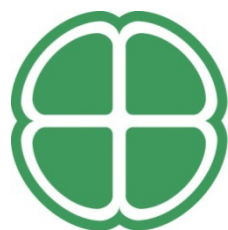


Interim financial report - Half-year 2013



DEINOVE
The deinococcus way

DEINOVE SA with a registered capital of EUR 2,001,174

SIRET 492 272 521 00054

RCS Paris B 492 272 521

22, rue Léon Jouhaux

75010 Paris

Tel.: + 33 1 42 03 27 37

Fax: + 33 1 47 23 54 03

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1 | MANAGEMENT BODIES

1 | 1 Board of Directors

Chairman: Dr. Philippe Pouletty

Directors:

Université Paris V, represented by Professor Frédéric Dardel

Paul-Joël Derian

The company Truffle Capital, represented by Christian Pierret

Rodney Rothstein

The company SAKKAB LLC, represented by Nabil Sakkab

Bruno Weymuller

1 | 2 Management

Chief Executive Officer Emmanuel Petiot

Director of Administration & Finance Julien Coste

Director of Research & Development Jean-Paul Leonetti

Director of Business Development Nagib Ward

Director of Communication Elisabetta Castelli

2 | INTERIM ACTIVITY REPORT

2 | 1 A few words about DEINOVE

A French green technologies company

DEINOVE is a green technologies company dedicated to the development and commercial exploitation of bioprocesses for the production of biofuels and bio-sourced chemical compounds, based on the use of bacteria with exceptional natural properties thus far unexploited – *Deinococci*.

The high-performance, cost-effective, ecological processes developed by DEINOVE pave the way for the production of compounds that are either rare or inaccessible to current chemical and biological processes:

- 2nd generation biofuels (DEINOL collaborative project)
- High added-value biochemical compounds (DEINOCHEM collaborative project)
- new antibiotics (DEINOBOTICS subsidiary)
- enzymes for plastic remediation (THANAPLAST™ collaborative project)

DEINOVE thus intends to contribute to positioning France as the state-of-the-art as regards the challenges facing our planet's future – energy transitions, the arrival of greener, high-performance chemical products, the enhancement of the lifecycle of plastics and the fight against (re)emerging illnesses.

DEINOVE was founded in late 2006 at the joint initiative of Dr. Philippe Pouletty, Managing Director of the venture capital fund Truffle Capital (Paris) and Professor Miroslav Radman (*Grand Prix Inserm 2003*, member of the French *Académie des Sciences*). By discovering the genetic mechanisms behind deinococci's extraordinary biodiversity and their incomparable resistance, Professor Radman initiated an unprecedented industrial approach: deinotechnology.

DEINOVE intends to become an international leader in biotech solutions and 2nd generation plant chemistry, a rapidly expanding industrial market. The Company now has 32 employees. In order to supplement its expertise and the know-how of its Research & Development teams led by Jean-Paul Leonetti (Research Director at the CNRS, seconded), from its very beginnings DEINOVE has forged academic partnerships with the CNRS (Marseilles and Montpellier), INSA Toulouse, the *Institut Necker-Université Paris Descartes*, and in June 2010 concluded a partnership with the VTT (Technical Research Centre of Finland, a world-ranking centre for bioconversion and industrial enzymes). These partnerships give the company access to high-level technologies and researchers across all of the scientific fields required to develop its projects.

The Management of DEINOVE is highly experienced in research, development, finance and business development, and its Scientific Council is internationally renowned. The Board of Directors is very well connected in European and international industrial circles. These resources enable DEINOVE to position its breakthrough technologies within the industrial realities of the present and the future.

It has been Alternext listed since April 2010 (ALDEI – code ISIN FR0010879056).

2.1.2 A proprietary approach

DEINOVE is the only company in the world that exploits the untapped genetic and metabolic potential of *Deinococcus* for industrial purposes. This bacterium, which was discovered by chance in 1956, has exceptional properties that have, as yet, never been commercially developed.

DEINOVE selects bacteria from its 6,000-strain proprietary library that are endowed with industrial-potential properties and combines them using metabolic and genetic engineering to optimize their natural capacities. By doing this, DEINOVE develops a one-of-a-kind intellectual property portfolio and cutting-edge industrial bioprocesses.

DEINOVE currently owns a portfolio comprising 14 patent families (i.e. over 60 international patents) that covers a comprehensive collection of *Deinococcus*, selection methods, strain engineering and culture, as well as a highly diverse range of industrial applications.

2.1.3 A toolkit that centralizes world-class metabolic and fermentation engineering

DEINOVE has developed a proprietary synthetic biology platform which covers all stages, from profiling strains to optimization: automated metabolic engineering, metabolomics, genomics, proteomics, fermentation engineering, and analysis and assessment of biomass.

The natural genetic properties of *Deinococci* mean that DEINOVE can insert, replace and/or increase the gene activity in any targeted metabolic pathway without scarring (there is no vector, no antibiotic marker and no molecular fingerprint of the intervention).

This strategy, which is applied on an original industrial chassis, has already led to a world first – the development of a bi-functional bacterium that is able to digest the cellulosic and hemicellulosic components of biomass and produce ethanol.

2.1.4 Several ongoing research projects, targeting prospective key applications

By associating bacterial engineering and selecting wild strains that are already highly effective, DEINOVE is building a unique position in terms of industrial property and innovative bioproduction processes. DEINOVE intends to develop cutting-edge processes that may be used in applications in a range of key industrial sectors. To address these different markets as effectively as possible, DEINOVE has structured its activity around several projects:

DEINOL collaborative project for producing 2nd generation biofuels

The DEINOL collaborative project aims to initiate the production of cellulosic ethanol (2nd generation ethanol) from deinococci in already-existing industrial facilities by making better use of the input. This project, led by DEINOVE, is organized as a consortium including the industrial partner TEREOS and its subsidiaries BENP Lillebonne and Syral (the French sugar manufacturer that is a leading international producer of ethanol) and two academic partners – the CNRS in Montpellier (together with the University Montpellier 1) and INSA in Toulouse (together with CNRS and INRA). DEINOL has been awarded almost €9M of aid by OSEO-ISI including €6M for DEINOVE.

DEINOCHEM Project

Using screening technology, the DEINOCHEM project aims to identify the *Deinococcus* strains that are the most capable of producing chemical compounds of industrial value, particularly in isoprenoid pathways (isoprene, carotenoids, linalool, geraniol, etc.). These compounds, which at present stem mainly from petrochemicals, are used in a wide range of sectors such as speciality chemicals, animal feed, cosmetics, pharmaceuticals, etc. The ultimate aim is to develop bio-refinery processes that will produce these compounds using biomass with financially competitive yield.

DEINOBIOTICS Project

DEINOVE's third development strand is investigating new antibiotics. DEINOVE's exploratory work on its collection has brought to light the richness and originality of new antibiotic (anti-bacterial and anti-fungal) activities and may provide new therapeutic solutions for treating forms of infectious diseases that are more and more resistant to traditional antibiotics. This development strand is the purpose of the DEINOBIOTICS Project, for which DEINOVE has received financial support from OSEO Languedoc-Roussillon, from the Languedoc-Roussillon Regional Council and from the ERDF. At the pre-clinical stage or early clinical stage, exclusive worldwide licences could be granted for individual products to pharmaceutical groups. In October 2012, and in order to foster the development of this specialized healthcare activity, DEINOVE gave it independence by setting up a dedicated subsidiary company, DEINOBIOTICS SAS, 49% of the capital in which is held by DEINOVE.

THANAPLAST™ collaborative project led by CARBIOS

In late 2012, DEINOVE announced its participation in the THANAPLAST™ collaborative project, led by CARBIOS. THANAPLAST™ is a pioneering European project in the field of plastics engineering. In addition to CARBIOS and DEINOVE, it involves the CNRS, the INRA, the University of Poitiers and two key industrial players: the BARBIER Group and the LIMAGRAIN Group (through its subsidiary ULICE). Over a five-year period, project partners will share their expertise and knowledge to develop innovative solutions for promoting plastics recovery. With an overall investment of €22M, THANAPLAST™ has received €9.6M funding from OSEO (Bpifrance) as part of the ISI (Industrial Strategic Innovation) programme.

