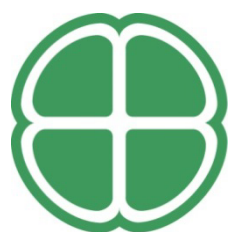


Interim financial report - Half-year 2014



DEINOVE
The deinococcus way

DEINOVE SA with a registered capital of EUR 2,110,948.40

RCS Montpellier 492 272 521

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1 | MANAGEMENT BODIES

1 | 1 Board of directors

Chairman of the Board of Directors:	Dr. Philippe Pouletty
Directors:	University Paris V, represented by Pr. Frédéric Dardel Paul-Joël Derian (Independent Director) The company Truffle Capital, represented by Christian Pierret Rodney Rothstein (Independent Director) The company SAKKAB LLC, represented by Nabil Sakkab (Independent Director) Bruno Weymuller (Independent Director) Dennis McGrew (Independent Director) Michael Carlos (Independent Director)

1 | 2 Management

Chief executive Officer	Emmanuel Petiot
Director of Finance & Administration	Julien Coste
Director of Research and Development	Jean-Paul Leonetti
Director of Business Development	Nagib Ward
Marketing, Communication & Investor Relations Manager	Coralie Martin

2 | INTERIM ACTIVITY REPORT

2 | 1 Deinove in short

2.1.1 A French green technologies company

DEINOVE is a green technologies company dedicated to the development and commercial exploitation of bioprocesses for the production of biofuels and bio-sourced chemical compounds, based on the use of bacteria with exceptional natural properties thus far unexploited – *Deinococci*.

DEINOVE paves the way to an oil-free world by developing effective, economic and ecological processes to manufacture industrial compounds from non-alimentary biomass compounds.

Its activity is mainly concentrated in two market segments:

- 2nd generation biofuels (DEINOL project)
- high added value biochemical compounds (DEINOCHEM project)

It also intervenes in two other sectors of activity:

- the characterization of new antibiotics and antifungals, active against resistant germs (DEINOBIOTICS subsidiary)
- the bioremediation of plastics (THANAPLAST™ project led by the company CARBIOS)

DEINOVE was founded in late 2006 at the joint initiative of Dr. Philippe Pouletty, Managing Director of the venture capital fund Truffle Capital (Paris) and Professor Miroslav Radman (*Grand Prix Inserm* 2003, member of the French *Académie des Sciences*). By discovering the genetic mechanisms behind *Deinococci*'s extraordinary biodiversity and its incomparable resistance, Pr. Radman initiated an unprecedented industrial approach: deinotechnology.

DEINOVE aims to provide viable solutions to the environmental and economic challenges facing the planet: energy transition, green chemistry, circular economy ... The company currently has 43 employees and from its very beginnings has forged academic partnerships with the CNRS, the *Institut Necker-Université Paris Descartes*, INSA Toulouse, the INRA and the VTT (Technical Research Centre of Finland, a world-ranking centre for bioconversion and industrial enzymes). These partnerships give the company access to high-level technologies and researchers across all of the scientific fields required to develop its projects.

The DEINOVE business model is based on the sale of operating licenses for its technology to industrialists. The Company has signed two collaboration agreements with ABENGOA (European leader in the production of bioethanol) and SUEZ ENVIRONNEMENT (world leader in waste treatment) to develop methods for producing biofuels in their industrial sites.

DEINOVE Management is highly experienced in research, development, finance and business development, and its Scientific Council is internationally renowned. The Board of Directors is very well connected in European and international industrial circles. These resources enable DEINOVE to position its breakthrough technologies within the industrial realities of the present and the future.

It has been Alternext listed since April 2010 (ALDEI – code ISIN FR0010879056).

2.1.2 A proprietary approach

DEINOVE is the only company in the world that exploits the untapped genetic and metabolic potential of *Deinococcus* for industrial purposes. This bacterium, which was discovered by chance in 1956, has exceptional properties that have, as yet, never been commercially developed.

DEINOVE selects bacteria, from its 6,000-strain proprietary library (including numerous strains other than *Deinococcus*) that are endowed with industrial-potential properties, and combines them using metabolic and genetic engineering to optimize

their natural capacities. By doing this, DEINOVE develops a one-of-a-kind intellectual property portfolio and cutting-edge industrial bioprocesses.

DEINOVE currently owns a portfolio comprising 16 patent families (i.e. over 150 international patent requests) covering the genetic engineering techniques of *Deinococcus*, their unique capabilities such as the degradation of lignocellulosic biomass and their diverse range of industrial applications, including the production of bioethanol, nutraceutical compounds...

2.1.3 A technology platform that centralizes world-class metabolic engineering

DEINOVE has developed a proprietary synthetic biology platform, which covers all stages, from profiling to optimization of strains: genomics, proteomics, enzymology, metabolomics, automated genetic engineering, fermentation engineering and analysis and assessment of biomass.

The natural genetic properties of *Deinococci* mean that DEINOVE can insert, replace and/or increase the gene activity in any targeted metabolic pathway without scarring (there is no vector, no antibiotic marker and no molecular fingerprint of the intervention).

This strategy, which is applied on an original industrial chassis, has already led to a world first – the development of a bifunctional bacterium that is able to digest the cellulosic and hemicellulosic components of biomass and produce ethanol. The optimization work continues.

2.1.4 Several ongoing research programmes, targeting prospective key applications

By associating bacterial engineering and selecting wild strains that are already highly effective, DEINOVE is building a unique position in terms of industrial property and innovative bioproduction processes. DEINOVE intends to develop processes that may be used in applications in a range of key industrial sectors. To address these different markets as effectively as possible, DEINOVE has structured its activity around several projects:

DEINOL collaborative project for producing 2nd generation biofuels

The DEINOL collaborative project aims to initiate the production of cellulosic ethanol (2nd generation ethanol) from *Deinococci* in already-existing industrial facilities by making better use of the input and better adaptation to production conditions. This collaborative project is led by DEINOVE. The Spanish group ABENGOA, a European leader in the production of bioethanol, is an industrial partner in this project alongside two academic partners, the CNRS Montpellier and INSA Toulouse. The project also draws on the expertise of VTT in Finland and Toulouse White Biotechnology.

DEINOL has obtained funding of almost €9M from Bpifrance (formerly OSEO-ISI), including €6M for DEINOVE.

DEINOCHEM project

Using screening technology, the DEINOCHEM project aims to identify the strains that are the most capable of producing chemical compounds of industrial interest, including isoprenoid pathways (carotenoids, linalool, geraniol, etc.). These compounds, which at present stem mainly from petrochemicals, or plant extracts with low yields, are used in a wide range of sectors such as animal feed and human food sectors, cosmetics, perfumery and other products of daily life such as hygiene and cleaning products...The ultimate aim is to develop methods for the production of these compounds from renewable resources with financially competitive yield.

DEINOVE was awarded funding of €5.9 million for its DEINOCHEM project. This is the most important funding to date by the state in this area. This funding is part of the *Investissements d'Avenir* (Investments for the Future program), responding to the call for projects on bio-based chemistry initiated by the ADEME (French Environment and Energy Management Agency) and the CGI (French National General Commission for Investment).

DEINOBIOTICS project

DEINOVE's third development strand is investigating new antibiotics via its subsidiary DEINOBIOTICS. DEINOVE's exploratory work on its collection has brought to light the richness and originality of new antimicrobial (anti-bacterial and anti-fungal) activities and may provide new therapeutic solutions for treating forms of infectious diseases that are more and more resistant to traditional antibiotics. This development strand is the purpose of the DEINOBIOTICS Project, for which DEINOVE has received financial support from Bpifrance Languedoc-Roussillon, from the Languedoc-Roussillon Regional Council and

from the ERDF. At the pre-clinical stage or early clinical stage, exclusive worldwide licences could be granted for individual products to pharmaceutical groups. In October 2012, and in order to foster the development of this specialized healthcare activity, DEINOVE gave it independence by setting up a dedicated subsidiary company, DEINOBOTICS SAS, of which 49% of the capital is held by DEINOVE.

THANAPLAST™ collaborative project led by CARBIOS

In late 2012, DEINOVE announced its participation in the THANAPLAST™ collaborative project, led by CARBIOS. THANAPLAST™ is a pioneering European project in the field of plastics engineering. In addition to CARBIOS and DEINOVE, it involves the CNRS, the INRA, the University of Poitiers and two key industrial players: the BARBIER Group and the LIMAGRAIN Group (through its subsidiary ULICE). Over a five-year period, project partners will share their expertise and knowledge to develop innovative solutions for promoting plastics recovery. With an overall investment of €22M, THANAPLAST™ has received €9.6M funding from OSEO (Bpifrance) as part of the ISI (Industrial Strategic Innovation) programme.

In October 2013, CARBIOS announced that it had successfully completed the first key milestone of the THANAPLAST™ project: the development of a tool kit notably comprising biological catalysts that could degrade the various key polymers in the plastics industry sector. This result was obtained in particular from *Deinococcus* bacteria strains that were developed by the DEINOVE teams.

2.1.5 DEINOVE's business model

DEINOVE's business model is that of a tech company that generates its financial added value by selling usage rights to third parties (for individual products and for individual territories) to use its proprietary processes that have been tested up to the pilot at a scale of around several hundred litres. DEINOVE's revenues are of three types:

- Research contracts for the development of bacterial processes in the laboratory based on industrial partners requests;
- Public funding through grants or repayable advances granted by organizations supporting research, such as Bpifrance, ADEME or others;
- An initial payment and then fees earned on the sales of products derived from DEINOVE processes, under licensing agreements with industrialists.

