DEINOVE

Interim financial report – Half-year 2018

DEINOVE Group
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CONTENTS

1 | MANAGEMENT AND ADMINISTRATIVE BODIES

1 | 1 Board of Directors

At the date of the report hereof, the composition of the Board of Directors is as follows:

Chairman of the Board of Directors:	Charles WOLER
Directors:	Truffle Capital, represented by Christian PIERRET
	Philippe POULETTY
	Hervé BRAILLY (Independent Director)
	Michael CARLOS (Independent Director)
	Bernard FANGET (Independent Director)
	Vincent JARLIER (Independent Director)
	Yannick PLÉTAN (Independent Director)
	TVM Capital GmbH[1], represented by Dr Helmut SCHÜHSLER [2]

1 | 2 Committees

Remuneration Committee

Chairman:	Philippe POULETTY
Member:	Charles WOLER

Audit Committee

Chairman:	Christian PIERRET
Members:	Michael CARLOS, and Yannick PLÉTAN

1 | 3 Management

Chief Executive Officer	Emmanuel PETIOT
Director of Finance & Administration	Julien COSTE
Director of Research & Development	Georges GAUDRIAULT
Director of Operations	Marie BÉZENGER
Business Development Director	Sébastien ENAULT
Marketing, Communications & Investor Relations Manager	Coralie MARTIN

[1] TVM Capital GmbH was appointed as a Director at the Combined General Meeting of 23 May 2018

[2] Please refer to Note 15 in this report

DEINOBIOTICS SAS

Chief Executive Officer	As the Chief Executive Officer' office was not renewed via a decision of the sole shareholder on 29 June 2018, and the latter has not been replaced, no one has held the position of Chief Executive Officer of DEINOBIOTICS since 29 June 2018.

BIOVERTIS AG (Austria)

Chief Executive Officer	Julien Coste (since 22 August 2018)
Members of the Supervisory Board	Isabelle Tourenne (since 22 August 2018)
	Emmanuel Petiot (since 22 August 2018)
	Christopher Schrank (since 22 August 2018)

MORPHOCHEM GmbH (Germany)

Chief Executive Officer	Emmanuel Petiot (since 13 August 2018)

2 | INTERIM ACTIVITY REPORT

In the Interim Activity Report hereof, the term "Group" refers to DEINOVE and its subsidiaries, namely DEINOBIOTICS, BIOVERTIS, and MORPHOCHEM, while the terms "DEINOVE" or the "Company" refer to DEINOVE.

2 | 1 The DEINOVE Group

2.1.1 Description of the DEINOVE Group's activities

DEINOVE is a French biotechnology company that focuses on radical innovation, and intends to meet the worldwide challenges represented by resistance to antibiotics and the requirement for long-term solutions.

DEINOVE has developed unique and comprehensive expertise in the field of rare bacteria, which it knows how to decipher, cultivate, and optimise, in order to reveal their unsuspected possibilities, and so enable them to produce molecules of interest on an industrial scale. DEINOVE is gradually building and documenting a huge biological diversity pool, which it leverages thanks to a technological platform that is unparalleled in Europe.

DEINOVE conducts its business activities in two main fields:

- new-generation anti-infective agents: it is preparing the entry into Phase II of a first antibiotic drug candidate, and is developing several other programmes with a view to advancing them into preclinical trials. DEINOVE is also pursuing the systematic exploration of biodiversity, in order to add new leads to its portfolio, via its AGIR (*Antibiotiques contre les Germes Infectieux Résistants* [Antibiotics against Resistant Infectious Germs]) Programme, which is supported by Bpifrance, and is specifically relying on partnerships with Naicons and bioMérieux;
- natural active ingredients, for which the cosmetics industry is the primary market, and potential uses for nutrition and health: it is marketing an initial innovative active ingredient, and a second one in partnership with Greentech, while two others are under development with Oléos (Hallstar Group). It is also conducting an animal feed programme with the Avril group.

Most of DEINOVE's business activities are located at the Euromédecine Business Park in Montpellier. DEINOVE employed 61 people there at 30 June 2018, primarily researchers, engineers, and technicians, and has filed over 160 international patents.

DEINOVE benefits from a management team that has experience in research, development, finance, and business development, from a top-tier panel of scientific experts, and from a Board of Directors that is skilled in the development of drugs and specialty compounds. This organisational structure enables DEINOVE to develop an effective strategy that is appropriate for the environment in which it operates.

DEINOVE has been listed on Euronext Growth (formerly Alternext) since April 2010 (ALDEI – ISIN Code FR0010879056).

2.1.2 Key programmes currently underway

2.1.2.1 New-generation anti-infective agents

The discovery of new anti-infective agents is a huge health and societal challenge: the WHO has set preventing resistance to antibiotics, which is increasing sharply, and may be the cause of 10 million deaths every year by 2050, i.e. more deaths than those caused by cancer today (8 million deaths per year[3]) as a global public health priority.

New molecules need to be developed in order to counter this resistance, some varieties of which result in therapeutic dead-ends. However, no innovative antibiotic has been brought to the market since 2010, and only three were brought to market in the previous five years[4].

Even though bacteria rank among the most effective antibiotic-producing agents of all living organisms, DEINOVE's bacteria, which have been largely under-researched and under-used in this field, could offer a huge potential for gaining access to new structures. To validate this potential, DEINOVE launched an exploratory research programme in 2009, with the backing of Oséo, the Languedoc-Roussillon Region, and the European Regional Development Fund (ERDF). These activities were then concentrated within a dedicated company, i.e. DEINOBIOTICS SAS, which was founded in 2012. DEINOBIOTICS was wholly reincorporated into the DEINOVE Group in early 2017, date on which the AGIR Programme was arranged. Since then, two new programmes, one of which originates from external acquisitions, and the other from a licence option agreement, have boosted the pipeline for DEINOVE's molecules under development.

2.1.2.1.1 AGIR – Antibiotics against Resistant Infectious Germs Discovery Programme.

The AGIR (Antibiotics against Resistant Infectious Germs) Programme was selected by the Investissements d'Avenir (Investments of the Future) Programme, which is run by Bpifrance, in 2017, and will receive financial support amounting to €14.6 million over five years compared with a total investment of €25 million. The programme's specific aim is to explore biodiversity, and especially rare micro-organisms, in order to identify and develop a portfolio of drug candidates, and then to extract value from these candidates through agreements with pharmaceutical companies.

In fact, at a time when the world lacks new antibiotics, research is mostly focusing on a small number of micro-organisms of interest, or on designing molecules derived from existing drugs via chemical synthesis. DEINOVE is convinced that the extraordinary diversity of living organisms, which remains largely under-explored today, is the key to discovering new anti-infective agents with innovative mechanisms, which are capable of overcoming bacterial resistance.

DEINOBIOTICS initially identified several strains of interest in its own bacterial library, and filed two applications for patents (published on 4 January 2017) relating to a new antibiotic structure, DNB101, which is currently at the optimisation stage. Other compounds, derived from new strains or derivatives of this initial molecule, are currently being researched.

DEINOVE, which is relying on its unique technological expertise, then formed partnerships with two companies that own rare strain portfolios (Naicons and bioMérieux), in order to extend the scope of its research, and therefore potential leads.

[3] Jim O'Neill and Review Committee members *Antimicrobial resistance: Tackling a crisis for the health and wealth of Nations* (Review Committee set up by the UK Government, December 2014)
[4] Drive-AB Report *Revitalizing the antibiotic pipeline, March 2018*

2.1.2.1.2 DNV3837 clinical antibiotic programme, to combat severe Clostridium difficile infections

DEINOVE purchased a in 2018 a clinical-stage molecule, ready to advance into Phase II, and targeting severe forms of *Clostridium difficile* infections (CDIs), which are gastro-intestinal infections that are usually linked to a disturbance of the intestinal microbiome in vulnerable patients.

The incidence of CDI has doubled or even quadrupled in Europe and North America over the past 20 years[5], including as the result of the development of new hyper-virulent strains, some of which are resistant to antibiotics. The American Centre for Disease Control and Prevention (CDC)[6] has recently identified *Clostridium difficile* as one of the primary causes of treatment-related infections, even ahead of MRSA[7]. Around 500,000 US citizens were infected in 2011, and over 29,000 patients died within a 30-day period[8] following diagnosis. Experts are forecasting 1.5 million CDIs in the United States and Europe combined by 2021. This pathogenic agent is classified as a priority by the WHO and the CDC.

No effective antibiotic treatment is currently available for severe gastro-intestinal infections, due to the actual consequences of the illness: oral treatments struggle to reach the intestines due to the patient's state of health (reduced gastro-intestinal motility, intubation, and intestinal perforation, etc.) while intravenous (IV) antibiotics cannot penetrate the gastro-intestinal barrier, and do not reach the site of the infection.

The DNV3837 (formerly MCB3837) compound, which was initially developed by MORPHOCHEM, the German biotechnology company acquired by DEINOVE in 2018, is an IV antibiotic that is capable of crossing the gastro-intestinal barrier. It specifically targets the site of the infection. It has also demonstrated its ability to eliminate *Clostridium difficile* bacteria without destroying the other micro-organisms in the gastro-intestinal flora.

Several Phase I trials (in healthy volunteers) have been carried out, and shown an acceptable tolerability profile. The next development stage will consist in a Phase II clinical trial on a small number of patients.

Furthermore, DNV3837 obtained firm classification of a *Qualified Infectious Disease Product* (QIDP) and *Fast Track*[9] status from the FDA (*United States Food and Drug Administration*) in 2016.

2.1.2.1.3 Preclinical antibiotic programme NBTI (Novel Bacterial Topoisomerase Inhibitor), which targets Gram-negative infections

DEINOVE signed in March 2018 a licence option agreement with the British company Redx Pharma (AIM: REDX), for the *first-in-class*[10] NTBI programme, a series of molecules about to enter into pre-clinical development.

The NBTI programme developed by Redx covers a new class of antibiotics that aim to treat the most deadly resistant infections caused by so-called Gram-negative bacteria, such as *Acinetobacter baumannii* and *Pseudomonas aeruginosa*. These bacteria form part of the list of the 12 most dangerous pathogens for human health, which was published by the WHO in 2017. They are specifically responsible for diseases such as nosocomial pneumonia (caught in hospital), which affects 750,000 patients in Europe and the United States every year.

This programme has been the subject of prior optimisation and of a thorough *in vivo* evaluation confirming its potential in terms of both effectiveness and safety.

DEINOVE will continue its optimisation and selection work, in order to enter into a possible regulatory pre-clinical phase for one or several molecules.

The agreement covers an exclusive license option, where DEINOVE has nine months to confirm its interest in this series of molecules and to exercise its option.

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[5] Epidemiological and medico-economic aspects of Clostridium difficile infections, A. Le Monnier, 14th French National Infectiology Days, 2013
[6] Center for Disease Control and Prevention: https://www.cdc.gov/drugresistance/biggest_threats.html
[7] Methicillin-resistant Staphylococcus aureus (MRSA)
[8] Burden of Clostridium difficile Infection in the United States - Fernanda C. Lessa, The New England Journal of Medicine, 2015
[9] Its Fast Track status simplifies the development of the molecule via a faster and more flexible regulatory review of the application. This status is granted by the FDA to drugs under development that meet critical therapeutic needs that are not covered.
[10] A new therapeutic class according to the definition of the *Food and Drug Administration*

2.1.2.2 Active ingredients of natural origin

DEINOVE has focused its industrial biotechnology platform on the bio-production of innovative specialty compounds, based on its unique pool of bacterial biodiversity, and occasionally its host micro-organism, *Deinococcus*, which is used as a miniature factory in order to ensure optimised production.

Its first target market is the cosmetics industry, although the Company intends to rapidly provide its know-how and products in other fields, such as nutrition.

2.1.2.2.1 Innovative Carotenoid programme / PHYT-N-RESIST®

DEINOVE focused its development efforts on the carotenoid category as part of the DEINOCHEM research programme conducted between 2013 and 2017, with the support of the *Programme d'Investissements d'Avenir* (Investments for the Future Programme). These compounds, which were previously mostly produced from petroleum, have a strong potential on the three markets targeted by DEINOVE, i.e. when included in skincare products due to their antioxidant properties, as colourings in the food sector, and in the form of food supplements, etc.

DEINOVE's goal is to offer a competitive bio-sourced alternative for industrial companies by developing a range of natural carotenoids produced via biotechnological processes and offering significant advantages in terms of stability of supply and quality, the protection of natural resources, and lastly costs.

Several hundred *Deinococci* strains naturally produce carotenoids with innovative structures. DEINOVE has also successfully produced several types of carotenoids by optimising this metabolic pathway.

An initial innovative carotenoid has been selected and developed as an active anti-ageing ingredient for the cosmetics industry. This is Phytoene, a natural carotenoid with antioxidant properties, which cannot be extracted from plant sources in a pure state. It is the precursor for all carotenoids, and has the unique particularity of being colourless. DEINOVE has revealed and proven the skin regeneration properties associated with this molecule, and has conducted clinical tests that have led to conclusive results, especially in terms of reducing wrinkles, and the firmness and elasticity of the skin. This new active ingredient, which is marketed under the name PHYT-N-RESIST®, was presented at the In-Cosmetics Global Trade Show in Amsterdam in April 2018. A large number of contacts were established on that occasion, including with finished cosmetics products brands, which are currently assessing the ingredient.

DEINOVE does not have its own industrial plant, it sub-contracts production, including large-scale fermentation, extraction, purification and formulation processes. When developing its first carotenoid, the industrial-scale fermentation process was entrusted to SAS Pivert, while the extraction process was entrusted to Veg'extra.

2.1.2.2.2 Cosmetics programme in partnership with Greentech

The Company has arranged partnerships that offer it shared knowledge and simplified access to the market in parallel with the proprietary R&D programmes developed by DEINOVE.

Greentech was its first partner in the cosmetics industry. This partnership programme was launched in March 2017. The partnership, which aims to jointly develop and market new active substances for skin care, materialised via the bringing to market of Hebelys®, an initial anti-ageing active ingredient presented at the In-Cosmetics Trade Show in Amsterdam in April 2018.

Hebelys® is a natural active ingredient produced via the fermentation of *Sphingomonas*, a rare micro-organism that comes from DEINOVE's exclusive strain bank. It has proved its ability to protect the youthful appearance of skin via its action on various ageing factors during tests.

Hebelys® is the result of a combination of complementary expertise: DEINOVE selected the strain, developed the production process, in order to achieve an optimal fermentation performance, and managed the *in vitro* tests intended to define the extract, while Greentech drew up the formulation process, and approved the stability and safety, as well as the effectiveness via additional *ex vivo* tests.

Hebelys® is effectively marketed by Greentech, a French company that specialises in the production of high-tech active ingredients from plant, marine, and microbial environments. Greentech was founded 25 years ago, and has subsidiaries in

Germany, the United States, and Brazil. The company now sells around 100 active ingredients derived from biodiversity to cosmetics manufacturers in over 30 countries.

2.1.2.2.3 Cosmetics programme in partnership with Oléos

DEINOVE launched a partnership programme in January 2018 aimed at developing new 100% natural active cosmetic ingredients that combine the exclusive properties of DEINOVE's bacteria and Oléos' patented oleo-eco-extraction technology. DEINOVE is working on optimising the production performance of the selected strains, while Oléos will develop innovative ingredients by applying its extraction process to the bacterial biomass.

