

2019 INTERIM FINANCIAL REPORT



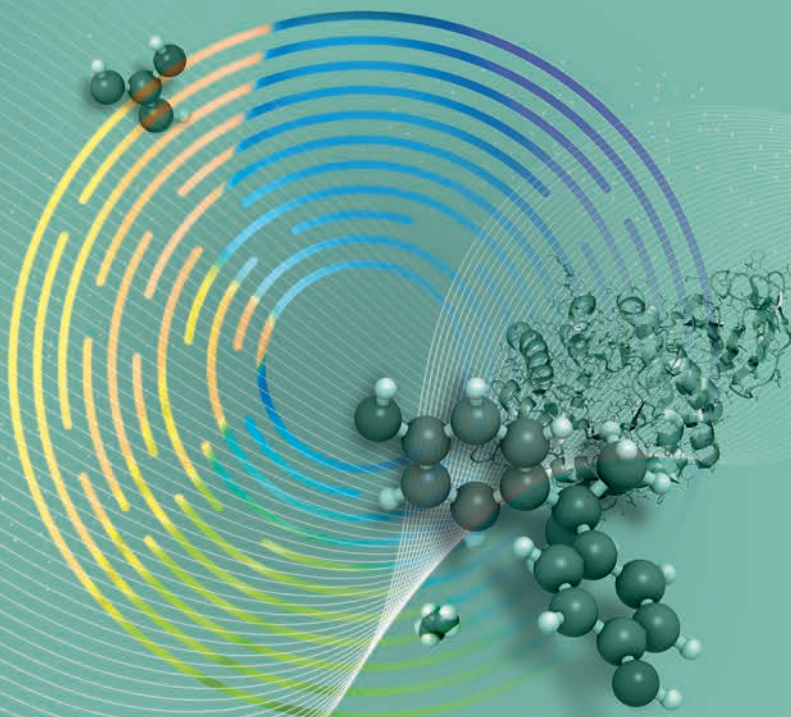
CARBios
Reinvent Polymers Lifecycle



SOMMAIRE

1. MANAGEMENT AND GOVERNING BODIES.....	5
Board of Directors.....	7
Executive management	7
2. INTERIM MANAGEMENT REPORT	9
CARBIOS overview	10
CARBIOS's strategy	11
Highlights of the first half of 2019 and events after the reporting period	14
Financial position and results: comments on the figures.....	21
Main risk factors.....	24
Agreements with related parties.....	25
3. INTERIM FINANCIAL STATEMENTS	
AS OF JUNE 30, 2019	27
Statement of financial position.....	28
Income statement	30
Statement of changes in equity.....	31
Statement of net cash flows	31
Notes to the financial statements	32
4. ADDITIONAL INFORMATION.....	49
Person responsible for the interim financial report.....	50
Financial disclosures.....	50
Contact.....	50
Glossary	51

1. MANAGEMENT AND GOVERNING BODIES





BOARD OF DIRECTORS

Chairman:	Ian Hudson
Directors:	Jean-Claude Lumaret
	Truffle Capital, represented by Philippe Pouletty
	Jean Falgoux
	Jacqueline Lecourtier
	Pascal Juéry
	Jacques Breuil
	Godefroy Motte
	Alain Chevallier

EXECUTIVE MANAGEMENT

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

2. INTERIM MANAGEMENT REPORT





CARBIOS OVERVIEW

ENZYMES: REVOLUTIONIZING THE WORLD OF THERMOPLASTICS

CARBIOS designs and develops biological processes to improve the environmental and economic performance of the lifecycle of plastic and textile polymers.

These innovative technologies, which combine industrial biology and platurgy 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 platurgy, are leading the way to new ecologically-sound and sustainable approaches to:

- **enzymatic biodegradation** with the creation of a new generation of fully biodegradable and compostable plastics;
- **enzymatic biorecycling** of plastic and textile waste, facilitating the production of new polymers of the same quality as the original;
- **biopolymerization**, a process complementary to enzymatic recycling that opens an alternative route for the production of PLA.

Global plastics production reached 348 million metric tons¹ in 2017 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 tons² of plastic waste are generated each year, including some 9 million metric tons that ultimately end up in the natural environment³, 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.

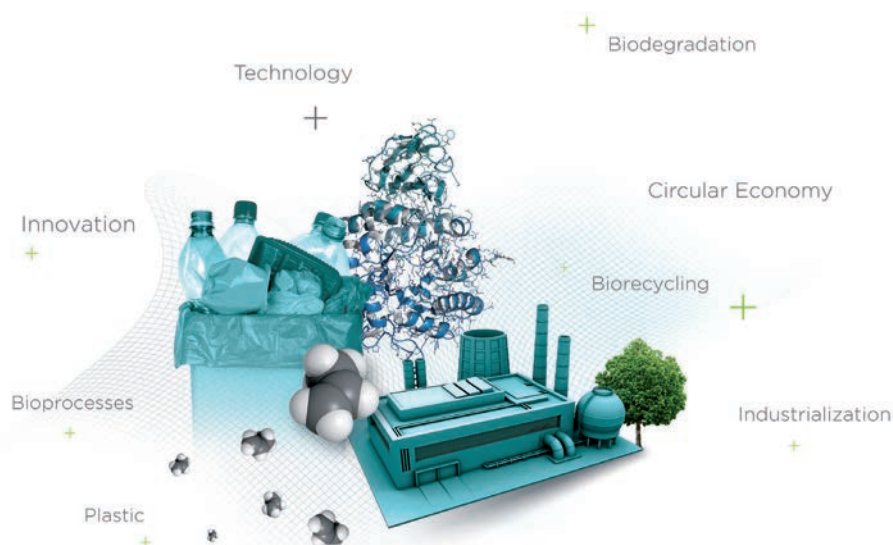
Through its innovative approach, CARBIOS contributes to the deployment of a circular economic⁴ model that will transform this environmental threat into a genuine societal and industrial opportunity, making plastic and textile waste the renewable raw material of tomorrow's chemical industry.

¹ Source: PlasticsEurope Market Research Group/Conversio Market & Strategy in 2018

² 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, Expedition 7th Continent association in 2015, Jenna Jambeck in 2015 and Ademe in 2012

³ Source: Expedition 7th Continent association in 2015, Jenna Jambeck in 2015 and ADEME in 2012

⁴ In France, the concept of the circular economic received much media coverage at the time of the Grenelle environmental initiative in 2007. It draws its inspiration from the "Cradle to Cradle" theory postulated by M. Braungart and W. McDonough in 2002.





CARBIO'S STRATEGY

The introduction of enzymes in the value chain of the plastics industry is a world first by CARBIO, whose technological advances in this field have brought about unique know-how. In light of the results already achieved, CARBIO intends to become a major player in the worldwide plastic and recycling markets by providing reliable and innovative solutions while meeting the challenges of our time and creating long-term value for its shareholders.

CARBIO's 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 2019, the CARBIO intellectual property portfolio included 30 patent families, of which 25 were wholly owned by the Company, 4 were jointly owned with exclusive exploitation rights for CARBIO and 1 was under an exclusive worldwide license. CARBIO has 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 (50%), particularly China⁵, 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 made all or in part from bio-sourced materials, since January 1, 2017. Europe has also made undertakings in this field with the adoption of the European Commission's legislative "Circular Economy Package" establishing common objectives for waste management among member states. 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, which has reduced global exports of plastic waste, is forcing 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 CARBIO.

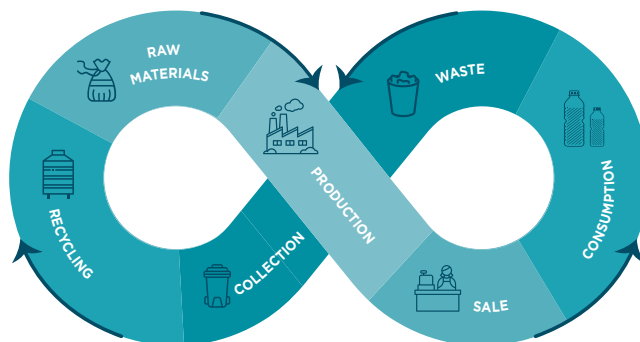
CARBIO's offering is a response to a global market currently in search of new competitive and environmentally responsible solutions and presents an unprecedented opportunity to meet the sustainable development needs of the largest manufacturers.

⁵ Source: PlasticsEurope Market Research Group/Conversio Market & Strategy in 2018

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.

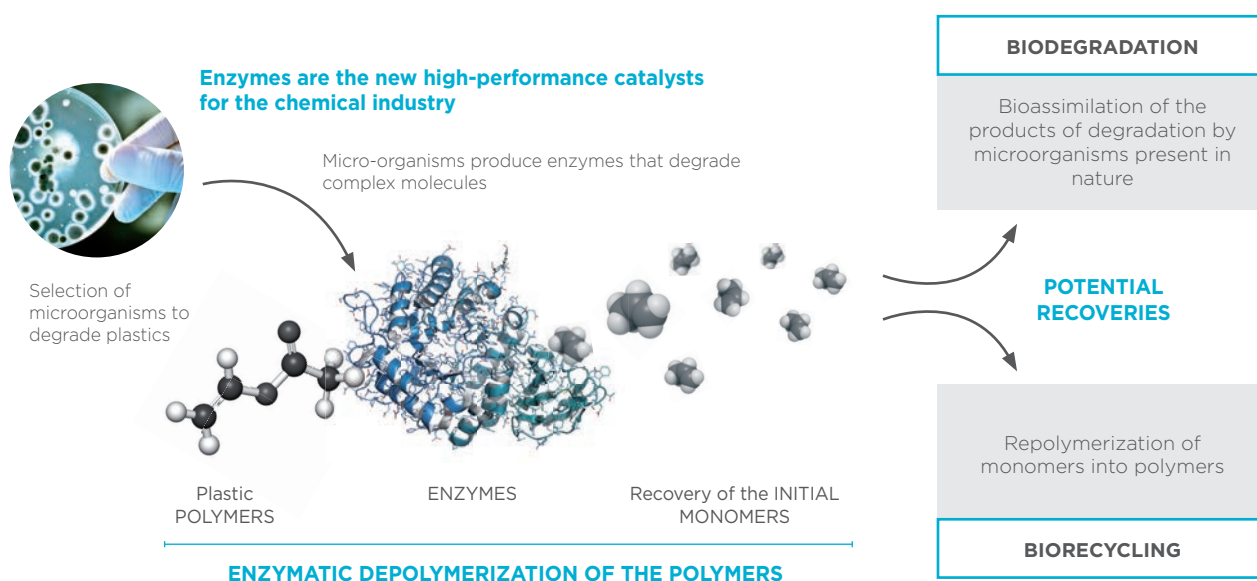


CARBIOs is fully committed to this circular economy and positive recovery approach through the development of industrial processes that represent a radical technological breakthrough, namely an innovative type of chemistry based on the use of enzymes to reinvent the plastic polymer and textile lifecycle.

