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A public limited company with share capital of EUR 165 229.80

Registered address: 36, avenue de l'Europe
Immeuble l'Etendard Energy III
78140 Vélizy Villacoublay France
Versailles Trade and Companies' Register 504 937 905

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDING ON 31 DECEMBER 2011**
Unapproved English Translation

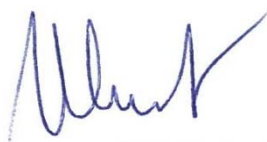
- **MANAGEMENT REPORT**
- **FINANCIAL STATEMENTS**

DECLARATION BY THE PERSON RESPONSIBLE

FOR THE ANNUAL FINANCIAL REPORT 2011

Vélizy-Villacoublay, 13 March 2012

I affirm that to the best of my knowledge the financial statements for the period just ended have been prepared in accordance with the applicable French accounting standards and provide a true picture of the assets, financial situation and profits of the company and that the attached annual report is a true reflection of the major events that have occurred during the period, the impact of these on the accounts and the main transactions between parties.

A handwritten signature in blue ink, appearing to read 'M. Conviti', with a stylized flourish at the end.

Marcello Conviti
Chief Executive of CARMAT

Dear Shareholders,

We have invited you to this General Meeting, by application of the provisions of the Articles of the company and as required by statute, in order to report to you on the activity of our company during the year ended on 31 December 2011 and to submit for your approval the financial statements for that period.

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

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1 PARTICULARS OF THE ECONOMIC AFFAIRS OF THE COMPANY

1.1 POSITION OF THE COMPANY

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

1.1.1 Change in the activity of the company in the course of the reporting period

The company continued its research and development activities, with the accent on efforts to put in place the resources and subcontract arrangements for the clinical trials planned for 2012. It has not at this stage generated any sales and all its resources have been concentrated on the project to develop the total artificial heart.

Purchases and external expenditure at EUR 16 276 476 have increased significantly compared with expenses for the previous period. This development, which is in line with the budget, is the result of the planned increase in activity on the project. By way of example, firstly the number of technical assistants working on-site has increased from 47 to 56 and secondly a certain amount of work awarded to external cooperating entities has been completed, in particular the design and creation of the encapsulation of the electronic modules of the prosthesis, the design and qualification of the hospital monitoring console, the design of the prosthesis software and the hospital monitoring console, testing of implantable cables and the external module, risk analyses at the system and component levels, performance of biological and environmental (vibration, electromagnetic) testing and validation of the prosthesis assembly process, construction of components for fatigue testing of these and for the production of 13 prostheses.

The number of staff at the company increased to 36 at the end of 2011. These new starters strengthened the Technical Function and Medical Function and allowed the company to set up a Marketing and Investor Relations Function. However, the almost doubling of social security costs is mainly the result of the unfavourable impact of the limitations to the status of Young Innovative Enterprise imposed by the Finance Act 2011 which removed the main advantage of holding this status: exemption from employer's social security contributions at the full rate for eight years.

During the reporting period new and specialist assembly facilities were delivered and installed in the integration room. Other industrial facilities such as test beds developed by the company were produced and brought into service in order to conduct the performance and fatigue testing: a haemodynamic simulation bed allowing dynamic parameterisation of the characteristics of the vascular system, benches for wear testing of the motor pump units, and benches for fatigue testing of the prosthesis. The total for investment in tangible fixed assets in 2011 was EUR 902 961.

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

Thirteen prostheses were assembled in the Carmat clean room. These were used to perform various types of tests in parallel, namely biocompatibility of the materials and biocompatibility of the assembly process, software testing, performance testing, sterilisation tests, *ex vivo* tests, endurance tests and environmental tests.

A file containing details of the preclinical testing plan and its objectives, the investigator's brochure and the protocol for the clinical trials was submitted to the AFSSAPS (French Safety Agency for Health Products) on 20 April 2011. Consistent with the procedure selected – innovation – this file can be supplemented as and when data become available from the tests still in progress and has already been the subject since it was submitted of a certain amount of written correspondence and two meetings with experts from the AFSSAPS, notably for the purposes of justifying the number, nature or duration of the preclinical and clinical trials.

The company also submitted a file to the CPP (Committee for the Protection of Individuals) on 9 September 2011, which issued a favourable opinion on 23 November 2011 on the study protocol submitted.

With regard to the scientific validation of its technologies, in May the company made a presentation to the 64th Congress of the Société Française de Chirurgie Thoracique et Cardio-Vasculaire (French Society of Thoracic and Cardiovascular Surgery) in Lyons of the results of its study on the anatomical compatibility of the CARMAT heart with eligible patients and in October presented to the 25th Annual Congress of the European Society for Cardiovascular Surgery in Lisbon (Portugal) the haemocompatibility results.

The scientific advisory board also held a meeting on 30 August 2011 at the company premises, chaired by Professor Alain Carpentier.

At the medical level, three teams of surgeons from the HEGP (Hôpital Européen Georges Pompidou), the Centre Chirurgical Marie Lannelongue and the Hôpital Nord Laennec in Nantes performed *ex-vivo* implantations of the Carmat prosthesis in order to optimise the surgical protocol.

In addition to the increases in capital which are mentioned below, the company also made development advances in relation to the OSEO:

- the third milestone of the OSEO-ISI contract, key stage No 3, in accordance with the contract addendum, was passed on 30 April 2011;
- the fourth milestone, key stage No 4, in accordance with the abovementioned addendum, will be passed in 2012 upon completion of the *in-vitro* preclinical test report.

1.1.2 Financing obtained

During the year, the company proceeded to increase its capital on four occasions:

- (1) The exercising of 786 BCE-2009-2 warrants allowed an increase in capital to be carried out on 28 April 2011 of EUR 786, taking this from EUR 153 114.44 to EUR 153 900.44, through the issue of 19 650 ordinary shares with a face value of EUR 0.04, issued at a unit price of EUR 8, resulting in an issue premium of EUR 7.96 per share. As a result of this the issue premium was increased from EUR 25 779 449 to EUR 25 935 863.
- (2) The exercising of 95 BCE-2009-2 warrants allowed an increase in capital to be carried out on 19 June 2011 of EUR 95, taking this from EUR 153 900.44 to EUR 153 995.44, through the issue of 2 375 ordinary shares with a face value of EUR 0.04, issued at a unit price of EUR 8, resulting in an issue premium of EUR 7.96 per share. As a result of this the issue premium was increased from EUR 25 935 863 to EUR 25 954 768.
- (3) The company proceeded to raise new capital with retention of the preferential subscription rights decided upon by the Board of Directors on 11 July 2011 under powers delegated by the Combined General Meeting of 28 April 2011. The subscription period ran from 13 to 29 July 2011. This operation took the form of an increase in capital of EUR 11 068.36 and involved a gross issue premium of EUR 29 320 085.64 with the gross revenue generated from the issue amounting to EUR 29 331 154.

This increase in capital involved the creation of 276 709 new shares with a face value of EUR 0.04 to add to the previous 3 849 886 ordinary shares and took the capital from EUR 153 995.44 to EUR 165 063.80.

Taking into account a sum of EUR 2 661 621 for expenses linked to the increase in capital which were deducted from the issue premium through the application of the preferential accounting method, the net value of the issue premium as a result of this increase in capital was EUR 26 658 465.

- (4) The exercising of 48 BCE-2009-2 warrants allowed an increase in capital to be carried out on 26 September 2011 of EUR 48, taking this from EUR 165 063.80 to EUR 165 111.80, through the issue of 1 200 ordinary shares with a face value of EUR 0.04, issued at a unit price of EUR 8, resulting in an issue premium of EUR 7.96 per share. As a result of this the issue premium was increased from EUR 52 615 766 to EUR 52 625 318.

The company also opted for Research Tax Credit for the 2011 year. The first warrant was exercised in respect of the 2009 calendar year and renewed in 2010. The Research Tax Credit for the 2011 year appears at EUR 2 566 103 in the entry "Tax on profits" of the income statement (details in Note 5.3 of the Appendix to the accounts for 2011) and appears under "Other debtors" in the balance sheet.

During the period the company benefited from repayable advances of EUR 1 724 249 and a subsidy of EUR 6 039 510 from the OSEO, which appears under the "Subsidies" item of the income statement (details in Note 5.1 of the Annex to the accounts for 2011).

1.1.3 Acquisition of fixed assets

The accounts for the period show a total sum of EUR 2 040 972 for acquisition of fixed assets. This sum is comprised in the main as follows:

- tangible fixed assets for a sum of EUR 100 363, corresponding mainly to work in fitting out the premises and acquisition of computer hardware and furniture;
- tangible fixed assets under construction, for a sum of EUR 802 598, corresponding to the acquisition of test beds for subassemblies and the prosthesis which have been received but are not yet in service;

- financial fixed assets for a sum of EUR 1 018 362, corresponding to the acquisition of Carmat shares under the liquidity contract entered into with Dexia Securities France (compared with an amount for disposals of EUR 916 426 for the same period) and guarantee deposits for premises.

1.1.4 Change in working capital requirements (WCR)

The improvement in WCR over the reporting period was EUR 2 221 845. The main source of this freeing-up of resources was a change in two balance sheet items:

- An increase in the "Trade accounts payable and related payables" in a sum of EUR 858 523 over the reporting period. This rise was the result of the increased activity over the reporting period.
- A reduction in the "Other debtors" item of EUR 1 574 642 over the reporting period, made up in particular as follows:

Line	Change	Note
Research Tax Credit	EUR – 253 K	Change in the Research Tax Credit for the period recorded as at 31 December 2011 (EUR 2 566 K) and that recorded as at 31 December 2010 (EUR 2 819 K), which was reimbursed during the period in a sum of EUR 2 769 K.
Input VAT	EUR + 171 K	Increase in input VAT as a result of the increase in trade payables over the period.
VAT credit	EUR + 179 K	Difference between the refundable credits as at the end of the period (EUR 705 K) and those recorded as at 31 December 2010 (EUR 526 K).
Subsidies receivable	EUR – 1 504 K	Entry at the end of 2010 for accrued income by virtue of subsidies due but not yet received, collected during the 2011 reporting period.

