale. To this end, DEINOVE is gradually building and documenting a huge biological diversity pool, which it leverages thanks to a technological platform that is unparalleled in Europe.

DEINOVE conducts its business activities in two main fields:

- **new generation of anti-infective drugs**: the company has developed a first antibiotic drug candidate, currently in Phase II for the treatment of *Clostridioides difficile*[4], which is also viewed by the US Department of Defense as a potential treatment against two pathogens posing a bioterrorist threat (see section 2.2.2.1). DEINOVE is also pursuing the systematic exploration of biodiversity, in order to add new leads[5] to its portfolio, via its AGIR (*Antibiotiques contre les Germes Infectieux Résistants*, or Antibiotics against Resistant Infectious Germs) Programme, which is supported by Bpifrance, and is specifically relying on partnerships with Naicons and bioMérieux;
- **active ingredients of natural** origin for the cosmetics market as the prime target, with some potential in other areas such as nutrition and health: the Company markets a first innovative product, a second in partnership with Greentech, while two others are being developed with Oléos (Hallstar Group) and a third with Dow. It is also conducting an animal nutrition programme with the Avril group.

Most of DEINOVE's business activities are located at the Euromédecine Business Park in Montpellier. As of 30 June 2019, DEINOVE employs 60 people, mainly researchers, engineers and technicians, and has filed more than 300 international patent applications.

DEINOVE benefits from a management team which has experience in research, development, finance, and business development, from a top-tier panel of scientific experts, and from a Board of Directors which is skilled in the development of drugs and specialty compounds. This organisational structure enables DEINOVE to develop an effective strategy which is adapted to the field in which it operates.

DEINOVE has been listed on Euronext Growth since April 2010 (ALDEI – code ISIN FR0010879056).

[4] The Clinical & Laboratory Standards Institute (CLSI) has recently changed the nomenclature of *Clostridium difficile* to *Clostridioides difficile.* The CDC (American Center for Disease Control and Prevention) has since adopted this new nomenclature

[5] Characterised molecule, identified as acting on a target

2.1.2 Key programmes currently under development

2.1.2.1 New-generation anti-infective agents

The discovery of new anti-infective agents is a huge health and societal challenge: the WHO has set preventing resistance to antibiotics, which is increasing sharply, and may be the cause of 10 million deaths every year by 2050, i.e. more deaths than those caused by cancer today (8 million deaths per year[6]) as a global public health priority.

New molecules need to be developed in order to counter this resistance, some varieties of which result in a therapeutic stalemate. However, no innovative antibiotic has been brought to the market since 2010, and only three have been in the previous five years[7].

Even though bacteria rank among the most effective antibiotic-producing agents of all living organisms, DEINOVE's bacteria, which have been largely under-researched and under-used in this field, could offer a huge potential for gaining access to new structures. In order to confirm this potential, DEINOVE launched a dedicated research programme, whose capacities have been reinforced at the end of 2017.

In 2018, DEINOVE consolidated its portfolio with the acquisition of a clinical programme, DNV3837 (formerly MCB3837), a prodrug of the DNV3681 molecule, a synthetic antibiotic that specifically targets Gram-positive bacteria.

- ***AGIR – Antibiotics against Resistant Infectious Germs Discovery Programme***

The AGIR (Antibiotics against Resistant Infectious Germs) Programme was selected by the Investissements d'Avenir (Investments of the Future) Programme, which is run by Bpifrance, in 2017, and will receive financial support amounting to €14.6M over five years compared with a total investment of €25M. The programme's specific aim is to explore biodiversity, and especially rare micro-organisms, in order to identify and develop a portfolio of drug candidates, and then to extract value from these candidates through agreements with pharmaceutical companies.

In fact, at a time when the world lacks new antibiotics, research is mostly focusing on a small number of micro-organisms of interest, or on designing molecules derived from existing drugs via chemical synthesis. DEINOVE is convinced that the extraordinary diversity of living organisms, which remains largely under-explored today, is the key to discovering new anti-infective agents with innovative mechanisms, which are capable of overcoming bacterial resistance.

DEINOVE has already identified several strains of interest in its own bacterial library and has discovered a new antibiotic structure (DNB101) for which five families of patent applications have been filed. The latter testifies as to the effectiveness of the DEINOVE platform for the discovery of innovative structures. Other extracts have been identified, the nature of the antibiotic molecule is under study in order to ascertain the innovative character of each structure under consideration.

Drawing on its unique technological expertise, DEINOVE has also formed partnerships with entities which hold isolated strains portfolios as part of their pharmaceutical business segment (Naicons, bioMérieux and Institut Pasteur), in an effort to broaden its scope of research and generate more potential leads (see definition on page 4).

- ***The Antibiotic clinical programme DNV3837, to combat severe Clostridioides difficile infections***

DEINOVE purchased a clinical-stage compound in 2018, which has been validated in Phase I clinical trial, and targets severe forms of *Clostridioides difficile* infections (CDIs), which are gastrointestinal infections that are usually linked to a disturbance of the intestinal microbiome in vulnerable patients.

The incidence of CDI has doubled or even quadrupled in Europe and North America over the past 20 years[8], including as the result of the development of new hyper-virulent strains, some of which are resistant to antibiotics. The American Centre for Disease Control and Prevention (CDC)[9] has recently identified *Clostridioides difficile* as one of the primary causes of treatment-related infections, even ahead of SARM[10]. Around 500,000 US citizens were infected in 2011, and over 29,000 patients died within a 30-day period[11] following diagnosis. Experts predict that there will be more than twice of cases of

[6] Jim O'Neill and Review Committee members *Antimicrobial resistance: Tackling a crisis for the health and wealth of Nations*
[7] Drive-AB Report *Revitalising the antibiotic pipeline, March 2018*
[8] *Epidemiological and medico-economic aspects of Clostridium difficile infections*, A. Le Monnier, 14th French National Infectiology Days, 2013
[9] Center for Disease Control and Prevention: https://www.cdc.gov/drugresistance/biggest_threats.html
[10] Methicillin-resistant Staphylococcus aureus
[11] *Burden of Clostridium difficile Infection in the United States* - Fernanda C. Lessa, The New England Journal of Medicine, 2015

infection in the United States and Europe combined by 2021[12]. This pathogenic agent is classified as a priority by the WHO and the CDC.

No effective antibiotic treatment is currently available for severe gastro-intestinal infections, due to the actual consequences of the illness: oral treatments struggle to reach the intestines due to the patient's state of health (reduced gastro-intestinal motility, intubation, and intestinal perforation, etc.) while intravenous (IV) antibiotics cannot penetrate the gastro-intestinal barrier, and do not reach the site of the infection.

The DNV3837 (formerly MCB3837) compound, originally developed by the German biotechnology company MORPHOCHEM, which was acquired by DEINOVE in 2018, is an intravenous antibiotic that, once converted to its active form, DNV3681, crosses the barrier gastrointestinal and accumulates in the intestinal lumen. It therefore specifically targets the site of the infection. It has also demonstrated its ability to eliminate *Clostridioides* bacteria without destroying the other micro-organisms in the gastro-intestinal flora.

Several Phase I trials (in healthy volunteers) have been carried out, and shown an acceptable tolerability profile. A Phase II clinical study has recently started (see section 2.2.2.1).

Furthermore, the DNV3837 compound obtained firm classification of Qualified Infectious Disease Product (QIDP) and Fast Track[13] status from the FDA (United States Food and Drug Administration) in 2016.

- ***DNV3681 is viewed by the US Department of Defense as a potential treatment against two pathogens which pose a bioterrorist threat categorised as a "high-priority"***

The Institute for Medical Research on Infectious Diseases of the US Army (USAMRIID[14]) launched an *in vitro* assessment of DNV3681 against *Bacillus anthracis* and *Francisella tularensis*. The published results concluded that DNV3681 has "exceptional activity" against these two pathogens which pose a bioterrorist threat categorised as a "high-priority". Its effect against *Bacillus anthracis* is superior to that of ciprofloxacin, one of the standard treatments. DNV3681 also offers the benefit of altering the gut microbiota to a limited extent in healthy volunteers, thus reducing the risks of associated complications, a characteristic which makes it a very good candidate. Based on the results presented to ASM Microbe 2019, USAMRIID is considering launching the *in vivo* assessment of DNV3681.

2.1.2.2 Active Ingredients of natural origin

DEINOVE has focused its industrial biotechnology platform on the bio-production of innovative specialty compounds, on the basis of its unique pool of bacterial biodiversity, and occasionally its host micro-organism, *Deinococcus*, which is used as a miniature factory in order to ensure optimised production.

Its main target is cosmetics, a market on which two of its ingredients are already being offered.

- ***Innovative carotenoids developed in house***
    - ***PHYT-N-RESIST®***

DEINOVE has prioritised its development efforts on the carotenoid category as part of the DEINOCHEM research programme conducted between 2013 and 2017, with the support of the French Investments of the Future Programme. These compounds, which, in the past, were mostly produced from petroleum, have a strong potential on several key markets, i.e. when included in skincare products due to their antioxidant properties, as colourings in the food sector, in the form of food supplements, etc.

DEINOVE's goal is to offer a bio-sourced alternative for industrial companies by developing a range of natural carotenoids produced via biotechnological processes and offering significant advantages in terms of stability of supply and quality and the protection of natural resources.

Several hundred *Deinococci* strains naturally produce carotenoids with innovative structures. DEINOVE has also successfully produced several types of carotenoids by optimising this metabolic pathway.

[12] Decision Resources: *Treatment Trends C. diff. Infections* (EU) 2013, Davies et al. LID 2014, Lessa et al., 2015

[13] Its Fast Track status simplifies the development of the molecule via a faster and more flexible regulatory review of the application. The "Qualified Product for Infectious Diseases" (QIPD) designation grants 5 years of additional market exclusivity (beyond the expiry of the patent). The FDA grants this status to drugs under development which meet critical therapeutic needs that are not covered.

[14] USAMRIID (United States Army Medical Research Institute of Infectious Diseases), is the main institution of the US Army in charge of defensive research into countermeasures against biological warfare.

An initial innovative carotenoid has been selected and developed as an active anti-ageing ingredient for the cosmetics industry. This is Phytoene, a natural carotenoid with antioxidant properties, which cannot be extracted from plant sources in a pure state. It is the precursor for all carotenoids, and has the characteristic of being colourless. DEINOVE has been able to reveal and prove the skin regeneration property of this molecule, and has conducted clinical tests which have led to conclusive results, especially in terms of reducing wrinkles, and improving firmness and elasticity of the skin. This new active ingredient, which is marketed under the name PHYT-N-RESIST®, was presented at the In-Cosmetics Global Trade Show in Amsterdam in April 2018. Distribution agreements have been put in place with Univar Europe (EMEA) and Solvay (North America and Asia, under a new name, ReGeN-oPhyt®). These companies promote it to a large number of cosmetic brands, which are currently assessing the active ingredient in order to integrate it into their future skincare products.

DEINOVE does not have its own industrial facilities: it outsources production. As part of the development of its first carotenoid, the industrial-scale fermentation process has been entrusted to SAS Pivert, while the extraction process has been entrusted to Veg'extra.

- ***Second innovative carotenoid***

At the end of 2018, DEINOVE announced the launch of a new innovative carotenoid which is produced using the same exclusive bacterial fermentation process. It has been developed as an active substance for dermocosmetic use in an indication that is on the rise and which remains confidential at this stage.

The teams have developed an optimised proprietary strain for the production of this new carotenoid.

Furthermore, the active properties have been tested *in vitro* with promising efficacy data. This product will also be subject to clinical tests.

DEINOVE seeks to develop a portfolio of cosmetic active ingredients based on carotenoids.

- ***Cosmetics programme in partnership with Greentech***

DEINOVE has arranged partnerships which provide shared knowledge and simplified access to the market in parallel with the proprietary R&D programmes it developed.

Greentech was its first partner in the cosmetics industry. This partnership programme was launched in March 2017. The partnership, which aims to jointly develop and market new active substances for skin care, materialised via the bringing to market of Hebelys®, an initial anti-ageing active ingredient presented at the In-Cosmetics Trade Show in Amsterdam in April 2018.

Hebelys® is a natural active ingredient produced via the fermentation of *Sphingomonas*, a rare micro-organism that comes from DEINOVE's exclusive strain bank. It is intended for mature skin and has a positive effect on the consumer's well-being.

Hebelys® is the result of a combination of complementary expertise: DEINOVE selected the strain, developed the production process, in order to achieve an optimal fermentation performance, and managed the *in vitro* tests intended to define the extract, while Greentech drew up the formulation process, and approved the stability and safety, as well as the effectiveness via additional *ex vivo* tests.

Hebelys® is effectively marketed by Greentech, a French company that specialises in the production of high-tech active ingredients from plant, marine, and microbial environments. Founded 25 years ago, and with subsidiaries in Germany, the US and Brazil, Greentech now sells a hundred active ingredients derived from biodiversity to cosmetics manufacturers in over 30 countries.

- ***Cosmetics programme in partnership with Oléos***

DEINOVE launched a partnership programme in January 2018 aimed at developing new 100% natural active cosmetic ingredients that combine the exclusive properties of DEINOVE's bacteria and Oléos' patented oleo-eco-extraction technology. DEINOVE is working on optimising the production performance of the selected strains, while Oléos will develop innovative ingredients by applying its extraction process to the bacterial biomass.

Oléos plans to market two ingredients, the first is due in 2020 and the second the following year.

Oléos is a French company created in 2010 that joined the American group Hallstar in 2016. From its proprietary process the company developed approximately twenty active ingredients that it markets through cosmetic brands in France and internationally, and continues to expand its product range.

- ***Cosmetics programme in partnership with Dow***

As part of this initiative, DEINOVE took part in a collaborative effort with Dow to develop an exclusive ingredient in 2019. Dow selected an extract from DEINOVE's proprietary bacterial collection, to be used as part of a new active ingredient of natural origin which will be marketed for cosmetic use.

DEINOVE will now develop and optimise a dedicated production process and will ensure the industrial transposition and production of the developed cosmetic active. Dow intends to qualify the cosmetic active and integrate it into its product portfolio, receiving commercial exclusivity worldwide.

This compound follows on from Dow's strategy of expanding and transforming their portfolio dedicated to skin care. The commercial launch is scheduled for early 2021.

- ***Programme in animal nutrition in collaboration with Avril***

The COLOR2B programme was launched in September 2014 in collaboration with the Avril group (formerly Sofiprotéol), the leading player in the French oils and proteins sector. It aims to develop a process for the production of natural additives for animal feed. Ultimately, the two partners strive to industrialize the bioproduction of such additives and launch new animal nutrition product lines.

