



**DEINOVE**

# Annual financial report

**2011**

**DEINOVE SA registered capital of 1,957,240 euros**

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# 1 Annual Report from the Board of Directors to the combined Annual General Meeting of 3 May 2012

## I.I Message from the Chairman of the Board

In an uncertain economic environment characterized by record stock market volatility, at Deinove we were able to stay the course and adhere to the key project development milestones we had set ourselves. As a high tech company with a unique positioning, we possess a robust technological platform that meets the mission critical needs of industry in terms of environmental stewardship and sustainable development.

We made considerable progress over the course of 2011: in addition to our *Deinococcus* and rare bacteria portfolio, which is in a class by itself, we enhanced our repository of customized genetic tools which are used for modulating and optimizing the enzyme activity of our bacteria – aids that are indispensable for biomass degradation and the production of molecules of interest. These technological assets are protected by 13 families of patents, i.e. a total of 63 international patents that we have registered to date.

These advances in the development of our bacteria factory have enabled us to strengthen our business development activities. Each new contact with an industrial company confirms the interest that our solutions generate and the myriad of industrial applications that these solutions provide access to. We are confident that the preliminary studies and the discussions currently in progress will result in partnership agreements that will create value for our company before very long.

Our flagship Deinol project, undertaken in partnership with the Tereos Group, involves the development of a biofuel production process using non-food substrates and mobilizes around 70 percent of our resources. Our 2011 strategic roadmap, which was announced on the occasion of our Initial Public Offering in 2010, has been adhered to, as we now have a *deinococcus* strain that is capable of producing sufficient amounts of ethanol in small fermenters. We expect to be able to reach an industrial scale and launch initial commercial applications in 2014.

By adhering to our strategy of building on our technological platform and exploiting its potential, in 2012 we intend to continue rolling out new green-chemistry projects that will serve as additional drivers of growth and value creation for our company.

Dr. Philippe Pouletty  
Chairman of the Board

## I.2 Selected Financial Information

Selected Financial Information	In thousands of euros	2011	2010
Total operating revenues		637	603
Total operating costs		4,628	3,137
	<i>of which R&amp;D costs</i>	3,724	2,471
	<i>of which administrative and general</i>	904	666
Operating profit / loss		-3,991	-2,534
Financial result		45	20
Current pre-tax profit / loss		-3,946	-2,514
Profit / loss from non-recurring items		-13	-13
Income tax (R&D tax credit)		-682	-276
Net profit / loss		-3,277	-2,251
Net financial position		8,876	11,708
	<i>Of which financial investments</i>	6,003	4,498
	<i>Of which marketable securities</i>	2,750	7,194
	<i>Of which cash on hand</i>	348	166
	<i>(Of which financial debt)</i>	-225	-150
Total assets		10,571	13,152
Total shareholders' equity		9,342	11,712
	<i>Of which equity capital (after allocation of net earnings)</i>	7,197	10,434
	<i>Of which repayable advances</i>	2,145	1,278

## I.3 Annual Report

### Activities, Results and Financial Position

#### Report on the company's activities during fiscal year 2011

#### Key events during the period; recent events

During 2011, Deinove devoted most of its activity to:

- developing genetic engineering tools for optimizing *Deinococcus*;
- optimizing the two selected strains, one of which will serve as the basis for the Deinove bacteria factory for the Deinol project;
- protecting its technological breakthroughs, with three new patent applications in 2011, bringing the company's patent portfolio to 13 families, i.e. 63 international patents.

In 2010, out of the 1,800 characterized *Deinococcus* from our strain bank, which comprises over 6,000 rare and one-of-kind bacteria, we successfully identified two bacteria that offer tremendous potential for degrading the main components of plant biomass.

These two bacteria (known as "chassis") are capable of operating at temperatures ranging from 30 to 60°C and pH levels ranging from 3 to 10. Among other characteristics, they are highly-resistant to solvents and have an unusually high level of biological stability and robustness; these characteristics make these bacteria candidates with enzymatic potential that is ideal for integration with industrial scale biomass hydrolysis and fermentation processes.

The results we obtained in February 2011 enabled us to successfully fulfil, on schedule, the first key milestone of the Deinol project. In July 2010, we received €0.5 million grants and €0.9 million repayable advances from OSEO (Strategic Industrial Innovation Programme). This was followed in

May 2011 by a further €1.6 million funding (€632 K grant for this project and €947 K in repayable advances) from OSEO–ISI (Strategic Industrial Innovation). Overall, OSEO will be providing €8.9 million of the total €21.4 million invested for the project.

Thanks to the genetic optimization work carried out in 2011, chassis strain ethanol production increased by a factor of 600 in relation to wild strains. We have a genuine “toolbox” at our disposal that enables us to stably insert gene coding for enzymes capable of degrading biomass and to optimize these bacteria.

The goal of the Deinol project is to lay the groundwork, between now and 2014, for the production of cellulosic ethanol (second-generation ethanol) by *Deinococcus* in existing industrial facilities without major investments. In its capacity as lead party, and by the time the project is completed, Deinove will have received €6 million in funding. Partners such as Tereos, Europe’s leading ethanol and sugar manufacturer, along with its subsidiaries BENP Lillebonne and BENP Syral, and two academic partners, the CPBS (Centre for Research on Pathogens and Biotechnologies for Health) (CNRS-Université de Montpellier 1) and the LISBP (Biosystems and Process Engineering Laboratory) (INSA Toulouse/CNRS /INRA) are collaborating on this project.

The Deinol project comprises two major phases:

An R&D phase conducted by our company and our two academic partners, from the beginning of 2010 to the end of 2012, which will successively involve the following steps:

- selecting the bacterial strain that will be used for the process;
- optimizing the candidate strain;
- developing the pre-industrial pilot in the lab.

The Tereos Group subsidiaries BENP Lillebonne and Syral will then take over from us and from the academic laboratories to develop the industrial production phase; industrial pilot testing will last for 12 months and (i.e. all of 2013). The project should be completed by full-scale factory testing in early 2014.

Apart from the Deinol project, to which we are currently devoting nearly 70% of our resources, we are also carrying out two other programmes:

- The Antibiotics programme comprising of the Deinobiotics and Deinopharm (completed in May 2011) projects, received €1.1 million in funding from Oseo, the Languedoc Roussillon region, and from the ERDF (European Regional Development Fund). During 2011 we also continued our screening work using our proprietary bacterial library and characterization and testing of antibiotic components. The aim of the work programme is to identify original structures that could be used to fight infections that are resistant to existing antibiotics and that pose a major challenge to public health at global level.
- In our green-chemistry programme, we have also screened the most distinctive bacteria in the library to identify bacteria that naturally produce chemical compounds that are of industrial interest. Various feasibility studies are currently ongoing with industrial companies in the sector to explore the metabolic pathways of *Deinococcus* which could lead to bacterial processes for producing for the chemical molecules of interest.

