

## 2013 INTERIM FINANCIAL RESULTS

- **Significant progress made in the DEINOL programme with the launch of a series of trials in preindustrial fermenters (300L) in preparation and increased testing on commercial substrates.**
- **Acceleration of green chemistry programmes with increased staffing and the prospect of significant partnerships in the near term.**
- **Half-year net loss reduced by 8% (loss of 1.3 million Euros vs. a loss 1.4 million Euros in H1 2012).**
- **Sufficient cash resources to cover the Company's needs until Q3 2014, a significant improvement on guidance made earlier this year.**

**Paris, 19 September 2013** - DEINOVE (Alternext Paris: ALDEI), a cleantech company that designs, develops and markets the next generation of industrial processes based on the *Deinococcus* bacteria, today announced its interim results for 2013.

The net result for the first half of 2013 is a loss of 1.3 million Euros. In the absence of significant operating revenues, this result includes 2.6 million Euros in operating expenses, a positive financial result of 55 thousand Euros, non-recurring income of 68 thousand Euros, and an R&D tax credit of 1.2 million Euros. The increase in operating expenses (up 456 thousand Euros vs. H1 2012) is mainly due to the consolidation of R&D efforts regarding the DEINOL and DEINOCHEM programmes (including 4 new full time employees or FTE's).

The net financial position is +4.1 million Euros, compared to +6.5 million Euros at the end of 2012. This figure does not include the receipt of 0.9 million Euros relating to the 2012 R&D tax credit, paid on 4 July 2013 (see press release dated 15 July 2013). DEINOVE also filed an adjustment request of 658 thousand Euros with the relevant tax office relating to R&D tax credits due for 2010 and 2011. This amount is accrued in full in the accounts at 30 June 2013.

Excluding new financing and revenues from new partnerships, the Company believes that it currently has the means to finance programmes underway until at least the third quarter of 2014, which represents a significant improvement on guidance made earlier this year.

R&D activities focused on strengthening the metabolic engineering platform dedicated to the *Deinococcus* bacteria, of which the Company is the only one in the world to make use, as well as continuing its DEINOL (aiming to develop a breakthrough bioprocess for the production of 2<sup>nd</sup> generation cellulosic ethanol) and DEINOCHEM (for the production of bio-based chemical compounds) programmes.

Emmanuel PETIOT, CEO of DEINOVE stated: *"DEINOVE is currently on the verge of a major technological breakthrough in the field of metabolic engineering. Our exclusive bacterial fermentation process – which is now robust and compatible with an industrial environment – should pave the way for new industrial production systems that will contribute to an oil-free economy. By improving significantly the performance of our bacteria, we are entering into relationship with many industrial players worldwide.*

Today our cash resources are sufficient to cover our financing needs until the 3<sup>rd</sup> quarter of 2014, which reflects excellent cost and cash management at a time when we have significantly increased our research efforts.”

## Selected Financial Information

The interim Financial report is available on the Company website.

(In thousands of Euros)	6 month period ending 30 June	
	2013	2012
Total operating income	5	1
Total operating costs	2,626	2,170
o/w R&D costs	1,848	1,582
o/w G&A costs	778	588
<b>Operating profit / loss</b>	<b>-2,622</b>	<b>-2,169</b>
Financial result	55	298
<b>Current pre-tax profit / loss</b>	<b>-2,567</b>	<b>-1,871</b>
Non recurring items	68	-47
Income tax (R&D Tax Credit)	-1,208	-516
<b>Profit / loss for the year</b>	<b>-1,291</b>	<b>-1,402</b>

	to 30/06/2013	to 31/12/2012
<b>Net financial position</b>	<b>4,074</b>	<b>6,506</b>
o/w Financial investments <sup>1</sup>	3,876	5,106
o/w Term deposits (maturity <1 year)	0	524
o/w Cash instruments (maturity <3 months)	0	406
o/w Cash on hand	315	594
(o/w Financial debts)	-118	-125
<b>Total assets</b>	<b>8,371</b>	<b>9,323</b>
<b>Total shareholders' equity</b>	<b>6,960</b>	<b>8,217</b>
o/w Equity	4,081	5,337
o/w Conditional advances	2,880	2,880

<sup>1</sup> Excluding elements of the liquidity contract (cash and treasury shares) and deposits & guarantees.

## Financial results for the six-month period

The financial statements of DEINOVE SA as of 30 June 2013 primarily reflect the continued significant investment in R&D, representing 70% of operating costs (as opposed to 73% in H1 2012). This investment essentially consists of the continuation of the Company's flagship project, DEINOL, combined with an acceleration of work on the green chemistry project, DEINOCHEM. Resources were also applied to the collaborative programme, THANAPLAST™. These different factors explain the increase in R&D expenses of 266 thousand Euros (+17%), up from 1.582 million Euros in the first half of 2012 to 1.848 million Euros in 2013. This development is reflected in the increase in the number of

R&D staff between these two periods (+4 FTE) and the increase in external expenses (ancillary costs) directly related to the recruitment process. For information, in addition to the cost of personnel, equipment and the operation of the Cap Alpha laboratory (Montpellier), R&D expenses also include subcontracting, consultancy and scientific cooperation costs, as well as costs related to the protection of the Company's intellectual property.

