

Annual Financial Report 2014



DEINOVE
The deinococcus way

DEINOVE SA with a registered capital of €2,327,960.40

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1 | COMPANY PRESENTATION

1 | 1 DEINOVE'S Activity

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 biosourced chemical compounds, based on the use of bacteria, with outstanding natural properties as yet untapped: *Deinococci*.

DEINOVE paves the way to an oil-free world by developing high-performance, cost-effective, ecological processes used to create industrially-relevant compounds from non-food biomass.

DEINOVE's activity mainly focuses on two market segments:

- 2nd generation biofuels (DEINOL collaborative project);
- high added value biochemical compounds (DEINOCHEM collaborative project).

It also plays a key role in two other business sectors:

- the characterization of innovational antibiotics and antifungal compounds for hospital-resistant infections responsible for nosocomial infections (hand-in-hand with DEINOBIOTICS);
- plastic bioremediation (THANAPLAST™ collaborative project led by CARBIOS).

DEINOVE was founded at the end of 2006, through the joint initiative of Dr. Philippe Pouletty, CEO of the venture capital fund TRUFFLE CAPITAL (Paris) and by Pr. Miroslav Radman (INSERM Grand Prix in 2003), member of the French Academy of Sciences. By discovering the genetic mechanisms behind *Deinococci's* extraordinary biodiversity and its incomparable resistance, Pr. Radman initiated an unprecedented industrial approach: Deinotechnology.

DEINOVE intends to provide viable answers to the ecological and economic challenges of our planet: energy transition, the development of green chemistry, the circular economy... Currently totalling 48 members of staff, the Company has, since the very beginning, established scientific partnerships with the CNRS and the University of Montpellier, the Institut Necker-Paris Descartes University, the INSA Toulouse, the INRA, Toulouse White Biotechnology, and also the VTT (Technical Research Centre of Finland, international benchmark in the fields of bioconversion and in particular in enzymology, as well as in fermentation) and, more recently, with the American MBI (Michigan Biotechnologies Institute, industrial demonstrator specializing in bioprocesses). These partnerships offer the Company the opportunity to incorporate technologies across all scientific disciplines required for developing its projects.

DEINOVE's economic model is based on selling operating licences for its technology to industrial groups. In 2014, the Company concluded two partnership agreements for its DEINOL project with ABENGOA (European leader in bioethanol production) and SUEZ ENVIRONNEMENT (a world-renowned waste management player) to develop biofuel production processes on their industrial sites. DEINOVE also established a R&D partnership with the AVRIL group (ex. SOFIPROTEOL) to develop a natural additive production process for animal feed. These partnerships should lead to licence agreements.

DEINOVE also enjoys expert research & development and finance and business development management, a highly-proficient, international Scientific Committee (presided by Jacqueline Lecourtier, former Scientific Director of the Institut Français du Pétrole (French Institute of Petroleum)) and a Board of Directors strongly-rooted in European and international industrial circles. Through this organization DEINOVE is able to secure its breakthrough technologies in today and tomorrow's industrial reality.

The Company has been listed on Alternext since April 2010 (ALDEI – code ISIN FR0010879056).

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 bacteria, 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 bank (which also comprises a vast array of other strains in addition to *Deinococci*), that are endowed with industrial-potential properties and optimizes them using genetic and fermentation engineering to improve their natural capacities. By doing this, DEINOVE develops a one-of-a-kind intellectual property portfolio and cutting-edge industrial bioprocesses.

In addition, DEINOVE works on extracting industrially-relevant compounds produced by its strains.

DEINOVE currently owns a portfolio, comprising 18 patent families (i.e. over 180 international patents filed) that covers *Deinococcus* genetic engineering techniques, their exclusive capacities such as lignocellulosic biomass degradation, and their diverse industrial applications, in particular the production of bioethanol, nutraceutical compounds, etc.

A technology platform that centralizes world-class metabolic engineering

DEINOVE has developed a proprietary synthetic biology platform that covers all phases of the process from strain profiling to strain optimization: genomics, proteomics, enzymology, metabolics, robotic genetic engineering, fermentation engineering, biomass analysis and assessment.

Deinococci natural genetic properties 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).

In 2014, the Company implemented pioneering strain construction software, developed conjointly with the Grenoble-based SME CAD4Bio, which provides it with the tools for tailor-constructing strains rapidly, by interacting with a high-throughput cloning robot. It now includes a one-of-a-kind automated platform, thus optimizing quality, traceability and productivity.

This strategy, which is applied on an authentic industrial chassis, has already led to a world first: the development of bi-functional bacteria that is able to digest both the cellulosic and hemicellulosic components of biomass and produce ethanol from the biomass sugars. Today, optimization work is continuing on real second-generation industrial biomass (agricultural residues, urban waste) made available by Company partners.

Several ongoing research programmes, targeting prospective key applications

By associating bacterial engineering with its already highly-effective wild strain selection, DEINOVE has established a unique position in industrial property and in innovational 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 (2G biofuels)

The DEINOL collaborative project intends to initiate the production of cellulosic ethanol (2nd generation ethanol) from *Deinococcus* in already-existing industrial facilities by making better use of the input, by adapting more optimally to production conditions and by reducing costs. DEINOL's competitive edge lies in its all-in-one process (also called *Consolidated BioProcess*, CBP), as the *Deinococcus* is able to perform both the hydrolysis and fermentation steps required to produce 2G bioethanol, i.e. where the traditional process requires two types of catalyst: enzymes and a micro-organism (bacteria or yeast). This process, referred to as "consolidated", which involves the *Deinococcus* bacteria, can liberate 50% of the enzymes (costwise), an expensive catalyst.

This collaborative project is led by DEINOVE. The Spanish group ABENGOA, a key global bioethanol production player, is the industrial partner for this project, alongside academic partners such as the Montpellier CNRS and the Toulouse INSA. DEINOL is partly financed by Bpifrance (formerly known as OSEO-ISI). Since the beginning of the project, DEINOVE has received €4.1M of the €6.3M to be granted.

DEINOCHEM project

The DEINOCHEM project aims to develop and commercialize high-performance, cost-effective processes for producing biosourced molecules from renewable resources. The compounds produced will replace existing compounds, mainly from petrochemicals, or also from plant extracts but with low yields and high costs. DEINOCHEM prioritizes isoprenoids (also known as terpenoids), which make up one of the families of the most varied natural substances (over 22,000 isoprenic compounds have been listed to date). They are used in a wide variety of industrial applications: they can be found in cosmetics, perfumes, household cleaning products as well as in human foodstuffs and animal feed, etc. The *Deinococcus* bacteria is naturally endowed with capacities that make it conducive to such development: natural expression of certain isoprenoids (in particular carotenoids), resistance to certain toxic products, adaptation to high-throughput metabolic engineering, etc.

DEINOCHEM, which plans on total investment of €15.9M by 2017, has €5.9M financial support, rolled over 3 and a half years, from the ADEME and the CGI as part of the Investissements d'Avenir (Investments for the Future) programme. This is one of the most substantial financings granted to date by the French State in this sector.

Concurrently to this genetic modification work on one or several strains used as chassis (for optimizing the bacteria's capacities, for "programming" it for a given function), DEINOVE systematically screens its 6,000-strain bank to identify the strains that naturally (without any manipulation of their DNA) produce industrially-relevant compounds, and then extracts these compounds by culturing the strain concerned.

DEINOBIOTICS project

DEINOVE's third area of development, via DEINOBIOTICS, focuses on researching and developing new antibiotics and antifungal compounds. The exploratory work that DEINOVE has undertaken on its collection has highlighted the wealth and originality of the expression of new antimicrobial activities that are likely to provide new therapeutic solutions for the treatment of forms of infectious diseases that are increasingly resistant to traditional antibiotics, in particular nosocomial infections, an inadequately covered medical requirement.

The DEINOBIOTICS project benefits from financial support from Bpifrance (formerly known as OSEO), from the Languedoc-Roussillon and from the European Regional Development Fund (ERDF). At preclinical and early clinical stages, exclusive world licences may be granted, product-by-product, to pharmaceutical groups. In October 2012, and in order to encourage the development of this specialized health activity, DEINOVE granted it its autonomy as a dedicated legal entity, DEINOBIOTICS SAS, in which DEINOVE holds 49% of capital.

DEINOBIOTICS has a real potential to generate value for DEINOVE, which will be seen once a first drug candidate has been identified.

THANAPLAST™ collaborative project led by CARBIOS

At end 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 (French National Centre for Scientific Research), the INRA (French National Agronomic Research Institute), the University of Poitiers and two key industrial players: the BARBIER Group and the LIMAGRAIN Group (through its ULICE subsidiary). Project partners will share their expertise and knowledge to develop innovational solutions for promoting plastics lifecycles: plastic waste recovery and biopolymer production. With an overall investment of €22M over 5 years, THANAPLAST™ has been granted €9.6M funding from OSEO (Bpifrance) as part of the ISI (Industrial Strategic Innovation) project.

In December 2014, CARBIOS announced that the second milestone of the THANAPLAST™ project had been completed: laboratory-scale proof of concept for at least an initial application of each of the targeted bioprocesses (biodegradation, biorecycling and bioproduction), as such validating their industrial feasibility and pre-pilot kick-off.

DEINOVE business model

DEINOVE's business model is that of a technology company that makes its economic added value by transferring operating rights of its proprietary processes to industrial third parties (product-by-product, application-by-application, area-by-area), yet continuing to have the right to, eventually, produce certain speciality compounds on a small-scale basis.

These licensing agreements stem from joint development agreements, phased at 2 to 3 years during which DEINOVE works on process development (tailoring its strains to the industrial partner's needs), then both partners work on scaling-up.

The licence covers a strain tailor-constructed for the given process and a collection of data known as the "process book" that describes strain implementation.

DEINOVE has three types of revenue:

- Research efforts undertaken within the framework of the R&D programme that are totally or partially covered by the industrial partner;
- Public financing in the form of grants or repayable advances, granted by bodies supporting the research, such as Bpifrance, the Ademe and others;
- An upfront payment (reach-through rights) and then royalties received on the sales of products stemming from DEINOVE's processes, within the framework of the licensing agreements.

The potential for developing second generation biofuels is extremely high insofar as it is these technologies that will be used to reach the mandates established by the various states on an international level. In Europe, for example, the objective to increase ethanol mixed with petrol from 6% to 10% by 2020 (European Directive 2009/28/EC) should be largely attained by second generation biofuels. The same holds true for the objectives established by the French Energy Transition Act, and by the objective set out by the United States to replace 30% of its gasoline consumption by biofuels by 2030 (*Renewable Fuel Standard*).

Ethanol is already an economic reality on a world scale, with 51 billion litres produced by the United States, 23.5 billion by Brazil and 6.7 billion litres produced by Europe in 2013¹; and the International Energy Agency (IEA) forecasts that the production of biofuels will increase by almost 40% by 2017².

Insofar as certain chemical intermediates are also concerned (isoprenoids and others), DEINOVE should also benefit from the appetite of producers from the field seeking highly-competitive, ecological industrial solutions. In fact, world sales for compounds from biosourced chemistry – which totalled 135 billion euros in 2012, i.e. 7.7% of the total chemical products market – should reach 340 billion euros (i.e. 15.4% of the total) in 2017³.

¹ ePURE – State of the Industry Report, 2014

² International Energy Agency – *Medium Term Oil & Gas Markets*, 2012

³ OECD – Long-term Prospects for Industrial Biotechnology, 2011

ANNUAL FINANCIAL REPORT 2014

1 | 2 Selected Financial Information

(in thousands of euros)	2014	2013
Total operating revenues	156	51
Total operating costs	7,216	5,574
<i>of which Research and Development costs</i>	5,477	3,945
<i>of which administrative and general costs</i>	1,739	1,629
Operating profit/loss	-7,060	-5,523
Financial result	-37	123
Current pre-tax profit/loss	-7,097	-5,400
Profit/loss from non-recurring items	-735	21
Income tax (R & D tax credit)	-1,374	-1,960
NET PROFIT/LOSS	-6,458	-3,420
Net financial position	2,216	3,088
<i>of which financial investments¹</i>	0	1,276
<i>of which marketable securities (mat. < 1 year)</i>	0	0
<i>of which cash instruments (mat. < 3 months)</i>	0	0
<i>of which cash on hand</i>	2,216	1,872
<i>(of which financial debt)</i>	0	-60
Total assets	6,953	6,961
TOTAL SHAREHOLDERS' EQUITY	4,745	5,658
<i>of which equity capital</i>	196	2,601
<i>of which repayable advances</i>	4,550	3,057

¹ Excluding Liquidity Agreement items (cash resources and own shares) and guarantees and deposits.

2 | MESSAGE FROM THE CHAIRMAN OF THE BOARD

2014 was a decisive year in the life of DEINOVE, a year abounding in technological breakthroughs, and the year where DEINOVE convinced its industrial partners to support its projects.

First and foremost, DEINOVE achieved several important goals which had been set out by the Board:

- The proof that the *Deinococcus* strain selected for the DEINOL project was capable of consuming sugars and of producing ethanol at 9% (v/v).
- The demonstration of *Deinococcus*' lignocellulosic biomass degradation capacities, illustrating its ability to produce 2G ethanol by an all-in-one process, key distinguishing feature of DEINOL technology.
- The reproduction of sugar assimilation performances on different types of industrial substrates.
- As regards DEINOCHEM, the proof of the production capacities for isoprenoid-type industrially-relevant chemical compounds was shown.

At the same time, DEINOVE concluded several strong partnerships for the future:

- With Abengoa, Europe's No.1 ethanol producer, internationally active, pioneer in 2G bioethanol, with an operational commercial plant in Kansas (USA).
- With Suez Environnement for the development of bacteria capable of transforming organic urban and household waste into ethanol.
- With Avril (formerly Sofiprotéol) for the production of natural additives for animal feed.
- With MBI (Michigan Biotechnologies Institute), a bioprocess derisking expert which has facilitated the commercialization of a myriad of technologies.

Between 2013 and 2014, DEINOVE changed radically. Moving on from being a young business established in an incubator to becoming a fully-fledged company with its own laboratories, from having a team of 34 members of staff to one with 44 leading scientists, the Company gave itself the means to match its ambitions and has, since, created one of the best bacterial process platforms on an international level.

All the aforementioned represent an indispensable investment for the Company and explain why its net loss has increased from €3.4M (for FY 2013) to €6.5M (for FY 2014). This result also includes the non-recurring cost of the unsuccessful capital increase of June 2014, totalling €720K. Notwithstanding, as a result of Management's unfailing commitment, the Company managed to remedy this difficulty through the conclusion of a new line of secured equity funding totalling €15M which, combined with other resources, secures activity financing well beyond next year.

For 2015, DEINOVE's objective is to pursue the actions underway in its two key research fields:

- biofuels (DEINOL project): continue adapting the strain for converting lignocellulosic raw materials into ethanol. DEINOVE is the only French company working in this field that uses this industrial raw material in its "raw" state as a substrate, as such developing a consolidated process – hydrolysing the biomass into fermentable sugars then converting them into ethanol – cost-effective.
- biosourced chemical compounds (DEINOCHEM project): improve terpenoid production performances and develop new high added value molecules. A myriad of applications exists and a myriad of business opportunities too.

DEINOVE is resolutely turned towards industrializing its processes. Our breakthrough technologies are being implemented steadily and decisively, and continue to represent an ambitious and exciting challenge for all of DEINOVE's teams, who are as motivated as ever to play a role in creating a low-carbon economy, which generates employment and is a source of energy safety and independence for France.

Dr Philippe POULETTY
Chairman of the Board of Directors

3 | ANNUAL REPORT FROM THE BOARD OF DIRECTORS TO THE COMBINED ANNUAL GENERAL MEETING OF 06/05/15

3 | 1 Activity and Key Events during the Period

During financial year 2014, the research teams pursued their efforts focusing on the three objectives corresponding to Company strategy:

- Continue to optimize and automate the DEINOVE metabolic engineering platform
- Continue to improve the performances of the chassis bacteria selected for the DEINOL project, adapt it to the lignocellulosic-type industrial biomass (second generation)
- Explore the isoprenoid pathway for the chassis bacteria selected for the DEINOCHEM project; screen the strain bank to identify its natural metabolite production potentialities.

Metabolic engineering platform dedicated to *Deinococcus* bacteria

During financial year 2014, DEINOVE continued investing to reinforce and automate its metabolic engineering platform, to be used to optimize the *Deinococcus* strains selected for the various research projects. These investments focused primarily on:

- Automating the creation of modified strains through, in particular, the development of the CAD4Bio software, in partnership with the Grenoble-based company of the same name. This software accelerates, rationalizes and automates the assembly of genetic bricks of interest prior to their transfer to a host strain. It reduces human intervention and standardizes them, then issues a cloning map that is drafted by a high-throughput robot. This genetic engineering operation is used to optimize the genome of a strain so that it produces diverse industrially-relevant molecules as efficiently as possible.
- Reinforcing fermenting engineering capacities using new fermentation equipment and analysers. This equipment offers DEINOVE researchers the opportunity to multiply the number of tests on different types of substrates and under different fermentation conditions, thus accelerating the development of strains devoted to each application. Furthermore, a molecular biology research officer and a fermentation engineer joined the platform.

These investments contributed to the developments described hereinafter.

DEINOL project for producing 2nd generation biofuels

DEINOL research teams continued developing a modified chassis strain to degrade biomass and produce ethanol in a single operation.

- At the start of 2014, DEINOVE announced that it had managed to produce ethanol at 9% (volume / volume), along with a significant yield, using a bacterial fermentation process. A world first, these results corroborated and heightened those obtained in 2012, beyond the threshold required to consider an industrial exploitation of the process in 2nd generation biofuels.
- Concurrently, DEINOVE's researchers highlighted the cellulose degradation capacities of *Deinococcus*, at the same level as *Trichoderma reesei*, the benchmark cellulolytic micro-organism, used to produce the majority of commercial enzymes in this field. This capacity of the *Deinococcus* can liberate a lot of the commercial enzymes used in a

conventional process which, today, costs almost a third of the overall production cost⁴. This simplification of production steps also leads to a reduction in the equipment investment required.

- In June 2014, DEINOVE also announced the conclusion of two partnerships with the aim of industrializing the DEINOL process:
 - With Abengoa, Europe's No.1 ethanol producer and key biofuel player in the United States and in Brazil, the main world markets for biofuels. The project, backed by Bpifrance, focuses on the development of DEINOVE's consolidated bioprocess, which produces ethanol from agricultural residues. DEINOVE has set itself two years for adapting the strain to the substrate provided by Abengoa which will then take charge for industrial scaling-up. The two partners intend to end with a non-exclusive licensing agreement for the process which could, then, be implemented in true-sized plants.
 - With Suez Environnement, world leader dedicated exclusively to water and waste activities and active on all five continents. This two-year agreement is the first step in a project that intends to explore the potential for developing an industrial sector for transforming organic urban waste into ethanol under the action of *Deinococcus* bacteria. Test phases conducted beforehand proved positive.
- In October 2014, DEINOVE announced a technological partnership with Michigan Biotechnologies Institute (MBI), an expert in optimizing innovational technologies and in industrial scale-up. MBI is also renowned for developing an exclusive biomass pretreatment technology known as AFEX. The aim of this partnership is to test the DEINOL technology on corn stover substrates pretreated using the AFEX technology.
- Throughout the financial year and boosted by these partnerships, the teams worked on adapting the process to conditions that were closer to those of industrial exploitation, as regards raw materials and fermentation volumes. After having tested glucose-based synthetic substrates (C6) then glucose and xylose (C5)⁵, new series of tests focused on raw materials provided by industrial groups. Efforts are henceforth focused on these substrates. This means adapting the strain to the constraints related to industrial biomass use.

