

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholders

Last year at this time, we informed you of the progress of our projects and we were optimistic about the development of 2nd generation biofuels, in the context of COP 21. Since then, the situation has changed drastically. The international context has deteriorated for biofuels with fuel price kept steadily at a low level.

While last year we were talking about several 2G bioethanol plants being launched by some major producers, many of these sites are currently at standstill and some are on sale. This context and status of pre-bankruptcy of our industrial partner Abengoa slowed down our DEINOL program. Consequently, we have reviewed our strategy by capitalizing on what we do best to generate quick revenues. Our collection of 6,000 bacteria and our dedicated genetic and metabolic engineering platform are two high-value assets. By combining them we have the means to develop compounds for markets with a higher added value in terms of nutrition, cosmetics and also health.

In nutrition and cosmetics, we are continuing the programs that were started, both internally (carotenoids) and in partnership with our industrial clients (Avril, Flint Hills Resources and certain partners that are still confidential). We successfully passed several key stages and are now working to quickly generate revenues from two areas: process licensing and direct marketing of molecules. Our goal is to generate our first revenues in 2018.



“We refocused our activities on **higher added value** applications with the aim of **generating revenues more rapidly**.”

Concerning health, we decided to reintegrate our subsidiary DEINOBIOTICS in our core business. We originally made this activity a subsidiary to provide it with the means to advance in research, at a time when we were very focused on industrial biotechnology. With a first candidate antibiotic being developed and several drugs being researched, DEINOBIOTICS has fulfilled their first mission and now requires additional means. Means that we have, thanks to our highly technical and versatile platform. This rapprochement is therefore timely for the two entities and will make it possible to multiply the number of drug candidates from our strain collection and our technological platform.

The specific challenge of antibiotics enables us to consider relatively quick steps to create value: the world needs new antibiotics, pharmaceutical laboratories are looking for new innovative drugs, and private and public initiatives support research. Thanks to our collection of rare and unexploited bacteria, we have high hopes of introducing completely new drugs soon and to monetize them.

The entire board of directors and I are quite conscious of your financial commitment to DEINOVE and, of the losses some of you are experiencing due to the current drop in our stock price. All our teams are mobilized to speed up the R&D programs and generate revenue. At present the stock market is having difficulty valorizing our new prospects but our wagers are promising and we are putting all our efforts into quickly providing concrete advances and convincing the investors of the pertinence of our strategy.

We thank you very deeply for your trust.

Emmanuel PETIOT,
Chief Executive Officer



DEINOVE joins
the Cosmetic Valley competitive cluster

CAROTENOIDS

\$1.8 BILLION

carotenoids world market in 2019

€ 300 – 5,000/KG

selling price according to the type and origins

What do carotenoids do?

Carotenoid molecules are widely used for their coloring, antioxidant and photoprotective properties in food and feed as well as in the cosmetics and health fields. Some are produced by extraction from tomatoes (lycopene) or paprika (capsanthin), or by biological production from algae (astaxantin) or microorganisms (beta-carotene). However, the largest share of production is from chemical synthesis from petroleum by-products. While the demand for natural ingredients is increasing, the offer in bio-sourced solutions remains limited by high production costs.

OUR INDUSTRIAL PARTNERS



Partnership initiated in 2014 to develop a production process for natural animal food additives. 1st milestone validated in 2015. AVRIL is currently running efficacy tests of compounds produced by DEINOVE strains under real conditions.

End of program: 2018



Partnership signed at the end of 2015 to specify the conditions for industrializing a biological production process for natural animal nutrition additives.

End of program: 2018

DEINOVE's strategy for carotenoids

By exploiting the natural capacity of *Deinococci* to produce carotenoids, DEINOVE aims to develop an offer of biologically produced carotenoid ingredients that are both innovative and competitively priced, to meet the demands of the market. In 2016 DEINOVE obtained the proof of concept for the production of carotenoids from optimized *Deinococcus* strains:

- 5 standard molecules with known applications and identified markets,
- 1 new molecule, Deinoxanthine, that needs to be tested and characterized, as well as undergo regulatory evaluation prior to marketing.

DEINOVE plans to market the carotenoids produced, directly to health, nutrition and cosmetics manufacturers, as of 2018.

To achieve this goal, the Company is moving forward in several areas simultaneously:

The scientific teams work actively to increase the level of production of strains to optimize their competitiveness.

- Samples of carotenoids produced in the laboratory by *Deinococcus*, such as Deinoxanthine and known carotenoids are currently undergoing functional tests to confirm their effects and demonstrate their market value.
- Market research is under way to refine the marketing strategy for each targeted molecule and application.

