

2018 HALF-YEAR CONSOLIDATED RESULTS: STRENGTHENED FINANCIAL SITUATION SUBSTANTIAL PROGRESS IN BOTH AREAS OF BUSINESS

- **Cash position: +€9.9m at June 30, 2018 compared to +€4.9m at December 31, 2017 thanks to the reinforcement of shareholders' equity**
- **Half-year net loss of the group: -€3.7m vs. -€3.3m in the first half of 2017**
- **Significant strengthening of the antibiotic portfolio with the acquisition of a clinical-stage compound (DNV3837) and a license option on a preclinical anti-gram-negative program (NBTI)**
- **Partnerships with Naicons and bioMérieux to broaden the scope of the AGIR program**
- **Commercial launch of two natural active ingredients for cosmetic use**

Montpellier, September 27, 2018 (7:15 pm - CEST) - DEINOVE (Euronext Growth Paris: ALDEI), a biotech company that discovers, develops, and produces high-value compounds from rare bacteria, notably from the *Deinococcus* genus, released its half-year results for 2018.

The 2018 Interim Financial Report in French (an English version will be posted soon) is available at: www.deinove.com/fr/espace-investisseurs/centre-documentation/rapports-financiers

Emmanuel PETIOT, Managing Director of DEINOVE, stated: *"This half-year was marked by the successful industrialization of the process developed exclusively by DEINOVE and the launch of the first commercial products, resulting from several years of research. We have also included in our portfolio an antibiotic molecule of major therapeutic interest and at an advanced development stage. We are becoming a visible player in the innovative antibiotic market, which is a global health issue. Lastly, we have strengthened our capital base and welcomed a new reference shareholder, TVM Capital, one of Europe's leading biotech venture capitalists. DEINOVE has added a whole new dimension this year. We will continue in this direction to accelerate the development of our innovative active ingredients and initiate Phase II of our antibiotic candidate DNV3837."*

SELECTED CONSOLIDATED FINANCIAL INFORMATION

As of June 30, 2018, the scope of consolidation includes the companies DEINOVE and DEINOBIOTICS over the entire period and the companies BIOVERTIS and MORPHOCHEM over the period from May 24 to June 30, 2018. As of June 30 and December 31, 2017, it included only DEINOVE and DEINOBIOTICS.

The Group's statutory auditors, audit firm PwC, conducted a limited review of DEINOVE Group's financial statements at June 30, 2018. PwC also audited the half-yearly accounts of BIOVERTIS AG.

(in thousands of euros)	6 month period ending June 30	
	2018	2017
Total operating revenues	715	140
Total operating costs	5,070	4,898
<i>o/w Research & Development costs</i>	3,682	3,635
<i>o/w Administrative and General costs</i>	1,388	1,263
Operating profit / loss	- 4,355	- 4,758
Financial result	6	-3
Current pre-tax profit / loss	- 4,349	-4,761
Profit/loss from non-recurring items	157	348
Income taxes (R&D Tax Credit) and deferred taxes	- 661	- 1,253
Goodwill amortization	204	185
Result of equity affiliates	0	0
CONSOLIDATED PROFIT / LOSS	- 3,735	- 3,345
Minority interest	0	0
NET PROFIT / LOSS – GROUP SHARE	- 3,735	- 3,345

(in thousands of euros)	at 30/06/18	at 31/12/17
Term deposits	1,300	2,000
Provision for impairment of marketable securities	0	0
Cash on hand	8,595	2,876
Accrued interest not yet due & bank overdraft facilities	0	0
NET FINANCIAL POSITION	9,895	4,876

HALF-YEAR CONSOLIDATED FINANCIAL RESULTS

OPERATING REVENUES

The DEINOVE Group recorded operating revenues of €715k over the half-year mainly from the operating grant received from Bpifrance under the AGIR program.

In the same half-year, operating expenses reached €5.1m. The net change in operating expenses between the first half-year of 2017 and 2018 amounted to +€172k (+3.5%). It included the impact of the change in scope (integration of MORPHOCHEM and BIOVERTIS) for a total amount of €61k.

On a like-for-like basis, operating expenses increased by €111k (+2.2%). The Group continued to invest in the development of its programs, including an increase in staff from 54.5 in H1-17 to 62.1 in H1-18 (in average FTE). The increase in the payroll was partially offset by a decrease in external studies and in honorary fees, particularly scientific fees. Over the period, R&D expenses, which represented 73% of operating expenses (vs. 74% in the first half of 2017), remained stable. Administrative and general expenses slightly increased to €1,379k. DEINOVE has continued its investments over the half-year, mainly for the automation and the development of the technological platform, and in relation to the ramp-up of the AGIR program.

NET RESULT

The consolidated net loss for the first half amounted to €3.7m. It includes a positive exceptional result of +€157k (compared to +€348k in the first half of 2017), which was mainly due to a waiver of receivables (€209k) reported by Bpifrance on the THANAPLAST™ program. The financial result was negligible (+€6k).

The half-year consolidated net result includes a tax profit corresponding to a R&D Tax Credit (CIR) of €661k (compared with €1,253k in the first half of 2017).

