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A public limited company with share capital of EUR 166,311.80  
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## UNAPPROVED ENGLISH TRANSLATION

### 2012 ANNUAL FINANCIAL REPORT FINANCIAL YEAR ENDING ON 31 DECEMBER 2012

- MANAGEMENT REPORT
- FINANCIAL STATEMENTS
- AUDITORS' REPORT  
ON THE ANNUAL FINANCIAL STATEMENTS

Dear Shareholders,

We have invited you to this General Meeting, by application of the provisions of the Articles of the company and as required by statute, in order to report to you on the activity of our company during the reporting period that closed on 31 December 2012, and to submit for your approval the financial statements for that period.

The statutory notices have been duly issued to you, and all documents and papers required by current legislation have been made available to you within the prescribed times.

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AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS  
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# 1 DECLARATION BY THE PERSON RESPONSIBLE FOR THE 2012 ANNUAL FINANCIAL REPORT

Vélizy-Villacoublay, 4 April 2013

I affirm that to the best of my knowledge and belief, the financial statements for the period just ended have been prepared in accordance with the applicable French accounting standards and provide a true picture of the assets, financial situation and results of the company, and that the attached management report is a true reflection of the course of business, the results, the financial position of the company, the main transactions between related parties and also a description of the principal risks and uncertainties faced by the company.



Marcello Conviti  
Chief Executive of CARMAT

## 2 MANAGEMENT REPORT

### 2.1 PARTICULARS OF THE ECONOMIC AFFAIRS OF THE COMPANY

#### 2.1.1 POSITION OF THE COMPANY

The activity of the company is exclusively focused on the research and development of an innovative product in the medical sector. No marketing is envisaged in the immediate short term.

The company has benefited from Young Innovative Enterprise status since 2008.

##### *2.1.1.1 Change in the activity of the company in the course of the reporting period*

The company is continuing its research and development activities, intensifying its efforts to arrange funding and sub-contracting arrangements, with the aim of completing the clinical trials planned during 2013. At this stage, it is not generating any turnover, and all its resources are dedicated to the total artificial heart development project.

At EUR 16 467 584, purchase and external expenditure remain stable compared with expenses for the previous period. This stability, which is in line with the budget, matches up first of all with the end of the research and development activities for the prosthesis, secondly with continuation of the design work for the external elements, in particular those that will enable patients to return home, and thirdly with growth in the work involved in validating the industrial processes within the company and at its subcontractors. .

The end of the design work on the prosthesis is firstly marked by the number of technical assistants working on the site, primarily on system and logistics activities, which has reduced from 56 to 44, and secondly by the completion of some work, in particular checking and validating the prosthesis software in its hospital configuration, the fatigue tests on the constituent parts and prostheses prior to the clinical feasibility trials and the remaining environmental trials.

Development of the external systems has continued for the home configuration, taking into account the feedback from the tests completed on the hospital configuration, in particular as regards performance in electromagnetic environments.

A campaign in relation to the industrial processes was conducted during 2012, and involved the Industrial Management and the Quality Management. The aim is to be in a position to ensure reproducibility of the manufacture of the various sub-assemblies at subcontractors and their assembly at Carmat. Enhanced control procedures have been put in place, in collaboration with the subcontractors, at various production levels of the parts in question and within the company.

During the reporting period, 20 prostheses were manufactured or reconditioned in the CARMAT clean room, and were subsequently used to perform various validation tests.

The company workforce has increased slightly, to 42 at 31 December 2012 (5 of whom are temporary staff in production and purchasing posts), compared with 36 at the end of the previous reporting period (when there were no temporary staff). Recruitment took place in order to provide Quality Management with additional expertise in production control and microbiology. Salaries and social security contributions remain stable.

During the course of the reporting period, new industrial facilities were added to existing ones in some cases, while other industrial facilities were duplicated. They were manufactured and brought into service in order to conduct the performance and fatigue testing: software validation benches, benches for wear testing the motor pump units and benches for fatigue testing the prosthesis. The latter benches underwent improvements.

The company also purchased new measuring facilities in order to successfully complete validation of the prosthesis. Investments in tangible fixed assets during 2012 totalled EUR 310 773.

During the reporting period, Carmat renewed its ISO 13485:2003 and ISO 9001:2008 certifications for its quality management system following an audit by the notified body DEKRA.

An interim file reporting on the progress of the pre-clinical trials was submitted to ANSM (formerly AFSSAPS) on 26 July 2012. The final fatigue data were added and the file was officially sent to ANSM on 11 December 2012.

On 9 November 2012, the company also submitted a request to the CPP (Committee for the Protection of Individuals) for extension of its favourable opinion. The CPP agreed on this extension on 27 November 2012.

With regard to the scientific validation of its technologies, a scientific publication by the company was accepted and published in the European Journal of Cardio-Thoracic Surgery" in June 2012<sup>1</sup>. This publication followed the presentation delivered by CARMAT in October 2011 to the 25th Annual Congress of the European Association for Cardio-Thoracic Surgery (EACTS) in Lisbon on the in vitro haemocompatibility of the surfaces of the CARMAT prosthesis in contact with the blood (delivered on 3 October 2011).

In October 2012, the company also participated in the Franco-American Biotechnology Symposium (FABS) in Nice, and in the prestigious Techno College of the 26th Annual Congress of the European Association for Cardio-Thoracic Surgery (EACTS) in Barcelona.

At the medical level, three teams of surgeons from the HEGP (Hôpital Européen Georges Pompidou), the Centre Chirurgical Marie Lannelongue and the Hôpital Nord Laennec in Nantes performed several ex-vivo implantations of the Carmat prosthesis in order to optimise the surgical protocol. At the same time, training using animals was intensified, as 11 trials were completed during the 2012 reporting period.

The scientific advisory board also held a meeting on 04 July 2012 at the company premises, chaired by Professor Alain Carpentier.

#### *2.1.1.2 Financing obtained*

During the year, the company proceeded to increase its capital on several occasions, by exercising 308 BCE-2009-1 warrants and 892 BCE-2009-2 warrants, by a total amount of EUR 1 200, taking it from EUR 165 111.80 to EUR 166 311.80, through the issue of 30,000 ordinary shares with a face value of EUR 0.04, issued at a unit price of EUR 8, resulting in an issue premium of EUR 7.96 per share. As a result, the issue premium was increased from EUR 52 625 318 to EUR 52 864 118.

The company also opted for the Research Tax Credit for the 2012 calendar year. The first option was exercised for the 2009 financial year and renewed in 2010 and 2011. EUR 5,022,922 of the Research Tax Credit pertaining to the 2012 financial year was accounted for under the Corporation taxes item of the income statement (see details in Note 4.5.3 of the annex for the 2012 financial statements) and appears under "Other debtors" in the balance sheet.

During the period, the company benefited from an operating subsidy of EUR 10 700 from the National Association for Research and Technology, which appeared under "Operating subsidies" in the income statement.

#### *2.1.1.3 Acquisition of fixed assets*

The financial statements for the period show a total of EUR 1 995 023 for acquisition of fixed assets. This amount is essentially made up as follows:

- tangible fixed assets in the amount of EUR 310 773, primarily for the acquisition of industrial equipment and tooling (test benches), fitting out the premises and the acquisition of computer hardware;
- intangible assets in the amount of EUR 204 993, for the acquisition of licences and computer software;

The financial assets varied little from the net effect of the acquisition of Carmat shares under the liquidity agreement entered into with BIL Finance in an amount of EUR 1 440 695 and from share disposals amounting to EUR 1 402 345 over the same period, with the balance of the increase in the item relating to new guarantee deposits for the premises.

#### *2.1.1.4 Variation in working capital requirements (WCR)*

The variation in WCR over the reporting period was EUR - 2 477 406. The main source of this use of resources was a change in two balance sheet items:

- A reduction in the "Trade accounts payable and related payables" of EUR 1 211 843 over the reporting period. This reduction results from the lowering of expenses observed over the last few months of the reporting period in comparison with the expense levels over the last few months of the previous reporting period, owing to the completion of the design phase;
- A reduction in the "Other debtors" item of EUR 1 971 491 over the reporting period, made up in particular as follows:

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<sup>1</sup> Jansen P, van Oeveren W, Capel A, Carpentier A. In vitro haemocompatibility of a novel bioprosthetic total artificial heart. Eur J Cardiothorac Surg. 2012 Jun;41(6):e166-72



Line	Change	Note
Research Tax Credit	EUR +2 457K	Variation between the Research Tax Credit for the period recorded as at 31 December 2012 (EUR 5 023K) and that recorded as at 31 December 2011 (EUR 2 566K), which was reimbursed during the period in an amount of EUR 2 558K.
Input VAT	EUR -165 K	Reduction in input VAT as a result of the reduction in trade payables over the period.
VAT credit	EUR -348K	Difference between the repayable credits as at the end of the period (EUR 357K) and those recorded as at 31 December 2011 (EUR 705K).

## 2.1.2 PRINCIPAL RISKS AND UNCERTAINTIES FACED BY THE COMPANY

To the best of our knowledge and belief, there are no major new risks over and above those identified in the Reference Document registered with the Financial Markets Authority on 12 September 2012 under number R.12-044, specifically for the forthcoming year, albeit not exhaustively : the risk of failure or delay in the development of the total artificial heart, the risks associated with current and future strategic partnerships and collaborations, with outsourcing the manufacture of the components of the total artificial heart, with supply, with the need to keep existing key personnel and to attract and retain others and with an increasingly stringent regulatory environment, the specific risk associated with pre-clinical studies and clinical trials, the risks associated with projected losses and with the uncertainty of capital resources and associated funding.

The audit committee also conducts an annual detailed review of the risk factors, which are brought up to date, as applicable, in each edition or update of the company's reference document.

## 2.1.3 THE INDEBTEDNESS OF THE COMPANY, HAVING REGARD TO THE VOLUME AND COMPLEXITY OF ITS BUSINESS

The company's debt stood at EUR 5 939 193 as at the close of the period, and is made up as follows:

- EUR 460 054 for interest accrued on repayable advances received from OSEO;
- EUR 5 326 771 for trade creditors, mainly comprising trade accounts payable (EUR 4 012 870);
- EUR 148 669 for liabilities secured to property.

The company does not have any long-term debt except for the Conditional repayable advances (OSEO advances repayable in the event of the project being successful) shown under Other equity at EUR 3 743 141 as at 31 December 2012.

This indebtedness must be seen in the context of available cash of EUR 11 134 438 as at 31 December 2012 (Notes 4.4.5 and 4.4.6 of the Annex to the 2012 financial accounts).

## 2.1.4 PROGRESS MADE AND DIFFICULTIES ENCOUNTERED DURING THE REPORTING PERIOD

See 2.1.7, Research and development activities, for progress made during 2012.

As set out in the company's 2011 reference document registered by the French Financial Markets Authority on 12 September 2012 under No R.012-044 (see chapter 6 - Development process and stage of the CARMAT bioprosthetic total artificial heart project), all the pre-clinical tests and validation tests involved a great deal of effort for the company, its partners and suppliers during the past financial year, since it is entirely innovative, not only in technological terms, but also in regulatory terms (no precedent in France) and in industrial terms (new integration procedures and methods, no existing industrial network).

Some tests caused the prostheses to become unusable for further testing. In some cases, it was not possible to conduct some trials in parallel, or to reuse the same prosthesis for successive trials.

This increased need for prostheses for testing made it necessary to manufacture double the number of prostheses originally planned for the pre-clinical trials. This huge increase in the work involved, which necessitated the establishment of an innovative integration process, brought about planning changes both at CARMAT and at its partners and suppliers. As a result, some tests could not be undertaken at the planned dates because no prosthesis was available to conduct them.