2.15 DEINOVE's business model

DEINOVE's business model is that of a tech company that generates its financial added value by selling usage rights to third parties (for individual products and for individual territories) to use its proprietary processes that have been tested up to the fermentation-production-purification pilot at a scale of around one hundred litres.

DEINOVE's industrial property portfolio is already very strong, and will be further extended, protecting the applications that are being sought by the Company in all fields of implementation.

Through the expected success of its DEINOCHEM Project, DEINOVE will benefit from manufacturers' strong demand in this field for competitive, eco-friendly industrial solutions. Global sales of compounds produced from bio-sourced chemicals – which amounted to €135 billion in 2012, or 7.7 % of the total market for chemical products – are expected to reach €340 billion in 2017 (15.4 % of the total). Based on market forecasts for the four products in question, the technologies developed by the DEINOCHEM Project are aimed at a market worth around €4 billion. Early partnerships are envisaged and hoped for, on the one hand to accelerate development of these processes and on the other to secure financial profitability through the implementation of upfront payment systems to guarantee the technology.

In the biofuels sector, DEINOVE will also use a payment model for royalties from the net sales of ethanol generated by its customers using *Deinococcus* strains. The development potential for 2nd generation biofuels is extensive since these are the technologies that will enable the targets put in place by States at global level to be met. In Europe, for example, the goal which involves going from 5% to 10% of ethanol mixed with petrol by 2022 will essentially be met by 2nd generation biofuels, thus representing a potential 6 billion litres or €3.3 billion.

2 | 2 Description of key events and activities at DEINOVE during the first half of 2013 and post period-end

2.2.1 Management and governance

From a legal point of view, the first half of 2013 was marked by the following events:

- The Board of Directors appointed Mr Emmanuel PETIOT as Chief Executive Officer, with effect from 7 January 2013, to replace Mr Jacques BITON, who resigned at that date. Mr Emmanuel PETIOT was formerly Sales Director for North America at Novozymes Inc.. With a solid industrial and commercial background in the fields of chemicals, biofuels, enzymes and micro-organisms acquired at several international groups, Emmanuel PETIOT will work on fulfilling the Company's global ambitions and on confirming its position as a technological leader, in particular by selecting and negotiating new partnerships with industrial players involved in the various markets targeted by DEINOVE.
- Mr Jacques BITON continues to work with the Company and has been appointed as Chairman of the Scientific Committee, with effect from 7 January 2013.
- By a resolution dated 7 January 2013, the Board of Directors, acting by virtue of a delegation of powers decided by the Combined Annual General Meeting of 3 May 2012, decided to issue and allocate to Mr Emmanuel PETIOT 152,780 BCE-2013-1 employee stock options ("*bons de souscription de parts de créateur d'entreprise*") with an entitlement to subscribe 152,780 shares at a unit price of 10.9635537 euros, corresponding to the weighted average of the last five stock market trading sessions prior to the BCE-2013-1 allocation date.
- Mr Philippe DUVAL resigned from his term of office as director on 20 February 2013.
- By a resolution dated 19 March 2013, the Board of Directors recorded a capital increase with a nominal amount of EUR 25,168, bringing the capital from EUR 1,976,006 to EUR 2,001,174, by issuing (i) 61,630 shares at a unit price of €0.40, by exercising 61,630 BSPCE warrants issued by the Board of Directors on 30 January 2008 and (ii) 1,290 shares at a unit price of €8.33, by exercising 1,290 BCE-2010-1 issued by the Board of Directors on 22 March 2010.

2.2.2 Progress made on research projects

During the six-month period, the research teams continued their efforts in three main directions in line with Company strategy:

- Pursuing the optimization and automation of the DEINOVE metabolic and fermentation engineering platform.
- Continuing to improve the yield and productivity of the chassis strain selected for the DEINOL Project, regarding which DEINOVE will be releasing information in the coming weeks.
- Accelerating research into the promising chemical molecules identified by potential industrial partners in the DEINOCHEM Project.

Metabolic engineering platform dedicated to *Deinococcus* bacteria

During the six-month period, DEINOVE has made further progress in mastering and automating metabolic engineering processes aimed at optimizing the *Deinococcus* strains selected for the various research projects. These investments have enabled the conversion efficiency of the bacteria to be significantly increased. A key point that will enable industrial productivity constraints to be met.

In order to do this, the Company hired 4 new employees during the six-month period that will strengthen the teams working on biodiversity (managing the strain library which comprises 6,000 bacteria), genetic, metabolic and fermentation engineering, bio-informatics and biomass.

All these resources enable the extraordinary industrial potential of the *Deinococcus* bacteria to be foregrounded, namely:

- Extraordinary intrinsic properties, both in terms of efficacy and diversity.
- Unprecedented resistance enables them to act at high temperature (45°C) and to resist many inhibitors (toxic products found in industrial facilities which strongly reduce the efficacy of other bacterial processes).
- The ability to modify these strains on request and in a highly stable manner using the tools included in the DEINOVE metabolic engineering platform. Having made these advances, DEINOVE has established a number of contacts with key industry players in biofuels and green chemistry, which should soon lead to the signature of partnership agreements.

DEINOL Project for producing 2nd generation biofuels

The DEINOL research project has continued, with satisfactory results – significant progress was made in June and July 2013, with some fundamental obstacles to moving on the industrial phase being resolved. The goal of a 6 to 8% titre has not yet been formally validated, due to final adjustments to the metabolic pathways involved, but the Company considers that it will be able to achieve this in the very short term.

Consequently, and as planned, the Company has initiated preparatory work for installing a 300-litre pre-industrial pilot at SANOFI that will enable the results obtained to be validated. The pilot will be operational and should produce results by the end of 2013. An industrial pilot of several m³ will then take place, which is already under preparation.

The DEINOCHEM project for developing the DEINOVE bacterial fermentation process in the area of bio-sourced chemistry

As a result of its technological mastery of selection processes and optimising *Deinococcus* strains, DEINOVE is now able to accelerate the development of its bio-sourced production projects with applications in chemicals, cosmetics, animal feed, and advanced fuels.

The DEINOCHEM Project is aimed at producing a wide variety of bio-sourced chemical compounds, such as isoprenoids, carotenoids and certain chemical agents. These are high added-value markets on which industrial players are actively seeking alternatives to petro-sourced products.

Many contacts have been established with stakeholders in the sectors of chemicals, animal feed, and cosmetics since the start of the year, and the Company is confident in its capacity to achieve first-ranking partnerships in the near future.

2.2.3 Sales development

During the first half of 2013, the Company initiated many contacts in order to develop new partnerships both in the field of biofuels and in green chemistry. The position of these discussions remains confidential at this time, as do the identities of the counterparties. However, the Company considers that these discussions should soon lead to contracts, and this will be communicated to investors.

These activities have been supported by the Company's attendance at several fairs such as the *International Fuel Ethanol Expo* (United States) and the *Bio World Congress on Industrial Biotech* (Canada).

- **8 July 2013 – DEINOVE announces the appointment of Nagib Ward to the position of Vice-Chairman in charge of Sales Development.**

A member of the DEINOVE management team, Nagib Ward now has the task of developing new partnerships with industrial players in a number of markets targeted by DEINOVE, in particular in the United States and Canada. He will also be closely involved in positioning DEINOVE on several markets that are now open to the Company. Mr Ward will be based in the United States.

The holder of a Masters in Chemistry and Biochemistry from Northern Michigan University and an MBA from the Graduate School of Management of Marquette University, Nagib Ward is 36 years old. He has just spent 6 years at the NOVOZYMES Group, the world leader in enzymes and micro-organisms, where he held, in turn, various sales and marketing roles in the fields of biofuels, biomass, the food industry and detergents. Prior to that he was R&D Senior Chemist at Appleton Papers Inc.. Nagib Ward has authored several patents and declarations of invention for Novozymes and Appleton. He has received two Appleton Innovation Awards (2004/2005). His technical and sales expertise and experience in launching new products and processes will be key advantages for DEINOVE.

