

Cellnovo announces its 2018 First-Half Sales & Results and a New Loan Agreement with Kreos Capital

2018 Half-Year Sales increased by 81% compared to H1 2017

Reduction in net loss

€20 million financing agreement with Kreos Capital

Paris, France, July 26, 2018 – Cellnovo Group (“**Cellnovo**” or the “**Company**” CLNV:EN Paris), a medical technology company marketing the first mobile, connected, all-in-one diabetes management system, today announces its sales and results for the first half ended June 30, 2018.

Sophie Baratte, Chief Executive Officer of Cellnovo, commented: “As anticipated, second quarter sales were on par with the previous quarter, which resulted in an increase of 81% in sales in the first six months of the year compared to the same period last year. The first half of 2018 marked a major turning point for Cellnovo, with the successful start of large-scale manufacturing of insulin cartridges with our partner, Flex, in June. We expect the move to mass production to have a positive impact on sales over the coming months.”

During the first half of the year we also made significant progress with the launch of our next generation system, the first micro-pump to integrate Bluetooth™ and Android®. In addition, the results of a retrospective study demonstrated the efficacy of the Cellnovo System, providing further evidence of the benefits offered by our unique system.

We are now focused on the growth of the business and working to accelerate our commercial activities.”

Financials

In K€ – IFRS	2018 (Year to Jun. 30, 2018)	2017 (Year to Jun. 30, 2017)
Operating revenue		
Sales	855	473
Q2 sales	447	287
Operating expenses		
Cost of Production	(3,347)	(2,902)
Research and Development	(1,976)	(1,591)
Sales & Marketing	(1,140)	(1,457)
General & Administrative	(1,822)	(2,984)
Total operating expenses	(8,285)	(8,934)
Operating loss	(7,430)	(8,461)
Financial result	(398)	(694)
Income tax credit	839	463
Net loss	(6,989)	(8,692)



The first connected all-in-one Diabetes Management System

Half-year 2018 sales: An increase of +81% compared to H1 2017

Over the first half of 2018, the Company recorded total sales of €855k vs. €473k in the first half of 2017, an increase of +81%. In Q2 2018, the Company recorded sales of €447k compared to €287k in Q2 2017. Sales growth over the semester were mainly driven by the launch of the Gen 2 Cellnovo System with Android. In H1 2018, 155 systems were sold, compared with 107 in the first half of 2017, bringing the total number of systems sold since launch to 987.

Operating expenses remain under control

Operating expenses came to €8.3 million, down from €8.9 million in H1 2017.

Production costs increased to €3.3 million, up from €2.9 million in H1 2017, to support the transfer of production to Flex.

Research and development expenses increased to €2.0 million up from €1.6 million, which is attributable to lower capitalised R&D costs in H1 2018.

Sales and marketing expenses in this period totaled €1.1 million compared to €1.5 million for the same period in 2017, reflecting a continuing control of commercial expenses prior to the start of mass production.

General and administrative overhead totaled €1.8 million over the first half of 2018, compared to €3.0 million over the same period in 2017, due to a decrease in share-based compensation €567k (non-cash), and the absence of fees associated with financing operations that impacted the previous year.

Cash position

The Company's cash position amounted to €4.5 million as of June 30, 2018, which does not include any proceeds from the European Investment Bank (EIB).

Cellnovo has finalised a new €20 million financing agreement with Kreos Capital (Kreos), Europe's largest and leading provider of debt-financing solutions to high-growth companies. The financing is comprised of (i) a €17 million loan in three tranches to be granted to Cellnovo Limited, the UK subsidiary of the Company, and (ii) a €3 million convertible bond financing, in three tranches, to be issued by the Company and fully subscribed by Kreos. A first tranche of €9 million of the loan and €1 million of convertible bonds will be drawn down in the coming days.

This loan substitutes for the agreement with EIB and will be used to fund Cellnovo's capital expenditures, operating expenses and working capital requirements, and to refinance an existing loan between Kreos and Cellnovo Limited.

