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## HALF-YEARLY FINANCIAL REPORT 2013

PERIOD TO JUNE 30, 2013

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# 1 DECLARATION OF THE PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT AS AT JUNE 30, 2013

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

## 2 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.

### 2.1 SUMMARY OF THE HALF-YEARLY FINANCIAL STATEMENTS AS AT JUNE 30, 2013

#### 2.1.1 SUMMARY INCOME STATEMENT

In €'000	H1 2013	H1 2012
Operating income	2,874	
Including subsidies	2,874	7
<b>Total operating income</b>	<b>2,874</b>	<b>7</b>
Operating expenses		
Including other purchases and external charges	5,627	9,478
Including other operating expenses	3,012	3,090
<b>Total operating expenses</b>	<b>8,640</b>	<b>12,568</b>
<b>Operating result</b>	<b>-5,766</b>	<b>-12,561</b>
Financial result	-120	101
Extraordinary result	17	26
Research Tax Credit	933	1,728
<b>Net result</b>	<b>-4,935</b>	<b>-10,706</b>

During the first half of 2013, CARMAT recorded operating income of €2,873,627, which related entirely to Bpifrance / OSEO<sup>1</sup> subsidies. No other income was recorded by the Company in the first half of 2013, as the CARMAT total artificial heart remains in a development phase.

Operating expenses for the six-month period totaled €8.6m. The 31% reduction in operating expenses relative to the 1<sup>st</sup> half of 2012 is in line with this development stage of the project and reflects the progression to clinical testing on animals as well as preparations for the commercial production of the prosthesis, both of which require fewer outside services than the preceding phase. Significant effort has been devoted during these six months to systems validation and to animal experimentation, which has required the production and reconditioning of a significant number of prostheses. The principal expense positions<sup>2</sup> for the 1<sup>st</sup> half of 2013 correspond to the following activities:

- Quality (approximately 10% of expenses)
  - Validation of the industrial processes of subcontractors, in particular control strategies.
  - Validation of the software for the prosthesis pursuant to IEC 62304.
  - Testing and verification of software for the home configuration.
- Production of prostheses and preparation for commercial production (approximately 45% of expenses)
  - Optimization of production processes for the prosthesis.
  - Production of prostheses for the new animal testing program.
  - Production of prostheses for clinical trials.
- External systems (approximately 20% of expenses).
  - Equipment and software development for the first-generation home console.
  - Drawing-up of specifications for the portable configuration and preselection of partners

<sup>1</sup> OSEO became Bpifrance on July 12, 2013.

<sup>2</sup> Excluding depreciation and amortization, salaries and general expenditure

- Preparation for clinical trials (approximately 25% of expenses):
  - Animal experimentation: new program carried out at the request of the ANSM
  - Training of French and foreign surgical teams
  - Regulatory formalities in France and abroad

After taking into account the net financial loss (€ -119,600), net extraordinary income (€17,300) and the Research Tax Credit (€933,300), the net result for the 1<sup>st</sup> half of 2013 is a loss of €-4.9m.

## 2.1.2 FINANCIAL STRUCTURE

Cash and cash instruments totaled €8.5m as at June 30, 2013. The cash position at June 30, 2013 does not include the receipt in July 2013 of €3.8m in Bpifrance repayable advances, which will be recorded under "Other equity - conditional advances" in the balance sheet at December 31, 2013.

However, the award of €2.9m in subsidies was recorded as accrued income as at June 30, 2013, on the basis that the subsidy represents the whole of the subsidy which had been allocated in advance to the expenses for key stage no. 5, which began to be incurred from July 2012 onwards (see note 4.5.1 to the financial statements).

## 2.2 SIGNIFICANT EVENTS IN THE 1<sup>ST</sup> HALF OF THE 2013 FINANCIAL YEAR

### 2.2.1 COMPOSITION OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

As at June 30, 2013, the composition of the Company's administrative and management bodies was unchanged relative to December 31, 2012.

### 2.2.2 SCIENTIFIC COMMUNICATIONS

An abstract concerning short-term animal implantations was accepted and published in the *Journal of Heart and Lung Transplantation* in April 2013,<sup>3</sup> at the same time as its presentation by CARMAT at the 33<sup>rd</sup> Annual Meeting of the International Society for Heart and Lung Transplantation.

### 2.2.3 CLINICAL DEVELOPMENT

Four internationally renowned cardiac surgery centers in Belgium, Poland, Slovenia and Saudi Arabia have agreed to participate in the first human implantations of the CARMAT total bioprosthetic artificial heart. The patient selection process and the training of the surgical and medical teams are underway in these four countries.