This step is carried out along with the Business development team and fed by discussions with our potential clients.

DEINOVE collaborates with Processium to prepare for the industrialization of its carotenoids

DEINOVE plans to market carotenoids in the form of ingredients directly to manufacturers in targeted markets. However, the Company does not plan to develop its own manufacturing facilities. Production, including the large-scale fermentation steps, extraction, purification and formulation will be subcontracted. DEINOVE chose Processium to support them in the transposition of their production process from laboratory to industry, which implies:

- develop and validate an industrial process to extract carotenoids from the fermentation medium to obtain a marketable product;
- identify and select subcontractors capable of ensuring a quick production takeoff.

The Lyon-based company Processium, expert in industrial process engineering, is notably specialized in the fields of chemistry, pharmacy and cosmetics.

FOCUS
1st batches marketed in 2018



Jan. 2014

Feb. 2016

Oct. 2016

Feb. 2017

Q3 2018

STEP I

Development of the metabolic pathway: 5 molecules manufactured in the laboratory

STEP II

Determination of the target
Optimization of the strain (yield, stability) and fermentation conditions

STEP III

Validation of the functional benefit of the compound
Regulatory procedures

STEP IV

Development of extraction and purification processes
Formulation
Scaling

ANTIBIOTICS

On 21 September 2016, the United Nations Organization launched a solemn appeal, signed by 193 countries, to urgently start the combat against antimicrobial resistance. With the current state of development of existing antibiotic resistances, the WHO considers that microbial infections currently kill approximately 700,000 people per year, and might be responsible for 10 million deaths per year by 2050, i.e. more than cancer at present.

\$15 BILLION

antifungals world market (2018)
(+50% in 5 years)

\$41 BILLION

antibiotics world market (2018)



3 QUESTIONS TO DOMINIQUE LE BELLER, Chief Executive Officer of DEINOBIOTICS

What are DEINOBIOTICS' activities and what have you achieved?

Our mission is simple: discover new antibiotics to provide a response to the major risk that the serious problems of antibiotic resistance represent, especially in the hospital environment (nosocomial infections).

Since 2012, we have been analyzing the DEINOVE strain collection. Bacteria are among the highest-performing antibiotic producers in the living world. Those that DEINOVE have are rare and present a high potential for access to new chemical structures. At present, several dozen strains have been identified as having an antibiotic activity.

A first molecule with a totally new structure and a particularly interesting spectrum of activity was notably isolated and chosen for advanced pre-clinical research (efficacy and pharmacology tests). In parallel, we are continuing our work to develop other promising drugs with antibiotic or antifungal properties.

How will you collaborate with the DEINOVE R&D teams?

Our next priority objectives are to start the regulatory preclinical development of our first drug candidate, and to identify new molecules. In order to do this, we need additional resources for the fermentation, production of extracts, characterization of molecules, tests, etc., resources that are, for the most part, available at DEINOVE. A part of the DEINOVE R&D teams is now already working with our researchers and our network of experts.

The technological platform developed by DEINOVE is indeed very versatile. The Montpellier teams provide high additional expertise in the fields of fermentation and the optimization of strains by genetic engineering.

Developing new drugs is a long and uncertain process. What are your chances of success?

For antibiotics, the risk of failure is reduced earlier than for most of the other medicines. 33% of anti-infectious agents that pass Phase I reach the market, compared to 6% of the medicines against cardiovascular disorders and 1% of those against nervous disorders. The clinical phases are faster and the need for new antibiotics is so high that the authorities (European Medicines Agency, EMA; Food and Drug Administration, FDA, etc...) facilitate the steps in terms of rapidity and possible financing.

It is logical when you know how antibiotics work: efficacy tests enable rapid verification of whether the tested drug destroys the target pathogens and the treatment periods for patients are usually short.

The main difficulty consists of finding new structures as, for decades, research has mostly been focused on a few types of bacteria. With our collection of rare strains, we are still at the beginning of developments but we have good signs on our capacity to deliver new classes of antibiotics and have already identified a first candidate.

Dominique LE BELLER was one of the founders of NOVEXEL in 2004.

He ran the operations of this start-up specialized in the development of anti-infectious agents up until they were bought out by ASTRA ZENECA in 2010, for almost 500 million dollars. One of the best French specialists in infectious diseases, Dominique LE BELLER also ran research teams at HOECHST-MARION-ROUSSEL then at AVENTIS, contributing notably to the development of 3 new antibiotics.

