Société anonyme with share capital of 171 354,80 €
Registered address : 36, avenue de l'Europe
Immeuble l'Etendard Energy III
78140 Vélizy Villacoublay
Versailles Trade and Companies Register 504 937 905

HALF-YEARLY FINANCIAL REPORT 2014

PERIOD TO JUNE 30, 2014

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1 ACTIVITY REPORT

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

1.1 SUMMARY OF THE HALF-YEARLY FINANCIAL STATEMENTS AS AT JUNE 30, 2014

1.1.1 SUMMARY INCOME STATEMENT

In €'000	H1 2014	H1 2013
Operating Income		
Including Subsidies	10	2 874
Total Operating Income	**49**	**2 874**
Operating expenses		
Including other purchases and external charges	7 955	5 627
Including other operating expenses	2 788	3 012
Total operating expenses	**10 743**	**8 640**
Operating result	**-10 694**	**-5 766**
Financial result	-238	-120
Extraordinary result	-89	17
Research Tax Credit	1 096	933
Net result	**-9 924**	**-4 935**

At the end of the first 2014 semester period, the company has not generated any turnover, as the total artificial heart CARMAT is still in its clinical development phase and not obtained yet the CE marking necessary for a commercial launch in Europe.

Operating expenses for the six-month period totalled €10.7m. The 24% increase in operating expenses relative to the 1st half of 2013 is in line with the development of the wearable system which aims to allow patients to return home after implantation of the CARMAT prosthetic heart. This wearable system was presented at the 2014 EACTS in October (see chapter 2.3 – Post Balance Sheet Events). This exceptional level of external charges has allowed for the finalization of this project development.

The medical department has been reinforced to ensure a greater capacity for patient follow-up and data analysis. The clinical team has intensified efforts to train hospital staff.

The technical analysis of the data resulting from the first implantation, namely in terms of quality control and verification, was piloted by the Technical department during the first semester.

An important synergy between the R&D and production teams has allowed for a rapid integration of the technical and clinical findings to enable recruitment for the clinical feasibility study of the CARMAT heart to resume.

After taking into account the net financial loss (€ -238 000), net extraordinary income (€ -89 000) and the Research Tax Credit (€1 096 000), the net result for the 1st half of 2014 is a loss of €-9.9m.

1.1.2 FINANCIAL STRUCTURE

Cash and cash instruments totalled €7.7m as at June 30, 2014.

1.2 SIGNIFICANT EVENTS IN THE 1ST HALF OF THE 2013 FINANCIAL YEAR

1.2.1 COMPOSITION OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

As at June 30, 2014, the composition of the Company's administrative and management bodies was unchanged relative to December 31, 2013

1.2.2 FINANCING

The company received 10 000 euros of operational subsidy through a renewal agreement concluded with the company Oracle.

1.2.3 INDUSTRIALISATION AND PRODUCTION

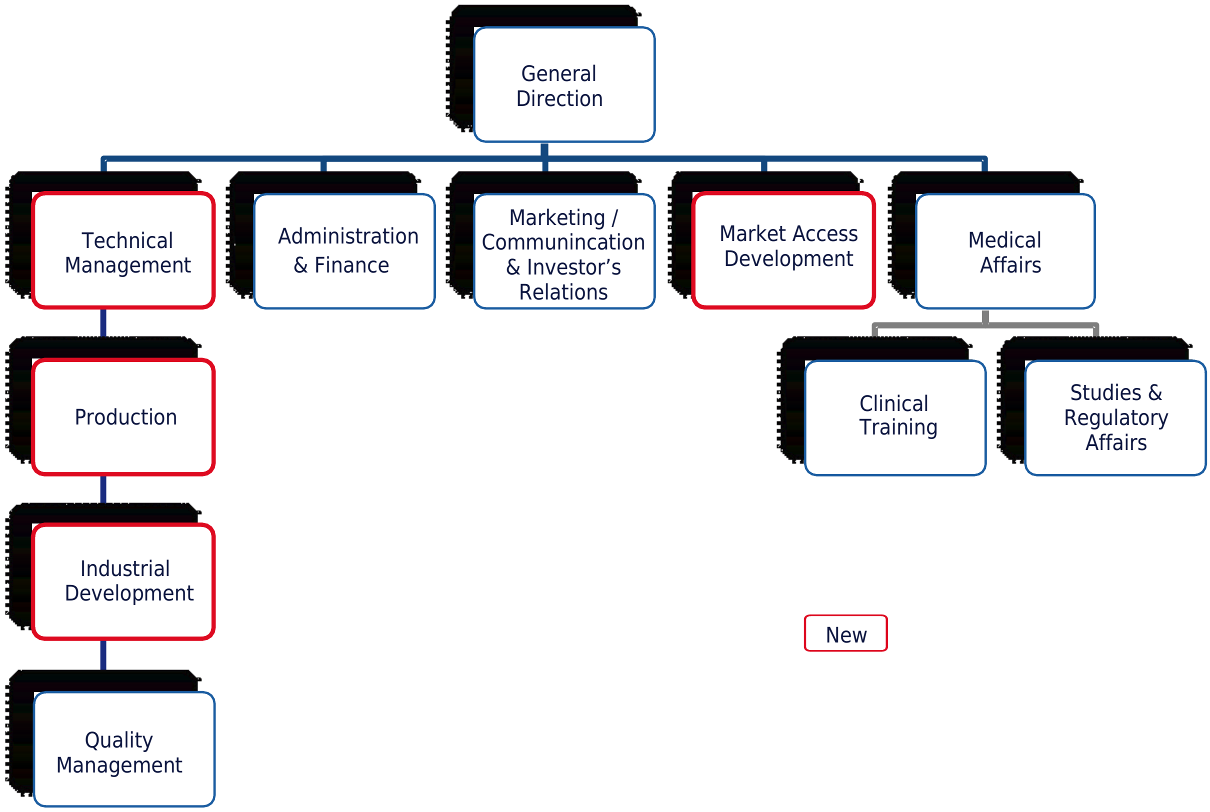
The Company maintained its endeavours to improve the quality with regards to the verification and quality-control of subcontractors and especially the risk analysis and the tests and verifications of the wearable system's software. The research and development teams have focused their attention on the analysis and use of data collected during the period of the first implantation and the analysis of the causes of potential failures. Production of prostheses, suspended for analyses, resumed when further measures to ensure the robustness of the production process, including the process of qualification and validation, have been accepted by the regulatory authorities. A special effort from the production teams helped to make available prostheses needed for testing by the clinical teams in a very short time.

