

# 2017 HALF-YEAR FINANCIAL REPORT



**CARBİOS**  
Reinvent Polymers Lifecycle



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# **1. MANAGEMENT AND GOVERNING BODIES**



## BOARD OF DIRECTORS

**Chairman:** Jean Falgoux  
**Directors:** Jean-Claude Lumaret  
Alain Chevallier  
Eric Arnoult (known as Erik Orsenna)  
Jacques Breuil  
Ian Hudson  
Jacqueline Lecourtier  
Pascal Juéry  
Dominique Even

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## EXECUTIVE MANAGEMENT

**Chief Executive Officer:** Jean-Claude Lumaret  
**Deputy Chief Executive Officer:** Martin Stephan  
**Chief Scientific Officer:** Alain Marty

**2.**

**INTERIM  
MANAGEMENT  
REPORT**



## CARBIOS OVERVIEW

### BIOPLASTURGY<sup>1</sup>: REVOLUTIONIZING THE WORLD OF PLASTICS

CARBIOS, a pioneer in the field of bioplasturgy, designs and develops biological processes to reinvent the lifecycle of plastics.

These bioprocesses rely on the use of enzymes produced by natural micro-organisms selected for their ability to degrade the polymers that make up plastics. The exceptional properties of these enzymes, never previously used in plasturgy, are leading the way to a new ecologically-sound and sustainable approach to:

- the creation of a new generation of biodegradable plastics with a controlled lifespan adapted to their use;
- the biological recycling of plastic waste facilitating the production of new plastics of the same quality as the original;
- the production of bio-sourced polymers, a complementary biorecycling process that provides a more competitive alternative to the processes currently used in PLA production.

Plastics are the third most-manufactured material behind cement and steel<sup>2</sup>, and at least 322 million metric tons<sup>3</sup> were produced worldwide in 2015. Plastics are present in most of the objects in our daily lives, and the way in which we use these materials has major environmental impacts and poses a growing threat to our ecosystems.

Over 125 million metric tons<sup>4</sup> of plastic waste are generated each year, including 9 million tons that ultimately end up in the natural environment<sup>5</sup>, particularly in our seas and oceans.

Reinventing the end-of-life of plastics-based products is currently one of the major challenges to achieving a more sustainable and eco-friendly society.

Through its innovative approach, CARBIOS aims to implement a circular economic model<sup>6</sup> that will transform this environmental threat into a genuine societal and industrial opportunity, making plastic waste the renewable raw material of tomorrow's chemical industry.

<sup>1</sup> Associating industrial biology and plasturgy

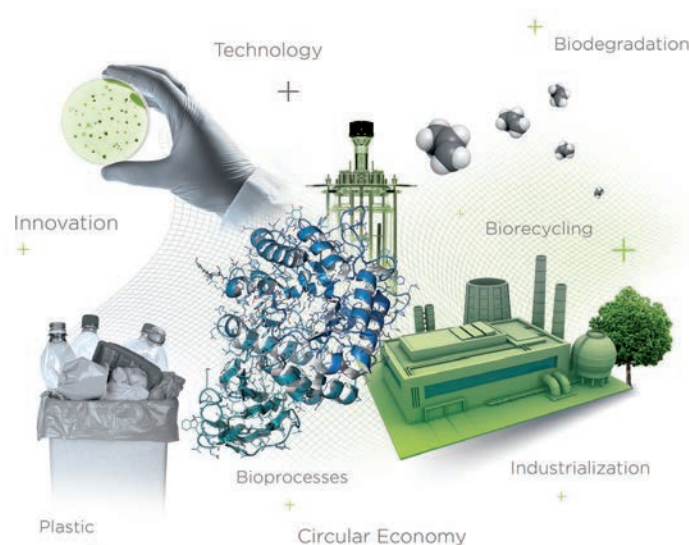
<sup>2</sup> Source: Science Advances magazine, July 19, 2017

<sup>3</sup> Source: PlasticsEurope in 2016

<sup>4</sup> Source: PlasticsEurope in 2015, Environmental Protection Agency in 2013, Plastic Waste Management Institute Japan in 2012, Central Pollution Control Board in 2013, Mc Kinsey & Ocean Conservancy in 2015, Association 7th continent in 2015, Jenna Jambeck in 2015 and Ademe in 2012

<sup>5</sup> Source: Ademe in 2012

<sup>6</sup> In France, the concept of the circular economic received much media coverage at the time of the Grenelle environmental initiative in 2007, and draws its inspiration from the "Cradle to Cradle" theory postulated by M. Braungart and W. McDonough in 2002.







## THE COMPANY AND ITS STRATEGY

The introduction of enzymes in the value chain of the plastics industry is a world first by CARBIOS, whose technological advances in this field have brought about unique know-how. CARBIOS intends to become a major player in the worldwide plasturgy and recycling markets by providing new and innovative solutions, while creating long-term value for its shareholders.

CARBIOS' economic development model is based on the industrialization and sale of its products and/or enzymes, technologies and bioprocesses through the granting of operating licenses for its know-how and its intellectual property, directly or via joint ventures, to major manufacturing companies in the sectors impacted by the Company's innovations. The licenses granted will generate revenue in the form of upfront payments, license fees or dividends.

### A MARKET OPPORTUNITY

Worldwide plastics production is currently concentrated in Asia (49%), particularly China<sup>7</sup>, and generates a quantity of waste that represents a reservoir of raw materials that are still insufficiently recycled.

In light of this situation, new regulatory provisions are being implemented in numerous countries. This is particularly the case in France with the law on energy transition and green growth prohibiting single-use plastic shopping bags since July 1, 2016 and all plastic bags including single-use that cannot be composted in home composting and that are not all or in part made from biosourced materials, since January 1, 2017. Europe has also made undertakings in this field with the adoption of the European Commission's legislative "Circular Economy Package" establishing common objectives for waste management among member states. Last July 18, China also announced to the World Trade Organization (WTO) its intent to prohibit the importation of 24 types of waste from the European Union, particularly certain types of plastic waste, from the year-end.

These provisions show an intensification in the fight against pollution and environmental degradation and reflect a more global trend aimed at initiating a transition to more sustainable solutions with a neutral environmental impact. In addition, they represent powerful backing for innovation in the fields of recycling and biodegradation, the core of the bioprocesses developed by CARBIOS.

CARBIOS' technological offering is a response to a global market currently in search of new competitive and ecological solutions and presents an unprecedented opportunity for manufacturers in the plasturgy field who will be able to adapt to the new international regulatory constraints and to bolster the competitiveness and appeal of their products.

### GREEN CHEMISTRY: AN INDUSTRIAL SECTOR FOR THE FUTURE

The savings in materials and energy associated with "green chemistry", a pillar of the bioeconomy, form an important component of a strategy for the management and efficient use of natural resources. According to the Commission's latest figures<sup>8</sup>, the bioeconomy accounted for €2,200 billion in revenue and 18.6 million jobs within the European Union in 2014. Furthermore, it estimates that the expected growth in the sector will pave the way for new bio-industries and that the direct financing of research and innovation (without counting indirect private and public investments) will lead to the creation of 130,000 jobs and €45 billion in value added by 2025<sup>9</sup>.

Green chemistry is at the heart of the European strategy and a major development priority fostering the emergence of a new, more environmentally-friendly industry.

<sup>7</sup> Source: PlasticsEurope in 2015

<sup>8</sup> Source: European Commission's Bioeconomy Report 2016 (<https://biobs.jrc.ec.europa.eu/>)

<sup>9</sup> Source: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. "Innovating for Sustainable Growth: A Bioeconomy for Europe"

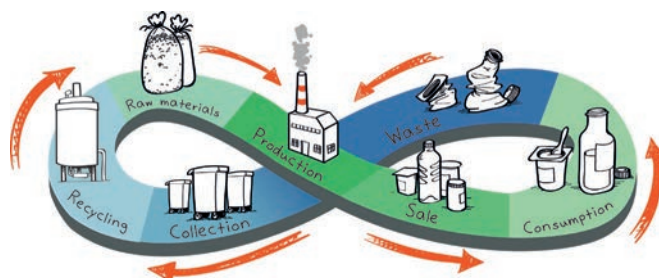


## THE CIRCULAR ECONOMY: A STRATEGIC GOAL

The circular economy consists producing goods and services while limiting the consumption and waste of raw materials and energy sources. This economic concept is a component of sustainable development aiming to create an economy that is no longer linear but rather circular and that is based on the principle of "closing the loop" for products, services, materials and energy.

This principle aims in particular to limit the extraction of fossil resources, to reduce the production of waste or to recycle it and to reduce energy consumption.

These items represent strategic development priorities for green chemistry. New regulations are being implemented in many countries to increase the proportion of plastic waste that is recycled. This is particularly the case in Europe where the European Commission has made strong commitments in this area with the "Circular Economy Package" establishing common objectives for member states so that 80% of packaging waste will be recycled by 2030<sup>11</sup>.



**CARBIOs is fully committed to a positive recovery "loop" approach through the development of biological processes that represent a radical technological and industrial breakthrough, namely an innovative type of chemistry based on the use of enzymes to reinvent the plastics lifecycle.**

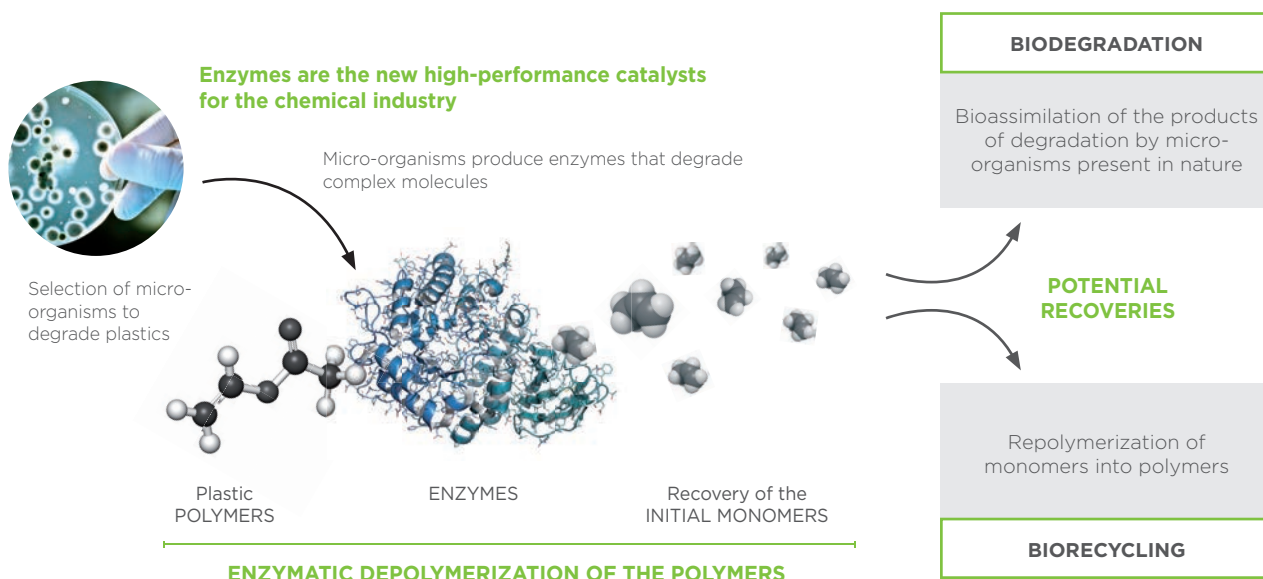
## THE ADVANTAGE OF THE ENZYMATIC BIOPROCESSES DEVELOPED BY CARBIOs

When applied to industrial processes, enzymes make it possible to achieve extremely complex chemical reactions that are hardly possible with classical chemistry. Using the potential of enzymes allows manufacturers to accelerate production processes under conditions that are less demanding and costly than chemical processes in terms of energy, and to use a level of selectivity that limits undesirable byproducts. Enzymes are currently used in numerous applications (detergents, biofuels, food processing, textiles, paper), but their utilization in the polymers that make up plastics had never been considered. In opening this new industrial path, CARBIOs benefits from the maturity attained in many other sectors to drive its developments and accelerate the industrialization of its bioprocesses.

CARBIOs' introduction of enzymes in the value chain of the plastics industry, and in particular the recovery of plastics at end-of-life, is a world first with an industrial potential and relevance to the target markets confirmed by the leading manufacturers in their fields.

<sup>10</sup> Source: Ministry for Ecological and Solidarity-based Transition

<sup>11</sup> Source: European Commission - Revision of Directive 94/62/EC - Amendment by the European Parliament adopted on March 14, 2017





# HIGHLIGHTS OF THE FIRST HALF OF 2017

## CHANGES IN STRUCTURE

### Changes on the Board of Directors

Ian Hudson and Jacques Breuil were appointed members of the Company's Board of Directors<sup>12</sup>. A graduate of Oxford University, Ian Hudson worked for DuPont for over 17 years, where he served notably as President Europe, Middle East & Africa. Jacques Breuil joined the Barbier Group in 1987 where he held the position of General Secretary. He holds a Master of Economics from the Conservatoire National des Arts & Métiers (CNAM) and an Executive MBA from the Sorbonne. Their strong industrial and international experience is a major asset in meeting the strategic challenges of the industrial deployment of CARBIOS' technologies.

### Changes in the Executive Committee

Martin Stephan was appointed Deputy CEO of the Company. He joined CARBIOS in February 2017 as Director of Operations in charge of overseeing strategy, development and investor relations. A graduate of HEC Paris (Ecole des Hautes Etudes Commerciales de Paris), Martin Stephan has spent his entire career in the chemical industry, first in the chemical division of Elf/Total, then with DuPont. His appointment to the management team enables CARBIOS to prepare the industrial development phase of its processes and the establishment of new industrial agreements.

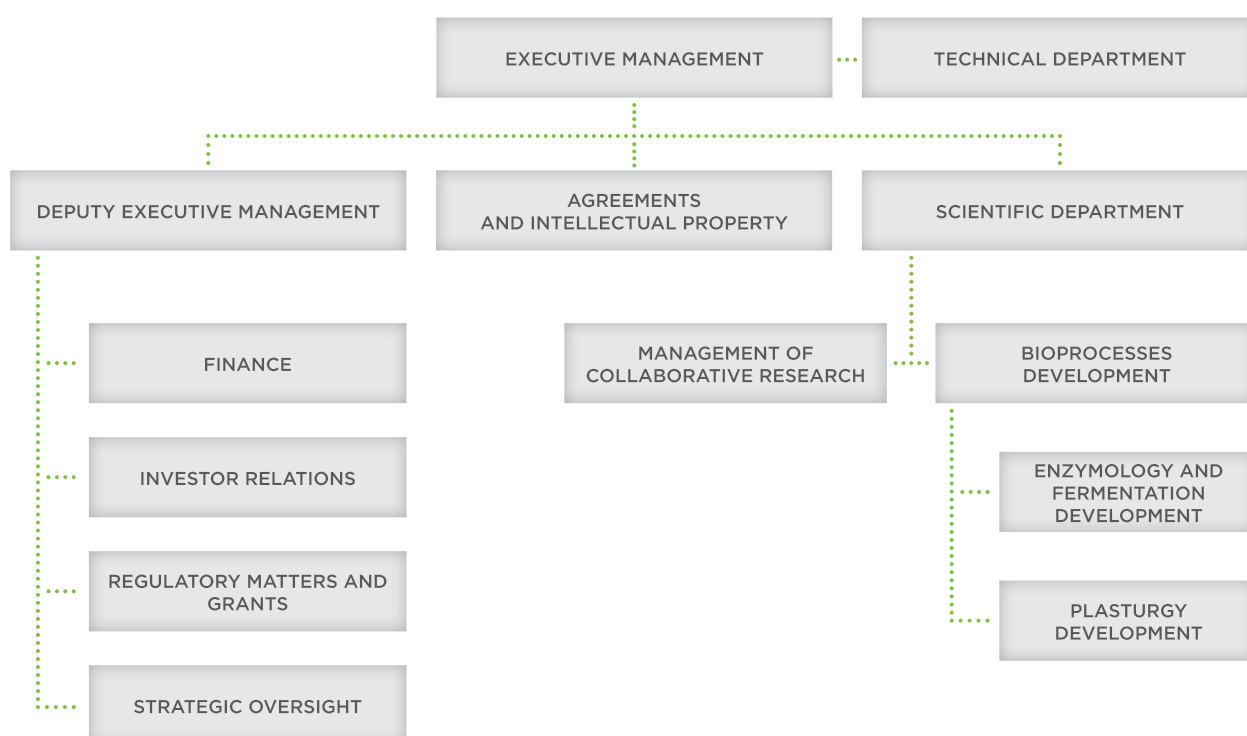
### Changes in the organization of the Company

As of June 30, 2017, CARBIOS had 17 employees primarily distributed among Executive Management and three different departments as follows:

- Executive Management (2 employees);
- The Finance, Supervision and Regulatory Affairs department (5 employees);
- The Agreements and Intellectual Property department (1 employee);
- The Scientific department (9 employees).