FINANCIAL POSITION

The financing of operating expenses for the first half of 2018 required €4.8m (excluding depreciation charges), to which were added investments in laboratory equipment (including leasing rents) for €1.2m. The capital increase completed in June raised a net amount of €8.0m. Over the half-year, the Group also raised €0.7m through the equity line funding signed in December 2014 with Kepler Cheuvreux. In addition, the Group received €2.6m in a repayable advance and a subsidy under the AGIR program. Finally, the integration of the two new subsidiaries BIOVERTIS and MORPHOCHEM had a negative net impact of €0.3m.

As of June 30, 2018, the Group's net financial position amounted to +€9.9m, vs. +€4.9m as of January 1, 2018, a net change of +€5.0m over the half-year.

LEGAL DEVELOPMENTS

Acquisition of BIOVERTIS and its subsidiary MORPHOCHEM by contribution in kind remunerated by issuing new shares and share allotment warrants¹

The Combined General Meeting of the Company held on May 23, 2018 approved the realization of the contribution in kind of shares, options, and a preferential right of the Austrian company BIOVERTIS in favor of the company DEINOVE, which since then holds 100% of the company BIOVERTIS, itself holding the entire capital of the German company MORPHOCHEM that developed the antibiotic compound MCB3837. This antibiotic is a clinical stage molecule, ready to enter Phase II, targeting the treatment of severe forms of *Clostridium difficile infections* (CDI), gastrointestinal infections.

This contribution in kind was valued at €900,001.80 and remunerated by issuing 500,001 new DEINOVE ordinary shares, to which are attached 8,000,000 share allotment warrants, giving entitlement to 8,000,000 shares and progressively exercisable according to the achievement of key milestones in the development of the drug candidate.

At the end of this operation, the contributors held 4.06% of DEINOVE's capital.

The Combined General Meeting of May 23, 2018 also decided to appoint TVM Capital as a new member of the Board.

Capital increase with the cancellation of the DPS for the benefit of a category of beneficiaries carried out by accelerated book building²

The Board of Directors of June 14, 2018 decided to make use of the delegation granted under the Thirteenth Resolution by the Combined General Meeting of May 23, 2018 in order to proceed with a capital increase by issuing new shares, with cancellation of the preferential subscription right (“DPS”) for the benefit of a category of beneficiaries. It sub-delegated to the Chief Executive Officer the power to determine the final terms and conditions of the capital increase operation and to carry it out.

By decisions dated June 14 and 19, 2018, the Chief Executive Officer made use of this delegation and recorded a capital increase of €1,259,259.60 by the issue of 3,148,149 new shares. These 3,148,149 new shares, with a nominal par value of €0.40, were issued at a price of €2.70, including issue premium, for a total amount of €8,500,002.30, representing 25.35% of the Company's capital prior to the transaction on an undiluted basis, i.e. a dilution of 20.22%.

Investment funds managed by TVM Capital contributed €2m.

The share capital of the Company was increased to €6,226,593.60.

¹ Press release of May 23, 2018

² Press release of June 15, 2018

MAJOR OPERATIONAL PROGRESS

New generation anti-infectious programs

Collaboration with Naicons to discover new antibiotics as part of the AGIR project³

In March 2018, DEINOVE signed an exclusive research license with the Italian biopharmaceutical company Naicons, as part of the AGIR program (Antibiotics against Resistant Infectious Germs) supported by the Investments for the Future Program. DEINOVE will study 400 strains belonging to Naicons to detect and characterize possible innovative antibiotic activities. In case of discovery of a strain of interest, DEINOVE may acquire it either via a commercial license or in full ownership, to initiate the development of drug candidates.

Licensing option agreement with Redx Pharma⁴ to enrich the innovative antibiotic portfolio

In March 2018, DEINOVE signed a licensing option with the British company Redx Pharma (AIM: REDX) for the acquisition of their *first-in-class* NBTI (*Novel Bacterial Topoisomerase Inhibitor*) anti-infectious program. The agreement is for an exclusive license option, with DEINOVE having 9 months to confirm its interest in this series of molecules and lift the option.

The NBTI program, about to enter preclinical regulatory development, concerns a family of molecules targeting multi-resistant Gram-negative bacteria such as *Acinetobacter baumannii* and *Pseudomonas aeruginosa*. These bacteria are part of the list of the 12 most dangerous pathogens for human health, published by WHO in 2017.

DEINOVE acquires MORPHOCHEM's antibiotic compound in clinical phase⁵

In May 2018, DEINOVE acquired the Austrian company BIOVERTIS and its German subsidiary MORPHOCHEM through a contribution in kind transaction. DEINOVE acquired the property of the *first-in-class* antibiotic program MCB3837, developed by MORPHOCHEM. This molecule, ready to enter Phase II, targets the treatment of severe gastrointestinal infections with *Clostridium difficile*, a pathogen classified as a priority by the WHO and the CDC. This operation significantly boosts DEINOVE's 'Antibiotics' activity with the inclusion in its *pipeline* of a compound in the clinical phase.