The development of the wearable system was accelerated, with regards to its mechanical components, electronic and software. The first prototypes of these external systems have been delivered to the Company's software teams for the phases of software testing.

The Company has been restructured to accommodate for the growing challenges of industrialization and production of prostheses in larger amounts and quality controlled. In March 2014, the operations have been restructured into three departments:

- A technical department in charge of expertise and regrouping the specialists in varying fields to that effect;
- A production department, responsible for the complete manufacturing cycle including the subcontract's manufacturing processes; and
- An industrial development department piloting the evolution studies of the prosthesis and the manufacturing processes, and planning for future manufacturing means.

The new functional organization is established as follows, at the date of publication of this report:



1.2.4 CLINICAL DEVELOPMENT

During the first semester, CARMAT's clinical teams followed the first implanted patient and provided ongoing support to the patient. They collected clinical data in accordance with the protocol approved by the ANSM.

Training and actual animal testing also continued with the 3 selected clinical centres for the feasibility study with 8 implantations on animals during the first semester.

The company confirmed in a statement on March 4, 2014 that the first patient of 76 years, implanted on December 13, 2013, had survived two and half months (74 days) after implantation of the artificial heart as part of the clinical trial, wherein one of the feasibility evaluation criteria is survival at 30-day.

Recruitment within the scope of the feasibility trial was voluntarily suspended during the evaluation of all the data collected and the implementation of additional measures before further testing.

1.3 POST-BALANCE SHEET EVENTS

On July 16, 2014, the Company announced that the ethics committee (CPP), the safety committee (DSMB) and the regulatory authorities (ANSM) had issued a favorable opinion for the recruitment of patient for the feasibility study of its bioprosthetic heart to resume.

The Company has confirmed on September 8, 2014 having completed half of the feasibility trial of its bioprosthetic heart and announced the continuing recruitment for the two remaining patients.

The Company recently announced the appointment of Mr. Eric Richez as Director of Development. His immediate goal is to develop the market access strategy of the CARMAT prosthesis and systems.

The Company also received on September 23rd, 2014 the Jury Honorary Prize "Microns d'Or" for the development and implementation of a bioprosthetic and self-regulated artificial heart, with a patented micro-pump.

Finally, CARMAT participated from October 11th to October 15th 2014 to the 28th Annual Congress of the European Society of Cardio-Thoracic Surgery (EACTS) in Milan and unveiled for the first time its wearable system for the return home of patients.

In addition, the Company made, during the summer, two uses of the June 2013 line of equity financing agreement with Kepler Cheuvreux. Thus, these exercises have led to the creation of 48,500 new shares representing a subscription of a total amount, including share premium, of 3,784,985 euros. The balance of this equity line is, at the date of publication of this report, 34,700 share emission warrants (BEA) still to be exercised.

1.4 UPCOMING DEVELOPMENTS

The next scientific step is the results of the feasibility study along with the continuing development of the technical aspects of the project.

Submission to Bpifrance of milestones reports including a report on trial follow-up will result in crossing the 5th milestone, corresponding to the payment of 5,251,038 euros repayable advances and 159,166 euros in subsidies. [1]

The Company would like to remind readers that, in accordance with good clinical practice and subject to regulatory obligations or specific circumstances, it is not planning to publish any information on the interim results of this ongoing feasibility study.

If the results of this feasibility trial are deemed satisfactory, the Company may propose to the supervisory authorities, in France and in other countries, the protocol of a new protocol expanded to twenty patients with a longer term follow-up such as 180 days. Please note that this is only an hypothesis as the protocole and the endpoints of the pivot study will be determined based on findings from the feasibility study in progress.

Data from this second trial and those of complementary in vitro tests[2] will allow for the application to CE marking, which is a prerequisite for commercialization to begin in Europe.

Given the time needed between each patient in the feasibility trial, the estimated timing of the project, as presented in the reference document 2013[3], will likely be offset by about 6 months.

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1 Please refer to the Registration Document 2013 of the Company, available from the French Financial Regulatory Authority (the AMF) under registration number D.14-0145, Chapter 5.7 Important Contracts.

2 Please refer to the Registration Document 2013 of the Company, available from the French Financial Regulatory Authority (the AMF) under registration number D.14-0145, Chapter 2.2.3.2 Developments.

3 Please refer to the Registration Document 2013 of the Company, available from the French Financial Regulatory Authority (the AMF) under registration number D.14-0145, Chapter 1.3 General Overview of the Company's Activity.

1.5 PRINCIPAL RISK FACTORS

The risk factors are described in details on chapter 3 of the 2013 Registration Document filed with the *Autorité des marches financiers* on 17 March 2014 under number D.14-0145. As of today, the company does not know of any modifications of these risk factors.

The risks relating to clinical trials will be the most prominent during the last 6 months of the year 2014, especially the risks relating to future results of clinical trials (chapter 3.2.2, page 58 of the 2013 registration document), the risks relating to delays in clinical trials (chapter 3.2.3, page 59 of the 2013 registration document) and the risks relating to pre-clinical and clinical studies (chapter 3.2.5, page 59 of the 2013 registration document).

The risks relating to the confidentiality of the company's information and know-how, including the risk of the dissemination, notably via the media or by third parties, of false or inaccurate information are detailed on chapter 3.3.7, page 68 of the 2013 registration document.

As a reminder, within the risks relating to the market size (chapter 3.1.1, page 56 of the 2013 registration document), the company states clearly that its product targets about 0.5% of the total number of heart failure patients, in Europe and in the United States.

