

## 2015 INTERIM FINANCIAL RESULTS: GOOD CONTROL OF OPERATIONAL EXPENSES AND STRONG REDUCTION OF NET LOSS

- **19% reduction in interim net loss thanks to good control of operating expenses and the absence of exceptional items for the period**
- **Net financial position of +€1.8m on 30/06/15 (vs +€2.2m on 31/12/14), reinforced with reception of €1.7m between 01/07/15 and 31/08/15 resulting in a net financial position of +€2.2<sup>1</sup>m at the end of August**
- **Collection of €1.7m in R&D Tax Credit in September 2015**
- **Sustained R&D activity with milestones reached in the two flagship programs of the Company, and the launch of the new Muconic acid platform**
- **New technology and business partnerships with POS and Tyton Bioenergy, expanding the potential market opportunities for Deinotechnologies**
- **Patent protection activity in continuous progression including granting of a 1<sup>st</sup> patent in China**

**Montpellier, FRANCE, 24 September 2015** – DEINOVE (Alternext Paris: ALDEI), a biotech company developing innovative processes for producing biofuels and bio-based chemicals by using *Deinococcus* bacteria as host strains, today announces its 2015 interim results.

Net result for H1 2015 is a loss of €3,170k compared to a loss of €3,920k over the same period last year. This result reflects both good control of operating expenses of the Company in a context of strong growth of the research programs, and a positive base effect, as the Company recorded in H1 2014 non-recurring expenses of €784k on a capital increase project cancelled in early July 2014. Non-recurring items, which showed a loss of €802k in H1 2014, are limited to a loss of €7k.

The Company has continued to develop its two major research programs, DEINOL and DEINOCHEM, recording significant progress notably materialized by reaching milestones. The activities have expanded, for example with the launch of the Muconic acid production platform and the downstream development of carotenoids in partnership with the Canadian company POS. Investment has continued in development and automation of the metabolic engineering platform and in that of the fermentative capacity. In this context, operating expenses, up by 7%, are controlled.

The net cash position amounted to +€1.8m on 30 June 2015 compared to +€2.2m on 31 December 2014, and was strengthened in the summer by the reception of €1.7m (Bpifrance milestone payment and issue of shares via the guaranteed equity line funding implemented with Kepler Cheuvreux). To that, one must add the collection of €1.7m R&D Tax Credit in September. The Company therefore expects to be able to finance its activities beyond the third quarter of 2016.

*"Our interim results are completely in line with what we expected", said Emmanuel PETIOT, CEO of DEINOVE. "While our R&D activities are increasingly sustained, particularly in the context of the need to strengthen our platform and new areas of development and partnerships recently announced, we keep, thanks to wise choices, control of our costs and therefore, our future".*

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<sup>1</sup> Unaudited accounts

## SELECTED FINANCIAL INFORMATION

(in thousands of Euros)	6-month period ending 30 June	
	2015	2014
Total operating income	69	16
Total operating costs	4,059	3,788
<i>o/w R&amp;D costs</i>	3,141	2,849
<i>o/w G&amp;A costs</i>	918	939
<b>Operating profit / loss</b>	<b>-3,990</b>	<b>-3,772</b>
Financial result	12	29
<b>Current pre-tax profit / loss</b>	<b>-3,978</b>	<b>-3,743</b>
Non recurring items	-7	-802
Income tax (R&D Tax Credit)	-816	-625
<b>Profit / loss for the semester</b>	<b>-3,170</b>	<b>-3,920</b>

	to 30/06/15	to 31/12/14
<b>Net financial position</b>	<b>1,763</b>	<b>2,216</b>
<i>o/w financial investments</i> <sup>1</sup>	0	0
<i>o/w term deposits (maturity &lt; 1 year)</i>	0	0
<i>o/w cash instruments (maturity &lt; 3 months)</i>	0	0
<i>o/w cash on hand</i>	1,763	2,216
<i>(o/w financial debts)</i>	0	0
<b>Total assets</b>	<b>7,311</b>	<b>6,953</b>
<b>Total shareholders' equity</b>	<b>5,616</b>	<b>4,745</b>
<i>o/w equity</i>	74	196
<i>o/w conditional advances</i>	5,541	4,550

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

## FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD

The net result of H1 2015 is a loss of €3,170k compared to a loss of €3,920k for the same period last year.

### Operating result

DEINOVE has received €69k of operating revenue during the period, mainly from R&D partnerships and grants. At the same time, operating expenses rose by 7% to €4,059k.