1.2 PRINCIPAL RISKS AND UNCERTAINTIES FACED BY THE COMPANY

To our knowledge there are no new risks over and above those identified in the Reference Document registered with the Financial Markets Authority on 27 April 2011 under number R.11-017, specifically for the forthcoming year, and without this list being exhaustive: the risk of failure or delay in the development of the total artificial heart, the risk relating to current and future strategic partnerships and collaborations, the risk associated with outsourcing the manufacture of the components of the total artificial heart, the risk associated with supply, the risk relating to the need to keep, attract and retain key personnel, the risk connected with an increasingly stringent regulatory environment, the specific risk connected with pre-clinical studies and clinical trials, the risk associated with projected losses and the risk associated with the uncertainty of capital resources and associated funding.

1.3 THE INDEBTEDNESS OF THE COMPANY HAVING REGARD TO THE VOLUME AND COMPLEXITY OF ITS BUSINESS

Company indebtedness was EUR 6 756 362 as at the close of the period, made up as follows:

- EUR 217 066 for interest accrued on refundable advances received from OSEO;
- EUR 6 152 251 for trade creditors, mainly comprising trade accounts payable (EUR 4 992 835);
- EUR 380 547 for liabilities secured to property.

The company does not have any long-term debt except for the Conditional repayable advances (OSEO advances repayable in the event of the project being successful) shown under Other equity in a sum of EUR 3 743 141 as at 31 December 2011.

This indebtedness must be seen in the context of available cash of EUR 29 369 693 as at 31 December 2011 (Notes 4.5 and 4.6 of the Annex to the accounts for 2011).

1.4 PROGRESS MADE AND DIFFICULTIES ENCOUNTERED DURING THE REPORTING PERIOD

See paragraph 1.7.

1.5 ANTICIPATED DEVELOPMENTS AND OUTLOOK

In the coming year the company will be focusing solely on development and testing of the total artificial heart.

During 2012 the company plans to conduct the first clinical trials with a view to obtaining the CE mark and to marketing in 2013.

Cash in hand at the company and the expected subsidies will allow the company to ensure that its activities proceed in accordance with the information provided in the Reference Document registered with the Financial Markets Authority on 27 April 2011 under number R.11-017.

1.6 SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

The exercising of 118 BCE-2009-2 warrants allowed increases in capital to be carried out in January and February 2012 of EUR 118, taking this from EUR 165 111.80 to EUR 165 229.80, through the issue of 2750 ordinary shares with a face value of EUR 0.04, issued at a unit price of EUR 8, resulting in an issue premium of EUR 7.96 per share. As a result of this the issue premium was increased from EUR 52 625 318 to EUR 52 648 800.

1.7 RESEARCH AND DEVELOPMENT ACTIVITIES

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

Research and development activities have been centred around six main themes:

- Software design and development (prosthesis and hospital monitoring console).
- Design and qualification of the hospital monitoring console.
- Design of the external system to allow the patient to return home.
- Biocompatibility, sterilisation and fatigue testing of biological subassemblies have been performed and are conclusive.
- Optimisation of the prostheses integration processes to ensure reproducibility.
- Development and construction of the test facilities to reproduce the actual operating conditions in order to test both performance and reliability.

2 PRESENTATION OF ACCOUNTS AND ALLOCATION OF PROFIT

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

2.1 RESULT FOR THE 2011 PERIOD

Operating income for the period rose to EUR 6 101 753, compared with EUR 5 048 697 for the previous year. In the absence of sales this consists of subsidies of EUR 6 051 177 (Note 5.1 of the Annex to the accounts for 2011) and write-backs of provisions of EUR 50 576.

Operating expense for the period rose to EUR 22 192 807, compared with EUR 15 530 940 for the previous year, and comprised specifically:

- purchases (other than raw materials) and external expenditure of EUR 16 276 476, compared with EUR 11 190 896 for the previous period;
- duties and taxes of EUR 95 056, compared with EUR 72 454 for the previous period;
- wages and salaries of EUR 3 057 107, compared with EUR 2 497 603 for the previous period;
- social security costs of EUR 1 099 853, compared with EUR 448 869 for the previous period.

The average workforce increased to 35 from 26 in the previous period.

The operating profit for the period was EUR -16 091 054, compared with EUR -10 482 243 for the previous period.

With regard to the pre-tax profit, taking into account the financial result of EUR 97 271, this amounted to EUR -15 993 783 compared with EUR -10 503 050 for the previous period.

After taking into account the extraordinary result of EUR 37 234 and the Research Tax Credit of EUR -2 515 527, the loss for the financial year ended on 31 December 2011 was EUR -13 441 022 compared with EUR -7 736 485 for the previous period.

2.2 ANALYSIS OF THE FINANCIAL SITUATION

Total capital rose to EUR 37 426 083 from EUR 21 047 688 for the previous period.

The change in the asset side of the balance sheet is the result of a reduction in the fixed assets to EUR 3 147 942 from EUR 3 582 600 the previous year. Acquisitions of fixed assets for EUR 2 188 430 (see paragraph 1.1.3 above) were partially offset by the disposals made for a sum of EUR 1 095 549 and the increase in amortisation of EUR 1 496 234.

Current assets rose to EUR 34 278 141 as at 31 December 2011, compared with EUR 17 465 088 at the close of the previous period. This sum is mainly made up of advances and payments on account made for orders of EUR 486 860, debtors of EUR 4 120 628 (relating mainly to the Research Tax Credit accrued for 2011 of EUR 2 566 103 and input VAT of EUR 1 541 479) and cash and investments of EUR 29 369 693 (Notes 4.5 and 4.6 of the Annex to the accounts for 2011).

The change in equity during the period was EUR 13 416 844 taking this to EUR 26 890 919 as at 31 December 2011, compared with EUR 13 474 075 at the close of the previous period. This increase is detailed in section 1.1.2 above and is the result specifically of the funds raised in July 2011 by the increase in capital with the retention of preferential subscription rights (net sum of EUR 26 669 533 from 276 709 new shares created).

Other equity increased from EUR 2 018 892 to EUR 3 743 141 as at 31 December 2011, representing a change of EUR 1 724 249 corresponding to the advances received upon passing the third milestone of the OSEO-ISI contract on 30 April 2011.

Finally debts at the close of the 2011 period were EUR 6 756 362, compared with EUR 5 536 364 at the close of the previous period.

2.3 PROPOSED ALLOCATION OF PROFIT

We propose approval of the annual financial statements (balance sheet, financial statement and annex) as presented. These accounts show a net loss of EUR 13 441 022.

We propose allocating this sum to the Losses brought forward item.

2.4 NON-DEDUCTIBLE EXPENSES

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

2.5 PARTICULARS OF DIVIDENDS

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

2.6 PARTICULARS OF SUPPLIER PAYMENT PERIODS

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

As at 31 December 2011, trade accounts payable totalled EUR 2 059 778. A comparison of the figures from the financial statements is provided below:

	31/12/2011	31/12/2010
Trade accounts payable and related payables shown under liabilities	4 992 835	4 186 770
Less: amounts receivable from suppliers shown under liabilities	(2 115)	(100 519)
Less: Accrued charges included under this heading	(2 940 092)	(2 285 494)
Liabilities secured to property and related liabilities	380 547	328 089
Less: Accrued charges included under this heading	(371 397)	(83 934)
Total	2 059 778	2 044 912

The breakdown of this sum by due date is shown below, based on the payment terms negotiated with suppliers:

	31/12/2011	31/12/2010
Due (including amounts receivable from suppliers)	12 900	(96 430)
Debts falling due on 31 January	1 893 023	1 258 827
Debts falling due on 29/28 February	147 397	860 987
Debts falling due on or after 31 March (1)	6 458	21 528

Debts corresponding to the billing of guarantee retainers on fixed assets accepted in 2010 and whose payment date is set by contract for 30 September 2012.

2.7 TABLE OF RESULTS FOR THE PAST FIVE FINANCIAL YEARS

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

3 PARTICULARS OF THE LEGAL AFFAIRS OF THE COMPANY

3.1 REGULATED AGREEMENTS

(pursuant to Article L.225.38 of the Commercial Code)

An agreement pursuant to Article L.225-38 of the Commercial Code was entered into on 11 July 2011 between the company on the one hand and the banks BNP Paribas, Dexia Securities France and Portzamparc on the other, for the purpose of setting out the arrangements under which the banks coordinated the operation to increase the capital on 10 August 2011, in which Truffle Capital, director, was indirectly involved.

The royalties agreement between the company and Professor Carpentier and Matra Défense remains in force but did not affect the 2011 financial year.