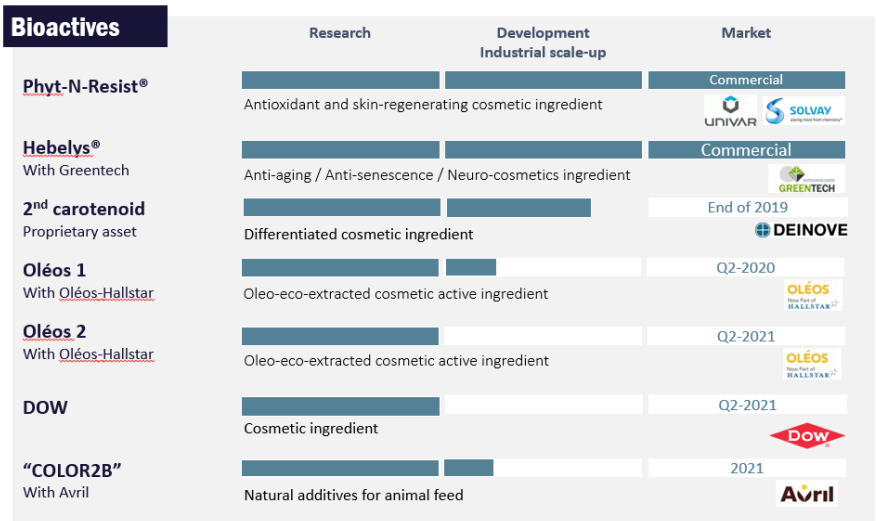
Both partners announced that they successfully reached the first milestone of the project in May 2015 (fine selection of candidate strains). The second milestone, completed in April 2017, validated the efficacy and bioavailability of compounds produced from the 7 strains selected. The compounds produced by these strains were added to farm animal feed in experimental facilities, well assimilated by the animals and produced the desired results.

The most successful strain was selected for different formulation tests. Whatever the formulation chosen, its performance proved to be comparable to that of products stemming from petrochemistry which are found on the market. Tests were conducted on different animal species in with a view of expanding the commercial potential of this ingredient.

In June 2019, the partners confirmed the efficacy of the ingredient at a competitive dosage and that the regulatory and industrial stages are underway for marketing purposes.

Avril is a major French industrial and financial group. It operates in France and internationally in sectors as diverse as human nutrition, animal feed and expertise, and renewable energy and chemicals. The Group has a portfolio of leading brands, such as Diester®, Sanders, Lesieur, Puget, Matines, Bunica, Taous, and El Kef, etc.

DEINOVE's product portfolio



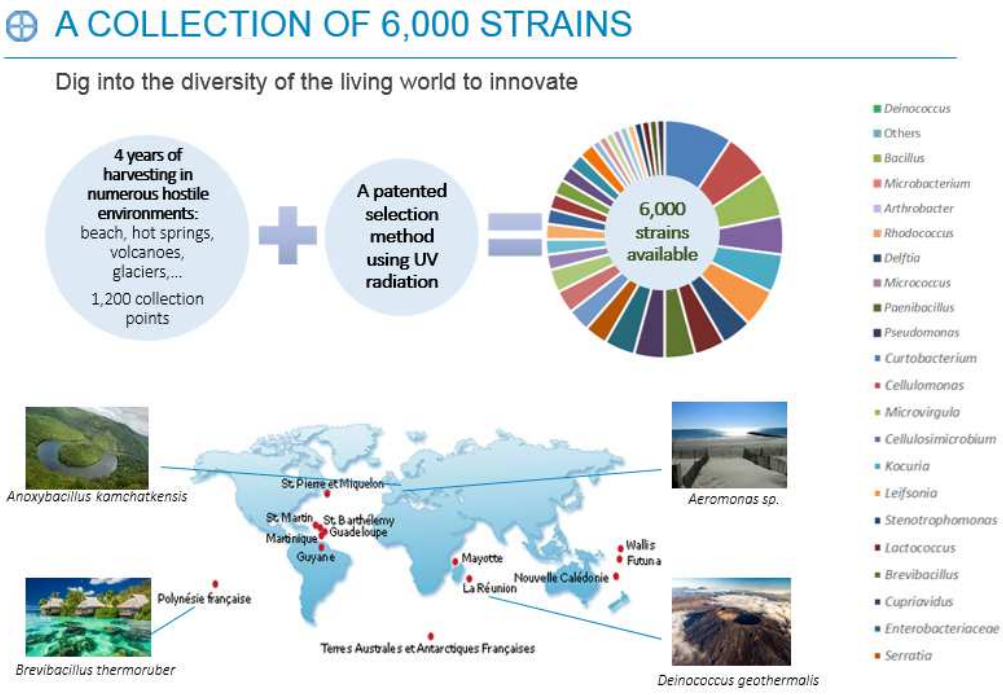
2.1.3 Technology

2.1.3.1 A strain bank hosting over 6,000 strains

DEINOVE's developments are based on a bank including 6,000 strains, all selected on their UV resistance. This unique, proprietary, and patented selection approach has enabled the Company to collect rare strains with a variety of properties.

Specifically, DEINOVE is the only company in the world that leverages the genetic and metabolic potential of the *Deinococcus* bacterial genus for industrial purposes. This bacterium, which was discovered by chance in 1956, has exceptional properties that had never been the subject of commercial development to date. *Deinococcus* is the bacteria used in the PHYT-N-RESIST® production process, first commercial product of DEINOVE, in order to convert sugars into Phytoene.

DEINOVE is continuing to expand its strain bank in a targeted manner, in order to effectively meet the requirements of each targeted application via new collection operations or outside partnerships. For instance, DEINOVE has signed agreements with pharmaceutical companies such as bioMérieux and Naicons, as well as the Institut Pasteur, in order to gain access to new strains that may potentially produce antibiotics.



The DEINOVE's screening capabilities enable it to identify bacteria that naturally produce compounds of interest that can be extracted and used among this strain bank.

Depending on the required level of performance, DEINOVE has developed a unique know-how so as to optimise their natural capabilities via genetic engineering and fermentation, in order to direct them towards over-producing a given compound.

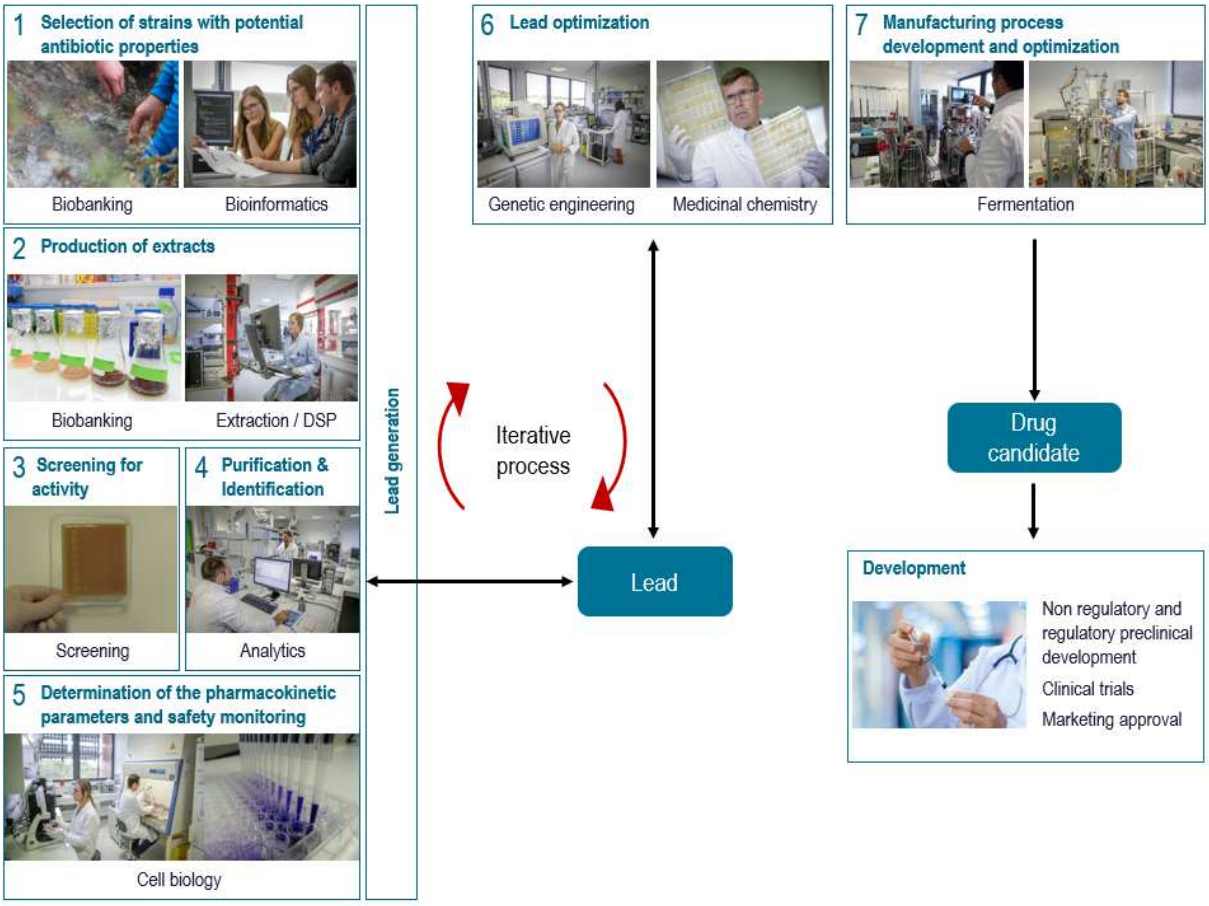
2.1.3.2 Highly qualified employees using state-of-the-art equipment are developing and producing innovative molecules

Since its foundation, DEINOVE has continually invested in developing a cutting-edge applied microbiology and biological engineering platform, which was initially dedicated to *Deinococci* bacteria before expanding to other bacteria in the strain bank. Its capacity and efficiency have been enhanced over time thanks to the automation of this platform. Thanks to these efforts, DEINOVE now has access to an extremely sophisticated tool for identifying and improving the production of metabolites of interest, as well as improving the profile of these molecules, including:

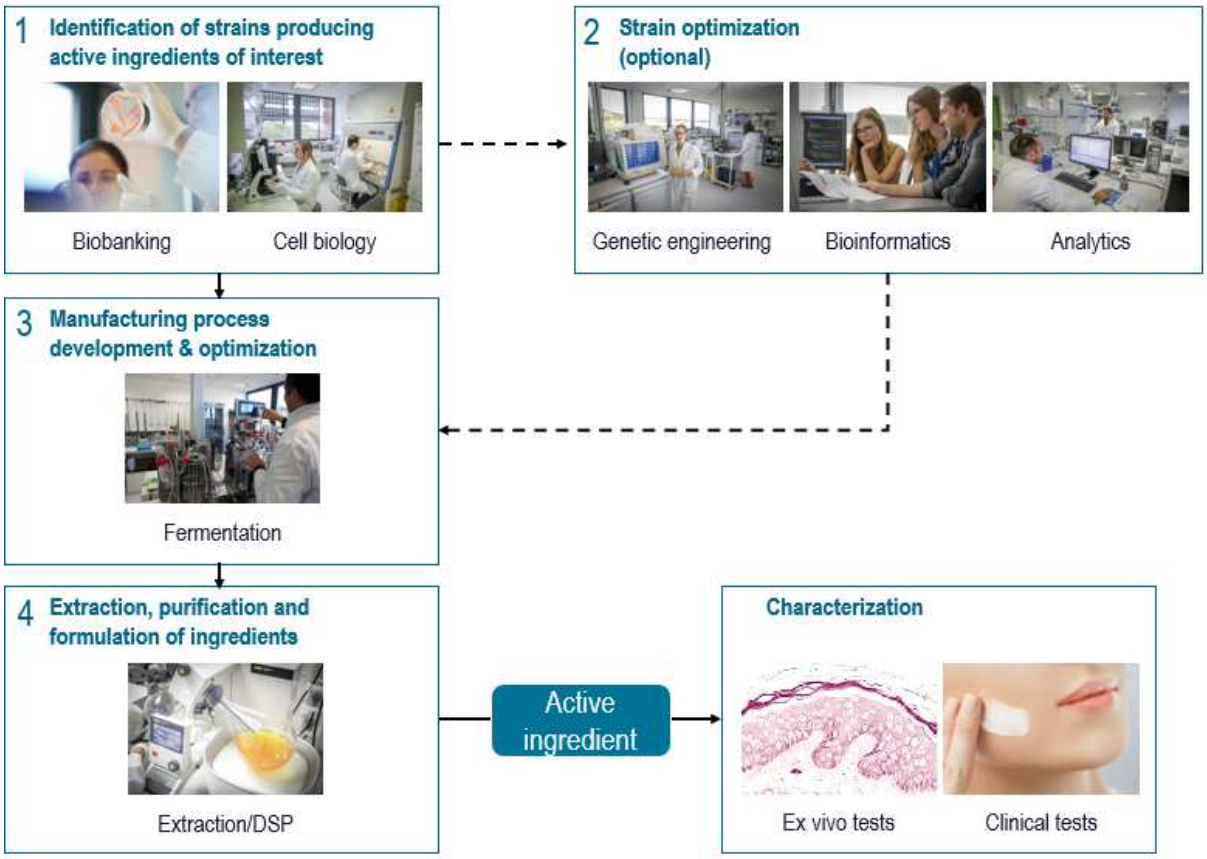
- a strain conservation system that ensures the sustainability of the strain bank, DEINOVE's strategic asset;
- a screening platform based on biochemical, cellular and microbiological tests to detect strains of interest;
- a bio-computing and meta-genomic platform aimed at identifying bacteria in an environmental sample, as well as at identifying the genes behind the production of a compound of interest via a given bacteria;
- a robotic platform for creating strains, combined with a computer system for designing genetic constructs, the role of which is to produce dedicated strains depending on the targeted molecules. This platform is also used by the Antibiotics Programme in order to optimise the molecules, and so obtain therapeutic molecules with optimum performance;
- a fermentation engineering platform that assesses the performance of the strains produced on an ongoing basis, and identifies the areas for improvement in each process, thereby steering the genetic engineering work in return. This platform is also used to produce bacterial biomass for the various effectiveness tests;
- A platform for extraction and purification to obtain the final product.

As such, DEINOVE is able to multiply research pathways to obtain proof-of-concept within a short time frame. This is a significant advantage when engaging in talks with potential industrial partners.

Platform dedicated to new Antibiotic discovery



Platform of expertise in Bioactive compounds



2.1.3.3 Sound intellectual property

DEINOVE is developing a unique portfolio of intellectual property around its cutting-edge bioprocesses, which includes 21 patent families - i.e. almost 150 patent applications submitted internationally (primarily in Europe, Eurasia, the United States, Canada, Mexico, Australia, Japan, and China) - covering strain selection, culture and engineering techniques, and their applications in the target markets. Its most advanced antibiotic compound, DNV3837, is also protected by six other patent families - i.e. more than 205 international patent applications. In particular, this patent portfolio protects the structure of the DNV3837, its use against various bacterial infections, and the intravenous method of administration.