### 2.2.4 FINANCING

Pursuant to an authority granted by the shareholders on June 4, 2013, the Board of Directors resolved on June 5, 2013 to establish a multi-year equity financing facility with Kepler Cheuvreux and thus to issue 200,000 warrants for shares to that company, giving it the right to subscribe for 200,000 shares over a two-year period on request by the Company, at an issue price based on the share price at the time of the drawdown less a discount of not more than 7%.

This equity financing facility will, if the need arises, enable CARMAT to increase its financial flexibility in connection with its clinical development plans and commercialization strategy, at the same time as diversifying its shareholder base and minimizing the effects of dilution on existing shareholders.

## 2.3 POST-BALANCE SHEET EVENTS

### 2.3.1 STATE AID

On July 10, 2013, CARMAT received €6.7m from Bpifrance. This payment confirms the satisfactory progress of the project, notwithstanding the fact that approval has not yet been received from the ANSM, and comprises:

- subsidies received of €2,873,627, out of the €3,032,793 not yet paid as at June 30;
- repayable advances received of €3,771,913, out of the €10,764,169 not yet paid as at June 30;

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<sup>3</sup> Sub-Acute Animal Implantation of a Novel Bioprosthetic Artificial Heart. Latremouille C. et al, *Journal of Heart and Lung Transplantation* Vol. 32, Issue 4, Supplement, pages S174-S175.

## 2.4 PRINCIPAL RISK FACTORS

Risk factors are described in detail in chapter 4 of the Document de Référence filed with the French Financial Markets Authority on May 30, 2013 under number R.13-027. The company is not aware of any changes to these risk factors at the current time.

Copies of the Document de Référence are available free of charge from CARMAT's head office at 36 avenue de l'Europe – Immeuble l'Etendard Energy III – 78140 Vélizy Villacoublay. It can also be consulted on the CARMAT website ([www.carmatsa.com](http://www.carmatsa.com)) and on the website of the Financial Markets Authority ([www.amf-france.org](http://www.amf-france.org)).

### 3 HALF-YEARLY ACCOUNTS AS AT JUNE 30, 2013

*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.*

#### 3.1 BALANCE SHEET

ASSETS (IN EUROS)		6/30/2013			12/31/2012
		Gross	Amortization/ depreciation and impairments	Net	Net
	Uncalled share capital <b>(TOTAL I)</b>				
FIXED ASSETS	INTANGIBLE FIXED ASSETS (Notes 4.4.1 and 4.4.2)				
	Start-up costs				
	Development costs				
	Licenses, patents and similar rights	1,314,193	1,241,603	72,590	168,468
	Goodwill (1)				
	Intangible fixed assets				
	Advances and payments on account				
	PROPERTY, PLANT AND EQUIPMENT (Notes 4.4.1 and 4.4.2)				
	Land				
	Buildings				
	Technical plant, equipment and tooling	4,283,289	3,768,742	514,547	725,017
	Other property, plant and equipment	1,030,808	410,129	620,678	646,566
	Assets under construction	30,000		30,000	184,621
	Advances and payments on account				
FINANCIAL FIXED ASSETS (2) (Notes 4.4.1 and 4.4.3)					
Holdings accounted for on an equity basis					
Other holdings					
Other equity investments	157,227	1,324	155,903	155,879	
Loans					
Other financial assets	405,208		405,208	386,211	
	<b>TOTAL II</b>	<b>7,220,725</b>	<b>5,421,798</b>	<b>1,798,927</b>	<b>2,266,763</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 prepayments on orders	50,415		50,415	
	DEBTORS (3)				
	Trade receivables and other receivables				
	Other debtors (Note 4.4.4)	5,115,695		5,115,695	6,092,119
Subscribed capital – called, not paid up					
Marketable securities (Note 4.4.5)					
Cash instruments (Note 4.4.6)	6,006,992		6,006,992	5,006,854	
Cash on hand	2,464,781		2,464,781	6,127,584	
Adjustments	Deferred charges (3) (Note 4.4.8.4)	247,470		247,470	203,577
	<b>TOTAL III</b>	<b>13,885,353</b>		<b>13,885,353</b>	<b>17,430,133</b>
	Bond issuance costs to be amortized (IV)				
	Bond redemption premiums (V)				
	Unrealized foreign exchange losses (VI)				
	<b>GRAND TOTAL (I+II+III+IV+V+VI)</b>	<b>21,106,078</b>	<b>5,421,798</b>	<b>15,684,280</b>	<b>19,696,896</b>