THE ADVANTAGE OF 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 recycling 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.

The introduction of enzymes by CARBIOs in the value chains of the plastics industry, in particular for the recovery of end-of-life plastics, is a world first whose industrial potential and relevance in the target markets are supported by multiple world-renowned partners such as **Novozymes, L'Oréal, PepsiCo, Nestlé Waters and Suntory Beverage & Food Europe**.





CARBIOLICE: A KEY INDUSTRIAL PLAYER IN ECO-RESPONSIBLE BIOPLASTICS

Created in 2016 by the shared ambition of CARBIOS, the SPI fund operated by Bpifrance and Limagrain Ingrédients, CARBIOLICE is a French joint venture based in Riom (France). This company is 52.7% owned by CARBIOS and provides oversight and industrial and commercial demonstration of the biodegradation process developed by CARBIOS and licensed to CARBIOLICE to create a new generation of fully compostable and biodegradable bioplastics. This license covers nine patent families and covers the following fields of application: flexible film markets (mulching films, bags and bag manufacturing, industrial films, wrapping films, food packaging), rigid applications in the agricultural and horticultural sectors, disposable tableware and rigid food packaging.

CARBIOLICE's objective for 2020 will be to commercially exploit its license for the enzymatic biodegradation technologies developed by CARBIOS through the production and marketing of innovative biodegradation solutions to achieve zero

waste for all plastics and packaging that, by their nature, cannot be recycled.

This technological innovation is called EVANESTO®, and it will be implemented in the form of an enzymatic additive that is easily incorporated into conventional plastic and packaging manufacturing processes. It accelerates their biodegradation and guarantees compostability under domestic conditions.

Plastics with this additive can be handled like biowaste and thus contribute to the reduction of the volume of household waste to be treated. This is a decisive element for combatting plastic pollution as well as an effective lever for the deployment of an effective and eco-responsible solution for sorting waste at source.

Along with the industrial and commercial launch of this innovation, which will give CARBIOLICE the opportunity to become a world leader in the field of bioplastics and a key player in the composting and biodegradation of single-use plastics, CARBIOS maintains close relationships with several major inter-



CARBIOLICE subsidiary industrial production line

national 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.

OPERATIONAL LAUNCH OF A PET CONSORTIUM

In accordance with the strategy put in place by the Company, in April 2019⁶, CARBIOS announced a major partnership with **Nestlé Waters, PepsiCo and Suntory Beverage & Food Europe**, which joined the Consortium previously founded by CARBIOS and L'Oréal. This unprecedented collaboration between global leaders is working to turn the circular economy into an industrial reality using the enzymatic recycling technology for plastics and PET fibers developed by CARBIOS. The commitment of these actors to supporting the deployment of CARBIOS technology is a sign of a common ambition to implement concrete and innovative solutions for the challenges of sustainable development. It also provides heavyweight support for engaging industry in a meaningful transition to a circular economy model.



⁶ See April 29, 2019 press release



HIGHLIGHTS OF THE FIRST HALF OF 2019 AND EVENTS AFTER THE REPORTING PERIOD

CHANGE IN STRUCTURE

Change in the Board of Directors

Ian Hudson was appointed Chairman of the Board of Directors, effective from January 1, 2019, following the resignation of Jean Falgoux as Chairman of the Board of Directors effective from January 1, 2019. Mr. Falgoux remains a member of the Board.

At its meeting on February 20, 2019, the Board of Directors decided to co-opt Godefroy Motte as director to replace Dominique Even for the remainder of his predecessor's term of office, which expires at the close of the Annual Ordinary Shareholders' Meeting called in 2022 to approve the financial statements for the year ended December 31, 2021.

Changes in the organization of the Company

As of June 30, 2019, CARBIOS had 23 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 (6 employees);
- the Intellectual Property and Legal Affairs Department (2 employees);
- the Scientific Department (13 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 expanded its workforce since its creation in September 2016, from 6 to around 20 employees as of June 30, 2019.

2.3.2 STATUS OF PROJECTS

The first half of 2019 was an intense period for CARBIOS. Much progress was made in all aspects of activity.

CARBIOLICE's industrial structuring continued in line with the market plan for the marketing of **EVANESTO®** technology to the single-use plastics market in 2020. To that end, a **co-development agreement with Novozymes**, the global leader in enzyme production, was signed in January.

Research and development efforts deployed for PET plastic and fiber enzymatic recycling technology have also yielded excellent results, which were awarded the **Efficient Solution label by the Solar Impulse Foundation**.

These advances, coupled with (i) non-dilutive funding of **€7.5 million** granted in January to CARBIOS and TWB by the Secrétariat Général pour l'Investissement (SGPI) as part of the Investments for the Future Program operated by ADEME and (ii) successful fundraising of **€14.5 million** in June, reinforce the value of the Company's assets and make possible the upcoming construction of an industrial demonstration plant for PET plastic and fiber enzymatic recycling.

At the same time, CARBIOS set up major partnerships in April with **Nestlé Waters, PepsiCo and Suntory Beverage & Food Europe**, who joined the Consortium previously founded with **L'Oréal**.

The main results from the first half of 2019 are as follows:

R&D:

In February 2019⁷, CARBIOS announced that it had produced **the first PET bottles with 100% Purified Terephthalic Acid** from the enzymatic recycling of used plastics. This major step is a world first that confirms CARBIOS technology's potential to engage industry in a responsible transition to a circular economy model.

This success was accompanied by the scaling-up of the process, in collaboration with the CRITT Bio-Industries, through the piloting of PET hydrolysis and the continuation of engineering work with TechnipFMC for the construction of an industrial demonstration plant for the biorecycling of PET plastics and polyester fibers.

PARTNERSHIPS:

In April 2019⁸, CARBIOS and L'Oréal announced a major partnership with **Nestlé Waters, PepsiCo and Suntory Beverage & Food Europe**. CARBIOS and L'Oréal had previously founded a Consortium to industrialize the biorecycling technology designed and developed by CARBIOS. In their commitment to developing innovative solutions for sustainable development, **Nestlé Waters, PepsiCo and Suntory Beverage & Food Europe have joined this Consortium** to promote the circular economy of plastics using CARBIOS's breakthrough technology. Under the terms of this four-year agreement, the Consortium's partners hope to industrialize CARBIOS technology and thus increase the availability of high-quality recycled plastics to support their commitments to sustainable development. Under the terms of this collaboration, technical phases and support are provided to establish a good supply of fully recycled PET plastics worldwide.

⁷ See February 27, 2019 press release

⁸ See April 29, 2019 press release



CARBOLICE:

In January 2019⁹, in the context of the development of the PLA-based single-use plastics enzymatic biodegradation technology licensed by CARBIOS to CARBIOLICE in 2016, CARBIOS and CARBIOLICE entered into a **co-development agreement with Novozymes**, the world leader in enzyme production. Under the terms of this global multi-year agreement, Novozymes will produce the proprietary enzyme developed by CARBIOS on an industrial scale. Novozymes commits to becoming the long-term exclusive supplier to CARBIOLICE. This new agreement is fully in line with the industrial deployment objective for the enzymatic biodegradation technology designed and developed by CARBIOS.

In July 2019, in accordance with initial commitments, CARBIOLICE's shareholders unanimously approved new funding of €3.35 million in the form of a capital increase, of which €2 million was contributed by the SPI "Sociétés de Projets Industriels" fund operated by Bpifrance, €1.1 million by CARBIOS and €250,000 by Limagrain Ingrédients.

This new phase of funding accompanies the achievement of significant industrial and technical milestones that enable the commercial launch in 2020 of the additive EVANESTO®, which uses the enzymatic biodegradation technology designed and developed by CARBIOS. In accordance with the license agreement in force, it is expected that this marketing will generate for CARBIOS the first license revenues paid by CARBIOLICE.

CARBOLICE's goal for 2020 will initially be to conquer the film and bags market, followed by the rigid packaging market. The additive EVANESTO® is at the heart of the enzymatic technology licensed by CARBIOS. It acts as a catalyst that accelerates the biodegradation of PLA plastics to make them compostable whatever the conditions. This innovation offers an unprecedented opportunity to fight plastic pollution sustainably and meet industry and consumer expectations.

Starting in 2020, the Law on Energy Transition for Green Growth will also require the minimum bio-based content of plastic compostable bags to be 50%, then 60% starting in 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 EVANESTO® in the single-use plastics market.

Changes in the distribution of CARBIOLICE capital:

	CARBIOS	Limagrain Ingrédients	SPI fund Operated by Bpifrance
Distribution of CARBIOLICE capital as of June 30, 2019 (%)	56.23%	19.89%	23.87%
Distribution of CARBIOLICE capital as of September 27, 2019 (%)*	52.70%	18.02%	29.28%

*: new distribution of capital following the second phase of funding in July 2019 for a total amount of €3.35 million from the shareholders.

FUNDING:

In January 2019¹⁰, CARBIOS and Toulouse White Biotechnology (TWB) announced that they had obtained **funding of €7.5 million** granted by the Secrétariat Général pour l'Investissement (SGPI) within the framework of the Investments for the Future Program operated by ADEME. Over a period of 39 months, this funding will support the upscaling of CARBIOS' industrial and commercial project in the field of enzymatic recycling of PET fibers and plastic waste. This funding, which comes in the form of grants and conditional advances, will be paid in several instalments over the period of this CE-PET¹¹ project and includes a first payment of 15%. CARBIOS, coordinator and lead manager of the project, will oversee the acceleration of the industrialization of its pet plastics and fibers technology, and will be able to receive up to €4.1 million.

In June 2019¹², CARBIOS announced the success of a capital increase for a category of beneficiaries via an accelerated book-building process. The Company placed 2,245,886 new shares with a nominal value of €0.70 per share, at a price of €6.45 per share, issue premium included, for a total amount of €14,485,964.70, which represents 48.22% of the Company's capital prior to the transaction on an undiluted basis, and a dilution of 32.53%. **Copernicus AM, L'Oréal through its private equity fund BOLD Business Opportunities for L'Oréal Development, Michelin Ventures and Truffle Capital** subscribed to the capital increase, in accordance with the undertakings they had made, for a total amount of €10,499,980.80, which represents 1,627,904 new shares or 72.48% of the total number of new shares issued as part of this capital increase.

This support is a strong sign of the legitimacy acquired by the Company and its management team.

⁹ See January 29, 2019 press release

¹⁰ See January 17, 2019 press release

¹¹ Circular Economy PET Project

¹² See June 25, 2019 press release

The funds raised will be used by CARBIOS in the following ways:

- approximately 75% for the financing of an industrial demonstration plant for the enzymatic recycling of PET; and
- approximately 25% for the ongoing funding of the Company.

As a result of this fundraising and on the basis of cash items and its projected operating expenses, the Company believes that it will be able to meet its future payments beyond the next 24 months.