In addition to this workforce, over 60 researchers were involved from June 2012 to June 2017 to work on the THANAPLAST™ project.

<sup>12</sup> Ian Hudson was coopted by the Board of Directors' meeting of December 15, 2016. The Combined Shareholders' Meeting of June 15, 2017 ratified his cooption as well as the appointment of Jacques Breuil as a new director.





## STATUS OF PROJECTS

CARBIOS had a positive start to 2017, with significant progress in the development of its biorecycling process for PET plastics and the completion of the Research and Development work on the THANAPLAST™ collaborative program. This five-year strategic project ended on June 30, 2017 in accordance with the initial schedule and the provisions established under the terms of the consortium agreement between the CNRS, the University of Poitiers, the INRA, Deinove, Limagrain Céréales Ingrédients and Barbier.

### Partnerships and industrial development

In May 2017, CARBIOS joined PETCORE Europe, the association representing all the PET industry stakeholders in Europe, including in particular the major industrial groups, manufacturers, transformers, collectors and recyclers of PET. This membership will enable CARBIOS to continue to promote its PET biorecycling process to the main leaders in this industry.

In June 2017, CARBIOS announced the signature of a contract with TechnipFMC, the world leader in engineering in the fields of energy, chemistry and biosourced industries. This agreement will facilitate the transition from the pre-pilot phase to the pilot phase for the CARBIOS process for the enzymatic recycling of PET. The purpose of this agreement will thereafter be to support the development of the project to define the basis of an industrial process. Through this contract, CARBIOS benefits from TechnipFMC's industrial know-how in bioprocess engineering and its expertise in PET polymerization technologies through its subsidiary Technip Zimmer in Germany.

### R&D

In January 2017, CARBIOS announced that its work had made possible the full depolymerization of some household packaging such as new milk bottles in opaque PET. Since 2012, CARBIOS has devoted a vast amount of its research to the development of an enzymatic recycling process for PET. This work resulted in the full depolymerization of commercial products made from PET (bottles, vials, trays, films, etc.) into their original monomers: TPA (terephthalic acid) and MEG (monoethylene glycol). This proprietary innovation answers a strategic challenge in the treatment of plastic waste by providing an unprecedented technological solution for the recycling of PET (transparent, colored, complex, opaque, etc.). In addition, this innovation is a response to the increasing presence on the market of packaging made from opaque PET, which is causing significant disruptions in the current recycling channels. This issue should encourage

the emergence of new solutions, such as those developed by CARBIOS, to handle this waste which is currently primarily deposited in landfills or incinerated.

In June 2017, CARBIOS announced a new success with the synthesis of PET oligomers from terephthalic acid resulting from its biorecycling process for PET bottles. PET synthesis takes place in two main stages. The first, considered the most critical, consists in the synthesis of PET oligomers from terephthalic acid monomers and from monoethylene glycol. The second, permits the synthesis of PET through the polycondensation of the previously obtained oligomers. By successfully completing this first stage, CARBIOS has demonstrated that it is now possible to use plastic PET waste rather than fossil resources in the synthesis of PET oligomers.

### Other

In June, 2017 CARBIOS recognized nearly €1 million in cumulative payments in the context of the equity line financing established with Kepler Cheuvreux on March 29, 2017. This credit line has been added to the Company's financial resources for the industrialization of its first processes and provides the Company with clearer optics regarding its medium-term financing plan.

## CONTEXT OF THE RESEARCH PROJECTS

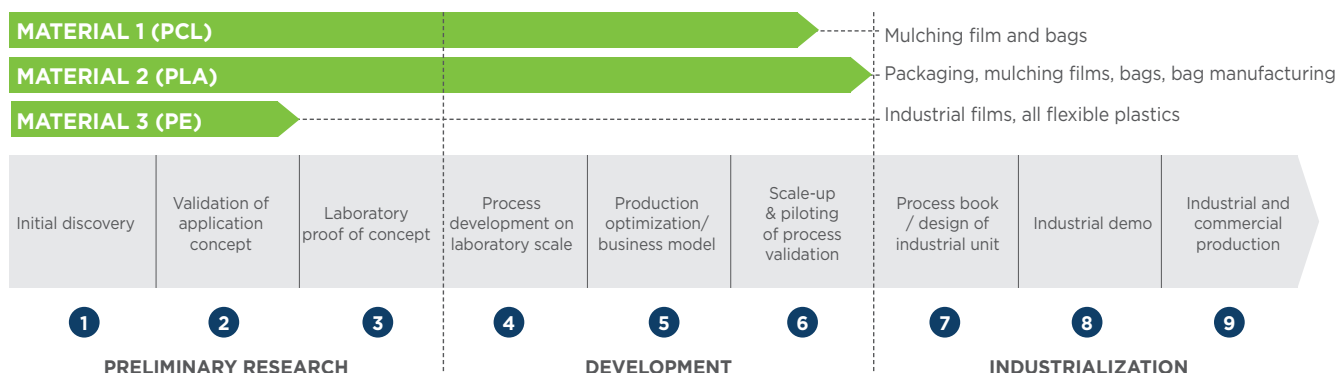
### • ENZYMATED BIODEGRADABLE PLASTICS

The innovation of the biodegradation bioprocess developed by CARBIOS consists in introducing biological catalysts inside plastics that render them biodegradable.

This technology has been in the industrial development phase within the joint venture CARBIOLICE since September 1, 2016. This joint venture was created with Limagrain Céréales Ingrédients and the SPI "Société de projets industriels" investment fund operated by Bpifrance.

With a view to the industrial and commercial development of this technology, in particular on the markets of mulching film, bag manufacturing and industrial films, CARBIOS is supporting CARBIOLICE through a service contract to develop formulations for biodegradable plastics for each one of these markets.

## ENZYMATED BIODEGRADABLE PLASTICS



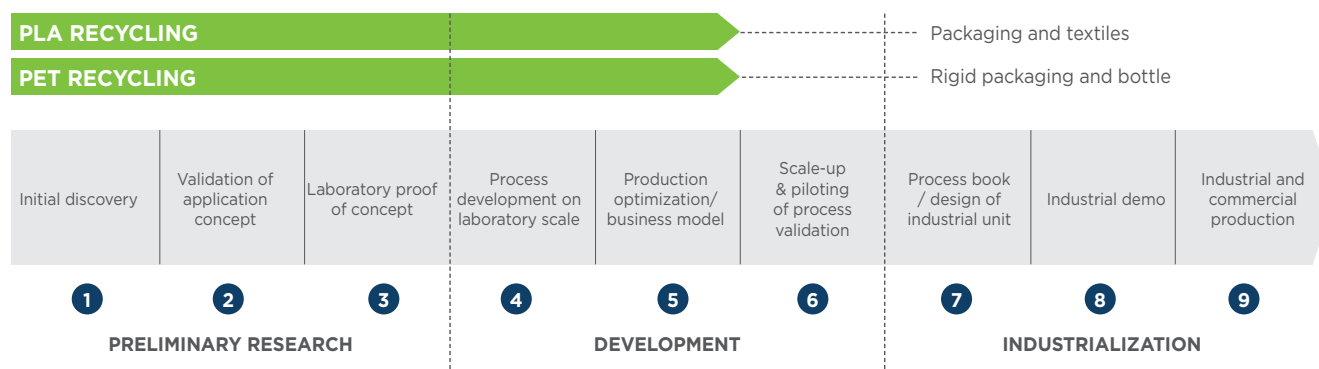
Other applications/polymers may be the subject of future grants of licenses to other worldwide manufacturers liable to ensure the roll-out of new applications resulting from the processes designed and developed by CARBIOS.



### • BIORECYCLING OF PLASTIC WASTE

The biorecycling processes in development have focused on two polymers: PLA and PET, and have attained the pre-pilot stage in accordance with the objectives set at the time of the Company's IPO. The first half of 2017 was marked by several significant advances that make it possible to envisage the industrialization of this technology in the near future.

#### BIORECYCLING OF PLASTIC WASTE



With regard to PLA recycling, the circularity of the process was demonstrated with the successful 90% depolymerization of PLA in 48 hours and the proof of concept of the repolymerization of the lactic acid monomers obtained into PLA in accordance with the objectives stipulated in the THANAPLAST™ program. The next stage in PLA recycling will be its optimization which may take place in the context of a partnership with an industrial player in this market.

With regard to PET recycling, a new milestone was achieved with the demonstration of the synthesis of PET oligomers from terephthalic acid resulting from the CARBIOS biorecycling process for bottles made of PET. The next step will be to synthesize PET from biorecycled oligomers and to optimize the process performances with a view to an industrial pilot phase.

The preliminary analysis of the PET biorecycling process has been performed and the engineering studies are currently being conducted with TechnipFMC in order to initiate the transition of this innovation from the pre-pilot phase to the pilot phase.

On the strength of the results already achieved, CARBIOS is maintaining its goal to bring its enzymatic recycling bioprocess to the industrial stage in the near future through licensing agreements with the key players in the appropriate sectors.

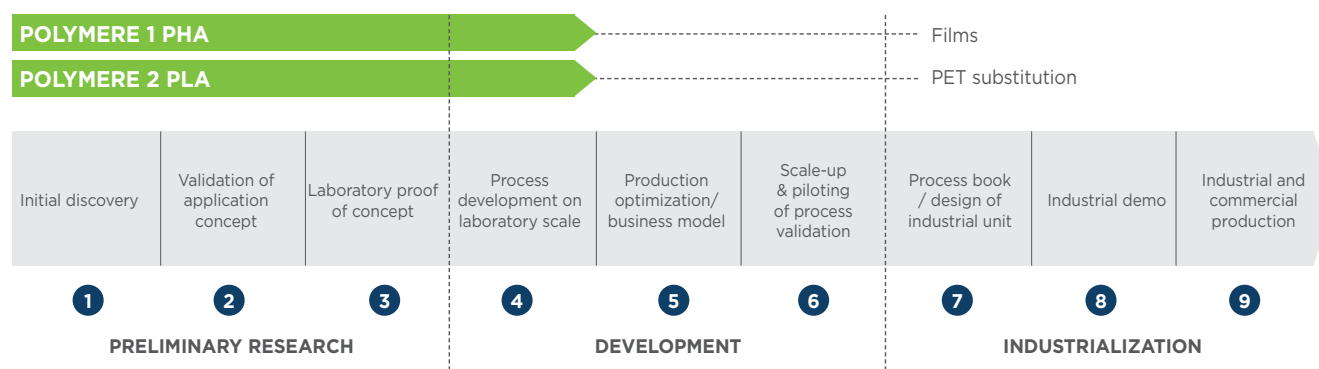
### • BIOPRODUCTION OF POLYMERS

CARBIOS previously demonstrated, with its partners from INRA and INSA (TWB and LISBP), the feasibility of its in vivo enzymatic polymerization process of the lactic acid in PLA resulting in a high-molecular-weight homopolymer. This process is an important supplement to the PLA biorecycling process and would permit PLA reproduction from the recycled monomers while omitting the current chemical polymerization stage, which is complex and costly.

Discussions are currently underway with manufacturers in the sector in order to continue this development and to make it possible to offer a competitively priced PLA to plastics specialists.

The Company currently favors this biological production approach to satisfy the strong growth in the global PLA market.

#### BIOPRODUCTION OF POLYMERS







## CARBOLICE: A FIRST INDUSTRIAL ACHIEVEMENT



The first industrial achievement of the THANAPLAST™ project saw the light in 2016 with the operational launch of the CARBIOLICE joint venture, created in partnership with Limagrain Céréales Ingrédients and the SPI "Société de Projets Industriels" investment fund operated by Bpifrance.

This company took over the production and commercialization of granules intended for the production of the biosourced and degradable plastics of Limagrain Céréales Ingrédients (producer of Biolice®) to progressively incorporate the technological innovations licensed by CARBIOS.

Through its production unit with an annual capacity of 4,000 metric tons, CARBIOLICE performs the industrial demonstration of the patented technology for enzymatic biodegradation of plastics developed by CARBIOS, then the industrial and commercial production of enzymed granules (compounds and Masterbatches) used in the manufacturing of biosourced, biodegradable plastics. It will address specific fields of application, namely for flexible film markets (mulching films, bags and bag manufacturing, industrial films, wrapping films, food packaging), for all rigid applications in the agricultural and horticultural sectors and for disposable kitchen tumblers, glasses and plates made from plastic.

The shareholders' agreement signed on August 31, 2016 between the project stakeholders includes the granting of an exclusive worldwide license by CARBIOS to CARBIOLICE for the operation of the enzymatic biodegradation technology for all combinations (plastic compositions and Masterbatches) based on biodegradable polyesters for limited applications in the aforementioned specific fields.

For this granting of patent licenses and know-how, the Company recorded non-monetary operating revenue of €8 million in 2016, a receivable converted into a stake in the capital of the joint venture. As of June 30, 2017, CARBIOS holds a 61.29% stake in CARBIOLICE, thus enabling it to ensure its control. This agreement will be followed by royalties on the sales of products incorporating the CARBIOS enzymatic biodegradation patented technology.

Along with this partnership created in 2016, CARBIOS also maintains close relations with several large PLA producers who operate internationally. Their strong interest in this technology makes it possible to envisage the worldwide deployment of this innovative biodegradation process thereby bolstering the valuation forecasts envisaged for this bioprocess designed and developed by CARBIOS.





## INDUSTRIAL PROPERTY

During the first half of 2017, CARBIOS focused on continuing the procedures pertaining to outstanding applications (expansion abroad, responses to official letters) with the aim of having its titles granted in wider geographical areas.

As of June 30, 2017, the Company's patent portfolio holds 22 patent families (including 20 directly owned and 2 in exclusive worldwide licenses), representing 65 titles, including 14 patents that are issued and current.

These patent families cover the Company's three development priorities (Biodegradation, Biorecycling and Bioproduction), ensuring that CARBIOS can guarantee a strategic competitive advantage over sizeable markets to its current and future industrial partners.