3.2 PARTICULARS OF COMPANY REPRESENTATIVES

3.2.1 Scrip issues and stock warrants

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

3.2.2 Share operations performed by the executives

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

Persons concerned	Type of operation	Date of operation	Number of shares	Value of the operation (EUR)
TRUFFLE CAPITAL	Disposal of shares	03/01/2011	1 778	50 733.27
TRUFFLE CAPITAL	Disposal of shares	04/01/2011	500	14 119.05
TRUFFLE CAPITAL	Disposal of shares	07/01/2011	695	19 720.42
TRUFFLE CAPITAL	Disposal of shares	10/01/2011	999	28 047.22
TRUFFLE CAPITAL	Disposal of shares	11/01/2011	133	3 782.09
TRUFFLE CAPITAL	Disposal of shares	13/01/2011	289	8 178.70
TRUFFLE CAPITAL	Disposal of shares	14/01/2011	170	4 794.00
TRUFFLE CAPITAL	Disposal of shares	17/01/2011	540	15 133.61
TRUFFLE CAPITAL	Disposal of shares	19/01/2011	700	19 642.98
TRUFFLE CAPITAL	Disposal of preferential subscription rights	18/07/2011	3 000	11 153.70
TRUFFLE CAPITAL	Disposal of preferential subscription rights	19/07/2011	40 000	168 196.00
TRUFFLE CAPITAL	Disposal of preferential subscription rights	20/07/2011	36 314	147 710.83
TRUFFLE CAPITAL	Disposal of preferential subscription rights	21/07/2011	13 686	48 972.61
TRUFFLE CAPITAL	Disposal of preferential subscription rights	22/07/2011	32 989	109 658.73

TRUFFLE CAPITAL	Disposal of preferential subscription rights	25/07/2011	57 479	149 353.43
TRUFFLE CAPITAL	Disposal of preferential subscription rights	26/07/2011	223 532	327 340.26
TRUFFLE CAPITAL	Disposal of preferential subscription rights	27/07/2011	175 654	87 827.00
TRUFFLE CAPITAL	Disposal of shares	03/08/2011	14 968	1 586 608.00
TRUFFLE CAPITAL	Subscription of shares	10/08/2011	9 434	1 000 004.00
TRUFFLE CAPITAL	Disposal of shares	16/08/2011	3 465	351 594.24
TRUFFLE CAPITAL	Disposal of shares	17/08/2011	9 750	1 003 357.87
TRUFFLE CAPITAL	Disposal of shares	18/08/2011	335	33 858.42
TRUFFLE CAPITAL	Disposal of shares	24/08/2011	1 671	167 179.71
TRUFFLE CAPITAL	Disposal of shares	25/08/2011	2 850	291 301.06
TRUFFLE CAPITAL	Disposal of shares	29/08/2011	1 098	110 200.44
TRUFFLE CAPITAL	Disposal of shares	30/08/2011	2 700	275 050.39
TRUFFLE CAPITAL	Disposal of shares	03/10/2011	16 400	1 693 841.20
TRUFFLE CAPITAL	Disposal of shares	04/10/2011	10 480	987 256.87
TRUFFLE CAPITAL	Disposal of shares	05/10/2011	2 499	253 029.00
TRUFFLE CAPITAL	Disposal of shares	12/10/2011	2 000	200 986.80
TRUFFLE CAPITAL	Disposal of shares	13/10/2011	1 344	135 033.96
TRUFFLE CAPITAL	Disposal of shares	17/10/2011	1 648	165 724.69
TRUFFLE CAPITAL	Disposal of shares	25/10/2011	250	25 079.47
TRUFFLE CAPITAL	Disposal of shares	26/10/2011	700	70 004.97
TRUFFLE CAPITAL	Disposal of shares	27/10/2011	1 000	100 185.00
TRUFFLE CAPITAL	Disposal of shares	28/10/2011	2 344	234 845.83
TRUFFLE CAPITAL	Disposal of shares	31/10/2011	3 687	370 107.70
TRUFFLE CAPITAL	Disposal of shares	02/11/2011	8 000	780 000.00

3.2.3 List of positions held

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

3.3 INFORMATION CONCERNING COMPANY SHARES

3.3.1 Shareholders

In accordance with the provisions of Article L. 233-13 of the Commercial Code and, bearing in mind the information received by application of Articles L.233-7 and L.233-12 of said Code, we publish for you below the identities of the shareholders holding more than 5%, 10%, 15%, 20%, 25%, 30%, 33%, 50%, 66%, 90% or 95% of the share capital or voting rights as at 31 December 2011 (after taking account of the double voting rights of registered shares held by the same beneficiary for at least two years):

	Number of shares	Number of voting rights	% of capital	% of voting rights
Mr Alain Carpentier and the Alain Carpentier Association	663 583	1 309 833	16.07	20.84
MATRA DEFENSE	1 265 382	2 140 382	30.66	34.06
TRUFFLE CAPITAL	1 207 575	1 832 575	29.25	29.16
Total	3 136 540	5 282 790	75.98	84.06

3.3.2 Employee share purchase plan

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

As at 31 December 2011, staff held 0.18% of the company share capital.

3.3.3 Dealings by the company in its own shares

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

During the year ending on 31 December 2011, as authorised by the general meeting of 28 April 2011 (Resolution No 4), the company proceeded with the following dealings in its own shares under the liquidity contract entered into for a period of one year with an independent financial services provider:

- purchase of 12 621 shares at an average price of EUR 79.42;
- sale of 12 344 shares at an average price of EUR 77.00.

As at 31 December 2011, the company held 1 395 of its own shares, or 0.03% of the share capital, acquired at a total purchase price of EUR 117 529.

These disposals of own shares performed under the liquidity contract provided a net gain of EUR 37 234 (Note 5.5 of the Annex to the accounts for 2011).

3.3.4 Securities giving access to the company's capital

In [Annex 4](#) below we publish for you details of the securities giving access to the company's capital and valid as at 31 December 2011. In total, these securities confer subscription rights to 297 550 new shares (7.21% of the existing capital as at 31 December 2011) at a unit price of EUR 8.

3.4 OTHER INFORMATION

3.4.1 Participating and controlling interests

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

3.4.2 Table of delegations of authority

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

ANNEX 1
TABLE OF RESULTS FOR THE PAST FIVE PERIODS

	31/12/2011	31/12/2010	31/12/2009	31/12/2008	31/12/2007
CAPITAL AT THE END OF THE PERIOD					
Share capital	165 112	153 114	86 250		
Number of existing ordinary shares	4 127 795	3 827 861	86 250		
Number of existing preference shares					
Maximum number of future shares to be created					
- By conversion of bonds					
- By exercising of subscription rights	297 550	324 375			
OPERATIONS AND RESULTS					
Turnover excluding taxes					
Profit before tax, staff participation, amortisation and provisions	-14 443 285	-9 245 595	-5 200 345		
Income taxes	-2 515 527	-2 750 499	-1 184 342		
Participation of staff for the period					
Profit after tax, staff participation, amortisation and provisions	-13 441 022	-7 736 485	-4 722 004		
Distributed profit					
PROFIT PER SHARE					
Profit after tax and staff participation, but before amortisation and provisions	-2.89	-1.70	-46.56		
Profit after tax, staff participation, amortisation and provisions	-3.26	-2.02	-54.75		
Dividend paid per share					
STAFF					
Average workforce employed during the period	35	26	20		
Wage bill for the period	3 067 909	2 523 948	1 963 258		
Value of social benefits paid during the period	1 099 853	448 869	454 250		

ANNEX 2

LIST OF POSITIONS HELD

Full name or registered name of the member	Term of office	Functions fulfilled within the Company	Other positions currently held in other companies	Other positions and functions in other companies over the last five years, but not exercised at the date of registration of the reference document
Mr Jean-Claude Cadudal	<p><u>1st appointment (as a Plc):</u> 7 May 2010</p> <p><u>Term of office:</u> Until GM to consider the accounts for year ending 31/12/2015</p>	Chairman of the Board of Directors	<ul style="list-style-type: none"> - Chairman of KARDIOZIS SAS - Chairman of HOLDING INCUBATRICE MEDICAL DEVICES - Chairman of ZETAVACS SAS 	<ul style="list-style-type: none"> - Chairman and MD of Matra Défense - Director of International Operations of the EADS Group
Professor Alain Carpentier	<p><u>1st appointment (as a Plc):</u> 7 May 2010</p> <p><u>Term of office:</u> Until GM to consider the accounts for year ending 31/12/2015</p>	Director	<ul style="list-style-type: none"> - Chairman of the ACADEMY OF SCIENCES - Member of the Board of Directors of the FONDATION SINGER POLIGNAC - Director of the ASSOCIATION RECHERCHE SCIENTIFIQUE DE LA FONDATION ALAIN CARPENTIER (Scientific Research Association of the Alain Carpentier Foundation) 	Not applicable

Full name or registered name of the member	Term of office	Functions fulfilled within the Company	Other positions currently held in other companies	Other positions and functions in other companies over the last five years, but not exercised at the date of registration of the reference document
Truffle Capital represented by Dr Philippe Pouletty	<p><u>1st appointment (as a Plc):</u> 7 May 2010</p> <p><u>Term of office:</u> Until GM to consider the accounts for the year ending 31/12/2015</p>	Director	<ul style="list-style-type: none"> - Chairman of the Board of Directors of BMD SA (Philippe Pouletty) - Chairman of the Board of Directors of DEINOVE SA (Philippe Pouletty) - Director of DEINOVE SA (Truffle Capital) - Director and Chairman of SPLICOS SAS (Philippe Pouletty) - Director of THERACLION SA (Truffle Capital) - Director of NEOVACS SA (Truffle Capital) - Director of PHARNEXT SAS (Truffle Capital) - Director of PLASMAPRIME SAS (Truffle Capital) - Managing Director and Director at TRUFFLE CAPITAL SAS - Director of VEXIM SA (Truffle Capital) - Director of WITTYCELL SAS (Truffle Capital) - Director at IMMUNE TARGETING SYSTEMS LTD (UK) (Truffle Capital) - Director at SYMETIS (Switzerland) (Truffle Capital) - Member of the Supervisory Board at INNATE PHARMA SA (Philippe Pouletty) - Director at MYOPOWERS SA (Switzerland) (Truffle Capital) - Manager at NAKOSTECH SARL (Philippe Pouletty) - Director at FRANCE BIOTECH (an association under the Law of 1901) 	<ul style="list-style-type: none"> - Director until 2008: CONJUCHEM BIOTECHNOLOGIES Inc. (Canada) - Director until 2007: DRUGABUSE SCIENCES SAS - Chairman from 2001 until 2009: FRANCE BIOTECH - Member of the Supervisory Board at CYTOMICS SA until December 2010 (in liquidation)