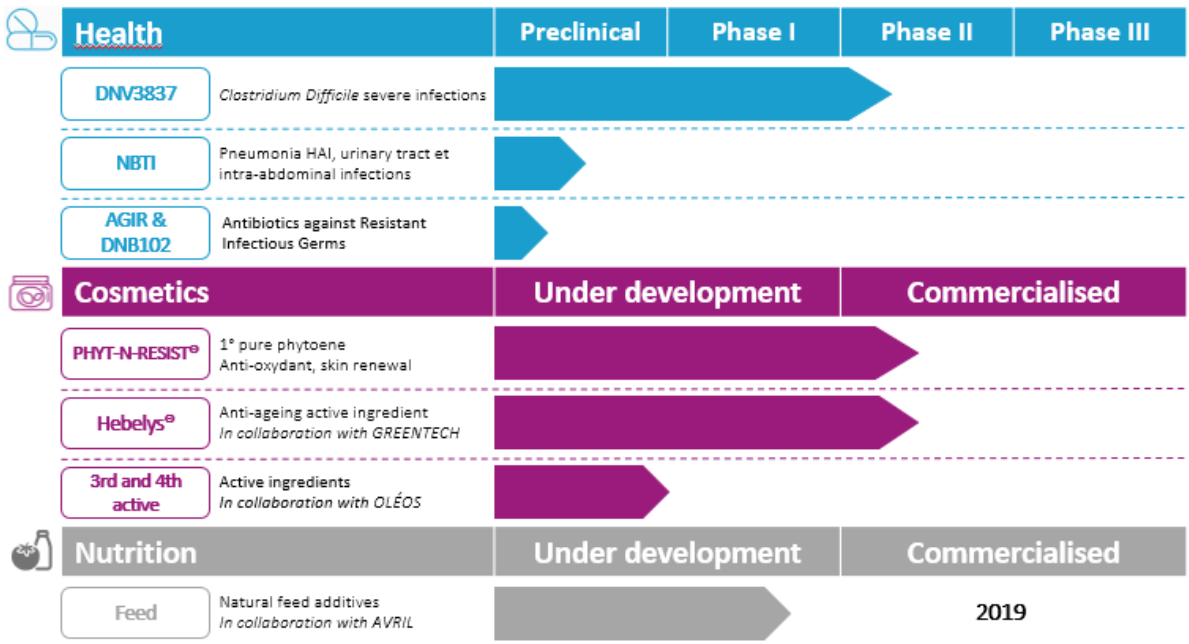
The commercial launch of one or even two active ingredients designed on this basis is planned for 2019.

Oléos, a French company founded in 2010, joined the US based Hallstar group in 2016. The company has developed around 20 active ingredients that are marketed to cosmetics brands in France and abroad based on its exclusive process, and is continuing to expand its range.

2.1.2.2.4 Animal feed programme in partnership with Avril (formerly Sofiprotéol)

The COLOR2B project, which was launched in September 2014 focuses on producing natural additives for animal feed. Following a detailed selection of strains, their potential was approved by Avril in the form of tests aimed at checking their effectiveness and bio-availability: the compounds produced by the strains, which are added to the feed for farm animals, were well assimilated, and produced the desired beneficial effects. The performances achieved are comparable to those of products derived from petrochemicals currently on the market, which convinced Avril to select a strain for industrialisation. The project is now focusing on determining the optimal dosage, scaling up the production process, and the regulatory approach.

Avril is a major French industrial and financial group. It operates in France and internationally in sectors as diverse as human nutrition, animal feed and expertise, and renewable energy and chemicals. The Group has a portfolio of leading brands, such as Diester®, Sanders, Lesieur, Puget, Matines, Bunica, Taous, El Kef, etc.



2.1.3 Technology

2.1.3.1 A strain bank hosting over 6,000 strains

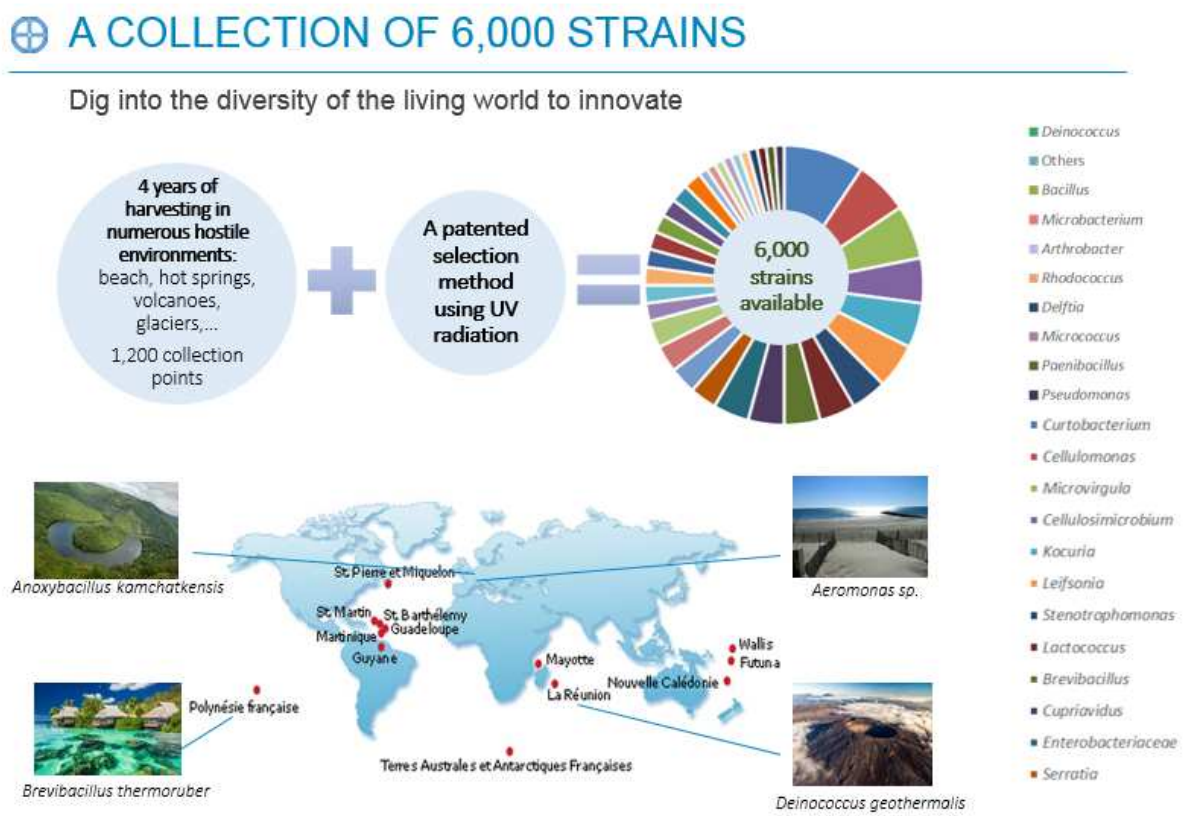
DEINOVE's developments are based on a bank including 6,000 strains, all selected on their UV resistance. This unique, proprietary, and patented selection approach has enabled the Company to collect rare strains with a variety of properties.

Specifically, DEINOVE is the only company in the world that leverages the genetic and metabolic potential of the *Deinococcus* bacterial genus for industrial purposes. This bacteria, which was discovered by chance in 1956, has exceptional properties that had never been the subject of commercial development to date. *Deinococcus* is the bacteria specifically used in the PHYT-N-RESIST® production process, in order to convert sugars into Phytoene.

DEINOVE is continuing to expand its strain bank in a targeted manner, in order to effectively meet the requirements of each targeted application via new collection operations or outside partnerships. For instance, DEINOVE has signed agreements with pharmaceutical companies such as bioMérieux and Naicons, in order to gain access to new strains that may potentially produce antibiotics.

The Company's screening capabilities enable it to identify bacteria that naturally produce compounds of interest that can be extracted and used among this strain bank.

Depending on the required level of performance, DEINOVE has developed a unique know-how in order to optimise their natural capabilities via genetic engineering and fermentation, in order to direct them towards over-producing a given compound



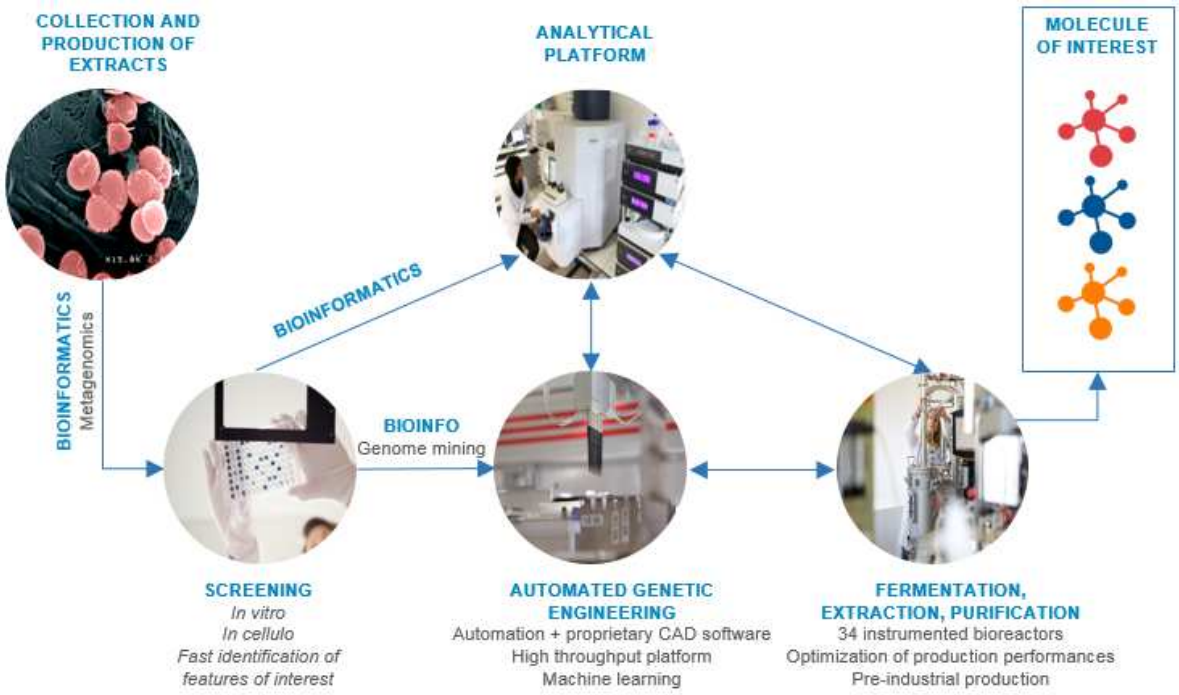
2.1.3.2 Highly qualified employees using state-of-the-art equipment are generating innovative molecules

Since its foundation, DEINOVE has been continually investing in the development of cutting-edge applied microbiology and biological engineering platform, which was initially dedicated to *Deinococci* bacteria before expanding to other bacteria in the strain bank. Its capacity and efficiency have been enhanced over time thanks to the automation of this platform. Thanks to

these efforts, the Company now has access to an extremely sophisticated tool for identifying and improving the production of metabolites of interest, as well as improving the profile of these molecules, including:

- a strain conservation system that ensures the sustainability of the strain bank, the Company's strategic asset;
- a screening platform based on *in vitro* and *in cellulo* tests (a cell culture laboratory primarily for cosmetic screening, as well as for checking the non-cytotoxicity of the compounds); this platform has recently been enhanced via the screening of antibiotic activity;
- a bio-computing and meta-genomic platform aimed at identifying bacteria in an environmental sample, as well as at identifying the genes behind the production of a compound of interest via a given bacteria;
- a robotic platform for creating strains, combined with a computer system for designing genetic constructs, the role of which is to produce dedicated strains depending on the targeted molecules. This platform is also used by the Antibiotics Programme in order to optimise the molecules, and so obtain therapeutic molecules with optimum performance;
- a fermentation engineering platform that assesses the performance of the strains produced on an ongoing basis, and identifies the areas for improvement in each process, thereby steering the genetic engineering work in return. This platform is also used to produce bacterial biomass for the various effectiveness tests;
- an extraction and purification platform, in order to obtain the final product.

DEINOVE is therefore in a position to significantly increase the number of research pathways and obtain proof of concept within very short timeframes. This is a significant advantage when engaging in talks with potential industrial partners.



2.1.3.3 Sound intellectual property

DEINOVE is developing a unique portfolio of intellectual property and cutting-edge bioprocesses, which currently includes 21 patent families - i.e. over 160 patent applications submitted internationally (primarily in Europe, Eurasia, the United States, Canada, Mexico, Australia, Japan, and China) - covering strain selection, culture and engineering techniques, and their applications in the target markets. Furthermore, following the acquisition of MORPHOCHEM, the German company, the Group has enhanced its intellectual property portfolio with six categories of patents, i.e. over 100 international patent applications.

2.1.4 Business model

DEINOVE is a company that develops cutting-edge technologies and innovative molecules. Based on the molecules produced and application markets , DEINOVE may decide to opt for various economic valuation approaches:

- transferring operating rights (product-by-product, application-by-application, and area-by-area) of its proprietary processes to industrial third parties through licensing agreements. In the field of industrial biotechnology (active ingredients of natural origin), these licensing agreements stem from joint development agreements, phased at 2 or 3 years during which DEINOVE works on process development, i.e. tailoring its strains to the industrial partner's needs. Then both partners work on scaling-up. The licence covers a strain which is tailor-constructed for the given process and a collection of data known as the *"process book"* which describes strain implementation. In the anti-infective field (antibiotics) the aim will be for DEINOVE to sell a molecule to a pharmaceutical company at an advanced development stage;
- directly commercializing specialty compounds which may be initially produced by DEINOVE, as small production batches, then subcontracted for scale-up and main production. DEINOVE primarily targets high added value compounds on niche markets. This approach enables it to directly address the requirements of industrial companies in these business sectors, including the cosmetics sector, which consider these molecules as ingredients which they can then integrate into their own end-product manufacturing processes.

DEINOVE therefore has the possibility of generating revenue from four different areas:

- the industrial partner partially or fully covers the research efforts undertaken as part of the R&D project;
- an initial payment (reach-through rights), payments received on the completion of milestones (for example: clinical phases in the pharmaceutical field), then royalties received on the sales of products stemming from DEINOVE's processes, within the framework of the licensing agreements;
- public financing in the form of grants or repayable advances, granted by bodies supporting the research, such as Bpifrance, the ADEME and others;
- Turnover from the commercializing molecules to industrial players (B2B).

2 | 2 Description of key events and activities of the Group during the first half year of 2018 and post period-end

2.2.1 Legal aspects

During the 1st semester 2018, the Company's Combined General Meeting held on 23 May 2018, voted in favour of carrying out the contribution in kind of shares, options, and preferential rights in BIOVERTIS to DEINOVE, which now owns 100% of BIOVERTIS, which itself owns a 100% interest in MORPHOCHEM, the German company that developed the MCB3837 antibiotic compound. This antibiotic is a clinical-stage compound, ready to enter Phase II. It targets the treatment of severe forms of *Clostridium difficile* infections (CDIs), which are gastro-intestinal infections.

The decision of the Combined General Meeting is in keeping with the extension of the Company's strategic decision to focus its business activities on the healthcare, nutrition, and cosmetics fields, in order to develop high value-added compounds, which was announced on 29 September 2016.

As part of the planned contribution in kind of shares in BIOVERTIS to DEINOVE, Opsione Audit firm, represented by Maïr FERERES, was appointed as the Share Auditor via an order issued by the Presiding Judge of the Montpellier Commercial Court on 26 April 2018. The draft contribution agreement was approved by the Combined General Meeting on 23 May 2018.

Accordingly, the Combined General Meeting of Shareholders of DEINOVE held on 23 May 2018 approved the terms for the transaction involving the contribution in kind of shares, options, and preferential rights in BIOVERTIS, under the terms of which DEINOVE owns a 100% interest in BIOVERTIS, and in its MORPHOCHEM subsidiary. This transaction involving a contribution in kind was valued at €900,001.80, and was performed in accordance with the following terms:

- Contribution in kind of 1,023,464 BIOVERTIS shares;
- Contribution in kind of 104,779 BIOVERTIS options;
- Contribution in kind of a preferential right of 1% in BIOVERTIS' liquidation profit; and

- Payment for the contribution via the issuance of 500,001 new ordinary DEINOVE shares, valued at €1.80 each; 8,000,000 stock allotment warrants (BAA) granting entitlement to 8,000,000 shares (67.69% of DEINOVE's share capital at the date of the Meeting) are attached to the shares, and will be gradually exercisable depending on the achievement of five targets. Each stock allotment warrant that is exercised will grant entitlement to one new DEINOVE share once these targets have been achieved.

