

Press Release

2017: AMBITIONS CONFIRMED, MILESTONES REACHED, AND FINANCIAL RESULTS IN LINE WITH THE DEVELOPMENT STRATEGY

- **Acceleration of the Antibiotics program: €14.6m of funding by Bpifrance (including € 10.4m for the DEINOVE Group) and structuring of the product portfolio**
- **Successful production on an industrial scale: a world first for *Deinococcus* fermentation**
- **Imminent commercial launch of a first carotenoid for cosmetics following the confirmed success of the DEINOCHEM program, supported by ADEME**
- **Two other cosmetic active ingredients in co-development**
- **2017 net income of the Group: -€7.3m versus -€6.3m in 2016, mainly due to the full consolidation of the subsidiary DEINOBIOTICS in the consolidated financial statements**

Montpellier, FRANCE, March 29, 2017 (7:30pm 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, announces today that its Board of Directors has approved the 2017 annual accounts. Following the 100% integration of its subsidiary DEINOBIOTICS on January 5, 2017, DEINOVE presents for the first time annual consolidated accounts.

Charles WOLER, President of DEINOVE's Board of Directors, said: "*The year 2017 was marked by several events that validate the strategic choices made in 2016. The AGIR antibiotic project received significant support from the 'Investments for the Future' Program, and new developments are expected after the latest announcements. Progress in carotenoid industrial production and cosmetic partnerships are also exciting prospects in the short term.*"

"Our teams are very involved towards the success of the various programs. We are proud to launch imminently our first active ingredient for cosmetics and are already thinking about the future. In parallel, we continue our commitment in the fight against antibiotic resistance; the collaborations set up in recent weeks will contribute to the acceleration of this project," added Emmanuel PETIOT, CEO of DEINOVE.

The 2017 net result of the Group is a loss of €7,335k. The full consolidation of DEINOBIOTICS SAS from January 2017 onwards makes it however difficult to compare with the loss of €6,258k last year.

The net cash position amounted to +€4.9m as of December 31 2017. During the 2017 financial year, the DEINOVE Group received €1.4m of 2016 R&D tax credit. The Company also raised €2.8m via the equity line funding implemented with KEPLER CHEUVREUX at the end of 2014.

Operationally, the year 2017 was marked by two major advances:

Structuring and progress of the Antibiotic program

After the announcement in 2016 of the 100% takeover of DEINOBIOTICS, which was formally adopted on January 5, 2017, the operational and legal integration was quickly carried out. Furthermore, two patents relating to an innovative antibiotic structure were filed, and the human and technological resources dedicated to this activity were strengthened. The AGIR program (Antibiotics against Resistant Infectious Germs) was selected by the Investments for the Future Program (PIA), which granted funding to it of €14.6m over 5 years.

At the beginning of 2018, DEINOVE concluded two collaborative agreements allowing it to accelerate its developments and strengthen its product portfolio:

- A research license to explore the potential of the rare bacterial strains of the Italian company NAICONS, as part of the AGIR program;
- An option to acquire a first-in-class anti-infective program targeting Gram-negative infections originally developed by the British company REDX PHARMA.

Production and upcoming commercial launch of the first innovative carotenoid resulting from the DEINOCHEM program

All milestones were achieved during 2017, culminating in the production of the first industrial batch of this carotenoid in early 2018. A cosmetic active ingredient with anti-aging properties, it will be launched commercially in April at the In-Cosmetics Trade Show in Amsterdam. The DEINOCHEM program was therefore closed successfully while controlling expenditures, which proved to be less than the original budget.

The development of cosmetics activities also resulted in the signing of two partnerships with GREENTECH and OLEOS for the development of natural cosmetic active ingredients from the DEINOVE bacterial strain bank.

Corporate changes

The strategic progress of the Company was accompanied by a renewal of the Board of Directors, now more oriented toward development of drug candidates for antibiotic therapy, as well as the strengthening of teams in this area. DEINOVE also continued its investments to expand and automate the activities of its technological platform, particularly in the fields of bioextraction and cell biology, the latter have largely contributed to the development of said carotenoid.

SYNTHETIC FINANCIAL INFORMATION

Following the 100% takeover of DEINOBIOTICS, the DEINOVE Group produces for the first time annual fully consolidated accounts.