The development potential of second generation biofuels is extensive since these are the technologies that will enable the targets put in place by States at global level to be met. In Europe, for example, the goal, which involves going from 6% to 10% of ethanol mixed with petrol by 2020, will essentially be met by 2nd generation biofuels.

DEINOVE will benefit from manufacturers' strong demand in this field for competitive, eco-friendly industrial solutions. Certainly, global sales of compounds produced from bio-sourced chemicals - which amounted to €135 billion in 2012, or 7.7% of the total market for chemical products - are expected to reach €340 billion in 2017 (15.4 % of the total).

DEINOVE intends to carry out its first license agreements for the production of 2nd generation bioethanol and expects first license revenues by 2016.

2 | 2 Description of key events and activities at DEINOVE during the 1st half of 2014 and post period-end

2.2.1 Legal elements

On a legal level, the 1st the first half of 2014 was marked by the following events:

- By resolutions dated February 5, 2014, the Board of Directors determined (i) the lapse of 25,000 employee stock options termed "BCE-2010-2" issued and allocated to Mr Michael Krel on December 2, 2010 and (ii) the lapse of 6,500 employee stock options termed "BCE 2011-1", issued and allocated to Madame Lucie Roux on June 28, 2011, pursuant to the delegation of authority vested in it by the Combined General Meeting on September 24, 2010.
- The Chief Executive Officer, acting in accordance with the delegation of authority granted by the Combined General Meeting of 03 May 2012 and by delegation on behalf of the Board of Directors on October 14, 2013, in the framework of the PACEO® programme set up on October 30, 2013 with the *Société Générale*, acknowledged:
 - By a resolution dated 23 January 2014, a share capital increase of EUR 20,000 bringing the capital from EUR 2,022,732.40 to EUR 2,042,732.40 through the issue of 50,000 shares at a unit nominal value of 0.40 euro resulting from the exercise of 50,000 share issue warrants;
 - By a resolution dated 11 February 2014, a share capital increase of EUR 20,000 bringing the capital from EUR 2,042,732.40 to EUR 2,062,732.40 through the issue of 50,000 shares at a unit nominal value of 0.40 euro resulting from the exercise of 50,000 share issue warrants;
 - By a resolution dated 3 March 2014, a share capital increase of EUR 20,000 bringing the capital from EUR 2,062,732.40 to EUR 2,082,732.40 through the issue of 50,000 shares at a unit nominal value of 0.40 euro resulting from the exercise of 50,000 share issue warrants.
- The Board of Directors, acting in accordance with the delegation of authority granted by the Combined General Meeting of 27 June 2008, by a resolution dated 6 May 2014, acknowledged a capital increase of an amount of EUR 8,216 bringing the capital from EUR 2,082,732.40 to EUR 2,090,948.40 through the issue of 20,540 shares at a unit nominal value of 0.40 euro resulting from the exercise of 20,540 BSA-B issued by the General Assembly dated 30 January 2008 and modified by the General Assembly on 27 January 2010 and 15 March 2010.
- The appointment of Dennis McGrew and Michael Carlos as new independent directors of the company was approved during the Combined Shareholders General Meeting held on May 6, 2014. Dennis McGrew has over 30 years of experience in the global chemicals and green chemistry markets in companies based in the United States (Dow Chemical, NatureWorks, Genomatica), and Michael Carlos is President of the Fragrances division of the Givaudan group. These new members of the Board reinforce the international vision of the Company.
- During the meeting of 6 May 2014, it was also decided to transfer the Company Headquarters from 32 boulevard de Strasbourg - 75010 Paris to Cap Sigma, ZAC Euromédecine II, 1682 rue de la Valsière - 34790 Grabels, with effect from 12 May 2014.
- The Board of Directors by a resolution dated 18 March 2014 and 6 May 2014 and the Chief Executive Officer by a resolution dated 23 June, decided (i) to launch a share capital increase, with cancellation of preferential subscription rights and priority time-limit in favour of shareholders, of an initial maximum amount of €18.9 million, which may be increased to a maximum of €21.74 million in the event of full exercise of the extension clause, and a maximum amount of €25 million in the event of full exercise of the extension clause and over-allotment option, and (ii) to transfer all Company shares from Alternext to the regulated market of Euronext Paris, subject to completion of the capital increase. In this context, a prospectus consisting of the Reference Document registered on June 23, 2014 under the number R.14-042, as well as an operating note (including the summary), received the n° 14-314 from the AMF (French Market Authority) on June 23, 2014. In a press release dated July 4, 2014, the Company announced the cancellation of the share capital increase as soon as the expected conditions for its realization had not been met. Consequently, the transfer of shares from Alternext to the regulated market of Euronext Paris has not taken place.

Since the end of the first half of 2014, the following event occurred:

- Acting by virtue of an accordance with the delegation of authority granted by the Combined General Meeting of May 3, 2012, and by delegation on behalf of the Board of Directors dated October 14, 2013, the Chief Executive Officer acknowledged, in the context of the PACEO® programme established on October 30, 2013 with the *Société Générale*, by a decision dated July 16, 2014, the realization of a share capital increase for an amount of EUR 20,000 bringing the capital from EUR 2,090,948.40 to EUR 2,110,948.40 through the issue of 50,000 shares at a unit nominal value of 0.40 euro resulting from the exercise of 50,000 share issue warrants.

2.2.2 Progress made on research projects

During the 2014 six-month period, the research teams continued their efforts in three main directions in line with Company strategy:

- Pursuing the optimization and automation of the DEINOVE metabolic and fermentation engineering platform.
- Continuing to improve the yield and productivity of the chassis strain selected for the DEINOL Project and the raw materials used.
- Accelerating research into the promising chemical molecules identified by potential industrial partners in the DEINOCHEM Project.

Metabolic engineering platform dedicated to *Deinococcus* bacteria

During the first half of 2014, DEINOVE continued to invest in order to strengthen and automate its metabolic engineering platform aimed at optimizing the *Deinococcus* strains selected for the various research projects. These investments have mainly focused on:

- Automating the creation of modified strains particularly through the development of software in collaboration with the Grenoble-based company CAD4BIO. This software speeds up and streamlines the assembly of promising "genetic building blocks" before transfer to a host strain. It reduces human interventions and standardizes them, delivering a cloning plan that can then be performed by a high-speed robot. This genetic engineering operation is used to optimize a strain's genome so that it will efficiently produce various molecules of industrial interest.
- The strengthening of fermentation engineering capabilities with new fermentation equipment and analysers. These devices will allow DEINOVE researchers to multiply tests on different types of substrates and in different fermentation conditions, to accelerate the development of dedicated strains for each application.

These investments have contributed to the breakthroughs made in this period and described below.

DEINOL collaborative project for producing 2nd generation biofuels

The DEINOL research teams have continued with the development of a modified strain for breaking down biomass and producing ethanol in a single operation.

- In early 2014, DEINOVE announced having succeeded in producing ethanol at 9% (v / v) with unparalleled performance by a bacterial fermentation process. A world first, these results confirmed and extended those obtained in 2013, well beyond the threshold in the consideration of an industrial production of the process in 2nd generation biofuels.
- At the same time, DEINOVE researchers highlighted the breakdown capacity of the lignocellulosic biomass by the *Deinococci*, as fast as *Trichoderma reesei*, the reference cellulolytic microorganism, used to produce the majority of commercial enzymes.
- Moreover, in March 2014, DEINOVE confirmed the strengthening of its technological partnership with VTT. In June 2014, DEINOVE also announced the signing of two partnerships aimed at industrializing the DEINOL process:

- With Abengoa, the n°1 producer of ethanol in Europe and the leading provider of biofuels in the United States and Brazil, the world's leading markets for biofuels. The project, supported by Bpifrance, focuses on the development of the DEINOVE consolidated bioprocess to produce ethanol from agricultural residue. Both partners will result in a non-exclusive license agreement on the process, which may therefore be implemented in a larger scale in factories.
- With Suez Environnement, the world leader exclusively dedicated to water and waste management, and present on five continents. Of a two-year period, this contract is the first step in a project to explore the potential for development of an industrial sector of urban transformation of organic waste into ethanol by the action of *Deinococcus* bacteria. Prior test phases conducted have proved encouraging.
- These partnerships have led DEINOVE to develop its plan to implement its process in full-scale tests. Initially DEINOVE planned to conduct tests in 300L fermenters. DEINOVE has chosen to anticipate the next steps in even bigger pre-industrial fermenters. Accordingly, DEINOVE has entrusted VTT, which has at its disposal fermenters up to the scale of m³, with the conducting of tests of bacterial fermentation using optimized *Deinococcus*. After tests in 20L fermenters with a substrate glucose (C6) and xylose (C5), to evaluate the strict competitive co-assimilation of these sugars, a unique capacity of *Deinococcus* bacteria, 300L testing was launched. The first production of ethanol has been observed, the process is undergoing optimization. The deployment of the process continues using substrates approximating industrial substrates.

DEINOCHEM project for the production of biosourced chemical compounds

The DEINOCHEM project aims to produce a large variety of biosourced chemical compounds, starting with the isoprenoids. In these high added value markets, industry players are actively seeking alternatives to petrol-sourced production, for reasons of cost, security of supply as well as consumer acceptability.