INTELLECTUAL PROPERTY:

In the first half of 2019, CARBIOS announced that the US Patent and Trademark Office (USPTO) had granted it **two patents for its proprietary enzymatic recycling process for PET plastic waste**. These US patents (US 10,124,512 in March 2019¹³ and US 10,385,183 in June 2019¹⁴) are in recognition of CARBIOS's innovation in its PET recycling process. This process is applicable to **mixtures of plastic waste or complex plastics**, including colored, opaque and multilayer materials containing a mixture of PET and at least one additional compound (e.g. polyolefins, vinyl polymers, rubber, cotton or nylon fibers, paper, aluminum, starch, wood, etc.). They constitute the first two patents granted in the United States for this innovative method of recycling PET plastics and protect CARBIOS's innovation in this field until 2033.

DISTINCTIONS:

In May 2019¹⁵, CARBIOS announced that it had been selected as a winner of **the "Appel des 30 !"** for its project to establish an industrial demonstration plant for its PET plastic and fiber enzymatic recycling technology in Lyon's Chemical Valley. Through this industrial demonstration plant, CARBIOS hopes to bolster the technical and economic performance of its proprietary innovation and define all of the parameters required to grant the first licenses for the use of this technology by 2023. CARBIOS thus fits fully into the "Appel des 30 !" collective dynamic for the transformation of the existing ecosystem into disruptive industrial projects that are both profitable and beneficial for society and the environment.

In June 2019¹⁶, CARBIOS announced that it had received **the Efficient Solution label from the Solar Impulse Foundation** for its PET enzymatic recycling technology. The Solar Impulse Foundation's mission is to select and promote 1,000 economically viable solutions to protect the environment from around the world. This label is awarded to innovations that combine criteria of technical feasibility, positive social and environmental impact and economic viability. As a member of the World Alliance for Efficient Solutions, CARBIOS has submitted its enzymatic recycling technology, which makes a circular economy possible for plastics, for the award of this label. This label is a recognition of work to address environmental issues, the rational use of energy, the reduction of carbon pollution and the achievement of the United Nations Sustainable Development Goals. The products, services, clean technologies and processes that have received this label have demonstrated profitability and sustained economic growth while they protect the environment and optimize the use of natural resources.

¹³ See March 28, 2019 press release

¹⁴ See June 20, 2019 press release

¹⁵ See May 10, 2019 press release

¹⁶ See June 3, 2019 press release



CONTEXT OF PROJECTS UNDER DEVELOPMENT

• ENZYMATED BIODEGRADABLE PLASTICS

The innovation of the biodegradation process developed by CARBIOS consists of introducing biological catalysts inside plastics to make them biodegradable.

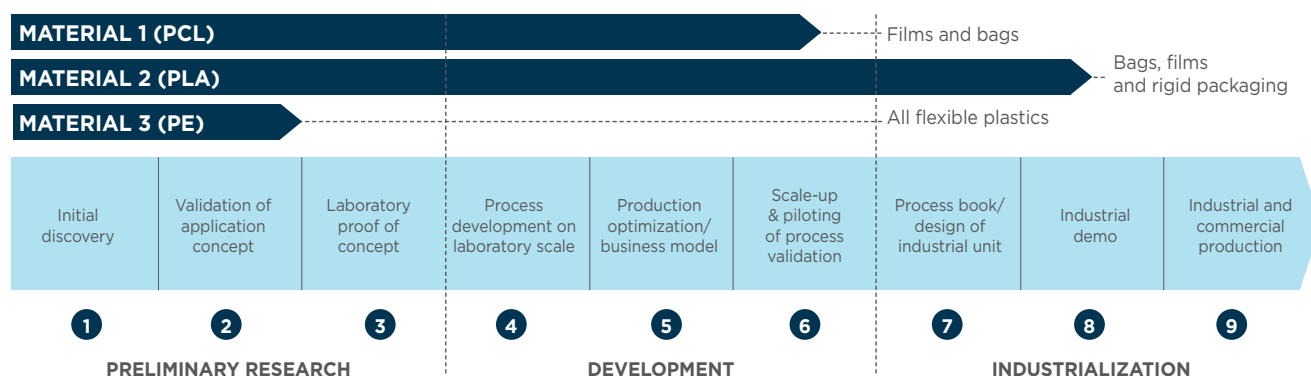
This technology is currently in the industrial deployment phase within the CARBIOLICE joint venture, which was created in partnership with Limagrain Ingrédients and the SPI "Société de projets industriels" investment fund operated by Bpifrance.

This technology of enzyme inclusion in the polymer matrix was designed and developed by CARBIOS and will be implemented in the form of an enzymatic additive that accelerates the biodegradation of PLA-based plastics to make them compostable regardless of conditions and thus achieve "zero waste". Its commercial launch is slated for 2020 under the EVANESTO® trademark and will target the single-use plastics market for which biodegradation provides an ecological and responsible response, in line with the requirements of the Energy Transition Law for Green Growth.

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 formulations for each of these target markets.

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.

ENZYMATED BIODEGRADABLE PLASTICS

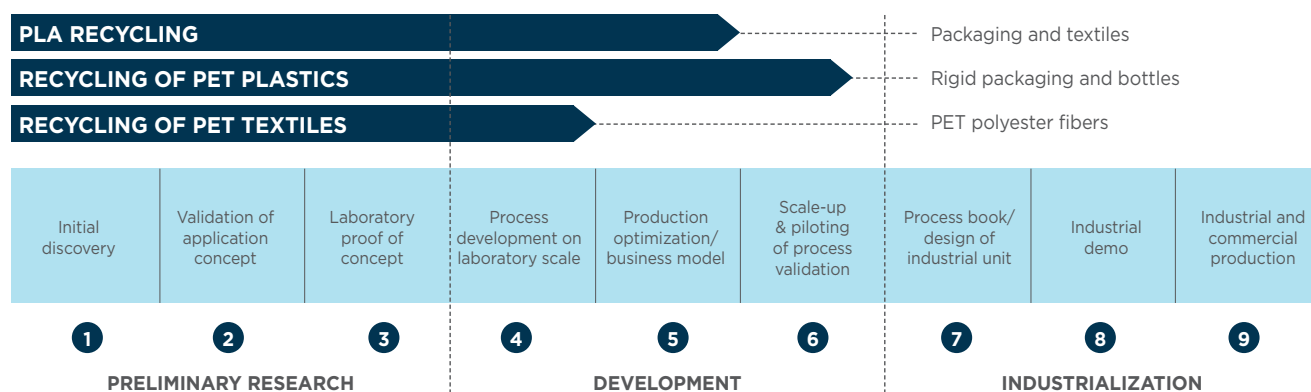


• ENZYMATIC RECYCLING OF PLASTIC AND TEXTILE WASTE

As part of its research and development activities, CARBIOS focused on the development of enzymatic recycling processes for two polymers: PLA and PET.

The first half of 2019 saw several major advances in the development of the biorecycling process for PET plastics and fibers. These results have already led to the scaling up of the pilot stage process and continued engineering for the construction of an industrial demonstration plant in Lyon's Chemical Valley on the KEM ONE industrial site located in St-Fons. In addition to the partnerships established under the Consortium with L'Oréal, PepsiCo, Nestlé Waters and Suntory Beverage & Food Europe during the first half of 2019, these advances strengthen the outlook for the industrialization of this technology in the near future.

ENZYMATIC RECYCLING OF PLASTIC AND TEXTILE WASTE



For PLA enzymatic recycling:

The circularity of the process 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% bio-sourced while offering interesting mechanical properties for multiple applications.

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 enzymatic recycling:

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 2019, CARBIOS announced that it had produced the first PET bottles with 100% purified terephthalic acid from the enzymatic biorecycling of used plastics. This major step is a world first that confirms CARBIOS technology's potential to engage industry in a responsible transition to a circular economy model. This is the first biological process that can deconstruct all types of used PET plastics into their basic components. The latter can then be reused to produce virgin plastic products for applications such as PET-bottles.

Previously, CARBIOS demonstrated that its proprietary recycling technology based on the use of enzymatic bioengineering had the ability to turn PET plastic waste back into its original components at a rate of **97% in only 16 hours**. It was also demonstrated that this proprietary biorecycling process is applicable to all kinds of PET bottles (clear, colored, opaque, complex) as well as PET polyester fibers from textile waste.

CARBIOS is currently continuing its development through (i) the industrial piloting phase of this technology, which

was initiated in 2018 through the CE-PET¹⁷ project, with the financial support of the ADEME and (ii) the forthcoming scaling up to the industrial demonstration stage.

As of this writing, the pre-dimensioning of the various stages of the PET enzymatic recycling process has been carried out. Engineering studies are currently being conducted with TechnipFMC for the construction and commissioning of an industrial demonstration plant whose construction is planned on the KEM ONE site in St-Fons, in the heart of Lyon's Chemical Valley. CARBIOS anticipates that this demonstration plant will be commissioned in early 2021.

As part of the ongoing pilot phase and in line with its objectives, the Company completed the first key stage of the CE-PET project on June 30, 2019.

This CE-PET project aims to meet three main technical objectives:

- 1-ensure the development of the pilot-scale PET enzymatic recycling process for PET plastic waste;
- 2-adapt and optimize the process for the recycling of PET textile clothing, linens and upholstery waste (duvets and pillows with high PET content) up to the pilot scale;
- 3-ensure the competitiveness of the process.

To that end, CARBIOS and its academic partner TWB are working to develop new enzymes whose activity, thermostability and adsorption will be improved compared to the efficient CARBIOS proprietary enzymes to ensure the best yield and productivity possible for the depolymerization stage and fully adapt the enzymatic recycling process to PET polyester fibers.

In this project, CARBIOS is also focusing on developing pre-treatment stages for waste (plastics and textiles), depolymerization and monomer purification. Validation of the quality of the monomers obtained will be achieved by CE-PET repolymerization tests PET and transformation into products (bottles and films).

Building on these advances, CARBIOS is maintaining its goal to bring this technology to the industrial stage in the near future through licensing agreements with the key players in the appropriate sectors.

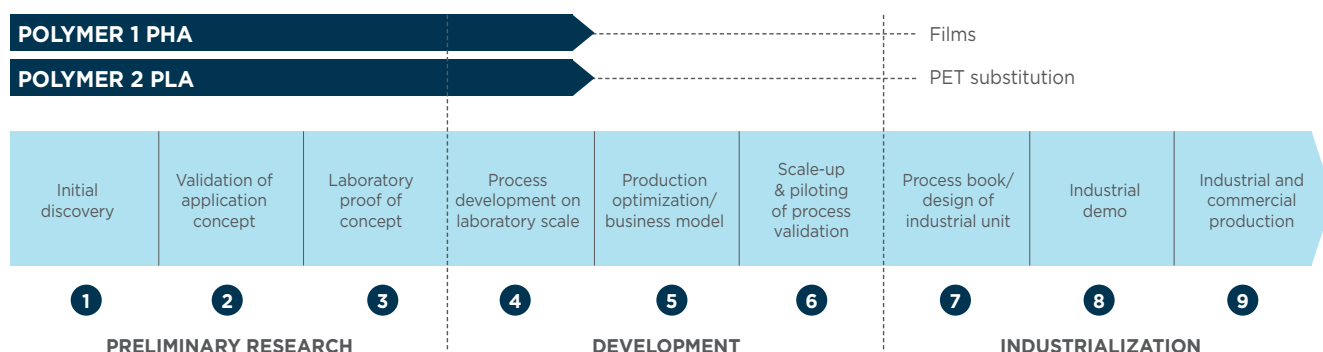
• BIOPRODUCTION OF POLYMERS

CARBIOS previously demonstrated, with its partners from INRA and INSA (TWB and TBI (formerly 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 recycling 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.