The challenge when developing second generation biofuels lies in the liberation of the sugars that exist in the biomass, the capacity for the strain to assimilate these different sugars (for which content varies from one material to another) and to transform them into bioethanol, but also and, above all, the adaptation of the strain to the toxicity generated through using plant residues. The industrial raw materials are indeed subjected to pretreatment prior to undergoing the hydrolysis and fermentation steps undertaken by the *Deinococcus*. Pretreatment generates toxicity in the medium. As DEINOVE's technology is applied directly to these industrial materials (and not on the purified fermentable sugars – which, as such, ensures the economic viability of the process) it must be optimized under these real industrial conditions. DEINOL researchers' efforts therefore focus on what remains an industrial lock in current developments, based on raw materials from MBI, Abengoa (agricultural residues) and Suez Environnement (municipal solid waste).

DEINOCHEM project for the production of biosourced chemical compounds

The aim of the DEINOCHEM project is to develop processes for producing chemical intermediates and speciality compounds from renewable resources, by improving the natural performances of *Deinococcus* bacteria. The aim is to propose alternatives to the products usually derived from petroleum, and even plant extracts (but these have low yields high costs), for perfumery, cosmetics, human foodstuffs and animal feed. Industrial players are actively looking for alternatives to petrosourced production, because of cost, procurement safety and consumer acceptability.

In 2014, the project was ramped up, thus the research teams worked on developing strains for the production of isoprenoid-family biosourced chemical compounds, in compliance with the research plan defined by the Company, which was backed by the Programme des Investissements d'Avenir (Investing for the Future). Just a few months after the project kicked off, DEINOVE's researchers managed to produce, in the laboratory, three industrially-relevant molecules with significant

⁴ Institut Français du Pétrole et des Energies Nouvelles – *Panorama*, 2015

⁵ Lignocellulosic biomass contains a variable mix of C6 and C5 sugars.

concentrations: aromatic ingredients, antioxidants and/or dyes with high added value, corresponding to markets of several hundred million dollars worldwide. Some of these compounds can be commercialized for up to 3,000 euros/kg.

These results were obtained on a *Deinococcus geothermalis* strain, integrating a key-enzyme optimized using the GENOPLANTE-VALOR technology, which substantially improved the production of these compounds by the bacteria. In November 2013, DEINOVE concluded a licence option agreement to add the GENOPLANTE-VALOR-patented technology to its proprietary technologies. In view of the results obtained, DEINOVE decided to exercise the option and to acquire the exclusive operating licence for the patent from GENOPLANTE-VALOR, via INRA TRANSFERT, the INRA's knowledge transfer subsidiary.

Intellectual property

During financial year 2014, DEINOVE broadened its intellectual property portfolio with, in particular, the granting of 6 new patents:

- The "Using bacteria to produce bioenergy" patent was granted for Eurasia and Australia (it had already been issued for Europe in June 2013);
- The "Recombinant bacteria and their use in ethanol production" patent was granted in the Ukraine;
- The "Enzymes and their uses" and "Laccases and their uses" patents, both focusing on enzymes involved in cellulosic biomass digestion, were granted in South Africa;
- The "Compositions and methods for degrading lignocellulosic biomass" patent was granted in China.

Financing

As the Company announced at the end of financial year 2013 that it had financial resources that enabled it to finance its activity until mid 2015, it initiated several actions to reinforce its financing and to extend its cash flow horizon.

In October 2013, DEINOVE established a PACEO® equity funding line with the Société Générale, for a maximum of 450,000 shares over 36 months. During financial year 2014, DEINOVE used 300,000 shares of this funding line, which led to the receipt of 3.6 million euros net of fees. This equity line was interrupted at the end of November 2014 when the KEPLER CHEUVREUX funding line was initiated (cf. below). A total of 350,000 new shares (including 50,000 in 2013) were created under the PACEO® programme.

On 24 June 2014, DEINOVE launched a capital increase with elimination of the preferential subscription right and with a priority period as of right in favour of existing shareholders, for an initial maximum amount of 18.9 million euros which may be increased to 25 million euros in the event of full exercise of the extension clause and of the over-allotment option. On 4 July 2014, the Company finally announced the cancellation of the capital increase, as the conditions expected to fulfil it had not been met.

On 1st December 2014, DEINOVE announced the implementation of 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 15 million euros, with KEPLER CHEUVREUX. The first instalment (for 3.5 million euros) was issued concurrently to concluding the agreement. DEINOVE reserves the right to refrain from issuing all of the tranches and/or to initiate other financing operations. Given this funding line, the current cash position, and resource estimates from contractual payments related to the completion of milestones as well as the R&D Tax Credit (CIR), DEINOVE considers that it has the resources required to guarantee its financing beyond the 3rd quarter 2016.

Management and governance

During the Combined Annual General Meeting held on 6 May 2014, two new members joined the Board of Directors as independent directors:

- Dennis McGrew, former President and CEO of NatureWorks, American bioplastics producer,
- Michael Carlos, President of Givaudan Fragrances, world perfume leader.

These two prominent figures in DEINOVE's industrial environment bring their vision of the markets targeted, and their networks.

During its meeting on 17 September 2014, the Board of Directors took note of the resignation of the Paris V Descartes University, represented by its President Mr Frédéric Dardel, and of Mr Bruno Weymuller, from their term of office as director.

There was no change in the Management Committee during the financial year.

The Scientific Committee, chaired by Jacqueline Lecourtier since November 2013, met in the middle of the year to assess developments and to propose new directions.

Organization and location

Following its move to new premises located in Montpellier Urban Community's Biopôle Euromédecine (Euromedicine cluster) in October 2013, DEINOVE continued to equip its laboratories, by procuring incubators, fermentation reactors, analytical equipment for characterizing and quantifying the molecules and many of the metabolites produced, and equipment required for characterizing plant biomass components.

Concurrently, the Company significantly increased its staff, evolving from 34 members of staff on average over 2013 to 44 in 2014. 80% of DEINOVE's members of staff are R&D-dedicated.

Equity position at 31st December 2014

The accounts for the financial year ended on 31st December 2014 recorded equity that was less than half of the share capital. Consequently, and pursuant to Article L. 225-248 of the French Commercial Code, the next General Meeting of Shareholders will be consulted to reach a decision as to the continuation of the business. We hereby inform you that the Board of Directors and the main shareholder have already decided not to vote for the early dissolution of the Company.

3 | 2 Financial Results

Operating revenues

In the absence of the payment of an operating grant relating to its R&D projects, operating revenues for financial year 2014, totalling €156K, are mainly the result of invoicing made by the Company to certain partners under joint development agreements, i.e. SUEZ ENVIRONNEMENT, SOFIPROTEOL and CARBIOS, for a total amount of €130K. Moreover, the Company received €23K from other products and €3K from aid for recruitment and from CIFRE (Industrial Agreement for Training through Research) grant.

Operating costs

(in thousands of euros)	2014	2013
Provision of raw materials and other supplies	-9	-6
Other expenses and external expenses		
External studies, subcontracting, scientific consulting	1,320	609
Supplies	523	620
Rent, maintenance, servicing costs	354	325
Miscellaneous costs	179	201
Documentation, technological monitoring and seminars	59	59
Fees	856	779
Travelling expenses and assignments	250	172
Total other expenses and external expenses	3,542	2,765
Taxes and similar levies	63	52
Salaries and wages	2,031	1,649
Social contributions	939	682
Depreciation charges on fixed assets	540	367
Other expenses	110	64
TOTAL OPERATING COSTS	7,216	5,574

During financial year 2014, DEINOVE spent €7,216K on operational activities, including 76% on R&D. This amount, which shows an increase of +29% as compared with financial year 2013, integrated however some notable variations.

Under "Other expenses and external expenses", it was primarily the increase of +€711K, i.e. +117% for the "External studies, subcontracting, scientific consulting" item, which can be mainly explained through invoicing from VTT, the Technical Research Centre of Finland, as the DEINOCHEM project partnership agreement with VTT began in April 2014. The remainder of the variation for this item, i.e. a net of +€66K, comes from significantly smaller variations.

The decrease of -€97K for "Supplies" was mainly from prepayments recorded following an inventory for laboratory consumables. As this inventory was the first of its kind made by the Company, the impact on this financial year is by definition positive.

Moreover, and with the exception of the decrease in the "Miscellaneous costs" item (-€21K, related to the one-time presence of removal costs in 2013) and the stability of the "Documentation, technological monitoring and seminars" item, all the other cost centres increased. It is to be noted that the Company moved into larger premises (Cap Sigma, Euromedicine cluster) in October 2013; this additional surface area meant it could expand its R&D teams and increase scientific equipment investments. Hence, the increase in "Salaries and wages / Social contributions", totalling +€639K (+27%) and in "Depreciation charges on fixed assets", up by +€173K (+47%). It is also this significant increase in staff numbers, combined with an acceleration in international

prospecting efforts, in particular in the United States, that explains the rise in the costs for “Travelling expenses and assignments”, i.e. +€78K (+45%). Finally, the increase in “Fees” and in “Other expenses”, totalling +€123K (+15%) comes mainly from communications fees (in particular in the United States) and from patents (new submissions, maintenance, extensions, etc.).

Financial results

(in thousands of euros)	2014	2013
Financial revenue	83	137
Financial costs	120	15
FINANCIAL RESULTS	-37	123

Financial results for the financial year, totalling a net amount of - €37K, comprised:

- The results of the transactions undertaken on DEINOVE’s own shares as part of the Liquidity Agreement, which resulted in a net loss of -€76K (vs. profit of +€16K in 2013);
- Interest of +€41K that DEINOVE received on cash investments (vs. +€107K in 2013);
- Net from exchange operations, i.e. insignificant loss of -€2K.

Net result

(in thousands of euros)	2014	2013
Operating profit/loss before tax	-7,097	-5,400
Profit/loss from non-recurring items	-735	21
Income tax (tax credit)	-1,374	-1,960
PROFIT OR LOSS	-6,458	-3,420

The change in the Exceptional Result, down by -€756K, is due to the following variations:

- The recording of €68K of extraordinary revenue in 2013, which corresponds to the gross value estimated for a set of second-hand equipment (including a Theonyx robot equipped with a Zymark articulated arm) transferred to the Company, free-of-charge, by an industrial group. As the Company recorded no extraordinary revenue for financial year 2014, the variation is therefore -€68K.
- Extraordinary charges incurred stood at €47K for 2013. They total €735€ for 2014 (i.e. a variation of -€688€). This amount can be broken down as follows:
 - €719K of costs relating to the capital increase for which the Company announced its cancellation in early July 2014. This total mainly comprises purchasing space (different media) and fees paid to various actors: statutory auditors, communication agency, law firms, translation agency, etc.;
 - €10K of costs relating to previous financial years (*forfait social* (corporate contribution) / attendance fees);
 - €5K of provision for risks and charges;
 - €1K of exceptional depreciation.

In terms of taxation, DEINOVE considers it has acquired a R&D Tax Credit (CIR) for €1,594K for financial year 2014. The tax credit for financial year 2013 was estimated at €1,313K, and it was finally €1,275K that DEINOVE received in August 2014, following a request for correction from the French tax authorities, i.e. a negative impact of -€38K related to the tax credit from the previous financial year. In 2013, this impact stood at -€19K, i.e. €932K of 2012 tax credit collected (in July 2013) vs.

€951K provided for at 31/12/12. The net variation on these tax credit adjustments (provided for vs received) amounts, as such, to -€19K, whereas the one on the recorded provisions for the credit for the financial year stands at +€281K.

In July 2013, DEINOVE made a corrective request to the French tax authorities, concerning the R&D tax credit (CIR) receivables for financial years 2010 and 2011, for an amount of €658K. This amount, which was totally provisioned as Proceeds receivable in the accounts closed on 30/06/2013, was repeated in the accounts closed on 31/12/2013. At the beginning of 2014, this outstanding amount was audited by the French tax authorities, as part of the normal procedural framework. For this purpose, the French tax authorities had instructed a scientific expert, via the MESR (French Ministry for Higher Education and Research). The expert report was transmitted to the Company at the end of July 2014, and based on the conclusions of the aforementioned report, DEINOVE received a 1st payment of €381K, at the end of August 2014. In December 2014, the Company transmitted additional information to the French tax authorities, in order to receive part of the residue of €278K, i.e. an amount of €77K specifically related to financial year 2011. This represented a net book loss of €200K for financial year 2014, against a net profit of €658K in 2013, hence a negative variation of -€858K related to an unfavourable comparison base.

Finally, excluding R&D tax credit (CIR), the net variation vs. 2013 for the Business Prospection Tax Credit (CIPC) and the Apprenticeship Tax Credit stands at +€10K.

The total of these variations corresponds to a negative net difference of -€586K. The situation is significantly different for amounts received in cash: the R&D tax credit (CIR) amounts respectively for 2013 and 2014 were, as such, +€932K and +€1,656K, i.e. an increase of +€724K from one financial year to the next.

3 | 3 Financial Position

In 2014, the Company's financial requirements mainly focused on operational expenditure, which totalled €6,675K (excluding provisions for depreciation amounts), as well as on investment in equipment, which totalled €1,237K. To cover this, DEINOVE used in particular €1,275K of the 2013 R&D tax credit (CIR) and the €381K of the 2010/2011 R&D tax credit (CIR) (cf. above), collected in August 2014, as well as the €1,480K of aid received in April 2014 from the ADEME for the DEINOCHEM project. In addition, the Company received a total of €3,635K (net of fees) following 6 PACEO[®] drawdowns made between January and November 2014 (cf. below), and a total of €543K from the subscription by KEPLER CHEUVREUX of shares that were newly issued under the Equity Financing Agreement initiated on 1st December 2014. In the end, DEINOVE's net financial position (its year-to-date cash position and financial investments) was reduced by €872K.

At 31/12/14, the financial resources available for financing its activities could be broken down as follows:

- €1,250K of term accounts opened with the Société Générale (amount immediately available without capital loss and, as such, recorded under "Cash in hand" in the table here below);
- €899K in cash on current accounts, broken down to €866K from the Société Générale and €33K from the Interaudi Bank (a bank account opened by the Company in the United States at end 2013).

Capital increases through the PACEO[®] (equity line) agreement

On 30 October 2013, the Company initiated a PACEO[®] with the Société Générale. As regards this line of equity funding, the Company made six PACEO[®] draws during financial year 2014.

By decisions dated 23 January 2014, 11 February 2014 and 3 March 2014, 25 September 2014 and 7 November 2014, the Chief Executive Officer, acting by delegation on behalf of the Board of Directors on 14 October 2013 and in accordance with the delegation of authority granted by the Combined General Meeting of 3 May 2012 and of 6 May 2014, acknowledged:

- A 20,000 euros capital increase (788,000 euros issue premium included), through the issue of 50,000 shares, at a unit price of 15.76 euros, i.e. with a share issue premium of 15.36 euros per share, resulting from the exercise of 50,000 share issue warrants issued through the PACEO[®] agreement;

- A 20,000 euros capital increase (721,000 euros issue premium included), through the issue of 50,000 shares, at a unit price of 14.42 euros, i.e. with a share issue premium of 14.02 euros per share, resulting from the exercise of 50,000 share issue warrants issued through the PACEO® agreement;
- A 20,000 euros capital increase (770,500 euros issue premium included), through the issue of 50,000 shares, at a unit price of 15.41 euros, i.e. with a share issue premium of 15.01 euros per share, resulting from the exercise of 50,000 share issue warrants issued through the PACEO® agreement;
- A 20,000 euros capital increase (630,500 euros issue premium included), through the issue of 50,000 shares, at a unit price of 12.61 euros, i.e. with a share issue premium of 12.21 euros per share, resulting from the exercise of 50,000 share issue warrants issued through the PACEO® agreement;
- A 20,000 euros capital increase (464,000 euros issue premium included), through the issue of 50,000 shares, at a unit price of 9.28 euros, i.e. with a share issue premium of 8.88 euros per share, resulting from the exercise of 50,000 share issue warrants issued through the PACEO® agreement;
- A 20,000 euros capital increase (342,000 euros issue premium included), through the issue of 50,000 shares, at a unit price of 6.84 euros, i.e. with a share issue premium of 6.44 euros per share, resulting from the exercise of 50,000 share issue warrants issued through the PACEO® agreement.

Furthermore, on 1st December 2014, the Company implemented an equity funding guarantee line with KEPLER CHEUVREUX. This financing solution provides DEINOVE with the guarantee to be able to raise up to 15 million euros, in four tranches, over a flexible 3-year period maximum. On 1st December 2014, a first tranche of 3.5 million euros was implemented.

This funding line ends the PACEO® solution which was initiated on 30 October 2013. This solution is specified in detail under Part 3.7 – Legal Information of this report.

Statement of financial position

ASSETS (in thousands of euros)		LIABILITIES (in thousands of euros)	
FIXED ASSETS		EQUITY	
Intangible assets	99	Capital	2,184
Concessions, patents, licences, software, rights and the like	99	Share, merger and contribution premiums	15,397
Tangible assets	1,406	Statutory reserves	0
Technical facilities, industrial equipment and tooling	784	Carry-forward	-10,927
Other tangible assets (inclu. under construction)	622	Profit or loss for the period	-6,458
Financial assets	798	TOTAL	196
Equity investments	631	OTHER EQUITY	
Other financial investments	166	Conditional advances	4,550
TOTAL	2,303	TOTAL	4,745
CURRENT ASSETS		PROVISIONS FOR RISKS & CHARGES	5
Receivables	2,110	TOTAL	5
Cash instruments	0	LIABILITIES	
Cash in hand	2,216	Loans and financial liabilities – Others	0
Prepayments, Conversion rate adjustments	324	Trade payables (inclu. assets) and related	1,519
		Outstanding taxes and social contributions	677
		Other liabilities	7
TOTAL	4,650	TOTAL	2,202
TOTAL ASSETS	6,953	TOTAL LIABILITIES	6,953

Trade payables:

At 31st December 2014, trade payables, recorded as liabilities totalled €764K (vs. €692K at 31/12/13) and comprise:

- €265K for accrued invoices (€293K at 31/12/2013);
- €499K for invoices received pending settlement (€339K at 31/12/2013).

TRADE PAYABLES AT 31/12/14

(in thousands of euros)	Total	Outstanding	Due 01/15	Due 02/15	Due 03/15
Trade and other payables	499	70	359	56	14

TRADE PAYABLES AT 31/12/13

(in thousands of euros)	Total	Outstanding	Due 01/14	Due 02/14	Due 03/14
Trade and other payables	399	162	233	5	-

It should, moreover, be noted that a total of €755K exists under Balance Sheet Liabilities for Suppliers of fixed assets. This amount mainly comprises invoices relating to 3 pieces of scientific equipment.

3 | 4 Post Year-End Events

○ Capital increases under the KEPLER CHEUVREUX equity line agreement

By a decision dated 2 February 2015, the Board of Directors, in accordance with the delegation of authority granted by the Combined General Meeting of 6 May 2014, acknowledged:

- A 10,400 euros capital increase (176,020 euros issue premium included), through the issue of 26,000 shares, at a unit price of 6.77 euros, i.e. with a share issue premium of 6,37 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014. This capital increase was recorded in the accounts at 31/12/14;
- A 12,000 euros capital increase (203,100 euros issue premium included), through the issue of 30,000 shares, at a unit price of 6.77 euros, i.e. with a share issue premium of 6,37 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014. This capital increase was recorded in the accounts at 31/12/14;
- A 10,000 euros capital increase (175,250 euros issue premium included), through the issue of 25,000 shares, at a unit price of 7.01 euros, i.e. with a share issue premium of 6.61 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014. This capital increase was recorded in the accounts at 31/12/14;
- A 4,000 euros capital increase (61,300 euros issue premium included), through the issue of 10,000 shares, at a unit price of 6.13 euros, i.e. with a share issue premium of 5.73 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- An 8,000 euros capital increase (114,200 euros issue premium included), through the issue of 20,000 shares, at a unit price of 5.71 euros, i.e. with a share issue premium of 5.31 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014.

