

## HALF-YEAR FINANCIAL RESULTS AS OF JUNE 30, 2012

- *The net cash position of € +7.1m at the end of June 2012 covers the needs of the company's ongoing R&D programmes at least through to 2013\*, including the significant increase in personnel achieved over the last period.*
- *The net half-yearly loss reached € - 1.4m (vs. a loss of € -1.2m for the first half of 2011).*
- *Subsequent to the accounts closing date, DEINOVE successfully completed the second key milestone of the DEINOL project (development of a process for the production of cellulosic bioethanol), a major breakthrough that triggered the payment of € 1.15m by OSEO (in reimbursable cash advances and grants).*

**Paris, September 18, 2012** – Today, DEINOVE (Alternext Paris: ALDEI), a green biotechnology company, the world's leading specialist in *Deinococcus* bacteria for biofuels and green chemistry, published its financial results for the half-year ending June 30, 2012.

The first half of 2012 was marked by a considerable effort in R&D on the DEINOL project, which led, after the accounts closing date, to the completion and validation of the second key milestone (EC2) of the collaborative development programme conducted under the OSEO ISI programme with DEINOVE's industrial and academic partners:

- The sugar group TEREOS and its subsidiary BENP Lillebonne (French leader and 2<sup>nd</sup> European producer of bioethanol);
- CPBS (CNRS – Université de Montpellier 1) and LISBP (INSA Toulouse/CNRS/INRA).

The net result for the first half of 2012 is a loss of € 1.4m, the Company having not accounted for revenue over the period. This figure includes € 2.2m in operating expenses, of which 73% was for R&D, a positive financial result of € 0.3m and a provision amounting to € 0.5m for receivable R&D Tax Credit. It is stated that the payment of € 1.15m from OSEO, triggered by the achievement of the EC2 milestone and received in August 2012, will be booked in the second half of the fiscal year.

*“Our first half of 2012 has been productive, particularly on our DEINOL programme”* said Jacques Biton, Chief Executive Officer of DEINOVE. *“In the DEINOL programme, we were able to demonstrate the relevance of our technological approach by validating, a few weeks after the end of this first semester, the second key milestone of the project. The *Deinococci* bacteria that we optimized proved not only capable of degrading 80% of industrial plant-based biomass, but also to produce quantities of bioethanol in line with our ambitions. All this was accomplished in accordance with our financial goals, which gives us sufficient visibility to prepare the next steps with confidence.”*

\* Even until 2014, assuming the next instalments of the already obtained OSEO cash advances and grants are collected as planned.

## Selected Financial Information

	For the 6-month period ending on June 30	
(in thousands of euros)	2012	2011
<b>TOTAL OPERATING REVENUES</b>	<b>1</b>	<b>636</b>
<b>TOTAL OPERATING COSTS</b>	<b>2,170</b>	<b>2,177</b>
<i>of which R&amp;D costs</i>	1,582	1,741
<i>of which G&amp;A costs</i>	588	436
<b>OPERATING PROFIT / LOSS</b>	<b>-2,169</b>	<b>-1,542</b>
<b>FINANCIAL RESULT</b>	<b>298</b>	<b>125</b>
<b>CURRENT PRE-TAX PROFIT / LOSS</b>	<b>-1,871</b>	<b>-1,416</b>
<b>PROFIT / LOSS FROM NON-RECURRING ITEMS</b>	<b>-47</b>	<b>-11</b>
<b>Income tax (R&amp;D tax credit)</b>	<b>-516</b>	<b>-260</b>
<b>NET PROFIT / LOSS</b>	<b>-1,402</b>	<b>-1,167</b>
	<b>as of 30/06/2012</b>	<b>as of 31/12/2011</b>
<b>NET FINANCIAL POSITION</b>	<b>7,084</b>	<b>8,876</b>
<i>of which financial investment</i>	4,692	6,003
<i>of which marketable securities</i>	2,402	2,750
<i>of which cash on hand</i>	206	348
<i>(of which financial debt)</i>	-215	-225
<b>TOTAL ASSETS</b>	<b>9,289</b>	<b>10,571</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>8,057</b>	<b>9,342</b>
<i>of which equity capital (after allocation of net earnings)</i>	5,912	7,197
<i>of which repayable advances</i>	2,145	2,145

## Highlights

During the first half of 2012, DEINOVE devoted most of its activity:

- To improving its genetic engineering platform focused exclusively on thermophilic Deinococci;
- To studying the physiological and fermentative behaviour of bacteria called "châssis" strains to meet the requirements of the EC2 step of the DEINOL project.

The genetic optimization work carried out in 2011 was intensely pursued in the first half of 2012, with a strong focus on the second key milestone of the DEINOL project (EC2), in order to achieve this major technical breakthrough.

The two strains of Deinococci previously selected in 2011 were modified by genetic engineering to meet the specifications required by EC2 and as defined in the consortium agreement. The effort was successful and the Company announced on September 13, 2012 that OSEO validated this achievement and in conjunction approved the payment of € 1.15m to DEINOVE, representing the third tranche of funding for the DEINOL project under the ISI Programme (Industrial Strategic Innovation). The total sum paid to date by OSEO to DEINOVE and its partners amounts to € 4.5m out of a total

budget of € 8.9m in aids granted by OSEO for this project. The payment occurred after the closing of the half-year accounts.

It should be underlined, on a scientific level, that DEINOVE exceeded, with an alcohol value above 3%, the threshold set for reaching this milestone as proof of the concept. A press release issued September 13, 2012 details the characteristics and prospects of this success..

In order to reach this critical milestone on the DEINOL project, the Company has devoted fewer resources to develop its other projects, namely DEINOCHEM (green chemistry) and DEINOBIOTICS (pharmacy).

