French joint-stock corporation (*société anonyme*) with share capital of €615,395.68
Registered office: 36, avenue de l’Europe
Immeuble l’Etendard Energy III
78140 Vélizy Villacoublay, France
Registered in the Versailles Trade and Companies Register under no. 504 937 905

2021 INTERIM FINANCIAL REPORT

SIX MONTHS ENDED JUNE 30, 2021

CONTENTS

1 STATEMENT FROM THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT AT JUNE 30, 2021

I hereby declare that, to the best of my knowledge, the financial statements presented for the six months ended June 30, 2021 were prepared in accordance with applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and results of the Company, and that the interim review of operations on pages 4 to 7 presents a true and fair view of the significant events that took place during the first half of the year, their impact on the financial statements and the main transactions between related parties, along with a description of the principal risks and uncertainties for the remaining six months of the year.

Stéphane Piat
Chief Executive Officer, Carmat

2 REVIEW OF OPERATIONS

2.1 SUMMARY OF THE INTERIM FINANCIAL STATEMENTS AT JUNE 30, 2021

Selected financial information

INCOME STATEMENT (in millions of euros)	**6 months June 30, 2021**	**12 months Dec. 31, 2020**	**6 months June 30, 2020**
Net revenue	0	0	0
Net operating income (expense)	(25.5)	(36.4)	(20.6)
Net financial income (expense)	(1.5)	(2.5)	(1.0)
Net non-recurring income (expense)	0.0	0.2	0.0
Research and innovation tax credits	0.7	1.7	0.8
Net profit (loss)	(26.4)	(37.0)	(20.8)

BALANCE SHEET (in millions of euros)	**June 30, 2021**	**Dec. 31, 2020**	**June 30, 2020**
Total assets	87.1	59.8	57.2
Total equity	19.3	(6.7)	3.6
(Net cash) Net debt*	(17.6)	3.0	(17.8)

CASH FLOW STATEMENT (in millions of euros)	**6 months June 30, 2021**	**12 months Dec. 31, 2020**	**6 months June 30, 2020**
Cash and cash equivalents at beginning of period	36.0	55.5	55.5
Net cash from (used in) operating activities	(29.4)	(43.0)	(19.8)
Net cash from (used in) investing activities	(1.0)	(2.3)	(0.4)
Net cash from (used in) financing activities	52.3	25.8	10.0
Cash and cash equivalents at end of period	57.9	36.0	45.3

** Long-term financial liabilities plus short-term financial liabilities less cash and cash equivalents.*

First-half 2021 earnings

Carmat did not report any revenue in first-half 2021. It recorded its first sales at the start of the third quarter.

In the first six months of the year, Carmat's efforts and resources were predominantly focused on:

- ramping up production, which reached between 8 and 10 prostheses per month by the end of the period;
- further actions to secure the production supply chain;
- preparing for the commercial launch of its Aeson®[1] artificial heart in Europe, notably by training "client" centers and conducting contractual negotiations with them;
- preparing for the launch of early feasibility studies (EFS) in the United States and an EFICAS study in France, with a view to enrolling the first patients in the third and fourth quarters of 2021, respectively; and preparing for post-market surveillance (PMS).

[1] The Aeson® artificial heart consists of an implantable prosthesis permanently attached to a portable external power pack.

In this context of intense activity, the operating loss for the first six months of 2021 was €25.5 million, a €4.9 million increase on the same period in 2020.

After taking into account the €1.5 million net financial expense and €0.7 million in income from non-recurring items and the research tax credit, the Company reported a net loss of €26.4 million for first-half 2021, versus a net loss of €20.8 million for first-half 2020.

Cash and financial position

At June 30, 2021, the Company's cash position stood at €57.9 million compared to €36.0 million at December 31, 2020 and €45.3 million at June 30, 2020.

Net cash used in operating activities increased period-on-period to €29.4 million due to efforts to ramp up production and build up inventories ahead of the marketing and sales phase, and to preparations for the start of the EFS and EFICAS clinical trials.

In the first half of 2021, the Company obtained the following funds:

- it carried out a capital increase in March for a gross amount of €55.7 million by means of a public offering with a priority subscription period for its existing shareholders, accompanied by a global offering;
- it received the first €0.3 million tranche of its €1.4 million subsidy[2] awarded for its winning bid within the scope of France's "Industrial Recovery Plan – Strategic Sectors" call for projects;
- drew down €0.3 million on the equity financing line set up with Kepler-Cheuvreux.

Based on its current business plan, and even if no additional financing were obtained or no further amounts were drawn down on its Kepler-Cheuvreux equity line (whose remaining balance stands at €15.9 million and which expires on September 27, 2021), the confirmed financial resources[3] available to Carmat should enable it to fund its operations through to mid-2022.

In light of its progress to date, including the CE marking obtained at the end of 2020, its first sales in Europe in July 2021, and the effective launch of its EFS trial in the United States, Carmat is confident that it will be able to source the funding that it needs to continue its development going forward.

2.2 SIGNIFICANT EVENTS OF FIRST-HALF 2021

2.2.1 COMPOSITION OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

Three new directors were appointed at the Combined Shareholders' Meeting of May 12, 2021: Florent Battistella, David Coti and John B. Hernandez, who will provide Carmat with added industrialization and market-access expertise.

Elsewhere, Professor Christian Latremouille joined Carmat's management team as Director of Surgical Affairs on February 1, 2021.

2.2.2 INDUSTRIALIZATION AND PRODUCTION

During the first six months of 2021, Carmat continued with its plan to ramp up production and build up inventories, as well as to improve the reliability of its production processes at its Bois d'Arcy facility. It also stepped up efforts to secure its production supply chain.

It increased its production staff during the period, from 61 at end-2020 to 81 at June 30, 2021.

[2] The remaining €1.1 million will be paid to the Company in two installments by the end of 2023, based on the progress of the industrial projects for which it was awarded.

[3] Including available cash and cash equivalents at June 30, 2021, €13 million in funding from the French government intended to partially finance the EFICAS study (to be received by Carmat as and when patients are enrolled in the study), and the final €10 million tranche of the EIB loan, which the Company expects to draw down in the fourth quarter of 2021 since the corresponding drawdown conditions have already been met.

2.2.3 CLINICAL DEVELOPMENT AND MARKET ACCESS

"CE marking" pivotal study in Europe:

At June 30, 2021, 15 patients had been enrolled in this trial. The positive interim results helped Carmat obtain its CE marking for the bridge to transplant (BTT) indication in December 2020.

The Company will continue to enroll patients in the study, with the aim of meeting its initial target of 20 patients enrolled during the first half of 2022[4].

EFICAS clinical study in France:

Following the approval to launch this multicentric trial covering 52 patients in France, and the €13 million[5] in funding obtained from the French government in 2020, during the first half of 2021 the Company submitted an application for the use of the latest version of its artificial heart for the trial.

In light of regulatory time constraints, the Company plans to start patient enrollment in the EFICAS trial in the fourth quarter of 2021. This trial will allow Carmat to collect both additional information on the performance and safety of its artificial heart, as well as medical and economic data that can be used to support the value proposition and obtain reimbursement, particularly in France.

EFS in the United States:

At June 30, 2021, four renowned US centers had been trained and were screening patients ahead of their enrollment in the EFS study. On July 15, 2021, the Company announced the first human implant of the Carmat heart in this trial on July 12, 2021 at North Carolina's Duke University Hospital.

In accordance with the study protocol approved by the US Food & Drug Administration (FDA), 10 transplant-eligible patients are expected to be enrolled in this trial. The primary study endpoint is patient survival at 180 days post-implant or a successful cardiac transplantation within 180 days post-implant. It is a staged study with a progress report of the first three patients after 60 days, before the enrollment of the next seven patients.

The Company expects to complete this study in the first part of 2022. If successful, it should be followed by a pivotal study of a few dozen patients, with the aim of obtaining PMA from the FDA allowing Carmat to market Aeson® in the United States.

Marketing in Europe:

The CE marking obtained by Carmat in December 2020 for the BTT indication allows the Company to market its Aeson® artificial heart throughout the European Union and in some other countries which recognize this marking.

In the first half of 2021, Carmat stepped up its talks with all German centers (around 20) specializing in cardiac assistance from a medical, scientific and contractual perspective, and observed a keen interest for Aeson®.

In line with its roadmap, in 2021 the Company will chiefly focus on marketing its product in Germany (the largest European market) and to a lesser extent in one or two other EU countries (including Italy).