Full name or registered name of the member	Term of office	Functions fulfilled within the Company	Other positions currently held in other companies	Other positions and functions in other companies over the last five years, but not exercised at the date of registration of the reference document
Mr Marcello Conviti	<p><u>1st appointment (as a Plc):</u> 7 May 2010</p> <p><u>Term of office:</u> Until GM to consider the accounts for the year ending 31/12/2015</p>	Director, Chief Executive	Not applicable	<ul style="list-style-type: none"> - Director at EUCOMED - Director at EDWARDS LIFESCIENCES ITALY - Senior Vice President of Strategy and New Business Development at EDWARDS LIFESCIENCES
Mr André-Michel Ballester	<p><u>1st appointment (as a Plc):</u> 7 May 2010</p> <p><u>Term of office:</u> Until GM to consider the accounts for the year ending 31/12/2015</p>	Independent Director	<ul style="list-style-type: none"> - Administratore Delegato (CEO) at SORIN Spa – Milan (Italy) - Independent Director at NEXWAY SAS – Nanterre - Independent Director at IMI GmbH – Bonn (Germany) - Independent Director at MAUNA KEA TECHNOLOGIES SA 	Not applicable
Mr Michel Finance	<p><u>1st appointment (as a Plc):</u> 7 May 2010</p> <p><u>Term of office:</u> Until GM to consider the accounts for the year ending 31/12/2015</p>	Director	<ul style="list-style-type: none"> - Chairman and MD of HOLDING INCUBATRICE BIOTECHNOLOGIE SA - Chairman of ZOPHIS SAS - Chairman of BOKINESIS SAS - Director at NEOVACS SA - Director at FRANCE BIOTECH (an association under the Law of 1901) - Chief Executive of BMD SA 	Not applicable

Full name or registered name of the member	Term of office	Functions fulfilled within the Company	Other positions currently held in other companies	Other positions and functions in other companies over the last five years, but not exercised at the date of registration of the reference document
Mr Henri Lachmann	<p><u>1st appointment (as a Plc):</u> 23 December 2010</p> <p><u>Term of office:</u> Until GM to consider the accounts for the year ending 31/12/2015</p>	Independent Director	<ul style="list-style-type: none"> - Chairman of the Supervisory Board at SCHNEIDER ELECTRIC SA - Vice-Chairman of the Supervisory Board at VIVENDI SA - Member of the Supervisory Board at NORBERT DENTRESSANGLE Group - Non-executive director at FIMALAC - Non-executive director at TAJAN - Chairman of the Board of Directors at the CENTRE CHIRURGICAL MARIE LANNELONGUE (Marie Lannelongue Surgical Centre) - Chairman of the FONDATION POUR LE DROIT CONTINENTAL (Foundation for Continental Law) - Member of the Steering Committee of the Enterprise Institute - Director of the National Association of Joint Stock Companies - Chairman of the INSTITUT TELEMAQUE - Vice-Chairman and Treasurer of the INSTITUT MONTAIGNE - Chairman of the Advisory Council of the Campus of Excellence at the Office of the Commissioner General for Investment (Large Loans) - Director at PLANET FINANCE - Director of the FONDATION ENTREPRENDRE - Chairman of the French part of the High Level Franco-Mexican Group 	<ul style="list-style-type: none"> - Chairman and MD Independent of SCHNEIDER ELECTRIC SA - Chairman of SCHNEIDER ELECTRIC INDUSTRIES SAS - Member of the Supervisory Board of AXA - Director of various companies in the SCHNEIDER ELECTRIC Group - Director at VIVENDI UNIVERSAL - Director at FINAXA and various affiliates of the AXA Group - Director at AXA ASSURANCES IARD MUTUELLE - Member of the Taxation and Social Security Contributions Board - Director at SOLIDARITES ACTIVE - Chairman of the Association PACTE PME and of PACTE PME INTERNATIONAL

ANNEX 3

TABLE OF DELEGATIONS OF AUTHORITY

Delegations of authority	Date of delegation	Length of authorisation and expiry	Maximum face value in Euros	Use of delegations during the period
Delegation of authority to the Board of Directors for the purpose of ascertaining the number of shares issued following exercising of warrants and making the necessary changes to the articles	8 July 2009			<p><i>Meeting of the Board of Directors of 28 April 2011:</i> Ascertainment of an increase in capital being carried out of EUR 786 through the issue of 19 650 shares by exercising of 786 BCE-2009-1 warrants</p> <p><i>Meeting of the Board of Directors of 19 June 2011:</i> Ascertainment of an increase in capital being carried out of EUR 95 through the issue of 2 375 shares by exercising of 95 BCE-2009-1 warrants</p>
Delegation of authority allowing the Board of Directors to decide on the issue of shares and/or securities giving immediate or term access to capital or providing a right to a debt instrument, <u>with removal of the preferential subscription right without indicating the beneficiary and by public offering</u>	28 April 2011	26 months Until 28 June 2013	<p>Face value of increases in capital: EUR 120 000</p> <p>Face value of bonds and other debt instruments giving access to capital: EUR 40 000 000</p>	/
Delegation of authority allowing the Board of Directors to decide on the issue, <u>with retention of the preferential subscription right</u> , of shares and/or securities giving immediate or term access to capital or providing a right to a debt instrument.	28 April 2011	26 months, Until 28 June 2013	<p>Face value of increases in capital: EUR 120 000</p> <p>Face value of bonds and other debt instruments giving access to capital: EUR 40 000 000</p>	<p><i>Meeting of the Board of Directors of 11 July 2011:</i> Decision to increase the capital by a nominal amount of EUR 9 624.68 through the issue of 240 617 new shares at a price of EUR 106 per share, making an issue premium of EUR 105.96 per share, at the rate of one new share for each 16 existing shares held</p> <p><i>Decision of the Chief Executive of 10 August 2011:</i> Ascertainment of an increase in capital being carried out with a nominal value of EUR 11 068.38 through the issue of 276 709 new shares</p>
Delegation of authority to the Board of Directors to decide on the capitalisation of profits, reserves or premiums	28 April 2011	26 months Until 28 June 2013	<p>Face value of increases in capital: EUR 120 000</p>	/

Delegations of authority (continued)	Date of delegation	Length of authorisation and expiry	Maximum face value in Euros	Use of delegations during the period
Delegation of authority allowing the Board of Directors to decide on the issue of shares and/or securities giving immediate or term access to capital or providing a right to a debt instrument, with <u>removal of the preferential subscription right of shareholders to the benefit of categories of beneficiaries</u>	28 April 2011	18 months Until 28 October 2012	Face value of increases in capital: EUR 120 000 Face value of bonds and other debt instruments giving access to capital: EUR 40 000 000	/
Delegation of authority to the Board of Directors to decide on the issue of shares and/or securities giving immediate or term access to capital or providing a right to a debt instrument, <u>by private placement</u> and with a limit of 20% of the share capital per year	28 April 2011	26 months Until 28 June 2013	The face value of the increases in capital will be limited (i) to 20% of the capital (as existing on the date of the operation) per annum and (ii) EUR 120 000 Face value of bonds and other debt instruments giving access to capital: EUR 40 000 000	/
Authorisation to be given to the Board of Directors to increase the number of shares issued in accordance with the provisions of Article L. 225-135-1 of the Commercial Code, in the event of the use of the delegated authorities mentioned in the five resolutions above with the retention or removal, as the case may be, of the preferential subscription right	28 April 2011	26 months Until 28 June 2013	With a limit of 15% of the initial issue*	<i>Meeting of the Board of Directors of 11 July 2011:</i> Agreement in principle to a possible extension of the increase in capital with maintenance of the preferential subscription right by the issue of a maximum number of 36 092 additional shares <i>Meeting of the Board of Directors of 8 Aug 2011:</i> Decision to implement the extension agreement and decision to increase the number of new shares to be issued by 36 092 additional shares, making a total of 276 709 new shares

I. STOCK WARRANTS

BSA-2009-1 warrants (Resolution two of the General Meeting of 8 July 2009, Resolutions three and four of the Meeting of the Board of Directors of 8 July 2009, Resolution four of the General Meeting of 5 February 2010, Deliberations twenty-eight and thirty of the Meeting of the Board of Directors of 22 April 2010 and Resolution six of the General Meeting of 22 April 2010)

- 4 555 BSA-2009-1 warrants were issued;
- of the 4 555 BSA-2009-1 warrants issued, 3 036 BSA-2009-1 warrants were awarded as follows:
 - 1 518 BSA-2009-1 warrants subscribed by Mr Jean-Claude Cadudal;
 - 506 BSA-2009-1 warrants subscribed by Mr André-Michel Ballester;
 - 506 BSA-2009-1 warrants to Mr Peter Steinmann, lapsed following his resignation as a director;
 - 506 BSA-2009-1 warrants subscribed by Mr Michel Finance;
- at present a balance of 2 530 BSA-2009-1 warrants remains that may be exercised;
- the 2 530 BSA-2009-1 warrants will lapse at the latest on 8 July 2019 since the period for exercising the BSA-2009-1 warrants is 10 years from when they were awarded. Each of these BSA warrants confers a subscription right to 25 new shares at a unit price of EUR 8. The 2 530 BSA-2009-1 warrants subscribed but not yet exercised as at 31 December 2011 thus confer subscription rights to a total of 63 250 shares representing 1.53% of the existing capital as at 31 December 2011.
- Subject to the approval by the forthcoming general meeting of shareholders of the arrangements for adjusting the conditions for the exercising of securities giving access to the capital issued by the company, decided by the meeting of the Board of Directors on 8 September 2011 following the increase in capital with maintenance of the preferential subscription rights carried out on 10 August 2011, 25.58 new shares, at a price of EUR 8 per new share, would be granted by the exercising of one BSA warrant. However, in order to avoid fractional shares, the adjustment of the BSA warrants would be performed by multiplying the number of BSA warrants held by each holder on 20 September 2011 by a rate of 25.58, and the number of shares obtained would then be divided by 25 to give a number of BSA warrants that takes account of the adjustment. This number of BSA warrants would be rounded up to the next whole number. By application of this calculation, an additional number of 60 BSA-2009-1 warrants would thereby be issued conferring subscription rights to 1 500 additional shares representing in total 1.57% of the capital existing as at 31 December 2011.

