French joint-stock corporation (*société anonyme*) with share capital of €788,580.16
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

2022 INTERIM FINANCIAL REPORT

SIX MONTHS ENDED JUNE 30, 2022

CONTENTS

1 DECLARATION BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT AT JUNE 30, 2022

I hereby declare that, to the best of my knowledge, the financial statements presented for the six months ended June 30, 2022 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, 2022

Selected financial information

Income statement (in millions of euros)	6 months ended June 30, 2022	12 months ended Dec. 31, 2021	6 months ended June 30, 2021
Net revenue	0.0	2.2	0.0
Net operating income (expense)	(25.1)	(60.4)	(25.5)
Net financial income (expense)	(1.9)	(3.3)	(1.5)
Net non-recurring income (expense)	0.0	0.0	0.0
Research and innovation tax credit	0.9	1.9	0.7
Net profit (loss)	(26.0)	(61.9)	(26.4)

Balance sheet (in millions of euros)	June 30, 2022	Dec. 31, 2021	June 30, 2021
Total assets	81.0	69.1	87.1
Total equity	0.2	(13.5)	19.3
(Net cash)/ Net debt*	6.4	12.8	(17.6)

Cash flow statement (in millions of euros)	6 months ended June 30, 2022	12 months ended Dec. 31, 2021	6 months ended June 30, 2021
Cash and cash equivalents at beginning of period	39.2	36.0	36.0
Net cash from (used in) operating activities	(30.5)	(60.2)	(29.4)
Net cash from (used in) investing activities	(1.1)	(1.8)	(1.0)
Net cash from (used in) financing activities	39.8	65.1	52.3
Cash and cash equivalents at end of period	47.4	39.2	57.9

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

First-half 2022 earnings

CARMAT did not record any sales during the first half of 2022, as a result of its decision to suspend implants voluntarily and temporarily in December 2021.

The Company is building up inventories of implantable prostheses with the objective to resume implants in October 2022, provided that regulatory approvals are granted by relevant authorities.

During the first half of this year, CARMAT's efforts and resources were predominantly focused on:

- defining and implementing preventive and corrective actions to address quality issues that occurred in late 2021;
- resuming production following the implementation of these actions both at its Bois-d'Arcy plant and with its suppliers;
- working with regulatory bodies and preparing the regulatory filings necessary to resume implants;
- working with suppliers to increase production volumes;
- and supporting hospitals and physicians with training, education and reimbursement support so they are ready to resume implants.

The Company kept operating expenses under control even as extensive resources were deployed to make the prosthesis more reliable and secure the supply chain, leading to an operating loss of €25.1 million for the first half of 2022 (compared to a loss of €22.5 million for the first half of 2021).

Taking into account the net financial loss (-€1.9 million) and the Tax Credit (+€0.9 million), the net loss amounted to €26.0 million in the first half of 2022 (compared to a loss of €26.4 million for the first half of 2021).

Cash and financial position

As of June 30, 2022, the Company's cash position stood at €47.4 million compared to €39.2 million at December 31, 2021 and €57.9 million at June 30, 2021.

Cash flow from (used in) operating and investing activities represented a cash outflow of €31.6 million, a very slight increase on first-half 2021 (€30.4 million outflow).

In the first half of 2022, the Company obtained the following funds:

- a gross amount of €40.5 million in April through a fundraising round, including €36.5 million from healthcare and strategic investors and €4.1 million from private investors;

- an amount of €0.7 million by drawing on its equity financing line put in place with Kepler Cheuvreux, which expired on March 27, 2022.

Based on its current business plan, CARMAT's confirmed financial resources[1] should enable it to fund its operations until March 2023.

The Company is confident that it is well positioned to raise additional funding needed for future development and commercialization.

2.2 SIGNIFICANT EVENTS OF FIRST-HALF 2022

2.2.1 ADAPTING GOVERNANCE

The Combined Shareholders' Meeting of May 11, 2022 approved the reduction of the term of office of the Company's directors from six to three years. At the date of publication of this report, the Board of Directors, chaired by Jean-Pierre Garnier, comprised 11 directors, seven of whom are independent. The terms of office of all of these directors will expire in 2025, at the end of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2024.