The increase in operating costs therefore amounted to 456 thousand Euros, as the increase in general and administrative expenses amounted to 190 thousand Euros.

The significant decrease of 243 thousand Euros (-82%) in financial income is the result of substantial changes to each of the different component parts, namely:

- The absence of any write-back of provisions, which amounted to 137 thousand Euros in H1 2012. As of the 30 June 2013, no provision for the impairment of financial assets was included on the Company's balance sheet;
- The negative difference of 50 thousand Euros relates to gains on the disposal of DEINOVE shares, which amounted to 7 thousand Euros in the first half 2013 vs. 57 thousand Euros over the same period the previous year;
- The negative difference of 56 thousand Euros on interest earned on investments in bonds and term deposits, which amounted to 48 thousand Euros in the first half of 2013 vs. 104 thousand Euros over the same period in 2012.

The increase in non-recurring items, up 115 thousand Euros compared to 2012, is due to the following changes:

- The recognition in the first half of 2013 of non-recurring revenue of 68 thousand Euros, corresponding to the estimated gross value of used equipment donated to the Company. Non-recurring revenue for the first half of 2012 amounted to only one thousand Euros, hence the positive difference of 67 thousand Euros;
- The absence of non-recurring expenses in the first half of 2013. By comparison, over the same period last year, the Company made a provision of 48 thousand Euros to cover risks and expenses associated with the 2011 R&D tax credit. This explains the positive difference of 48 thousand Euros.

Finally, the net positive difference of 691 thousand Euros for the R&D tax credit between the first half of 2012 and the first half of 2013 is explained as follows:

- The R&D tax credit assessed for the first half of 2013 is slightly higher than that of the first half 2012: 568 thousand Euros vs. 516 thousand Euros, an increase of 51 thousand Euros;
- At the beginning of July 2012, DEINOVE submitted an application to the tax authorities to adjust the tax credits received for 2010 and 2011, for a total of 658 thousand Euros. This amount has been booked as accrued income in full in the financial statements as of the 30 June 2013, resulting in the positive difference of 658 thousand Euros;

- Finally, at the end of June 2013, DEINOVE received a notice from the tax authorities informing the Company of the final amount of the 2012 R&D tax credit (received in early July). As the amount (932 thousand Euros) is slightly below the amount accrued as of 31 December 2012 (951 thousand Euros), a provision has been made in the financial statements as of 30 June 2013 to reflect the negative difference of 18 thousand Euros.

The reduction of net losses by 111 thousand Euros is explained by the fact that the positive differences of 691 thousand Euros in the R&D tax credit and of 115 thousand Euros in non-recurring revenue (also including the 4 thousand Euros of operating revenues) exceed the negative differences of 456 thousand Euros in operating costs and of 243 thousand Euros in financial income.

## Financial position

At the end of the first half of 2013, the net financial position of the Company amounted to +4.074 million Euros (+6.506 million Euros at 31 December 2012), which is a measure of the resources available on that date to cover the needs of R&D projects. The difference is mainly due to the operational expenses incurred in the first six months of 2013, amounting to 2.447 million Euros (excluding amortization), and investment in laboratory equipment. It should be noted that, in the first half of 2013, the Company did not receive any grant or refundable advance.

On 4 July 2013, the Company received a payment of 932 thousand Euros related to the 2012 R&D tax credit. DEINOVE also filed an adjustment request of 658 thousand Euros relating to R&D tax credits due for 2010 and 2011. These new developments strengthen the Company's ability to secure funding for its ongoing research programmes until the third quarter 2014.

## Significant developments

During the six-month period, the research teams have continued their efforts along three different themes, in line with the Company's strategy:

- To continue the optimization and automation of the DEINOVE metabolic engineering and fermentation platform.
- To continue to improve the effectiveness and productivity of the bacteria chassis selected for the DEINOL project, on which DEINOVE will provide more information in the coming weeks.
- To accelerate research on chemical compounds of interest identified by potential industrial partners of the DEINOCHEM programme.

## Metabolic engineering platform dedicated to *Deinococcus* bacteria

During the six-month period, DEINOVE has made further progress in the command and automation of metabolic engineering methods for optimizing *Deinococcus* strains selected for various research programmes. These investments have significantly increased the efficiency of bacteria conversion, a key development that will address industrial productivity constraints.

To achieve this, over the six-month period, the Company hired 4 new employees to reinforce the teams in charge of biodiversity (managing 6,000 bacteria strains), genetic, metabolic and fermentation engineering, bioinformatics and biomass.

These additional resources will help to enhance the extraordinary industrial potential of the *Deinococcus* bacteria, namely:

- Exceptional intrinsic properties, both in terms of diversity and effectiveness.
- Extraordinary robustness, allowing them to work at high temperatures (45°C) and resist numerous inhibitors (harmful substances found in industrial plants which greatly reduce the effectiveness of other bacterial processes).
- The ability to change these strains on demand and in a highly stable manner using the tools of the DEINOVE metabolic engineering platform.