At last, within the risks relating to competition (chapter 3.1.2, page 56 of the 2013 registration document), the company states also that no existing device or project involves or plans to involve the use of either biological materials or selfregulation via multiple integrated sensors, and that these two characteristics are at the core of the technological breakthrough that CARMAT intends to offer.

Samples of the 2013 registration document are available for free at Carmat's headquarters, 36 Avenue de l'Europe, Immeuble l'Etendard Energy III, 78140 Vélizy-Villacoublay. The document is also available on Carmat's website (www.carmatsa.com) and on the internet website of the *Autorité des marchés financiers* (www.amf-france.org).

2 HALF-YEARLY ACCOUNTS AS AT JUNE 30, 2014

Readers are reminded that CARMAT, whose shares are listed on Alternext, is not legally required to obtain an opinion from its auditors on the half-yearly accounts.

2.1 BALANCE SHEET

ASSETS IN EUROS		30/06/2014			31/12/2013
		Gross	Amortization/ depreciation and impairments	Net	Net
	Uncalled share capital **(TOTAL I)**				
FIXED ASSETS	INTANGIBLE FIXED ASSETS (Notes 3.4.1 and 3.4.2)				
	Start-up costs				
	Development costs				
	Licenses, patents and similar rights	1 389 145	1 358 743	30 401	58 976
	Goodwill (1)				
	Intangible fixed assets	138 445		138 445	66 436
	Advances and payments on account				
	PROPERTY, PLANT AND EQUIPMENT (Notes 3.4.1 and 3.4.2)				
	Land				
	Buildings				
	Technical plant, equipment and tooling	4 394 283	4 195 722	198 560	346 696
	Other property, plant and equipment	1 071 576	529 396	542 179	598 674
	Assets under construction				
	Advances and payments on account				
	FINANCIAL FIXED ASSETS (2) (Notes 3.4.1 and 3.4.3)				
	Holdings accounted for on an equity basis				
	Other holdings				
	Other equity investments				
	Loans				
	Other financial assets	503 814	15 080	488 733	562 532
	TOTAL II	**7 497 261**	**6 098 942**	**1 398 319**	**1 633 314**
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 prepayments on orders	57 257		57 257	48 060
	DEBTORS (3)				
	Trade receivables and other receivables				
	Other debtors (Note 3.4.4)	2 266 124		2 266 124	2 951 518
	Subscribed capital – called, not paid up				
	Marketable securities (Note 3.4.5)				
	Cash instruments (Note 3.4.6)	6 003 018		6 003 018	13 525 000
	Cash on hand	1 746 089		1 746 089	3 358 974
Adjustments	Deferred charges (3) (Note 3.4.6.4)	283 771		283 771	467 317
	TOTAL III	**10 356 260**		**10 356 260**	**20 350 868**
	Bond issuance costs to be amortized (IV)				
	Bond redemption premiums (V)				
	Unrealized foreign exchange losses (VI)				
	GRAND TOTAL (I+II+III+IV+V+VI)	**17 853 521**	**6 098 942**	**11 754 578**	**21 984 183**
	(1) including lease rights				
	(2) of which less than one year			383 506	472 541
	(3) of which more than one year				

	LIABILITIES IN EUROS	30/06/2014	31/12/2013
EQUITY	Capital (of which paid in: 171 355) (note 3.4.5)	171 355	171 339
	Issue, merger and acquisition premiums (Notes 3.1 and 3.4.5)	64 794 528	64 791 344
	Excess of restated assets		
	RESERVES		
	Legal reserve		
	Statutory or contractual reserves		
	Regulatory reserves		
	Other reserves		
	Losses brought forward	- 57 734 104	- 43 089 202
	RESULT FOR THE PERIOD (profit or loss)	**- 9 924 457**	**- 14 644 902**
	Capital grants		
	Regulatory provisions		
	TOTAL I	**- 2 692 678**	**7 228 579**
OTHER EQUITY	Proceeds of issues of participating stock		
	Conditional advances (Note 3.4.6.1)	7 515 054	7 515 054
	TOTAL II	**7 515 054**	**7 515 054**
PROVISIONS	Provisions for risks		39 342
	Provisions for charges (Notes 3.4.3 and 3.6.1.3)	139 069	102 758
	TOTAL III	**139 069**	**142 100**
DEBTS (1)	FINANCIAL DEBTS		
	Convertible bonds		
	Other bonds		
	Loans from credit institutions		
	Bank overdrafts		
	Sundry loans and financial debts (Notes 3.4.4 and 3.4.6.1)	1 103 520	822 187
	Advances and payments on account received for current orders		
	ACCOUNTS PAYABLE (Note 3.4.4)		
	Trade accounts payable and related payables	4 452 254	4 786 855
	Tax and social liabilities	1 234 549	1 467 400
	Liabilities in relation to fixed assets and associated accounts (Note 3.4.4)		22 006
	Other debts (Note 3.4.4)	2 810	
Adjustments	Deferred income (1) (Note 3.4.6.4)		
	TOTAL IV	**6 793 133**	**7 098 449**
	Unrealized foreign exchange gains		
	TOTAL V		
	GRAND TOTAL (I+II+III+IV+V)	**11 754 578**	**21 984 183**
	(1) Debts and deferred income of less than one year	5 689 613	6 276 262