R&D expenses, which represent 77% of operating expenses (vs. 75% in H1 2014) rose by 10%, in line with the rise in laboratory staff (+3 average FTEs). Administrative and general expenses were down slightly at €918k.

The Company continued to invest over the period, mainly for the automation and development of the metabolic engineering platform and in relation to the growth of the DEINOCHEM program.

### Net result

The financial result showed a profit of €12k vs €29k in the same period in 2014. It includes notably a negative variation of €23k in relation to the liquidity contract and a positive variation of €10k on investment interests.

The non-recurring items show a loss of €7k compared to a loss of €802k in H1 2014, mainly resulting from the recognition of costs related to the capital increase project whose cancellation was announced early July 2014.

The variation of €191k of 'Income Tax' comes almost exclusively from the evolution of the half-year estimated amount of receivable R&D Tax Credit (CIR) in relation with the increase in eligible R&D expenditures.

## FINANCIAL SITUATION

Financing of operating expenses in H1 2015 required €3,750k (excluding depreciation) to which were added investments in laboratory equipment (mainly in relation to the DEINOCHEM program) of approximately €950k.

Over the same period, the Company received €991k as a repayable advance (second payment by ADEME in relation to reaching the EC1 milestone of the DEINOCHEM program), and raised €3,041k of capital through the equity line funding signed in December 2014 with Kepler Cheuvreux.

On 30 June 2015, the net financial position of the Company amounted to +€1.8 m. On August 31, it reached +€2.2m<sup>2</sup>. In September, the collection of €1.7m in CIR substantially strengthens the net cash position. Given these factors, the Company expects to be able to fund ongoing programs beyond the third quarter of 2016.

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<sup>2</sup> Unaudited accounts

## SIGNIFICANT DEVELOPMENTS

During the semester, DEINOVE has continued to develop its metabolic engineering platform and has advanced its research programs.

### Metabolic engineering

Through automation of the platform, the R&D teams are now able to generate up to 300 different strains per month and this capacity will be further strengthened. DEINOVE can thus multiply the avenues of research and obtain proof of concept in a very short time. This is a significant advantage when discussing with potential industrial partners.

During H1 2015, a new cloning robot was installed. It is piloted by the CAD4Bio software, which transmits the genetic constructs to realize an insert in the strain. This software is based on a comprehensive database referencing the genome of several tens of *Deinococcus* strains, thousands of other strains and a multitude of genetic building blocks.

The platform also has a new analyzer to monitor the metabolism of the bacteria and to better direct them to the expected end product.

### The DEINOL program of biofuel production from lignocellulosic biomass

During H1 2015, DEINOVE continued its research work to further improve the DEINOL strain in two areas:

- **Substrate diversification:** initially developed for a wheat-based substrate, the DEINOL method has since diversified to second-generation substrates. During the semester, the research continued on substrates from Abengoa and MBI partners and other industry stakeholders. This was notably maize or sugar cane bagasse residues. Under the joint project with Suez Environnement, tests were applied to several types of urban waste. Strain optimization focuses on two aspects: sugar assimilation and tolerance of the strain to inhibitors common to second-generation substrates.
- **Improved fermentation parameters,** a step in which the bacterium converts plant sugars into alcohol: the majority of current development processes use yeast for this step. They have the advantage of being well known. However, yeast cannot function beyond 33 °C, which limits the effectiveness of enzymes and imposes regulation of the reactor temperature. This leads to additional costs. The DEINOL thermophilic strain has qualities that allow it to react up to 48 °C. The DEINOVE R&D team is working to optimize the fermentation performance of the DEINOL strain, particularly in scaling up larger and larger fermenters both for sugar assimilation and its fermentation.

Early July 2015 (i.e. after the closing date), DEINOVE announced that it reached the third and penultimate milestone of its DEINOL program. This milestone validates the work of the DEINOVE platform. This progress triggered a payment of €1.2m from Bpifrance in the form of aid for innovation<sup>3</sup>.

