

### 2017 HALF-YEAR CONSOLIDATED RESULTS: STABILITY OF NET LOSS MAJOR PROGRESS ON R&D PROGRAMS IN HEALTH, NUTRITION AND COSMETICS

- **Cash position: +€6.6m at June 30, 2017 compared to +€9.3m at December 31, 2016.**
- **Half-year net loss of DEINOVE Group (composed of DEINOVE and DEINOBIOTICS) stands at -€3.3m.**
- **The strategic refocusing announced in September 2016 took shape: DEINOBIOTICS was wholly integrated and the Group made significant progress in its various research programs.**
- **The AGIR project aimed at new antibiotics received a €14.6m funding from the 'Investments for the Future' program operated by Bpifrance.**

**Montpellier, September 28, 2017 (6:30 p.m. – CEST)** DEINOVE (Euronext Growth Paris: ALDEI), a biotech company that discovers, develops and produces high value-added compounds from rare bacterial strains, particularly the *Deinococcus* genus, released its half-year results for 2017. Following the full integration of its subsidiary DEINOBIOTICS on January 5, 2017, DEINOVE is presenting consolidated financial statements for the first time.

The 2017 interim financial report is available at:

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

*"A year after announcing our strategic move to focus on high value-added activities in the fields of health, nutrition and cosmetics, the results have been extremely positive,"* announced Emmanuel Petiot, CEO of DEINOVE. *"We have finalized our operational and legal reorganization and completed key stages in each of our R&D programs. This was achieved both with our partners and through our proprietary program for the production of innovative carotenoids, which is on track to have the first compounds produced on an industrial-scale and launched on the market next year. In addition, the recent announcement of the 'Investments for the Future' and Bpifrance's decision to grant €14.6m in funding to our AGIR (Antibiotics against Resistant Infectious Germs) program ratifies the relevance of our antibiotherapy approach."*

#### SELECTED FINANCIAL INFORMATION

Following the acquisition of a 100% interest in DEINOBIOTICS, the DEINOVE Group is publishing consolidated financial statements using the full consolidation method for the first time.

The position at June 30, 2017 is that of the Group, whereas for previous data, namely at June 30 and December 31, 2016, the equity method is used for the DEINOBIOTICS company. It is therefore not pertinent to compare this data.

The Group's statutory auditors, audit firm PwC, conducted a limited review of DEINOVE Group's financial statements at June 30, 2017.

(in thousands of euros)	6 month period ending 30 June	
	2017 *	2016 **
Total operating revenues	140	208
Total operating costs	4,898	4,363
<i>o/w Research &amp; Development costs</i>	3,635	3,414
<i>o/w Administrative and General costs</i>	1,263	949
<b>Operating profit/loss</b>	<b>-4,758</b>	<b>-4,155</b>
Financial result	-3	-22
<b>Current pre-tax profit/loss</b>	<b>-4,761</b>	<b>-4,178</b>
Profit/loss from non-recurring items	348	236
Income tax (R&D Tax Credit)	-1,253	-745
Goodwill amortization	185	0
Result of equity affiliates	0	-185
<b>CONSOLIDATED PROFIT/LOSS FOR THE PERIOD</b>	<b>-3,345</b>	<b>-3,382</b>
Minority interests	0	0
<b>NET PROFIT/LOSS - GROUP SHARE</b>	<b>-3,345</b>	<b>-3,382</b>

(in thousands of euros)	at 30/06/17 *	at 31/12/16
<i>Term deposit</i>	5,411	6,708
<i>Depreciation allowance for short-term securities</i>	0	0
<i>Cash on hand</i>	1,173	2,608
<i>Accrued interest not yet due &amp; bank overdraft facilities</i>	0	0
<b>Net financial position</b>	<b>6,584</b>	<b>9,316</b>

\* At June 30, 2017, DEINOBOTICS is accounted for using the full consolidation method.

\*\* At June 30, 2016, DEINOBOTICS is accounted for by the equity method at 49.02%.

## HALF-YEAR CONSOLIDATED FINANCIAL RESULTS

### Operating result

The DEINOVE Group recorded €140k in operating income for the six-month period, primarily from grants and R&D partnerships (AVRIL and FLINT HILLS RESOURCES).