2.2 INCOME STATEMENT

INCOME STATEMENT (IN EUROS)	30/06/2014			30/06/2013	31/12/2013
	France	Export	Total	Total	Total
OPERATING INCOME (1)					
Sales of merchandise					
Sales of finished goods					
Sales of services					
SALES REVENUE (NET)					
Production added to stock					
Own work capitalized					
Subsidies (Note 3.5.1)			10 000	2 873 627	2 873 627
Write-backs of impairments and provisions (and amortization/depreciation), transfers of expenditure			39 342		
Other revenues					
TOTAL OPERATING INCOME (I)			**49 342**	**2 873 627**	**2 873 627**
OPERATING EXPENSES (2)					
Purchases of merchandise					
Movement in inventory (merchandise)					
Purchases of raw materials and other supplies					
Movement in inventory (raw materials and other supplies)					
Other purchases and external expenditure*			7 955 409	5 627 234	13 376 375
Taxes, fees and similar payments			113 655	114 215	174 612
Wages and salaries			1 798 149	1 760 728	3 283 217
Social security costs			554 018	551 967	1 127 202
Amortization/depreciation and impairment					
Of fixed assets: amortization/depreciation (Note 3.4.2)			265 439	521 665	919 614
Of fixed assets: impairments					
Of current assets: impairments					
Increases in provisions (Notes 3.4.3 and 3.6.1.3)			36 311	13 189	68 766
Other expenses			20 011	50 540	40 466
TOTAL OPERATING EXPENSES (II)			**10 742 993**	**8 639 539**	**18 990 251**
1 – OPERATING RESULT (I-II)			**-10 693 651**	**-5 765 912**	**- 16 116 624**
SHARES IN RESULTS FROM JOINT OPERATIONS					
Profits allocated or loss transferred (III)					
Loss or profit transferred (IV)					

INCOME STATEMENT (IN EUROS) continued	30/06/2014	30/06/2013	31/12/2013
FINANCIAL INCOME			
Financial income from equity interests (3)			
Income from other securities and fixed asset receivables (3)			
Other interest receivable and similar income (3)	37 398	27 253	72 444
Write-backs of impairments and provisions, transfers of expenditure	30 784		
Positive exchange differences	1 437	49	2 480
Net proceeds from sales of marketable securities			
TOTAL (V)	**69 619**	**27 302**	**74 923**
FINANCIAL EXPENSES			
Amortization/depreciation, impairments and provisions	15 080	1 324	30 784
Interest expenses and similar charges (4)	281 332	145 086	362 133
Negative exchange differences	11 253	537	5 618
Net losses from sales of marketable securities			
TOTAL (VI)	**307 665**	**146 947**	**398 534**
2 – FINANCIAL RESULT (V-VI)	**-238 046**	**-119 645**	**-323 611**
3 – EARNINGS BEFORE INTEREST AND TAX (I-II+III-IV+V-VI)	**-10 931 698**	**-5 885 557**	**- 16 440 235**
EXTRAORDINARY INCOME (Note 4.5.4)			
Extraordinary income from management operations			
Extraordinary income from capital operations	2 346	39 378	90 830
Write-backs of impairments and provisions, transfers of expenditure			
TOTAL (VII)	**2 346**	**39 378**	**90 830**
EXTRAORDINARY EXPENSES (Note 4.5.4)			
Extraordinary expenses from management operations		3 025	23 467
Extraordinary expenses from capital operations	91 381	19 091	42 144
Amortization/depreciation, impairments and provisions			
TOTAL (VIII)	**91 381**	**22 116**	**65 611**
4 – EXTRAORDINARY RESULT (VII-VIII)	**-89 036**	**17 262**	**25 219**
Employee profit-sharing (IX)			
Income taxes (X) (Note 4.5.3)	-1 096 276	-933 311	- 1 770 114
TOTAL INCOME (I+III+V+VII)	**121 306**	**2 940 307**	**3 039 380**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	**10 045 763**	**7 875 291**	**17 684 282**
5 – PROFIT OR LOSS (total income – total expenses)	**-9 924 457**	**-4 934 984**	**- 14 644 902**
* Including: Installments on finance leases (movable assets)	7 272		
* Including: Installments on finance leases (real estate)			

(1) Including income from previous years
(2) Including expenses from previous years
(3) Including income from related enterprises
(4) Including interest due to related enterprises

3 ANNEX TO THE HALF-YEARLY FINANCIAL STATEMENTS

Annex to the balance sheet for the first half of 2014, totaling €11 754 578, and to the income statement for the first half of 2014, presented in list form and showing zero revenue and a loss of €9 924 457.

The period covered comprises six months, beginning on January 1, 2014 and ending on June 30, 2014.

The notes and tables presented in the following are an integral part of the financial statements for the first half of 2014, as approved by the Board of Directors on 10/17/2014. They are presented in euros unless otherwise stated

3.1 NOTABLE FACTS FOR THE PERIOD

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

During the period, the Company increased its capital through the exercise of start-up company share options ("BCE options") one March 20, 2014 for a total of 16 BCE 2009-2 options, which led to an increase in capital of €16, taking it from €171,338.80 to €171,354.80, through the issue of 400 ordinary shares with a face value of €0.04 each at a price per share of €8, that is to say, at a premium of €7.96 per share. Issue premiums in the balance sheet consequently rose from €66,857,370.48 to €66,860,554.48.

The Company is maintaining the Research Tax Credit option for 2014. The option was first exercised for the 2009 calendar year and renewed in 2010, 2011, 2012 and 2013. The Research Tax Credit pertaining to the first half of 2014 was recorded at €1,096,276 in the income statement under Income taxes (details under Note 4.5.3 of this annex) and appears in the balance sheet under Other debtors. The Research Tax Credit of €1,770,114 recorded as at December 31, 2013 was paid in full by the tax authority on June 6, 2014

3.2 SIGNIFICANT EVENTS SUBSEQUENT TO JUNE 30, 2013

No event posterior to the end of the period is prone to affect the presentation or evaluation of the company accounts as they have been stated by the Board of Directors.

3.3 ACCOUNTING RULES AND METHODS

(French Commercial Code – Articles L.123-12 And L.123-28)
(Decree No. 83-1020 Of 11/29/83) (Crc Regulation No. 99-03: General Chart Of Accounts)

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

3.3.1 GENERAL PRINCIPLES AND CONVENTIONS

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

The basic valuation method 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 French Commercial Code, the Accounting Decree of 11/29/83 and the regulations of the Accounting Regulation Committee (CRC) concerning the redrafting of the General Accounting Plan 2005 applicable as at the period end.