2.1.4 Business model

DEINOVE is a company that develops new technologies and new molecules. Depending on the molecules produced and the markets for their application, DEINOVE may decide to opt for various economic development methods:

- transferring usage rights (product-by-product, application-by-application, and area-by-area) for its proprietary processes to third-party industrial companies via licensing agreements. In the field of industrial biotechnology (naturally occurring active ingredients), these license agreements arose from joint development agreements. In the anti-infective field (antibiotics), the aim will be for DEINOVE to sell a molecule to a pharmaceutical company at more or less advanced development stage;
- direct marketing of speciality ingredients that may initially be produced by DEINOVE, as part of small production batches, and then sub-contracted for scale-up and the main production process. This approach directly addresses the needs of the manufacturers in these sectors, particularly cosmetic producers, who will integrate these ingredients to be integrated into their own manufacturing processes of finished products.

DEINOVE is therefore likely to benefit from four different types of revenue sources:

- public financing in the form of grants or repayable advances, which are awarded by bodies that support research, such as Bpifrance, ADEME, or others;
- partial or full coverage of the research efforts made as part of the R&D programme by the partner company;
- an initial payment (access rights to the technology), and payments made depending on the reaching of key milestones (e.g. clinical phases in the pharmaceutical field, or confirmation of effectiveness tests of cosmetic active ingredients), and then royalties received on the sale of products resulting from the DEINOVE processes as part of licensing agreements;
- revenues linked to the marketing of molecules to industrial companies (B2B).

2 | 2 Description of key events and activities of the Group during the first half year of 2019 and post period-end

2.2.1 Legal aspects

During the first semester of 2019, thirteen share subscription warrants exercised by decision of the Chief Executive Officer on 8 November 2018, on the use made of the powers conferred upon it by the Board of Directors on November 5, 2018, and in accordance with the delegation of competence which was granted to it by the General Meeting of Shareholders on May 23, 2018 (the "BSA"), were recorded, as part of the line of equity funding line with Kepler Cheuvreux in November 2018. Indeed, at its meeting of 6 February 2019, the Board of Directors acknowledged the final completion of a capital increase for a nominal amount of 90,000 euros through the issuance of 225,000 new shares, subsequent to the exercise of 225,000 share warrants. At its meeting of 26 March 2019, the Board of Directors acknowledged the final completion of a capital increase for a nominal amount of 40,000 euros through the issuance of 100,000 new shares, subsequent to the exercise of 100,000 share warrants. Finally, at its meeting of 26 June 2019, the Board of Directors acknowledged the final completion of a capital increase for a nominal amount of 260,000 euros through the issuance of 650,000 new shares, subsequent to the exercise of 650,000 share warrants.

Furthermore, at its meeting of 6 February 2019, the Board of Directors noted the lapse of 7,397 "BCE-2017-11" warrants, issued and allotted by the Board of Directors on 31 January 2017, acting upon a delegation of the Combined General Meeting of 10 May 2016.

At the same meeting, the Board also acknowledged the resignation of Mr Michaël CARLOS from his position as director. On March 26, 2019, the Board of Directors appointed Mrs. Anne ABRIAT to replace Mr. Michaël CARLOS, for the term of the office of his predecessor. This appointment was approved at the Combined General Meeting of the Company on May 20, 2019.

At its meeting on March 26, 2019, the Board of Directors acknowledged the lapse of 20,000 “BSA-2015-1”, issued and granted by the Board of Directors on September 22, 2015, acting upon a delegation of the Combined General Meeting of May 6, 2015, as well as the lapse of 19,725 “BSA-2017-6”, issued and granted by the Board of Directors on January 31, 2017, acting upon the delegation of the Combined General Meeting of May 10, 2016.

At the same meeting, the Board of Directors authorised a new regulated agreement, formalising an amendment to the consulting contract concluded between the Company and Ultrace Development Partner, whose Chief Executive Officer is Mr. Yannick. PLETAN, director of the Company, concluded on 3 July 2018, for the purpose of extending its period of validity until 31 December 2020. All other provisions of the Agreement will remain in full force and effect.

The Combined General Meeting of 20 May 2019 has decided to appoint Mr Christian PIERRET as a new director.

At its meeting on 26 June 2019, the Board of Directors took note of the resignation of Philippe POULETTY as director. The Board also took note of the resignation of Mr. Christian PIERRET from his position as permanent representative of Truffle Capital, one of the Company's director, effective from the date that the General Meeting will approve the financial statements for the fiscal year ended on 31 December 2018, and the appointment of Mr. Philippe POULETTY, to replace Mr. Christian PIERRET as the permanent representative of Truffle Capital for the term of the office of the latter.

At the same meeting, the Board of Directors declared the lapse of (i) 330,000 “BSA-2009”, issued and granted by collective decision of the shareholders on 5 May 2009, (ii) of 6,500 “BCE-2010-2” issued and granted by the Board of Directors on 2 December 2010, acting upon delegation of authority of the Combined General Meeting of September 24, 2010, and (iii) of

14,340 "BSA-2015-1" issued and granted by private deed attesting to the joint resolutions unanimously adopted by DEINOBIOTICS' partners on 23 December 2015, whose acquisition by the Company was approved by the Board of Directors at its meeting on December 25, September 2018.

About BIOVERTIS:

- On 22 January 2019, the General Meeting of BIOVERTIS approved, in the presence of a notary, the cross-border merger between DEINOVE, the acquiring company, and BIOVERTIS, the acquired company. On 13 March 2019, the merger between DEINOVE and its wholly-owned subsidiary BIOVERTIS was finalised. This merger has effective date backdated to 30 June 2018. At the date of this report, DEINOVE has one wholly-owned subsidiary, MORPHOCHEM.

Other legal aspects:

- The changes in the composition of the Board of Directors are set out in Section 1.1 of this report;
- The share warrants (BSA) and stock options (BCE) issuances, exercises and lapse notices of the 1st semester 2019 are detailed under section 12.1.3.

2.2.2 Programme progression

2.2.2.1 New-generation anti-infective programmes

- ***DEINOVE validates the first key step of the AGIR programme and received €1.5M from Bpifrance[15]***

In March 2019, DEINOVE announced that it had successfully completed the 1st key milestone in the AGIR programme, aimed at setting up a robotic technology platform for the extraction and screening of antibiotic activities, in order to maximize the opportunities to discover new antibiotic structures. As the platform is now fully operational, Bpifrance paid €1.5M to DEINOVE. Extracts are being studied to verify the innovative nature of the structures detected.

- ***DEINOVE collaborates with Institut Pasteur to explore the potential of new targeted strains[16]***

In April 2019, DEINOVE began a partnership with the Institut Pasteur, one of the most recognized global players in infectious disease research. Antimicrobial resistance is among the Institut Pasteur's top three scientific priorities, and the development of industrial partnerships with French SMEs is at the heart of its economic development strategy.

The Pasteur Institute offers a targeted selection of strains from their bacterial collection. As part of their AGIR programme (Antibiotics against Resistant Infectious Germs), DEINOVE will assess the strains' antimicrobial properties on its technology platform.

- ***DNV3837 : Launch of the Phase II clinical trial in Clostridioides difficile infections[17]***

DEINOVE has designed a Phase II trial for its most advanced antibiotic candidate, DNV3837 (programme presentation – see section 2.1.2.1).

The design of the trial, which was initially approved by the FDA prior to DEINOVE's acquisition of the compound, has been optimised. The target patient population has been expanded and now covers moderate to severe ICDs, resulting in a more gradual assessment of treatment. This single-dose trial is designed to evaluate the efficacy of DNV3837 in a pathological setting (through symptom monitoring, stool analysis, etc.), as well as to consolidate the safety and pharmacokinetic data of the antibiotic candidate.

This multicenter trial will take place in the United States, where the prevalence of the disease is higher, and regulatory authorities are seeking new therapeutic options.

The American company Medpace intervenes as CRO[18] and is responsible for monitoring the trial. Medpace is an internationally recognized actor with extensive experience in infectious diseases and particularly gastrointestinal infections such as CDI. Its mission includes support for design and arrangement of the clinical trial (protocol review, investigation centre solicitation, etc.), data collection and analysis, and interactions with the FDA.

[15] Press release of 21 March 2019
[16] Press release of 9 April 2019
[17] Press releases of January 31 and May 16, 2019
[18] A CRO (*Contract Research Organization*) is a service provider dedicated to biomedical research for the pharmaceutical or biotechnology industry as well as for research organisations.

In parallel, DEINOVE started the production of the first batch of DNV3837 on a commercial scale, in accordance with good manufacturing practices. This batch will be used in order to prepare the drug on the basis of which will be conducted the Phase III trial. CMC[19] operations entrusted to the United States at a CMO[20] recognized and the first stages of production were completed according to the specifications.

The DNV3837 programme was the subject of a scientific communication at the 29th annual convention of *the European Society of Clinical Microbiology and Infectious Diseases* (ECCMID), held in Amsterdam, the Netherlands, from 13 to 16 April 2019[21].

- ***DNV3681 / DNV3837[22] : US Department of Defense assess the compound against bioterrorism pathogens[23]***

The USAMRIID[24] (Institute for Medical Research on Infectious Diseases of the US Army) has evaluated DNV3681 against anthrax (*Bacillus anthracis*) and the Bacillus of Francis (*Francisella tularensis*), bacteria classified in the "high priority" category of bioterrorist threats.

The standard of treatment against bacteria *Bacillus anthracis* and *Francisella tularensis* is currently Ciprofloxacin, a broad-spectrum synthetic antibiotic of the fluoroquinolone family. Several species of pathogenic bacteria have already developed resistance to this family and the long-term treatment required after exposure to the anthrax very often induces a major imbalance of the gut microbiota which can lead to *Clostridioides difficile* infections. In the face of this threat, it is therefore urgent to have effective and safe alternatives.

The fact that the DNV3681 is very active against *Bacillus anthracis* and *Clostridioides difficile* makes it a very good candidate to fulfil this role. DNV3681 has indeed demonstrated *in vitro* efficacy which is superior to that of Ciprofloxacin, a drug of reference for treating cases of exposure to *Bacillus anthracis*, the bacterium responsible for anthrax. This data was presented at the American Society of Microbiology conference, ASM Microbe 2019, by Dr. Steven Zumbrun, Ph.D. in Microbiology at USAMRIID. Based on these results, USAMRIID is considering an *in vivo* assessment of DNV3681.

2.2.2.2 Programmes involving active ingredients of natural origin

- ***The mechanism of action of phytoene for dermocosmetic purpose presented at the NYSCC Suppliers' day[25]***

DEINOVE has developed a unique bioproduction process that makes it possible to obtain the first 100% pure Phytoene with anti-aging action (presentation of the programme – see section 2.1.2.2).

Solvay distributes this active ingredient in North America and Asia exclusively under the ReGeN-oPhyt® brand. At the 40th annual conference of the New York Society of Cosmetic Chemists (NYSCC), DEINOVE's commercial partner presented Phytoene's innovative mechanism of cellular regeneration. In-depth studies have shown that Phytoene acts on laminin, one of the main components of the basal lamina, the junction layer between the dermis and the epidermis. It acts at the cellular level, alongside collagen, to promote cellular regeneration, thereby resulting in its anti-aging effect.

This tangible scientific data reinforce Phytoene's sales pitch and allows it to differentiate itself in a highly competitive manner compared to the existing solutions offered by competitors. To date, several dozen customers have been sampled globally for confirmatory testing and first sales are expected to start by the end of 2019. Eventually, such an active ingredient, whose benefits are clinically proven and whose mechanism of action is identified, can represent annual sales of several tons and generate a turnover of several million euros.

- ***DEINOVE & Dow signed a collaboration agreement for the development of a new cosmetic active ingredient[26]***

In June 2019, DEINOVE entered into a partnership with Dow to develop a new, 100% natural, exclusive cosmetic active ingredient stemming from its bacterial extracts collection. Dow has selected one extract from the bacterial bank of DEINOVE,

[19] CMC: *Chemistry, Manufacturing & Control* (chemistry, manufacturing and control)
[20] A CMO (*Contract Manufacturing Organization*) is a service provider dedicated to the production of biomedicines on behalf of pharmaceutical or biotechnology companies
[21] Press release of 16 April 2019
[22] As a reminder, DNV3681 is the active molecule of the antibiotic compound DNV3837
[23] Press releases of May 20 and June 24, 2019
[24] USAMRIID is the main organization of the US Army in charge of defensive research against biological warfare.
[25] Press release of May 13 2019
[26] Press release of 5 June 2019

which will now develop and optimise a dedicated production process. DEINOVE will ensure the industrial transposition and production of the developed cosmetic active Dow intends to qualify the cosmetic active and integrate it into its product portfolio, receiving commercial exclusivity worldwide. The agreement provides for the commercialisation in early 2021 (presentation of the programme – see section 2.1.2.2).

- ***The COLOR2B Programme: confirmed progress and outlook[27]***

DEINOVE communicated in June 2019 about the progress of the COLOR2B programme, which is being conducted together with the Avril group, and covers the development of a process for producing natural ingredients for animal feed (see Section 2.1.2.2).

The strain selected for the production of this new bio-based ingredient was assessed during a test phase aimed at validating the dosage required, and demonstrated that the ingredient is competitive with the reference products.

The teams are working to develop a formulation which complies with regulatory and industrial requirements.

The two partners aim to bring a first ingredient to market by the end of 2020.

2.2.3 Management and organisation

The management and organisation of the Company and its subsidiaries are set out in Section 1.1 of this report.

2.2.4 Intellectual property

The Group's portfolio has been enhanced following the acquisition of the German company MORPHOCHEM. MORPHOCHEM's portfolio of patents and patent applications relating to hybrid oxazolidinone-quinolone antibiotic compounds consists of six categories of patents, which have been extended internationally, and involve over 100 patent applications, 178 of which have already been granted internationally across a broad geographical scope (United States, China, Australia, Europe, Mexico, Canada, Asia, Russia, South Korea, Japan, etc.).

This patent portfolio protects among other things the structures of the first-generation compounds, as well as those of DNV3681 and DNV3837; their use against various bacterial infections, including anthrax, and those linked to *Clostridioides difficile*; their preparation processes; a method of administering them intravenously, and their use when combined with other anti-bacterial agents.

2.2.5 Financial aspects

The main financial elements of the 1st semester 2019 are:

- the receipt of the second instalment of the Bpifrance subsidy for the AGIR programme (see Note 9.2. below);
- the instalment of the CIR 2017 receivable of €2,471K in January 2019;
- the offsetting of losses and assigning of a €42,519K debit balance to be carried forward to the "Share premium" and "Contribution premium" accounts (see Note 12.1.4 below).

2.2.6 Post-closing events

Events that occurred after the period-end date for the interim account closing, namely 30 June 2019, are set out in Note 15 to this report.

2 | 3 Main risk factors

On the occasion of its IPO on Euronext Growth (formerly Alternext) in April 2010, DEINOVE presented the risk factors that could potentially impact it in the Basic Document that was registered by the French Financial Markets Authority (AMF) on 25 March 2010, under number I.10-014 and which is available on its website.