2.2.4. Industrial property rights

- **9 September 2013: DEINOVE confirms the issue of its patent "use of bacteria for the production of bio-energy" for Europe**

DEINOVE announces that notice of issue of its flagship patent EP2209900 was published on 5 June 2013 in the European Patent Bulletin under number 13/23. This invention concerns the original use of *Deinococcus* for producing biofuels (biodiesel and bio-alcohols – ethanol, butanol, butadienol, cellulose biofuels, etc.) and metabolites for industrial use (organic acids, etc).

Having rare genetic and metabolic properties, these bacteria can produce such molecules from plant biomass components that other living organisms are unfamiliar with or unable to process. They can thus convert a large number of raw materials into useful products (straw, wood, forestry and agricultural residues, organic, municipal or industrial waste), and exploit their main components (cellulose, hemicellulose, xylan, xylose, arabinoxylan, starch, glucose, etc.).

This patent is jointly authored by Jean-Paul Leonetti, Director of R&D at DEINOVE and Research Director at the CNRS, Jacques Biton and Ivan Matic, of its Scientific Committee, and Philippe Pouletty, Chairman and co-founder of the Company.

2.2.5 Financial points

- **11 January 2013: Report on the liquidity agreement entrusted by DEINOVE to BIL FINANCE**

Under the liquidity agreement entrusted by DEINOVE to BIL FINANCE, the following items appeared in the liquidity account as at 31 December 2012:

- Number of shares: 4,119 DEINOVE shares
- Balance in cash of the liquidity account: EUR 127,156.97

It should be noted that on the half-year balance sheet as at 30 June 2012, the following items appeared in the liquidity account:

- Number of shares: 1,883 DEINOVE shares
- Balance in cash of the liquidity account: EUR 135,641.23

- **4 July 2013: Report on the liquidity agreement entrusted by DEINOVE to BIL FINANCE**

Under the liquidity agreement entrusted by DEINOVE to BIL FINANCE, the following items appeared in the liquidity account as at 30 June 2013:

- 4,083 DEINOVE shares
- EUR 136,580.10

- **15 July 2013: DEINOVE received €0.9M of R&D Tax Credit (CIR) for 2012**

DEINOVE received €0.9M of R&D Tax Credit for expenditure on research and development during 2012. This amount is in line with the sums initially accrued in the accounts for the fiscal year 2012. The date of payment is an improvement with respect to the 2011 CIR which was only paid in December 2012.

2 | 3 Financial position and results: some comments on the figures

The financial statements of DEINOVE SA as at 30 June 2013 reflect mainly:

- R&D costs maintained at a high level, namely 70% of operating costs. This mainly concerns the continuation of the Company's flagship project, DEINOL, combined with an acceleration of work on the green chemistry project DEINOCHEM. Resources were also devoted to the collaborative project THANAPLAST™ (see section 2.1.4). These various points explain the substantial rise in R&D expenditure that can be observed between the first half of 2012 and of 2013, namely +17%. This comes both from an increase in R&D staff between these two periods (+4 FTEs) and a rise in external expenditure ("associated costs") directly related to these hires.
- Available financial resources have been maintained in the balance sheet assets, enabling the financing of projects in progress to be envisaged until the third quarter of 2014. The Company's net financial position at the end of June 2013 represents assets of €4,074K, as against €6,506K at 31/12/2012, it being stated that the Company also received, in early July 2013, payment for its 2012 R&D Tax Credit in the amount of €932K.

The following table shows key points from the half-yearly results drawn up in accordance with French accounting standards, for the first half-year of fiscal years 2012 and 2013 as well as some financial items from the balance sheet as at 30 June 2013 compared with the balances as at 31 December 2012:

SELECTED FINANCIAL INFORMATION (in thousand euros)	6-month period ending on 30 June	
	2013	2012
Total operating revenues	5	1
Total operating costs	2,626	2,170
<i>Of which R&D costs</i>	1,848	1,582
<i>Of which administrative and general costs</i>	778	588
Operating profit (loss)	-2,622	-2,169
Financial result	55	298
Current pre-tax profit/loss	-2,567	-1,871
Profit/loss from non-recurring items	68	-47
Income Tax (R&D Tax Credit)	-1,208	-516
Profit(loss) for the period	-1,291	-1,402

	as at 30/06/2013	as at 31/12/2012
Net financial position	4,074	6,506
Of which financial investments ¹	3,876	5,106
Of which marketable securities (maturity < 1 year)	0	524
Of which cash instruments (maturity < 3 months)	0	406
Of which cash on hand	315	594
(Of which financial debt)	-118	-125
Total assets	8,371	9,323
Total shareholders' equity	6,960	8,217
Of which equity capital	4,081	5,337
Of which repayable advances	2,880	2,880

¹ Excluding items from the liquidity agreement (liquidities and treasury shares) and deposits & guarantees.

Presentation of Results as at 30/06/2013:

Operating income:

Operating income from the first half of 2013 amounts to €5K, mainly from transfers of operating costs in the amount of €4K.

Net operating costs by type:

OPERATING COSTS BY TYPE (in thousand euros)	6-month period ending on 30 June	
	2013	2012
Purchase of raw materials and other supplies	-1	0
External studies, subcontracting and scientific consultancy	300	313
Supplies	322	167
Rent, maintenance, servicing costs	141	100
Miscellaneous costs	89	112
Documentation, technological monitoring and seminars	10	28
Fees	384	350
Travelling expenses	66	55
Total Other purchases and external expenses	1,312	1,125
Tax, duties and assimilated payments	30	12
Wages and salaries	773	656
Social contributions	307	205
Depreciation charges on fixed assets	179	149
Other expenses	27	23
TOTAL OPERATING COSTS	2,626	2,170

Net variation in *Operating costs* between the first half of 2012 and that of 2013 amounts to +€456K, or +21%. This comes from increases of +17% in *Other purchases and external expenditure* (€1,312K vs. €1,125K) and +26% in other costs (€1,315K vs. €1,045K), in the main comprising personnel costs and depreciation charges.

The variation of +€187K in *Other purchases and external expenditure* relates mainly to two items, with increases of +€155K in *Supplies* (mainly concerning consumables and small laboratory equipment), and +€41K in *Rent, maintenance and servicing costs* (extending rented premises on the Montpellier site; maintenance costs for some scientific equipment). The other differences are significantly lower in absolute values, totalling only -€9K net.

The variation of +€270K on other costs comes essentially from *Wages and Salaries* and *Social contributions*, up by €219K (+4 FTEs; the gradual reduction of the JEI exemption; and variable items [bonus]). *Depreciation charges on fixed assets* has also increased, with a variation of +€30K, the logical consequence of investments in scientific equipment made during last year (and now depreciated over a full half-year) and in the first half of 2013.

During the last six-month period, R&D costs, which essentially include the costs of the staff assigned to these activities, subcontractors, consultancy and scientific collaboration, costs related to protecting the Company's intellectual property rights, costs of equipment and operation of the laboratory at Cap Alpha (Montpellier), represented 70% of operating costs (vs. 73% in the first half of 2012).

Financial result:

(in thousand euros)	6-month period ending on 30 June	
	2013	2012
Financial revenue	63	299
Financial costs	8	1
FINANCIAL RESULT	55	298

The significant reduction in financial result, -€243 K, representing -82%, is the result of considerable changes to each of the items involved, namely:

- The absence of reversals of provisions for depreciation, whereas they amounted to €137K in the first half of 2012 (including €134K relating to bond investments and €3K to the liquidity agreement). As 30/06/13, no provision for the depreciation of financial investments appears in the Company's balance sheet;
- The variation of -€50K in revenue from sales of DEINOVE shares, which amounted to €7K in the first half of 2013, vs. €57K over the same period in the previous fiscal year. This involved the sale of all 12,710 shares still held as at 31 December 2011 under the liquidity agreement with Invest Securities France suspended on 29 November 2011;
- The variation of -€56K in interest received from our bond investments and term deposit accounts, which amounted to €48K in the first half of 2013, vs. €104K over the same period in the previous fiscal year.