The general accounting conventions have been applied in accordance with the prudent person rule, on the basis of the following assumptions:

- the business is a going concern;
- the accounting policies are consistent between accounting periods;
- there is a clear cut-off between accounting periods.

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

- Cash and cash instruments totaling €7,749,107 as at June 30, 2014;
- The payment of subsidies (€159,166) and refundable advances (€6,992,256m) still to be claimed until the end of the Bpifrance aid program signed in 2009. For the upcoming 12 motnhs, this funding would correspond to the milestone 5 for 5 251 038 € in repayable advances and 159 166 € in subsidies.
- The Tax Research Credit for an amount of 2.2M€ in 2015
- The existence of the equity line agreement with Kepler Chevreux which can be used to exercise 83 200 share subscription warrants, at the period ending on June 30 2014: 48 500 news shares for an amount totaling, including the issuing premium, 3 784 985 EUR were thus subscribed to during the third trimester of 2014 and

the balance of this equity line is, at the date of publication of this half year financial report, at 34 700 share subscription warrants remaining to be exercised;
- As indicated in the Company's 2013 Registration Document, public offerings for a cumulated amount in the range of 50 to 150 Million euros will be necessary, though the precise modalities and time frame for these events have not yet been set.

3.3.2 SUPPLEMENTARY INFORMATION

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

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

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

Patents, licenses 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 depreciation used are as follows :

Category	Mode	Period
Licenses and software	Straight line	1 to 3 years
Patents	Straight line	15 years

3.3.2.3 *Property, plant and equipment (Decree No. 83-1020 of 11/29/83, Article 24-4)*

The gross value of property, plant and equipment corresponds to the value at which the goods were entered in the assets, taking account of expenditure required to render these items usable but excluding costs incurred in their acquisition.

The methods and periods of depreciation used are as follows:

Category	Mode	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

3.3.2.4 *Financial assets*

- Other equity investments

In 2010 the Company entered into a liquidity agreement with Dexia Securities France, 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 misleading third parties. To this end the Company made available to Dexia a sum of €300,000.

On May 13, 2014, the Company transferred the liquidity agreement over to the Company "TSAF" (Tradition Securities And Futures), for a duration of 12 months, renewable by tacit consent.

The treasury stock acquired under the scope of this liquidity agreement are regarded as financial assets at their purchasing price, and are classified as such in the company's accounts. When appropriate, the un-acquired liquidities are provisioned for as depreciating, the amount for which is referenced to the official average share price over the preceding month.

- Other financial assets

These comprise:

- obligatory deposits paid, which are shown at face value and
- the unused balance of sums made available under the liquidity agreement for the acquisition of own shares

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

Receivables and payables are shown at face value. If necessary, impairments are recorded against receivables to take account of difficulties with recovery that are likely to occur. Any provisions for impairments are determined by comparison between the acquisition value and the likely realization value.

3.3.2.6 *Cash on hand in euros*

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

3.3.2.7 *Cash instruments*

Cash instruments comprise certificates of deposit which are recorded as assets at their cost of acquisition, plus interest accrued as at the period end.

3.3.2.8 *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 significant 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.

3.3.2.9 *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 corresponding interest is shown in the balance sheet liabilities under Sundry loans and financial debts.

3.3.2.10 *Subsidies*

Subsidies are recorded as soon as the corresponding receivable becomes certain, 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.

3.3.2.11 *Retirement indemnities*

Future payments for benefits to members of staff are valued according to an actuarial method based on assumptions concerning changes in salaries, retirement age and mortality, the resulting valuations being discounted to their present value. These commitments are the subject of provisions in the balance sheet liabilities.

3.3.2.12 *Sub-contracting expenses*

The progress of third-party sub-contract 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.

3.3.2.13 *Share issue costs*

In accordance with the preferential method, share issue costs are recorded in the balance sheet as deductions from the issue premium.

3.4 SUPPLEMENTARY INFORMATION ON THE BALANCE SHEET

3.4.1 SCHEDULE OF FIXED ASSETS

	Gross value at start of period	Additions	
		Transfers	Acquisitions
Licenses, patents and similar rights (1)	1 376 728		12 417
Intangible assets in course of production	66 436		72 009
TOTAL	1 443 164		84 426
Technical plant, equipment and industrial tooling (2)	4 378 395		15 888
General plant, sundry fixtures and fittings	785 203		
Office and IT equipment, furniture	282 444		3 929
Assets under construction			
TOTAL	5 446 042		19 817
Other equity investments (3)	285 560		362 773
Other financial assets (4)	307 756		
TOTAL	593 316		362 773
GRAND TOTAL	7 482 522		467 016

	Reductions		Gross value at end of period	Revaluation of original value at end of period
	Transfers	Transfers		
Licenses, patents and similar rights (1)			1 389 145	
Intangible assets in course of production			138 445	
TOTAL			1 527 590	
Technical plant, equipment and industrial tooling (2)			4 394 283	
General plant, sundry fixtures and fittings			785 203	
Office and IT equipment, furniture			286 373	
Assets under construction				
TOTAL			5 465 859	
Other equity investments (3)		374 654	273 679	
Other financial assets (4)		77 621	230 135	
TOTAL		452 275	503 814	
GRAND TOTAL		452 275	7 497 261	

(1) This item includes a sum of €411,284 representing the proportion of the contribution in kind of €960,000 made on September 30, 2008 that related to the contribution of patents.
(2) This item includes the commissioning of the clean room at a total cost of €943,582. The item also includes a sum of €548,716 representing the proportion of the contribution in kind of €960,000 made on September 30, 2008 that related to the contribution of equipment and tooling.
(3) This item includes the 3 220 treasury shares under the liquidity agreement for €273,679.
(4) This item includes (i) liquid assets under the liquidity agreement of €109,827, not invested in treasury shares as at the period end, and (ii) obligatory deposits totaling €120,308, mainly comprising deposits under premises leases