For the same period, operating expenses stood at €4.9m. While the difference in operating costs between the first half-years of 2016 and 2017 stands at +€534k (+12%), it is important to distinguish between the impact of integrating the subsidiary DEINOBOTICS' operating costs of +€776k and the reduction in DEINOVE's operating expenses of -€242k. R&D expenses represented 74% of operating costs with a reduction in sub-contracting costs for certain services now ceased (VTT, Business Development consultancy, in particular). G&A expenses increased due to use of external consultancy

services (in communication, legal/finance) to help with the strategic refocusing. The mean number of employees for the Group is 55 FTE at September 1, 2017, compared to 53 for the same scope in H1 2016.

DEINOVE continued to invest over the half-year, particularly to acquire a cell culture laboratory used to screen strains for their cosmetic value.

### Net result

The consolidated net loss for the first half-year stands at €3.3m. This includes a positive non-recurring items gain of +€348k (compared to +€236k in H1 2016), mainly made up of a net gain of €357k from the sale of CARBIOS shares on the market. The financial result is negligible (-€3k).

The half-year consolidated net result includes a tax profit corresponding to a R&D tax credit (CIR) of €1,253k (compared to €745k in H1 2016), namely €886k under DEINOVE and €367k under DEINOBOTICS.

### FINANCIAL POSITION

Financing of operating expenses in H1 2016 required €4.1m (excluding depreciation charges), as well as laboratory equipment investments (including financial leases rents) of €0.9m. In addition, the Group received €0.5m following the sale of its stake in CARBIOS, and raised €1.2m from the equity line funding signed in December 2014 with KEPLER CHEUVREUX. To this is added the integration of the DEINOBOTICS subsidiary's liquid assets totaling €0.6m.

At June 30, 2017, the Group's net financial position stood at +€6.6m compared to +€9.3m on January 1, 2017, namely a net consumption of -€2.7m for the half-year period.

### LEGAL CHANGES

DEINOVE's Extraordinary General Meeting held on January 5, 2017, ruled in favor of the completion of the contribution in kind of DEINOBOTICS' shares to DEINOVE, which since holds 100% of its subsidiary<sup>1</sup>.

### KEY OPERATIONAL ACHIEVEMENTS

#### ***Publication of two patent applications following the discovery of a new innovative structure<sup>2</sup>***

DEINOVE announced on January 4, 2017, the publication of two patent applications for its first antibiotic molecule that presents a unique antibiotic structure, thereby confirming the platform's potential and creating a base for further development. These patents are the first stage in the creation of a solid intellectual property portfolio in the field of antibiotics. DEINOVE continues to conduct research to identify other innovative antibiotic molecules from its exclusive library of rare bacterial strains, and to build a true pipeline able to efficiently address the issue of multi-drug resistance.

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<sup>1</sup> See press release of January 5, 2017

<sup>2</sup> See press release of January 4, 2017

***A catalogue of active extracts qualified for cosmetic applications<sup>3</sup>***

The strain screening program (DEINOSCREEN), carried out in collaboration with the FLUOFARMA laboratory, specializing in cell-based assays, was able to identify dozens of strains that may be selected for uses in cosmetics, nutrition and health, considering their properties: antioxidant, anti-inflammatory and healing, as well as molecules that show lipid metabolism activity. DEINOVE now has a catalogue of strains with identified and varied properties to fuel on-going discussions and open up new opportunities in collaboration with industrial stakeholders.

***Cosmetics partnership with GREENTECH<sup>4</sup>***

Based on the screening results of its extremophile bacteria, DEINOVE formed a first partnership with GREENTECH to jointly develop and market new active ingredients for skin care. The ambition is to bring the first ingredient to market by the end of 2018.

GREENTECH, a key player in the production and distribution of biotechnologically obtained ingredients, currently markets a hundred active ingredients to cosmetics manufacturers in more than 30 countries.