In addition, in May 2011 we received confirmation that our founding patent No. EP2016183 entitled “Process for chromosomal engineering using a novel DNA repair system” had been approved by the European Patent Office. This patent, whose principal inventor is Deinove co-founder Professor Radman, covers a genetic engineering process that takes advantage of the unique self-repairing ability of *Deinococcus* – a characteristic that has enabled these bacteria to enrich their genome through natural evolution for more than 3 billion years. It has enabled them to develop exceptional natural abilities for exploiting biomass that were probably acquired by “borrowing” genes from other living organisms. The ability of *Deinococcus* to integrate genes from other bacteria has made it an exceptional candidate that is highly resistant and productive for industrial applications. This patent is the lynchpin for the industrial property protection of our genetic “toolbox”.

## Presentation of Results

### Operating revenues

Our operating revenues, which mainly resulted from receipt in H1 of a €635 K grant from the OSEO ISI programme related to our successful completion of the first key milestone in the Deinol project; and €2 K in recruitment aid.

Operating costs	In thousands of euros	2011	2010
<b>Other expenses and external expenses</b>			
External studies; subcontracting; scientific consulting		1,243	980
Supplies		368	263
Rent; maintenance; servicing costs		175	141
Miscellaneous costs		59	111
Documentation; technological monitoring and seminars		36	13
Fees		693	379
Travelling expenses		117	92
<b>Total other expenses and external expenses</b>		<b>2,691</b>	<b>1,980</b>
Taxes and similar levies		15	13
Salaries and wages		1,182	788
Social contributions		441	192
Depreciation charges on fixed assets		254	140
Other expenses		45	25
<b>Total operating costs</b>		<b>4,628</b>	<b>3,137</b>

During financial year 2011, we spent €4,628 K on operational activities, of which 80% was spent on R&D. This increase of nearly 50% in comparison with 2010 reflects the progress our various projects are making. The change in the “external studies, subcontracting, and scientific consulting” item was attributable to the partnership agreement we concluded with VTT Technical Research Centre of Finland. This agreement was effective throughout 2011, whereas in 2010, it only ran for 6 months. The other main reason for the increase in our operating costs was that between 1<sup>st</sup> January and 31<sup>st</sup> December, the development of the Cap Alpha Laboratory in Montpellier meant that the research team increased from 17 to 22. In addition to staffing changes, staff costs were also affected by new regulations concerning our status as a young innovative company (JEI), had a negative effect of around €100 K on social contributions.

Finally, the high increase in depreciation was due to investments made in 2010 (€566 K compared with €171 K in 2011).

Financial results	in thousands of euros	2011	2010
Financial revenue		311	81
Financial costs		-267	-61
<b>Financial results</b>		<b>45</b>	<b>20</b>

Our financial results for 2011 comprise the following:

- Interest of €201 K on cash investments;
- The results of the transactions undertaken on our own shares as part of the liquidity agreement and which resulted in a net profit of €8 K, including the recovery of a provision for depreciation;
- The net additional provisions we needed to create as a result of valuation write-downs observed at the end of the year, mainly on investments in bonds. With the aim of diversifying our investment risks and improving ROI, we have invested some of our liquid assets in variable-interest

first-class bonds whose maturity dates match our estimated treasury needs. Even if the risk of capital loss is limited to issuer default, since we intend to keep these bonds until their maturity date and benefit from nominal value repayment, it is standard procedure to take into account the write-down incurred by bonds as a result of market valuations. The provisions for depreciation of securities amounted to €164 K for the financial year, which brought total provisions to €171 K at 31 December 2011 for investment in bonds and €3 K for treasury shares.

<b>Net result</b>	In thousands of euros	<b>2011</b>	<b>2010</b>
Operating profit / loss before tax		-3,946	-2,514
Profit / loss from non-recurring items		-13	-13
Income tax (tax credit)		-682	-276
<b>Profit or loss</b>		<b>-3,277</b>	<b>-2,251</b>

The exceptional loss in 2011 was attributable to the scrapping of certain material.

As of December 31, 2011 we had accrued an R&D tax credit of €682 K, versus €274 K for the prior year. This rise resulted from the high increase in the calculation basis of eligible R&D expenses for 2011, which increased by almost 50% in comparison with 2010.

### Overview of Financial Position

<b>Summary Balance Sheet</b>	In thousands of euros	<b>2011</b>	<b>2011</b>
<b>Fixed assets</b>			<b>Equity</b>
Intangible assets	59	Capital	1,957
Concessions, patents, licenses, software	59	Share, merger & contribution premiums	10,768
Tangible assets	512	Statutory reserves	
Technical facilities; industrial equipment and tooling	464	Carry-forward	-2,251
Other tangible assets	48	Profit or loss for the year	-3,277
Financial assets	6,003	<b>Total</b>	<b>7,197</b>
Equity investments	5,855	<b>Other equity</b>	
Other financial investments	148	Conditional advances	2,145
<b>Total</b>	<b>6,574</b>		
<b>Current assets</b>			<b>Liabilities</b>
Receivables incl. VAT and R&D Tax credit	839	Loans and financial liabilities – Others	225
Cash instruments	2,750	Trade payables and related	631
Cash in hand	348	Outstanding taxes & social contributions	371
Prepayments	60	Other liabilities	2
<b>Total</b>	<b>3,997</b>	<b>Total</b>	<b>1,229</b>
<b>Grand total</b>	<b>10,571</b>	<b>Grand total</b>	<b>10,571</b>

Our financial requirements in 2011 were mainly limited to operational costs totalling €4,628 K and investments in equipment totalling €171 K.

To cover these requirements, we used €1,608 K of the funding received for the Deinol project and €274 K of the 2010 tax credits received in 2011. Consequently, our net financial position declined by €2,757 K.

Moreover, to diversify any risk from these investments, we decided to increase our positions in Euribor-indexed euro bonds with shorter maturities at the expense of term deposits. At 31st December 2011, the financial resources available for financing our activities comprised:

- €5,855 K in bonds;

- €2,750 K of term accounts opened with the Société Générale;
- €348 K cash in hand.

Trade payables at 12/31/2011 In thousands of euros	Total	Outstanding	Due 01/2012	Due 02/2012	Due 03/2012
Trade and other payables	270	2	145	123	

  

Trade payables at 12/31/2010 In thousands of euros	Total	Outstanding	Due 01/2011	Due 02/2011	Due 03/2011
Trade and other payables	882	16	771	95	

At 31st December 2011, our trade payables, recorded as liabilities, totalled €631 K (€1,094 K at 31st December 2010) and comprise:

- €361 K for accrued invoices (€212 K at 31st December 2010);
- €270 K for invoices received pending settlement (€882 K at 31st December 2010).