By a decision dated 26 March 2015, the Board of Directors, in accordance with the delegation of authority granted by the Combined General Meeting of 6 May 2014, acknowledged:

- An 8,000 euros capital increase (110,600 euros issue premium included), through the issue of 20,000 shares, at a unit price of 5.53 euros, i.e. with a share issue premium of 5.13 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 12,000 euros capital increase (171,300 euros issue premium included), through the issue of 30,000 shares, at a unit price of 5.71 euros, i.e. with a share issue premium of 5.31 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- An 8,000 euros capital increase (123,600 euros issue premium included), through the issue of 20,000 shares, at a unit price of 6.18 euros, i.e. with a share issue premium of 5.78 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 12,000 euros capital increase (195,600 euros issue premium included), through the issue of 30,000 shares, at a unit price of 6.52 euros, i.e. with a share issue premium of 6.12 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 40,000 euros capital increase (702,000 euros issue premium included), through the issue of 100,000 shares, at a unit price of 7.02 euros, i.e. with a share issue premium of 6.62 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 40,000 euros capital increase (702,000 euros issue premium included), through the issue of 100,000 shares, at a unit price of 7.02 euros, i.e. with a share issue premium of 6.62 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 12,000 euros capital increase (244,200 euros issue premium included), through the issue of 30,000 shares, at a unit price of 8.14 euros, i.e. with a share issue premium of 7.74 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;

At 26 March 2015, share capital stood at 2,327,960.40 euros, divided into 5,819,901 shares with a unit nominal value of 0.40 euro.

o **DEINOCHEM project: 1st milestone completed**

In January 2015, DEINOVE announced that it had completed the 1st milestone (MS1) of its DEINOCHEM project, thus benefiting from the payment of almost one million euros in the form of a repayable advance, pursuant to the Aid Agreement concluded with the ADEME. Completion of this milestone validates the developments obtained in strain genetic engineering. First of all, construction throughput for modified strains was increased tenfold in less than a year, thus accelerating industrially-relevant strain production and tests. Secondly, DEINOVE's teams also furthered their identification of rate-limiting enzymes for optimizing the production of targeted isoprenoids.

The next step in the project is to optimize production parameters and to scale up progressively. Concurrently, DEINOVE continues to explore the potentialities of *Deinococcus* to produce other industrially-relevant molecules.

o **DEINOVE strengthens its position in the United States**

On 25 February 2015, DEINOVE announced that its patent, known as "High metabolic performance bacteria" had been granted in the United States. This patent covers the method for producing biofuel from cellulosic and hemicellulosic raw material – biomass components – using an integrated degradation and fermentation procedure based on *Deinococcus*. This registration gives credit to the innovative character of the DEINOL process in a key country and participates in the proactive policy to protect its intellectual property on a world scale.

In February 2015, DEINOVE was also admitted as a member of the powerful American BIO organization, in the "Industry & Environment" division. The most internationally representative professional body of the biotech industry, BIO groups together a myriad of businesses from the biotechnologies sector, undertakes important lobbying actions and organizes international congresses every year that have become benchmarks in the field.

○ TRUFFLE Capital falls below 50% of DEINOVE's capital

On 4 March 2015, Truffle Capital SAS declared to the French Financial Markets Authority (AMF) that it had crossed downward the 50% threshold of DEINOVE capital on 28 February 2015 and holds 48.27% of the capital and 64.03% of Company voting rights. This downward crossing is the result of an increase in DEINOVE's total number of shares and voting rights.

3 | 5 Prospects for the Future

In 2015, DEINOVE intends to pursue its development in its different strategic areas:

DEINOL project

The ultimate goal for the DEINOL project continues to be the development of a process capable of producing ethanol from "real" biomass – plant residues, organic waste – with titer (degree of ethanol), productivity (measured per gram of ethanol produced per litre per hour) and yield (measured per gram of ethanol per gram of biomass) that are compatible with industrial production demands. To reach this objective, DEINOVE has been progressively completing a certain number of steps:

- Transforming a *Deinococcus* strain so that it is able to simultaneously convert different simple sugars, known as "fermentable" (glucose, xylose, etc.) into ethanol by fermentation (already achieved);
- Ensuring that this transformed strain deconstructs the complex biomass to convert it into simple sugars (already achieved);
- Ensuring that all operations are undertaken consecutively, in a same bioreactor, under favourable conditions: by minimizing enzyme intakes, minimizing energy consumption (by working at a stable temperature), maximizing the quantity of sugar extracted from the raw material and transformed by the bacteria, maintaining constant bacteria performance when toxic compounds exist that are related to the use of lignocellulosic biomass and as the degree of ethanol rises.

These technical exploits are to be repeated on each substrate, as the strain must be adapted to the composition of each industrial material and to the pretreatment technique used for converting the basic raw material into a usable substrate (thermal, mechanical, acid, alkaline, etc. processes).

DEINOVE's teams have been working concurrently on all these procedural aspects, and on different raw materials provided by its partners. DEINOVE is in charge of scaling-up to 20 litres in its own laboratories before calling on its partners and/or subcontractors to move on to scales varying between a hundred to a thousand litres, prior to industrialization of the developed processes.

Joint development agreements were concluded in June 2014 with Abengoa and Suez Environnement for 2 to 3 years.

DEINOCHEM project

Since the DEINOCHEM project MS1 was completed, DEINOVE has been working in several directions:

- Identifying new molecules that may be produced by the *Deinococcus* or other bacteria from the strain bank – naturally or by using metabolic engineering – and that are likely to be industrially-relevant,
- Pursuing work on the already-identified molecules to obtain higher production performances,
- Continuing discussions with industrial groups to convince them of the interest of DEINOCHEM solutions and to develop partnerships.

DEINOVE intends to reach the DEINOCHEM project MS2 by the beginning of 2016. It should be remembered that the different lines of research that DEINOVE works on have varying timeframes:

- Certain projects involving bio-extracted molecules (i.e. produced naturally) may reach the market within 2 to 3 years.

- Projects involving genetic manipulation and meticulous and complex fermenting adjustments may reach the market within 3 to 5 years.

The COLOR2B project, launched in partnership with Sofiprotéol in September 2014, is part of the DEINOCHEM project. Its aim is to produce natural additives for animal feed. It integrates the most effective selection of strains from bacteria taken from DEINOVE's strain bank, characterization tests are run on the compounds produced and their benefits for nutrition and animal health are qualified. Over time, the two partners intend to industrialize the bioproduction of such additives and to launch new ranges of animal feed products, a market that represented over 16 billion dollars in 2012 and which should reach 20 billion by 2018.

Engineering platform and strain bank

After significant investment in 2013 and 2014, DEINOVE considers that it now has a solid technology base for pursuing its developments. Strain construction and cloning automation work will continue to accelerate the development of the various projects even more.

Significant work has also been initiated to screen the 6,000 bacteria contained in the Company's strain bank, to identify all industrially-relevant molecules that are likely to be produced. The first results obtained concern molecules with the ability to colour, antioxidize, texture or moisturize... The screening work will be carried out throughout 2015 and promoted with potential partners.

As regards financing for future operations, the Company considers that its needs are covered until beyond the 3rd quarter 2016. This estimation takes into account the payment of around 1 million euros received from the ADEME at the beginning of February 2015 and the capital increases which may be made through the equity line concluded with KEPLER CHEUVREUX on 1st December 2014.

3 | 6 Information on the Risks and Uncertainties the Company Faces

On the occasion of its IPO on Alternext in April 2010, DEINOVE presented the risk factors that could potentially have an impact on the Company 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 Document, registered by the French Financial Markets Authority (AMF) on 23 June 2014, under number R. 14-042. They are detailed under Chapter 4 of this document and are also available on the Company website.

In this section, we reiterate the greatest risks and threats that the Company faces, and those that are most relevant given the recent changes in its environment and activities.

Operational-related risks

As DEINOVE has not yet begun to commercialize the technologies that it has developed, its revenue stream mainly consisted of official development aid operating grants. These grants do not, however, cover all of the Company's operating expenses and this has led to net losses, after tax, totalling an aggregate €17.4M from the date of inception of the Company until 31/12/2014.

In addition to the funds raised during its IPO, namely total net issuing fees of €11.3M, and thanks to the public aid that it has used (including repayable advances and the R&D tax credit (CIR) payments), and to the additional funds raised via the PACEO® solution, implemented end 2013, DEINOVE's had a positive net financial position at 31st December 2013 of €2.2M. In addition to this, the Company has received commitments from public bodies for aid and grants for 2015 to 2017, subject to the lifting of suspensive conditions, amounting to €6.6M (including €4.4M aid from the ADEME (French Environment and Energy Management Agency) for its DEINOCHEM project).

In view of its projected operational expenses of around €8M for 2015, the Company, which takes into account the financial flexibility provided by the equity line implemented with KEPLER CHEUVREUX in December 2014, is confident that it has sufficient resources to finance its activities until beyond the 3rd quarter 2016 in the current configuration of its projects.

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

This situation could also arise if the Company's current and future projects, in particular those involving partners, required more time than initially planned, for example when finalizing the scale-up of a production process using DEINOVE-developed technology. Delays could mean that an operation to refinance the Company would need to be initiated, most probably through a capital increase.

If the necessary funds were unavailable, the Company would need to take the following steps:

- Scale back or even cancel R&D programmes or reduce its staff numbers;
- Obtain funding through agreements or partnerships that may require it to relinquish its rights to certain technologies or processes, which it would not have done if the situation was different;
- Grant licences or conclude new collaborative agreements whose terms and conditions may be less favourable than those it would have obtained if the situation was different;
- Consider the possibility of transferring company assets or even merging with another company.

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

Risk of dependency on key staff

The Company's activity and the success of its projects largely depend on the work and expertise of its directors and key scientific staff. This includes, in particular, the founder and Chairman of the Board of Directors Dr Philippe POULETTY, the Chief Executive Officer Mr Emmanuel PETIOT, the Director of Research and Development Pr Jean-Paul LEONETTI, the Director of Business Development Mr Nagib WARD, and the Director of Finance and Administration Mr Julien COSTE. The loss of these skills could modify the Company's ability to achieve its objectives.

Moreover, the Company regularly needs to hire qualified scientific and technical staff for its developments and industrialization. Since its IPO in 2010, staff numbers have increased from 15 to 48. As the Company continues to grow, it may need additional competencies. The Company competes against other companies, groups, research bodies and academic institutions when recruiting and retaining its highly-qualified scientific, technical and managerial staff. Insofar as competition is developing fast in the biotechnology field, the Company might not be able to attract or retain this key staff with economically-acceptable conditions.

The Company's possible inability to retain these key individuals could prevent it from achieving its objectives and would thus have a significantly deleterious impact on its activity, its prospects, its financial situation, its results and its development.

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

Risks related to strain and process development delays or failure

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

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

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

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

This implies studying the bacteria to identify its gene pool and metabolic pathways, developing a metabolic and fermentation engineering platform to optimize its performances and then developing processes for industrially applying the micro-organism in an economically competitive way.

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

Finally, the last area selected is the THANAPLAST™ project (where CARBIOS is the leader), which works on plastic bioremediation and where the first phase will be to ensure that the enzymatic activity of the *Deinococcus* strains helps degrade certain plastics.

Each of these areas of development entails risk (metabolism less adapted than hoped for, for the molecules in question, toxicity of end-products or intermediates that prevent or slow down strain development, delays in key equipment deliveries, etc.) and the Company may encounter technological issues. Moreover, although the Company masters its technologies in the laboratory, the process industrialization phase has yet to begin and there is no guarantee that the Company will manage to develop production techniques that are economically-competitive when compared with existing alternatives or alternatives that are currently under development.

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

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

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

The outcome of a viable process will be highly-dependent on the conversion yield of sugars in the end product and on the cost of raw materials (and its evolution over time). For example, significant increase in the price of sugar could lead to more substantial optimization of the strains to improve yields.

Risks arising from uncertain patent protection and protection of other intellectual property rights

For its innovative biotechnology activity to be successful, the Company's future licensors, licensees and the Company itself will need to be able to obtain, maintain, and enforce their patents and intellectual property rights in Europe, the USA and other countries.

To date, the Company holds two patents, granted at European level, entitled "Process for Chromosomal Engineering Using a Novel DNA Repair System" and "Use of Bacteria for the Production of Bioenergy", a patent granted in the United States, a patent granted in Eurasia, a patent granted in China, six patents granted in South Africa, a patent granted in Australia and two granted in the Ukraine. Moreover, the Company submitted 18 patent families and filed 180 patent applications internationally. We cannot exclude the fact that:

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

Granting a patent does not guarantee its validity or its applicability, both of which third parties could potentially cast doubt on. In the field of biotechnology, whether or not a patent will be granted and whether or not it will be applicable are both major

imponderables that raise complex legal and scientific issues. No uniform worldwide policy has so far emerged in terms of the contents of biotechnology patents that are granted and/or the permitted scope of their claims. It may be necessary to take legal action to enforce the Company's intellectual property rights, protect its trade secrets, and/ or determine the validity and scope of its intellectual property rights. Any litigation would be financially burdensome, would cut into Company profits, and may not result in the Company obtaining the desired level of intellectual property rights protection. Rivals could challenge patent granting before a court of law or through other proceedings, which could result in reducing the scope of the Company's patents if they were successful. Moreover, these patents could be successfully counterfeited or circumvented through independent innovations.

Consequently, the Company cannot be sure that:

- currently pending patents result in actual patents being granted;
- patents that are granted or licensed to the Company or to its partners are not contested by third parties or declared invalid by a competent court;
- the scope of the protection conferred by the patents is sufficient to protect the Company from competitors, even if it deems this to be a minor risk due to the broad scope of claims contained in the patent applications;
- its products are not counterfeits or alleged to be counterfeits of patents held by third parties, even if no prior rights were identified during the prior art investigations carried out by the Company and its advisors;
- third parties do not take legal action or claim an intellectual property right on the patents or other intellectual property rights held by the Company.

Moreover, certain patents that the Company may possibly use may be held by third parties to which the Company granted a licence. This is in particular the case under partnership agreements concluded by the Company. Furthermore, certain intellectual property rights that the Company uses may have been, or could be, jointly developed and be co-owned with third parties, in particular under partnership agreements concluded by the Company. The Company is, therefore, exposed to a risk of dependency vis-à-vis other co-owners in relation to technologies concerned, and as well as in the event that patents exist which depend on technology owned by third parties. Consequently, the use, the renewal and the exploitation of these rights may require their authorization.

Finally, if the period of protection or of disqualification expires, the intellectual property rights held by the Company may become accessible to rivals.

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

As far as the Company is aware, it should be remembered that the Company is, to date, the only one in the world to work on the commercial application of the *Deinococcus* bacterial genus, an organism that is still not well-known and which has only been poorly researched or scientifically published. This technological choice should guarantee the Company precedence (grandfather rights) on the discoveries that it has patented or that it plans to patent in the future.

In view of the critical importance of patents in its activity sector, the Company has established a Patent Committee that meets periodically to define the Company's intellectual property rights strategy and benefits from the advice of an expert in industrial property matters and a patent law firm. Moreover, the Committee pursues a policy of filing for patents at an early stage to optimize their priority rights.

In addition, particular attention is paid to the protection of this intellectual property when collaborative agreements are negotiated with Company partners. Intellectual property that is directly linked to DEINOVE's patents is systematically retained and the one that is developed during the partnership is discussed to include freedom to operate with other partners, this varies based on the business model in question.

Finally, as mentioned in their employment agreement, inventions developed by employees as part of their activity remain the exclusive property of DEINOVE, notwithstanding the status of inventor of the employee in question.

Insurance and risk coverage

At the date of the report hereof, the Company considers that its insurance coverage is adapted to its activities. The Company does not foresee any particular difficulties to maintain suitable levels of insurance in the future within the limit of market availability and conditions.

To cover the various risks that it is faced with, DEINOVE held the following insurance policies at 31/12/14:

Type of risk covered	Insurer	Coverage description
Civil liability for the activities that DEINOVE undertakes on its premises and on rented/loaned premises	AXA	All damage: €9,000,000
Computer equipment	AXA	Computer equipment: €80,000
Comprehensive business Montpellier laboratory premises	AXA	Premises: unlimited Contents: €50,000 Franchise: €276 Loss of revenue: €2,000,000
Civil liability for company executives and corporate officers	CNA Assurance	Coverage cap: €1,500,000
Machinery breakdown for all laboratory equipment and material	AXA	Capital insured: €991,008 Franchise: 10% of property damage
Assistance for covering travel abroad	AXA	Mission covered for any travel that lasts less than 90 consecutive days
Assignment agreement	AXA	Staff covered when using their own vehicle for business travel, if requested by the Company to do so.

3 | 7 Legal Information

Significant legal events during 2014

1. By decisions dated 5 February 2014, the Board of Directors acknowledged (i) the lapse of the 25,000 employee stock options, known as “BCE-2010-2” issued and granted to the benefit of Mr Michael Krel on 2 December 2010 and (ii) the lapse of 6,500 employee stock options, known as “BCE-2011-1” issued and granted to the benefit of Mrs Lucie Roux on 28 June 2011, in accordance with the delegation of power granted to it by the Combined Annual General Meeting on 24 September 2010.
2. On 26 March 2014, DEINOVE confirmed its eligibility for the PEA-PME (Share Savings Plan for SMEs). Pursuant to Decree No. 2014-283 of 4 March 2014, implementing Article 70 of Act No. 2013-1278 of 29 December 2013 of the French Finance Act for 2014, establishing the eligibility of companies for the PEA-PME, DEINOVE fulfills the two conditions of eligibility set: firstly, fewer than 5,000 employees and, secondly, annual revenues less than 1,500 million euros or a balance-sheet total less than 2,000 million euros. DEINOVE is one of the values selected for the new EnterNext PEA-PME 150 index, launched on 17 November 2014.
3. By virtue of a delegation of power granted by the Combined Annual General Meeting of 3 May 2012 and acting by delegation on behalf of the Board of Directors on 14 October 2013, the Chief Executive Officer acknowledged that, under the PACEO® programme implemented on 30 October 2013 with the Société Générale:
 - By decision on 23 January 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,022,732.40 euros to 2,042,732.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA);
 - By decision on 11 February 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,042,732.40 euros to 2,062,732.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA);
 - By decision on 3 March 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,062,732.40 euros to 2,082,732.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA).
4. By virtue of a delegation of power granted by the Combined Annual General Meeting of 27 June 2008, by decision of 6 May 2014, the Board of Directors acknowledged the implementation of a 8,216 euro capital increase increasing the capital from 2,082,732.40 euros to 2,090,948.40 euros, through the issue of 20,540 shares, at 0.40 euros of the nominal, resulting from the exercise of 20,540 BSA-B share warrant plans issued by the Annual General Meeting of 30 January 2008 and amended by the Annual General Meeting of 27 January 2010 and of 15 March 2010.
5. During the Combined Annual General Meeting held on 6 May 2014, Mr Dennis McGrew and Mr Michael Carlos were appointed as new independent directors of the Company. Mr Dennis McGrew has 30 years' experience in commercial positions in international chemistry and green chemistry companies established in the United States (Dow Chemical, NatureWorks, Genomatica), and Mr Michael Carlos is the President of the Fragrances division of the Givaudan Group. These new members to the Board of Directors reinforce the Company's international vision.
6. During this Meeting on 6 May 2014, the decision was also taken to transfer Company headquarters from 32 boulevard de Strasbourg - 75010 Paris to Cap Sigma, ZAC Euromédecine II, 1682 rue de la Valsière - 34790 Grabels, as of 12 May 2014.
7. By decisions of the Board of Directors dated 18 March 2014 and 6 May 2014 and by decision of the Chief Executive Officer dated 23 June 2014, a decision was taken (i) to launch a capital increase, with elimination of the preferential subscription right and with a priority period as of right in favour of existing shareholders, for an initial maximum amount of 18.9 million euros which may be increased to 21.74 million euros in the event of full exercise of the extension clause, and for a

maximum amount of 25 million euros in the event of full exercise of the extension clause and of the over-allotment option, and (ii) to transfer all Company shares from the Alternext market to the regulated Euronext Paris market, subject to the completion of the capital increase. As such, a prospectus comprising the Reference Document, registered on 23 June 2014 under number R.14-042, and an offering circular (including the summary of the prospectus), was granted visa No.14-314 from the French Financial Markets Authority (AMF) on 23 June 2014. By notice dated 4 July 2014, the Company announced the cancellation of the capital increase as the conditions expected to fulfil it had not been met. Consequently, the Company's shares were not transferred from the Alternext market to the regulated Euronext Paris market.

