



2018 INTERIM FINANCIAL REPORT



CARBIOS
Reinvent Polymers Lifecycle

SOMMAIRE

1. MANAGEMENT AND GOVERNING BODIES.....	3
Board of Directors.....	4
Executive Management.....	4
2. INTERIM MANAGEMENT REPORT	5
CARBIOS overview	7
The company and its strategy.....	7
Highlights of the first half of 2018 and events after the reporting period	9
Financial position and results: comments on the figures.....	16
Main risk factors.....	19
Agreements with related parties.....	21
3. INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2018.....	22
Balance sheet	23
Income statement	25
Statement of changes in equity.....	26
Statement of net cash flows	26
Notes to the financial statements	27
4. ADDITIONAL INFORMATION.....	43
Person responsible for the interim financial report.....	44
Financial disclosures.....	44
Contact.....	44
Glossary	45

1. MANAGEMENT AND GOVERNING BODIES



BOARD OF DIRECTORS

Chairman:	Jean Falgoux
Directors:	Jean-Claude Lumaret
	Alain Chevallier
	Eric Arnoult (known as Erik Orsenna) ¹
	Jacques Breuil
	Ian Hudson
	Jacqueline Lecourtier
	Pascal Juéry
	Dominique Even

EXECUTIVE MANAGEMENT

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

¹ Since the writing of this report, the composition of the CARBIOS Board of Directors has changed. In this sense, the reader is invited to review the events after the reporting period in Chapter 2.3.6 of this document.

2. INTERIM MANAGEMENT REPORT



CARBIOS OVERVIEW

BIOPLASTURGY²: REVOLUTIONIZING THE WORLD OF PLASTICS

CARBIOS, a pioneer in the field of bioplasturgy, designs and develops biological processes to improve the environmental and economic performance of the lifecycle of plastic polymers and textiles³.

These bioprocesses, which combine industrial biology and plasturgy for the first time, rely on the use of enzymes produced by natural micro-organisms selected for their ability to degrade the polymers that make up plastic and textile materials. The exceptional properties of these enzymes, never previously used in plasturgy, are leading the way to new ecologically-sound and sustainable approaches to:

- the creation of a new generation of biodegradable plastics through the incorporation of enzymes;
- enzymatic biorecycling of plastic and textile waste, facilitating the production of new polymers of the same quality as the original;
- enzymatic biopolymerization, an alternative complementary biorecycling process for PLA production.

Global plastics production reached 335 million metric tons⁴ in 2016 and demand continues to grow. 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 tons⁵ of plastic waste are generated each year, including some 9 million metric tons that ultimately end up in the natural environment⁶, 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 contributes to the deployment of a circular economic model⁷ that will transform this environmental threat into a genuine societal and industrial opportunity, making plastic and textile waste (PET polyester fibers) the renewable raw material of tomorrow's chemical industry.

² Associating industrial biology and plasturgy

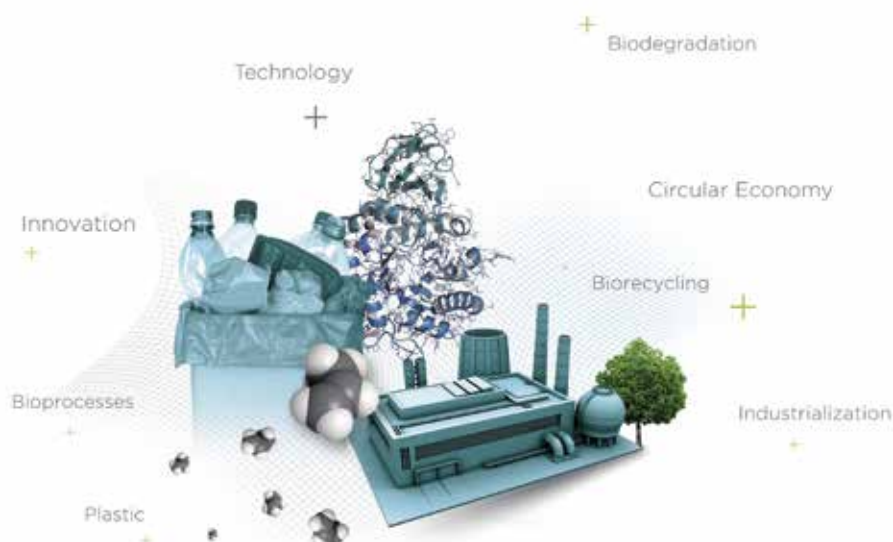
³ Textiles: With reference to PET polyester fibers

⁴ Source: PlasticsEurope in 2017

⁵ 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

⁶ Source: Ademe in 2012

⁷ 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. In light of the results already achieved, CARBIOS intends to become a major player in the worldwide plasturgy and recycling markets by providing reliable and innovative solutions while meeting the challenges of our time and 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.

At the end of June 2018, the CARBIOS intellectual property portfolio included 26 patent families, of which 20 were wholly owned by the Company, four were jointly owned with exclusive exploitation rights for CARBIOS and two were under an exclusive worldwide license. CARBIOS thus ensured that it can guarantee a strategic competitive advantage over sizeable markets to its current and future industrial partners.

A MARKET OPPORTUNITY

Worldwide plastics production is currently concentrated in Asia (49%), particularly China⁸, and generates a quantity of waste that represents a reservoir of raw materials that are still insufficiently recycled.

In this context, new regulatory provisions are being implemented in numerous countries. This is particularly the case in France with the Law on Energy Transition for Green Growth prohibiting all single-use plastic bags that cannot be composted in home composting facilities and that are not all or in part made from biosourced materials, since January 1, 2017. Europe also made commitments in this area with the adoption of the European Commission's legislative "Circular Economy Package" establishing common objectives for waste management among member states.

Since January 1, 2018, China has also banned the importation of 24 types of waste from the European Union, particularly certain types of plastic waste. This ban should cause waste-exporting countries to quickly implement alternative solutions for the treatment of previously exported waste.

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.

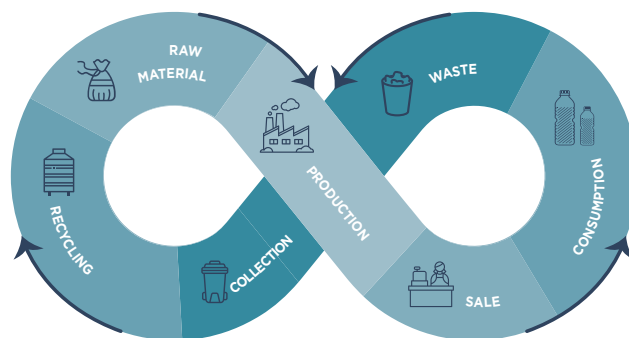
CARBIOS' technological offering is a response to a global market currently in search of new competitive and environmentally responsible solutions and presents an unprecedented opportunity for manufacturers in the plasturgy field who will be able to adapt to the new international regulatory constraints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

⁸ Source: PlasticsEurope in 2015

THE CIRCULAR ECONOMY AN ESSENTIAL TRANSITION

The circular economy is by nature restorative and regenerative. It aims to preserve the value and intrinsic quality of products and materials at every stage of their use. In contrast to the linear model of producing, consuming and disposing, the circular economy creates the conditions for the development of a virtuous system where use replaces consumption, while limiting the wasting of raw materials and sources of energy.

The circular economy involves a more efficient use of fossil resources, reduction of waste and lower energy consumption, the guidelines for the strategic development of a new, efficient and sustainable industrial ecology.

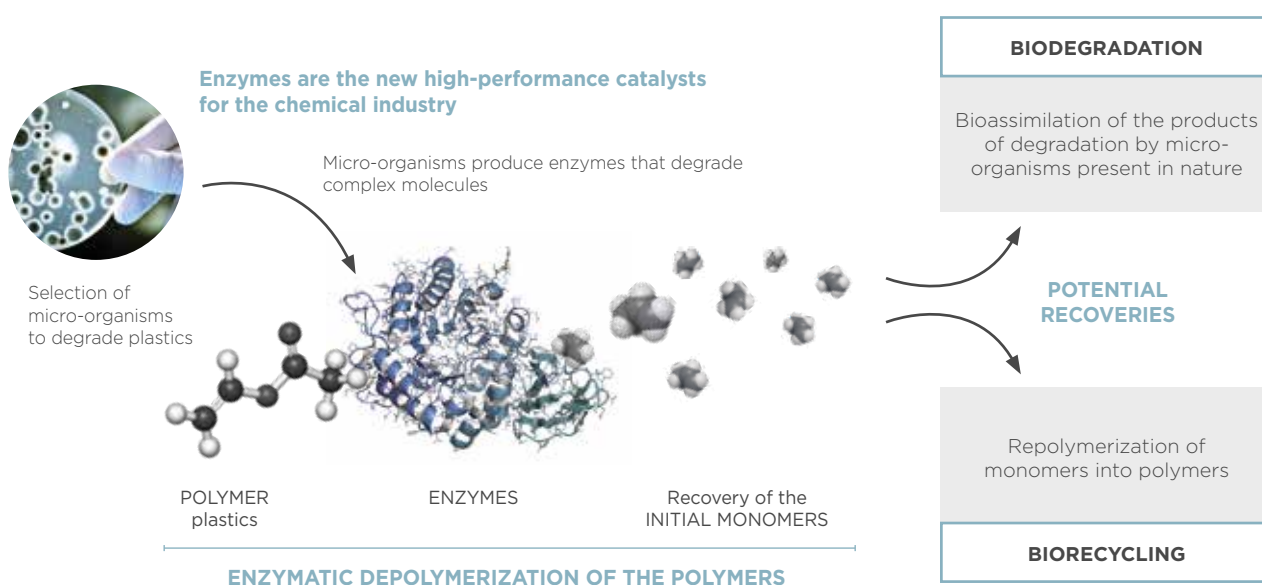


CARBIOS is fully committed to this circular economy and positive recovery approach through the development of biological processes that represent a radical technological and industrial breakthrough, namely an innovative type of chemistry based on the use of enzymes to reinvent the plastic polymers and textiles lifecycle.