[27] Press release dated 11 June 2019

More recently, the aforementioned risk factors were updated in the Reference Documents registered on by the AMF under number R. 14-042 on 23 June 2014 and under number R. 15-081 on 26 November 2015. These documents are available on the Company's website.

Readers are invited to refer to the risk factors addressed in the Company's Annual Financial Report 2018, available on the Company website.

The Company stresses that, as stated in the aforementioned Reference Documents, its activities are keyed primarily to biotechnological Research and Development which focus on applications in the health, nutrition, and cosmetics fields. The success of the projects it undertakes are, as such, subject to the scientific and technological contingencies specific to these activity sectors, and are also dependant on its ability to industrialize the bioprocesses that it develops in an economically viable manner.

Readers' attention is drawn to the fact that the risk factors described in the aforementioned documents, although stipulated as being specific to the Company, are also relevant to the Group as a whole.

3 | HALF YEAR CONSOLIDATED ACCOUNTS TO 30 JUNE 2019

Initial comment: In 2018, the Group's consolidated financial statements consisted of:

- DEINOVE SA, whose accounts included BIOVERTIS and DEINOBIOTICS' financial flows from 01/07/18 and 02/11/18 respectively;
- the subsidiary BIOVERTIS, fully consolidated from 23/05/18 to 30/06/18;
- the subsidiary DEINOBIOTICS, fully consolidated until 01/11/18;
- the subsidiary MORPHOCHEM, fully integrated from 23/05/18.

On the other hand, the Group's consolidated financial statements for 2019 comprise the Company's financial statements, as well as the subsidiary MORPHOCHEM.

3 | 1 Balance sheet

ASSETS *(in thousands of euros)*	***Note***	**30/06/19**			**31/12/18**
		Gross values	**Amort.& depr.**	**Net values**	
Goodwill	*7.1*	5,114	-1,092	4,021	4,277
Intangible assets	*7.2*	1,184	-1,014	170	153
Tangible assets	*7.3*	6,844	-4,937	1,907	2,397
Financial assets	*9.1*	96	-	96	96
FIXED ASSETS		**13,237**	**-7,042**	**6,195**	**6,923**
Inventories and work-in-progress		-	-	-	-
Accounts receivable and related accounts	*5.3*	35	-	35	45
Other receivables	*5.3*	4,873	-	4,873	5,167
Deferred tax assets	*10.1*	-	-	-	-
Cash on hand	*9.1*	1,928	-	1,928	3,902
CURRENT ASSETS		**6,836**	**0**	**6,836**	**9,114**
Repayments and accrued income	*5.3*	853	-	853	582
TOTAL ASSETS		**20,926**	**-7,042**	**13,883**	**16,618**

LIABILITIES *(in thousands of euros)*	***Note***	**30/06/19**	**31/12/18**
Capital	*12.1*	6,620	6,250
Premiums		19,160	60,894
Consolidated reserves		-23,119	-56,902
Profit or loss for the period (group share)		-5,359	-8,747
EQUITY CAPITAL, GROUP SHARE		**-2,698**	**1,495**
Noncontrolling interests		-	-
SHAREHOLDERS' EQUITY		**-2,698**	**1,495**
Deferred tax liabilities		-	-
Provisions for Risks & Charges	*8.1*	259	213
Provisions for goodwill impairment		-	-
LIABILITIES			
Conditional advances	*9.2*	12,154	11,025
Non-conditional advances	*9.2*	590	652
Financial liabilities from financial lease agreements	*9.2*	240	343
Trade payables and related accounts	*5.3*	2,111	1,485
Outstanding taxes and social contributions	*5.3*	870	1,094
Other liabilities	*5.3*	338	297
Accrued expenses and deferred revenue	*5.3*	20	14
TOTAL LIABILITIES		**13,883**	**16,618**

3 | 2 Profit and Loss Account

(in thousands of euros)	*Note*	30/06/19	30/06/18
Operating revenue	***5.1***	**405**	**715**
Revenue		4	22
Change in inventories		-	-
Capitalized production		-	-
Release of provisions and reclassification of costs		4	14
Operating grants		397	679
Other operating revenue		-	0
Operating expenses	***5.2***	**6,587**	**5,070**
Purchases used (incl. change in inventories)		-	-
Other purchases and external expenses		3,553	1,982
Taxes, duties, and similar levies		51	56
Salaries and wages		2,245	2,439
Depreciation charges for amortizations and provisions		639	515
Other operating expenses		99	78
OPERATING PROFIT/LOSS		**-6,181**	**-4,355**
Financial revenue		3	36
Financial costs		17	30
FINANCIAL PROFIT/LOSS	***9.3***	**-14**	**6**
CURRENT PRE-TAX PROFIT/LOSS		**-6,195**	**-4,349**
PROFIT/LOSS FROM NON-RECURRING ITEMS	***11***	**-49**	**157**
Tax on profit and deferred taxes	*10.1*	-1,140	-661
Goodwill amortization	*7.1*	256	204
Income from equity affiliates (IEA)		-	-
CONSOLIDATED GROUP PROFIT/LOSS		**-5,359**	**-3,735**
Minority interests		-	-
GROUP SHARE NET PROFIT/LOSS		**-5,359**	**-3,735**

	30/06/19	30/06/18
Group share net profit/loss (in thousands of euros)	-5,359	-3,735
Average number of shares outstanding	15,987,270	12,111,005
Basic and diluted earnings per share (in euros)	**-0.34**	**-0.31**

3 | 3 Statement of Changes in Equity

(in thousands of euros)	Equity	Premiums	Reserves	Profit/Loss	Total Group share	Minority interests	Total Equity
Status as at 31/12/17	**4,647**	**34,504**	**-31,141**	**-7,335**	**675**	**-**	**675**
Capital increase	1,579	8,048	-	-	9,627	-	9,627
Share warrant (BSA) subscription	-	-	-	-	-	-	-
Restatement of treasury shares	-	-	-19	-	-19	-	-19
Change in scope consolidation	-	-	-	-	-	-	-
Allocation of profit/loss	-	-	-7,335	7,335	-	-	-
Change in method	-	-	-	-	-	-	-
Current period net profit/loss	-	-	-	-3,735	-3,735	-	-3,735
Status as at 30/06/18	**6,227**	**42,552**	**-38,495**	**-3,735**	**6,549**	**-**	**6,549**
Status as at 31/12/18	**6,250**	**60,894**	**-56,902**	**-8,747**	**1,495**	**-**	**1,495**
Capital increase	370	816	-	-	1,186	-	1,186
Share warrant (BSA) subscription	-	-	-	-	-	-	-
Restatement of treasury shares	-	-	12	-	12	-	12
Assignment of premium to compensate a debit balance to be carried forward	-	-42,519	42,519	-	-	-	-
Change in scope consolidation	-	-	-	-	-	-	-
Allocation of profit/loss	-	-	-8,747	8,747	-	-	-
Change in method	-	-31	-		-31	-	-31
Current period net profit/loss	-	-	-	-5,359	-5,359	-	-5,359
Status as at 30/06/19	**6,620**	**19,160**	**-23,119**	**-5,359**	**-2,698**	**-**	**-2,698**

At 30 June 2019 DEINOVE's subscribed capital totalled 6,619,880.40 euros, corresponding to 16,549,701 fully paid-up shares, with a unit nominal value of 0.40 euro.

3 | 4 Statement of net cash flow

(in thousands of euros)	*Note*	30/06/19	31/12/18
Cashflow related to operating activities			
Net profit/loss of consolidated companies		**-5,359**	**-8,747**
Elimination of share of income from equity affiliates		-	-
Elimination of income and expenses with no impact on cash flow, or non-operational		-	-
- Amortization and provisions		955	1,560
- Debt write-offs		-	-255
- Capital gains on sale / disposal of assets		-41	-9
Cashflow from consolidated companies		**-4,445**	**-7,452**
Dividends received from equity affiliates			
Change in operating working capital needs		440	-2,285
(I) Net cashflow from operating activities		**-4,005**	**-9,736**
Cashflow related to investment activities			
Acquisition of capital assets	*9.1*	-140	-1,410
Investment grants received		-	-
Disposal of assets		10	10
Changes in financial fixed assets	*9.1*	1	7
Incidence of change in scope of consolidation		-	-298
(II) Net cashflow related to investment activities		**-129**	**-1,692**
Cashflow related to financing activities			
Capital increase (reduction) net of costs	*12.1*	1,186	8,815
Share warrant subscription	*12.1*	-	-
Loans issued		1,130	2,024
Loan repayments	*7.3*	-166	-385
Change in treasury share		11	-
(III) Net cashflow related to financing activities		**2,161**	**10,454**
Cash changes (I) + (II) + (III)		**-1,974**	**-974**
(A) Opening cash position	*9.1*	3,902	4,876
(B) Closing cash position	*9.1*	1,928	3,902
(C) Incidence of change in currency rates		-	-
Cash changes (B)-(A)+(C)		**-1,974**	**-974**

(in thousands of euros)	*Note*	30/06/19	31/12/18
TAs (Term accounts)		-	1,301
Provision for impairment of marketable securities		-	-
Cash on hand		1,928	2,579
Accrued interest not yet due & Bank overdrafts		-	23
CASH & NET CASH EQUIVALENTS AT CLOSING		**1,928**	**3,902**

3 | 5 Notes to the consolidated financial statements

NOTE 1 | GENERAL INFORMATION

The DEINOVE Group consolidating company is DEINOVE, headquartered at Cap Sigma, ZAC Euromédecine II, 1682 rue de la Valsière, 34790 Grabels, France.

Its consolidated financial statements are drawn up in euros, which is the Company's reference currency. Unless otherwise stated, financial information is stated in thousands of euros.

NOTE 2 | KEY EVENTS DURING THE PERIOD

The main financial elements of the 1st semester 2019 are:

- the receipt of the second instalment of the Bpifrance subsidy for the AGIR programme (see Note 9.2. below);
- the instalment of the CIR 2017 receivable of €2,471K in January 2019;
- the offsetting of losses and assigning of a €42,519K debit balance to be carried forward to the "Share premium" and "Contribution premium" accounts (see Note 12.1.4 below).

NOTE 3 | ACCOUNTING PRINCIPLES

Basis of preparation of financial statements

The consolidated financial statements are drawn up in accordance with generally accepted accounting principles in France, pursuant to the French Committee for Accounting Regulations (CRC – *Comité de Régulation Comptable*) Regulation n° 99-02, and amended by CRC Regulation 2005-10 of 3 November 2005 and ANC Regulation 2016-08 of 2 December 2016, in accordance with the principle of caution, and pursuant to the following underlying assumptions:

- independence of financial years;
- consistency of accounting methods from one financial year to the next;
- a going concern basis.

In its consolidated financial statements, the Group applies the preferential methods stipulated under paragraph 300 of CRC Regulation n° 99-02:

- restatement of financial lease agreements,
- provisioning of pension liabilities.

NOTE 4 | SCOPE OF CONSOLIDATION

4.1 Methods and scope of consolidation

The DEINOVE Group's consolidated financial statements include the financial statements for DEINOVE and the MORPHOCHEM subsidiary, over which it exercises sole direct control. This company is fully consolidated.

Subsidiaries are consolidated from the date control is effectively transferred to the Group instead of being consolidated from their cession or liquidation date.

The list of companies included in the scope of consolidation is detailed here after:

Company	Legal status	Headquarters	% control	Interest rate	Consolidation method at 30/06/19	Consolidation method at 31/12/18
DEINOVE	SA (public limited company)	Cap Sigma ZAC Euromédecine II 1682 rue de la Valsière 34790 Grabels	100%	100%	Parent company	Parent company
MORPHOCHEM	GmbH (limited liability company)	Gmunder straße 37-37 a 81379 Munich Germany	100%	100%	Full consolidation	Full consolidation

It should be noted that the cross-border merger between BIOVERTIS and DEINOVE resulted in the dissolution of BIOVERTIS.

In the same way, the total asset transfer from DEINOBIOTICS to DEINOVE resulted in the dissolution of DEINOBIOTICS.

All transactions, mutual assets and liabilities, and significant internal profits or losses generated between consolidated companies are eliminated.

4.2 Accounts balance sheet date

Group accounts balance sheet date is fixed at 31 December each year.
All Group companies close their accounts at 31 December.

4.3 Goodwill

Goodwill is calculated, when a company joins the scope of consolidation, as the difference between the share acquisition cost and the fair value of the Group's share of the net assets acquired from the subsidiary.

Pursuant to CRC Regulation n° 99-02:

- the fair value assessment of all identifiable items (assets and liabilities) is carried out within one year from the date of closure of the financial period during which the acquisition took place;
- subsidiary acquisition cost are incorporated into the share acquisition cost.

Positive goodwill is recorded as an asset under the heading "Goodwill" and is either amortized over its useful life, which is based on the type of activity, or is not amortized and is, therefore, subject to annual impairment testing when its useful life is unlimited.

Negative goodwill is recorded under liabilities under provisions for liability and expenditures. It is amortized through the profit and loss account based on a provision write-back plan over a period that reflects the assumptions made and the objectives set at the time of acquisition.

The goodwill net book value is reviewed on an annual basis to take into account changes and events which may reduce profitability and the value of the assets in question, in a lasting manner.

Where appropriate, at each closing, the Group assesses the accelerated depreciation of the goodwill allocated to assets to take into account any significant event or circumstances whose impact may reduce the fair value of the corresponding assets to a level below their net book value.

4.4 Comparability of figures

In 2018, the Group's consolidated financial statements consisted of:

- DEINOVE SA, whose accounts included BIOVERTIS and DEINOBIOTICS' financial flows from 01/07/18 and 02/11/18 respectively;

- the subsidiary BIOVERTIS, fully consolidated from 23/05/18 to 30/06/18;
- the subsidiary DEINOBIOTICS, fully consolidated until 01/11/18;
- the subsidiary MORPHOCHEM, fully integrated from 23/05/18.

On the other hand, the Group's consolidated financial statements for 2019 comprise the Company's financial statements, which include the financial flows of BIOVERTIS and DEINOBIOTICS, as well as the subsidiary MORPHOCHEM.

NOTE 5 | OPERATING FIGURES

5.1 Operating revenue

The operating revenue for the 1st semester 2019 includes work performed by DEINOVE as part of a research partnership agreement with its SIA partner (Avril, formerly Sofiprotéol) amounting to €4K (compared with €16K at 30/06/18).

The Group received a grant amounting to €397K from Bpifrance in March 2019, which corresponds to the key milestone 1 of the AGIR ("Antibiotics against Resistant Infectious Germs") project, as part of the call for projects entitled "R&D Projects Strengthening Competitiveness".

Lastly, the amount of the operating expenses and benefits in kind transferred was €4K.

5.1.1 Operating revenue

(in thousands of euros)	30/06/19	30/06/18
5th and 6th instalments (incl. adjust.) / SIA (Avril group) part. agree	4	16
Cosmetic partnership	0	-
Feasibility study	-	6
OPERATING INCOME	**4**	**22**

5.1.2 Operating grants and other income

Grants received are recorded as soon as the corresponding receivable becomes certain, given the conditions set for obtaining the grant.