### Post Year-End Events

No event that was likely to significantly alter our assets or financial position occurred post year-end.

### Prospects for the Future and 2012 Action Plan

Financial reasons and our aim to optimize performance meant that, in 2011, we focused our efforts on the Deinol project, to the detriment of our antibiotics and green chemistry projects. A posteriori, the scientific and technical breakthroughs we achieved on Deinol and the prospects that these have now generated for our other projects validates this decision to polarize activities. 2012 should, as such, be a year where we reposition our antibiotics and green chemistry projects and we apply our Deinol project to other bioethanol substrates and production processes.

In the technical domain, the increase in our R&D staff will enable us to undertake a number of scientific activities in-house that were, until now, carried out through our collaboration with the VTT Technical Research Centre of Finland in Espoo-Helsinki. This extension of our R&D capacities will apply to the technologies implemented as well as to the premises used.

Our 2011 scientific results have strengthened our prospects for the future in the following development areas:

#### In the core field of biofuels:

In 2012, we expect to complete the second key milestone of the Deinol project and to begin carrying out pilot fermenting studies as scheduled in the consortium agreement between us, Tereos and our academic partners. These initial fermentation pilot-study results should enable us to consolidate our business development activity vis-à-vis bioethanol producers that use a non-wheat substrate. The aim of these business development efforts is to study possible applications for a range of *Deinococcus* substrates (corn, beets, sugar cane, etc.) that degrade biomass and produce ethanol from simple sugars that stem from this degraded biomass, and possible partnerships for these substrates.

#### In the core field of green chemistry:

We are exploiting the benefits of the Deinol project to further our knowledge on *Deinococcus* bacteria through a project called Deinochem. The aim of this green chemistry project is to develop highly-effective biological processes for synthesizing molecules of interest for the chemical industry. The work we carried out in 2011 revealed the tremendous potential offered by the carotenoid pathway in *Deinococcus* bacteria. This pathway, which is a rarity in the bacterial domain, will undoubtedly pave the way for development of a large range of products for industrial applications. The markets for each such product, taken on an individual level, are sufficiently interesting and competitive for us to launch a project that focuses on this carotenoid pathway. We will implement



the business model that we have been using for the Deinol project for these projects, namely an upstream R&D partnership with a biomass supplier and a downstream partnership with an industrial player, active on the target market, with pre-industrial development undertaken by the downstream partner during an industrial pilot phase. These projects are expected to bear fruit beyond 2014 and should be perceived as future drivers of growth for our Deinol project. We will be launching a new area of activity by seeking to conclude joint R&D programme agreements for implementing bacteria in a field that we have yet to explore: if these joint R&D programmes are successful, they will undoubtedly result in partnerships with industrial companies, for example, in cosmetic applications, in the bioplastics industry, or in the animal feed sector. All such projects would be joint R&D ventures for which we would make our strain library and our *Deinococcus* expertise available, whilst our industrial partner would provide their sector-specific knowledge and experience, their analytic testing and their *savoir-faire*. We hope to conclude such agreements quickly using this new approach.

Regarding the antibiotics field, we intend to complete the process of selecting the most promising compounds by the end of 2012 and, this year as planned initially, we will also take a decision on the future of this project.

### **Information on the Risks and Uncertainties We Face**

On the occasion of our IPO on Alternext in April 2010, we presented the risk factors that could potentially have an impact on us in the basic document that was registered with the French financial Markets Authority (AMF) on 25 March 2010, under number I.10-014 and which is available on their website. In this section, we reiterate the greatest risks and threats that we face, and those that are most relevant given the recent changes in our environment and in our activities.

#### **Operational-related risks**

As we had not begun to commercialize the technologies that we had developed, our revenue stream mainly consisted of official development aid operating grants. These grants do not, however, cover all of our operating expenses and this resulted in net losses totalling an aggregate €8.7 M from the date of inception of our company until 31st December 2011.

Thanks to the funds raised during our IPO, namely total net issuing fees of €11.3 M, which, to date, have only been partially used; and thanks to the official development aid grants that we have used, our net financial position at 31st December 2011 was €8.9 M. We have received commitments from public bodies for aid and grants for 2012 to 2014 amounting to €3.4 M, subject to the lifting of suspensive conditions. In view of our projected operational expenses of around €6 M for 2012, we are confident that we have sufficient resources to finance our activities throughout 2012 as currently planned. Moreover, if the aforementioned suspensive conditions for obtaining public aid are lifted, and in light of the R&D tax credit repayments we will be receiving, we will probably have secured sufficient resources to finance all our current projects until the end of 2013.

However, if our technological platform optimization programme leads us to identify new promising areas of development, we will need further resources to initiate new projects. In this case, we would need to raise additional funds via the market or from private investors, as under current conditions it is highly unlikely that we would qualify for a bank loan or that we would be able to obtain public aid that would cover all of our financial needs.

This situation could also arise in relation to the Deinol project if, by the scheduled deadline (early 2013), we are unable to fulfil the conditions agreed with our Tereos Group partner BENP Lillebonne under which they will launch the ethanol production process industrial development phase at their plant in Lillebonne. Moreover, even if BENP Lillebonne begins the industrial development phase on schedule, it is possible that perfecting the process for the requisite scale will take more than the initially envisaged 15 months. Such scenarios would delay the commercialization of ethanol produced using our technology, and, as such, the revenue stream planned for 2014. This would require us to launch a refinancing campaign, which we would most likely initiate through capital increase.

In such a case, we might fail to raise sufficient funds under acceptable conditions, or we might be unable to raise funds when we need them. If the necessary funds were unavailable, we may need to take the following steps:

- Scale back or even cancel R&D programs or lay off some of our members of staff;
- Obtain funding through agreements or partnerships that may require us to relinquish our rights to certain technologies or processes, which we would not have done if the situation were different;
- Grant licences or sign new collaborative agreements whose terms and conditions may be less favourable than those we would have obtained if the situation were different;
- Consider the possibility of transferring company shares or even merging with another company.

Moreover, our shareholders may be diluted, should we decide to raise capital by issuing new shares or other financial instruments that could provide investors with access to our capital in the long term.

### **Risk of dependency on key staff**

Our activities and the success of our projects largely depend on the work and expertise of our directors and our key scientific staff. This includes, in particular, our founder and Chairman of the Board, Dr Philippe Pouletty and our Chief Executive Officer Jacques Biton. The following executive officers have joined our company since the IPO:

- a Chief Scientific Officer, Dr Jean-Paul Leonetti, who is in charge of projects and operations at our Montpellier laboratory;
- an Executive Vice-President and Business Development Officer, Michael Krel, who conducts partnership and licensing agreement negotiations with third parties that are interested in using our technologies for industrial purposes.