During the 1st half of 2014, DEINOVE continued the development of promising strains for the production of bio-sourced chemical compounds in the isoprenoid family in accordance to the research plan defined by the Company, with funding obtained from the Investments for the Future Program (*Programme des Investissements d'Avenir*). DEINOVE researchers succeeded in producing in the laboratory, and in significant concentrations, three molecules of industrial interest from the isoprenoid pathway. The construction was carried out on a strain of *Deinococcus geothermalis* integrating the key enzyme DXS optimized with the GENOPLANTE-VALOR technology, which allowed the bacteria to substantially improve the production of these compounds.

In November 2013, DEINOVE signed an option to the license for the GENOPLANTE-VALOR patented technology to add to its proprietary technologies. Based on the results obtained, DEINOVE decided to exercise the option and acquire the exclusive license to the patent from GENOPLANTE-VALOR via INRA TRANSFERT, the INRA subsidiary for valorizing innovations.

2.2.3 Industrial property rights

During the 1st half of 2014, DEINOVE broadened its intellectual property portfolio, notably with 4 new patents issued:

- The patent "Use of bacteria for the production of Bioenergy" was issued in Eurasia (already issued in Europe in June 2013);
- The patent "Recombinant bacteria and their use in ethanol production" was issued in the Ukraine;
- The patents "Enzymes and their uses" and "Laccases and their uses", focusing on both enzymes involved in cellulosic biomass digestion, were issued in South Africa.

2.2.4 Financial points

- As indicated in 2.2.1 above, the share capital was repeatedly increased since the beginning of the 1st half.
- Transfer of the liquidity contract:

As indicated in the press release dated as of May 16, the liquidity contract that had previously been entered into by the Company with DSF Markets was transferred to Kepler Cheuvreux dated May 15, 2014.

The liquidity agreement entered into with Kepler Cheuvreux dated May 15, 2014 complies with the Charter of Ethics established by the French financial Markets Association (AMAFI) as recognized by the Financial Markets Authority (AMF).

During the implementation of a liquidity contract entrusted by DEINOVE to Kepler Cheuvreux, the following assets appeared on the liquidity account:

- Number of shares 5,916 DEINOVE shares;
- Balance in cash of the liquidity account: 110,931.60 Euros.

It should be noted that on 31 December 2013, the following assets appeared in the liquidity account:

- Number of shares: 3,540 DEINOVE shares;
- Balance in cash of the liquidity account: 139,830.28 Euros.

- 4 July 2014: Report on the liquidity agreement entrusted by DEINOVE to Kepler Cheuvreux

Under the liquidity agreement contract entrusted by DEINOVE to Kepler Cheuvreux, the following assets appeared on the liquidity account as at 30 June 2014:

- 9,984 DEINOVE shares;
- 60,078.79 Euros.

Since the end of the first half of 2014, the following events have occurred:

- As of 07/08/14, DEINOVE received €1,275K for R&D tax credit, *Crédit Impôt Recherche* (CIR) incurred during the fiscal year 2013. This amount is close to €1,309K receivables included in the balance sheet of the Company as at 30/06/14.
- As of 8/28/14, the Company received €380K, in reference to corrective requests for the 2010 and 2011 R&D tax credits, transmitted in July 2013 to the Tax Administration and totalling €658K. Details on the status of this approach are provided in Note 10 of the Appendix to this Financial Report.

2 | 3 Financial position and results: some comments on the figures

The financial statements of DEINOVE SA as at 30 June 2014 reflect mainly:

- R&D costs maintained at a high level, namely 75% of operating expenses, compared to 70% in the 1st half of 2013). This increase results from the continuation of the company's flagship project, DEINOL, combined with a strong acceleration of the green chemistry program DEINOCHEM, for which in 2013 the Company obtained funding of 5.9 million Euros from Ademe (in the form of reimbursable cash advances). Resources have also been allocated to several emerging projects. These various factors account for the 54% increase in R&D spending observed between the 1st half of 2013 and 2014. This comes from both the significant increase in R&D staff between these two periods (+10 average FTEs) and rising external costs, whether it is "induced costs" directly related to these recruitments (and to the operating of the technology platforms) or R&D outsourced to private providers and public research organizations. Moreover, on 1st January 2014 the company commenced its 8th year of activity, so it no longer benefits from the mitigation of employer contributions allowed by the Young Innovative Company status (JEI). Finally, since October 2013 DEINOVE has gathered its teams in new premises at Cap Sigma (Grabels, 34). It currently leases more than 1,050 m² mainly for scientific laboratories. In the 1st half of 2013, the set up was radically different: a small functional headquarters in Paris and 650m² of rented laboratory within the business incubator Cap Alpha (Clapiers, 34), with all the benefits incurred from this type of accommodation (pooling of resources/services).

- A non-recurring loss of €802K, which is primarily due to €783K of costs related to the operation to increase capital, whose cancellation was announced by the Company on 4 July 2014 (see. section 2.2.1).
- Available financial resources have been maintained in the balance sheet assets, enabling the financing of programs underway until the end of the 1st half of 2015. The Net Financial Position of the Company as of end of June 2014 represents assets of €2,777K, as against €3,088K at 31/12/2013, and the company moreover received, in August 2014, the restitution of its R&D tax credit for 2013 for a sum of €1,275K, as well as a part of the R&D Tax Credits corrective statements for the 2010 and 2011, for €380K (see Note 10). In July 2014, the Company proceeded with a Pacey® drawdown, which permitted it to raise a net amount of €617K.

The following table shows key points from the half-yearly results drawn up in accordance with French accounting standards, for the first half-year of fiscal years 2013 and 2014, as well as some financial items from the balance sheet as at June 30, 2014 compared with the balances as at December 31, 2013:

(in thousand euros)	6-month period ending on 30 June	
	2014	2013
Total operating revenues	16	5
Total operating costs	3,788	2,626
of which R&D costs	2,849	1,848
of which administrative and general costs	939	778
Operating Profit/Loss	-3,772	-2,622
Financial result	29	55
Current pre-tax profit/loss	-3,743	-2,567
Profit/loss from non-recurring items	-802	68
Income tax (R & D tax credit)	-625	-1,208
Net Profit/loss	-3,920	-1,291

	at 30/06/14	at 31/12/2013
Net financial position	2,777	3,088
Of which financial investments ¹	1,294	1,276
Of which marketable securities (maturity < 1 year)	0	0
Of which cash instruments (maturity < 3 months)	0	0
Of which cash in hand	1,483	1,872
(Of which financial debt)	0	-60
Total assets	8,233	6,961
Total shareholders' equity	5,469	5,658
Of which equity capital	919	2,601
Of which repayable advances	4,550	3,057

¹ Excluding Liquidity Agreement items (cash resources and own shares) and guarantees and deposits.

Presentation of Results as at 30/06/2014:

Operating income:

Operating income from the 1st half of 2014, amounts to €16K, mainly from transfers of operating charges to the amount of €12K.

Net operating costs by type:

(in thousand euros)	2014	6-month period ending on 30 June 2013
Purchase of raw materials and other supplies	-4	-1
External studies, subcontracting and scientific consultancy	656	300
Supplies	375	322
Rent, maintenance, servicing costs	180	141
Miscellaneous costs	95	89
Documentation, technological monitoring and seminars	31	10
Fees	498	384
Travelling expenses	122	66
Total Other purchases and external expenses	1,956	1,312
Taxes, duties and similar levies	28	30
Salaries and wages	1,052	773
Social contributions	489	307
Depreciation charges on fixed assets	221	179
Other expenses	46	27
TOTAL OPERATING COSTS	3,788	2,626

Net variation in *Operating costs* between the 1st half of 2013 and 2014 amounts to +€1,161K, or +44%. This comes from increases of +49% in *Other purchases and external expenditure* (€1,956K vs. €1,312K) and +39% on other costs (€1,835K vs. €1,316K) in the main comprising personnel costs and depreciation charges.

The variation of +€644K in *Other purchases and external expenditure* relates mainly to two items. A 1st increase of +€356K in *External studies, sub-contracting and scientific consultancy* mainly due to the early involvement of VTT (Finland), and to a lesser extent Genostar in the Deinochem program. The 2nd notable increase amounted to €114K and comes from *Fees*, knowing that those relating to IP (filing fees / maintenance / extension of patents, etc.) accounted for almost all of this variation (+€107K from €154 to 261K), variations on other fees (legal, financial, HR, etc.) were significantly lower, and almost compensated net (+7 k€). The other topics also saw an upward trend, directly linked to the new premises in Cap Sigma and to staff growth. This is notably the case of *Travelling expenses*, whose increase also results from the increased efforts of Business Development..

The variation of +€519K in other costs comes essentially from *Wages and Salaries* and *Social contributions*, up by €461K (+12.9 average FTE; loss of the JEI exemption). *Depreciation charges on fixed assets* has also increased, with a variation of +€42K, the logical consequence of investments in scientific equipment made during last year (and now depreciated over a full half-year) and in the 1st half of 2014.

During the last six-month period, R&D costs, which essentially include the costs of staff assigned to these activities, subcontractors, consultancy and scientific collaboration, costs related to protecting the Company's intellectual property rights, costs of equipment and operation of the laboratory at Cap Sigma (Montpellier), represented 75% of operating costs (vs. 70% in the 1st half of 2013).