THE ADVANTAGE OF THE ENZYMATIC BIOPROCESSES DEVELOPED BY CARBIOS

When applied to industrial processes, enzymes make it possible to achieve extremely complex 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 using them for the biodegradation and biorecycling of polymers that make up plastic materials (resins and fibers) 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 today by the leading manufacturers in their fields.



HIGHLIGHTS OF THE FIRST HALF OF 2018 AND EVENTS AFTER THE REPORTING PERIOD

CHANGE IN STRUCTURE

Changes on the Board of Directors

Eric Arnoult (known as Erik Orsenna) resigned from his position as director effective September 20, 2018. At its meeting on September 20, 2018, the Board of Directors co-opted Truffle Capital, represented by Dr. Philippe Pouletty, to replace Mr. Arnoult for the term of office of the latter, i.e. until 2021, at the close of the Meeting called to approve the financial statements for the year ended December 31, 2020.

This change took effect at the meeting of the Board of Directors on September 20, 2018.

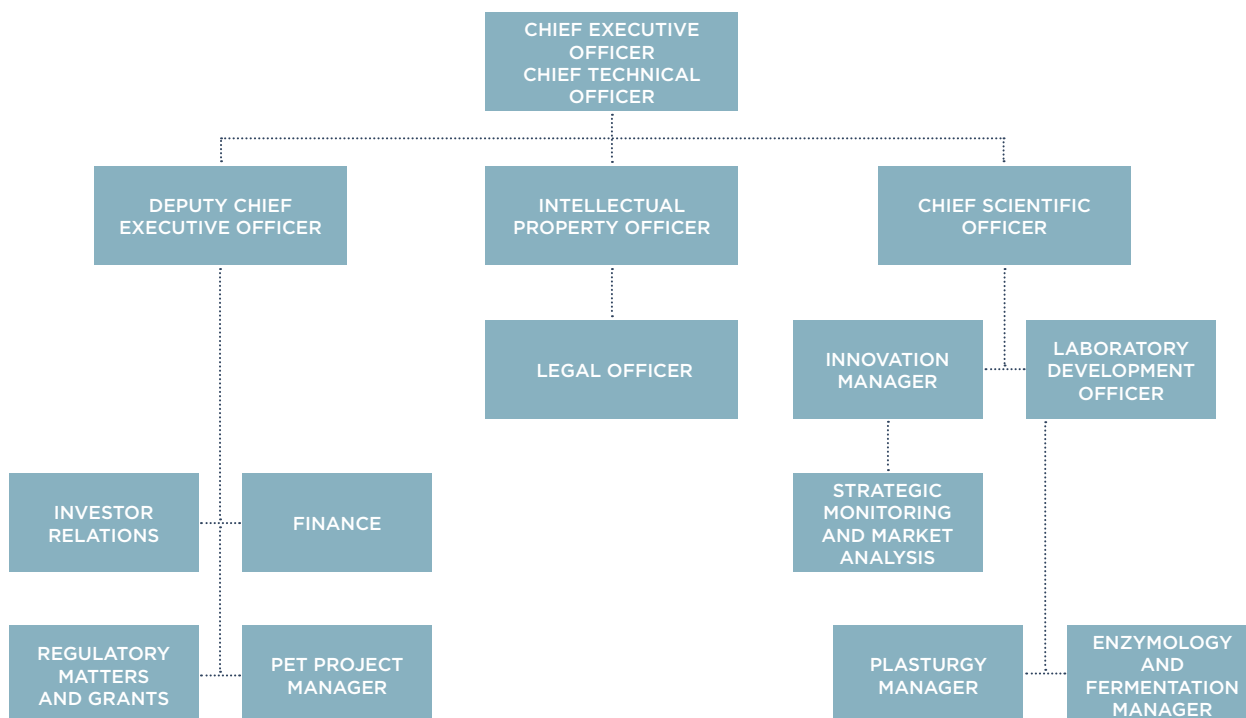
Changes in the organization of the Company

As of June 30, 2018, CARBIOS had 19 employees primarily distributed among Management and three different departments as follows:

- Executive Management (2 employees);
- The Administrative and Financial Department supervised by the Deputy Chief Executive Officer (five employees);
- The Intellectual Property and Legal Affairs Department (two employees);
- The Scientific Department (10 employees).

In addition, to date, more than 20 researchers are working at academic partners to support the industrial deployment of CARBIOS technologies.

CARBIOLICE, a subsidiary of CARBIOS, has also tripled its workforce since its creation in September 2016, from six to 18 employees as of June 30, 2018.



STATUS OF PROJECTS

The first half of 2018 confirmed CARBIOS' good momentum since the approval of the last stage of the THANAPLAST™ program, notably thanks to significant advances in the industrial structuring of its subsidiary CARBIOLICE and the development of its PET plastics biorecycling process.

R&D

In January 2018⁹, CARBIOS announced that it had **successfully validated the fifth and final stage of the THANAPLAST™ project** and had received a payment of €1,021,871 from Bpifrance. During the last key stage, which ended in June 2017, CARBIOS published several announcements of the successes achieved in the development of its technologies. In biorecycling, CARBIOS has demonstrated its ability to **synthesize PET oligomers** from biorecycled terephthalic acid and produce virgin PET from enzymatically hydrolyzed used bottles. In addition to these results, which reinforce the technological potential of the innovations developed under THANAPLAST™, CARBIOS continued the industrialization of its biodegradation process through the CARBIOLICE joint venture created with Limagrain Céréales Ingrédients and the Bpifrance SPI (Sociétés de Projets Industriels) fund.

In March 2018¹⁰, CARBIOS announced that it had begun a new stage in the development of its enzymatic depolymerization process by making it applicable to **PET polyester fibers** from textile waste. CARBIOS is thus opening up a major new market through the depolymerization of 100% PET textile waste fibers into their original monomers. Each year, 43 million metric tons of PET are produced for the fiber market¹¹, compared to 15 million metric tons for plastic bottles¹².

In April 2018¹³, CARBIOS announced a major breakthrough in the optimization of its used PET bottle biorecycling process, thus strengthening its economic competitiveness and accelerating its upscaling to the industrial demonstration phase. Efforts to optimize the enzyme used in the CARBIOS biorecycling process were made with the support of Toulouse White Biotechnology (TWB) teams, in particular the Biological Systems and Process Engineering Laboratory (LISBP). A molecular modeling study was conducted to analyze the relationships between the three-dimensional structure of this enzyme and its effectiveness. This made it possible to propose targets to improve performance and achieve a conversion speed that only CARBIOS can currently claim. As a result, the duration of hydrolysis was divided by three, with 97% conversion being obtained after 24 hours of reaction.

After the half-year closing, in July 2018¹⁴, CARBIOS announced new optimization results for its PET plastic biorecycling enzyme, further reducing the duration of enzymatic hydrolysis of PET by one-third and achieving a **conversion rate of 97% in only 16 hours**.

These advances were accompanied by the scaling up of the process, in collaboration with CRITT Bio-Industries, through the piloting of PET hydrolysis in a 1,000-liter reactor.

CARBIOLICE

In July 2018¹⁵, CARBIOS announced the acceleration of the development of its subsidiary CARBIOLICE, making its innovation strategy a reality through the production of master batches, which was accompanied, in accordance with initial commitments, by new financing of €3.35 million in the form of a capital increase by the shareholders, of which €2 million was contributed by the SPI fund operated by Bpifrance, €1.1 million by CARBIOS and €250,000 by Limagrain Céréales Ingrédients. This second round of financing was validated by the signing of a new shareholders' agreement dated June 28, 2018. It accompanies the structuring of the industrial production tool and the establishment of sales and technical forces for the launching of a new product line in

2020 that uses the enzymatic biodegradation technologies developed by CARBIOS. In addition, to position itself in new growing markets, CARBIOS has extended the scope of the license granted to CARBIOLICE to rigid food packaging. This agreement, to which an amendment to the initial patent license and know-how agreement was added, provides for the payment to CARBIOS of an additional lump sum conditional upon achievement by CARBIOLICE of a defined amount of revenue.

CARBIOLICE currently manufactures corn flour and biopolymer compounds for manufacturers in the bag, mulching and technical film markets. The goal for 2020 will be to conquer the disposable tableware and biodegradable packaging markets and commercially exploit its license for the enzymatic biodegradation technologies developed by CARBIOS by producing master batches. These batches will be used to manufacture single-use 100% compostable and biodegradable plastics that meet the new objectives set by the French Law on Energy Transition for Green Growth. This implies that the minimum biosourced content of compostable plastic bags will increase gradually: 40% since January 2018, 50% in January 2020 and 60% in January 2025. These provisions of Article R. 543-72-2 of the French Environmental Code, created by Decree No. 2016-379 of March 30, 2016, require all industrial players in the sector to adapt to these regulatory changes. At the same time, they open up enormous opportunities for the deployment of CARBIOS' innovation in the single-use plastics market.

Changes in the distribution of CARBIOLICE capital

	CARBIOS	Limagrain Céréales Ingrédients	SPI fund operated by Bpifrance
Distribution of CARBIOLICE capital as of June 30, 2018 (%)	61,29%	22,58%	16,13%
Distribution of CARBIOLICE capital as of September 28, 2018 (%)*	56,23%	19,89%	23,87%

*: new distribution of capital following the second financing phase of July 2018 for a total amount of €3.35 million from the shareholders.

