

Interim financial report - Half-year 2015



DEINOVE
The deinococcus way

DEINOVE SA with registered capital of 2,425,708.40 Euros

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1 | MANAGEMENT BODIES

1 | 1 Board of Directors

Chairman of the Board of Directors:	Dr Philippe Pouletty
Directors:	Truffle Capital, represented by Christian Perret Michael Carlos (Independent Director) Paul-Joël Derian (Independent Director) Dennis McGrew (Independent Director) Rodney Rothstein (Independent Director) SAKKAB LLC, represented by Nabil Sakkab (Independent Director)

1 | 2 Management

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

2 | INTERIM ACTIVITY REPORT

2 | 1 Deinove in short

2.1.1 A green biotechnology company at the service of industry

DEINOVE is a green technology company dedicated to the development and commercial operation of bioprocesses for the production of biofuels and bio-sourced chemical compounds, based on exploiting a currently neglected group of bacteria with exceptional natural properties: the *Deinococci*.

DEINOVE's ambition is to contribute viable responses to economic and ecological challenges affecting the planet: energy transition, green chemistry, circular economy...

Energy transition is already occurring in all world economies, in particular for reducing reliance on petroleum as an energy source or as a raw material. Petroleum is currently the majority raw material source for the entire chemical industry and therefore for all its applications: plastics, fibres, solvents... Green biotechnologies are working to replace carbon from petroleum by renewable carbon from vegetable sources or organic waste, in an attempt to contribute to the reduction of greenhouse gas emissions, pollutants and waste as well as to reduce dependence of the energy system on petroleum. A wide range of companies are active in this field, from innovating SMEs to large international companies, originating in the energy, agricultural or chemical sectors.

DEINOVE is one of the most innovative companies in the world in the field of production of chemical compounds and fuels. DEINOVE is opening the way to a world without petroleum by developing efficient, economical and ecological processes for manufacturing compounds of interest to industry from vegetable sugars. *Deinococcus* was designated as "Bacterium of the Year 2014" by *Biofuels Digest* and DEINOVE was included in the *Digest Bioeconomy Index* published by the same magazine from July 2015. The industrial benefits of *Deinococcus* have also been stressed by the *American Journal of Applied Microbiology*, a scientific journal in which DEINOVE has published its first article.

The Company now boasts 49 staff. Since its inception, it has set up academic partnerships with the CNRS, the Institut Necker-Université Paris Descartes, INSA Toulouse, INRA and even with the VTT (The Finnish Technical Research Centre), a world class laboratory in the fields of bioconversion and industrial enzymes). These partnerships are helping us to join up technologies with high level research workers in all the scientific disciplines needed for the development of our projects.

DEINOVE also benefits from management experienced in research, development, finance and business development, with a world renowned Scientific Committee and a Board of Directors with wide experience in the European and international industrial environment. This organizational structure enables DEINOVE to anchor its disruptive technologies in the real world of industry, both now and in the future.

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

2.1.2 Specialising in two wide fields of application: biofuels and biochemistry

DEINOVE was founded towards the end of 2006 on the joint initiative of Philippe Pouletty, Chief Executive Officer of venture capital fund Truffle Capital (Paris) and Professor Miroslav Radman (Inserm Grand Prix 2003, and member of the Academy of Sciences). By discovering the genetic mechanisms behind the extraordinary biodiversity of the *Deinococci* and their incomparable resistance, Professor Radman opened an unprecedented industrial approach: Deinotechnologies.

DEINOVE's activity is centred on two wide fields of application:

2nd generation biofuels with the DEINOL project

The DEINOL collaborative project intends to initiate the production of cellulosic ethanol (2nd generation ethanol) from *Deinococci* in already-existing industrial facilities by making better use of the input, better adaptation to conditions of production and cost reduction. The competitive advantage enjoyed by DEINOL resides in its all-in-one procedure (known also as *Consolidated BioProcess*, or CBP), since *Deinococcus* is capable of acting in the two stages of hydrolysis and

fermentation required for production of second generation bio-ethanol (2G bio-ethanol), whereas the conventional procedure requires two types of catalyst: enzymes and then a microorganism (a bacterium or yeast). This so-called “consolidated” procedure activating the *Deinococcus* bacterium would make it possible to do without 50% of the enzymes (in cost terms), an expensive catalyst.

This project benefits from the support of the ISI (Industrial Strategic Innovation) project, which is planning a grant of €6.3M from Bpifrance to DEINOVE.

DEINOL also benefits from the skill set of two academic partners, the CNRS in Montpellier and INSA in Toulouse, as well as from several industrial technical research centres such as VTT in Finland and the Michigan Biotechnologies Institute (MBI) in the United States. At the manufacturing level, DEINOVE is a partner with the Spanish company ABENGOA, the leading European manufacturer of bio-ethanol, and with Suez Environnement (conversion of household waste into fuel).

High added value biochemical compounds via the DEINOCHEM collaborative project

The DEINOCHEM project aims to produce chemical compounds with industrial potential by exploiting the natural capacity of various strains of *Deinococcus* and other related bacteria possessed by DEINOVE. Very many compounds with multiple applications are mainly sourced from petrochemicals or extracted from plants with very low yields. The goal of the DEINOCHEM project is to perfect production processes for these compounds using renewable resources in efficient economic conditions.

Financing of €5.9M has been allocated to DEINOVE for its DEINOCHEM project. It is one of the largest funding made by the State in the sector. The financing is part of the *Investissements d’Avenir* (Investment for the Future Programme), and more specifically of the call for projects in plant chemistry initiated by the Energy Management Agency (ADEME) and the French National General Commission for Investment (CGI).

The DEINOCHEM project first focused on the isoprenoid pathway, prior to widening its scope to include other compounds of interest such as muconic acid. These compounds are used in many sectors such as human and animal nutrition, cosmetics, perfumes, or as a synthesis intermediary in the production of bio-plastics or textile fibres such as nylon.

In parallel with this work on genetic modification of one or more strains serving as a chassis (consisting in optimizing the capacity of the bacterium, “programming” it for a particular function), DEINOVE is systematically screening its bank of 6,000 strains in order to identify strains which produce compounds of interest naturally (without manipulation of DNA), for example, carotenoids, and to go on to extract these compounds by cultivating the relevant strain.

DEINOCHEM’s goal is to create disruptive technologies in applications for which *Deinococci* bacteria have a genuine comparative advantage and which hold out interesting economic perspectives.

2.1.3 Based on exclusive technology and science

A bank of more than 6,000 strains

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 has collected and classified a total of 6,000 strains of *Deinococci* and other related families. These original strains have generally speaking been little studied but display extremely varied physical and metabolic properties.

One of DEINOVE’s skills resides in its ability to examine its strain bank in order to identify those which naturally produce interesting compounds which can be extracted and exploited at the industrial level.

Its second major skill consists in selecting bacteria with industrial-potential properties and in optimizing their natural capacities using genetic and fermentation engineering.

A world-class metabolic engineering platform

DEINOVE has developed a proprietary synthetic biology platform that covers all phases of the process from strain profiling to strain optimization: genomic, proteomic, enzymology, metabolic, robotised genetic engineering, fermentation engineering, analysis and biomass assessment.

Deinococcus' natural genetic properties 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); then testing of the strains in instrumented fermentation vessels.

The investments made in recent years have led to building of a completely automated platform based on pioneering dedicated software supported by computer, developed by CAD4Bio, and connected to a cloning robot. This platform - currently capable of generating up to 300 strains per month, a capacity which will be increased in the future - constitutes a significant competitive advantage for DEINOVE. It enables it to construct made-to-measure strains of *Deinococcus* rapidly whilst at the same time ensuring design practicality.

Solid intellectual property

In this way, DEINOVE is developing a one-of-a-kind intellectual property portfolio and cutting-edge industrial bioprocesses. At present it has a portfolio of 19 patent families (with more than 170 patent applications at the international level, in particular in Europe, the USA and China) covering genetic engineering techniques for *Deinococcus* and their exclusive capacities such as lignocellulosic biomass degradation, and their various industrial applications, such as bio-ethanol production, nutraceutical compounds, etc.

2.1.4 DEINOVE's business model

DEINOVE's business model is that of a technological enterprise realising economic value by selling operating rights and proprietary procedures to industrial third parties (product by product, application by application, territory by territory), without excluding own production of certain specialised compounds in small quantities.

These licensing agreements follow joint development agreements lasting 2 to 3 years during which time DEINOVE works to perfect the procedure (adaptation of strains to the needs of its industrial partner), then both partners undertake scaling up.

The license covers a strain constructed specially for the procedure envisaged and a report known as the "*process book*" describing strain application.

DEINOVE's revenues are of three types:

- Partial or total responsibility for financing undertaken by the industrial partner for research efforts undertaken as part of the R&D project;
- Public financing in the form of grants or repayable advances granted by organisations supporting the research, such as Bpifrance, ADEME, or others;
- An upfront payment (access rights to the technology) followed by royalties received from product sales resulting from DEINOVE processes under licensing agreements.

The development potential of 2nd generation biofuels is very significant insofar as these technologies serve to enable the mandates set up by States at the global level to be met. In Europe, for example, the goal of increasing ethanol in petrol from 6% to 10% by 2020 (European Directive 2009/28/EC) will essentially have to be reached by using 2nd generation biofuels. The same is true for the goals laid down by French law on energy transition and for the US goal of substituting 30% of petrol consumption by biofuels by 2030 (*Renewable Fuel Standard*).

Ethanol is already an economic reality at the global level. In 2013, 51 billion litres were produced in the USA, 23.5 by Brazil, and 6.7 billion litres in Europe¹; the International Energy Agency (IEA) estimates that production of biofuels will increase by almost 40% by 2017².