At June 30, 2021, five hospitals in Germany and Italy were already trained and in the process of actively screening potential patients. On July 19, 2021, the Company announced the first commercial implant (sale) of its artificial heart on July 15, 2021 at the Azienda Ospedaliera dei Colli hospital in Naples, Italy.

Carmat intends to step up training for centers and accelerate its sales. By the end of 2021, the Company expects around a dozen medical centers to be trained and commercially active, mainly in Germany.

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[4] The initial target was 20 patients, a number that could be raised or lowered during the study. The primary objective of the study is the patient's survival for six months with the Carmat heart or a successful transplant within six months of the device being implanted. Neither a specific number of implants nor a pre-determined success rate was required to obtain CE marking. In accordance with good clinical practice and subject to regulatory requirements or special circumstances, Carmat does not communicate on individual implants or on the health of individual patients. At June 30, 2021, 15 patients had received implants as part of the study. Of these 15 patients, the primary objective of the study had been met for 11 patients (7 patients survived for more than six months post-implant with the Carmat heart, and a successful transplant was performed on 4 patients within six months of the device being implanted), representing a success rate of over 73%.

[5] These funds will be received as and when patients receive their implants during the EFICAS study.

2.2.4 Impact of Covid-19

The impact of Covid-19 has generally been felt to a greater extent in the first half of 2021 than in 2020.

The different measures restricting mobility (border closures, mandatory PCR or antigen tests, lockdown periods, compulsory quarantine, etc.), along with the unpredictability of those measures and their liability to change, specifically led to:

- the impossibility of carrying out certain implants as part of the ongoing pivotal study, particularly outside France;
- delays in training and preparation at various US centers as part of the EFS study, leading to patient enrollment delays compared to the initial schedule;
- from a marketing and sales perspective, delays in training at certain German centers and less smooth contractual negotiations, once again leading to a delay in the first commercial sales compared to the initial schedule.

Carmat also once again had to contend with late supplies or temporary shortages of materials and components, and several of its suppliers went bankrupt. In these cases, however, it was able to implement alternative solutions.

Despite these factors, Carmat nevertheless continued to operate throughout this period, enabling it to limit the impact of the pandemic to a delay of two to three months compared to its business plan. At June 30, 2021, its inventories and production output were sufficient to meet expected demand.

In light of the gradual improvement in the health situation, Carmat's outlook for the second half of 2021 is positive, although it continues to closely monitor the pandemic's development and the measures taken to manage it. As a result, it may be compelled to adjust its outlook accordingly.

2.3 SUBSEQUENT EVENTS

On July 15, 2021, Carmat announced that it had successfully launched its EFS study in the United States, with an initial implant performed on July 12, 2021 at North Carolina's Duke University Hospital, one of the largest cardiology centers in the United States. At the date on which this 2021 interim financial report was published, three implants had been performed in the United States as part of the EFS, marking the end of the study's first cohort of patients.

On July 19, 2021, the Company announced its first commercial implant (sale) on July 15, 2021 at the Azienda Ospedaliera dei Colli hospital in Naples, Italy. At the date on which the interim financial statements were approved by the Board of Directors, six Aeson® artificial hearts had been sold and implanted commercially in Germany and Italy.

On September 3, 2021, the Company announced that it had appointed Ivo Simundic as Sales Director for the DACH region (Germany, Austria and Switzerland).

2.4 NEXT STEPS

In the second half of 2021, Carmat will continue to focus its efforts and resources on its strategic priorities, i.e.:

- continuing with the commercial launch of Aeson® in Europe;
- performing further implants within the scope of the EFS in the United States;
- performing the first implants within the scope of the EFICAS study in France in the fourth quarter;
- continuing to ramp up production, together with further improvements in processes, and continuing to secure the supply chain.

2.5 MAIN RISK FACTORS

Risk factors are discussed in detail in Chapter 2 of the 2020 Universal Registration Document filed with the French Financial Markets Authority (*Autorité des marchés financiers – AMF*) under number D. 21-0076. To date, the Company is not aware of any significant changes in these risk factors.

3 2021 INTERIM FINANCIAL STATEMENTS

Note that the legal provisions applicable to Carmat, whose shares are traded on Euronext Growth, do not require the issuance of an audit report by the Statutory Auditors on the interim financial statements.

3.1 BALANCE SHEET

ASSETS (in euros)		June 30, 2021			Dec. 31, 2020
		Gross	Depreciation, amortization and impairment	Net	Net
	Uncalled subscribed capital **(TOTAL I)**				
NON-CURRENT ASSETS	INTANGIBLE ASSETS (notes 4.4.1 and 4.4.2)				
	Start-up costs				
	Development costs				
	Licenses, patents and similar rights	1,913,138	1,904,245	8,893	17,082
	Goodwill (1)				
	Intangible assets not yet available for use				
	Advances and downpayments				
	PROPERTY, PLANT AND EQUIPMENT (notes 4.4.1 and 4.4.2)				
	Land				
	Buildings				
	Technical plant, equipment and tooling	11,460,277	7,697,562	3,762,715	2,518,828
	Other property, plant and equipment	2,857,975	1,685,997	1,171,978	1,254,857
	Property, plant and equipment in progress	1,915,352		1,915,352	2,639,980
	Advances and downpayments				
	FINANCIAL ASSETS (2) (notes 4.4.1 and 4.4.2)				
	Equity-accounted investments				
	Other equity interests				
	Other long-term investments				
	Loans				
	Other financial assets	538,521		538,521	545,525
	TOTAL II	**18,685,263**	**11,287,803**	**7,397,460**	**6,976,272**
CURRENT ASSETS	INVENTORIES AND WORK IN PROGRESS (note 4.4.3)				
	Raw materials, supplies	5,085,045	208,666	4,876,379	4,532,049
	Work in progress – goods	1,902,849	627,873	1,274,976	461,455
	Work in progress – services				
	Semi-finished and finished goods	15,727,673	7,888,435	7,839,238	4,374,608
	Goods for resale	448,574	130,909	317,665	533,687
	Advances and downpayments on orders	3,079,956		3,079,956	2,676,338
	RECEIVABLES (3)				
	Trade notes and accounts receivable				
	Other receivables (note 4.4.5)	4,002,494		4,002,494	4,108,333
	Share capital subscribed, called and unpaid				
	Marketable securities				
	Cash instruments				
	Cash	57,935,898		57,935,898	35,984,388
Accrual accounts	Prepaid expenses (3) (note 4.4.7.4)	344,947		344,947	188,039
	TOTAL III	**88,527,437**	**8,855,883**	**79,671,553**	**52,858,897**
	Deferred loan issuance costs (IV)				
	Bond redemption premiums (V)				
	Unrealized foreign exchange losses (VI)				
	GRAND TOTAL (I+II+III+IV+V+VI)	**107,212,700**	**20,143,687**	**87,069,013**	**59,835,169**
	(1) Including lease rights.				
	(2) Of which are due in less than one year.			*172,476*	*181,880*
	(3) Of which are due in more than one year.				

	EQUITY AND LIABILITIES (in euros)	June 30, 2021	Dec. 31, 2020
EQUITY	Share capital (of which paid-up: 61,395.68) (note 4.4.6)	615,396	520,499
	Additional paid-in capital (notes 4.1 and 4.4.6)	81,932,252	29,704,317
	Revaluation adjustments		
	RESERVES		
	Legal reserve		
	Statutory or contractual reserves		
	Untaxed reserves		
	Other reserves	57,703	50,308
	Retained earnings (losses carried forward)	(36,963,432)	
	NET PROFIT (LOSS) FOR THE PERIOD	**(26,353,988)**	**(,36,963,432)**
	Investment subsidies		
	Tax-driven provisions		
	TOTAL I	**19,287,931**	**(6,688,308)**
OTHER EQUITY	Proceeds from issues of equity securities		
	Conditional advances (note 4.4.7.1)	14,507,309	14,507,309
	TOTAL II	**14,507,309**	**14,507,309**
PROVISIONS	Provisions for contingencies	103,000	80,000
	Provisions for losses (notes 4.4.4 and 4.6.1.3)	991,050	576,598
	TOTAL III	**1,094,050**	**656,598**
LIABILITIES (1)	DEBT		
	Convertible bonds		
	Other bonds		
	Bank loans and borrowings	32,948,278	32,130,333
	Bank overdrafts		
	Sundry loans and borrowings (note 4.4.5)	7,392,089	6,810,075
	Advances and downpayments received on orders in progress		
	ACCOUNTS PAYABLE (note 4.4.5)		
	Trade notes and accounts payable	7,564,366	8,006,213
	Tax and social security payables	4,274,990	4,412,949
	Amounts payable on non-current assets and other (note 4.4.5)		
	Other payables (note 4.4.5)		
Accrual accounts	Prepaid income (1) (note 4.4.7.4)		
	TOTAL IV	**52,179,723**	**51,359,569**
	Unrealized foreign exchange gains		
	GRAND TOTAL (I+II+III+IV)	**87,069,013**	**59,835,169**
	(1) Liabilities and prepaid income due in less than one year:	11,919,911	12,498,606