It is mandatory for the test sequence to be respected, in particular in order to ensure that all the prostheses are tested based on the same product definition and at the same validation level, in order to respect the ISO standards and the CE mark requirements. The fatigue tests on the system as a whole represent the final tests in this sequence,

and as a result their start date was affected by the cumulative delays in the delivery of the parts and sub-assemblies, in the manufacture of additional prostheses and in finalisation of the preceding tests. As a result, in-vitro pre-clinical tests were finalized during the 4th quarter of 2012.

## 2.1.5 ANTICIPATED DEVELOPMENTS AND OUTLOOK

Over the coming year, the company will be focusing solely on development, testing and clinical trials of the total artificial heart.

During 2013, the company is planning

- to complete the tests required by regulatory authorities ;
- to subsequently obtain authorisation for clinical trials ;
- to undertake the first clinical trials with the aim of obtaining the CE mark for marketing the artificial heart in 2014 at the earliest.

Cash flow projections of the Company, based on the assumption of the collection in 2013 of grants and repayable advances from Oseo expected after completion of the milestone project No. 4 (€ 6,646 K), and taking into account the collection of a research tax credit for 2012 expected in Q2 2013 (€ 5,023 K), confirm the ability of the Company to continue its development in 2013 in accordance with its objectives.

The provisional scientific and regulatory calendar published in the Company's 2011 Document of Reference registered by the Financial Markets Authority the 12<sup>th</sup> of September 2012 under the number R.12-0441-017 is currently under review. An updated calendar will be communicated to the public through a press release.

## 2.1.6 SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Nothing occurred after the end of the reporting period that could alter the presentation or assessment of the financial statements as adopted by the Board of Directors on 28 February 2013.

## 2.1.7 RESEARCH AND DEVELOPMENT ACTIVITIES

The company's activity is fully focused on research, development and testing of a total artificial heart.

Research and development activities during the reporting period were centred on four main themes:

- Quality:
  - Validation of the performance of the mechanical, electronic and wiring sub-assemblies;
  - Verification and validation of the prosthesis software (security software, with the possibility of recovery following failure) in accordance with standard 62304;
  - Qualification of the hospital monitoring console and validation of its software;
  - Analysis report on the risks associated with the system as a whole and of the sub-assemblies;
  - More intense control activities at suppliers' premises and in the company.
- Industrialisation:
  - Optimisation of the prosthesis production processes in order to ensure better reproducibility, in particular at the company's subcontractors;
  - Improvement of the company's production processes and tools;
  - Establishment of a 2<sup>nd</sup> production source for motor pump units;
  - Production and/ or reconditioning of 20 prostheses for the various tests.
- External systems:
  - Preparation of the specifications for the elements that are external to the system within the home configuration;
  - Development (hardware and software) of the home console.
- Clinical trial preparation:
  - Training the surgical teams and short-term experimentation on animals ( $\leq 48$  hours) ;
  - Supplements to the ANSM file (performance, environmental, fatigue, biological tests, on test benches and on animals ...).

## 2.2 PRESENTATION OF THE FINANCIAL STATEMENTS AND APPROPRIATION OF THE RESULT

We would remind you that the financial statements presented to you have been prepared in accordance with French legislation and accounting standards, following the same methods as in the previous period.

## 2.2.1 RESULT FOR THE 2012 PERIOD

Operating income for the period amounted to EUR 17 989, compared with EUR 6 101 753 for the previous year. In the absence of sales, this amount comprises subsidies of EUR 10 500 and writebacks of provisions of EUR 7 489.

Operating expenses for the period amounted to EUR 22 403 502, compared with EUR 22 192 807 for the previous year, and comprises in particular:

- purchases (other than raw materials) and external expenditure of EUR 16 467 584, compared with EUR 16 276 476 for the previous period;
- duties and taxes of EUR 135 111, compared with EUR 95 056 for the previous period;
- wages and salaries of EUR 3 089 888, compared with EUR 3 057 107 for the previous period;
- social security costs of EUR 1 093 916, compared with EUR 1 099 853 for the previous period;

The average workforce increased to 40 from 35 in the previous period, including the periods worked by an average of 3 temporary staff in 2012, whereas no temporary staff had been employed in 2011.

The operating profit for the period was EUR -22 385 513, compared with EUR -16 091 054 for the previous period.

With regard to the pre-tax profit, taking into account the financial result of EUR 110 099, this amounted to EUR -22 275 415, compared with EUR -15 993 783 for the previous period.

After taking into account the extraordinary result of EUR 70 290 and the Research Tax Credit of EUR -5 015 433, the loss for the financial year ended on 31 December 2012 was EUR -17 189 691, compared with EUR -13 441 022 for the previous period.

## 2.2.2 ANALYSIS OF THE FINANCIAL SITUATION

Total capital stands at EUR 19 696 896, compared with EUR 37 426 083 for the previous period.

The change in the asset side of the balance sheet is primarily the result of the use of cash resources over the period, and also to the reduction in the fixed assets, which amounted to EUR 2 266 763, compared with EUR 3 147 942 in the previous year. Acquisitions of fixed assets for EUR 1 995 023 (see 1.1.3 above) were EUR 1 402 345 below the total disposals and EUR 1 473 858 below the transfers to depreciation and amortisation.

Current assets total EUR 17 430 133 as at 31 December 2012, compared with EUR 34 278 141 at the close of the previous period. This amount is primarily made up of other debtors in the amount of EUR 6 092 119 (relating mainly to the Research Tax Credit accrued for 2012 of EUR 5 022 922 and input VAT of EUR 1 028 677), plus cash and investments in the amount of EUR 11 134 438 (Notes 4.5 and 4.6 of the Annex to the 2012 financial statements).

The change in equity during the period totals EUR -16 949 691, taking the equity to EUR 9 941 228 as at 31 December 2012, compared with EUR 26 890 919 at the close of the previous period. This reduction is detailed in Note 2.4.6.2 of the Annex to the 2012 financial statements.

Other equity (repayable Oseo advances) is unchanged since the previous period, at EUR 3 743 141 as at 31 December 2012.

Finally, debts at the close of the 2012 period total EUR 5 536 364, compared with EUR 6 756 362 at the close of the previous period.

## 2.2.3 PROPOSED APPROPRIATION OF THE RESULT

We propose approval of the annual financial statements (balance sheet, income statement and annex) as presented. These financial statements show a net loss of EUR 17 189 691.

We propose appropriation of this loss to Losses carried forward, taking the balance of that item from EUR -25 899 511 to EUR -43 089 202.

## 2.2.4 NON-DEDUCTIBLE EXPENSES

In accordance with the provisions of Article 223 quater and 223 quinquies of the General Tax Code, it is hereby stated that the financial statements for the period just closed do not include any expenses that are non-deductible for tax purposes.

## 2.2.5 PARTICULARS OF DIVIDENDS

In accordance with the provisions of Article 243 of the General Tax Code, it is recalled that no distribution of dividends has taken place for the last three financial years.

## 2.2.6 PARTICULARS OF SUPPLIER PAYMENT PERIODS

In accordance with the provisions of Articles L. 441-6-1 and D.441-4 of the Commercial Code, we would advise you of the following details concerning the time taken to pay our suppliers:

As at 31 December 2012, trade accounts payable total EUR 1 292 637. A comparison of the figures from the financial statements is set out below:

	31/12/2012	31/12/2011
Trade accounts payable and related payables shown under liabilities	4,012,870	4,992,835
Less: amounts receivable from suppliers shown under liabilities	(22,549)	(2,115)
Less: Accrued charges included under this heading	(2,697,684)	(2,940,092)
Liabilities secured to property and related liabilities	148,669	380,547
Less: Accrued charges included under this heading	(148,669)	(371,397)
<b>Total</b>	<b>1,292,637</b>	<b>2,059,778</b>

The breakdown of this amount by maturities is shown below, based on the payment terms negotiated with suppliers:

	31/12/2012	31/12/2011
Due (including amounts receivable from suppliers)	(20,544)	12,900
Debts falling due on 31 January	936,865	1,893,023
Debts falling due on 29/28 February	376,316	147,397
Debts falling due on or after 31 March <sup>(1)</sup>	0	6,458

(1) Debts corresponding to the billing of security deposits on fixed assets received in 2010 and whose payment date is set by contract at 30 September 2012.

## 2.2.7 STATEMENT OF RESULTS FOR THE PAST FIVE PERIODS

In accordance with the provisions of Article R.225-102 of the Commercial Code, the schedule showing the company results for the past five financial years is attached to the present report as ([Annex 1](#)).

## 2.3 PARTICULARS OF THE LEGAL AFFAIRS OF THE COMPANY

### 2.3.1 REGULATED AGREEMENTS

(referred to in Article L225.38 of the Commercial Code)

The royalties agreement between the company and Professor Carpentier and Matra Défense remains in force but did not affect the 2012 financial year.

### 2.3.2 PARTICULARS OF COMPANY REPRESENTATIVES AND AUDITORS

#### 2.3.2.1 *Scrip issues and stock options*

The company did not perform any scrip issues and has not set up any share purchase or subscription plan.

#### 2.3.2.2 *Share transactions by the executives*

By application of the provisions of Articles 223-22 A and 223-26 of the General Regulations of the French Financial Markets Authority, we publish below the company share dealings of the executives of the company and their close relatives during the financial year:

Persons concerned	Type of transaction	Date of transaction	Number of shares	Value of the transaction (EUR)
TRUFFLE CAPITAL	Sale	02/01/2012	1,468	148,451.21
TRUFFLE CAPITAL	Sale	10/01/2012	11,725	1,193,940.33
TRUFFLE CAPITAL	Sale	11/01/2012	3,500	362,195.40
TRUFFLE CAPITAL	Sale	12/01/2012	1,100	111,422.63
TRUFFLE CAPITAL	Sale	13/01/2012	1,350	141,768.49
TRUFFLE CAPITAL	Sale	16/01/2012	1,300	131,903.07
TRUFFLE CAPITAL	Sale	17/01/2012	600	61,086.00
TRUFFLE CAPITAL	Sale	18/01/2012	1,400	142,046.80
TRUFFLE CAPITAL	Sale	19/01/2012	7,900	852,736.27
TRUFFLE CAPITAL	Sale	20/01/2012	2,700	300,450.87
TRUFFLE CAPITAL	Sale	23/01/2012	2,200	233,864.84
TRUFFLE CAPITAL	Sale	24/01/2012	1,200	121,368.60
TRUFFLE CAPITAL	Sale	24/01/2012	1,200	121,368.60
TRUFFLE CAPITAL	Sale	25/01/2012	300	10,107.46
TRUFFLE CAPITAL	Sale	30/01/2012	1,500	153,840.90
TRUFFLE CAPITAL	Sale	31/01/2012	754	76,241.92
TRUFFLE CAPITAL	Sale	01/02/2012	1,100	111,129.92
TRUFFLE CAPITAL	Sale	02/02/2012	750	75,411.90
TRUFFLE CAPITAL	Sale	03/02/2012	2,000	200,925.80
TRUFFLE CAPITAL	Sale	04/02/2012	2,150	222,514.68
TRUFFLE CAPITAL	Sale	07/02/2012	1,500	151,128.75
TRUFFLE CAPITAL	Sale	08/02/2012	750	75,960.52
TRUFFLE CAPITAL	Sale	09/02/2012	1,050	106,388.73
TRUFFLE CAPITAL	Sale	10/02/2012	220	22,056.89
TRUFFLE CAPITAL	Sale	13/02/2012	223	22,489.99
TRUFFLE CAPITAL	Sale	17/02/2012	2,300	232,995.06
TRUFFLE CAPITAL	Sale	20/02/2012	180	18,017.28
TRUFFLE CAPITAL	Sale	13/03/2012	1,337	162,256.85
TRUFFLE CAPITAL	Sale	14/03/2012	708	86,055.42
TRUFFLE CAPITAL	Sale	15/03/2012	21	2,524.75
TRUFFLE CAPITAL	Sale	16/03/2012	1,800	217,061.64