- 8.** DEINOVE announced the conclusion of three partnership agreements. The following were, as such, confirmed:
- By press release dated 3 June 2014, the conclusion of a 2-year R&D partnership agreement with the SUEZ ENVIRONNEMENT Group that intends to explore the potential for developing an industrial sector for transforming municipal solid waste into ethanol under the action of *Deinococcus* bacteria;
 - By press release dated 3 June 2014, the conclusion of a partnership agreement with ABENGOA, one of the world's leading bioethanol producers, for a maximum period of 36 months, focusing on the development of DEINOVE's consolidated bioprocess (CBP), which uses a *Deinococcus* bacteria to digest and transform agricultural residues into ethanol at a competitive cost;
 - By press release dated 22 September 2014, the conclusion of a 3-year partnership agreement with SOFIPROTÉOL focusing on the development of a process for producing natural additives for animal feed.
- 9.** On 16 June 2014, DEINOVE announced that it had exercised the option granted in November 2013 to acquire the exclusive operating licence for GENOPLANTE-VALOR's patented technology.
- 10.** By virtue of a delegation of power granted by the Combined Annual General Meeting of 6 May 2014 and acting by delegation on behalf of the Board of Directors on 1st July 2014, the Chief Executive Officer acknowledged that, under the PACEO® programme implemented on 30 October 2013 with the Société Générale:
- By decision on 16 July 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,090,948.40 euros to 2,110,948.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA);
 - By decision on 25 September 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,111,560.40 euros to 2,131,560.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA);
 - By decision on 7 November 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,131,560.40 euros to 2,151,560.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA).
- 11.** During its meeting on 17 September 2014, the Board of Directors took note of the resignation of the Paris V Descartes University, represented by its President Mr Frédéric Dardel, from his term of office as director by electronic mail dated 16 September 2014, and of the resignation of Mr Bruno Weymuller, from his term of office as director by electronic mail dated 17 September 2014.
- 12.** By virtue of a delegation of power granted by the Combined Annual General Meeting of 6 May 2014, the Board of Directors acknowledged unanimously, on 17 September 2014, the exercise of 1,530 BCE-2010-1 and the issue of 1,530 shares, at 0.40 euros of the nominal and, consequently, acknowledged the increase in share capital by 612.00 euros, increasing it from 2,110,948.40 euros to 2,111,560.40 euros.
- 13.** By virtue of a delegation of power granted by the Combined Annual General Meeting of 6 May 2014 and acting by delegation on behalf of the Board of Directors on 20 November 2014, the Chief Executive Officer decided, following a decision dated 1st December 2014, to implement a new medium-term equity financing solution. This financing solution provides DEINOVE with the guarantee to be able to raise up to 15 million euros over a flexible 3-year period maximum. The financing operation is organized in four successive tranches; for each tranche, DEINOVE is ensured an amount to be raised for the predefined period. The first instalment was issued concurrently to the conclusion of

the agreement between DEINOVE and KEPLER CHEUVREUX, which pledged to subscribe an amount equal to 3.5 million euros over the next 7 months, i.e. an indicative total number of DEINOVE shares equal to around 500,000, provided that the conditions defined by the Parties are complied with.

The share issue price will be based on the DEINOVE trading value of the day, less a maximum discount of 7.5%. This writedown allows KEPLER CHEUVREUX to intervene as a financial intermediary and guarantor when a firm commitment is made.

For example, on the assumption of equity financing for 3.5 million euros and a trading value of 7 euros (post-discount), a shareholder who holds 1.00% of the capital would see their participation change to 0.91% of the capital.

The other three tranches will be issued at the discretion of DEINOVE, which may waive this by terminating the agreement concluded with KEPLER CHEUVREUX early or by suspending it. As such, DEINOVE is under no obligation to implement the three remaining tranches and will do so only in case of need and for the best interest of the Company and its shareholders.

This funding line ends the PACEO® solution which was initiated on 30 October 2013.

14. DEINOVE was granted six patents in 2014:

- the PF2: "Using bacteria to produce bioenergy", in Eurasia and Australia;
- the PF6: "Recombinant bacteria and their use in ethanol production", in the Ukraine;
- the PF8 and PF9: "Plant polymer digestion enzymes", in South Africa;
- the PF4: "Compositions and methods for degrading lignocellulosic biomass", in China.

Company Governance

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

Chairman of the Board of Directors:

Dr. Philippe Pouletty

Directors:

- Truffle Capital, represented by Christian Pierret
- Rodney Rothstein
- SAKKAB LLC, represented by Nabil Sakkab
- Bruno Weymuller, until 17 September 2014
- Paul-Joël Derian
- Paris V University, until 17 September 2014, represented by Pr. Frédéric Dardel
- Michael Carlos, since 6 May 2014
- Dennis McGrew, since 6 May 2014

Management during financial year 2014:

- Chief Executive Officer: Emmanuel Petiot
- Director of Finance & Administration: Julien Coste
- Research & Development Director: Jean-Paul Leonetti
- Business Development Director: Nagib Ward
- Head of Marketing, Communication & Investor Relations: Coralie Martin

At the date of the document hereof, no changes have occurred in the composition of Company management.

MEMBER'S NAME OR COMPANY NAME:

Dr. Philippe POULETTY

DATE APPOINTED: 27/01/10

OFFICE EXPIRY DATE: GM 2016 on 2015 accounts

POSITION HELD IN COMPANY: Chairman of the Board

OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS:

- INNATE PHARMA SA: Member of the Supervisory Board
- TRUFFLE CAPITAL SAS: Chief Executive Officer, Director
- ABIVAX SA: Founder, Chairman of the Board
- BIODIVERSITY SAS: Director, Representative of Truffle Capital
- CARBIOS SA: Co-founder, Director, Representative of Truffle Capital
- NAKOSTECH SARL: Manager
- THERADIAG SA: Director, Representative of Truffle Capital
- CARMAT SA: Co-founder, Director, Representative of Truffle Capital
- THERACLION SA: Director, Representative of Truffle Capital
- VEXIM SA: Co-founder, Director, Representative of Truffle Capital
- MYOPOWERS SA (Switzerland): Director, Representative of Truffle Capital
- PHARNEXT SAS: Co-founder, Director, Representative of Truffle Capital
- PLASMAPRIME SAS: Co-founder, Director, Representative of Truffle Capital
- IMMUNE TARGETING SYSTEMS LTD (United Kingdom): Director, Representative of Truffle Capital
- SYMETIS (Switzerland): Director, Representative of Truffle Capital
- DIACCURATE SASU: Member of the Board of Directors, Representative of Truffle Capital
- KEPHALIOS SAS: Member of the Board of Directors, Representative of Truffle Capital
- DEINOBOTICS SAS: Member of the Board of Directors, Representative of Truffle Capital
- Centre Chirurgical Marie Lannelongue (Association): Director
- France Biotech (non-profit organization under July 1st 1901 Act): Honorary Chairman, Director

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MEMBER'S NAME OR COMPANY NAME: TRUFFLE CAPITAL represented by Mr Christian PIERRET
DATE APPOINTED: 27/01/10
OFFICE EXPIRY DATE: GM 2016 on 2015 accounts
POSITION HELD IN COMPANY: Director
OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS: <ul style="list-style-type: none"> • HOLDING INCUBATRICE SERIE I MEDICAL DEVICES SA: Director • GrDF: Director • PHARNEXT SAS: Director • ABIVAX SA: Director
MEMBER'S NAME OR COMPANY NAME: SAKKAB LLC represented by Mr Nabil SAKKAB
DATE APPOINTED: 27/01/10
OFFICE EXPIRY DATE: GM 2016 on 2015 accounts
POSITION HELD IN COMPANY: Director
OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS: <ul style="list-style-type: none"> • ALTRIA: Director • GIVAUDAN: Director • CREATA VENTURES: Director • BIOWISH TECHNOLOGIES: Chairman of the Board • CELLTEX: Director • PHARNEXT SAS: Director
MEMBER'S NAME OR COMPANY NAME: Mr Rodney ROTHSTEIN
DATE APPOINTED: 27/01/10
OFFICE EXPIRY DATE: GM 2016 on 2015 accounts
POSITION HELD IN COMPANY: Director
OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS: None
MEMBER'S NAME OR COMPANY NAME: Mr Bruno WEYMULLER
DATE APPOINTED: 24/09/10
DATE OF RESIGNATION: 17/09/14
POSITION HELD IN COMPANY: Director
OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS: <ul style="list-style-type: none"> • COE-REXECODE: Director • C.F.E (French Energy Council): Director

MEMBER'S NAME OR COMPANY NAME: Mr Emmanuel PETIOT
DATE APPOINTED: 06/12/12
OFFICE EXPIRY DATE: 07/01/17
POSITION HELD IN COMPANY: Chief Executive Officer
OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS: None
MEMBER'S NAME OR COMPANY NAME: Mr Paul-Joël DERIAN
DATE APPOINTED: 27/01/10
OFFICE EXPIRY DATE: GM 2016 on 2015 accounts
POSITION HELD IN COMPANY: Director
OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS: None
MEMBER'S NAME OR COMPANY NAME: PARIS V UNIVERSITY represented by Mr Frédéric DARDEL
DATE APPOINTED: 27/01/10
DATE OF RESIGNATION: 17/09/14
POSITION HELD IN COMPANY: Director
OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS: <ul style="list-style-type: none"> • Paris Descartes University: Chairman • SOCIETE FRANCAISE DE BIOCHIMIE & DE BIOLOGIE MOLECULAIRE: Chairman • SORBONNE PARIS CITE (public sector scientific cooperation institution): Director of the Higher Education Teaching and Research Pole • INRA: Chairman of the Scientific Committee
MEMBER'S NAME OR COMPANY NAME: Mr Michael CARLOS
DATE APPOINTED: 06/05/14
OFFICE EXPIRY DATE: GM 2020 on 2019 accounts
POSITION HELD IN COMPANY: Director
OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS: <ul style="list-style-type: none"> • GIVAUDAN FRAGRANCES: Chairman • RIFM (Research Institute of Fragrance Materials): Chairman of the Board • IFRA (International Fragrance Association): Vice-Chairman of the Board
MEMBER'S NAME OR COMPANY NAME: Mr Dennis McGREW
DATE APPOINTED: 06/05/14
OFFICE EXPIRY DATE: GM 2020 on 2019 accounts
POSITION HELD IN COMPANY: Director
OTHER OFFICES OR FUNCTIONS HELD IN ANY COMPANY OR ENTITY BY OFFICERS: None

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Information on the share capital

At 31st December 2014, Company capital consisted of 5,459,901 ordinary shares with a nominal value of 0.40 euros each, 15,097 of which (0.28% of the capital) were owned by the Company within the framework of the Liquidity Agreement entrusted to KEPLER CHEUVREUX. The Articles of Association grant the right to cast two votes for each fully subscribed share that has been registered for at least two years in the name of the same shareholder. The table below indicates the percentage of capital and of voting rights held by the main shareholders, in both diluted and non-diluted versions:

At 31st December 2014 - non-diluted basis

Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Truffle Capital-managed funds	2,794,516	51.18%	5,497,234	66.70%
Tereos EU	118,685	2.17%	118,685	1.44%
Scientific founders	20,000	0.37%	40,000	0.49%
Management and directors	19,041	0.35%	29,041	0.35%
Floating	2,507,659	45.93%	2,557,173	31.03%
TOTAL	5,459,901	100.00%	8,242,133	100.00%

At 31st December 2014 - diluted basis

Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Truffle Capital-managed funds	2,856,136	42.12%	5,558,854	58.13%
Tereos EU	118,685	1.75%	118,685	1.24%
Scientific founders	350,000	5.16%	370,000	3.87%
Management and directors	307,781	4.54%	317,781	3.32%
Floating	3,148,649	46.43%	3,198,163	33.44%
TOTAL	6,781,251	100.00%	9,563,483	100.00%

At this same date, share warrants (BSA) and stock option plans (BSPCE) issued were held as follows:

Shareholders	BSA subscribed	BCE subscribed	BEA subscribed	Potential dilution
Truffle Capital-managed funds	61,620	-	-	61,620
Tereos EU	-	-	-	0
Scientific founders	330,000	-	-	330,000
Management and directors	84,490	204,250	-	288,740
Floating	523,120	117,870	-	640,990
TOTAL	999,230	322,120	0	1,321,350

The characteristics of these dilutive financial instruments (in particular the exercise price) are described in Note 8.3 of the 2014 Annual Accounts Appendix.

Authorization to trade in the Company's shares within the framework of a Liquidity Agreement

On 15 May 2014, DEINOVE transferred its Liquidity Agreement, formerly concluded with DSF Markets, to KEPLER CHEUVREUX. The Liquidity Agreement concluded with KEPLER CHEUVREUX complies with the French Financial Markets Association (AMAFI) Code of Ethics approved by the French Financial Markets Authority.

At market closing date at 30th April 2014, the following resources were credited to the liquidity account:

- 5,916 DEINOVE shares;
- 110,931.60 euros.

These same resources were made available for the new agreement concluded with KEPLER CHEUVREUX on 16 May 2014 upon market opening.

At 31st December 2014, the position of the Liquidity Agreement held by KEPLER CHEUVREUX was as follows:

- 15,097 shares held for a gross value of 106,385 euros and 9,878.22 euros in the liquidity account.

Pursuant to the provisions of Article L225-211 of the French Commercial Code, the table below contains the information required for the transactions fulfilled within this framework over the course of the 2014 financial year:

DSF Markets/Parel and Deinove Agreement

	Quantity	Price
Shares registered at 01/01/14	3,540	€13.438
Shares purchased (mean price)	15,298	€14.830
Shares sold (mean price)	12,922	€15.321
Shares registered at 15/05/14	5,916	€12.980
Shares registered at 31/12/14	0	-

Kepler Cheuvreux/Parel and Deinove Agreement

	Quantity	Price
Shares registered at 16/05/14	5,916	€12.980
Shares purchased (mean price)	77,924	€10.312
Shares sold (mean price)	68,743	€10.219
Shares registered at 31/12/14	15,097	€6.740

Information on dividends

The Company will not be paying dividends for the 2014 financial year and it does not expect to pay any during its R&D start-up phase. No dividend has been paid since the Company was created.

Agreements with affiliated parties and special report from the statutory auditor

Previously concluded agreements performed over the course of the financial year:

A partnership agreement for the development of enzymatic processes for producing controlled-lifecycle biodegradable plastics was concluded on 28 September 2012 between DEINOVE and CARBIOS, and for which the investment funds managed by Truffle Capital are associated with 36.31% of the capital. This agreement falls within the THANAPLAST™ collaborative project framework, for which CARBIOS is leader. OSEO-ISI is granting €9.6M to this project, which totals €22M. The agreement formalizes the cooperation commitment between DEINOVE and CARBIOS, pursuant to a jointly-validated schedule, for screening DEINOVE's strain bank and for identifying the strains and/or enzymes capable, in particular, of degrading bio-sourced and/or non-bio-sourced polymers efficiently for producing biodegradable and/or bio-compostable plastics. The agreement mentions that CARBIOS will pay DEINOVE one-time payments and royalties proportional to any revenue generated if the strains of interest from DEINOVE's strain bank are industrially and commercially exploited.

This agreement resulted in DEINOVE invoicing CARBIOS in December 2014, for 15,000 euros VAT excluded, for the strains supplied as part of the THANAPLAST™ project.

New agreements concluded in 2014:

DEINOVE did not conclude any new regulated agreements.

Appointment/reappointment of auditors

The terms of office of the Company's statutory auditor, PricewaterhouseCoopers Audit, was renewed by the Combined General Meeting held on 13 May 2013, for six financial years and will terminate at the end of the General Meeting, which will be called upon to deliberate the financial statements for 2018.

A new alternate statutory auditor, Mrs Anik Chaumartin, was appointed by the Combined General Meeting held on 13 May 2013, for six financial years and will terminate at the end of the General Meeting, which will be called upon to deliberate the financial statements for 2018.

Subsidiaries and equity interest in other companies

During financial year 2014, DEINOVE did not make any new investments and did not create any new subsidiaries.

o As regards equity interest in Deinobiotics SAS:

DEINOBIOTICS, a simplified joint-stock company (*société par actions simplifiée*), with a registered capital of 941,500 euros, headquartered at 1682 rue de la Valsière, Bâtiment Cap Sigma, 34790 Grabels, incorporated with the Montpellier Trade and Companies Register under number 752 226 746 RCS Montpellier.

The purpose of DEINOBIOTICS is to implement research, development, production and commercialization activities in France and abroad of products, technology and services in the field of infectious diseases.

DEINOVE has a 49% share capital stake in DEINOBIOTICS.

At 31st December 2014, DEINOBIOTICS' annual accounts for 2014, for its second financial year showed:

- A loss of €640K;
- Negative shareholders' equity of €405 K;
- A balance-sheet total of €716K.

o As regards the stake in Carbios SA:

Since 2012, the Company has held a stake in the share capital of CARBIOS, a public limited company (*société anonyme*) with a Board of Directors, with a registered capital of 2,630,721.10 euros, headquartered at the Biopôle Clermont-Limagne, rue Emile Duclaux, 63360 Saint-Beauzire, incorporated with the Clermont-Ferrand Trade and Companies Register under number 531 530 228.

The purpose of CARBIOS is, in particular, to implement research, development, production and commercialization activities in France and abroad on biotechnologies and in particular on biomass transformation and bioremediation technologies, processes and products.

At 31st December 2014, DEINOVE's share capital investment in this company stood at 2.01%.

A summary table for the subsidiaries and for equity interest is included under Note 22 in the Appendices.

Employee share scheme

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

At 31st December 2014, employees held 0.05% of the Company share capital.

Proposal for allocating profit/loss

We propose to allocate the 6,458,428 euros loss for the year to the carry-forward account.

Dividends for the past three financial years

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

Non-tax deductible expenses

Pursuant to the provisions of Articles 223-quinquies and 39-5 quater of the French General Tax Code, we declare that the financial statements for the financial year ended on 31st December 2014 record no expenses or charges that are referred to under Article 39-4 of the French General Tax Code.