On July 1, 2022, Francesco Arecchi, previously Global Market Development Director, expanded his responsibilities to include all of the Company's marketing, sales and training activities. This development follows the departure of Eric Richez, Sales Director, as planned at the end of the first half of the year.

2.2.2 STRENGTHENING THE FINANCIAL STRUCTURE

In April 2022, the Company raised a gross €40.5 million in new funds through a private placement combined with a public offering via the PrimaryBid platform. Some of the Company's major shareholders, including Matra-Défense (Airbus group), Santé Holdings SRL (Dr Antonino Ligresti's family office), Lohas (Pierre Bastid's family office), Bratya & Corely Belgium (family offices of the Gaspard family, owner of the Lyreco group) and the pharmaceutical group Thérabel, participated in this transaction.

2.2.3 PREPARING FOR THE RESUMPTION OF IMPLANTS IN OCTOBER 2022

On December 2, 2021, following the occurrence of quality issues affecting certain components of its prosthesis, CARMAT decided to voluntarily and temporarily suspend all implants of its Aeson® artificial heart, both commercially and in clinical trials.

Based on ongoing interactions with regulatory bodies, the Company expects to resume implants in October 2022 following approvals by regulators. The Company is actively manufacturing new prostheses that incorporate improvements to avoid past quality issues from recurring.

[1] Including mainly available cash and cash equivalents at June 30, 2022, the research tax credit for 2021 (€1.9 million) to be received by the end of 2022, as well as the €13 million in financing obtained from the French government to partially finance the EFICAS study (to be received as and when patients are enrolled in the study).

Implementation of corrective and preventive action and resumption in production

From December 2021, the Company focused on characterizing identified quality issues. Corrective and preventive actions were defined and implemented at Bois d'Arcy plant and by relevant suppliers and subcontractors with oversight from CARMAT.

Production with implementation of all corrective and preventive actions resumed by the end of the first quarter of 2022. Each of these actions is the subject of an assessment that is continuing.

Progress with regard to regulatory processes

CARMAT submitted in early August 2022 a 'notification of change' to its notified body (DEKRA). Based on usual review timeframes and current interactions, the Company is reasonably confident that regulatory approval will enable the Company to resume commercial implants of Aeson® in October in the European Union and countries that recognize CE marking.

Regarding the EFICAS clinical study in France, CARMAT submitted in early September 2022 a request to the ANSM (French National Agency for Medicine and Health Product Safety) to resume this clinical trial. Given usual review timeframes, the Company expects to receive the ANSM's approval by October, which would pave the way for the first Aeson® implants in this study of 52 patients, the aim of which is to collect medico-economic data to support Aeson®'s value proposition and reimbursement in France.

Lastly, CARMAT is working with the FDA to resume implants in the US Early Feasibility Study. CARMAT submitted two regulatory submissions to the FDA in July 2022, and plans to submit the last one in September. After their review, the Company expects to file an Investigation Device Exemption (IDE) Supplemnt's request to the FDA, that would enable enrollment of the second cohort (7 patients) of this study involving 10 patients.

Training, education and reimbursement support for hospitals

In response to the substantial hospital interest in Aeson®, and in order to allow for strong momentum in implants in the months following their resumption, the Company has continued and accelerated training provided to medical centers since the beginning of the year, in particular in Germany, Italy and France.

At the end of June 2022, 17 centers had been trained (10 in Germany, 1 in Italy and 6 in France in preparation for the EFICAS study), and more will be trained during the second half of this year.

At the same time, CARMAT also continued to support the various medical centers in their attempts to secure reimbursement for therapy from the various paying agents.

2.2.4 IMPACT OF COVID-19

Generally speaking, the impact of Covid-19 on Carmat's business activities was not significant in the first half of 2022.

However, the Company continues to closely monitor the pandemic's development and the measures taken to manage it, and may be compelled to adjust its outlook accordingly.

2.3 SUBSEQUENT EVENTS

Between July and the date of publication of this report, the Company continued to ramp up production as planned, and still expects its first implantable prostheses to be available in October.