¹⁷ Circular Economy PET Project

BIOPRODUCTION OF POLYMERS





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 2019, 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, 2019, the Company's patent portfolio consisted of 30 patent families (of which 25 are wholly owned, four are jointly owned with exclusive exploitation rights for CARBIOS and one is under an exclusive worldwide license) representing 125 titles.

These patent families cover the Company's areas of development (biodegradation, biorecycling, bioproduction and biodiversity) and one new area of innovation.

Distribution of Intellectual Property by area of development:

	Distribution of Intellectual Property as of June 30, 2019
Biodiversity	nine patent families, of which seven are wholly owned
Biodegradation	eight patent families, of which six are wholly owned
Biorecycling	six fully-owned patent families
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 2019 was marked by the following events:

- at its meeting on February 20, 2019, the Board of Directors decided to co-opt Godefroy Motte as director to replace Dominique Even for the remainder of his predecessor's term of office, which expires at the close of the Annual Ordinary Shareholders' Meeting called in 2022 to approve the financial statements for the year ended December 31, 2021;
- at its meeting on April 4, 2019, the Board of Directors, acting pursuant to the delegation of authority conferred by the Combined Shareholders' Meeting of June 14, 2018 (Seventeenth Resolution), decided to issue and award 9,600 BSA ("BSA 2019-1") that grant the right to subscribe for 9,600 ordinary shares with a nominal value of €0.70 at a unit price equal to the volume-weighted average share price of the last 20 days preceding the Warrant award date, i.e., a price equal to €8.246635;
- at that same meeting, the Board of Directors decided to appoint Prof. Alain Marty and Dr. Uwe T. Bornscheuer as members of the Scientific Committee and to renew the term of Dr. Philippe Dubois as a member of the Scientific Committee;
- at its meeting on May 7, 2019, the Board of Directors decided to appoint Dr. Ludwik Leibler as a member of the Scientific Committee and to appoint Prof. Alain Marty as Chairman of the Scientific Committee;
- the Annual Ordinary and Extraordinary Shareholders' Meeting of June 19, 2019 decided to:
 - renew the term of office as director of Jean Falgoux for a four-year period expiring at the close of the Annual Ordinary Shareholders' Meeting called in 2023 to approve the financial statements for the year ending December 31, 2022,
 - ratify the appointment as a member of the Board of Directors provisionally made by the Board of Directors at its meeting on September 20, 2018 of TRUFFLE CAPITAL, represented by Mr. Philippe Pouletty, replacing Eric Arnoult (known as Erik Orsenna), who resigned,
 - ratify the appointment as a member of the Board of Directors provisionally made by the Board of Directors at its meeting on February 20, 2019 of Godefroy Motte to replace Dominique Even,



- ratify the appointment of Patrice Morot as Alternate Statutory Auditor to replace Yves Nicolas for the remainder of his predecessor's term of office, i.e., until 2024, at the close of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2023;
- the annual Ordinary and Extraordinary Shareholders' Meeting of June 19, 2019 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 new 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 number of 185,000 founder share subscription warrants (BSPCEs), 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 (employees and officers of the Company subject to the tax regime of the employees of the Company as well as any other categories of persons for whom an award of BSPCEs may be authorized by law).

The total number of founder share subscription warrants (BSPCEs) and share subscription warrants (BSAs) 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 25, 2019, the Chief Executive Officer, acting on a delegation granted by the Board of Directors at its meetings of June 20 and 24, 2019 and making use of a delegation of authority of the Combined Shareholders' Meeting of June 19, 2019 (Thirteenth Resolution) decided to increase the share capital of the Company through the issuance of new shares, with cancellation of the preferential subscription right of shareholders for a category of beneficiaries, namely French or foreign investment companies and funds investing in a sector similar or complementary to the Company's, by a nominal amount of €1,572,120.20, i.e. 2,245,886 shares with a nominal value of €0.70 each;
- in a decision dated June 28, 2019, the Chief Executive Officer noted the final completion of a share capital increase of a nominal amount of €1,572,120.20 through the issuance of 2,245,886 ordinary shares with a nominal value of €0.70 and issue premium of €5.75 each, representing a capital increase of €14,485,964.70, issue premium included.

FINANCIAL ITEMS

As indicated in Note 8 to the financial statements, the share capital has increased since January 1, 2019 from €3,260,056.10 to €4,832,176.30¹⁸. As of June 30, 2019, it consisted of 6,903,109 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 28, 2019:

- number of shares: 9,745 CARBIOS securities (representing €71,593.81 in inventory value);
- cash balance of the liquidity account: €44,541.53.

It is noted that as of December 31, 2018, the following resources comprised the liquidity account:

- number of shares: 15,417 CARBIOS securities
- cash balance of the liquidity account: €18,702.90

¹⁸ 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 2018 and 2019 fiscal years, as well as certain financial items from the statement of financial position as of June 30, 2019 compared to the balance as of December 31, 2018.

PRESENTATION OF RESULTS AS OF JUNE 30, 2019

Operating revenues

Operating revenue totaled €702 thousand and consists in particular of:

- €258 thousand (of which €165 thousand deposited) from the grant related to the CE-PET project;
- €297 thousand from R&D services and activities invoiced to the subsidiary CARBIOLICE.

OPERATING EXPENSES

Operating expenses (in thousands of euros)	06/30/18	06/30/19
External studies, subcontracting and scientific consultations	881	169
Consumables	30	27
Supplies	28	27
Rentals, maintenance and upkeep expenses	92	135
Expenses and fees related to industrial property	7	16
Fees	297	457
Business travel	87	105
Miscellaneous expenses	50	59
Total other expenses and external expenses	1,472	995
Taxes and similar payments	13	17
salaries and wages	778	977
Social security contributions	277	461
Depreciation of fixed assets	136	160
Other expenses	57	107
TOTAL OPERATING EXPENSES	2,733	2,717

During the first half of 2019, CARBIOS spent €2,717 thousand on operating activities.

External R&D expenses were down sharply compared to 2018, when the Company had largely sought out its usual academic partners (INRA/TWB in particular). These links are currently being continued mainly within the CE-PET project in which CARBIOS and TWB are collaborating.

The increases in the *Salaries and wages* and *Social security contributions* line items can be explained in particular by the increase in the number of employees, combined with the end of eligibility for JEI (Young Innovative Company) status, which allowed the Company to enjoy reductions in social security contributions for the salaries of R&D employees.

FINANCIAL INCOME

Financial income (in thousands of euros)	06/30/18	06/30/19
Financial income	4	19
Financial expenses	3	27
FINANCIAL INCOME	1	- 8

Financial income as of June 30, 2019 consisted of:

- financial income corresponding to CARBIOS's cash investment income (€2,000) and the reversal of the provision for impairment of treasury shares (€16,000);
- financial expenses consisting mainly of interest on the Bpifrance innovation loan (€24,000).

NET INCOME

Net income (in thousands of euros)	06/30/18	06/30/19
Current income before taxes	- 2,307	- 2,023
Extraordinary gain or loss	- 2	2
Income tax (research tax credit)	- 635	- 310
PROFIT OR LOSS	- 1,674	- 1,711

On June 30, 2019, CARBIOS acquired a Research Tax Credit of €310 thousand, calculated on the basis of the eligible Research and Development expenses undertaken by the Company during the first half of 2019.



PRESENTATION OF THE STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2019

(in thousands of euros)	12/31/18	06/30/19	Note		12/31/18	06/30/19	Note
FIXED ASSETS			4	EQUITY			8
<i>Intangible assets</i>	691	798	4	Capital	3,260	4,832	
Concessions, patents, licenses, software	691	798		Issue, merger and contribution premiums	19,129	31,309	
<i>Property, plant and equipment</i>	971	902	4	Retained earnings	- 7,256	- 10,366	
Office and IT hardware	25	34		Investment subsidies	15	14	
Laboratory equipment and material	889	815		Profit and loss for the period	- 3,110	- 1,711	
Fixtures and fittings	57	53		TOTAL EQUITY	12,038	24,078	
<i>Advances on assets under construction</i>	0	670					
<i>Non-current financial assets</i>	10,802	10,820					
Equity interests	10,600	10,600	4				
Deposits and guarantees	110	110		OTHER EQUITY CAPITAL			
Liquidity contract	19	45	4	Conditional advances	3,707	4,173	9
Treasury shares	73	66	4				
TOTAL FIXED ASSETS	12,464	13,190					
CURRENT ASSETS				DEBT			11
Receivables	70	711	5				
State receivables	1,375	465	5	Loans	1,866	1,838	9
Subsidies receivable	0	103	5 & 9	Trade and other payables	1,061	1,211	11
Laboratory raw material inventories	15	18	5	Tax and social liabilities	475	659	11
Other receivables	34	14,519	5	Other liabilities	2	27	
Cash, cash equivalents and marketable securities	5,149	3,361	6 & 7	Deferred income	0	478	
Prepaid expenses	38	92	5				
TOTAL CURRENT ASSETS	6,680	19,269		TOTAL CURRENT EQUITY AND LIABILITIES	3,404	4,214	
Expense to be spread over the loan	6	5					
OVERALL TOTAL	19,149	32,465		OVERALL TOTAL	19,149	32,465	

MAIN RISK FACTORS

To our knowledge, there are no major new risks other than those identified in the Registration Document filed with the *Autorité des Marchés Financiers* on April 8, 2019 under number D.19-0287 available on the CARBIOS website, including, but not limited to, (i) risks associated with the operation of the Company, including risks associated with projected losses, risks associated with financing requirements and access to public subsidies and the Research Tax Credit and the risk of dependence on its key employees, (ii) risks associated with the Company's business, including the risk associated with the protection of technology, the risk associated with delays or failure in the development of bioprocesses, the risk associated with changes in the price of raw materials, risks associated with the emergence of competing technologies and with competition and industrial risks related to the environment, (iii) legal risks, including risks associated with litigation on patents filed, risks associated with uncertain protection of patents and other intellectual property rights, risks associated with the inability to protect the confidentiality of the Company's information and know-how, risks associated with regulatory approvals and in particular the exploitation of GMOs, litigation risks and the risk of dilution, (iv) risks associated with partnerships, including the risk of dependence on technologies held by third parties and the risk that the Company will be held liable for defective products, (v) risks associated with insurance and the coverage of risks, and (vi) market risks, including liquidity risk, interest rate risk, counterparty risk, equity risk, foreign exchange risk and off-statement of financial position 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 D.19-0287 on April 8, 2019.