3.2 INCOME STATEMENT

INCOME STATEMENT (in euros)	June 30, 2021 (6 months)			June 30, 2020 (6 months)	Dec. 31, 2020 (12 months)
	France	Export	Total	Total	Total
OPERATING INCOME (1)					
Sale of goods for resale					
Production sold – goods					
Production sold – services					
NET REVENUE					
Inventoried production			5,782,466		11,824,742
Capitalized production					
Operating subsidies					9,333
Reversals of impairment, depreciation/amortization and provisions, expense transfers			7,542,045	271,654	410,615
Other income					
TOTAL OPERATING INCOME (I)			**13,324,511**	**271,654**	**12,244,690**
OPERATING EXPENSES (2)					
Purchases of goods for resale			768,845		1,194,770
Change in inventories (goods for resale)			555,920		(944,092)
Purchases of raw materials and other supplies			3,533,096	3,251,767	8,420,267
Change in inventories (raw materials and other supplies)			(521,655)		(4,647,106)
Other purchases and external expenses*			15,471,857	9,469,873	20,375,426
Taxes, duties and other levies			194,162	214,136	319,268
Wages and salaries			6,166,560	4,916,364	10,184,964
Social security contributions			2,583,227	2,320,485	4,832,053
Depreciation/amortization and impairment					
of non-current assets: depreciation/amortization (note 4.4.2)			562,913	478,603	931,758
of non-current assets: impairment					
of current assets: impairment			8,855,883		7,514,141
Additions to provisions (notes 4.4.4 and 4.6.1.3)			465,356	164,624	381,653
Other expenses			230,515	35,560	93,094
TOTAL OPERATING EXPENSES (II)			**38,866,679**	**20,851,412**	**48,656,196**
1– NET OPERATING INCOME (EXPENSE) (I-II)			**(25,542,168)**	**(20,579,758)**	**(36,411,506)**
SHARE IN INCOME FROM JOINT VENTURES					
Income allocated or loss transferred (III)					
Loss incurred or income transferred (IV)					

* Including: fees under equipment leases.
* Including: fees under property leases.

INCOME STATEMENT (in euros) (cont.)	June 30, 2021 (6 months)	June 30, 2020 (6 months)	Dec. 31, 2020 (12 months)
FINANCIAL INCOME			
Investment income			
Income from other marketable securities and non-current asset receivables			
Other interest income			
Reversals of impairment and provisions, expense transfers			
Foreign exchange gains	72,861	89,478	140,802
Net income on sales of marketable securities			
TOTAL (V)	**72,861**	**89,478**	**140,802**
FINANCIAL EXPENSES			
Depreciation/amortization, impairment and provisions			
Interest expense	1,499,959	1,112,108	2,525,555
Foreign exchange losses	45,896	16,237	78,539
Net expenses on sales of marketable securities			
TOTAL (VI)	**1,545,855**	**1,128,345**	**2,604,094**
2 – NET FINANCIAL INCOME (EXPENSE) (V-VI)	**(1,472,993)**	**(1,038,867)**	**(2,463,292)**
3 – RECURRING INCOME (EXPENSE) BEFORE TAX (I-II+III-IV+V-VI)	**(27,015,162)**	**(21,618,625)**	**(38,874,796)**
NON-RECURRING INCOME (note 4.5.3)			
Non-recurring income on management transactions			145,894
Non-recurring income on corporate actions	15,640	53,428	115,748
Reversals of impairment and provisions, expense transfers			
TOTAL (VII)	**15,640**	**53,428**	**261,642**
NON-RECURRING EXPENSES (note 4.5.3)			
Non-recurring expenses on management transactions			
Non-recurring expenses on corporate actions	25,043	47,399	61,255
Depreciation/amortization, impairment and provisions			
TOTAL (VIII)	**25,043**	**47,399**	**61,255**
4 – NET NON-RECURRING INCOME (EXPENSE) (VII-VIII)	**(9,403)**	**6,029**	**200,387**
Employee profit-sharing (IX)			
Income tax (X) (note 4.5.3)	(670,577)	(777,933)	(1,710,979)
TOTAL INCOME (I+III+V+VII)	**13,413,012**	**414,560**	**12,647,134**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	**39,767,000**	**21,249,223**	**49,610,566**
5 – NET PROFIT (LOSS) (total income – total expenses)	**(26,353,988)**	**(20,834,663)**	**(36,963,432)**

4 NOTES TO THE 2021 INTERIM FINANCIAL STATEMENTS

The following sections contain notes to the balance sheet at June 30, 2021, which shows total assets of €87,069,013, and to the income statement for the six months then ended, presented in list form and showing zero revenue resulting in a net loss of €26,353,988.

The reporting period covers the six months from January 1, 2021 to June 30, 2021.

The notes and tables presented below are an integral part of the financial statements for the six months ended June 30, 2021, as approved by the Board of Directors on September 13, 2021. They are presented in euros unless otherwise stated.

4.1 HIGHLIGHTS OF THE PERIOD

The Company's business focus is to develop an artificial heart that responds to the challenges of terminal heart failure, and to lay the groundwork for its commercial launch slated for the third quarter of 2021.

Carmat did not report any revenue in first-half 2021. It recorded its first sales at the start of the third quarter.

The Company carried out several capital increases in the period, as follows:

	Change in number of preference shares	Change in number of ordinary shares	Total change in number of shares	Change in share capital (€)
At Dec. 31, 2020				**520,499.36**
Exercise of Kepler-Cheuvreux BSA share warrants		10,000	*10,000*	400.00
Fundraising		2,320,298	*2,320,298*	92,811.92
Conversion of AGAP 2017-03 free preference shares	(240)	13,200	*12,960*	518.40
Vesting of AGAP 2018-02 free preference shares	950		*950*	38.00
Conversion of AGAP 2018-02 free preference shares	(600)	9,000	*8,400*	336.00
Conversion of AGAP 2018-01 free preference shares	(200)	20,000	*19,800*	792.00
At June 30, 2021	***(90)***	***2,372,498***	***2,372,408***	**615,395.68**

The March 2021 offering for a gross amount of €55.7 million allowed the Company to increase its capital by a total of €92,811.92, through the creation of 2,320,298 new shares at a price of €24.00 per share including the share premium.

As a result of all of the capital increases carried out during the period, the Company's share capital increased by €94,896.32, through the creation of 2,372,408 new shares. The Company's share capital was thus increased from €520,499.36 to €615,395.68.

Carmat was awarded a €1.4 million subsidy as a winner of the French government's "Industrial Recovery Plan – Strategic Sectors" call for projects. This non-dilutive funding will contribute to the "CAP 23" industrialization program, designed to scale up production of the Aeson® heart ready for its commercial launch, by:

- increasing Carmat's production capacity at its Bois-d'Arcy site;
- digitalizing the Bois-d'Arcy site; and
- strengthening the Company's network of industrial suppliers in France.

The subsidy will be paid in three installments over the period 2021-2023, depending on the progress of the projects for which it was awarded. The first installment of €349,384 was collected by Carmat in March 2021.

The Company maintains the option for the research tax credit for 2021. The first option was exercised for the calendar year 2009 and renewed each year up to and including 2020. The research tax credit for the first half of 2021 has been recognized for €670,577 on the "Income tax" line in the income statement (details in note 4.5.3) and appears on the "Other receivables" line of the balance sheet.

4.2 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No events occurred after the reporting date that are liable to alter the presentation or valuation of the financial statements as approved by the Board of Directors.

4.3 SIGNIFICANT ACCOUNTING POLICIES

The methods used for measuring accounting items for the period remain unchanged from the previous period.

4.3.1 GENERAL PRINCIPLES AND CONVENTIONS

The Company's financial statements have been prepared in accordance with French generally accepted accounting rules and principles as set out in the French General Chart of Accounts (ANC Standard 2014-03 on the Chart of Accounts issued by the French accounting standards-setter [*Autorité des Normes Comptable* – ANC]). The historical cost method is used as the basis for measuring accounting items.

