

ANNUAL RESULTS FOR THE FISCAL YEAR 2013

- Significant progress of the DEINOL programme, 9% (v/v) ethanol (world first) and the launch of testing in pre-industrial fermenters, enabled by increased R&D efforts in 2013;
- Strengthening of the DEINOCHEM programme with the financial support of the ADEME and the General Commissariat for investment totalling € 5.9 m and a new partnership with the VTT¹;
- A net loss of € 3.4 m for the year 2013 compared to a net loss of € 2.0 m for 2012. This difference is mainly explained by a 23 % increase in operating expenses, inevitable consequence of the progress of the DEINOL programme and the ambitious launch of DEINOCHEM, and in line with forecasts;
- An improved net financial position of the Company thanks to the issuance of new shares under the Paceo[®] programme and the first payment of € 1.5 m by the ADEME planned to be cashed by the end of the first quarter of 2014: DEINOVE now believes that its financial needs are covered until about mid-2015.

Montpellier, March 19, 2014 - DEINOVE (Alternext Paris: ALDEI), a cleantech company that designs and develops new standards for industrial processes based on the exploitation of *Deinococcus* bacteria, today announced its financial results for the fiscal year ending December 31, 2013. These results reflect increased R&D efforts of the Company. The net result was a loss of € 3.4 m. Operating expenses increased by 23 % and the Research Tax Credit (RTC) amounted to € 1.9 m. Unlike 2012, the financial and exceptional results did not show significant credits in relation with one-time items.

With a net financial position of € +3.1 m at the end of 2013, compared to € +6.5 m at the end of 2012, the net cash consumption amounted to € 3.4 m. Since early 2014, the Company has cashed € 2.2 m following the issuance of new shares thanks to the Paceo[®] programme implemented in late 2013. Moreover, the first €1.5 m instalment from the ADEME for the DEINOCHEM programme is expected to be collected by the end of the first quarter of 2014.

R&D efforts translated into several major advances:

- Strengthening of the metabolic engineering and fermentation platform to improve efficiency;
- Significant improvement in performance and productivity of the bacteria retained in the DEINOL programme, which has resulted in achieving 9% v/v ethanol, a world first for a bacterial fermentation process;
- Involvement of the government in the development of the DEINOCHEM programme for the production of chemical compounds of industrial interest, with financial support by the ADEME and the General Commission for investment totalling € 5.9 m.

"In 2013, we significantly increased the value of our proprietary technology based on mastering Deinococci", stated Emmanuel Petiot, CEO of DEINOVE. "We have made significant progress in the DEINOL programme and have laid solid foundations for the development of our DEINOCHEM programme. Thus, we position DEINOVE amongst the most advanced companies in the plant chemistry and biomass valorization market. We have been negotiating with several global manufacturers for the integration of our bacteria in their processes and we are confident that we will achieve structural partnerships shortly."

¹ The Technical Research Centre of Finland, a centre of excellence in industrial biotechnology and green chemistry

Financial statement elements

SELECTED FINANCIAL INFORMATION

(in thousands of euros)	2013	2012
Total operating income	51	668
Total operating costs	5,574	4,518
<i>o/w R&D costs</i>	3,945	3,345
<i>o/w G&A costs</i>	1,629	1,172
Operating profit / loss	-5,523	-3,850
Financial result	123	424
Current pre-tax profit / loss	-5,400	-3,426
Non recurring items	21	543
Income tax (R&D Tax Credit)	-1,960	-903
Profit / loss for the year	-3,420	-1,979
Net financial position	3,088	6,506
<i>o/w Financial investments¹</i>	1,276	5,106
<i>o/w Term deposits (maturity <1 year)</i>	0	524
<i>o/w Cash instruments (maturity <3 months)</i>	0	406
<i>o/w Cash on hand</i>	1,872	594
<i>(o/w Financial debts)</i>	-60	-125
Total assets	6,961	9,323
Total shareholders' equity	5,658	8,217
<i>o/w Equity</i>	2,601	5,337
<i>o/w Conditional advances</i>	3,057	2,880

¹ Excluding elements of the liquidity contract (cash and treasury shares), and deposits & guarantees.

Financial results for the fiscal year 2013

DEINOVE did not receive any grants in 2013, unlike 2012. Therefore, the operating revenue amounted to € 51 k compared to € 668 k the previous year. At the same time, operating expenses rose by 23% to € 5,574 k, including 71 % for R&D costs. This increase was primarily due to:

- Strengthening of R&D with the recruitment of a dozen employees (payroll increase of 30 %);
- Investments to improve the metabolic engineering and fermentation platform (cloning robot, cell disruption system, fermenters and instrumentation, dedicated softwares, etc.);
- The move to new premises at the Montpellier Biopôle Euromedicine site, thereby increasing the research laboratories surface by 60%.

In total, the operating loss was € 5,523 k against € 3,850 k in 2012. The financial result reached € 123 k (against € 424 k), mainly composed of financial interests for the investment of corporate cash. In 2012, the Company benefited from the positive impact of a reversal of provision for bond impairment, which was not replicated in 2013. The R&D Tax Credit for 2013 was estimated at € 1,313 k to which corrective statements for 2010 and 2011, amounting to € 658 k, were added. The year 2013 therefore resulted in a net loss of € 3,420 k compared to € 1,979 k in 2012 due mainly to R&D reinforcement of both human and technical means.