Net result:

(in thousand euros)	6-month period ending on 30 June	
	2013	2012
Current pre-tax Profit/loss	-2,567	-1,871
<i>Revenues from non-recurring items</i>	68	1
<i>Expenses from non-recurring items</i>	0	48
Profit/loss from non-recurring items	68	-47
Tax on profit (Tax Credit for Research)	-1,208	-516
PROFIT OR LOSS	-1,291	-1,402

An increase of +€115K in extraordinary income is the result of the following variations:

- Inclusion in the accounts for the first half of extraordinary income of €68K, corresponding to the estimated gross value of a set of second-hand equipment (including a Theonyx robot with a Zymark articulated arm) transferred to the Company free of charge by an industrial group. Extraordinary income in the first half of 2012 amounted only to €1K, thus giving rise to a variation of +€67K.
- No extraordinary expenditure in the first half of 2013. In comparison, over the same period in the previous fiscal year, the Company had set aside a provision of €48K for risks and charges relating to the 2011 R&D Tax Credit, some points of which were contested by the tax administration. Thus giving rise to a variation of +€48K.

Concerning the item "tax on profit", it includes only amounts pertaining to the R&D Tax Credit [*Crédit Impôt Recherche (CIR)*], a measure for which the Company has been eligible since 2008.

The net variation between the first half of 2012 and of 2013 is +€691K, and can be explained as follows:

- The CIR receivable calculated for the first half of 2013 is slightly higher than that of the first half of 2012, the respective amounts being €568K vs. €516K, thus a positive variation of €51K.

- In early July 2013, DEINOVE submitted a request for adjustment to the tax administration relating to the CIR receivables for the fiscal years 2010 and 2011, totalling €658K. A provision was included for this amount, in total and as income to be received, in the accounts closed on 30/06/13, giving rise to a positive variation of +€658K.
- Lastly, in late June 2013, DEINOVE received notice from the tax administration informing it of the final amount of the CIR 2012 claim. It was formally received in early July. The amount of €932K was less than the €951K accrued at 31/12/12, and a provision has been booked in the accounts as at 30/06/13 to reflect this negative variation of -€18K.

Presentation of the balance sheet as at 30/06/2013:

At the end of the first half of 2013, the Company's net financial position amounted to +€4,074K, which gives the measure of the resources available at that date to cover the needs of its R&D projects. This financial position should be compared with the position at 31/12/2012, namely +€6,506K. The change can mainly be explained by the financing of operating costs in the first half of 2013, in the amount of €2,447K (excluding depreciation charges), and investments in laboratory equipment. It should be noted that in the first half of 2013, the Company received no refundable advances or subsidies.

Most available cash resources were invested in different instruments, in particular those described below and categorized under Financial investments:

- €1,250K invested in term deposit accounts with the *Société Générale* bank (maturity August 2015). The aim of these deposits is to obtain a remuneration that is higher than Eonia.
- €2,606K invested in bonds. These bonds, issued by leading industry players and by first-ranking financial institutions, the maturity dates of which are staggered until January 2014, provide a yield indexed on the Euribor that is more attractive than monetary investments. The Company intends to retain them until they mature so that it may benefit from repayment of the nominal.

Liquidity Agreement

It should be noted that the Company had, on 6 June 2012, entrusted to BIL Finance (formerly Dexia Securities France), performance of a liquidity agreement with a duration of 12 months, which was automatically renewable. The sum of €150K was allocated to this. Under the agreement, as at 30 June 2013, the following items appeared in the liquidity account:

- 4,083 DEINOVE shares with a value of €42K;
- €137K available in cash.

Share capital

As at 30 June 2013, the share capital was composed of 5,002,935 ordinary shares with a nominal value of 0.40 euro, following the issue of 62,920 new shares during the first half of 2013, as a result of the exercising of employee stock options and leading to a capital increase of 25,168.00 euros. Note 7 to the half-yearly accounts provides additional information on equity and currently valid dilutive financial instruments following a new issue of employee stock options (BCE 2013-1) decided by the Board of Directors on 7 January 2013.

2 | 4 Main risk factors

The risk factors affecting the Company were presented in Section 4 of the prospectus ["*document de base*"] registered on 25 March 2010 by the *Autorité des Marchés Financiers* (AMF) [French financial markets authority] under number I.10-014.

Since raising funds when initially listed on the stock market, the granting of a number of public aid packages, already received and still to come, has favourably amended some of the risks described in the prospectus, particularly the liquidity risk. The Company considers that it now has the means to finance research projects in progress until the third quarter of 2014. In addition to the €4,074K of positive net financial position as at 30/06/2013, the Company has been refunded an amount of €932K by the tax administration under the relief measure *Crédit Impôt Recherche* 2012. Lastly, the Company has obtained undertakings for refundable advances and grants from public bodies amounting to €1.6M, subject to the fulfilment of conditions precedent related to reaching key milestones in research projects in progress.

The Company reiterates, as indicated in the aforementioned prospectus, that its activities are essentially based on Research and Development operations in biotechnologies, aimed at applications in the fields of biofuels, green chemistry and antibiotics. The success of its projects is thus subject to scientific and technological uncertainties that are specific to this sector, and is also based on its capacity to industrialize the bioprocesses that it develops in a financially viable way.

3 | HALF-YEAR ACCOUNTS SUMMARY AS AT 30 JUNE 2013

3 | 1 Profit and loss account

(in thousand euros)	Note	1 st half 2013	1 st half 2012	Fiscal year 2012
Operating income		5	1	668
Sales of goods				
Purchase of raw materials and other supplies		-1	0	0
Other purchases and external expenses		1,312	1,125	2,291
Tax, duties and similar levies		30	12	30
Salaries and wages		773	656	1,342
Social contributions		307	205	455
Depreciation charges, amortization and provisions		179	149	339
Other expenses		27	23	61
Total operating costs		2,626	2,170	4,518
OPERATING PROFIT/(LOSS)		-2,622	-2,169	-3,850
Financial revenue		63	299	425
Financial costs		8	1	1
FINANCIAL RESULT		55	298	424
CURRENT PRE-TAX PROFIT/LOSS		-2,567	-1,871	-3,426
Revenue from non-recurring items		68	1	544
Expenses from non-recurring items		0	48	1
PROFIT / LOSS FROM NON-RECURRING ITEMS		68	-47	543
Tax on profit (Tax Credit)	11	-1,208	-516	-903
PROFIT OR LOSS		-1,291	-1,402	-1,979

3 | 2 Balance Sheet

Assets

(in thousand euros)	Note	30/06/13	31/12/12
FIXED ASSETS	3		
Intangible fixed assets			
Concessions, patents, licences, software, rights and similar		51	51
Tangible assets			
Technical facilities, industrial equipment and tooling		605	419
Tangible assets under construction		0	123
Other tangible assets		47	47
Financial assets			
Shareholdings and related receivables		633	633
Other equity investments	3	2,606	3,584
Other financial investments		1,544	1,703
TOTAL		5,486	6,559
CURRENT ASSETS			
Receivables	4	2,421	1,665
Advances and prepayment on orders		5	6
Cash instruments	5	0	406
Cash on hand	6	315	594
Prepaid expenses		144	93
TOTAL		2,885	2,764
OVERALL TOTAL		8,371	9,323

Liabilities

(in thousand euros)	Note	30/06/2013	31/12/12
EQUITY	7		
Capital		2,001	1,976
Issue, merger and contribution premiums		10,879	10,868
Regulated reserves			
Carried forward		-7,507	-5,528
Profit or loss for the period		-1,291	-1,979
TOTAL		4,081	5,337
OTHER EQUITY			
Repayable advances	8	2,880	2,880
TOTAL		2,880	2,880
PROVISIONS			
Provisions for liabilities			
TOTAL		0	0
LIABILITIES	9		
Loans and financial liabilities - Others		118	125
Suppliers and related accounts		899	514
Outstanding taxes and related contributions		394	463
Other liabilities		0	4
TOTAL		1,411	1,107
OVERALL TOTAL		8,371	9,323