Financial results:

(in thousand euros)	6-month period ending on 30 June	
	2014	2013
Financial revenue	48	63
Financial costs	20	8
FINANCIAL RESULT	29	55

The drop of -€26K in financial result was primarily due to lower investment income from investments in bonds (Merrill Lynch) and demand deposit accounts (*Société Générale*), for a variation of -€30K: interest amounted to €48K in the 1st half of 2013, vs. €18K in the 1st half of 2014, this trend is directly related to the decrease in the Net Financial Position of the Company.

In addition, transactions under the liquidity contract generated a net financial income of +€12K during the 1st half of 2014, vs. +€7K for the 1st half of 2013, or a variation of +€5K.

Finally, the net variation on exchange transactions between these two terms is -€1K.

Net result:

(in thousand euros)	6-month period ending on 30 June	
	2014	2013
Current pre-tax profit/loss	-3,743	-2,567
<i>Revenue from non-recurring items</i>	0	68
<i>Expenses from non-recurring items</i>	802	0
Profit/loss from non-recurring items	-802	68
Tax on profit (Research tax credit)	-625	-1,208
PROFIT OR LOSS	-3,920	-1,291

The decrease of -€869K in Profit/loss from non-recurring items, is the result of the following variations:

- Inclusion in the accounts for the first half of extraordinary income of €68K, corresponding to the estimated gross value of a set of second-hand equipment (including a Theonyx robot with a Zymark articulated arm) transferred to the Company free of charge by an industrial group; The company accounting no extraordinary income in the 1st half of 2014, thus the variation is -€68K.
- Extraordinary expenses being minimal (<€1K) for the 1st half of 2013. By contrast, in the 1st half of 2014, they amounted to €802K, this amount can be broken down as follows:
 - €783K of costs related to the capital increase which the Company announced the cancellation of in early July 2014. This total is predominantly made up of media purchasing costs (various media) and fees paid to various parties: auditors, advertising agencies, law firms, translation agency, etc;
 - €18K of costs related to previous years (social package /director's fees);
 - €1K of extraordinary depreciation.

With regard to the negative variation of -€583K 'Tax on profit', it pertains almost exclusively to changes in amounts related to the R&D Tax Credit (CIR), a measure for which the Company has been eligible since 2008.

In this measure, the net variation between the 1st half of 2013 and 2014 is -€590K, and can be explained as follows:

- The CIR receivable calculated for the 1st half of 2014 is slightly higher than that of the 1st half of 2013, the respective amounts being €623K vs. €568K, or a positive variation of +€55K.
- In early July 2013, DEINOVE submitted a corrective statement to the tax administration relating to the CIR receivables for the fiscal years 2010 and 2011, totalling €658K. A provision was included for this amount, in total and as proceeds receivables, in the accounts closed on 30/06/2013. Details of the status of this initiative are provided in Note 10 of this financial report. This provision not having been adjusted, it resulted in the absence of a comparable approach in the 1st half of 2014, a negative variation of -€658K.
- Lastly, in late June 2013, DEINOVE had received notice from the tax administration informing it of the final amount of the CIR 2012 claim (formally received in early July 2013). The amount of €932K was less than the €951K accrued at 31/12/12, and a provision had been booked in the accounts as at 30/06/13 to reflect this negative variation of -€18K. Regarding CIR 2013, an adjustment of -€4K was recognized for the 1st half of 2014, the amount of the receivables, booked end 2013 for €1,313K, was eventually revised at €1,309K at transmission of the form 2069-A to the tax authorities. Hence a variation of +€14K between the 1st half of 2013 and the 1st half of 2014.

The residual variation (excl. CIR) of +€7K under 'Income Taxes' stems from provisions totalling €7K and relating to Tax Credit for marketing activities and the apprenticeship training Tax Credit. No provision had been endowed in this respect at 30/06/13.

Presentation of the balance sheet as at 30/06/2014:

At the end of the 1st half of 2013, the Company's net financial position amounted to +€2,777K, which gives the measure of the resources available at that date to cover the needs of its R&D projects. This financial position should be compared with the position at 31/12/2013, namely +€3 088K. The financing of operating costs in the 1st half of 2014 required €3,567K (excluding depreciation charges), and investments in laboratory equipment (notably in connection with the Deinochem project), for approximately €500K. Over the same period, the Company received €1,480K in repayable advances (1st ADEME instalment for the Deinochem project), and raised via the Pacey® agreement, a total capital of €2,230K.

Of the total of available cash, €1,250K was placed in a *Société Générale* deposit account (maturing in August 2015), this amount is classified as Financial assets.

Liquidity agreement

Under the liquidity contract entrusted by the company DEINOVE to Kepler Cheuvreux - successor to BIL Finance – 15 May 2014, the following items figured in the liquidity account on 30 June 2014:

- 9,984 DEINOVE shares;
- 60,078.79 Euros.

Share capital

As at 30 June 2013, the share capital was composed of 5,227,371 ordinary shares with a nominal value of 0.40 Euro, following the issue of 170,540 new shares during the 1st half of 2014, as a result of (i) the exercising of Share Issue Warrants (BEA) in the framework of the PACEO® program, leading to a capital increase of 60,000.00 Euros via the issue of 150,000 ordinary shares with a nominal value of 0.40 Euro each and (ii) the exercising of share warrants called "BSA-B" leading to a capital increase of 8,216.00 Euros via the issue of 20,540 ordinary shares with a nominal value of 0.40 euro each. Note 6 to the half-yearly accounts provides additional information on equity and currently valid dilutive financial instruments.

It is stated that the social capital has been modified from the end of the 1st half, an increase in capital of 20,000.00 Euros having occurred on July 16, 2014 following the issuance of 50,000 new shares, consecutively to the exercising of 50,000 Share Issue Warrants under the PACEO® program. At the date of this interim financial report, the share capital of the Company is 2,110,948.40 Euros divided into 5,277,371 shares.

2 | 4 Main risk factors

The risk factors affecting the Company were presented in Section 4 of the prospectus (*Document de Référence*) registered on 23 June 2014 by the *Autorité des Marchés Financiers* (AMF) [French financial markets authority] under number R. 14-042.

The Company reiterates, as indicated in the aforementioned prospectus, that its activities are essentially based on Research and Development operations in biotechnologies, aimed at applications in the fields of biofuels, green chemistry and antibiotics. The success of its projects is thus subject to the scientific and technological uncertainties specific to this sector, and is also based on its capacity to industrialize the bioprocesses that it develops in a financially viable way.

3 | HALF-YEAR ACCOUNTS SUMMARY AS AT 30 JUNE 2014

3 | 1 Profit and Loss Account

(in thousand euros)	Note	1 st half 2014	1 st half 2013	Fiscal year 2013
Operating revenue		16	5	51
Sales of goods				
Purchase of raw materials and other supplies		-4	-1	-6
Other purchases and external expenses		1,956	1,312	2,765
Taxes, duties and similar levies		28	30	52
Salaries and wages		1,052	773	1,649
Social contributions		489	307	682
Depreciation charges for amortizations, write-backs and provisions		221	179	367
Other expenses		46	27	64
Total operating expenses		3,788	2,626	5,574
OPERATING PROFIT/LOSS		-3,772	-2,622	-5,523
Financial revenue		48	63	137
Financial costs		20	8	15
FINANCIAL PROFIT/LOSS		29	55	123
CURRENT PRE-TAX PROFIT/LOSS		-3,743	-2,567	-5,400
Revenue from non-recurring items		0	68	68
Expenses from non-recurring items		802	0	47
PROFIT/LOSS FROM NON RECURRING ITEMS		-802	68	21
Tax on profit (Research tax credit)	10	-625	-1,208	-1,960
PROFIT OR LOSS		-3,920	-1,291	-3,420

3 | 2 Balance Sheet

Assets

(in thousand euros)	Note	30/06/2014	31/12/2013
FIXED ASSETS	3		
Intangible assets			
Concessions, patents, licences, software, rights and the like		140	85
Tangible assets			
Technical facilities, industrial equipment and tooling		1,008	511
Tangible assets under construction		0	0
Other tangible assets		108	97
Financial assets			
Equity interests and related receivables		631	631
Other equity investments	3	0	0
Other financial assets		1,537	1,508
TOTAL		3,425	2,833
CURRENT ASSETS			
Receivables	4	3,103	2,188
Advances and prepayment on orders		0	0
Cash instruments		0	0
Cash on hand	5	1,483	1,872
Pre-paid expenses		222	68
TOTAL		4,808	4,129
OVERALL TOTAL		8,233	6,961

Liabilities

(in thousand euros)	Note	30/06/2014	31/12/2013
EQUITY	6		
Capital		2,091	2,023
Share, merger and contribution premiums		13,676	11,506
Statutory reserves		0	0
Carry-forward		-10,927	-7,507
Profit or loss for the period		-3,920	-3,420
TOTAL		919	2,601
OTHER EQUITY			
Conditional advances	7	4,550	3,057
TOTAL		4,550	3,057
PROVISIONS			
Provisions for liabilities & expenditure		0	0
TOTAL		0	0
LIABILITIES	8		
Loans and financial liabilities - Others		0	60
Suppliers and related accounts		2,226	692
Outstanding taxes and social contributions		531	546
Other liabilities (+ECP)		7	7
TOTAL		2,764	1,304
OVERALL TOTAL		8,233	6,961