TRUFFLE CAPITAL	Sale	19/03/2012	8,500	1,054,283.05
TRUFFLE CAPITAL	Sale	20/03/2012	2,960	361,331.05
TRUFFLE CAPITAL	Sale	21/03/2012	1,600	194,065.44
TRUFFLE CAPITAL	Sale	23/03/2012	489	59,040.98
TRUFFLE CAPITAL	Sale	26/03/2012	4,626	566,714.14
TRUFFLE CAPITAL	Sale	27/03/2012	1,207	146,194.49
TRUFFLE CAPITAL	Sale	28/03/2012	809	98,099.74
TRUFFLE CAPITAL	Sale	29/03/2012	650	78,825.56
TRUFFLE CAPITAL	Sale	30/03/2012	1,000	121,136.50
TRUFFLE CAPITAL	Sale	03/04/2012	250	30,255.15
TRUFFLE CAPITAL	Sale	04/06/2012	2,218	247,741.28
TRUFFLE CAPITAL	Sale	05/06/2012	960	109,538.50
TRUFFLE CAPITAL	Sale	25/06/2012	2,480	274,392.55
TRUFFLE CAPITAL	Sale	26/06/2012	991	109,106.13
TRUFFLE CAPITAL	Sale	27/06/2012	1,238	136,615.78
TRUFFLE CAPITAL	Sale	28/06/2012	28	3,083.52
TRUFFLE CAPITAL	Sale	29/06/2012	854	93,957.08
TRUFFLE CAPITAL	Sale	02/07/2012	568	62,567.47
TRUFFLE CAPITAL	Sale	03/07/2012	963	106,038.82
TRUFFLE CAPITAL	Sale	04/07/2012	141	15,510.85

### 2.3.2.3 *List of offices held*

By application of article L. 225-102-1, we publish in [Annex 2](#) a list of the offices held in other companies by the executives of CARMAT.

### 2.3.2.4 *Terms of office of directors*

We would remind you that:

(i) at the General Meeting held on 7 May 2010, the following were appointed as directors of the company, for a period of six (6) years, so that their term of office will expire at the end of the General Meeting that will be required to rule on the financial statements of the reporting period closing on 31 December 2015:

- Mr André-Michel Ballester
- Mr Jean-Claude Cadudal
- Professor Alain Carpentier
- Mr Marcello Conviti
- Mr Michel Finance
- The company Truffle Capital, represented by Mr Philippe Pouletty.

(ii) at the General Meeting held on 23 December 2010, the following was appointed as a director of the company, for a period of six (6) years, so that his term of office will expire at the end of the General Meeting that will be required to rule on the financial statements of the reporting period closing on 31 December 2015:

- Mr Henri Lachmann.

### 2.3.2.5 *Term of office of the auditors*

We would remind you that the terms of office:

- of the firm PriceWaterhouseCoopers, incumbent auditor;
- of Mrs Lison Chouraki, incumbent auditor;
- of Mr Etienne Boris, deputy auditor;
- of Mrs Soulika Benzaquen, deputy auditor,

will expire at the end of the General Meeting that will be required to rule on the financial statements of the reporting period closing on 31 December 2014.

### 2.3.2.6 *Prevention of money laundering and terrorist financing (EC Directive 2005/60)*

Under the currently valid Alternext Rules, CARMAT, its executives and company representatives must respect Directive EC/2005/60 of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, and also any other related regulation or national legislation. Neither CARMAT nor its executives and company representatives appear on the European Union sanction list or on the list drawn up by the OFAC.

## 2.3.3 INFORMATION CONCERNING COMPANY SHARES

### 2.3.3.1 Shareholders

In accordance with the provisions of Article L. 233-13 of the Commercial Code and, bearing in mind the information received by application of Articles L.233-7 and L.233-12 of the said Code, we publish below the identities of the shareholders holding more than 5%, 10%, 15%, 20%, 25%, 30%, 33%, 50%, 66%, 90% or 95% of the share capital or voting rights as at 31 December 2012 (after taking account of the double voting rights of registered shares held by the same beneficiary for at least two years):

	Number of shares	Number of voting rights	% of capital	% of voting rights
Mr Alain Carpentier and the Alain Carpentier Association	663,583	1,327,166	15.96	19.17
MATRA DEFENSE	1,265,382	2,246,782	30.43	32.46
TRUFFLE CAPITAL	1,119,955	2,234,077	26.94	32.28
Total historical shareholders	3,048,920	5,808 025	73.33	83.91
<b>Total shareholders</b>	<b>4,157,795</b>	<b>6,921,375</b>	<b>100</b>	<b>100</b>

### 2.3.3.2 Employee share purchase plan

In accordance with the provisions of Article L. 225-102 of the Commercial Code, we report that no company savings plan has been set up for the benefit of company employees.

As at 31 December 2012, employees and managers held 0.45% of the company share capital.

### 2.3.3.3 Dealings by the company in its own shares

We are also obliged to report to you on purchases and sales by the company of its own shares for the purposes of regulating the price, in accordance with the provisions of Article L.225-209-1 of the Commercial Code.

During the period that closed on 31 December 2012, the company proceeded with the following dealings in its own shares under the liquidity agreement entered into for a period of one year with an independent financial services provider, as authorised by the General Meeting of 26 April 2012 (Resolution No 4):

- purchase of 13 379 shares at an average price of EUR 107.68;
- sale of 13 514 shares at an average price of EUR 108.96;

As at 31 December 2012, the company held 1 260 of its own shares, i.e. 0.03% of the share capital, acquired at a total purchase price of EUR 155 879.

These disposals of own shares performed under the liquidity agreement provided a net gain of EUR 70 291 (Note 4.5.5 of the Annex to the accounts for 2012).

### 2.3.3.4 Securities giving access to the company's capital

In [Annex 4](#) below, we publish details of the securities giving access to the company's capital and valid as of 31 December 2012. In total, these securities confer subscription rights to 300 200 new shares (7.22% of the existing capital as of 31 December 2012), which include 237 000 at a unit price of EUR 8, 56 500 shares at a unit price of EUR 108.48 and 6 700 shares at a unit price of EUR 122.

### 2.3.3.5 Participating and controlling interests

In accordance with the provisions of Articles L.233-6 and L.247-1 of the Commercial Code, we can report that the company has not acquired any participating or controlling interests during the reporting period.

### 2.3.3.6 *Table of delegations of authority*

In accordance with the provisions of Article L.225-100 of the Commercial Code, we publish for you in [Annex 3](#), below the delegations of authority currently in force granted by the general meeting to the board of directors in relation to increasing the capital by application of Articles L.225-129-1 and L.225-129-2 of said Commercial Code.



## ANNEXES TO THE ANNUAL REPORT

### ANNEX 1 - TABLE OF RESULTS FOR THE PAST FIVE PERIODS

	31/12/2012	31/12/2011	31/12/2010	31/12/2009 <sup>(1)</sup>	31/12/2008
<b>CAPITAL AT THE END OF THE PERIOD</b>					
Share capital	166,312	165,112	153,114	86,250	
Number of existing ordinary shares	4,157,795	4,127,795	3 827,861	86,250	
Number of existing preference shares					
Maximum number of future shares to be created					
- Through conversion of bonds					
- Through the exercise of subscription rights	300,200	297,550	324,375		
<b>OPERATIONS AND RESULTS</b>					
Turnover excluding taxes					
Profit before tax, staff participation, transfers to depreciation and amortisation and to provisions	-20,693,592	-14,443,285	-9,245,595	-5,200,345	
Corporation taxes	-5,015,433	-2,515,527	-2,750,499	-1,184,342	
Participation of staff for the period					
Profit after tax, staff participation, transfers to depreciation and amortisation and to provisions	-17,189,691	-13,441,022	-7,736,485	-4,722,004	
Distributed profit					
<b>PROFIT PER SHARE</b>					
Profit after tax and staff participation, but before transfers to depreciation and amortisation and to provisions	-4.98	-2.89	-1.70	-46.56	
Profit after tax, staff participation, transfers to depreciation and amortisation and to provisions	-4.13	-3.26	-2.02	-54.75	
Dividend paid per share					
<b>STAFF</b>					
Average workforce employed during the period	40	35	26	20	
Wage bill for the period	3,102,548	3,067,909	2,523,948	1,963,258	
Value of social benefits paid during the period	1,093,916	1,099,853	448,869	454,250	

(1) First period of 19 months vs. 12 months for the following periods.

## ANNEX 2 - LIST OF POSITIONS HELD

Full name or registered name of the member	Term of office	Functions held within the Company	Other offices currently held in other companies	Other offices and functions held in other companies over the last five years, but not exercised at the date of registration of the reference document
Mr Jean-Claude Cadudal	1st appointment (as a Plc): 07 May 2010  Term of office: Until the General Meeting ruling on the financial statements for the period closing on 31/12/2015	Chairman of the Board of Directors	<ul style="list-style-type: none"> <li>- Chairman of KARDIOZIS SAS</li> <li>- Chairman of HOLDING INCUBATRICE MEDICAL DEVICES</li> <li>- Chairman of EPYGON SAS</li> </ul>	<ul style="list-style-type: none"> <li>- Chairman and Chief Executive of MATRA DÉFENSE</li> <li>- Director of International Operations of the EADS Group</li> <li>- Chairman of ZETAVACS SAS</li> </ul>
Professor Alain Carpentier	1st appointment (as a Plc): 07 May 2010  Term of office: Until the General Meeting ruling on the financial statements for the period closing on 31/12/2015	Independent	<ul style="list-style-type: none"> <li>- Honorary Chairman of the ACADÉMIE DES SCIENCES</li> <li>- Chairman of the Scientific Council of the FONDATION LEFOULON – DELALANDE, (Institut de France)</li> <li>- Member of the Board of Directors of the FONDATION SINGER POLIGNAC</li> <li>- Director of the ASSOCIATION RECHERCHE SCIENTIFIQUE DE LA FONDATION ALAIN CARPENTIER (Scientific Research Association of the Alain Carpentier Foundation) – hosted by Fondation de France</li> </ul>	<ul style="list-style-type: none"> <li>- Chairman of the ACADEMY OF SCIENCES</li> </ul>
Mr Marcello Conviti	1st appointment (as a Plc): 07 May 2010  Term of office: Until the General Meeting ruling on the financial statements for the period closing on 31/12/2015	Independent Chief Executive	Not applicable	<ul style="list-style-type: none"> <li>- Director of EUCOMED</li> <li>- Director of EDWARDS LIFESCIENCES ITALY</li> <li>- Senior Vice President of Strategy and New Business Development at EDWARDS LIFESCIENCES</li> </ul>