***Validation of the 2<sup>nd</sup> phase of the COLOR2B project in partnership with AVRIL<sup>5</sup>***

The COLOR2B project aims to develop a production process for natural animal feed additives, in collaboration with the AVRIL Group. The 2<sup>nd</sup> phase of the project validated the effectiveness and bioavailability of the compounds produced by the seven strains selected by DEINOVE during the 1<sup>st</sup> phase. When added to the feed of farm animals in a field station, the compounds produced by these strains were well assimilated by their organisms and produced the desired effects.

The COLOR2B project is now in its last phase, which aims to:

- select and optimize one or two high-performing strains;
- optimize production conditions (by fermentation) and the processes for preparing active ingredients;
- define the most profitable technical-economic conditions for production; and
- undertake the necessary regulatory formalities to begin marketing these active ingredients.

***Launching of the 2<sup>nd</sup> phase of partnership in animal feed with FLINT HILLS RESOURCES<sup>6</sup>***

The project, initiated in 2015, aims to develop a nutritional supplement for animal feed. In the first phase, FLINT HILLS RESOURCES successfully selected several strains that meet these criteria. The second phase has been launched. It aims to:

- produce the additives in sufficient quantities to test their beneficial effects on the target animal species and analyze the results obtained;
- optimize the fermentation parameters;
- define the technical and economic conditions for the development of the production process.

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<sup>3</sup> See press release of March 23, 2017

<sup>4</sup> See press release of March 27, 2017

<sup>5</sup> See press release of April 19, 2017

<sup>6</sup> See press release of May 31, 2017

On the basis of efficacy tests, one or two strains may be selected in early 2018 for the industrialization step. If successful, both partners will consider the terms and conditions of a licensing agreement for the technology developed during this project for an actual commercialization.

***POST-CLOSING EVENT: Carotenoids program enters phase 2 of the industrialization process<sup>7</sup>***

The Carotenoid/DEINOCHEM program aims to produce and market biocarotenoids. DEINOVE is assisted by PROCESSIONUM to define and implement an industrial production process with the view to market the first batches in 2018.

The 1<sup>st</sup> phase of this program led to the following results:

- A first molecule has been selected for its innovative feature, with the goal of obtaining a competitive edge on the market. DEINOVE has demonstrated this first molecule's total safety, but also its antioxidant properties, which position it as particularly favorable for cosmetic applications.
- The carotenoid-producing strain was optimized and tested in fermenters of up to 20 liters. The yields obtained were significantly higher than the target yields, which is a positive sign of the economic viability of the production process.
- The first laboratory-scale tests yielded an extract with a purity level suited for an actual commercialization.
- The work carried out with PROCESSIONUM led to the identification and evaluation of various extraction and purification techniques available on the market. The performance of these techniques now need validation in order to prepare for a transition to industrial-scale production.

The quality of the results obtained made it possible to start phase 2 of this program, which aims to validate all the technical conditions and to select subcontractors best suited for production at an industrial scale. This 2<sup>nd</sup> phase should continue until the end of 2017 and lead to the production of the first batches of this carotenoid.

***POST-CLOSING EVENT: AGIR Antibiotics Program granted €14.6m over five years by the 'Investments for the Future' Program<sup>8</sup>***

The AGIR project (Antibiotics against Resistant Infectious Germs), carried out by the DEINOVE group and the Charles Viollette Institute, was selected by the 'Investments for the Future' Program led by the General Investment Commission (CGI) and operated by Bpifrance, as part of the "Structuring R&D Projects for Competitiveness" call for projects.

It will receive €14.6m in funding, for a total budget valued at €25m. The DEINOVE Group will receive €10.4m while the Charles Viollette Institute will receive €4.2m.

This funding will be used to accelerate the growth of the platform, enrich the molecule portfolio and thus contribute to the development of new antibiotics to address a major medical emergency.

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<sup>7</sup> See press release of July 5, 2017

<sup>8</sup> See press release of September 12, 2017

## MANAGEMENT AND ORGANIZATION

### ***Strengthening of Board of Directors in line with its strategic refocusing<sup>9</sup>***

Four directors of international standing and experts in the pharmaceutical industry and antibiotics joined DEINOVE's Board of Directors in January: Bernard Fanget, Prof. Vincent Jarlier, Dr. Yannick Plétan and Dr. Charles Woler.