Operating grants are recorded under current revenue and take into account, where applicable, the cadence of the corresponding expenses so that the principle of linking expenditure to revenue is adhered to.

Investment grants intended for the acquiring fixed assets are initially recorded under deferred revenue, and then are acknowledged under revenue from non-recurring items in keeping with the amortizations applied to the corresponding fixed assets.

(in thousands of euros)	30/06/19	30/06/18
Operating grants	**397**	**679**
Bpifrance grant - R&D Projects Strengthening Competitiveness / AGIR	397	678
CIFRE agreement	-	1
Other revenue	**4**	**14**
TOTAL OPERATING GRANTS AND OTHER REVENUE	**401**	**693**

5.2 Operating costs

The implementation status of subcontracting agreements to third parties for certain research services, as well as the implementation status of external studies undertaken within the research collaboration framework are assessed at each financial year ending so that the cost of services already provided to the Company and/or to the Subsidiaries may be recognized as expenses to be paid, and the cost of services already recorded but not yet undertaken entirely may be recognized as prepaid expenses.

(in thousands of euros)	30/06/19	30/06/18
Purchase of raw materials and other supplies	-	-
Other purchases and external expenses		
External studies, sub-contracting, and scientific consulting	1,935	512
Supplies	288	296
Rent, maintenance, and servicing costs	362	383
Miscellaneous costs	133	147
Documentation, technological, and seminars	45	34
Fees	655	480
Travelling expenses and assignments	136	130
Total other purchases and external expenses	**3,553**	**1,982**
Taxes, duties, and similar levies	51	56
Salaries and wages	1,555	1,657
Social contributions	690	781
Allocation to depreciation and provisions	639	515
Other expenses	99	78
TOTAL OPERATING EXPENSES	**6,587**	**5,070**

The operating expenses at 30/06/18 were those of:

- the company DEINOVE SA;
- the subsidiary DEINOBIOTICS, fully integrated;
- the subsidiaries BIOVERTIS and MORPHOCHEM, fully integrated from 23/05/18.

On the other hand, operating expenses at 30/06/19 are those of the Company and its subsidiary MORPHOCHEM.

The Group's total operating expenses for the 1st semester of 2019 amounted to €6,587K, 82% of which was spent on R&D.

The net change in operating expenses between the 1st semesters of 2018 and 2019 amounts to +€1,517K. This amount, which has increased by 30%, includes some sizeable changes:

- +€1,423K (+278%) increase in "External studies, outsourcing and scientific consulting", which is mainly explained by the increase in services provided by the CROs (definition on page 14), the latter of which support DEINOVE on the DNV3837 project;
- + €174K (+36%) increase in "Fees", mainly from patent fees;
- -194K (-8%) decrease in "Salaries and wages / Social contributions" with an average half-year workforce of 60.2 full-time equivalents (FTE) on 30/06/19, compared to 62.1 on 30/06/18;
- + €124K (+24%) increase in "Depreciation and provisions";
- the rest of the variation, a net of -€12K, results from significantly lower variations.

5.3 Receivables and Payables

Receivables are assessed at their nominal value. Where applicable, a provision for write-downs is established to take into account any collection difficulties that may occur. Provisions for any likely write-downs are determined by comparing the acquisition value and the probable realizable value. The other receivable comprise the R&D Tax Credit nominal value which is recorded under the Assets for the financial year of acquisition and which corresponds to the financial year during which eligible expenses that lead to the tax credit are incurred.

5.3.1 Details of receivables

(in thousands of euros)	Gross values 30/06/19	Write-down 30/06/19	Net values 30/06/19	Net values 31/12/18
Advances and prepayments	1,239	-	1,239	239
RDR to be received	3	-	3	11
Clients	35	-	35	45
Staff-related receivables	1	-	1	3
Other tax receivables	427	-	427	380
Current tax receivable	3,204	-	3,204	4,534
Sundry debtors	0	-	0	0
TOTAL RECEIVABLES	**4,908**	**0**	**4,908**	**5,212**

The Current tax receivable corresponds mainly to the R&D Tax Credit (CIR) in favour of to the Group. As there is no taxable profit and due to the fact that the Group meets the criteria for SMEs within the meaning of Community legislation, this receivable is repayable the year following the year it is recognized.

As such, as at 30/06/19, this Tax receivable is broken down as follows:

- R&D Tax Credit (CIR) for financial year 2018 (request transmitted to the Business Tax Office [SIE]): €1,994K;
- R&D Tax Credit (CIR) estimated for the 1st semester 2019: €1,141K;
- Tax Credit for Competitiveness and Employment (CICE) for financial year 2018: €66K;
- application for the refund of the minimum flat tax on the BIOVERTIS entity: €3K.

No impairment loss was taken into account for receivables before or during the financial year.

Receivables by maturity at 30/06/19

(in thousands of euros)	Within 1 year	Over 1 year
Advances and prepayments	1,239	-
RDR to be received	3	-
Clients	35	-
Staff-related receivables	1	-
Other tax receivables	427	-
Current tax receivable	3,204	-
Sundry debtors	0	-
TOTAL	**4,908**	**0**

5.3.2 Details of accruals

(in thousands of euros)	30/06/19	31/12/18
Prepayments	853	582
Deferred charges	-	-
TOTAL ACCRUAL ASSETS	**853**	**582**
Deferred revenue	20	14
TOTAL ACCRUAL LIABILITIES	**20**	**14**

5.3.3 Details and maturity of non-financial liabilities

(in thousands of euros)	30/06/19	31/12/18
Suppliers and related accounts	2,111	1,485
Fixed asset suppliers	338	297
Staff-related payables	728	976
Tax payables	142	118
TOTAL	**3,318**	**2,876**

(in thousands of euros)	Within 1 year	Between 1 to 5 years	Over 5 years
Suppliers and related accounts	2,111	-	-
Fixed asset suppliers	338	-	-
Staff-related payables	728	-	-
Tax payables	142	-	-
TOTAL	**3,318**	**0**	**0**

It should be mentioned that, as at 31/12/18, the Trade Payables includes invoicing outstanding from industrial partner Abengoa for a total of €509K, issued in November 2015.

NOTE 6 | STAFF BENEFITS AND COSTS

6.1 Staff

The average number of staff employed by the Group as Full-Time Equivalent staff totalled 60 at the end of the 1st semester 2019, versus 62 for the 1st semester 2018. The details by staff category are shown in the table hereinafter:

Average Staff	1st semester 2019	1st semester 2018	2018
Executives	41	42	42
Supervisors and technicians	-	-	-
Employees	19	20	20
Operatives	-	-	-
TOTAL	**60**	**62**	**62**

The subsidiary MORPHOCHEM did not have any employees at 30 June 2019.

6.2 Staff Costs

(in thousands of euros)	30/06/19	30/06/18
Staff remuneration	1,555	1,657
Social contributions	690	781
TOTAL	**2,245**	**2,439**

The staff costs item decreased of -€194k, i.e. -8%, in accordance with the evolution of average of full-time-equivalent staff: 60 at the end of the 1st semester 2019 vs 62 full-time-equivalent at the end of the 1st semester 2018. MORPHOCHEM, which was consolidated at the end of the 1st semester 2018, did not actually have any employees at 30 June 2019.

6.3 Provisions for pensions and assimilated liabilities

Details are given under Note 8.1.1 of the report hereof.

6.4 Option plans

Impact of exercising share warrants (BSA), stock option (BCE), and stock allotment warrants (BAA):
Over the period, share warrant (BSA), stock option (BCE) and stock allotment warrants (BAA) holders may exercise these securities. The date of the accounting entry recorded in the equity of a capital increase subsequent to the exercising of share warrants (BSA), stock option (BCE) or stock allotment warrants (BAA) corresponds to the transaction completion date, which is determined by Article L. 225-149 paragraph 2 of the French Commercial Code. Consequently, the exercise of option plans is recorded under Issue Premiums without waiting for the subsequent intervention of the Board of Directors provided for under paragraph 3 of the same Article, which exists only for the purpose of legally validating the previously-completed transaction by updating the Articles of Association.

It should be noted that the Combined General Meeting held on 3 May 2012 decided to divide the number of share warrants (BSA) and stock option (BCE) issued by the Company, up to this date, by 10. As such, since 3 May 2012, each share warrant (BSA) and stock option (BCE) gives shareholders the right to subscribe a new share.

- **Share warrants (BSA)**

The table hereinafter presents the statement for share warrants (BSA) issued since the inception of the Company, allocated to **natural persons (scientific founder, Director)** and not yet exercised at 30 June 2019, as well as complementary details regarding their status at this date.

BSA	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BSA-B GM of 30/01/08	71,890	-	71,890	0	0	-	30/01/18
BSA-2008 GM of 27/06/08	20,540	-	20,540	0	0	-	27/06/18
BSA-2009 GM of 05/05/09	330,000	330,000	-	0	0	-	05/05/19
BSA-2010-3 GM of 27/01/10	22,500	15,000	-	7,500	7,500	-	22/03/20
BSA-2012-1 GM of 24/09/10	61,620	61,620	-	0	0	-	16/02/22

BSA-2013-1 GM of 13/05/13	10,100	-	-	10,100	10,100	-	04/07/23
BSA-2015-1;-2 GM of 06/05/15	40,000	40,000	-	0	0	-	22/09/25
BSA-2016-1 GM of 06/05/15	25,000	25,000	-	0	0	-	22/03/26
BSA-2017-2 to -6 GM of 10/05/16	98,625	39,450	-	59,175	59,175	-	31/01/27
BSA-2017-8 GM of 16/05/17	19,725	-	-	19,725	19,725	-	04/07/27
BSA-BIOTICS-8;-11 GM of 05/01/17	15,019	-	-	15,019	15,019	-	31/07/19
TOTAL BSA	**715,019**	**511,070**	**92,430**	**111,519**	**111,519**	**0**	

The Board of Directors noted the lapse of the following warrants at its meeting on 26 March 2019:

- 20,000 BSA-2015-1;
- 19,725 BSA-2017-6.

During the meeting of 26 June 2019, the Company's Board of Directors noted the lapse of 330,000 BSA-2009.

Further information about the share warrants (BSA) issued by the Company is detailed under section 12.1.3 and in Note 15 of the report hereof.

- **Stock options (BSPCE)**

The table hereinafter presents the statement for stock options (BCE) issued since the inception of the Company, allocated to **natural persons (Director, staff)** and not yet exercised at 30 June 2019, as well as complementary details regarding their status at this date.

BSPCE	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BCE 2008 GM of 30/01/08	61,630	-	61,630	0	0	-	30/01/18
BCE 2009-1 GM of 05/05/09	68,000	32,832	35,168	0	0	-	10 years after allotment
BCE 2009-2 GM of 05/05/09	25,370	-	25,370	0	0	-	05/05/19
BCE-2010-1 GM of 27/01/10	37,320	32,730	2,820	1,770	1,770	-	22/03/20
BCE-2010-2 GM of 24/09/10	43,500	33,104	3,896	6,500	6,500	-	02/12/20
BCE-2011-1 GM of 24/09/10	22,400	22,400	-	0	0	-	28/06/21
BCE-2012-1 * GM of 03/05/12	25,000	25,000	-	0	0	-	03/07/22
BCE-2013-1 * GM of 03/05/12	152,780	152,780	-	0	0	-	07/01/23

BCE-2013-2 *	60,000	60,000	-	0	0	-	11/07/23
GM of 13/05/13							
BCE-2015-1	152,780	-	-	152,780	152,780	-	02/02/25
GM of 06/05/14							
BCE-2015-2	25,000	-	-	25,000	25,000	-	02/02/25
GM of 06/05/14							
BCE-2015-3	60,000	60,000	-	0	0	-	02/02/25
GM of 06/05/14							
BCE-2015-4	10,000	-	-	10,000	10,000	-	02/02/25
GM of 06/05/14							
BCE-2015-5	50,000	-	-	50,000	50,000	-	10/11/25
GM of 06/05/15							
BCE-2017-1 to -17	631,202	29,588	-	601,614	601,614	-	31/01/27
GM of 10/05/16							
BCE-2017-18 to -20	116,916	-	-	116,916	116,916	-	04/07/27
GM of 16/05/17							
BCE-2018-1	75,000	-	-	75,000	75,000	-	01/02/28
GM of 04/12/17							
BCE-2018-2;-3	14,794	7,397	-	7,397	7,397	-	27/04/28
GM of 04/12/17							
BCE-2018-4	5,000	-	-	5,000	5,000	-	23/12/25
BoD of 25/09/18							
TOTAL BSPCE	**1,636,692**	**455,831**	**128,884**	**1 051,977**	**1,051,977**	**0**	

(*) Lapse acknowledged by the Board of Directors of 2 February 2015.

At its meeting on February 6, 2019 the Board of Directors noted the expiration of 7,397 BCE-2017-11, which were effective until 12 December 2018 and therefore were not recorded as having lapsed at the previous meeting of the Board (held 4 December 2018).

During the meeting of 26 June 2019, the Board of Directors acknowledged the lapse of 6.500 BCE-2010-2.

Further information about the stock options (BCE) issued by the Company is detailed under section 12.1.3 and in Note 15 of the report hereof.

- **Stock Allotment Warrants (BAA)**

The table hereinafter presents the statement for stock allotment warrants issued an allocated **to natural persons (Director, staff)** and not yet exercised at 30 June 2019.

Stock Allotment Warrants	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BIOVERTIS stock allotment warrants	630,712	-	-	630,712	630,712	-	23/05/33
GM of 23/05/18							
TOTAL STOCK ALLOTMENT WARRANTS	**630,712**	**0**	**-**	**630,712**	**630,712**	**-**	

Further information about the stock allotment warrants (BAA) issued by the Company is detailed under section 12.1.3 and in Section 2.2.1 of the report hereof.

6.5 Remuneration of Directors and Executives (natural persons)

6.5.1 Remuneration of Directors (excluding the allocation of capital instruments and attendance fees)

(in thousands of euros)	1st semester 2019	1st semester 2018
Remuneration of Directors (gross amounts)	162	261

6.5.2 Attendance fees

(in thousands of euros)	1st semester 2019	1st semester 2018
Attendance fees (beneficiaries: members of the Board of Directors)	47	37

NOTE 7 | INTANGIBLE AND TANGIBLE ASSETS

7.1 Goodwill

Principles, rules, and methods applied as regards goodwill are detailed under Note 4.3 of the report hereof.

(in thousands of euros)	Acquisition date	Useful life	Gross values 30/06/19	Accum. Deprec. 30/06/19	Net values 30/06/19	Net values 31/12/18
DEINOBIOTICS	05/01/17	10 years	3,813	948	2,865	3,056
BIOVERTIS	23/05/18	10 years	1,300	144	1,156	1,221
TOTAL POSITIVE GOODWILL			**5,114**	**1,092**	**4,021**	**4,277**
			-	-	-	-
TOTAL NEGATIVE GOODWILL			**0**	**0**	**0**	**0**

7.2 Intangible assets

Intangible assets are assessed based on their pre-tax acquisition cost which is comprised of the purchase price and incidental expenses but excluding acquisition-related costs.