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<sup>3</sup> Press release of 8 July 2015

## The DEINOCHEM program for the production of bio-based chemicals

The program has experienced significant progress in H1:

- **In January**, DEINOVE announced that it reached the first milestone in the isoprenoid program, triggering a payment of nearly €1m from ADEME as a repayable advance. Reaching this milestone validates the progress made in strain genetic engineering with a strain construction speed multiplied by 10 in less than a year and identification of limiting enzymes in order to optimize the production of a targeted isoprenoid. The license acquired from INRA and Genoplante Valor on the key enzyme DXS contributed to these results.
- **In May**, DEINOVE also announced that it reached the first milestone of the COLOR2B project<sup>4</sup> in collaboration with the group Avril (formerly Sofiprotéol). Developed as part of DEINOCHEM program, this project specifically concerns the production of natural additives for animal feed. The project now continues with the team's working group in Avril to characterize and test the product compounds to assess their commercial potential.
- **In June**, DEINOVE announced that it had strengthened the carotenoids platform, an isoprenoid subfamily produced naturally by bacteria of its strain. The complete structure of the latter allowed it to detect a wide range of carotenoids produced by the bacterial component. The Company has formed a strategic partnership with the Canadian company POS Bio-Sciences<sup>5</sup> for extracting these high-value compounds.

After closure, DEINOVE also announced the launch of a new R&D platform for the production of muconic acid<sup>6</sup>, an intermediate chemical whose derivatives are widely used in the plastic, nylon, resins and food industries. All of these applications represent a global market of several tens of billions of dollars. DEINOVE teams have managed to design a *Deinococcus* bacterium capable of producing muconic acid, first from synthetic substrates and then from 2G cellulose substrates<sup>7</sup>. In parallel, DEINOVE has initiated discussions with several interested companies likely to be associated with this project.

## Technological and commercial partnership with Tyton BioEnergy Systems<sup>8</sup>

DEINOVE announced in early September as having initiated a partnership with US BioEnergy Tyton Systems, specialist in energy tobacco, a new source of economic and ecological renewable energy for the production of sugars, oils, proteins and other bio-based, high-added value compounds. This partnership aims to combine the capabilities of *Deinococcus* bacteria and a new type of substrate, energy tobacco, to produce compounds of industrial interest.

The project will begin by studying the assimilation of this biomass by *Deinococcus* and the two companies will explore the different possibilities of collaboration in the spectrum of bio-based chemical compounds that can be developed. They can rely on industrial fermentation infrastructure Tyton BioEnergy Systems in North America.

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<sup>4</sup> Press release of 19 May 2015

<sup>5</sup> Press release of 16 June 2015

<sup>6</sup> Press release of 21 July 2015

<sup>7</sup> Press release of 2 September 2015

<sup>8</sup> Press release of 8 September 2015

## CORPORATE INFORMATION

### Share capital evolution

- Following the increase in the total number of shares and voting rights of the Company, Truffle Capital SAS crossed below, on 28 February 2015, the 50% threshold of DEINOVE's capital. On 4 March 2015, Truffle Capital SAS held 48.27% of the capital and 64.03% of the voting rights, these rates being 46.42% and 62.04%, respectively, on 30 June 2015.
- The guaranteed equity line funding with Kepler Cheuvreux provides for the implementation of four tranches, over a total period of three years. On 19 May 2015, DEINOVE proceeded with the second tranche<sup>9</sup> of €3.6m over a maximum of seven months.
- During H1 2015, this line of financing allowed the Company to raise a total of €3.0m net by issuing 454,000 new shares (mainly in the context of the 1<sup>st</sup> Tranche). Since 30 June 2015, the Company issued 125,000 new shares and raised €0.8m net (exclusively in the context of the 2<sup>nd</sup> Tranche).

### Issuance of new patents

During H1 2015, DEINOVE has expanded its IP portfolio with five new patents, of which the first one issued in China.

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<sup>9</sup> Press release of 15 June 2015

## About DEINOVE

DEINOVE (Alternext Paris: ALDEI) is ushering in a new era of green chemistry by designing and developing new standards of production based on bacteria of untapped potential: the *Deinococci*. Taking advantage of the bacteria's unique genetic properties and unusual robustness, DEINOVE optimizes natural fermentation and metabolic capabilities of these bacterial "micro-factories" to produce high value-added products from non-food biomass. The Company's primary markets are 2nd-generation biofuels (DEINOL) and bio-based chemicals (DEINOCHEM). On these markets, the Company offers its technology to industrial partners globally.

Listed on NYSE Alternext since April 2010, DEINOVE was founded by Dr. Philippe Pouletty, General Partner of TRUFFLE CAPITAL, and Pr. Miroslav Radman, of the Faculty of Medicine of Paris Descartes University. The company employs almost 50 people in its new offices and laboratories located in Montpellier, France.

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

*The interim financial report 2015 can be downloaded from this link:*

*[www.deinove.com/en/investors/documentation-center/financial-reports](http://www.deinove.com/en/investors/documentation-center/financial-reports)*

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