The situation as of December 31, 2017 is that of the Group, while in prior data as of December 31, 2016, DEINOBIOTICS was accounted for using the equity method. Comparing the figures is therefore irrelevant.

DEINOVE's consolidated accounts as of December 31, 2017 were certified by the Group's Statutory Auditors, PwC (PricewaterhouseCoopers).

(in k of euros)	2017*	2016 **
Total operating revenues	214	793
Total operating costs	9,895	8,469
<i>o/w Research and Development costs</i>	7,440	6,567
<i>o/w Administrative and General costs</i>	2,455	1,902
Operating profit/loss	-9,681	- 7,676
Financial result	- 5	- 31
Current pre-tax profit/loss	- 9,686	- 7,707
Profit/loss from non-recurring items	296	639
Income tax (R&D Tax Credit) and deferred taxes	-2,430	- 115
Goodwill amortization	376	-
Results from equity affiliates	-	-305
CONSOLIDATED PROFIT/LOSS	- 7,335	- 6,258
Minority interests	-	-
NET PROFIT/LOSS – GROUP SHARE	-7,335	- 6,258

* DEINOBIOTICS subsidiary fully consolidated

* DEINOBIOTICS subsidiary consolidated by equity method at 28.33%

(in k of euros)	Dec. 31, 2017	Dec. 31, 2016
<i>Term deposit</i>	2,000	6,708
<i>Provision for impairment of marketable securities</i>	-	-
<i>Cash on hands</i>	2,876	2,608
<i>ICNE and bank overdrafts</i>	-	-
CASH AND CASH EQUIVALENTS	4,876	9,316

* Treasury position of the Group

** Treasury position of the DEINOVE company

FINANCIAL RESULTS FOR THE 2017 FINANCIAL YEAR

Operating loss

The Group observed €214k in operating revenue over the year, mainly consisting of grants and partner payments corresponding to their contribution to research costs (AVRIL and FLINT HILLS RESOURCES). In 2016, operating revenues, which amounted to €793k, included grants for several milestone payments, as well as €191k of invoices to DEINOBIOTICS. These intra-group invoices are neutralized in the consolidated accounts in 2017.

Over the same period, the Group's operating expenses reached €9.9m, of which 75% was in R&D activities. The net change in operating expenses between 2016 and 2017 amounted to +€1,426k (+17%) partly from the integration of the operating costs of the subsidiary, i.e. +€1,724k, and partly from the -4% decrease in the operational costs of DEINOVE, i.e. -€298k. This decrease results in particular from the renegotiation of the duration of the leasing agreements established at the end of 2015 to finance the acquisition of scientific equipment. Administrative & General expenses increased due to the occasional recourse to external consultants (in communication, legal / finance), who came to accompany the strategic reorientation.

In 2017, the Group's average workforce was 56.4 FTE, compared to 53.5 FTE in 2016 for the same scope.

Net loss

The consolidated net loss for the year amounts to €7.3m. It includes a profit from non-recurring items of +€296k, mainly consisting of a net gain of €357k due to the sale on the market of CARBIOS shares by DEINOVE, and a net loss of €62k for the subsidiary. The financial result is insignificant (-€5k).

The tax on profits exclusively includes the R&D Tax Credit. The Group's claim for the 2017 financial year was estimated €2,430k (namely €1,787k for DEINOVE and €643k for DEINOBIOTICS).

FINANCIAL POSITION

Financial requirements for the year mainly concerned operating expenses, €8.1 m (excluding depreciation and amortization), plus investments in laboratory equipment (including leasing rents) for €8.1m. Over the same period, the Group received €1.4m of R&D Tax Credit and €0.1m of public aid (Bpifrance). In addition, DEINOVE raised €2.8m (net of commissions) through the equity line funding signed in December 2014 with KEPLER CHEUVREUX, and proceeded to the sale of the balance of its stake in CARBIOS for €0.5m. Added to this is the integration of the cash of the subsidiary DEINOBIOTICS, for an amount of €0.6m. In February 2018 (subsequent to closing), the Group received €2.6m for the first payment relating to the support of the '*Investments for the Future Program*' (PIA) for the AGIR antibiotic project, as well as €95k for ADEME for the balance of funding granted to the DEINOCHEM program in 2013.