This transaction represents a €200,000.40 capital increase via the issuance of 500,001 shares. The contribution premium, which corresponds to the difference between the value of the contribution (€900,001.80) and the par value of the capital increase (€200,000.40), amounted to €700,001.42.

The issue of 500,001 new ordinary shares in the Company with a par value of €0.40 each was performed for the benefit of the parties contributing shares, options, and preferential rights in BIOVERTIS. The new shares issued carry immediate dividend rights and rank *pari passu* with the existing shares. They have been listed on the Euronext Growth Paris market since 28 May 2018, under the same listing as the existing shares, under ISIN Code FR0010879056.

Once this transaction had been completed, DEINOVE's share capital consisted of 12,318,335 ordinary shares with a par value of €0.40 each. The parties who had contributed assets held a 4.06% interest in DEINOVE following the transaction.

The Combined General Meeting of 23 May 2018 also decided to appoint TVM Capital, represented by Dr Helmut Schühsler, as a new Director[11].

Furthermore, at its meeting on 14 June 2018, the Board of Directors decided to use the delegation granted by the Combined General Meeting of 23 May 2018 under the terms of the Thirteenth Resolution, in order to perform a capital increase via the issuance of new shares, with waiver of preferential subscription rights, for the benefit of a category of beneficiaries. At this meeting, the Board of Directors determined the maximum number of new shares in the Company at 3,150,000 shares with a par value of €0.40, which corresponds to a maximum nominal capital increase amount of €1,260,000, and sub-delegated the authority to decide on the definitive terms of the capital increase transaction and carried it out to the Chief Executive Officer.

In decisions taken on 14 and 19 June 2018, the Chief Executive Officer used the delegation of authority granted by the Board of Directors, and recorded a capital increase amounting to €1,259,259.60 via the issuance of 3,148,149 new shares in the Company pursuant to the delegation of authority granted by the Thirteenth Resolution of the Combined General Meeting of Shareholders in the Company of 23 May 2018. The Company's share capital was therefore increased from €4,967,334 to €6,226,593.60.

These 3,148,149 new shares with a par value of €0.40 each were issued at a per unit price of €2.70, including the premium-above-par, for a total amount of €8,500,002.30, which represented 25.35% of the Company's share capital on an undiluted basis prior to the transaction, i.e. a dilution of 20.22%.

Other legal aspects:

- the changes in the composition of the Board of Directors are set out in Section 1.1 of this report;
- the stock warrants (BSA) and stock options (BCE) issued during the 1st semester are set out in Section 12.1.3.

2.2.2 Programme progression

2.2.2.1 New-generation anti-infective programmes

2.2.2.1.1 DEINOVE is working together with Naicons, in order to discover new antibiotics as part of the the AGIR Project[12]

DEINOVE signed an exclusive research licence with Naicons in March 2018, with a view to expanding its current strain bank and to significantly increasing the opportunities for discovering new antibiotics, as part of the AGIR (*Antibiotiques contre les*

[11] Please refer to Note 15 in this report
[12] Press Release dated 8 March 2018

Germes Infectieux Résistants [Antibiotics against Resistant Infectious Germs]) Programme, which is supported by the *Programme d'Investissements d'Avenir* (Investments for the Future Programme).

Naicons, an Italian bio-pharmaceutical company, which also specialises in researching innovative antibiotics, has a collection of 45,000 microbial strains, a huge potential in view of its ability to make use of them. DEINOVE will initially have access to 400 strains that have been carefully selected for their potential, and will use the power of its robotic technology platform to identify and classify these strains' antibiotic activities. In the event that it discovers a strain of interest, DEINOVE will be able to purchase it (under the conditions provided for in this agreement) either via a commercial license, or outright, with a view to beginning the development of drug candidates.

2.2.2.1.2 DEINOVE has added to its innovative antibiotic portfolio by signing a licensing option agreement with Redx Pharma[13]

DEINOVE signed a licensing option with the British company Redx Pharma (AIM: REDX) in March 2018, with a view to purchasing its first-in-class NBTI (*Novel Bacterial Topoisomerase Inhibitor*) anti-infective programme. The NTBI programme consists in a series of molecules that are about to enter into pre-clinical development *(see Section 2.1.2.1.3 for an overview of the programme).* It targets multi-resistant Gram-negative bacteria, such as *Acinetobacter baumannii* and *Pseudomonas aeruginosa*. These bacteria form part of the list of the 12 most dangerous pathogens for human health, which was published by the WHO in 2017.

The synthetic molecules resulting from the NBTI programme are a perfect supplement for the natural products resulting from the DEINOVE strains, as part of the AGIR Programme, so as to adopt a global approach to the antibiotic resistance issue.

The agreement covers an exclusive license option, where DEINOVE has nine months to confirm its interest in this series of molecules and to exercise its option.

2.2.2.1.3 DEINOVE is purchasing MORPHOCHEM's antibiotic compound that has reached the clinical trial phase.[14]

DEINOVE purchased the Austrian company BIOVERTIS in May 2018, together with MORPHOCHEM, its German subsidiary, via a transaction involving the contribution in kind of shares, options, and rights in BIOVERTIS. Accordingly, DEINOVE has acquired ownership of the first-in-class MCB3837 antibiotic programme, developed by MORPHOCHEM. This molecule, which is ready to enter into Phase II, targets the treatment of severe gastro-intestinal infections caused by *Clostridium difficile*, a pathogen that is classified as a priority by the WHO and the CDC *(see the overview of the programme in Section 2.1.2.1.2).* This transaction provides a significant boost to DEINOVE's "Antibiotics" business, thanks to the inclusion in its pipeline of a clinical-stage compound.

MCB3837 is an antibiotic that is administered intravenously, and which is capable of crossing the gastro-intestinal barrier. It specifically targets the site of the infection. Several Phase I trials (on healthy volunteers) have shown a high concentration of the antibiotic in stools, which is a strong marker for its presence in the intestines. It has also demonstrated its ability to eliminate *Clostridium difficile* bacteria without destroying the other micro-organisms in the gastro-intestinal flora. The next development stage will consist in a Phase II clinical trial on a small number of patients.

Following the approval of the General Meeting of 23 May 2018, DEINOVE purchased a 100% interest in BIOVERTIS, which itself held a 100% interest in the German company MORPHOCHEM, via the contribution in kind of shares, options, and rights, primarily held by two specialised investment funds managed by TVM Capital, a major European operator in the life sciences venture capital market, which therefore became a shareholder in DEINOVE. The contributors received 500,001 DEINOVE shares as part of this transaction, and 8,000,000 stock allotment warrants granting entitlement to a maximum number of 8,000,000 new shares in DEINOVE, which can be exercised on condition that various key stages in the development of the drug candidate are reached, as follows:

- 500,001 new shares at the beginning of the next clinical trial for the product (first patient);
- 2,300,000 new shares at the beginning of Phase IIb/III of the pivot trial for the Project or of Phase III (first patient);

[13] Press release dated 22 March 2018
[14] Press releases dated 13 April 2018 and 23 May 2018

- 2,300,003 new shares at the end of the positive stage Phase IIb/III of the pivot trial for the Project or of Phase III. For the sake of clarity, it is specified that "positive" means that all of the primary efficacy clinical parameters, together with at least one secondary efficacy parameter, and the safety goals relating to approval, have been met;
- 1,399,998 new shares at the time when the FDA accepts the regulatory filing for the first authorisation to bring the Project to market, at least in the United States of America, or in any other country, on an individual basis, or several other countries on a joint basis, which represent the same number of admissible patients, and therefore, the same commercial value as the United States of America;
- 1,499,998 new shares at the time of the first authorisation to bring the Project to market in the United States of America (*New Drug Application*) or in any other country, on an individual basis, or several other countries on a joint basis, which represent the same number of admissible patients, and therefore, the same commercial value as the United States of America.

The contributors have undertaken to retain the new DEINOVE shares that they received (at the time when the contribution in kind was performed or when the stock allotment warrants are exercised) for a period of six months.

TVM Capital GmbH, represented by Dr Helmut Schühsler, has been appointed as a new Director of DEINOVE[15].

2.2.2.1.4 DEINOVE is working together with bioMérieux, in order to discover new antibiotics[16]

DEINOVE entered into a partnership with bioMérieux, a major operator in the *in vitro* diagnosis field, in June 2018, with a view to exploring new strains and to significantly increasing opportunities for discovering new antibiotics.

BioMérieux, which specialises in the infectious disease diagnosis field, has one of the largest bacterial strain banks in the world. BioMérieux is initially making over 250 strains from 130 different species available to DEINOVE. DEINOVE and bioMérieux have jointly selected the strains used for this project, as part of a biological diversity approach. These strains will be included in the AGIR Programme, which aims to discover new antibiotics by systematically exploring the potential of the living world, and more specifically the very wide diversity of micro-organisms.

2.2.2.2 Programmes involving active ingredients of natural origin

2.2.2.2.1 DEINOVE is launching PHYT-N-RESIST®, an anti-ageing active ingredient based on pure Phytoene, its first innovative carotenoid[17]

In accordance with the development plan, which has been the subject of regular communications, DEINOVE launched its first innovative carotenoid in April 2018, which is primarily intended for use as an active cosmetic agent, under the PHYT-N-RESIST® brand.

Phytoene, which is a precursor for all carotenoids, a huge category of antioxidants, has the particularity of being colourless. It is naturally present in a large number of plants. However, it is impossible to extract it from plant sources in a pure form. This is why DEINOVE's scientific platform has designed an exclusive process for producing Phytoene via a natural sugar fermentation process using the *Deinococcus geothermalis* extremophile bacteria *(see Section 2.1.2.2.1 for an overview of the programme)*.

All of the stages, from optimising the strain to producing it on an industrial scale, and including the purification and the formulation of Phytoene concentrated in refined jojoba oil, have been successfully reached by DEINOVE's technical teams and its partner sub-contractors.

PHYT-N-RESIST® helps to prevent the ageing of the skin by reducing oxidative stress and accelerating skin regeneration. Its effectiveness and safety have been successfully demonstrated via the *in vitro*, *ex vivo*, and clinical trials performed. Various dermo-cosmetic formulas have been developed, and show an ease of formulation and stability that are completely satisfactory. Due to the stability of this active substance at high temperatures, it will also be possible to include it in make-up formulas.

[15] Please refer to Note 15 in this report
[16] Press release dated 28 June 2018
[17] Press releases dated 26 February and 10 April 2018

The commercial prospection process was launched at the In-Cosmetics Trade Show in Amsterdam in April 2018.

2.2.2.2.2 DEINOVE and Hallstar-Oléos have teamed up in order to develop a new active cosmetic ingredient[18]

DEINOVE entered into a partnership with Hallstar-Oléos in January 2018, with a view to developing a new 100% natural cosmetic active ingredient that combines the exclusive properties of DEINOVE's bacteria and Oléos' patented oleo-eco-extraction technology. The aim is to obtain a stable oily ingredient, the effectiveness of which has been clinically proven, and that is easy to formulate and compliant with the requirements of the cosmetics market *(see Section 2.1.2.2.3 for an overview of the programme).*

2.2.2.2.3 DEINOVE and Hallstar-Oléos are extending their partnership with the support of the Occitanie Region[19]

DEINOVE and Hallstar-Oléos extended their partnership to the development of a second oleo-active ingredient® based on a new strain, in May 2018.

DEINOVE is providing the bacterial biomass for each of the development programmes, after optimising the production performance, while Hallstar-Oléos is taking care of the extraction and enhancement of the compounds of interest thanks to its exclusive oleo-eco-extraction process.

This programme benefits from the support of the Occitanie Region, which has awarded DEINOVE a grant that amounts to 35% of the total budget for this new innovation programme, which has been entirely developed in the region.

The commercial launch of one or even two active ingredients is planned for 2019.

Oléos already markets around 20 active ingredients to cosmetics brands in France and abroad.

2.2.2.2.4 DEINOVE and Greentech have announced the launch of Hebelys®, the first active cosmetic ingredient resulting from their partnership[20]

DEINOVE and Greentech announced the launch of Hebelys® in April 2018; this is the first anti-ageing active ingredient resulting from the partnership formed in March 2017[21] *(see Section 2.1.2.2.2 for an overview of the programme)*.

This anti-ageing active ingredient is obtained via the fermentation of a *Sphingomonas* bacterium from DEINOVE's strain bank. During the tests, Hebelys® demonstrated its ability to protect the skin's youthful appearance, by acting on various parameters, including protection from oxidation, and stimulating the synthesis of collagen, elastin, fibrillin, etc. Hebelys® has a specific and proven impact on the expression of Protein p16IINK4A, a key factor in premature cellular ageing. The skin is protected due to the effect of Hebelys®, and recovers its density, suppleness, and elasticity. Its appearance is visibly more youthful.

Hebelys® is the result of a combination of complementary expertise: DEINOVE selected the strain, developed the production process, in order to achieve an optimal fermentation performance, and managed the *in vitro* tests intended to define the extract, while Greentech drew up the formulation process, and approved the stability and safety, as well as the effectiveness via additional *ex vivo* tests.

Hebelys® is effectively marketed by Greentech.

2.2.2.2.5 The COLOR2B Programme: confirmed progress and outlook[22]

[18] Press release dated 30 January 2018
[19] Press release dated 30 May 2018
[20] Press release dated 16 April 2018
[21] Press release dated 27 March 2017
[22] Press release dated 22 May 2018

DEINOVE communicated in May 2018 about the progress of the COLOR2B Programme, which is being conducted together with the Avril group, and covers the development of a process for producing natural ingredients for animal feed *(See Section 2.1.2.2.4 for an overview of the programme)*.

The 3rd stage of the project, which has been underway since early 2017, aims to approve the final strain choice, and to test the various production options with a view to industrialising and marketing a range of feed ingredients for livestock. At the date of this report:

- the final production strain has been selected among seven strains on the basis of its performance, and has been the subject of tests on an experimental farm. Its performance is comparable to the products that are currently used, and derived from petrochemicals;
- several formulas have been tested, and the nutritional performance has remained stable, which enables an array of different formulas to be envisaged, depending on the applications targeted and the regulatory issues;
- Avril plans to test these feed ingredients on various animal species, in order to broaden their commercial potential.

Accordingly, the COLOR2B Programme is well on the way to resulting in the commercial launch of a competitive natural alternative on the livestock feed market. The next stages will cover approving the optimal dosage, scaling up the production process, and the regulatory approach.

2.2.3 Management and organisation

The management and organisation of the Company and its subsidiaries are set out in Section 1.1 of this report.

2.2.4 Intellectual property

The Group's portfolio has been enhanced following the acquisition of the German company MORPHOCHEM. MORPHOCHEM's portfolio of patents and patent applications relating to hybrid oxazolidinone-quinolone antibiotic compounds consists of six categories of patents, which have been extended internationally, and involve over 100 patent applications, 95 of which have already been issued internationally across a broad geographical scope (United States, China, Australia, Europe, Mexico, Canada, Asia, Russia, etc.).

This patent portfolio protects the structures of the first-generation compounds, as well as those of DNV3681 and DNV3837, their use against various bacterial infections, including anthrax, and those linked to *Clostridium difficile*, their preparation processes, a method of administering them intravenously, and their use when combined with other anti-bacterial agents.

2.2.5 Financial aspects

In addition to the transaction aimed at purchasing BIOVERTIS, and MORPHOCHEM *(see Section 2.2.1)*, the main financial information for the 1st semester 2018 has been covered in depth in the Notes to this report.

This information specifically covers:

- a capital increase for the benefit of one category of beneficiaries announced on 15 June 2018, which was performed via accelerated book-building, and where settlement & delivery occurred on 21 June 2018, as the Company had received an amount of €8,063K (net of fees and commissions) at that date *(see Section 2.2.1)*;
- capital increases performed as part of the underwriting agreement arranged at the end of 2014 with KEPLER CHEUVREUX *(See Section 12.1.3)*;
- receipt of the first instalment of the Bpifrance funding for the AGIR Programme *(see Section 9.2.1)*;
- receipt of the remaining DEINOCHEM ADEME funding *(see Section 9.2.1)*;
- notice from Bpifrance of the waiver of a receivable following the recording of a technical failure relating to the THANAPLAST™ Programme *(see Section 9.2.1).*

2.2.6 Post-closing events

Events that occurred after the period-end date for the interim account closing, namely 30 June 2018, are set out in Note 15 to this report.