(1) including lease rights

(2) of which less than one year

(3) of which more than one year

442,818

423,855

<b>LIABILITIES (IN EUROS)</b>		<b>6/30/2013</b>	<b>12/31/2012</b>
<b>EQUITY</b>	Capital (of which paid in: 166,917 (Note 4.4.7))	166,917	166,312
	Issue, merger and acquisition premiums (Notes 4.1 and 4.4.7)	53,818,657	52,864,118
	Excess of restated assets		
	<b>RESERVES</b>		
	Legal reserve		
	Statutory or contractual reserves		
	Regulatory reserves		
	Other reserves		
	Losses brought forward	- 43,089,202	- 25,899,511
	<b>RESULT FOR THE PERIOD (profit or loss)</b>	<b>- 4,934,984</b>	<b>- 17,189,691</b>
Capital grants			
Regulatory provisions			
	<b>TOTAL I</b>	<b>5,961,387</b>	<b>9,941,228</b>
<b>OTHER EQUITY</b>	Proceeds of issues of participating stock		
	Conditional advances (Note 4.4.8.1)	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 4.6.1.3)	86,523	73,334
	<b>TOTAL III</b>	<b>86,523</b>	<b>73,334</b>
<b>DEBTS (1)</b>	<b>FINANCIAL DEBTS</b>		
	Convertible bonds		
	Other bonds		
	Loans from credit institutions		
	Bank overdrafts		
	Sundry loans and financial debts (Notes 4.4.4 and 4.4.8.1)	605,140	460,054
	Advances and payments on account received for current orders		
	<b>ACCOUNTS PAYABLE (Note 4.4.4)</b>		
	Trade accounts payable and related payables	3,866,694	4,012,870
	Tax and social liabilities	1,417,713	1,313,901
Liabilities in relation to fixed assets and associated accounts (Note 4.4.4)		148,669	
Other debts (Note 4.4.4)	3,681	3,698	
<b>Adjustments</b>	Deferred income (1) (Note 4.4.8.4)		
	<b>TOTAL IV</b>	<b>5,893,228</b>	<b>5,939,193</b>
	Unrealized foreign exchange gains		
	<b>TOTAL V</b>		
	<b>GRAND TOTAL (I+II+III+IV+V)</b>	<b>15,684,280</b>	<b>19,696,896</b>

(1) Debts and deferred income of less than one year 5,288,088      5,479,139



## 3.2 INCOME STATEMENT

INCOME STATEMENT (IN EUROS)	6/30/2013			6/30/2012	12/31/2012
	France	Export	Total	Total	Total
<b>OPERATING INCOME (1)</b>					
Sales of merchandise					
Sales of finished goods					
Sales of services					
<b>SALES REVENUE (NET)</b>					
Production added to stock					
Own work capitalized					
Subsidies (Note 4.5.1)			2,873,627	7,000	10,500
Write-backs of impairments and provisions (and amortization/depreciation), transfers of expenditure					7,489
Other revenues					
<b>TOTAL OPERATING INCOME (I)</b>			<b>2,873,627</b>	<b>7,000</b>	<b>17,989</b>
<b>OPERATING EXPENSES (2)</b>					
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*			5,627,234	9,478,314	16,467,584
Taxes, fees and similar payments			114,215	64,902	135,111
Wages and salaries			1,760,728	1,672,304	3,089,888
Social security costs			551,967	475,189	1,093,916
Amortization/depreciation and impairment					
Of fixed assets: amortization/depreciation (Note 4.4.2)			521,665	801,194	1,473,858
Of fixed assets: impairments					
Of current assets: impairments					
Increases in provisions (Notes 4.4.3 and 4.6.1.3)			13,189	25,946	45,163
Other expenses			50,540	50,003	97,984
<b>TOTAL OPERATING EXPENSES (II)</b>			<b>8,639,539</b>	<b>12,567,851</b>	<b>22,403,502</b>
<b>1 – OPERATING RESULT (I-II)</b>			<b>-5,765,912</b>	<b>-12,560,851</b>	<b>- 22,385,513</b>
<b>SHARES IN RESULTS FROM JOINT OPERATIONS</b>					
Profits allocated or loss transferred (III)					
Loss or profit transferred (IV)					