## LEGAL ITEMS

From a legal standpoint, the first half of 2017 was marked by the following events:

- In a decision made on March 21, 2017, the Board of Directors recorded:

- the completion of a capital increase of a nominal amount of €2,100 by the issuance of 3,000 new shares, resulting from the exercise of 3,000 BCE-2011-2 (BCE - founder warrants) and having the effect of raising the share capital to €2,658,821.10; and amended the bylaws in accordance with the capital increase. These 3,000 BCE-2011-2 were part of the 7,614 founder warrants issued by decision of the sole Company partner on July 6, 2011;

- the completion of a capital increase of a nominal amount of €3,500 by the issuance of 5,000 new shares, resulting from the exercise of 5,000 BCE-2012-1 (BCE - founder warrants) and having the effect of raising the share capital from €2,660,821.10 to €2,664,321.10; and amended the bylaws in accordance with the capital increase. These 5,000 BCE-2012-1 were part of the 65,000 founder warrants issued by decision of the combined Company partners on September 28, 2012;

- the completion of a capital increase of a nominal amount of €3,500 by the issuance of 5,000 new shares, resulting from the exercise of 5,000 BCE-2012-1 (BCE - founder warrants) and having the effect of raising the share capital from €2,664,321.10 to €2,667,821.10; and amended the bylaws in accordance with the capital increase. These 5,000 BCE-2012-1 were part of the 65,000 founder warrants issued by decision of the combined Company partners on September 28, 2012;

- the completion of a capital increase of a nominal amount of €3,229.80 by the issuance of 4,614 new shares, resulting from the exercise of 4,614 BCE-2011-2 (BCE - founder warrants) and having the effect of raising the share capital from €2,667,821.10 to €2,671,050.90; and amended the bylaws in accordance with the capital increase. These 4,614 BCE-2011-2 were part of the 7,614 founder warrants issued by decision of the sole Company partner on July 6, 2011;

- the completion of a capital increase of a nominal amount of €1,400 by the issuance of 2,000 new shares, resulting from the exercise of 2,000 BCE-2012-2 (BCE - founder warrants) and having the effect of raising the share capital from €2,671,050.90 to €2,672,450.90; and amended the bylaws in accordance with the capital increase. These 2,000 BCE-2012-2 were part of the 8,000 founder warrants issued by decision of the combined Company partners on September 28, 2012;

- the completion of a capital increase of a nominal amount of €3,500 by the issuance of 5,000 new shares, resulting from the exercise of 5,000 BCE-2012-1 (BCE - founder warrants) and having the effect of raising the share capital from €2,672,450.90 to €2,675,950.90; and amended the bylaws in accordance with the capital increase. These 5,000 BCE-2012-1 were part of the 65,000 founder warrants issued by decision of the combined Company partners on September 28, 2012;

- the completion of a capital increase of a nominal amount of €1,400 by the issuance of 2,000 new shares, resulting from the exercise of 2,000 BCE-2012 (BCE - founder warrants) and having the effect of raising the share capital from €2,675,950.90 to €2,677,350.90; and amended the bylaws in accordance with the capital increase. These 2,000 BCE-2012 were part of the 8,000 founder warrants issued by decision of the combined Company partners on September 28, 2012;

- the completion of a capital increase of a nominal amount of €3,500 by the issuance of 5,000 new shares, resulting from the exercise of 5,000 BCE-2012-1 (BCE - founder warrants) and having the effect of raising the share capital from €2,677,350.90 to €2,680,850.90; and amended the bylaws in accordance with the capital increase. These 5,000 BCE-2012-1 were part of the 65,000 founder warrants issued by decision of the combined Company partners on September 28, 2012;





- the completion of a capital increase of a nominal amount of €3,500 by the issuance of 5,000 new shares, resulting from the exercise of 5,000 BCE-2012-1 (BCE - founder warrants) and having the effect of raising the share capital from €2,680,850.90 to €2,684,350.90; and amended the bylaws in accordance with the capital increase. These 5,000 BCE-2012-1 were part of the 65,000 founder share subscription warrants issued by decision of the combined Company partners on September 28, 2012.
- During this same meeting, the Board of Directors noting that the term of office of the Chief Executive Officer of the Company was coming to an end at the close of its annual Ordinary and Extraordinary Shareholders' Meeting on June 15, 2017, convened to approve the financial statements for the year ended December 31, 2016, in accordance with the decision of the Board of Directors of February 20, 2013, decided to renew the term of office of the current Chief Executive Officer for a period of four (4) years from June 15, 2017 and expiring on June 15, 2021.
- In addition, through a decision made by the Chief Executive Officer on March 28, 2017, using the powers subdelegated by the Board of Directors during its meeting of March 21, 2017, and acting under the authority and powers delegated to him by the Combined Shareholders' Meeting of June 17, 2016, in its 10th resolution, the Company issued in favor of Kepler Cheuvreux within the context of the establishment of Equity line financing, 380,000 share subscription warrants (hereafter, "**BSA**") enabling it to subscribe 380,000 shares in the event of the complete exercise of said BSAs.
- The annual Ordinary and Extraordinary Shareholders' Meeting of June 15, 2017 decided to:
  - approve the appointment as member of the Board of Directors, made on a provisional basis by the Board of Directors during its December 15, 2016 meeting, of Ian Hudson, as replacement for TRUFFLE CAPITAL, which was resigning;
  - renew the term of office as director of Ian Hudson for a four-year period expiring at the close of the annual Ordinary Shareholders' Meeting that will be held during 2021 and that will be convened to approve the financial statements for the year ending December 31, 2020;
  - renew the term of office as director of Jacqueline Lecourtier for a four-year period expiring at the close of the annual Ordinary Shareholders' Meeting that will be held during 2021 and that will be convened to approve the financial statements for the year ending December 31, 2020;
  - renew the term of office as director of Jean-Claude Lumaret for a four-year period expiring at the close of the annual Ordinary Shareholders' Meeting that will be held during 2021 and that will be convened to approve the financial statements for the year ending December 31, 2020;
  - renew the term of office as director of Alain Chevalier for a four-year period expiring at the close of the annual Ordinary Shareholders' Meeting that will be held during 2021 and that will be convened to approve the financial statements for the year ending December 31, 2020;
  - renew the term of office as director of Eric Arnoult for a four-year period expiring at the close of the annual Ordinary Shareholders' Meeting that will be held during 2021 and that will be convened to approve the financial statements for the year ending December 31, 2020;
  - not renew the term of office as director of Alain Philippart; and
  - not renew the term of office as director of Grégoire Berthe.
- During this same meeting, the annual Ordinary and Extraordinary Shareholders' Meeting appointed Jacques Breuil as new director for a period of four (4) years that will end at the close of the Shareholders' Meeting that will be convened in 2021 to approve the financial statements for the year ending December 31, 2020.
- The annual Ordinary and Extraordinary Shareholders' Meeting of June 15, 2017 delegated its authority to the Board of Directors to:
  - decide to issue, on one or more occasions, a maximum of 185,000 BSAs giving the right to the subscription of 185,000 ordinary shares of the Company, this issuance being reserved for a certain category of defined persons (directors - consultants - management team of the Company);
  - decide to issue, on one or more occasions, a maximum of 185,000 founder share subscription warrants (BSPCE) giving the right to the subscription of 185,000 new ordinary shares of the Company, this issuance being reserved for a certain category of defined persons (directors - consultants - management team of the Company);

The total number of founder share subscription warrants (BSPCE) and share subscription warrants (BSA) to be issued by the Board of Directors under the terms of this delegation shall not exceed an overall ceiling of 185,000 warrants.





- During its meeting of June 27, 2017, the Board of Directors, acting under the terms of the delegations of authority granted by the Combined Shareholders' Meeting of June 15, 2017 (Twentieth and Twenty-first resolutions) decided to:

- Issue and allocate 9,600 BSAs (the "BSA-2017-1") giving the right to the subscription of 9,600 ordinary shares of a nominal value of €0.70, at a unit price equal to the volume-weighted average of the last twenty trading days preceding the allocation date of the Warrants, i.e. a price equal to €7.86; and

- issue and allocate 35,000 BCE (founder warrants) (the "BCE-2017-1"), giving the right to subscribe to 35,000 ordinary shares of a nominal value of €0.70, at a unit price equal to the volume-weighted average of the last twenty trading days preceding the allocation date of the Warrants, i.e. a price equal to €7.86.

- During the same meeting, the Board of Directors decided to:

- appoint Martin Stephan as Deputy CEO; and to

- appoint Dominique Even as Chairman of the Audit Committee and Alain Chevallier as a new member of the Audit Committee, following the end of the term of office of Alain Philippart as Chairman and member of the Audit Committee on June 15, 2017.

Since the end of the first half of 2017, the following events have taken place:

- The Board of Directors of July 17, 2017 decided to perform a capital increase through the issuance of new shares, without preferential subscription rights for a category of beneficiaries, namely French or foreign investment companies or investment funds investing in the biotech/cleantech sector, through the issuance of a maximum of 1,655,400 new Company shares of a nominal value of €0.70, corresponding to a maximum nominal amount for the capital increase of €1,158,780.
- Through a decision taken on July 18, 2017, the Chief Executive Officer implemented the delegation of authority granted by the Board of Directors of July 17, 2017 and decided to increase the capital of the Company through the issuance of new shares, without preferential subscription rights in favor of a category of beneficiaries, namely French or foreign investment companies or investment funds investing in the biotech/cleantech sector, for a nominal amount of €326,327.40, i.e. 466,182 shares of a nominal value of €0.70.
- Through a decision taken on July 21, 2017, the Chief Executive Officer recorded the completion of a share capital increase of a nominal amount of €326,327.40 through the issuance of 466,182 ordinary shares of €0.70 in nominal value and €7.05 in issue premium, i.e. a capital increase of €3,612,910.5, issue premium included.

## FINANCIAL ITEMS

As indicated in Note 8 to the Interim financial statements, the share capital has increased since January 1, 2017 from €2,677,350.90 to €2,813,150.90 as of June 30, 2017. It consists of 4,018,787 ordinary shares of a nominal value of €0.70.

Under the terms of the liquidity contract CARBIOS signed with the brokerage firm Gilbert Dupont on December 2, 2016, with effect from December 19, 2016, the following resources comprised the liquidity account as of June 30, 2017:

- Number of shares: 7,907 CARBIOS securities (representing €76,951 in inventory value)

- Cash balance of the liquidity account: €93,918.20

It is noted that as of December 31, 2016, the following resources comprised the liquidity account:

- Number of shares: 14,797 CARBIOS securities

- Cash balance of the liquidity account: €40,735.94



## FINANCIAL POSITION AND RESULTS: COMMENTS ON THE FIGURES

The following tables present the key items of the half-year results prepared in accordance with French accounting standards for the first halves of the 2016 and 2017 fiscal years, as well as certain financial items from the balance sheet as of June 30, 2017 compared to the balance as of December 31, 2016.

### PRESENTATION OF RESULTS AS OF JUNE 30, 2017

#### Operating revenue

Operating revenue totaled €632 thousand and consists in particular of:

- €105 thousand from the grant awarded by Bpifrance, corresponding to the finalization of the last key-stage of the THANAPLAST™ project;
- €518 thousand from R&D services and activities invoiced to the subsidiary CARBIOLICE

### OPERATING EXPENSES

| Operating expenses (in thousands of euros)                    | 6/30/2016    | 6/30/2017    |
|---|--------------|--------------|
| External studies, subcontracting and scientific consultations | 1 235        | 337          |
| Consumables   | 20           | 29           |
| Supplies  | 30           | 24           |
| Rentals, maintenance and upkeep expenses                      | 70           | 92           |
| Expenses and fees related to industrial property              | - 13         | 4            |
| Fees  | 466          | 312          |
| Business travel   | 69           | 64           |
| Miscellaneous expenses  | 27           | 45           |
| <b>Total other expenses and external expenses</b>             | <b>1 904</b> | <b>907</b>   |
| <b>Taxes and similar payments</b>                             | <b>9</b>     | <b>13</b>    |
| <b>Salaries and wages</b>                                     | <b>681</b>   | <b>913</b>   |
| <b>Social security contributions</b>                          | <b>232</b>   | <b>306</b>   |
| <b>Depreciation of fixed assets</b>                           | <b>101</b>   | <b>117</b>   |
| <b>Other expenses</b>   | <b>60</b>    | <b>127</b>   |
| <b>TOTAL OPERATING EXPENSES</b>                               | <b>2 987</b> | <b>2 383</b> |

During the first half of 2017, CARBIOS spent €2,383 thousand on operational activities.

The Research and Development work primarily focused on the progress of the THANAPLAST™ project.

External expenses for R&D dropped by 73% compared to 2016, primarily as a result of the end of several large contracts for the THANAPLAST™ project and the insourcing of R&D services.



## FINANCIAL INCOME

| Financial income (in thousands of euros) | 6/30/2016 | 6/30/2017 |
|--|-----------|-----------|
| Financial income                         | 41        | 58        |
| Financial expenses                       | -         | 25        |
| <b>FINANCIAL INCOME</b>                  | <b>41</b> | <b>33</b> |

Financial income as of June 30, 2017 consisted of:

- financial income from financial investments by CARBIOS; and
- financial expenses particularly due to commissions following the exercise of BSA by Kepler Cheuvreux.

## NET INCOME

| Net income (in thousands of euros) | 6/30/2016      | 6/30/2017      |
|------------------------------------|----------------|----------------|
| Current income before taxes        | - 2 390        | - 1 718        |
| Extraordinary gain or loss         | - 6            | - 6            |
| Income tax (research tax credit)   | - 860          | - 371          |
| <b>PROFIT OR LOSS</b>              | <b>- 1 536</b> | <b>- 1 353</b> |

On June 30, 2017, CARBIOS acquired a Research Tax Credit of €371 thousand, calculated on the basis of the eligible Research and Development expenses undertaken by the Company during the first half of 2017.