3.4.2 SCHEDULE OF AMORTIZATION/DEPRECIATIONS

Statements and movements for the period	Value at start of period	Allowances for the period	Reductions Write-backs	Value at end of period
Licenses, patents and similar rights	1 317 752	40 991		1 358 743
TOTAL	1 317 752	40 991		1 358 743
Technical plant, equipment and industrial tooling	4 031 699	164 023		4 195 722
General plant, sundry fixtures and fittings	322 838	42 378		365 216
Office and IT equipment, furniture	146 134	18 046		164 180
TOTAL	4 500 671	224 447		4 725 118
GRAND TOTAL	5 818 423	265 438		6 083 861

Breakdown of allowances for the period	Straight-line depreciation	Reducing balance depreciation	Exceptional depreciation	Depreciation for tax purposes	
				Allowances	Write-backs
Licenses, patents and similar rights	40 991				
TOTAL	40 991				
Technical plant, equipment and industrial tooling	164 023				
General plant, sundry fixtures and fittings	42 378				
Office and IT equipment, furniture	18 046				
TOTAL	224 447				
GRAND TOTAL	265 438				

3.4.3 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	39 342		39 342		
Pensions and similar commitments (1)	102 758	36 311			139 069
TOTAL	142 100	36 311	39 342		139 069
Impairment of other equity investments	30 784	15 080	30 784		15 080
TOTAL	30 784	15 080	30 784		15 080
GRAND TOTAL	172 884		70 126		154 149
Including allowances and operational write-backs		36 311	39 342		
Including allowances and financial write-backs		15 080	30 784		

(1) See note 3.6.1.3

3.4.4 SCHEDULE OF MATURITIES OF RECEIVABLES AND PAYABLES

Schedule of receivables	Gross amount	1 year or less	More than 1 year
Staff and related receivables	7 691	7 691	
Income taxes (1)	1 103 852	1 103 852	
Value Added Tax	1 134 321	1 134 321	
Sundry debtors	20 260	20 260	
TOTAL	2 266 124	2 266 124	

(1) The receivable represents the Research Tax Credit calculated in relation to the first half of 2014.

Schedule of payables	Gross amount	1 year or less	1 to 5 years	More than 5 years
Sundry loans and financial debts	1 103 520		1 103 520	
Trade accounts payable and related payables	4 452 254	4 452 254		
Staff and related payables	634 956	634 956		
Social security and other social bodies	578 104	578 104		
Value Added Tax	2 026	2 026		
Other taxes and related payables	19 463	19 463		
Other debts	2 810	2 810		
TOTAL	6 793 133	5 689 613	1 103 520	

3.4.4.1 *Cash instruments*

Cash instruments comprise certificates of deposit totaling €6,000,000. This amount is made up of four deposit agreements made in April, and June 2014, maturing respectively on July 23, 2014 (€1,500,000), on July 26, 2014 (€1,000,000), on August 19, 2014 (€1,500,000) and on September 19, 2014 (€2,000,000). Accrued interest of €3,018 was recorded in the accounts as at June 30, 2014 in relation thereto. These investments present no risk to the invested capital, except in the unlikely default of the depositary financial institutions before these very short term deadlines.

3.4.5 CAPITAL

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

3.4.5.1 *Composition of the share capital*

Categories of shares	Face value in euros	Number of shares			
		Opening	Created	Redeemed	Closing
Ordinary shares	0,04	4 283 470	400		4 283 870
TOTAL		4 283 470	400		4 283 870

The increases in capital which took place during the first half of 2014 as a result of the exercising of BCE options resulted in the creation of 400 ordinary shares, each with a face value of €0.04

3.4.5.2 *Changes in equity*

Equity at the start of the period	**7 228 579**
Increase in capital through exercise of BCE options	3 200
Result for the period	-9 924 457
Equity at the end of the period	**-2 692 678**

3.4.5.3 *Share subscription warrants ("BSA warrants")*

BSA 2009-1

At the General Meeting and the meeting of the Board of Directors of July 8, 2009 and following the Board of Directors' meeting of September 8, 2011, 3,096 BSA 2009-1 warrants were issued, 509 BSA 2009-1 warrants issued were canceled following the resignation of a director and 50 BSA 2009-1 were exercised. As at June 30, 2014, there remained 2,540 BSA 2009-1 warrants conferring subscription rights to 63,500 new shares, representing 1.48% of the existing capital as at June 30, 20114, at a price of €8 per share.

Summary table of BSA warrants

	Issued	Subscribed	Canceled	Spare	Exercised	Balance	Lapsing on
BSA-2009-1 GM of 08/07/2009	3 096	3 096	506	0	50	2 540	08/07/19

3.4.5.4 *Start-up Company Share Options ("BCE options")*

BCE 2009-1

At the General Meeting and the meeting of the Board of Directors of July 8, 2009 and following the Board of Directors' meeting of September 8, 2011, 3 108 fully assigned and subscribed BCE 2009-1 options were issued, of which 308 have been exercised. The 2,800 BCE 2009-1 options subscribed and not exercised as at June 30, 2014 confer subscription rights to 70 000 new shares, representing 1.63% of the existing capital as at June 30, 2014, at a price of €8 per share.

BCE 2009-2

At the General Meeting and the meeting of the Board of Directors of July 8, 2009 and following the Board of Directors' meeting of September 8, 2011, 7,566 fully assigned and subscribed BCE 2009-2 options were issued, of which 2,258 have been exercised and 2,435 have lapsed and been cancelled. The 2,873 BCE 2009-2 options subscribed and not exercised as at June 30, 2014 confer subscription rights to 71 825 new shares, representing 1.69% of the existing capital as at June 30, 2014, at a price of €8 per share.

BCE-2012-1

In accordance with the Board of Directors' decision of June 27, 2012, as authorized by the Combined General Meeting of April 26, 2012, 56,500 fully assigned and subscribed BCE 2012-1 options have been issued, of which 4,000 have lapsed and been canceled. The 52,500 BCE 2012-1 options subscribed and not exercised as at June 30, 2014 confer subscription rights to 52 500 new shares, representing 1.21% of the existing capital as at June 30, 2014, at a price of €108.483403 per share.