Since other compounds and chemical intermediates such as isoprenoids and muconic acid are also targeted, DEINOVE should also profit from demand from producers in the field of competitive and ecological industrial solutions. In fact, global sales of compounds from bio-sourced chemistry - amounting to €135B in 2012, or 7.7% of the total market for chemical products - should reach €340B (i.e., 15.4% of the total) in 2017³.

¹ ePURE – *State of the industry report*, 2014

²International Energy Agency – *Medium Term Oil & Gas Markets*, 2012

³OECD -*Future perspectives for industrial biotechnology*, 2011

DEINOVE hopes to make its first agreements for production of 2nd generation ethanol and/or natural carotenoids with a time horizon before the end of 2017, by which time it hopes to receive its first revenues.

2 | 2 Description of key events and activities at Deinove during the 1st half year of 2015 and post period-end

2.2.1 Legal elements

On the legal front, the 1st six months of 2015 were marked by the following key developments:

- By decision dated 2 February 2015, the Board of Directors issued and allocated:
 - i. 152,780 Employee Stock options referred to as « BCE-2015-1 ». These options, issued as to replace Employee stock options referred to as « BCE-2013-1 » give the right to subscribe 152,780 shares;
 - ii. 25,000 Employee Stock options referred to as « BCE-2015-2 ». These options, issued as to replace Employee stock options referred to as « BCE-2012-1 » give the right to subscribe 25,000 shares;
 - iii. 60,000 Employee Stock options referred to as « BCE-2015-3 ». These options, issued as to replace Employee stock options referred to as « BCE-2013-2 » give the right to subscribe 60,000 shares; and
 - iv. 10,000 Employee Stock options referred to as « BCE-2015-4 ». These options give the right to subscribe 10,000 shares.
- At the meeting on 2 February 2015, the Board of Directors in accordance with the delegation of authority granted by the Combined General Meeting of 6 May 2014, acknowledged:
 - i. A 10,400 Euros capital increase (176,020 Euros inclusive of the share issue premium) by issue of 26,000 shares at a unit price of 6.77 Euros, in other words with an issue premium of 6.37 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
 - ii. A 12,000 Euros capital increase (203,100 Euros inclusive of the share issue premium) by issue of 30,000 shares at a unit price of 6.77 Euros, in other words with an issue premium of 6.37 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
 - iii. A 10,000 Euros capital increase (175,250 Euros inclusive of the share issue premium) by issue of 25,000 shares at a unit price of 7.01 Euros, in other words with an issue premium of 6.61 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
 - iv. A 4,000 Euros capital increase (61,300 Euros inclusive of the share issue premium) by issue of 10,000 shares at a unit price of 6.13 Euros, in other words with an issue premium of 5.73 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014; and
 - v. A 8,000 Euros capital increase (114,200 Euros inclusive of the share issue premium) by issue of 20,000 shares at a unit price of 5.71 Euros, in other words with an issue premium of 5.31 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014.
- By decision on 26 March 2015, the Board of Directors in accordance with the delegation of authority granted by the Combined General Meeting of 6 May 2014, acknowledged:
 - i. A 8,000 Euros capital increase (110,600 Euros inclusive of the share issue premium) by issue of 20,000 shares at a unit price of 5.53 Euros, in other words with an issue premium of 5.13 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
 - ii. A 12,000 Euros capital increase (171,300 Euros inclusive of the share issue premium) by issue of 30,000 shares at a unit price of 5.71 Euros, in other words with an issue premium of 5.31 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
 - iii. A 8,000 Euros capital increase (123,600 Euros inclusive of the share issue premium) by issue of 20,000 shares at a unit price of 6.18 Euros, in other words with an issue premium of 5.78 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;

- iv. A 12,000 Euros capital increase (195,600 Euros inclusive of the share issue premium) by issue of 30,000 shares at a unit price of 6.52 Euros, in other words with an issue premium of 6.12 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
 - v. A 40,000 Euros capital increase (702,000 Euros inclusive of the share issue premium) by issue of 100,000 shares at a unit price of 7.02 Euros, in other words with an issue premium of 6.62 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
 - vi. A 40,000 Euros capital increase (702,000 Euros inclusive of the share issue premium) by issue of 100,000 shares at a unit price of 7.02 Euros, i.e. with a share issue premium of 6.62 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014; and
 - vii. A 12,000 Euros capital increase (244,200 Euros inclusive of the share issue premium) by issue of 30,000 shares, at a unit price of 8.14 Euros, i.e. with a share issue premium of 7.74 Euros per share, resulting as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014.
- By decision on 3 June 2015, the Board of Directors in accordance with the delegation of authority granted by the Combined General Meeting of 6 May 2014, acknowledged:
 - i. A 14,000 Euros capital increase (246,050 Euros inclusive of the share issue premium) by issue of 35,000 shares at a unit price of 7.03 Euros, in other words with an issue premium of 6.63 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
 - ii. A 9,600 Euros capital increase (182,400 Euros inclusive of the share issue premium) by issue of 24,000 shares at a unit price of 7.60 Euros, in other words with an issue premium of 7.20 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;

These “Tranche 1 BSA” (share warrants), whose exercise was acknowledged by the Board of Directors on 3rd June 2015, were the last remaining of the Tranche 1 BSA issued by the Decision of the Chief Executive Officer dated 1st December 2014, under the terms of which the Chief Executive Officer had decided to issue 500,000 Tranche 1 share warrant plans (the “Tranche 1 BSA”) under the agreement concluded with KEPLER CHEUVREUX on 1st December 2014.

- At this meeting of 3 June 2015 the Board of Directors acknowledged effective realisation of an increase in capital for an overall nominal amount of 10,148 Euros through the issue of 25,370 new shares, made possible by the exercise of 25,370 employee stock options referred to as “BCE-2009-2”.
- By decisions dated 13 May 2015 the Chief Executive Officer (acting by delegation on behalf of the Board of Directors on 20 October 2014 and in accordance with the delegation of authority granted by the Combined General Meeting of 6 May 2014) issued 600,000 share warrant plans known as Tranche 2 BSA giving rights to subscribe 600,000 DEINOVE shares under the agreement concluded with KEPLER CHEUVREUX on 1st December 2014.
- At the Combined Annual General Meeting of 6 May 2015, the accounts for the accounting period ending on 31 December 2014 led to the appearance of Equity at less than half of the share capital. Consequently, in application of Article L. 225-248 of the Business Code, the General Meeting of Shareholders took a decision on the continuance of activity and decided that there was no reason to proceed to the early dissolution of the Company.

Since the end of the first half year of 2015, the following event has occurred:

- By decision on 22 September 2015, the Board of Directors in accordance with the delegation of authority and powers granted by the Combined General Meeting of 6 May 2014, acknowledged:
 - i. An 8,000 Euros capital increase (132,800 Euros inclusive of the share issue premium) by issue of 20,000 shares at a unit price of 6.64 Euros, in other words with an issue premium of 6.24 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
 - ii. An 6,000 Euros capital increase (98,550 Euros inclusive of the share issue premium) by issue of 15,000 shares at a unit price of 6.57 Euros, in other words with an issue premium of 6.17 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;

- iii. An 4,000 Euros capital increase (63,700 Euros inclusive of the share issue premium) by issue of 10,000 shares at a unit price of 6.37 Euros, in other words with an issue premium of 5.97 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- iv. A 10,000 Euros capital increase (171,500 Euros inclusive of the share issue premium) by issue of 25,000 shares at a unit price of 6.86 Euros, in other words with an issue premium of 6.46 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- v. An 6,000 Euros capital increase (106,200 Euros inclusive of the share issue premium) by issue of 15,000 shares at a unit price of 7.08 Euros, in other words with an issue premium of 6.68 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- vi. An 6,000 Euros capital increase (91,050 Euros inclusive of the share issue premium) by issue of 15,000 shares at a unit price of 6.07 Euros, in other words with an issue premium of 5.67 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- vii. A 10,000 Euros capital increase (158,000 Euros inclusive of the share issue premium) by issue of 25,000 shares at a unit price of 6.32 Euros, in other words with an issue premium of 5.92 Euros per share, as part of the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- viii. A 14,000 Euros capital increase (237,650 Euros inclusive of the share issue premium), through the issue of 35,000 shares, at a unit price of 6.79 Euros, i.e. with a share issue premium of 6.39 Euros per share, under the agreement with KEPLER concluded with KEPLER CHEUVREUX dated 1st December 2014.

2.2.2 Progress made on research projects

During the 1st six months of 2015, the research teams have continued their efforts in the three areas of development marked out in the Company strategy:

- Development of the DEINOVE proprietary metabolic and fermentation engineering platform.
- Continuing to improve performances of the chassis bacterium selected for the DEINOL project and to diversify the raw materials employed.
- Accelerating research into the chemical molecules of interest identified by potential industrial partners for the DEINOCHEM project.

Metabolic engineering platform

Since its inception, DEINOVE has been regularly investing in the development of a metabolic engineering platform, initially dedicated to the *Deinococci* bacteria prior to extending to other bacteria in the strain bank. Its capacity and efficiency have been strengthened over time. Thanks to these efforts, the Company now has access to an extremely sophisticated tool, both for strain design and for fermentation engineering.

Thanks to automation of the platform, the R&D teams are now able to generate as many as 300 distinct strains per month, with the aim of reaching a figure of 1,000 strains per month. DEINOVE is thus able to multiply research paths and to obtain proofs-of-concept in very short periods. This represents a significant advantage when engaging in talks with possible industrial partners.

During the 1st six months of 2015, a new cloning robot was installed.

This robot communicates with the CAD4Bio programme transmitting the genetic constructions to be implemented and inserted in the strains. This software works on a complete data bank referencing the genome of several dozen strains of *Deinococcus*, thousands of other strains and a wide range of genetic building blocks.

The platform has also been equipped with a new analyser for monitoring the metabolism of the bacterium and directing it to the intended final product.