Depreciation is calculated using the straight-line method.

Intangible assets mainly comprise operating/consortium agreements amortized over a 5-year period, licenses and patents (20-year period), and software. For the latter, the Company changed the method it uses on 1st January 2017: software acquired since this date is now amortized on its useful life, whereas before, a standard 12-month period was used.

GROSS VALUES *(in thousands of euros)*	Gross values at 31/12/18	Acquisitions	Disposals / Transfers	Transfers / Flows	Gross values at 30/06/19
Set-up fees	-	-	-	-	0
Research costs	-	-	-	-	0
Concessions, patents, and licenses	698	-	84	-	614
Software	462	45	-	63	570
Lease rights	-	-	-	-	0
Intangible assets in progress	63	-	-	-63	0
Advances and prepayments on intangible assets	-	-	-	-	0
TOTAL INTANGIBLE ASSETS	**1,222**	**45**	**84**	**0**	**1,184**

DEPRECIATION *(in thousands of euros)*	Deprec at 31/12/18	Allocations	Write-backs	Deprec at 30/06/19
Set-up fees	-	-	-	0
Research costs	-	-	-	0
Concessions, patents, and licenses	608	63	84	587
Software	398	28	-	426
Lease rights	-	-	-	0
TOTAL INTANGIBLE ASSETS	**1,007**	**90**	**84**	**1,014**

7.3 Tangible assets

Tangible assets are assessed on their acquisition cost or on their production cost per undertaking, given the expenses required to make these assets available, and after deducting trade rebates, discounts and cash discounts granted.

Since 1st January 2009, small laboratory equipment with a low unit value is deemed a fixed asset whenever the importance of the investments for the first equipment, for this type of material, recorded on a financial year, justifies this. Expenditure for subsequent renewals are recorded directly under expenses.

Depreciation is calculated using the straight-line method, based on the following periods:

Assets	Period	Method
Equipment and tooling	3 to 5 years	Straight-line
Small laboratory equipment	3 years	Straight-line
Office equipment and computer hardware, small furniture	3 years	Straight-line
General facilities, fixtures and various amenities	10 years	Straight-line
Furniture	10 years	Straight-line

Details of tangible assets at the end of the 1st semester 2019

GROSS VALUES *(in thousands of euros)*	Gross values at 31/12/18	Acquisitions	Disposals / Transfers	Transfers / Flows	Gross values at 30/06/19
Land	-	-	-	-	0
Constructions	-	-	-	-	0
Tech. facilities , ind. equipment & tooling	6,119	111	39	-	6,191
Other tangible assets	629	23	1	-	651
Tangible assets in progress	-	2	-	-	2
Advances and prepayments on tangible assets	-	-	-	-	0
TOTAL TANGIBLE ASSETS	**6,748**	**136**	**40**	**0**	**6,844**

DEPRECIATION *(in thousands of euros)*	Deprec at 31/12/18	Allocations	Write-backs	Deprec at 30/06/19
Land	-	-	-	0
Constructions	-	-	-	0
Tech. facilities , ind. equipment & tooling	4,184	525	39	4,670
Other tangible assets	230	38	1	266
Tangible assets in progress	-	-	-	0
Advances and prepayments on tangible assets	-	-	-	0
TOTAL TANGIBLE ASSETS	**4,414**	**563**	**40**	**4,937**

The share of assets financed through leasing is detailed hereinafter:

(in thousands of euros)	Gross values at 30/06/19	Cumul. deprec. at 30/06/19	Net values at 30/06/19
Land	-	-	0
Constructions	-	-	0
Tech. facilities , ind. equipment & tooling	1,599	1,270	329
Other tangible assets	-	-	0
Total assets financed through leasing	**1,599**	**1,270**	**329**

The figures in the table above are only related to two five-year leasing agreements, concluded during Q4 2015 for financing the acquisition of scientific equipment, i.e. high-throughput screening platform and a set of fermentation tanks.

NOTE 8 | OTHER PROVISIONS AND CONTINGENT LIABILITIES

8.1 Other provisions

Pursuant to CRC Regulation 2000-06 on liabilities, provisions recorded at accounting period end are intended to cover the risks and expenditure which may occur as a result of past or current events, which are clearly defined but whose outcome, timing and/or amount remain uncertain.

8.1.1 Pension liabilities

The amounts of future payments that correspond to benefits granted to employees are assessed based on actuarial method, where assumptions related to trends in salaries, retirement age and mortality are taken into account, then these assessment are written down to their current value.

Group employees receive retirement benefit under the term of the collective agreement applicable.

Based on an actuarial assessment, the amount of this commitment totalled €220K at 30/06/19.

The actuarial method applied for this assessment is the "pro rata temporis retrospective method".

Economic assumptions:

- Discount rate: 0.77%
- Salary growth rate: 2.00%
- Employer social contribution rate:
    - Executives: 49%;
    - Employees, Technicians, and Supervisors: 45%

Demographic assumptions:

- Mortality tables: INSEE 2010-2012 regulatory table
- Type of retirement: at the employee's initiative
- Retirement age: 67 years old

Actuarial gains / losses are amortized under future expenses over the employees' estimated average remaining working life.

8.1.2 Details of provisions for risks and charges

(in thousands of euros)	30/06/19	31/12/18
Provision for taxes	39	39
Provision for retirement benefits	220	173
Provision for investment in associates	-	-
Provision for other risks & expenditure	-	-
Total Provisions for Risks & Charges	**259**	**213**

(in thousands of euros)	Provision 31/12/18	integration	Allocations	Write-backs	Provision 30/06/19
Provision for taxes	39	-	-	-	39
Provision for retirement benefits	173	-	47	-	220
Provision for investment in associates	-	-	-	-	-
Provision for other risks & expenditure	-	-	-	-	-
Total Provisions for Risks & Charges	**213**	**0**	**47**	**-**	**259**
Operating profit/loss	-	-	47	-	
Financial profit/loss	-	-	-	-	
profit/loss from non-recurring items	-	-	-	-	

A total of €39K exists under Balance Sheet Liabilities for Provisions for Risks and Charges. This comes from a provision related to a technical point of a tax and payroll nature.

8.2 Contingent liabilities

Contingent liabilities relating to business agreements

Research Partnership Agreements with Insatransfert-SAIC:

On 18 February 2010, DEINOVE concluded a Partnership Agreement with the INSA to execute a collaborative research programme with the Laboratoire d'Ingénierie des Systèmes Biologiques et des Procédés (Biological Systems and Processes Engineering Laboratory) (LISBP - Toulouse) to study the conditions for growth and the fermentation profile of *Deinococcus*, within the framework of the DEINOL project. An Operating Agreement on the findings of this programme was concluded on 3 March 2010 between the INSA and DEINOVE, in which the INSA grants DEINOVE an exclusive worldwide license for the commercial use of the findings from the collaborative research programme. In return, the INSA will receive royalties based on DEINOVE's future revenue when it commercializes the findings concerned.

Research Partnership Agreements with the CNRS and Montpellier 1 University:

On 15 February 2010, DEINOVE concluded an Operating Agreement with the CNRS and Montpellier 1 University (UM1) on the findings of the cooperative laboratory established with these research bodies from 1st May 2008 to 30 April 2010, and in particular on the knowledge that was the subject of five patent applications held jointly by the three partners. The CNRS and the UM1 granted an exclusive worldwide license for the use of these findings, for commercial purposes, in the fields of cooperation, for a fee in the form of a one-time payment and royalties based on DEINOVE's future revenue.

On 15 July 2010, DEINOVE, the CNRS and Montpellier 1 University concluded a Partnership Agreement to undertake joint work as part of the DEINOL project. This 36-month partnership agreement, beginning on 28 February 2010, was a continuation of the cooperative laboratory, following the regrouping of DEINOVE staff at its Cap Alpha research facilities on 15 July 2010. The operating terms and conditions of the Agreement concluded on 15 February 2010 also apply to this partnership.

Partnership Agreement with Avril:

On 22 September 2014, DEINOVE announced the conclusion of a 3-year partnership agreement with Sofiprotéol (now known as AVRIL) focusing on the development of a process for producing natural additives for animal feed.

On 19 May 2015, the two partners announced that they had successfully completed the 1st milestone of the project, consisting in selecting 20 bacterial strains from the DEINOVE strain bank for producing compounds of interest for animal feed. The 2nd milestone, to characterize and test these compounds to assess their commercial potential, was successfully completed in April 2017.

The 3rd milestone of the project, which has been underway since early 2017, consists in the final strain choice, and in testing the various production options with a view to industrializing a range of feed ingredients for livestock.

In June 2019, the partners confirmed the efficacy of the ingredient at a competitive dosage and that the regulatory and industrial stages are underway for marketing purposes.

The other contingent liabilities are detailed under Note 9.2 of the report hereof.

NOTE 9 | FINANCING AND FINANCIAL INSTRUMENTS

9.1 Financial assets

9.1.1 Equity interests and related receivables

The gross value of the securities corresponds to the amounts paid for the equity interests in companies excluded from the scope of consolidation due to the fact that the Group has no control over the companies.

When the inventory value is less than the gross value, a provision for depreciation is created to cover the difference.

Inventory values at each financial year ending are determined independently for each line of securities. Except in exceptional circumstances, they are deemed at least equal to the book equity share that corresponds to the equity held. Whenever this share is less than the gross value, an estimation of the equity interest value is determined by taking the equity potential for development into account, by applying assessment methods which are founded, in particular, on cashflow forecasts using the estimated weighted average cost of equity for the activity in question.

GROSS VALUES *(in thousands of euros)*	Gross values at 31/12/18	Acquisitions	Disposals / Transfers	Gross values at 30/06/19
Equity interests	-	-	-	0
Other equity interests	-	-	-	0
Deposits and sureties	96	-	-	96
TOTAL	**96**	**0**	**0**	**96**

IMPAIRMENT *(in thousands of euros)*	Gross values at 30/06/19	Provisions at 30/06/19	Net values at 30/06/19
Equity interests	-	-	0
Other equity interests	-	-	0
Deposits and sureties	96	-	96
TOTAL	**96**	**0**	**96**

No movement in provision was recorded before or during the financial period.

9.1.2 Other financial assets

Other financial assets included Assets at 30 June 2019 comprised deposits and sureties totalling €96K, almost entirely related to the Cap Sigma (Grabels) premises.

9.1.3 Cash & cash equivalents

Cash on hand corresponds to liquidity.

The Group invests a percentage of its liquidity in open-ended investment schemes (SICAVs) or in term accounts. These investments do not pose any significant risk of impairment loss and are realizable in the short-term, which justifies the fact that they are recorded as cash equivalents.

(in thousands of euros)	30/06/19	31/12/18
TAs (Term accounts)	-	1,301
Cash instruments	-	-
Cash on hand - current accounts	1,928	2,601
Cash on hand - cash	-	-
CASH & CASH EQUIVALENTS	**1,928**	**3,902**

At 30/06/19, the Group did not hold any term account, which through its maturity date could be recorded under Cash Instrument.

9.2 Financial liabilities

Bank overdrafts are recorded under Loans and financial liabilities within one year.

Loans are assessed at their nominal value. Loan issue costs are immediately recorded under expenses. Accrued interest is recorded under Liabilities, at the interest rate provided for in the agreement.

The share of advances received from public bodies for the financing of research activities, regardless if their repayment is conditional or not, is recorded under Liabilities under the heading “Borrowings and financial liabilities”.

Details of financial liabilities

(in thousands of euros)	30/06/19	31/12/18
Conditional advances	12,154	11,025
Non-conditional advances	590	652
Financial liabilities from financial lease agreements	240	343
Bank overdrafts	-	-
TOTAL	**12,984**	**12,020**

The Group’s Financial liability maturities at 30/06/19 are as follows:

(in thousands of euros)	Within 1 year	Between 1 to 5 years	Over 5 years
Conditional advances	-	-	12,154
Non-conditional advances	259	331	-
Financial liabilities from financial lease agreements	174	66	-
Bank overdrafts	-	-	-
TOTAL	**432**	**398**	**12,154**

It should be noted that the acquisition on 23/05/18 of the companies BIOVERTIS and MORPHOCHEM had no impact on the Group's debt levels.

9.2.1 Repayable advances

The share of advances received from public bodies for the financing of the Company's research activities, the repayment of which is conditional, is shown in Liabilities under “Conditional advances” in the Other Shareholders’ Equity heading.

The portion of said advances that is repayable with no conditions is included under the “Loans and Financial liabilities - Other” balance-sheet heading.

Project - Source of financing *(in thousands of euros)*	Balance 31/12/18	Movement during the 1st semester 2019				Balance 30/06/19
		First-time consolidation	New advances received	Repayments or transfers	write-off of debt	
DEINOL - Oséo ISI Programme	4,265	-	-	-	-	4,265
DEINOCHEM - ADEME / Investments for the Future	4,830	-	-	-	-	4,830
DEINOBIOTICS - Oséo, L-R Region & FEDER	152	-	-	25	-	127
Innovation Aid - Lille Europ. Metropol. Community	110	-	-	8	-	102
Innovation Aid - Nord Pas-de-Calais Region	117	-	-	9	-	108
Innovation Aid - Minist. Eco., Indus. and Digital	273	-	-	20	-	253
AGIR - Bpifrance & PSPC	1,929	-	1,130	-	-	3,059
REPAYABLE ADVANCES (NET)	**11,677**	**0**	**1,130**	**63**	**0**	**12,744**
Of which: minimum repayable	*652*					*590*

- ***DEINOL – Oséo Project / ISI Programme***

The Oséo Innovation - ISI Programme provided the Company with financing for the DEINOL project consisting of repayable advances, for an amount of €4M, and grants for €2M. The payments were initially spread over 50 months from 2010 to 2014. Financing was made available as the project progressed and Oséo was provided with reports on the completion of each of the four key stages.

In return for this aid, the Company made a commitment to pay Bpifrance (formerly Oséo Innovation) a percentage of its annual revenue derived from the commercialization of the processes and technologies developed in the framework of this project, from January 2017 and for a maximum of 9 years. The total repayments, which are capped at a certain amount, could exceed the amount of the advances received.

On 3 June 2014, the Company announced that it had concluded a partnership agreement (for a maximum period of 36 months) with the Abengoa group, one of the world's leading bioethanol producers, with which it pursued the DEINOL project, focusing on the production of 2nd generation ethanol, with the reaffirmed support of Bpifrance. For reasons of industrial strategy, Tereos - an initial industrial partner of the consortium, for its part, renounced the idea of becoming more involved in the DEINOL project. As a result the Company welcomed Abengoa as the new industrial partner for the DEINOL project, in agreement with Tereos and Bpifrance. This change in partner required the adjustment of certain terms of the subsidy agreement, namely the definition of the last two key milestones, the timetable for the payment of the related grant and repayable advance amounts, and the potential financial return for Bpifrance in the event of success, which were recorded via amendments to the Framework and Beneficiary agreements signed on 9 January 2015.