Full name or registered name of the member	Term of office	Functions held within the Company	Other offices held in other companies	Other positions and offices held in other companies over the last five years, but not exercised at the date of registration of the reference document
Truffle Capital represented by Dr Philippe Pouletty	<p>1st appointment (as a Plc): 07 May 2010</p> <p>Term of office: Until the General Meeting ruling on the financial statements for the period closing on 31/12/2015</p>	Independent	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of DEINOVE SA (Philippe Pouletty)</li> <li>- Member of the Supervisory Board at INNATE PHARMA SA (Philippe Pouletty)</li> <li>-</li> <li>- Chief Executive and Director at TRUFFLE CAPITAL SAS</li> <li>- Chairman and Director of SPLICOS SAS (Philippe Pouletty)</li> <li>- Manager of NAKOSTECH SARL (Philippe Pouletty)</li> <li>-</li> <li>- Director of FRANCE BIOTECH (an association under the Law of 1901)</li> <li>-</li> <li>- Director of THERADIAG SA (Truffle Capital)</li> <li>- Director of THERACLION SA (Truffle Capital)</li> <li>- Director of NEOVACS SA (Truffle Capital)</li> <li>- Director of VEXIM SA (Truffle Capital)</li> <li>- Director of MYOPOWERS SA (Switzerland) (Truffle Capital)</li> <li>- Director of PHARNEXT SAS (Truffle Capital)</li> <li>- Director of PLASMAPRIME SAS (Truffle Capital)</li> <li>- Director of WITTYCELL SAS (Truffle Capital)</li> <li>- Director of IMMUNE TARGETING SYSTEMS LTD (UK) (Truffle Capital)</li> <li>- Director of SYMETIS (Switzerland) (Truffle Capital)</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- Chairman and Chief Executive from October 2009 to November 2010:</li> <li>- THERADIAG SA</li> <li>- Chairman of the Board of Directors from November 2010 to May 2012:</li> <li>- THERADIAG SA</li> <li>- Director until 2008:</li> <li>- CONJUCHEM BIOTECHNOLOGIES Inc. (Canada)</li> <li>- Director until 2007:</li> <li>- DRUGABUSE SCIENCES SAS</li> <li>- Chairman from 2001 to 2009 of FRANCE BIOTECH</li> <li>- Member of the Supervisory Board of CYTOMICS SA until December 2010 (in liquidation)</li> </ul>
André-Michel Ballester	<p>1st appointment (as a Plc): 07 May 2010</p> <p>Term of office: Until the General Meeting ruling on the financial statements for the period closing on 31/12/2015</p>	Independent Director	<ul style="list-style-type: none"> <li>- Amministratore Delegato (CEO) Sorin Spa – Milan (Italy)</li> <li>- Independent Director of MAUNA KEA TECHNOLOGIES SA</li> <li>- Independent Director of PIXIUM VISION SA</li> </ul>	<ul style="list-style-type: none"> <li>- Independent Director of NEXWAY SAS</li> <li>- Independent Director of IMI GmbH</li> </ul>

Full name or registered name of the member	Term of office	Functions held within the Company	Other offices held in other companies	Other positions and offices held in other companies over the last five years, but not exercised at the date of registration of the reference document
Mr Michel Finance	1st appointment (as a Plc): 07 May 2010  Term of office: Until the General Meeting ruling on the financial statements for the period closing on 31/12/2015	Independent Director	<ul style="list-style-type: none"> <li>- Chairman and MD of HOLDING INCUBATRICE BIOTECHNOLOGIE SA</li> <li>- Director of NEOVACS SA</li> <li>- Chief Executive and Director of THERADIAG SA</li> <li>- Chairman of ZOPHIS SAS</li> <li>- Chairman of BIOKINESIS SAS</li> <li>- Chairman of PRESTIZIA SAS</li> <li>- Director of France Biotech (association under the Law of 1901)</li> </ul>	Not applicable
Mr Henri Lachmann	1st appointment (as a Plc): 23 December 2010  Term of office: Until the General Meeting ruling on the financial statements for the period closing on 31/12/2015	Independent Director	<ul style="list-style-type: none"> <li>- Member of the Supervisory Board of SCHNEIDER ELECTRIC SA</li> <li>- Member of the Supervisory Board of VIVENDI SA</li> <li>- Member of the Supervisory Board of NORBERT DENTRESSANGLE SA</li> <li>- Chairman of the Board of Directors at the CENTRE CHIRURGICAL MARIE LANNELONGUE (Marie Lannelongue Surgical Centre) (association under the Law of 1901)</li> <li>- Chairman of the INSTITUT TELEMAQUE (association under the Law of 1901)</li> <li>- Director of the FONDATION ENTREPRENDRE</li> <li>- Vice Chairman and Treasurer of the INSTITUT MONTAIGNE (association under the Law of 1901)</li> </ul>	<ul style="list-style-type: none"> <li>- Member of the Supervisory Board of AXA</li> <li>- Director at AXA ASSURANCES IARD MUTUELLE</li> <li>- Director of various companies in the SCHNEIDER ELECTRIC Group</li> <li>- Member of the TAXATION AND SOCIAL SECURITY CONTRIBUTIONS BOARD</li> </ul>

**ANNEXE 3 - TABLE OF DELEGATIONS OF AUTHORITY**

Delegations of authority	Date of delegation	Length of authorisation and expiry	Maximum face value in euros	Use of delegations during the period
<p>Delegation of authority to the Board of Directors for the purpose of certifying the number of shares issued following exercise of the warrants and making the necessary changes to the articles</p>	<p>08 July 2009</p>			<p><i>Meeting of the Board of Directors of 8 March 2012:</i> Certification of an increase in capital out of EUR 166 through the issue of 4 150 shares by exercising 166 BCE-2009-2 warrants</p> <p><i>Meeting of the Board of Directors of 27 June 2012:</i> Certification of an increase in capital of EUR 298 through the issue of 7 450 shares by exercising 298 BCE-2009-2 warrants</p> <p><i>Meeting of the Board of Directors of 13 September 2012:</i> Certification of an increase in capital of EUR 70 through the issue of 1 750 shares by exercising 70 BCE-2009-2 warrants</p> <p><i>Meeting of the Board of Directors of 08 November 2012:</i> Certification of an increase in capital of EUR 301 through the issue of 7 525 shares by exercising 301 BCE-2009-2 warrants</p> <p><i>Meeting of the Board of Directors of 13 December 2012:</i> Certification of an increase in capital of EUR 308 through the issue of 7 700 shares by exercising de 308 BCE-2009-1 warrants Certification of an increase in capital of EUR 105 through the issue of 2 625 shares by exercising 105 BCE-2009-2 warrants</p>
<p>Delegation of authority allowing the Board of Directors to decide on the issue of shares and/or securities giving immediate or deferred access to capital or providing a right to a debt instrument, <u>with removal of the preferential subscription right without indicating the beneficiary or public offering</u></p>	<p>28 April 2011</p>	<p>26 months Until 28 June 2013</p>	<p>Face value of increases in capital: EUR 120 000</p> <p>Face value of bonds and other debt instruments giving access to the capital: EUR 40 000 000</p>	<p>/</p>

Delegations of authority (continued)	Date of delegation	Length of authorisation and expiry	Maximum face value in euros	Use of delegations during the period
Delegation of authority allowing the Board of Directors to decide on the issue, <u>with retention of the preferential subscription right</u> , of shares and/or securities giving immediate or deferred access to the capital or providing a right to a debt instrument.	28 April 2011	26 months, Until 28 June 2013	Face value of increases in capital: EUR 120 000, of which EUR 11 068.38 was already used in 2011  Face value of bonds and other debt instruments giving access to the capital: EUR 40 000 000	/
Delegation of authority to the Board of Directors to decide on the capitalisation of profits, reserves or premiums	28 April 2011	26 months Until 28 June 2013	Face value of increases in capital: EUR 120 000	/
Delegation of authority allowing the Board of Directors to decide on the issue of shares and/or securities giving immediate or deferred access to the capital or providing a right to a debt instrument, <u>with removal of the preferential subscription right of shareholders to the benefit of categories of beneficiaries</u>	28 April 2011	18 months Until 28 October 2012	Face value of increases in capital: EUR 120 000  Face value of bonds and other debt instruments giving access to the capital: EUR 40 000 000	/
Delegation of authority to the Board of Directors to decide on the issue of shares and/or securities giving immediate or deferred access to the capital or providing a right to a debt instrument, <u>by private placement</u> and with a limit of 20% of the share capital per year	28 April 2011	26 months Until 28 June 2013	The face value of the increases in capital will be limited (i) to 20% of the capital (as existing on the date of the operation) per annum and (ii) EUR 120 000  Face value of bonds and other debt instruments giving access to the capital: EUR 40 000 000	/

Delegations of authority (continued)	Date of delegation	Length of authorisation and expiry	Maximum face value in euros	Use of delegations during the period
<p>Authorisation to be given to the Board of Directors to increase the number of shares issued in accordance with the provisions of Article L. 225-135-1 of the Commercial Code, in the event of the use of the delegated authorities mentioned in the five resolutions above with the retention or removal, as the case may be, of the preferential subscription right</p>	<p>28 April 2011</p>	<p>26 months Until 28 June 2013</p>	<p>With a limit of 15% of the initial issue*</p>	
<p>Delegation of authority allowing the Board of Directors to decide on the issue of shares and/or securities giving immediate or term access to the capital, with <u>removal of the preferential subscription right of shareholders to the benefit of categories of beneficiaries</u></p>	<p>26 April 2012</p>	<p>18 months Until 26 October 2013</p>	<p>Face value of increases in capital: EUR 5 000 of which EUR 2 528 have already been used</p>	<p><i>Meeting of the Board of Directors of 27 June 2012:</i> Issue and assignment of 56 500 start-up company stock warrants BCE-2012-1 giving the right to subscribe to 56,500 shares at a price of EUR 108.483403 per share, in favour of the Chief Executives and the employees.</p> <p><i>Meeting of the Board of Directors of 08 November 2012:</i> Issue and assignment of 6 700 start-up company stock warrants BCE-2012-2 giving the right to subscribe to 6,700 shares at a price of EUR 122.00279 per share, in favour of the Chief Executives and the employees.</p>

## ANNEX 4 - SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

### I. Stock Warrants

**BSA-2009-1 warrants (Resolution two of the General Meeting of 8 July 2009, Resolutions three and four of the Meeting of the Board of Directors of 8 July 2009, Resolution four of the General Meeting of 5 February 2010, Deliberations twenty-eight and thirty of the Meeting of the Board of Directors of 22 April 2010, Deliberation one of the meeting of the Board of Directors of 8 September 2011 and Resolution six of the Mixed General Meeting of 26 April 2012)**

- 4 615 BSA-2009-1 warrants, giving the right to subscribe to 115 375 shares, on the basis of 25 shares for each BSA-2009-1 warrant exercised, were issued;
- out of the 4 615 BSA-2009-1 warrants issued, 3 096 BSA-2009-1 warrants have been assigned, 2 590 of which were subscribed to and 506 were cancelled;
- at 31 December 2012, a balance of 2 590 BSA-2009-1 warrants remains available for exercise;
- the 2 590 BSA-2009-1 warrants will lapse at the latest on 8 July 2019, since the period for exercising the BSA-2009-1 warrants is 10 years from the time they were assigned.