## PRESENTATION OF THE BALANCE SHEET AS OF JUNE 30, 2017

| (in thousands of euros)                          | 12/31/16      | 6/30/17       | Note  |   | 12/31/16      | 6/30/17       | Note |
|--|---------------|---------------|-------|---|---------------|---------------|------|
| <b>FIXED ASSETS</b>                              |               |               | 4     | <b>EQUITY</b>                           | 8             |               | 8    |
| <i>Intangible assets</i>                         | <b>371</b>    | <b>415</b>    | 4     | Share capital                           | 2 677         | 2 813         |      |
| Concessions, patents, licenses, software         | 371           | 415           |       | Issue, merger and contribution premiums | 13 736        | 14 720        |      |
| <i>Property, plant and equipment</i>             | <b>1 211</b>  | <b>1 134</b>  | 4     | Retained earnings                       | - 8 240       | - 3 319       |      |
| Office and IT hardware                           | 46            | 41            |       | Investment subsidies                    | 20            | 18            |      |
| Laboratory equipment and material                | 1 136         | 1 066         |       | Profit or loss for the period           | 4 920         | - 1 353       |      |
| Fixtures and fittings                            | 29            | 27            |       | <b>TOTAL EQUITY</b>                     | <b>13 113</b> | <b>12 879</b> |      |
| <i>Advances on assets under construction</i>     | <b>0</b>      | <b>0</b>      |       |   |               |               |      |
| <i>Financial fixed assets</i>                    | <b>9 688</b>  | <b>9 694</b>  |       |   |               |               |      |
| Equity interests                                 | 9 500         | 9 500         | 4     |   |               |               |      |
| Deposits and guarantees                          | 23            | 23            |       | <b>OTHER EQUITY CAPITAL</b>             |               |               |      |
| Liquidity contract                               | 41            | 94            | 4     | Conditional advances                    | 3 151         | 3 260         | 9    |
| Treasury shares                                  | 125           | 77            | 4     |   |               |               |      |
| <b>TOTAL FIXED ASSETS</b>                        | <b>11 270</b> | <b>11 243</b> |       |   |               |               |      |
|  |               |               |       |   |               |               |      |
| <b>CURRENT ASSETS</b>                            |               |               |       | <b>DEBT</b>                             |               |               | 11   |
| Receivables                                      | 79            | 315           | 5     |   |               |               |      |
| State - receivables                              | 1 503         | 482           | 5     | Loans                                   | 178           | 272           | 9    |
| Subsidies receivable                             | 360           | 466           | 5 & 9 | Trade payables and related accounts     | 494           | 515           | 11   |
| Laboratory raw material inventories              | 15            | 14            | 5     | Tax and social liabilities              | 494           | 383           | 11   |
| Other receivables                                | 3             | 9             | 5     | Other debts                             | 2             | 37            |      |
| Cash, cash equivalents and marketable securities | 3 987         | 4 736         | 6 & 7 |   |               |               |      |
| Prepaid expenses                                 | 215           | 81            | 5     |   |               |               |      |
| <b>TOTAL CURRENT ASSETS</b>                      | <b>6 162</b>  | <b>6 103</b>  |       | <b>TOTAL CURRENT LIABILITIES</b>        | <b>1 168</b>  | <b>1 207</b>  |      |
| <b>OVERALL TOTAL</b>                             | <b>17 432</b> | <b>17 346</b> |       | <b>OVERALL TOTAL</b>                    | <b>17 432</b> | <b>17 346</b> |      |



## MAIN RISK FACTORS

To our knowledge, there are no new major risks other than those identified in the Registration Document filed with the Autorité des Marchés Financiers (AMF) on April 28, 2017 under number E. 17-037 and available on CARBIOS' website, namely and in particular, without this list being considered exhaustive, (i) risks associated with the operation of the Company, particularly risks linked to forecast losses, risks linked to financing needs and access to public subsidies and to the Research Tax Credit, risks linked to existing and future partners and risks of commercial failure and the risk of dependence upon key personnel, (ii) risks linked to the Company business, particularly the protection of the technology, the risk linked to delays or failure in the development of the bioprocesses, the risk linked to change in raw material prices, risks linked to the emergence of competitive technologies and to competition and to industrial risks associated with the environment, (iii) legal risks, particularly risks linked to litigation regarding filed patents, risks linked to the uncertain protection of the patents and other intellectual property rights, risks linked to the inability to protect information confidentiality and the know-how of the Company, the risks linked to regulatory authorizations and in particular to the use of GMOs, the risks of litigation and dilution, (iv) the risks linked to partnerships, particularly the risk of dependence on technologies owned by third parties and the risk of the liability of the Company being invoked due to defective products, (v) risks linked to insurance and the coverage of risks and (vi) market risks, particularly the liquidity risk, the interest rate risk, the counterparty risk, the risk on shares, foreign exchange risks and risks from off-balance sheet commitments.

Furthermore, the Audit Committee performs a detailed annual review of the risk factors, which will, where applicable, be updated in each edition or update of the Company's Registration Document.

### RISKS ASSOCIATED WITH THE OPERATIONS OF THE COMPANY

The risk factors pertaining to the Company were presented in Chapter 4.1 of the Registration Document filed with the Autorité des Marchés Financiers (AMF) under number R.17-037 on April 28, 2017.

### RISKS ASSOCIATED WITH DELAYS OR FAILURE IN RESEARCH AND DEVELOPMENT

The Company has chosen as its primary development priority the creation of bioprocesses applied to the management of the end-of-life of plastics. This is a radical departure from the current technology in existence, and is based on the use of enzymes and the development of bioprocesses until industrial validation.

The focus is on three bioprocesses in particular. The first consists in developing new biodegradable plastics with a controlled lifespan, the second permits the recycling of plastics in order to achieve polymers with properties identical to those of the original, and the third aims to produce biopolymers in a competitive manner and in compliance with environmental requirements.

The Company's original structure enables it to assert that it can minimize the impact of a delay in the development of one of these bioprocesses. The Company has taken care to minimize the interdependence between these processes in terms of scientific and technical results. The project calendar shows that any potential delay in the development of one of the projects in no way hinders the timely industrial and commercial development of the other bioprocesses.

Nevertheless, the Company acknowledges that the bioprocesses are currently at different stages of development and present various degrees of scientific complexity. Ambitious development objectives were established as part of the THANAPLAST™ project and, to date, these have been met, thereby enabling Bpifrance to validate this program's key stages 1 to 4.

The Company has defined objectives that determine the economic competitiveness of the processes. The Company may find itself unable to achieve these objectives, particularly if the production cost of the enzymes used in the processes, both in terms of operating costs and investment costs, proves too high to achieve the envisaged level of competitiveness.

Any delay in the development of the processes would result in a postponement of the current research and development studies that could delay the validation and establishment of the corresponding pre-industrial pilots. A setback at an intermediary stage could result in the process losing its competitive advantage and accordingly, its opportunity to be marketed on a large scale. The use of the process may then have to be abandoned.

In the event of the abandonment of a major scientific development priority that could pose a definitive challenge to the viability of the Company's business model, it would become necessary to ascertain the best method for valuing the assets accumulated by the Company as of the date of such an event and to take measures, such as the partial or total disposal of these assets, in order to minimize the impact of such a situation on shareholders. In such an event, the long-term survival of the Company could be brought into question.



### RISKS ASSOCIATED WITH THE UNCERTAIN PROTECTION OF THE PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

To ensure the success of its innovative activities, it is essential that the Company, as well as its future licensors and licensees, be in a position to obtain, maintain and ensure the respect of their patents and intellectual property rights. Nevertheless, it cannot be excluded that:

- the patent requests currently being reviewed by the various offices, including certain significant patent requests, may not be issued;
- the extent of the protection granted by a patent may be insufficient for the protection of the relevant invention from competitors;
- some third parties may claim rights to the patents or other intellectual property rights that the Company owns directly or capitalizes on through the granting of licenses.

The issuance of a patent does not guarantee its validity or its applicability and third parties may challenge these two aspects. The issuance and applicability of a patent in the biotech field are highly uncertain and raise complex legal and scientific issues. A lawsuit may prove necessary to ensure the respect of the intellectual property rights, to protect the commercial trade secrets or to determine the validity and the scope of the intellectual property rights of the Company. Any litigation may result in significant expenditure, reduce profit and fail to provide the protection sought by the Company. Competitors may successfully challenge the patents, which could result in the reduction, or even cancellation, of the scope of the Company's patents. Furthermore, these patents could successfully be counterfeited or circumvented thanks to certain innovations.

Consequently, the Company cannot guarantee that:

- the patent filing applications that are currently being reviewed will actually result in the issuance of patents;
- the patents issued or granted in license to the Company or its partners will not be challenged by third parties and/or invalidated by a competent jurisdiction;
- the extent of the protection granted by the patents will be sufficient to protect it from its competitors, even if the Company deems that this risk is reduced by the broad written content of the claims contained in the patent applications;
- these processes do not infringe, or will not be accused of infringing, patents belonging to third parties;
- third parties will not take legal action or claim a right to the ownership of the patents or other intellectual property rights of the Company.

The occurrence of one of these items regarding one of the patents or intellectual property rights may have a negative impact on the business, outlook, financial position, results or development of the Company.

Given the paramount importance of the patents in its business sector, the Company has formed a non-statutory Intellectual Property commission that meets periodically to define the Company's industrial property strategy, and that benefits internally from the expertise of an expert on industrial property and a patent attorney firm. It also adheres to a policy of filing patent applications at an early stage in order to optimize their priority rights.

### AGREEMENTS WITH RELATED PARTIES

Transactions between related parties are of the same type as those presented in Chapter 19 "Transactions with affiliated companies" of the 2016 Registration Document filed under number E. 17-037 on April 28, 2017 and available on the Company's website.

In addition, during the first half of 2017, the following agreements, which fall within the scope of application of Article L.225-38 of the French Commercial Code, were authorized by the Board of Directors:

- a secondary patent and know-how license option granted to CARBIOLICE on February 15, 2017; and
- a research services contract signed between the Company and CARBIOLICE, with effect from February 15, 2017.

These agreements are part of a contractual set consisting of various agreements signed between the Company and CARBIOLICE, including a patent licensing and know-how license contract already approved by the Board of Directors of June 21, 2016, as well as a consulting contract and a current account agreement approved by the Board of Directors of September 27, 2016.



**3.**

**INTERIM**

**FINANCIAL**

**STATEMENTS AS**

**OF JUNE 30, 2017**



# BALANCE SHEET

## ASSETS

| (In thousands of euros)                          | Note  | 12/31/16      | 6/30/17       |
|--|-------|---------------|---------------|
| <b>FIXED ASSETS</b>                              |       |               |               |
| <b>Intangible assets</b>                         | 4     | <b>371</b>    | <b>415</b>    |
| Concessions, patents, licenses, software         |       | 371           | 415           |
| <b>Property, plant and equipment</b>             | 4     | <b>1 211</b>  | <b>1 134</b>  |
| Office and IT hardware                           |       | 46            | 41            |
| Laboratory equipment and material                |       | 1 136         | 1 066         |
| Fixtures and fittings                            |       | 29            | 27            |
| Advances on assets under construction            |       | 0             | 0             |
| <b>Financial assets</b>                          |       | <b>9 688</b>  | <b>9 694</b>  |
| Equity interests                                 | 4     | 9 500         | 9 500         |
| Deposits and guarantees                          |       | 23            | 23            |
| Liquidity contract                               | 4     | 41            | 94            |
| Treasury shares                                  | 4     | 125           | 77            |
| <b>TOTAL FIXED ASSETS</b>                        |       | <b>11 270</b> | <b>11 243</b> |
| <b>CURRENT ASSETS</b>                            |       |               |               |
| Receivables                                      | 5     | 79            | 315           |
| State - receivables                              | 5     | 1 503         | 482           |
| Subsidies receivable                             | 5 & 9 | 360           | 466           |
| Laboratory raw material inventories              | 5     | 15            | 14            |
| Other receivables                                | 5     | 3             | 9             |
| Cash, cash equivalents and marketable securities | 6 & 7 | 3 987         | 4 736         |
| Prepaid expenses                                 | 5     | 215           | 81            |
| <b>TOTAL CURRENT ASSETS</b>                      |       | <b>6 162</b>  | <b>6 103</b>  |
| <b>OVERALL TOTAL</b>                             |       | <b>17 432</b> | <b>17 346</b> |



## LIABILITIES

| (In thousands of euros)                 | Note | 12/31/16      | 6/30/17       |
|---|------|---------------|---------------|
| <b>EQUITY</b>                           | 8    |               |               |
| Share capital                           |      | 2 677         | 2 813         |
| Issue, merger and contribution premiums |      | 13 736        | 14 720        |
| Retained earnings                       |      | - 8 240       | - 3 319       |
| Investment subsidies                    |      | 20            | 18            |
| Profit or loss for the period           |      | 4 920         | - 1 353       |
| <b>TOTAL EQUITY</b>                     |      | <b>13 113</b> | <b>12 879</b> |
| <b>OTHER EQUITY CAPITAL</b>             |      |               |               |
| Conditional advances                    | 9    | 3 151         | 3 260         |
| <b>CURRENT LIABILITIES</b>              |      |               |               |
| Loans                                   | 9    | 178           | 272           |
| Trade payables and related accounts     | 11   | 494           | 515           |
| Tax and social liabilities              | 11   | 494           | 383           |
| Other liabilities                       |      | 2             | 37            |
| <b>TOTAL CURRENT LIABILITIES</b>        |      | <b>1 168</b>  | <b>1 207</b>  |
| <b>OVERALL TOTAL</b>                    |      | <b>17 432</b> | <b>17 346</b> |



# INCOME STATEMENT

| (In thousands of euros)                               | Note    | 6/30/16        | 6/30/17        |
|---|---------|----------------|----------------|
| <b>Operating revenues</b>                             | 10 & 14 | 556            | 632            |
| <b>Operating expenses</b>                             |         |                |                |
| Inventory change                                      |         | - 3            | 0              |
| Purchases of raw materials and other supplies         |         | 22             | 28             |
| Other purchases and external expenses                 |         | 1 883          | 879            |
| Taxes and similar payments                            |         | 9              | 13             |
| Salaries and wages                                    |         | 681            | 913            |
| Social security contributions                         |         | 232            | 306            |
| Allowances for amortization, depreciation, provisions | 4       | 101            | 117            |
| Other expenses  |         | 60             | 127            |
| <b>Total operating expenses</b>                       |         | 2 987          | 2 383          |
| <b>OPERATING INCOME</b>                               |         | <b>- 2 431</b> | <b>- 1 751</b> |
| Financial income                                      |         | 41             | 58             |
| Financial expenses                                    |         |                | 25             |
| <b>FINANCIAL INCOME</b>                               | 6       | <b>41</b>      | <b>33</b>      |
| <b>CURRENT INCOME BEFORE TAXES</b>                    |         | <b>- 2 390</b> | <b>- 1 718</b> |
| Extraordinary income                                  |         | 1              | 1              |
| Extraordinary expenses                                |         | 7              | 7              |
| <b>EXTRAORDINARY GAIN OR LOSS</b>                     |         | <b>- 6</b>     | <b>- 6</b>     |
| Income tax (research tax credit)                      | 13      | - 860          | - 371          |
| <b>PROFIT OR LOSS</b>                                 |         | <b>- 1 536</b> | <b>- 1 353</b> |



## STATEMENT OF CHANGES IN EQUITY

| (In thousands euros)       | Share capital | Issue premium | Subscription capital warrants | Invest. Subs. (net) | Profit or loss for the period | Retained earnings | Total due to shareholder |
|----------------------------|---------------|---------------|-------------------------------|---------------------|-------------------------------|-------------------|--------------------------|
| Equity as of 12/31/2016    | 2 677 351     | 13 702 198    | 33 768                        | 19 500              | 4 920 419                     | - 8 239 744       | 13 113 462               |
| Allocation of earnings N-1 |               |               |                               |                     | - 4 920 419                   | 4 920 419         |                          |
| Capital increase/reduction | 135 800       | 980 114       |                               |                     |                               |                   | 1 115 914                |
| Subscription of BSA/BCE    |               |               | 4 334                         |                     |                               |                   | 4 334                    |
| Quasi-equity               |               |               |                               |                     |                               |                   |                          |
| Profit (loss) 6/30/2017    |               |               |                               | - 1 125             | - 1 353 097                   |                   | - 1 354 222              |
| Equity as of 6/30/2017     | 2 813 151     | 14 682 312    | 38 102                        | 18 375              | - 1 353 097                   | - 3 319 355       | 12 879 488               |

## STATEMENT OF NET CASH FLOWS

| (In thousands euros)   | 12/31/2016     | 6/30/2017    |
|--|----------------|--------------|
| <b>Cash flows related to operations (A)</b>                    |                |              |
| Profit and loss for the period                                 | 4 920          | - 1 353      |
| Depreciation and amortization (including investment subsidies) | 221            | 103          |
| Changes in working capital requirements for operations         | - 505          | 752          |
| <b>Net cash absorbed by operations</b>                         | <b>4 636</b>   | <b>- 498</b> |
| <b>Cash flows related to investments (B)</b>                   |                |              |
| Acquisitions of fixed assets                                   | - 304          | - 84         |
| Acquisition of financial assets                                | - 9 525        | 7            |
| Changes in fixed asset liabilities                             |                |              |
| <b>Net cash absorbed by investments</b>                        | <b>- 9 829</b> | <b>77</b>    |
| <b>Cash flow related to financing activities (C)</b>           |                |              |
| Net proceeds from the issuance of shares and BSAs              | 70             | 1 120        |
| Inflows from loans   |                | 106          |
| Loan payments  | - 44           | - 11         |
| Inflows from repayable advances                                | 143            | 109          |
| <b>Net cash from financing activities</b>                      | <b>169</b>     | <b>1 324</b> |
| <b>Changes in cash and cash equivalents (A + B + C)</b>        | <b>- 5 024</b> | <b>749</b>   |
| Cash and cash equivalents at the beginning of the period       | 9 011          | 3 987        |
| <b>Cash and cash equivalents at the end of the period</b>      | <b>3 987</b>   | <b>4 736</b> |



## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1 – The Company**

CARBIOS ("the Company") is an innovative green chemistry company, developing cutting-edge technologies for the recovery of plastic waste and the production of biopolymers.