3 | 3 Table of Changes in Equity

(in thousand euros)	Share capital	Issue premium & BSA (share warrants)	Reserves and Carry-forward	Profit/loss for the period	Total shareholders' proceeds
BALANCE AT 01/01/2013	1,976	10,868	-5,528	-1,979	5,337
Allocation of 2012 surplus			-1,979	1,979	0
Capital increase and IP	47				47
Exercise of BSA/BCE		637			637
Profit/loss for 2013				-3,420	-3,420
31/12/2013	2,023	11,506	-7,507	-3,420	2,601
Allocation of 2013 surplus			-3,420	3,420	0
Capital increase and IP	68				68
Exercise of BSA/BCE/BEA		2,170			2,170
Half-year result for 2014				-3,920	-3,920
30/06/2014	2,091	13,676	-10,927	-3,920	919

3 | 4 Net cash flow tables

(in thousand euros)	Note	1 st half 2014	31/12/2013
Cash flow related to operating activities			
Profit/loss for the period		-3,920	-3,420
Capital gain on transfer of treasury shares		-12	-16
Extraordinary profit/loss		802	-21
Amortization		221	367
Depreciation		0	0
Changes in accrued interest		-18	-3
Changes in working capital		405	-236
Net cash flow used in activities		-2,522	-3,328
Cash flow related to investment activities			
Acquisitions net of divestitures of fixed assets	3	-748	-375
Acquisitions of financial assets (TAA, liquidity agreement, equity interest)	3	-575	-813
Redemption of investments at maturity	3	0	250
Sales of financial assets	3	564	4,342
Net cash flow from (absorbed by) investment activities		-760	3,404
Cash flow related to financing activities			
Net income from share issuance	6	2,238	684
Receipt from new loans	7	1,483	177
Loan repayment	7	-50	-65
Net cash flow from financing activities		3,671	796
Change in cash and cash equivalents		-389	872
Cash and cash equivalents opening balance		1,872	1,000
CASH AND CASH EQUIVALENTS AT CLOSING		1,483	1,872

NOTE 1 | THE COMPANY

DEINOVE is a green technologies company dedicated to the development and commercial exploitation of bioprocesses for the production of biofuels and bio-sourced chemical compounds of industrial value, based on the use of bacteria with exceptional natural properties thus far unexploited – *Deinococci*.

The Company was set up in 2006 in the form of a *Société par Actions Simplifiée* [simplified joint stock company] and was transformed into a *Société Anonyme* [joint stock company] on 27 January 2010.

The Company has been listed on the Alternext market since 27 April 2010. Alternext is an organized market in which there is no obligation to apply IFRS standards. The accounting principles applied are therefore the accounting principles that are generally accepted in France.

NOTE 2 | ACCOUNTING PRINCIPLES, REGULATIONS AND METHODS

The accounting principles and methods selected in preparing the half-yearly accounts comply with French standards, and are unchanged with regard to the methods used to prepare the annual accounts for the fiscal year 2013 described in the Notes to these accounts.

The transactions in this six-month period that call for additional information are the following:

- **Impact of share warrants (BSAs) and employee stock options (BCEs):**

During this period, some holders of BSAs [*Bons de Souscription d'Actions*] or BCEs [*Bons de Souscription de Parts de Créateur d'Entreprise*] exercised these financial instruments. The date at which a capital increase resulting from the exercising of BSAs/BCEs is recorded in the accounts in equity is the date at which the transaction was definitively completed, which is determined by Commercial Code Article L225-149 paragraph 2. Consequently, the exercising of warrants is recorded under Issue premiums without waiting for further intervention from the Board of Directors as provided in paragraph 3 of the same Article, which is aimed solely at legally recording, through the updating of the Articles of Association, a transaction that has been completed previously. It is reiterated that the Combined General Meeting of 3 May 2012 decided to divide by 10 the number of BSAs and BCEs issued by the Company up to that date. Thus, since 3 May 2012, each BSA or BCE gives rise to an entitlement to subscribe 1 new share. Note 7 states that during the first half of 2014, 20,540 BSA-B was exercised leading to the issue of 20,540 new shares for 0.40 euro each.

Furthermore, by virtue of the delegation of authority granted by the Board of Directors dated October 14, 2013, acting in accordance with the delegation of authority granted by the Combined General Meeting of 03 May 2012, the Chief Executive Officer decided as of October 30, 2013, to issue 450,000 share issue warrants (BEA) in favour of the *Société Générale*, qualified investor acting on their own account. It is recalled that each BEA will give the right to subscribe to one share at a price between 94% and 96% of the weighted average price of the three consecutive stock market sessions, rounded to the 2nd decimal, after receipt by the *Société Générale* of a request to draw. Note 6 states that during the 1st half of 2014, 150,000 BEA were exercised, resulting in the issuance of 150,000 new shares at 0.40 euro each.

- **Liquidity agreement and Treasury shares (Other Financial investments):**

Transactions related to the Liquidity Agreement that the Company has concluded with a financial intermediary are recorded pursuant to recommendation 98-D released by the Urgent Issues Task Force of the French National Accounting Board (*Comité d'Urgence du Conseil National de la Comptabilité*) and to the French National Auditing Body Bulletin No. 137, dated March 2005:

- treasury shares held are recorded in Other Financial investments – Treasury Shares. A provision for depreciation is recorded by reference to the average listed stock-market price from the month preceding closing if the latter is less than the acquisition price. In order to determine the profit/loss from the sale, the FIFO method is applied.

- cash paid to the intermediary and not yet used is recorded under Other Financial Assets – Other Long-term Receivables.

Under the liquidity contract granted to Kepler Cheuvreux, the following assets appeared in the liquidity account as of June 30, 2014:

- 9,984 DEINOVE shares;
- 60,078.79 Euros.

NOTE 3 | INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS

GROSS VALUES (in thousand euros)	Gross value at 01/01/2014	Acquisitions	Reductions	Gross value at 30/06/2014
Intangible assets				
Concessions, patents, licences, software, rights and the like	145	97	0	241
Other intangible assets				
TOTAL	145	97	0	241
Tangible assets				
Technical facilities, industrial equipment and tooling	1,465	661	35	2,092
General facilities, fixtures and various amenities	41	16	0	57
Office equipment and computer hardware, furniture	118	11	1	128
Tangible assets under construction	0	0	0	0
TOTAL	1,624	688	36	2,276
Financial assets				
Equity interests and related receivables	631	0	0	631
Other equity investments	0	0	0	0
Other financial assets	1,508	593	564	1,537
TOTAL	2,140	593	564	2,169
OVERALL TOTAL	3,909	1,377	600	4,686

DEPRECIATION (in thousand euros)	POSITION AND MOVEMENTS DURING THE PERIOD			
Depreciable fixed assets	Value at 01/01/2014	Allocations	Outflows	Value at 30/06/2014
Intangible assets				
Concessions, patents, licences, software, rights and the like	60	42	0	102
Other intangible assets				
Total	60	42	0	102
Tangible assets				
Technical facilities, industrial equipment and tooling	954	164	35	1,083
General facilities, fixtures and various amenities	1	2	0	3
Office equipment and computer hardware, furniture	61	13	1	73
Total	1,016	179	36	1,160
OVERALL TOTAL	1,076	221	36	1,261

IMPAIRMENT (in thousand euros)	POSITION AND MOVEMENTS DURING THE PERIOD			
Financial assets	Value at 01/01/2014	Allocations	Outflows	Value at 30/06/2014
Financial assets				
Long-term securities (bonds)	0	0	0	0
Total	0	0	0	0
Other financial assets				
Liquidity agreement	0	0	0	0
Total	0	0	0	0
OVERALL TOTAL	0	0	0	0

Other financial investments totalling €1,537K in gross value comprise:

- €1,250K invested in term deposit accounts "growth+ 3 years" with the *Société Générale* bank (maturity August 2015);
- 9,984 Deinove treasury shares under the liquidity agreement with Kepler Cheuvreux, recorded in the accounts with a gross value of €140K;
- An available cash balance under the liquidity agreement of €60K;
- Interest accrued (relating to the bonds and term deposits described earlier) of €44K;
- Deposits and guarantees for lease agreements (mainly the Cap Sigma premises) to the amount of €44K

Under shareholdings and related receivables, it should be noted that DEINOVE has created no subsidiary and has taken no new participation during the fiscal year of 2013, not since then either.

It is recalled that as of 1st January 2013, DEINOVE held 100% of the shares in the company DEINOCHEM, a *société par actions simplifiée* (simplified joint-stock company), with a registered capital of 1,500 euros, headquartered at 22 rue Léon Jouhaux, 75010 Paris, incorporated with the Paris Trade and Companies Register under number 752 062 471 RCS Paris. By decision dated 18 November 2013, DEINOVE decided to dissolve DEINOCHEM early and without liquidation, this led to the transfer of all of DEINOCHEM's assets and liabilities to DEINOVE.

At June 30, 2014, DEINOVE held the following Shareholdings:

1. DEINOBIOTICS, a *société par actions simplifiée* (simplified joint-stock company), with a registered capital of 941,500 Euros, headquartered at Cap Sigma – ZAC Euromédecine II, 1682 rue de la Valsière – 34790 Grabels, incorporated with the Montpellier Trade and Companies Register under the number 752 226 746 RCS Montpellier.

The purpose of DEINOBIOTICS are to implement any and all research, development, production and marketing activities in France and abroad of products, technology and services in the field of infectious diseases.

As at 31st December 2012, following contributions in cash and in kind by the Company and by the company Holding Incubatrice Chimie Verte, 51% of its share capital is held by the company Holding Incubatrice Chimie Verte and 49% by the Company.

As at 31st December 2013, the annual accounts for the company DEINOBIOTICS showed:

- A loss of €572K;
- Equity of €234K;
- A balance-sheet total of €765K.