Summary table of BSA warrants

	Issued	Subscribed	Cancelled	Spare	Exercised	Balance	Lapsing on
<b>BSA-2009-1</b> General Meeting of 08/07/2009	4,615	2,590	2,025	0	0	2,590	08/07/2019
<b>BSA TOTAL</b>	<b>4,615</b>	<b>2,590</b>	<b>2,025</b>	<b>0</b>	<b>0</b>	<b>2,590</b>	

### II. Start-up company stock warrants

**1 BCE-2009-1 (Resolution 3 of the General Meeting of 8 July 2009, Resolution one of the Meeting of the Board of Directors of 8 July 2009 and Resolution three of the Meeting of the Board of Directors of 9 September 2009, Deliberation one of the Meeting of the Board of Directors of 8 September 2011, Resolution Six of the Mixed General Meeting of 26 April 2012, Meeting of the Board of Directors of 13 December 2012)**

- 3 108 BCE-2009-1 warrants, giving the right to subscribe to 77 700 shares, on the basis of 25 shares for each BCE-2009-1 warrant exercised, were issued;
- out of the 3 108 BCE-2009-1 warrants issued, 3 108 BCE-2009-1 warrants were assigned, 108 of which were exercised;
- at 31 December 2012, a balance of 2 800 BCE-2009-1 warrants remains available for exercise;
- the 2 800 BCE-2009-1 warrants will lapse on 9 September 2019, since the period for exercising the BCE-2009-1 warrants is 10 years from the time they were assigned.

**2. BCE-2009-2 (Resolution four of the General Meeting of 8 July 2009 and Resolution two of the Meeting of the Board of Directors of 8 July 2009, Deliberation thirty of the Meeting of the Board of Directors of 22 April 2010, Meeting of the Board of Directors of 28 April 2011, Meeting of the Board of Directors of 19 June 2011, Deliberation one of the Meeting of the Board of Directors of 8 September 2011, Meeting of the Board of Directors of 8 March 2012, Resolution six of the Mixed General Meeting of 26 April 2012, Meeting of the Board of Directors of 27 June 2012, Meeting of the Board of Directors of 13 September 2012, Meeting of the Board of Directors of 8 November 2012, Meeting of the Board of Directors of 13 December 2012)**

- 7 566 BCE-2009-2 warrants, giving the right to subscribe to 189 150 shares, on the basis of 25 shares for each BCE-2009-2 warrant exercised, were issued;
- out of the 7 566 BCE-2009-2 warrants issued, 7 566 BCE-2009-2 lapsed warrants were assigned, 1 655 were cancelled and 1 821 were exercised ;
- at 31 December 2012, a balance of 4 090 BCE-2009-2 warrants remains available for exercise;
- the BCE-2009-2 warrants will lapse on 8 July 2019, since the period for exercising the BCE-2009-2 warrants is 10 years from the time they were assigned.

**3. BCE-2012-1 (Resolution seven of the Mixed General Meeting of 26 April 2012, Meeting of the Board of Directors of 27 June 2012)**

- 56 500 BCE-2012-1 warrants, giving the right to subscribe to 56 500 shares, on the basis of 1 share for each BCE-2012-1 warrant exercised, were issued;
- out of the 56 500 BCE-2012-1 warrants issued, 56 500 BCE-2012-1 warrants were assigned;



- at 31 December 2012, a balance of 56 500 BCE-2012-1 warrants remains available for exercise;
- the BCE-2012-1 warrants will lapse on 27 June 2022, since the period for exercising the BCE-2012-1 warrants is 10 years from the time they were assigned.

**4. BCE-2012-2 (Resolution seven of the Mixed General Meeting of 26 April 2012, Meeting of the Board of Directors of 08 November 2012)**

- 6 700 BCE-2012-2 warrants, giving the right to subscribe to 6 700 shares, on the basis of 1 share for each BCE-2012-2 warrant exercised, were issued;
- out of the 6 700 BCE-2012-2 warrants issued, 6 700 BCE-2012-2 warrants were assigned;
- at 31 December 2012, a balance of 6 700 BCE-2012-2 warrants remains available for exercise;
- the BCE-2012-2 warrants will lapse on 08 November 2022, since the period for exercising the BCE-2012-2 warrants is 10 years from the time they were assigned.

Summary table of BCE warrants

	Issued	Subscribed	Cancelled	Spare	Exercised	Balance	Lapsing on
BCE 2009-1 General Meeting of 08/07/2009	3,108	3,108	0	0	308	2,800	09/09/2019
BCE 2009-2 General Meeting of 08/07/2009	7,566	7,566	1,655	0	1,821	4,090	08/07/2019
BCE 2012-1 General meeting of 26/04/2012	56,500	56,500	0	0	0	56,500	27/06/2022
BCE 2012-2 General meeting of 26/04/2012	6,700	6,700	0	0	0	6,700	08/11/2022
<b>BCE TOTAL</b>	<b>73,874</b>	<b>73,874</b>	<b>1,655</b>	<b>0</b>	<b>2,129</b>	<b>70,090</b>	

### 3 ANNUAL FINANCIAL STATEMENTS (AS AT 31 DECEMBER 2012)

#### 3.1 BALANCE SHEET

ASSETS (IN EUROS)		31/12/2012			31/12/2011
		Gross	Depreciation and amortisation	Net	Net
	Uncalled share capital (TOTAL I)				
FIXED ASSETS	INTANGIBLE FIXED ASSETS (Notes 4.4.1 & 4.4.2)				
	Start-up costs				
	Development costs				
	Licences, patents and similar rights	1,295,515	1,127,046	168,468	234,707
	Goodwill (1)				
	Intangible fixed assets				
	Advances and payments on account				
	TANGIBLE FIXED ASSETS (Notes 4.4.1 & 4.4.2)				
	Land				
	Buildings				
	Technical plant, equipment and tooling	4,141,610	3,416,593	725,017	1,262,724
	Other tangible fixed assets	1,001,737	355,170	646,566	708,751
	Assets under construction	184,621		184,621	476,583
	Advances and payments on account				
	TANGIBLE FIXED ASSETS (2) (Notes 4.4.1 & 4.4.3)				
	Holdings accounted for on an equity basis				
	Other holdings				
Other equity investments					
Loans					
Other financial assets	542,090		542,090	465,178	
	<b>TOTAL II</b>	<b>7,165,572</b>	<b>4,898,809</b>	<b>2,266,763</b>	<b>3,147,942</b>
CURRENT ASSETS	STOCKS AND WORK IN PROGRESS				
	Raw materials, supplies				
	Work in progress - goods				
	Work in progress - services				
	Semi-finished and finished products				
	Goods				
	Advances and payments on account made for orders				486,860
	DEBTORS (3)				
	Trade receivables and other receivables				
	Other debtors (Note 4.4.4)	6,092,119		6,092,119	4,120,628
	Subscribed capital – called, not paid in				
Marketable securities				10,039,822	
Cash instruments (Note 4.4.5)	5,006,854		5,006,854	17,066,499	
Cash on hand	6,127,584		6,127,584	2,263,372	
Accruals	Accrued charges (3) (Note 4.4.7.4)	203,577		203,577	300,960
	<b>TOTAL III</b>	<b>17,430,133</b>		<b>17,430,133</b>	<b>34,278,141</b>
	Bond issuance costs to be amortised (IV)				
	Bond redemption premiums (V)				
	Unrealised foreign exchange losses (VI)				
	<b>GRAND TOTAL (I+II+III+IV+V+VI)</b>	<b>24,595,705</b>	<b>4,898,809</b>	<b>19,696,896</b>	<b>37,426,083</b>

(1) including lease rights

(2) of which of less than one year

(3) of which of more than one year

423,855

353,565

<b>LIABILITIES (IN EUROS)</b>		<b>31/12/2012</b>	<b>31/12/2011</b>
<b>EQUITY</b>	Capital (of which, paid in: 166,312) (note 4.4.6)	166,312	165,112
	Issue, merger and acquisition premiums (Notes 4.1 and 4.4.6)	52,864,118	52,625,318
	Excess of restated assets		
	<b>RESERVES</b>		
	Legal reserve		
	Statutory or contractual reserves		
	Regulatory reserves		
	Other reserves		
	Losses brought forward	- 25,899,511	- 12,458,488
	<b>RESULT FOR THE PERIOD (profit or loss)</b>	<b>- 17,189,691</b>	<b>- 13,441,022</b>
Capital grants			
Regulatory provisions			
	<b>TOTAL I</b>	<b>9,941,228</b>	<b>26,890,919</b>
<b>OTHER EQUITY</b>	Proceeds of issues of participating stock		
	Conditional advances (Note 4.4.7.1)	3,743,141	3,743,141
	<b>TOTAL II</b>	<b>3,743,141</b>	<b>3,743,141</b>
<b>PROVISIONS</b>	Provisions for risks		
	Provisions for charges (Notes 4.4.3 and 4.4.7.3)	73,334	35,660
	<b>TOTAL III</b>	<b>73,334</b>	<b>35,660</b>
<b>DEBTS (1)</b>	<b>FINANCIAL DEBTS</b>		
	Convertible bond loans		
	Other bond loans		
	Loans from credit institutions		
	Bank loans and overdraft		
	Sundry loans and financial debts (Notes 4.4.4 and 4.4.7.1)	460,054	217,066
	Advances and payments on account received for current orders		
	<b>ACCOUNTS PAYABLE (Note 4.4.4)</b>		
	Trade accounts payable and related payables	4,012,870	4,992,835
	Tax and social liabilities	1,313,901	1,159,416
Liabilities secured to property and related liabilities (Note 4.4.4)	148,669	380,547	
Other debts (Note 4.4.4)	3,698	6,498	
<b>Accruals</b>	Accrued income (1) (Note 4.4.7.4)		
	<b>TOTAL IV</b>	<b>5,939,193</b>	<b>6,756,362</b>
	Negative exchange differences	<b>TOTAL V</b>	
	<b>GRAND TOTAL (I+II+III+IV+V)</b>	<b>19,696,896</b>	<b>37,426,083</b>
	(1) Debts and deferred income of less than one year	5,479,139	6,539,296

## 3.2 INCOME STATEMENT

INCOME STATEMENT (IN EUROS)	31/12/2012			31/12/2011
	France	Export	Total	Total
<b>OPERATING INCOME (1)</b>				
Sale of goods				
Sales of finished goods				
Sales of finished Services				
<b>NET TURNOVER</b>				
Production left in stock				
Fixed asset production				
Subsidies (Note 4.5.1)			10,500	6,051,177
Write-backs of depreciation, provisions (and amortisation) and transfers of charges			7,489	50,576
Other revenues				
<b>TOTAL OPERATING INCOME (I)</b>			17,989	6,101,753
<b>OPERATING EXPENSES (2)</b>				
Purchase of goods				
Inventory change (goods)				
Purchase of raw materials and other supplies				
Inventory change (raw materials and other supplies)				
Other purchases and external charges <sup>*, **</sup>			16,467,584	16,276,476
Taxes, fees and similar payments			135,111	95,056
Wages and salaries			3,089,888	3,057,107
Social security costs			1,093,916	1,099,853
Transfers to depreciation and amortisation				
Buildings: transfers to depreciation and amortisation (Note 4.4.2)			1,473,858	1,496,234
Buildings: transfers to depreciation and amortisation				
Current assets: transfers to depreciation and amortisation				
Provisions (Notes 4.4.3 and 4.6.1.3)			45,163	67,879
Other expenses			97,984	100,202
<b>TOTAL OPERATING EXPENSES (II)</b>			22,403,502	22,192,807
<b>1 – OPERATING RESULT (I-II)</b>			<b>- 22,385,513</b>	<b>- 16,091,054</b>
<b>SHARES IN RESULT FOR JOINT OPERATIONS</b>				
Profits allocated or loss transferred (III)				
Loss or profit transferred (IV)				