The accounting conventions have been applied in accordance with the provisions of the French Commercial Code (*Code de commerce*), the Accounting Decree of November 29, 1983, and the CRC regulations concerning the new French General Chart of Accounts applicable at the end of the reporting period.

The financial statements for the six months ended June 30, 2021 have been prepared in accordance with French generally accepted accounting principles, including the principles of prudence and accrual-based accounting. They are presented on a going concern basis and accounting methods have been applied consistently from one period to the next.

<u>Going concern basis:</u>

The going concern assumption was adopted by the Board of Directors on approving the Company's 2021 interim financial statements, based on:

- the level of cash and cash equivalents at June 30, 2021 amounting to €57.9 million;
- amounts receivable under the 2020 research and innovation tax credits for €1.7 million, and €0.7 million receivable under the research tax credit for the first half of 2021;
- the third €10 million tranche of the European Investment Bank (EIB) loan granted subject to conditions on December 17, 2018, which can be drawn down by Carmat at any time since the corresponding drawdown conditions have already been met;
- French government funding for €13 million granted in 2020 and intended to partially finance the EFICAS[6] clinical trial;
- the fact that no repayments of principal of the EIB loan fall due in 2021-2023, in line with the corresponding loan agreement (i.e., for €30 million, of which €20 million had been drawn at June 30, 2021);
- the extended maturity of the initial 12-month repayment period for the two government-guaranteed loans granted by Bpifrance and BNP Paribas in the fourth quarter of 2020 (totaling €10 million) to an additional period of five years[7];
- the Company's business plan for 2021-2026.

Based on its current business plan, the financial resources available to Carmat enable it to fund its operations until mid-2022, with no additional financing or drawdowns on its Kepler-Cheuvreux equity line.

Until September 27, 2021, Carmat can also draw down all or part of the remaining balance of its Kepler-Cheuvreux financing line, representing a maximum potential amount of €15.9 million. This is a second-line facility for the Company and will only be drawn where appropriate under favorable financial conditions.

The Company's clinical, industrial and commercial development will continue to generate additional financial needs over the coming years, including financing of recurring operations, ongoing R&D efforts, commercial launches, clinical trials, working capital required to develop sales, and investments, particularly production investments. Fundraising or other types of financing will therefore be required in the future.

Carmat has an active investor relations policy and is constantly on the lookout for financing opportunities. Based on the progress of its project (i.e., CE marking obtained at the end of 2020, effective launch of the EFS in the United States,

[6] These funds will be received as and when patients receive their implants during the EFICAS study.

[7] At the date on which the 2021 interim financial statements were approved by the Board of Directors, contractual amendments were signed extending the maturity of the two government-guaranteed loans granted by BNP Paribas and Bpifrance, respectively.

and sales in Europe in July 2021), Carmat is confident that it will be able to source the funding that it needs over the next few years to continue its development going forward.

4.3.2 Additional information

4.3.2.1 *Applied research and development costs*

Research and development costs are recognized as expenses in the period in which they are incurred.

4.3.2.2 *Intangible assets*

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

The methods and periods of amortization used are as follows:

Category	Method	Useful life
Licenses and software	Straight line	1 to 3 years
Patents	Straight line	15 years

4.3.2.3 *Property, plant and equipment*

The gross value of property, plant and equipment corresponds to their initial book value, inclusive of any expenditure required to render the items usable, excluding costs incurred in their acquisition.

The methods and periods of depreciation used are as follows:

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

4.3.2.4 *Financial assets*

- Other long-term investments

In 2010, the Company entered into a liquidity agreement, the purpose of which was to improve the liquidity of transactions and regularize the Carmat share price, without impeding the normal operation of the market and without misleading third parties. To this end, the Company made €300,000 available.

On May 19, 2016, the Company transferred the liquidity agreement to Gilbert Dupont for a period of 12 months, renewable by tacit agreement.

Treasury shares acquired through the implementation of this liquidity agreement are recorded under financial assets. If necessary, an impairment loss is recognized based on the average official stock market price for the final month prior to the end of the reporting period.

- Other financial assets

These comprise:

- guarantee deposits paid, which are shown at face value; and
- the unused balance of sums made available under the liquidity agreement for the acquisition of treasury shares.

4.3.2.5 *Receivables and payables*

Receivables and payables are measured at face value. Where applicable, receivables are impaired via provisions to take into account any potential associated collection difficulties. Provisions for impairment are determined by comparing the face value and the probable realizable value.

Receivables and payables in foreign currencies are converted into euros on the basis of the exchange rate at the date of the invoice.

4.3.2.6 *Inventories*

According to the French Commercial Code and the French General Chart of Accounts (Article 211-7), inventories are assets that meet the following criteria:

- they are identifiable items that will generate future economic benefits, are controlled by the company, and their cost can be measured reliably;
- they are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

The Company's inventories and work in progress comprise goods, raw materials and other supplies, semi-finished and finished goods, and work in progress in the production process.

Inventories and work in progress were recognized as an asset on Carmat's balance sheet for the first time on December 31, 2020. They were previously expensed in the period in which they were purchased or produced, as the Company was still in the clinical phase and could not expect them to generate any future economic benefits.

At June 30, 2021, inventories and work in progress complied with all the criteria for recognition as an asset:

- they are identifiable items;
- CE marking was obtained for Carmat's artificial heart on December 22, 2020, enabling the Company to market its product in many countries, including the whole of the European Union. In addition, as of 2021 the device will be billed to the hospitals taking part in some of the Company's clinical trials; therefore, most of the inventories held by Carmat will generate future economic benefits;
- their cost can be measured reliably.

When first recognized as an asset on the Company's balance sheet, gross production inventories and work in progress acquired in exchange for purchase consideration under ordinary conditions are carried at acquisition cost, while goods produced internally are carried at production cost. In practice, Carmat uses the standard costing method to measure its inventories. Where the difference between the standard cost and actual cost of inventories is material, the corresponding amount is added back to the value of said inventories.

At the reporting date, gross inventories measured using the standard costing method are written down to their realizable value where appropriate. If the realizable value of inventories at the reporting date is lower than their carrying amount, impairment is recognized. Impairment provisions are recognized by inventory category. A breakdown is provided in note 4.4.3.
Impairment is calculated taking the following factors into account:
- the life cycle of items of inventory and work in progress (obsolete or short shelf-life items, damaged items or items that do not meet the requisite quality standards, etc.);
- the different outlook for items intended for sale and items intended for other activities (clinical trials, training, R&D activities, etc.): inventories intended for non-commercial activities are fully impaired.

4.3.2.7 *Cash*

Cash on hand or at bank is recorded at face value.

Cash in foreign currencies is converted into euros at the exchange rate prevailing at the reporting date. Translation differences are recognized directly in profit or loss for the period as foreign exchange gains and losses.

4.3.2.8 *Cash instruments*

These comprise term deposit accounts, shown under assets at their acquisition cost, plus accrued interest at the reporting date.

4.3.2.9 *Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents are defined as being the sum of the "Cash instruments" and "Cash" items under assets, to the extent that cash instruments are available in the very short term and do not present a risk of a loss in value in the event of a change in interest rates, less the "Bank overdrafts" liability item.

4.3.2.10 *Repayable advances made by public bodies*

Advances received from public bodies to finance the research activities of the Company and which are subject to repayment are shown under liabilities under "Other equity – Conditional advances". The corresponding interest is shown in balance sheet liabilities under "Sundry loans and borrowings".

4.3.2.11 *Subsidies*

Subsidies received are included in balance sheet liabilities at the time of payment under "Tax and social security payables". They are subsequently taken to income when the milestones defined in the relevant contracts are achieved.

4.3.2.12 *Retirement benefits*

Future payments for benefits to members of staff are measured according to an actuarial method (ANC recommendation 2013-02) based on assumptions concerning changes in salaries, retirement age and mortality; and are then discounted to their present value. These obligations are covered by provisions in balance sheet liabilities. The calculation method used is the method 1 set out in the former CNC recommendation 2003-R.01.

4.3.2.13 *Sub-contracting expenses*

The progress of third-party sub-contract agreements for certain services is assessed at the end of each reporting period so that the cost of services already rendered can be recorded under accrued expenses.

4.3.2.14 *Share issue costs*

In application of the reference method (ANC 2018-01), share issue costs are recorded in the balance sheet as deductions from the share premium.

4.3.2.15 *Borrowing costs*

Borrowing costs are expensed as incurred.