⁹ See January 11, 2018 press release

¹⁰ See March 12, 2018 press release

¹¹ Source: Tecnon in 2013 and IHS in 2014

¹² Source: SRI Consulting in 2010, ICIS in 2009 and Samsung in 2010

¹³ See April 12, 2018 press release

¹⁴ See July 19, 2018 press release

¹⁵ See July 6, 2018 press release

CONTEXT OF THE RESEARCH PROJECTS

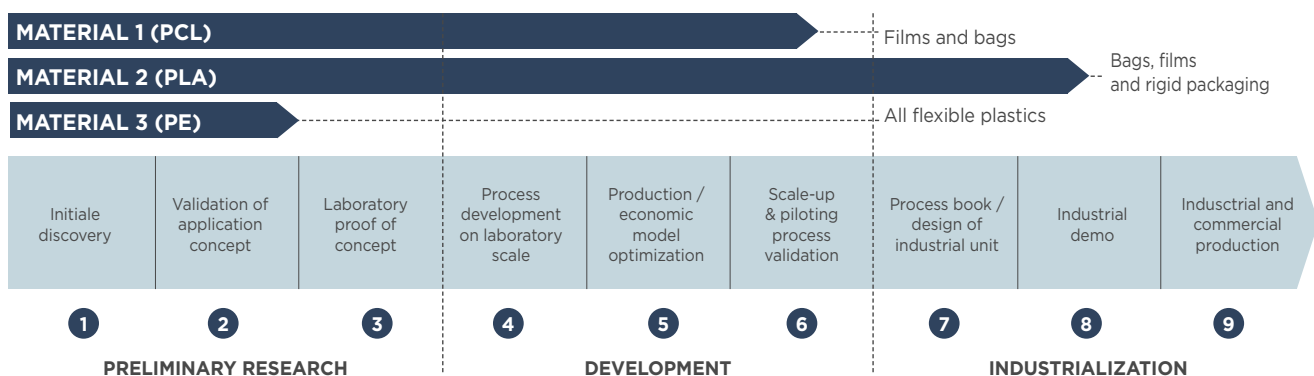
• ENZYMATED BIODEGRADABLE PLASTICS

The innovation of the biodegradation process 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 2016. This joint venture was created with Limagrain Céréales Ingrédients and the SPI "Société de projets industriels" investment fund operated by Bpifrance.

CARBIOLICE's objective for 2020 will be to ensure the industrial and commercial deployment of this technology through the production of master batches for the production of single-use, 100% compostable and biodegradable plastics, for the mulching, bag, industrial film and rigid food packaging markets. In addition to the CARBIOS concession agreement and the contribution of the shareholders to the capital of the joint venture, CARBIOS is currently supporting CARBIOLICE through a service agreement to develop biodegradable plastic formulations for each of these markets.

ENZYMATED BIODEGRADABLE PLASTICS



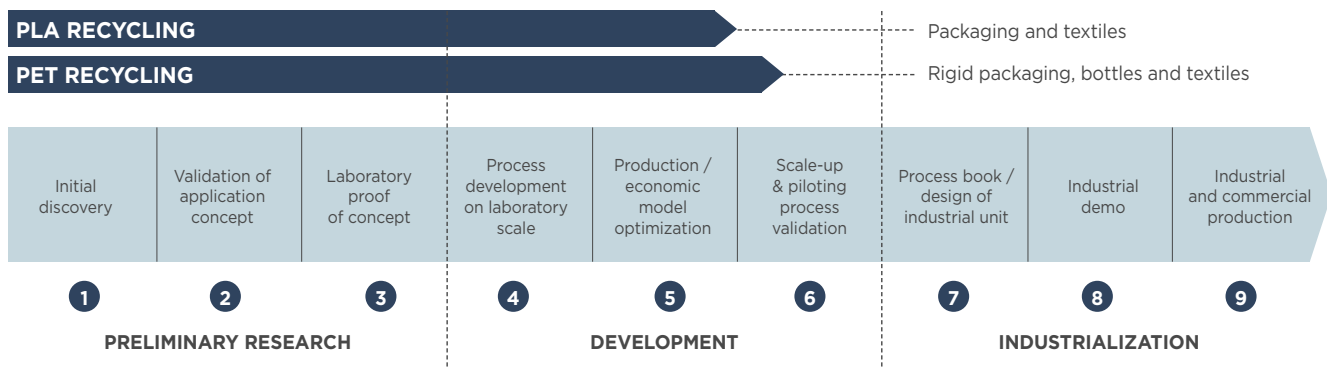
Other applications may be the subject of future grants of licenses to other worldwide manufacturers liable to ensure the roll-out of new applications resulting from the processes designed and developed by CARBIOS.

• BIORECYCLING OF PLASTIC WASTE

As part of its research and development program, CARBIOS focused on the development of biorecycling of two polymers: PLA and PET.

The first half of 2018 saw several major advances in the development of the biorecycling process for plastics and PET fibers. These results have led to the scaling up of the process and make the outlook for the industrialization of this technology in the near future even better.

BIORECYCLING OF PLASTIC WASTE



For PLA biorecycling:

The circularity of the process in the THANAPLAST™ program has been demonstrated with the successful enzymatic depolymerization of PLA at 90% in 24 hours and the proof of concept of the repolymerization, into virgin PLA, of the lactic acid monomers obtained (98% purity).

CARBIOS is targeting a nascent market since the availability of PLA waste is still low. However, PLA has a bright and promising future and its market is growing sharply. This polymer has the advantage of being 100% biosourced while offering interesting mechanical properties.

CARBIOS therefore intends to continue its discussions with industry players in this market to evaluate the opportunity of granting a license at an "upstream" stage of this technology to ensure optimization and exploitation by a partner, in accordance with objectives announced during the Company's initial public offering.

For PET biorecycling:

Several major advances have made it possible to optimize the performance of the process and begin, in accordance with objectives, the piloting of the hydrolysis reaction of PET plastics to their original constituents.

In the first half of 2018, the CARBIOS enzymatic depolymerization process was demonstrated to be applicable to PET polyester textile waste fibers, thus opening a significant new market for the deployment of this technology. Significant efforts to optimize the enzyme have also been undertaken in order

to increase performance and thermostability. Accordingly, the duration of hydrolysis was divided by three in April 2018, then reduced by one-third in July 2018, to reach its current **97% conversion rate in just 16 hours**. These results were accompanied by the scaling up of the hydrolysis reaction stage for PET plastics, which is now conducted at the pilot stage in a 1,000-liter reactor.

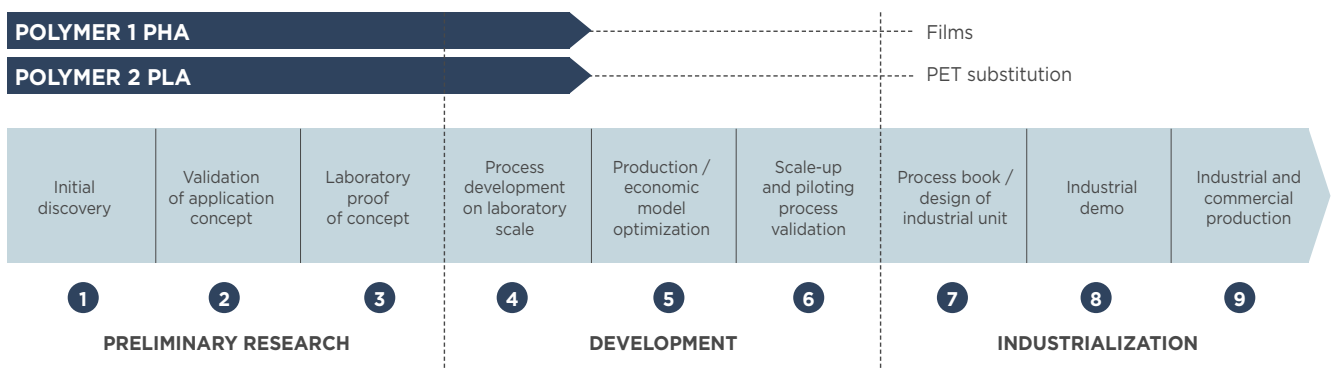
The pre-dimensioning of the various stages of the PET biorecycling process has been carried out. Engineering studies are currently being conducted with TechnipFMC to further transpose the various stages of the pre-pilot stage process to the pilot stage and begin industrial and commercial demonstration of this innovation.

On the strength of the results, CARBIOS is maintaining its goal to bring its PET 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 avoiding the current chemical polymerization stage, which is complex and costly.

This biological production approach is also part of a wider context of strong growth in the global PLA market.

BIOPRODUCTION OF POLYMERS



CARBIOLICE: A KEY PLAYER IN BIODEGRADABLE SINGLE-USE PLASTICS

Since 2016, CARBIOS has been engaged in the development phase of its biodegradation process with the operational start-up of its subsidiary CARBIOLICE. This project provides piloting and industrial and commercial demonstration of the biodegradation process developed by the Company and licensed to CARBIOLICE to create a new generation of biodegradable plastics with controlled kinetics that generate zero waste. This license, which was extended on June 28, 2018, now covers nine patent families related to the enzymatic biodegradation process developed by CARBIOS and whose exploitation by CARBIOLICE covers the following areas of application: flexible film markets (mulching, bags, industrial films, wrapping films, food packaging), rigid applications in the agriculture and horticulture sector, disposable tableware and rigid food packaging.

With a production unit of 4,000 metric tons capacity per year, CARBIOLICE currently markets the range of Biolice® compounds in the bag, mulching and technical films markets. They are 40% biosourced and 100% compostable and biodegradable in accordance with EN 13432, which complies with European Directive 2015/720 on the reduction of plastic bags and the French Law on Energy Transition for Green Growth. The biopolymers of the Biolice® range are certified "OK compost HOME compostables", under domestic conditions in accordance with the French NF T51-800 standard.