Our possible inability to retain these key individuals could prevent us from achieving our objectives and would thus have a significantly deleterious impact on our activities, our prospects, our financial situation, our results and our development.

To reduce this risk, we have implemented company profit sharing systems via stock option plans (BSPCE) and share warrant plans (BSA) that provide their beneficiaries with an incentive to contribute to our company's success. These plans are described in the attached Accounts Appendix.

### **Risks related to strain and process development delays or failure**

We are currently the only company in the world to project systematic use of *Deinococcus* bacteria, a strain that has been rarely studied, has not yet been exploited and whose genetic and metabolic abilities, performance and characteristics have been shown to be unique.

As our initial area of development, we chose to elaborate biofuel production processes that represent a total break with the existing technologies in this field.

Our second area of development focuses on processes that exploit the properties of *Deinococcus* for producing non-petrosourced chemical intermediaries (green chemistry field).

The challenge in both projects is to elaborate an industrial production process using a preferably non-genetically modified micro-organism that has the ability to hydrolyze complex cellulose and hemicelluloses, and even lignin substrates obtained from biomass and to ferment the simple sugars that result from biomass digestion.

This implies studying the bacteria to identify its gene pool and metabolic pathways, developing a toolbox to optimize its performances and then elaborating conditions for implementing the micro-organism under economically competitive industrial conditions.

Our third area of development focuses on identifying antibiotic structures that are naturally produced by our strain bank bacteria and that could serve as a basis for developing new antibiotics for fighting infections that are resistant to currently-available compounds.

Each of these areas of development entails risk and we may encounter technological issues.

Moreover, although we are highly competent with our technologies in the laboratory, the process industrialization phase has yet to begin and there is no guarantee that we will manage to develop production techniques that are economically-competitive when compared with existing alternatives or alternatives that are currently under development.

The issues encountered during the various stages of the projects could result in delays that would cause us to lose our competitive edge or that could prompt us to call into question the relevance of the project itself.

Any delay in carrying out these projects would result in our current R & D studies being placed on the back burner, and this in turn would delay the validation and implementation of the relevant pre-industrial pilots. Failure at an intermediary stage could strip the process of its competitive edge, and in turn its large-scale commercialization opportunities. In such a case, the process could only be commercialized on an appreciably smaller niche market, or its exploitation may be literally abandoned.

If abandoning a major scientific project was to conclusively call into question the viability of our business model, it would then be necessary to consider the most optimal way of taking advantage of the assets we would have accrued at the date this is observed and to consider measures, such as transferring some or all of our assets to minimize the impact of such a situation on shareholders. In such a case, our company's viability may be called into question.

Risks arising from uncertain patent protection and protection of other intellectual property rights. For our innovative biotechnology activity to be successful, our future licensors, licensees and our company will need to be able to obtain, maintain, and enforce our patents and intellectual property rights in Europe, the USA and other countries.

We currently hold a patent entitled "Process for chromosomal engineering using a novel DNA repair system", which has been registered with the European Patent Office and for which 12 other applications have been filed.

We cannot exclude the fact that:

- the patents that are pending, including some that are of major significance in a number of jurisdictions, might not be granted;
- the protection conferred by a patent may not be sufficient to protect the patented invention against competitors;
- third parties could claim rights to patents or to other intellectual property rights that are held by our company.

Granting a patent does not guarantee its validity or its applicability, both of which third parties could potentially cast doubt on. In the field of biotechnology, whether or not a patent will be granted and whether or not it will be applicable are both major imponderables that raise complex legal and scientific issues. No uniform worldwide policy has so far emerged in terms of the contents of biotechnology patents that are granted and/or the permitted scope of their claims. It may be necessary to take legal action to enforce our intellectual property rights, protect our trade secrets, and/ or determine the validity and scope of our intellectual property rights. Any litigation would be financially burdensome, would cut into our profits, and may not result in us obtaining the desired level of intellectual property rights protection. Our competitors may successfully contest one or more of our patents that were granted via a legal decision or any other procedure, and this in turn could reduce the scope of our patents. Moreover, they could be successfully counterfeited or circumvented through innovations.

Consequently, we cannot be sure that:

- patents currently pending result in actual patents being issued;
- patents that are issued or licenced to us or to our partners are not contested by third parties or declared invalid by a competent court;
- the scope of the protection conferred by our patents is sufficient to protect us from competitors,

even if we deem this to be a minor risk due to the broad scope of claims contained in the patent applications;

- our products are not counterfeited or alleged to be counterfeited of patents held by third parties, even if no prior rights were identified during the prior art investigations carried out by us and our advisors;
- third parties do not take legal action or claim an intellectual property right on the patents or other intellectual property rights held by us.

If any of the aforementioned occurred in relation to any of our patents or intellectual property rights, it could have a significantly deleterious impact on our activities, our prospects, our financial situation, our results and our development.

In view of the critical importance of patents in our activity sector, we have established a patent committee that meets periodically to define our intellectual property rights strategy and which is advised by an intellectual property rights expert and a patent law firm. Moreover, the committee pursues a policy of filing for patents at an early stage to optimize their priority rights.

#### **Insurance and risk coverage**

To cover the various risks that we are faced with, we held the following insurance policies on 31st December 2011:

Type of risk covered	Insurer	Amount of coverage
Comprehensive business Headquarter premises at Rue Léon Jouhaux.	AXA	Premises: unlimited Contents: €20,970 Computer equipment: €35,188 Loss of revenue: €115,789
Civil liability for the activities that Deinove undertakes on its premises and on rented / loaned premises.	AXA	All damage: €9,000,000
Computer equipment.	AXA	Computer equipment: €147, 944
Comprehensive business Montpellier laboratory premises.	AXA	Premises: unlimited Contents: €21,870 Loss of revenue: €115,769
Civil liability for the company executives and corporate officers.	CNA Assurance	Civil liability for the corporate officers

### **Information on the Legal Life of the Company**

#### **Significant Legal Events during 2011**

On 14 April 2011, the combined general meeting of shareholders decided:

- to approve the annual accounts for the financial year ended on 31st December 2010;
- to allocate the surplus;
- to approve the agreements provided for under Article L. 225-38 of the French Commercial Code;
- to ratify and to establish the amount of attendance fees;
- to amend the provisions concerning the right to cast a double vote.

On 30th November 2011, the Board of Directors promulgated an increase in the company's capital amounting to €16,418.60 via the issuance of 41,046 shares by exercising 371,150 BSA-B and 39,312 BCE- 2009-1.