DEINOL project for producing 2nd generation biofuels

During the 1st half-year 2015 DEINOVE continued its research work for improving the DEINOL strain still further, in two development areas:

- **Diversifying substrates:** the DEINOL process had originally been developed for a substrate based on wheat. For the past 3 years DEINOVE has been researching 2nd generation substrates and is working to widen the potential applications of the solution by diversifying the types of usable substrates. During the half year, research has continued into substrates sourced from its partners ABENGOA and the MBI as well as from other interested industrial parties. The main areas of interest are residues from maize or sugar cane bagasse. As part of the joint project with Suez Environnement, tests have been carried out on several types of organic waste.

Optimisation of the strain takes place via:

- assimilation of sugars: *Deinococcus* is able to co-assimilate simple sugars from non-food biomass (sugars with 5 and 6 carbon atoms), and even some partially hydrolysed complex sugars (oligomers). The production yield and the cost of the hydrolysis stage have thus been improved.
 - The tolerance of the strain to inhibitors generally effecting 2nd generation substrates.
- **Improvements to fermentation parameters:** the stage during which the bacterium transforms vegetable sugars into alcohol. During this stage, the majority of processes being developed use yeasts. They have the advantage of being well known and widely used. However, yeasts are unable to function above 35°C, which limits the effectiveness of the enzymes and requires regulating the reactor temperature. This leads to additional costs. The DEINOL strain, however, has heat-resistant qualities which enable it to act at temperatures as high as 48°C. The R&D team at DEINOVE is working to optimise fermentation performance of the DEINOL strain particularly by upscaling with bigger fermentation tanks.

At the beginning of July 2015 (in other words, post closure of accounts), DEINOVE announced that it had successfully completed the third and penultimate key milestone in the DEINOL project. Passing this key milestone validates the work carried out by the DEINOVE platform. Success has led to a €1.2M payment from Bpifrance in the form of an innovation aid⁴.

DEINOCHEM project for the production of bio-sourced chemical compounds

The DEINOCHEM project for producing a wide range of bio-sourced chemical compounds. In these high value-added markets, industrial actors are actively searching for alternatives to petroleum sourced production, for reasons of cost, security of supply and acceptability by consumers.

This project has witnessed a number of significant advances over the half year.

In January, DEINOVE announced that it had successfully completed the 1st key milestone in its isoprenoid project, leading to a payment from Ademe of €1M in the form of a repayable advance⁵. Passing this key stage validates the advances made in the genetic engineering of the strains. Firstly, the construction rate of the modified strains has been multiplied by 10, in less than a year, thus enabling production and testing of strains of interest to be accelerated. Secondly, the DEINOVE teams have also made progress in identifying rate-limiting enzymes for optimising production of targeted isoprenoids. The license acquired from INRA and Genoplante Valor for the key enzyme DXS has contributed to these results.

In May, DEINOVE also announced that it had successfully completed the 1st key milestone in the COLOR2B project⁶ in collaboration with AVRIL group (formerly SOFIPROTÉOL). Carried out as part of the DEINOCHEM project, the project is specifically concerned with the production of natural additives for animal nutrition. With a duration of 9 months, this 1st stage consisted in DEINOVE screening its strain bank of 6,000 bacteria, including *Deinococci* as well as other types, in order to

⁴ Announcement 8 July 2015

⁵ Announcement 21 January 2015

⁶ Announcement 19 May 2015

identify 20 non-OGM strains able to produce molecules with useful characteristics for animal health and nutrition. The project will now be followed up with teams from AVRIL who are working to classify the molecules produced and to carry out application tests. The aim of this new milestone is to confirm the potential of each molecule and to optimise production conditions.

In June, DEINOVE announced that it would strengthen the platform for carotenoids, a sub-family of the isoprenoids produced naturally by its strain bank bacteria. The complete structuring of the bank has enabled it to uncover a wide range of carotenoids produced by constituent bacteria. The Company has entered into a strategic partnership with the Canadian company POS Bio-Sciences⁷ for extracting these high added-value compounds.

Post closure of accounts, DEINOVE has also announced the launch of a new R&D platform in the field of muconic acid⁸, a chemical intermediary whose by-products - caprolactame, terephthalic acid (a precursor of PET) and adipic acid - are very widely exploited in the plastics industries (in cars and for plastic packaging in particular), production of synthetic fibres for textiles or industry (mainly nylon) and foodstuffs (acidifier). Together these products represent a global market worth tens of billions of dollars. DEINOVE teams have succeeded in designing a *Deinococcus* bacterium capable of producing muconic acid. In parallel, DEINOVE has begun discussions with a number of interested industrial companies which may partner with the project.

2.2.3 Industrial property rights

During the 1st half year 2015, DEINOVE enlarged its intellectual protection portfolio, issuing 5 new patents including:

- "Use of bacteria for production of bio-energy", granted in Australia;
- "Compositions and methods for degrading ligno-cellulosic biomass" granted in China.

2.2.4 Financial points

- On 04 March 2015, Truffle Capital SAS made a declaration to the French Financial Markets Authority ("AMF") that on the 28 February 2015, it had fallen below the threshold of 50% of DEINOVE's capital, holding 48.27% of the Company's capital and 64.03% of the Company's voting rights. This downward breach of the threshold is the result of an increase in the total number of DEINOVE's shares and voting rights.
- On the 19 of May 2015 (following the decision made by the Chief Executive Officer on the 13 May as indicated in 2.2.1 above) DEINOVE proceeded to issue the second tranche of the line of equity funding set up with Kepler Cheuvreux in December 2014. This €3.6M tranche will extend over a maximum period of 7 months⁹.
- As indicated in 2.2.1 above, the share capital has been increased on several occasions since the beginning of the 1st half-year.
- 1st July 2015: Balance sheet for the liquidity agreement entrusted by DEINOVE to Kepler Cheuvreux

Under the Liquidity Agreement entrusted by DEINOVE to Kepler Cheuvreux, the following resources appeared on the liquidity account on 30 June 2015:

- 12,789 DEINOVE shares;
- 13,938.95 Euros.

Since the end of the 1st half year of 2015, the following events have occurred:

- On 13/07/15, DEINOVE received €1,006K as a repayable advance and €236K as a grant following acknowledgement by Bpifrance of the 3rd and penultimate key milestone in its DEINOL project;

⁷ Announcement 16 June 2015

⁸ Announcement 21 July 2015

⁹ Announcement 15 June 2015

- On 04/08/15 DEINOVE received a total of €294K corresponding to the restitution of a pre-payment paid to the supplier of the fermentation vessels Pierre Guerin, for an order for a total sum of €980K made in June 2015. Further details are available at Note 5 of this financial report.
- On 01/09/15 DEINOVE received €77K regarding the supplementary corrective statement regarding CIR 2011, for an identical sum, sent in December 2014 to the tax authority (cf. Note 10).

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

In essence, the financial statement for DEINOVE S.A. at 30 June 2015 essentially reflects:

- Continued high expenditure on R&D, amounting to 77% of operating costs, as against 75% for the 1st six months 2014. The expenditure is mainly due to continuance of the Company's two main projects, namely DEINOL (bio-ethanol) and DEINOCHEM (green chemistry). Resources are also dedicated to emerging projects. The result is an increase of +10% in R&D expenditure between the 1st six months of 2014 and 2015. The main causes are both the increase in R&D staff between the 2 periods (+ 3 FTEs on average) and an increase in external expenditures, whether in costs directly linked to the operation of the technological platforms (which grow in proportion to numbers of laboratory staff) or R&D work farmed out to private service providers and public research organisations.
- A small positive financial result, at +€12K and a slightly negative extraordinary profit/loss, at -€7K. As a reminder, at the end of June 2014, the extraordinary profit/loss amounted to -€802K following recording under this head of €783K in costs of the capital increase whose cancellation was announced by the Company on 4 July 2014.
- Maintaining the financial resources available on the asset side of the accounts made it possible to envisage financing the current projects beyond the 3rd quarter of 2016. The Company's Net Financial Position at the end of June 2015 amounted to +€1,763K as compared with €+2,216K at 31/12/14. It should be noted that in September 2015 the Company received the full amount of €77K corresponding to a supplementary application for rectification in respect of CIR 2011 (cf. Note 10). Since 1st July 2015, the Company has in addition received €1,242K from Bpifrance following the attainment of key milestone 3 in the DEINOL project, and raised as capital via the underwriting agreement signed with Kepler Cheuvreux in December 2014, a total sum of €811K.

The following table covers the key items of the half-yearly results, drawn up in accordance with French accounting standards, for the first six months of the financial years 2014 and 2015, together with certain financial items from the balance sheet at 30 June 2015 compared with balances at 31 December 2014:

(in thousands of Euros)	6 month period ending 30 June	
	2015	2014
Total operating revenues	69	16
Total operating costs	4,059	3,788
<i>of which R&D costs</i>	3,141	2,849
<i>of which administrative and general costs</i>	918	939
Operating Profit/Loss	-3,990	-3,772
Financial result	12	29
Current pre-tax profit/loss	-3,978	-3,743
Profit/loss from non-recurring items	-7	-802
Income tax (R&D tax credit)	-816	-625
NET PROFIT/LOSS	-3,170	-3,920

	at 30/06/15	at 31/12/14
Net financial position	1,763	2,216
<i>of which financial investments¹</i>	0	0
<i>of which marketable securities maturity(< 1 year)</i>	0	0
<i>of which cash instruments (maturity < 3 months)</i>	0	0
<i>of which cash in hand</i>	1,763	2,216
<i>(of which financial debt)</i>	0	0
Total assets	7,311	6,953
TOTAL SHAREHOLDERS' EQUITY	5,616	4,745
<i>of which equity capital</i>	74	196
<i>of which repayable advances</i>	5,541	4,550

¹ Excluding liquidity agreement items (liquidities and treasury shares) and deposits and guarantees.