During this same period, Carmat continued to work with the competent authorities (Dekra, the certification body; ANSM in France; and the FDA in the United States) on the various stages of the regulatory process, the outcome of which, if positive, will allow it to resume implants of Aeson®. These different stages are detailed in section 2.2.3.

2.4 NEXT STEPS

The Company's primary objective for the second half of 2022 is the effective resumption in implants from October 2022, in line with its action plan that aims to:

- ramp up production following the resumption process initiated in the first half of 2022;
- obtain the regulatory approvals required to resume implants;
- train hospitals and support them to seek reimbursement, which will generate demand and allow strong momentum in implants once resumed.

2.5 MAIN RISK FACTORS

Risk factors are discussed in detail in Chapter 2 of the 2022 Universal Registration Document filed with the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) under number D. 22-0332. To date, the Company is not aware of any significant changes in these risk factors.

3 2022 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 thousands of euros)*	June 30, 2022			Dec. 31, 2021
	Gross	Depreciation, amortization and impairment	Net	Net
UNCALLED SUBSCRIBED CAPITAL (TOTAL I)				
Non-current assets				
Intangible assets (notes 4.3.1 and 4.3.2)				
Start-up costs				
Development costs				
Licenses, patents and similar rights	2,073	2,067	6	88
Goodwill[1]				
Intangible assets not yet available for use				
Advances and down payments				
Property, plant and equipment (notes 4.3.1 and 4.3.2)				
Land				
Buildings				
Technical plant, equipment and tooling	11,936	8,248	3,688	3,992
Other property, plant and equipment	3,192	1,940	1,252	1,362
Property, plant and equipment in progress	2,209		2,209	1,429
Advances and down payments				
Financial assets[2] (notes 4.3.1 and 4.3.2)				
Equity-accounted investments				
Other equity interests				
Other long-term investments				
Loans				
Other financial assets	498	1	497	533
TOTAL II	**19,908**	**12,256**	**7,652**	**7,404**
Current assets				
Inventories and work in progress (note 4.3.3)				
Raw materials, supplies	5,680	671	5,009	4,232
Work in progress – goods	1,416	546	870	1,405
Semi-finished and finished goods	15,662	10,070	5,591	5,459
Goods for resale	5,116	2	5,115	3,246
Advances and down payments on orders	3,555		3,555	3,694
Receivables[3]				
Trade notes and accounts receivable	264		264	464
Other receivables (note 4.3.5)	4,430	56	4,374	3,365
Share capital subscribed, called and unpaid				
Marketable securities				
Cash instruments				
Cash	47,368		47,368	39,192
Prepaid expenses[3] (note 4.3.7.4)	1,199		1,199	610
TOTAL III	**84,690**	**11,344**	**73,345**	**61,668**
ACCRUAL ACCOUNTS				

Deferred loan issuance costs (IV)				
Bond redemption premiums (V)				
Unrealized foreign exchange losses (VI)	12		12	8
Grand total (I+II+III+IV+V+VI)	**104,609**	**23,600**	**81,009**	**69,080**
(1) Including lease rights.				
(2) Of which are due in less than one year.			129	167
(3) Of which are due in more than one year.				