## Company Governance

(including the list of offices and functions undertaken by the corporate officers, pursuant to Article L225-102-1 par. 4)

Chairman of the board	Dr. Philippe Pouletty
<b>Directors</b>	
	Université Paris V, represented by Pr. Frédéric Dardel
	Paul-Joël Derian
	Truffle Capital, represented by Christian Pierret
	Rodney Rothstein
	SAKKAB LLC, represented by Nabil Sakkab
	Philippe Duval
	Bruno Weymuller
<b>Management</b>	
Chief Executive Officer	Jacques Biton
Chief Financial Officer	Alain Chevallier
Vice President for Institutional Relations and Licensing-in	Angelita de Francisco
Vice President for Business Development	Michael Krel
Chief Scientific Officer	Jean-Paul Leonetti

Member's name or company name	Date appointed	Office expiry date	Position held in the company
Dr. Philippe POULETTY	01/27/2010	SM 2016 on 2015 accounts	Chairman of the Board

Other offices and/or functions exercised in any other company or body by the representative:

INNATE PHARMA SA : Member of the supervisory Board  
 BMD SA : Director - Director & Chairman of the Board of Directors  
 TRUFFLE CAPITAL SAS : Chief Executive Officer & Director  
 WITTYCELL SAS : Representative of Truffle Capital & Director  
 VEXIM SA : Representative of Truffle Capital & Director  
 THERACLION SA : Representative of Truffle Capital & Director  
 NAKOSTECH SARL : Manager  
 PLASMAPRIME SAS : Representative of Truffle Capital & Director  
 SPLICOS SAS : Chairman & Director  
 CARMAT SA : Representative of Truffle Capital & Director  
 NEOVACS SA : Representative of Truffle Capital & Director  
 PHARNEXT SAS : Representative of Truffle Capital & Director  
 IMMUNE TARGETING SYSTEMS LTD : Representative of Truffle Capital & Director  
 SYMETIS (Suisse) : Representative of Truffle Capital & Director  
 France Biotech (Association) : Director

TRUFFLE CAPITAL represented by Mr Christian PIERRET	01/27/2010	SM 2016 on 2015 accounts	Director
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Other offices and/or functions exercised in any other company or body by the representative:

S.E.V. (Sté d'Équipement Vosgienne) : Chairman of the board  
 PHARNEXT: Director  
 HOLDING INCUBATRICE SERIE I MEDICAL DEVICES SA: Director

SAKKAB LLC represented by Mr Nabil SAKKAB	01/27/2010	SM 2016 on 2015 accounts	Director
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Other offices and/or functions exercised in any other company or body by the representative:

ALTRIA : Director  
 GIVAUDAN : Director  
 APLION MEDICAL: Director  
 BIOWISH TECHNOLOGIES: Director  
 CRETA VENTURES: Director

Member's name or company name	Date appointed	Office expiry date	Position held in the company
Mr Rodney ROTHSTEIN	01/27/2010	SM 2016 on 2015 accounts	Director

Other offices and/or functions exercised in any other company or body by the representative:  
CELLECTIS SA : Chairman of the Scientific Committee

Mr Bruno WEYMULLER	09/24/2010	SM 2016 on 2015 accounts	Director
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Other offices and/or functions exercised in any other company or body by the representative:  
KVAERNER ASA: Director

Mr Jacques BITON	01/27/2010	SM 2016 on 2015 accounts	Chief Executive Officer
Mr Paul-Joël DERIAN	01/27/2010	SM 2016 on 2015 accounts	Director

Other offices and/or functions exercised in any other company or body by the representative:  
SAFEGE SA: Director  
DEGREMONT SA: Director  
ONDEO SYSTEMS: Director

UNIVERSITE PARIS V represented by Mr Frédéric DARDEL	01/27/2010	SM 2016 on 2015 accounts	Director
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Other offices and/or functions exercised in any other company or body by the representative:  
Université Paris Descartes: President  
SYNCHROTON SOLEIL SC : Director  
FONDATION POUR LA RECHERCHE MEDICALE : Member of the Supervisory Board  
SOCIETE FRANCAISE DE BIOCHIMIE & DE BIOLOGIE MOLECULAIRE : Chairman (on 01/01/2011)  
SORBONNE PARIS CITE (public sector scientific cooperation institution): Director of the Higher-education Teaching and Research Pole  
INRA : Chairman of the Scientific Committee

Mr Philippe DUVAL	09/24/2010	SM 2016 on 2015 accounts	Director
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Other offices and/or functions exercised in any other company or body by the representative:

ACOR & TEREOS IBERIA : Chairman of the Board  
AGROETANOL TTD : Chairman of the Supervisory Board  
TEREOS PARTICIPATIONS : Chairman - Legal Representative of Tereos  
COMASUCAR : Chairman of the Board  
COMPANHIA DE SENA : Director  
CUKROVARY A LIHOVARY TTD : Chairman of the Supervisory Board  
FINANCIERE DES HAUTS DE FRANCE : Chairman  
LOIRET & HAENTJENS : Director  
REFINERIA DE OLMEDO : Director  
SENA HOLDING LTD : Director  
SENA LINES : Director  
SOCIETE MARROMEU LTD : Director  
SOCIETE SUCRIERE DU QUARTIER FRANÇAIS : Chairman of the Board  
SUCRE AUSTRAL : Director - Legal Representative of Tereos  
SUCRERIE DE BOIS ROUGE : Director  
SUCRIERE DES MASCAREIGNES : Director  
SUKARI DES MASCAREIGNES : Director  
TEREOS ALCCOLS : Member of the Executive Management Committee  
TEREOS INTERNACIONAL : Chairman of the Board  
TEREOS Luxembourg : Director  
TEREOS : Chairman of the Executive Management Board

## Information on the Share Capital

At 31 December 2011 our capital consisted of 4,893,100 ordinary shares with a nominal value of €0.40 each, 12,710 of which (0.26% of the capital) were owned by the company within the framework of the liquidity agreement with Dexia Securities (see note 1 of the Annual Accounts Appendix). The Articles of Association grant the right to cast two votes for each fully subscribed share that has been registered at its nominal value for at least two years in the name of the same shareholder. The table below indicates the percentage of capital and of voting rights held by our main shareholders.

Shareholders	Number of shares	% held	Voting rights	Percentage
Fonds Truffle Capital	3,295,191	67,34%	6,525,991	79,82%
Tereos Internacional	120,048	2,45%	120,048	1,47%
Miroslav Radman	31,500	0,64%	63,000	0,77%
Université Paris-Descartes	20,000	0,41%	40,000	0,49%
Floating	1,426,361	29,15%	1,426,361	17,45%
<b>TOTAL</b> (on a non-diluted base)	<b>4,893,100</b>	<b>100,00%</b>	<b>8,175,400</b>	<b>100,00%</b>

As at the said date, BSA and BSPCE share certificates were held as follows:

	BSA subscribed	BCE subscribed	Potential dilution
Miroslav Radman	3,300,000		330,000
Directors	572,750		
Management & employees	205,400	2,205,013	22,050
Scientific advisers and consultants	701,200		
CNRS	340,000		34,000
<b>TOTAL</b>	<b>5,119,350</b>	<b>2,205,013</b>	<b>386,050</b>

The characteristics of these dilutive financial instruments (in particular the exercise price) are described in note 8.3 of the 2011 Annual Accounts Appendix.