Information on Company share-related transactions undertaken by executives or their relatives

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

Parties concerned	Type of transaction	Transaction date	Number of shares	Transaction total
TRUFFLE CAPITAL *	Transfer	02/01/14	2,200	€30,508.28
TRUFFLE CAPITAL *	Transfer	03/01/14	2,126	€29,763.36
TRUFFLE CAPITAL *	Transfer	09/01/14	64	€876.80
TRUFFLE CAPITAL *	Transfer	10/01/14	709	€9,713.30
TRUFFLE CAPITAL *	Transfer	13/01/14	205	€2,808.50
TRUFFLE CAPITAL *	Transfer	16/01/14	57,000	€925,474.80
TRUFFLE CAPITAL *	Transfer	17/01/14	23,000	€384,824.50
TRUFFLE CAPITAL *	Transfer	20/01/14	15,000	€254,212.50
TRUFFLE CAPITAL *	Transfer	21/01/14	9,500	€156,910.55
TRUFFLE CAPITAL *	Transfer	22/01/14	6,000	€98,215.20
TRUFFLE CAPITAL *	Transfer	23/01/14	4,380	€68,181.71

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TRUFFLE CAPITAL *	Transfer	24/01/14	112	€1,736.00
TRUFFLE CAPITAL *	Transfer	27/01/14	5,700	€88,515.87
TRUFFLE CAPITAL *	Transfer	28/01/14	4,600	€71,337.72
TRUFFLE CAPITAL *	Transfer	29/01/14	2,700	€42,090.84
TRUFFLE CAPITAL *	Transfer	30/01/14	8,200	€130,559.58
TRUFFLE CAPITAL *	Transfer	31/01/14	3,500	€56,248.50
TRUFFLE CAPITAL *	Transfer	03/02/14	1,600	€25,714.08
TRUFFLE CAPITAL *	Transfer	04/02/14	4,800	€75,242.88
TRUFFLE CAPITAL *	Transfer	05/02/14	250	€3,872.45
TRUFFLE CAPITAL *	Transfer	04/06/14	15,000	€210,276.00
TRUFFLE CAPITAL *	Acquisition	08/07/14	16,200	€226,041.84
TRUFFLE CAPITAL *	Transfer	02/12/14	3,400	€27,417.60
TRUFFLE CAPITAL *	Transfer	11/12/14	4,161	€34,344.13

* Member of the Board of Directors

Information on preventing money laundering

Pursuant to Alternext Regulations in effect, it should be mentioned that DEINOVE, its management and its directors comply with the EC 2005/60 Directive issued by the European Parliament and Council on the prevention of using the financial system for the purpose of money laundering and terrorist financing and the aforementioned also comply with any other related national regulation and/or legislation. Moreover, DEINOVE, its management and its directors are not included in the list of sanctioned individuals and entities of the European Union or the list established by the OFAC.

Table of delegation of powers

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

Delegation of authority or powers	Delegation date	Delegation duration	Authorized threshold (nominal value)	Execution of the delegation of authority or powers during the financial year
Delegation of power granted to the Board of Directors to acknowledge the number of shares issued by exercising the BCE-2008 share warrants	30 January 2008	/	/	/
Delegation of power granted to the Board of Directors to acknowledge the number of shares issued by exercising the BCE-2010-1 share warrants	27 January 2010	/	/	Board of Directors of 17 September 2014: acknowledgement of the issuance of 1,530 shares by exercising 1,530 BCE-2010-1 warrants
Delegation of power granted to the Board of Directors to acknowledge the number of shares issued by exercising the BCE-2010-2 share warrants	24 September 2010	/	/	/

Authority granted to the Board of Directors for purposes of deciding if the Company should buy back its own shares as provided for under Article L. 225-209 of the French Commercial Code	6 May 2014	18 months	The number of treasury shares cannot exceed 10% of the total number of shares that constitutes the Company share capital	/
Delegation of authority granted to the Board of Directors for purposes of deciding to issue shares and/or securities, with preferential subscription right maintained	6 May 2014	26 months	Nominal amount of capital increase: €840,000* Nominal amount of securities and other debt instruments giving access to capital: €30,000,000**	Board of Directors of 17 September 2014: decides on the principle*** of a capital increase by issuing new shares for a maximum amount of 12 million euros, share issue premium included, with shareholders' preferential subscription right maintained, the maximum nominal amount is established at €820,000, and the new shares must be issued by 31 March 2015
Delegation of authority granted to the Board of Directors for purposes of deciding whether or not to incorporate profits, reserves or premiums into the share capital	6 May 2014	26 months	Nominal amount of capital increase: €840,000*	/
Delegation of authority granted to the Board of Directors for purposes of deciding to issue shares and/or securities, with elimination of the preferential subscription right in favour of categories of beneficiaries	6 May 2014	18 months	Nominal amount of capital increase: €840,000* Nominal amount of securities and other debt instruments giving access to capital: €30,000,000**	[1] Board of Directors of 17 September 2014: decides on the principle*** of a capital increase by issuing new shares for a maximum aggregate amount (with the capital increase set [2]) at around 12 million euros, share issue premium included, with elimination of the preferential subscription right in favour of categories of beneficiaries, the maximum nominal amount is established at €820,000, and the new shares must be issued by 31 March 2015
Delegation of authority granted to the Board of Directors for purposes of deciding to issue shares and/or securities, with elimination of the preferential subscription right without indication of beneficiaries and by public offer	6 May 2014	26 months	Nominal amount of capital increase: €840,000* Nominal amount of securities and other debt instruments giving access to capital: €30,000,000**	Board of Directors of 6 May 2014: decides on the principle of a capital increase by issuing new shares for a maximum amount of 25 million euros, share issue premium included, with elimination of shareholders' preferential subscription right and with a priority period as of right in favour of existing shareholders
Delegation of authority granted to the Board of Directors for purposes of deciding to issue shares and/or securities, by private placement and within the limit of 20% of the share capital per year	6 May 2014	26 months	Nominal amount of capital increase will be limited to (i) 20% of the capital (in existence on the date of the transaction) per year and (ii) €840,000*	[2] Board of Directors of 17 September 2014: decides on the principle*** of a capital increase by issuing new shares for a maximum aggregate amount (with the capital increase set [1]) at around 12 million euros, share issue premium included, with elimination of the preferential subscription right without indication of beneficiaries and by private placement, in France and outside France (with the exception of some countries) within the limit of 20% of share capital per year, the maximum nominal amount is established at €402,312, and the new shares must be issued by 31 March 2015. PACEO® Société Générale: Board of Directors of 1 st July 2014: decides on the principle of issuing share issue warrants with elimination of the preferential subscription right in favour of the Société Générale and subdelegation to the Chief Executive Officer to decide on this issuance and to acknowledge the issue of shares arising from the exercise of these warrants. By decision dated 16 July 2014, acknowledgement of the issue of 50,000 shares at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants.

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By decision dated 25 September 2014, acknowledgement of the issue of 50,000 shares at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants.

By decision dated 7 November 2014, acknowledgement of the issue of 50,000 shares at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants.

Nominal amount of securities and other debt instruments giving access to capital: €30,000,000**

KEPLER CHEUVREUX equity line:

Board of Directors of 20 November 2014: decides on the principle of implementing an equity line with KEPLER CHEUVREUX, providing DEINOVE with the guarantee that it will raise up to €15M over a flexible 3-year period maximum. The operation is organized in four successive tranches.

By decision dated 1st December 2014, first instalment issued, concurrently to the conclusion of the agreement between DEINOVE and KEPLER CHEUVREUX, which pledged to subscribe an amount equal to 3.5 million euros over the next 7 months.

Authority granted to the Board of Directors for purposes of increasing the number of shares issued, pursuant to the provisions specified under Article L.225-135-1 of the French Commercial Code, if the delegations of authority targeted in the aforementioned resolutions are implemented, with preferential subscription right maintained or eliminated, as the case may be.	6 May 2014	26 months	15% of the number of shares initially issued * and **	/
Authority granted to the Board of Directors for purposes of reducing Company share capital by cancelling shares as part of the authorization for buying back its own shares	6 May 2014	18 months	10% of the share capital per 24-month period	/

* the ceiling authorized for the nominal amount of capital increases will be charged against the overall ceiling authorized of €840,000 of the nominal (20th resolution of the Combined General Meeting held on 6 May 2014)

** the ceiling authorized for the nominal amount of securities and other debt instruments will be charged against the overall ceiling authorized of €30,000,000 of the nominal (20th resolution of the Combined General Meeting held on 6 May 2014)

*** The Board of Directors subdelegated its authority to the Chief Executive Officer to initiate capital increases. At the date of issue of this financial report, no capital increase has been completed on the basis of this delegation.

3 | 8 Company Results for the Last Five Financial Years

(Articles R225-81, R225-83 and R225-102 of the French Commercial Code)

Type of information (in thousands of euros)	2014	2013	2012	2011	2010
End of year capital					
Share capital (in euros)	2,183,960.40	2,022,732.40	1,976,006.00	1,957,240.00	1,940,821.60
Number of ordinary shares	5,459,901	5,056,831	4,940,015	4,893,100	4,852,054
Number of preference dividend shares					
Maximum of shares to be created via: conversion of securities: exercise of:					
BSA (i)	999,230	600,770	590,670	511,935	569,590
BSPCE (ii)	322,120	330,150	210,790	220,501	202,032
BEA (iii)	0	400,000	0	0	0
Operations & profit/loss for the financial year					
Revenues, excluding tax	133	32	179		
Profit/loss before tax, employee profit-sharing, depreciation charges and write-backs on amortizations and provisions	-7,289	-4,972	-2,717	-3,552	-2,365
Tax on profit	-1,374	-1,960	-903	-682	-276
Employee profit-sharing					
Profit/loss for the period	-6,458	-3,420	-1,979	-3,277	-2,251
Profit/loss distributed					
Profit/loss per share					
Profit/loss before tax, depreciation charges & write-backs on amortizations & provisions	-1.33	-0.98	-0.55	-0.73	-0.49
Profit/loss for the period	-1.18	-0.68	-0.40	-0.67	-0.46
Per-share dividend					
Staff					
Mean number of employees	44	34	29	24	17
Payroll for the period	2,970	2,331	1,797	1,623	980

Drawn up in Montpellier, on 26 March 2015

Dr. Philippe Pouletty

Chairman of the Board of Directors

4 | CORPORATE FINANCIAL STATEMENTS AND APPENDICES

4 | 1 Balance Sheet

ASSETS (in thousands of euros)	Note	2014	2013
FIXED ASSETS			
Intangible assets			
Concessions, patents, licences, software, rights and the like	4	99	85
Tangible assets			
Technical facilities, industrial equipment and tooling		784	511
Tangible assets under construction		521	0
Other tangible assets		102	97
Financial assets			
Equity interests and related receivables	4	631	631
Other equity investments	4	0	0
Other financial assets	4	166	1,508
TOTAL		2,303	2,833
CURRENT ASSETS			
Receivables	5	2,110	2,188
Advances and prepayments on orders		0	0
Marketable securities (Term account)		1,250	0
Cash instruments	6	0	0
Cash on hand		966	1,872
Pre-paid expenses, Conversion rate adjustments	7	324	68
TOTAL		4,650	4,129
GRAND TOTAL		6,953	6,961

LIABILITIES (in thousands of euros)	Note	2014	2013
EQUITY	8		
Capital		2,184	2,023
Share, merger and contribution premiums		15,397	11,506
Statutory reserves			
Carry-forward		-10,927	-7,507
Profit or loss for the period		-6,458	-3,420
TOTAL		196	2,601
OTHER EQUITY			
Conditional advances	9	4,550	3,057
TOTAL		4,550	3,057
PROVISIONS			
Provisions for risks & charges		5	0
TOTAL		5	0
LIABILITIES			
Loans and financial liabilities - Others	10	0	60
Suppliers and related accounts	11 & 12	764	692
Outstanding taxes and social contributions	11 & 12	677	546
Liabilities on fixed assets and related accounts		755	0
Other liabilities	11	7	7
TOTAL		2,202	1,304
GRAND TOTAL		6,953	6,961

4 | 2 Profit and Loss Account

PROFIT AND LOSS ACCOUNT (in thousands of euros)	Note	2014	2013
Operating revenue	14	156	51
Purchases of raw materials and other supplies		-9	-6
Other purchases and external expenses		3,542	2,765
Taxes, duties and similar levies		63	52
Salaries and wages		2,031	1,649
Social contributions		939	682
Depreciation charges for amortizations, write-backs & provisions		540	367
Other expenses		110	64
Total operating expenses		7,216	5,574
OPERATING PROFIT/LOSS		-7,060	-5,523
Financial revenue		83	137
Financial costs		120	15
FINANCIAL PROFIT/LOSS	15	-37	123
CURRENT PRE-TAX PROFIT/LOSS		-7,097	-5,400
Revenue from non-recurring items		0	68
Expenses from non-recurring items		735	47
PROFIT/LOSS FROM NON RECURRING ITEMS	2	-735	21
Tax on profit (tax credit)	16	-1,374	-1,960
PROFIT OR LOSS		-6,458	-3,420

4 | 3 Cashflow Tables

CASHFLOW (in thousands of euros)	Note	2014	2013
Cashflow related to operating activities			
Profit/loss for the period		-6,458	-3,420
Capital gain on transfer of treasury shares		71	-16
Extraordinary profit/loss		6	-21
Amortization		540	367
Depreciation		5	0
Changes in accrued interest		-41	-3
Changes in working capital		766	-236
Net cash used in activities		-5,111	-3,328
Cashflow related to investment activities			
Acquisitions net of divestitures of fixed assets	4	-1,338	-375
Acquisitions of financial assets (TAA, liquidity agreement, equity interest)	4	-1,158	-813
Redemption of investments at maturity	4	0	250
Sales of financial assets	4	2,465	4,342
Net cash from/absorbed by investment activities		-32	3,404
Cashflow related to financing activities			
Net income from share issuance	8	4,053	684
Receipt from new loans	9	1,483	177
Loan repayment	9 & 10	-50	-65
Net cash from financing activities		5,486	796
Change in cash and cash equivalents		344	872
Cash and cash equivalents opening balance	3.14	1,872	1,000
CASH AND CASH EQUIVALENTS AT CLOSING		2,216	1,872

4 | 4 Statement of Changes in Equity

CHANGE IN EQUITY (in thousands of euros)	Share capital	Issue premium & Share warrants	Reserves & Carry-forward	Profit/loss for the period	Total shareholders' proceeds
Balance at 01/01/13	1,976	10,868	-5,528	-1,979	5,337
Allocation of 2012 surplus			-1,979	1,979	0
Capital increase and IP	47				47
Exercise of BSA/BCE/BEA		637			637
Profit/loss for 2013				-3,420	-3,420
31/12/13	2,023	11,506	-7,507	-3,420	2,601
Allocation of 2013 surplus			-3,420	3,420	0
Capital increase and IP	161				161
Exercise of BSA/BCE/BEA		3,892			3,892
Profit/loss for 2014				-6,458	-6,458
31/12/14	2,184	15,397	-10,927	-6,458	196

4 | 5 Appendix to the Accounts

The information hereinafter constitutes the Appendix to the accounts and is an integral part of the summary financial statements presented for the financial years ended on 31st December 2013 and 2014. Each of these periods covers 12 months from 1st January to 31st December.

The accounts for financial year 2014, which recorded a loss of €6,458K, were finalized by the Board of Directors on 26 March 2015. They are presented in thousands of euros, unless otherwise specified.

NOTE 1 | THE COMPANY

DEINOVE SA (the “Company”) is a cleantech company dedicated to the development and commercial exploitation of innovative processes for the production of biofuels and other products of industrial or pharmaceutical interest.

The Company was set up in 2006 in the form of a Simplified Joint Stock Company and was transformed into a Public Limited 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 by the Company are therefore the accounting principles that are generally accepted in France.

NOTE 2 | KEY EVENTS

Financial year ended 31st December 2014:

2.1 – On a legal level

- By decisions dated 5 February 2014, the Board of Directors acknowledged (i) the lapse of the 25,000 employee stock option plans, known as “BCE-2010-2” issued and granted to the benefit of Mr Michael Krel on 2 December 2010 and (ii) the lapse of 6,500 employee stock option plans, known as “BCE-2011-1” issued and granted to the benefit of Mrs Lucie Roux on 28 June 2011, in accordance with the delegation of power granted to it by the Combined Annual General Meeting on 24 September 2010.
- On 26 March 2014, DEINOVE confirmed its eligibility for the PEA-PME (Share Savings Plan for SMEs). Pursuant to Decree No. 2014-283 of 4 March 2014, implementing Article 70 of Act No. 2013-1278 of 29 December 2013 of the French Finance Act for 2014, establishing the eligibility of companies for the PEA-PME, DEINOVE fulfills the two conditions of eligibility set: firstly, fewer than 5,000 employees and, secondly, annual revenues less than 1,500 million euros or a balance-sheet total less than 2,000 million euros. DEINOVE is one of the values selected for the new EnterNext PEA-PME 150 index, launched on 17 November 2014.
- By virtue of a delegation of power granted by the Combined Annual General Meeting of 3 May 2012 and acting by delegation on behalf of the Board of Directors on 14 October 2013, the Chief Executive Officer acknowledged that, under the PACEO® programme implemented on 30 October 2013 with the Société Générale:
 - By decision on 23.01.14, the implementation of a 20,000 euros share capital increase increasing the capital from 2,022,732.40 euros to 2,042,732.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA);
 - By decision on 11 February 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,042,732.40 euros to 2,062,732.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA);
 - By decision on 3 March 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,062,732.40 euros to 2,082,732.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA).

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- By virtue of a delegation of power granted by the Combined Annual General Meeting of 27 June 2008, by decision of 6 May 2014, the Board of Directors acknowledged the implementation of a 8,216 euro capital increase increasing the capital from 2,082,732.40 euros to 2,090,948.40 euros, through the issue of 20,540 shares, at 0.40 euros of the nominal, resulting from the exercise of 20,540 BSA-B share warrant plans issued by the Annual General Meeting of 30 January 2008 and amended by the Annual General Meeting of 27 January 2010 and of 15 March 2010.
- During the Combined Annual General Meeting held on 6 May 2014, Mr Dennis McGrew and Mr Michael Carlos were appointed as new independent directors of the Company. Mr Dennis McGrew has 30 years' experience in commercial positions in international chemistry and green chemistry companies established in the United States (Dow Chemical, NatureWorks, Genomatica), and Mr Michael Carlos is the President of the Fragrances division of the Givaudan Group. These new members to the Board of Directors reinforce the Company's international vision.
- During this Meeting on 6 May 2014, the decision was also taken to transfer Company headquarters from 32 boulevard de Strasbourg - 75010 Paris to Cap Sigma, ZAC Euromédecine II, 1682 rue de la Valsière - 34790 Grabels, as of 12 May 2014.
- By decisions of the Board of Directors dated 18 March 2014 and 6 May 2014 and by decision of the Chief Executive Officer dated 23 June 2014, a decision was taken (i) to launch a capital increase, with elimination of the preferential subscription right and with a priority period as of right in favour of existing shareholders, for an initial maximum amount of 18.9 million euros which may be increased to 21.74 million euros in the event of full exercise of the extension clause, and for a maximum amount of 25 million euros in the event of full exercise of the extension clause and of the over-allotment option, and (ii) to transfer all Company shares from the Alternext market to the regulated Euronext Paris market, subject to the completion of the capital increase. As such, a prospectus comprising the Reference Document, registered on 23 June 2014 under number R.14-042, and an offering circular (including the summary of the prospectus), was granted visa No.14-314 from the French Financial Markets Authority (AMF) on 23 June 2014. By notice dated 4 July 2014, the Company announced the cancellation of the capital increase as the conditions expected to fulfil it had not been met. Consequently, the Company's shares were not transferred from the Alternext market to the regulated Euronext Paris market.
- On 16 June 2014, DEINOVE announced that it had exercised the option granted in November 2013 to acquire the exclusive operating licence for GENOPLANTE-VALOR's patented technology.
- By virtue of a delegation of power granted by the Combined Annual General Meeting of 6 May 2014 and acting by delegation on behalf of the Board of Directors on 1st July 2014, the Chief Executive Officer acknowledged that, under the PACEO® programme implemented on 30 October 2013 with the Société Générale:
 - By decision on 16.07.14, the implementation of a 20,000 euros share capital increase increasing the capital from 2,090,948.40 euros to 2,110,948.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA);
 - By decision on 25 September 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,111,560.40 euros to 2,131,560.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA);
 - By decision on 7 November 2014, the implementation of a 20,000 euros share capital increase increasing the capital from 2,131,560.40 euros to 2,151,560.40 euros, through the issue of 50,000 shares, at 0.40 euros of the nominal, resulting from the exercise of 50,000 share issue warrants (BEA).
- During its meeting on 17 September 2014, the Board of Directors took note of the resignation of the Paris V Descartes University, represented by its President Mr Frédéric Dardel, from his term of office as director by electronic mail dated 16 September 2014, and of the resignation of Mr Bruno Weymuller, from his term of office as director by electronic mail dated 17 September 2014.
- By virtue of a delegation of power granted by the Combined Annual General Meeting of 6 May 2014, the Board of Directors acknowledged unanimously, on 17 September 2014, the exercise of 1,530 BCE-2010-1 and the issue of 1,530 shares, at 0.40 euros of the nominal and, consequently, acknowledged the increase in share capital by 612.00 euros, increasing it from 2,110,948.40 euros to 2,111,560.40 euros.