The Company was created in April 2011 as a Société par Actions Simplifiée (simplified joint stock company) and became a Société Anonyme (public limited company) on February 20, 2013.

The Company's shares have been listed on the Euronext Growth Paris market (formerly known as Alternext) since December 19, 2013. Euronext Growth is an organized multilateral trading system that does not require the application of IFRS. The accounting principles applied are therefore the accounting principles generally accepted in France.

### **Note 2 – Highlights of the fiscal year**

The collaborative THANAPLAST™ Research and Development program ended during the first half of 2017 as stipulated by the provisions of the consortium agreement between the CNRS, INRA, Limagrain and Barbier. The work on the fifth and last key stage of the OSEO-ISI project was therefore completed on June 30, 2017.

Since its inception, CARBIOS has filed 19 direct patent applications, acquired one patent application previously held by SETUP Performance and obtained exclusive worldwide licenses for the use of 2 patent applications filed by the CNRS, the University of Poitiers and Valagro.

#### **Legal highlights of the first half of 2017**

Please refer to the Legal Items section of this 2017 half-year report.

#### **Going concern**

The going concern assumption is used to the extent that the financial resources of the Company enable it to continue its research and development work. Nevertheless, the management of the ongoing developments until the industrial demonstration stage or even the application of CARBIOS processes to other market may require new financing to be sought from institutional entities or industrial partners.

### **Note 3 – Accounting principles and methods**

The accounting principles and methods used for the preparation of the annual financial statements comply with French standards, in accordance with the following assumptions:

- The going concern principle (see Note 2 - Highlights of the fiscal year);
- Permanence of accounting methods;
- Principle of prudence and historical cost;
- Independence of fiscal years.

The accounting for the half-year ended on June 30, 2017 relates to a six-month period (from January 1, 2017 to June 30, 2017). The financial data are therefore compared to those from the half-year accounting period ended on June 30, 2016, as well as those from the annual accounting period ended December 31, 2016.





#### Note 4 - Intangible, tangible and financial assets

The movements with an impact on fixed assets were the following:

| Fixed assets (in euros)              | At the beginning of the period | Increase       | Decrease      | At the end of the period |
|--------------------------------------|--------------------------------|----------------|---------------|--------------------------|
| <b>Intangible assets</b>             |                                |                |               |                          |
| Software, website                    | 14 326                         | 8 400          |               | 22 726                   |
| Patents                              | 451 353                        | 50 223         |               | 501 576                  |
| Patents licensed                     | 42 725                         | 14 027         |               | 56 752                   |
| <b>Property, plant and equipment</b> |                                |                |               |                          |
| Office and IT hardware               | 119 449                        | 5 047          |               | 124 496                  |
| Fixtures and fittings                | 38 212                         |                |               | 38 212                   |
| Furniture                            | 15 749                         | 1 914          |               | 17 663                   |
| Laboratory fittings and equipment    | 1 409 566                      | 4 112          |               | 1 413 678                |
| <b>Financial fixed assets</b>        |                                |                |               |                          |
| Equity interests                     | 9 500 000                      |                |               | 9 500 000                |
| Deposits and guarantees              | 22 623                         |                |               | 22 623                   |
| Liquidity contract                   | 40 736                         | 53 182         |               | 93 918                   |
| Treasury shares                      | 137 595                        |                | 60 644        | 76 951                   |
| <b>Other fixed assets</b>            |                                |                |               |                          |
| Assets under construction            |                                |                |               |                          |
| <b>TOTAL</b>                         | <b>11 792 334</b>              | <b>136 905</b> | <b>60 644</b> | <b>11 868 595</b>        |

| Depreciation, amortization and provisions (in euros) | Duration      | At the beginning of the period | Increase       | Decrease      | At the end of the period |
|--|---------------|--------------------------------|----------------|---------------|--------------------------|
| <b>Intangible assets</b>                             |               |                                |                |               |                          |
| Software, website                                    | 1 year        | 14 326                         | 770            |               | 15 096                   |
| Patents  | 10 years      | 120 254                        | 25 015         |               | 145 269                  |
| Patents licensed                                     | 10 years      | 2 805                          | 2 655          |               | 5 460                    |
| <b>Property, plant and equipment</b>                 |               |                                |                |               |                          |
| Office and IT hardware                               | 3 years       | 78 414                         | 11 540         |               | 89 954                   |
| Fixtures and fittings                                | 7 to 10 years | 8 814                          | 1 990          |               | 10 804                   |
| Furniture  | 5 years       | 10 430                         | 1 090          |               | 11 520                   |
| Laboratory fittings and equipment                    | 5 to 10 years | 273 605                        | 73 785         |               | 347 390                  |
| <b>Treasury shares</b>                               |               | 12 857                         |                | 12 857        | 0                        |
| <b>TOTAL</b>   |               | <b>521 505</b>                 | <b>116 845</b> | <b>12 857</b> | <b>625 493</b>           |



| Provisions for impairment<br>(in euros)         | Beginning of<br>fiscal year | Dotations | Allowances    | Reversals End |
|---|-----------------------------|-----------|---------------|---------------|
| <b>Regulated provisions</b>                     |                             |           |               |               |
| <b>Provisions for litigation</b>                |                             |           |               |               |
| Provision for foreign exchange losses           |                             |           |               |               |
| <b>Provisions for contingencies and charges</b> |                             |           |               |               |
| Impairment of inventories and work in progress  |                             |           |               |               |
| Impairment of trade receivables                 |                             |           |               |               |
| Impairment of other assets                      | 12 857                      |           | 12 857        | 0             |
| <b>IMPAIRMENT</b>                               | <b>12 857</b>               |           | <b>12 857</b> | <b>0</b>      |
| <b>TOTAL</b>                                    | <b>12 857</b>               |           | <b>12 857</b> | <b>0</b>      |

#### • Intangible assets

Intangible assets are valued at their acquisition cost and are amortized on a straight-line basis over the duration of their utilization by the Company. The amortization period for the patents held by the Company is estimated at 10 years, corresponding to the period stipulated for consumption and the economic benefits expected from the industrial property portfolio of the Company.

The licensed patents are capitalized over a 10-year period. The acquisition costs of these patents corresponds to the fixed and variable license fees in the signed exclusive licensing agreement.

The expenses for filing patents or industrial property rights acquired during the fiscal year have been capitalized and are amortized from the beginning of their utilization. Additional expenses and later extensions on capitalized patents are amortized (as well as licensed patents) over the remaining period for the application to which they are connected.

The type of expenses for research undertaken by the Company during the fiscal year results in their being recorded entirely as operating expenses.

#### • Property, plant and equipment

Property, plant and equipment are valued at their acquisition cost or their production cost by the Company, taking into account the expenses required for the preparation of these goods for use, and after deduction of commercial discounts, rebates and reductions of payments received.

Assets are subjected to the established depreciation plans depending on the actual period of utilization of the asset.

Depreciation periods are between 3 and 10 years depending on the type and lifespan of the assets in question.

#### • Equity interests

CARBIOS acquired the share capital of CARBIOLICE (société par actions simplifiée) when it was created on June 10, 2016, and later subscribed to several capital increases of its subsidiary during the 2016 fiscal year. As of June 30, 2017, CARBIOS owned 9,500,000 CARBIOLICE shares out of the 15.5 million shares making up its share capital, representing a stake of 61.29% (see Note 15). CARBIOLICE is a joint venture created in partnership with Limagrain Céréales Ingrédients and the "Société de Projets Industriels" SPI fund operated by Bpifrance. This company took over the production and sale of granules for biosourced and biodegradable plastic products of Limagrain Céréales Ingrédients.

#### • Liquidity contract and treasury shares

The transactions connected to the liquidity contract that the Company signed with a financial intermediary are recognized in compliance with Opinion CU CNC no. 98-D and with CNCC Bulletin no. 137 - March 2005, namely: Treasury shares held are recognized under "Other Financial Assets". An impairment is recorded by reference to the average listed share price of the last month of the fiscal year if it is lower than the purchase price. To determine the income from disposal, the "First in - First out" method is used. As of June 30, 2017, the Company held 7,907 CARBIOS shares representing €77 thousand. The depreciation of €13 thousand was reversed due to the net asset value being higher than the book value. The cash paid to the intermediary and not yet used is recognized under "Liquidity contract" and represents €94 thousand.



## Note 5 – Receivables and prepaid expenses

### • Statement of receivables

| Statement of receivables (in euros)     | Gross amount     | At one year      | At more than one year |
|---|------------------|------------------|-----------------------|
| <b>CURRENT ASSETS &amp; PREPAYMENTS</b> |                  |                  |                       |
| Income tax (1)                          | 378 360          | 378 360          |                       |
| Value added tax                         | 103 690          | 103 690          |                       |
| Customers                               | 314 585          | 314 585          |                       |
| Inventories                             | 14 498           | 14 419           |                       |
| Other receivables                       | 9 426            | 9 426            |                       |
| Subsidies receivable (2)                | 465 650          | 465 650          |                       |
| Prepaid expenses (3)                    | 80 779           | 80 779           |                       |
| <b>TOTAL</b>                            | <b>1 366 988</b> | <b>1 366 988</b> |                       |

(1) The income tax receivable corresponds to the Research Tax Credit recognized for the first half of 2017 for €371 thousand. In the absence of taxable income and in view of the Young Innovative Company (Jeune Entreprise Innovante - JEI) status, this receivable is repayable the year following the year in which it is recorded. As of December 31, 2016, €1,321 thousand had been recorded for the 2016 Research Tax Credit, repaid on June 8, 2017. The tax receivable also includes the Tax Credit for Employment and Competitiveness (CICE) for €7 thousand.

(2) This amount corresponds to the Oseo-Isi THANAPLAST™ grant to be received for the completion of the last key-stage (see Note 9 - Conditional advances and subsidies).

(3) Prepaid expenses are ordinary operating expenses related to prior fiscal years.

### • Inventories

Since the fiscal year ended December 31, 2014, the Company has recorded an inventory of the supplies not consumed as of the end of the fiscal year. Given that this inventory consists of consumables with a low per unit value, no depreciation is recorded. As of June 30, 2017, the inventory totaled €14 thousand compared to €15 thousand as of December 31, 2016.

## Note 6 – Cash instruments

With the aim of optimizing returns on its available cash, the Company has opened time deposit accounts for an overall amount of €2,000 thousand as of June 30, 2017, allowing it to benefit from attractive returns as well as guaranteed capital that is available at any time. The interest from previous financial instruments having come to an end in January 2017 totaled €45 thousand as of June 30, 2017.

## Note 7 – Cash and cash equivalents

This item includes cash deposited in demand accounts, as well as the accrued interest to be paid and cash balances.

As of June 30, 2017, the Company had €2,735 thousand in demand accounts, and €0.4 thousand in accrued interest on time deposit accounts.

## Note 8 – Equity

### Composition of share capital

#### > Share capital

#### • Capital transactions performed prior to the period and recorded during the period

• On June 22, 2016, the Company received a notification of exercise involving 3,000 BCE-2011-2 (equivalent to a subscription form) permitting the subscription of 3,000 new shares at a unit price of €1 (i.e. €0.70 in nominal and €0.30 in issue premium per new share).

The resulting capital increase of €2,100 was recorded during the meeting of the Board of Directors of March 21, 2017. The share capital thereby increased from €2,658,721.10 to €2,660,821.10.

• On July 6, 2016, the Company received a notification of exercise involving 5,000 BCE-2012-1 (equivalent to a subscription form) permitting the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share).

The resulting capital increase of €3,500 was recorded during the meeting of the Board of Directors of March 21, 2017. The share capital thereby increased from €2,660,821.10 to €2,664,321.10.



- On July 26, 2016, the Company received a notification of exercise involving 5,000 BCE-2012-1 (equivalent to a subscription form) permitting the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share).

The resulting capital increase of €3,500 was recorded during the meeting of the Board of Directors of March 21, 2017. The share capital thereby increased from €2,664,321.10 to €2,667,821.10.

- On August 19, 2016, the Company received a notification of exercise involving 4,614 BCE-2011-2 (equivalent to a subscription form) permitting the subscription of 4,614 new shares at a unit price of €1 (i.e. €0.70 in nominal and €0.30 in issue premium per new share).

The resulting capital increase of €3,229.80 was recorded during the meeting of the Board of Directors of March 21, 2017. The share capital thereby increased from €2,667,821.10 to €2,671,050.90.

- On October 3, 2016, the Company received a notification of exercise involving 2,000 BCE-2012-2 (equivalent to a subscription form) permitting the subscription of 2,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share).

The resulting capital increase of €1,400 was recorded during the meeting of the Board of Directors of March 21, 2017. The share capital thereby increased from €2,671,050.90 to €2,672,450.90.

- On October 10, 2016, the Company received a notification of exercise involving 5,000 BCE-2012-1 (equivalent to a subscription form) permitting the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share).

The resulting capital increase of €3,500 was recorded during the meeting of the Board of Directors of March 21, 2017. The share capital thereby increased from €2,672,450.90 to €2,675,950.90.

- On November 4, 2016, the Company received a notification of exercise involving 2,000 BCE-2012-2 (equivalent to a subscription form) permitting the subscription of 2,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share).

The resulting capital increase of €1,400 was recorded during the meeting of the Board of Directors of March 21, 2017. The share capital thereby increased from €2,675,950.90 to €2,677,350.90.

#### ◦ Capital transactions performed during the period

The only capital transactions performed during the period are the result of:

- the subscription of 45,000 shares resulting from the exercise of 45,000 BCE-2012-1 at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);
- the subscription of 1,253 shares resulting from the exercise of 1,253 BSA-2011-1 at a unit price of €1 (i.e. €0.70 in nominal and €0.30 in issue premium per new share);

- the subscription of 6,747 shares resulting from the exercise of 6,747 BSA-2012-2 at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share); and

- the subscription of 140,000 shares resulting from the exercise of BSAs issued by the Chief Executive Officer on March 28, 2017, based on a delegation of the Board of Directors of March 21, 2017 in accordance with the delegation of authority granted by the Combined Shareholders' Meeting of June 17, 2016.

Accordingly, during the meeting of the Board of Directors of March 21, 2017, the following was decided to carry out:

- a capital increase of a nominal amount of €3,500 through the issuance of 5,000 new shares, resulting from the exercise of 5,000 BCE-2012-1. These BCE-2012-1 permitted the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share). The share capital thereby increased from €2,677,350.90 to €2,680,850.90.

- a capital increase of a nominal amount of €3,500 through the issuance of 5,000 new shares, resulting from the exercise of 5,000 BCE-2012-1. These BCE-2012-1 permitted the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share). The share capital thereby increased from €2,680,850.90 to €2,684,350.90.