As a result of these advances, DEINOVE has increased the intensity of its discussions with blue chip biofuel and green chemistry industrials, and the Company anticipates that these discussions could materialize into partnership agreements in the near term.

#### [DEINOL programme for the production of 2<sup>nd</sup> generation biofuels](#)

The DEINOL research programme has made satisfactory advances. Significant progress was made in June and July 2013 with the removal of a number of critical bottlenecks hindering the transition to the industrial phase. The objective of a 6% to 8% title has not yet been formally validated due to final adjustments of the metabolic pathways involved, however the Company expects to be able to achieve this objective in the short term.

Consequently, and as planned, the Company has initiated preparatory stages for the installation of a 300L pre-industrial pilot with SANOFI, which will allow the validation of the results obtained. This pilot will be operational and should produce results by the end of 2013. The next stage will be an industrial scale pilot of several m<sup>3</sup>, which is already being prepared.

#### [The DEINOCHEM programme for the development of the DEINOVE bacterial fermentation process in the field of bio-based chemistry](#)

Due to its technological command of the selection and optimization processes of *Deinococcus* strains, DEINOVE is now in a position to accelerate the development of its bio-based production programmes for applications in the fields of chemistry, cosmetics, animal feed and advanced fuels.

The DEINOCHEM programme aims to produce a wide variety of bio-based chemicals, such as isoprenoids, carotenoids and some chemical intermediates – all markets with high added value in which industry players are actively seeking alternatives to oil-based production.

Numerous contacts with stakeholders in the chemical, feed and cosmetics sectors have been initiated since the beginning of the year and the Company is confident that it will establish leading partnerships in the near future.

## Management and Governance

- Emmanuel PETIOT was appointed CEO of DEINOVE on 7 January 2013 (see press releases dated 9 January and 21 March 2013).
- Philippe DUVAL resigned his Board directorship with effect from 20 February 2013.
- Nagib WARD joined the Company on 8 July 2013 as Vice President in charge of Business Development (see press release dated 8 July 2013).

## Industrial Property

- DEINOVE was awarded its European patent “use of *Deinococcus* for the production of Bioenergy” (see press release dated 9 September 2013).

## About DEINOVE

DEINOVE (Alternext Paris: ALDEI) is a clean technology company that designs and develops new standards of production based on bacteria of untapped potential: the *Deinococci*.

Taking advantage of their unique genetic properties and unusual robustness, DEINOVE optimizes natural fermentation and metabolic capabilities of these bacterial "micro-factories" to produce rare compounds or products that are technologically difficult to produce: 2<sup>nd</sup> generation biofuels (DEINOL) and chemical intermediates (DEINOCHEM), but also new antibiotics (DEINOBIOTICS project now led by the subsidiary DEINOBIOTICS SAS) or enzymes for the remediation of plastics (THANAPLAST™ project led by CARBIOS).

Listed on Alternext since April 2010, DEINOVE was founded by Dr. Philippe Pouletty, General Partner of TRUFFLE CAPITAL, and Professor Miroslav Radman, of the Faculty of Medicine of the University René Descartes. The company employs over 30 people and conducts R&D programs in partnership with the CNRS (Marseille and Montpellier), INSA (Toulouse) and VTT (Finland). DEINOVE'S headquarters and laboratories are located in Paris and at the Technoparc Cap Alpha, in Montpellier.

More information at [www.deinove.com](http://www.deinove.com)

**Disclaimer:** *This press release and the information contained herein do not constitute an offer to sell or subscribe to, or a solicitation of an offer to buy or subscribe to shares in DEINOVE ("the Company") in any country. This press release contains forward-looking statements that relate to the Company's objectives. Such forward-looking statements are based solely on the current expectations and assumptions of the Company's management and involve risk and uncertainties. Potential risks and uncertainties include, without limitation, whether the Company will be successful in implementing its strategies, whether there will be continued growth in the relevant market and demand for the Company's products, new products or technological developments introduced by competitors, and risks associated with managing growth. Unfavourable developments in connection with these and other risks and uncertainties described, in particular, in Chapter 4 of the Company's prospectus prepared in connection with its IPO and on which the French Autorité des Marchés Financiers ("AMF") granted its visa no. 10-014 on March 25 2010, could cause the Company to fail to achieve the objectives expressed by the forward-looking statements above. This information has been updated in the Financial annual report 2012.*

Updates are available on the Company's website at [www.deinove.com](http://www.deinove.com)

## Contacts

### **DEINOVE**

**Emmanuel Petiot**

CEO

Tel.: + 33 1 42 03 27 37

[emmanuel.petiot@deinove.com](mailto:emmanuel.petiot@deinove.com)

### **ATCG Press**

**Marielle Bricman**

Press Relations

Mob.: +33 6 26 94 18 53

[deinove@atcg-partners.com](mailto:deinove@atcg-partners.com)

**Julien Coste**

Director of Finance & Administration

Tel.: + 33 1 42 03 27 37

[julien.coste@deinove.com](mailto:julien.coste@deinove.com)

**ALDEI**  
**LISTED**  
**NYSE**  
**ALTERNEXT**