Erwan Martin, Chief Financial Officer of Cellnovo, commented: *"We are pleased to announce this loan agreement with Kreos, which enables us to optimise the Company's financing conditions at a crucial moment in its growth. The investment will support the acceleration of our commercial activities in the immediate term while reinforcing ongoing work in areas such as artificial pancreas solutions, which will allow us to secure the longer-term success of the business."*

About the Loan

Borrower	Cellnovo Limited
Drawdown	Three tranches: <ul style="list-style-type: none"> - Nine million euros (€ 9,000,000) to be drawn down shortly after signature of the debt financing agreement; - Four million euros (€ 4,000,000) available on or prior to January 31, 2019; and subject to the satisfaction of operational and financial conditions; and - Four million euros (€ 4,000,000) available on or prior to June 30, 2019 and subject to the satisfaction of operational and financial conditions.
Maturity of each Tranche	Forty-eight (48) months after the relevant drawdown date, which may be extended to fifty-four (54) months in certain conditions
Interest Rate	10.25%
Amortisation	Starts at first anniversary or six (6) months later (interest only over the first twelve (12) months which may be extended by an additional six (6) months)
Security	Security over the assets of Cellnovo Limited (patents, equipment, stock, receivables, goodwill, bank accounts and intellectual property rights), guaranteed by Cellnovo Group SA, pledged over Cellnovo Group SA's French bank accounts and over Cellnovo Groups SA's receivables.
Equity	450,000 warrants to be issued by Cellnovo Group SA and granted to Kreos to subscribe up to 450,000 Cellnovo Group SA shares at a price per share equal to the 3 trading-day volume-weighted average price of Cellnovo shares before the drawdown date of the first tranche of the Loan ("VWAP"), representing approximately 2.69% of the share capital (on a non-diluted basis) as at June 30, 2018. The warrants will be issued by the Board of Directors of Cellnovo Group SA based on the delegation approved by its shareholders at the meeting held on May 24, 2018 pursuant to its 26 th resolution.

About the Convertible Bonds

Borrower	Cellnovo Group SA
Drawdown	Three tranches of one million euros (€ 1,000,000) each. First tranche to be issued with the drawdown of the first tranche of the Loan, and second and third tranches will be available, respectively, on or prior to January 31, 2019 and June 30, 2019 subject to drawdown by Cellnovo Limited of the corresponding tranches of the Loan. The convertible bonds will be issued by the Board of Directors of Cellnovo Group SA based on the delegation approved by its shareholders at the meeting held on May 24, 2018 pursuant to its 23 rd and 24 th resolutions.
Maturity	Fifty-four (54) months
Interest Rate	10.25%
Security	Identical to security securing the Loan and guarantee by Cellnovo Limited.
Conversion	Convertible into ordinary shares of the Company, at any time upon request by Kreos, at a price per share equal to the 5 trading-day volume-weighted average price of Cellnovo shares before the drawdown date of the first tranche of the Loan ("VWAP"), increased by a 5% premium, for which the price would be adjusted down in case of early prepayment of

	<p>the Loan by the Company (in which case the conversion price per share shall be equal to the then 5-day prior VWAP prior to repayment reduced by a 30% discount; provided that, in case of adjustment, the maximum number of new shares, which may be subscribed by Kreos, will be capped to 1,600,000 shares representing approximately 9.6% of the share capital (on a non-diluted basis) as of June 30, 2018.</p> <p>Each Convertible Bond tranche will be issued concomitantly to the drawdown of the corresponding tranche of the Loan.</p> <p>As an illustration, with a conversion price of the bonds equal to €3.31 (i.e., 105% of 5-day VWAP calculated as at today), Kreos would be entitled to subscribe up to 906,344 new shares (i.e., € 3,000,000/ € 3.31) representing approximately 5.4% of the share capital (on a non-diluted basis) as at June 30, 2018.</p>
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About Cellnovo (Euronext: CLNV)

An independent medical technology company specialising in diabetes, Cellnovo has developed and markets the first mobile, connected, all-in-one diabetes management system that helps make life easier for patients. Compact, intuitive and entirely connected, Cellnovo's insulin pump comprises a mobile touchscreen controller with an integrated blood-glucose meter. This unique device allows optimal management of insulin injections whilst ensuring extensive freedom of movement and peace of mind for patients. Thanks to the automatic transmission of data, it also allows the patient's condition to be continually monitored by family members and healthcare professionals in real time. Cellnovo is currently participating in several major Artificial Pancreas projects with Diabeloop, TypeZero and Horizon 2020 to develop automated insulin delivery systems.

For more information go to www.cellnovo.com

About the Cellnovo Diabetes Management System

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Cellnovo is listed on Euronext, Compartment C
ISIN: FR0012633360 – Ticker: CLNV



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