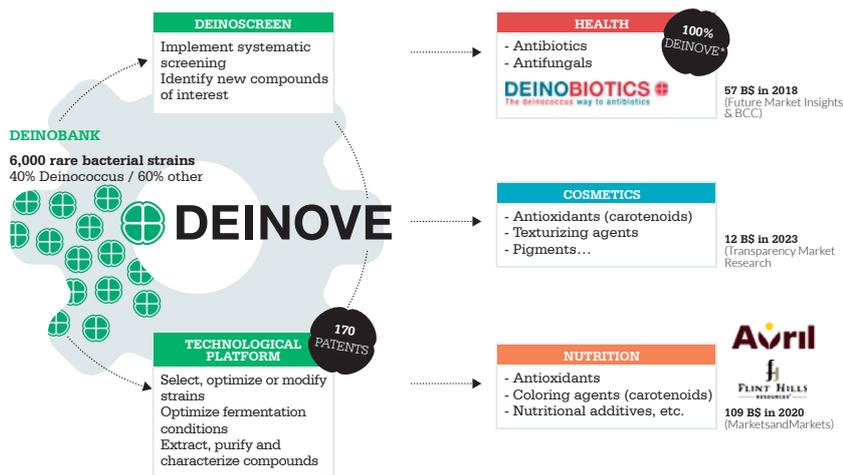
The antibiotics market

The development of new antibiotics is faced with the difficulty of finding new sources: since 2010, no new innovative antibiotic has been put on the market, and only 3 during the course of the previous 5 years.

After years of indifference, the major pharmaceutical laboratories are now actively looking for new molecules and are ready to make significant investments for acquisitions or partnerships. The financial model for antibiotics is in fact becoming more attractive due to the implementation of public policies and persuasive private initiatives.

In light of the development of antibiotic resistances, the discovery of new antibiotics is a major worldwide public health challenge.

DEVELOPMENT STRATEGY



DEINOVE plans to reintegrate DEINOBIOTICS at 100%

DEINOVE has held 49% of DEINOBIOTICS since its creation in 2012.

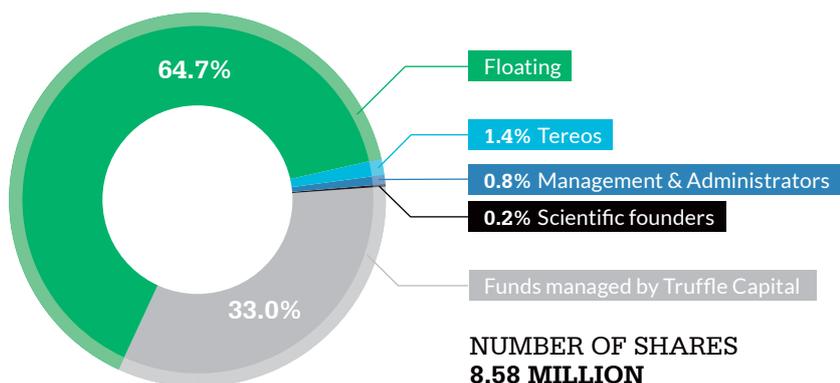
To support the rapprochement of their activities and their teams, the DEINOVE Board of Directors decided to take back control of 100% of the capital of their subsidiary via the acquisition of shares held by the "Holding Incubatrice Chimie Verte". This will be in the form of a contribution in kind by the DEINOBIOTICS stockholders to the benefit of DEINOVE, after approval by the stockholders in the General Meeting.

STOCKHOLDER'S NOTEBOOK

DEINOVE STOCK

PRICE ON 11/14/16.....	€ 1.82
MARKET CAP.....	€ 15 M
52-WEEKS HI-LOW.....	€ 1.80 – € 6.98
2016 AVERAGE DAILY VOLUME.....	17,000 shares / day
MARKET.....	Alternext
ISIN.....	FR0010879056
MNEMO.....	ALDEI
INDEXES.....	ALTERNEXT ALLSHARE OSEO INNOVATION ENTERNEXT PEA-PME 150 ENTERNEXT TECH 40

BREAKDOWN OF CAPITAL AT 30.06.2015 (non-diluted base)



ANALYSTS CONSENSUS

Broker	Price target	Date
Edison	€ 8.0	05.13.2016
Invest Securities	€ 4.2	09.30.2016
Portzamparc	€ 5.6	09.29.2016

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Pursuant to article 34 of the Information Technology and Civil Liberties law of January 6, 1978, you have a right to access, modify, rectify and delete data concerning you

*subject to, notably (i) signing the agreement for contribution and (ii) for approval of the contributions in kind and the decision to subsequently increase capital, by a General Meeting of DEINOVE which will be summoned over the coming weeks, DEINOVE shall hold 100% of their subsidiary DEINOBIOTICS at the end of the contributions in kind of their shares by the DEINOBIOTICS partners to the benefit of DEINOVE.