Financial position

On December 31, 2013, the net financial position amounted to € +3.1 m, against € +6.5 m at the end of 2012. The financial needs of the Company focused on operational expenses (€ 5,206 k, excluding depreciation) and investment in equipment (€ 536 k). Financial resources were mainly composed of R&D Tax Credit (€ 932 k cashed in July 2013) and the first Paceo® drawdown (€ 621 k, in December).

At the date of this release, and since the beginning of the fiscal year 2014, the execution of three Paceo® drawdowns, for net amount of € 2.2 m, has improved the cash level. The first instalment from the ADEME for the DEINOCHEM programme, amounting €1.5 m, is expected to be cashed by the end Q1, 2014.

Highlights

During the fiscal year 2013, DEINOVE continued its efforts of previous years to accelerate its development.

Strengthening of the metabolic engineering and fermentation platform

The proprietary technology platform for the optimisation of *Deinococcus* is at the heart of the Company's strategy. It has received significant investment:

- The robotic cloning system can multiply by 10 the rate of strain production;
- Specific software has been developed to accelerate the development of strains;
- Fermentation engineering has been strengthened with the acquisition of a fully instrumented 20 L fermenter;
- The platform has been installed in the Company's new laboratories, which now include a cleanroom at the Montpellier-Grabels Biopôle Euromedicine site. These efforts have led to significant improvement of the platform productivity by multiplying the production capacity and by custom strain tests.

DEINOL programme progress for the production of biofuels

The DEINOL programme progresses satisfactorily. The optimisation of the strain selected for this programme has resulted in improved yields (up to 0.43 g ethanol/g sugar) and productivity (up to 2 g/L/h of ethanol), and the achievement of 9% v/v ethanol from a glucose source in a 20 L instrumented fermenter. This performance is a world first in bacterial fermentation.

From this phase, the Company has launched a new series of tests in 300 L fermenters. These tests will validate the performance of the DEINOL method for the breakdown of lignocellulosic biomass into simple sugars and for the fermentation of these sugars into ethanol in conditions similar to those in the industrial environment. Joint management of these two steps is specific to the DEINOL technology and represents a major step forward for the industry. The test results in 300 L fermenters are expected by the end of the first half of 2014, with the goal of moving to the pilot manufacturing phase by early 2015.

At the same time, contacts initiated with the industrials have led to a series of tests on substrates' samples from different sources. These tests are designed to assess the performance of *Deinococcus* depending on the type of biomass used (sugar cane bagasse, corn or grain residues, urban and domestic waste, etc.) and are a prerequisite for future industrial agreements.

Given the current progress of the project, the Company now believes it will be able to collect licensing revenues starting in 2016.

The DEINOCHEM programme for the production of bio-based chemicals

The DEINOCHEM programme aims to produce chemical compounds of interest from biomass, as an alternative to petrochemicals. The Company initially decided to focus on the isoprenoid pathway, a very large family of chemical molecules that presents numerous opportunities, from commodity markets (isoprene for rubber) to specialties, such as carotenoids (nutrition food or feed, cosmetics) or aromatic compounds for fragrances or cleaning products.

Launched in 2010, DEINOCHEM has benefited from the DEINOL developments and enhancement of the metabolic engineering and fermentation platform. The programme has also received financial support from the French government via the ADEME and the General Commission for investment totalling € 5.9 m.

DEINOVE implements a new major partnership with VTT Technical Research Centre of Finland on the DEINOCHEM project. This important collaboration follows on from the one on DEINOL project successfully completed. It will enhance the optimization of *Deinococcus* bacteria, thanks to the expertise of VTT researchers in bioconversion and enzymology.

New premises and team strengthening

In 2013, DEINOVE invested to support the rapid development of its projects. In October, the company moved into new laboratories at the Montpellier Biopôle Euromedicine site in the town of Grabels. Work surfaces significantly increased, which has strengthened the research teams. A dozen new employees were recruited during the year, mainly in R&D.

The appointment of Emmanuel Petiot as CEO and the recruitment of Nagib Ward as VP Business Development opened the way for promising commercial discussions for partnerships that are expected to materialise in 2014.

Note also that the composition of the Scientific Advisory Board has changed significantly and its new members help support the Company's international strategy.

Intellectual property

DEINOVE obtained the final confirmation of its patent on the use of *Deinococcus* bacteria for the production of biofuels (ethanol, butanol, etc.) and intermediate metabolites (organic acids) from plant biomass.

The Company also signed a license option agreement on a patent for improved isoprenoid biosynthetic pathways with the company Génoplante Valor and INRA. DEINOVE will implement this technology as part of the DEINOCHEM programme to strengthen the capacity of *Deinococcus* bacteria to produce chemicals from bio-based raw materials.

ABOUT DEINOVE

DEINOVE (Alternext Paris: ALDEI) is ushering in a new era of green chemistry by designing and developing new standards of production based on bacteria of untapped potential: the *Deinococci*. Taking advantage of the bacteria's unique genetic properties and unusual robustness, DEINOVE optimizes natural fermentation and metabolic capabilities of these bacterial "micro-factories" to produce high value added products from non-food biomass. The Company's primary markets are 2nd generation biofuels (DEINOL) and chemical intermediates (DEINOCHEM). Listed on Alternext since April 2010, DEINOVE was founded by Philippe Pouletty, General Partner of TRUFFLE CAPITAL, and Professor Miroslav Radman, of the Faculty of Medicine of the René Descartes University. The company employs over 40 people in its new offices and laboratories located at the Biopôle Euromédecine, in Montpellier.

More information at www.deinove.com

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