3 | 3 Statement of Changes in Equity

(in thousand euros)	Share capital	Issue premiums and Warrants	Reserves and carried forward	Profit(loss) for the period	Total allocated to shareholders
Balance as at 01/01/2012	1,957	10,768	-2,251	-3,277	7,197
Allocation of 2011 surplus			-3,277	3,277	0
Capital increase & issue premiums	19				19
Exercising of BSA/BCE		101			101
Profit(loss) for 2012				-1,979	-1,979
31/12/12	1,976	10,868	-5,528	-1,979	5,337
Allocation of 2012 surplus			-1,979	1,979	0
Capital increase & issue premiums	25				25
Exercising of BSA/BCE		10			10
Profit(loss) for the six-month period 2013				-1,291	-1,291
30/06/2013	2,001	10,879	-7,507	-1,291	4,081

3 | 4 Net cash flow tables

(in thousand euros)	Note	1st half 2013	31/12/12
Cash flows from operating activities			
Profit(loss) for the period		-1,291	-1,979
Capital gains on transfers of treasury shares		-7	-79
Extraordinary profit/loss		-68	-543
Amortization		179	339
Depreciation		0	-173
Variation in interest accrued		3	49
Variations in working capital		-490	-888
Net cash flow absorbed by operations		-1,675	-3,275
Cash flows related to investment activities			
Acquisitions of fixed assets	3	-175	-409
Acquisitions of fixed assets (term deposits, liquidity agreement, shareholdings)	3	-446	-424
Redemption of investments at maturity	3	250	1,250
Sales of financial assets	3	1,333	2,706
Net cash flow from (absorbed by) investment activities		962	3,123
Cash flows related to financing activities			
Net income from share issues	7	35	119
Cash receipts from new loans	8	0	769
Loan repayments	8	-8	-30
Net cash flow from financing activities		28	859
Variation in cash flow and cash equivalents		-685	708
Cash and cash equivalents at start of period		1,000	292
CASH AND CASH EQUIVALENTS AT PERIOD-END		315	1,000

3 | 5 Notes to the Accounts

NOTE 1 | THE COMPANY

DEINOVE SA (the "Company") is a green technologies company dedicated to the development and commercial exploitation of innovative processes for the production of biofuels and other products of industrial or pharmaceutical value.

The Company was set up in 2006 in the form of a *Société par Actions Simplifiée* [simplified joint stock company] and was transformed into a *Société Anonyme* [joint stock company] on 27 January 2010.

The Company has been listed on the Alternext market since 27 April 2010. Alternext is an organized market in which there is no obligation to apply IFRS standards. The accounting principles applied are therefore the accounting principles that are generally accepted in France.

NOTE 2 | ACCOUNTING PRINCIPLES, REGULATIONS AND METHODS

The accounting principles and methods selected in preparing the half-yearly accounts comply with French standards, and are unchanged with regard to the methods used to prepare the annual accounts for the fiscal year 2012 described in the Notes to these accounts.

The transactions in this six-month period which call for additional information are the following:

- **Impact of share warrants (BSAs) and employee stock options (BCEs):**

During this period, some holders of BSAs [*Bons de Souscription d'Actions*] or BCEs [*Bons de Souscription de Parts de Créateur d'Entreprise*] exercised these financial instruments. The date at which a capital increase resulting from the exercising of BSAs/BCEs is recorded in the accounts in equity is the date at which the transaction was definitively completed, which is determined by Commercial Code Article L225-149 paragraph 2. Consequently, the exercising of warrants is recorded under Issue premiums without waiting for further intervention from the Board of Directors as provided in paragraph 3 of the same Article, which is aimed solely at legally recording, through the updating of the Articles of Association, a transaction that has been completed previously. It is reiterated that the Combined General Meeting of 3 May 2012 decided to divide by 10 the number of BSAs and BCEs issued by the Company up to that date. Thus, since 3 May 2012, each BSA or BCE gives rise to an entitlement to subscribe 1 new share. Note 7 states that 61,630 BCE 2008 and 1,290 BCE 2010-1 (after dividing the number of BCEs by 10) were exercised during the first half of 2013, leading to the issue of 62,920 new shares, thus a capital increase of EUR 25,168.00.

- **Liquidity agreement and Treasury shares (Other Financial investments):**

Transactions related to the liquidity agreement that the Company has concluded with a financial intermediary are recorded pursuant to Recommendation 98-D released by the Urgent Issues Task Force of the French National Accounting Board (*Comité d'Urgence du Conseil National de la Comptabilité*) and to the French National Auditing Body Bulletin No. 137, dated March 2005:

- treasury shares held are recorded in Other Financial investments – Treasury Shares. A provision for depreciation is recorded by reference to the average listed stock-market price from the month preceding closing if the latter is less than the acquisition price. In order to determine the profit/loss from the sale, the FIFO method is applied.
- cash paid to the intermediary and not yet used is recorded under Other Financial investments – Other Long-term Receivables.

Notes 3 sets out the position of this agreement as at 30 June 2013. Sales of treasury shares performed during the six-month period led to a net capital gain of €7K, recorded as financial revenue.

NOTE 3 | INTANGIBLE & TANGIBLE ASSETS AND FINANCIAL INVESTMENTS

GROSS VALUES (in thousand euros)	Gross value as at 01/01/2013	Acquisitions	Reductions	Gross value as at 30/06/2013
Intangible fixed assets				
Concessions, patents, licences, software, rights and similar	97	4	0	101
Other intangible assets				
TOTAL	97	4	0	101
Tangible assets				
Technical facilities, industrial equipment and tooling	1,077	348	0	1,425
General installations, fixtures and various amenities	28	7	0	35
Office equipment and computer hardware, furniture	69	7	0	76
Tangible assets under construction	123	0	123	0
TOTAL	1,297	362	123	1,536
Financial assets				
Equity interests and related receivables:	633	0	0	633
Other fixed investments	3,584	0	978	2,606
Other financial assets	1,703	446	605	1,544
TOTAL	5,919	446	1,583	4,782
OVERALL TOTAL	7,313	813	1,706	6,419

DEPRECIATION (in thousand euros)	POSITION AND MOVEMENTS DURING THE PERIOD			
	Value as at 01/01/2013	Allocation	Outflows	Value as at 30/06/2013
Depreciable fixed assets				
Intangible assets				
Concessions, patents, licences, software, rights and similar	46	4	0	50
Other intangible assets				
Total	46	4	0	50
Tangible assets				
Technical facilities, industrial equipment and tooling	658	162	0	820
General installations, fixtures and various amenities	5	5	0	10
Office equipment and computer hardware, furniture	45	8	0	54
Total	708	175	0	883
OVERALL TOTAL	754	179	0	934

IMPAIRMENT (in thousand euros)	POSITION AND MOVEMENTS DURING THE PERIOD			
	Value as at 01/01/2013	Allocations	Outflows	Value as at 30/06/2013
Financial assets				
Financial assets				
Long-term securities (bonds)	0	0	0	0
Total	0	0	0	0
Other financial assets				
Liquidity agreement	0	0	0	0
Total	0	0	0	0
OVERALL TOTAL	0	0	0	0

Other fixed assets: in order to optimize remuneration for its cash, the Company had increased its bond investments in 2011 by €1,631K, thus supplementing the €4,395K of bonds acquired in 2010 (following its listing on the stock market). In total, four of these bonds matured during the fiscal year 2012, and the gross value of the portfolio as at 31 December was €3,584K. Two other bonds matured during the first half of 2013. The gross total amounted therefore, as at 30/06/13, to €2,606K.

As a reminder, this concerns first-class listed bonds issued by industrial and financial issuers (Standard & Poor's rating minimum BBB+). These bonds are positioned at maturities going from 2012 to 2014 based on the Company's future requirements. They provide remuneration that is higher than that of traditional money-market investments since indexing on the 3-month Euribor gives rise to a premium. The Company intends to retain them until they mature so that it may benefit from repayment of the nominal by the issuer.