Carbiolice subsidiary industrial production line

CARBIOLICE's objective for 2020 will be to commercially exploit its license for the enzymatic biodegradation technologies developed by CARBIOS through the production of master batches.

Along with this first commercial unit that produces enzyme master batches, thus giving CARBIOLICE the opportunity to become a world leader in the field of plasturgy and a key player in the biodegradation of single-use plastics, CARBIOS maintains close relationships with several major international PLA producers. Their strong interest in this technology makes it possible to imagine worldwide deployment and thus reinforces the recycling prospects planned for this innovation conceived and developed by CARBIOS.

INDUSTRIAL PROPERTY

To guarantee the exploitation of the results of its Research and Development, CARBIOS has, since its creation, pursued an active policy of securing and strengthening its innovations through protection of its results starting from the upstream phase and consolidated by improvements made during development. It may be supplemented by the acquisition of know-how and rights from third parties necessary for the industrial implementation of the innovation developed.

During the first half of 2018, 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, 2018, the Company's patent portfolio consisted of 26 patent families (of which 20 are wholly owned, four are jointly owned with exclusive exploitation rights for CARBIOS and two are under an exclusive worldwide license) representing 91 titles.

These patent families cover five areas of development:

- the three bioprocesses developed by the Company, namely the Biodegradation, Biorecycling and Bioproduction processes;
- biodiversity, the application of which may involve both the biodegradation and the biorecycling process; and
- a new area: Innovation.

Distribution of Intellectual Property by area of development:

Areas of development	Distribution of Intellectual Property as of June 30, 2018
Biodiversity	eight patent families, of which five are wholly owned
Biodegradation	seven patent families, of which five are wholly owned
Biorecycling	four patent families, of which four are wholly owned
Bioproduction	five patent families, of which four are wholly owned
Innovation	two wholly owned patent families

CARBIOS has thus ensured that it 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 2018 was marked by the following events:

- In a decision dated March 27, 2018, the Board of Directors noted the completion of a capital increase of a nominal amount of €3,981.60 following the subscription of 5,688 new ordinary shares of the Company through the exercise of 59,724 redeemable stock warrants (hereinafter referred to as "BSARs"), which had the effect of increasing the share capital from €3,197,114.90 to €3,201,096.50; and amended the bylaws in accordance with this capital increase. These 59,724 BSARs were part of the 4,556,469 BSARs issued by decision of the Chief Executive Officer on November 20, 2018;
- In a decision dated May 3, 2018, the Board of Directors noted the completion of a capital increase of a nominal amount of €81.20 following the subscription of 116 new ordinary shares of the Company through the exercise of 1,218 BSARs, which had the effect of increasing the share capital from €3,201,096.50 to €3,201,177.70; and amended the bylaws in accordance with this capital increase. These 1,218 BSARs were part of the 4,556,469 BSARs issued by decision of the Chief Executive Officer on November 20, 2018;
- The annual Ordinary and Extraordinary Shareholders' Meeting of June 14, 2018 decided to:
 - renew the term as Director of Dominique Even for a period of four years expiring at the end of the annual Ordinary Shareholders' Meeting to be held during 2022 that will be convened to approve the financial statements for the year ending December 31, 2021;
 - renew the term of office as director of Pascal Juéry for a four-year period expiring at the close of the annual Ordinary Shareholders' Meeting to be held during 2022 and that will be convened to approve the financial statements for the year ending December 31, 2021;
 - renew the term of PRICEWATERHOUSECOOPERS AUDIT, represented by Thierry Charron, as principal Statutory Auditor for a six-year period expiring at the close of the annual Ordinary Shareholders' Meeting to be held during 2024 and that will be convened to approve the financial statements for the year ending December 31, 2023;
 - renew the term of Nicolas Yves as alternate Statutory Auditor for a six-year period expiring at the close of the annual Ordinary Shareholders' Meeting to be held during 2024 and that will be convened to approve the financial statements for the year ending December 31, 2023; It is stated that since the Meeting, Nicolas Yves has retired and has been replaced by Patrice Morot. This will be duly recorded by the Shareholders' Meeting of the Company convened to approve the financial statements for the year ending December 31, 2018.

- The annual Ordinary and Extraordinary Shareholders' Meeting of June 14, 2018 delegated its authority to the Board of Directors to:

- decide to issue, on one or more occasions, a maximum of 185,000 share subscription warrants (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.

- In a decision dated June 27, 2018, the Board of Directors noted the completion of a capital increase of a nominal amount of €117.60 following the subscription of 168 new ordinary shares of the Company through the exercise of 1,764 BSARs, which had the effect of increasing the share capital from €3,201,177.70 to €3,201,295.30; and amended the bylaws in accordance with the capital increase. These 1,764 BSARs were part of the 4,556,469 BSARs issued by decision of the Chief Executive Officer on November 20, 2018.

Since the end of the first half of 2018, the following events have taken place:

- On July 4, 2018, the Chairman of CARBIOLICE, a subsidiary of CARBIOS, noted the exercise by CARBIOS of 11,000 BSA 1 issued by CARBIOLICE, granting rights to one million one hundred thousand (1,100,000) shares of CARBIOS at a nominal value of one euro (€1) each and the payment in full of the subscription amount in cash, i.e. one million one hundred thousand euros (€1,100,000), thus increasing the capital of CARBIOLICE from fifteen million five hundred thousand euros (€15,500,000) to sixteen million six hundred thousand euros (€16,600,000);
- In a decision dated September 20, 2018, the Board of Directors noted the completion of a capital increase of a nominal amount of €411.60 following the subscription of 588 new ordinary shares of the Company¹⁶ through the exercise of 6,174 BSARs, which had the effect of increasing the share capital from €3,201,295.30 to €3,201,706.90; and amended the bylaws in accordance with the capital increase. These 6,174 BSARs were part of the 4,556,469 BSARs issued by decision of the Chief Executive Officer on November 20, 2018;
- In a decision dated September 20, 2018, the Board of Directors noted the completion of a capital increase of a nominal amount of €28,000 following the subscription of 40,000

new ordinary shares of the Company through the exercise of 40,000 BSAs under the Equity line financing established for Kepler Cheuvreux, which had the effect of increasing the share capital from €3,201,706.90 to €3,229,706.90; and amended the bylaws in accordance with the capital increase. These 40,000 BSAs were part of the 380,000 BSARs issued by decision of the Chief Executive Officer on March 28, 2017;

- Eric Arnoult (known as Erik Orsenna) resigned from his position as director effective September 20, 2018. At its meeting on September 20, 2018, the Board of Directors co-opted Truffle Capital, represented by Dr. Philippe Pouletty, to replace Mr. Arnoult for the term of office of the latter, i.e. until 2021, at the close of the Meeting called to approve the financial statements for the year ended December 31, 2020.

FINANCIAL ITEMS

As indicated in Note 8 to the financial statements, the share capital has increased since January 1, 2018 from €3,200,305.35 to €3,201,394.7017. As of June 30, 2018, it consisted of 4,573,421 ordinary shares with 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, 2018:

- Number of shares: 15,117 CARBIOS securities (representing €108,642.68 in inventory value)
- Cash balance of the liquidity account: €39,546.17

It is noted that as of December 31, 2017, the following resources comprised the liquidity account:

- Number of shares: 9,652 CARBIOS securities
- Cash balance of the liquidity account: €78,102.43

¹⁶ Of which 142 new shares from the exercise of 1,491 BSARs in June 2018. The related capital increase was noted at the meeting of the Board of Directors on September 20, 2018.

¹⁷ Refer to Note 8 "Equity" in this report.

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 2017 and 2018 fiscal years, as well as certain financial items from the balance sheet as of June 30, 2018 compared to the balance as of December 31, 2017.

PRESENTATION OF RESULTS AS OF JUNE 30, 2018

Operating revenues

Operating revenue totaled €425 thousand and consists in particular of:

- €94 thousand from the subsidy granted by Bpifrance (€24 thousand) and the provision for a project submitted to ADEME (€70 thousand).
- €330 thousand from R&D services and activities invoiced to the subsidiary CARBIOLICE.

OPERATING EXPENSES

Operating expenses (in thousands of euros)	06/30/17	06/30/18
External studies, subcontracting and scientific consultations	337	881
Consumables	29	30
Supplies	24	28
Rentals, maintenance and upkeep expenses	92	92
Expenses and fees related to industrial property	4	7
Fees	312	297
Business travel	64	91
Miscellaneous expenses	45	46
Total other expenses and external expenses	907	1 472
Taxes and similar payments	13	13
Salaries and wages	913	778
Social security contributions	306	277
Depreciation of fixed assets	117	136
Other expenses	127	57
TOTAL OPERATING EXPENSES	2 383	2 733

During the first half of 2018, CARBIOS spent €2,733 thousand on operational activities.

External R&D expenses were up 161% compared to 2017. In line with its desire to accelerate research related to the scaling up of the PET biorecycling process, the Company has chosen to seek out the expertise and know-how of its academic and industrial partners.

FINANCIAL INCOME

Financial income (in thousands of euros)	06/30/17	06/30/18
Financial income	58	4
Financial expenses	25	3
FINANCIAL INCOME	33	1

Financial income as of June 30, 2018 consisted of:

- financial income from financial investments by CARBIOS; and
- financial expenses relating to the impairment of treasury shares.

NET INCOME

Net income (in thousands of euros)	06/30/17	06/30/18
Current income before taxes	- 1 718	- 2 307
Extraordinary gain or loss	- 6	- 2
Income tax (research tax credit)	- 371	- 635
PROFIT OR LOSS	- 1 353	- 1 674

On June 30, 2018, CARBIOS acquired a Research Tax Credit of €635 thousand, calculated on the basis of the eligible Research and Development expenses undertaken by the Company during the first half of 2018.