Another capital increase, of a nominal amount of €24,500, resulting from the exercise of 35,000 BCE-2012-1 will be recorded during an upcoming meeting of the Board of Directors. The Company received:

- on April 4, 2017, the Company received a notification of exercise involving 10,000 BCE-2012-1 (equivalent to a subscription form) permitting the subscription of 10,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);

- on April 13, 2017, the Company received a notification of exercise involving 5,000 BCE-2012-1 (equivalent to a subscription form) permitting the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);

- on April 26, 2017, the Company received a notification of exercise involving 5,000 BCE-2012-1 (equivalent to a subscription form) permitting the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);

- on May 11, 2017, the Company received a notification of exercise involving 5,000 BCE-2012-1 (equivalent to a subscription form) permitting the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);



- on May 30, 2017, the Company received a notification of exercise involving 5,000 BCE-2012-1 (equivalent to a subscription form) permitting the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);

- on June 22, 2017, the Company received a notification of exercise involving 5,000 BCE-2012-1 (equivalent to a subscription form) permitting the subscription of 5,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);

This capital increase, which will be recorded during a future meeting of the Board of Directors, increased the share capital from €2,684,350.90 to €2,708,850.90.

In addition, another capital increase of a nominal amount of €6,300, resulting from the exercise of 1,253 BSA-2011-1, 6,747 BSA-2012-2 and 1,000 BSA-2012-3 will be recorded during a future meeting of the Board of Directors. The Company received:

- on May 2, 2017, the Company received a notification of exercise involving 1,253 BSA-2011-1 (equivalent to a subscription form) permitting the subscription of 1,253 new shares at a unit price of €1 (i.e. €0.70 in nominal and €0.30 in issue premium per new share);

- on May 2, 2017, the Company received a notification of exercise involving 6,747 BSA-2012-2 (equivalent to a subscription form) permitting the subscription of 6,747 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);

- on June 29, 2017, the Company received a notification of exercise involving 1,000 BSA-2012-3 (equivalent to a subscription form) permitting the subscription of 1,000 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share).

This capital increase, which will be recorded during a future meeting of the Board of Directors, increased the share capital from €2,708,850.90 to €2,715,150.90.

Finally, another capital increase, of a nominal amount of €98,000, resulting from the exercise of 140,000 BSAs issued by the Chief Executive Officer on March 28, 2017, based on a delegation of the Board of Directors of March 21, 2017 in accordance with the delegation of authority granted by the Combined Shareholders' Meeting of June 17, 2016, will be recorded during a future meeting of the Board of Directors.

This capital increase, which will be recorded during a future meeting of the Board of Directors, increased the share capital from €2,715,150.90 to €2,813,150.90.

As of June 30, 2017, the share capital consisted of 4,018,787 ordinary shares, of a nominal value of €0.70 each, entirely subscribed and fully paid up.

| Movements of securities | 12/31/16      | 6/30/17       |
|-------------------------|---------------|---------------|
| <b>Capital</b>          | €2,677,350.90 | €2,813,150.90 |
| <b>Number of shares</b> | 3,824,787     | 4,018,787     |
| <b>Nominal value</b>    | €0.70         | €0.70         |

Subsequent to June 30, 2017, by decision dated July 21, 2017, the Chief Executive Officer recorded the completion of a share capital increase through the issuance of new shares, without preferential subscription rights, for the benefit of a category of beneficiaries, namely French or foreign investment companies or investment funds investing in the biotech/cleantech sector, of a nominal amount of €326,327.40, through the issuance of 466,182 ordinary shares with a nominal value of €0.70 and an issue premium of €7.05, i.e. a capital increase of €3,612,910.5, including the issue premium.

In addition, another capital increase, of a nominal amount of €5,600, resulting from the exercise of 1,253 BSA-2011-1 and 6,747 BSA-2012-2 will be recorded during an upcoming meeting of the Board of Directors. The Company received:

- on July 11, 2017, a notification of exercise involving 1,253 BSA-2011-1 (equivalent to a subscription form) permitting the subscription of 1,253 new shares at a unit price of €1 (i.e. €0.70 in nominal and €0.30 in issue premium per new share);

- on July 31, 2017, a notification of exercise involving 1,540 BSA-2012-2 (equivalent to a subscription form) permitting the subscription of 1,540 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);

- on August 16, 2017, a notification of exercise involving 1,620 BSA-2012-2 (equivalent to a subscription form) permitting the subscription of 1,620 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share);

- on August 31, 2017, a notification of exercise involving 3,587 BSA-2012-2 (equivalent to a subscription form), permitting the subscription of 3,587 new shares at a unit price of €2.25 (i.e. €0.70 in nominal and €1.55 in issue premium per new share).

This capital increase which will be recorded during a future meeting of the Board of Directors increased the share capital from €3,139,478.30 to €3,145,078.30.

Consequently, as of the date of this document, the share capital of the Company stood at €3,145,078.30, divided into 4,492,969 ordinary shares of a nominal value of €0.70 each, entirely subscribed and fully paid up.

**> The issue premiums**

In accordance with the decision made by the sole partner followed by the collective decision of the shareholders and finally, by the Board of Directors based on the delegation of the Shareholders' Meeting, the issue premiums paid as part of the capital increases were recorded under liabilities on the balance sheet in a special "Issue premium" account to which the former and new shareholders' rights shall be applicable.

As of June 30, 2017, the issue premiums paid excluding capital increase expenses totaled €14,682,311.59, as detailed in the table below:

| Capital increase                            | Recorded   | Shares issued | Nominal value per share | Issue premium per share | Issue premium |
|---|------------|---------------|-------------------------|-------------------------|---------------|
| <b>Capital at the time of incorporation</b> | Bylaws     | 500,000       | €1                      | €-                      | €-            |
| <b>Capital increase</b>                     | 1/17/2012  | 300,000       | €1                      | €-                      | €-            |
| <b>Capital increase</b>                     | 5/10/2012  | 700,000       | €1                      | €-                      | €-            |
| <b>Capital increase</b>                     | 7/9/2012   | 577,780       | €1                      | €1.25                   | €722,225      |
| <b>Capital increase</b>                     | 9/28/2012  | 75,555        | €1                      | €1.25                   | €94,444       |
| <b>Capital increase</b>                     | 12/4/2012  | 533,332       | €1                      | €1.25                   | €666,665      |
| <b>Capital increase</b>                     | 12/13/2013 | 116,647       | €0.7                    | €6.315                  | €736,628      |
| <b>Capital increase</b>                     | 12/13/2013 | 934,959       | €0.7                    | €13.33                  | €12 463,003   |
| <b>Capital increase</b>                     | 1/13/2014  | 11,400        | €0.7                    | €13.33                  | €151,962      |
| <b>Capital increase</b>                     | 3/4/2015   | 3,500         | €0.7                    | €1.55                   | €5,425        |
| <b>Capital increase</b>                     | 3/4/2015   | 5,000         | €0.7                    | €0.30                   | €1,500        |
| <b>Capital increase</b>                     | 3/22/2016  | 5,000         | €0.7                    | €0.30                   | €1,500        |
| <b>Capital increase</b>                     | 3/22/2016  | 5,000         | €0.7                    | €0.30                   | €1,500        |
| <b>Capital increase</b>                     | 3/22/2016  | 2,000         | €0.7                    | €1.55                   | €3,100        |
| <b>Capital increase</b>                     | 3/22/2016  | 5,000         | €0.7                    | €1.55                   | €7,750        |
| <b>Capital increase</b>                     | 3/22/2016  | 2,000         | €0.7                    | €1.55                   | €3,100        |
| <b>Capital increase</b>                     | 3/22/2016  | 1,000         | €0.7                    | €1.55                   | €1,550        |
| <b>Capital increase</b>                     | 3/22/2016  | 10,000        | €0.7                    | €0.30                   | €3,000        |
| <b>Capital increase</b>                     | 3/22/2016  | 10,000        | €0.7                    | €0.30                   | €3,000        |
| <b>Capital increase</b>                     | 3/21/2017  | 3,000         | €0.7                    | €0.30                   | €900          |
| <b>Capital increase</b>                     | 3/21/2017  | 5,000         | €0.7                    | €1.55                   | €7,750        |
| <b>Capital increase</b>                     | 3/21/2017  | 5,000         | €0.7                    | €1.55                   | €7,750        |
| <b>Capital increase</b>                     | 3/21/2017  | 4,614         | €0.7                    | €0.30                   | €1,384.20     |
| <b>Capital increase</b>                     | 3/21/2017  | 2,000         | €0.7                    | €1.55                   | €3,100        |
| <b>Capital increase</b>                     | 3/21/2017  | 5,000         | €0.7                    | €1.55                   | €7,750        |
| <b>Capital increase</b>                     | 3/21/2017  | 2,000         | €0.7                    | €1.55                   | €3,100        |
| <b>Capital increase</b>                     | 3/21/2017  | 5,000         | €0.7                    | €1.55                   | €7,750        |
| <b>Capital increase</b>                     | 3/21/2017  | 5,000         | €0.7                    | €1.55                   | €7,750        |





| Capital increase                                  | Recorded | Shares issued    | Nominal value per share | Issue premium per share | Issue premium         |
|---|----------|------------------|-------------------------|-------------------------|-----------------------|
| Capital increase                                  | (2)      | 10,000           | €0.7                    | €1.55                   | €15,500               |
| Capital increase                                  | (2)      | 5,000            | €0.7                    | €1.55                   | €7,750                |
| Capital increase                                  | (2)      | 5,000            | €0.7                    | €1.55                   | €7,750                |
| Capital increase                                  | (2)      | 5,000            | €0.7                    | €1.55                   | €7,750                |
| Capital increase                                  | (2)      | 5,000            | €0.7                    | €1.55                   | €7,750                |
| Capital increase                                  | (2)      | 5,000            | €0.7                    | €1.55                   | €7,750                |
| Capital increase                                  | (2)      | 1,253            | €0.7                    | €0.30                   | €375.90               |
| Capital increase                                  | (2)      | 6,747            | €0.7                    | €1.55                   | €10,457.85            |
| Capital increase                                  | (2)      | 10,000           | €0.7                    | €5.30                   | €53,000               |
| Capital increase                                  | (2)      | 10,000           | €0.7                    | €5.30                   | €53,000               |
| Capital increase                                  | (2)      | 15,000           | €0.7                    | €5.50                   | €82,500               |
| Capital increase                                  | (2)      | 15,000           | €0.7                    | €5.90                   | €88,500               |
| Capital increase                                  | (2)      | 10,000           | €0.7                    | €5.79                   | €57,900               |
| Capital increase                                  | (2)      | 20,000           | €0.7                    | €6.45                   | €129,000              |
| Capital increase                                  | (2)      | 10,000           | €0.7                    | €6.45                   | €64,500               |
| Capital increase                                  | (2)      | 15,000           | €0.7                    | €6.55                   | €98,250               |
| Capital increase                                  | (2)      | 35,000           | €0.7                    | €7.70                   | €269,500              |
| Capital increase                                  | (2)      | 1,000            | €0.7                    | €1.55                   | €1,550                |
| <b>Sub-TOTAL</b>                                  |          | <b>4,018,787</b> |                         |                         | <b>€15,876,369.95</b> |
| <b>Direct costs charged</b>                       |          |                  |                         |                         | €1,196,108            |
| <b>Exercise of BSA/BCE with consideration (1)</b> |          |                  |                         |                         | €2,049.64             |
| <b>TOTAL</b>                                      |          |                  |                         |                         | <b>€14,682,311.59</b> |

(1) The exercise of 8,747 BSAs acquired for €0.22 per unit, i.e. €1,924.34, and 1,253 BSAs acquired for €0.10 per unit, i.e. €125.30, initially recorded as "share subscription warrants", was incorporated in the issue premium at the time of the capital increase.

(2) The capital increases relating to these transactions performed during the first half of 2017 will be recorded during the next Board of Directors' meeting.

As a reminder, the direct costs associated with the listing of the Company on the Euronext Growth Paris market (formerly known as Alternext) which took place in 2013, amounted to €1,196,108.

The "Issue premiums" item recorded under liabilities on the balance sheet also includes the sums received at the time of the subscription of the Share Purchase Warrants (See Note 8 - Dilutive financial instruments, below), i.e. €38,102.48 as of June 30, 2017.

**> Earnings per share**

As of June 30, 2017, net earnings per share was -€0.34.

**Distribution of share capital**

As at June 30, 2017, the 4,018,787 shares of a par value of €0.70 that make up the capital are distributed as follows:

| Shareholders                            | Number of shares | Percentage ownership | Number of voting rights | Percentage voting rights |
|---|------------------|----------------------|-------------------------|--------------------------|
| <b>Holding Incubatrice Chimie Verte</b> | 1 126 957        | 28.04 %              | 2 253 914               | 43.86 %                  |
| <b>Funds managed by Truffle Capital</b> | 1 296 811        | 32.27 %              | 1 296 811               | 25.24 %                  |
| <b>Management and directors</b>         | 5 001            | 0.12 %               | 5 002                   | 0.10 %                   |
| <b>Treasury shares</b>                  | 7 907            | 0.20 %               | N/A                     | N/A                      |
| <b>Free float</b>                       | 1 582 111        | 39.37 %              | 1 582 932               | 30.80 %                  |
| <b>TOTAL</b>                            | <b>4 018 787</b> | <b>100 %</b>         | <b>5 138 659</b>        | <b>100 %</b>             |

By collective decision on February 20, 2013, it was decided to allocate a double voting right to all fully paid up shares documented to have been held in registered form in the name of the same shareholder for at least two years.