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 and textiles in order to achieve polymers with properties identical to those of the original, and the third is more forward-looking and 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 current developments that could delay the commissioning of the corresponding pre-industrial units.

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 UNCERTAIN PROTECTION OF 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.

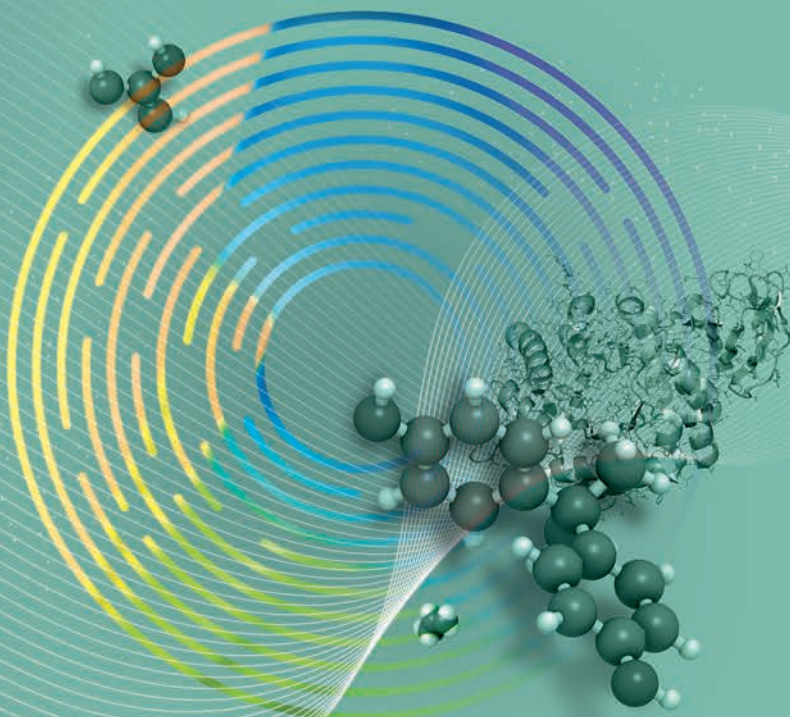
Given the paramount importance of the patents in its business sector, the Company has formed a non-statutory Intellectual Property commission that meets periodically to define the Company's industrial property strategy, and that benefits internally from the expertise of two experts on industrial property 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 2018 Registration Document filed under number D.19-0287 on April 8, 2019 and available on the Company's website.

During the first half of 2019, no new agreements that fall within the scope of application of Article L. 225-38 of the French Commercial Code were entered into.

3. INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2019





STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	Note	12/31/18	06/30/19
FIXED ASSETS			
Intangible assets	4	691	798
Concessions, patents, licenses, software		691	798
Property, plant and equipment	4	971	902
Office and IT hardware		25	34
Laboratory equipment and material		889	815
Fixtures and fittings		57	53
Advances on assets under construction		0	670
Non-current financial assets		10,802	10,820
Equity interests	4	10,600	10,600
Deposits and guarantees		110	110
Liquidity contract	4	19	45
Treasury shares	4	73	66
TOTAL FIXED ASSETS		12,464	13,190
CURRENT ASSETS			
Receivables	5	70	711
State receivables	5	1,375	465
Subsidies receivable	5 & 9	0	103
Laboratory raw material inventories	5	15	18
Other receivables	5	34	14,519
Cash, cash equivalents and marketable securities	6 & 7	5,149	3,361
Prepaid expenses	5	38	92
TOTAL CURRENT ASSETS		6,680	19,269
Expense to be spread over the loan		6	5
OVERALL TOTAL		19,149	32,465



EQUITY AND LIABILITIES

(in thousands of euros)	Note	12/31/18	06/30/19
EQUITY	8		
Capital		3,260	4,832
Issue, merger and contribution premiums		19,129	31,309
Retained earnings		- 7,256	- 10,366
Investment subsidies		15	14
Profit and loss for the period		- 3,110	- 1,711
TOTAL EQUITY		12,038	24,078
OTHER EQUITY CAPITAL			
Conditional advances	9	3,707	4,173
CURRENT LIABILITIES			
Loans	9	1,866	1,838
Trade and other payables	11	1,061	1,211
Tax and social liabilities	11	475	659
Other liabilities		2	27
Deferred income		0	478
TOTAL CURRENT LIABILITIES AND EQUITY		3,404	4,214
OVERALL TOTAL		19,149	32,465



INCOME STATEMENT

(in thousands of euros)	Note	06/30/18	06/30/19
Operating revenues	10 & 13	425	702
Operating expenses			
Inventory change		1	- 3
Purchases of raw materials and other supplies		30	30
Other purchases and external expenses		1,442	968
Taxes and similar payments		13	17
salaries and wages		778	977
Social security contributions		277	461
Allowances for amortization, depreciation, provisions	4	136	160
Other expenses		57	107
Total operating expenses		2,733	2,717
OPERATING INCOME		- 2,308	- 2,015
Financial income		4	19
Financial expenses		3	27
FINANCIAL INCOME	6	1	- 8
CURRENT INCOME BEFORE TAXES		- 2,307	- 2,023
Extraordinary income		9	3
Extraordinary expenses		11	1
EXTRAORDINARY GAIN OR LOSS		- 2	2
Income tax (research tax credit)	12	- 635	- 310
PROFIT OR LOSS		- 1,674	- 1,711



STATEMENT OF CHANGES IN EQUITY

(in euros)	Share capital	Issue premium per share	Subscription capital	Invest. subs. (net)	Profit or loss for the period	Retained earnings	Total due to shareholder
Equity as of 12/31/2018	3,260,056	19,093,017	35,723	15,000	- 3,110,264	- 7,255,657	12,037,875
Allocation of earnings N-1					3,110,264	- 3,110,264	
Capital increase/reduction	1,572,120	12,180,504					13,752,624
Subscription of BSA/BCE		3,290	- 3,290				
Quasi-equity							
Profit (loss) 06/30/2019				-1,125	- 1,710,797		- 1,711,922
Equity as of 06/30/2019	4,832,176	31,276,811	32,432	13,875	- 1,710,797	- 10,365,921	24,078,577

STATEMENT OF NET CASH FLOWS

(in thousands of euros)	12/31/18	06/30/19
Cash flows related to operations (A)		
Profit and loss for the period	- 3,110	- 1,711
Depreciation and amortization (including investment subsidies)	325	143
Changes in working capital requirements for operations	- 293	213
Net cash absorbed by operations	- 3,078	- 1,355
Cash flows related to investments (B)		
Acquisitions of fixed assets	- 299	- 868
Acquisition of non-current financial assets	- 1,142	- 2
Changes in fixed asset liabilities	0	0
Net cash absorbed by investments	- 1,441	- 870
Cash flow related to financing activities (C)		
Capital Increases (from share and BSA issues)	601	13,753
Changes in claims on capital called but unpaid	0	- 13,753
Inflows from loans	1,550	0
Loan payments	- 23	- 40
Expense to be spread over the loan	- 6	0
Accrued interest	0	12
Inflows from repayable advances	0	465
Net cash from financing activities	2,122	438
Changes in cash and cash equivalents (A + B + C)	- 2,398	- 1,788
Cash and cash equivalents at the beginning of the period	7,547	5,149
Cash and cash equivalents at end of period	5,149	3,361



NOTES TO THE FINANCIAL STATEMENTS

Note 1 – The Company

CARBIOS ("the Company") is an innovative green chemistry company that develops cutting-edge technologies for the recovery of plastic and textile waste.

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 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 first six months of the fiscal year

The following significant events occurred during the first half of 2019:

- capital increase totaling €14,486 thousand before deduction of direct costs of €733 thousand from the issue premium;
- financing agreement with ADEME for the CE-PET project undertaken with TWB and finalization of work on key stage 1;
- the Consortium created with L'Oréal on September 30, 2017 welcomed three new members in the first half of 2019, i.e., PepsiCo, Nestlé Waters and Suntory Beverage & Food Europe.

Legal highlights of the first half of 2019

Please refer to the legal items in Section 2.3.6 "Legal items" of this 2019 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. However, the continuation of developments in progress until the marketing of its technologies through partnerships or licensing or the application of CARBIOS processes to other markets may require new sources of funding from institutional 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, 2019 relates to a six-month period (from January 1, 2019 to June 30, 2019). The financial data are therefore compared to those from the half-year accounting period ended on June 30, 2018, as well as those from the annual accounting period ended December 31, 2018.



Note 4 - Property, plant and equipment, intangible and non-current 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	845,783	174,984		1,020,767
Patents licensed	117,830	16,311		134,141
Property, plant and equipment				
Office and IT hardware	136,982	15,723		152,705
Fixtures and fittings	76,989			76,989
Furniture	23,715	2,669		26,384
Laboratory fittings and equipment	1,464,001	3,339		1,467,340
Non-current financial assets				
Equity interests	10,600,000			10,600,000
Deposits and guarantees	109,623			109,623
Liquidity contract	18,703	25,838		44,541
Treasury shares	95,646		24,052	71,594
Other fixed assets				
Assets under construction	15,554	477,990	15,554	477,990
Advances on assets	0	192,422		192,422
TOTAL	13,530,467	909,276	39,606	14,400,137

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	20,351	1,870		22,222
Patents	10 years	276,572	59,138		335,710
Patents licensed	10 years	16,865	7,927		24,791
Property, plant and equipment					
Office and IT hardware	3 years	120,319	7,955		128,274
Fixtures and fittings	7 to 10 years	20,065	3,896		23,962
Furniture	5 years	14,985	1,462		16,447
Laboratory fittings and equipment	5 to 10 years	575,553	77,046		652,599
Treasury shares		22,262		16,388	5,874
TOTAL		1,066,972	159,295	16,388	1,209,879



Provisions for impairment (in euros)	Beginning of fiscal year	Allocations	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	22,262		16,388	5,874
IMPAIRMENT	22,262		16,388	5,874
TOTAL	22,262		16,388	5,874

• 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 following fiscal years. As of June 30, 2019, CARBIOS owned 10.6 million CARBIOLICE shares out of the 18.85 million shares making up its share capital, representing a stake of 56.23% (see Note 14). Equity interests are assessed at their acquisition value. If this value exceeds the value in use, impairment is recognized for the difference. The value in use is calculated by referring to the impairment test performed based on the discounted cash flow method. The impairment tests performed at the end of the previous fiscal 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 Non-Current 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, 2019, the Company held 9,745 CARBIOS shares representing €72 thousand in assets. A provision for impairment of €6 thousand was recognized because the net asset value was lower than the carrying amount.