PRESENTATION OF THE BALANCE SHEET AS OF JUNE 30, 2018

(in thousands of euros)	12/31/17	06/30/18	Note		12/31/17	06/30/18	Note
FIXED ASSETS			4	EQUITY			8
<i>Intangible assets</i>	565	586	4	Capital	3 200	3 201	
Concessions, patents, licenses, software	565	586		Issue, merger and contribution premiums	18 588	18 603	
<i>Property, plant and equipment</i>	1 106	1 041	4	Retained earnings	- 3 319	- 7 256	
Office and IT hardware	35	29		Investment subsidies	17	16	
Laboratory equipment and material	1 017	961		Profit or loss for the period	- 3 936	- 1 674	
Fixtures and fittings	54	50		TOTAL EQUITY	14 550	12 890	
<i>Advances on assets under construction</i>	0	0					
<i>Financial assets</i>	9 680	9 678					
Equity interests	9 500	9 500	4				
Deposits and guarantees	23	35		OTHER EQUITY CAPITAL			
Liquidity contract	78	40	4	Conditional advances	3 707	3 707	9
Treasury shares	79	103	4				
TOTAL FIXED ASSETS	11 350	11 305					
CURRENT ASSETS				DEBT			11
Receivables	364	65	5				
State receivables	1 091	965	5	Loans	339	328	9
Subsidies receivable	0	70	5 & 9	Trade payables and related accounts	1 432	1 805	11
Laboratory raw material inventories	14	13	5	Tax and social liabilities	455	408	11
Other receivables	1	3	5	Other liabilities	37	48	
Cash, cash equivalents and marketable securities	7 547	6 655	6 & 7				
Prepaid expenses	155	109	5				
TOTAL CURRENT ASSETS	9 171	7 881		TOTAL CURRENT LIABILITIES	2 264	2 589	
OVERALL TOTAL	20 521	19 186		OVERALL TOTAL	20 521	19 186	

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 26, 2018 under number E. 18-030 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 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.18-030 on April 26, 2018.

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.

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 current or 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, 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 jointly;
- some third parties may challenge the validity of the intellectual property rights that the Company owns directly or jointly;
- some third parties may successfully infringe or circumvent the intellectual property rights of the Company.

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 or invalidated by a competent jurisdiction;
- The extent of the protection granted by the patents will be sufficient to protect it from its competitors;
- Its processes do not infringe, or are not accused of infringing, patents belonging to third parties, even if no probative authority has been identified to date in the prior studies in this area carried out by the Company and its advisors;
- 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 two experts 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 2017 Registration Document filed under number E. 18-030 on April 26, 2018 and available on the Company's website.

During the first half of 2018, the Company entered into the following agreements, which fall within the scope of application of Article L.225-38 of the French Commercial Code and authorized by the Board of Directors:

- an amendment to the consulting agreement entered into between the Company and CARBIOLICE on August 31, 2016 modifying the services offered by CARBIOS to its subsidiary CARBIOLICE and the monthly fixed remuneration. This amendment was signed on January 1, 2018;
- a letter agreement between CARBIOLICE and the Company for the production of a batch of enzyme in early 2018;
- an amendment dated June 28, 2018 to the patent and know-how license agreement entered into between the Company and CARBIOLICE on August 30, 2016, which resulted in an extension of the products, applications and patents granted.

In addition, during the first half of 2018, the Company entered into the following regulated agreement, which falls within the scope of Article L.225-38 of the French Commercial Code, whose authorization by the Board of Directors was given after the event, on June 30, 2018:

- a letter sent by CARBIOLICE to the Company on May 22, 2018 for a request for the production of a new batch of enzyme.

Finally, during the first half of 2018, the signing of the following agreement, which falls within the scope of Article L.225-38 of the French Commercial Code, was also authorized by the Board of Directors but has not yet been signed by the parties as of the date of this report:

- an amendment to the research services agreement between the Company and CARBIOLICE on February 15, 2017.

These agreements are part of a contractual set consisting of various agreements signed between the Company and CARBIOLICE, including a patent and knowhow 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 on September 27, 2016 and a research services agreement approved by the Board of Directors on March 21, 2017.

3. INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2018



BALANCE SHEET

ASSETS

(in thousands of euros)	Note	12/31/17	06/30/18
FIXED ASSETS			
Intangible assets	4	565	586
Concessions, patents, licenses, software		565	586
Property, plant and equipment	4	1 106	1 041
Office and IT hardware		35	29
Laboratory equipment and material		1 017	961
Fixtures and fittings		54	50
Advances on assets under construction		0	0
Financial assets		9 680	9 678
Equity interests	4	9 500	9 500
Deposits and guarantees		23	35
Liquidity contract	4	78	40
Treasury shares	4	79	103
TOTAL FIXED ASSETS		11 350	11 305
CURRENT ASSETS			
Receivables	5	364	65
State receivables	5	1 091	965
Subsidies receivable	5 & 9	0	70
Laboratory raw material inventories	5	14	13
Other receivables	5	1	3
Cash, cash equivalents and marketable securities	6 & 7	7 547	6 655
Prepaid expenses	5	155	109
TOTAL CURRENT ASSETS		9 171	7 881
OVERALL TOTAL		20 521	19 186

LIABILITIES

(in thousands of euros)	Note	12/31/17	06/30/18
EQUITY	8		
Capital		3 200	3 201
Issue, merger and contribution premiums		18 588	18 603
Retained earnings		- 3 319	-7 256
Investment subsidies		17	16
Profit or loss for the period		- 3 936	- 1 674
TOTAL EQUITY		14 550	12 890
OTHER EQUITY CAPITAL			
Conditional advances	9	3 707	3 707
CURRENT LIABILITIES			
Loans	9	339	328
Trade payables and related accounts	11	1 432	1 805
Tax and social liabilities	11	455	408
Other liabilities		37	48
TOTAL CURRENT LIABILITIES		2 264	2 589
OVERALL TOTAL		20 521	19 186

INCOME STATEMENT

(in thousands of euros)	Note	06/30/17	06/30/18
Operating revenues	10 & 13	632	425
Operating expenses			
Inventory change		0	1
Purchases of raw materials and other supplies		28	30
Other purchases and external expenses		879	1 442
Taxes and similar payments		13	13
Salaries and wages		913	778
Social security contributions		306	277
Allowances for amortization, depreciation, provisions	4	117	136
Other expenses		127	57
Total operating expenses		2 383	2 733
OPERATING INCOME		- 1 751	- 2 308
Financial income		58	4
Financial expenses		25	3
FINANCIAL INCOME	6	33	1
CURRENT INCOME BEFORE TAXES		- 1 718	- 2 307
Extraordinary income		1	9
Extraordinary expenses		7	11
EXTRAORDINARY GAIN OR LOSS		- 6	- 2
Income tax (research tax credit)	12	- 371	- 635
PROFIT OR LOSS		- 1 353	- 1 674

STATEMENT OF CHANGES IN EQUITY

(in 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 12/31/2017	3 200 306	18 552 045	35 723	17 250	- 3 936 302	- 3 319 355	14 549 667
Allocation of earnings N-1					3 936 302	- 3 936 302	
Capital increase/reduction	1 089	15 093					16 182
Subscription of BSA/BCE							
Quasi-equity							
Profit (loss) 06/30/2018				-1125	- 1 674 328		- 1 675 453
Equity as of 06/30/2018	3 201 395	18 567 138	35 723	16 125	- 1 674 328	- 7 255 657	12 890 396

STATEMENT OF NET CASH FLOWS

(in thousands of euros)	06/30/17	06/30/18
Cash flows related to operations (A)		
Profit and loss for the period	- 3 936	- 1 674
Depreciation and amortization (including investment subsidies)	231	138
Changes in working capital requirements for operations	1 485	735
Net cash absorbed by operations	- 2 221	- 802
Cash flows related to investments (B)		
Acquisitions of fixed assets	- 331	- 93
Acquisition of financial assets	19	-1
Changes in fixed asset liabilities	0	0
Net cash absorbed by investments	- 312	- 94
Cash flow related to financing activities (C)		
Net proceeds from the issuance of shares and BSAs	5 375	16
Inflows from loans	0	0
Loan payments	- 54	- 12
Inflows from repayable advances	771	0
Net cash from financing activities	6 092	4
Changes in cash and cash equivalents (A + B + C)	3 560	- 892
Cash and cash equivalents at the beginning of the period	3 987	7 547
Cash and cash equivalents at the end of the period	7 547	6 655

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 six month of the fiscal year

There were no significant events during the first half of 2018.

Legal highlights of the first half of 2018

Please refer to the legal items in Section 2.3.6 "Legal items" of this 2018 interim 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 first six months 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, 2018 relates to a six-month period (from January 1, 2018 to June 30, 2018). The financial data are therefore compared to those from the half-year accounting period ended on June 30, 2017, as well as those from the annual accounting period ended December 31, 2017.