As of December 31, 2017, the Group's net financial position amounted to +€4.9 m. The Group considers that it has the resources to finance its activities, in the current configuration of its projects, until the

end of the first quarter of 2019, without recourse to the fourth Tranche of the equity line funding established with KEPLER CHEVREUX.

OPERATIONAL PROGRESS DURING THE YEAR AND AFTER THE END OF THE PERIOD

During the year, DEINOVE made significant progress on its two main programs: the carotenoids project was a first major success with the industrialization of the first molecule developed. As for the antibiotics project, DEINOVE strengthened its platform and the screening of its strains, and created many valuable contacts. In addition, DEINOVE continues to promote its biodiversity through collaborations, particularly in cosmetics: two other compounds from the DEINOVE strains will be launched on the market in 2018.

Proprietary programs

Antibiotics program

Publication of two patent applications on the discovery of a new innovative structure¹

DEINOVE announced on January 4, 2017 the publication of two patent applications on its first antibiotic candidate, which presents a new antibiotic structure confirming the potential of the platform and constituting a basis for development. These patents are the first step in building a robust intellectual property portfolio in the field of antibiotics.

The AGIR Antibiotics program receives support from the PIA of €14.6m over 5 years²

The AGIR project "Antibiotics against Resistant Infectious Germs", headed by the DEINOVE Group and the Charles Viollette Institute, was selected by the PIA, led by the Commissariat-General for investment and operated by Bpifrance. It will be funded to the tune of €14.6m out of a total estimated budget of €25m. The DEINOVE Group will receive €10.4m while the Institute Charles Viollette will receive €4.2m.

This funding will accelerate the ramp-up of the platform, enrich the portfolio of molecules, and contribute to the development of new antibiotics responding to a major medical emergency.

POST-CLOSURE: Exclusive research license agreement with NAICONS, with a view to broadening its current strain library and increasing opportunities for the discovery of new antibiotics³

NAICONS is an Italian biopharmaceutical company specialized in the research of innovative antibiotics. As part of its AGIR program, DEINOVE will have access to 400 of their strains, carefully selected for their potential, and will use the power of its own robotic technology platform to detect and characterize the antibiotic activities of these strains. In case of discovery of a strain of interest, DEINOVE will be able to acquire it (under conditions stipulated in the agreement) either via a commercial license or in full ownership, in order to initiate the development of drug candidates.

¹ Press release of January 4, 2017

² Press release of September 12, 2017

³ Press release of March 8, 2018

POST-CLOSURE: license option agreement with UK-based Redx Pharma to acquire a first-in-class anti-infective program⁴

DEINOVE has signed a license option agreement with UK-based REDX PHARMA (AIM: REDX) for the acquisition of their first-in-class, Novel Bacterial Topoisomerase Inhibitor (NBTI) anti-infective program, targeting Gram-negative infections, of which the resistant forms are among the most lethal and therefore a global public health priority. This program was subject to prior extensive optimization and evaluation *in vivo* confirming its potential in terms of efficiency and safety. DEINOVE will continue the optimization and selection work for a possible regulatory preclinical entry of one or more molecules. The agreement is for an exclusive option to license, with DEINOVE having 9 months to confirm its interest in this series of molecules and exercise the option. The transaction provides for an upfront payment and a supplement to the exercise of the option.

Carotenoids program / DEINOCHEM

Industrialization of the Carotenoids program

The Carotenoids program aims to produce and market carotenoids which originate from a biological process. DEINOVE communicated throughout the year 2017 and the beginning of the year 2018 on the progress of this program:

- In July⁵, DEINOVE confirmed that it had selected a first molecule for its innovative character. Its antioxidant and healing properties position it particularly favorably for cosmetic and especially anti-aging applications, a sector that accounts for half of the facial care market. The fermentation production process was developed on a laboratory scale (20 liters).
- In October⁶, DEINOVE indicated that it had validated the carotenoid extraction and purification process as well as its formulation in a selected vegetable oil that will be its commercial form, i.e. the active solution that will be integrated into the final cosmetic products. The stability of the finished product was also confirmed.
- In December⁷, DEINOVE announced having started the production of the first industrial batches of this innovative carotenoid, entrusted to BIOGIS Center, the technological platform of SAS PIVERT. The technology transfer was carried out in December 2017 for a start of production on the scale of several cubic meters in the first quarter of 2018.