- the cash paid to the intermediary and not yet used was recognized under "Liquidity contract" and represented €45 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)	310,037	310,037	
Value added tax	155,077	155,077	
Customers	710,824	710,824	
Inventories	17,562	17,562	
Other receivables (2)	14,519,360	14,519,360	
Subsidies receivable (3)	103,011	103,011	
Prepaid expenses (4)	92,070	92,070	
TOTAL	15,907,941	15,907,941	

(1) The income tax receivable corresponds to the Research Tax Credit recognized for the first half of 2019 for €310 thousand. In the absence of taxable income and because of classification as a Community SME, this receivable is repayable the year following its recognition. As at December 31, 2018, €1,191 thousand had been recorded for the 2018 Research Tax Credit. It was repaid on May 27, 2019.

(2) This item includes, in particular, the contribution by the partners to the capital increase on June 28, 2019 (date of the custodian's certificate), which was settled after the closing date, for a total amount of €14,485,965 as of July 1.

(3) This amount corresponds to the ADEME subsidy balance calculated on the basis of eligible expenditures incurred on June 30, 2019 as part of key stage 1 (see Note 9 - Conditional advances and subsidies).

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

• Inventories

Since the fiscal year ended December 31, 2014, the Company has recorded an inventory of the supplies not consumed as of the end of the fiscal year. Given that this inventory consists of consumables with a low per unit value, no depreciation is recorded. As of June 30, 2019, the inventory totaled €18 thousand compared to €15 thousand as of December 31, 2018.

Note 6 – Cash instruments

With the aim of optimizing returns on its available cash, the Company opened time deposit accounts for an overall amount of €2,016 thousand (non-renewable as of June 30, 2019), 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 €2 thousand as of June 30, 2019.

Note 7 – Available cash

This item includes cash deposited in demand accounts, as well as the accrued interest to be paid and cash balances. At June 30, 2019, the Company had €3,361 thousand in its demand accounts.

**Note 8 - Equity****Composition of share capital****> Share capital**

◦ *Capital transactions performed prior to the period and recorded during the period*

None

◦ *Capital transactions performed during the period*

In a decision dated June 28, 2019, the Chief Executive Officer noted the final completion of a share capital increase through the issuance of new shares, with cancellation of the preferential subscription right of shareholders, for a category of beneficiaries, namely French or foreign investment companies and funds investing in a sector similar or complementary to the Company's, of a nominal amount of €1,572,120.20, or 2,245,886 shares with a nominal value of €0.70 each.

As a result, as of June 30, 2019, the share capital amounting to €4,832,176.30 consisted of 6,903,109 ordinary shares, with a par value of €0.70 each, entirely subscribed and fully paid up.

Movements of securities	12/31/18	06/30/19
Capital	€3,260,056.10	€4,832,176.30
Number of shares	4,657,223	6,903,109
Nominal value	€0.70	€0.70

As of the date of this document, the share capital of the Company stood at €4,832,176.30, divided into 6,903,109 ordinary shares with a par value of €0.70 each, entirely subscribed and fully paid up.

> The issue premiums

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

As of June 30, 2019, the issue premiums paid after deduction of capital increase expenses totaled €31,276,811.48, as detailed in the table below:

Capital increase	Recorded	Shares issued	Nominal value per share	Issue premium per share	Issue premium
Capital at the time of incorporation	Bylaws	500,000	€1	- €	- €
Capital increase	01/17/2012	300,000	€1	- €	- €
Capital increase	05/10/2012	700,000	€1	- €	- €
Capital increase	07/09/2012	577,780	€1	€1.25	€722,225
Capital increase	09/28/2012	75,555	€1	€1.25	€94,444
Capital increase	12/04/2012	533,332	€1	€1.25	€666,665
Capital increase	12/18/2013	116,647	€0.70	€6.32	€736,628
Capital increase	12/18/2013	934,959	€0.70	€13.33	€12,463,003
Capital increase	01/13/2014	11,400	€0.70	€13.33	€151,962
Capital increase	03/04/2015	3,500	€0.70	€1.55	€5,425
Capital increase	03/04/2015	5,000	€0.70	€0.30	€1,500
Capital increase	03/22/2016	30,000	€0.70	€0.30	€9,000
Capital increase	03/22/2016	10,000	€0.70	€1.55	€15,500
Capital increase	03/21/2017	29,000	€0.70	€1.55	€44,950
Capital increase	03/21/2017	7,614	€0.70	€0.30	€2,284.20



Capital increase	07/21/2017	466,182	€0.70	€7.05	€3,286,583.10
Capital increase	09/19/2017	20,000	€0.70	€5.30	€106,000
Capital increase	09/19/2017	15,000	€0.70	€5.50	€82,500
Capital increase	09/19/2017	15,000	€0.70	€5.90	€88,500
Capital increase	09/19/2017	10,000	€0.70	€5.79	€57,900
Capital increase	09/19/2017	30,000	€0.70	€6.45	€193,500
Capital increase	09/19/2017	15,000	€0.70	€6.55	€98,250
Capital increase	09/19/2017	35,000	€0.70	€7.70	€269,500
Capital increase	09/19/2017	49,494	€0.70	€1.55	€76,715.70
Capital increase	09/19/2017	2,506	€0.70	€0.30	€751.80
Capital increase	11/20/2017	20,000	€0.70	€8.30	€166,000
Capital increase	11/20/2017	30,000	€0.70	€8.40	€252,000
Capital increase	11/20/2017	10,000	€0.70	€8.55	€85,500
Capital increase	11/20/2017	3,500	€0.70	€1.55	€5,425
Capital increase	12/12/2017	10,838	€0.70	€1.55	€16,798.90
Capital increase	03/27/2018	5,688	€0.70	€9.70	€55,173.60
Capital increase	05/03/2018	116	€0.70	€9.70	€1,125.20
Capital increase	06/27/2018	168	€0.70	€9.70	€1,629.60
Capital increase	09/20/2018	588	€0.70	€9.70	€5,703.60
Capital increase	09/20/2018	40,000	€0.70	€7.60	€304,000
Capital increase	12/06/2018	3,356	€0.70	€9.70	€32,553.20
Capital increase	12/06/2018	20,000	€0.70	€4.40	€88,000
Capital increase	12/06/2018	20,000	€0.70	€4.85	€97,000
Capital increase	06/28/2019	2,245,886	€0.70	€5.75	€12,913,844.50
Sub-TOTAL		6,903,109			€33,198,540.40
Direct costs charged €					- €1,929,448.60
Exercise of BSA/BCE with consideration and expired warrants ⁽¹⁾					€7,719.68
TOTAL					€31,276,811.48

(1) Exercise of the:

- 18,994 BSAs acquired at a unit price of €0.22, i.e. €4,178.68;
- 2,506 BSAs acquired at a unit price of €0.10, i.e. €250.60;
- Acquisition of the BSA plan by Kepler Cheuvreux: €500.

These amounts, together with the additional €2,790.40 paid at the subscription of 12,800 warrants acquired for €0.22 (which have now expired) initially recorded under "warrants", were included in the share premium during the capital increase.

As a reminder, the direct costs associated with the listing of the Company on the Euronext Growth Paris market that took place in 2013 amounted to €1,196,108. The costs related to fundraising carried out in 2019 amount to €733,341.

The "Issue premiums" item recorded under liabilities on the statement of financial position also includes the sums received at the time of the subscription of the Share Subscription Warrants (See Note 8 - Dilutive financial instruments, below), i.e. €32,432.44 as of June 30, 2019.

**> Earnings per share**

As of June 30, 2019, net earnings per share was - €0.25.

Distribution of share capital

As of June 30, 2019, the 6,903,109 shares with a par value of €0.70 that make up the capital are distributed as follows:

Shareholders	Number of shares	Percentage	Nombre de droits de vote	Pourcentage de droits de vote
Holding Incubatrice Chimie Verte	235,843	3.42%	456,389	6.40%
Funds managed by Truffle Capital	1,209,469	17.52%	1,209,469	16.96%
Management and directors	15,707	0.23%	15,708	0.22%
Copernicus AM	620,154	8.98%	620,154	8.70%
BOLD Business Opportunities for l'Oréal Development	387,596	5.62%	387,596	5.43%
Michelin Ventures	310,077	4.49%	310,077	4.35%
Treasury shares	9,745	0.14%	N/A	N/A
Free float	4,114,518	59.60%	4,130,816	57.93%
TOTAL	6,903,109	100%	7,130,209	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, 2018, on an undiluted basis, was as follows:

Shareholders	Number of shares	Percentage ownership	Number of voting rights	Percentage of voting rights
Holding Incubatrice Chimie Verte	235,843	5.07%	456,389	9.36%
Funds managed by Truffle Capital	899,392	19.31%	899,392	18.43%
Management and Directors	5,707	0.12%	5,708	0.12%
Treasury shares	15,417	0.33%	N/A	N/A
Free float	3,500,864	75.17%	3,516,712	72.09%
TOTAL	4,657,223	100%	4,878,201	100%



Dilutive financial instruments

> Share subscription warrants (BSAs)

The table below shows the status of the BSAs issued since the creation of the Company that were still outstanding as of June 30, 2019, as well as additional information regarding their status as of that date.

	BSA 2011-1		BSA 2012-1	BSA 2012-2	BSA 2012-3
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
Number of BSAs issued	2,506	1,253	170,000	20,241	7,000
Number of shares that may be subscribed or purchased	3,759		170,000	20,241	7,000
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
Number of BSAs subscribed	3,759		170,000	20,241	7,000
Price of subscription or purchase of the warrant	0.10		Free	0.22	0.22
Expiration date	07/12/2021	06/08/2022	09/28/2022	09/28/2022	12/04/2022
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 07/15/2012, for 626 warrants calculated according to the following rule beginning from July 15, 2011: $x = (\text{total number of BSAs 2011-1 allocated to the beneficiary} * \text{number of months since 07/15/2011})/48$		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 complete monthly period beginning from 9/28/2012, and for the first time from 2/28/2013, calculated according to the following rule: $x = (\text{total no. of BSAs 2012-2 allocated to beneficiary} * \text{no. of months since on 9/28/2012})/48$	Option to exercise a number x of warrants per complete monthly period beginning from 12/4/2012, and for the first time from 12/4/2014, calculated according to the following rule: $x = (\text{total no. of BSAs 2012-3 allocated to beneficiary} * \text{no. of months since on 12/4/2012})/48$
Exercise price	1.00		2.25	2.25	2.25
Number of shares subscribed as of the date of this document	2,506		0	13,494	5,500
Cumulative number of subscription or purchase warrants canceled or null and void	0		0	0	0
Share subscription warrants that may be exercised	1,253		170,000	6,747	1,500



3. INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2019

	BSA 2013-1	BSA 2015-2	BSA 2015-3	BSA 2016-1	BSA 2019-1
Date of the Shareholders' Meeting or Board of Directors having allocated the plan	Decision of the Shareholders' Meeting on 7/26/2013	Decision of the Board of Directors dated 6/24/2015	Decision of the Board of Directors dated 6/24/2015	Decision of the Board of Directors of 12/15/2016	Decision of the Board of Directors of 04/04/2019
Number of BSAs issued	14,400	9,600	9,600	9,600	9,600
Number of shares that may be subscribed or purchased	14,400	9,600	9,600	9,600	9,600
Date from which the warrants become exercisable	07/26/2014	06/24/2016	06/24/2016	12/15/2017	04/04/2020
Number of BSAs subscribed	14,400	9,600	9,600	9,600	0
Price of subscription or purchase of the warrant	0.22	0.85 = amount set by an independent expert	0.85 = amount set by an independent expert	0.59	1.38 = amount set by an independent expert
Expiration date	07/26/2023	06/24/2025	06/24/2025	12/15/2026	04/04/2029
Warrant exercise method	These warrants are exercisable in the event of the occurrence of an IPO prior to June 30, 2014. Option to exercise a number x of warrants per complete monthly period beginning on 7/26/2013, and for the first time from 7/26/2014, calculated according to the following rule: $x = (\text{total no. of BSAs 2013-1 allocated to beneficiary} * \text{no. of months since 7/26/2013}) / 48$	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 complete monthly period, and for the first time from 12/15/2017, calculated according to the following rule: $x = (\text{total no. of BSAs 2016-1 allocated to beneficiary} * \text{no. of months since 12/15/2016}) / 48$	Option to exercise a number x of warrants per complete monthly period, and for the first time from 04/04/2020, calculated according to the following rule: $x = (\text{total no. of BSAs 2019-1 allocated to beneficiary} * \text{no. of months since 04/04/2019}) / 48$
Exercise price	80% of IPO price	12.4581	12.4581	8.2837	8.246635
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	12,800	0	0	0	0
Share subscription warrants that may be exercised	1,600	9,600	9,600	9,600	9,600

During the first half of 2019, one BSA issue was carried out: at its meeting on April 4, 2019, the Board of Directors, acting pursuant to the delegation of authority conferred by the Combined General Meeting of June 14, 2018 (Seventeenth Resolution), decided to issue and award 9,600 BSA ("BSA 2019-1") that grant the right to subscribe for 9,600 ordinary shares with a nominal value of €0.70 at a unit price equal to the volume-weighted average of the last 20 days preceding the warrant award date, i.e., a price equal to €8.246635.

During the first half of 2019, no BSAs were exercised.

As of June 30, 2019, 219,500 BSAs giving rights to 219,500 shares are still exercisable.



> Founder share subscription warrants (BSPCEs)

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, 2019, 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	BCE 2019-1
Date of the Shareholders' Meeting or Board of Directors having allocated the plan	Collective decision of the shareholders on 9/28/2012	Decision of the Shareholders' Meeting on 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	Decision of the Board of Directors dated 12/06/2018
Number BSPCEs issued	77,386	36,000	31,000	37,982	35,000	28,000
Number of shares that may be subscribed or purchased	77,386	36,000	31,000	37,982	35,000	28,000
Date from which the warrants become exercisable	02/01/2013	07/26/2014	06/24/2016	04/01/2017	06/27/2018	01/01/2020
Number of BSPCEs subscribed	77,386	36,000	31,000	37,982	35,000	28,000
Price of subscription or purchase of the warrant	Free	Free	Free	Free	Free	Free
Expiration date	09/28/2022	07/26/2023	06/24/2025	04/01/2026	06/27/2027	01/01/2029
Warrant exercise method	Option to exercise a number x of warrants per complete monthly period beginning on 2/01/2012, and for the first time from 2/1/2013, calculated according to the following rule: $x = (\text{total no. of BCEs 2012-1 allocated to the beneficiary} * \text{no. of months since 02/01/2012}) / 48$	These warrants are exercisable in the event of the occurrence of an IPO prior to June 30, 2014. Option to exercise a number x of warrants per complete monthly period beginning on 7/26/2013, and for the first time from 7/26/2014, calculated according to the following rule: $x = (\text{total no. of BCEs 2013-1 allocated to the beneficiary} * \text{no. of months since 7/26/2013}) / 48$	Option to exercise a number x of warrants per complete monthly period beginning on 06/24/2015, and for the first time from 06/24/2016, calculated according to the following rule: $x = (\text{total no. of BCEs 2015-2 allocated to the beneficiary} * \text{no. of months since 06/24/2015}) / 48$	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: $x = (18,991 \text{ BCE 2016-1 awarded to the beneficiary} * \text{number of months since April 1, 2016}) / 48$. 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: $x = (\text{total number of BCE 2017-1 awarded to the beneficiary} * \text{number of months since 6/27/2017}) / 48$	For 14,000 warrants: Option to exercise a number x of warrants per full monthly period, and for the first time from 01/01/2020, calculated according to the following rule: $x = (\text{total number of BCE 2019-1 awarded to the beneficiary} * \text{number of months since 01/01/2019}) / 48$. For 14,000 warrants: Option to exercise a number Y of warrants calculated according to the following rule: $Y = (\text{number of warrants not yet exercisable out of the total of 14,000 warrants}) * Z\%$, where Z% varies according to the CARBIOS share price
Exercise price	2.25	80% of IPO price	12.4581	11.5066	7.86	5.29999
Number of shares subscribed as of the date of this document	75,838	0	0	0	0	0
Cumulative number of subscription or purchase warrants canceled or null and void	0	0	0	0	0	0
Share subscription warrants that may be exercised	1,548	36,000	31,000	37,982	35,000	28,000



During the first half of 2019, one BSPCE issue and award was carried out: at its meeting on December 6, the Board of Directors, acting pursuant to the delegation of authority conferred by the Combined General Meeting of June 14, 2018 (Eighteenth Resolution), decided to issue and award 28,000 BSPCEs ("BCE-2019-1") starting January 1, 2019 that grant the right to subscribe for 28,000 ordinary shares with a nominal value of €0.70 at a unit price equal to the volume-weighted average of the last 20 days preceding the warrant award date, i.e., a price equal to €5.29999.

During the first half of 2019, no BSPCEs were exercised.

As of June 30, 2019, there remained 169,530 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.

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

> Subsidies:

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 is capped at €7,100 thousand.



> ADEME grant: CE-PET project

On April 8, 2019, the Company obtained a grant from ADEME for the CE-PET project, composed of repayable advances totaling €3,102 thousand and subsidies of €1,034 thousand spread over a 48-month period from 2018 to 2022. The grants were released according to the project's progress and the submission of reports regarding the completion of each key stage stipulated in the framework agreement signed with ADEME. The agreement provides for a total grant rate of 60% that is applied to total eligible expenditures and used for each key stage, 25% of which is a subsidy and 75% a repayable advance (with conditions).

The contract agreement stipulates that the completion of each key stage and the associated conditions provide entitlement to the following payments capped based on a maximum % of cumulative grants:

(in euros)	KS1 (35%)	KS2 (60%)	KS3 (80%)	KS4 (100%)	TOTAL
Payment year	2019	2020	2021	2022	
SUBSIDY	361,900	258,500	206,800	206,800	1,034,000
REPAYABLE ADVANCE	1,085,700	775,500	620,400	620,400	3,102,000
TOTAL	1,447,600	1,034,000	1,182,000	1,013,000	4,136,000

At June 30, 2019, the Company had completed the work for the first key stage. Since its creation, the Company has received:

(in euros)	1 st payment	2 nd payment	3 rd payment	4 th payment	TOTAL
Date of payment	06/07/2019				
SUBSIDY	€155,100				€155,100
REPAYABLE ADVANCE	€465,300				€465,300
TOTAL	€620,400				€620,400

> Subsidy

The subsidy rate therefore amounts to 15% of the Industrial Research and Experimental Development expenses incurred by the Company in the context of the CE-PET project.

According to the Company's calculations, eligible expenses incurred between January 31, 2018, when eligibility began, and June 30, 2019 amounted to €1,721 thousand. As a result, the project should be eligible for a subsidy of €258 thousand (€1,721 thousand x 60% x 25%). This amount is consistent with the key stage 1 ceiling of €362 thousand (see table above). These figures may be revised after review by ADEME.

Since the beginning of the program, the Company has received €155 thousand in ADEME subsidies (see table above). The difference of €103 thousand (€258 thousand - €155 thousand) was recorded as a current receivable (subsidy receivable).



> **Repayable advance:**

The amount that CARBIOS owes ADEME for repayment of the amount of the Repayable Advance Paid (hereinafter the "Total Amount Payable") shall be equal to the following amount:

- an "Amount Ma" that depends on the progress of the Operation.

This amount is subject to specific terms and conditions of repayment as described below.

a) Determination of Amount Ma

Rate T1 is set at 0.84%.

The Beneficiary shall repay ADEME an amount whose Discounted Value using Rate T1 is equal to 100% of the Discounted Value using Rate T1 of the amount of the Repayable Advance Paid (hereinafter "Amount Ma") under the terms and conditions described below.

Amount Ma may, however, be reduced under the following conditions and by the following proportions:

- Ma is reduced by 75% if Key Stage 1 has not been verified;
- Ma is reduced by 50% if Key Stage 1 has been verified, but Key Stage 2 has not been verified;
- Ma is reduced by 25% if Key Stage 2 has been verified, but Key Stage 3 has not been verified;

b) Terms of repayment of Amount Ma

The operative event for the repayment of Amount Ma (hereinafter the "Ma Operative Event") shall be the End of the Investment Phase.

Repayment of Amount Ma shall be made in four (4) annual installments of the same amount.

The first installment shall be paid six (6) months after the end of the Beneficiary's Fiscal Year in which the Ma Operative Event is recorded.

Since the beginning of the program, the Company has received €465 thousand in ADEME conditional advances (see table above).

> **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

instalments of €30 thousand. Repayment began on December 30, 2016 and the remaining capital balance owed as of June 30, 2019 was €61 thousand;

- a recoverable advance of €265 thousand from Bpifrance for an innovation project, of which €215 thousand was paid out in 2017 and the balance of €50 thousand in December 2018. Repayments should begin on March 31, 2019 with quarterly installments, but with progressive annuities. The acknowledgement of program success will make it eligible for the repayment of the full amount;
- an Innovation Loan from Bpifrance for €1,500 thousand at a floating rate to finance the intangible expenses related to its desire to launch the industrialization process. After a grace period of two years, constant capital repayments of €75 thousand will take place from March 31, 2021 to December 31, 2025.

Private grants:

- a repayable interest-free advance from the association FMR 63 for €70 thousand for business creation activities and job creation. The 36-month repayment period began on June 6, 2016 and ended on May 6, 2019.