Equity and liabilities *(in thousands of euros)*	**June 30, 2022**	**Dec. 31, 2021**
EQUITY (note 4.3.6)		
Share capital (of which paid-up: €788,382)	788	623
Additional paid-in capital	40,344	84,608
Revaluation adjustments		
Reserves		
Legal reserve		
Statutory or contractual reserves		
Untaxed reserves		
Other reserves	87	56
Retained earnings (losses carried forward)	(15,228)	(36,963)
Net profit (loss) for the period	**(25,990)**	**(61,873)**
Investment subsidies	171	
Tax-driven provisions		
TOTAL I	**173**	**(13,549)**
OTHER EQUITY		
Proceeds from issues of equity securities		
Conditional advances (note 4.3.7.1)	14,507	14,507
TOTAL II	**14,507**	**14,507**
PROVISIONS		
Provisions for contingencies	132	1,594
Provisions for losses (notes 4.3.4 and 4.5.1.3)	744	939
TOTAL III	**876**	**2,533**
LIABILITIES(1)		
Debt		
Convertible bonds		
Other bonds		
Bank loans and borrowings	45,153	44,017
Bank overdrafts		
Sundry loans and borrowings (note 4.3.5)	8,616	8,002
Advances and downpayments received on orders in progress		
Accounts payable (note 4.3.5)		
Trade notes and accounts payable	7,051	8,387
Tax and social security payables	4,615	5,177
Amounts payable on non-current assets and other		
Other payables		
ACCRUAL ACCOUNTS		
Deferred income(1) (note 4.3.7.4)		
TOTAL IV	**65,435**	**65,583**
Unrealized foreign exchange gains	18	5
TOTAL V	**18**	**5**
Grand total (I+II+III+IV+V)	**81,009**	**69,080**
(1) Liabilities and deferred income due in less than one year.	12,536	13,714

3.2 INCOME STATEMENT

Income statement *(in thousands of euros)*	6 months ended June 30, 2022			6 months ended June 30, 2021	12 months ended Dec. 31, 2021
	France	**Export**	**Total**	**Total**	**Total**
OPERATING INCOME					
Sale of goods for resale	3		3		
Production sold – goods					2,229
Production sold – services					
NET REVENUE	**3**		**3**		**2,229**
Inventoried production			(1,970)	5,782	7,223
Capitalized production					
Operating subsidies			123		8
Reversals of impairment, depreciation/amortization and provisions, expense transfers			9,774	7,542	7,110
Other income			17	0	109
TOTAL OPERATING INCOME (I)			**7,947**	**13,325**	**16,679**
OPERATING EXPENSES					
Purchases of goods for resale			1,936	769	3,542
Change in inventories (goods for resale)			(1,870)	556	(2,302)
Purchases of raw materials and other supplies			3,366	3,533	6,980
Change in inventories (raw materials and other supplies)			(998)	(522)	(35)
Other purchases and external expenses			11,795	15,472	34,663
Taxes, duties and other levies			247	194	392
Wages and salaries			7,541	6,167	12,161
Social security contributions			3,240	2,583	5,598
Depreciation/amortization and impairment					
of non-current assets: depreciation/amortization (note 4.3.2)			762	563	1,323
of non-current assets: impairment					
of current assets: impairment			6,566	8,856	12,281
Additions to provisions (notes 4.3.4 and 4.5.1.3)			143	465	1,944
Other expenses			301	231	541
TOTAL OPERATING EXPENSES (II)			**33,028**	**38,867**	**77,088**
1 – NET OPERATING INCOME (EXPENSE) (I-II)			**(25,081)**	**(25,542)**	**(60,408)**
SHARE IN INCOME FROM JOINT VENTURES					
Income allocated or loss transferred (III)					
Loss incurred or income transferred (IV)					
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	13	73	11
Net income on sales of marketable securities			
TOTAL (V)	**13**	**73**	**11**
FINANCIAL EXPENSES			
Depreciation/amortization, impairment and provisions	1		
Interest expense	1,882	1,500	3,316
Foreign exchange losses	17	46	12
Net expenses on sales of marketable securities			
TOTAL (VI)	**1,900**	**1,546**	**3,328**
2 – Net financial income (expense) (V-VI)	**(1,887)**	**(1,473)**	**(3,317)**
3 – Recurring income (expense) before tax (I-II+III-IV+V-VI)	**(26,968)**	**(27,015)**	**(63,725)**
Non-recurring income (note 4.4.5)			
Non-recurring income on management transactions	89		5
Non-recurring income on corporate actions	110	16	41
Reversals of impairment and provisions, expense transfers			
TOTAL (VII)	**200**	**16**	**46**
NON-RECURRING EXPENSES (NOTE 4.4.5)			
Non-recurring expenses on management transactions	25		
Non-recurring expenses on corporate actions	77	25	57
Depreciation/amortization, impairment and provisions	67		
TOTAL (VIII)	**169**	**25**	**57**
4 – NET NON-RECURRING INCOME (EXPENSE) (VII-VIII)	**30**	**(9)**	**(10)**
Employee profit-sharing (IX)			
Income tax (X) (note 4.5.4)	(947)	(671)	(1,863)
TOTAL INCOME (I+III+V+VII)	**8,160**	**13,413**	**16,736**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	**34,151**	**39,767**	**78,609**
5 – NET PROFIT (LOSS) (TOTAL INCOME – TOTAL EXPENSES)	**(25,990)**	**(26,354)**	**(61,873)**