According to the terms of the amendment to the framework agreement, the payment timetable and the amounts of the grants and repayable advances were amended as follows (the amounts for 2010, 2011, and 2012 represent the actual amounts already paid to the Company by Bpifrance):

(in thousands of euros)	2010	2011	2012	2015	2016	Total
Grants	498	632	383	236	309	2,058
Repayable advances	903	947	769	1,006	640	4,265
TOTAL	**1,401**	**1,579**	**1,152**	**1,242**	**948**	**6,323**

In 2015, following Bpifrance's validation of the fulfilment of the third key milestone, the payment of the sum of €1,242K was triggered: repayable advance portion of €1,006K and grant portion of €236K.

In September 2016, the Company submitted to Bpifrance a summary statement of the expenses as of 30/06/16 and an end-of-programme completion report. The validation of these elements triggered Bpifrance's payment in October 2016 of the balance of the financing, i.e. €948K: €640K in repayable advances, and €309K in grants.

- ***DEINOCHEM – ADEME / Future Investment Programme***

In November 2013, the ADEME informed the Company that it had been granted €5,919K financing for the DEINOCHEM programme, to implement a research demonstrator, at the end of a 42-month period, to develop the production of at least two isoprenoid compounds from a model substrate. This subsidy, which was exclusively provided in the form of repayable advances, forms part of the Investments for the Future Programme managed by the French General Commission for Investment. The 1st payment tranche amounting to €1,480K was paid in April 2014, while the following payments were to be released as the project progressed, and as reports regarding the completion of each of the three defined key milestones were forwarded to ADEME. In that context:

- The Company forwarded a statement summarising the expenditure approved at 31 October 2014 and relating to key milestone 1, which was achieved two months in advance of the estimated timetable, to ADEME in December 2014. Following the recording of the successful completion of this key milestone, the Company received €991K in the form of a repayable advance in February 2015;
- In April 2016, the Company submitted to ADEME a summary statement of expenditures related to milestone 2 for the period from 1 November 2014 to 31 December 2015. Following the recorded success of this key milestone, the Company received an amount of €1,477K in the form of a repayable advance in June 2016;
- The Company submitted a statement to ADEME summarising the expenditure covering the period between 1 January and 30 September 2016, and relating to key milestone 3 in October 2016. Once the success of this key milestone had been recorded, the Company received an amount of €787K in the form of a repayable advance in December 2016;
- In October 2017, the Company submitted to ADEME a summary of the expenditures as of 30 September 2017, and an end-of-programme report, following the completion of milestone 4. The validation of this information triggered the payment of the balance of the aid by Bpifrance, i.e. €95K in the form of a repayable advance, in February 2018.

- ***DEINOBIOTICS – Oséo***

In September 2010, Oséo Innovation notified the Company that it had been granted €700K in financing for the DEINOBIOTICS collaborative project, relating to "the identification and production of new antibiotics and antifungal compounds for hospital-resistant infections". This financing was made up half of grants and half of repayable advances. The 1st payment to the Company, which amounted to €210K, was made in November 2010. As part of the transaction involving the contribution in kind of intangible assets carried out by the Company for the benefit of DEINOBIOTICS, this Oséo subsidy was transferred to the latter as from 5 October 2012. DEINOBIOTICS has therefore taken over the repayment obligations of this financing. Since this transfer, DEINOBIOTICS has signed an amendment with the Bpifrance (formerly Oséo) funding body, the aim of which is to alter the repayment schedules and terms for the repayable advances. In total, the Group received €332K in grants and €332K in repayable advances. Between 2015 and 1 November 2018 - the date of the Universal Transfer of all Assets and Liabilities of DEINOBIOTICS in favour of DEINOVE and the removal of DEINOBIOTICS from the Trade and Companies Register - DEINOBIOTICS carried out partial refunds (almost exclusively on the nonconditional portion of the advances, reimbursed in full) for an amount of €155K. DEINOVE, which is now responsible for repayments, made two payments in December 2018, and two payments in April 2019, for a total amount of €50K. The amount of the unconditional repayable advance shown under Liabilities on the Company's balance sheet was €127K at 30/06/19.

- ***DEINOBIOTICS – Other innovation financings***

At the beginning of June 2015, DEINOBIOTICS and Bpifrance Financement concluded three innovation financing agreements for a total of €500K; the resources are provided by the French Ministry for the Economy, Industry and the Digital Sector on the one hand, and from the Innovation Regional Fund (Nord Pas-de-Calais region and the MEL - Lille European Metropolitan Community) on the other. These contracts provide for the repayment of the principal amount by quarterly instalments from the end of December 2018 to the end of September 2022 (direct debit the month after). The particular terms of the contracts justify treating them as non-conditional advances, it being further specified that the beneficiary will not have to pay any interest on these advances. Since 1st November 2018 (date of completion of the total transfer of assets from DEINOBIOTICS to DEINOVE and removal of DEINOBIOTICS from the Trade and Companies Register), the responsability for repayments is borne by DEINOVE. As such, it made six payments in 2019, for a total amount of €38K.

- ***AGIR - Bpifrance / PSPC***

The AGIR project [Antibiotics against Resistant Infectious Germs], supported by the DEINOVE Group and the Charles Viollette Institute, was selected by the Investments for the Future Programme, steered by the CGI – French General Commission for Industry and implemented by Bpifrance, under the "R&D Projects Strengthening Competitiveness" (PSPC) call for projects.

This aid consisted of repayable advances amounting to €7.7M, and of grants amounting to €2.7M where the DEINOVE Group was concerned; the payments are spread over 60 months between 2018 and 2023. The subsidies will be released as the project progresses, and as the reports regarding the completion of each of the five key milestones are forwarded to Bpifrance.

The completion of each key milestone, and the fulfilment of the related conditions grant an entitlement to the payment of the following instalments, according to the terms of the funding agreement:

(in thousands of euros)	2018	2019	2020	2021	2022	2023	Total
Grants	678	730	901	-	-	409	2,718
Repayable advances	1,929	1,970	1,870	792	-	1,158	7,719
TOTAL	**2,607**	**2,700**	**2,771**	**792**	**0**	**1,567**	**10,437**

The Company received the amounts provided for the 1st payment, i.e. €2,607K, in February 2018.

As part of the Universal Transfer of all Assets and Liabilities carried out by DEINOBIOTICS for the benefit of DEINOVE, the amendments to the aid contracts with Bpifrance were signed in February 2019 to formalise the change of leader and beneficiary.

In December 2018, the Company submitted to Bpifrance a summary statement of expenditures related to milestone 1 for the period from 5 May 2017 to 31 October 2018. Following the attainment of this milestone, the Company received a payment of €1,527K in March 2019 (grant portion: €397K, recoverable advance portion: €1,130K).

9.2.2 Leasing agreements

During Q4 2015, the Company concluded two leasing agreements for scientific equipment with Sogelease (Société Générale Group). These agreements, initially concluded for a 3-year term, were renegotiated at the beginning of 2017. This led to the recording of leasing term modification, from 36 to 60 months, through a rider. At 30/06/19, financial liabilities for these agreements, totalling €240K, were recorded in the Group's consolidated financial statements.

9.3 Financial revenue and expenses

(in thousands of euros)	30/06/19	30/06/18
Revenue from TAs	1	8
Exchange gains	1	0
Income from sales - liquidity agreement	1	28
Other revenue	-	-
Write-backs on provisions and financial depreciation	-	-
TOTAL FINANCIAL REVENUE	**3**	**36**
Allocation to provisions & financial depreciation	-	-
Financial costs and interests	2	19
Exchange losses	2	2
Loss from sales liquidity agreement	13	9
Other financial costs	-	-
TOTAL FINANCIAL EXPENSES	**17**	**30**
FINANCIAL PROFIT/LOSS	**-14**	**6**

Financial profit/loss for the period, totalling a net amount of -€14K, comprised:

- the profit/loss on transactions that DEINOVE performs on its own securities as part of the liquidity agreement: -€12K;
- interest charges on leasing-related borrowing: -€2K;
- net gains and losses from foreign exchange transactions: -€1K;
- financial revenue from term accounts investments (Société Générale): +€1K.

9.4 Risk management policy

The Group's risk management policy and, in particular, operating risk, is explained in detail in the 2018 annual financial report, which is available on the Company's website. Details are also given under section 2.3 of the report hereof.

NOTE 10 | TAX ON PROFIT OR EARNINGS

10.1 Tax on profit and deferred taxation

Deferred tax is calculated and taken into account for each taxable entity, for temporary differences between the book value of the assets and liabilities recorded and their corresponding tax base as well as on tax losses pursuant to the variable carry-forward method.

Deferred tax assets and liabilities are valued based on the expected tax rates for the period during which the asset will be realized and the liability settled, at the tax rate, either in force or coming into force at closing date for the period (25% in France at 30 June 2019). Assets and liabilities are offset by tax entity.

Deferred tax assets are only recorded when it is probable that the Group will record future taxable profits on which unused tax losses may be offset.

Tax assets are not recorded for companies which recorded tax losses over the last financial periods. The likelihood of recovery was estimated as insufficient.

Tax payable / tax income on profit/earnings is analysed as follows:

(in thousands of euros)	**30/06/19**	**30/06/18**
Tax on profit	-1,140	-661
Deferred tax	-	-
TOTAL TAX CHARGE	**-1,140**	**-661**

The Group's tax on profit/earnings amount differs from the theoretical amount which takes into account the tax rate valued at the tax rate applicable in France as a result of the following:

(in thousands of euros)	**30/06/19**	**30/06/18**
Consolidated net profit/loss (before goodwill amortization and EMA)	-5,103	-3,530
Tax recorded	1,140	661
Consolidated profit/loss before tax and goodwill amortization	-6,244	-4,192
Tax rate	*25,00%*	*28,00%*
Theoretical tax income	**1,561**	**1,174**
Tax losses carried forward not activated	-1,583	-1,327
Use of losses not activated	-	-
R&D Tax Credit	1,139	661
Permanent differences including Tax Credit for Compet. and Employment (CICE)	22	154
Others	-	-
REAL TAX INCOME	**1,139**	**661**

At 30/06/19, the amount of loss carry-forwards available and not recorded for each entity breaks down as follows:

- DEINOVE: base of -€6.116K;
- MORPHOCHEM: base of -€214K.

For French entities, these loss carry-forwards are not limited in time. Nevertheless, the French Finance Act of 2012 capped the profit attributable annually against previous carried-forward deficits at a lump sum of €1m, increased by 50% of the profit exceeding this lump sum. The unassigned fraction can be indefinitely carried-forward. As for the German entity MORPHOCHEM, the regulations are essentially the same, the loss carry-forward is also capped at a flat rate of €1M, but increased by 60% of the profit exceeding this limit.

As a result of losses recorded over the last financial periods, deferred tax related to loss carry-forwards were not recorded as their recoverability was not deemed sufficiently likely at the closing date for the period.

10.2 R&D Tax Credit

The Company benefits from the R&D Tax Credit and complies with the criteria for immediate restitution of the credit. The German subsidiary MORPHOCHEM does not benefit from this mechanism.

The amount of DEINOVE's R&D Tax Credit for the 1st semester of 2019 has been estimated at €1,141K

Amounts relating to 2018 R&D Tax Credit restitution stood at €1,994K (vs. €1,997K set as provision at 31/12/18). At the date of the report hereof, the French tax authorities had not transmitted any special information as regards the status of this request.

Finally, an application for the refund of the €2K minimum flat tax on the BIOVERTIS entity was recorded for the 2018 financial year.

Hence a net total of €1,140K in the Group's consolidated financial statements on 30/06/19.

NOTE 11 | UNUSUAL ITEMS FROM ORDINARY BUSINESS ACTIVITIES

The consolidated profit and loss account non-recurring revenue and expenses include non-recurring items from ordinary business activities, as well as extraordinary items.

The non-recurring items from ordinary business activities are items whose implementation is not related to the Company's day-to-day business, either because their amount or incident is unusual, or because they occur but rarely.

(in thousands of euros)	30/06/19	30/06/18
Non-recurring revenue on management activities	-	-
Income from disposal of asset items	10	-
Grants transferred to profit/loss	-	-
Write-back of non-recurring provisions	-	16
Waiver of receivables	-	209
Other income	1	49
TOTAL NON-RECURRING REVENUE	**12**	**274**
Non-recurring expenses on management activities	-	80
NBV from asset items disposed of	-	-
Allocation to non-recurring provisions	60	-
Other expenses	-	37
TOTAL NON-RECURRING EXPENSES	**60**	**117**
NON-RECURRING PROFIT/LOSS	**-49**	**157**

Net non-recurring income at 30 June 2019 primarily consists of:

- expenses from non-recurring items of €60K related to the early amortization following the disposal of an intangible asset;
- non-recurring income of €10K following the disposal of a tangible asset.

In the 1st semester of 2018, DEINOVE had mainly recorded:

- non-recurring income of €209K following the write-off of a receivable on the THANAPLAST™ Programme reported by Bpifrance;
- a non-recurring expense relating to the payment of an €80K grant to BIOVERTIS by DEINOVE prior to the acquisition of a controlling interest.

NOTE 12 | EQUITY AND EARNINGS PER SHARE

12.1 Equity

12.1.1 Share Capital Structure

	30/06/19	31/12/18
Capital	€6,619,880.40	€6,249,880.40
Number of shares	16,549,701	15,624,701
Nominal value	€0.40	€0.40

At 30 June 2019, the Company's share capital comprised 16,549,701 shares with a unit nominal value of 0.40 euro.

During the 1st semester 2019, the Board of Directors acknowledged the issue of 925,000 new shares through the exercise of share warrants under the 2nd Kepler Cheuvreux equity line.

12.1.2 Share Capital Breakdown

The Articles of Association grant the right to cast two votes for each fully subscribed share that has been registered for at least two years in the name of the same shareholder. The tables below indicate the percentage of capital and of voting rights held by the main shareholders.

Share capital comprises 16,549,701 shares with a nominal value of 0.40 euro at 30 June 2019, which are divided as follows:

Semester ended at 30 June 2019 - undiluted basis

Shareholders	Number of shares	*% held*	Voting rights	*%*
Truffle Capital-managed funds	1,385,637	*8.37%*	2,549,592	*14.03%*
TVM Capital-managed funds	1,155,617	*6.98%*	1,155,617	*6.36%*
Scientific founders	20,000	*0.12%*	40,000	*0.22%*
Management and Directors	73,140	*0.44%*	107,251	*0.59%*
Floating	13,915,307	*84.08%*	14,314,876	*78.79%*
TOTAL	**16,549,701**	***100.00%***	**18,167,336**	***100.00%***

Financial year ended at 31 December 2018 – undiluted basis

Shareholders	Number of shares	*% held*	Voting rights	*%*
Truffle Capital-managed funds	1,385,637	*8.87%*	1,833,952	*11.28%*
TVM Capital-managed funds	1,155,617	*7.40%*	1,155,617	*7.11%*
Scientific founders	20,000	*0.13%*	40,000	*0.25%*
Management and Directors	53,990	*0.35%*	88,101	*0.54%*
Floating	13,009,457	*83.26%*	13,145,233	*80.83%*
TOTAL	**15,624,701**	***100.00%***	**16,262,903**	***100.00%***

The change in total number of shares between 31 December 2018 and 30 June 2019 is detailed under Section 12.1.1 above.