2. Lastly, it should be noted that the Company has taken a stake in the share capital of the company **CARBIOS**, a *société anonyme* [joint stock company] with a registered capital of 2,624,771.10 Euros, headquartered at Biopôle Clermont-Limagne, rue Emile Duclaux, 63360 Saint-Beauzire, entered on the Clermont-Ferrand Trade and Companies Register under number 531 530 228 RCS Clermont-Ferrand.

The purpose of CARBIOS is, in particular, to carry out any and all research, development, production and marketing activities in France and abroad pertaining to biotechnologies and in particular biomass transformation and bioremediation technologies, processes and products.

All shares forming the capital of CARBIOS were admitted for trading on the Alternext Euronext Paris market as of December 19, 2013

As at 31 December 2013, the annual accounts of CARBIOS for its first fiscal year showed:

- A loss of €2,160K;
- Equity of €13,165K;
- A balance-sheet total of €16,356K.

As at 31 December 2013, the Company held 2.02% of the capital of the company CARBIOS.

As at 30 June 2014, the Company held 2.01% of the capital of the company CARBIOS.

On the balance sheet of the company DEINOVE as at 30/06/14, the total of €631.5K for these different shareholdings breaks down as follows:

- DEINOBIOTICS SAS: €461.5K;
- CARBIOS SA: €170.0K;

Since no provision for depreciation has been made regarding the latter, the Net total is equivalent to the Gross total.

NOTE 4 | RECEIVABLES

Half-year ended 30 June 2014

(in thousand euros)	Gross amount	Within a year	Over a year
From fixed assets			
Other financial assets	1,537	0	1,537
Total fixed assets	1,537	0	1,537
From current assets			
Customers and related accounts	22	22	0.
Trade receivables	4	4	0.
Staff	4	0	4.
Tax on profit	2,612	2,612	0
Value added tax	446	446	0
Other taxes, duties and similar levies			
Other receivables	15	15	0
Group and associates			
Total current assets	3,103	3,099	4
TOTAL	4,640	3,099	1,541

Financial year ended 31st December 2013

(in thousand euros)	Gross amount	Within a year	Over a year
From fixed assets			
Other financial assets	1,508	1	1,507
Total fixed assets	1,508	1	1,507
From current assets			
Customers and related accounts	15	15	0
Trade receivables	0	0	0
Staff	5	1	4
Tax on profit	1,978	1,978	0
Value added tax	152	152	0
Other taxes, duties and similar levies			
Other receivables	39	39	0
Group and associates			
Total current assets	2,188	2,184	4
TOTAL	3,697	2,186	1,511

Receivables from tax on profit mainly correspond to the R&D Tax Credit (CIR) acquired by the Company. As there is no taxable profit and due to the Company's "Young Innovative Company" status, this receivable is repayable the year following the year it is recognized: The balance of receivables from tax on profit of €2,612K as at 30 June 2014 comprises:

- Estimated CIR for the 1st six-month period of 2014: 622 k€;
- CIR 2013: 1,309 k€; Accrued at €1,313K as at 31/12/12, this receivable was subject to an adjustment of -€4K, in order to reflect the exact amount whose restitution was requested by the tax administration via the form 2069-A (sent after the closing date of the financial statements);
- CIR / previous periods: DEINOVE submitted a corrective statement to the French tax authorities at the beginning of July 2013, concerning the R&D CIR receivables for financial years 2010 and 2011, for an amount of €658K. This sum, booked overall as Income to be received in the accounts as at 30/06/13, and unchanged in the accounts as at 31/12/13, therefore also appears as a Receivable in the assets of the balance sheet as at 30/06/14. Details of the progress status of this initiative are provided in Note 10 of this financial report;
- Tax Credit for Competitiveness and Employment (CICE): total of €16K;
- Business Prospection Tax Credit (CIPC) and Training Tax Credit: total of €7K.

NOTE 5 | CASH INSTRUMENTS

This item includes liquidities deposited in demand deposit accounts (held with the *Société Générale*) and Inter Audi Bank (United States), as well as cash on hand.

It should also be noted that as at 1st January 2014, the Company also held liquidities in demand deposit accounts at Merrill Lynch. This was closed in February 2014, the said liquidities then being transferred to the DEINOVE account at the *Société Générale*.

At the end of June 2014, the Company held €1,483K in demand deposit accounts. These figures were €313K at the end of June 2013, knowing that Cash and equivalents at that date also included, €2K accrued in term accounts.

NOTE 6 | EQUITY

6.1 – Share Capital Structure:

The only capital transactions performed during the period are the result of the exercising of (i) 20,540 share warrants (BSAs) and (ii) 150,000 share issue warrants (BEA) which led to a capital increase of 68,216.00 Euros through the issue of 170,540 new shares with a nominal value of 0.40 € per share.

Summary:

	30/06/2014	31/12/2013
Capital	2,090,948.40 €	2,022,732.40 €
Number of shares	5,227,371	5,056,831
Nominal value	0.40 €	0.40 €

Analysis by type of share:

Until 26 April 2010, the share capital was composed of ordinary shares (Category B) and preferential (Category A). The preferential shares offered their holder the right to benefit from pre-emption and their approval in the event of a sale of ordinary Category B shares, as well as a preferential right in the liquidation surplus.

Since 26 April 2010, following the elimination of the different categories of shares, the share capital is composed solely of ordinary shares.

6.2 – Share Capital Breakdown

Half-year ended 30 June 2014

The breakdown of the 5,227,371 shares with a nominal value of 0.40 € comprising the share capital as at 30 June 2014 is as follows:

At 30 th June 2014 - non-diluted basis				
Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Truffle Capital-managed funds	2,785,877	53.29%	5,496,156	68.54%
Tereos EU	120,048	2.30%	120,048	1.50%
Scientific founders	20,000	0.38%	40,000	0.50%
Management and directors	39,281	0.75%	49,281	0.61%
Floating	2,262,165	43.28%	2,313,842	28.85%
TOTAL	5,227,371	100.00%	8,019,327	100.00%

At 31 st December 2013 - non-diluted basis				
Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Truffle Capital-managed funds	2,953,023	58.40%	5,830,448	72.76%
Tereos EU	120,048	2.37%	120,048	1.50%
Scientific founders	20,000	0.40%	40,000	0.50%
Management and directors	63,516	1.26%	73,516	0.92%
Floating	1,900,244	37.58%	1,948,727	24.32%
TOTAL	5,056,831	100.00%	8,012,739	100.00%

6.3 - Dilutive Financial Instruments:

- **Share warrants (BSA)**

The table below shows the status of BSAs issued since the Company was formed and not yet exercised as at 30 June 2014, as well as additional information on their status at that date.

BSA	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BSA-B GM of 30/01/08	92,430	-	61,080	31,350	31,350	-	30/01/2018
BSA-2008 GM of 27/06/08	61,620	-	20,540	41,080	41,080	-	27/06/2018
BSA-2009 GM of 05/05/09	330,000	-	-	330,000	330,000	-	05/05/2019
BSA-2010-1 GM of 27/01/10	34,000	-	-	34,000	34,000	-	22/03/2020
BSA-2010-3 GM of 27/01/10	22,500	-	-	22,500	22,500	-	22/03/2020

BSA-2010-4	8,500	-	-	8,500	8,500	-	22/03/2020
GM of 27/01/10							
BSA-2012-1	123,240	20,540	-	102,700	102,700	-	16/02/2022
GM of 24/09/10							
BSA-2013-1	10,100	-	-	10,100	10,100	-	04/07/2023
GM of 13/05/13							
TOTAL BSA	682,390	20,540	81,620	580,230	580,230	0	

During the 1st half of 2014, 20,540 new shares were issued at a unit price of 0.40 Euro, by exercising Share warrants 20,540 BSA-B issued by the Board of Directors on 6 May 2014, in accordance with the delegation of authority granted to it by the General Meeting of Shareholders dated January 30, 2008

- **Employee stock options (BSPCE)**

The table below shows the status of BSPCEs issued since the Company was formed and not yet exercised as at 30 June 2014, as well as additional information on their status at that date. Additional information on transactions in the 1st half of the year is provided below.

BSPCE	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BCE 2008	61,630	-	61,630	-	-	-	30/01/18
GM of 30/01/08							
BCE 2009-1	68,000	32,832	30,068	5,100	5,100	-	10 years after attribution
GM of 05/05/09							
BCE 2009-2	25,370	-	-	25,370	25,370	-	10 years after attribution
GM of 05/05/09							
BCE-2010-1	37,320	6,630	1,290	29,400	29,400	-	22/03/20
GM of 27/01/10							
BCE-2010-2 *	43,500	26,604	3,896	13,000	13,000	-	02/12/20
GM of 24/09/10							
BCE-2011-1 **	22,400	9,400	-	13,000	13,000	-	28/06/21
GM of 24/09/10							
BCE-2012-1	25,000	-	-	25,000	25,000	-	03/07/22
GM of 03/05/12							
BCE-2013-1	152,780	-	-	152,780	152,780	-	07/01/23
GM of 03/05/12							
BCE-2013-2	60,000	-	-	60,000	60,000	-	11/07/23
GM of 13/05/13							
TOTAL BSPCE	496,000	75,466	96,884	323,650	323,650	0	

(*) including 25,000 BCE-2010-2 whose lapse was recognized by the Council on February 5, 2014.