2 | 3 Main risk factors

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

More recently, the aforementioned risk factors were updated in the Reference Documents registered on by the AMF under number R. 14-042 on 23 June 2014 and under number R. 15-081 on 26 November 2015. These documents are available on the Company's website.

Readers are invited to refer to the risk factors addressed in the Company's Annual Financial Report 2017, available on the Company website.

The Company stresses that, as stated in the aforementioned Reference Documents, its activities are keyed primarily to biotechnological Research and Development which focus on applications in the health, nutrition, and cosmetics fields. The success of the projects it undertakes are, as such, subject to the scientific and technological contingencies specific to these activity sectors, and are also dependant on its ability to industrialize the bioprocesses that it develops in an economically viable manner.

Readers' attention is drawn to the fact that the risk factors described in the aforementioned documents, although stipulated as being specific to the Company, are also relevant to the Group as a whole.

3 | HALF YEAR CONSOLIDATED ACCOUNTS TO 30 JUNE 2018

Inital comment: The Group's position at 30 June 2018 includes DEINOVE and DEINOBIOTICS for the entire period, and only one month of business for the two newly consolidated companies, namely BIOVERTIS and MORPHOCHEM. Meanwhile, the prior data at 30 June and 31 December 2017 exclusively include DEINOVE and DEINOBIOTICS *(see Note 4.4)*.

3 | 1 Balance sheet

ASSETS (in thousands of euros)	Note	30/06/18			31/12/17
		Gross values	Amort.& dépr.	Net values	
Goodwill	7.1	5,114	-580	4,533	3,437
Intangible assets	7.2	1,373	-1,020	354	167
Tangible assets	7.3	6,526	-4,181	2,346	2,044
Financial assets	9.1	93	-	93	93
FIXED ASSETS		13,106	-5,780	7,326	5,741
Inventories and work-in-progress		-	-	-	-
Accounts receivable and related accounts	5.3	32	-	32	70
Other receivables	5.3	3,484	-	3,484	2,980
Deferred tax assets	10.1	-	-	-	-
Cash on hand	9.1	9,895	-	9,895	4,876
CURRENT ASSETS		13,411	0	13,411	7,926
Repayments and accrued income	5.3	578	-	578	473
TOTAL ASSETS		**27,095**	**-5,780**	**21,315**	**14,141**

LIABILITIES (in thousands of euros)	Note	30/06/18	31/12/17
Capital	12.1	6,227	4,647
Premiums		42,552	34,504
Consolidated reserves		-38,495	-31,141
Profit or loss for the period (group share)		-3,735	-7,335
EQUITY CAPITAL, GROUP SHARE		6,549	675
Noncontrolling interests		-	-
SHAREHOLDERS' EQUITY		6,549	675
Deferred tax liabilities		-	-
Provisions for Risks & Charges	8.1	197	185
Provisions for goodwill impairment		-	-
LIABILITIES			
Conditional advances	9.2	11,025	9,472
Non-conditional advances	9.2	722	500
Financial liabilities from financial lease agreements	9.2	482	618
Trade payables and related accounts	5.3	1,325	1,433
Outstanding taxes and social contributions	5.3	798	1,073
Other liabilities	5.3	198	157
Accrued expenses and deferred revenue	5.3	21	29
TOTAL LIABILITIES		**21,315**	**14,141**

3 | 2 Profit and Loss Account

(in thousands of euros)	***Note***	**30/06/18**	**30/06/17**
Operating revenue	*5.1*	715	140
Revenue		22	42
Change in inventories		-	-
Capitalized production		-	-
Release of provisions and reclassification of costs		14	25
Operating grants		679	72
Other operating revenue		0	1
Operating expenses	*5.2*	5,070	4,898
Purchases used (incl. change in inventories)		-	-
Other purchases and external expenses		1,982	2,232
Taxes, duties, and similar levies		56	47
Salaries and wages		2,439	1,928
Depreciation charges for amortizations and provisions		515	629
Other operating expenses		78	61
OPERATING PROFIT/LOSS		-4,355	-4,758
Financial revenue		36	15
Financial costs		30	18
FINANCIAL PROFIT/LOSS	*9.3*	6	-3
CURRENT PRE-TAX PROFIT/LOSS		**-4,349**	**-4,761**
PROFIT/LOSS FROM NON-RECURRING ITEMS	*11*	157	348
Tax on profit and deferred taxes	*10.1*	-661	-1,253
Goodwill amortization	*7.1*	204	185
Income from equity affiliates (IEA)	*8.1*	-	-
CONSOLIDATED GROUP PROFIT/LOSS		**-3,735**	**-3,345**
Minority interests		0	-
GROUP SHARE NET PROFIT/LOSS		**-3,735**	**-3,345**

	30/06/18	**30/06/17**
Group share net profit/loss)	-3,735	-3,345
Average number of shares outstanding	12,111,005	10,467,659
Basic and diluted earnings per share (in euros)	**-0.31**	**-0.32**

3 | 3 Statement of Changes in Equity

(in thousands of euros)	Equity	Premiums	Reserves	Profit/Loss	Total Group share	Minority interests	Total Equity
Status as at 31.12.2016	**3,608**	**28,982**	**-24,888**	**-6,258**	**1,445**	**-**	**1,445**
Capital increase	645	4,149	-	-	4,794	-	4,794
Share warrant (BSA) subscription	-	97	-	-	97	-	97
Restatement of treasury shares	-	-	-	-	-	-	-
Change in scope consolidation	-	-	-	-	-	-	-
Allocation of profit/loss	-	-	-6,258	6,258	0	-	0
Change in method	-	-	-	-	-	-	-
Current period net profit/loss	-	-	-	-3,345	-3,345	-	-3,345
Status as at 30/06/17	**4,253**	**33,228**	**-31,146**	**-3,345**	**2,991**	**-**	**2,991**
Status as at 31/12/17	**4,647**	**34,504**	**-31,141**	**-7,335**	**675**	**-**	**675**
Capital increase	1,579	8,048	-	-	9,627	-	9,627
Share warrant (BSA) subscription	-	-	-	-	-	-	-
Restatement of treasury shares	-	-	-19	-	-19	-	-19
Change in scope consolidation	-	-	-	-	-	-	-
Allocation of profit/loss	-	-	-7,335	7,335	0	-	0
Change in method	-	-	-	-	-	-	-
Current period net profit/loss	-	-	-	-3,735	-3,735	-	-3,735
Status as at 30/06/17	**6,227**	**42,552**	**-38,495**	**-3,735**	**6,549**	**-**	**6,549**

At 30 June 2018 DEINOVE's subscribed capital totalled 6,226,593.60 euros, corresponding to 15,566,484 fully paid-up shares, with a unit nominal value of 0.40 euro.

3 | 4 Statement of net cash flow

(in thousands of euros)	***Note***	**30/06/18**	**31/12/17**
Cashflow related to operating activities			
Net profit/loss of consolidated companies		**-3,734**	**-7,335**
Elimination of share of income from equity affiliates		-	-
Elimination of income and expenses with no impact on cash flow, or non-operational		-	-
- Amortization and provisions		703	1,536
- Debt write-offs		-209	-
- Capital gains on sale / disposal of assets		-	-355
Cashflow from consolidated companies		**-3,240**	**-6,154**
Dividends received from equity affiliates		-	-
Change in operating working capital needs		-1,079	-767
(I) Net cashflow from operating activities		-4,319	-6,921
Cashflow related to investment activities			
Acquisition of capital assets	*9.1*	-933	-1,208
Investment grants received		-	-
Disposal of assets		-	-
Changes in financial fixed assets	*9.1*	-3	551
Incidence of change in scope of consolidation		-298	-3,146
(II) Net cashflow related to investment activities		-1,234	-3,803
Cashflow related to financing activities			
Capital increase (reduction) net of costs	*12.1*	8,727	6,561
Share warrant subscription	*12.1*	-	-
Loans issued		2,038	32
Loan repayments	*7.3*	-177	-313
Change in treasury share		-16	4
(III) Net cashflow related to financing activities		10,572	6,284
Cash changes (I) + (II) + (III)		5,019	-4,440
(A) Opening cash position	*9.1*	4,876	9,316
(B) Closing cash position	*9.1*	9,895	4,876
(C) Incidence of change in currency rates		-	-
Cash changes (B)-(A)+(C)		**5,019**	**-4,440**

(in thousands of euros)	***Note***	**30/06/18**	**31/12/17**
TAs (Term accounts)		1,300	2,000
Provision for impairment of marketable securities		-	-
Cash on hand		8,595	2,876
Accrued interest not yet due & Bank overdrafts		-	-
CASH & NET CASH EQUIVALENTS AT CLOSING		9,895	4,876

3 | 5 Notes to the consolidated financial statements

NOTE 1 | GENERAL INFORMATION

The DEINOVE Group consolidating company is DEINOVE, headquartered at Cap Sigma, ZAC Euromédecine II, 1682 rue de la Valsière, 34790 Grabels, France.

Its consolidated financial statements are drawn up in euros, which is the Company's reference currency. Unless otherwise stated, financial information is stated in thousands of euros.

NOTE 2 | KEY EVENTS DURING THE PERIOD

The Company's Combined General Meeting, which met on 23 May 2018, approved the terms and conditions for the transaction involving the contribution in kind of shares, options, and preferential rights in the Austrian company BIOVERTIS, , to DEINOVE, which now has a 100% interest in BIOVERTIS, which itself owns a 100% interest in the German company MORPHOCHEM.

As a result of this takeover, DEINOVE's consolidated financial statements at 30 June 2018 include DEINOVE SA and its three subsidiaries, namely DEINOBIOTICS SAS, BIOVERTIS AG, and MORPHOCHEM GmbH.

NOTE 3 | ACCOUNTING PRINCIPLES

Basis of preparation of financial statements

The consolidated financial statements are drawn up in accordance with generally accepted accounting principles in France, pursuant to the French Committee for Accounting Regulations (CRC – *Comité de Régulation Compable*) Regulation n° 99-02, and amended by CRC Regulation 2005-10 of 3 November 2005 and ANC Regulation 2016-08 of 2 December 2016, in accordance with the principle of caution, and pursuant to the following underlying assumptions:

- independence of financial years;
- consistency of accounting methods from one financial year to the next;
- a going concern basis.

In its consolidated financial statements, the Group applies the preferential methods stipulated under paragraph 300 of CRC Regulation n° 99-02:

- restatement of financial lease agreements,
- provisioning of pension liabilities.

NOTE 4 | SCOPE OF CONSOLIDATION

4.1 Methods and scope of consolidation

The DEINOVE Group's consolidated financial statements include the financial statements for DEINOVE, the DEINOBIOTICS subsidiary, and the two new BIOVERTIS and MORPHOCHEM subsidiaries, over which it exercises sole direct control. These companies are fully consolidated.

Subsidiaries are consolidated from the date control is effectively transferred to the Group instead of being consolidated from their cession or liquidation date.

The list of companies included in the scope of consolidation is detailed here after:

Company	Legal status	Headquarters	% control	Interest rate	Consolidation method at 30/06/18	Consolidation method at 31/12/17
DEINOVE	SA (public limited company)	Cap Sigma ZAC Euromédecine II 1682 rue de la Valsière 34790 Grabels	100%	100%	Parent company	Parent company
DEINOBIOTICS	SAS (simplified joint stock company)	Cap Sigma ZAC Euromédecine II 1682 rue de la Valsière 34790 Grabels	100%	100%	Full consolidation	Full consolidation
BIOVERTIS	AG (public limited company)	c/o Crowe SOT GmbH WP & Stb Schottengasse 10 1010 Vienna Austria	100%	100%	Full consolidation	N/A
MORPHOCHEM	GmbH (limited liability company)	Gmunder straße 37-37 a 81379 Munich Germany	100%	100%	Full consolidation	N/A

All mutual transactions, assets and liabilities as well as significant earnings between the consolidated companies are eliminated.

4.2 Accounts balance sheet date

Group accounts balance sheet date is fixed at 31 December each year.
All Group companies close their accounts at 31 December.

4.3 Goodwill

Goodwill is calculated, when a company joins the scope of consolidation, as the difference between the share acquisition cost and the fair value of the Group's share of the net assets acquired from the subsidiary.

Pursuant to CRC Regulation n° 99-02:

- the fair value assessment of all identifiable items (assets and liabilities) is carried out within one year from the date of closure of the financial period during which the acquisition took place;

- subsidiary acquisition cost are incorporated into the share acquisition cost.

Positive goodwill is recorded as an asset under the heading "Goodwill" and is either amortized over its useful life, which is based on the type of activity, or is not amortized and is, therefore, subject to annual impairment testing when its useful life is unlimited.

Negative goodwill is recorded under liabilities under provisions for liability and expenditures. It is amortized through the profit and loss account based on a provision write-back plan over a period that reflects the assumptions made and the objectives set at the time of acquisition.

The goodwill net book value is reviewed on an annual basis to take into account changes and events which may reduce profitability and the value of the assets in question, in a lasting manner.

Where appropriate, at each closing, the Group assesses the accelerated depreciation of the goodwill allocated to assets to take into account any significant event or circumstances whose impact may reduce the fair value of the corresponding assets to a level below their net book value.

4.4 Comparability of figures

The consolidated financial statements for the period ended 30 June 2018 include DEINOVE, the parent company, and the DEINOBIOTICS subsidiary for the entire half-year, together with the BIOVERTIS and MORPHOCHEM subsidiaries as from 23 May 2018, the date when said companies were acquired.
The financial statements for the periods ended 30 June 2017 and 31 December 2017 only include DEINOVE and DEINOBIOTICS.
The difference in the consolidation scope between both financial years does not enable a comparison between certain balance sheet and income statement items in this report.

NOTE 5 | OPERATING FIGURES

5.1 Operating revenue

The operating revenue for the 1st semester 2018 includes work performed by DEINOVE as part of a research partnership agreement with its SIA partner (Avril, formerly Sofiprotéol) amounting to €16K (compared with €11K at 30/06/17) and a feasibility study amounting to €6K with another company.
The Group received a grant amounting to €678K from Bpifrance in February 2018, which corresponds to the first instalment for the AGIR ("Antibiotics against Resistant Infectious Germs") Project, as part of the call for projects entitled "R&D Projects Strengthening Competitiveness".
The Group also received a €1K CIFRE (Industrial Agreement for Training through Research) grant for one post-graduate at the end of June 2018. Furthermore, the amount of the operating expenses and benefits in kind transferred was €14K.

5.1.1 Operating revenue

(in thousands of euros)	30/06/18	30/06/17
2nd and 3rd instalments (incl. adjust.) / FHR part. agree.	-	31
4th, 5th and 6th instalments (incl. adjust.) / SIA (Avril group) part. agree	16	11
Feasibility study	6	-
OPERATING INCOME	**22**	**42**

5.1.2 Operating grants and other income

Grants received are recorded as soon as the corresponding receivable becomes certain, given the conditions set for obtaining the grant.
Operating grants are recorded under current revenue and take into account, where applicable, the cadence of the corresponding expenses so that the principle of linking expenditure to revenue is adhered to.
Investment grants intended for the acquiring fixed assets are initially recorded under deferred revenue, and then are acknowledged under revenue from non-recurring items in keeping with the amortizations applied to the corresponding fixed assets.

(in thousands of euros)	30/06/18	30/06/17
Operating grants	679	72
Bpifrance grant - Worldwide Innovation Challenge winner / DEINOPLAST	-	60
Bpifrance Grant - R&D Projects Strengthening Competitiveness / AGIR	678	-
CIFRE agreement	1	12
Aid for recruitment	-	0
Other revenue	14	26
TOTAL OPERATING GRANTS AND OTHER REVENUE	**693**	**98**

5.2 Operating costs

The implementation status of subcontracting agreements to third parties for certain research services, as well as the implementation status of external studies undertaken within the research collaboration framework are assessed at each financial year ending so that the cost of services already provided to the Company and/or to the Subsidiaries may be recognized as expenses to be paid, and the cost of services already recorded but not yet undertaken entirely may be recognized as prepaid expenses.