Summary table of BSA warrants

	Issued	Subscribed	Cancelled	Reserve	Exercised	Balance	Lapsing on
BSA-2009-1 GM of 08/07/2009	4 555	2 530	2 025			2 530	08/07/2019

II. START-UP COMPANY STOCK WARRANTS

1. **BCE-2009-1 (Resolution three of the General Meeting of 8 July 2009, Resolution one of the Meeting of the Board of Directors of 8 July 2009 and Resolution three of the Meeting of the Board of Directors of 9 September 2009)**

- the 3 037 BCE-2009-1 warrants will lapse on 9 September 2019 since the period for exercising the BCE-2009-1 warrants is 10 years from when they were awarded.

2. BCE-2009-2 (Resolution four of the General Meeting of 8 July 2009, and Resolution two of the Meeting of the Board of Directors of 8 July 2009, Deliberation thirty of the Meeting of the Board of Directors of 22 April 2010)

- 7 408 BCE-2009-2 warrants were issued;
- of the 7 408 BCE-2009-2 warrants issued, 7 408 BCE-2009-2 warrants were awarded as follows:
 - 1 620 BCE-2009-2 warrants subscribed by Mr Patrick Coulombier;
 - 861 BCE-2009-2 warrants subscribed by Mr Marc Grimme, of which 120 were exercised;
 - 506 BCE-2009-2 warrants subscribed by Mr Jean-Marc Parquet, of which 71 were exercised;
 - 506 BCE-2009-2 warrants subscribed by Mr Paul Kohler, of which 20 were exercised;
 - 506 BCE-2009-2 warrants subscribed by Mr Fabien Bousquet;
 - 354 BCE-2009-2 warrants subscribed by Mr Antoine Capel, of which 99 were exercised;
 - 354 BCE-2009-2 warrants subscribed by Mrs Marion Melot, of which 50 were exercised;
 - 253 BCE-2009-2 warrants subscribed by Mr Alexandre Blanc, of which 109 were exercised and 144 lapsed following his resignation;
 - 253 BCE-2009-2 warrants subscribed by Mrs Joëlle Monnier, of which 25 were exercised;
 - 253 BCE-2009-2 warrants subscribed by Mr Pierre da Cruz, of which 25 were exercised;
 - 203 BCE-2009-2 warrants subscribed by Mrs Hélène Lebreton, of which 87 were exercised;
 - 203 BCE-2009-2 warrants subscribed by Mr Julien Baclet, of which 97 were exercised;
 - 203 BCE-2009-2 warrants subscribed by Mr Clément Ducros, of which 53 were exercised;
 - 203 BCE-2009-2 warrants subscribed by Mrs Karima Djabella, of which 45 were exercised;
 - 101 BCE-2009-2 warrants subscribed by Mrs Nathalie Bottereau, of which 15 were exercised;
 - 101 BCE-2009-2 warrants subscribed by Mrs Rekia Benmerrah, of which 23 were exercised;
 - 101 BCE-2009-2 warrants subscribed by Mr Yann Mery;
 - 101 BCE-2009-2 warrants subscribed by Mr Gregory Mingot, of which 8 were exercised;
 - 726 BCE-2009-2 warrants subscribed by Mr Petrus Jansen, of which 82 were exercised.
- at present a balance of 6 335 BCE-2009-2 warrants remains that may be exercised;
- the BCE-2009-2 warrants will lapse on 8 July 2019 since the period for exercising the BCE-2009-2 warrants is 10 years from when they were awarded.

Summary table of BCE warrants

	Issued	Subscribed	Canceled	Reserve	Exercised	Balance	Lapsing on
BCE 2009-1 GM of 08/07/2009	3 037	3 037	-	-	-	3 037	09/09/2019
BCE 2009-2 GM of 08/07/2009	7 408	7 408	144		929	6 335	08/07/2019
BCE TOTAL	10 445	10 445	144		929	9 372	

Each of these BCE warrants confers a subscription right to 25 new shares at a unit price of EUR 8. The 9 372 BCE warrants subscribed but not yet exercised and valid as at 31 December 2011 thus confer subscription rights to a total of 234 300 shares representing 5.68% of the existing capital as at 31 December 2011.

Subject to the approval by the forthcoming general meeting of shareholders of the arrangements for adjusting the conditions for the exercising of securities giving access to the capital issued by the company, decided by the meeting of the Board of Directors on 8 September 2011 following the increase in capital with maintenance of the preferential subscription rights carried out on 10 August 2011, 25.58 new shares, at a price of EUR 8 per new share, would be granted by the exercising of one BCE warrant.

However, in order to avoid fractional shares, the adjustment of the BCE warrants would be performed by multiplying the number of BCE warrants held by each holder on 20 September 2011 by a rate of 25.58, and the number of shares obtained would then be divided by 25 to give a number of BCE warrants that takes account of the adjustment. This number of BCE warrants would be rounded up to the next whole number. By application of this calculation, an additional number of 229 BCE warrants, comprising 71 BCE-2009-1 and 158 BCE-2009-2 warrants, would thereby be issued conferring subscription rights to 5 725 additional shares representing in total 5.81% of the capital existing as at 31 December 2011.

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BALANCE SHEET

ASSETS (IN EUROS)		31/12/2011			31/12/2010
		Gross	Amortisation and depreciation	Net	Net
Uncalled share capital (I)					
FIXED ASSETS	INTANGIBLE FIXED ASSETS (Notes 4.1 and 4.2)				
	Start-up costs				
	Development costs				
	Licences, patents and similar rights	1 090 522	855 815	234 707	300 112
	Goodwill (1)				
	Other intangible fixed assets				24 000
	Advances and payments on account				
	TANGIBLE FIXED ASSETS (Notes 4.1 and 4.2)				
	Land				
	Buildings				
	Technical plant, equipment and tooling	3 587 034	2 324 310	1 262 724	1 849 680
	Other tangible fixed assets	953 577	244 826	708 751	750 914
	Assets under construction	476 583		476 583	231 682
	Advances and payments on account				
	FINANCIAL FIXED ASSETS (2) (Notes 4.1 and 4.3)				
	Holdings accounted for on an equity basis				
Other holdings					
Other equity investments					
Loans					
Other financial fixed assets	465 178		465 178	426 212	
	TOTAL II	6 572 894	3 424 952	3 147 942	3 582 600
CURRENT ASSETS	STOCKS AND WORK IN PROGRESS				
	Raw materials, supplies				
	Work in progress - goods				
	Work in progress - services				
	Semi-finished and finished products				
	Goods				
	Advances and payments on account made for orders	486 860		486 860	
	DEBTORS (3)				
	Trade receivables and other receivables				
	Other debtors (Note 4.4)	4 120 628		4 120 628	5 695 270
Subscribed capital – called, not paid in					
Marketable securities (Note 4.5)	10 039 822		10 039 822	7 074 426	
Cash instruments (Note 4.6)	17 066 499		17 066 499	2 000 000	
Cash on hand	2 263 372		2 263 372	2 341 397	
ACCRUALS	Accrued charges (3) (Note 4.8.4)	300 960		300 960	353 995
	TOTAL III	34 278 141		34 278 141	17 465 088
	Bond issuance costs to be amortised (IV)				
	Bond redemption premiums (V)				
	Unrealised foreign exchange losses (VI)				
GRAND TOTAL (I+II+III+IV+V+VI)		40 851 034	3 424 952	37 426 083	21 047 688

(1) including lease rights

(2) of which of less than one year 353 565

(3) of which of more than one year

LIABILITIES (IN EUROS)		31/12/2011	31/12/2010
EQUITY	Capital (of which, paid in: 165 112) (Note 4.7)	165 112	153 114
	Issue, merger and acquisition premiums (Notes 1 and 4.7)	52 625 318	25 779 449
	Excess of restated assets		
	RESERVES		
	Legal reserve		
	Statutory or contractual reserves		
	Regulatory reserves		
	Other reserves		
	Losses brought forward	- 12 458 488	-4 722 004
	RESULT FOR THE PERIOD (profit or loss)	- 13 441 022	-7 736 485
Capital grants			
Regulatory provisions			
	TOTAL I	26 890 919	13 474 075
OTHER EQUITY	Proceeds of issues of participating stock		
	Conditional advances (Note 4.8.1)	3 743 141	2 018 892
	TOTAL II	3 743 141	2 018 892
PROVI-SIONS	Provisions for risks		
	Provisions for charges (Notes 4.3 and 6.1.3)	35 660	18 357
	TOTAL III	35 660	18 357
DEBTS (1)	FINANCIAL DEBTS		
	Convertible bond loans		
	Other bond loans		
	Loans from credit institutions		
	Bank loans and overdraft		
	Sundry loans and financial debts (Notes 4.4 and 4.8.1)	217 066	78 096
	Advances and payments on account received for current orders		
	ACCOUNTS PAYABLE (Note 4.4)		
	Trade accounts payable and related payables	4 992 835	4 186 770
	Tax and social liabilities	1 159 416	834 804
Liabilities secured to property and related liabilities (Note 4.4)	380 547	328 089	
Other debts (Note 4.4)	6 498	5 448	
ACCRUALS	Accrued income (1) (Note 4.8.4)		103 157
	TOTAL IV	6 756 362	5 536 364
	Foreign exchange losses realised (V)		
	GRAND TOTAL (I+II+III+IV+V)	37 426 083	21 047 688

(1) Debts and deferred income of less than one year

6 539 296

5 536 364

INCOME STATEMENT

INCOME STATEMENT (IN EUROS)	31/12/2011			31/12/2010
	France	Export	Total	Total
OPERATING INCOME (1)				
Sale of goods				
Sales of finished goods				
Sales of finished services				
NET TURNOVER				
Production left in stock				
Fixed asset production				
Subsidies (Note 5.1)			6 051 177	5 048 697
Write-backs of depreciation, provisions (and amortisations) and transfer of expenditure			50 576	
Other revenues				
TOTAL OPERATING INCOME (I)			6 101 753	5 048 697
OPERATING EXPENSES (2)				
Purchase of goods				
Inventory change (goods)				
Purchase of raw materials and other supplies				
Inventory change (raw materials and other supplies)				
Other purchases and external expenditure*			16 276 476	11 190 896
Taxes, fees and similar payments			95 056	72 454
Wages and salaries			3 057 107	2 497 603
Social security costs			1 099 853	448 869
Amortisation and depreciation				
Buildings: amortisation (Note 4.2)			1 496 234	1 227 259
Buildings: depreciation				
Current assets: depreciation				
Provisions (Notes 4.3 and 6.1.3)			67 879	13 857
Other expenses			100 202	80 001
TOTAL OPERATING EXPENSES (II)			22 192 807	15 530 940
1 – OPERATING RESULT (I-II)			-16 091 054	-10 482 243
SHARES IN RESULT FOR JOINT OPERATIONS				
Profits allocated or loss transferred (III)				
Loss or profit transferred (IV)				