As a reminder, the distribution of the capital as of December 31, 2016, on an undiluted basis, was as follows:

| Shareholders                            | Number of shares | Percentage ownership | Number of voting rights | Percentage voting rights |
|---|------------------|----------------------|-------------------------|--------------------------|
| <b>Holding Incubatrice Chimie Verte</b> | 1 355 455        | 35.44 %              | 2 710 910               | 51.67 %                  |
| <b>Funds managed by Truffle Capital</b> | 1 318 145        | 34.46 %              | 1 318 145               | 25.12 %                  |
| <b>Deinove</b>                          | 67 555           | 1.77 %               | 135 110                 | 2.58 %                   |
| <b>Management and directors</b>         | 4 416            | 0.12 %               | 4 417                   | 0.08 %                   |
| <b>Treasury shares</b>                  | 14 797           | 0.39 %               | N/A                     | N/A                      |
| <b>Free float</b>                       | 1 064 419        | 27.83 %              | 1 078 127               | 20.55 %                  |
| <b>TOTAL</b>                            | <b>3 824 787</b> | <b>100 %</b>         | <b>5 246 709</b>        | <b>100 %</b>             |



## Dilutive financial instruments

### > Share subscription warrants (BSA)

The table below shows the status of the BSAs issued since the creation of the Company that were still outstanding as of June 30, 2017, as well as additional information regarding their status as of that date.

|  | BSA 2011-1  |  | BSA 2012-1   | BSA 2012-2  | BSA 2012-3  | BSA 2013-1   |
|--|---|--|--|---|---|--|
| Date of the Shareholders' Meeting or Board of Directors' meeting having allocated the plan | Decision of the Chair-<br>man in accordance with the delegation of authority granted by the sole partner on 7/12/2011   | Decision of the Chairman in accor-<br>dance with the delega-<br>tion of autho-<br>rity granted by the sole partner on 6/8/2012 | Collective decision of the shareholders on 9/28/2012   | Collective decision of the shareholders on 9/28/2012  | Collective decision of the shareholders on 12/4/2012  | Decision of the Shareholders' Meeting on 7/26/2013   |
| Number of BSAs issued  | 2 506   | 1 253  | 170 000  | 20 241  | 7 000   | 14 400   |
| Total number of shares that may be subscribed or purchased                                 | 3 759   |  | 170 000  | 20 241  | 7 000   | 14 400   |
| Date from which the warrants become exercisable  | 7/15/2012   |  | According to the achievement of the exercise criteria (see methods above)  | 9/28/2013   | 12/4/2014   | 7/26/2014  |
| Number of BSAs subscribed  | 3 759   |  | 170 000  | 20 241  | 7 000   | 14 400   |
| Price of subscription or purchase of warrant   | 0.10  |  | Free   | 0.22  | 0.22  | 0.22   |
| Expiration date  | 7/12/2021   | 6/8/2022   | 9/28/2022  | 9/28/2022   | 12/4/2022   | 7/26/2023  |
| Warrant exercise methods   | Possibility of exercising a number x of warrants between April 15 and July 15 of each year and for the the first time on 7/15/2012, for up to 626 warrants calculated according to the following following rule beginning from July 15, 2011: x = (total number of BSAs 2011-1 allocated to the beneficiary* nbr of months since 7/15/2011)/48) |  | Possibility of exercising the warrants after transfer by the beneficiary to CARBIOS of at least one strain of interest from the collection of cultures of the beneficiary whose degradation properties have been validated by the Board of Directors within the context of the research cooperation agreement signed between the beneficiary and CARBIOS | Possibility of exercising a number x of warrants per complete monthly period beginning from 9/28/2012, and for the first time from 2/28/2013, calculated according to the following following rule: x = (total nbr of BSAs 2012-2 allocated to beneficiary * nbr of months since on 9/28/2012)/48 | Possibility of exercising a number x of warrants per complete monthly period beginning from 12/4/2012, and for the first time from 12/4/2014, calculated according to the following rule: x = (total nbr of BSAs 2012-3 allocated to beneficiary * nbr of months since on 12/4/2012)/48 | These warrants are exercisable in the event of the occurrence IPO on a stock market prior to June 30, 2014. Possibility of exercising a number x of warrants per complete monthly period beginning on 7/26/2013, and for the first time from 7/26/2014, calculated according to the following the following rule: x = (total nbr of BSAs 2013-1 allocated to beneficiary * nbr of months since 7/26/2013)/48 |
| Exercise price   | 1.00  |  | 2.25   | 2.25  | 2.25  | 80% of IPO price   |
| Number of shares subscribed as of the date of this document                                | 1 253   |  | 0  | 6 747   | 2 000   | 0  |
| Cumulative number of share subscription or purchase warrants canceled or null and void     | 0   |  | 0  | 0   | 0   | 0  |
| Outstanding share subscription warrants  | 2 506   |  | 170 000  | 13 494  | 5 000   | 14 400   |



|   | BSA 2015-1   | BSA 2015-2   | BSA 2015-3   | BSA 2016-1  | BSA 2017-1  |
|---|--|--|--|---|---|
| <b>Date of the Shareholders' Meeting or Board of Directors having allocated the plan</b>      | Decision of the Board of Directors of 6/24/2015  | Decision of the Board of Directors of 6/24/2015  | Decision of the Board of Directors of 6/24/2015  | Decision of the Board of Directors of 12/15/2016  | Decision of the Board of Directors of 6/27/2017   |
| <b>Number of BSAs issued</b>  | 9 600  | 9 600  | 9 600  | 9 600   | 9 600   |
| <b>Number of shares that may be subscribed or purchased</b>                                   | 9 600  | 9 600  | 9 600  | 9 600   | 9 600   |
| <b>Date from which the warrants become exercisable</b>  | 6/24/2016  | 6/24/2016  | 6/24/2016  | 12/15/2017  | 6/27/2018   |
| <b>Number of BSAs subscribed</b>  | 9 600  | 9 600  | 9 600  | 9 600   | 0   |
| <b>Price of subscription or purchase of warrant</b>   | 0.85 = amount set by an independent expert   | 0.85 = amount set by an independent expert   | 0.85 = amount set by an independent expert   | 0,59  | 1.13 = amount set by an independent expert  |
| <b>Expiration date</b>  | 6/24/2025  | 6/24/25  | 6/24/25  | 15/15/2026  | 6/27/27   |
| <b>Warrant exercise method</b>  | Possibility of exercising a number x of warrants per complete monthly period beginning on 6/5/2014 and for the first time from 6/24/2016, calculated according to the following rule: $x = (\text{total nbr of BSAs 2015- allocated to the beneficiary} * \text{nbr of months since 6/5/2014}) / 48$ | Possibility of exercising a number x of warrants per complete monthly period beginning on 6/5/2014, and for the first time from 6/24/2016, calculated according to the following rule: $x = (\text{total nbr of BSAs 2015-2 allocated to beneficiary} * \text{nbr of months since 6/5/2014}) / 48$ . | Possibility of exercising a number x of warrants per complete monthly period beginning on 10/22/2013, and for the first time from 6/24/2016, calculated according to the following rule: $x = (\text{total nbr of BSAs 2015-3 allocated to beneficiary} * \text{nbr of months since 10/22/2013}) / 48$ . | Possibility of exercising a number x of warrants per complete monthly period, and for the first time from 12/15/2017, calculated according to the following rule: $x = (\text{total nbr of BSAs 2016-1 allocated to beneficiary} * \text{nbr of months since 12/15/2016}) / 48$ | Possibility of exercising a number x of warrants per complete monthly period, and for the first time from 6/27/2018, calculated according to the following rule: $x = (\text{total nbr of BSAs 2017-1 allocated to beneficiary} * \text{nbr of months since 6/27/2017}) / 48$ |
| <b>Exercise price</b>   | 12,4581  | 12,4581  | 12,4581  | 8,2837  | 7,86  |
| <b>Number of shares subscribed as of the date of this document</b>                            | 0  | 0  | 0  | 0   | 0   |
| <b>Cumulative number of share subscription or purchase warrants canceled or null and void</b> | 0  | 0  | 0  | 0   | 0   |
| <b>Outstanding share subscription warrants</b>  | 9 600  | 9 600  | 9 600  | 9 600 (1)   | 0   |

(1) Warrants that may be exercised beginning on December 15, 2017.

Furthermore, through of decision made by the Chief Executive Officer on March 28, 2017, the Company issued to Kepler Cheuvreux within the context of the establishment an Equity line financing, 380,000 BSAs enabling it to subscribe 380,000 shares in the event of the exercise of all said BSAs.

During the first half of 2017, BSAs were issued: during its June 27, 2017 meeting, the Board of Directors, acting on a delegation of authority granted by the Combined Shareholders' Meeting of June 15, 2017 (Twentieth resolution), decided to issue and allocate 9,500 BSAs (the "BSA-2017-1"), giving the right to subscribe 9,600 ordinary shares of a nominal value of €0.70, at a unit price equal to the volume-weighted average of the last twenty trading days preceding the allocation date of the warrants, i.e. a price equal to €7.86. Some BSAs were exercised during the first half of 2017. As of June 30, 2017, there remained 483,800 that may be exercised.



### > Founder share subscription warrants (BSPCE)

The table below shows the status of the founder share subscription warrants (BSPCE) issued since the creation of the Company that were still outstanding as of June 30, 2017, as well as additional information regarding their status as of that date. Specific details regarding transactions during the first half of the year are provided later in the document.

|   | BCE 2012-1   | BCE 2013-1   | BCE 2013-2   |
|---|--|--|--|
| <b>Date of the Shareholders' Meeting or Board of Directors' meeting having allocated the plan</b> | Collective decision of the shareholders of 9/28/2012   | Decision of the Shareholders' Meeting on 7/26/2013   | Decision of the Shareholders' Meeting on 7/26/2013   |
| <b>Number BSPCEs issued</b>   | 77 386   | 36 000   | 4 800  |
| <b>Total number of shares that may be subscribed or purchased</b>                                 | 77 386   | 36 000   | 4 800  |
| <b>Date from which the warrants become exercisable</b>  | 2/1/2013   | 7/26/2014  | 7/26/2014  |
| <b>Number of BSPCEs subscribed</b>  | 77 386   | 36 000   | 4 800  |
| <b>Price of subscription or purchase of the warrant</b>   | Free   | Free   | Free   |
| <b>Expiration date</b>  | 9/28/2022  | 7/26/2023  | 7/26/2023  |
| <b>Warrant exercise methods</b>   | Possibility of exercising a number x of warrants per complete monthly period beginning on 2/1/2012 and for the first time from 2/1/2013, calculated according to the following rule: $x = (\text{total nbr of BCEs 2012-1 allocated to the beneficiary} * \text{nbr of months since 2/1/2012})/48$ | These warrants are exercisable in the event of the occurrence of an IPO prior to June 30, 2014. Possibility of exercising a number x of warrants per complete monthly period beginning on 7/26/2013, and for the first time from 7/26/2014, calculated according to the following rule: $x = (\text{total nbr of BCEs 2013-1 allocated to the beneficiary} * \text{nbr of months since 7/26/2013})/48$ | These warrants are exercisable in the event of the occurrence of an IPO prior to June 30, 2014. Possibility of exercising a number x of warrants per complete monthly period beginning on 7/26/2013, and for the first time from 7/26/2014, calculated according to the following rule: $x = (\text{total nbr of BCEs 2013-2 allocated to the beneficiary} * \text{nbr of months since 7/26/2013})/48$ |
| <b>Exercise price</b>   | 2.25   | 80% of IPO price   | 80% of IPO price   |
| <b>Number of shares subscribed as of the date of this document</b>                                | 65 000   | 0  | 0  |
| <b>Cumulative number of subscription or purchase warrants canceled or null and void</b>           | 0  | 0  | 2 400  |
| <b>Share subscription warrants that may be exercised</b>  | 12 386   | 36 000   | 2 400  |



|   | BCE 2015-1   | BCE 2015-2   | BCE 2016-1   | BCE 2017-1   |
|---|--|--|--|--|
| <b>Date of Shareholders' Meeting or Board of Directors having allocated the plan</b>          | Decision of Board of Directors of 6/24/2015  | Decision of Board of Directors of 6/24/2015  | Decision of Board of Directors of 3/22/2016  | Decision of Board of Directors of 6/27/2017  |
| <b>Number of BSPCEs issued</b>  | 20 600   | 31 000   | 37 982   | 35 000   |
| <b>Number of shares that may be subscribed or purchased</b>                                   | 20 600   | 31 000   | 37 982   | 35 000   |
| <b>Date from which the warrants become exercisable</b>  | 6/24/2016  | 6/24/2016  | 4/1/2017   | 6/27/2018  |
| <b>Number of BSPCEs subscribed</b>  | 20 600   | 31 000   | 37 982   | 35 000   |
| <b>Price of subscription or purchase of the warrant</b>                                       | Free   | Free   | Free   | Free   |
| <b>Expiration date</b>  | 6/24/2025  | 6/24/2025  | 4/1/2026   | 6/27/2027  |
| <b>Warrant exercise methods</b>   | Possibility of exercising a number x of warrants per complete monthly period beginning on 6/24/2015, and for the first time on 6/24/2016, calculated according to the following rule: $x = (\text{total nbr of BCEs 2015-1 allocated to the beneficiary} * \text{nbr of months since 6/24/2015}) / 48$ . | Possibility of exercising a number x of warrants per complete monthly period beginning on 6/24/2015, and for the first time on 6/24/2016, calculated according to the following rule: $x = (\text{total nbr of BCEs 2015-2 allocated to the beneficiary} * \text{nbr of months since 6/24/2015}) / 48$ . | Possibility of exercising a number x of warrants per complete monthly period beginning on April 1, 2016, and for the first time on April 1, 2017, calculated according to the following rule: $x = (18,991 \text{ BCEs 2016-1 allocated to the beneficiary} * \text{nbr of months since April 1, 2016}) / 48$ . 18,991 other warrants that may be exercised upon the occurrence of certain events. | Possibility of exercising a number x of warrants per complete monthly period and for the first time on 6/27/2018, calculated according to the following rule: $x = (\text{Total nbr of BCEs 2017-1 allocated to the beneficiary} * \text{nbr of months since 6/27/2017}) / 48$ . |
| <b>Exercise price</b>   | 12.4581  | 12.4581  | 11.5066  | 7.86   |
| <b>Number of shares subscribed as of the date of this document</b>                            | 0  | 0  | 0  | 0  |
| <b>Cumulative number of share subscription or purchase warrants canceled or null and void</b> | 0  | 0  | 0  | 0  |
| <b>Outstanding share subscription warrants</b>  | 20 600   | 31 000   | 37 982   | 0  |

During the first half of 2017, an issuance of BSPCEs took place: during its June 27, 2017 meeting, the Board of Directors, acting on a delegation of authority granted by the Combined Shareholders' Meeting of June 15, 2017 (Twenty-first resolution), decided to issue and allocate 35,000 BCEs (the "**BCE-2017-1**"), giving the right to subscribe 35,000 ordinary shares of a nominal value of €0.70, at a unit price equal to the volume-weighted average of the last twenty trading days preceding the allocation date of the warrants, i.e. a price equal to €7.86.

Some BSPCEs were exercised during the first half of 2017.

As of June 30, 2017, there remained 140,368 BSPCEs outstanding.



### Note 9 - Conditional advances and subsidies

The item "Conditional advances" consists of advances granted by public entities, whose repayment is conditional on the success of the relevant project.

#### • Repayable advances granted by public entities

The portion of advances received from public entities for the financing of the Company's Research and Development activities, and whose repayment is conditional is presented in liabilities under the heading of other equity capital. "Conditional advances"

#### • Subsidies received

Subsidies received are recorded as soon as the corresponding receivable becomes certain, taking into account the conditions assigned to the awarding of the grant.

Operational subsidies are recorded under "Current income", taking into account, where applicable, the pace of the corresponding expenses in such a way as to comply with the principle of the matching of expenses with the income of the fiscal year.

Investment subsidies intended for the acquisition of fixed assets are initially recorded as equity, then are recognized as current income according to the pace of the depreciation applied to the corresponding fixed assets.

#### > BPIFRANCE Grant (formerly known as OSEO-ISI): THANAPLAST™

On December 19, 2012, the Company obtained a grant from Bpifrance for the THANAPLAST™ project, composed of repayable advances totaling €3,707 thousand and subsidies of €3,108 thousand spread over a 60-month period from 2012 to 2017. The grants were released according to the pace of the project's progress and through the submission of reports regarding the completion of each key-stage stipulated in the framework agreement signed with Bpifrance.

The framework agreement stipulates that the completion of each key-stage and the associated conditions provide entitlement to the payment of the following grants:

| (in euros)        | 1 <sup>st</sup> payment | KS1              | KS2              | KS3              | KS4            | KS5              | TOTAL            |
|-------------------|-------------------------|------------------|------------------|------------------|----------------|------------------|------------------|
| Payment year      | 2012                    | 2013             | 2014             | 2015             | 2016           | 2017             |                  |
| Subsidy           | 709 000                 | 923 000          | 322 000          | 388 000          | 300 000        | 465 657          | 3 107 657        |
| Repayable advance | 644 000                 | 879 000          | 860 000          | 625 000          | 143 000        | 556 214          | 3 707 214        |
| <b>TOTAL</b>      | <b>1 353 000</b>        | <b>1 802 000</b> | <b>1 182 000</b> | <b>1 013 000</b> | <b>443 000</b> | <b>1 021 871</b> | <b>6 814 871</b> |

On June 30, 2017, the Company completed the last key-stage. Since its creation, the Company has received:

| (in euros)        | 1 <sup>st</sup> payment | 2 <sup>nd</sup> payment | 3 <sup>rd</sup> payment | 4 <sup>th</sup> payment | 5 <sup>th</sup> payment | TOTAL             |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| Date of payment   | 12/21/2012              | 9/27/2013               | 11/28/2014              | 11/13/2015              | 12/14/2016              |                   |
| Subsidy           | €709 000                | €923 000                | €166 184                | €543 816                | €300 000                | €2 642 000        |
| Repayable advance | €644 000                | €757 048                | €546 450                | €1 060 502              | €143 000                | €3 151 000        |
| <b>TOTAL</b>      | <b>€1 353 000</b>       | <b>€1 680 048</b>       | <b>€712 634</b>         | <b>€1 604 318</b>       | <b>€443 000</b>         | <b>€5 793 000</b> |

**> Subsidy**

Subsidies account for 45% of the Industrial Research expenditures incurred by the Company in the context of the THANAPLAST™ project.