### Authorization to trade in the Company's shares as part of a liquidity agreement

Pursuant to the authorization granted for an 18 month period by the extraordinary general meeting of 27 January 2010, on 19 April 2010 our company entrusted Invest Securities France with the task of implementing a liquidity agreement for our ordinary shares for a period of 24 months, renewable by tacit agreement. This agreement was suspended on 29 November 2011 as the Board of Directors observed that the agreement had been continued irregularly beyond the 18 month limit prescribed by law. To continue to favour company share liquidity pending a new authorization from the general meeting, FCPR Truffle Capital II (represented by Truffle Capital) proposed to act as advocate to conclude a transitional liquidity agreement directly with Dexia Securities France, subject to our company bearing the cost of Dexia's remuneration. At its meeting of 30th November 2011, our Board of Directors agreed to conclude this agreement, which came into effect on 6 December 2011 using the following resources: 5,000 Deinove shares and €120,000.

At 31st December 2011, the position of the two agreements was as follows:

- Agreement with Invest Securities France suspended since 29 November 2011: 12,710 Deinove shares and €42,243.71 in the cashflow statement with both specified as a company asset. The shares were in the process of being transferred during Q1, 2012. The cash available in January 2012 was reimbursed to our company, and the share divestment proceeds are being reimbursed on a rolling basis as the shares are transferred by Invest Securities.
- Transitory agreement between Deinove, FCPR Truffle Capital II and Dexia Securities France: 5,261 shares and €121,483.43, in the cash flow statement and owned by FCPR Truffle Capital II.

Pursuant to the provisions of Article L225-211 of the French Commercial Code, the table below contains the information required for the transactions fulfilled within this framework over the course of the 2011 financial year.

Invest Securities France and Deinove Agreement			Dexia Securities France and Truffle Capital II Agreement		
	Number	Price	Number	Price	
Shares registered at 1/1/2011	18,190	€ 4,800	5,000	€ 6,420	Shares registered at 12/6/2011
Shares purchased (mean price)	266,344	€ 9,550	9,948	€ 6,315	Shares purchased (mean price)
Shares sold (mean price)	277,824	€ 9,352	9,687	€ 6,639	Shares sold (mean price)
Shares registered at 12/31/2011	12,710	€ 6,450	5,261	€ 6,450	Shares registered at 12/31/2011

#### Information on dividends

We will not be paying dividends for the 2011 financial year and do not expect to pay any during our R&D start-up phase.

#### Agreements with affiliated parties and special report from the statutory auditor

Previously concluded agreements performed over the course of 2011:

In 2011 Deinove recognized €9 K in expenses on a €44 K expenses allowance, granted in 2007 to Mr Radman, who held 0.64% of our company's shares at 31<sup>st</sup> December 2011.

In 2010 Deinove recognized €3 K in expenses for remunerating Mr Radman, who held 0.91% of our company's shares at 31<sup>st</sup> December 2011, as a member of our Scientific Committee.

During the general meeting of 24 September 2010, Mr Philippe Duval was appointed a company director. Mr Duval, who is Chairman of the Board of Tereos International and holds 2.47% of Deinove's capital (120,048 shares), was remunerated €4 K in 2011 for fulfilling his term of office as director.

In addition, Tereos International is the indirect owner of BENP-Lillebonne SAS, with which our company concluded a cooperative agreement on 22 March 2010, under which BENP Lillebonne SAS acts on behalf of its affiliates (Syréal SAS in particular), all controlled by the Tereos Group. The purpose of this agreement is to define the way in which the parties will cooperate with each other to fulfil the R&D programme, which aims to establish a more profitable bioethanol production process using agricultural sugar substrates (at first, based on wheat) as well as selected optimized bacteria from the our strain library. The cooperation between the parties mainly concerns the industrialization phase of the process in an instrumented fermenter installed via a branch connection with the Lillebonne plant as well as full-scale testing. Within the framework of this cooperative agreement, our company grants BENP Lillebonne SAS and Syréal SAS a non-exclusive licence option on our know-how that is necessary for implementing the process at the BENP Lillebonne plant, in return for royalties on the revenues earned by BENP Lillebonne from the use of our technology.

Also as such, on 30 March 2010, the CNRS, the University of Montpellier 1, BENP Lillebonne, Insatransfert and Deinove concluded a consortium agreement that defines the terms and conditions of their involvement in the Deinol project, which aims to lay the groundwork for the production of cellulosic ethanol (second generation ethanol) at existing plants and without major investments. This multi-party agreement, which completes the aforementioned bilateral agreements that we have concluded with our various partners, specifies the obligations of the various parties, the governance of the Deinol project, for which our company is lead party, and the terms and conditions for project financing, through which the OSEO ISI programme will provide €9 M.

#### New agreement concluded in 2011:

Following the suspension of the liquidity agreement concluded with Invest Securities due to the expiry of the authorization granted by the general shareholders' meeting to the Board to purchase company shares to promote share liquidity, our company and FCPR Truffle Capital II (represented by Truffle Capital) and Dexia Securities France concluded a new liquidity agreement.



Deinove bears the entirety of the cost of Dexia Securities France's fees as well as any other direct or indirect expenses arising from this agreement.

#### **Appointment/reappointment of auditors**

The terms of office of the company's statutory auditor PricewaterhouseCoopers Audit and of the alternate auditor Etienne Boris will expire at the end of the general meeting, which will be called upon to deliberate the financial statements for 2012 at a session to be held during the first half of 2013. No decision will, therefore, be planned for this item in the agenda of the general meeting to be held in 2012.

#### **Subsidiaries and interest in other companies**

Our company has, to date, no stakes in any other company.

#### **Employee share scheme**

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, we declare that no company savings plan for the benefit of company employees has been implemented.

#### **Proposal for allocate the surplus**

We propose to allocate the €3,276,825 loss for the year to the carry-forward account.

#### **Dividends for the past three financial years**

Pursuant to the provisions of Article L. 243 bis of the French General Tax Code, no dividends have been paid for the last three financial years.

#### **Non-tax deductible expenses**

Pursuant to the provisions of Articles 223-quinquies and 39-5 quater of the French General Tax Code, we declare that the financial statements for the financial year ended on 31st December 2011 record no expenses or charges that are referred to under Article 39-4 of the French General Tax Code.