Note 10 - Operating revenue

The Company's operating revenue was €702 thousand for the first half of 2019 and consisted mainly of:

Operating subsidy

For the CE-PET project, the Company recorded an operating subsidy of €258 thousand (of which €103 thousand has not yet been received). According to the Company's calculations, eligible expenses incurred between January 31, 2018, when eligibility began, and June 30, 2019, amounted to €1,721 thousand. In accordance with the terms of the agreement, these expenses should entitle the Company to a subsidy of €258 thousand (€1,721 thousand x 60% x 25%). This amount is consistent with the Key Stage 1 ceiling of €362 thousand (see Note 9). This data may be revised after review by ADEME.

CARBIOLICE research services agreement

On February 15, 2017, the Company entered into a research service agreement with its subsidiary for a period of two years and a total amount of €1,248 thousand. The aim of this contract is to carry out a product development program thanks to its biodegradation technology. During 2018, an amendment was signed to extend the contract up to 2021, and raise the total contract amount to €2,500 thousand. During the first half of 2019, operating revenue was €263 thousand.

Other operating revenue

In addition, the Company received €181 thousand in income from other agreements, some of which came from agreements with CARBIOLICE (see Note 13).



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

Statement of debt as at 06/30/2019 (in euros)	Total amount	From 0 to 1 year	From 1 to 5 years	More than 5 years
Regional funds	1,825,720	100,360	1,275,360	450,000
Suppliers (1)	1,211,212	1,211,212		
Tax and social liabilities	659,418	659,418		
Other liabilities	27,218	27,218		
Deferred income (2)	478,356	478,356		
Accrued interest on loans	12,038	12,038		
TOTAL	4,201,924	2,476,564	1,275,360	450,000

(1) Supplier debt includes costs of €733 thousand related to the capital increase, as these were deducted when the funds were paid on July 1, 2019.

(2) Deferred income includes the period after June 30, 2019 relating to products invoiced in the first half of 2019.

Note 11 bis - Accruals (prepayments and deferred income)

Accruals are shown on the statement of financial position as of June 30, 2019 for the following amounts:

Statement of accruals (in euros)	ASSETS	LIABILITIES
Suppliers, amounts receivable and accrued invoices		227,589
Trade receivables, not yet invoiced	2,916	
Personnel and social welfare organizations, accrued expenses		385,554
State, accrued expenses and accrued income (1)	325,726	42,069
Subsidies receivable	103,011	
Prepaid expenses	92,070	
Expense to be spread over the loan	5,379	
TOTAL	529,102	655,212

(1) This amount includes notably the receivable for the Research Tax Credit of €310 thousand.

Note 12 - Income tax

Since the Company does not currently generate any profit, it does not have any income tax expenses. The amount recognized in income in respect of corporate tax is income from the Research Tax Credit (CIR). It amounted to €310 thousand as of June 30, 2019.

**Note 13 – Related parties**

In the first half of 2019, CARBIOS allocated Directors' fees to members of the Board of Directors in the amount of €79 thousand (excluding social security contributions).

The operations performed during the first half of 2019 with its subsidiary CARBIOLICE are as follows:

- **CARBIOLICE consulting agreement (€21 thousand in operating revenue):** A consulting agreement was signed on August 31, 2016 with the subsidiary CARBIOLICE for assisting and advising the executive and managing bodies, for a period of 16 months beginning on September 1, 2016, then tacitly renewable for one year. A second amendment was signed on January 28, 2019 for a one-year renewal starting January 1, 2019.
- **CARBIOLICE resource provision agreement (€1 thousand in operating revenues):** An agreement to make equipment available was signed on August 31, 2016, with the subsidiary CARBIOLICE. The purpose of this contract was to make certain equipment available for a period of one year, renewable upon request by CARBIOLICE.
- **CARBIOLICE research services agreement (€263 thousand in operating revenue):** See Note 10
- **Licensing and sub-licensing of patent and know-how licenses:** The Company entered into a patent license and know-how agreement with SAS CARBIOLICE on August 30, 2016 for a period running until the expiry of the last of the patents granted, and for which an amendment was signed on June 28, 2018. Payment for this agreement is scheduled to take the form of an €8 million lump-sum royalty payment and variable royalties based on the revenue generated from CARBIOLICE's use of the licensed technology. No variable royalties were recorded as at June 30, 2019, given that none of CARBIOLICE's revenue resulted from use of the licenses granted in 2016.
- **Rebilling of tests and regulatory matters (€11 thousand in operating income):** Rebilling mainly of tests relating to enzymes and fees related to regulatory matters in accordance with the letters of agreement signed with CARBIOLICE.
- **Other chargebacks:** CARBIOS charged back an amount of €1 thousand in travel expenses to its subsidiary CARBIOLICE.

Note 14 – Table of subsidiaries and equity interests

Company name	SAS CARBIOLICE
Capital	€18,850,000
Reserves and carryforwards prior to the allocation of income	- €6,773,753
Portion of share capital owned (%)	56,23%
Book value of securities held	€10,600,000
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	€344,357
Results (profit or loss for the most recent period ended)	- €1,854,584
Dividends received by the company during the fiscal year	-
Comments	



Note 15 – Commitments given

	Commitment
Retirement indemnity	€83,055
Individual Right to Training	Not applicable

• Retirement indemnity

The rights of employees to retirement indemnities were assessed at €83,055 as of June 30, 2019.

This figure was calculated according to the following assumptions:

- voluntary retirement;
- retirement age: 67 years;
- turnover: slow;
- discount rate: 1%;
- increase in wages: 2%.

• 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 12/31/2018	Workforce as of 06/30/2019
Managers	14	16
Supervisory staff and technicians	5	5
Employees	1	2
Total	20	23

The Company no longer has the status of "Young Innovative Company", which allowed 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.

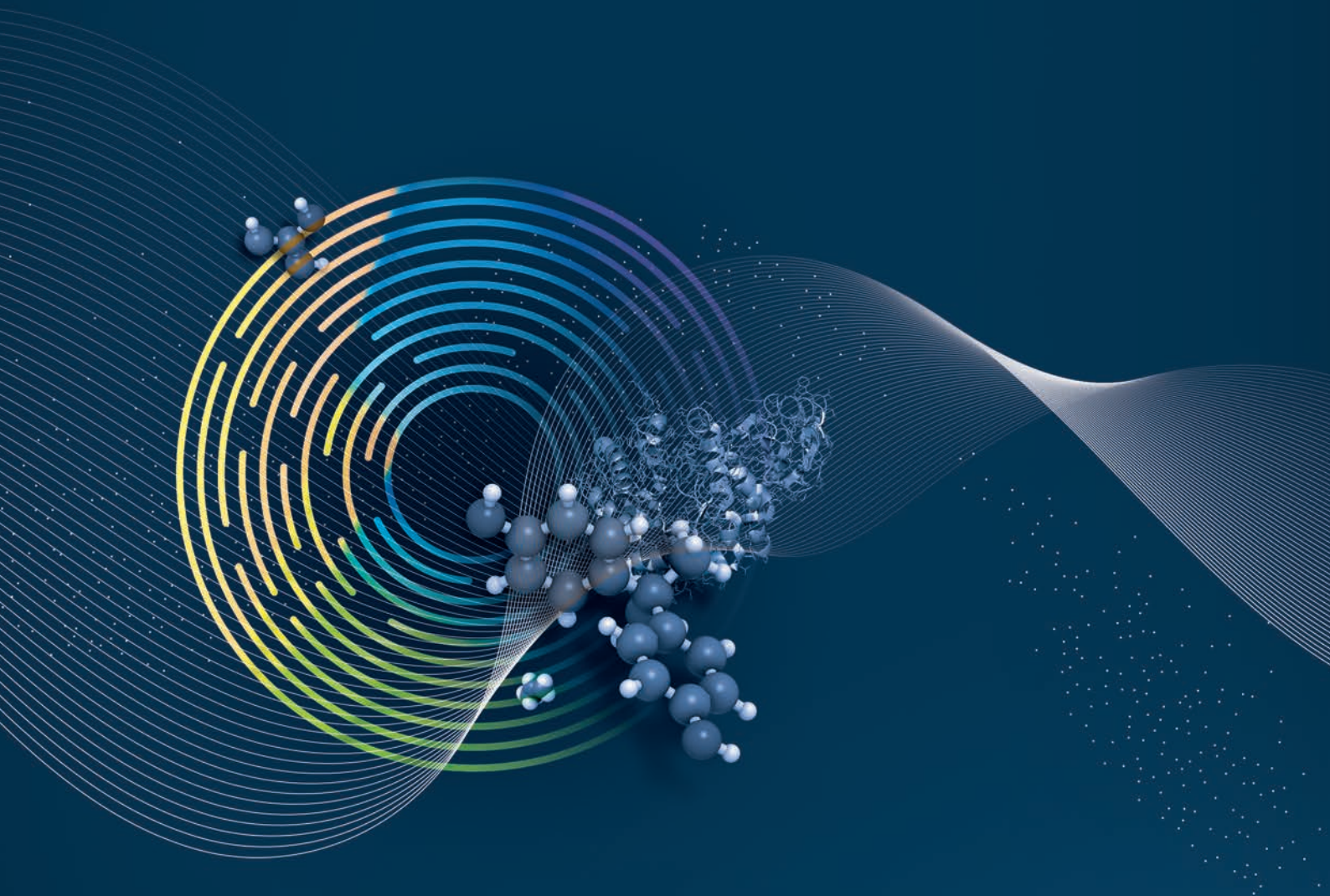
Note 17 – Events after the reporting period

The following events occurred after the end of the first half of 2019:

- on July 10, 2019, 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);
- on July 1, 2019, the Company received a net amount of €13.7 million in its bank account from the fundraising (€14.5 million raised) less associated costs (€733 thousand deducted for the issue premium).

There were no other significant events to be noted for the beginning of the second half of 2019.

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 9 to 26) 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
CARBIOS is present in the Euronext Growth All Share
and Euronext Growth Bpifrance Innovation indices
CARBIOS shares are eligible for SME share savings
accounts (PEA-PME) for tax purposes

RELATIONS WITH THE FINANCIAL COMMUNITY

CARBIOS is regularly in contact with the financial community. In 2019, the Company organized a meeting with analysts and investors to present its 2018 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

CONTACT

Benjamin Audebert

Investor Relations
+33 (0)4 73 86 51 76
contact@carbios.fr
www.carbios.fr



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**

Bio-sourced 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.



CARBİOS
Reinvent Polymers Lifecycle

Headquarters

Biopôle Clermont-Limagne - 3 rue Emile Duclaux
63360 Saint-Beauzire
Tel: + 33 4 73 86 51 76

www.carbios.fr

Société anonyme (public limited company) with capital of €4,832,176.30
SIRET: 531 530 228 00042 - RCS Clermont-Ferrand 531 530 228

Document translated by LABRADOR TRANSLATIONS SAS -8, rue Lantiez 75017 PARIS -RCS Paris 518206255 -APE7430Z
**Translation for information purpose only. In case of discrepancy between the French and the English version of this
Registration Document, the French version should prevail**