DEINOVE established two subsidiaries in June 2012, DEINOBIOTICS SAS and DEINOCHEM SAS so as to give new impetus to these programmes which have strong potential for success.

In addition, and in line with cross-projects, DEINOVE began a significant effort on a technological level to streamline its considerable bacteria strains library with increased automation. By 2013, its work in screening should be accelerated and become more efficient. This automation should also allow DEINOVE to strengthen its position as holder of the world's largest collection of "stress-resistant" bacteria and Deinococci.

Finally, the Company has strengthened the intellectual property portfolio of its discoveries and technologies. The portfolio of DEINOVE patents now comprises 14 international patent applications and 1 issued patent covering both its technological approaches and the different potential applications of its bacteria.

## Financial results for the first half of 2012

Over the first half of 2012 the company has not recorded any significant revenue to compare to the € 636k operating subsidies received in the first half of 2011. At the same time, operating expenses remained stable at € 2.2m. In detail, the increase of salary mass related to that of the workforce (28 compared to 24 in the first half of 2011), and the rising cost of industrial protection, were offset by lower external costs for R&D. Overall, R&D accounted for 73% of operating expenses (compared to 80% for the first half of 2011).

Financial results reached € +298k compared to € +125k for the first half of 2011. This increase is due to:

- A partial reversal of provisions for impairment for € 137k related mainly to investments in bonds. The total provision allocated on 31 December 2011, amounted to €164k;
- Capital gains on the disposal of DEINOVE shares for € 57k, following the closing of the liquidity contract with Invest Securities France;
- Interest earned on investments in bonds and fixed term deposit accounts for € 104k.

Finally, the R&D Tax Credit (CIR, "*Crédit d'Impôt Recherche*") for the period was estimated at € 516k versus € 260k for the first half of 2011, which was marked by the payment to the Company, by OSEO, of a significant financial aid totalling € 1,579k, which was then deducted in determining the basis for calculating the CIR.

The first half of 2012 has therefore resulted in a loss of € 1.4m compared to € 1.2m for the first half of 2011. Since operating costs are stable, the net change of € -0.2m is a direct result of the changes from one period to the other, of the operating subsidies for € -0.6m, partially offset by the increased financial earnings and the CIR, for a total of € +0.4m.

## Financial situation

At the end of the first half of 2012, the net cash position of the Company amounted to € +7,084k compared to € +8,876k on 31/12/2011. The variation is mainly due to the financing of operational costs for the first half of 2012, amounting to € 2,170k, and investments in laboratory equipment. It is worth reminding that in the first half of 2012, the Company did not receive any amounts in reimbursable cash advance, nor in grants.

These liquidities have been invested in various vehicles, as a function of the company's forecast needs: € 2.4m is placed in cash instruments and € 45m in investment-grade corporate bonds, set to mature at various times up to 2014, thus enabling a more attractive yield and risk diversification.

## About DEINOVE

DEINOVE (Alternext Paris: ALDEI) is a green biotechnology company that designs and develops new production systems based on bacteria with untapped potential: *Deinococci*. Based on their unique genetic properties and unusual sturdiness, DEINOVE optimizes the metabolic capabilities of these natural "mini-factories" to produce a "virtually unlimited" palette of compounds: 2<sup>nd</sup> generation biofuels, green chemicals, new antibiotics...

At a time when the post-oil era is looming and where industrial production of edible corn is in jeopardy, DEINOVE has placed a priority on the development of cellulosic bioethanol, a future market where its all-in-one production process could quickly become a technological standard.

For its most advanced project, DEINOL, the Company has entered into a partnership with TEREOS, the French sugar leader and 2<sup>nd</sup> European manufacturer of bioethanol. Supported by OSEO to the extent of € 8.9m, DEINOL intends for the first time to transform plant residues into ethanol in a single step process using a multifunctional, naturally optimized bacterial strain. To broaden access to innovations developed for the DEINOL programme, the Company plans to optimize its processes by granting non-exclusive licenses to industrial partners.

After recently establishing proof of this innovative concept, DEINOVE initiated the implementation of the pilot laboratory. As of 2014, TEREOS will be responsible for scale validation in one of its factories.

Listed on Alternext since April 2010, DEINOVE was founded by Dr Philippe Pouletty of Truffle Capital and Professor Miroslav Radman, Professor at the Faculty of Medicine of the Université René Descartes. It has a workforce of about 30 people and conducts R&D programmes in partnership with the CNRS (Marseille and Montpellier), INSA (Toulouse) and the VTT (Finland). The Company headquarters is in Paris and its laboratories are located in the Cap Alpha Technology Park in Montpellier.

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

**Disclaimer:**

*This press release and the information contained herein do not constitute an offer to sell or subscribe to, or a solicitation of an offer to buy or subscribe to, shares in Deinove ("the Company") in any country. This press release contains forward-looking statements that relate to the Company's objectives. Such forward-looking statements are based solely on the current expectations and assumptions of the Company's management and involve risk and uncertainties. Potential risks and uncertainties include, without limitation, whether the Company will be successful in implementing its strategies, whether there will be continued growth in the relevant market and demand for the Company's products, new products or technological developments introduced by competitors, and risks associated with managing growth. Unfavourable developments in connection with these and other risks and uncertainties described, in particular, in Chapter 4 of the Company's prospectus prepared in connection with its IPO and on which the French Autorité des Marchés Financiers ("AMF") granted its visa no. 10-014 on March 25 2010, could cause the Company to fail to achieve the objectives expressed by the forward-looking statements above.*

Updates are available on the company's website at [www.deinove.com](http://www.deinove.com).

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