- By virtue of a delegation of power granted by the Combined Annual General Meeting of 6 May 2014 and acting by delegation on behalf of the Board of Directors on 20 November 2014, the Chief Executive Officer decided, following a decision dated 1st December 2014, to implement a new medium-term equity financing solution.

This financing solution provides DEINOVE with the guarantee to be able to raise up to 15 million euros over a flexible 3-year period maximum. The financing operation is organized in four successive tranches; for each tranche, DEINOVE is ensured an amount to be raised for the predefined period. The first instalment was issued concurrently to the conclusion of the agreement between DEINOVE and KEPLER CHEUVREUX, which pledged to subscribe an amount equal to 3.5 million euros over the next 7 months, i.e. an indicative total number of DEINOVE shares equal to around 500,000, provided that the conditions defined by the Parties are complied with.

The share issue price will be based on the DEINOVE trading value of the day, less a maximum discount of 7.5%. This writedown allows KEPLER CHEUVREUX to intervene as a financial intermediary and guarantor when a firm commitment is made.

For example, on the assumption of equity financing for 3.5 million euros and a trading value of 7 euros (post-discount), a shareholder who holds 1.00% of the capital would see their participation change to 0.91% of the capital.

The other three tranches will be issued at the discretion of DEINOVE, which may waive this by terminating the agreement concluded with KEPLER CHEUVREUX early or by suspending it. As such, DEINOVE is under no obligation to implement the three remaining tranches and will do so only in case of need and for the best interest of the Company and its shareholders.

This funding line ends the PACEO® solution which was initiated on 30 October 2013.

- DEINOVE was granted six patents in 2014:

- the PF2: "Using bacteria to produce bioenergy", in Eurasia and Australia;
- the PF6: "Recombinant bacteria and their use in ethanol production", in the Ukraine;
- the PF8 and PF9: "Plant polymer digestion enzymes", in South Africa;
- the PF4: "Compositions and methods for degrading lignocellulosic biomass", in China.

2.2 - After DEINOVE had been granted around 6 million euros aid from the French Environment and Energy Management Agency (ADEME) and the French National General Commission for Investment (CGI) for developing its DEINOCHEM project at the end of 2013, the Company received the 1st instalment, for a total of €1,480K, in the form of a repayable advance.

2.3 - On 16 May 2014, the Company announced that the Liquidity Agreement previously concluded with DSF Markets had been transferred to Kepler Cheuvreux on 15 May 2014.

2.4 - On 3 June 2014, DEINOVE announced that it had concluded a partnership agreement with ABENGOA, one of the world's leading bioethanol producers, and had the support of Bpifrance. The agreement is concluded for a maximum period of 36 months and focuses on the development, hand-in-hand with its industrial partner, of DEINOVE's consolidated bioprocess (CBP), which uses *Deinococcus* bacteria, selected by the Company, to digest and transform agricultural residues into ethanol at a competitive cost. The performances obtained from the substrates supplied to DEINOVE by ABENGOA will be assessed so that the process may be implemented, provided performance is satisfactory, in true-sized plants.

2.5 - By press release dated 3 June 2014, DEINOVE announced the conclusion of a two-year R&D partnership agreement with the SUEZ ENVIRONNEMENT Group that intends to explore the potential for developing an industrial sector for transforming municipal solid waste into ethanol under the action of *Deinococcus* bacteria.

2.6 - On 16 June 2014, DEINOVE announced that its automated genetic engineering platform was operational. It uses revolutionary computer-assisted design software, developed by CAD4Bio, a company specializing in software solutions for biotech companies, hand-in-hand with DEINOVE.

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- 2.7 -** On 7 August 2014, the Company benefited from the reimbursement of the 2013 R&D tax credit (CIR), totalling €1,275K (cf. Note 16).
- 2.8 -** On 28 August 2014, the Company received €381K, referring to the corrective requests on the 2010 and 2011 R&D tax credit (CIR) receivables transmitted in July 2013 to the French tax authorities, and totalling €658K. Following this 1st instalment, the Company transmitted additional information to the French tax authorities, in December 2014, in order to receive a 2nd instalment, for €77K, relating specifically to financial year 2011.
- 2.9 -** On 22 September 2014, DEINOVE and SOFIPROTÉOL announced the conclusion of a 3-year partnership agreement focusing on the development of a process for producing natural additives for animal feed. This project, known as COLOR2B, is part of the DEINOCHEM project. It targets the animal feed market but also opens up development prospects for the human foodstuffs market.
- 2.10 -** On 15 October 2014, DEINOVE and the Michigan Biotechnologies Institute (MBI) announced a technological partnership to qualify the DEINOL technology for the production of biofuels based on lignocellulosic biomass (2G biofuels). The MBI is a multidisciplinary centre renowned in the bio-industries sector for its exclusive derisking expertise. The MBI works on optimizing innovational production technologies that use renewable raw materials instead of fossil materials, in the biofuel, chemical compounds, human foodstuffs and animal feed sectors. The MBI has, in particular, played a role in the success of major industrial groups such as DuPont, Cargill (NatureWorks), Novozymes, and start-ups such as Genomatica, OPX Biotechnologies and Verdezyne. After having developed its process on model substrates (simple sugars like glucose and then xylose), and intending to accelerate its industrialization, DEINOVE approached the MBI in particular, to test its technology on their industrial substrates: corn residues, pretreated using AFEX technology.
- 2.11 -** In 2009, the Company was granted a €100K repayable advance by OSEO-Ile de France Region, for studying the “Feasibility of the DEINOL project: creation of a bacteria strain bank, characterization, selection and optimization”. The Company received half of this advance in 2009 and half in 2010. As this study had led to initiating the DEINOL project, it was considered that the conditions of successful completion related to the project had been satisfied and that the Company could begin repaying the aid pursuant to the agreed schedule. €5K was already reimbursed in 2011, as well as €30K in 2012 and €40K in 2013, the remaining balance, i.e. €25K, was reimbursed in 2014.
- 2.12 -** As regards the DEINOPHARM project, in 2009 Oseo Innovation and the Languedoc-Roussillon Region granted €400K repayable advances for the “extension and screening of a bacteria strain bank; identification and characterization of antibiotic molecules”. As set out in the rider to this aid agreement, concluded in November 2010, a 1st reimbursement of €25K was made in December 2013. A 2nd, also of €25K, was made in April 2014. Details on the status of this aid are provided in Notes 9 and 10.
- 2.13 -** As regards financial year 2014, the view has been expressed that the Company would benefit from a R&D Tax Credit (CIR) of €1,594K.

NOTE 3 | ACCOUNTING PRINCIPLES, REGULATIONS AND METHODS

DEINOVE's accounts were drawn up pursuant to the provisions of the French Commercial Code (Articles L123-12 to L123-28) and to the general regulations for drawing up and presenting annual accounts (French General Accounting Plan (PCG) 99-03 amended by regulations issued subsequently by the French Committee for Accounting Regulations).

The basic method retained for assessing the items recorded in the accounts is the historical cost method.

The French general accounting conventions were applied in accordance with the principle of caution, pursuant to the following assumptions:

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

- independence of financial years.

The going concern assumption was retained by the Board of Directors insofar as the Company's financial resources allow it to pursue its research and development efforts for at least 12 months following the accounts' year-end closing date.

For a better understanding of the accounts presented, the main assessment modes and methods retained are specified hereinafter, in particular when:

- a choice is provided by legislation;
- an exception provided for in the texts is used;
- the application of an accounting prescription does not allow a fair presentation;
- an exception is granted to accounting requirements.

3.1 – Intangible Assets

Intangible assets are assessed on their acquisition price and are amortized on a straight-line basis over their period of use by the Company. Intangible assets mainly comprise patents amortized over a 20-year period, and computer software, amortized over a 1-year period.

3.2 – 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.

Asset items are subject to amortization plans determined according to the asset's real duration of use. The depreciable amount of an asset can be less any residual value. The latter is only taken into account when it is significant and measurable.

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 will be recorded directly under expenses.

The amortization periods and modes retained are mainly as follows:

Assets	Period	Mode
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
Furniture	10 years	Straight-line

3.3 – Financial Assets

Equity interests and related receivables:

The gross value of the securities corresponds to the amounts paid for the equity interests concerned, excluding incidental expenses which are recorded under expenses.

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.

Security holdings:

This item corresponds to the use of a percentage of DEINOVE's cash resources for purchasing listed bonds. These securities are recorded under assets for their acquisition price, net of acquisition fees, which are recorded directly under expenses. At each financial year ending, the acquisition value of each line of securities is compared with its inventory value, which corresponds to the stock-market value whenever the securities are listed. A provision for depreciation is created whenever the inventory value is less than the acquisition value, even if the company intends to hold the securities until they mature.

Other financial assets:

▪ *Liquidity Agreement:*

Transactions related to the Liquidity Agreement that the Company has concluded with a financial intermediary (see Note 2) 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 Assets – 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. 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 Assets – Other Long-term Receivables.

▪ *Financial investments upwards of one year:*

To optimize its cash management, the Company makes financial investments upwards of one year in the form of term accounts that are, as a consequence, recorded under Financial Investments. The accrued interest on these investments is also recorded under this asset item.

3.4 - Receivables

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 receivables 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.

3.5 – Cash Instruments

The Company invests a percentage of its cash 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.

3.6 – Foreign Currency Transactions

Foreign currency revenue and expenditure are recorded under their equivalent in national currency at the date of the transaction.

Foreign currency receivables and liabilities that exist at financial year ending are converted at the rate in effect at this date. The conversion difference is recorded in the balance sheet under the "Conversion Rate Adjustments" assets and liabilities items. Conversion rate adjustments – assets are subject to a provision for risks and charges for an equivalent amount.

3.7 - Provisions for Risks and Charges

These provisions, which are recorded pursuant to the French Accounting Regulatory Committee (CRC) regulation No. 2000-06, are intended to cover the liabilities and charges that are likely to be incurred from events ongoing are which have

occurred, and where the amount is quantifiable as regards their purpose, but where the realization, the exchange and/or the amount are uncertain.

3.8 – Retirement Benefits

The amounts of future payments that correspond to benefits granted to employees are assessed based on an actuarial method, where assumptions related to trends in salaries, retirement age and mortality are taken into account, then these assessments are written down to their current value. These commitments are not subject to provisions but are recorded in off-balance-sheet commitments.

3.9 – Loans

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.

3.10 – Repayable Advances Granted by Public Bodies

The share of advances received from public bodies for financing the Company's research activities and which include conditional repayment is recorded under Liabilities under the Other Equity "Conditional Advances" item and their characteristics are detailed under Note 9. The share of these same repayable advances, but non-conditional, is recorded under the "Loans and Financial Liabilities – Others" item.

3.11 – Current Profit/Loss – Extraordinary Profit/Loss

Current profit/loss records revenue and expenditure related to the Company's normal business.

Unusual items from ordinary business activities are recorded under current profit/loss. This comprises, in particular, the following items:

- Allocations to and reversals of provisions for depreciation of receivables;
- Operating grants;
- Transfers of operating expenses.

Extraordinary items outside ordinary business activities constitute the extraordinary profit/loss.

3.12 – Grants Received

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 acquiring fixed assets are initially recorded under equity, then are acknowledged under current revenue in keeping with the amortizations applied to the corresponding fixed assets.

3.13 – External Study and Subcontracting Expenditure

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 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.

3.14 – Cash and Cash Equivalents

For the purposes of the cashflow table, cash and cash equivalents are defined as equal to the total of the "Cash Instruments" and "Cash in Hand" Asset items, insofar as the cash instruments are available in the very short term and that they do not pose any significant risk of impairment loss in the event that interest rates change.

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NOTE 4 | INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS

Financial year ended 31st December 2014

GROSS VALUES (in thousands of euros)	Gross value at 01/01/14	Acquisitions	Reductions	Gross value at 31/12/14
Intangible assets				
Concessions, patents, licences, software, rights and the like	145	117	0	262
Other intangible assets				
TOTAL	145	117	0	262
Tangible assets				
Technical facilities, industrial equipment and tooling	1,465	680	6	2,139
General facilities, fixtures and various amenities	41	20	0	60
Office equipment and computer hardware, furniture	118	16	9	126
Tangible assets under construction	0	521	0	521
TOTAL	1,624	1,237	15	2,846
Financial assets				
Equity interests and related receivables	631	0	0	631
Other equity investments	0	0	0	0
Other financial assets	1,508	1,198	2,536	171
TOTAL	2,140	1,198	2,536	802
GRAND TOTAL	3,909	2,552	2,551	3,910

DEPRECIATIONS (in thousands of euros)	POSITION AND MOVEMENTS DURING THE PERIOD			
Depreciable fixed assets	Value at 01/01/14	Allocations	Outflows	Value at 31/12/14
Intangible assets				
Concessions, patents, licences, software, rights and the like	60	103	0	163
Other intangible assets				
TOTAL	60	103	0	163
Tangible assets				
Technical facilities, industrial equipment and tooling	954	407	6	1,355
General facilities, fixtures and various amenities	1	5	0	6
Office equipment and computer hardware, furniture	61	26	9	78
TOTAL	1,016	438	15	1,439
GRAND TOTAL	1,076	541	15	1,602

IMPAIRMENT (in thousands of euros)	POSITION AND MOVEMENTS DURING THE PERIOD			
Financial assets	Value at 01/01/14	Allocations	Outflows	Value at 31/12/14
Financial assets				
Long-term securities (bonds)	0	0	0	0
TOTAL	0	0	0	0
Other financial assets				
Liquidity agreement	0	5	0	5
TOTAL	0	5	0	5
GRAND TOTAL	0	5	0	5

At 31st December 2014, **equity interests and related receivables** comprised the following items:

- DEINOBIOTICS securities: 461,500 euros (49.02% of the share capital);
- CARBIOS securities: 169,999 euros (2.01% of the share capital).

As regards the 2nd equity interest, it is specified that, based on the CARBIOS trading value at 31/12/14, i.e. €12.90, its fair value is €974.7K. Notwithstanding, as the Company accounts are established in accordance with French accounting standards, this balance sheet asset is recorded valued at its historic price (acquisition price).

Other financial assets included under assets at 31st December 2014 comprised:

- The available balance of the Liquidity Agreement totalling €10K;
- 15,097 treasury shares, recorded for a gross value of €106K. The market value of these shares, determined on the basis of the average price of the Company share at 31/12/14, was lower than the acquisition value; a provision for impairment of €5K was recorded at 31/12/14.
- Deposit and sureties of €55K, including €44K relating exclusively to the Cap Sigma (Grabels) premises.

This represents a net amount of €166K at 31/12/14.

NOTE 5 | RECEIVABLES

Financial year ended 31st December 2014

RECEIVABLES (in thousands of euros)	Gross amount	Within a year	Over a year
From fixed assets			
Other financial assets	166	0	166
Total fixed assets	166	0	166
From current assets			
Customers and related accounts	40	40	0
Trade receivables	0	0	0
Staff and social organizations	4	1	4
Tax on profit	1,737	1,737	0
Value added tax	305	305	0
Other taxes, duties and similar levies			
Other receivables	23	23	0
Group and associates			
Total current assets	2,110	2,106	4
TOTAL	2,277	2,106	170

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Financial year ended 31st December 2013

RECEIVABLES (in thousands of euros)	Gross amount	Within a year	Over a year
From fixed assets			
Other financial assets	1,508	1	1,507
Total fixed assets	1,508	1	1,507
From current assets			
Customers and related accounts	15	15	0
Trade receivables	0	0	0
Staff and social organizations	5	1	4
Tax on profit	1,978	1,978	0
Value added tax	152	152	0
Other taxes, duties and similar levies			
Other receivables	39	39	0
Group and associates			
Total current assets	2,188	2,184	4
TOTAL	3,697	2,186	1,511

Receivables from tax on profit mainly correspond to the R&D Tax Credit acquired by the Company, and represents €1,672K on the Assets side of the balance sheet. As there is no taxable profit and due to the Company's "Young Innovative Company" status, this receivable is repayable the year following the year it is recognized:

- R&D Tax Credit (CIR) 2014: €1,594K;
- R&D Tax Credit (CIR) 2010 & 2011: in July 2013, the Company made a corrective request to the French tax authorities concerning the R&D tax credit (CIR) receivables for financial years 2010 and 2011, for an amount of €658K. This amount was totally provisioned as Proceeds receivable in the accounts closed at 31/12/13. A 1st instalment of €381K was made in August 2014, and in December 2014, the Company transmitted additional information to the French tax authorities, on the basis of which it was provisioned €77K as Proceeds receivable in the accounts closed at 31/12/14. This was an additional corrective request relating specifically to financial year 2011.

Finally, the Company recorded a €48K receivable relating to the Tax Credit for Employment Competitiveness (CICE), €16K relating to the Business Prospection Tax Credit (CIPC), to which €1K relating to the Apprenticeship Tax Credit is added.

Other receivables at 31/12/14 are mainly outstanding receivables (from suppliers), totalling €12K (vs. €30K at 31/12/13), a prepayment relating to luncheon vouchers totalling €8K (vs. also €8K end 2013), and an operating grant (CIFRE agreements) as a receivable of €2K (vs. €0K end 2013).

NOTE 6 | CASH INSTRUMENTS

At 31/12/14, the Company did not hold any term account, which through its maturity date could be recorded under Cash Instruments.

NOTE 7 | REPAYMENTS AND ACCRUED INCOME - ASSETS

PREPAYMENTS (in thousands of euros)	31/12/14	31/12/13
Prepayments	324	68

The amount of prepayments mainly comprises operating-related costs.

As the Company made an inventory for the first time, then a stock valuation of its laboratory consumables at 31 December 2014, the amount of prepayments recorded at this date integrates, in particular, the results of this valuation.

NOTE 8 | EQUITY

8.1 – Share Capital Structure

	31/12/14	31/12/13	31/12/12	31/12/11	31/12/10
Capital	€2,183,960.40	€2,022,732.40	€1,976,006.00	€1,957,240.00	€1,940,821.60
Number of shares	5,459,901	5,056,831	4,940,015	4,893,100	4,852,054
Nominal value	€0.40	€0.40	€0.40	€0.40	€0.40

At 31st December 2014, the Company's share capital comprised 5,459,901 shares with a unit nominal value of 0.40 euros.

During financial year 2014, the Board of Directors acknowledged the issue of 403,070 new shares through the exercise of 1,530 BCE-2010-1, 20,540 BSA-B, 300,000 BEA (corresponding to 6 PACEO® drawdowns) and 81,000 BSA-2014-T1 (Kepler Cheuvreux equity line), i.e. a capital increase of 161,228.00 euros.

8.2 – Share Capital Breakdown

The Articles of Association grant the right to cast two votes for each fully subscribed share 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.