(in thousands of euros)	30/06/18	30/06/17
Purchase of raw materials and other supplies	-	-
Other purchases and external expenses		
External studies, sub-contracting, and scientific consulting	512	794
Supplies	296	251
Rent, maintenance, and servicing costs	383	361
Miscellaneous costs	147	89
Documentation, technological, and seminars	34	12
Fees	480	620
Travelling expenses and assignments	130	105
Total other purchases and external expenses	1,982	2,232
Taxes, duties, and similar levies	56	47
Salaries and wages	1,657	1,303
Social contributions	781	626
Allocation to depreciation and provisions	515	629
Other expenses	78	61
TOTAL OPERATING EXPENSES	**5,070**	**4,898**

The operating expenses at 30/06/18 include those of the DEINOBIOTICS subsidiary and of DEINOVE, as well as a single month of operations for BIOVERTIS and MORPHOCHEM, the two newly acquired companies. Conversely, the data at 30/06/17 relate to DEINOVE and to the DEINOBIOTICS subsidiary only.

The Group's total operating expenses for the 1st semester 2018 amounted to €5,070K, of which 73% were for R&D.

The net variation in operating costs between the 1st semesters 2017 and 2018 amounts to +€172K (+3.5%), and breaks down between two separate items:

- the change in the consolidation scope, including the consolidation of the operating expenses of the BIOVERTIS and MORPHOCHEM subsidiaries as from 23/05/18, which amounted to +€61K (including €47K in "Fees");
- the variation in DEINOBIOTICS and DEINOVE's operating expenses, which amounted to +€111K, i.e. an increase of +2.2%. This +€111K increase is primarily explained by the fact that the Group continued to expand its organisational structure including an average headcount of 62.1 full-time-equivalent (FTE) staff in the 1st semester 2018, compared with 54.5 FTEs in the 1st semester of 2017, while controlling the other operating expenditure items. This was the reason for the +€510K increase in "Salaries and wages & Social contributions", the +€23K increase in "Travelling expenses and assignments", the +€9K increase (mostly in the form of training contributions) in "Taxes, duties, and similar levies", the +€22K increase in "Documentation, technological, and seminars" expenditure, and the -€288K decrease in "External studies, sub-contracting, and scientific consulting", and the -€187K decrease in "Fees" (scientific consultancy including patents, legal and financial advisers, communication agencies, analysts, etc.). The -€115K decrease in the "Depreciation and amortisation charges on fixed assets" item was offset by increases in the "Miscellaneous costs" (+€57K), "Supplies" (+€44K), "Rent, maintenance, and servicing costs" (+€20K) and "Other expenses" (+€16K) items. The Personnel expense item is detailed in Section.6.2 of this report.

5.3 Receivables and Payables

Receivables are assessed at their nominal value. Where applicable, a provision for write-downs is established to take into account any collection difficulties that may occur. Provisions for any likely write-downs are determined by comparing the acquisition value and the probable realizable value. The other receivable comprise the R&D Tax Credit nominal value which is recorded under the Assets for the financial year of acquisition and which corresponds to the financial year during which eligible expenses that lead to the tax credit are incurred.

5.3.1 Details of receivables

(in thousands of euros)	Gross values 30/06/18	Write-down 30/06/18	Net values 30/06/18	Net values 31/12/17
Advances and prepayments	18	-	18	1
RDR to be received	10	-	10	28
Clients	32	-	32	70
Staff-related receivables	9	-	9	14
Other tax receivables	408	-	408	411
Current tax receivable	3,145	-	3,145	2,520
Sundry debtors	0	-	0	6
TOTAL RECEIVABLES	**3,622**	**0**	**3,622**	**3,050**

The Current tax receivable corresponds mainly to the R&D Tax Credit (CIR) in favour of to the Group. As there is no taxable profit and due to the fact that the Group meets the criteria for SMEs within the meaning of Community legislation, this receivable is repayable the year following the year it is recognized.

As such, as at 30/06/18, this Tax receivable is broken down as follows:

- R&D Tax Credit (CIR) for financial year 2017 (request transmitted to the Business Tax Office [SIE]): €2,473K;
- R&D Tax Credit (CIR) estimated for the 1st semester 2018: €641K;
- Tax Credit for Competitiveness and Employment (CICE) for the 1st semester 2018: €31K.

No impairment loss was taken into account for receivables before or during the financial year.

Receivables by maturity at 30/06/18

(in thousands of euros)	Within 1 year	Over 1 year
Advances and prepayments	18	-
RDR to be received	10	-
Clients	32	-
Staff-related receivables	9	-
Other tax receivables	408	-
Current tax receivable	3,145	-
Sundry debtors	0	-
TOTAL	**3,622**	**0**

5.3.2 Details of accruals

(in thousands of euros)	30/06/18	31/12/17
Prepayments	578	473
Deferred charges	-	-
TOTAL ACCRUAL ASSETS	**578**	**473**
Deferred revenue	21	29
TOTAL ACCRUAL LIABILITIES	**21**	**29**

5.3.3 Details and maturity of non-financial liabilities

(in thousands of euros)	30/06/18	31/12/17
Suppliers and related accounts	1,325	1,433
Fixed asset suppliers	198	157
Staff-related payables	783	931
Tax payables	122	142
TOTAL	**2,427**	**2,662**

(in thousands of euros)	Within 1 year	Between 1 to 5 years	Over 5 years
Suppliers and related accounts	1,325	-	-
Fixed asset suppliers	198	-	-
Staff-related payables	783	-	-
Tax payables	122	-	-
TOTAL	**2,427**	**0**	**0**

It should be mentioned that, as at 31/12/17, the Trade Payables includes invoicing outstanding from industrial partner Abengoa for a total of €509K, issued in November 2015.

NOTE 6 | STAFF BENEFITS AND COSTS

6.1 Staff

The average number of staff employed by the Group as Full-Time Equivalent staff totalled 62 at the end of the 1st semester 2018, versus 55 for the 1st semester 2017. The details by staff category are shown in the table hereinafter:

AVERAGE STAFF	1st semester 2018	1st semester 2017	2017
Executives	42	35	38
Supervisors and technicians	-	1	0
Employees	20	18	18
Operatives	-	-	-
TOTAL	**62**	**55**	**56**

The two new entities consolidated in 2018, – BIOVERTIS and MORPHOCHEM – did not have any employees at 30 June 2018.

6.2 Staff Costs

(in thousands of euros)	30/06/18	30/06/17
Staff remuneration	1,657	1,303
Social contributions	781	626
TOTAL	**2,439**	**1,928**

The DEINOVE Group continued to develop its organization and its R&D facilities, with an average of 62 full-time-equivalent staff at the end of the 1st semester 2018 vs. 55 full-time-equivalent at the end of the 1st semester 2017, for the same consolidation scope, namely DEINOVE and DEINOBIOTICS. BIOVERTIS and MORPHOCHEM, which were consolidated at the end of the 1st semester 2018, did not actually have any employees at 30 June 2018.

6.3 Provisions for pensions and assimilated liabilities

Details are given under Note 8.1.1 of the report hereof.

6.4 Option plans

Impact of exercising share warrants (BSA), stock option (BCE), and stock allotment warrants (BAA):
Over the period, share warrant (BSA), stock option (BCE) and stock allotment warrants (BAA) holders may exercise these securities. The date of the accounting entry recorded in the equity of a capital increase subsequent to the exercising of share warrants (BSA), stock option (BCE) or stock allotment warrants (BAA) corresponds to the transaction completion date, which is determined by Article L. 225-149 paragraph 2 of the French Commercial Code. Consequently, the exercise of option plans is recorded under Issue Premiums without waiting for the subsequent intervention of the Board of Directors provided for under paragraph 3 of the same Article, which exists only for the purpose of legally validating the previously-completed transaction by updating the Articles of Association.

It should be noted that the Combined General Meeting held on 3 May 2012 decided to divide the number of share warrants (BSA) and stock option (BCE) issued by the Company, up to this date, by 10. As such, since 3 May 2012, each share warrant (BSA) and stock option (BCE) gives shareholders the right to subscribe a new share.

- **Share warrants (BSA)**

The table hereinafter presents the statement for share warrants (BSA) issued since the inception of the Company, allocated to **natural persons (scientific founder, Director)** and not yet exercised at 30 June 2018, as well as complementary details regarding their status at this date.

BSA	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BSA-B	71,890	-	71,890	0	0	-	30/01/ 18
GM of 30/01/08							
BSA-2008	20,540	-	20,540	0	0	-	27/06/ 18
GM of 27/06/ 08							
BSA-2009	330,000	-	-	330,000	330,000	-	05/05/ 19
GM of 05/05/ 09							
BSA-2010-3	22,500	15,000	-	7,500	7,500	-	22/03/ 20
GM of 27/01/ 10							
BSA-2012-1	61,620	61,620	-	0	0	-	16/02/ 22
GM of 24/09/ 10							
BSA-2013-1	10,100	-	-	10,100	10,100	-	04/07/ 23
GM of 13/05/ 13							
BSA-2015-1 & -2	40,000	20,000	-	20,000	20,000	-	22/09/ 25
GM of 06/05/ 15							
BSA-2016-1	25,000	25,000	-	0	0	-	22/03/ 26
GM of 06/05/ 15							
BSA-2017-2 to -6	98,625	19,725	-	78,900	78,900	-	31/01/ 27
GM of 10/05/ 16							
BSA-2017-8	19,725	-	-	19,725	19,725	-	04/07/ 27
GM of 16/05/ 17							
BSA-Biotics-8 &-11	15,019	-	-	15,019	15,019	-	31/07/ 19
GM of 05/01/ 17							
TOTAL BSA	**715,019**	**141,345**	**92,430**	**481,244**	**481,244**	**0**	

The Board of Directors noted the lapsing of the following warrants at its meeting on 1 February 2018:

- 15,000 BSA-2010-3;
- 20,540 BSA-2012-1;
- 20,000 BSA-2015-2;
- 25,000 BSA-2016-1 .

Further information about the share warrants (BSA) issued by the Company is detailed under section 12.1.3 and in Note 15 of the report hereof.

- **Stock options (BSPCE)**

❖ The table hereinafter presents the statement for stock options (BCE) issued since the inception of the Company, allocated to **natural persons (Director, staff)** and not yet exercised at 30 June 2018, as well as complementary details regarding their status at this date.

BSPCE	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BCE-2008	61,630	-	61,630	0	0	-	30/01/18
GM of 30/01/08							
BCE-2009-1	68,000	32,832	35,168	0	0	-	10 years after allotment
GM of 05/05/09							
BCE-2009-2	25,370	-	25,370	0	0	-	05/05/19
GM of 05/05/09							
BCE-2010-1	37,320	32,730	2,820	1,770	1,770	-	22/03/20
GM of 27/01/10							
BCE-2010-2	43,500	26,604	3,896	13,000	13,000	-	02/12/20
GM of 24/09/10							
BCE-2011-1	22,400	15,900	-	6,500	6,500	-	28/06/21
GM of 24/09/10							
BCE-2012-1 *	25,000	25,000	-	0	0	-	03/07/22
GM of 03/05/12							
BCE-2013-1 *	152,780	152,780	-	0	0	-	07/01/23
GM of 03/05/12							
BCE-2013-2 *	60,000	60,000	-	0	0	-	11/07/23
GM of 13/05/13							
BCE-2015-1	152,780	-	-	152,780	152,780	-	02/02/25
GM of 06/05/14							
BCE-2015-2	25,000	-	-	25,000	25,000	-	02/02/25
GM of 06/05/14							
BCE-2015-3	60,000	60,000	-	0	0	-	02/02/25
GM of 06/05/14							
BCE-2015-4	10,000	-	-	10,000	10,000	-	02/02/25
GM of 06/05/14							
BCE-2015-5	50,000	-	-	50,000	50,000	-	10/11/25
GM of 06/05/15							
BCE-2017-1 to -17	631,202	7,397	-	623,805	623,805	-	31/01/27
GM of 10/05/16							
BCE-2017-18 to -20	116,916	-	-	116,916	116,916	-	04/07/27
GM of 16/05/17							
BCE-2018-1	75,000	-	-	75,000	75,000	-	01/02/28
GM of 04/12/17							
BCE-2018-2 & 3	14,794	-	-	14,794	14,794	-	27/04/28
GM of 04/12/17							
TOTAL BCPCE	**1,631,692**	**413,243**	**128,884**	**1,089,565**	**1,089,565**	**0**	

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

The Company's Board of Directors issued and allocated 75,000 "BCE-2018-1", which were subscribed in full, at its meeting on 1st February 2018.

The Company's Board of Directors issued and allocated 7,397 "BCE-2018-2", and 7,397 "BCE-2018-3", which were subscribed in full, at its meeting on 27 April 2018.

Further information about the stock options (BCE) issued by the Company is detailed under section 12.1.3 and in Note 15 of the report hereof.

- The table hereinafter presents the statement for stock options (BCE) issued since the inception of the Subsidiary DEINOBIOTICS, allocated to **natural persons (Director, staff)** and not yet exercised at 30 June 2018.

BCPCE	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BCE-2012-1 PA of 05/10/12	74,435	74,435	-	0	0	-	05/10/22
BCE-2015-1 PA of 23/12/15	60,095	-	-	60,095	60,095	-	23/12/25
BCE-2015-2 PA of 23/12/15	14,340	-	-	14,340	14,340	-	23/12/25
BCE-2015-3 PA of 23/12/15	5,000	-	-	5,000	5,000	-	23/12/25
TOTAL BCPCE	**153,870**	**74,435**	**-**	**79,435**	**79,435**	**-**	

This subsidiary did not issue any stock options (BSPCE) during the 1st semester 2018.

- **Stock Allotment Warrants (BAA)**

The table hereinafter presents the statement for stock allotment warrants issued an allocated **to natural persons (Director, staff)** and not yet exercised at 30 June 2018.

Stock Allotment Warrants	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapsing on
BIOVERTIS stock allotment warrants GM of 23/05/18	630,712	-	-	630,712	630,712	-	23/05/33
TOTAL STOCK ALLOTMENT WARRANTS	**630,712**	**0**	**-**	**630,712**	**630,712**	**-**	

Further information about the stock allotment warrants (BAA) issued by the Company is detailed under section 12.1.3 and in Section 2.2.1 of the report hereof.

6.5 Remuneration of Directors and Executives (natural persons)

6.5.1 Remuneration of Directors (excluding the allocation of capital instruments and attendance fees)

(in thousands of euros)	1st semester 2018	1st semester 2017
Remuneration of Directors (gross amounts)	261	253

6.5.2 Attendance fees

(in thousands of euros)	1st semester 2018	1st semester 2017
Attendance fees (beneficiaries: members of the Board of Directors)	37	32

NOTE 7 | INTANGIBLE AND TANGIBLE ASSETS

7.1 Goodwill

Principles, rules, and methods applied as regards goodwill are detailed under Note 4.3 of the report hereof.

(in thousands of euros)	Acquisition date	Useful life	Gross values 30/06/18	Accum. Deprec. 30/06/18	Net values 30/06/18	Net values 31/12/17
DEINOBIOTICS	05/01/17	10 years	3,813	567	3,246	3,437
BIOVERTIS	23/05/18	10 years	1,300	14	1,287	N/A
TOTAL POSITIVE GOODWILL			**5,114**	**580**	**4,533**	**3,437**
			-	-	-	-
TOTAL NEGATIVE GOODWILL			**0**	**0**	**0**	**-**

7.2 Intangible assets

Intangible assets are assessed based on their pre-tax acquisition cost which is comprised of the purchase price and incidental expenses but excluding acquisition-related costs.

Depreciation is calculated using the straight-line method.

Intangible assets mainly comprise operating/consortium agreements amortized over a 5-year period, licences and patents (20-year period), and software. For the latter, the Company changed the method it uses on 1st January 2017: software acquired since this date is now amortized on its useful life, whereas before; a standard 12-month period was used.