<b>INCOME STATEMENT (IN EUROS) continued</b>	<b>6/30/2013</b>	<b>6/30/2012</b>	<b>12/31/2012</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)	27,253	235,324	355,793
Write-backs of impairments and provisions, transfers of expenditure			
Positive exchange differences	49		276
Net proceeds from sales of marketable securities			
<b>TOTAL (V)</b>	<b>27,302</b>	<b>235,324</b>	<b>356,068</b>
<b>FINANCIAL EXPENSES</b>			
Amortization/depreciation, impairments and provisions	1,324		
Interest expenses and similar charges (4)	145,086	132,046	242,988
Negative exchange differences	537	2,336	2,981
Net losses from sales of marketable securities			
<b>TOTAL (VI)</b>	<b>146,947</b>	<b>134,381</b>	<b>245,970</b>
<b>2 – FINANCIAL RESULT (V-VI)</b>	<b>-119,645</b>	<b>100,942</b>	<b>110,099</b>
<b>3 – EARNINGS BEFORE INTEREST AND TAX (I-II+III-IV+V-VI)</b>	<b>-5,885,557</b>	<b>-12,459,909</b>	<b>- 22,275,415</b>
<b>EXTRAORDINARY INCOME (Note 4.5.4)</b>			
Extraordinary income from management operations			
Extraordinary income from capital operations	39,378	59,310	104,101
Write-backs of impairments and provisions, transfers of expenditure			
<b>TOTAL (VII)</b>	<b>39,378</b>	<b>59,310</b>	<b>104,101</b>
<b>EXTRAORDINARY EXPENSES (Note 4.5.4)</b>			
Extraordinary expenses from management operations	3,025		
Extraordinary expenses from capital operations	19,091	33,498	33,810
Amortization/depreciation, impairments and provisions			
<b>TOTAL (VIII)</b>	<b>22,116</b>	<b>33,498</b>	<b>33,810</b>
<b>4 – EXTRAORDINARY RESULT (VII-VIII)</b>	<b>17,262</b>	<b>25,812</b>	<b>70,290</b>
Employee profit-sharing (IX)			
Income taxes (X) (Note 4.5.3)	-933,311	-1,727,955	- 5,015,433
<b>TOTAL INCOME (I+III+V+VII)</b>	<b>2,940,307</b>	<b>301,633</b>	<b>478,158</b>
<b>TOTAL EXPENSES (II+IV+VI+VIII+IX+X)</b>	<b>7,875,291</b>	<b>11,007,776</b>	<b>17,667,849</b>
<b>5 – PROFIT OR LOSS (total income – total expenses)</b>	<b>-4,934,984</b>	<b>-10,706,142</b>	<b>- 17,189,691</b>

\* Including: Installments on finance leases (movable assets)

\* 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

## 4 ANNEX TO THE HALF-YEARLY FINANCIAL STATEMENTS

Annex to the balance sheet for the first half of 2013, totaling €15,684,280, and to the income statement for the first half of 2013, presented in list form and showing zero revenue and a loss of €4,934,984.

The period covered comprises six months, beginning on January 1, 2013 and ending on June 30, 2013.

The notes and tables presented in the following are an integral part of the financial statements for the first half of 2013, as approved by the Board of Directors on September 2, 2013. They are presented in euros unless otherwise stated.

### 4.1 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 in connection with two distinct procedures:

- Start-up company share options ("BCE options") were exercised on six occasions on May 15, May 22, June 12, June 13 and June 15. A total of 237 BCE 2009-2 options were exercised, which led to an increase in capital of €237, taking it from €166,311.80 to €166,548.80, through the issue of 5,925 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 €52,864,118 to €52,911,281.
- Two subscriptions for shares relating share issue warrants ("BEA warrants") were carried out on June 25 and June 27 under the terms of the Issue Contract concluded with Kepler Cheuvreux on June 7, 2013. A total of 9,200 BEA warrants were exercised, which led to an increase in capital of €368, taking it from €166,548.80 to €166,916.80, through the issue of 9,200 ordinary shares with a face value of €0.04 each at a price per share of €108.86, alongside a gross issue premium of €1,001,144.

After taking account of expenses of €93,968.58 arising in connection with the capital increases, which were deducted from the issue premium through the application of the preferential accounting method, the net issue premium arising from these capital increases was €907,175.42.

The Company is maintaining the Research Tax Credit option for 2013. The option was first exercised for the 2009 calendar year and renewed in 2010, 2011 and 2012. The Research Tax Credit pertaining to the first half of 2013 was recorded 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 €5,022,922 recorded as at December 31, 2012 was paid in full by the tax authority on April 11, 2013.

### 4.2 SIGNIFICANT EVENTS SUBSEQUENT TO JUNE 30, 2013

On July 10, 2013, the company received a total of €6,645,540 from Bpifrance, comprising the following:

- €2,873,627 in the form of a subsidy, which was recorded as accrued income as at June 30, 2013 (details in Note 4.5.1 of this annex);
- €3,771,913 in the form of repayable advances.