4.4 ADDITIONAL INFORMATION ON THE BALANCE SHEET

4.4.1 MOVEMENTS IN NON-CURRENT ASSETS

	Gross value at start of period	Increases	
		Line to line transfers	Acquisitions
Licenses, patents and similar rights (1)	1,913,139		
Intangible assets not yet available for use			
TOTAL	**1,913,139**		
Technical plant, equipment and industrial tooling (2)	9,760,746	1,256,222	443,310
General plant, sundry fixtures and fittings	2,433,736		
Office and IT equipment, furniture	408,039		16,200
Property, plant and equipment in progress	2,639,980		673,948
TOTAL	**15,242,501**	1,256,222	1,133,458
Other financial assets (3)	545,524		3,331,548
TOTAL	**545,524**		3,331,548
GRAND TOTAL	**17,701,163**	**1,256,222**	**4,465,006**

	Decreases		Gross value at end of period	Revaluation of original value at end of period
	Line to line transfers	Disposals		
Licenses, patents and similar rights (1)			1,913,139	
Intangible assets not yet available for use				
TOTAL			**1,913,139**	
Technical plant, equipment and industrial tooling (2)			11,460,277	
General plant, sundry fixtures and fittings			2,433,736	
Office and IT equipment, furniture			424,239	
Property, plant and equipment in progress	1,256,222	142,354	1,915,352	
TOTAL	1,256,222	142,354	**16,233,604**	
Other financial assets (3)		3,338,552	538,521	
TOTAL		3,338,552	**538,521**	
GRAND TOTAL	**1,256,222**	**3,480,906**	**18,685,263**	

(1) This item includes a sum of €411,284, recognized in respect of the share of the contribution in kind of €960,000 made on September 30, 2008, corresponding to the contribution of patents.
(2) This item includes a sum of €548,716, recognized in respect of the share of the contribution in kind of €960,000 made on September 30, 2008, corresponding to the contribution of equipment and tooling.
(3) This item includes (i) the 3,529 treasury shares held in connection with the liquidity agreement, valued at €85,587, (ii) the liquidities not invested in treasury shares at the reporting date under the liquidity agreement for €86,889, and (iii) guarantee deposits totaling €366,045, mainly comprising deposits paid under leases of premises.

4.4.2 Movements in depreciation and amortization

Positions and movements for the period	Value at start of period	Additions for the period	Decreases Reversals	Value at end of period
Licenses, patents and similar rights	1,896,056	8,189		1,904,245
TOTAL	**1,896,056**	8,189		**1,904,245**
Technical plant, equipment and industrial tooling	7,241,917	455,645		7,697,562
General plant, sundry fixtures and fittings	1,242,665	85,596		1,328,261
Office and IT equipment, furniture	344,253	13,483		357,736
TOTAL	**8,828,835**	554,724		**9,383,558**
GRAND TOTAL	**10,724,890**	**562,913**		**11,287,803**

4.4.3 Movements in inventories

Inventories – gross value	Value at start of period	Increases	Decreases	Value at end of period
Raw materials, supplies	4,647,106	437,939		5,085,045
Work in progress – goods	1,005,574	897,275		1,902,849
Semi-finished and finished goods	10,819,168	4,908,505		15,727,673
Goods for resale	944,092		495,518	448,574
TOTAL	**17,415,940**	**6,243,719**	**495,518**	**23,164,141**

Inventories – impairment (1)	Value at start of period	Additions for the period	Decreases Reversals	Value at end of period
Raw materials, supplies	115,057	208,666	115,057	208,666
Work in progress – goods	544,119	627,873	544,119	627,873
Semi-finished and finished goods	6,444,559	7,888,435	6,444,559	7,888,435
Goods for resale	410,405	130,909	410,405	130,909
TOTAL	**7,514,141**	**8,855,883**	**7,514,141**	**8,855,883**

(1) Impairment breaks down as follows by type:
- impairment related to the life cycle of items of inventory (€5.0 million);
- impairment related to use prospects (€3.9 million).

4.4.4 Movements in provisions

Provisions	Value at start of period	Increases Additions	Decreases Utilized amounts	Decreases Surplus amounts	Value at end of period
Sundry risks	80,000	23,000			103,000
Pension and similar obligations (1)	542,523			27,904	514,619
Payroll taxes on AGAP free preference shares (2)	34,075	442,356			476,431
TOTAL	**656,599**	465,356		27,904	**1,094,050**
Impairment of inventories and work in progress	7,514,141	8,855,883	7,514,141		8,855,883
TOTAL	**7,514,141**	8,855,883	7,514,141		8,855,883
GRAND TOTAL	**8,170,740**	**9,321,239**	**7,514,141**	**27,904**	**9,949,933**
Of which operational additions and reversals:		9,321,239	7,514,141	27,904	
Of which financial additions and reversals:					

(1) See note 4.6.1.3.
(2) See note 4.4.7.6.

4.4.5 Receivables and payables by maturity

Receivables	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
Staff and related receivables	3,893	3,893	
Social security receivables	46,096	46,096	
Income tax (1)	2,460,913	2,460,913	
Value-added tax	1,459,815	1,459,815	
Other taxes, duties and levies	1,401	1,401	
Sundry receivables	30,377	30,377	
TOTAL	**4,002,495**	**4,002,495**	

(1) The receivable corresponds to the French research tax credit (CIR) for full-year 2020 and to the research tax credit calculated for the first half of 2021, plus the collective deduction in respect of the pre-financing of the 2018 research tax credit.

Payables	**Gross amount**	**Due within 1 year**	**Due in 2 to 5 years**	**Due beyond 5 years**
Bank loans and borrowings (2)	32,948,278	80,556	31,617,722	1,250,000
Sundry loans and borrowings (3)	7,392,089		521,000	6,871,089
Trade notes and accounts payable	7,564,366	7,564,366		
Staff and related payables	2,080,101	2,080,101		
Social security payables	1,640,069	1,640,069		
Value-added tax	31,717	31,717		
Other taxes, duties and levies	523,102	523,102		
TOTAL	**52,179,723**	**11,919,911**	**32,138,722**	**8,121,089**

(2) See breakdown below.
(3) This amount corresponds to accrued interest expected at the end of the period on repayable advances from Bpifrance.

Breakdown of bank loans and borrowings	**Gross amount**	**Due within 1 year**	**Due in 2 to 5 years**	**Due beyond 5 years**
EIB loan – principal (4)	20,000,000		20,000,000	
EIB loan – accrued interest	2,884,389	16,667	2,867,722	
BPI government-guaranteed loan – principal (5)	5,000,000		4,375,000	625,000
BPI government-guaranteed loan – accrued interest (5)	55,417	55,417		
BNP Paribas government-guaranteed loan – principal (5)	5,000,000		4,375,000	625,000
BNP Paribas government-guaranteed loan – accrued interest (5)	8,472	8,472		
TOTAL	**32,948,278**	**80,556**	**31,617,722**	**1,250,000**

(4) Loan from the European Investment Bank (EIB): the EIB loan contract provides for certain information and operational commitments (such as limitations on authorized debt, authorized external growth operations, transfers of assets, etc.), the non-compliance of which would allow the EIB, if it deemed it necessary, to demand an early repayment of the loan. The occurrence of certain changes in the shareholding structure or a change in management not approved beforehand by the EIB would also allow the latter, if it deemed it necessary following discussions with the Company, to demand an early repayment of the loan. To date, Carmat complies with all of the commitments required by the EIB.
(5) In view of the fact that maturity has been extended for a further five years from the initial 12-month repayment period. At the date on which the 2021 interim financial statements were approved by the Board of Directors, contractual amendments were signed extending the maturity of the two government-guaranteed loans granted by BNP Paribas and Bpifrance, respectively.

4.4.6 CAPITAL

4.4.6.1 *Composition of the share capital*

Classes of shares	Par value in euros	Number of shares			
		Dec. 31, 2020	**Created**	**Canceled**	**June 30, 2021**
Ordinary shares	0.04	12,980,789	2,372,498		15,353,287
Preference shares	0.04	31,695	950	1,040	31,605
TOTAL		**13,012,484**	**2,373,448**	**1,040**	**15,384,892**

Changes in the Company's share capital in the first half of 2021 are detailed in note 4.1.