GROSS VALUES (in thousands of euros)	Gross values at 31/12/17	BIOVERTIS and MORPHOCHEM Integration	Acquisitions	Disposals /Transfers	Gross values at 30/06/18
Set-up fees	-	-	-	-	0
Research costs	-	-	-	-	0
Concessions, patents, and licenses	698	-	-	-	698
Software	464	-	6	-13	483
Lease rights	-	-	-	-	0
Advances and prepayments on intangible assets	-	-	193	-	193
TOTAL INTANGIBLE ASSETS	**1,162**	**0**	**199**	**-13**	**1,373**

DEPRECIATION (in thousands of euros)	Deprec at 31/12/17.	BIOVERTIS and MORPHOCHEM integration	Allocations	Write-backs	Deprec. at 30/06/18
Set-up fees	-	-	-	-	0
Research costs	-	-	-	-	0
Concessions, patents, and licenses	601	-	4	-	605
Software	393	-	22	1	415
Lease rights	-	-	-	-	0
TOTAL INTANGIBLE ASSETS	**995**	**0**	**26**	**1**	**1,020**

7.3 Tangible assets

Tangible assets are assessed on their acquisition cost or on their production cost per undertaking, given the expenses required to make these assets available, and after deducting trade rebates, discounts and cash discounts granted.

Since 1st January 2009, small laboratory equipment with a low unit value is deemed a fixed asset whenever the importance of the investments for the first equipment, for this type of material, recorded on a financial year, justifies this. Expenditure for subsequent renewals are recorded directly under expenses.

Depreciation is calculated using the straight-line method, based on the following periods:

Assets	Period	Method
Equipment and tooling	3 to 5 years	Straight-line
Small laboratory equipment	3 years	Straight-line
Office equipment and computer hardware, small furniture	3 years	Straight-line
General facilities, fixtures and various amenities	10 years	Straight-line
Furniture	10 years	Straight-line

Details of tangible assets at the end of the 1st semester 2018

GROSS VALUES (in thousands of euros)	Gross values at 31/12/17	BIOVERTIS and MORPHOCHEM integration	Acquisitions	Disposals / Transfers	Transfers / Flows	Gross values at 30/06/18
Land	-	-	-	-	-	0
Constructions	-	-	-	-	-	0
Tech. facilities , ind. equipment & tooling	5,132	1	505	4	99	5,734
Other tangible assets	532	3	61	-	-	596
Tangible assets in progress	99	-	196	-	-99	196
Advances and prepayments on tangible assets	-	-	-	-	-	0
TOTAL TANGIBLE ASSETS	**5,764**	**4**	**762**	**4**	**0**	**6,526**

DEPRECIATION (in thousands of euros)	Deprec. at 31/12/17	BIOVERTIS and MORPHOCHEM integration	Allocations	Write-backs	Deprec. at 30/06/18
Land	-	-	-	-	0
Constructions	-	-	-	-	0
Tech. facilities , ind. equipment & tooling	3,555	0	428	4	3,980
Other tangible assets	165	3	32	0	201
Tangible assets in progress	-	-	-	-	0
Advances and prepayments on tangible assets	-	-	-	-	0
TOTALTANGIBLE ASSETS	**3,720**	**4**	**461**	**4**	**4,181**

The share of assets financed through leasing is detailed hereinafter:

(in thousands of euros)	Gross values at 30/06/18	Cumul. deprec. at 30/06/18	Net values at 30/06/18
Land	-	-	0
Constructions	-	-	0
Tech. facilities , ind. equipment & tooling	1,599	1,022	577
Other tangible assets	-	-	0
Total assets financed through leaseing	**1,599**	**1,022**	**577**

The figures in the table above are only related to two five-year leasing agreements, concluded during Q4 2015 for financing the acquisition of scientific equipment, i.e. high-throughput screening platform and a set of fermentation tanks.

NOTE 8 | OTHER PROVISIONS AND CONTINGENT LIABILITIES

8.1 Other provisions

Pursuant to CRC Regulation 2000-06 on liabilities, provisions recorded at accounting period end are intended to cover the risks and expenditure which may occur as a result of past or current events, which are clearly defined but whose outcome, timing and/or amount remain uncertain.

8.1.1 Pension liabilities

The amounts of future payments that correspond to benefits granted to employees are assessed based on actuarial method, where assumptions related to trends in salaries, retirement age and mortality are taken into account, then these assessment are written down to their current value.

Group employees receive retirement benefit under the term of the collective agreement applicable.

Based on an actuarial assessment, the amount of this commitment totalled €144K at 30/06/18..

The actuarial method applied for this assessment is the “pro rata temporis retrospective method”.

Economic assumptions:

- Discount rate (1.45%)
- Salary growth rate (2.00%)
- Employer social contribution rate:
    - DEINOVE: Executives: 47.72%; Employees, Technicians, and Supervisors: 45.24%
    - DEINOBIOTICS: Executives: 43.80%; Employees, Technicians, and Supervisors: 40.90%

Demographic assumptions:

- Mortality tables (INSEE 2010-2012 regulatory table)
- Type of retirement (at the employee's initiative)
- Retirement age (67 years old)

Actuarial gains / losses are amortized under future expenses over the employees' estimated average remaining working life.

8.1.2 Details of provisions for risks and charges

(in thousands of euros)	30/06/18	31/12/17
Provision for taxes	53	69
Provision for retirement benefits	144	116
Prov. for investment in associates	-	-
Provision for other risks & expenditure	-	-
Total Provisions for Risks & Charges	**197**	**185**

(in thousands of euros)	Provision 31/12/17	BIOVERTIS & MORPHOCHEM integration	Allocations	Write-backs	Provision 30/06/18
Provision for taxes	69	-	-	16	53
Provision for retirement benefits	116	-	28	-	144
Prov. for investment in associates	-	-	-	-	-
Provision for other risks & expenditure	-	-	-	-	-
Total Provisions for Risks & Charges	**185**	**0**	**28**	**16**	**197**
Operating profit/loss	-	-	28	-	28
Financial profit/loss	-	-	-	-	-
profit/loss from non-recurring items	-	-	-	16	-16

A total of €53K exists under Balance Sheet Liabilities for Provisions for Risks and Charges. This comes from a provision related to a technical point of a tax and payroll nature. Provision totalled €69K end 2017, and a €16K provision reversal was recognised in the 1st semester 2018.

8.2 Contingent liabilities

Contingent liabilities relating to business agreements

Research Partnership Agreements with Insatransfert-SAIC:

On 18 February 2010, DEINOVE concluded a Partnership Agreement with the INSA to execute a collaborative research programme with the Laboratoire d'Ingénierie des Systèmes Biologiques et des Procédés (Biological Systems and Processes Engineering Laboratory) (LISBP - Toulouse) to study the conditions for growth and the fermentation profile of Deinococcus, within the framework of the DEINOL project. An Operating Agreement on the findings of this programme was concluded on 3 March 2010 between the INSA and DEINOVE, in which the INSA grants DEINOVE an exclusive worldwide licence for the commercial use of the findings from the collaborative research programme. In return, the INSA will receive royalties based on DEINOVE's future revenue when it commercializes the findings concerned.

Research Partnership Agreements with the CNRS and Montpellier 1 University:

On 15 February 2010, DEINOVE concluded an Operating Agreement with the CNRS and Montpellier 1 University (UM1) on the findings of the cooperative laboratory established with these research bodies from 1st May 2008 to 30 April 2010, and in particular on the knowledge that was the subject of five patent applications held jointly by the three partners. The CNRS and the UM1 granted an exclusive worldwide licence for the use of these findings, for commercial purposes, in the fields of cooperation, for a fee in the form of a one-time payment and royalties based on DEINOVE's future revenue.

On 15 July 2010, DEINOVE, the CNRS and Montpellier 1 University concluded a Partnership Agreement to undertake joint work as part of the DEINOL project. This 36-month partnership agreement, beginning on 28 February 2010, is consistent with the cooperative laboratory, following the regrouping of DEINOVE staff at its Cap Alpha research facilities on 15 July 2010. The operating terms and conditions of the Agreement concluded on 15 February 2010 also apply to this partnership.

Partnership Agreement with Avril:

On 22 September 2014, DEINOVE announced the conclusion of a 3-year partnership agreement with SOFIPROTÉOL (now known as AVRIL) focusing on the development of a process for producing natural additives for animal feed.

On 19 May 2015, the two partners announced that they had successfully completed the 1st milestone of the project, consisting in selecting 20 bacterial strains from the DEINOVE strain bank for producing compounds of interest for animal feed. The 2nd milestone, to characterize and test these compounds to assess their commercial potential, was successfully completed in April 2017. The 3rd milestone of the project, which has been underway since early 2017, consists in the final strain choice, and in testing the various production options with a view to industrializing and marketing a range of feed ingredients for livestock.

The other contingent liabilities are detailed under Note 9.2 of the report hereof.

NOTE 9 | FINANCING AND FINANCIAL INSTRUMENTS

9.1 Financial assets

9.1.1 Equity interests and related receivables

The gross value of the securities corresponds to the amounts paid for the equity interests in companies excluded from the scope of consolidation due to the fact that the Group has no control over the companies.

When the inventory value is less than the gross value, a provision for depreciation is created to cover the difference.

Inventory values at each financial year ending are determined independently for each line of securities. Except in exceptional circumstances, they are deemed at least equal to the book equity share that corresponds to the equity held. Whenever this share is less than the gross value, an estimation of the equity interest value is determined by taking the equity potential for development into account, by applying assessment methods which are founded, in particular, on cashflow forecasts using the estimated weighted average cost of equity for the activity in question.

GROSS VALUES *(in thousands of euros)*	Gross values at 31/12/17	BIOVERTIS & MORPHOCHEM integration	Acquisitions	Disposals / Transfers	Gross values at 30/06/18
Equity interests	0	-	-	-	0
Other equity interests	0	-	-	-	0
Deposits and sureties	93	-	-	0	93
TOTAL	**93**	**0**	**0**	**0**	**93**

IMPAIRMENT *(in thousands of euros)*	Gross values at 30/06/18	Provisions at 30/06/18	Net values at 30/06/18
Equity interests	0	-	0
Other equity interests	0	-	0
Deposits and sureties	93	-	93
TOTAL	**93**	**0**	**93**

No movement in provision was taken before or during the financial period.

9.1.2 Other financial assets

Other financial assets included Assets at 30 June 2018 comprised deposits and sureties totalling €93K, almost entirely related to the Cap Sigma (Grabels) premises.

9.1.3 Cash & cash equivalents

Cash on hand corresponds to liquidity.

The Group invests a percentage of its liquidity in open-ended investment schemes (SICAVs) or in term accounts. These investments do not pose any significant risk of impairment loss and are realizable in the short-term, which justifies the fact that they are recorded as cash equivalents.

(in thousands of euros)	30/06/18	31/12/17
TAs (Term accounts)	1,300	2,000
Cash instruments	-	-
Cash on hand - current accounts	8,595	2,876
Cash on hand - cash	-	-
CASH & CASH EQUIVALENTS	**9,895**	**4,876**

The cash position at 30/06/18 is the position for DEINOVE and its three subsidiaries. Conversely, the data at 30/06/17 relate to DEINOVE and to its French DEINOBIOTICS subsidiary.

At 30/06/18, the Group did not hold any term account, which through its maturity date could be recorded under Cash Instrument. .

9.2 Financial liabilities

Bank overdrafts are recorded under Loans and financial liabilities within one year.

Loans are assessed at their nominal value. Loan issue costs are immediately recorded under expenses. Accrued interest is recorded under Liabilities, at the interest rate provided for in the agreement.

The share of advances received from public bodies for the financing of research activities, regardless if their repayment is conditional or not, is recorded under Liabilities under the heading "Loans and financial liabilities".

Details of financial liabilities

The purchase of the two BIOVERTIS and MORPHOCHEM entities had no impact on financial liabilities at 30/06/18.

(in thousands of euros)	30/06/18	31/12/17
Conditional advances	11,025	9,472
Non-conditional advances	722	500
Financial liabilities from financial lease agreements	482	618
Bank overdrafts	-	-
TOTAL	**12,228**	**10,590**

The Group's Financial liability maturities at 30/06/18 are as follows:

(in thousands of euros)	Within 1 year	Between 1 to 5 years	Over 5 years
Conditional advances	-	-	11,025
Non-conditional advances	176	546	-
Financial liabilities from financial lease agreements	242	240	-
Bank overdrafts	-	-	-
TOTAL	**418**	**786**	**11,025**

9.2.1 Repayable advances

The share of advances received from public bodies for the financing of the Company's research activities, the repayment of which is conditional, is shown in Liabilities under "Conditional advances" in the Other Shareholders' Equity heading.

The portion of said advances that is repayable with no conditions is included under the "Loans and Financial liabilities - Other" balance-sheet heading.

Project - Source of financing *(in thousands of euros)*	**Balance 31/12/17**	**Movement during the 1st semester 2018**				**Balance 30/06/18**
		First-time consolidation	**New advances received**	**Repayments or transfers**	**write-off of debt**	
DEINOL - Oséo ISI Programme	4,265	-	-	-	-	4,265
DEINOCHEM - ADEME & Investments for the Future	4,735	-	95	-	-	4,830
THANAPLAST™ - Oséo ISI Programme*	209	-	-	-	209	0

DEINOBIOTICS - Oséo, L-R Region & FEDER	262	-	-	40	-	222
Innovation Aid - Lille Europ. Metropol. Community	110	-	-	-	-	110
Innovation Aid - Nord Pas-de-Calais Region	117	-	-	-	-	117
Innovation Aid - Minist. Eco., Indus. and Digital	273	-	-	-	-	273
AGIR - Bpifrance & PSPC	-	-	1,929	-	-	1,929
REPAYABLE ADVANCES (NET)	**9,972**	**0**	**2,024**	**40**	**209**	**11,747**
Of which: minimum repayable	*500*					*722*

**Led by Carbios*

i. For its DEINOL project, the Company received an aid from Oseo Innovation – ISI Programme, comprising repayable advances, for a total amount of €4M, and €2M in grants, instalments were spread over 50 months between 2010 and 2014. The aids are made available progressively as the project is implemented and when DEINOVE transmits reports to Oseo concerning the finalization of each of the four key milestones.

Completing each key milestone and satisfying the related conditions of the Aid Agreement makes the Company eligible for the following aids:

(in thousands of euros)	2010	2011	2012	2013	2014	Total
Grants	498	632	576	0	301	2,007
Repayable advances	903	1,093	984	426	601	4,008
TOTAL	**1,401**	**1,725**	**1,560**	**426**	**902**	**6,015**

In July 2010, the Company received the amounts expected for the 1st payment, i.e. €1,401K. In May 2011, as a result of successfully completing key milestone 1, the Company received €632K in grants and €947K in repayable advances, totalling €1,579K. A figure slightly below that expected, with a difference of -€146K, as the expenses required to complete this milestone proved lower than the original budget submitted to Oseo.

In March 2012, the Company submitted a summary statement of expenditure, for the period ended on 28.02.12, to Oseo. In light of the success of key milestone 2, in August 2012, the Company received €1,152K (grant share: €383K; repayable advance share: €769K) of the €1,560K expected, as expenses for this milestone were lower than expected.

It is also stated that in return for this aid, the Company made a commitment to pay Bpifrance (formerly Oseo Innovation), a percentage of its annual revenue derived from the commercialization of the processes and technologies developed within the framework of this project, from 2017, for a maximum of 9 years. The repayment total, capped at a certain amount, could exceed the total amount of advances received.

In January 2014, the Company announced that it had produced ethanol at 9%, using Deinococcus bacteria, and thus illustrated the technological and economic viability of its production process.

On 3 June 2014, the Company announced that it had concluded a partnership agreement (for a maximum period of 36 months) with the Abengoa Group, one of the world's leading bioethanol producers, with which it pursued the DEINOL project, focusing on the production of 2nd generation ethanol, with the reaffirmed support of Bpifrance. For strategic industrial reasons, Tereos decided not to involve itself further in the DEINOL project. Consequently, in agreement with Tereos and Bpifrance, DEINOVE welcomed Abengoa as the new industrial partner for the DEINOL project. This change in partner meant that certain terms of the aid agreement had to be modified, i.e. the definition of the last two key milestones, the schedule for paying the grant amounts and related repayable advance, and potential financial returns for Bpifrance if the project was successful, acknowledged by written riders to the Framework and Beneficiary Agreements, concluded on 9 January 2015.