### 4.3 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.

#### 4.3.1 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 €8,471,773 as at June 30, 2013;
- The payment of subsidies (€3.033m) and refundable advances (€10.764m) still to be claimed between June 30, 2013 and the end of the Bpifrance aid program signed in 2009.

#### 4.3.2 SUPPLEMENTARY INFORMATION

##### 4.3.2.1 *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.

##### 4.3.2.2 *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

##### 4.3.2.3 *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

##### 4.3.2.4 *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. Treasury shares acquired through the implementation of this liquidity agreement are recorded under financial assets at their purchase price. If necessary, a provision is made for impairments based on the average official stock market price for the final month prior to the end of the reporting period.

- 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.

#### 4.3.2.5 *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.

#### 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*

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

#### 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 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.

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

#### 4.3.2.10 *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.

#### 4.3.2.11 *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.

#### 4.3.2.12 *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.

#### 4.3.2.13 *Share issue costs*

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

## 4.4 SUPPLEMENTARY INFORMATION ON THE BALANCE SHEET

### 4.4.1 SCHEDULE OF FIXED ASSETS

	Gross value at start of period	Additions	
		Transfers	Acquisitions
Licenses, patents and similar rights (1)	1,295,515		18,679
Intangible assets in course of production			
<b>TOTAL</b>	<b>1,295,515</b>		<b>18,679</b>
Technical plant, equipment and industrial tooling (2)	4,141,609	130,197	11,483
General plant, sundry fixtures and fittings	731,652	24,424	4,647
Office and IT equipment, furniture	270,085		
Assets under construction (3)	184,621		
<b>TOTAL</b>	<b>5,327,967</b>	<b>154,621</b>	<b>16,130</b>
Other equity investments (4)	155,879		455,375
Other financial assets (5)	386,211		18,997
<b>TOTAL</b>	<b>542,090</b>		<b>474,372</b>
<b>GRAND TOTAL</b>	<b>7,165,572</b>	<b>154,621</b>	<b>509,181</b>

	Reductions		Gross value at end of period	Revaluation of original value at end of period
	Transfers	Disposals		
Licenses, patents and similar rights (1)			1,314,194	
Intangible assets in course of production				
<b>TOTAL</b>			<b>1,314,194</b>	
Technical plant, equipment and industrial tooling (2)			4,283,289	
General plant, sundry fixtures and fittings			760,723	
Office and IT equipment, furniture			270,085	
Assets under construction (3)	154,621		30,000	
<b>TOTAL</b>	<b>154,621</b>		<b>5,344,097</b>	
Other equity investments (4)		454,027	157,227	
Other financial assets (5)			405,208	
<b>TOTAL</b>		<b>454,027</b>	<b>562,435</b>	
<b>GRAND TOTAL</b>	<b>154,621</b>	<b>454,027</b>	<b>7,220,726</b>	

- (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) Assets under construction comprise work valued at €30,000 on technical plants.
- (4) This item includes 1,310 treasury shares held in connection with the liquidity agreement, valued at €157,227.
- (5) This item includes (i) liquid assets under the liquidity agreement of €286,914, not invested in treasury shares as at the period end, and (ii) obligatory deposits totaling €118,293, mainly comprising deposits under premises leases.

#### 4.4.2 SCHEDULE OF AMORTIZATION/DEPRECIATION

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	1,127,046	114,557		1,241,603
<b>TOTAL</b>	<b>1,127,046</b>	<b>114,557</b>		<b>1,241,603</b>
Technical plant, equipment and industrial tooling	3,416,593	352,149		3,768,742
General plant, sundry fixtures and fittings	242,572	38,999		281,571
Office and IT equipment, furniture	112,598	15,960		128,558
<b>TOTAL</b>	<b>3,771,763</b>	<b>407,108</b>		<b>4,178,871</b>
<b>GRAND TOTAL</b>	<b>4,898,809</b>	<b>521,665</b>		<b>5,420,474</b>

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	114,557				
<b>TOTAL</b>	<b>114,557</b>				
Technical plant, equipment and industrial tooling	352,149				
General plant, sundry fixtures and fittings	38,999				
Office and IT equipment, furniture	15,960				
<b>TOTAL</b>	<b>407,108</b>				
<b>GRAND TOTAL</b>	<b>521,665</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					
Pensions and similar commitments (1)	73,334	13,189			86,523
<b>TOTAL</b>	<b>73,334</b>	<b>13,189</b>			<b>86,523</b>
Impairment of other equity investments					
<b>TOTAL</b>					
<b>GRAND TOTAL</b>	<b>73,334</b>	<b>13,189</b>			<b>86,523</b>
Including allowances and operational write-backs		13,189			
Including allowances and financial write-backs					

(1) 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
Staff and related receivables	299	299	
Income taxes (1)	933,311	933,311	
Value Added Tax	804,521	804,521	
Sundry state and other public authorities	4,711	4,711	
Group and associates (2)	490,741	490,741	
Sundry debtors (3)	2,882,112	2,882,112	
<b>TOTAL</b>	<b>5,115,695</b>	<b>5,115,695</b>	

- (1) The receivable represents the Research Tax Credit calculated in relation to the first half of 2013.  
(2) The receivable represents the amount of the BSA subscription made by Kepler Cheuvreux on June 27 and received on July 2, 2013.  
(3) The receivable mainly represents the subsidy of €2,873,627 received from Bpifrance on July 10, 2013.