#### **Information on company share-related transactions performed by executives or their relatives**

Pursuant to the provisions under Articles 223-22 A and 223-26 of the General Regulations of the Financial Markets Authority (AMF), we declare that the following company share-related transactions were performed by executives or their relatives during the financial year:

Parties concerned	Type of transaction	Transaction date	Number of shares	Transaction total
TRUFFLE CAPITAL*	Transfer	03/31/2011	8,000	€ 73,468.00
TRUFFLE CAPITAL*	Transfer	04/01/2011	5,750	€51,045.05
TRUFFLE CAPITAL*	Transfer	04/04/2011	4,485	€39,737.10
TRUFFLE CAPITAL*	Transfer	04/05/2011	11,500	€103,665.60
TRUFFLE CAPITAL*	Transfer	04/06/2011	4,007	€35,387.42
Miroslav RADMAN**	Transfer	04/06/2011	450	€3,963.02
TRUFFLE CAPITAL*	Transfer	04/07/2011	5,950	€53,788.00
Miroslav RADMAN**	Transfer	04/07/2011	2,300	€20,792.00
TRUFFLE CAPITAL*	Transfer	04/08/2011	14,771	€135,723.33
Miroslav RADMAN**	Transfer	04/08/2011	3,029	€27,831.97
TRUFFLE CAPITAL*	Transfer	04/11/2011	6,208	€57,360.06
Miroslav RADMAN**	Transfer	04/11/2011	1,721	€15,901.52
TRUFFLE CAPITAL*	Transfer	04/12/2011	6,538	€58,942.69
Miroslav RADMAN**	Transfer	04/12/2011	1,500	€13,523.10
TRUFFLE CAPITAL*	Transfer	04/13/2011	1,444	€12,868.21
Miroslav RADMAN**	Transfer	04/13/2011	950	€8,465.93

Parties concerned	Type of transaction	Transaction date	Number of shares	Transaction total
Miroslav RADMAN**	Transfer	04/14/2011	1,100	€9,700.90
Miroslav RADMAN**	Transfer	04/15/2011	382	€3,346.32
TRUFFLE CAPITAL*	Transfer	05/16/2011	19,000	€170,300.80
Miroslav RADMAN**	Transfer	05/16/2011	1,068	€9,345.00
TRUFFLE CAPITAL*	Transfer	05/17/2011	243	€2,138.40
TRUFFLE CAPITAL*	Transfer	06/07/2011	70,000	€1,322,419.00
TRUFFLE CAPITAL*	Transfer	06/08/2011	30,000	€490,236.00
TRUFFLE CAPITAL*	Transfer	06/09/2011	20,500	€360,861.50
TRUFFLE CAPITAL*	Transfer	06/10/2011	26,212	€469,941.84
SAKKAB LLC*	Transfer	06/13/2011	900	€14,652.00
TRUFFLE CAPITAL*	Transfer	06/17/2011	4,250	€64,280.83
TRUFFLE CAPITAL*	Transfer	06/23/2011	32,558	€542,533.49
TRUFFLE CAPITAL*	Transfer	06/24/2011	1,333	€20,600.98
Rodney ROTHSTEIN*	Transfer	06/24/2011	9,007	€141,060.43
Rodney ROTHSTEIN*	Transfer	07/01/2011	993	€14,895.00
TRUFFLE CAPITAL*	Transfer	08/16/2011	5,779	€55,987.53
TRUFFLE CAPITAL*	Transfer	08/17/2011	10,960	€107,802.56
TRUFFLE CAPITAL*	Transfer	08/18/2011	2,000	€18,328.40
TRUFFLE CAPITAL*	Transfer	08/19/2011	1,844	€16,614.44
TRUFFLE CAPITAL*	Transfer	08/22/2011	1,754	€16,094.35
TRUFFLE CAPITAL*	Transfer	08/23/2011	3,705	€33,442.07
TRUFFLE CAPITAL*	Transfer	08/24/2011	1,096	€9,874.71
TRUFFLE CAPITAL*	Transfer	08/25/2011	3,487	€31,813.30
TRUFFLE CAPITAL*	Transfer	09/16/2011	117	€1,070.55
TRUFFLE CAPITAL*	Transfer	10/17/2011	10,010	€91,843.75
TRUFFLE CAPITAL*	Transfer	10/27/2011	4,116	€37,044.00
TRUFFLE CAPITAL*	Transfer	10/31/2011	304	€2,736.00

(\*) Member of the Board of Directors    (\*\*) Member of the Scientific Committee

### Table of delegation of powers

Pursuant to the provisions of Article L.225-100 of the French Commercial Code, the delegation of authority or powers currently granted by the general meeting to the Board of Directors relevant to increasing the company's capital pursuant to the provisions of Articles L.225-129-1 and L.225-129-2 of the aforementioned Commercial Code are stipulated hereinafter:

Delegation of Authority or Powers	Date granted	Execution of the delegation of authority or powers during the financial year
	Duration	
	Authorized Threshold (nominal value)	
Delegation of power granted to the Board of Directors to ascertain the number of shares issued by exercising the BSA-B share warrants.	30 January 2008	BoD of 30 November 2011: Ascertainment of the issuance of 37,115 shares by exercising 371,150 BSA-B warrants.
	/	
	/	
Delegation of power granted to the Board of Directors to ascertain the number of shares issued by exercising the BCE-2009-1 stock options.	5 May 2009	BoD of 30 November 2011: Ascertainment of the issuance of 3,931 shares by exercising 39,312 BCE-2009-1 stock options.
	/	
	/	
Delegation of authority granted to the Board of Directors for purposes of one or several share capital increases with elimination of the preferential subscription right and for purposes of public offering via issuance of ordinary shares and / or securities that provide access to the capital.	27 January 2010	/
	18 months	
	Nominal amount of capital increase: 25,000,000 Nominal amount of securities representing debt instruments: 25,000,000	
Delegation of authority granted to the Board of Director for purposes of issuing securities that provide access to the capital.	27 January 2010	/
	18 months	
	Nominal amount of capital increase: 80,000	
Delegation of authority granted to the Board of Directors for purposes of deciding to issue securities with elimination of the preferential subscription right for a category of beneficiaries.	24 September 2010	BoD of 28 June 2011: issuance and allocation of 224,000 BCE-2011-1 stock options to employees. Issuance and allocation of 1,232,400 BSA-2011-1 share warrants to the Directors.
	18 months	
	Nominal amount of capital increase: 100,000 Nominal amount of securities representing debt instruments: 100,000	
Delegation of authority granted to the Board of Directors for purposes of deciding to issue shares and / or securities through private investment.	24 September 2010	/
	26 months	
	Nominal amount of capital increase: 350,000 Nominal amount of bonds and debt securities that provide access to company capital: 350,000	