BCE 2012-2

In accordance with the Board of Directors' decision of November 8, 2012, as authorized by the Combined General Meeting of April 26, 2012, 6,700 fully assigned and subscribed BCE 2012-2 options have been issued. The 6,700 BCE 2012-2 options subscribed and not exercised as at June 30, 2014 confer subscription rights to 6,700 new shares, representing 0.16% of the existing capital as at June 30, 2014, at a price of €122.00279 per share.

Summary table of BCE options

	Issued	Subscribed	Canceled	Spare	Exercised	Balance	Lapsing on
BCE 2009-1 GM of 7/08/2009	3 108	3 108	0	0	308	2 800	09/09/19
BCE 2009-2 GM of 7/08/2009	7 566	7 566	2 435	0	2 258	2 873	08/07/19
BCE-2012-1 GM of 4/26/2012	56 500	56 500	4 000	0	0	52 500	27/06/22
BCE-2012-2 GM of 4/26/2012	6 700	6 700	0	0	0	6 700	08/11/22
BCE TOTAL	73 874	73 874	6 435	0	2 566	64 873	

3.4.5.5 *Share issue warrants ("BEA warrants")*

In accordance with the Board of Directors' decision of June 5, 2013, as authorized by the Combined General Meeting of June 4, 2013, 200,000 fully assigned and subscribed BEA warrants have been issued, of which 116 800 have been exercised. The 83 200 BEA warrants subscribed and not exercised as at June 30, 2014 confer subscription rights to 83 200 new shares, representing 4.57% of the existing capital as at June 30, 2014, at a price per share defined contractually between CARMAT and Kepler Cheuvreux, the holder of the BEA warrants, as being equal to the average share price at the time of the drawdown, less a discount of not more than 7%.

Summary table of BEA warrants

	Issued	Subscribed	Canceled	Spare	Exercised	Balance	Lapsing on
BEA warrants GM of 6/4/2013	200 00 0	200 000	0	0	116 800	83 200	05/06/15

3.4.6 Other balance sheet details

3.4.6.1 *Conditional advances*

The conditional advances item comprises repayable advances received from Bpifrance, the total amount of which as at the end of the period was €7,515,054. Note 6.1.1 below states the repayment conditions of these advances.

They are interest-bearing at the contracted rate of 5.59%. The interest accrued, calculated using the capitalization method, stood at €1,103,520 at the period end and appears in liabilities under Sundry loans and financial debts.

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

Value of accrued income included in the following balance sheet items	**Value**
Other debtors	25 631
TOTAL	25 631

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

Value of accrued charges included in the following balance sheet items	**Value**
Sundry loans and financial debts	1 103 520
Trade accounts payable and related payables	3 157 487
Tax and social liabilities	931 085
TOTAL	5 192 091

3.4.6.4 *Deferred charges and income*
(Decree No. 83-1020 of 11/29/83, Article 23)

Deferred charges	**Value**
Operating expenses	283 771
TOTAL	283 771

Deferred charges comprise the following:

- Rent of €124,428 relating to the 3rd quarter of 2014, billed in May;
- Software license royalties, insurance premiums and fees totalling €132,380 in relation to the period after June 30, 2014

  The amount of €26 963 corresponds to the gap between the invoiced research & development bills (for feasibility studies and subcontracting) and the percentage of completion for the services concerned, as of June 30, 2014.

Deferred income	**Value**
Operating income	N/A
TOTAL	N/A

3.4.6.5 *Information on related enterprises*

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

Trade accounts payable and related payables	388 385

3.5 SUPPLEMENTARY INFORMATION ON THE INCOME STATEMENT

3.5.1 SUBSIDIES

The company received 10 000 euros of operational subsidy through a renewal agreement concluded with the company Oracle.

At the first semester of 2014, the Company has not received or tendered any subsidy from Bpifrance.

3.5.2 APPLIED RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are accounted for under expenses. They amounted to €6,515,024 in the first half of 2014, as against €8,488,726 in the first half of 2013.

3.5.3 RESEARCH TAX CREDIT

The income statement for the period gives rise to a Research Tax Credit of €1,096,276, calculated using the same methods as used to determine the Research Tax Credit for the year 2013

3.5.4 AUDITORS' FEES

The total amount of auditors’ fees payable for the period is €36 609 (excluding taxes and expenses) and breaks down as follows:

- Fees for the statutory audit of the financial statements and the services provided for by law: €36 609
- Fees for consultancy and services rendered in connection with activities directly linked to the statutory audit, as defined by the professional standards referred to in Article L.822-11 (II): Not applicable

3.5.5 EXTRAORDINARY INCOME AND EXPENSES

(Order of April 27, 1982)

Type	30/06/2014	30/06/2013	31/12/2013
Extraordinary income			
- Property disposal			
- Disposal of own shares	2 346	39 378	90 830
TOTAL	2 346	39 378	90 830
Extraordinary expenses			
- Property disposal			
- Disposal of own shares	91 381	19 091	42 144
- Fines and penalties		3 025	23 467
TOTAL	91 381	22 116	65 611

Extraordinary income and expenses result primarily from sales of treasury shares under the liquidity agreement described in Note 3.2.4

3.5.6 INFORMATION ON RELATED COMPANIES

The following income statement items include sums in connection with related companies :

Other purchases and external expenditure	112 193

3.6 FINANCIAL COMMITMENTS AND OTHER INFORMATION

3.6.1 FINANCIAL COMMITMENTS

3.6.1.1 *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 €2,367,628.

Repayable advances totaling €7,515,054 have been received over the course of previous financial periods. This sum is repayable subject to achieving revenue of at least €38,000,000. The Bpifrance 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 June 24, 2008 the Company signed a royalties agreement with Professor Alain Carpentier and Matra Défense, who held shareholdings of 13.15% and 30.34% respectively as at June 30, 2014. 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 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. These royalties will be payable every 6 months within 30 days of the end of each six-month period, following the first sales of the "CARMAT" Artificial Heart and up until expiry of the patents shown in Annex 1 to the agreement.