Schedule of payables	Gross amount	1 year or less	1 to 5 years	More than 5 years
Sundry loans and financial debts	605,140		605,140	
Trade accounts payable and related payables	3,866,694	3,866,694		
Staff and related payables	805,502	805,502		
Social security and other social bodies	587,118	587,118		
Other taxes and related payables	25,093	25,093		
Liabilities secured to property and related liabilities				
Group and associates				
Other debts	3,681	3,681		
<b>TOTAL</b>	<b>5,893,228</b>	<b>5,288,088</b>	<b>605,140</b>	

##### 4.4.4.1 Cash instruments

Cash instruments comprise certificates of deposit totaling €6,000,000. This amount is made up of three deposit agreements made in April, May and June 2013, maturing respectively on July 12, 2013 (€4,000,000), on July 26, 2013 (€1,000,000) and August 21, 2013 (€1,000,000). Accrued interest of €6,992 was recorded in the accounts as at June 30, 2013 in relation thereto. These investments present no risk to the invested capital.

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

##### 4.4.4.3 Composition of the share capital

Categories of shares	Face value in euros	Number of shares			
		Opening	Created	Redeemed	Closing
Ordinary shares	0.04	4,157,795	15,125		4,172,920
<b>TOTAL</b>		<b>4,157,795</b>	<b>15,125</b>		<b>4,172,920</b>

The increases in capital which took place during the first half of 2013 as a result of the exercising of BCE options resulted in the creation of 5,925 ordinary shares, each with a face value of €0.04.

The increases in capital which took place during the first half of 2013 as a result of the exercising of BEA warrants by Kepler Cheuvreux resulted in the creation of 9,200 ordinary shares, each with a face value of €0.04.



#### 4.4.4.4 Changes in equity

<b>Equity at the start of the period</b>	<b>9,941,228</b>
Increase in capital through exercise of BCE options	47,400
Increase in capital through exercise of BEA warrants	907,743
Result for the period	-4,934,984
<b>Equity at the end of the period</b>	<b>5,961,387</b>

#### 4.4.4.5 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, 4,615 BSA 2009-1 warrants were issued, of which 1,519 BSA 2009-1 warrants were not assigned. These 1,519 unassigned BSA 2009-1 warrants lapsed on 01/08/2011. 506 BSA 2009-1 warrants issued were canceled following the resignation of a director. As at June 30, 2012, there remained 2,590 BSA 2009-1 warrants conferring subscription rights to 64,750 new shares, representing 1.55% of the existing capital as at June 30, 2012, at a price of €8 per share.

##### Summary table of BSA warrants

	<b>Issued</b>	<b>Subscribed</b>	<b>Canceled</b>	<b>Spare</b>	<b>Exercised</b>	<b>Balance</b>	<b>Lapsing on</b>
BSA-2009-1 GM of 07/08/2009	4,615	2,590	2,025	0	0	2,590	7/8/2019

#### 4.4.4.6 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, 308 of which have been exercised. The 2,800 BCE 2009-1 options subscribed and not exercised as at June 30, 2013 confer subscription rights to 70,000 new shares, representing 1.68% of the existing capital as at June 30, 2013, at a unit price of €8.

##### 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 2,058 have been exercised and 1,655 have lapsed and been canceled. The 3,853 BCE 2009-2 options subscribed and not exercised as at June 30, 2013 confer subscription rights to 96,325 new shares, representing 2.31% of the existing capital as at June 30, 2013, 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 2,000 have lapsed and been canceled. The 54,500 BCE 2012-1 options subscribed and not exercised as at June 30, 2013 confer subscription rights to 54,500 new shares, representing 1.31% of the existing capital as at June 30, 2013, 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, 2013 confer subscription rights to 6,700 new shares, representing 0.16% of the existing capital as at June 30, 2013, at a price of €122.00279 per share.