Other financial investments totalling €1,544K in gross value comprise:

- €1,250K invested in term deposit accounts with the *Société Générale* bank (maturity August 2015);
- 4 083 Deinove shares held as equity under the liquidity agreement with BIL Finance, recorded in the accounts with a gross value of €42K;
- An available cash balance under the liquidity agreement of €137K;
- Interest accrued (relating to the bonds and term deposits described earlier) of €20K;
- Deposits and guarantees for lease agreements in the amount of €95K.

Under shareholdings and related receivables, it should be noted that the Company created two subsidiaries during the first half of 2012:

1. The company DEINOCHEM is a *société par actions simplifiée* [simplified joint stock company], with a registered capital of 1,500 euros, headquartered at 22 rue Léon Jouhaux, 75010 Paris, entered on the Paris Trade and Companies Register under number 752 062 471 RCS Paris. Its objects are to implement research, development, production and commercialization activities in France and abroad relating to biotechnologies and in particular on biomass transformation technologies, processes and products.

Its share capital of €1,500 comprises 1,500 shares with a nominal value of 1 euro per share, all fully paid-up and subscribed by the Company.

DEINOCHEM will close its first fiscal year on 31 December 2013.

2. The company DEINOBIOTICS is a *société par actions simplifiée* [simplified joint stock company], with a registered capital of 941,500 euros, headquartered at 22 rue Léon Jouhaux, 75010 Paris, entered on the Paris Trade and Companies Register under number 752 062 471 RCS Paris.

The objects of DEINOBIOTICS are to implement any and all research, development, production and marketing activities in France and abroad of products, technology and services in the field of infectious diseases.

As at 31st December 2012, following contributions in cash and in kind by the Company and by the company Holding Incubatrice Chimie Verte, 51% of its share capital is held by the company Holding Incubatrice Chimie Verte and 49% by the Company.

As at 31st December 2012, the annual accounts for the company DEINOBIOTICS in its first fiscal year showed:

- A loss of €136K;
- Equity of €806K;
- A balance-sheet total of €983K.

3. Lastly, it should be noted that the Company has taken a stake in the share capital of the company **CARBIOS**, a *société anonyme* [joint stock company] with a registered capital of 2,686,667 euros, headquartered at Pépinière d'Entreprises de la CCI du Puy-de-Dôme Parc d'activités du Biopôle Clermont-Limagne, 63360 Saint-Beauzire, entered on the Clermont-Ferrand Trade and Companies Register under number 531 530 228 RCS Clermont-Ferrand.

The objects of CARBIOS are, in particular, to carry out any and all research, development, production and marketing activities in France and abroad pertaining to biotechnologies and in particular biomass transformation and bioremediation technologies, processes and products.

As at 31 December 2012, the Company held 2.81% of the capital of the company CARBIOS.

As at 31 December 2012, the annual accounts of CARBIOS for its first fiscal year showed:

- A loss of €1,604K;
- Equity of €2,590K;
- A balance-sheet total of €4,006K.

On the balance sheet of the company DEINOVE as at 30/06/2013, the total of €633K for these different shareholdings breaks down as follows:

- Deinobiotics SAS: €461.5K
- Carbios SA: €170.0K
- Deinochem SAS: €1.5.K

Since no provision for depreciation has been made regarding the latter, the Net total is equivalent to the Gross total.

NOTE 4 | RECEIVABLES

Half-year ended 30 June 2013

(in thousand euros)	Gross amount	Within a year	Over a year
From fixed assets			
Other financial assets	1,544	15	1,529
Total fixed assets	1,544	15	1,529
From current assets			
Customers and related accounts			
Trade receivables	12	12	0
Tax on profit	2,169	2,169	0
Value added tax	204	204	0
Other taxes and similar payments			
Other receivables	36	36	0
Group and associates			
Total current assets	2,421	2,421	0
TOTAL	3,965	2,436	1,529

Year ended 31 December 2012

(in thousand euros)	Gross amount	Within a year	Over a year
Of fixed assets			
Other financial assets	1,703	8	1,695
Total fixed assets	1,703	8	1,695
Of current assets			
Clients and related accounts	10	10	0
Trade payables	10	10	0
Tax on profit	951	951	0
Value added tax	135	135	0
Other taxes and similar payments			
Other receivables	560	560	0
Group and associates			
Total current assets	1,665	1,665	0
TOTAL	3,368	1,673	1,695

Receivables from tax on profit mainly correspond to the R&D Tax Credit (CIR) acquired by the Company. As there is no taxable profit and due to the Company's "Young Innovative Company" status, this receivable is repayable the year after it is recognized. The balance of receivables from tax on profit of €2,169K as at 30 June 2013 comprises:

- Estimated CIR for the 1st six-month period of 2013: €568K;
- Final R&D Tax Credit for research (CIR) 2012: €932K. CIR 2012, accrued at €951K as at 31/12/12, was recorded as cash flow on 04/07/13, once the tax administration had informed the Company, in a notice dated 24/06/13, of the final amount of €932K. It therefore appears, as a net figure (i.e. adjustments included) in the assets of the balance sheet as at 30/06/13.
- Lastly, in early July 2013, DEINOVE submitted a request to the tax administration for adjustments relating to the CIR receivables for the fiscal years 2010 and 2011, amounting to €658K. This sum, booked overall as Income to be received in the accounts as at 30/06/13, therefore also appears as a Receivable in the assets of the balance sheet.

NOTE 5 | CASH INSTRUMENTS

As at 30 June 2013, the balance of this item is €0K, as compared with €406K on 31/12/12, concerning a term deposit account "Trésor +", held with *Société Générale* bank. Upon maturity, in January 2013, this amount and the corresponding interest were transferred to the Company's current account.

NOTE 6 | CASH AND CASH EQUIVALENTS

This item includes liquidities deposited on demand deposit accounts (held with *Société Générale* and Merrill Lynch), as well as interest accrued to be received and cash on hand.

At the end of June 2013, the Company held €313K in demand deposit accounts, and €2K of interest accrued on term deposit accounts. These figures were respectively €541K and €53K at the end of June 2012.

NOTE 7 | EQUITY

7.1 – Share Capital Structure:

The only capital transactions performed during the period are the result of the exercising of (i) 61,630 employee stock options [*Bons de Souscription de Parts de Créateur d'Entreprise*] (BCE 2008), and (ii) 1 290 employee stock options (BCE 2010-1), which led to a capital increase of 25,168.00 € being recorded through the issue of 62,920 new shares with a nominal value of 0.40 € per share.

Summary:

	30/06/13	31/12/2012
Capital	2,001,174.00 €	1,976,006.00 €
Number of shares:	5,002,935	4,940,015
Nominal value	0.40 €	0.40 €

By type of share:

Until 26 April 2010, the share capital was composed of ordinary (Category B) shares and preferential (Category A) shares. The preferential shares offered their holder the right to benefit from pre-emption and their approval in the event of a sale of ordinary Category B shares, as well as a preferential right in the liquidation surplus.

Since 26 April 2010, following the elimination of the different categories of shares, the share capital is composed solely of ordinary shares.

7.2 – Share capital breakdown

Half-year ended 30 June 2013

The breakdown of the 5,002,935 shares with a nominal value of 0.40 € comprising the share capital as at 30 June 2013 is as follows:

As at 30 June 2012 - non-diluted basis				
Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Funds managed by Truffle Capital	3,015,498	60.27%	5,955,398	74.38%
Tereos EU	120,048	2.40%	120,048	1.50%
Scientific founders	20,000	0.40%	40,000	0.50%
Management and Directors	63,516	1.27%	63,516	0.79%
Floating	1,783,873	35.66%	1,827,814	22.83%
TOTAL	5,002,935	100.00%	8,006,776	100.00%

At 31st December 2012 - non-diluted basis				
Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Funds managed by Truffle Capital	3,209,102	64.96%	6,342,606	77.64%
Tereos EU	120,048	2.43%	120,048	1.47%
Scientific founders	51,500	1.04%	103,000	1.26%
Management and Directors	10,000	0.20%	10,000	0.12%
Floating	1,549,365	31.36%	1,593,237	19.50%
TOTAL	4,940,015	100.00%	8,168,891	100.00%

7.3 – Dilutive financial instruments

- **Share warrants [*Bons de Souscription d'Actions (BSA)*]**

The table below shows the status of BSAs issued since the Company was formed and not yet exercised as at 30 June 2013, as well as additional information on their status at that date.