4 NOTES TO THE 2022 INTERIM FINANCIAL STATEMENTS

The following sections contain notes to the balance sheet at June 30, 2022, which shows total assets of €81.009 million, 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 €25.990 million.

The reporting period covers the six months from January 1, 2022 to June 30, 2022.

The notes and tables presented below are an integral part of the financial statements for the six months ended June 30, 2022, as approved by the Board of Directors on September 13, 2022. They are presented in thousands of euros unless otherwise stated.

4.1 SIGNIFICANT EVENTS DURING THE PERIOD

Activity

On December 2, 2021, following the occurrence of quality issues affecting certain components of its prosthesis that led to the death of several patients, Carmat decided to voluntarily suspend all implants of its artificial heart on a temporary basis, both commercially and in clinical trials.

During the first half of 2022, the Company's predominant focus was therefore on taking the action needed to resume its implants: (i) relaunching production after having defined and implemented the changes needed to avoid the recurrence of the quality issues identified, (ii) completing the regulatory steps required to obtain authorization from the competent authorities to resume implants, both commercially and in clinical trials, and (iii) training and assisting hospitals so that they are ready to perform Aeson® implants as soon as they can resume.

Financing

In April 2022, the Company raised a gross €40.5 million in new funds through a private placement combined with a public offering via the PrimaryBid platform. Some of the Company's major shareholders, including Matra-Défense (Airbus group), Santé Holdings SRL (Dr Antonino Ligresti's family office), Lohas (Pierre Bastid's family office), Bratya & Corely Belgium (family offices of the Gaspard family, owner of the Lyreco group) and the pharmaceutical group Thérabel, participated in this transaction.

Based on its current business plan, Carmat's immediately available financial resources (including the proceeds from this round of fundraising) should enable it to fund its operations until March 2023.

Financial results

Carmat did not report any revenue during the first half of 2022 due to the voluntary suspension of implants discussed above. The Company reported a net loss of €25.990 million for the first half of 2022, which is virtually identical to the first-half 2021 figure (€26.354 million).

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No events occurred after the reporting date that are liable to alter the presentation or valuation of the interim financial statements as approved for issue by the Board of Directors on September 13, 2022.

4.2 SIGNIFICANT ACCOUNTING POLICIES

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

4.2.1 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, 2022 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.

Going concern basis

Based on its current business plan, and without any additional financing, Carmat's confirmed available financial resources are sufficient for it to fund its operations until March 2023.

The going concern assumption was adopted by the Board of Directors when it approved the Company’s 2022 interim financial statements for issue on September 13, 2022, based in particular on:

- the level of cash and cash equivalents at June 30, 2022 amounting to €47.4 million;
- the research tax credit for 2021, receivable in the fourth quarter of 2022, amounting to €1.9 million;

- French government funding for €13 million granted in 2020 and intended to partially finance the EFICAS[2] clinical trial;
- the fact that no repayments of principal of the EIB loan (i.e., €30 million at June 30, 2022) fall due in 2022-2023, in line with the corresponding loan agreement;
- 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;
- the Company's 2022-2023 business plan, which is based on an assumption of Aeson® implants resuming in October 2022;
- the fact that Carmat has an active investor relations policy and is constantly on the lookout for financing opportunities (equity, government funding or other financing types). Based particularly on the progress of its project (i.e., CE marking obtained at the end of 2020 and its first sales in Europe in 2021) and the results of its clinical trials, the Company is confident that it will be able to source the funding that it needs over the next few months to continue its operations beyond the first quarter of 2023.