Presentation of Results at 30/06/2015:

Operating revenues:

Operating revenues for 1st six months, amounting to €69K, made up as follows:

- €45K in invoices to AVRIL (formerly SOFIPROTÉOL) under the partnership agreement signed in 2014;
- €15K in grants (largely for 2 CIFRE contracts);
- €9K in other income of which €5K in transfers of operating charges.

Net operating costs by type:

(in thousands of Euros)	6 month period ending 30 June	
	2015	2014
Purchases of raw materials and other supplies	0	-4
Other purchases and external expenses		
External studies, subcontracting and scientific consultancy	800	656
Supplies	327	375
Rents, maintenance and servicing costs	194	180
Miscellaneous costs	81	95
Documentation, technological monitoring and seminars	11	31
Fees	517	498
Travelling expenses	99	122
Total for Other purchases and external expenses	2,029	1,956
Taxes, duties and similar levies	38	28
Salaries and wages	1,111	1,052
Social contributions	485	489
Depreciation charges on fixed assets	309	221
Other expenses	87	46
TOTAL OPERATING COSTS	4,059	3,788

The net difference in *Operating costs* between the first half-years of 2014 and 2015 amounts to +€271K, i.e., +7%. The difference is essentially due to increases:

- of +€73K, i.e., +4% under *Other purchases and external expenses* (€2,029K against €1,956K); and
- of +€195K, i.e., +11% in *Other costs* (€2,030K against €1,835K), largely consisting of staff costs and depreciation charges.

The difference of +€73K in *Other purchases and external expenses* is largely linked to three headings. A 1st rise of +€143K in *External studies, subcontracting and scientific consultancy* due inter alia to the more marked involvement of VTT (Finland) in the DEINOCHEM project, and to the beginning of the involvement with ABENGOA in the DEINOL project, these costs being partially compensated by a fall in sequencing work carried out externally. The 2nd notable variation concerns a fall of -€47K in *Supplies*, corresponding largely, in the case of the Company, to purchases relating to the operation of technological platforms (consumables and small items of laboratory equipment, etc.). The 3rd change, a fall of -€22K in costs of *Missions and travel* is explained by higher costs in the 1st half of 2014 linked to a one-off intensification in Business Development activity. Changes to other items are less marked (in absolute terms) and almost completely compensate each other (-€1K).

The change of +€195K in other costs is due partly to *Depreciation charges for amortization on assets*, up by +€88K, a mechanical consequence of investments in scientific equipment made in the course of the last year (now amortized over a full half-year) and on the 1st half-year 2015. The increase in *Salaries and wages* and *Social contributions* amounts to +€56K (+3.7 FTEs on average). Finally, the increase of +€41K in *Other expenses* is due to one-off royalties whilst that of +€10K under *Taxes, duties and similar levies* is due to the increase in CFE.

Over the past half-year, R&D expenditure, essentially covering the costs of staff allocated to these tasks, the costs of subcontracting, consultancy and scientific collaboration, costs associated with protection of the Company's intellectual property and finally the costs of equipment and of operating the Cap Sigma laboratory (Montpellier) represents 77% of operating costs (against 75% over 1st six months 2014).

Financial results:

(in thousands of Euros)	6 month period ending 30 June	
	2015	2014
Financial revenue	50	48
Financial costs	38	20
FINANCIAL RESULT	12	29

The fall of -€17K under Financial result is mainly explained by the operations carried out under the liquidity agreement: they generated a financial charge (net) of -€11K (of which -€8K for a provision for impairment) over the course of the 1st half-year of 2015 as against a financial revenue of +€12K for the 1st half-year of 2014, or a change of -€23K.

In addition, financial revenues from an investment on a fixed term account (Société Générale) increased by +€10K. The relevant interest amounted to €18K over 1st six months 2014 against €28K over 1st six months 2015.

Finally, the net change in FX operations between the two half-years was -€4K.

Net result:

(in thousands of Euros)	6 month period ending 30 June	
	2015	2014
Current pre-tax profit/loss	-3,978	-3,743
<i>Revenue from non-recurring items</i>	0	0
<i>Expenses from non-recurring items</i>	7	802
Extraordinary profit/loss	-7	-802
Tax on profit (Research tax credit)	-816	-625
PROFIT OR LOSS	-3,170	-3,920

The change in the Extraordinary Profit/Loss of +€795K can be explained as follows:

- The recording over the 1st half-year 2014 of a total of €802K under Expenses from non-recurring items, this sum broken down as follows:
 - €783K in costs relating to the capital increase whose cancellation was announced by the Company at the beginning of 2014;
 - €18K relating to previous accounting periods (employer's contribution/attendance fees);
 - €1K in Extraordinary amortizations.
- Recording over the 1st half-year 2015 of a total of €7K under Expenses from non-recurring items. This concerned a provision for risks and charges relating to a technical tax point;
- The absence of any change under Revenue from non-recurring items (€0K at 30/06/14, identical at 30/06/15).

With regard to the positive change of +€191K under Tax on profit, the change was almost entirely due to changes in the sums relating to the R&D tax credit (CIR), a scheme for which the Company has been eligible from 2008.

Under this item, the net difference between the 1st half-years of 2014 and 2015 amounted to +€189K, explained as follows:

- The CIR tax credit for the first half-year 2015 is noticeably higher than that for the 1st six months of 2014, the respective amounts being €825K against €623K, i.e. a positive change of +€202K.

- With respect to CIR 2014, an adjustment of -€17K was reported under the 1st half year 2015, the sum of the tax credit having been reviewed downwards (from €1,594K to €1,577K) following correspondence with the tax authority following application for restitution. With respect to CIR 2013, an adjustment of -€4K was reported under the 1st six months of 2014, the sum of the tax credit provisioned at the end of 2013, i.e. €1,313K having been finally reviewed to €1,309K at the time the 2069-A form was sent to the tax authorities. Hence there was a change of -€13K between the 1st six months of 2014 and 2015.

The residual change (excluding CIR) of +€2K under “Tax on profit” is a consequence of the increase in the provision regarding the CIPC (Business Prospection Tax Credit).

Presentation of the balance sheet at 30/06/2015:

At the end of the financial year 2015, the Company's Net Financial Position amounted to +€1,763K, a sum which provides a measure of the resources available at this date for covering the requirements of its R&D projects. This financial position can be compared with the position at 31/12/2014 amounting to +€2,216K. The financing of the operating costs for the 1st half year of 2015 required €3,750K (excluding depreciation charges) to which had to be added investments in laboratory equipment (mainly in connection with the DEINOCHEM project) for approximately €950K. Over the same period, the Company received €991K in repayable advances (2nd payment from Ademe relating to the Deinochem project) and raised €3,041K in capital via the underwriting agreement signed in December 2014 with Kepler Cheuvreux.

Of total cash available, the sum of €1,250K is on a Société Générale fixed term deposit account (expiring in August 2015).

Liquidity agreement

Under the liquidity agreement entrusted by DEINOVE to Kepler Cheuvreux, the following resources appeared on the liquidity account on 30 June 2015:

- 12,789 DEINOVE shares;
- 13,938.95 Euros.

Share capital

On 30 June 2015, the share capital was made up of 5,939,271 ordinary shares with a nominal value of €0.40 Euros following issuance of 479,370 new shares over the course of the 1st six months 2015, resulting from the exercise of (i) 419,000 share warrant plans known as “^{Tranche1}BSA”, of (ii) 35,000 share warrant plans known as “^{Tranche2}BSA”, and of (iii) 25,370 employee stock options known as “BCE-2009-2” having led to acknowledgement of a capital increase of 191,748 Euros by issuance of 479,370 new shares, each of 0.40 Euros nominal value. Note 6 to the Appendix to the half-year accounts provides additional details on Equity and dilutive financial instruments outstanding.

It should be pointed out that the share capital has been modified since 30 June 2015, a capital increase of 50,000 Euros nominal having been acknowledged by the Board of Directors on 22 September following issuance of 125,000 new shares, as a result of a number of exercises representing 125,000 ^{Tranche2}BSA, occurring between the 1st July and the date of this half-yearly financial report. This same Board of Directors has acknowledged a capital increase of 14,000 Euros following issuance of 35,000 new shares, as a result of a number of exercises representing 35,000 ^{Tranche2}BSA, occurring in June 2015 (cf. (ii) above), i.e., later than the preceding meeting of the Board of Directors. At the date of this half-yearly financial report, the company's share capital amounts to 2,425,708.40 Euros, divided into 6,064,271 shares.

2 | 4 Main risk factors

On the occasion of its IPO on Alternext in April 2010, DEINOVE presented the risk factors that could potentially have an impact in the Basic Document registered with the French Financial Markets Authority (AMF) on 25 March 2010, under number I.10-014 and which is available on its website.

More recently, a number of risk factors have been updated in the Reference Document registered on 23 June 2014 by the AMF under number R.14-042. This document is available on the Company website at www.deinove.com.

The Company reminds readers that, as stated in the Reference Document mentioned above, its activities are essentially based on Research & Development operations in biotechnology, whose aims are applications in the fields of biofuels, green chemistry and antibiotics. The success of the projects undertaken is therefore subject to the technological and scientific uncertainties typical of this sector of activity, and is also subject to ability to industrialise the bio-procedures developed in an economically viable fashion.