POST-CLOSURE: successful industrialization of the first carotenoid for cosmetics⁸

The scaling of the fermentation production process was successfully carried out on the SAS PIVERT BIOGIS Center technology platform. Extraction, purification, and formulation were carried out by VEG'EXTRA through an original and environmentally friendly process. The commercial launch of this active ingredient with anti-aging properties will take place at the In-Cosmetics Trade Fair (April 17-19, 2018, Amsterdam).

⁴ Press release of March 22, 2018

⁵ Press release of July 5, 2017

⁶ Press release of October 23, 2017

⁷ Press release of December 18, 2017

⁸ Press release of February 26, 2018

Partnership programs

Cosmetic programs

A catalog of active extracts qualified for cosmetic applications⁹

The strain screening program (DEINOSCREEN), conducted in collaboration with the FLUOFARMA cell test laboratory, identified several tens of strains that could be selected for use in cosmetics, nutrition, and health: antioxidant, anti-inflammatory and healing properties, as well as molecules active on lipid metabolism. DEINOVE has a catalog of strains with identified and varied properties to support ongoing discussions and open up new opportunities for collaboration with industry players.

Cosmetic partnership with GREENTECH¹⁰

Based on the results of the screening operation of its extremophilic strains, DEINOVE concluded a first partnership with GREENTECH to co-develop and commercialize new active ingredients for skin care. The goal is to put on the market a first active ingredient by the end of 2018. In November 2017, the partners drafted a progress report¹¹: from the screening of DEINOVE's extremophilic strains, six strains were preselected for test phases in order to validate the final choice of the active ingredient that will be marketed.

GREENTECH today markets around 100 active ingredients to cosmetics manufacturers in more than 30 countries. This major player in the production and distribution of active ingredients from biotechnology has technical-commercial teams that will be valuable assets for the success of the project.

POST-CLOSURE: Cosmetic partnership with HALLSTAR-OLEOS¹²

DEINOVE initiated a collaboration with HALLSTAR-OLEOS to develop a new 100% natural cosmetic active ingredient combining the exclusive properties of DEINOVE bacteria and the patented Oleo-eco-extraction technology developed by OLEOS. The objective is to obtain a stable oily active ingredient with clinically proven efficacy that is easy to formulate and meets the requirements of the cosmetic market. The commercial launch of this active ingredient, which will be DEINOVE's third cosmetic active ingredient, is planned for the end of 2018.

OLEOS, which belongs to the American group HALLSTAR, has developed, from its proprietary process, 20 active ingredients marketed to cosmetic brands in France and internationally, and continues to expand its range.

Nutrition programs

Validation of the second step of the COLOR2B program in partnership with AVRIL¹³

The COLOR2B program aims to develop a process for the production of natural additives for animal feed in collaboration with the AVRIL group. The second phase of the project validated the efficacy and

⁹ Press release of March 23, 2017

¹⁰ Press release of March 27, 2017

¹¹ Press release of November 20, 2017

¹² Press release of January 30, 2018

¹³ Press release of April 19, 2017

bioavailability of the compounds produced from the seven strains selected by DEINOVE in the first phase. The compounds produced by these strains, added to the feed of farm animals at the experimental station, have been assimilated by their organisms and have produced the desired effects.

The COLOR2B project has entered its last phase, which aims to:

- Select and optimize 1 or 2 particularly effective strains;
- Optimize fermentation production conditions and active ingredient preparation processes;
- Define the most profitable techno-economic production conditions; and
- Drive regulatory steps to engage the marketing of these active ingredients.

Second step of the partnership with FLINT HILLS RESOURCES in animal feed¹⁴

Initiated in 2015, this program, funded entirely by FHR, aims to develop a nutritional additive for animal feed. The first phase of the project resulted in the selection by FLINT HILLS RESOURCES of several strains meeting their criteria. The second phase is under way. It aims to:

- Produce the additives in sufficient quantity to test their beneficial effect on the targeted animal species and analyze the results obtained;
- Optimize fermentation parameters;
- Define the techno-economic conditions for the development of the production process.