The Company's clinical, industrial and commercial development will continue to generate additional financial needs over the coming years (financing of recurring operations; ongoing R&D efforts and clinical trials; commercial development; and investments, particularly production investments) and Carmat does not expect to be self-financing for several years. Fundraising or other types of financing will therefore still be required in the coming years.

4.2.2 Additional information

4.2.2.1 *Applied research and development costs*

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

4.2.2.2 *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

4.2.2.3 *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

[2] These funds will be received as and when patients receive their implants during the EFICAS study, which is expected to resume in the fourth quarter of 2022.

4.2.2.4 *Financial assets*

- Other financial assets

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 last known official stock market price.

Other financial assets are composed of the following:

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

4.2.2.5 *Receivables and payables*

Receivables and payables are measured at face value. Where applicable, receivables are impaired via provisions to take into account any collection difficulties they may potentially face. Any provisions for impairment are determined by comparison between the acquisition value and the probable realizable value.

4.2.2.6 *Net revenue*

Sales are recognized when ownership is transferred to the customer.

4.2.2.7 *Translation differences and foreign exchange gains and losses*

Payables and receivables in foreign currencies are measured at the reporting date exchange rate. Any resulting translation differences are recorded in the balance sheet under “Unrealized foreign exchange gains” or “Unrealized foreign exchange losses”, as appropriate.
A provision is booked for the full amount of any unrealized foreign exchange losses.
Unrealized gains are not recorded in the income statement.
Foreign exchange gains and losses on trade receivables and payables are recognized in operating income.

4.2.2.8 *Inventories*

According to the French Commercial Code and 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 year 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.

Inventories and work in progress are measured at the reporting date using the methods set out in the French Chart of Accounts. Items are monitored individually and are clearly identifiable. An impairment provision is taken if their realizable value falls below their carrying amount.
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 inventory items, distinguishing between items intended for sale and items intended for other, non-revenue-generating activities (e.g., clinical trials, training, tests, etc.). Inventories intended for other activities are fully impaired.

When the recoverable amount at year-end (market value for finished goods and goods for resale and value in use for work in progress and raw materials) is less than the carrying amount, a provision for impairment is recognized for the difference.

Impairment provisions are recognized by inventory category.

4.2.2.9 *Cash in euros*

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

4.2.2.10 *Cash in foreign currencies*

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.

4.2.2.11 *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.

4.2.2.12 *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”.

4.2.2.13 *Subsidies*

Subsidies received are included in balance sheet liabilities at the time of payment under “Tax and social security payables”.
When the milestones defined in the relevant contracts are achieved, they are recorded:
- either directly in income for the period as an operating subsidy for the portion covering operating expenses;
- or in the balance sheet as an investment subsidy for the portion relating to investments; a portion will then be recorded as non-recurring income as and when the investments concerned by the subsidy are amortized.

4.2.2.14 *Retirement benefits*

Future payments in respect of benefits granted to employees are measured according to an actuarial method (method 2 based on IAS 19 as amended published in June 2011, in compliance with ANC recommendation no. 2013-02 dated November 7, 2013), taking account of assumptions concerning changes in salaries, retirement age and mortality. The resulting amounts are then discounted to present value and entitlement capped according to the collective bargaining agreement for the metallurgy industry. These obligations are covered by provisions recorded in the balance sheet liabilities.

4.2.2.15 *Provisions for charges*

In addition to the legal guarantee of conformity provided for in Article 1604 of the French Civil Code and the warranty against hidden defects provided for in Article 1641 of said Code, the Company may grant customers, within the framework of its commercial offer, a commercial warranty which consists of the free supply of a certain number of replacement components, under certain limited contractually defined terms and for a contractually defined limited period of time.

The Company therefore records a provision for losses at the time the product is sold, in accordance with the principle set out in the French Chart of Accounts of matching income and expenses. The amount of the provision is based on the contractually defined terms of the guarantee and statistical considerations.

The provision is subsequently written back as necessary, to the extent of the expenses actually incurred in connection with the implementation of the guarantee and/or when the guarantee is extinguished.