At its meeting of January 20, 2017, the Board of Directors appointed these four new directors following the resignation of Paul-Joël Derian, Dennis McGrew, Rodney Rothstein and Nabil Sakkab, to whom it expressed its thanks for their contribution to the Company. Philippe Pouletty, Christian Pierret (representing Truffle Capital) and Michael Carlos (former chairman of the Fragrance Division of Givaudan) remain directors for the remainder of their respective terms. On a proposal put forward by Philippe Pouletty, Charles Woler was appointed as the new Chairman of the Board.

These appointments were ratified by the Annual General Meeting of May 16, 2017, which also approved the three-year appointment of Hervé Brailly as a new director<sup>10</sup>. Hervé Brailly, PhD, co-founded Innate Pharma, one of the first market capitalizations of French biotech. He managed the company for 17 years and is currently chairman of its supervisory board.

This new governance brings DEINOVE invaluable medical, pharmaceutical and managerial resources and more specifically, expertise in drug development, including antibiotics.

### ***Bernard Scorneaux, Preclinical Project Manager for health activities<sup>11</sup>***

Specialist in pharmacology and preclinical studies in infectious diseases, Dr. Bernard Scorneaux has led preclinical studies of several drug candidates that are currently on the market or in advanced clinical development. His expertise extends to the entire development process, from design, implementation, and follow-up of preclinical and early clinical studies (Phase I) to the drafting of regulatory documents.

He joined DEINOVE to prepare and lead preclinical studies of antibiotic compounds developed by the Company.

### ***Georges Gaudriault, new Chief Scientific Officer<sup>12</sup>***

Dr. Georges Gaudriault joined DEINOVE's team as Chief Scientific Officer, replacing Jean-Paul Leonetti, who returned to the CNRS after six years of secondment. PhD in molecular pharmacology, expert in the development of new molecules and their formulation, Dr. Gaudriault has spent his entire career in pharmaceutical innovation. He will play a key role in helping DEINOVE Group develop in its three target markets.

### ***POST-CLOSING EVENT: Sébastien Enault strengthens the Business Development activity<sup>13</sup>***

Sébastien Enault joined the Executive Committee as the Director of Business Development. He brings to the Group a proven track record in the development of collaborations in the pharmaceutical field

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<sup>9</sup> See press release of January 23, 2017

<sup>10</sup> See press release of May 16, 2017

<sup>11</sup> See press release of March 21, 2017

<sup>12</sup> See press release of May 23, 2017

<sup>13</sup> See press release of July 24, 2017

and, in particular, in the anti-infective field. He will help expand and promote DEINOVE Group's portfolio of programs and products.

### INTELLECTUAL PROPERTY

In the first half of 2017, DEINOVE expanded its intellectual property portfolio with the issue of five new patents. These included the patent "*Ingredients for animal feed compositions*" based on the capabilities of certain strains to produce compounds with nutritional or organoleptic benefits<sup>14</sup>. This is DEINOVE's first patent in animal nutrition. Issued in China, the world's largest producer of livestock, the Company intends to have it issued in other regions.

The DEINOVE Group also expanded its intellectual property in other market sectors, as demonstrated by its two patent applications following the discovery of a first innovative antibiotic structure<sup>15</sup>.

### UPCOMING EVENTS

Private investors:

Biotech agora – Paris – October 3

<https://www.biotech-agera.com/fr/nosevents/deinove/>

Actionaria – Paris – November 23-24

<http://www.actionaria.com/>

Institutional investors:

European large and midcap event – Paris – October 4

<http://www.midcapevents.com/midcap2017/home/>

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<sup>14</sup> See press release of May 10, 2017

<sup>15</sup> See press release of January 4, 2017

## 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, mainly of the *Deinococcus* genus;
- a genetic, metabolic and fermentation engineering platform capable of customizing these natural "micro-factories" to transform them into new industrial standards.

DEINOVE holds 100% of its subsidiary DEINOBIOTICS through which it intends to discover and develop new antibiotics to address a global major health threat.

Based in Montpellier, DEINOVE employs approximately 55 employees and has nearly 160 international patents. The Company has been listed on Euronext Growth Paris since April 2010.



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