BSA	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BSA-B GM of 30/01/2008	92,430	-	40,540	51,890	51,890	0	30/01/2018
BSA-2008 GM of 27/06/2008	61,620	-	20,540	41,080	41,080	0	27/06/2018
BSA-2009 GM of 05/05/2009	330,000	-	-	330,000	330,000	0	05/05/2019
BSA-2010-1 GM of 27/01/2010	34,000	-	-	34,000	34,000	0	22/03/2020
BSA-2010-3 GM of 27/01/2010	22,500	-	-	22,500	22,500	0	22/03/2020
BSA-2010-4 GM of 27/01/2010	8,500	-	-	8,500	8,500	0	22/03/2020
BSA-2012-1 GM of 24/09/2010	123,240	20,540	-	102,700	102,700	0	16/02/2022
TOTAL BSAs	672,290	20,540	61,080	590,670	590,670	0	

- **Employee stock options (BSPCE)**

The table below shows the status of BSPCEs issued since the Company was formed and not yet exercised as at 30 June 2013, as well as additional information on their status at that date. Additional information on transactions in the first half of the year is provided below.

BSPCEs	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BCE 2008							
GM of 30/01/2008	61,630	-	61,630	0	0	0	30/01/2018
BCE 2009-1							
GM of 05/05/2009	68,000	32,832	30,068	5,100	5,100	0	10 years after allocation
BCE 2009-2							
GM of 05/05/2009	25,370	-	-	25,370	25,370	0	10 years after allocation
BCE-2010-1							
GM of 27/01/2010	37,320	6,630	1,290	29,400	29,400	0	22/03/2020
BCE-2010-2							
GM of 24/09/2010	43,500	25,000	-	18,500	18,500	0	02/12/2020
BCE-2011-1							
GM of 24/09/2010	22,400	2,900	-	19,500	19,500	0	28/06/2021
BCE-2012-1							
GM of 03/05/2012	25,000	-	-	25,000	25,000	0	03/07/2022
BCE-2013-1							
GM of 03/05/2012	152,780	-	-	152,780	152,780	0	07/01/2023
TOTAL BSPCEs	436,000	67,362	92,988	275,650	275,650	0	

During the first half of 2013:

- 61,630 new shares were issued at a unit price of 0.40 Euro, by exercising 61,630 BSPCEs issued by the Board of Directors on 30 January 2008;
- 1,290 new shares were issued at a unit price of 8.33 Euro, by exercising 1,290 BCE-2010-1 issued by the Board of Directors on 22 March 2010;
- 152,780 BCE-2013-1 warrants were issued and allocated by the Board of Directors on 7 January 2013, giving rise to an entitlement to subscribe 152,780 new shares, at a unit price of 10.9635537 Euros, corresponding to the weighted average over the five last trading sessions of the stock market prior to the allocation of the BCE-2013-1;
- 25,000 BCE-2010-2 having expired were cancelled.

NOTE 8 | REPAYABLE ADVANCES

This item comprises the advances granted by public bodies, repayment of which is predominantly conditional on the success of the project concerned:

- (i) A €100K repayable advance was granted in 2009 by Oseo Île-de-France for the "DEINOL project feasibility study: creation of a bacteria strain libraries, characterization, selection and optimization". DEINOVE received €50K in 2009 and the remaining €50K in 2010. Since the feasibility study was extremely successful, €5K was repaid in 2011 (in 1 instalment), and then €30K in 2012 (5 instalments). During the first half of 2013, €7.5K was repaid in April. The outstanding €57.5K will be entirely repaid by 30th June 2014, according to the following schedule:
 - 2013: €32.5K
 - 2014: €25K.

- (ii) As regards the DEINOPHARM project, in 2009 Oseo Innovation and the Languedoc-Roussillon Region had granted €400K repayable advances for the “extension and screening of a bacteria strain library; identification and characterization of antibiotic molecules”. The first payment of 40% was made in 2009, and an additional €160K was received by DEINOVE in 2010. Payment of the balance, an amount very probably less than the €80K potentially available, will depend on how Oseo deals with the last declaration of expenditure submitted in 2011.

If the project is successful, the whole amount of the advance received will be repaid by 30 September 2016, pursuant to the following revised schedule (established on the basis of the aid total, i.e. €400K).

- 2013: €25K
- 2014: €105K
- 2015: €135K
- 2016: €135K

Conversely, in the event of project failure, the Company will repay a one-time payment of €60K.

Repayable advances related to this aid do not bear interest.

- (iii) The Company obtained from Oseo Innovation - ISI Programme, for the DEINOL Project, aid comprising refundable advances in the amount of €4M, and subsidies amounting to €2M, payments being staggered over 50 months from 2010 to 2014. This aid was suspended upon signature of a consortium agreement between DEINOVE and its partners in the project – BENP-Lillebonne, CNRS and INSA Transfert. The agreement was signed on 30 March 2010. The aid was released as the project progressed, and upon provision to Oseo of reports concerning the finalization of each key milestone, the essential features of which are as follows:
 - prior to 28/02/11 (key milestone 1): development of a wild or modified strain producing ethanol and endowed with hemicellulose or cellulolytic characteristics similar to benchmark micro-organisms;
 - prior to 28/02/12 (key milestone 2): transmission by the consortium of a report dealing with the development of a strain of recombinant *Deinococcus* that digests wheat biomass effectively and produces 3% ethanol;
 - prior to 28/02/13 (key milestone 3): attestation by BENP-Lillebonne (Tereos Group) that it has received a promising strain of *Deinococcus* for the start-up of the industrial pilot;
 - prior to 28/02/14 (key milestone 4): validation of ethanol production within an industrial facility.

Completing each key milestone and satisfying the related conditions makes the Company eligible for the following aid:

(in thousand 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 from the 1st payment, i.e. €1,401K. In May 2011, having successfully completed key milestone 1, the Company received €632K in grants and €947K in repayable advances, totalling €1,579K. A figure slightly below that expected, a difference of -€146K, as the expenditure required to complete this milestone proved lower than the original budget submitted to Oseo.

In March 2012, DEINOVE submitted a summary statement of expenditure, for the period ended on 28/02/12, to Oseo. In the 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 expenditure for this milestone was lower than expected.

In return for this aid, the Company has made a commitment to pay Oseo Innovation a percentage of its annual revenue derived from the commercialization of the processes and technologies developed in the framework of this project, from 2017 and for a maximum of 9 years. The repayment total, capped at a certain amount, may exceed the total amount of advances received.

- (iv) In September 2010, Oseo Innovation notified the Company that it had been granted €700K of aid for the DEINOBIOTICS collaborative project, relating to the identification and production of new antibiotics and antifungal compounds for resistant hospital infections. This aid is made up of half grants and half repayable advances. The 1st tranche was paid in November 2010, in the amount of €210K.

As part of the contributions in kind of intangible assets made by the Company in favour of DEINOBIOTICS, the OSEO aid was transferred to DEINOBIOTICS as from 5 October 2012. DEINOBIOTICS thus took over the repayment obligations for this aid amounting to €105K.

- (v) In July 2012, Oseo Innovation – ISI Programme notified the Company that it had been granted €333K of aid for the THANAPLASTTM collaborative project, led by CARBIOS. This project intends to develop cutting-edge technology and processes that will enable it to produce high-performance industrial plastics that are competitive and have a controlled lifecycle from renewable raw materials.

This aid is made up of grants and repayable advances. The schedule of payments as provided under the aid agreements is as follows:

(in thousand 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

To date, only the 1st tranche of the grant share, totalling €105K, has been paid (December 2012).