INCOME STATEMENT (IN EUROS) continued	31/12/2011	31/12/2010
FINANCIAL INCOME		
Financial income from equity interests (3)		
Income from other securities and fixed asset receivables (3)		
Other interest receivable and similar income (3)	229 461	46 290
Write-backs of depreciation and provisions, and transfer of expenditure	272	
Positive exchange differences	319	1 126
Net proceeds from sales of marketable securities	10 431	2 391
TOTAL (V)	240 483	49 807
FINANCIAL EXPENSES		
Amortisation, depreciation and provisions		272
Interest expenses and similar charges (4)	141 504	63 346
Negative exchange differences	1 708	6 995
Net expenses from sales of marketable securities		
TOTAL (VI)	143 212	70 614
2 – FINANCIAL RESULT (V-VI)	97 271	-20 807
3 – EARNINGS BEFORE INTEREST AND TAX (I-II+III-IV+V-VI)	-15 993 783	-10 503 050
EXTRAORDINARY INCOME (Note 5.5)		
Extraordinary income from management operations		
Extraordinary income from capital operations	133 603	30 731
Write-backs of depreciation and provisions, and transfer of expenditure		
TOTAL (VII)	133 603	30 731
EXTRAORDINARY EXPENSES (Note 5.5)		
Extraordinary expenses from management operations		307
Extraordinary expenses from capital operations	96 370	14 358
Amortisation, depreciation and provisions		
TOTAL (VIII)	96 370	14 665
4 – EXTRAORDINARY RESULT (VII-VIII)	37 234	16 066
Participation of staff in company results (IX)		
Income taxes (X) (Note 5.3)	-2 515 527	-2 750 499
TOTAL INCOME (I+III+V+VII)	6 475 839	5 129 235
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	19 916 862	12 865 720
5 – PROFIT OR LOSS (total income – total expense)	-13 441 022	-7 736 485

* Including: Fee from real-estate leasing
* Including: Fee from equipment leasing
(1) Including income from previous years
(2) Including expenses from previous years
(3) Including income from related enterprises
(4) Including interest from related enterprises

ANNEX TO THE FINANCIAL STATEMENTS

Annex to the balance sheet for the year ending 31 December 2011, totalling EUR 37 426 083 and to the income statement for the year ending 31 December 2011 presented in list form and showing zero turnover resulting in a loss of EUR 13 441 022.

The financial year commenced on 01/01/2011 and ended on 31/12/2011, a duration of 12 months which is identical to that of the comparative period.

The notes and tables presented in the following are an integral part of the financial statements for the period ending on 31 December 2011 as adopted by the Board of Directors on 8 March 2012. Figures are in Euros unless otherwise stated.

1 FEATURES OF THE YEAR

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

During the year, the company proceeded to increase its capital on four occasions:

- The exercising of 786 BCE-2009-2 warrants allowed an increase in capital to be carried out on 28 April 2011 of EUR 786, taking this from EUR 153 114.44 to EUR 153 900.44, through the issue of 19 650 ordinary shares with a face value of EUR 0.04, issued at a unit price of EUR 8, resulting in an issue premium of EUR 7.96 per share. As a result of this the issue premium was increased from EUR 25 779 449 to EUR 25 935 863.
- The exercising of 95 BCE-2009-2 warrants allowed an increase in capital to be carried out on 19 June 2011 of EUR 95, taking this from EUR 153 900.44 to EUR 153 995.44, through the issue of 2 375 ordinary shares with a face value of EUR 0.04, issued at a unit price of EUR 8, resulting in an issue premium of EUR 7.96 per share. As a result of this the issue premium was increased from EUR 25 935 863 to EUR 25 954 768.
- The company proceeded to raise new capital with retention of the preferential subscription rights decided upon by the Board of Directors on 11 July 2011 under powers delegated by the Combined General Meeting of 28 April 2011. The subscription period ran from 13 to 29 July 2011. This operation took the form of an increase in capital of EUR 11 068.36 and involved a gross issue premium of EUR 29 320 085.64 with the gross revenue generated from the issue amounting to EUR 29 331 154.

This increase in capital involved the creation of 276 709 new shares with a face value of EUR 0.04 to add to the previous 3 849 886 ordinary shares and took the capital from EUR 153 995.44 to EUR 165 063.80.

Taking into account a sum of EUR 2 661 621.48 for expenses linked to the increase in capital which were deducted from the issue premium through the application of the preferential accounting method, the net value of the issue premium as a result of this increase in capital was EUR 26 658 464.16.

- The exercising of 48 BCE-2009-2 warrants allowed an increase in capital to be carried out on 26 September 2011 of EUR 48, taking this from EUR 165 063.80 to EUR 165 111.80, through the issue of 1 200 ordinary shares with a face value of EUR 0.04, issued at a unit price of EUR 8, resulting in an issue premium of EUR 7.96 per share. As a result of this the issue premium was increased from EUR 52 615 766 to EUR 52 625 318.

The company also opted for Research Tax Credit for the 2011 year. The first warrant was exercised in respect of the 2009 calendar year and renewed in 2010. The Research Tax Credit for the 2011 year was shown at EUR 2 566 103 in the entry "Tax on profits" of the income statement (details in Note 5.3 of this Annex) and appears under "Other debtors" in the balance sheet.

During the period the company benefited from repayable advances of EUR 1 724 249 and a subsidy of EUR 6 039 510 from the OSEO, which appears under the "Subsidies" item of the income statement (details in Note 5.1 of this Annex).

2 SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No event occurring after the close of the reporting period is liable to change the presentation or valuation of the items of the balance sheet or the income statement.

3 ACCOUNTING RULES AND METHODS

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

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

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

3.1 GENERAL STANDARDS AND CONVENTIONS

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

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

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

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

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

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

- the liquidity level, cash instruments and investment securities as at 31 December 2011, totalling EUR 29 369 693;
- payment of subsidies (EUR 3 033 000) and refundable advances (EUR 10 764 000) remaining to be paid between now and 2013 under the OSEO aid programme signed in 2009.

3.2 SUPPLEMENTARY INFORMATION

3.2.1 Applied research and development costs

(Decree No 83-1020 of 29/11/83, Article 19)

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

3.2.2 Intangible fixed assets

(Decree No 83-1020 of 29/11/83, Article 24-4)

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

The methods and periods of depreciation used are as follows:

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

3.2.3 Tangible fixed assets

(Decree No 83-1020 of 29/11/83, Article 24-4)

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

The methods and periods of depreciation used are as follows:

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

3.2.4 Financial assets

- Other equity investments

In 2010 the company entered into a liquidity contract 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 introducing any error. To this end the company made available to Dexia a sum of EUR 300 000. Own shares acquired in connection with the execution of this liquidity contract are entered under financial assets at their acquisition price. If necessary, a provision is made for depreciation based on the average official stock market price for the final month prior to the end of the reporting period.

- Other financial assets

These are comprised of:

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

3.2.5 Receivables and payables

(Decree No 83-1020 of 29/11/83, Article 24-5)

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

3.2.6 Cash on hand in Euros

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

3.2.7 Marketable securities

Marketable securities are shown in the assets at cost of acquisition. This cost of acquisition of marketable securities comprises the purchase price and the directly attributable expense.

Any provisions for depreciation are determined by comparison between the acquisition value and the likely realisation value.

Marketable securities comprise certificates of deposit.

3.2.8 Cash instruments

These comprise the time deposit accounts shown under assets at acquisition value.

3.2.9 Cash and cash equivalents

For the purposes of the cash-flow statement, cash and cash equivalents are defined as being the sum of the "Marketable securities", "Cash instruments" and "Cash on hand" items under the assets, to the extent that marketable securities and 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.

3.2.10 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.

3.2.11 Subsidies

Subsidies received are recorded immediately the corresponding credit 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.

3.2.12 Retirement indemnities

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

3.2.13 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.

3.2.14 Share issue costs

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

4 SUPPLEMENTARY INFORMATION ON THE BALANCE SHEET

4.1 SCHEDULE OF FIXED ASSETS

	Gross value at start of period	Additions	
		Line to line transfers	Acquisitions
Licences, patents and similar rights (1)	946 873	27 000	116 649
Other intangible fixed assets	24 000		3 000
TOTAL	970 873	27 000	119 649
Technical plant, equipment and industrial tooling (2)	2 991 238	557 697	38 099
General plant, sundry fixtures and fittings	680 708		16 867
Office and IT equipment, furniture	210 605		45 397
Assets under construction (3)	231 682		802 598
TOTAL	4 114 233	557 697	902 961
Other equity investments (4)	31 576		1 002 379
Other financial fixed assets (5)	394 908		15 983
TOTAL	426 484		1 018 362
GRAND TOTAL	5 511 590	584 697	2 040 972

	Reductions		Gross value at end of period	Revaluation of original value at end of period
	Line to line transfers	Disposals		
Licences, patents and similar rights (1)			1 090 522	
Other intangible fixed assets	27 000		0	
TOTAL	27 000		1 090 522	
Technical plant, equipment and industrial tooling (2)			3 587 034	
General plant, sundry fixtures and fittings			697 575	
Office and IT equipment, furniture			256 002	
Assets under construction (3)	557 697		476 583	
TOTAL	557 697		5 017 194	
Other equity investments (4)		916 426	117 529	
Other financial fixed assets (5)		63 242	347 649	
TOTAL		979 668	465 178	
GRAND TOTAL	584 697	979 668	6 572 894	

- (1) This item includes a sum of EUR 411 284, accounted for as the share of the contribution in kind made on 30 September 2008, with a total value of EUR 960 000, relating to the contribution of patents.
- (2) This item includes the commissioning of the clean room at a total cost of EUR 943 582. This item also includes a sum of EUR 548 716, accounted for as the share of the contribution in kind made on 30 September 2008, with a total value of EUR 960 000, relating to the contribution of equipment and tooling.
- (3) The assets under construction item comprises equipment and industrial tooling valued at EUR 476 583.
- (4) This item includes 1 395 own shares held in connection with the liquidity contract and valued at EUR 117 529.
- (5) This item includes (i) the liquidities not invested in own shares as at the end of the period under the liquidity contract of EUR 236 035, and (ii) obligatory deposits totalling EUR 111 613, mainly comprising deposits under premises lease contracts.