Note 4 - Property, plant and equipment, intangible 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
Intangible assets				
Software, website	25 641			25 641
Patents	586 441	129 513		715 954
Patents licensed	71 742	19 796		91 538
Property, plant and equipment				
Office and IT hardware	129 973	4 849		134 822
Fixtures and fittings	66 712			66 712
Furniture	17 663	908		18 571
Laboratory fittings and equipment	1 438 764	20 048		1 458 812
Financial assets				
Equity interests	9 500 000			9 500 000
Deposits and guarantees	22 623	12 000		34 623
Liquidity contract	78 102		38 556	39 546
Treasury shares	80 840	27 803		108 643
Other fixed assets				
Assets under construction	82 000		82 000	
TOTAL	12 100 502	214 916	120 556	12 194 862

Depreciation, amortization and provisions (in euros)	Duration	At the beginning of the period	Increase	Decrease	At the end of the period
Intangible assets					
Software, website	1 year	16 580	1 870		18 450
Patents	10 years	175 598	39 111		214 709
Patents licensed	10 years	8 976	4 774		13 750
Property, plant and equipment					
Office and IT hardware	3 years	100 290	10 129		110 419
Fixtures and fittings	7 to 10 years	13 039	3 387		16 426
Furniture	5 years	12 518	1 060		13 578
Laboratory fittings and equipment	5 to 10 years	421 665	75 838		497 503
Treasury shares		2 273	2 969		5 242
TOTAL		750 939	139 139		890 078

Provisions for impairment (in euros)	Beginning of fiscal year	Dotations	Allowances	Reversals End
Regulated provisions				
Provisions for litigation				
Provision for foreign exchange losses				
Provisions for contingencies and charges				
Impairment of inventories and work in progress				
Impairment of trade receivables				
Impairment of other assets	2 273	2 969		5 242
IMPAIRMENT	2 273	2 969		5 242
TOTAL	2 273	2 969		5 242

• 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, 2018, 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 14). The impairment tests performed at the end of the previous financial year did not show any unrealized loss on the CARBIOLICE equity stake.

• 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, 2018, the Company held 15,117 CARBIOS shares representing €109 thousand. A provision for impairment of €5 thousand is recognized because the net asset value is lower than the book value.

- The cash paid to the intermediary and not yet used is recognized under "Liquidity contract" and represents €40 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
CURRENT ASSETS & PREPAYMENTS			
Income tax (1)	641 192	641 192	
Value added tax	323 259	323 259	
Customers	65 318	65 318	
Inventories	13 085	13 085	
Other receivables	3 334	3 334	
Subsidies receivable (2)	70 000	70 000	
Prepaid expenses (3)	109 146	109 146	
TOTAL	1 225 334	1 225 334	

(1) The income tax receivable corresponds to the Research Tax Credit recognized for the first half of 2018 for €635 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, 2017, €702 thousand had been recorded for the 2017 Research Tax Credit, repaid on June 29, 2018. The tax receivable also includes the Tax Credit for Employment and Competitiveness (CICE) for €7 thousand.

(2) This amount corresponds to the ADEME subsidy to be received in the second half of 2018 (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 impairment is recorded. As of June 30, 2018, the inventory totaled €13 thousand compared to €14 thousand as of December 31, 2017.

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 €2,008 thousand as of June 30, 2018, allowing it to benefit from attractive returns as well as guaranteed capital that is available at any time. The interest resulting from these financial investments totaled €4 thousand as of June 30, 2018.

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, 2018, the Company had €4,647 thousand in demand accounts, and €700 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

Between November 30, 2017 and December 28, 2017, the Company received fifteen notifications of exercise for 47,859 BSARs, permitting the subscription of 4,558 new shares at a unit price of €10.40 (€0.70 par value and €9.70 in issue premiums per new share). The capital increase resulting from the exercise of these BSARs, of €3,190.60, was recorded during the meeting of the Board of Directors of March 27, 2018. The share capital thereby increased from €3,197,114.90 to €3,200,305.50.

◦ *Capital transactions performed during the period*

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

- the subscription of 1,130 shares resulting from the exercise of 11,865 BSA at a unit price of €10.40 (i.e. €0.70 in nominal and €9.70 in issue premium per new share); and
- the subscription of 116 shares resulting from the exercise of 1,218 BSA at a unit price of €10.40 (i.e. €0.70 in nominal and €9.70 in issue premium per new share); and
- the subscription of 168 shares resulting from the exercise of 1,764 BSA at a unit price of €10.40 (i.e. €0.70 in nominal and €9.70 in issue premium per new share); and
- the subscription of 142 shares resulting from the exercise of 1,491 BSA at a unit price of €10.40 (i.e. €0.70 in nominal and €9.70 in issue premium per new share); and

- between June 30, 2018 and September 20, 2018, six notifications of exercise for 4,683 BSARs, permitting the subscription of 446 new shares at a unit price of €10.40 (€0.70 par value and €9.70 in issue premiums per new share). This capital increase increased the share capital from €3,201,394.70 to €3,201,706.90;
- on August 30, 2018, a notification of exercise for 20,000 BSAs under the Equity line financing established for Kepler Cheuvreux, permitting the subscription of 20,000 new shares at a unit price of €8.30 (€0.70 par value and €7.60 in issue premiums per new share). This capital increase increased the share capital from €3,201,706.90 to €3,215,706.90;
- on September 4, 2018, a notification of exercise for 20,000 BSAs under the Equity line financing established for Kepler Cheuvreux, permitting the subscription of 20,000 new shares at a unit price of €8.30 (€0.70 par value and €7.60 in issue premiums per new share). This capital increase increased the share capital from €3,215,706.90 to €3,229,706.90;

Accordingly, at the meetings of the Board of Directors on:

- March 27, 2018, it was decided to increase the capital by a nominal amount of €791 through the issuance of 1,130 new shares created by the exercise of 11,865 BSARs. These BSARs permitted the subscription of 1,130 new shares at a unit price of €10.40 (€0.70 par value and €9.70 in issue premiums per new share). The share capital thereby increased from €3,200,305.50 to €3,201,096.50.
- May 3, 2018, it was decided to increase the capital by a nominal amount of €81.20 through the issuance of 116 new shares created by the exercise of 1,218 BSARs. These BSARs permitted the subscription of 116 new shares at a unit price of €10.40 (€0.70 par value and €9.70 in issue premiums per new share). The share capital thereby increased from €3,201,096.50 to €3,201,177.70.
- June 27, 2018, it was decided to increase the capital by a nominal amount of €117.60 through the issuance of 168 new shares created by the exercise of 1,764 BSARs. These BSARs permitted the subscription of 168 new shares at a unit price of €10.40 (€0.70 par value and €9.70 in issue premiums per new share). The share capital thereby increased from €3,201,177.70 to €3,201,295.30.

As a result, as of June 30, 2018, the share capital amounting to €3,201,394.74 consisted of 4,573,421 ordinary shares, with a par value of €0.70 each, entirely subscribed and fully paid up.

Movements of securities	12/31/17	06/30/18
Capital	3 200 305,50 €	3 201 394,70 €
Number of shares	4 571 865	4 573 421
Par value	0,70 €	0,70 €

As of the date of this document, the share capital of the Company stood at €3,229,706.90, divided into 4,613,867 ordinary shares with a par value of €0.70 each, entirely subscribed and fully paid up.

After June 30, 2018, several capital increases with a total nominal amount of €28,411.60 created by the exercise of 6,174 BSAs as well as 40,000 BSAs under the Equity line financing established for Kepler Cheuvreux, were noted at the meeting of the Board of Directors on September 20, 2018. The Company received:

- between June 5, 2018 and June 28, 2018, four notifications of exercise for 1,491 BSARs, permitting the subscription of 142 new shares at a unit price of €10.40 (€0.70 par value and €9.70 in issue premiums per new share). This capital increase increased the share capital from €3,201,295.30 to €3,201,394.70;

> 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, 2018, the issue premiums paid excluding capital increase expenses totaled €18,567,137.75, as detailed in the table below:

Capital increase	Recorded	Shares issued	Par value per share	Issue premium per share	Issue premium
Capital at incorporation	Bylaws	500 000	1 €	- €	- €
Capital increase	1/17/2012	300 000	1 €	- €	- €
Capital increase	05/10/2012	700 000	1 €	- €	- €
Capital increase	7/9/2012	577 780	1 €	1,25 €	722 225 €
Capital increase	9/28/2012	75 555	1 €	1,25 €	94 444 €
Capital increase	12/4/2012	533 332	1 €	1,25 €	666 665 €
Capital increase	12/18/2013	116 647	0,7 €	6,315 €	736 628 €
Capital increase	12/18/2013	934 959	0,7 €	13,33 €	12 463 003 €
Capital increase	1/13/2014	11 400	0,7 €	13,33 €	151 962 €
Capital increase	3/4/2015	3 500	0,7 €	1,55 €	5 425 €
Capital increase	3/4/2015	5 000	0,7 €	0,30 €	1 500 €
Capital increase	3/22/2016	30 000	0,7 €	0,30 €	9 000 €
Capital increase	3/22/2016	10 000	0,7 €	1,55 €	15 500 €
Capital increase	3/21/2017	29 000	0,7 €	1,55 €	44 950 €
Capital increase	3/21/2017	7 614	0,7 €	0,30 €	2 284,20 €
Capital increase	3/21/2017	466 182	0,7 €	7,05 €	3 286 583,10 €
Capital increase	9/19/2017	20 000	0,7 €	5,3 €	106 000 €
Capital increase	9/19/2017	15 000	0,7 €	5,5 €	82 500 €
Capital increase	9/19/2017	15 000	0,7 €	5,9 €	88 500 €
Capital increase	9/19/2017	10 000	0,7 €	5,79 €	57 900 €
Capital increase	9/19/2017	30 000	0,7 €	6,45 €	193 500 €
Capital increase	9/19/2017	15 000	0,7 €	6,55 €	98 250 €
Capital increase	9/19/2017	35 000	0,7 €	7,7 €	269 500 €
Capital increase	9/19/2017	49 494	0,7 €	1,55 €	76 715,70 €
Capital increase	9/19/2017	2 506	0,7 €	0,30 €	751,80 €

Capital increase	Recorded	Shares issued	Nominal value per share	Issue premium per share	Issue premium
Capital increase	11/20/2017	20 000	0,7 €	8,30 €	166 000 €
Capital increase	11/20/2017	30 000	0,7 €	8,40 €	252 000 €
Capital increase	11/20/2017	10 000	0,7 €	8,55 €	85 500 €
Capital increase	11/20/2017	3 500	0,7 €	1,55 €	5 425 €
Capital increase	12/12/2017	10 838	0,7 €	1,55 €	16 798,90 €
Capital increase	3/27/2018	5 688	0,7 €	9,70 €	55 173,60 €
Capital increase	5/3/2018	116	0,7 €	9,70 €	1 125,20 €
Capital increase	6/27/2018	168	0,7 €	9,70 €	1 629,60 €
Capital increase	9/20/2018	142	0,7 €	9,70 €	1 377,40 €
Sub-TOTAL		4.573.421			19 758 816,50 €
Direct costs charged					-1 196 108,03 €
Exercises of BSA/BCE with consideration ⁽¹⁾					4 429,28 €
TOTAL					18 567 137,75 €

(1) Exercise of:

- 18,994 BSAs acquired for €0.22 per share, or €4,178.68
- 2,506 BSAs acquired for €0.10 per share, or €250.60

initially recorded in "share subscription warrants", was included in issue premiums at the capital increase.