<b>INCOME STATEMENT (IN EUROS) continued</b>	<b>31/12/2012</b>	<b>31/12/2011</b>
<b>FINANCIAL INCOME</b>		
Financial income from equity interests (3)		
Income from other securities and fixed asset receivables (3)		
Other interest receivable and similar income (3)	355,793	229,461
Write-backs of amortisation and provisions, and transfers of charges		272
Positive exchange differences	276	319
Net proceeds from sales of marketable securities		10,431
<b>TOTAL (V)</b>	<b>356,068</b>	<b>240,483</b>
<b>FINANCIAL EXPENSES</b>		
Transfers to depreciation and amortisation and to provisions		
Interest expenses and similar charges (4)	242,988	141,504
Negative exchange differences	2,981	1,708
Net expenses from sales of marketable securities		
<b>TOTAL (VI)</b>	<b>245,970</b>	<b>143,212</b>
<b>2 – FINANCIAL RESULT (V-VI)</b>	<b>110,099</b>	<b>97,271</b>
<b>3 – EARNINGS BEFORE INTEREST AND TAX (I-II+III-IV+V-VI)</b>	<b>- 22,275,415</b>	<b>- 15,993,783</b>
<b>EXTRAORDINARY INCOME (Note 4.5.5)</b>		
Extraordinary income from management operations		
Extraordinary income from capital operations	104,101	133,603
Write-backs of depreciation and amortisation of provisions, and transfers of charges		
<b>TOTAL (VII)</b>	<b>104,101</b>	<b>133,603</b>
<b>EXTRAORDINARY EXPENSES (Note 4.5.5)</b>		
Extraordinary expenses from management operations		
Extraordinary expenses from capital operations	33,810	96,370
Transfers to depreciation and amortisation and to provisions		
<b>TOTAL (VIII)</b>	<b>33,810</b>	<b>96,370</b>
<b>4 – EXTRAORDINARY RESULT (VII-VIII)</b>	<b>70,290</b>	<b>37,234</b>
Participation of staff in company results (IX)		
Corporation taxes (X) (Note 4.5.3)	- 5,015,433	- 2,515,527
<b>TOTAL INCOME (I+III+V+VII)</b>	<b>478,158</b>	<b>6,475,839</b>
<b>TOTAL EXPENSES (II+IV+VI+VIII+IX+X)</b>	<b>17,667,849</b>	<b>19,916,862</b>
<b>5 – PROFIT OR LOSS (total income – total expense)</b>	<b>- 17,189,691</b>	<b>- 13,441,022</b>

\* Including: Fee from real-estate leasing

\* Including: Fee from equipment leasing

(1) Including income from previous years

(2) Including expenses from previous years

(3) Including income from related enterprises

(4) Including interest from related enterprises

## 4 ANNEX TO THE ANNUAL FINANCIAL STATEMENTS

Annex to the balance sheet for the year ending 31 December 2012, totalling EUR 19 696 896 and to the income statement for the year ending 31 December 2012, presented in list form and showing zero turnover resulting in a loss of EUR 17 189 691.

The financial year commenced on 01/01/2012 and ended on 31/12/2012, a term of 12 months, which is identical to that of the comparative period.

The notes and tables presented in the following are an integral part of the financial statements for the period ending on 31 December 2012 as adopted by the Board of Directors on 28 February 2013. Figures are in euros unless otherwise stated.

### 4.1 FEATURES OF THE YEAR

The activity of the company is exclusively focused on the research and development of an innovative product in the medical sector. No marketing is envisaged in the immediate short term. The company has benefited from Young Innovative Enterprise status since 2008.

During the reporting period, the company increased its capital, through twenty two BCE warrant exercises, on 17 January, 18 January, 23 January, 30 January, 2 February, 9 February, 2 May, 31 May, 14 June, 5 July, 9 July, 19 July, 21 September, 2 October, 3 October, 10 October, 22 October, 23 October, 16 November, 21 November, 22 November, for a total of 1,200 BCE 2009-2 warrants, enabling it to increase its capital by EUR 1 200, from EUR 165 111.80 to 166 311.80, through the issue of 30 000 ordinary shares with a face value of EUR 0.04, issued at a unit price of EUR 8, i.e. with an issue premium of EUR 7.96 per share. As a result of this the issue premium was increased from EUR 52 625 318 to EUR 52 864 118.

The company also continued to opt for the Research Tax Credit for the 2012 calendar year. The first option was exercised for the 2009 calendar year and was renewed in 2010 and 2011. The Research Tax Credit relating to the 2012 reporting period was recognised in the amount of EUR 5 022 922 under "Corporation tax" in the income statement (for details, see Note 5.3 of this Annex), less an amount of EUR 7 489 for regularisation of the Research Tax Credit for the year 2011, and appears under "Other debtors" in the balance sheet.

### 4.2 SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Nothing occurred after the end of the reporting period that could alter the presentation or assessment of the financial statements as adopted by the Board of Directors.

### 4.3 ACCOUNTING RULES AND METHODS

*(Commercial Code – Articles L.123-12 and L.123-28)*

*(Decree No 83-1020 of 29/11/83) (Regional Accounting Office Regulation No 99-03: PCG)*

The valuation methods for this period have not been changed from those used in the previous financial year.

#### 4.3.1 GENERAL STANDARDS AND CONVENTIONS

The accounts for the period have been prepared and presented in accordance with the accounting regulations and by application of the principles laid down in Articles 120-1 et seq. of the General Accounting Plan 2005.

The basic method of valuation for the items shown in the accounts is that of historical cost.

The accounting conventions have been applied in accordance with the provisions of the Commercial Code, the Accounting Decree of 29/11/83 and the CRC regulations concerning the redrafting of the General Accounting Plan 2005 applicable as at the end of the period.

The general accounting conventions have been applied in observance of the principle of prudence, based on the following assumptions:

- the business is a going concern;
- the accounting methods are consistent from one year to the next;
- the reporting periods are independent entities.

The assumption that the business is a going concern was made by the Chairman taking into account in particular the following points:

- the amount of cash and marketable cash instruments as at 31 December 2012, totalling EUR 11 134 438;

- payment of subsidies (EUR 3 033 000) and repayable advances (EUR 10 764 000) remaining to be paid between now and the end of the OSEO aid programme signed in 2009.

#### 4.3.2 SUPPLEMENTARY INFORMATION

##### 4.3.2.1 *Applied research and development costs* (Decree No 83-1020 of 29/11/83, Article 19)

Research and development costs are accounted for under expenses for the year in which they are incurred.

##### 4.3.2.2 *Intangible fixed assets* (Decree No 83-1020 of 29/11/83, Article 24-4)

Patents, licences and other intangible fixed assets have been valued at their cost of acquisition, excluding the expenses incurred in acquiring them.

The methods and periods of amortisation used are as follows:

Category	Method	Period
Licences and software	Straight line	1 to 3 years
Patents	Straight line	15 years

##### 4.3.2.3 *Tangible assets* (Decree No 83-1020 of 29/11/83, Article 24-4)

The gross value of tangible items under the fixed assets corresponds to the value at which the goods were entered in the assets, with an allowance being made for the expenditure required to render these items usable but excluding costs incurred in their acquisition.

The methods and periods of depreciation and amortisation applied are as follows:

Category	Method	Period
Fixtures and fittings	Straight line	9 to 10 years
Technical plant	Straight line	3 years
Equipment and tooling	Straight line	2 to 6 years
Furniture	Straight line	8 years
IT equipment	Straight line	3 years

##### 4.3.2.4 *Financial assets*

- Other equity investments

In 2010 the company entered into a liquidity agreement contract with Dexia Securities France (now BIL Finance), the purpose of which is to increase the liquidity of transactions and smooth quotations for Carmat shares without impeding the normal operation of the market and without introducing any error. To this end the company made available to Dexia (now BIL Finance) an amount of EUR 300 000. Own shares acquired in connection with the execution of this liquidity agreement are entered under financial assets at their acquisition price. If necessary, a provision is made for amortisation based on the average official stock market price for the final month prior to the end of the reporting period.

- Other financial assets

These are comprised of:

- obligatory deposits paid, which are shown at face value and
- the balance of the amounts paid under the liquidity agreement for own shares.

##### 4.3.2.5 *Receivables and payables* (Decree No 83-1020 of 29/11/83, Article 24-5)

Receivables and payables are shown at face value. If necessary receivables are amortised by making a provision to take account of difficulties with recovery that are likely to occur. Any provisions for amortisation are determined by comparison between the acquisition value and the likely realisation value.

#### 4.3.2.6 *Cash on hand in euros*

Cash on hand or at the bank is entered at face value.

#### 4.3.2.7 *Cash instruments*

These comprise the time deposit accounts shown under assets at their acquisition value, plus accrued interest at the closing date of reporting period.

#### 4.3.2.8 *Cash and cash equivalents*

For the purposes of the cash-flow statement, cash and cash equivalents are defined as being the sum of the "Cash instruments" and "Cash on hand" items under the assets, to the extent that cash instruments are available in the very short term and do not present a risk of a loss in value in the event of a change in interest rate. An analysis of cash according to this definition is provided at the foot of the cash flow statement.

#### 4.3.2.9 *Repayable advances made by public bodies*

Advances received from public bodies to finance the research activities of the company and which are subject to repayment are shown under liabilities in the "Other equity – Conditional advances" item. The associated interest is shown in the balance sheet liabilities under Sundry loans and financial debts.

#### 4.3.2.10 *Subsidies*

Subsidies received are recorded immediately the associated credit becomes definite, taking account of the conditions set at the time the subsidy was granted. Subsidies are recorded under income taking account, if necessary, of the corresponding rate of expenditure in order to adhere to the principle of matching of expenses with revenue.

#### 4.3.2.11 *Retirement benefits*

The amount of future payments for benefits to members of staff are valued according to an actuarial method, based on assumptions concerning the change in salaries, retirement age and mortality, and these valuations are then discounted to their present value. These commitments are the subject of provisions in the balance sheet liabilities.

#### 4.3.2.12 *Sub-contracting expenses*

The progress of third-party subcontracting agreements for certain research services is assessed at the end of each reporting period, in order to allow the cost of services already rendered to be recorded under accrued charges.

#### 4.3.2.13 *Share issue costs*

By application of the preferential method, share issue costs are recorded in the balance sheet minus a deduction for the issue premium.



## 4.4 SUPPLEMENTARY INFORMATION ON THE BALANCE SHEET

### 4.4.1 STATEMENT OF FIXED ASSETS

	Gross value at start of period	Additions	
		Line to line transfers	Acquisitions
Licences, patents and similar rights (1)	1,090,522	49,800	155,193
Assets under construction	0		49,800
<b>TOTAL</b>	<b>1,090,522</b>	<b>49,800</b>	<b>204,993</b>
Technical plant, equipment and industrial tooling (2)	3,587,034	381,926	172,649
General plant, sundry fixtures and fittings	697,575		34,077
Office and IT equipment, furniture	256,002		14,083
Assets under construction (3)	476,583		89,964
<b>TOTAL</b>	<b>5,017,194</b>	<b>381,926</b>	<b>310,773</b>
Other equity investments (4)	117,529		1,440,695
Other financial assets (5)	347,649		38,562
<b>TOTAL</b>	<b>465,178</b>		<b>1,479,257</b>
<b>GRAND TOTAL</b>	<b>6,572,894</b>	<b>431,726</b>	<b>1,995,023</b>

	Reductions		Gross value at end of period	Revaluation of original value at end of period
	Line to line transfers	Disposals		
Licences, patents and similar rights (1)			1,295,515	
Assets under construction	49,800			
<b>TOTAL</b>	<b>49,800</b>		<b>1,295,515</b>	
Technical plant, equipment and industrial tooling (2)			4,141,609	
General plant, sundry fixtures and fittings			731,652	
Office and IT equipment, furniture			270,085	
Assets under construction (3)	381,926		184,621	
<b>TOTAL</b>	<b>381,926</b>		<b>5,327,967</b>	
Other equity investments (4)		1,402,345	155,879	
Other financial assets (5)			386,211	
<b>TOTAL</b>		<b>1,402,345</b>	<b>542,090</b>	
<b>GRAND TOTAL</b>	<b>431,726</b>	<b>1,402,345</b>	<b>7,165,572</b>	

- (1) This item includes an amount of EUR 411 284, accounted for as the share of the contribution in kind made on 30 September 2008, with a total value of EUR 960 000, relating to the contribution of patents.
- (2) This item includes the commissioning of the clean room at a total cost of EUR 943 582. The item also includes an amount of EUR 548 716, accounted for as the share of the contribution in kind made on 30 September 2008, with a total value of EUR 960 000, relating to the contribution of equipment and tooling.
- (3) The item Assets under construction is made up of industrial equipment and tooling (test benches) in a total of EUR 130 197, technical installations in an amount of EUR 30 000 and work associated with fixtures in an amount of EUR 24 424.
- (4) This item includes the 1 260 own shares held in connection with the liquidity agreement and valued at EUR 155 879.
- (5) This item includes (i) the cash not invested in own shares as at the end of the period under the liquidity agreement of EUR 267 976, and (ii) obligatory deposits totalling EUR 118 235, mainly comprising deposits under premises lease contracts.