Furthermore, the Company is entitled to repurchase the right to benefit from these royalties at any time for a sum of €30,000,000, less the royalties already paid under the 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 sum of €30,000,000 is index-linked to the *Indice du Prix à la Production de l'Industrie des Services aux Entreprises - Matériel médicochirurgical et d'orthopédie-exportation zone Euro* (Index of Prices for the Industrial Production of Services to Businesses - Medico-surgical and orthopedic equipment - for export within the Eurozone).

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

As at June 30, 2014, since sales of the "CARMAT" Artificial Heart had not started, no royalty had been paid by the Company under the agreement.

3.6.1.2 *Commitments received*

The Bpifrance agreement provides for payment of a total sum of €17,442,639 by way of subsidies, of which €159,166 remained to be paid between now and the end of the program.

The agreement also provides for payment of a total sum of €14,507,324 by way of repayable advances, €6,992,256 of which remained to be paid between now and the end of the program.

3.6.1.3 *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.

In accordance with the preferential method, the provision for retirement commitments has been accounted for as at June 30, 2014.

The calculation assumptions made were as follows:

- Time-apportioned rights method in accordance with CNC Regulation 2003 R-01;
- Retirement on the initiative of the member of staff, at 62 years (non-management) or 65 years (management);
- Salary rises of 2% per annum;
- Low staff turnover;
- Discount rate of 3% per annum (identical to the rate used at 12/31/2013 and at 06/30/2013).

The overall amount of the provision as at the period end was €139,069, an increase of €36,311 over the period.

3.6.2 OTHER INFORMATION

3.6.2.1 *Cash-flow statement*

	As at 30/06/2014	As at 30/06/2013	As at 31/12/2013
Net result	-9 924 457	-4 934 984	-14 644 902
Amortization/depreciation and provisions	316 829	536 178	1 109 164
Write-backs of amortization/depreciation and provisions	0-70 126	0	0
Gains or losses on asset sales	0	0	0
Investment subsidies transferred to income	0	0	0
Other income and expenses with no impact on cash flow	281 333	145 086	362 133
Self-financing capacity	**-9 396 421**	**-4 253 720**	**-13 263 605**
Tax and social liabilities	-232 851	103 812	153 499
Trade accounts payable	-356 608	-294 845	647 322
Other debts	2 810	-17	-3 698
Accrued income	0	0	0
Stocks and work in progress	0	0	0
Advances and prepayments on orders	-9 197	-50 415	-48 060
Other debtors	685 392	976 424	3 140 601
Trade receivables	0	0	0
Accrued charges	-183 547	-43 893	-263 740
Changes in cash position (change in Working Capital Requirements)	**273 093**	**691 066**	**3 625 923**
Cash flow from operations	**-9 123 328**	**-3 562 654**	**-9 637 682**
Acquisition of property, plant and equipment	-19 816	-16 130	-118 074
Acquisition of intangible fixed assets	-84 425	-18 679	-147 649
Acquisition of financial assets	89 502	-20 345	-51 224
Proceeds from fixed asset disposals	0	0	0
Cash flow from investment operations	**-14 739**	**-55 154**	**-316 948**
Increase in capital	16	605	5 027
ORA/BSA	0	0	0
Issue premium	3 184	954 538	11 927 226
Capitalization of current accounts	0	0	0
Loans and conditional advances	0	0	0
Cash flow from financing operations	**3 200**	**955 143**	**15 704 166**
Change in cash and cash equivalents	**-9 134 867**	**-2 662 665**	**-5 749 536**
Opening cash and cash equivalents (Note 4.3.2.9)	**16 883 974**	**11 134 438**	**11 134 438**
Closing cash and cash equivalents (Note 4.3.2.9)	**7 749 107**	**8 471 773**	**16 883 974**

3.6.2.2 *Information on the management*

3.6.2.2.1 *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 French Commercial Code.

3.6.2.2.2 *Management remuneration*

The total remuneration paid to directors in the form of attendance fees amounted to €20,000 for the period (sums recorded in the income statement under "Other expenses").

The total remuneration allocated to members of the management bodies was €438,027 for the year and breaks down as follows:

Type	2014 (6 months)	2013 (6 months)
Gross salaries	294 206	255 419
Benefits in kind	5 508	5 185
Bonuses	138 312	86 839
Total remuneration	**347 443**	**347 443**

3.6.2.3 *Increases and decreases to future tax liability*
(Decree No. 83-1020 of 11/29/83, Article 24-24)

Type of temporary differences	Value
Allowable loss carry-forwards (1)	74 573 153

This amount comprises:

- Tax losses of €58,205,533 carried forward from previous periods and available as at January 1, 2013;
- The tax loss of €16,367,620 relating to the 2013 financial year.

3.6.2.4 *Average workforce*
(Decree No. 83-1020 of 11/29/83, Article 24-22)

Salaried staff	2014 (6 months)	2013 (6 months)
Managers	33	30
Supervisors and technicians	8 (1)	7 (1)
Employees	2 (2)	2 (2)
Total	**43**	**39**

(1) *Including 1 interim employee*
(2) *Including 1 interim employee*

3.6.2.5 *Individual right to training*

In connection with the individual right to training instituted by Law 2004-391 of May 4, 2004 concerning ongoing professional training, the aggregate number of hours of training in relation to rights accrued and not exercised as at June 30, 2014 was 3,025.81 hours.

4 DECLARATION OF THE PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT AS AT JUNE 30, 2014

I affirm that to the best of my knowledge and belief the financial statements for the half-year just ended have been prepared in accordance with the applicable accounting standards and provide a true picture of the assets, financial situation and profits of the company, and that the half-yearly activity report appearing on pages 5 to 8 presents a true reflection of the significant events occurring during the first six months of the financial year, their effect on the accounts and the principal transactions with related parties, as well as a description of the principal risks and uncertainties for the remaining six months of the year.

Marcello Conviti
Chief Executive Officer, CARMAT