#### Summary table of BCE options

	<b>Issued</b>	<b>Subscribed</b>	<b>Canceled</b>	<b>Spare</b>	<b>Exercised</b>	<b>Balance</b>	<b>Lapsing on</b>
BCE 2009-1 GM of 7/08/2009	3,108	3,108	0	0	308	2,800	9/9/2019
BCE 2009-2 GM of 7/08/2009	7,566	7,566	1,655	0	2,058	3,853	7/8/2019
BCE-2012-1 GM of 4/26/2012	56,500	56,500	2,000	0	0	54,500	6/27/2022
BCE-2012-2 GM of 4/26/2012	6,700	6,700	0	0	0	6,700	11/8/2022
<b>BCE TOTAL</b>	<b>73,874</b>	<b>73,874</b>	<b>3,655</b>	<b>0</b>	<b>2,366</b>	<b>67,853</b>	

#### *4.4.4.7 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 9,200 have been exercised. The 190,800 BEA warrants subscribed and not exercised as at June 30, 2013 confer subscription rights to 190,800 new shares, representing 4.57% of the existing capital as at June 30, 2013, 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

	<b>Issued</b>	<b>Subscribed</b>	<b>Canceled</b>	<b>Spare</b>	<b>Exercised</b>	<b>Balance</b>	<b>Lapsing on</b>
BEA warrants GM of 6/4/2013	200,000	200,000	0	0	9,200	190,800	6/5/2015

#### 4.4.5 OTHER BALANCE SHEET DETAILS

##### 4.4.5.1 *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 €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%. The interest accrued, calculated using the capitalization method, stood at €605,140 at the period end and appears in liabilities under Sundry loans and financial debts.

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

<b>Value of accrued income included in the following balance sheet items</b>	<b>Value</b>
Other debtors (1)	2,873,926
<b>TOTAL</b>	<b>2,873,926</b>

(1) The receivable principally represents the subsidy of €2,873,627 received from Bpifrance on July 10, 2013.

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

<b>Value of accrued charges included in the following balance sheet items</b>	<b>Value</b>
Sundry loans and financial debts	605,140
Trade accounts payable and related payables	2,970,236
Tax and social liabilities	1,159,811
<b>TOTAL</b>	<b>4,735,187</b>

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

<b>Deferred charges</b>	<b>Value</b>
Operating expenses	247,470
<b>TOTAL</b>	<b>247,470</b>

Deferred charges comprise the following:

- Rent of €122,642 relating to the 3rd quarter of 2013, billed in May;
- Software license royalties, insurance premiums and fees totaling €124,828 in relation to the period after June 30, 2013.

<b>Deferred income</b>	<b>Value</b>
Operating income	N/A
<b>TOTAL</b>	<b>N/A</b>

##### 4.4.5.5 *Information on related enterprises*

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

Trade accounts payable and related payables	898,564
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## 4.5 SUPPLEMENTARY INFORMATION ON THE INCOME STATEMENT

### 4.5.1 SUBSIDIES

The company received no subsidies during the 2012 financial year. Moreover, as the right to receive the next subsidy provided for under the agreement with Bpifrance had not crystallized as at the balance sheet date, the proportion of the subsidy relating to expenses already incurred by December 31, 2012 was not recorded as accrued income in the balance sheet as at that date, despite the fact that the company had been authorized since July 1, 2012 to proceed with key stage 5 of the research. Receipt of the subsidy on July 10 enabled accrued income of €2,873,926 to be recorded, representing the whole of the subsidy which had been allocated in advance to the expenses of key stage 5.

### 4.5.2 APPLIED RESEARCH AND DEVELOPMENT COSTS

Research and development costs are accounted for under expenses. They amounted to €8,488,726 in the first half of 2013, as against €8,471,112 in the first half of 2012.

### 4.5.3 RESEARCH TAX CREDIT

The income statement for the period gives rise to a Research Tax Credit of €933,311, calculated using the same methods as used to determine the Research Tax Credit for the year 2012.

### 4.5.4 AUDITORS' FEES

The total amount of auditors' fees payable for the period is €37,567 (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: €37,567
- 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

### 4.5.5 EXTRAORDINARY INCOME AND EXPENSES (ORDER OF APRIL 27, 1982)

Type	6/30/2013	6/30/2012	12/31/2012
<b>Extraordinary income</b>			
- Property disposal			
- Disposal of own shares	39,378	59,310	104,101
<b>TOTAL</b>	<b>39,378</b>	<b>59,310</b>	<b>104,101</b>
<b>Extraordinary expenses</b>			
- Property disposal			
- Disposal of own shares	19,091	33,498	33,810
- Fines and penalties	3,025		
<b>TOTAL</b>	<b>22,116</b>	<b>33,498</b>	<b>33,810</b>

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

### 4.5.6 INFORMATION ON RELATED COMPANIES

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

Other purchases and external expenditure	566,956
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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 €2,151,792.