Financial year ended 31st December 2014

Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Truffle Capital-managed funds	2,794,516	51.18%	5,497,234	66.70%
Tereos EU	118,685	2.17%	118,685	1.44%
Scientific founders	20,000	0.37%	40,000	0.49%
Management and directors	19,041	0.35%	29,041	0.35%
Floating	2,507,659	45.93%	2,557,173	31.03%
TOTAL	5,459,901	100.00%	8,242,133	100.00%

Financial year ended 31st December 2013

Shareholders	Number of shares	Percentage held	Voting rights	Percentage
Truffle Capital-managed funds	2,953,023	58.40%	5,830,448	72.76%
Tereos EU	120,048	2.37%	120,048	1.50%
Scientific founders	20,000	0.40%	40,000	0.50%
Management and directors	63,516	1.26%	73,516	0.92%
Floating	1,900,244	37.58%	1,948,727	24.32%
TOTAL	5,056,831	100.00%	8,012,739	100.00%

8.3 - Dilutive Financial Instruments:

- Share warrants (BSA)

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The table below shows the status of BSA in effect at 31st December 2014, as well as additional information on their status on this date.

BSA	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BSA-B GM of 30/01/08	92,430	-	61,080	31,350	31,350	-	30/01/18
BSA-2008 GM of 27/06/08	61,620	-	20,540	41,080	41,080	-	27/06/18
BSA-2009 GM of 05/05/09	330,000	-	-	330,000	330,000	-	05/05/19
BSA-2010-1 GM of 27/01/10	34,000	-	-	34,000	34,000	-	22/03/20
BSA-2010-3 GM of 27/01/10	22,500	-	-	22,500	22,500	-	22/03/20
BSA-2010-4 GM of 27/01/10	8,500	-	-	8,500	8,500	-	22/03/20
BSA-2012-1 GM of 24/09/10	123,240	20,540	-	102,700	102,700	-	16/02/22
BSA-2013-1 GM of 13/05/13	10,100	-	-	10,100	10,100	-	04/07/23
BSA-T1 GM of 06/05/14	500,000	-	81,000	419,000	419,000	-	30/06/15
BSA TOTAL	1,182,390	20,540	162,620	999,230	999,230	0	

The tables below summarize the characteristics of BSA plans in effect at 31st December 2014.

These plans could lead to the creation of a maximum of 999,230 new shares, if all corresponding rights were exercised.

	BSA-B	BSA 2008	BSA-2009
Date of the General Meeting or Board of Directors that issued the BSA	GM of 30/01/08 and BoD of 30/01/08 and amended by the GM of 27/01/10 and the GM of 15/03/10	GM of 27/06/08 and amended by the GM of 27/01/10 and the GM of 15/03/10	GM of 05/05/09 and amended by the GM of 15/03/10
Number of BSA	92,430	61,620	330,000
Number of BSA exercised	61,080	20,540	0
Total number of shares that can be subscribed	31,350	41,080	330,000
Point of departure for exercising warrants	01/02/08	01/07/08	05/05/09
Expiry date	30/01/18	27/06/18	05/05/19
Warrant subscription or acquisition price		Free of charge	1,770,000 exercisable at 05/05/09
Procedures for exercising the warrant	By tranche of 1/48 th per month over 4 years from 01/02/08	By tranche of 1/48 th per month over 4 years from 01/07/08	1,530,000 exercisable in 3 equal tranches; each tranche may be exercised if the beneficiary discovers a invention, patentable or not, that is likely to be exploited by the Company
Exercise price per share subscribed		€0.40	

	BSA-2010-1	BSA-2010-3	BSA-2010-4
Date of the General Meeting or Board of Directors that issued the BSA	GM of 27/01/10, amended by the GM of 15/03/10 and allocated by the Board of Directors of 22/03/10		
Number of BSA	34,000	22,500	8,500
Number of BSA exercised	0	0	0
Total number of shares that can be subscribed	34,000	22,500	8,500
Point of departure for exercising warrants		22/03/10	
Warrant subscription or acquisition price	Free of charge	1% of the BSA exercise price, i.e. €0.07497	
Expiry date		22/03/20	
Procedures for exercising the warrant	<u>Exercising condition</u> : conclusion of the agreement protocol between the Company and the CNRS	<u>Exercising condition</u> : success of the 1 st listing of Company securities on the NYSE Alternext Euronext Paris with fund raising of at least €10,000,000	<u>Exercising condition</u> : success of the 1 st listing of Company securities on the NYSE Alternext Euronext Paris with fund raising of at least €10,000,000
	<u>Acquisition</u> : the warrants are exercisable over a 2-year period as of the conclusion of the agreement protocol between the Company and the CNRS	<u>Acquisition</u> : by tranche of 1/48 th per month over 4 years from the 1 st listing of Company securities on the NYSE Alternext Euronext Paris	<u>Acquisition</u> : by tranche of 1/24 th per month over 2 years from the 1 st listing of Company securities on the NYSE Alternext Euronext Paris
Exercise price per share subscribed	Share price during the listing of Company securities on the NYSE Alternext Euronext Paris, i.e. €8.33	90% of the share price during the listing of Company securities on the NYSE Alternext Euronext Paris, i.e. €7.497	
	BSA-2012-1	BSA-2013-1	BSA-2014-T1
Date of the General Meeting or Board of Directors that issued the BSA	GM of 24/09/10 and allocated by the BoD of 16/02/12	GM of 13/05/13 and allocated by the BoD of 04/07/13	GM of 06/05/14 and BoD of 20/11/14
Number of BSA	102,700	10,100	500,000
Number of BSA exercised	0	0	81,000
Total number of shares that can be subscribed	102,700	10,100	419,000
Point of departure for exercising warrants	16/02/12	04/07/13	01/12/14
Expiry date	16/02/22	04/07/23	30/06/15
Warrant subscription or acquisition price	10% of the BSA exercise price, i.e. €0.9802905	10% of the BSA exercise price, i.e. €0.98889	According to contractual terms
Procedures for exercising the warrant	<ul style="list-style-type: none"> • 50% from 16/02/14 • 50% per tranche of 1/24th per month over 2 years from 16/02/14 	100% if an objective is fulfilled, which is assessed by the Board of Directors in its unfettered discretion	According to contractual terms
Exercise price per share subscribed	Weighted average of the last 5 stock market sessions prior to the date the BSA-2012-1 were allocated, i.e. €9.802905	Weighted average of the last 5 stock market sessions prior to the date the BSA-2013-1 were allocated, i.e. €9.8889	Based on the trading value, less a maximum discount of 7.5%

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- **Stock option plans (BSPCE)**

The table below shows the status of BSPCE in effect at 31st December 2014, as well as additional information on their status on this date.

BSPCE	Issued	Cancelled	Exercised	Balance of exercisable warrants	Of which subscribed	Of which not allocated	Lapse
BCE 2008 GM of 30/01/08	61,630	-	61,630	0	0	-	30/01/18
BCE 2009-1 GM of 05/05/09	68,000	32,832	30,068	5,100	5,100	-	10 years after allocation
BCE 2009-2 GM of 05/05/09	25,370	-	-	25,370	25,370	-	05/05/19
BCE-2010-1 GM of 27/01/10	37,320	6,630	2,820	27,870	27,870	-	22/03/20
BCE-2010-2 GM of 24/09/10	43,500	26,604	3,896	13,000	13,000	-	02/12/20
BCE-2011-1 GM of 24/09/10	22,400	9,400	-	13,000	13,000	-	28/06/21
BCE-2012-1 GM of 03/05/12	25,000	-	-	25,000	25,000	-	03/07/22
BCE-2013-1 GM of 03/05/12	152,780	-	-	152,780	152,780	-	07/01/23
BCE-2013-2 GM of 13/05/13	60,000	-	-	60,000	60,000	-	11/07/23
TOTAL BSPCE	496,000	75,466	98,414	322,120	322,120	0	

The tables below summarize the characteristics of BCE plans in effect at 31st December 2014.

These plans could lead to the creation of a maximum of 322,120 new shares, if all corresponding rights were exercised.

	BCE-2008	BCE-2009-1	BCE-2009-2
Date of the General Meeting or Board of Directors that issued the BCE	GM of 30/01/08 and amended by the GM of 15/03/10	GM of 05/05/09 and amended by the GM of 15/03/10	GM of 05/05/09 and amended by the GM of 15/03/10
Number of BCE	61,630	37,400	25,370
Number of BCE exercised	61,630	30,068	0
Number of BCE lapsed	0	2,232	0
Total number of shares that can be subscribed	0	5,100	25,370
Point of departure for exercising warrants	01/02/09	12 months following the conclusion of the employment agreement or the nomination as director	05/05/09
Expiry date	30/01/18	05/05/19	05/05/19
Warrant subscription or acquisition price	Free of charge	Free of charge	Free of charge
Procedures for exercising the warrant	By tranche of 1/48 th per month over 4 years from 01/02/08	By tranche of 1/48 th per month over 4 years from the 1 st day of the month following the conclusion of the employment agreement by the beneficiary or the nomination of the beneficiary as director	By tranche of 1/48 th per month over 4 years from 05/05/09
Exercise price	€0.40	€0.40	€0.40
	BCE-2010 - 1	BCE-2010 - 2	BCE-2011 - 1
Date of the General Meeting or Board of Directors that issued the BCE	GM of 27/10/10 and allocated by the Board of Directors of 22/03/10	GM of 24/09/10 and allocated by the Board of Directors of 02/12/10	GM of 24/09/10 and allocated by the Board of Directors of 28/06/11
Number of BCE	37,320	43,500	22,400
Number of BCE exercised	2,820	3,896	0
Number of BCE lapsed	6,630	26,604	9,400
Total number of shares that can be subscribed	27,870	13,000	13,000
Point of departure for exercising warrants	22/03/10	02/12/10	28/06/11
Expiry date	22/03/20	02/12/20	28/06/21
Warrant subscription or acquisition price	Free of charge	Free of charge	Free of charge

Procedures for exercising the warrant	- 25% of the warrants held by a beneficiary are exercisable from the 2 nd anniversary of the conclusion of her/his employment agreement	- 66% of the warrants are exercisable on a monthly basis over 48 months from the moment the beneficiary takes office and for the first time from the 1 st anniversary of taking office	- 50% of the warrants are exercisable on a monthly basis over 48 months from the moment the beneficiary takes office and for the first time from the 1 st anniversary of taking office
	- 50 % of the warrants held by a beneficiary are exercisable from the 2 nd anniversary of the conclusion of their employment agreement by tranche of 1/24 th per month over 2 years - 25% of the warrants are exercisable if a financial transaction that is structuring for the Company, as defined by the BoD, is undertaken	- 34% of the warrants are exercisable if an objective is fulfilled, which is assessed by the Board of Directors in its unfettered discretion	- 50 % of the warrants are exercisable if an objective is fulfilled, which is assessed by the Board of Directors in its unfettered discretion
Exercise price per share subscribed	Weighted average of the last 5 stock market sessions prior to the date the BCE-2012-1 were allocated, i.e. €8.05876	Weighted average of the last 5 stock market sessions prior to the date the BCE-2013-1 were allocated, i.e. €10.9635537	Weighted average of the last 5 stock market sessions prior to the date the BCE-2013-2 were allocated, i.e. €9.875397

- **Share Issue Warrants (BEA)**

Within the framework of the PACEO®, initiated on 30/10/13, during financial year 2014 and following six requests for drawdowns made by the Company, 300,000 warrants were exercised by the Société Générale, leading to the issue of 300,000 new ordinary shares. The implementation of the new medium-term equity line solution, with KEPLER CHEUVREUX, terminated the PACEO® solution.

Equity position at 31st December 2014:

The accounts for the financial year ended on 31st December 2014 recorded equity that was less than half of the share capital. Consequently, and pursuant to Article L. 225-248 of the French Commercial Code, the next General Meeting of Shareholders will be consulted to reach a decision as to the continuation of the business. We hereby inform you that the Board of Directors and the main shareholder have already decided not to vote for the early dissolution of the Company.

NOTE 9 | CONDITIONAL ADVANCES

This item comprises the advances granted by public bodies, and whose repayment is predominantly conditional to the success of the project concerned: The table below details the changes over the financial period, for each of the projects concerned, and then specifies the related characteristics:

(in thousands of euros)	Balance	Movements during the period 2014		Balance
		31/12/13	New advances received	
DEINOL feasibility - OSEO Ile de France	25		25	0
DEINOCHEM - ADEME / Investments for the Future	0	1,480		1,480
DEINOPHARM - OSEO Innovation and the Languedoc Roussillon Region	295	4	25	274
DEINOL - OSEO Innovation ISI Programme	2,620			2,620
THANAPLAST™ - OSEO ISI Programme*	177			177
Total advances received	3,117	1,483	50	4,550
Of which: minimum repayable	60	-11	49	0
CONDITIONAL ADVANCES (NET)	3,057	1,495	1	4,550

* Led by CARBIOS

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- 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 bank, characterization, selection and optimization”. DEINOVE received €50K in 2009 and the €50K remaining in 2010. As the feasibility study was highly successful, €5K was repaid in September 2011 (in 1 direct debit), €30K in 2012 (5 direct debits) and €40K in 2013 (4 direct debits). During the 1st quarter 2014, €12.5K was repaid in April and €12.5K in June. As provided for in the initial schedule of payments, on the admission of success, the full amount received as a repayable advance was, as such, paid back to the public funding body, Bpifrance, on 31st December 2014.
- ii. As regards the DEINOPHARM project, in 2009 Oseo Innovation and the Languedoc-Roussillon Region granted €400K repayable advances for the “extension and screening of a bacteria strain bank; identification and characterization of antibiotic molecules”. The first instalment of 40% was made in 2009, and an additional €160K was paid to DEINOVE in 2010. As set out in the rider to this aid agreement, concluded in November 2010, a 1st reimbursement of €25K was made at the end of December 2013. Almost concurrently, at the beginning of January 2014, and following Bpifrance’s processing of the most recent expenses declaration (transmitted in 2011), the remaining €4K balance of repayable advances was paid to the Company. This payment was accompanied by a letter-rider, updating the repayment schedules, if success is acknowledged (€324K, i.e. 100% of amounts received) or if failure is acknowledged (€49K, i.e. 15%). At the beginning of June 2014, Bpifrance informed the Company that repayment schedules were postponed as part of the study on the acknowledgement of failure. Notwithstanding, €25K was debited directly on 31st March 2014; the total reimbursed to date, i.e. €50K, is marginally higher than the €49K provided for in such circumstances. Repayable advances related to this aid do not carry interest.
- iii. 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. This aid was suspended when DEINOVE concluded a Consortium Agreement, on 30 March 2010, with its project partners - BENP-Lillebonne, the CNRS and INSA Transfert. The aids are made available progressively as the project is implemented and when DEINOVE transmits reports to Oseo concerning the finalization of each milestone, for which the main characteristics are as follows:
- before 28/02/11 (milestone 1): development of a wild or modified strain producing ethanol and endowed with hemicellulose or cellulo-lytic characteristics similar to benchmark micro-organisms;
 - before 28/02/12 (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;
 - before 28/02/13 (milestone 3): attestation by BENP-Lillebonne (Tereos Group) that it has received a strain of *Deinococcus* of interest for the start-up of the industrial pilot;
 - before 28/02/14 (milestone 4): validation of the ethanol production in an industrial facility.

Completing each milestone and satisfying the related conditions 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 from the 1st payment, i.e. €1,401K. In May 2011, as a result of successfully completing 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 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 has 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, DEINOVE announced that it had produced ethanol at 9%, using *Deinococcus* bacteria, and thus illustrating 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 will pursue the DEINOL project that focuses on the production of 2nd generation ethanol, with the reaffirmed support of Bpifrance. In light of the development of its production activity for the food industry in its BENP Lillebonne plant, TEREOS has 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 means that certain terms of the aid agreement need to be modified, i.e. the definition of the last two milestones, the schedule for paying the grant amounts and related repayable advance, and potential financial returns for Bpifrance if the project is successful.

- iv. 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 1st instalment of payment 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.

- v. In November 2013, the ADEME informed the Company that it had been granted €5,919K aid for the DEINOCHEM project, which aims to implement a research demonstrator, at the end of a 42-month period, to develop the production of at least 2 isoprenoid compounds from a model substrate. This aid, provided exclusively as repayable advances, falls under the Investissements d'Avenir (Investments for the Future) managed by the French National General Commission for Investment (CGI). The 1st instalment, for a total of €1,480K was made in April 2014. The following payments shall be released as the project progresses and when the Company transmits reports concerning the finalization of the 3 predefined milestones to the ADEME. Details concerning the progression of the project are available under the "Events Post-Closing" section.
- vi. Finally, 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 1st instalment was made in November 2010, for €210K. Within the framework of the transaction of non-monetary 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. As of 31st December 2014, the Company has no liabilities in the form of repayable advances (conditional or unconditional), and is not eligible for future financing (be it repayable advances or grants), relating to this aid.

NOTE 10 | LOANS AND FINANCIAL LIABILITIES

This item comprises the share of non-conditional repayable advances (i.e. even if the project fails) or that are to be paid back if the research project, co-financed by this aid, is successful.

At 31st December 2014, the Company had reimbursed Bpifrance the full amount of aid falling under this definition.

As regards the €100K aid relating to the DEINOL feasibility study, which was acknowledged and recorded as successful in 2010, €5K were reimbursed in 2011, €30K in 2012 and €40K in 2013. The remaining balance, i.e. €25K, was paid in 2014, pursuant to the repayment schedule.

As regards the DEINOPHARM project, the unconditional part, initially set at €60K, was adjusted to €49K via a rider. As €25K had already been paid back in December 2013, and as the repayment schedule included a 2nd direct debit of €25K for 2014, which was made, consequently the Company has reimbursed the conditional part in full, and has reimbursed 'in advance' €1K of the unconditional part.

(in thousands of euros) Detail of Other financial liabilities	Balance	Movements during the period 2014		Balance
	31/12/13	New advances received	Repayments or transfers	31/12/14
DEINOL (Feasibility)	25		25	0
DEINOPHARM	35	-11	24	0
TOTAL OTHER FINANCIAL LIABILITIES	60	-11	49	0

NOTE 11 | MATURITIES OF OPERATING LIABILITIES AT YEAR END:

Financial year ended 31st December 2014

(in thousands of euros)	Gross amount	Within a year	1 to 5 years	More than 5 years
Suppliers and related accounts	764	764		
Staff and related accounts	323	323		
Social security and other social organizations	322	322		
Other taxes, duties and similar levies	32	32		
Liabilities on fixed assets and related accounts	755	755		
Other liabilities	7	7		
TOTAL	2,202	2,202		

Financial year ended 31st December 2013

(in thousands of euros)	Gross amount	Within a year	1 to 5 years	More than 5 years
Suppliers and related accounts	692	692		
Staff and related accounts	268	268		
Social security and other social organizations	244	244		
Other taxes, duties and similar levies	34	34		
Liabilities on fixed assets and related accounts	0	0		
Other liabilities	7	7		
TOTAL	1,244	1,244		

NOTE 12 | ACCRUALS AND DEFERRED INCOME - LIABILITIES

DETAIL OF EXPENSES TO BE PAID (in thousands of euros)	31/12/14	31/12/13
Loans and liabilities owed to credit institutions		
Banks – accrued interest		
Total	0	0
Loans and financial liabilities - Others		
Accrued interest		
Total	0	0
Trade payables and related accounts		
Suppliers - Accrued invoices	265	293
Total	265	293
Outstanding taxes and social contributions		
Staff – holiday/time-off liabilities	147	109
Staff – other expenses to be paid	175	145
Social contributions / holiday/time-off	66	40
Other social contributions to be paid	105	75
State – payable charges	32	34
Total	525	402
Other liabilities		
Accrued credit notes	0	0
Total	0	0
GRAND TOTAL	790	695

NOTE 13 | 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 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 Partnership Agreement extended the cooperative laboratory agreement which ended on 30th April 2010 following the grouping of DEINOVE's employees in its Cap Alpha research facility. The operating conditions of the Agreement concluded on 15 February also apply to this partnership.

Research Agreement with Nosopharm:

It should be mentioned that on 5 November 2010, as part of the Deinobiotics project, DEINOVE concluded an Operating Agreement with Nosopharm, a biotechnology 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 took charge of part of the work in return for payments in full discharge at the beginning and end of the agreement. Nosopharm transferred all of its rights on the use of the results from this work to DEINOVE.