The eligible expenses incurred between April 1<sup>st</sup>, 2012, start date of the program, and June 30, 2017 totaled €6,909 thousand. These provide entitlement to a subsidy of €3,109 thousand (€6,909 thousand \* 45%), capped at €3,107 thousand, of which €3,002 thousand were recorded during prior fiscal years and €105 thousand at June 30, 2017.

Since the beginning of the program, the Company has received €2,642 thousand in OSEO-ISI subsidies (see table below). The difference, i.e. €465 thousand (€3,107 thousand - €2,642 thousand), was recorded under current receivables (subsidies receivable).

**> Repayable advance**

In the event of a successful research program, the Company is committed to reimbursing the repayable advance to Bpifrance for an amount of €4,525 thousand (according to the payment schedule below) upon achieving a cumulative revenue amount generated by the utilization of the products resulting from the THANAPLAST™ project of €10 million.

|                                  |            |
|----------------------------------|------------|
| Year 1* on June 30 at the latest | €300,000   |
| Year 2* on June 30 at the latest | €500,000   |
| Year 3* on June 30 at the latest | €800,000   |
| Year 4* on June 30 at the latest | €975,000   |
| Year 5* on June 30 at the latest | €1,950,000 |

*\*following the crossing of the €10 million revenue threshold.*

In addition, as soon as the reimbursement of the repayable advance has been completed in accordance with the above payment schedule, the agreement stipulates that the Company shall pay a bonus equal to 4% of its revenue generated by the utilization, if this exceeds a cumulative amount of €100 million. This additional payment is however subject to a time limit (applicable only for a period of five consecutive years from the date of the end of the reimbursement of the advance), and an amount cap (ceiling of €7,100 thousand).

The success of the research program remaining uncertain to date, no provision has been recorded for the payment of the repayable advance granted by Bpifrance.

**> Other public and private grants obtained****Aides Publiques :**

The Company also obtained in 2013:

- A subsidy from the Auvergne Region (FIAD) of €397 thousand, of which €181 thousand was paid in 2013 and the balance of €216 thousand was paid in November 2015. The remaining portion of €18.3 thousand of this subsidy as of June 30, 2017, associated with the acquisition of the *Set up* patent is recorded in income at the pace of the patent amortization.
- An interest-free loan from the Auvergne Region (FIAD) for €152 thousand to finance the installation of the laboratory. The investments having been made in 2014, the corresponding capital was paid to the Company on December 12, 2014. This loan is repayable in five annual installments of €30 thousand, and repayment began on December 30, 2016 for a remaining capital balance owed of €121 thousand as of June 30, 2017.

In 2017, the Company also obtained a new grant of a total amount of €265 thousand from Bpifrance for a techno-economic feasibility study on the biorecycling of PET. As of June 30, 2017, CARBIOS had received €215 thousand, with the balance to be provided in July 2018. This grant breaks down as follows:

- Repayable advance: minimum of €106 thousand repayable quarterly as of March 31, 2019.
- Conditional advance: the balance of €109 thousand will not be repayable in the event of a techno-commercial failure or a partial techno-economic success.

**Private Grants:**

- A repayable interest-free advance from the association FMR 63 for €70 thousand for business creation activities and job creation. The repayment over 36 months began on June 6, 2016, with remaining capital owed of €45 thousand as of June 30, 2017.





### **Note 10 – Operating revenue**

#### **Licensing and sub-licensing of patent and know-how licenses**

The Company signed a patent and know-how licensing agreement with CARBIOLICE on August 30, 2016, which will be effective until the expiration of the last of the licensed patents. The payment of this agreement is scheduled to take the form of an €8 million lump-sum royalty payment and variable royalties equivalent to 3% of the revenue generated from CARBIOLICE's use of the licensed patents. No variable royalties had been recorded as of June 30, 2017 given that none of CARBIOLICE's revenue results from use of the licenses granted in 2016.

#### **Other operating revenue:**

See Note 14 Related parties

### **Note 11 – Maturity of liabilities and deferred income at the end of the period**

| Statement of liabilities as of 6/30/2017 (in euros) | Total amount     | From 0 to 1 year | From 1 to 5 years | More than 5 years |
|---|------------------|------------------|-------------------|-------------------|
| Regional funds                                      | 272 220          | 53 640           | 218 580           |                   |
| Suppliers   | 515 366          | 515 366          |                   |                   |
| Tax and social liabilities                          | 382 235          | 382 235          |                   |                   |
| Other liabilities                                   | 37 105           | 37 105           |                   |                   |
| Deferred income                                     | 0                | 0                |                   |                   |
| <b>TOTAL</b>  | <b>1 206 926</b> | <b>988 346</b>   | <b>218 580</b>    |                   |

**Note 11 bis – Accruals (assets and liabilities)**

Accruals are shown on the balance sheet as of June 30, 2017 for the following amounts:

| Statement of accruals (in euros)                             | ASSETS         | LIABILITIES    |
|--|----------------|----------------|
| Suppliers, amounts receivable and accrued invoices           |                | 346 111        |
| Customers, unbilled revenue                                  | 7 838          |                |
| Personnel and social welfare organizations, accrued expenses |                | 200 626        |
| State, accrued expenses and accrued income (1)               | 432 937        | 13 822         |
| Subsidies receivable   | 465 650        |                |
| Accrued interest income                                      | 444            |                |
| Subsidies received in advance                                |                |                |
| <b>TOTAL</b>   | <b>906 869</b> | <b>560 559</b> |

(1) This amount specifically includes the receivable for the Research Tax Credit of €317 thousand and the Tax Credit for Employment and Competitiveness of €7 thousand for the first half of 2017.

**Note 12 – Compliance with ongoing commercial contracts**

The progress status of subcontracting contracts for certain Research and Development services and for external studies conducted as part of the research collaboration is assessed as of the date of the end of the period so as to permit the cost of the services already rendered to the Company to be recorded as accrued expenses and the cost of the services to be performed by the subcontractors during future fiscal years to be recorded as prepaid expenses.

As part of the THANAPLAST™ project, CARBIOS signed several cooperation agreements with academic laboratories (INRA, TWB, INSA de Toulouse (LISBP), CNRS and the University of Poitiers), scientific collaboration agreements (Deinove), Research and Development cooperation agreements with manufacturers (Limagrain and Barbier), and research service agreements (University of Turin, ISPA, CNRS, INRA, etc.).

The THANAPLAST™ project represents an overall expenditure budget of €22 million over five years, including €14.3 million directly assumed by CARBIOS, which in turn has made multi-year financial commitments to the partners and service providers who support this research program.

The financing of the project and compliance with these commitments is ensured by:

- o CARBIOS' equity representing €18.3 million, prior to the recording of losses since creation (i.e. €12.9 million remaining available as of June 30, 2017);
- o the innovation grant awarded by Bpifrance for €6.8 million (See Note 9 - Conditional advances and subsidies).

Having signed cooperation agreements with academic and scientific partners as well as research services agreements, CARBIOS owns the exclusive worldwide rights to the use of the results obtained from the THANAPLAST™ project and also owns, or at least jointly owns, the intellectual property rights to these results.



### **Note 13 – Income tax**

Since the Company operates at a loss, it does not have an income tax expense. The amount recognized in income in respect of corporate tax is income from the Research Tax Credit (CIR). It amounted to €371 thousand as of June 30, 2017.

The Tax Credit for Employment and Competitiveness (CICE) is recognized at the pace of the expense. It is to be taken into account as and when the corresponding compensation expenses are incurred, whether or not the end of the fiscal year coincides with the calendar year, for the annual financial statements as well as for the interim or consolidated financial statements, according to French accounting standards as well as IFRS.

The recognition of the Tax Credit for Employment and Competitiveness (CICE) totaling €7 thousand as of June 30, 2017 was made through a reduction in personnel expenses, a credit to sub-account 64 (French ANC - Accounting Standards Authority, Information notice of February 28, 2013).

### **Note 14 – Related**

During the first half of 2017, no expenses were invoiced by consultants holding BSAs.

During the same period, CARBIOS allocated €37 thousand (excluding social security contributions) in directors' fees to the members of the Board of Directors.

The following transactions were performed during the 2017 fiscal year with the subsidiary CARBIOLICE:

- **CARBIOLICE consulting agreement**

On August 31, 2016, a consulting agreement was signed with the CARBIOLICE subsidiary to assist and advise the executive and management bodies for a period of 16 months from September 1, 2016. This agreement is tacitly renewable for one year. Compensation is set at the amount of €3,500 per month plus the reimbursement of any potential expenses. As of June 30, 2017, operating revenue was €23 thousand.

- **CARBIOLICE agreement for the provision of services**

On August 31, 2016, an agreement for the provision of services was signed with the CARBIOLICE subsidiary to perform, at its request, sample analyses for a period of one year. This agreement may be renewed upon request from CARBIOLICE. Compensation is set according to a price list for the analyses, which is appended to the agreement. As of June 30, 2017, operating income was €5.9 thousand.

- **Licensing and sub-licensing of patent and know-how licenses**

See Note 10

- **CARBIOLICE availability agreement**

An agreement making laboratory materials and equipment available, in particular extrusion line tools, was signed on August 31, 2016 with the CARBIOLICE subsidiary for a period of one year. This agreement is renewable upon request from CARBIOLICE. Compensation is €800 daily. The lump sum of €4,500 was paid in 2016. As of June 30, 2017, operating revenue was €15.6 thousand.

- **CARBIOLICE research services agreement**

On February 15, 2017, a research services agreement was signed with the CARBIOLICE subsidiary for the research and completion of a development program for Biodegradation technology products. The term of the agreement is two years, renewable by joint agreement. Compensation is set at €1,248 thousand payable according to a set payment schedule. As of June 30, 2017, operating revenue was €473 thousand.

**Note 15 – Table of subsidiaries and equity interests**

|  |                                     |
|--|-------------------------------------|
| Company name   | SAS CARBIOLICE                      |
| Capital  | €15 500 000                         |
| Reserves and carryforwards prior to the allocation of income | -                                   |
| Portion of share capital owned (%)                           | 61,29 %                             |
| Book value of securities held                                | €9 500 000                          |
| Loans and advances granted by the company and not yet repaid | -                                   |
| Amount of guarantees given by the company                    | -                                   |
| Revenue excluding tax for the most recent fiscal year        | -                                   |
| Results (profit or loss for the most recent period ended)    | -                                   |
| Dividends received by the company during the fiscal year     | -                                   |
| Comments   | First fiscal year ending 12/31/2017 |

As of June 30, 2017, the equity interests were assessed at their acquisition cost because the subsidiary began its activity in early September 2016 and its first fiscal year-end will end on December 31, 2017.

**Note 16 – Commitments given**

|                                     | Commitment     |
|-------------------------------------|----------------|
| <b>Retirement indemnity</b>         | €45 810        |
| <b>Individual Right to Training</b> | Not applicable |

- **Retirement indemnity**

The rights of employees to retirement indemnities were assessed at €45,810 as of June 30, 2017.

This figure was calculated according to the following assumptions:

- Voluntary retirement
- Retirement age: 67 years
- Turnover: slow
- Discount rate: 3%

- **Individual Right to Training (DIF)**

Since January 1, 2015, the individual right to training has been replaced by a personal training account.

**Note 17 – Workforce**

|  | Workforce as of 12/31/2016 | Workforce as of 6/30/2017 |
|--|----------------------------|---------------------------|
| <b>Managers</b>                          | 12                         | 11                        |
| <b>Supervisory staff and technicians</b> | 5                          | 5                         |
| <b>Employees</b>                         | 1                          | 1                         |
| <b>Total</b>                             | <b>18</b>                  | <b>17</b>                 |

**Note 18 – Events after the reporting period**

The beginning of the second half of 2017 was marked by the success of a reserved offer of €4.2 million that took place in July 2017 through a capital increase of €3.6 million and €0.6 million in disposals by the long-standing shareholders. CARBIOS will use the funds raised, €3.6 million, to initiate the industrial pilot of its enzymatic biorecycling process for PET plastics, an innovation that enables to produce virgin PET from plastic waste.

There were no other significant events to be noted for the beginning of the second half of 2017.

**4.**

# **ADDITIONAL INFORMATION**



## PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

### PERSONS RESPONSIBLE FOR THE HALF-YEAR REPORT

**Jean-Claude Lumaret**, Chief Executive Officer

### STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

I certify that, to my knowledge, the financial statements presented for the previous half-year were prepared in accordance with applicable accounting standards and provide an accurate picture of the assets, financial position and results of the Company. I also certify that the half-year management report (featured on pages 5 to 20) presents, to my knowledge, a faithful reflection of the important events that took place during the first six months of the fiscal year, their impact on the financial statements, the main transactions between related parties and that it describes the main risks and uncertainties for the remaining six months of the year.

**Jean-Claude Lumaret**  
Chief Executive Officer

## FINANCIAL DISCLOSURES

### SHAREHOLDER INFORMATION

Carbios shares are listed on Euronext Growth – Paris  
ISIN code: FR0011648716  
Mnemonics code: ALCRB.PA  
CARBIOS is part of the Euronext Growth– All-share index  
and the Euronext Growth Bpifrance innovation index  
CARBIOS securities are eligible for the PEA-PME tax  
arrangement

### RELATIONS WITH THE FINANCIAL COMMUNITY

CARBIOS is regularly in contact with the financial community. In 2017, the Company organized a meeting with analysts and investors to present its 2016 annual results (in collaboration with the French Society of Financial Analysts – SFAF). In addition, meetings are regularly organized with financial analysts and investors in the form of roadshows and private meetings. These various events facilitate communication between the financial community and the Company regarding its strategy, results and outlook.

All information disseminated by CARBIOS is available on its website [www.carbios.fr](http://www.carbios.fr)

## CONTACT

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## GLOSSARY

- **Biodegradation**

The decomposition of materials into simple molecules ( $H_2O$ ,  $CO_2$ , humus) through the enzymatic action initiated by micro-organisms.

- **Polymer**

Large molecule composed of the repetition, a large number of times, of one or several monomers.

- **Bioprocess**

Production process using micro-organisms or enzymes.

- **Depolymerization**

Degradation of a polymer into its constitutive monomers.

- **Enzyme**

A protein that catalyzes, meaning that it increases the speed of the chemical reaction.

- **Micro-organism**

Microscopic living organism (bacteria, fungus or yeast), meaning that it is invisible to the naked eye and can only be seen using a microscope.

- **Monomer**

Molecule, a basic unit, which contributes to the formation of a polymer.

- **Polymerization**

Conversion process, through the formation of chains, of a monomer, or of a combination of monomers, into a polymer.

- **PLA Polylactic Acid**

Biosourced and biodegradable plastic polymer according to standard EN13432 (industrial composting environment). Moreover, it is biocompatible.

- **PET Polyethylene terephthalate**

Plastic polymer that is the major component of water bottles.

- **Process-book**

A document defining all the stages of an industrial process, including the parameters and necessary equipment, the robustness analysis and the deviation analysis of the process.



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