DNV3837 (ex-MCB3837) is the only antibiotic candidate administered by IV (intravenous) developed in this indication. It crosses the gastrointestinal barrier and precisely targets the area of infection. Several Phase I trials (on healthy volunteers) have shown a high concentration of the antibiotic in stools, a strong marker of its presence in the intestine. It has also demonstrated its ability to eliminate *Clostridium difficile* bacteria without destroying other microorganisms of the gastrointestinal flora. The next stage of development will be a Phase II clinical study, involving a small number of patients.

³ Press release of March 8, 2018

⁴ Press release of March 22, 2018

⁵ Press releases of April 13, 2018 and May 23, 2018

DEINOVE collaborates with bioMérieux to discover new antibiotics⁶

In June 2018, DEINOVE entered into a collaboration with bioMérieux, a major player in *in vitro* diagnostics, to explore new strains and increase the opportunities for discovering new antibiotics. bioMérieux provides DEINOVE with more than 250 strains of 130 different species that integrate the AGIR program for the discovery of new antibiotic structures that are effective against resistant pathogens.

Natural active ingredients programs

DEINOVE launches PHYT-N-RESIST[®], an anti-aging active based on pure Phytoene, its first innovative carotenoid⁷

DEINOVE has launched on the market its first innovative active ingredient, Phytoene, a colorless precursor of all carotenoids, that no-one had managed to obtain pure before. The scientific platform DEINOVE has designed an exclusive process for the production of Phytoene via a process of fermentation of natural sugars by the extremophilic bacterium *Deinococcus geothermalis*.

This active ingredient was first developed for cosmetic use with anti-aging activity under the PHYT-N-RESIST[®] brand.

DEINOVE and Hallstar-Oléos, partners to develop two cosmetic active ingredients⁸

In January 2018, DEINOVE entered into a partnership with Hallstar-Oléos to develop a new 100% natural cosmetic active combining the exclusive properties of DEINOVE bacteria and Oléos' patented Oleo-eco-extraction technology. In May 2018, the development of a second Oléoactif[®] was initiated, with the financial support of the Occitanie Region.

The commercial launch is planned for 2019. Oléos already sells around 20 active ingredients to cosmetics brands in France and internationally.

DEINOVE and Greentech announce the launch of their first cosmetics active ingredient jointly developed, Hebelys^{®9}

In April 2018, DEINOVE and Greentech announced the launch of Hebelys[®], the first anti-aging active ingredient from the collaboration launched in March 2017¹⁰. It is an anti-aging active, obtained by fermentation of a bacterium, *Sphingomonas*, aimed at protecting the skin from premature cellular aging.

DEINOVE selected the strain, developed the production process to achieve optimal fermentation performances, and supervised *in vitro* tests to characterize the extract; Greentech developed the formulation process, validated stability and safety as well as efficacy by additional *ex vivo* tests. Hebelys[®] is effectively marketed by Greentech, which already distributes around a hundred active ingredients from biotechnology.

⁶ Press release of June 28, 2018

⁷ Press releases of February 26 and April 10, 2018

⁸ Press release of January 30, 2018 and May 30, 2018

⁹ Press release of April 16, 2018

¹⁰ Press release of March 27, 2017

COLOR2B Program: Confirmed progress and prospects¹¹

The COLOR2B project, carried out in collaboration with Avril group, and which focuses on the development of a process for the production of natural ingredients for animal feed, is currently in its 3rd phase. The final choice of the selected strain has been confirmed and its performance is comparable to the products currently on the market, which are derived from petrochemicals. Several formulations have been tested in experimental farms and the nutritional performances remain constant, which makes it possible to envisage a panel of different formulations according to the targeted applications and the regulatory issues.

Next steps will be the validation of optimal dosages, process scaling and regulatory approach for the commercial launch of a competitive natural alternative in the feed market.

POST-CLOSURE: Strategic partnership with UNIVAR for the distribution of PHYT-N-RESIST[®] in EMEA¹²

DEINOVE announced on September 13, 2018, the signing of a strategic agreement with UNIVAR for the distribution of its anti-aging ingredient PHYT-N-RESIST[®], its first innovative carotenoid for cosmetics.

UNIVAR, a major player in chemical distribution and the European leader in the sector, will distribute PHYT-N-RESIST[®] over the entire EMEA region (Europe, Middle East, and Africa). The collaboration includes promotion and commercial distribution. Through this collaboration, DEINOVE accesses a broad portfolio of customers.

¹¹ Press release of 22 May 2018

¹² Press release of September 13, 2018

ABOUT DEINOVE

DEINOVE (Euronext Growth Paris: ALDEI) is a biotech company that discovers, develops and produces high added-value compounds from rare microorganisms for use in the fields of health, nutrition and cosmetic markets. To do so, DEINOVE draws on two key assets:

- a unique library of 6,000 rare or unexploited bacterial strains;
- a metabolic and fermentation engineering platform capable of leveraging these natural "micro-factories" to turn them into new industrial standards.

Based in Montpellier, DEINOVE employs approximately 60 employees and has nearly 160 international patent applications. The Company has been listed on Euronext Growth since April 2010.



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