12.1.3 Dilutive financial instruments

- **Equity funding line**

By decision of 8 November 2018, the Chief Executive Officer, making use of the powers delegated to him by the Board of Directors during the meeting held on 5 November 2018, in accordance with the delegation of authority conferred by the General Meeting of Shareholders on 23 May 2018, decided to issue 2,100,000 share warrants to Kepler Cheuvreux following the implementation of an equity funding line, in November 2018, in the amount of 12 million euros over 3 years[28].

During the 1st semester 2019, the following Kepler Cheuvreux warrant exercises were recognized:

- During its meeting of 6 February 2019, the Board of Directors, in accordance with the delegation of authority granted by the Combined General Meeting of 23 May 2018, acknowledged:

  - A 20,000 euros capital increase (83,500 euros issue premium included) through the issue of 50,000 shares, at a unit price of 1.67 euros, i.e. with a share issue premium of 1.27 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

  - A 20,000 euros capital increase (83,500 euros issue premium included) through the issue of 50,000 shares, at a unit price of 1.67 euros, i.e. with a share issue premium of 1.27 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

  - A 30,000 euros capital increase (116,250 euros issue premium included) through the issue of 75,000 shares, at a unit price of 1.55 euros, i.e. with a share issue premium of 1.15 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

  - A 20,000 euros capital increase (77,500 euros issue premium included) through the issue of 50,000 shares, at a unit price of 1.55 euros, i.e. with a share issue premium of 1.15 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018.

- During its meeting of 26 March 2019, the Board of Directors, in accordance with the delegation of authority granted by the Combined General Meeting of 23 May 2018, acknowledged:

  - A 40,000 euros capital increase (150,000 euros issue premium included) through the issue of 100,000 shares, at a unit price of 1.50 euros, i.e. with a share issue premium of 1.10 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018.

- During its meeting of 26 June 2019, the Board of Directors, in accordance with the delegation of authority granted by the Combined General Meeting of 23 May 2018, acknowledged:

[28] For further details, please refer to the press release dated 21 November 2018

- A 20,000 euros capital increase (64,500 euros issue premium included) through the issue of 50,000 shares, at a unit price of 1.29 euro, i.e. with a share issue premium of 0.89 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

- A 20,000 euros capital increase (60,000 euros issue premium included) through the issue of 50,000 shares, at a unit price of 1.20 euro, i.e. with a share issue premium of 0.80 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

- A 20,000 euros capital increase (60,000 euros issue premium included) through the issue of 50,000 shares, at a unit price of 1.20 euro, i.e. with a share issue premium of 0.80 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

- A 20,000 euros capital increase (60,000 euros issue premium included) through the issue of 50,000 shares, at a unit price of 1.20 euro, i.e. with a share issue premium of 0.80 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

- A 60,000 euros capital increase (180,000 euros issue premium included) through the issue of 150,000 shares, at a unit price of 1.20 euro, i.e. with a share issue premium of 0.80 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

- A 40,000 euros capital increase (120,000 euros issue premium included) through the issue of 100,000 shares, at a unit price of 1.20 euro, i.e. with a share issue premium of 0.80 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

- A 40,000 euros capital increase (120,000 euros issue premium included) through the issue of 100,000 shares, at a unit price of 1.20 euro, i.e. with a share issue premium of 0.80 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018;

- A 40,000 euros capital increase (120,000 euros issue premium included) through the issue of 100,000 shares, at a unit price of 1.20 euro, i.e. with a share issue premium of 0.80 euro per share, issued through the agreement concluded with Kepler Cheuvreux on 15 November 2018.

With regard to the capital increases acknowledged by the Board of Directors at the meeting held on 6 February 2019, it is specified that the first exercise occurred on 4 December 2018. As this warrant exercise could not be acknowledged during the last Board of Directors meeting of the financial year 2018, it was recorded at the first Board meeting of the following year.

The Company reserves the right not to issue all the share warrants necessary for the subscription of 12 million euros and or to set up other financing operations.

- **Stock warrants (BSA)**

Since its inception, the Group has issued share warrants, in favour of individuals and/or legal entities, with or without objective-related exercise conditions.

The Company did not issue any share warrants during the 1st semester of 2019, and no exercise of share warrants was recorded, except for the exercise of the share warrants by Kepler Cheuvreux as mentioned above, as part of the equity funding line.

The Board of Directors noted the lapse of the following options at its meeting on 26 Mars 2019:

- 20,000 "BSA-2015-1", issued and granted by the Board of Directors at its meeting on 22 September 2015, acting upon the powers delegated by the Combined General Meeting of 6 May 2015, as the beneficiary had ceased to perform all functions within the Company; and
- 19,725 "BSA-2017-6", issued and granted by the Board of Directors at its meeting on 31 January 2017, acting upon the powers delegated by the Combined General Meeting of 10 May 2016, as the beneficiary had ceased to perform all functions within the Company.

The Board of Directors noted the lapse of the following option plans at its meeting on 26 June 2019:

- 330,000 “BSA-2009”, issued and granted by collective decision of the shareholders on May 5, 2009 - since the exercise period of these share warrants has lapsed ; and
- 14,340 "BSA-2015-1", issued and granted under private deed and acknowledging the collective decisions unanimously adopted by DEINOBIOTICS' shareholders on 23 December 2015, whose acquisition by the Company was approved by the Board at its meeting held on 25 September 2018, as the beneficiary no longer acted as a consultant to the Company.

Meanwhile, the Group’s subsidiaries did not issue any share warrants during the 1st semester of 2019. Similarly, there has been no exercise or recognition of an expiration of warrants over this period.

- **Stock option (BSPCE)**

Since its inception, the Group has issued founder's warrants, in favour of individuals, with or without objective-related exercise conditions.

During the 1st semester of 2019, the Company did not issue any stock option and no stock option exercise was recorded.

At its meeting of 6 February 2019, the Board of Directors noted the lapse of 7,397 "BCE-2017-11" warrants, issued and allotted by the Board of Directors on 31 January 2017, as per the delegation of the Combined General Meeting of 10 May 2016, the beneficiary is no longer an employee of the Company

At its meeting on June 26, 2019, the Board of Directors took note of the lapse of 6 500 “BCE-2010-2”, issued and granted by the Board of Directors at its meeting on December 2, 2010, in accordance with the delegation of authority of the Combined General Meeting of 24 September 2010, the beneficiary being no longer an employee of the Company.

Meanwhile, the Group’s subsidiaries did not issue any stock options during the 1st semester of 2019. Similarly, there has been no exercise or recognition of an expiration of warrants over this period.

- **Share Allotment Warrants (BAA)**

The General Meeting of 23 May 2018 issued 8,000,000 BAAs, granting entitlement to the allocation of a maximum of 8,000,000 new ordinary shares of the Company for the benefit of the contributors of BIOVERTIS shares, options and preferential rights. These BAAs will be exercisable as long as various key milestones in the development of the drug candidate are reached as described below:

- 500,001 new shares at the beginning of the next clinical trial for the product (first patient);
- 2,300,000 new shares at the beginning of Phase IIb/III of the pivot trial for the Project or of Phase III (first patient);
- 2,300,003 new shares at the end of the positive stage Phase IIb/III of the pivot trial for the Project or of Phase III. For the sake of clarity, it is specified that “positive” means that all of the primary efficacy clinical parameters, together with at least one secondary efficacy parameter, and the safety goals relating to approval, have been met;
- 1,399,998 new shares at the time when the FDA accepts the regulatory filing for the first authorisation to bring the Project to market, at least in the United States of America, or in any other country, on an individual basis, or several other countries on a joint basis, which represent the same number of admissible patients, and therefore, the same commercial value as the United States of America;
- 1,499,998 new shares at the time of the first authorisation to bring the Project to market in the United States of America (New Drug Application) or in any other country, on an individual basis, or several other countries on a joint basis, which represent the same number of admissible patients, and therefore, the same commercial value as the United States of America.

During the 1st semester 2019, no warrants were exercised, and no lapse of warrants was recorded.

- **Share warrants and stock options – synthesis and potential dilution**

As at 30 June 2019, the share warrants (BSA), stock options (BSPCE) and stock allotment warrants (BAA) issued by the Company were divided as follows; the table hereinafter also presenting potential dilution, i.e. assuming all warrants/options are exercised:

Shareholders	BSA subscribed (1)	BCE subscribed (2)	BAA subscribed	Potential dilution (1)(2)
Truffle Capital-managed funds	305,624	-	-	305,624
TVM Capital-managed funds	-	-	6,514,394	6,514,394
Scientific founders	-	-	-	0
Management and Directors	99,500	497,967	-	596,117
Floating	1,271,980	554,010	1,485,606	3,309,346
TOTAL	**1,677,104**	**1,051,977**	**8,000,000**	**10,725,481**

The situation at 31 December 2018 was as follows:

Shareholders	BSA subscribed (1)	BCE subscribed (2)	BAA subscribed	Potential dilution (1)(2)
Truffle Capital-managed funds	305,624	-	-	305,624
TVM Capital-managed funds	-	-	6,514,394	6,514,394
Scientific founders	330,000	-	-	330,000
Management and Directors	139,225	497,967	-	635,842
Floating	2,228,222	560,510	1,485,606	4,259,182
TOTAL	**3,003,071**	**1,058,477**	**8,000,000**	**12,045,042**

(1) Of the 3,003,071 BSA subscribed, 31,680 DEINOBIOTICS BSA acquired by DEINOVE on 25 September 2018 have an exercise parity of 1 BSA for 0.55 DEINOVE share.
(2) Of the 1,058,477 BCE subscribed, 5,000 DEINOBIOTICS BCE acquired by DEINOVE on 25 September 2018 have an exercise parity of 1 BCE for 0.55 DEINOVE share.

12.1.4 Equity position

It should be noted that as the Company's financial statements for financial year ended on 31 December 2014 recorded equity which fell below one half of the registered capital, the General Meeting of Shareholders was consulted in order to reach a decision as to whether or not the business should continue, pursuant to Article L. 225-248 of the French Commercial Code.

At the General Meeting of 6 May 2015, the shareholders decided not to vote for the early dissolution of the Company. As at 31 December 2015; as Company equity was no longer below one-half of the registered capital, the General Meeting of 10 May 2016 acknowledged that Company equity had been reconstituted. As at 31 December 2018, Company equity remained above one half of the registered capital. This remains the case at 30 June 2019.

At the General Shareholders' Meeting of May 20, 2019, the shareholders approved the resolution proposing the settlement of cumulative losses (including that of the 2018 financial year) and the allocation of the new debtor balance of €42,519K to "Issue premiums" for €38,826K, and to "Contribution premiums" for €3,693K.

12.2 Profit/loss per share

Basic profit/loss per share is calculated by dividing the Group's net profit/loss by the weighted average number of shares outstanding over the period.

Diluted profit/loss per share is calculated by increasing the weighted average number of shares outstanding by the number of shares which would be generated by assuming the conversion of all shares with a potentially dilutive effect.

The Group issued 1,677,104 share warrants (BSAs), 1,051,977 stock options (BSPCEs) and 8.000.000 stock allotment warrants (BAAs) with a potentially dilutive effect.

Notwithstanding, as the Group's net profit/loss is negative, the diluted profit/loss per share is identical to the basic profit/loss per share.

	30/06/19	30/06/18
Group net profit/loss (in thousands of euros)	-5,359	-3,735
Average number of shares outstanding	15,987,270	12,111,005
Basic and diluted profit/loss per share (in euros)	**-0.34**	**-0.31**

12.3 Distribution of dividends

The Group has not paid any dividends since it was created.

NOTE 13 | OFF-BALANCE SHEET LIABILITIES

Minimum future liabilities related to lease agreements which were ongoing at 30 June 2019 and 2018 (excluding rents of capitalized leases) are as follows:

(in thousands of euros)	30/06/19	30/06/18
Within 1 year	401	371
From 1 to 5 years	867	93
Over 5 years	-	-
TOTAL	**1,267**	**463**

NOTE 14 | STATUTORY AUDITOR FEES

The amount of the fees paid to the Group's Statutory Auditors for the period between 1st January and 30 June 2019 shown in the income statement was €29K. A breakdown of that amount is provided in the following table:

(in thousands of euros)	Consolidated half-yearly & annual financial statements
Fees for certifying the financial statements	29
Fees for other services than the certification of the financial statements - *due diligence*	-
Fees for other services than the certification of the financial statements - *tax compliance*	-
TOTAL	**29**

NOTE 15 | EVENTS AFTER THE CLOSE

15.1 Legal events

On July 9, 2019, the Company entered into an agreement with the European Select Growth Opportunities Fund for the financing by issuance of notes convertible into new shares (the "OCA") representing a bond issue of a maximum nominal amount of 15 million euros, divided into several tranches with a nominal amount of at least 2 million euros for the first tranche of OCA and a nominal amount of 1 million euros for each subsequent tranche[29].

[29] For further details, please refer to the press release dated 9 July 2019

The issue of the first tranche, covering 2,200,000 euros, occurred simultaneously with the signing of the Contract.

15.2 Research project progress and financing

On 18 September 2019, DEINOVE communicated new data confirming the effectiveness of Hebelys®, the latter of which having recently been the subject of an article in the International Journal of Cosmetic Science of August 2019.

On 23 September 2019, the Company announced that it successfully integrated into its genetic engineering platform an advanced technology, the CRISPR-Cas9 system. This tool will help accelerate the discovery and optimization of innovative antibiotics.

15.3 Other events

On 2 July 2019, the Company disclosed the position of the liquidity contract with Kepler Cheuvreux at 30 June 2019, standing at 21,834 shares held, and 3,151.50 euros in the liquidity account.

In August 2019, the Company received €1,594K (net of fees) for the pre-financing of its receivable CIR 2018, set up with Société Générale Factoring.

4 | STATEMENT BY THE PERSON IN CHARGE OF THE INTERIM FINANCIAL REPORT 2019

I hereby certify, to the best of my knowledge, that the financial statements presented in this interim financial report for the semester just ended have been drawn up pursuant to the French accounting standards applicable and provide a faithful view of the assets, financial condition and profits/losses of the Company and the consolidated Group of companies. I also certify that the interim activity report (appearing on pages 4 to 16) gives, to the best of my knowledge, a faithful picture of the key events having occurred during the first six months of this financial year and of their incidence on the interim financial statements as well as a description of the main risks and uncertainties for the remaining six months of this financial year.

Emmanuel Petiot
Chief Executive Officer

Head of financial information

Julien Coste
Director of Finance & Administration
Tel. +33 4 48 19 01 00
Email: julien.coste@deinove.com