3 | HALF-YEAR ACCOUNT SUMMARY AS OF 30 JUNE 2015

3 | 1 Profit and Loss Account

(in thousands of Euros)	Note	1 st six months 2015	1 st six months 2014	Financial year 2014
Operating revenue		69	16	156
Sales of goods				
Purchase of raw materials and other supplies		0	-4	-9
Other purchases and external expenses		2,029	1,956	3,542
Taxes, duties and similar levies		38	28	63
Salaries and wages		1,111	1,052	2,031
Social contributions		485	489	939
Depreciation charges for amortizations, write-backs and provisions		309	221	540
Other expenses		87	46	110
Total operating expenses		4,059	3,788	7,216
OPERATING PROFIT/LOSS		-3,990	-3,772	-7,060
Financial revenue		50	48	83
Financial costs		38	20	120
FINANCIAL RESULT		12	29	-37
CURRENT PRE-TAX PROFIT/LOSS		-3,978	-3,743	-7,097
Revenue from non-recurring items		0	0	0
Expenses from non-recurring items		7	802	735
PROFIT/LOSS FROM NON RECURRING ITEMS		-7	-802	-735
Tax on profit (Research Tax Credit)	10	-816	-625	-1,374
PROFIT OR LOSS		-3,170	-3,920	-6,458

3 | 2 Balance Sheet

Assets

(in thousands of Euros)	Note	30/06/15	31/12/14
FIXED ASSETS	3		
Intangible assets			
Concessions, patents, licences, software, rights and the like		148	99
Tangible assets			
Technical facilities, industrial equipment and tooling		904	784
Tangible assets under construction		66	521
Other tangible assets		93	102
Financial assets			
Equity interests and related receivables		631	631
Other equity investments	3	0	0
Other financial assets		186	166
TOTAL		2,029	2,303
CURRENT ASSETS			
Receivables	4	2,787	2,110
Advances and prepayments	5	294	0
Investment securities (CAT)		1,250	1,250
Cash instruments		0	0
Cash on hand	5	513	966
Pre-paid expenses (+ ECA)		438	324
TOTAL		5,282	4,650
OVERALL TOTAL		7,311	6,953

Liabilities

(in thousands of Euros)	Note	30/06/15	31/12/14
EQUITY	6		
Capital		2,376	2,184
Share, merger and contribution premiums		18,254	15,397
Statutory reserves		0	0
Carry-forward		-17,386	-10,927
Profit or loss for the period		-3,170	-6,458
TOTAL		74	196
OTHER EQUITY			
Conditional advances	7	5,541	4,550
TOTAL		5,541	4,550
PROVISIONS			
Provisions for liabilities & expenditure		12	5
TOTAL		12	5
LIABILITIES	8		
Loans and financial liabilities - Others		0	0
Suppliers and related accounts		924	764
Outstanding taxes and social contributions		656	677
Debts on assets and related accounts		96	755
Other liabilities (+ECP)		7	7
TOTAL		1,683	2,202
OVERALL		7,311	6,953

3 | 3 Table of Changes in Equity

(in thousands of Euros)	Share capital	Issue premium & BSA (share warrants)	Reserves & Carry-forward	Profit/loss for the period	Total shareholders' proceeds
BALANCE AT 01/01/14	2,023	11,506	-7,507	-3,420	2,601
Allocation of 2013 surplus			-3,420	3,420	0
Capital increase and IP	161				161
Exercise of BSA/BCE		3,892			3,892
Profit/loss for 2014				-6,458	-6,458
31/12/14	2,184	15,397	-10,927	-6,458	196
Allocation of 2014 surplus			-6,458	6,458	0
Capital increase and IP	192				192
Exercise of BSA/BCE		2,857			2,857
Half-year result for 2015				-3,170	-3,170
30/06/15	2,376	18,254	-17,386	-3,170	74

3 | 4 Net cash flow tables

(in thousands of Euros)	Note	1 st six months 2015	2014
Cash flow related to operating activities			
Profit/loss for the period		-3,170	-6,458
Capital gain on transfer of treasury shares		3	71
Extraordinary profit/loss		7	6
Amortization		309	540
Depreciation		8	5
Changes in accrued interest		-28	-41
Changes in working capital		-1,606	766
Net cash flow used in activities		-4,477	-5,111
Cash flow related to investment activities			
Acquisitions net of divestitures of fixed assets	3	-14	-1,338
Acquisitions of financial assets (TAA, liquidity agreement, equity interest)	3	-562	-1,158
Redemption of investments at maturity	3	0	0
Sales of financial assets	3	560	2,465
Net cash flow from / (absorbed by) investment activities		-16	-32
Cash flow related to financing activities			
Net income from share issuance	6	3,048	4,053
Receipt from new loans	7	991	1,483
Loan repayment	7	0	-50
Net cash flow from financing activities		4,040	5,486
Change in cash and cash equivalents		-453	344
Cash and cash equivalents opening balance		2,216	1,872
CASH AND CASH EQUIVALENTS AT CLOSING		1,763	2,216

3 | 5 Appendix to the Accounts

NOTE 1 | THE COMPANY

DEINOVE SA (“The Company”) is a green technology company dedicated to the development and commercial operation of bioprocesses for the production of biofuels and bio-sourced chemical compounds of industrial interest, based on exploiting a currently neglected group of bacteria with exceptional natural properties: the *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 generally accepted in France.

NOTE 2 | ACCOUNTING PRINCIPLES, REGULATIONS AND METHODS

The accounting principles and methods used in drawing up the half-yearly accounts comply with French accounting standards and are the same as those used in the preparation of the Annual Accounts for the financial year 2014 and as described in the appendix to these accounts.

The operations taking place during the half year and which require additional information are as follows:

- **Impact of share warrants (BSA) and employee stock options (BSPCE):**

During the period, holders of BSAs [*Bons de Souscription d’Actions*] or BCEs [*Bons de Souscription de Parts de Créateur d’Entreprise*] exercised these financial instruments. An increase in capital resulting from the exercise of BSA/CE is registered as Equity on the effective realisation date of the operation, which is in turn defined by Article L225-149 subparagraph 2 of the Business Code. In consequence, the exercise of warrants is reported under Issue Premiums without waiting for the later action of the Board of Directors as provided for in subparagraph 3 of the same Article, whose sole purpose is to record in legal form, by updating of the articles of association, the operation already effectively carried out.

It should be pointed out that the Combined Annual General Meeting on 3 May 2012 decided that the number of BSA and BCE issued by the Company up to that date should be divided by 10. Consequently, since 3 May 2012, each BSA or BCE gives right to an entitlement subscribe to 1 new share.

Note 6 states that during the 1st half-year 2015 the Board of Directors reported the exercise of 500,000 BSA ^{Tranche1} of which 81,000 were exercised in December 2014), 35,000 BSA ^{Tranche2} and 25,370 BCE-2009-2, leading to the issue of 560,370 new shares at 0.40 Euro nominal value each.

It should be pointed out that, using the powers delegated to him by the Board of Directors on 20 November 2014 and in accordance with the delegation of authority granted by the Combined General Meeting of 6 May 2014, the Chief Executive Officer issued 600,000 share warrants (known as BSA ^{Tranche 2}) giving rights to subscribe 600,000 DEINOVE shares under the agreement concluded with KEPLER CHEUVREUX on 1 December 2014. During the 1st half-year 2015, 35,000 “BSA ^{Tranche2}” were exercised leading to the issue of 35,000 new shares at 0.40 Euro nominal value each. Between 30 June 2015 and the date of this report, 125,000 “BSA ^{Tranche2}” were exercised leading to the issue of 125,000 new shares.

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

Transactions related to the Liquidity Agreement concluded by the Company 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 Assets – Treasury Shares. A provision for write-back 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. 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 agreement entrusted by DEINOVE to Kepler Cheuvreux, the following resources appeared on the liquidity account on 30 June 2015:

- 12,789 DEINOVE shares;
- 13,938.95 Euros.

NOTE 3 | INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS

GROSS VALUES (in thousands of Euros)	Gross value at 01/01/15	Acquisitions	Reductions	Gross value at 30/06/15
Intangible assets				
Concessions, patents, licences, software, rights and the like	262	99	0	361
Other intangible assets items				
TOTAL	262	99	0	361
Tangible assets				
Technical facilities, industrial equipment and tooling	2,139	362	0	2,501
General facilities, fixtures and various amenities	60	0	0	60
Office equipment and computer hardware, furniture	126	8	1	132
Tangible assets under construction	521	66	521	66
TOTAL	2,846	436	522	2,760
Financial assets				
Equity interests and related receivables	631	0	0	631
Other equity investments	0	0	0	0
Other financial assets	171	590	563	198
TOTAL	802	590	563	830
GRAND TOTAL	3,910	1,125	1,084	3,951

DEPRECIATIONS (in thousands of Euros)	POSITION AND MOVEMENTS DURING THE PERIOD			
Depreciable fixed assets	Value at 01/01/15	Allocations	Outflows	Value at 30/06/15
Intangible assets				
Concessions, patents, licences, software, rights and the like	163	50	0	213
Other intangible assets				
TOTAL	163	50	0	213
Tangible assets				
Technical facilities, industrial equipment and tooling	1,355	242	0	1,596
General facilities, fixtures and various amenities	6	3	0	9
Office equipment and computer hardware, furniture	78	14	1	91
TOTAL	1,439	258	1	1,697
OVERALL TOTAL	1,602	309	1	1,910

IMPAIRMENTS (in thousands of Euros)	POSITION AND MOVEMENTS DURING THE PERIOD			
Financial assets	Value at 01/01/15	Provisions	Outflows	Value at 30/06/15
Financial assets				
Long-term securities (bonds)	0	0	0	0
TOTAL	0	0	0	0
Other financial assets				
Liquidity agreement	5	8	0	12
TOTAL	5	8	0	12
OVERALL TOTAL	5	8	0	12

Other financial assets included under assets at 30th June 2015 comprised:

- The available balance of the Liquidity Agreement totalling €14K;
- 12,789 treasury shares, recorded for a gross value of €99K. Since the market value of these shares, determined on the basis of the closing price of the Company share at 30/06/15, was lower than the acquisition value, a provision for impairment of €12K was recorded at 30/06/15;
- Deposit and sureties amounting to a total of €85K, relating exclusively to the Cap Sigma (Grabels) premises.