Repayable advances totaling €3,743,141 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, 2013. 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, 2013, since sales 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 Bpifrance agreement provides for payment of a total sum of €17,442,639 by way of subsidies, of which €3,032,793 remained to be paid between June 30, 2013 and the end of the program. Of the €3,032,793 outstanding as at June 30, 2013, €2,873,627 was received on July 10, 2013.

The agreement also provides for payment of a total sum of €14,507,324 by way of repayable advances, €10,764,169 of which remained to be paid between June 30, 2013 and the end of the program. Of the €10,764,169 outstanding as at June 30, 2013, €3,771,913 was received on July 10, 2013.

#### 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.

In accordance with the preferential method, the provision for retirement commitments has been accounted for as at June 30, 2013.

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 12/31/2012; a rate of 3.38% was used at 6/30/2012).

The overall amount of the provision as at the period end was €86,523, an increase of €13,189 over the period.

## 4.6.2 OTHER INFORMATION

### 4.6.2.1 Cash-flow statement

	As at 6/30/2013	As at 6/30/2012	As at 12/31/2012
Net result	-4,934,984	-10,706,142	-17,189,691
Amortization/depreciation and provisions	536,178	827,140	1,519,021
Write-backs of amortization/depreciation and provisions	0	0	-7,489
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	145,086	132,046	242,988
<b>Self-financing capacity</b>	<b>-4,253,720</b>	<b>-9,746,956</b>	<b>-15,435,171</b>
Tax and social liabilities	103,812	104,806	154,485
Trade accounts payable	-294,845	-1,446,627	-1,211,843
Other debts	-17	-1,677	-2,800
Accrued income	0	0	0
Stocks and work in progress	0	0	0
Advances and prepayments on orders	-50,415	37,800	486,860
Other debtors	976,424	-1,444,083	-1,971,491
Trade receivables	0	0	0
Accrued charges	-43,893	52,374	97,383
<b>Changes in cash position (change in Working Capital Requirements)</b>	<b>691,066</b>	<b>-2,697,407</b>	<b>-2,447,406</b>
<b>Cash flow from operations</b>	<b>-3,562,654</b>	<b>-12,444,363</b>	<b>-17,882,577</b>
Acquisition of property, plant and equipment	-16,130	-196,784	-310,773
Acquisition of intangible fixed assets	-18,679	-162,318	-204,993
Acquisition of financial assets	-20,345	-31,505	-76,912
Proceeds from fixed asset disposals	0	0	0
<b>Cash flow from investment operations</b>	<b>-55,154</b>	<b>-390,607</b>	<b>-592,678</b>
Increase in capital	605	416	1,200
ORA/BSA	0	0	0
Issue premium	954,538	82,784	238,800
Capitalization of current accounts	0	0	0
Loans and conditional advances	0	0	0
<b>Cash flow from financing operations</b>	<b>955,143</b>	<b>83,200</b>	<b>240,000</b>
<b>Change in cash and cash equivalents</b>	<b>-2,662,665</b>	<b>-12,751,770</b>	<b>-18,235,255</b>
<b>Opening cash and cash equivalents (Note 4.3.2.9)</b>	<b>11,134,438</b>	<b>29,369,693</b>	<b>29,369,693</b>
<b>Closing cash and cash equivalents (Note 4.3.2.9)</b>	<b>8,471,773</b>	<b>16,617,923</b>	<b>11,134,438</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 French Commercial Code.

##### 4.6.2.2.2 Management remuneration

The total remuneration paid to directors in the form of attendance fees amounted to €50,000 for the period (sums recorded in the income statement under "Other expenses").

The total remuneration allocated to members of the management bodies was €347,443 for the year and breaks down as follows:

Type	2013 (6 months)	2012 (6 months)
Gross salaries	255,419	249,806
Benefits in kind	5,185	4,890
Bonuses	86,839	79,994
<b>Total remuneration</b>	<b>347,443</b>	<b>334,690</b>

##### 4.6.2.3 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)	56,481,356

This amount comprises:

- Tax losses of €36,118,532 carried forward from previous periods and available as at January 1, 2012;
- The tax loss of €20,362,824 relating to the 2012 financial year.

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

Salaried staff	2013 (6 months)	2012 (6 months)
Managers	30	29
Supervisors and technicians	7	5
Employees	2	2
<b>Total</b>	<b>39</b>	<b>36</b>

##### 4.6.2.5 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, 2013 was 1,995.67 hours.