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. €35,722.84 as of June 30, 2018.

> Earnings per share

As of June 30, 2018, net earnings per share was -€0.37.

Distribution of share capital

As of June 30, 2018, the 4,573,421 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
Holding Incubatrice Chimie Verte	772 137	16,88 %	1 544 274	28,89 %
Funds managed by Truffle Capital	976 303	21,35 %	976 303	18,26 %
Management and directors	5 707	0,13 %	5 708	0,11 %
Treasury shares	15 117	0,33 %	N/A	N/A
Free float	2 804 157	61,31 %	2 819 955	52,74 %
TOTAL	4 573 421	100 %	5 346 240	100 %

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 capital as of December 31, 2017, on an undiluted basis, was as follows:

Shareholders	Number of shares	Percentage ownership	Number of voting rights	Percentage voting rights
Holding Incubatrice Chimie Verte	913 179	19,97 %	1 826 358	33,27 %
Funds managed by Truffle Capital	1 126 698	24,64 %	1 126 698	20,52 %
Management and directors	9 207	0,20 %	9 208	0,17 %
Treasury shares	9 652	0,21 %	N/A	N/A
Free float	2 513 129	54,98 %	2 527 377	46,04 %
TOTAL	4 571 865	100 %	5 489 641	100 %

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, 2018, 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 having allocated the plan	Decision of the Chairman in accordance with the delegation of authority granted by the sole partner on 7/12/2011	Decision of the Chairman in accordance with the delegation of authority 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	07/15/2012		According to the achievement of the exercise criteria (see methods above)	09/28/2013	12/04/2014	07/26/2014
Number of BSAs subscribed	3 759		170 000	20 241	7 000	14 400
Price of subscription or purchase of the warrant	0,10		Free	0,22	0,22	0,22
Expiration date	07/12/2021	06/08/2022	09/28/2022	09/28/2022	12/04/2022	07/26/2023
Warrant exercise method	Option to exercise a number x of warrants between April 15 and July 15 of each year and for the first time on 7/15/2012, up to 626 warrants, calculated according to the following rule starting from 7/15/2011: $x = (\text{total number of BSA 2011-1 awarded to the beneficiary} * \text{number of months since 7/15/2011}) / 48$		Option to exercise the warrants after transfer by the beneficiary to CARBIOS of at least one strain of interest from the beneficiary's strain bank whose degradation properties have been validated by the Board of Directors, under the terms of the of research collaboration agreement signed between the beneficiary and CARBIOS	Option to exercise a number x of warrants per full monthly period starting from 9/28/2012, and for the first time from 2/28/2013, calculated according to the following rule: $x = (\text{total number of BSA 2012-2 awarded to the beneficiary} * \text{number of months since 9/28/2012}) / 48$	Option to exercise a number x of warrants per full monthly period starting from 12/4/2012, and for the first time from 12/4/2014, calculated according to the following rule: $x = (\text{total number of BSA 2012-3 awarded to the beneficiary} * \text{number of months since 12/4/2012}) / 48$	These warrants are exercisable in the event of an initial public offering before June 30, 2014. Option to exercise a number x of warrants per full monthly period starting from 7/26/2013, and for the first time from 7/26/2014, calculated according to the following rule: $x = (\text{total number of BSA 2013-1 awarded to the beneficiary} * \text{number of months since 7/26/2013}) / 48$
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	2 506		0	13 494	5 500	0
Cumulative number of subscription or purchase warrants canceled or null and void	0		0	0	0	3 200
Share subscription warrants that may be exercised	1 253		170 000	6 747	1 500	11 200

3. INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2018

	BSA 2015-1	BSA 2015-2	BSA 2015-3	BSA 2016-1	BSA 2017-1
Date of the Shareholders' Meeting or Board of Directors having allocated the plan	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
Number of BSAs issued	9 600	9 600	9 600	9 600	9 600
Total number of shares that may be subscribed or purchased	9 600	9 600	9 600	9 600	9 600
Date from which the warrants become exercisable	6/24/16	6/24/16	6/24/16	12/15/17	6/27/2018
Number of BSAs subscribed	9 600	9 600	9 600	9 600	0
Price of subscription or purchase of the warrant	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
Expiration date	06/24/2025	06/24/2025	06/24/2025	15/15/2026	06/27/2027
Warrant exercise method	Option to exercise a number x of warrants per full monthly period starting from 6/5/2014, and for the first time from 6/24/2016, calculated according to the following rule: $x = (\text{total number of BSA 2015-1 awarded to the beneficiary} * \text{number of months since 6/5/2014}) / 48$	Option to exercise a number x of warrants per full monthly period starting from 6/5/2014, and for the first time from 6/24/2016, calculated according to the following rule: $x = (\text{total number of BSA 2015-2 awarded to the beneficiary} * \text{number of months since 6/5/2014}) / 48$	Option to exercise a number x of warrants per full monthly period starting from 10/22/2013, and for the first time from 6/24/2016, calculated according to the following rule: $x = (\text{total number of BSA 2015-3 awarded to the beneficiary} * \text{number of months since 10/22/2013}) / 48$	Option to exercise a number x of warrants per full monthly period, and for the first time from 12/15/2017, calculated according to the following rule: $x = (\text{total number of BSA 2016-1 awarded to the beneficiary} * \text{number of months since 12/15/2016}) / 48$	Option to exercise a number x of warrants per full monthly period, and for the first time from 6/27/2018, calculated according to the following rule: $x = (\text{total number of BSA 2017-1 awarded to the beneficiary} * \text{number of months since 6/27/2017}) / 48$
Exercise price	12,4581	12,4581	12,4581	8,2837	7,86
Number of shares subscribed as of the date of this document	0	0	0	0	0
Cumulative number of subscription or purchase warrants canceled or null and void	0	0	0	0	9 600
Share subscription warrants that may be exercised	9 600	9 600	9 600	9 600	0

During the first half of 2018, no BSAs were exercised.

In addition, making use of the delegation of authority granted by the Shareholders' Meeting of June 15, 2017 in its fifteenth resolution, on November 15, 2017, the Board of Directors decided to issue redeemable share subscription warrants to all shareholders (BSARs) with subdelegation to the Chief Executive Officer for a maximum of 4,556,469 BSARs. In a decision dated November 20, 2017, the Chief Executive Officer decided to make use of the delegation in order to grant free BSARs to all shareholders, with 21 BSARs granting rights to two shares of the Company, for a BSAR exercise price of €10.40. The exercise of all 4,556,469 BSARs issued and granted (before neutralization of treasury shares on the basis of capital) would result in the creation of a maximum of 433,949 new shares of the Company, i.e. a share capital increase, issue premiums included, of €4,513,069.60. The BSARs may be exercised until November 30, 2018 inclusive.

By decisions of the Board of Directors dated March 27, 2018, May 3, 2018 and June 27, 2018, a capital increase of €4,180.40 was recorded following the subscription of 5,972 new ordinary shares of the Company through the exercise of 62,706 BSARs. Following the Board of Directors' meeting on June 27, 2018, 6,174 additional BSARs were exercised, granting rights to 588 new shares of the Company. This capital increase was noted at the meeting of the Board of Directors on September 20, 2018.

As of June 30, 2018, 409,100 BSAs were still exercisable, granting rights to 409,100 shares, and 4,492,272 BSARs were exercisable, granting rights to 427,835 shares.

> Founder share subscription warrants (BSPCE)

The table below shows the status of the founder share subscription warrants (BSPCEs) issued since the creation of the Company that were still outstanding as of June 30, 2018, 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 2015-2	BCE 2016-1	BCE 2017-1
Date of the Shareholders' Meeting or Board of Directors having allocated the plan	Collective decision of the shareholders dated 9/28/2012	Decision of the Shareholders' Meeting of 7/26/2013	Decision of the Board of Directors dated 6/24/2015	Decision of the Board of Directors dated 3/22/2016	Decision of the Board of Directors dated 6/27/2017
Number of BSAs issued	77 386	36 000	31 000	37 982	35 000
Total number of shares that may be subscribed or purchased	77 386	36 000	31 000	37 982	35 000
Date from which the warrants become exercisable	02/01/2013	07/26/2014	06/24/2016	04/01/2017	06/27/2018
Number of BSAs subscribed	77 386	36 000	31 000	37 982	35 000
Price of subscription or purchase of the warrant	Free	Free	Free	Free	Free
Expiration date	09/28/2022	07/26/2023	06/24/2025	04/01/2026	06/27/2027
Warrant exercise method	Option to exercise a number x of warrants per full monthly period starting from 2/1/2012, and for the first time from 2/1/2013, calculated according to the following rule: $x = (\text{total number of BCE 2012-1 awarded to the beneficiary} * \text{number of months since 2/1/2012}) / 48$	These warrants are exercisable in the event of an initial public offering before June 30, 2014. Option to exercise a number x of warrants per full monthly period starting from 7/26/2013, and for the first time from 7/26/2014, calculated according to the following rule: $x = (\text{total number of BCE 2013-1 awarded to the beneficiary} * \text{number of months since 7/26/2013}) / 48$	Option to exercise a number x of warrants per full monthly period starting from 6/24/2015, and for the first time from 6/24/2016, calculated according to the following rule: $x = (\text{total number of BCE 2015-2 awarded to the beneficiary} * \text{number of months since 6/24/2015}) / 48$	Option to exercise a number x of warrants per full monthly period starting from April 1, 2016, and for the first time from April 1, 2017, calculated according to the following rule: $x = (\text{18,991 BCE 2016-1 awarded to the beneficiary} * \text{number of months since April 1, 2016}) / 48$. 18,991 other warrants may be exercised if certain events occur.	Option to exercise a number x of warrants per full monthly period, and for the first time from 6/27/2018, calculated according to the following rule: $x = (\text{total number of BCE 2017-1 awarded to the beneficiary} * \text{number of months since 6/27/2017}) / 48$
Exercise price	2,25	80% of IPO price	12,4581	11,5066	7,86
Number of shares subscribed as of the date of this document	75 838	0	0	0	0
Cumulative number of subscription or purchase warrants canceled or null and void	0	0	0	0	0
Share subscription warrants that may be exercised	1 548	36 000	31 000	37 982	35 000

During the first half of 2018, no BSPCEs were exercised.