The result is a net sum of €186K at 30/06/15.

Under the heading of **Equity interests and related receivables**, it should be pointed out that during financial year 2014 and since the current accounting period, DEINOVE has not created any new subsidiary or made any new investments.

It should also be pointed out that on the 1st January 2013, DEINOVE held 100% of the shares in DEINOCHEM, a simplified joint-stock company (*société par actions simplifiée*), established in June 2012 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 30 June 2015 DEINOVE held the following Equity interests:

1. DEINOBIOTICS is a simplified joint-stock company (*société par actions simplifiée*), 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 number 752 226 746 RCS Montpellier. The Company holds 49% of the shares.

The purpose of DEINOBIOTICS is to implement research, development, production and commercialization activities in France and abroad of products, technology and services in the field of infectious diseases.

At 31st December 2014, DEINOBIOTICS' Annual Accounts showed:

- A loss of €640K;
- Equity deficit of €405K;
- A balance-sheet total of €716K.

2. Lastly, it should be noted that in November 2012, the Company took a stake in the company share capital of **CARBIOS**, a simplified joint-stock company (*société par actions simplifiée*), with a registered capital of 2,639,121.10 Euros, headquartered at Biopôle Clermont-Limagne, rue Emile Duclaux, 63360 Saint-Beauzire, incorporated with the Clermont-Ferrand Trade and Companies Register under number 531 530 228 RCS Clermont-Ferrand.

The purpose of CARBIOS is, in particular, to implement research, development, production and commercialization activities in France and abroad in biotechnologies and in particular into biomass transformation and bioremediation technologies, processes and products, as well as carrying out any activity in the field of green chemistry and inter alia in the fields of technologies, procedures and products in the field of green technology.

All the shares making up CARBIOS' capital may be traded on the Alternext market in Paris since 19 December 2013.

At 31st December 2014, CARBIOS' Annual Accounts showed:

- A loss of €2,210K;
- Equity of €11,116K;
- A balance-sheet total of €13,733K.

At 31st December 2014, the Company held 2.01% of the CARBIOS share capital.

At 30th June 2015, the Company held 2.00% of the CARBIOS share capital.

On the DEINOVE balance sheet at 30/06/15, the total of €631.5K for these various Interests is broken down as follows:

- Deinobiotics SAS: €461.5K;
- Carbios SA: €170.0K.

No provisions for impairment having been applied, the Net total is equivalent to the Gross total.

Regarding the 2nd shareholding, it should be pointed out that on the basis of the stock exchange price for CARBIOS on 30/06/15, namely, €12.94, fair value is €977.7K. However, since the Company accounts were drawn up in compliance with French accounting standards, this asset on the balance sheet appears as valued according to historic (acquisition) cost.

NOTE 4 | RECEIVABLES

Half-year ending 30th June 2015

(in thousands of Euros)	Gross amount	Within a year	Over a year
From fixed assets			
Other financial assets	186	0	186
Total fixed assets	186	0	186
From current assets			
Customers and related accounts	76	76	0
Trade receivables	0	0	0
Staff	4	0	4
Tax on profit	2,576	2,576	0
Value added tax	116	116	0
Other taxes, duties and similar levies			
Other receivables	15	15	0
Group and associates			
Total current assets	2,787	2,783	4
TOTAL	2,973	2,783	190

Financial year ended 31st December 2014

(in thousands of Euros)	Gross amount	Within a year	Over a year
From fixed assets			
Other financial assets	166	0	166
Total fixed assets	166	0	166
From current assets			
Customers and related accounts	40	40	0
Trade receivables	0	0	0
Staff	4	1	4
Tax on profit	1,737	1,737	0
Value added tax	305	305	0
Other taxes, duties and similar levies			
Other receivables	23	23	0
Group and associates			
Total current assets	2,110	2,106	4
TOTAL	2,277	2,106	170

Receivables from Company tax relate almost entirely to the Research Tax Credit (CIR) due to the Company. As there is no taxable profit and since the Company fulfils the criteria for SMEs as defined under EC regulation, this receivable is repayable the year following the year it is recognized. The balance of IS Receivables, amounting to €2,576K at 30 June 2015 is broken down as follows:

- Research Tax Credit (CIR) 1st six months 2015: €825K;
- CIR 2014: €1,577K. Provisioned at €1,594K on the 31/12/14, this receivable was reduced by -€17K following correspondence with the tax authority in order to reflect the exact sum of the recovery expected by the Company;
- CIR/ previous accounting periods: €77K following an additional corrective statement regarding CIR 2011, dispatched in December 2014 to the tax authority (cf. Note 10 for further details);
- Tax Credit for Competitiveness and Employment (CICE): total amounting to €72K (of which €48K for financial year 2014);
- Tax Credit for Business Prospection Tax Credit (CIPC) and Apprenticeship Credit: total amounting to €25K (of which €16K for financial year 2014).

NOTE 5 | CASH INSTRUMENTS

This item comprises liquidity on deposit accounts with Société Générale and Interaudi Bank (United States), as well as cash balances. At the end of June 2015, the Company held €418K in deposit accounts, to which can be added €95K in accrued interest receivable, relating to a Société Générale term deposit (ending in August 2015) for a sum of €1,250K, categorised under Investment Securities. Cash on hand at 30/06/15 therefore amounts to €+1,763K.

It should also be noted that DEINOVE, in June 2015, ordered a set of fermentation vessels from the supplier Pierre Guerin, for a total sum of €980K. Confirmation of this order was accompanied by a payment of a deposit of €294K (appearing on the asset side of the balance sheet, cf. section 3.2).

This large investment was financed by a financial lease set up in July 2015 and which provides for the payment of this deposit by Sogelease, a banking institution. The sum initially advanced by DEINOVE on confirmation of the order has therefore been returned at the beginning of August 2015 (post closing of accounts).

NOTE 6 | EQUITY

6.1 – Share Capital Structure:

The sole capital operations carried out over the period result from the exercise of (i) 419,000 share warrant plans known as “Tranche1 BSA”, of (ii) 35,000 share warrant plans known as “Tranche2 BSA, and of (iii) 25,370 stock option plans known as “BCE-2009-2” which led to acknowledgement of a capital increase of 191,748.00 Euros by issuance of 479,370 new shares, each of 0.40 Euro nominal value.

Summary:

	30/06/15	31/12/14
Capital	2,375,708.40 €	2,183,960.40 €
Number of shares	5,939,271	5,459,901
Nominal value	0.40%	0.40%

Analysis by share category:

Until 26 April 2010, the share capital was made up of ordinary shares (category B) and preference shares (category A). The preference shares gave bearers the right to benefit from pre-emption and approval to their benefit once category B ordinary shares were sold, as well as a right of preference in the liquidation surplus.

Since 26 April 2010, following cancellation of the various categories, the share capital is exclusively made up of ordinary shares.

6.2 – Share Capital Breakdown

Half-year ended 30 June 2015

The 5,939,271 shares at 0.40 Euro nominal making up the capital on 30 June 2015 are broken down as follows:

At 30 th June 2015 - non-diluted basis				
Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Truffle Capital-managed funds	2,757,016	46.42%	5,422,234	62.04%
Tereos EU	118,685	2.00%	118,685	1.36%
Scientific founders	20,000	0.34%	40,000	0.46%
Management and directors	44,411	0.75%	63,152	0.72%
Floating	2,999,159	50.50%	3,095,856	35.42%
TOTAL	5,939,271	100.00%	8,739,927	100.00%

At 31 st December 2014 - non-diluted basis				
Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Truffle Capital-managed funds	2,794,516	51.18%	5,497,234	66.70%
Tereos EU	118,685	2.17%	118,685	1.44%
Scientific founders	20,000	0.37%	40,000	0.49%
Management and directors	19,041	0.35%	29,041	0.35%
Floating	2,507,659	45.93%	2,557,173	31.03%
TOTAL	5,459,901	100.00%	8,242,133	100.00%

6.3 - Dilutive Financial Instruments

- **Share warrant plans (BSA)**

The table below shows the status of BSA since the date of inception of the Company and not exercised at 30 June 2015, as well as additional information on their status on this date.

BSA	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BSA-B	92,430	-	61,080	31,350	31,350	-	30/01/18
GM of 30/01/08							
BSA-2008	61,620	-	20,540	41,080	41,080	-	27/06/18
GM of 27/06/08							
BSA-2009	330,000	-	-	330,000	330,000	-	05/05/19
GM of 05/05/09							
BSA-2010-1	34,000	-	-	34,000	34,000	-	22/03/20
GM of 27/01/10							
BSA-2010-3	22,500	-	-	22,500	22,500	-	22/03/20
GM of 27/01/10							

BSA-2010-4	8,500	-	-	8,500	8,500	-	22/03/20
GM of 27/01/10							
BSA-2012-1	123,240	20,540	-	102,700	102,700	-	16/02/22
GM of 24/09/10							
BSA-2013-1	10,100	-	-	10,100	10,100	-	04/07/23
GM of 13/05/13							
BSA-T1	500,000	-	500,000	0	0	-	30/06/15
GM of 06/05/14							
BSA-T2	600,000	-	35,000	565,000	565,000	-	18/12/15
GM of 06/05/14							
TOTAL BSA	1,782,390	20,540	616,620	1,145,230	1,145,230	0	

During the first half-year 2015, 454,000 new shares were issued at a unit price of 0.40 Euro, by exercise of 419,000 « Tranche1 BSA » issued by the Board of Directors on 20 November 2014, in accordance with the delegation of authority conferred upon it by the General Meeting of Shareholders on 6 May 2014 and by the exercise of 35,000 « Tranche2 BSA » issued by decision of the Chief Executive Officer on 13 May 2015, making use of the powers delegated to it by the Board of Directors on 20 November 2014, in accordance with the delegation of authority granted to it by the General Meeting of Shareholders on 6 May 2014.