(*) including 6,500 BCE-2011-1 whose lapse was recognized by the Council on February 5, 2014.

during the 1st six month period of 2014

- 25,000 BCE-2010-2 whose lapse was recognized by the Council on February 5, 2014.
- 6,500 BCE-2011-1, whose lapse was recognized by the Council on February 5, 2014, were cancelled.

- **Share Issue Warrants (BEA)**

As part of the Pacey[®] set up on 30 October 2013 for a duration of 3 years, *Société Générale* subscribed a total of 450,000 BEA. Following three drawdown requests by the company during the 1st half of 2014, 150,000 warrants were exercised by the *Société Générale*, giving rise to the issue of 150,000 new ordinary shares at the unit price of 0.40 Euro. The remaining valid BEAs at 30 June 2014 totalled 250,000 warrants, which could give rise to the creation of a maximum total of 250,000 new shares.

It is specified that at the date of this interim report, a new PACEO[®] drawdown took place on July 16th last and led to the exercise of 50,000 BEA by the *Société Générale*, and the issuance of 50,000 new shares by the Company at a unit price of 0.40 Euro. To date, the remaining valid BEAs totalled 200,000 warrants, which could give rise to the creation of a maximum total of 200,000 new shares.

NOTE 7 | CONDITIONAL ADVANCES

This item comprises the advances granted by public bodies, and whose repayment is predominantly conditional to the success of the project in question:

- (i) A €100K repayable advance was granted in 2009 by Oseo Île-de-France for the "DEINOL project feasibility study: creation of a bacteria strain bank, characterization, selection and optimization." DEINOVE received €50K in 2009 and the remaining €50K in 2010. As the feasibility study was highly successful, €5K was repaid in September 2011 (1 payment), €30K in 2012 (5 payments), then €40K in 2013 (4 payments). During the 1st half of 2014, €12.5K was repaid in April and €12.5K in June. As planned according to the original schedule, if the program was successful, all sums collected in the form of repayable advances as at June 30, 2014, was duly returned to the public financing body, Bpifrance.
- (ii) As regards the DEINOPHARM project, in 2009 Oseo Innovation and the Languedoc-Roussillon Region had granted €400K repayable advances for the "extension and screening of a bacteria strain library; identification and characterization of antibiotic molecules". The 1st payment of 40% was received in 2009, and an additional €160K was received by DEINOVE in 2010. As provided for in the rider to this financial aid agreement, concluded in November 2010, a 1st repayment of €25K was made in December 2013. Almost simultaneously in early January 2014, and following treatment by Bpifrance of the last declarative of expenditure (transmitted in 2011), the refundable advance balance of €4K was paid to the Company. This payment was the subject of a letter-addendum, to update repayment schedules in the event of a success (€323K, or 100% of the money received) or failure (€48K i.e.15%). In early June 2014, Bpifrance notified the Company of a postponement of payment schedules in the context of the acknowledgement of a failure. However, a €25K instalment was repaid in March 31, 2014, the total refunded to date, €50K, marginally exceeds the €48K anticipated in such a case. Repayable advances related to this aid do not bear interest.
- (iii) The Company obtained from Oseo Innovation - ISI Programme, for the DEINOL Project, aid comprising refundable advances in the amount of €4M, and subsidies amounting to €2M, payments being staggered over 50 months from 2010 to 2014. This aid was suspended when DEINOVE concluded a Consortium Agreement, on 30/03/2010, with its project partners - BENP-Lillebonne, the CNRS and INSA Transfer. The agreement was signed on 30 March 2010 The aid was released as the project progressed, and upon provision to Oseo of reports concerning the finalization of each key milestone, the essential features of which are as follows:
 - prior to 28/02/11 (key milestone 1): development of a wild or modified strain producing ethanol and endowed with hemicellulose or cellulolytic characteristics similar to benchmark micro-organisms;
 - prior to 28/02/12 (key milestone 2): transmission by the consortium of a report dealing with the development of a strain of recombinant *Deinococcus* that digests wheat biomass effectively and produces 3% ethanol;
 - prior to 28/02/13 (key milestone 3): attestation by BENP-Lillebonne (Tereos Group) that it has received a strain of promising *Deinococcus* for the start-up of the industrial pilot;

- prior to 28/02/14 (key milestone 4): validation of the ethanol production in an industrial facility.

Under the terms of the aid contract, completing each key milestone and satisfying the related conditions should enable qualification to the following aids:

(in thousand euros)	2010	2011	2012	2013	2014	Total
Grants	498	632	576	0	301	2,007
Repayable advances	903	1,093	984	426	601	4,008
Total	1,401	1,725	1,560	426	902	6,015

In July 2010, the Company received the amounts expected from the 1st payment, i.e. €1,401K. In May 2011, as a result of successfully completing key milestone 1, the Company received €632K in grants and €947K in repayable advances, totalling €1,579K. A figure slightly below that expected (a difference of -€146K), as the expenses required to complete this milestone proved lower than the original budget submitted to Oseo.

In March 2012, the Company submitted a summary statement of expenditure, for the period ended 28/02/12, to Oseo. In light of the success of key milestone 2, in August 2012, the Company received €1,152K (grant share €383K; repayable advance share: €769K) of the €1,560K expected, as expenses for this milestone were lower than expected.

In return for this aid, the Company has made a commitment to pay BpiFrance (formerly Oseo Innovation), a percentage of its annual revenue derived from the commercialization of the processes and technologies developed within the framework of this project, from January 2017, for a maximum of 9 years. The repayment total, capped at a certain amount, could exceed the total amount of advances received.

In January 2014 DEINOVE announced a 9% ethanol production, using *Deinococcus* bacteria, which demonstrates the technological and potential economic viability of its production process.

On June 3, 2014, the Company announced the signing of a new industrial partnership (for a maximal term of 36 months) with the group ABENGOA, one of the leaders in ethanol production, with which the DEINOL, collaborative program aimed at production of 2nd generation bioethanol, is continuing, with the reaffirmed support of Bpifrance. Considering the development of food production at its BENP Lillebonne plant, TEREOS waived its option on the DEINOL project. Accordingly, DEINOVE has welcomed ABENGOA as a new industrial partner for the DEINOL project, in agreement with Tereos and Bpifrance. This partner change will necessitate the adjustment of certain terms of the aid contract, namely the definition of the last two key stages, the schedule of payment of subsidy amounts and the related repayable advances, and the potential financial returns for Bpifrance if successful.

- (iv) In July 2012, Oseo Innovation – ISI Programme notified the Company that it had been granted €333K in aid for the THANAPLAST™ collaborative project, led by CARBIOS. This project intends to develop cutting-edge technology and processes, from renewable raw materials, which will enable it to produce high-performance industrial plastics that are competitive and have a controlled-lifecycle.

This aid is made up of grants and repayable advances. The schedule of payments as provided for by the Aid Agreements is as follows:

(in thousand euros)	2012	2013	2014	2015	2016	2017	Total
Grants	105	0	0	0	0	19	124
Repayable advances	0	177	0	0	0	32	209
Total	105	177	0	0	0	51	333

The 1st payment instalment of the grant share, totalling €105K, was made in December 2012. In September 2013, following Bpifrance's acknowledgement of the fulfilment of the first milestone of the THANAPLAST™ project, the Company received the full amount provided for under the agreement for this instalment, i.e. €177K in the form of a repayable advance.

- (v) In November 2013, ADEME informed the Company of having obtained aid of €5,919K for the Deinochem program, aimed at the establishment, after a period of 42 months, of a research demonstrator to develop the production of at least two isoprenoid compounds from a substrate model. This aid, solely in the form of reimbursable advances, is part of the Future Investments program, piloted by the General Commission for Investment. The 1st payment instalment for the amount of €1,480K was carried out in April 2014. Further payments will be made available subject to the project progression and delivery of reports to ADEME relating to the completion of each of the three predefined milestones.
- (vi) Finally in September 2010, Oseo Innovation notified the Company that it had been granted €700K in aid for the DEINOBIOTICS collaborative project, relating to the “identification and production of new antibiotics and antifungal compounds for hospital-resistant infections”. This aid was composed half of grants and half of repayable advances. The 1st payment instalment for the amount of €210K was carried out in November 2010. Within the framework of the transaction of non-monetary contributions of intangible assets that the Company made in favour of DEINOBIOTICS, this OSEO aid was transferred to DEINOBIOTICS on 5 October 2012. DEINOBIOTICS as such, took over the repayment obligations for this aid, i.e. €105K. As of 30 June 2014, the Company has no liabilities in the form of repayable advances (conditional or unconditional), and is not eligible for future financing (be it repayable advances or grants), relating to this aid.

NOTE 8 | MATURITIES OF LIABILITIES AT PERIOD-END

Statement of liabilities as at 30 June 2014

Statement of liabilities as at 30 June 2014				
(in thousand euros)	Gross amount	Within a year	1 to 5 years	More than 5 years
Suppliers and related accounts	2,226	2,226		
Staff and related accounts	245	245		
Social security and other social organizations	282	282		
Other taxes, duties and similar levies	4	4		
Other liabilities	7	7		
Total	2,763	2,763		

Statement of liabilities as at 31 December 2013

Statement of liabilities as at 31 December 2013				
(in thousand euros)	Gross amount	Within a year	1 to 5 years	More than 5 years
Suppliers and related accounts	692	692		
Staff and related accounts	268	268		
Social security and other social organizations	244	244		
Other taxes, duties and similar levies	34	34		
Other liabilities	7	7		
Total	1,244	1,244		

NOTE 9 | CONTINGENT LIABILITIES RELATED TO TRADE AGREEMENTS

Research Partnership Agreements with INSATransfert-SAIC:

On 18 February 2010, DEINOVE concluded a Partnership Agreement with the INSA to execute a collaborative research programme with the *Laboratoire d'Ingénierie des Systèmes Biologiques et des Procédés* (Biological Systems and Processes Engineering Laboratory) (LISBP-Toulouse) to study the conditions for growth and the fermentation profile of *Deinococcus*, within the framework of the DEINOL project. An Operating Agreement on the findings of this programme was concluded on 3 March 2010 between the INSA and DEINOVE, in which the INSA grants DEINOVE an exclusive worldwide licence for the commercial use of the findings from the collaborative research programme. In return, the INSA will receive royalties based on DEINOVE's future revenue when it commercializes the findings concerned.