#### 4.4.2 SCHEDULE OF DEPRECIATION AND AMORTISATION

Situations and movements for the period	Value at start of period	Allowances for the period	Reductions and write-backs	Value at end of period
Licences, patents and similar rights	855,815	271,231		1,127,046
<b>TOTAL</b>	<b>855,815</b>	<b>271,231</b>		<b>1,127,046</b>
Technical plant, equipment and industrial tooling	2,324,310	1,092,283		3,416,593
General plant, sundry fixtures and fittings	167,511	75,061		242,572
Office and IT equipment, furniture	77,315	35,283		112,598
<b>TOTAL</b>	<b>2,569,137</b>	<b>1,202,627</b>		<b>3,771,763</b>
<b>GRAND TOTAL</b>	<b>3,424,952</b>	<b>1,473,858</b>		<b>4,898,809</b>

Breakdown of allowances for the period	Straight line depreciation and amortisation	Reducing balance depreciation and amortisation	Exceptional depreciation and amortisation	Tax depreciation and amortisation allowance	
				Allowances	Write-backs
Licences, patents and similar rights	271,231				
<b>TOTAL</b>	<b>271,231</b>				
Technical plant, equipment and industrial tooling	1,092,283				
General plant, sundry fixtures and fittings	75,061				
Office and IT equipment, furniture	35,283				
<b>TOTAL</b>	<b>1,202,627</b>				
<b>GRAND TOTAL</b>	<b>1,473,858</b>				

#### 4.4.3 SCHEDULE OF PROVISIONS

Provisions	Value at start of period	Additions Allowances	Reductions Amounts used	Reductions Amounts not used	Value at end of period
Sundry risks (1)		7,489	7,489		
Pensions and similar commitments (2)	35,660	37,674			73,334
<b>TOTAL</b>	<b>35,660</b>	<b>45,163</b>	<b>7,489</b>		<b>73,334</b>
Amortisation of other equity investments (2)					
<b>TOTAL</b>					
<b>GRAND TOTAL</b>	<b>35,660</b>	<b>45,163</b>	<b>7,489</b>		<b>73,334</b>
Including allowances and operational write-backs		45,163	7,489		
Including allowances and financial write-backs					

(1) Corresponds to the provision for the Research Tax Credit for 2011 made on 30 June 2012 and written back when the actual payment was made in July 2012.

(2) See Note 4.6.1.3

#### 4.4.4 SCHEDULE OF MATURITIES OF RECEIVABLES AND PAYABLES

Schedule of receivables	Gross amount	1 year or less	More than 1 year
Social security and other social bodies	104	104	
Corporation taxes	5,022,922	5,022,922	
Value Added Tax	1,028,677	1,028,677	
Sundry debtors	40,416	40,416	
<b>TOTAL</b>	<b>6,092,119</b>	<b>6,092,119</b>	

Schedule of payables	Gross amount	1 year or less	1 to 5 years	More than 5 years
Sundry loans and financial debts	460,054		460,054	
Trade accounts payable and related payables	4,012,870	4,012,870		
Staff and related payables	722,240	722,240		
Social security and other social bodies	575,416	575,416		
Other taxes and related payables	16,246	16,246		
Liabilities secured to property and related liabilities	148,669	148,669		
Other debts	3,698	3,698		
<b>TOTAL</b>	<b>5,939,193</b>	<b>5,479,139</b>	<b>460,054</b>	

#### 4.4.5 CASH INSTRUMENTS

The cash instruments correspond to time deposit accounts in an amount of EUR 5 000 000; these involve two contracts which were signed in November and December 2012 and will mature respectively on 26 January 2013 (EUR 1 000 000) and 6 February 2013 (EUR 4 000 000). EUR 6 854 was recognised at 31 December 2012 in respect of accrued interest on these contracts. These investments present no risks to the invested capital.

#### 4.4.6 CAPITAL

*(Decree No 83-1020 of 29/11/83, Article 24-12)*

##### 4.4.6.1 Composition of the share capital

Categories of shares	Face value in euros	Number of shares			
		Opening	Created	Redeemed	Closing
Ordinary shares	0.04	4,127,795	30,000		4,157,795
<b>TOTAL</b>		<b>4,127,795</b>	<b>30,000</b>		<b>4,157,795</b>

The capital increases through the exercise of BCE warrants, which took place during the 2012 reporting period, gave rise to the creation of 30 000 ordinary shares, with a unit face value of EUR 0.04 and a price of EUR 8, i.e. with an issue premium of EUR 7.96.

##### 4.4.6.2 Changes in equity

<b>Equity at the start of the period</b>	<b>26,890,919</b>
Increase in capital through the exercise of BCE warrants	240,000
Result for the period	-17,189,691
<b>Equity at the end of the period</b>	<b>9,941,228</b>

##### 4.4.6.3 Stock Warrants

###### BSA 2009-1

At the General Meeting and the meeting of the Board of Directors of 8 July 2009, and following the meeting of the Board of Directors of 8 September 2011, 4 615 BSA 2009-1 warrants were issued, of which 1 519 BSA 2009-1 warrants were not assigned. These 1 519 BSA 2009-1 unassigned warrants lapsed on 08/01/2011. 506 BSA 2009-1 warrants issued were cancelled following the resignation of a director. As at 31 December 2012, there remained 2

590 BSA 2009-1 warrants conferring subscriptions rights to 64 750 new shares, representing 1.56% of the existing capital as at 31 December 2012, at a unit price of EUR 8.

Summary table of BSA warrants

	Issued	Subscribed	Cancelled	Spare	Exercised	Balance	Lapsing on
BSA-2009-1 General Meeting of 08/07/2009	4,615	2,590	2,025	0	0	2,590	08/07/2019

*4.4.6.4 Start-up Company Stock Warrants (BCE)*

BCE 2009-1

At the General Meeting and the meeting of the Board of Directors of 8 July 2009, and following the meeting of the Board of Directors of 8 September 2011, 3 108 BCE 2009-1 warrants were issued, all of which were allocated and subscribed to, and of which 308 were exercised. The 2 800 BCE 2009-1 warrants subscribed and not exercised as at 31 December 2012 confer subscription rights to 70 000 new shares, representing 1.68% of the existing capital as at 31 December 2012, at a unit price of EUR 8.

BCE 2009-2

At the General Meeting and the meeting of the Board of Directors of 8 July 2009, and following the meeting of the Board of Directors of 8 September 2011, 7 566 BCE 2009-2 warrants were issued, all of which were allocated and subscribed to, of which 1821 were exercised and 1655 lapsed and were cancelled. The 4 090 BCE 2009-2 warrants subscribed to and not exercised as at 31 December 2012 confer subscription rights to 102 250 new shares, representing 2.46% of the existing capital as at 31 December 2012, at a unit price of EUR 8.

BCE 2012-1

By a decision of the Board of Directors of 27 June 2012, on the basis of a delegation of authority by the Mixed General Meeting of 26 April 2012, 56 500 BCE 2012-1 warrants were issued, all of which allocated and subscribed to. The 56 500 BCE 2012-1 warrants subscribed to and not exercised as at 31 December 2012 confer subscription rights to 56 500 new shares, representing 1.36% of the existing capital as at 31 December 2012, at a unit price of EUR 108.483403.

BCE 2012-2

By a decision of the Board of Directors of 08 November 2012, on the basis of a delegation of authority by the Mixed General Meeting of 26 April 2012, 6 700 BCE 2012-2 warrants were issued, all of which allocated and subscribed to. The 6 700 BCE 2012-2 warrants subscribed to and not exercised as at 31 December 2012 confer subscription rights to 6 700 new shares, representing 0.16% of the existing capital as at 31 December 2012, at a unit price of EUR 122.00279.

Summary table of BCE warrants

	Issued	Subscribed	Cancelled	Spare	Exercised	Balance	Lapsing on
BCE 2009-1 General Meeting of 08/07/2009	3,108	3,108	0	0	308	2,800	09/09/2019
BCE 2009-2 General Meeting of 08/07/2009	7,566	7,566	1,655	0	1,821	4,090	08/07/2019
BCE 2012-1 General Meeting of 26/04/2012	56,500	56,500	0	0	0	56,500	27/06/2022
BCE 2012-2 General Meeting of 26/04/2012	6,700	6,700	0	0	0	6,700	08/11/2022
<b>BCE TOTAL</b>	<b>73,874</b>	<b>73,874</b>	<b>1,655</b>	<b>0</b>	<b>2,129</b>	<b>70,090</b>	

#### 4.4.7 OTHER DETAILS OF THE BALANCE SHEET

##### 4.4.7.1 *Conditional advances*

The conditional advances item is comprised of repayable advances received from OSEO, the total amount of which as at the end of the period was EUR 3 743 141. Note 6.1.1 below states the repayment conditions of these advances.

They are interest-bearing at the contracted rate of 5.59%. EUR 460 054 of accrued interest was capitalised at the close of the reporting period and appears on the liabilities side of the balance sheet under Sundry loans and financial debts.

##### 4.4.7.2 *Accrued income* (Decree No 83-1020 of 29/11/83, Article 23)

<b>Value of accrued income included in the following balance sheet items</b>	<b>Value</b>
Other debtors	17,852
<b>TOTAL</b>	<b>17,852</b>

##### 4.4.7.3 *Accrued charges* (Decree No 83-1020 of 29/11/83, Article 23)

<b>Value of accrued charges included in the following balance sheet items</b>	<b>Value</b>
Sundry loans and financial debts	460,054
Trade accounts payable and related payables	2,697,684
Tax and social liabilities	1,034,162
Liabilities secured to property and related liabilities	148,669
<b>TOTAL</b>	<b>4,340,569</b>

##### 4.4.7.4 *Accrued income and charges* (Decree No 83-1020 of 29/11/83, Article 23)

<b>Accrued charges</b>	<b>Value</b>
Operating expenses	203,577
<b>TOTAL</b>	<b>203,577</b>

The Accrued charges item is comprised in particular of the following:

- the share of rent for the 1st quarter of 2013 billed in December 2012, totalling EUR 123 878;
- the share of royalties for IT licences and insurance premiums corresponding to the current period after 31 December 2012, totalling EUR 79 699;

<b>Accrued income</b>	<b>Value</b>
Operating income	NOT APPLICABLE
<b>TOTAL</b>	<b>NOT APPLICABLE</b>

##### 4.4.7.5 *Information on related enterprises*

The following balance sheet items include amounts in connection with related enterprises:

Trade accounts payable and related payables	1,348,145
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#### 4.5 SUPPLEMENTARY INFORMATION ON THE INCOME STATEMENT

##### 4.5.1 SUBSIDIES

During the 2012 reporting period, the company did not receive any subsidy from Oseo, since the amount of EUR 10 500 shown in the income statement relates to a subsidy received from the National Association for Research and Technology for the employment of a doctoral student. Moreover, since the right to obtain the next contractually provided Oseo subsidy had not crystallised as at the date of approval of the financial statements, the subsidy which

will be received after Oseo has declared key stage no. 4 of the project completed (Conditional authorisation by ANSM and the CPP for human clinical trials to commence) has not been posted under Accrued income in the balance sheet as at 31 December 2012 in the proportion corresponding to the expenses already paid at that date, although the company has been authorised since 1 July 2012 to enter the EC5 research phase. Receipt of this subsidy will allow the posting of income of EUR 2 874 000 expected for the 2013 reporting period.