Pursuant to the terms of the rider to the Framework Agreement, the schedule for payments as well as the repayable advances and grant amounts were, as such, amended (the amounts for 2010, 2011 and 2012 represent the actual amounts paid by Bpifrance to DEINOVE):

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

In April 2015, the Company submitted a summary statement of expenditure to Bpifrance, for the period ended on 28.02.15, and relating to key milestone 3. Bpifrance notified the Company, by letter dated 3 July 2015, of the successful completion of the 3rd and penultimate milestone of its DEINOL project, thus validating the work undertaken on DEINOVE's platform. This progress triggered the payment of €1,242K (repayable advance share: €1,006K, grant share: €236K) by Bpifrance.

In March 2016, the Company submitted a request to postpone the end of the programme by 4 months to Bpifrance. By letter dated 15 March 2016, Bpifrance notified its acceptance for this postponement, namely changing the programme end date from 28 February 2016 to 30 June 2016.

In September 2016, the Company submitted a summary statement of expenditure to Bpifrance, for the period ended on 30 June 2016, and a postponement of the end of the programme. The validation of these elements triggered the payment of €948K (repayable advance share: €640K, grant share: €309K) of the aid balance by Bpifrance in October 2016.

ii. In November 2013, the ADEME informed the Company that it had been granted €5,919K aid for the DEINOCHEM project, to implement a research demonstrator, at the end of a 42-month period, to develop the production of at least two isoprenoid compounds from a model substrate. This aid, provided exclusively as repayable advances, falls under the Programme des Investissements d'Avenir (Investments for the Future Programme) managed by the French National General Commission for Investment (CGI). The 1st tranche, for a total of €1,480K was made in April 2014. The following payments were to be released as the project progressed and when the Company transmitted reports concerning the finalization of the 3 predefined key milestones to the ADEME. As such:

- In December 2014, the Company submitted a summary statement of expenditure to the ADEME, for the period ended on 31 October 2014, and relating to key milestone 1, which was successfully completed two months earlier than initially scheduled. In light of the success of this milestone, the Company received €991K in the form of a repayable advance, in February 2015.

- In April 2016, the Company submitted a summary statement of expenditure to the ADEME, for the period from 1st November 2014 to 31 December 2015, relating to key milestone 2. In light of the success of this milestone, the Company received €1.477K in the form of a repayable advance, in June 2016.

- In October 2016, the Company submitted a summary statement of expenditure to the ADEME, for the period from 1st January to 30 November 2016, relating to key milestone 3. In light of the success of this milestone, the Company received €787K in the form of a repayable advance, in December 2016.

- In October 2017, the Company submitted a summary statement of expenditure approved at 30 September 2017 and a programme completion report to ADEME, relating to key milestone 4. The validation of this information triggered the payment of the balance of the aid by Bpifrance, i.e. €95K in the form of a repayable advance, in February 2018.

iii. In July 2012, Oseo Innovation – ISI Programme notified the Company that it had been granted €333K of aid for the THANAPLAST™ collaborative project, led by Carbios. This project focuses on developing cutting-edge technology and processes for recycling plastic waste and for producing industrial high-performance plastics, from renewable raw materials, that are competitive and have a controlled-lifecycle.

This aid is made up of grants and repayable advances. The schedule of payments as provided for by the Aid Agreements is as follows:

(in thousands of euros)	2012	2013	2014	2015	2016	2017	Total
Grants	105	0	0	0	0	19	124
Repayable advances	0	177	0	0	0	32	209
TOTAL	**105**	**177**	**0**	**0**	**0**	**51**	**333**

The payment of the 1st tranche of the grant share, totalling €105K, was made in December 2012. In September 2013, following Bpifrance's acknowledgement of the fulfilment of the first milestone of the THANAPLAST™ project, the Company received the full amount provided for under the agreement for this instalment, i.e. €177K in the form of a repayable advance.

CARBIOS, the consortium leader, announced in December 2014, November 2015 and December 2016, the completion of the 2nd 3rd and 4th key milestones of the THANAPLAST™ project respectively.

In December 2017, Carbios presented the project completion report, and the expenditure relating to the programme to Bpifrance. The approval of this information triggered the immediate payment by Bpifrance of the balance of the aid to each partner, i.e. €51K for DEINOVE (repayable advance portion of €32K, and grant portion of €19K). Following a request from Bpifrance, the Company forwarded an acknowledgement of failure, in order to determine the repayment amount due. Bpifrance recorded the acknowledgement of technical failure, and informed the Company that it was waiving a receivable amounting to €209K in a letter dated 29 January 2018.

iv. In September 2010, Oseo Innovation notified the Company that it had been granted €700K aid for the DEINOBIOTICS collaborative project, relating to the "identification and production of new antibiotics and antifungal compounds for hospital-resistant infections". This aid was made up half of grants and half of repayable advances. The Company received the 1st instalment of €210K in November 2010. Within the framework of the transaction of nonmonetary contributions of intangible assets that the Company made in favour of DEINOBIOTICS, this Oseo aid was transferred to DEINOBIOTICS on 5 October 2012. DEINOBIOTICS, as such, took over the repayment obligations for this aid, i.e. €105K. Subsequent to this transfer, DEINOBIOTICS concluded a rider with the financial institution, Bpifrance (formerly Oseo), for the purpose of modifying the repayment schedules and terms and conditions for the repayable advance. To date, since end 2012, DEINOBIOTICS has received a total of €227K in grants and €227K in repayable advances under this aid agreement. Moreover, it has made partial repayments (mainly on the non-conditional share of the advances, which have been totally repaid) totalling €106K. As at 30/06/18, the conditional repayable advance recorded under the DEINOBIOTICS subsidiary's balance sheet Liabilities totals €222K.

v. At the beginning of June 2015, DEINOBIOTICS and Bpifrance Financement concluded three innovation aid agreements for a total of €500K; the resources are provided by the French Ministry for the Economy, Industry and the Digital Sector, and from Innovation Regional Funds (Nord Pas-de-Calais region and the MEL - Lille European Metropolitan Community). These agreements provide for the repayment of the sum on a quarterly basis from end December 2018 to end September 2022. The special terms and conditions implemented in the agreements mean they can be likened to non-conditional advances and, moreover, it is further stated that the French subsidiary will have no financial interest to pay on these aids.

vi. The AGIR (Antibiotiques contre les Germes Infectieux Résistants [Antibiotics against Resistant Infectious Germs]) Project backed by the DEINOVE Group and the Charles Viollette Institute, was selected by the Investments for the Future Programme, coordinated by the French General Commission for Industry, and run by Bpifrance, as part of the "Structural R&D Projects for Enhancing Competitiveness" call for projects.

This aid consisted of repayable advances amounting to €7.7M, and of grants amounting to €2.7M where the DEINOVE Group was concerned; the payments are spread over 60 months between 2018 and 2023. The subsidies will be released as the project progresses, and as the reports regarding the completion of each of the five key-milestones are forwarded to Bpifrance.

The completion of each key milestone and the fulfilment of the related conditions grant an entitlement to the payment of the following aids, according to the terms of the aid agreement:

(in thousands of euros)	2018	2019	2020	2021	2022	2023	Total
Grants	678	730	901	0	0	409	2,718
Repayable advances	1,929	1,970	1,870	792	0	1,158	7,719
TOTAL	**2,607**	**2,700**	**2,771**	**792**	**0**	**1,567**	**10,437**

The Company received the amounts provided for the 1st payment, i.e. €2,607K, in February 2018.

9.2.2 Leasing agreements

During Q4 2015, the Company concluded two leasing agreements for scientific equipment with Sogelease (Société Générale Group). These agreements, initially concluded for a 3-year term, were renegotiated at the beginning of 2017. This led to the recording of leasing term modification, from 36 to 60 months, through a rider. At 30/06/18, financial liabilities totalling €482K for these agreements, were recorded in the Group's consolidated financial statements.

9.3 Financial revenue and expenses

(in thousands of euros)	30/06/18	30/06/17
Revenue from TAs	8	12
Exchange gains	0	0
Net income from sales - liquidity agreement	28	3
Other revenue	-	-
Write-backs on provisions and financial deprec.	-	-
TOTAL FINANCIAL REVENUE	36	15
Allocation to provisions & financial deprec.	-	-
Financial costs and interests	19	8
Exchange losses	2	3
Loss from sales liquidity agreement	9	3
Other financial costs	-	4
TOTAL FINANCIAL EXPENSES	30	18
FINANCIAL PROFIT/LOSS	**6**	**-3**

Financial profit/loss at 30/06/18 is the income for DEINOVE and its three subsidiaries. Conversely, the data at 30/06/17 relate to DEINOVE and to its French DEINOBIOTICS subsidiary only.

Financial profit/loss for the period, totalling a net amount of +€6K, comprised:

- the profit/loss on transactions that DEINOVE performs on its own securities as part of the liquidity agreement: +€19K;
- financial revenue from term accounts investments (Société Générale): +€8K;
- interest and financial expense relating to the BIOVERTIS entity: -€14K;
- interest charges on leasing-related borrowing : -€5K;
- net gains and losses from foreign exchange transactions: -€2K.

9.4 Risk management policy

The Group's risk management policy and, in particular, operating risk, is explained in detail in the 2017 annual financial report, which is available on the Company's website. Details are also given under section 2.3 of the report hereof.

NOTE 10 | TAX ON PROFIT OR EARNINGS

10.1 Tax on profit and deferred taxation

Deferred tax is calculated and taken into account for each taxable entity, for temporary differences between the book value of the assets and liabilities recorded and their corresponding tax base as well as on tax losses pursuant to the variable carry-forward method.

Deferred tax assets and liabilities are valued based on the expected tax rates for the period during which the asset will be realized and the liability settled, at the tax rate, either in force or coming into force at closing date for the period (28% in France at 30 June 2018). Assets and liabilities are offset by tax entity.

Deferred tax assets are only recorded when it is probable that the Group will record future taxable profits on which unused tax losses may be offset.

Tax assets are not recorded for companies which recorded tax losses over the last financial periods. The likelihood of recovery was estimated as insufficient.

Tax payable / tax income on profit/earnings is analysed as follows:

(in thousands of euros)	**30/06/18**	**30/06/17**
Tax on profit	-661	-1,253
Deferred tax	-	-
TOTAL TAX CHARGE	**-661**	**-1,253**

The tax situation at 30/06/18 in the table above relates to the extended Group, namely DEINOVE and its three subsidiaries. The data at 30/06/17 relate to DEINOVE and to its French DEINOBIOTICS subsidiary.

The Group's tax on profit/earnings amount differs from the theoretical amount which takes into account the tax rate valued at the tax rate applicable in France as a result of the following:

(in thousands of euros)	**30/06/18**	**30/06/17**
Consolidated net profit/loss (before goodwill amortization and EMA)	-3,530	-3,160
Tax recorded	661	1,253
Consolidated profit/loss before tax and goodwill amortization	-4,192	-4,413
Tax rate	*28.00%*	*28.00%*
Theoretical tax income	1,174	1,236
Tax losses carried forward not activated	-1,327	-1,379
Use of losses not activated	-	-
Research Tax Credit	661	1,253
Permanent differences including Tax Credit for Compet. and Employment (CICE)	154	143
Others	-	-
REAL TAX INCOME	**661**	**1,253**

At 30/06/18, the amount of loss carry-forwards available and not recorded for each entity breaks down as follows:

- DEINOVE: base of -€4,292K and tax of -€1,054K;
- DEINOBIOTICS: base of -€420K and tax of -€118K;
- BIOVERTIS: base of -€28K and tax of -€8K;
- MORPHOCHEM: base and tax of €0.

The loss carry-forwards may be used over an unlimited timeframe. Nevertheless, the French Finance Act of 2012 capped the profit attributable annually against previous carried-over deficits at a lump sum of €1M, increased by 50% of the profit exceeding this lumps sum; the fraction not charged can be indefinitely carried-over.

As a result of losses recorded over the last financial periods, deferred tax related to loss carry-forwards were not recorded as their recoverability was not deemed sufficiently likely at the closing date for the period.

10.2 Research Tax Credit

The Company and the French DEINOBIOTICS subsidiary benefit from Research Tax Credit and comply with the criteria for immediate restitution of the credit.

In 2017, DEINOVE and DEINOBIOTICS received payment of the Research Tax Credit for the 2016 financial year, respectively amounting to €1,092K and €339K, i.e. 100% of the amounts requested through the submission of form 2069-A.

Amounts relating to 2017 Research Tax Credit restitution stood at €1,828K for the Company and €645K for the DEINOBIOTICS subsidiary. At the date of the report hereof, the French tax authorities had not transmitted any special information as regards the status of 2017 Research Tax Credit restitution request..

For the 1st semester 2018, the amount of DEINOVE's Research Tax Credit was assessed at €641K. As the amount of the grants received where the DEINOBIOTICS subsidiary is concerned is currently higher than the research expenditure eligible for the Research Tax Credit, no recovery of a receivable has been anticipated. It should be mentioned that invoicing issued to the DEINOBIOTICS subsidiary for R&D services performed during this period were deducted from the eligible expenses for determining the Company's Research Tax Credit. The aforementioned invoicing is recorded, symmetrically and for the same amount, in expenses eligible for determining the DEINOBIOTICS' Research Tax Credit, as the Company is Research Tax Credit-approved for the aforementioned service deliveries.

NOTE 11 | UNUSUAL ITEMS FROM ORDINARY BUSINESS ACTIVITIES

The consolidated profit and loss account non-recurring revenue and expenses include non-recurring items from ordinary business activities, as well as extraordinary items.

The non-recurring items from ordinary business activities are items whose implementation is not related to the Company's day-to-day business, either because their amount or incident is unusual, or because they occur but rarely.

(in thousands of euros)	30/06/18	30/06/17
Non-recurring revenue on management activities	-	-
Income from disposal of asset items	-	509
Grants transferred to profit/loss	-	-
Write-back of non-recurring provisions	16	-
Waiver of receivables	209	-
Other income	49	30
TOTAL NON-RECURRING REVENUE	274	539

Non-recurring expenses on management activities	80	-
NBV from asset items disposed of	-	152
Allocation to non-recurring provisions	-	39
Other expenses	37	-
TOTAL NON-RECURRING EXPENSES	117	191
NON-RECURRING PROFIT/LOSS	**157**	**348**

Non-recurring Revenue and Expenses at 30/06/18 is for DEINOVE and its three subsidiaries. Conversely, the data at 30/06/17 relate to DEINOVE and to its French DEINOBIOTICS subsidiary only.

Non-recurring Profit/loss as at 30 June 2018 primarily consists of:

- A non-recurring expense linked to the payment of an €80K grant to BIOVERTIS by DEINOVE prior to its taking control of that company;
- Non-recurring income of €209K following the waiver of a receivable on the THANAPLAST™ Programme reported by Bpifrance.

DEINOVE had recorded a net gain of €357K in the 1st semester 2017, as the result of selling CARBIOS shares on the market.

NOTE 12 | EQUITY AND EARNINGS PER SHARE

12.1 Equity

12.1.1 Share Capital Structure

	30/06/18	31/12/17
Capital	€6,226,593.60	€4,647,333.60
Number of shares	15,566,484	11,618,334
Nominal value	€0.40	€0.40

At 30 June 2018, the Company's share capital comprised 15,566,484 shares with a unit nominal value of €0.40.

During the 1st semester 2018, the Board of Directors acknowledged the issue of 300,000 new shares through the exercise of BSA-T3 share warrants (Kepler Cheuvreux equity line).

The Combined General Meeting of 23 May 2018 approved the issuance of 500,001 new shares (*see Section 2.2.1 of this report*).

In decisions dated 14 and 19 June 2018, the Chief Executive Officer recorded a capital increase of €1,259,259.60 via the issuance of 3,148,149 new shares (*see Section 2.2.1 of this report*).