Within the framework of the transaction of non-monetary contributions of intangible assets that the Company made in favour of DEINOBIOTICS SAS, the operating agreement and any results from this Agreement were transferred to DEINOBIOTICS on 5 October 2012. The Company pledged, as such, to take responsibility for full and final settlement planned for the end of the Agreement, i.e. a total of €105K excl. VAT. The Agreement ended and related settlement was made in 2014.

Research Partnership Agreement with the SUEZ ENVIRONNEMENT Group:

By press release dated 3 June 2014, DEINOVE announced the conclusion of a two-year R&D partnership agreement with the SUEZ ENVIRONNEMENT Group that intends to explore the potential for developing an industrial sector for transforming municipal solid waste into ethanol under the action of *Deinococcus* bacteria.

Partnership Agreement with ABENGOA:

By press release dated 3 June 2014, DEINOVE announced the conclusion of a partnership agreement with ABENGOA, one of the world's leading bioethanol producers, for a maximum period of 36 months, focusing on the development of DEINOVE's consolidated bioprocess (CBP), which uses a *Deinococcus* bacteria to digest and transform agricultural residues into ethanol at a competitive cost.

Partnership Agreement with SOFIPROTÉOL:

By notice dated 22 September 2014, DEINOVE announced the conclusion of a 3-year partnership agreement with SOFIPROTÉOL focusing on the development of a process for producing natural additives for animal feed.

Technological Partnership with the Michigan Biotechnologies Institute (MBI):

On 15 October 2014, DEINOVE and the Michigan Biotechnologies Institute (MBI) announced a technological partnership to qualify the DEINOL technology for the production of biofuels based on lignocellulosic biomass (2G biofuels). The MBI is a multidisciplinary centre renowned in the bio-industries sector for its exclusive derisking expertise. The MBI works on optimizing innovational production technologies that use renewable raw materials instead of fossil materials, in the biofuel, chemical compounds, human foodstuffs and animal feed sectors. The MBI has, in particular, played a role in the success of major industrial groups such as DuPont, Cargill (NatureWorks), Novozymes, and start-ups such as Genomatica, OPX Biotechnologies and Verdezyne. After having developed its process on model substrates (simple sugars like glucose and then xylose), and intending to accelerate its industrialization, DEINOVE approached the MBI in particular, to test its technology on their industrial substrates: corn residues, pretreated using AFEEX technology.

NOTE 14 | OPERATING REVENUE

Total operating revenue increased between financial years 2013 and 2014, from €51K to €156K.

For 2014, the €156K total is mainly due to invoicing that the Company made to certain partners, i.e. SUEZ ENVIRONNEMENT, SOFIPROTEOL and CARBIOS as part of research partnership agreements, for a total of €130K. Moreover, the Company received €23K from other revenue, and €3K from aid for recruitment and from the CIFRE (Industrial Agreement for Training through Research) grant.

In 2013, DEINOVE had only invoiced €30K to DEINOBIOTICS for transferring strains of interest, also as part of a partnership agreement, with other revenue totalling €21K.

The details of the various items comprised under operating revenue are shown in the table below:

(in thousands of euros)	2014	2013
Operating grants	3	0
Cifre agreements	2	-
Aid for recruitment	1	-
Contractual revenue	131	31
1 st instalment / SIA (Sofiproteol) – part.agree.	15	-
1 st instalment / Suez-Environnement - part.agree.	100	-
Transfer of strains of interest - Carbios	15	-
Transfer of strains of interest - Deinobiotics	-	30
Provision of premises - Deinobiotics	1	1
Other revenue	22	20
TOTAL OPERATING REVENUE	156	51

NOTE 15 | FINANCIAL RESULTS

(in thousands of euros)	2014	2013
Financial revenue	83	137
Financial costs	120	15
FINANCIAL RESULTS	-37	123

Financial results for the financial year, totalling a net amount of - €37K, comprised:

- The results of the transactions undertaken on DEINOVE's own shares as part of the Liquidity Agreement, which resulted in a net loss of -€76K (vs. profit of +€16K in 2013);
- Interest of +€41K that DEINOVE received on cash investments (vs. +€107K in 2013);
- Net from exchange operations, i.e. insignificant loss of -€2K.

NOTE 16 | TAX ON PROFIT

As the Company is showing a deficit, it does not incur tax charges. The amounts recorded under profit/loss under corporate tax relate mainly to revenue relating to the R&D Tax Credit (CIR) and amounted, respectively, to €1,953K in 2013 and to €1,356K in 2014 (net).

The 2013 amount includes the receivable assessed for the period, for €1,313K, and outstanding revenue totalling €658K, following the Company's corrective requests to the French tax authorities concerning receivables for financial years 2010 and 2011, and a negative adjustment of -€18K, equal to the difference between the R&D Tax Credit (CIR) actually paid for 2012 (€932K) and its initial estimation (€951K).

Net revenue recorded in the Profit and Loss Account for financial year 2013 was €1,960K, once €6K for the Business Prospection Tax Credit (CIPC) had been taken into account.

The 2014 total includes the receivable assessed for the period, for €1,594K, a negative adjustment of -€200K relating to corrective requests concerning receivables for financial years 2010 and 2011 (€381K received and €77K outstanding, vs. €658K provisioned end 2013), and a negative adjustment of -€38K, equal to the difference between the R&D Tax Credit (CIR) actually collected for 2013 (€1,275K) and its initial estimation (€1,313K).

Net revenue recorded in the Profit and Loss Account for financial year 2014 was €1,374K, once €16K for the Business Prospection Tax Credit (CIPC) and €1K for Apprenticeship Tax Credit had been taken into account.

Carried-over tax losses and amortizations that the Company had at 31/12/14 amount to 26,036,010 euros (as a reminder, €17,901K at 31st December 2013). As regards financial year 2014, tax loss amounts to 8,135,492 euros. These carried-over tax losses are not time-bound. 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 lump sum; the fraction not charged can be indefinitely carried over.

NOTE 17 | ASSOCIATED PARTIES

17.1 - Transactions Undertaken with Associated Parties

- **With CARBIOS, which has a 36.31% interest in the capital through investment funds managed by TRUFFLE CAPITAL (at 31st December 2014)**

A partnership agreement for the development of enzymatic processes for producing controlled-lifecycle biodegradable plastics was concluded between DEINOVE and CARBIOS.

This agreement falls within the THANAPLAST™ collaborative project framework, for which CARBIOS is leader. The project, which totals €22M, has been granted €9.6M from BpiFrance (formerly OSEO-ISI). The agreement formalizes the cooperation commitment between DEINOVE and CARBIOS, pursuant to a jointly-validated schedule, for screening DEINOVE's strain bank and for identifying the strains and/or enzymes capable, in particular, of degrading bio-sourced and/or non-bio-sourced polymers efficiently for producing biodegradable and/or bio-compostable plastics. The agreement mentions that CARBIOS will pay DEINOVE one-time payments and royalties proportional to any revenue generated if the strains of interest from DEINOVE's strain bank are industrially and commercially exploited.

17.2 - Remuneration of Directors (not including the allocation of capital instruments or attendance fees)

(in thousands of euros)	2014	2013
Remuneration of Directors (gross sums)	251	227

17.3 – Attendance fees

(in thousands of euros)	2014	2013
Attendance fees (beneficiaries: members of the Board of Directors)	74	64

17.4 – Dilutive financial instruments held by the Directors

At 31st December 2014, Directors held 125,570 BSA and 152,780 BSPCE, which could be converted into 278,350 ordinary Company shares (Note 8.3).

NOTE 18 | COMMITMENTS GIVEN:

Retirement Benefits

The actuarial assessment is undertaken to produce an estimation of the value forecast of DEINOVE's commitments as regards retirement benefits provided for in the collective agreements. This assessment is determined according to the method known as the "prorata temporis retrospective". The assessment undertaken by DEINOVE takes into account legislation relating to the social security contributions applicable upon retirement (retirement and early voluntary retirement).

For the financial year ended at 31/12/14, the actuarial calculation was made applying the principal assumptions of a discount rate of 0.93% and a salary growth rate of 2.00%.

In light of this, the estimated retirement benefit commitment amounted to €52,177 at 31st December 2014. At 31st December 2013 it stood at €28,338.

Individual Training Entitlement (DIF)

Under the Individual Training Entitlement (DIF), French legislation allocates twenty hours of individual training per year for staff who have concluded an open-ended employment agreement with DEINOVE. This individual training entitlement may be accumulated over a 6-year period, and costs are recorded as expenditure when incurred.

Accumulated, non-used rights amount to around:

- 2,289 hours at 31st December 2014;
- 1,856 hours at 31st December 2013;
- 1,331 hours at 31st December 2012;
- 827 hours at 31st December 2011;
- 423 hours at 31st December 2010;
- 183 hours at 31st December 2009.

NOTE 19 | STAFF

AVERAGE STAFF	2014	2013
Executives	27	21
Supervisors and technicians	2	2
Employees	15	11
Operatives		
TOTAL	44	34

As mentioned in the Annual Financial Report 2013, on 1st January 2014, the Company lost the benefit of social contribution exemptions which were related to its status as a “Young Innovative Company” (JEI), as it has reached its eighth year of activity and this regime only applies for the first seven years of activity.

In addition, the Company received €21K from the Tax Credit for Employment Competitiveness (CICE) for financial year 2013. This sum was used to help create a wide range of new jobs during financial year 2014.

NOTE 20 | EVENTS POST-CLOSING

o **Capital increases under the KEPLER CHEUVREUX funding line agreement**

By a decision dated 2 February 2015, the Board of Directors, in accordance with the delegation of authority granted by the Combined General Meeting of 6 May 2014, acknowledged:

- A 10,400 euros capital increase, through the issue of 26,000 shares, at a unit price of 6.77 euros, i.e. with a share issue premium of 6.37 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014. This capital increase was recorded in the accounts at 31/12/14;
- A 12,000 euros capital increase, through the issue of 30,000 shares, at a unit price of 6.77 euros, i.e. with a share issue premium of 6.37 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014. This capital increase was recorded in the accounts at 31/12/14;
- A 10,000 euros capital increase, through the issue of 25,000 shares, at a unit price of 7.01 euros, i.e. with a share issue premium of 6.61 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014. This capital increase was recorded in the accounts at 31/12/14;
- A 4,000 euros capital increase, through the issue of 10,000 shares, at a unit price of 6.13 euros, i.e. with a share issue premium of 5.73 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- An 8,000 euros capital increase, through the issue of 20,000 shares, at a unit price of 5.71 euros, i.e. with a share issue premium of 5.31 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014.

By a decision dated 26 March 2015, the Board of Directors, in accordance with the delegation of authority granted by the Combined General Meeting of 6 May 2014, acknowledged:

- An 8,000 euros capital increase (110,600 euros issue premium included), through the issue of 20,000 shares, at a unit price of 5.53 euros, i.e. with a share issue premium of 5.13 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 12,000 euros capital increase (171,300 euros issue premium included), through the issue of 30,000 shares, at a unit price of 5.71 euros, i.e. with a share issue premium of 5.31 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;

- An 8,000 euros capital increase (123,600 euros issue premium included), through the issue of 20,000 shares, at a unit price of 6.18 euros, i.e. with a share issue premium of 5.78 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 12,000 euros capital increase (195,600 euros issue premium included), through the issue of 30,000 shares, at a unit price of 6.52 euros, i.e. with a share issue premium of 6.12 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 40,000 euros capital increase (702,000 euros issue premium included), through the issue of 100,000 shares, at a unit price of 7.02 euros, i.e. with a share issue premium of 6.62 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 40,000 euros capital increase (702,000 euros issue premium included), through the issue of 100,000 shares, at a unit price of 7.02 euros, i.e. with a share issue premium of 6.62 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;
- A 12,000 euros capital increase (244,200 euros issue premium included), through the issue of 30,000 shares, at a unit price of 8.14 euros, i.e. with a share issue premium of 7.74 euros per share, issued through the agreement concluded with KEPLER CHEUVREUX on 1st December 2014;

At 26 March 2015, share capital stood at 2,327,960.40 euros, divided into 5,819,901 shares with a unit nominal value of 0.40 euros.

○ **DEINOVE completes milestone 1 of its DEINOCHEM project successfully and receives 1 million euros**

On 21 January 2015, DEINOVE announced that it had validated the first milestone in its DEINOCHEM green chemistry project, financed by the ADEME as part of the Investissements d'Avenir (Investments for the Future) project⁶. Consequently, DEINOVE received a sum of around one million euros in repayable advances at the beginning of February 2015.

○ **DEINOVE strengthens its position in the United States**

On 25 February 2015, DEINOVE announced that its patent, known as “High metabolic performance bacteria” had been granted in the United States. This patent covers the method for producing biofuel from cellulosic and hemicellulosic raw material – biomass components – using an integrated degradation and fermentation procedure based on *Deinococcus*. This registration gives credit to the innovative character of the DEINOL process in a key country and participates in the proactive policy to protect its intellectual property on a world scale.

In February 2015, DEINOVE was also admitted as a member of the powerful American BIO organization, in the “Industry & Environment” division. The most internationally representative professional body of the biotech industry, BIO groups together a myriad of businesses from the biotechnologies sector, undertakes important lobbying actions and organizes international congresses every year that have become benchmarks in the field.

○ **TRUFFLE Capital falls below 50% of DEINOVE's capital**

On 4 March 2015, Truffle Capital SAS declared to the French Financial Markets Authority (AMF) that it had crossed downward the 50% threshold of DEINOVE capital on 28 February 2015 and holds 48.27% of the capital and 64.03% of Company voting rights. This downward crossing is the result of an increase in DEINOVE's total number of shares and voting rights.

⁶ CF. Press release dated 13 November 2013

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NOTE 21 | STATUTORY AUDITOR FEES

The fees invoiced by the statutory auditor for 2014 and for 2013 are respectively 105,630 euros and 16,150 euros and are detailed in the table below:

<i>Amounts excluding VAT in euros</i>	PricewaterhouseCoopers Audit	
	31/12/2014	31/12/2013
Audit		
Statutory audit, certification, review of the individual and consolidated financial statements		
- Issuer	70,630	16,150
- Fully consolidated subsidiaries		
Other work and services directly related to the statutory audit		
- Issuer	35,000	
- Fully consolidated subsidiaries		
Sub-Total	105,630	16,150
Other services provided by the networks to fully consolidated subsidiaries		
- Legal, fiscal, social		
- Others (specify if >10% of audit fees)		
Sub-Total		
TOTAL	105,630	16,150

NOTE 22 | TABLE OF SUBSIDIARIES AND EQUITY INTERESTS

(amounts in thousands of euros)	Capital	Equity	Percentage of capital held	Book value of securities held		Loans and advances granted by the Company	Amount of guarantees and sureties provided by the Company	Turnover exclu. Tax for financial year 2014	Net profit or loss (-) for financial year 2014	Dividends collected by DEINOVE during financial year 2014
				Gross	Net					
Participations										
DEINOBIOTICS SAS	941.5	-405.3	49.0%	461.5	461.5	-	-	-	-639.6	-
CARBIOUS SA*	2,630.7	N/A	2.0%	170.0	170.0	-	-	N/A	- 2,160	-

* As Carbios has been listed on the NYSE-Euronext Alternext stock exchange since December 2013, and as its annual accounts for 2014 are to be published on 30th April 2015, its equity, its equity and its net profit/loss were not available at the date of issue of this financial report.

5 | REPORT FROM THE STATUTORY AUDITOR

5 | 1 Report from the Statutory Auditor on the Annual Accounts

(Financial year ended 31st December 2014)



To all Shareholders

DEINOVE SA

Cap Sigma

ZAC Euromédecine II

1682 rue de la Valsière

34790 Grabels

In accordance with the terms of our appointment by your General Meeting, we hereby present our report for the financial year ended 31st December 2014, on:

- the audit of the annual financial statements of DEINOVE SA, as enclosed with this report;
- the grounds for our assessments;
- the specific verifications and information required by law.

The annual financial statements were approved by the Board of Directors. It is our responsibility to express an opinion on these financial statements based on our audit.

I - Opinion on the annual financial statements

We conducted our audit in accordance with auditing standards applicable in France; these standards require us to ensure that the annual financial statements do not contain any material misstatement. An audit includes examining, on a test basis or through other selection methods, evidence supporting the amounts and disclosures recorded in the annual financial statements. An audit also involves assessing the accounting principles used, any significant estimates made and the overall presentation of the financial statements. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

We certify that the annual financial statements have been drawn up in accordance with the generally accepted accounting principles in France, are consistent and sincere and give a faithful representation of the asset base, the financial situation, as well as the assets of the company at the end of the given financial year.

II - Grounds for our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code relating to the grounds for our assessments, we hereby inform you that our assessments cover the appropriateness of the accounting principles applied.

The assessments thus given are based on our audit of the annual accounts, taken as a whole, and thus contributed to shaping our opinion expressed in the first part of this report.

III - Specific verifications and information

In accordance with professional standards applicable in France, we have also undertaken the specific verifications required by law.

We have no comments or reservations to make as to the fair presentation and consistency with the annual financial statements of the information provided in the Board of Directors' Management Report and in the other documents provided to the shareholders on the financial situation and the annual accounts.

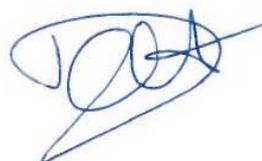
In accordance with the law, we have also verified that details of shareholders and holders of voting rights are disclosed in the Board of Directors' Management Report.

Drawn up in Montpellier, on 30 March 2015

The Statutory Auditor

PricewaterhouseCoopers Audit

Céline Darnet



5 | 2 Special Report from the Statutory Auditor on Regulated Agreements

(Annual General Meeting called to approve the financial statements for the year ended at 31st December 2014)



To All Shareholders
DEINOVE SA
Cap Sigma
ZAC Euromédecine II
1682 rue de la Valsière
34790 Grabels

In our capacity as the statutory auditors of your company, please find hereafter our report on regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the main characteristics and provisions of the agreements of which we have been informed or which we were exposed to during our appointment, without commenting as to their usefulness or appropriateness and without seeking to determine the existence of other agreements. Pursuant to the terms of Article R. 225-31 of the French Commercial Code, it is your responsibility to determine whether the agreements are appropriate and should be approved.

AGREEMENTS SUBMITTED FOR APPROVAL TO THE GENERAL MEETING

Agreements authorized for the financial year ended

We hereby inform you that we were not advised of any agreements authorized during the financial year ended that were to be submitted to the General Meeting pursuant to the provisions provided for under Article L 225-38 of the French Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE GENERAL MEETING

Pursuant to Article R. 225-30 of the French Commercial Code, we were informed that the following agreements, already been approved by the General Meeting during previous financial years, remained effective during the financial year ended.

A partnership agreement for the development of enzymatic processes for producing controlled-lifecycle biodegradable plastics

This agreement was concluded on 28 September 2012 between DEINOVE and CARBIOS, for which the investment funds managed by Truffle Capital are associated with 36.31% of the capital. This agreement falls within the THANAPLAST™ collaborative project framework, for which CARBIOS is leader. OSEO-ISI is granting €9.6M to this project, which totals €22M. The agreement formalizes the cooperation commitment between DEINOVE and CARBIOS, pursuant to a jointly-validated schedule, for screening DEINOVE's strain bank and for identifying the strains and/or enzymes capable, in particular, of degrading bio-sourced and/or non-bio-sourced polymers efficiently for producing biodegradable and/or bio-compostable plastics. The agreement mentions that CARBIOS will pay DEINOVE one-time payments and royalties proportional to any revenue generated if the strains of interest from DEINOVE's strain bank are industrially and commercially exploited.

This agreement generated remuneration of €15,000 during financial year 2014.

Drawn up in Montpellier, on 30 March 2015

The Statutory Auditor

PricewaterhouseCoopers Audit

Céline Darnet