4.2 SCHEDULE OF DEPRECIATION

Situations and movements for the period	Value at start of period	Allowances for the period	Reductions and write-backs	Value at end of period
Licences, patents and similar rights	646 761	209 054		855 815
TOTAL	646 761	209 054		855 815
Technical plant, equipment and industrial tooling	1 141 558	1 182 752		2 324 310
General plant, sundry fixtures and fittings	95 935	71 576		167 511
Office and IT equipment, furniture	44 464	32 851		77 315
TOTAL	1 281 957	1 287 180		2 569 137
GRAND TOTAL	1 928 718	1 496 234		3 424 952

Breakdown of allowances for the period	Straight-line depreciation	Reducing balance depreciation	Exceptional depreciation	Depreciation for tax purposes	
				Allowances	Write-backs
Licences, patents and similar rights	209 054				
TOTAL	209 054				
Technical plant, equipment and industrial tooling	1 182 752				
General plant, sundry fixtures and fittings	71 576				
Office and IT equipment, furniture	32 851				
TOTAL	1 287 180				
GRAND TOTAL	1 496 234				

4.3 SCHEDULE OF PROVISIONS

Provisions	Value at start of period	Additions Allowances	Reductions Amounts used	Reductions Amounts not used	Value at end of period
Sundry risks (1)		50 576	50 576		
Pensions and similar commitments (2)	18 357	17 303			35 660
TOTAL	18 357	67 879	50 576		35 660
Depreciation of other equity investments (3)	272			272	
TOTAL	272			272	
GRAND TOTAL	18 629	67 879	50 576	272	35 660
Including allowances and operational write-backs		67 879	50 576		
Including allowances and financial write-backs				272	

- (1) Corresponds to the provision for the Research Tax Credit for 2010 made on 30 June 2011 and written back when the actual payment was in July 2011.
(2) See Note 6.1.3
(3) Corresponds to the allowance for depreciation of own shares

4.4 SCHEDULE OF MATURITIES OF RECEIVABLES AND PAYABLES

Schedule of receivables	Gross sum	1 year or less	More than 1 year
Income taxes	2 566 103	2 566 103	
Value Added Tax	1 541 479	1 541 479	
Sundry debtors	13 046	13 046	
TOTAL	4 120 628	4 120 628	

Schedule of payables	Gross sum	1 year or less	1 to 5 years	More than 5 years
Sundry loans and financial debts	217 066		217 066	
Trade accounts payable and related payables	4 992 835	4 992 835		
Staff and related payables	665 324	665 324		
Social security and other social bodies	492 560	492 560		
Other taxes and related payables	1 532	1 532		
Liabilities secured to property and related liabilities	380 547	380 547		
Group and associates				
Other debts	6 498	6 498		
TOTAL	6 756 362	6 539 296	217 066	

4.5 MARKETABLE SECURITIES

The total value of the Marketable securities shown under the balance sheet assets is EUR 10 039 822. These are made up of certificates of deposit totalling EUR 10 000 000. Five contracts are involved, signed in October 2011 and maturing on 25 October 2012. The corresponding interest accrued was calculated at year end in the sum of EUR 39 822. These contracts are negotiable on the market at any time. The buyback price is thus established as a function of the prevailing money market conditions at the time.

4.6 CASH INSTRUMENTS

Cash instruments are made up of time deposit accounts totalling EUR 17 000 000. Twenty-nine contracts are involved, signed in October 2011 and maturing on 25 January 2012 (EUR 5 000 000), 25 April 2012 (EUR 2 000 000), 25 July 2012 (EUR 4 000 000) and 25 October 2012 (EUR 6 000 000). The corresponding interest accrued was calculated at year end in the sum of EUR 66 499. These investments present no risks to the invested capital.

4.7 CAPITAL

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

4.7.1 Composition of the share capital

Categories of shares	Face value in Euro	Number of shares			
		Opening	Created	Redeemed	Closing
Ordinary shares	0.04	3 827 861	300 301		4 127 795
TOTAL		3 827 861	300 301		4 127 795

The increase in capital, as a result of the exercising of BCE warrants, which took place on 28/04/2011, resulted in the creation of 19 650 ordinary shares with a face value of EUR 0.04 each.

The increase in capital, as a result of the exercising of BCE warrants, which took place on 19/06/2011, resulted in the creation of 2 375 ordinary shares with a face value of EUR 0.04 each.

The increase in capital of 08/08/2011, following the raising of capital with retention of the preferential subscription rights, performed on the Alternext market of NYSE Euronext Paris, resulted in the creation of 276 709 ordinary shares with a face value of EUR 0.04 each.

The increase in capital, as a result of the exercising of BCE warrants, which took place on 26/09/2011, resulted in the creation of 1 200 ordinary shares with a face value of EUR 0.04 each.

4.7.2 Changes in equity

	Equity at the start of the period	13 474 075
01/01/2011	BSA 2009-1 and BSA-LI warrants definitively collected	2 534
28/04/2011	Increase in capital through exercising of BCE warrants	157 200
19/06/2011	Increase in capital through exercising of BCE warrants	19 000
08/08/2011	Increase in capital following the raising of capital on the Alternext market of NYSE Euronext Paris	29 331 154
08/08/2011	Deduction of capital increase expenses	-2 661 621
16/09/2011	Increase in capital through exercising of BCE warrants	9 600
31/12/2011	Result for the period	-13 441 022
	Equity at the end of the period	26 890 919

4.7.3 Stock Warrants

1.1.1.1 BSA 2009-1

At the General Meeting and the meeting of the Board of Directors of 8 July 2009, 4 555 BSA 2009-1 warrants were issued, of which 1 519 BSA 2009-1 warrants were not assigned. These 1 519 BSA 2009-1 warrants not assigned lapsed on 08/01/2011. 506 BSA 2009-1 warrants issued were cancelled following the resignation of a director. As at 31 December 2011, there remained 2 530 BSA 2009-1 warrants conferring subscriptions rights to 63 250 new shares, representing 1.53% of the existing capital as at 31 December 2011, at a unit price of EUR 8.

1.1.1.2 Summary table of BSA warrants

	Issued	Subscribed	Cancelled	Reserve	Exercised	Balance	Lapsing on
BSA-2009-1 GM of 08/07/2009	4 555	2 530	2 025	0	0	2 530	08/07/19

4.7.4 Start-up Company Stock Warrants (BCE)

1.1.1.3 BCE 2009-1

At the General Meeting and the meeting of the Board of Directors of 8 July 2009, 3 037 BCE 2009-1 warrants were issued. The 3 037 BCE 2009-1 warrants were assigned at the meeting of the Board of Directors of 9 September 2009 and then fully subscribed. These BCE 2009-1 warrants confer subscription rights to 75 925 new shares, representing 1.84% of the existing capital as at 31 December 2011, at a unit price of EUR 8.

Subject to the approval by the forthcoming general meeting of shareholders of the arrangements for adjusting the conditions for the exercising of securities giving access to the capital issued by the company decided by the meeting of the Board of Directors on 8 September 2011 following the increase in capital with maintenance of the preferential subscription rights carried out on 10 August 2011, 25.58 new shares, at a unit price of EUR 8 per new share, would be granted by the exercising of one BCE warrant. However, in order to avoid fractional shares, the adjustment of the BCE warrants would be performed by multiplying the number of BCE warrants held by each holder on 20 September 2011 by a rate of 25.58, and the number of shares obtained would then be divided by 25 to give a number of BCE warrants that takes account of the adjustment. This number of BCE warrants would be rounded up to the next whole number. By application of this calculation, an additional number of 71 BCE-2009-1 warrants would be issued conferring subscription rights to 1 775 additional shares representing in total 1.88% of the capital existing as at 31 December 2011.

1.1.1.4 BCE 2009-2

At the General Meeting and the meeting of the Board of Directors of 8 July 2009, 7 408 BCE 2009-2 warrants were issued, fully assigned and subscribed, of which 929 have been exercised and 144 have lapsed and have been cancelled. The 6 335 BCE 2009-2 warrants subscribed and not exercised as at 31 December 2011 confer subscription rights to 158 375 new shares, representing 3.84% of the existing capital as at 31 December 2011, at a unit price of EUR 8.

Subject to the approval by the forthcoming general meeting of shareholders of the arrangements for adjusting the conditions for the exercising of securities giving access to the capital issued by the company decided by the meeting of the Board of Directors on 8 September 2011 following the increase in capital with maintenance of the preferential subscription rights carried out on 10 August 2011, 25.58 new shares, at a price of EUR 8 per new share, would be granted by the exercising of one BCE warrant. However, in order to avoid fractional shares, the adjustment of the BCE warrants would be performed by multiplying the number of BCE warrants held by each holder on 20 September 2011 by a rate of 25.58, and the number of shares obtained would then be divided by 25 to give a number of BCE warrants that takes account of the adjustment. This number of BCE warrants would be rounded up to the next whole number. By application of this calculation, an additional number of 158 BCE-2009-2 warrants would be issued conferring subscription rights to 3 950 additional shares representing in total 3.93% of the capital existing as at 31 December 2011.