A 20% social security levy on the value of the free shares is payable by the Company when the shares are fully vested by their beneficiaries. The Company therefore records a provision for expenses prorated over the vesting period (i.e., the period between the provisional grant date and the final vesting date of the shares). The provision is reversed when the social security levy is paid.

4.2.2.16 *Sub-contracting expenses*

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

4.2.2.17 *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.

4.2.2.18 *Borrowing costs*

Borrowing costs are expensed as incurred.

4.3 ADDITIONAL INFORMATION ON THE BALANCE SHEET

4.3.1 MOVEMENTS IN NON-CURRENT ASSETS

(in thousands of euros)	Gross value at start of period	Increases	
		Line to line transfers	Acquisitions
Licenses, patents and similar rights[1]	2,073		
Intangible assets not yet available for use			
TOTAL	**2,073**		
Technical plant, equipment and industrial tooling[2]	12,244	161	153
General plant, sundry fixtures and fittings	2,647		
Office and IT equipment, furniture	526	19	
Property, plant and equipment in progress	1,429		959
TOTAL	**16,846**	**179**	**1,114**
Other financial assets[3]	533		3,017
TOTAL	**533**		**3,017**
Grand total	**19,451**	**179**	**4,131**

	Decreases		Gross value at end of year	Revaluation of original value at end of year
	Line to line transfers	Disposals - Scrapping		
Licenses, patents and similar rights[1]			2,073	
Intangible assets not yet available for use				
TOTAL			**2,073**	
Technical plant, equipment and industrial tooling[2]		622	11,936	
General plant, sundry fixtures and fittings			2,647	
Office and IT equipment, furniture			545	
Property, plant and equipment in progress	179		2,209	
TOTAL	**179**	**622**	**17,337**	
Other financial assets[3]		3,052	498	
TOTAL		**3,052**	**498**	
Grand total	**179**	**3,675**	**19,908**	

[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] The item also 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 the 7,124 treasury shares held in connection with the liquidity agreement, valued at €75,792, the liquidities not invested in treasury shares as at the end of the period under the liquidity agreement for €52,821, and guarantee deposits of €369,277, comprising deposits under premises lease contracts.

4.3.2 Movements in depreciation and amortization

(in thousands of euros) **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	1,985	82		2,067
TOTAL	**1,985**	**82**		**2,067**
Technical plant, equipment and industrial tooling	8,253	618	622	8,248
General plant, sundry fixtures and fittings	1,424	95		1,519
Office and IT equipment, furniture	387	34		421
TOTAL	**10,064**	**747**	**622**	**10,188**
Grand total	**12,048**	**829**	**622**	**12,255**

4.3.3 Movements in inventories

(in thousands of euros) **Inventories – gross value**	**Value at start of period**	**Increases**	**Decreases**	**Value at end of period**
Raw materials, supplies	4,682	1,985	986	5,680
Work in progress – goods	2,273	1,416	2,273	1,416
Semi-finished and finished goods	16,775	5,368	6,482	15,662
Goods for resale	3,246	1,931	61	5,116
TOTAL	**26,976**	**10,700**	**9,802**	**27,874**

(in thousands of euros) **Inventories – impairment[(1)]**	**Value at start of period**	**Additions for the period**	**Decreases Reversals**	**Value at end of period**
Raw materials, supplies	450	325	105	671
Work in progress – goods	868	546	868	546
Semi-finished and finished goods	11,316	5,693	6,938	10,071
Goods for resale	0	2	(0)	2
TOTAL	**12,633**	**6,566**	**7,910**	**11,289**

[(1)] Impairment for the period breaks down by as follows by type:

- impairment related to the life cycle of items of inventory (€4.9 million versus €3.1 million at end-2021);

- impairment related to net realizable value (€3.0 million versus €3.1 million at end-2021);

- additional impairment related to quality issues identified at the end of 2021 (€3.4 million versus €6.5 million at end-2021).