Research Partnership Agreements with the CNRS and Montpellier 1 University:

On 15 February 2010, DEINOVE concluded an Operating Agreement with the CNRS and Montpellier 1 University (UM1) on the findings of the cooperative laboratory established with these research bodies from 1st May 2008 to 30 April 2010, and in particular on the know-how that was the subject of five patent applications held jointly by the three partners. The CNRS and the UM1 granted an exclusive worldwide licence for the use of these findings, for commercial purposes, in the fields of cooperation, for a fee in the form of a one-time payment and royalties based on DEINOVE's future revenue.

On 15 July 2010, DEINOVE, the CNRS and Montpellier 1 University concluded a Partnership Agreement to undertake joint work as part of the DEINOL project. This Partnership Agreement extended the cooperative laboratory agreement, which ended on 30th April 2010 following the grouping of DEINOVE's employees in its Cap Alpha research facility. The operating conditions of the Agreement concluded on 15 February also apply to this partnership.

Collaboration agreement with Abengoa

On 3 June 2014, DEINOVE announced it has signed a contract with its industrial partner Abengoa, one of the world's leading bioethanol producers, the Agreement being concluded for up to 36 months and focusing on the development of consolidated bioprocess (CBP) using *Deinococcus* bacterium selected by DEINOVE to digest and convert agricultural residues to ethanol at a competitive cost.

The integration of the ABENGOA group in the DEINOL collaborative research programme as a new industrial partner has received the support of Bpifrance, who continue to finance the project. The latter obtained in 2010 a funding commitment from Oseo-ISI (Bpifrance) for €8.9M, including €6M for DEINOVE. The company has already received €4M and achieved the first key milestones. The DEINOL consortium will receive additional funding from Bpifrance upon reaching successful milestones.

Collaborative R&D agreement with Suez Environnement

On 3 June 2014, DEINOVE announced signing a Collaborative R&D agreement with SUEZ ENVIRONNEMENT Group. This two-year contract is the 1st step of a project aimed at exploring the potential for developing a new industrial sector for transforming urban organic waste into ethanol through the action of *Deinococcus* bacterium.

For now, organic waste is essentially recycled through composting and methanization. The abundant availability of this source of carbon, its cost and its composition, which is favourable to the growth of microorganisms, make it a realistic candidate for innovative recycling into molecules of industrial interest, including commodities.

The partners have decided to undertake a two-year collaborative research program, actually a true extension of the DEINOL programme, whose 1st phase will focus on optimizing the main stages of the process' development:

- Choice of substrates supplied by SUEZ ENVIRONNEMENT and pretreatment conditions;
- Choice of a *Deinococcus* strain adapted to these substrates;
- Definition of the conditions for fermentative production in order to achieve a satisfactory ethanol production rate in 20-L bioreactors.

NOTE 10 | TAX ON PROFIT

As the Company is showing a deficit, it does not incur tax charges. The €624,974 income recorded in the Profit(loss) as tax on profit is divided into three amounts: €6,133 from the Business Prospection Tax Credit (CIPC), €736 from Training tax Credit, and income relating to the R&D Tax Credit (“*Crédit d’Impôt Recherche*”) of €618,105. This total is itself broken down into two amounts: €622,439 for the amount due in the 1st half of 2014 (estimated), and €4,334 of negative adjustment (cost) relating to the 2013 CIR. With regard to this claim, the amount provisioned at 31/12/13 or €1,313,202 has been revised at a very slight reduction, at €1,308,868 at the time of the refund request (filing of Form 2069-A) to the tax authorities. Finally, as noted in section 2.2.4, the Company received cash in early August 2014, the final amount of the CIR 2013, i.e. €1,275,226. The negative difference of €33,642 with the debt amount recorded on the balance sheet in the accounts at 06/30/14 will be recognized over the 2nd half of 2014.

CIR/previous periods: DEINOVE submitted a corrective statement to the French tax authorities at the beginning of July 2013, concerning the R&D tax credit (CIR) receivables for financial years 2010 and 2011, for an amount of €658K. This sum, booked overall as Income to be received in the accounts as at 30/06/13, and unchanged in the accounts as at 31/12/13, therefore also appears as a Receivable in the assets of the balance sheet as at 30/06/14. At this date, this amount of outstanding debt was subject to verification, in the normal course of the proceedings by the tax authorities. Who appointed a scientific expert, through the MoR (Ministry of Higher Education and Research) for this purpose. The expert's report reached the Company at the end of July 2014 and on the basis of conclusions of the report, DEINOVE received a 1st payment of €380K in late August 2014. By the end of the current fiscal year, the Company expects to provide the tax authorities with additional data elements in order to receive in the short-term all or part of the remaining €278K.

Carried-over tax losses and depreciation that the Company had at 31 December 2013 amount to €17,901K (as a reminder: €12,447K at 31st December 2012). As regards the financial year 2013, the tax loss amounts to €5,454K. These carried-over tax losses are not time-bound. Nevertheless, the French Finance Act of 2012 capped the profit attributable annually against previous carried-over deficits at a lump sum of €1M, increased by 50% of the profit exceeding this lump sum; the fraction not charged can be indefinitely carried over.

NOTE 11 | ASSOCIATED PARTIES IN THE HALF-YEAR ENDED 30 JUNE 2014

Costs invoiced in the 1st half of 2014 by consultants holding BSAs amounted to €57K. In the same period, DEINOVE recorded a net amount of expenses of €38K of directors' fees, paid to Board Members (vs. €64K for the fiscal year 2013).

NOTE 12 | COMMITMENTS GIVEN:

Retirement Payments

Please refer to the Notes to the accounts for the year ended 31/12/2013.

Individual Training Entitlement (DIF)

Please refer to the Notes to the accounts for the year ended 31/12/2013.

NOTE 13 | STAFF

Average number of staff	30/06/2014	31/12/2013
Executives	27	21
Supervisory staff & technicians	2	2
Employees	14	11
Operatives	-	-
Total	43	34

As stated in the 2013 annual report, since 1st January 2014, the Company has lost the benefit of social security exemptions related to the status of Young Innovative Company “*Jeune Entreprise Innovante*” (JEI) since it is now in its eighth year of activity and the scheme applies only for the first seven years of operation.

NOTE 14 | POST-CLOSING EVENTS

- By the resolutions dated 18 March 2014 and 6 May 2014 and by a resolution of the Chief Executive Officer dated 23 June, it was decided to launch a share capital increase, with cancellation of preferential subscription rights and priority time-limit for the shareholders, of an initial maximum amount of €18.9 million, which may be increased to a maximum of €21.74 million in the event of full exercise of the extension clause, and a maximum amount of €25 million in the event of full exercise of the extension clause and over-allotment option, and to transfer all Company shares from Alternext to the regulated market of Euronext Paris, subject to completion of the capital increase. In this context, a prospectus consisting of the Reference Document registered on June 23, 2014 under the number R.14-042, as well as an operating note (including the summary), received the n° 14-314 from the AMF (French Market Authority) on June 23, 2014. In a press release dated July 4, 2014, the Company announced the cancellation of the capital increase as soon as the expected conditions for its implementation had not been met. Consequently, the transfer of shares from Alternext to the regulated market of Euronext Paris has not taken place.
- The Chief Executive Officer acting in accordance with the delegation of authority granted by the Combined General Meeting of 03 May 2012 and by delegation on behalf of the Board of Directors on October 14, 2013, in the framework of the PACEO® programme set up on October 30, 2013 with the *Société Générale*, acknowledged, by decision dated 16 July 2014, a share capital increase of 20,000 Euros bringing the capital from 2,090,948.40 Euros to 2,110,948.40 Euros through the issue of 50,000 shares at a unit nominal value of 0.4 Euro resulting from the exercise of 50,000 share issue warrants.
- Tax credit (CIR): the company received €1.28M dated 07/08/14 under the R&D tax credit 2013, as well as €0.38M dated 28/08/14 following corrective statements for the 2010 and 2011 R&D tax credits. Details are provided in section 2.2.4, as well as in Note 10 of the Appendix to this Financial Report.

4 | DECLARATION BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT – HALF-YEAR

I hereby certify, to the best of my knowledge, that the accounts presented in the interim financial report for the half-year ended have been drawn up pursuant to the applicable French accounting standards and provide a faithful view of the assets, financial position and profit(loss) of the Company. I also certify that the half-year activity report (appearing on pages 4 to 15) gives, to the best of my knowledge, a faithful picture of the key events having occurred during the six first months of the fiscal year and their impact on the half-year accounts, main transactions between associated parties, and a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Emmanuel Petiot
Chief Executive Officer.

Person responsible for financial information

Julien Coste

Director of Finance & Administration

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