4.4.6.2 *Changes in equity*

	Number of shares	Capital	Additional paid-in capital	Reserves	Retained earnings (losses carried forward)	Profit (loss)	Equity
At Dec. 31, 2020	***13,012,484***	**520,499**	**29,704,317**	**50,308**		**(36,963,432)**	**(6,688,308)**
Allocation of 2020 net loss					(36,963,432)	36,963,432	-
Net profit (loss) for the period						(26,353,988)	(26,353,988)
Exercise of Kepler-Cheuvreux BSA share warrants*	*10,000*	400	296,407				296,807
Fundraising*	*2,320,298*	92,812	51,940,108				52,032,920
Conversion of AGAP 2017-03 free preference shares*	*12,960*	518		(518)			-
Vesting of AGAP 2018-02 free preference shares*	*950*	38		(38)			-
Conversion of AGAP 2018-02 free preference shares*	*8400*	336		(336)			-
Conversion of AGAP 2018-01 free preference shares*	*19,800*	792		(792)			-
Subscription of Kepler-Cheuvreux BSA share warrants			500				500
Provisional allocation of AGAP 2020 free preference shares			- 480	480			-
Provisional allocation of AGAP 2021 free preference shares			- 8600	8,600			-
At June 30, 2021	***15,384,892***	**615,396**	**81,932,252**	**57,703**	**(36,963,432)**	**(26,353,988)**	**19,287,931**

* Capital increase.

4.4.6.3 *Stock options*

<u>2018 stock options</u>

On the authorization of the Combined Shareholders' Meeting of April 5, 2018, the Board of Directors decided, on December 3, 2018, to grant 46,000 options to subscribe to ordinary shares, breaking down as follows: 23,000 A options and 23,000 B options, none of which had been exercised at the reporting date. These options entitle holders to subscribe to 46,000 new shares, provided that certain attendance and/or performance criteria are met, representing 0.30% of the existing capital at June 30, 2021, at a price of €20.35 per share including the share premium.

2019 stock options

On the authorization of the Combined Shareholders' Meeting of March 28, 2019, the Board of Directors decided, on April 1, 2019, to grant 46,000 options to subscribe to ordinary shares, none of which had been exercised at the reporting date. These options entitle holders to subscribe to 46,000 new shares, provided that certain attendance criteria are met, representing 0.30% of the existing capital at June 30, 2021, at a price of €22.70 per share including the share premium.

4.4.6.4 *Free preference shares (AGAP) and other free shares*

AGAP 2017

On the authorization of the Combined Shareholders' Meeting of April 27, 2017, the Board of Directors decided:
- on May 15, 2017, to provisionally allocate 5,250 preference shares, breaking down as: 270 AGAP 2017-01, 1,800 AGAP 2017-02, and 3,180 AGAP 2017-03;
- then on September 25, 2017, to provisionally allocate 560 preference shares, breaking down as: 50 AGAP 2017-01, 200 AGAP 2017-02, and 310 AGAP 2017-03.

These shares may be converted into 248,350 ordinary shares depending on the extent to which the holder meets the specified attendance and performance criteria.
At June 30, 2021, 3,850 AGAP 2017 preference shares had been converted into 150,450 ordinary shares, with the remaining 1,960 AGAP 2017 preference shares able to be converted into 97,900 ordinary shares (i.e., representing a net potential increase of 96,120 shares after canceling the converted preference shares, or a maximum dilution of 0.62%).

AGAP 2018

On the authorization of the Combined Shareholders' Meeting of April 5, 2018, the Board of Directors decided:
- on April 16, 2018, to provisionally allocate 12,080 preference shares, breaking down as: 580 AGAP 2018-01 and 11,500 AGAP 2018-02;
- then on September 27, 2018, to provisionally allocate 370 preference shares (AGAP 2018-03);
- then on February 11, 2019, to provisionally allocate 370 preference shares (AGAP 2018-03).

These shares may be converted into a maximum of 298,250 ordinary shares, depending on the extent to which the holder meets the specified attendance and performance criteria.
At June 30, 2021, 800 AGAP 2018 preference shares had been converted into 29,000 ordinary shares, with the remaining 11,820 AGAP 2018 preference shares able to be converted into a maximum of 269,250 ordinary shares (i.e., representing a net potential increase of 268,130 shares after canceling the converted preference shares, or a maximum dilution of 1.74%).

AGAP 2019

On the authorization of the Combined Shareholders' Meeting of March 28, 2019, the Board of Directors decided:
- on April 1, 2019, to provisionally allocate 11,900 preference shares, breaking down as: 4,760 AGAP 2019-01, 4,760 AGAP 2019-02 and 2,380 AGAP 2019-03;
- then on September 23, 2019, to allocate 4,700 preference shares, breaking down as: 2,240 AGAP 2019-01, 2,240 AGAP 2019-02 and 220 AGAP 2019-03;
- then on December 2, 2019, to allocate 3,000 preference shares, breaking down as: 1,000 AGAP 2019-01, 1,000 AGAP 2019-02 and 1,000 AGAP 2019-03.

These shares may be converted into a maximum of 193,000 ordinary shares (i.e., representing a net potential increase of 175,175 shares after canceling the converted preference shares, or a maximum dilution of 1.14%), depending on the extent to which the holder meets the specified attendance and performance criteria.

AGAP 2020

On the authorization of the Combined Shareholders' Meeting of March 30, 2020, the Board of Directors decided:
- on December 2, 2020, to provisionally allocate 3,140 preference shares on December 18, 2020, breaking down as: 2,240 AGAP 2020-01 and 900 AGAP 2020-02;
- then on March 22, 2021, to provisionally allocate 120 AGAP 2020-01 preference shares.

These shares may be converted into a maximum of 326,000 ordinary shares (i.e., a maximum dilution of 2.12%), depending on the extent to which the holder meets the specified attendance and performance criteria.

AGA 2021

On the authorization of the Combined Shareholders' Meeting of May 12, 2021, the Board of Directors decided, on June 14, 2021, to provisionally allocate 215,000 preference shares on June 14, 2021, breaking down as: 39,000 AGA 2021-1, 58,500 AGA 2021-2 and 117,500 AGA 2021-3.

Provided that the specified attendance conditions are met, these allocations of preference shares will result in the creation of a maximum of 215,000 ordinary shares (i.e., a maximum dilution of 1.40%).

Summary table of AGAP free preference shares and AGA free shares

	AGAP/AGA provisionally allocated	AGAP/AGA expired	AGAP/AGA vested	AGAP vested and already converted into ordinary shares	AGAP to be converted into ordinary shares	Ordinary shares issued	Max. number of ordinary shares to be issued (a)
AGAP 2017-01 (SM of April 27, 2017)	320		320	320		32,000	
AGAP 2017-02 (SM of April 27, 2017)	2,000		2,000	2,000		40,000	
AGAP 2017-03 (SM of April 27, 2017)	3,490		3,490	1,530	1,960	78,450	97,900
AGAP 2018-01 (SM of April 5, 2018)	580		580	200	380	20,000	38,000
AGAP 2018-02 (SM of April 5, 2018)	11,500	200	11,300	600	10,700	9,000	157,250
AGAP 2018-03 (SM of April 5, 2018)	740		740		740		74,000
AGAP 2019-01 (SM of March 28, 2019)	8,000	120	7,260		7,880		78,800
AGAP 2019-02 (SM of March 28, 2019)	8,000	120	7,260		7,880		78,800
AGAP 2019-03 (SM of March 28, 2019)	3,600	60	3,305		3,540		35,400
AGAP 2020-01 (SM of March 30, 2020)	2,360				2,360		236,000
AGAP 2020-02 (SM of March 30, 2020)	900				900		90,000
AGA 2021-01 (SM of May 12, 2021)	39,000			N/A	N/A		39,000
AGA 2021-02 (SM of May 12, 2021)	58,500			N/A	N/A		58,500
AGA 2021-03 (SM of May 12, 2021)	117,500			N/A	N/A		117,500
Total						**179,450**	**1,101,150**

(a) Assuming that all AGAP provisionally allocated and not yet expired are converted into ordinary shares, less the ordinary shares already issued, and that all AGA provisionally allocated are vested by their beneficiaries, less those already vested.

4.4.6.5 *Share warrants (BSA)*

BSA 2009-1

At the Shareholders' Meeting and the Board of Directors' meeting of July 8, 2009 and following the Board of Directors' meeting of September 8, 2011, 3,096 BSA 2009-1 share warrants were issued, 556 of which were canceled following the resignation of one of the directors and 2,540 of which were exercised.