1.1.1.5 Summary table of BCE warrants

	Issued	Subscribed	Cancelled	Reserve	Exercised	Balance	Lapsing on
BCE 2009-1 GM of 08/07/2009	3 037	3 037	0	0	0	3 037	09/09/19
BCE 2009-2 GM of 08/07/2009	7 408	7 408	144	0	929	6 335	08/07/19
BCE TOTAL	10 445	10 445	144	0	929	9 372	

4.8 OTHER DETAILS OF THE BALANCE SHEET

4.8.1 Conditional advances

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

They are interest-bearing at the contracted rate of 5.59%. The interest accrued as at the close of the period was EUR 217 066 and is shown in the liabilities under the Sundry loans and financial debts item.

4.8.2 Accrued income

(Decree No 83-1020 of 29/11/83, Article 23)

Value of accrued income included in the following balance sheet items	Value
Other debtors	9 124
TOTAL	9 124

4.8.3 Accrued charges

(Decree No 83-1020 of 29/11/83, Article 23)

Value of accrued charges included in the following balance sheet items	Value
Sundry loans and financial debts	217 066
Trade accounts payable and related payables	2 940 092
Tax and social liabilities	944 882
Liabilities secured to property and related liabilities	371 397
Other debts	6 498
TOTAL	4 479 935

4.8.4 Accrued income and charges

(Decree No 83-1020 of 29/11/83, Article 23)

Accrued charges	Value
Operating expenses	300 960
TOTAL	300 960

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

- the share of rent for the 2012 year billed in 2011, totalling EUR 117 005;
- the share of software licence fees for the 2012 year billed in 2011, totalling EUR 39 852;
- an amount of EUR 85 911 corresponding to the difference between the invoices accounted for under research and development costs (costs of studies and subcontracting) and the percentage progress of the services concerned as at 31 December 2011.

Accrued income	Value
Operating income	NOT APPLICABLE
TOTAL	NOT APPLICABLE

4.8.5 Information on related enterprises

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

Trade accounts payable and related payables	709 676
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5 SUPPLEMENTARY INFORMATION ON THE INCOME STATEMENT

5.1 SUBSIDIES

The total amount of subsidies accounted for under income for the year is EUR 6 051 177 (2010: EUR 5 048 697). The breakdown of this is as follows:

- OSEO: total amount of EUR 6 039 510 accounted for in the income statement in the "Subsidies" line (2010: EUR 4 297 697). This amount corresponds to:
 - the share of the subsidy collected on 3 January 2011 and corresponding to expense incurred in the period 1 January to 30 April 2011, or EUR 2 415 374;
 - the subsidy collected on 13 September 2011 of EUR 3 624 136, relating to the period 1 May to 31 October 2011.
- Sundry subsidies: amount received of EUR 11 667 accounted for in the income statement in the "Subsidies" line (2010: EUR 1 000).

5.2 APPLIED RESEARCH AND DEVELOPMENT COSTS

Research and development costs are accounted for under expense. These were EUR 14 281 761 in 2011 compared with EUR 9 419 345 in the previous year.

5.3 RESEARCH TAX CREDIT

The income statement for the period shows a Research Tax Credit for a sum of EUR 2 515 527, broken down as follows:

- EUR 2 566 103 of Research Tax Credit for the period 01/01/2011 to 31/12/2011 compared with the EUR 2 819 267 shown for 2010;
- EUR -50 576 for regularisation of the Research Tax Credit for the 2010 year, from a comparison between the amount accounted for as at the close of the 2010 financial year (EUR 2 819 267) and the amount reimbursed by the tax authorities (EUR 2 768 691).

5.4 AUDITORS' FEES

The total amount of auditors' fees shown in the income statement for the year is EUR 34 260, broken down as follows:

- fees for statutory auditing: EUR 21 754;
- fees for activities required by law: EUR 2 402;
- fees for consultancy and services rendered in connection with activities directly linked to the statutory auditing function, as defined by the professional standards referred to in Article L.822-11 (II): EUR 10 104.

Additionally, total auditors' fees linked to increases in capital (deducted from "Issue Premiums") were EUR 39 925, this sum being comprised in full of fees for the activities required by law. These fees billed for auditors' tasks relate to work on checking the prospectus for the raising of capital that took place in July 2011.

5.5 EXTRAORDINARY INCOME AND EXPENSE

(Resolution of 27 April 1982)

Type	2011	2010
Extraordinary income		
- Property disposal		955
- Disposal of own shares	119 081	29 776
TOTAL	119 081	30 731
Extraordinary expense		
- Property disposal		913
- Disposal of own shares	81 847	13 445
- Fines and penalties		307
TOTAL	81 847	14 665

6 FINANCIAL COMMITMENTS AND OTHER INFORMATION

6.1 FINANCIAL COMMITMENTS

6.1.1 Commitments made

The total value of orders signed by the company as at the end of the period, for items not yet delivered or built, came to EUR 3 575 738.

A sum of EUR 1 724 249 by way of a repayable advance was received during the period, adding to the EUR 2 018 892 received prior to 1 January 2011 and making a total of EUR 3 743 141 received as at 31 December 2011. This sum is repayable subject to achieving sales of at least EUR 38 000 000. The OSEO agreement provides for supplementary payments if certain conditions are met, so that the total amount repayable could exceed the amount of the advance initially granted.

On 24 June 2008 the company signed a royalties agreement with Professor Alain Carpentier and Matra Défense, who owned 13.29% and 30.66% respectively of the shares as at 31 December 2011. Under this agreement, the company undertakes to pay Professor Alain Carpentier and Matra Défense 2% of the net income from sales of the "Carmat" Artificial Heart produced and distributed by Carmat SA, with this amount being shared between the two beneficiaries in proportion to their respective share in the capital of the company on the date it was established. These royalties will be payable every 6 months within 30 days of the end of each six-month period, following the first marketing of the "Carmat" Artificial Heart and up until expiry of the patents shown in Annex 1 to the agreement.

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

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

As at 31 December 2011, since the marketing of the "Carmat" Artificial Heart had not started, no royalty had been paid by the company under the agreement.

6.1.2 Commitments received

The OSEO agreement provides for payment of a total sum of EUR 17 442 639 by way of subsidies, of which EUR 3 032 793 remains to be paid between now and 2013.

It also provides for payment of a total sum of EUR 14 507 324 by way of repayable advances, EUR 10 764 169 of which remains to be paid between now and 2013.

6.1.3 Pension and retirement commitments

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

By application of the preferential accounting method, the provision for retirement commitments has been accounted for as at 31 December 2011.

The calculation assumptions made were as follows:

- time-apportioned rights method in accordance with Regulation 2003 R-01 of the CNC;
- retirement at the initiative of the member of staff, at 62 years (non-management) or 65 years (management);
- salaried employee progression of 2% per annum;
- low staff turnover;
- discount rate of 4.6% per annum.

The overall amount of the provision was EUR 35 660 as at the end of the financial year ending 31 December 2011, an increase of EUR 17 303 over the period.

6.2 OTHER INFORMATION

6.2.1 Cash-flow statement

	As at 31/12/2011	As at 31/12/2010
Net profit/loss	-13 441 022	-7 736 485
Amortisation and provisions	1 564 113	1 241 387
Write-backs of amortisations and provisions	-50 848	0
Gains or losses on asset sales	0	-42
Investment subsidies transferred to result	0	0
Ability to finance itself	-11 927 757	-6 495 140
Tax and social liabilities	324 612	323 363
Trade accounts payable	858 523	3 065 597
Other debts	1 050	5 448
Accrued income	-103 157	103 157
Stocks and work in progress	0	0
Advances and payments on account made for orders	-486 860	1 916
Other debtors	1 574 642	-3 814 762
Trade receivables	0	0
Accrued charges	53 035	-140 725
Changes in cash position (change in Working Capital Requirements)	2 221 845	-456 006
Cash flow from operations	-9 705 912	-6 951 146
Acquisition of tangible fixed assets	-878 960	-1 114 205
Acquisition of intangible fixed assets	-143 649	-105 266
Acquisition of financial fixed assets	-38 694	-348 380
Proceeds from fixed asset disposals	0	955
Cash flow from investment operations	-1 061 303	-1 566 896
Increase in capital	11 997	62 597
ORA/BSA	0	0
Issue premium	26 845 869	15 619 966
Capitalisation of current accounts	0	0
Loans and conditional advances	1 863 219	3 538 465
Cash flow from financing operations	28 721 085	19 221 028
Change in cash and cash equivalents	17 953 870	10 702 986
Opening cash and cash equivalents (Note 3.2.9)	11 415 823	712 837
Closing cash and cash equivalents (Note 3.2.9)	29 369 693	11 415 823

6.2.2 Information on the management

- Advances and loans to management

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

- Management remuneration

The total remuneration paid to directors in the form of director's fees was EUR 100 000 for the financial year.

The total remuneration allocated to members of the management bodies was EUR 537 275 for the year and was broken down as follows:

Type	2011	2010
Gross salaries	533 444	503 179
Benefits in kind	9 780	26 345
Bonuses	34 051	193 104
Total remuneration	577 275	722 628

6.2.3 Increases and reductions in future tax liabilities

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

Type of temporary differences	Value
Allowable loss carry-forwards (1)	36 118 532

This amount comprises:

- the tax loss carried forward made during previous periods and available as at 1 January 2011, in the sum of EUR 17 591 697;
- the tax loss made in the 2011 financial year in the sum of EUR 18 526 835.

6.2.4 Average staffing levels

(Decree No 83-1020 of 29/11/83, Article 24-22)

Salaried staff	2011	2010
Managers	30	22
Supervisors and technicians	1	1
Employees	4	3
Total	35	26

6.2.5 Individual right to training

In connection with the individual right to training instituted by Law 2004-391 of 4 May 2004 concerning ongoing professional training, on 31/12/2011 the cumulative number of hours training in relation to rights accrued and not exercised was 1 414.50 hours.