## Summary of Key Figures for the Last 5 Financial Years

Company net results for the past five years (Articles R225-81, R225-83 et R225-102 of the Commercial Code)						
Type of information		2011	2010	2009	2008	2007
End of year capital						
Capital	in euros	1,957,240	1,940,821.60	3,400,000	1,900,000	400,000
Number of ordinary shares		4,893,100	4,852,054	34,000,000	19,000,000	4,000,000
Number of preferred shares						
Maximum of shares to be created via						
– bond conversion						
– exercise of:						
BSA warrants (i)		511,935	569,590	4,840,500	1,540,500	
BSPCE stock options (ii)		220,501	202,032	1,212,125	616,300	
Operations and net profit / loss in thousands of euros						
Revenues, excluding tax						
Operating profit / loss before tax, employee profit-sharing, depreciation charges and right-backs and provisions		-3,552	-2,365	-1,836	-983	-298
Income tax		-682	-276	-621	-556	
Employee profit-sharing						
Net profit / loss		-3,277	-2,251	-1,248	-438	-302
Dividends distributed*						
Profit / loss per share in euros						
Profit / loss before depreciation charges and right-backs and provisions		-0.73	-0.49	-0.05	-0.05	-0.07
Net profit / loss		-0.67	-0.46	-0.04	-0.02	-0.07
Per-share dividend*						
Staff						
Average number of employees		24	17	13	4	
Payroll for the financial year	in thousands of euros	1,623	980	664	334	
Amount of social benefits						

Drawn up in Paris on 16 February 2012

Dr. Philippe Pouletty  
Chairman of the Board of Directors

# 2 Corporate Financial Statements and Appendices

## 2.1 Balance Sheet

ASSETS	in thousands of euros	Grade	2011	2010
Fixed assets				
<b>Intangible assets</b>		4		
Concessions, patents, licenses, software and the like			59	61
<b>Tangible assets</b>				
Technical facilities; industrial equipment and tooling			465	556
Other tangible assets			47	42
<b>Financial assets</b>				
Equity investments		5	5,855	4,384
Other financial investments			148	115
<b>Total</b>			<b>6,574</b>	<b>5,157</b>
Current assets				
Receivables incl. VAT and R&D Tax credit		5	839	489
Cash instruments		6	2,750	7,194
Cash in hand			348	166
Prepayments		7	60	146
<b>Total</b>			<b>3,997</b>	<b>7,995</b>
<b>GRAND TOTAL</b>			<b>10,571</b>	<b>13,152</b>

LIABILITIES	in thousands of euros	Grade	2011	2010
Equity		8		
Capital			1,957	1,941
Share, merger and contribution premiums			10,768	10,744
Statutory reserves				
Carry-forward			-2,251	
Profit or loss for the year			-3,277	-2,251
<b>Total</b>			<b>7,197</b>	<b>10,434</b>
Other equity				
Conditional advances		9	2,145	1,278
Provisions				
Provisions for liabilities				
Liabilities				
Convertible debenture loans				
Loans and debts from credit institutions				
Loans and financial liabilities – Others		10	225	150
Trade payables and related		11 & 12	631	1,094
Outstanding taxes and social contributions		11 & 12	371	191
Other liabilities		11	2	5
<b>Total</b>			<b>1,229</b>	<b>1,440</b>
<b>GRAND TOTAL</b>			<b>10,571</b>	<b>13,152</b>

## 2.2 Profit and Loss Account

<b>PROFIT AND LOSS ACCOUNT</b>	in thousands of euros	<b>Grade</b>	<b>2011</b>	<b>2010</b>
Operating revenues		2&9	637	603
Other purchases and external expenses			2,691	1,978
Taxes and similar levies			15	13
Salaries and wages			1,182	788
Social contributions			441	192
Depreciation charges and right-backs and provisions			254	140
Other expenses			45	26
<b>Total operating costs</b>			<b>4,628</b>	<b>3,137</b>
<b>OPERATING PROFIT / LOSS</b>			<b>-3,991</b>	<b>-2,534</b>
Financial revenue			311	81
Financial costs			267	61
<b>Financial results</b>		14	<b>45</b>	<b>20</b>
<b>CURRENT PRE-TAX PROFIT / LOSS</b>			<b>-3,946</b>	<b>-2,514</b>
Revenue from non-recurring items				
Expenses from non-recurring items			13	13
<b>Profit / loss from non-recurring items</b>			<b>-13</b>	<b>-13</b>
Tax on profit		15	-682	-276
<b>PROFIT OR LOSS</b>			<b>-3,277</b>	<b>-2,251</b>

## 2.3 Cashflow Tables

<b>CASHFLOW</b>	en milliers d'euros	<b>Grade</b>	<b>2011</b>	<b>2010</b>
Operational cash flow				
Profit or loss for the year			-3,277	-2,251
Depreciation and amortization			416	175
Provisions				
Working capital changes			-550	895
<b>Net cashflow used in operations</b>			<b>-3,411</b>	<b>-1,181</b>
Investment activity cashflow				
Acquisition of fixed-assets		4	-177	-577
Acquisition of financial assets		4	-1,656	-4,509
<b>Net cashflow from /(used by) investment activities</b>			<b>-1,833</b>	<b>-5,086</b>
Financing activity cashflow				
Net profit / loss from share issuance		8	40	11,273
Amounts receipt from new loans		9	947	1,218
Loan repayment		9	-5	
<b>Net cashflow from financing activities</b>			<b>982</b>	<b>12,491</b>
Changes in cashflow and cashflow equivalents			-4,262	6,224
Cashflow and cashflow equivalents opening balance		3.14	7,360	1,136
<b>Cashflow and cashflow equivalents closing balance</b>		<b>3.14</b>	<b>3,098</b>	<b>7,360</b>

## 2.4 Statement of Changes in Equity

<b>CHANGES IN EQUITY</b> In thousands of euros	<b>Capital</b>	<b>Issue premiums &amp; BSA (share warrants)</b>	<b>Reserves and carry- forward</b>	<b>Profit / loss for the period</b>	<b>Total shareholders' proceeds</b>
Balance as at 1 January 2010	3,400		-740	-1,249	1,411
Allocation of 2009 surplus			-1,249	1,249	0
Capital decrease	-2,040	51	1,989		0
Capital increase & Issue Premiums (IP)	581	10,693			11,274
Profit or loss for 2010				-2,251	-2,251
12/31/2010	1,941	10,744	0	-2,251	10,434
Allocation of 2010 surplus			-2,251	2,251	0
Capital increase & IP & BSA (warrants)	16	24			40
Profit or loss for 2011				-3,277	-3,277
12/31/2011	1,957	10,768	-2,251	-3,277	7,197