Kepler-Cheuvreux BSA

By decision of the Board of Directors dated December 9, 2014, as authorized by the Combined Shareholders' Meeting of April 2, 2014, then by decision of the Board of Directors on December 12, 2016, as authorized by the Combined Shareholders' Meeting of June 28, 2016, a total of 900,000 BSA share warrants were issued, 742,600 of which had been exercised at July 20, 2018, the expiration date of the contract. The 157,400 BSA warrants not exercised at that date expired.

By decision of the Board of Directors dated September 27, 2018, as authorized by the Combined Shareholders' Meeting of April 5, 2018, 400,000 BSA were issued, all of which had been exercised at June 30, 2021.

By decision of the Board of Directors dated February 8, 2021, as authorized by the Combined Shareholders' Meeting of March 30, 2020, 650,000 BSA were issued on April 7, 2021, none of which had been exercised at June 30, 2021. These 650,000 share warrants entitle Kepler-Cheuvreux, on its own initiative and provided that the contractual conditions have been met, to subscribe to up to 650,000 new shares (i.e., 4.22% of the existing share capital at June 30, 2021) for a maximum potential amount of €15.9 million, until September 27, 2021.

BSA 2017

By decision of the Board of Directors dated May 15, 2017, as authorized by the Combined Shareholders' Meeting of April 27, 2017, 12,000 BSA share warrants were issued, none of which had been exercised at June 30, 2021. The 12,000 BSA warrants not exercised at that date entitle the holders to subscribe to 12,000 new shares, representing 0.08% of the existing capital at June 30, 2021, at a price of €30.10 per share.

BSA 2018

By decision of the Board of Directors dated June 11, 2018, as authorized by the by the Combined Shareholders' Meeting of April 5, 2018, 10,000 BSA share warrants were issued, none of which had been exercised at June 30, 2021. The 10,000 BSA warrants not exercised at that date entitle the holders to subscribe to 10,000 new shares, representing 0.06% of the existing capital at June 30, 2021, at a price of €20.93 per share.

BSA 2019

By decision of the Board of Directors dated June 24, 2019, as authorized by the Combined Shareholders' Meeting of March 28, 2019, 6,000 BSA share warrants were issued, none of which had been exercised at June 30, 2021. The 6,000 BSA warrants not exercised at that date entitle the holders to subscribe to 6,000 new shares, representing 0.04% of the existing capital at June 30, 2021, at a price of €20.21 per share.

BSA 2021

By decision of the Board of Directors dated June 14, 2021, as authorized by the Combined Shareholders' Meeting of May 12, 2021, 12,000 BSA were issued, none of which had been subscribed at June 30, 2021. The 12,000 BSA not subscribed at that date entitle the holders to subscribe to 12,000 new shares, representing 0.08% of the existing share capital at June 30, 2021, at a price of €24.57 per share.

Summary table of BSA share warrants

	Issued	Subscribed	Expired	Reserve	Exercised	Balance	Expiry date
BSA 2009-1 (SM of July 8, 2009)	3,096	3,096	556	0	2,540	0	July 8, 2019
Kepler-Cheuvreux BSA (old tranches – SM of June 28, 2016)	900,000	900,000	157,400		742,600	0	July 20, 2018
Kepler-Cheuvreux BSA (Sept. 2018 contract – first tranche – SM of April 5, 2018)	400,000	400,000			400,000	0	Sept. 27, 2021
Kepler-Cheuvreux BSA (Sept. 2018 contract – second tranche – SM of March 30, 2020)	650,000	650,000				650,000	Sept. 27, 2021
BSA 2017 (SM of April 27, 2017)	12,000	12,000				12,000	May 15, 2027
BSA 2018 (SM of April 5, 2018)	10,000	10,000				10,000	June 11, 2028
BSA 2019 (SM of March 28, 2019)	6,000	6,000				6,000	June 24, 2029
BSA 2021 (SM of May 12, 2021)	12,000					12,000	June 14, 2031

4.4.6.6 *Company founder share warrants (BCE)*

BCE 2009-1

At the Shareholders' Meeting and the Board of Directors' meeting of July 8, 2009 and following the Board of Directors' meeting of September 8, 2011, 3,108 fully allocated and subscribed BCE 2009-1 company founder share warrants were issued and exercised.

BCE 2009-2

At the Shareholders' Meeting and the Board of Directors' meeting of July 8, 2009 and following the Board of Directors' meeting of September 8, 2011, 7,566 fully allocated and subscribed BCE 2009-2 company founder share warrants were issued, 4,475 of which have been exercised and 3,091 of which have expired and been canceled.

BCE 2012-1

By decision of the Board of Directors dated June 27, 2012, as authorized by the Combined Shareholders' Meeting of April 26, 2012, 56,500 fully allocated and subscribed BCE 2012-1 company founder share warrants were issued, of which 49,000 have expired and been canceled. The 7,500 BCE 2012-1 warrants subscribed and not exercised at June 30, 2021 entitle the holders to subscribe to 7,500 new shares, representing 0.05% of the existing capital at June 30, 2021, at a price of €108.483 per share.

BCE 2012-2

By decision of the Board of Directors dated November 8, 2012, as authorized by the Combined Shareholders' Meeting of April 26, 2012, 6,700 fully allocated and subscribed BCE 2012-2 company founder share warrants were issued. The 6,700 BCE 2012-2 warrants subscribed and not exercised at June 30, 2021 entitle the holders to subscribe to 6,700 new shares, representing 0.04% of the existing capital at June 30, 2021, at a price of €122.003 per share.

Summary table of BCE share warrants

	Issued	**Subscribed**	**Expired**	**Reserve**	**Exercised**	**Balance**	**Expiry date**
BCE 2009-1 (SM of July 8, 2009)	3,108	3,108	0	0	3,108	0	Sept. 9, 2019
BCE 2009-2 (SM of July 8, 2009)	7,566	7,566	3091	0	4,475	0	July 8, 2019
BCE 2012-1 (SM of April 26, 2012)	56,500	56,500	49,000	0	0	7,500	June 27, 2022
BCE 2012-2 (SM of April 26, 2012)	6,700	6,700	0	0	0	6,700	Nov. 8, 2022

4.4.7 Other balance sheet details

4.4.7.1 *Conditional advances*

The conditional advances item comprises repayable advances received from Bpifrance, the total amount of which was €14,507,309 at the reporting date. Note 4.6.1 below specifies the repayment conditions of these advances.

They are interest-bearing at the contracted rate of 5.59%. The interest accrued, calculated using the capitalization method, stood at €7,392,089 at the period-end and appears in liabilities under “Sundry loans and borrowings”.

4.4.7.2 *Accrued income*

Value of accrued income included in the following balance sheet items	**Value**
Other receivables	43,537
TOTAL	43,537

4.4.7.3 *Accrued expenses*

Value of accrued expenses included in the following balance sheet items	**Value**
Bank loans and borrowings	2,948,278
Sundry loans and borrowings	7,392,089
Trade notes and accounts payable	2,231,614
Tax and social security payables	3,100,497
TOTAL	15,672,478

4.4.7.4 *Prepaid expenses and income*

Prepaid expenses	**Value**
Operating expenses	344,947
TOTAL	344,947

Prepaid expenses comprise the share of software license royalties, insurance premiums and fees for the period after June 30, 2021.

Prepaid income	**Value**
Operating income	None.
TOTAL	None.

4.4.7.5 *Information on related companies*

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

Trade notes and accounts payable	164,159

4.4.7.6 *Provisions for losses*

Two preference share allocation plans, approved on December 18, 2020 and March 22, 2021, respectively, allowed for the provisional allocation of 3,260 preference shares (note 4.4.6), which can be converted into a maximum of 326,000 ordinary shares based on the extent to which the performance criteria are achieved.

The vesting dates for these preference shares are fixed at December 18, 2021 for 2,860 preference shares, at March 22, 2022 for 120 preference shares, at December 18, 2023 for 200 preference shares, and at December 18, 2025 for 80 preference shares.

A free share plan approved on June 14, 2021 allowed for the provisional allocation of 215,000 ordinary shares (note 4.4.6). The vesting dates for these shares are fixed at June 14, 2022 for 39,000 shares, at June 14, 2023 for 58,500 shares, and at June 14, 2024 for 117,500 shares.

At the reporting date, the Company booked a provision for losses corresponding to the amount of the 20% employer contribution due when the provisionally allocated preference shares and free shares vest, *pro rata* based on the vesting period and on the estimated value of the ordinary shares that can ultimately be vested by the beneficiaries.

The calculation assumptions made were as follows:
- determination of an estimated percentage of achievement for each of the performance criteria (for the AGAP free preference shares);
- value of an ordinary share of €24.60;
- employer contribution rate of 20%.