As of June 30, 2018, there remained 141,530 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™**

> **Subsidy**

The THANAPLAST™ project has been closed since June 30, 2017.

> **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).

> **Other public and private grants obtained**

Public Grants:

The Company also obtained:

- 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 the investment subsidy associated with the acquisition of the Setup 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 €91 thousand as of June 30, 2018.
- A recoverable advance from Bpifrance as part of an innovation project for €265 thousand, of which €215 thousand was paid in 2017 and the balance of €50 thousand is scheduled for the fourth quarter of 2018. Repayments will begin on March 31, 2019 with quarterly installments, but with progressive annuities. If the program fails, the Company may file a statement of failure and thus reduce the total amount repayable, set at a minimum of €106 thousand.
- A subsidy from Bpifrance for a total amount of €24 thousand paid in the first half of 2018 as part of a technology partnership assistance agreement.

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 €22 thousand as of June 30, 2018.

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 from the revenue generated from CARBIOLICE's use of the licensed patents. No variable royalties had been recorded as of June 30, 2018 given that none of CARBIOLICE's revenue results from use of the license granted in 2016.

CARBIOLICE research services agreement

On February 15, 2017, it entered into a research service agreement with its subsidiary for a period of two years and a total amount of €1,248 thousand. The purpose of this agreement is to conduct a product development program related to the biodegradation technology licensed. As of June 30, 2018, operating revenue was €250 thousand.

Other operating revenue:

See Note 13 Related parties

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

Statement of liabilities as of 6/30/2018 (in euros)	Total amount	From 0 to 1 year	From 1 to 5 years	More than 5 years
Regional funds	327 580	61 860	265 720	
Suppliers	1 804 091	1 804 091		
Tax and social liabilities Other	408 440	408 440		
Liabilities	47 618	47 618		
Deferred income	0	0		
TOTAL	2 587 729	2 322 009	265 720	

The significant amount of trade payables as of June 30, 2018 is mainly due to the CNRS patent license fee. This fee (€800 thousand excl. taxes) corresponds to 10% of the income generated in 2016 during the licensing of patents and know-how to SAS CARBIOLICE for an amount of €8 million.

Note 11 bis – Accruals (assets and liabilities)

Accruals are shown on the balance sheet as of June 30, 2018 for the following amounts:

Statement of accruals (in euros)	ASSETS	LIABILITIES
Suppliers, amounts receivable and accrued invoices ⁽¹⁾		895 846
Customers, unbilled revenue	52 841	
Personnel and social welfare organizations, accrued expenses		291 934
State, accrued expenses and accrued income ⁽²⁾	785 253	20 243
Subsidies receivable	70 000	
Accrued interest income	743	
Subsidies received in advance		
TOTAL	908 837	1 208 023

(1) The item "Suppliers – accrued invoices" includes €600 thousand (€500 thousand excl. taxes) of future billing for the patent license fee due to the CNRS (see note 11)

(2) This amount specifically includes the receivable for the Research Tax Credit of €635 thousand and the Tax Credit for Employment and Competitiveness of €7 thousand for the first half of 2018.

Note 12 – 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 €635 thousand as of June 30, 2018.

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, 2018 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 13 – Related parties

During the first half of 2018, no expenses were invoiced by consultants holding BSAs.

During the same period, CARBIOS allocated €38 thousand (excluding social security contributions) in directors' fees to the members of the Board of Directors.

The operations performed during the first half of 2018 with its subsidiary CARBIOLICE are as follows:

- **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. An amendment to this consulting agreement states that remuneration has been set at a flat rate of €5,000 per month since January 1, 2018. As of June 30, 2018, operating revenue was €30 thousand.
- **CARBIOLICE materials and equipment 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. As of June 30, 2018, operating revenue was €3.2 thousand.
- **CARBIOLICE research services agreement (€250 thousand in operating revenues):** see Note 10
- **Licensing and sub-licensing of patent and know-how licenses:** see Note 10
- **Other invoicing:** CARBIOS re-invoiced €3 thousand in travel expenses to its subsidiary and €44 thousand in subcontracting expenses.

Note 14 – 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	€672 020
Results (profit or loss for the most recent period ended)	- €1 707 551
Dividends received by the company during the fiscal year	-
Comments	First fiscal year ending 12/31/2017

Note 15 – Commitments given

	Commitment
Retirement indemnity	€47 081
Individual Right to Training	Not applicable

• Retirement indemnity

The rights of employees to retirement indemnities were assessed at €47,081 as of June 30, 2018.

This figure was calculated according to the following assumptions:

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

• Personal training account

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

Note 16 – Workforce

	Workforce as of 12/31/2017	Workforce as of 6/30/2018
Managers	13	13
Supervisory staff and technicians	5	5
Employees	1	1
Total	19	19

The Company has the status of "Young Innovative Company", which allows it to be exempted from employer social security contributions for researchers, technicians, project managers, lawyers tasked with industrial protection and project-related technology agreements and employees engaged in pre-competitive testing for R&D or innovation work.

Note 17 – Events after the reporting period

- On July 4, 2018, the Chairman of CARBIOLICE, a subsidiary of CARBIOS, noted the exercise by CARBIOS of 11,000 BSA 1 issued by CARBIOLICE granting rights to one million one hundred thousand (1,100,000) shares of CARBIOS at a nominal value of one euro (€1) each and the payment in full of the subscription amount in cash, i.e. one million one hundred thousand euros (€1,100,000), thus increasing the capital of CARBIOLICE from fifteen million five hundred thousand euros (€15,500,000) to sixteen million six hundred thousand euros (€16,600,000);
- In a decision dated September 20, 2018, the Board of Directors noted the completion of a capital increase of a nominal amount of €411.60 following the subscription of 588 new ordinary shares of the Company¹⁸ through the exercise of 6,174 BSARs, which had the effect of increasing the share capital from €3,201,295.30 to €3,201,706.90; and amended the bylaws in accordance with this capital increase. These 6,174 BSARs were part of the 4,556,469 BSARs issued by decision of the Chief Executive Officer on November 20, 2018;
- In a decision dated September 20, 2018, the Board of Directors noted the completion of a capital increase of a nominal amount of €28,000 following the subscription of 40,000 new ordinary shares of the Company through the exercise of 40,000 BSAs under the Equity line financing established for Kepler Cheuvreux, which had the effect of increasing the share capital from €3,201,706.90 to €3,229,706.90; and amended the bylaws in accordance with the capital increase. These 40,000 BSAs were part of the 380,000 BSAs issued by decision of the Chief Executive Officer on March 28, 2017;
- Eric Arnoult (known as Erik Orsenna) resigned from his position as director effective September 20, 2018. At its meeting on September 20, 2018, the Board of Directors co-opted Truffle Capital, represented by Dr. Philippe Pouletty, to replace Mr. Arnoult for the term of office of the latter, i.e. until 2021, at the close of the Meeting called to approve the financial statements for the year ended December 31, 2020. There were no other significant events to be noted for the beginning of the second half of 2018.

¹⁸ Of which 142 new shares from the exercise of 1,491 BSARs in June 2018.

4. ADDITIONAL INFORMATION



PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

PERSONS RESPONSIBLE FOR THE INTERIM REPORT

Jean-Claude Lumaret, Chief Executive Officer

STATEMENT BY THE PERSON RESPONSIBLE FOR THE INTERIM REPORT

I certify, after taking all reasonable steps to that effect, that the information contained in this document is, to the best of my knowledge, correct and does not contain any omissions that would alter the scope thereof.

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
Ticker code: ALCRB.PA
BSAR ISIN Code: FR0013297587
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 2018, the Company organized a meeting with analysts and investors to present its 2017 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

Translation for information purposes only. In case of discrepancy between the French and the English version of this report, the French version shall prevail.

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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.

- **Bioprocess**

Production process using micro-organisms or enzymes.

- **Biorecycling**

Process for the degradation of a polymer into its constituent monomers followed by a conversion process, by chain formation, of a monomer, or a mixture of monomers, into a polymer.

- **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.

- **Polymer**

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

- **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 predominant constituent of water bottles and some textile materials such as polyester fibers.

- **Process-book**

A guide that defines all data, parameters and equipment needed to produce a product from raw materials on an industrial scale. It also specifies the investment and production costs of a unit. It includes the actual validation of the process (from the raw material to the finished product) through a pilot.



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