NOTE 9 | MATURITIES OF LIABILITIES AT PERIOD-END

Statement of liabilities as at 30 June 2013

Statement of liabilities as at 30 June 2013				
(in thousand euros)	Gross amount	Within 1 year	From 1 to 5 years	More than 5 years
Suppliers and related accounts	899	899		
Personnel and related accounts	197	197		
Social Security, other social organizations	179	179		
Other taxes and similar payments	18	18		
Other liabilities	0	0		
TOTAL	1,293	1,293		

Statement of liabilities as at 31 December 2012

Statement of liabilities as at 31 December 2012				
(in thousand euros)	Gross amount	Within 1 year	From 1 to 5 years	More than 5 years
Suppliers and related accounts	514	514		
Personnel and related accounts	235	235		
Social Security, other social organizations	179	179		
Other taxes and similar payments	49	49		
Other liabilities	4	4		
TOTAL	982	982		

NOTE 10 | CONTINGENT LIABILITIES RELATED TO TRADE AGREEMENTS

Research Partnership Agreements with INSATransfert-SAIC:

On 18 February 2010, DEINOVE concluded a Partnership Agreement with the INSA to execute a collaborative research project 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 project 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 project. In return, the INSA will receive royalties based on DEINOVE's future income 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 1 May 2008 to 30 April 2010, and in particular on the know-how that was the subject of five patent applications held jointly by the three partners. The CNRS and 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 income.

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 Partnership Agreement extended the cooperative laboratory agreement which ended on 30 April 2010 following the grouping of DEINOVE's employees at its Cap Alpha research facility. The operating conditions of the Agreement concluded on 15 February also apply to this partnership.

Research Agreement with Nosopharm:

On 5 November 2010, as part of the Deinobiotics project, DEINOVE concluded an Operating Agreement with Nosopharm, a biotech company specializing in the research and development of innovative therapeutic molecules, in particular anti-infectious molecules, from micro-organisms. Within the framework of this Agreement, Nosopharm takes over part of the work in return for payments in full at the beginning and end of the Agreement. Nosopharm transferred all of its rights to use the findings from this work to DEINOVE.

As part of the contributions in kind of intangible assets made by the Company in favour of DEINOBIOTICS, the operating agreement and any results arising out of this Agreement were transferred to DEINOBIOTICS on 5 October 2012.

NOTE 11 | TAX ON PROFIT

As the Company is showing a deficit, it does not incur tax charges. The amount recorded in the Profit(loss) as tax on profit is income relating to the R&D Tax Credit "*Crédit d'Impôt Recherche*" (CIR). It is divided into three amounts: €567,620 for the amount due in the first half of 2013 (estimated amount); €658,263 for requests for adjustments concerning the CIR receivables for the fiscal years 2010 and 2011; and €18,292 of negative adjustment (cost) relating to the 2012 CIR paid to the Company in early July 2013. The net amount recorded under Income is thus a credit of €1,207,591.

Carried-over tax losses and depreciation that the Company had at 31 December 2012 amount to €12,447K (as a reminder: €9,572K as at 31st December 2011). As regards fiscal year 2012, tax loss amounted to €2,874K. These carried-over tax losses are not time-bound. Nevertheless, the French Finance Act of 2012 capped the profit attributable annually against previously carried-over deficits at a lump sum of €1M, increased by 50% of the profit exceeding this lump sum; the fraction not charged can be carried over indefinitely.

NOTE 12 | ASSOCIATED PARTIES IN THE HALF-YEAR ENDED 30 JUNE 2013

Costs invoiced in the first half of 2013 by consultants holding BSAs amounted to €52.5K. In the same period, DEINOVE recorded a net amount of costs amounting to €27K of directors' fees, paid to Board Members (vs. €61K for the fiscal year 2012). This amount included a total of €5K to Mr Rothstein, a shareholder with a 0.20% stake in the company.

NOTE 13 | COMMITMENTS GIVEN

Retirement payments

Please refer to the Notes to the accounts for the year ended 31/12/2012.

Droit individuel à la formation (DIF) [training entitlement]

Please refer to the Notes to the accounts for the year ended 31/12/2012.

NOTE 14 | STAFF

Average number of staff	30/06/13	31/12/2012
Executives	19	14
Supervisory staff & technicians	2	5
Employees	9	10
Operatives		
Total	30	29

The Company is classed as a Young Innovative Company [*"Jeune Entreprise Innovante" (JEI)*], giving rise to the following benefits:

- During the first seven years of its activity, a company classed as a "Young Innovative Company (JEI)" is exempt from employers' social security contributions for its researchers, technicians, R&D project managers, lawyers responsible for industrial protection and technological agreements related to the project, and staff responsible for pre-competitive testing. This exemption is also available for company Directors under the General Social Security Scheme.
- It also benefits from tax relief on corporation tax. The tax relief consists of a total exemption on profits in its 1st profitable fiscal year, followed by a partial exemption of 50% in the 2nd year.
- The company also benefits from a total exemption from the annual flat-rate tax (IFA), which is applicable for the entire period it benefits from the "Young Innovative Company (JEI)" status.
- In addition, after local authority deliberation, a company acknowledged as a "Young Innovative Company" can benefit from a 7-year exemption from business tax and land tax on built property. Lastly, JEIs are entitled to an early refund of the tax relief measure for research "*Crédit d'Impôt pour dépenses de Recherche (CIR)*".

JEI classification was approved by the tax administration in a ruling issued to the Company in 2008.

- As of 1 January 2012, Article 37 of the amended French Finance Act 2011 dated 28/12/2011 came into effect, supplementing Article 175 of the French Finance Act 2011, which amended the terms of application of this scheme by introducing the capping of allocated social security exemptions. As of then the aforementioned terms are as follows:
 - Application of a gross monthly earnings cap per person set at 4.5 times the *SMIC* [guaranteed minimum wage], i.e. €6,436 per month in 2013 (reference: 1st half of the year). The exemption does not apply above this amount.
 - Application of an annual cap on eligible contributions per calendar year and per establishment set at 5 times the social security cap, i.e. €185,160 for 2013).
- Application of a gradual reduction of the exemption:

- at the full rate until the last day of the 3rd year following the year in which the company was created;
- at the rate of 80% in the 4th year;
- at the rate of 70% in the 5th year;
- at the rate of 60% in the 6th year;
- at the rate of 50% until the last day of the 7th year following the year in which the company was created.

In 2013, the Company was in its 7th calendar year of existence. It will benefit from the “Young Innovative Company (JEI)” status for the whole year. Under current legal conditions, the exemption will be capped at €92,580 per establishment, i.e. €185,160 for the whole Company.

NOTE 15 | POST-CLOSING EVENTS

The Company announced:

- on 8 July 2013: Nagib Ward was appointed to the post of Vice-Chairman in charge of Sales Development (see section 2.2.3) ;
- on 15 July 2013: €0.9 million was received under the tax relief measure “*Crédit Impôt Recherche*” for 2012 (see section 2.2.5).

In a resolution dated 4 July 2013, the Board of Directors, acting by virtue of a delegation of powers decided by the Combined Annual General Meeting of 13 May 2013, decided to issue and to allocate 10,100 BSA-2013-1 warrants granting an entitlement to subscribe 10,100 shares at a unit price of 9.8889 euros, corresponding to the weighted average of the last five stock market trading sessions prior to the BSA-2013-1 allocation date, in favour of a Director. The BSA-2013-1 may be subscribed within 3 months of their allocation, at a unit price equal to 10% of the subscription price for a new ordinary share by exercising a BSA-2013-1. The exercising of a BSA-2013-1 is subject to the fulfilment of special conditions.

4 | DECLARATION BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT – HALF-YEAR

I hereby certify, to the best of my knowledge, that the accounts presented in the interim financial report for the half-year ended have been drawn up pursuant to the applicable French accounting standards and provide a faithful view of the assets, financial position and profit(loss) of the Company. I also certify that the half-year activity report (appearing on pages 4 to 9) gives, to the best of my knowledge, a faithful picture of the key events having occurred during the six first months of the fiscal year and their impact on the half-year accounts, main transactions between associated parties, and a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Emmanuel Petiot
Chief Executive Officer.

Person responsible for financial information

Julien Coste
Director of Finance and Administration
Tel.: 01 42 03 27 37
Email: julien.coste@deinove.com