4.5 ADDITIONAL INFORMATION ON THE INCOME STATEMENT

4.5.1 APPLIED RESEARCH AND DEVELOPMENT COSTS

Research and development expenditure represented €8.4 million in first-half 2021.

4.5.2 RESEARCH TAX CREDIT

The income statement for the first half of 2021 shows a €0.7 million research tax credit calculated using the same methods as the research tax credit for 2020.

4.5.3 NON-RECURRING INCOME AND EXPENSES

Type	June 30, 2021 (6 months)	June 30, 2020 (6 months)	Dec. 31, 2020 (12 months)
Non-recurring income			
- Various adjustments			145,894
- Disposal of non-current assets			
- Disposal of treasury shares	15,640	53,428	115,748
TOTAL	15,460	53,428	261,642
Non-recurring expenses			
- Disposal of non-current assets			
- Disposal of treasury shares	25,043	47,399	61,255
- Fines and penalties			
- Non-recurring depreciation and amortization			
TOTAL	25,043	47,399	61,255

The net non-recurring expense for first-half 2021 results solely from disposals of treasury shares carried out as part of the liquidity agreement.

4.5.4 INFORMATION ON RELATED COMPANIES

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

Other purchases and external expenses	366,478

4.6 FINANCIAL COMMITMENTS AND OTHER INFORMATION

4.6.1 FINANCIAL COMMITMENTS

4.6.1.1 *Commitments given*

A repayable advance totaling €14,507,309 was received from Bpifrance, of which the final €1,450,732 tranche was received in June 2019. The corresponding accrued interest amounts to €7,392,089 at the reporting date. This amount is repayable subject to achieving cumulative revenue of at least €38,000,000. The Bpifrance agreement provides for supplementary payments if certain conditions are met; consequently, the total amount repayable could exceed the amount of the advance initially granted, up to a limit of €50,000,000.

On June 24, 2008, the Company signed a royalties agreement with Professor Alain Carpentier and Matra Défense. Under this agreement, the Company undertakes to pay to Professor Alain Carpentier and Matra Défense 2% of the net sales proceeds of the Carmat artificial heart manufactured and distributed by Carmat, with this amount to be divided between the two beneficiaries in proportion to their respective shares in the capital of the Company on the date it was established. These royalties will be payable every six months within 30 days of the end of each six-month period, commencing after the first marketing of the Carmat artificial heart post-CE marking in Europe and FDA marketing authorization in the United States, and ending upon expiration of the patents shown in the appendices to the agreement.

The Company is also authorized to repurchase, at any time, the right to benefit from these royalties for a sum of €30,000,000, less any royalties already paid under the agreement, with this total sum being divided between the two beneficiaries in proportion to their respective shares in the share capital of the Company on the date it was established. This amount of €30,000,000 is indexed to the Producer Price Index of the Business Services Industry – euro zone orthopedic and orthopedic equipment.

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

At June 30, 2021, since the contractual conditions had not yet been met, no royalties were due or paid by the Company in connection with this agreement.

In connection with the €30 million EIB loan granted to Carmat in December 2018 under certain conditions, the Company and the EIB signed a royalties agreement providing for the payment of additional compensation to the EIB depending on the commercial performance of the Company. This agreement is valid for 13 years from the year during which the cumulative sales of Carmat reach €500,000. The Company can decide to terminate the royalties agreement at any time by paying a lump sum (net of any royalties already paid), based on the amount borrowed and the year during which the decision is taken.
Upon the occurrence of certain events (in particular should the EIB demand the early repayment of the loan or should a new shareholder reach 33% of the voting rights of Carmat), the EIB could, if it deemed it necessary, demand from Carmat an advance payment of royalties up to a certain percentage of the amount of the loan effectively used (this percentage would range from 100% of the borrowed amount if the event occurs during the first four years of the financial contract to 160% if the event occurs after the eleventh year).

4.6.1.2 *Commitments received*

None.

4.6.1.3 *Pension and retirement obligations*

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

In application of the reference method 1 in ANC recommendation 2013-02, the provision for retirement obligations has been booked at June 30, 2021.

The calculation assumptions made were as follows:

- time-apportioned rights method in accordance with CNC Regulation 2003 R-01;
- retirement on the initiative of the member of staff, at 62 years (non-management) or 65 years (management);
- salary increases of 2% per annum;
- average staff turnover;
- discount rate of 0.86% at June 30, 2021 (versus 0.34% at December 31, 2020 and 0.74% at June 30, 2020).

The overall amount of the provision was €514,619 at the end of the period, an increase of €27,904 on the previous period.

4.6.2 OTHER INFORMATION

4.6.2.1 *Cash flow statement*

	June 30, 2021 (6 months)	June 30, 2020 (6 months)	Dec. 31, 2020 (12 months)
Net profit (loss)	(26,353,988)	(20,834,663)	(36,963,432)
Depreciation/amortization and provisions	9,884,152	643,227	8,827,551
Reversals of depreciation/amortization and provisions	(7,542,045)	(271,654)	(410,615)
Gains or losses on disposals of assets	0	0	0
Investment subsidies transferred to income	0	0	0
Other income and expenses with no cash impact	1,399,959	1,112,108	2,525,555
Cash flow from operations before change in working capital	**(22,611,922)**	**(19,350,982)**	**(26,020,940)**
Tax and social security payables	(137,959)	1,672,973	1,158,175
Trade accounts payable	(441,847)	698,331	2,660,314
Other payables	0	0	0
Prepaid income	0	0	0
Inventories and work in progress	(5,748,201)		(17,415,940)
Advances and downpayments on orders	(403,618)	(898,712)	(2,182,206)
Other receivables	105,839	(1,595,833)	(1,165,317)
Trade receivables	0	0	0
Prepaid expenses	(156,908)	(298,354)	(66,429)
Change in working capital	**(6,782,694)**	**(421,595)**	**(17,011,403)**
Net cash from (used in) operating activities	**(29,394,616)**	**(19,772,577)**	**(43,032,343)**
Acquisition of property, plant and equipment	(991,104)	(399,984)	(2,325,730)
Acquisition of intangible assets	0	(14,234)	101,115
Acquisition of financial assets	7,003	(23,558)	(72,022)
Proceeds from disposals of non-current assets	0	0	0
Net cash from (used in) investing activities	**(984,101)**	**(437,775)**	**(2,296,637)**
Capital increase	94,897	439	16,113
Bonds redeemable in shares/share warrants	0	0	0
Share premium and reserves	52,235,330	(439)	5,791,763
Capitalization of current accounts	0	0	0
Borrowings and conditional advances	0	10,000,000	20,000,000
Net cash from (used in) financing activities	**52,330,227**	**10,000,000**	**25,807,876**
Change in cash and cash equivalents	**21,951,510**	**(10,210,352)**	**(19,521,103)**
Cash and cash equivalents at beginning of period (note 4.3.2.9)	**35,984,389**	**55,505,492**	**55,505,492**
Cash and cash equivalents at end of period (note 4.3.2.9)	**57,935,898**	**45,295,140**	**35,984,389**

4.6.2.2 *Information on executives*

4.6.2.2.1 Advances and loans to management

No loans or advances were made to executives of the Company during the period, in accordance with the provisions of Article R.123-197 of the French Commercial Code.

4.6.2.2.2 Management compensation

Total compensation paid to members of the Board of Directors in their capacity as directors (formerly known as "directors' fees") amounted to €216,000 for the period and is shown within "Other expenses" in the income statement.

Total compensation paid to the Chairman of the Board of Directors and the Chief Executive Officer was €528,403 for the period and breaks down as follows:

Type	**2021 (6 months)**	**2020 (6 months)**
Gross salaries	261,750	255,096
Benefits in kind	4,153	3,012
Bonuses	262,500	202,269
Total compensation	**528,403**	**460,376**

4.6.2.3 *Increases and decreases in future tax liabilities*

Type of temporary differences	**Value**
Tax loss carryforwards	307,071,705

This amount does not include the taxable loss for the period. It includes:

- the tax loss carried forward from previous periods and available at January 1, 2020 in an amount of €268,500,634;
- the tax loss generated in the 2020 financial year in an amount of €38,571,071.

4.6.2.4 *Headcount at the reporting date*

Salaried staff*	**June 30, 2021**	**June 30, 2020**
Managers	108	87
Supervisors and technicians	23	17
Administrative employees	8	5
Total	**139**	**109**

* Excluding temporary workers.