Issuance of a first patent covering the use of Deinococcus for animal nutrition¹⁵

DEINOVE has been working since 2014 to develop applications for its biotechnologies in the animal nutrition market. The goal is to enhance the capabilities of some strains of its bacterial collection to produce compounds with nutritional or organoleptic benefits. This first patent, originally issued in China, the world leader in livestock breeding, protects the progress made in this area: it focuses on the use of *Deinococcus* as a source of ingredients for animal nutrition.

CORPORATE INFORMATION

Strengthening the Board of Directors in connection with the strategic focus

In 2017, five international directors and experts from the pharmaceutical and antibiotics industry joined the Board of Directors of the Company: Dr. Hervé BRAILLY, Mr. Bernard FANGET, Prof. Vincent JARLIER, Dr. Yannick PLETAN and Dr. Charles WOLER¹⁶.

Philippe POULETTY, Christian PIERRET (representing Truffle Capital), and Michael CARLOS (former President of Givaudan Fragrance Division) remain directors for the remaining term of their respective terms of office. On the proposal of Mr. Philippe POULETTY, Mr. Charles WOLER has been appointed new Chairman of the Board at the Board meeting on January 20, 2017. This new governance brings

¹⁴ Press release of May 31, 2017

¹⁵ Press release of May 10, 2017

¹⁶ Press Releases of January 23 and May 16, 2017

DEINOVE invaluable medical, pharmaceutical, and management resources, more specifically focused on drug development, including antibiotics.

Strengthening management in antibiotic activities

During the year, DEINOVE has recruited:

- Dr. Georges GAUDRIAULT¹⁷, PhD in molecular pharmacology, expert in the development of new molecules and their formulation, as Scientific Director. He replaces Jean-Paul LEONETTI who returned to the CNRS after 6 years of absence.
- Sébastien ENAULT¹⁸, as Director of Business Development, with proven experience in setting up collaborations in the pharmaceutical field and in particular, in the field of anti-infectives.

Breakdown of capital as of December 31, 2017

As of December 31, 2017, the Company's capital consisted of 11,618,334 common shares with a par value of €0.40, of which 13,704 (or 0.12% of the capital) were held by the Company under the liquidity contract entrusted to Kepler Cheuvreux.

Breakdown of capital as of December 31, 2017 – non-diluted basis

Shareholders	Number of stocks	Percentage held	Voting rights	Percentage
Funds managed by Truffle Capital	1,380,595	11.88%	1,893,760	15.40%
Scientific founders	20,000	0.17%	40,000	0.33%
Management and administrators	70,990	0.61%	111,291	0.90%
Floating	10,146,749	87.33%	10,255,627	83.37%
TOTAL	11,618,334	100.00%	12 300 678	100.00%

Evolution of the share capital

During the 2017 financial year, the Board of Directors recorded the issue of 1,595,810 new shares following BSA exercises, including 1,585,000 under the Kepler Cheuvreux¹⁹ equity line funding and 10,810 under the BSA-B plan.

The Extraordinary General Meeting of January 5, 2017 also led to the issue of 1,001,437 new shares in exchange for the acquisition by DEINOVE of the total of the DEINOBIOTICS shares not yet held.

A total of 2,597,247 new shares were issued during the 2017 financial year, representing an increase of the share capital of €1,038,898.80.

¹⁷ Press release of May 23, 2017

¹⁸ Press release of July 24, 2017

¹⁹ Press releases of December 1, 2014 and June 15, 2015

The 2017 annual financial report will be available at the following address:

<http://www.deinove.com/en/investor-room/documentation-center/financial-reports>

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 genetic, metabolic and fermentation engineering platform capable of customizing these natural "micro-factories" to transform them into new industrial standards.

Based in Montpellier, DEINOVE employs approximately 55 employees and has nearly 130 international patents. The Company has been listed on Euronext Growth since April 2010.

Contacts

Emmanuel Petiot

Chief Executive Officer

Tel : +33 (0)4 48 19 01 28

emmanuel.petiot@deinove.com

Julien Coste

CFO

Tel : +33 (0)4 48 19 01 00

julien.coste@deinove.com

ALIZE RP, Press Relations

Caroline Carmagnol / Aurore Gangloff

Tel : +33 (0)1 44 54 36 66

deinove@alizerp.com

Coralie Martin

Communication, Marketing and Investor Relations

Tel : +33 (0)4 48 19 01 60

coralie.martin@deinove.com

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