#### 4.5.2 APPLIED RESEARCH AND DEVELOPMENT COSTS

Research and development costs are accounted for under expense. They totalled EUR 14 450 4000 during the 2012 reporting period, compared with EUR 14 281 761 during the previous period.

#### 4.5.3 RESEARCH TAX CREDIT

The income statement for the period shows a Research tax Credit for an amount of EUR 5 015 433, broken down as follows:

- EUR 5 022 922 of Research Tax Credit for the period 1 January to 31 December 2012, compared with the EUR 2 566 103 shown for 2011;
- EUR -7 489 for regularisation of the Research Tax Credit for the 2011 year, from a comparison between the amount accounted for as at the close of the 2011 accounting period (EUR 2 566 103) and the amount reimbursed by the tax authorities (EUR 2 588 614).

#### 4.5.4 AUDITORS' FEES

The total amount of auditors' fees shown in the income statement for the year is EUR 49 300 net of taxes and expenses, broken down as follows:

- fees for statutory auditing of the financial statements and the activities required by law: EUR 44 900
- fees for consultancy and services rendered in connection with activities directly linked to the statutory auditing function, as defined by the professional standards referred to in Article L.822-11 (II): EUR 44 900

#### 4.5.5 EXTRAORDINARY INCOME ANDEXPENSES

*(Resolution of 27 April 1982)*

Type	31/12/2012	31/12/2011
<b>Extraordinary income</b>		
- Property disposal		
- Disposal of own shares	104,101	119,081
<b>TOTAL</b>	<b>104,101</b>	<b>119,081</b>
<b>Extraordinary expenses</b>		
- Property disposal		
- Disposal of own shares	33,810	81,847
- Fines and penalties		
<b>TOTAL</b>	<b>33,810</b>	<b>81,847</b>

The exceptional result in 2012, as in 2011, is due exclusively from disposals of own shares undertaken in accordance with the liquidity agreement described in Note 3.2.4

#### 4.5.6 INFORMATION ON RELATED COMPANIES

The following income statement items include amounts in connection with related enterprises:

Other purchases and external expenditure	2,381,676
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### 4.6 FINANCIAL COMMITMENTS AND OTHER INFORMATION

#### 4.6.1 FINANCIAL COMMITMENTS

##### 4.6.1.1 Commitments made

The total value of orders signed by the company as at the end of the period, for items not yet delivered or built, came to EUR 5 508 851.

A total amount of EUR 3 743 141 of repayable advances was received during previous reporting periods. This amount is repayable subject to the attainment of turnover of at least EUR 38 000 000. The OSEO agreement provides for supplementary payments if certain conditions are met, so that the total amount repayable could exceed the amount of the advance initially granted.

On 24 June 2008, the company signed a royalties agreement with Professor Alain Carpentier and Matra Défense, who were shareholders of 13.20% and 30.45 % respectively as at 31 December 2012. Under this Agreement, the Company undertakes to pay Professor Alain Carpentier and Matra Défense 2% of the net proceeds from sales of the “Carmat” Artificial Heart produced and distributed by Carmat SA, with this amount being shared between the two beneficiaries in proportion to their respective shares in the capital of the Company on the date it was established. These royalties will be payable every 6 months within 30 days of the end of each six-month period, following the first marketing of the “Carmat” Artificial Heart and up until expiry of the patents shown in Annex 1 to the agreement.

The Company is also authorised to repurchase at any time the right to benefit from these royalties for an amount of EUR 30 000 000, less the royalties already paid under this Agreement, with this total sum being shared between the two beneficiaries in proportion to their respective shares in the capital of the company on the date it was established. This amount of EUR 30 000 000 is indexed-linked to the Indice du Prix à la Production de l'Industrie des Services aux Entreprises - Matériel médicochirurgical et d'orthopédie-exportation zone Euro [*production prices index for industry and services to companies – Medico-surgical and orthopaedic material for export in the Euro zone*].

The rights allocated to Professor Alain Carpentier and to Matra Défense in this way are non-transferable.

As at 31 December 2012, since the marketing of the “Carmat” Artificial Heart had not started, no royalty had been paid by the company under the agreement.

#### 4.6.1.2 *Commitments received*

The OSEO agreement provides for payment of a total amount of EUR 17 442 639 by way of subsidies, of which EUR 3 032 793 remains to be paid between now and the end of the programme.

It also provides for payment of a total amount of EUR 14 507 324 by way of repayable advances, EUR 10 764 169 of which remains to be paid between now and the end of the programme.

#### 4.6.1.3 *Pension and retirement commitments*

The company has not signed a specific agreement on retirement commitments. These are therefore limited to the agreed retirement lump-sum payment.

By application of the preferential accounting method, the provision for retirement commitments has been accounted for as at 31 December 2012.

The calculation assumptions made were as follows:

- time-apportioned rights method in accordance with Regulation 2003 R-01 of the CNC;
- retirement at the initiative of the member of staff, at 62 years (non-management) or 65 years (management);
- salaried employee progression of 2% per annum;
- low staff turnover;
- index-linked at 3% per annum (compared with 4.6% at 31/12/2011 and 3.38% at 30/06/2012);

The overall amount of the provision was EUR 73 334 at the end of the reporting period, an increase of EUR 37 674 over the period.

## 4.6.2 OTHER INFORMATION

### 4.6.2.1 Cash-flow statement

	2012	2011
Net profit/loss	-17,189,691	-13,441,022
Amortisation and provisions	1,519,021	1,564,113
Write-backs of amortisations and provisions	-7,489	-50,848
Gains or losses on asset sales	-70,291	0
Investment subsidies transferred to result	0	0
Other profits and expenses not affecting cash	242,988	138,970
<b>Self-financing capacity</b>	<b>-15,505,462</b>	<b>-11,788,787</b>
Tax and social liabilities	154,485	324,612
Trade accounts payable	-1,211,843	858,523
Other debts	-2,800	1,050
Accrued income	0	-103,157
Stocks and work in progress	0	0
Advances and payments on account made for orders	486,860	-486,860
Other debtors	-1,971,491	1,574,642
Trade receivables	0	0
Accrued charges	97,383	53,035
<b>Changes in working cash position (change in Working Capital Requirements)</b>	<b>-2,447,406</b>	<b>2,221,845</b>
<b>Cash flow from operations</b>	<b>-17,952,868</b>	<b>-9,566,942</b>
Acquisition of tangible fixed assets	-310,773	-878,960
Acquisition of intangible fixed assets	-204,993	-143,649
Acquisition of financial assets	-1 479 257	-38,694
Proceeds from fixed asset disposals	1 472 636	0
<b>Cash flow from investment operations</b>	<b>-592,678</b>	<b>-1,061,303</b>
Increase in capital	1,200	11,997
ORA/BSA	0	0
Issue premium	238,800	26,845,869
Capitalisation of current accounts	0	0
Loans and conditional advances	0	1,724,249
<b>Cash flow from financing operations</b>	<b>240,000</b>	<b>28,582,115</b>
<b>Change in cash and cash equivalents</b>	<b>-18,235,255</b>	<b>17,953,870</b>
<b>Opening cash and cash equivalents (Note 3.2.9)</b>	<b>29,369,693</b>	<b>11,415,823</b>
<b>Closing cash and cash equivalents (Note 3.2.9)</b>	<b>11,134,438</b>	<b>29,369,693</b>



#### 4.6.2.2 Information on the management

##### 4.6.2.2.1 Advances and loans to management

No loans or advances were made to the management of the company during the period, in accordance with the provisions of Article R. 123-197 of the Commercial Code.

##### 4.6.2.2.2 Management remuneration

The total remuneration paid to directors in the form of attendance fees totalled EUR 100 000 for the reporting period (amounts included under "Other expenses" in the income statement).

The total remuneration allocated to members of the management bodies was EUR 592 469 for the period, broken down as follows:

Type	2012	2011
Gross salaries	502,696	533,444
Benefits in kind	9,780	9,780
Bonuses	79,994	34,051
<b>Total remuneration</b>	<b>592,469</b>	<b>577,275</b>

##### 4.6.2.3 Increases and reductions in future tax liabilities (Decree No 83-1020 of 29/11/83, Article 24-24)

Type of temporary differences	Value
Allowable loss carry-forwards	56,481,356

This amount comprises:

- the tax loss brought forward from previous periods and available as at 1 January 2012, in the amount of EUR 36 118 532;
- the tax loss made in the 2012 financial year, in the amount of EUR 20 362 824.

##### 4.6.2.4 Average staffing levels (Decree No 83-1020 of 29/11/83, Article 24-22)

Salaried staff	2012	2011
Managers	30	30
Supervisors and technicians	4 <sup>(1)</sup>	1
Employees	6 <sup>(2)</sup>	4
<b>Total</b>	<b>40</b>	<b>35</b>

<sup>(1)</sup> Including 2 temporary employees vs. none during the previous period.

<sup>(2)</sup> Including 1 temporary employee vs. none during the previous period.

##### 4.6.2.5 Personal entitlement to training

In connection with the personal entitlement to training instituted by Law 2004-391 of 4 May 2004 governing lifetime professional training, the cumulative number of hours of training relative to rights accrued and not exercised totalled 2 050.17 hours at 31 December 2012.

# CARMAT SA

AUDITORS' REPORT  
ON THE FINANCIAL STATEMENTS  
(Period ending on 31 December 2012)

**PricewaterhouseCoopers Audit**  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

**Lison Chouraki**  
13, rue Spontini  
75016 Paris

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13, rue Spontini

## AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(Period ending on 31 December 2012)

"To the shareholders

### CARMAT SA

36, Avenue de l'Europe  
78941 Velizy-Villacoublay

In compliance with the assignment entrusted to us by your General Shareholders' Meeting on 16 October 2008, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying financial statements of Carmat SA ;
- the justification of our assessments ;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

#### ***I - Opinion on the financial statements***

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the financial statements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position and assets and liabilities of the company and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

## **II - Justification of our assessments**

In accordance with the requirements of article L.823-9 of the Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention that the assessments that we carried out centred on the appropriateness of the accounting principles applied

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## **III – Specific verifications and information**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with French law, we have verified that the required information concerning the controlling interests and the identity of the shareholders has been properly disclosed in the management report.

Paris and Neuilly-sur-Seine, 20 March 2013

The Auditors

**PricewaterhouseCoopers Audit**

**Lison Chouraki**

Pierre Riou”