A total of 3,948,150 new shares were issued during the 1st semester 2018, i.e. a capital increase of €1,579,260.00.

12.1.2 Share Capital Breakdown

The Articles of Association grant the right to cast two votes for each fully subscribed shares that has been registered for at least two years in the name of the same shareholder. The tables below indicate the percentage of capital and of voting rights held by the main shareholders.

Share capital comprises the 15,566,484 shares with a nominal value of €0.40 at 30 June 2018, which are divided as follows:

Semester ended at 30 June 2018 - undiluted basis

Shareholders	Number of shares	*% held*	Voting rights	%
Truffle Capital-managed funds	1,380,595	*8.87%*	1,828,910	*11.29%*
TVM Capital-managed funds	1,155,617	*7.42%*	1,155,617	*7.13%*
Scientific founders	20,000	*0.13%*	40,000	*0.25%*
Management and Directors	53,990	*0.35%*	88,101	*0.54%*
Floating	12,956,282	*83.23%*	13,090,410	*80.79%*
TOTAL	**15,566,484**	***100.00%***	**16,203,038**	***100.00%***

Financial year ended at 31 December 2017 - undiluted basis

Shareholders	Number of shares	*% held*	Voting rights	%
Truffle Capital-managed funds	1,380,595	*11.88%*	1,893,760	*15.40%*
Scientific founders	20,000	*0.17%*	40,000	*0.33%*
Management and Directors	70,990	*0.61%*	111,291	*0.90%*
Floating	10,146,749	*87.33%*	10,255,627	*83.37%*
TOTAL	**11,618,334**	***100.00%***	**12,300,678**	***100.00%***

The change in total number of shares between 31 December 2017 and 30 June 2018 is detailed under Section 12.1.1 above.

12.1.3 Dilutive financial instruments

- **Equity funding line**

In December 2014, the Company initiated a new medium-term financing solution, in the form of an equity funding guarantee line, in four tranches over 3 years, for a maximum amount of €15M, with Kepler Cheuvreux.

The first tranche (for €3.5M) was issued concurrently to concluding the agreement. Kepler Cheuvreux used this first tranche to subscribe for 500,000 shares, for a total amount of €3.4M net.

In May 2015, the Company issued the second tranche totalling €3.6M, which was to extend over a maximum period of 7 months. Kepler Cheuvreux used this second tranche to subscribe for 600,000 shares, for a total amount of €2.3M net.

By decision dated 28 June 2016, the Board of Directors approved the reactivation of the second tranche issued on 19 May 2015[23], through a rider to the Agreement initially concluded on 1st December 2014 between the Company and Kepler Cheuvreux. By decision dated 9 December 2016, the Chief Executive Officer issued an additional 700,000 second tranche share warrants ("Additional Tranche 2 BSA"), to be totally subscribed by Kepler Cheuvreux. Kepler Cheuvreux used this additional second tranche to subscribe for 700,000 shares, for a total amount of €1.3M net.

In its discussions on 4 July 2017, the Board of Directors decided to use the Thirteenth Resolution voted by the Combined General Meeting of 16 May 2017, and authorised the issuance of the 3rd tranche, amounting to €3.8M. Accordingly, on 8 September 2017, the Chief Executive Officer issued 2,100,000 3rd tranche share warrants to be subscribed entirely by Kepler Cheuvreux.

[23] See the press release dated 15 June 2015

During the 1st semester 2018, the following Kepler Cheuvreux warrant exercises were recognized:

- During its meeting of 1st February 2018, the Board of Directors, in accordance with the delegation of authority granted by the Combined General Meeting of 16 May 2017, acknowledged:

  - A €20,000 capital increase (€80,000 issue premium included) through the issue of 50,000 shares, at a unit price of €1.60, i.e. with a share issue premium of €1.20 per share, issued through the agreement concluded with Kepler Cheuvreux on 1st December 2014;

  - A €20,000 capital increase (€80,000 issue premium included) through the issue of 50,000 shares, at a unit price of €1.60, i.e. with a share issue premium of €1.20 per share, issued through the agreement concluded with Kepler Cheuvreux on 1st December 2014;

  - A €40,000 capital increase (€160,000 issue premium included) through the issue of 100,000 shares, at a unit price of €1.60, i.e. with a share issue premium of €1.20 per share, issued through the agreement concluded with Kepler Cheuvreux on 1st December 2014;

  - A €30,000 capital increase (€120,000 issue premium included) through the issue of 75,000 shares, at a unit price of €1.60, i.e. with a share issue premium of €1.20 per share, issued through the agreement concluded with Kepler Cheuvreux on 1st December 2014;

  - A €40,000 capital increase (€168,000 issue premium included) through the issue of 100,000 shares, at a unit price of €1.68, i.e. with a share issue premium of €1.28 per share, issued through the agreement concluded with Kepler Cheuvreux on 1st December 2014;

    A €40,000 capital increase (€170,000 issue premium included) through the issue of 100,000 shares, at a unit price of €1.70, i.e. with a share issue premium of €1.30 per share, issued through the agreement concluded with Kepler Cheuvreux on 1st December 2014.

- During its meeting of 14 June 2018, the Board of Directors, in accordance with the delegation of authority granted by the Combined General Meeting of 16 May 2017, acknowledged:

  A €24,000 capital increase (€210,000 issue premium included) through the issue of 60,000 shares at a unit price of €3.50, i.e. with a share issue premium of €3.10 per share, issued through the agreement concluded with Kepler Cheuvreux on 1st December 2014;
  - A €16,000 capital increase (€144,000 issue premium included) through the issue of 40,000 shares at a unit price of €3.60, i.e. with a share issue premium of €3.20 per share, issued through the agreement concluded with Kepler Cheuvreux on 1st December 2014.

In the case of the capital increases recorded by the Board of Directors' meeting on 1st February 2018, it is worth noting that the four first exercises recorded occurred between 6 December and 20 December 2017. As the exercise of these warrants could not be recorded during the last meeting of the Board of Directors in the 2017 financial year, it was recorded at the first Board meeting in the following year.

The Company reserves the right to refrain from issuing all of the fourth tranche and/or to initiate other financing transactions.

- **Share warrants (BSA)**

Since its inception, the Group has issued share warrants (BSAs) in favour of natural and/or legal persons, with or without objective-related exercise conditions.

The Company did not issue any share warrants during the 1st semester 2018, and no exercise of share warrants was recorded, except for the exercise of the third tranche share warrants by Kepler Cheuvreux, as part of the equity funding line.

The Board of Directors recorded that the decisions to issue the following had lapsed at its meeting on 1st February 2018:

- the decision to issue 7,500 "BSA-2010-3" taken by the Board of Directors at its meeting on 22 March 2010;
- the decision to issue 7,500 "BSA-2010-3" taken by the Board of Directors at its meeting on 22 March 2010;
- the decision to issue 20,540 "BSA-2012-1" taken by the Board of Directors at its meeting on 6 February 2012;
- the decision to issue 20,000 "BSA-2015-2" taken by the Board of Directors at its meeting on 22 September 2015; and
- the decision to issue 25,000 "BSA-2016-1" taken by the Board of Directors at its meeting on 22 March 2016;

as the recipients had waived their right to subscribe to these warrants.

Meanwhile, the Group's subsidiaries did not issue any share warrants during the 1st semester 2018. Likewise, no warrants were exercised, and no lapsing of warrants was recorded during this period.

- **Stock option (BSPCE)**

Since its inception, the Group has issued stock option (BSPCEs) in favour of natural persons, with or without objective-related exercise conditions.

At its meeting on 1st February 2018, the Company's Board of Directors issued and allocated 75,000 "BCE-2018-1", in accordance with the delegation of authority granted to it by the Combined General Meeting of 4 December 2017 (5th Resolution).

At its meeting on 27 April 2018, the Company's Board of Directors issued and allocated 7,397 "BCE-2018-2 " and 7,397 "BCE-2018-3", in accordance with the delegation of authority granted to it by the Combined General Meeting of 4 December 2017 (5th Resolution).

Furthermore, at its meeting on 27 March 2018, the Board of Directors approved the amendment of the terms and conditions for exercising the "BCE-2017-1", the "BCE-2017-5" and the "BCE-2017-20". Said amendments were submitted for approval at the Combined General Meeting on 23 May 2018.

At its meeting on 3 July 2018 (i.e. after the close), the Board of Directors approved the amendment to the terms and conditions for exercising the "BCE-2017-1 ", the "BCE-2017-2, the "BCE-2017-3 ", the "BCE-2017-6" and the "BCE-2017-20". Said amendments will be submitted for approval at the Company's next General Meeting.

Meanwhile, the Group's subsidiaries did not issue any stock options during the 1st semester 2018. Likewise, no warrants were exercised, and none lapsed during this period.

- **Share Allotment Warrants (BAA)**

The General Meeting of 23 May 2018 issued 8,000,000 Share Allotment Warrants (BAA) granting entitlement to a maximum number of 8,000,000 new ordinary shares in the Company for the benefit of the contributors of shares, options, and preferential rights in BIOVERTIS. These options will be exercisable as long as various key-stages in the development of the drug candidate are reached, as described in Section 2.2.2.1.3 of this report.

- **Share warrants and stock options – synthesis and potential dilution**

As at 30 June 2018, the share warrants (BSA), stock options (BSPCE) and stock allotment warrants (BAA) issued by the Company were divided as follows; the table hereinafter also presenting potential dilution, i.e. assuming all warrants/options are exercised:

Shareholders	BSA subscribed	BCE subscribed	BAA subscribed	Potential dilution
Truffle Capital-managed funds	313,841	-	-	313,841
TVM Capital-managed funds	-	-	6,514,394	6,514,394
Scientific founders	330,000	-	-	330,000
Management and Directors	136,225	497,967	-	634,192
Floating	985,082	591,598	1,485,606	3,062,286
TOTAL	**1,765,148**	**1,089,565**	**8,000,000**	**10,854,713**

The situation at 31 December 2017 was as follows:

Shareholders	BSA subscribed	BCE subscribed	Potential dilution
Truffle Capital-managed funds	313,841	-	313,841
Scientific founders	330,000	-	330,000
Management and Directors	216,765	497,967	714,732
Floating	1,285,082	501,804	1,786,886
TOTAL	**2,145,688**	**999,771**	**3,145,459**

12.1.4 Equity position

It should be noted that as the Company's financial statements for financial year ended on 31 December 2014 recorded equity which fell below one half of the registered capital, the General Meeting of Shareholders was consulted in order to reach a decision as to whether or not the business should continue, pursuant to Article L. 225-248 of the French Commercial Code.

At the General Meeting of 6 May 2015, the shareholders decided not to vote for the early dissolution of the Company. As at 31 December 2015; as Company equity was no longer below one-half of the registered capital, the General Meeting of 10 May 2016 acknowledged that Company equity had been reconstituted. As at 31 December 2017, Company equity remained above one half of the registered capital. This remains the case at 30 June 2018.

12.2 Profit/loss per share

Basic profit/loss per share is calculated by dividing the Group's net profit/loss by the weighted average number of shares outstanding over the period.

Diluted profit/loss per share is calculated by increasing the weighted average number of shares outstanding by the number of shares which would be generated by assuming the conversion of all shares with a potentially dilutive effect..

The Group issued 1,765,148 share warrants (BSAs), 1,089,565 stock options (BSPCEs) and 8.000.000 stock allotment warrants (BAAs) with a potentially dilutive effect.

Notwithstanding, as the Group's net profit/loss is negative, the diluted profit/loss per share is identical to the basic profit/loss per share.

)	30/06/18	30/06/17
Group net profit/loss	-3,735	-3,345
Average number of shares outstanding	12,111,005	10,467,659
Basic and diluted profit/loss per share (in euros)	**-0.31**	**-0.32**

12.3 Distribution of dividends

The Group has not paid any dividends since it was created.

NOTE 13 | OFF-BALANCE SHEET LIABILITIES

Minimum future liabilities related to lease agreements which were ongoing at 30 June 2018 and 2017 (excluding rents of capitalized leases) are as follows:

(in thousands of euros)	30/06/18	30/06/17
Within 1 year	371	366
From 1 to 5 years	93	457
Over 5 years	-	-
TOTAL	**463**	**823**

NOTE 14 | STATUTORY AUDITOR FEES

The amount of the fees paid to the Group's Statutory Auditors for the period between 1st January and 30 June 2018 shown in the income statement was €118K. A breakdown of that amount is provided in the following table:

(in thousands of euros)	**Consolidated half-yearly & annual financial statements**
Scope of the information concerned	DEINOVE SA+ DEINOBIOTICS SAS
Fees for certifying the financial statements	29
Fees for other services than the certification of the financial statements - *due diligence*	41
Fees for other services than the certification of the financial statements - *tax compliance*	48
Total	**118**

NOTE 15 | EVENTS AFTER THE CLOSE

15.1 Legal events

At its meeting on 3 July 2018, the Board of Directors approved the amendment to the terms and conditions for exercising the "BCE-2017-1 ", the "BCE-2017-2, the "BCE-2017-3 ", the "BCE-2017-6 " and the "BCE-2017-20". Said amendments will be submitted for approval at the Company's next General Meeting.

During the same meeting, the Board of Directors authorised the signing of a new regulated agreement with a view to setting up a consulting agreement between the Company and Ultrace Development Partner, the Chief Executive Officer of which is Yannick Plétan, a Director of the Company.

DEINOVE, the sole shareholder in DEINOBIOTICS, recorded the lapsing of 14,340 "BCE-2015-2", and of 3,000 "BSA-2015-3" issued by DEINOBIOTICS on 23 December 2015, via decisions dated 25 September 2018.

At its meeting on 25 September 2018, DEINOVE's Board of Directors recorded Dr Helmut Schühsler's resignation from his office as the representative of TVM Capital, a Director of the Company, with effect as from 15 September 2018. During this meeting, the Board of Directors co-opted Jean-François Labbé as the representative of TVM Capital for the that company's remaining term of office, as a replacement for Dr Helmut Schühsler.

15.2 Research project progress and financing

DEINOVE has received the Award for the Most Innovative Technology for PHYT-N-RESIST® at the annual meeting of the IAR Unit[24]

The IAR Unit is the standard setting Unit for Bioeconomics in France, and is recognised in Europe and internationally. The Unit has over 370 members, from the upstream agricultural sector to the bringing to market of finished products, including farming cooperatives, research institutions and universities, companies of all sizes, and participants in the public sector.

To mark the IAR 2018 24-hour event, DEINOVE received the Award for the Most Innovative Technology for PHYT-N-RESIST®, a breakthrough innovation in active principles of natural origin.

DEINOVE and Univar are the strategic partners for the distribution of PHYT-N-RESIST® in the EMEA Region[25]

DEINOVE has signed a strategic agreement with Univar for the distribution of its PHYT-N-RESIST® anti-ageing active ingredient, its first innovative carotenoid intended for the cosmetics market, in Europe, the Middle East, and Africa.

This collaboration confirms DEINOVE's outsourced marketing strategy. Univar is a global leader in the distribution of ingredients and raw materials, and has a strong presence on the health care and cosmetic products market. DEINOVE is therefore gaining access to a broad customer portfolio.

15.3 Other events

On 2 July 2018, the Company announced the position as at 30 June 2018 of its liquidity agreement with Kepler Cheuvreux, namely 13,458 shares held, and €16,507.52 in the liquidity account.

[24] Press release dated 9 July 2018
[25] Press release dated 13 September 2018

4 | DECLARATION BY THE PERSON IN CHARGE OF THE INTERIM FINANCIAL REPORT

I hereby certify, to the best of my knowledge, that the financial statements presented in this interim financial report for the semester just ended have been drawn up pursuant to the French accounting standards applicable and provide a faithful view of the assets, financial condition and profits/losses of the Company and the consolidated Group of companies. I also certify that the interim activity report (appearing on pages 3 to 16) gives, to the best of my knowledge, a faithful picture of the key events having occurred during the first six months of this financial year and of their incidence on the interim financial statements as well as a description of the main risks and uncertainties for the remaining six months of this financial year.

Emmanuel Petiot
Chief Executive Officer

Head of financial information

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Director of Finance & Administration
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