- **Employee Stock option plans (BSPCE)**

The table below shows the status of BSPCE since the date of inception of the Company and not exercised at 30 June 2015, as well as additional information on their status on this date. Details of the operations during the 1st half-year are provided as follows.

BSPCE	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BCE 2008	61,630	-	61,630	0	0	-	30/01/18
GM of 30/01/08							
BCE 2009-1	68,000	32,832	30,068	5,100	5,100	-	10 years following attribution
GM of 05/05/09							
BCE 2009-2	25,370	-	25,370	0	0	-	05/05/19
GM of 05/05/09							
BCE-2010-1	37,320	6,630	2,820	27,870	27,870	-	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	-	0	0	-	03/07/22
GM of 03/05/12							
BCE-2013-1 *	152,780	152,780	-	0	0	-	07/01/23
GM of 03/05/12							
BCE-2013-2 *	60,000	60,000	-	0	0	-	11/07/23
GM of 13/05/13							

BCE-2015-1	152,780	-	-	152,780	152,780	-	02/02/25
GM of 06/05/14							
BCE-2015-2	25,000	-	-	25,000	25,000	-	02/02/25
GM of 06/05/14							
BCE-2015-3	60,000	-	-	60,000	60,000	-	02/02/25
GM of 06/05/14							
BCE-2015-4	10,000	-	-	10,000	10,000	-	02/02/25
GM of 06/05/14							
TOTAL BSPCE	743,780	313,246	123,784	306,750	306,750	0	

(*) Lapse acknowledged by the Board of Directors on 2nd February 2015.

During the 1st half-year of 2015, acting on a delegation of authority agreed by the General Meeting of 6 May 2014, the Board of Directors issued and allocated on 2 February 2015:

- i. 152,780 Employee Stock options referred to as « BCE-2015-1 ». This plan, issued as employee stock option plan to replace stock option plan referred to as « BCE-2013-1 », gives the right to subscribe 152,780 shares;
- ii. 25,000 Employee Stock options referred to as « BCE-2015-2 ». This plan, issued as employee stock option plan to replace stock option plan referred to as « BCE-2012-1 », gives the right to subscribe 25,000 shares;
- iii. 60,000 Employee Stock options referred to as « BCE-2015-3 ». This plan, issued as stock option plan to replace stock option plan referred to as « BCE-2013-2 », gives the right to subscribe 60,000 shares; and
- iv. 10,000 Employee Stock option plan referred to as « BCE-2015-4 ». This plan give the right to subscribe 10,000 shares.

At its meeting of 3 June 2015 the Board of Directors acknowledged effective realisation of an increase in capital for an overall nominal amount of 10,148 Euros through the issue of 25,370 new shares, made possible by the exercise of 25,370 employee stock options referred to as “BCE-2009-2”.

NOTE 7 | CONDITIONAL ADVANCES

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

- (i)A €100K repayable advance was granted in 2009 by Oseo Île-de-France for the “DEINOL project feasibility study: composition of a strain bank, characterisation, selection and optimization”. DEINOVE had received €50K in 2009 and the balance of €50K in 2010. As the feasibility study was highly successful, €5K were reimbursed in 2011 (in 1 instalment), €30K in 2012 (5 instalments), then €40K in 2013 (4 instalments) and finally €25K in 2014 (2 instalments). As provided for in the initial schedule, on the assumption of success, the entire sums received in the form of repayable advances have been repaid to the public financing body, Bpifrance.
- (ii) As regards the DEINOPHARM project, in 2009 Oseo Innovation and the Languedoc-Roussillon Region had granted a total of €400K repayable advances for the “extension and screening of a bacteria strain library; identification and characterization of antibiotic molecules”. The 1st instalment of 40% took place 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 at the end of December 2013. Concomitantly at the beginning of January 2014 and following processing by Bpifrance of the final expenses declaration (sent in 2011) the balance of the repayable advance amounting to €4K was paid to the Company. This payment was subject to a side letter clarifying the schedule of reimbursements in the event of success (€324K, i.e. 100% of the sums received) or failure (€49K, i.e. 15%). At the beginning of June 2014, Bpifrance notified the Company of a carry-over in the schedule in the context of the acknowledgement of a failure. For this reason, since a drawdown of €25K had taken place in 2014, the total reimbursed until the present, namely €50K, is slightly greater than the €49K provided for in such a case. Repayable advances related to this aid do not carry interest.

- (iii) The Company received an aid from the Oseo Innovation – ISI Programme for the DEINOL project comprising repayable advances, for a total amount of €4M, and €2M in grants, payments being staggered over 50 months between 2010 and 2014. This aid was suspended when DEINOVE concluded a Consortium Agreement with its project partners, BENP-Lillebonne, the CNRS and INSA Transfert, signed on 30 March 2010. The grants were unblocked as and when the project advanced and as reports on finalization of each key milestone were provided to Oseo, for which the main characteristics were initially as follows:
 - prior to 28/02/11 (key milestone 1): development of a wild or modified strain producing ethanol and endowed with hemicellulose or cellulo-lytic 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 *Deinococcus* of interest 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.

Completing each key milestone and satisfying the related conditions should make the Company eligible, given the terms of the aid agreement, for the following grants:

(in thousands of 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.

It should be noted that 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 as part of this project, from 2017, for a maximum of 9 years. The repayment total, capped at a certain amount, could exceed the total amount of advances received.

DEINOVE announced in January 2014 that it had produced ethanol at 9% by using a *Deinococcus* bacterium, demonstrating the technological and economic viability of its production process.

On 3 June 2014, the Company announced signature of a partnership agreement (with a maximum duration of 36 months) with ABENGOA, one of the major producers of bio-ethanol, meaning that the DEINOL collaborative project for producing 2nd generation bio-ethanol continues, and with renewed support from Bpifrance. Given development of production activity for the food industry in its BENP factory in Lillebonne, TEREOS has decided to go no further in its involvement with the DEINOL project. Consequently, DEINOVE has accepted, in agreement with TEREOS and Bpifrance, ABENGOA as a new industrial partner in the DEINOL project. This change of partner has required some adjustments to certain terms in the financial aid agreement, namely, definition of the two final key milestones, the schedule for payment of the sums in the relevant operating grants and repayable advances, and the potential financial paybacks for Bpifrance in the event of success. These adjustments were introduced by means of additional clauses to the Framework and Beneficiary agreements, signed on 9 January 2015.

The essential characteristics of the two final key milestones have thus been updated:

- prior to 28/02/15 (key milestone 3): Development of a recombinant hemicellulose and cellulo-lytic strain, able to grow at 48°C, resistant to 30 gm/l of sugar and producing 4 to 6% of ethanol on xylose/glucose with productivity of

- 1 gm/l/h of ethanol; assessment of various 2nd generation industrial substrates; assimilation of sugars issuing from pre-treated lignocellulosic biomass;
- Prior to 28/02/16 (key milestone 4): Preparation of industrialisation phase.

According to the terms of the additional clause to the framework agreement, the planning schedule for payments and sums in repayable advances and operating grants is therefore amended (the sums for 2010, 2011 and 2012 being the actual sums paid by Bpifrance and DEINOVE):

(in thousands of Euros)	2010	2011	2012	2015	2016	Total
Grants	498	632	383	236	309	2,058
Repayable advances	903	947	769	1,006	640	4,265
TOTAL	1,401	1,579	1,152	1,242	948	6,323

In April 2015, the Company submitted a summary statement of expenditure to Bpifrance, for the period ended on 28/02/15, relating to key milestone 3. The follow-up of the submission is described in Note 14 of this Report, "Events occurring post closure of accounts".

- (iv) In July 2012, Oseo Innovation – ISI Programme notified the Company that it had been granted €333K of aid for the THANAPLAST™ collaborative project, led by CARBIOS. This project intends to develop cutting-edge technology and processes, enabling recycling of plastic waste able to produce industrial high-performance plastics from renewable raw materials, 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 thousands of 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

Payment of the 1st instalment of the grant share took place in December 2012, for €105K. In September 2013, following Bpifrance's acknowledgement of the fulfilment of THANAPLAST™ project key milestone 1, 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 notified the Company that an aid of €5,919K had been obtained for the DEINOCHEM project, aimed at setting up, within 42 months, a research demonstrator enabling development of production of at least 2 isoprenoid compounds from a model substrate. This aid, exclusively in the form of repayable advances, falls within the framework of Investments for the Future (*Investissements d'Avenir*) piloted by the French National General Commission for Investment (CGI). The 1st payment, for a sum of €1,480K, was transferred in April 2014. Following payments will be unblocked as and when the project advances and as reports on finalization of each of the 3 predefined key milestones are provided for Ademe. In December 2014, the Company submitted a summary statement of expenditure at 31 October 2014 (for key milestone 1) to Ademe. In light of the success of this key milestone the Company received the sum of €991K in February 2015.
- (vi) Finally, it should be noted that in September 2010, Oseo Innovation had notified the Company that it had been granted €700K 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 made up half of grants and half of repayable advances. The 1st payment instalment was transferred in November 2010, for the sum of €210K. As part 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. Thus as of 30 June 2015, the Company has no liabilities in the form of repayable advances (conditional or unconditional), and is not eligible for future financing (whether repayable advances or grants), relating to this aid.

NOTE 8 | MATURITIES OF LIABILITIES AT PERIOD-END

Statements of liabilities at 30 June 2015

Statements of amounts payable as at 30 June 2015 (in thousands of Euros)				
	Gross amount	Within a year	1 to 5 years	At more than 5 years
Suppliers and related accounts	924	924		
Staff and related accounts	289	289		
Social security and other social organizations	310	310		
Other taxes, duties and similar levies	57	57		
Debts on assets and related accounts	96	96		
Other liabilities	7	7		
TOTAL	1,683	1,683		

Statements of liabilities at 31 December 2014

Statements of amounts payable at 31 December 2014 (in thousands of Euros)				
	Gross amount	Within a year	1 to 5 years	At more than 5 years
Suppliers and related accounts	764	764		
Staff and related accounts	323	323		
Social security and other social organizations	322	322		
Other taxes, duties and similar levies	32	32		
Debts on assets and related accounts	755	755		
Other liabilities	7	7		
TOTAL	2,202	2,202		

NOTE 9 | CONTINGENT LIABILITIES RELATED TO TRADE AGREEMENTS

Research Partnership Agreements with INSATransfert-SAIC:

On 18 February 2010, DEINOVE concluded a Partnership Agreement with 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) for studying the conditions for growth and the fermentation profile of *Deinococci*, as part of the framework of the DEINOL project. An Operating Agreement on the findings of this project was concluded on 3 March 2010 between INSA and DEINOVE, in which INSA grants DEINOVE an exclusive worldwide licence for the commercial use of the findings from the collaborative research programme. In return, 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 discoveries made by the cooperative laboratory established with these research bodies between 1st May 2008 and 30th April 2010, and in particular on the knowledge 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 commercial use of these cooperative discoveries, 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, of a duration of 36 months from 28 February 2010, is a continuation of the cooperative laboratory, following the regrouping of DEINOVE staff at its Cap Alpha research installations on 15 July 2010. The operating conditions of the Agreement concluded on 15 February 2010 also apply to this partnership.

Partnership Agreement with ABENGOA:

On 3 June 2014 DEINOVE announced the signing of a partnership agreement with ABENGOA, one of the major world producers of bio-ethanol, agreed for a maximum of 36 months, relating to the development of a DEINOVE bioprocess for consolidated production (CBP) using a *Deinococcus* bacterium for digesting and transforming agricultural waste to ethanol at a competitive price.

The inclusion of ABENGOA into the DEINOL collaborative research programme as a new industrial partner has received agreement from Bpifrance, which is continuing to provide financial support for the project. The ISI (Industrial Strategic Innovation) project is planning an aid of €6.3M Euros for DEINOVE.

Research Partnership Agreement with SUEZ ENVIRONNEMENT:

On 3 June 2014 DEINOVE announced the signature of a partnership agreement in R&D with SUEZ ENVIRONNEMENT, agreed for a period of two years, whose goal is to explore the potential for development of an industrial channel for transforming urban organic waste into ethanol using the *Deinococci* bacteria.

The partners decided to commit to a 2-year collaborative research project, a real extension of the DEINOL project, which in the initial phase will be concerned with optimisation of the major stages in the development of the procedure:

- Selection of substrates supplied by SUEZ ENVIRONNEMENT and conditions of pre-treatment;
- Selection of a *Deinococcus* strain suitable for these substrates;
- Definition of the fermentation production conditions enabling a satisfactory manufacturing rate for ethanol in the 20 L fermentation bioreactors.

Partnership Agreement with AVRIL:

On 22 September 2014, DEINOVE announced signature of a partnership agreement with SOFIPROTÉOL (now AVRIL) for a period of 3 years, with the aim of developing a natural additive production process for animal nutrition.

On 19 May 2015, the two partners announced that they had successfully passed the 1st stage of the project, consisting in selecting 20 bacterial strains from the DEINOVE strain library for producing compounds of interest for animal nutrition. The second stage aims to characterise and test these compounds in order to assess their commercial potential.

Technological partnerships with the Michigan Biotechnologies Institute (MBI):

On 15 October 2014, DEINOVE and the Michigan Biotechnologies Institute (MBI) announced the setting up of a technological partnership aiming to assess DEINOL technology for production of biofuels based on ligno-cellulosic biomass (2G biofuels). MBI is a multi-disciplinary centre renowned in the field of bio-industries for its unique *de-risking* capacities. MBI works to optimise innovatory production technologies based on renewable raw materials instead of fossil fuels, in the fields of biofuel, chemical compounds and human and animal nutrition. In particular, MBI has contributed to the success of major industrial companies such as DuPont, Cargill (NatureWorks), Novozymes, and of start-ups such as Genomatica, OPX Biotechnologies and Verdezyne. After having perfected its processes on model substrates (simple sugars such as glucose and later xylose), and with a view to accelerating industrialisation, DEINOVE has approached the MBI for testing its technology on their industrial substrates: maize residues pre-treated with AFEX technology.

NOTE 10 | TAX ON PROFIT

As the Company is showing a deficit, it does not incur tax charges. The revenue of €815,544 recorded under Profit/loss under Corporate tax can be broken down into three sums: €8,004 as Tax Credit for Business Prospection (CIPC), €400 as Apprenticeship Tax Credit and a net sum relating to the Research Tax Credit (CIR) of €807,140. This total can itself be broken down into two sums: €824,561 for the receivable for the 1st six months 2015 (estimate) and €17,421 for a negative

adjustment (charge) concerning CIR 2014. With respect to this tax credit, the sum provisioned on 31/12/14, namely €1,594,468, has in fact been revised slightly downwards, to €1,577,047, following correspondence with the tax authority occurring after the application for restitution (form 2069-A).

CIR/ previous accounting periods: DEINOVE filed a corrective statement to the French tax authorities in July 2103 concerning the tax credit (CIR) receivables for financial years 2010 and 2011 amounting to €658K. This amount, totally provisioned as Income to be received in the accounts at 30/06/13 and at 31/12/13, has been verified by the tax authority as part of its standard procedure. The authority mandated a scientific advisor for this purpose, working through the Ministry for Higher Education and Research (MESR). The expert report was received by the Company at the end of July 2014, and on the basis of its conclusions, DEINOVE received an initial payment at the end of August 2014 for €381K. The Company provided the tax authorities, in December 2014, with the additional information for documenting a supplementary application for rectification for a sum of €77K relating to the financial year 2011. The total amount applied for was received by the Company on 1st September 2015 (post year end).

Carried-over tax losses and amortizations that the Company had at 31/12/14 amount to €26,036K (as a reminder: €17,901K at 31/12/13). For the financial year 2014, tax loss amounts to €8,135K. 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 2015

The fees invoiced over the 1st half-year 2015 by consultants holding BSAs amounted to €33K. Over the same period, DEINOVE reported a sum of €35K of director's fees paid to Board members (against €74K for financial year 2014).

NOTE 12 | COMMITMENTS GIVEN

Retirement Payments

Refer to the appendix to the accounts closed on 31/12/14.

Individual Training Entitlement (DIF)

Refer to the appendix to the accounts closed on 31/12/14.

NOTE 13 | STAFF

MEAN NUMBER OF EMPLOYEES	1 st six months 2015	2014
Executives	30	27
Supervisory staff & technicians	2	2
Employees	15	15
Operatives	-	-
TOTAL	47	44

As indicated in the annual and half-yearly reports in 2014, since 1st January of that year, the Company has lost the benefits of social security exemptions under the “Young Innovatory Company” (*Jeune Entreprise Innovante*, JEI) scheme, since it is now in its eight year of activity and the scheme only applies for the first seven.

NOTE 14 | POST-CLOSING EVENTS

- At the beginning of July 2015 DEINOVE announced that it had successfully completed the third and penultimate key milestone in its DEINOL project. Passing this key milestone validates the work carried out by the DEINOVE platform. The step has led to a €1.2M payment from Bpifrance in the form of an innovation grant¹⁰.
- At the end of July 2015, DEINOVE also announced the launch of a new R&D platform in the field of muconic acid¹¹, a chemical intermediary whose by-products - caprolactame, terephthalic acid (a precursor of PET) and adipic acid - are very widely exploited in the plastics industries (in cars or for plastic packaging in particular), production of synthetic fibres for textiles or industry (mainly nylon) and foodstuffs (acidifier). Together these products represent a global market worth tens of billions of dollars. DEINOVE R&D teams have succeeded in designing a *Deinococcus* bacterium capable of producing muconic acid. In parallel, the Business Development team has begun discussions with a number of interested industrial companies which may partner with the project.
- At the beginning of September 2015, DEINOVE announced progress¹² in this project: firstly, the R&D teams succeeded in producing muconic acid from 2G cellulose substrates (cellulose is one of the main components of vegetable biomass, plants and wood, as well as of paper and cardboard); secondly, the level of production has been multiplied by 5 from the original proof-of-concept working with model substrates (simple sugars).
- Post closure of accounts, DEINOVE also announced a new technological and commercial partnership with TYTON BIOENERGY SYSTEMS, a US company specialising globally in the valorisation of energy tobacco¹³. The goal of this partnership is to combine the potential of *Deinococci* bacteria with this new type of substrate in order to produce industrial compounds under favourable economic conditions. The project will begin by studying assimilation of this biomass by *Deinococcus*, following which the two companies will explore various possibilities for collaboration amongst the range of bio-sourced chemical compounds which can be developed. They may make use of the TYTON BIOENERGY SYSTEMS fermentation infrastructure in North America. DEINOVE is thus widening the range of opportunities for commercialisation.
- By decision of 22 September 2015, the Board of Directors in accordance with the delegation of authority by the Combined Annual General Meeting of 6 May 2014 acknowledged a capital increase of 64,000 Euros, by issue of 160,000 new shares, as a result of various exercises totalling 160,000 “Tranche 2 BSA” issued under the agreement concluded with KEPLER CHEUVREUX on 1st December 2014. At the date of this half-yearly financial report, the company’s share capital amounts to 2,425,708.40 Euros, divided into 6,064,271 shares.

¹⁰ Announcement 8 July 2015

¹¹ Announcement 21 July 2015

¹² Announcement 2 September 2015

¹³ Announcement 8 September 2015

4 | DECLARATION OF 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 18) 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

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