4.3.4 MOVEMENTS IN PROVISIONS

(in thousands of euros) **Provisions**	**Value at start of period**	**Increases Additions**	**Decreases Reversals**	**Value at end of period**
Sundry risks[1]	1,816	48	1,695	168
Foreign exchange losses	8	12	8	12
Pension and similar obligations	475	71		546
Payroll taxes on AGAP free preference shares	234	13	97	150
TOTAL	**2,533**	**143**	**1,801**	**876**
Impairment of treasury shares		1		1
Impairment of inventories and work in progress	12,633	6,566	7,910	11,289
Impairment of other receivables	119		63	56
TOTAL	**12,752**	**6,566**	**7,974**	**11,345**
Grand total	**15,285**	**6,710**	**9,774**	**12,221**
Of which operational additions and reversals:		6,709	9,774	
Of which financial additions and reversals:		1		

(1) This amount essentially comprises:
- provisions for employee disputes and breach of contract;
- provisions for commercial guarantees (see note 4.6.7.6);
- provisions related to the quality issue identified in December 2021.

4.3.5 RECEIVABLES AND PAYABLES BY MATURITY

(in thousands of euros) **Trade receivables**	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
Trade receivables	264	264	
Total	**264**	**264**	

(in thousands of euros) **Other receivables**	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
Social security & others employee receivables	63	63	
Income tax[1]	2,882	1,935	947
Value-added tax	1,205	1,205	
Other taxes, duties and levies	0		
Sundry receivables	20	20	
Total	**4,170**	**3,223**	**947**

(1) The receivable corresponds to the research tax credit for 2021 and the estimated research tax credit for the first half of 2022.

(in thousands of euros) **Payables**	**Gross amount**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**
Bank loans and borrowings[1]	45,136	853	44,283	
Interest due on current account	17	17		
Sundry loans and borrowings[2]	8,616		495	8,121
Trade notes and accounts payable	7,051	7,051		
Staff and related payables	2,446	2,446		
Social security payables & others employee benefits	2,042	2,042		
Value-added tax				
Other taxes, duties and levies	127	127		
Total	**65,435**	**12,536**	**44,778**	**8,121**

[1] This amount corresponds to bank loans (see details below) and accrued interest payable to banks
[2] This amount corresponds to the accrued interest expected on the repayable advances from Bpifrance..

(in thousands of euros) **Breakdown of bank loans and borrowings**	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
EIB loan – principal[3]	30,000		30,000
EIB loan – accrued interest[3]	4,950	150	4,800
BPI government-guaranteed loan – principal	5,000		5,000
BPI government-guaranteed loan – accrued interest	66	66	
BNP Paribas government-guaranteed loan – principal	5,115	631	4,484
BNP Paribas government-guaranteed loan – accrued interest	6	6	
Total	**45,136**	**853**	**44,283**

[3] 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 deemed 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.

4.3.6 SHARE CAPITAL

4.3.6.1 *Composition of the share capital*

Classes of shares	**Par value in euros**	**Number of shares**				
		Opening	**Created**	**Canceled**	**Redeemed**	**Closing**
Ordinary shares	0.04	15,531,787	4,143,282			19,675,069
Preference shares	0.04	33,765	720			34,485
Total		**15,565,552**	**4,144,002**			**19,709,554**

Changes in the Company's share capital in the first half of 2022 are detailed in note 4.3.6.2.

4.3.6.2 *Changes in equity*

	Number of shares	**Capital (€)**	**Additional paid-in capital & fees (€)**	**Reserves (€)**	**Retained earnings (losses carried forward) (€)**	**Profit (loss) (€)**	**Investment grants (€)**	**Equity (€)**
At Dec. 31, 2021	***15,565,552***	**622,622**	**84,608,290**	**56,077**	**(36,963,432)**	**(61,872,664)**		**(13,549,107)**
Allocation of net loss			(61,872,664)			61,872,664		
Transfer of retained earnings to additional paid-in capital (1)			(21,735,626)		21,735,626			
Net loss for the period						(25,990,299)		(25,990,299)
Exercise of Kepler-Cheuvreux BSA share warrants*	*50,000*	2,000	700,316					702,316
Vesting of AGAP 2020-01 free preference shares*	*120*	5		(5)				
Vesting of AGAP 2018-03 free preference shares*	*600*	24		(24)				
Fundraising (April)*(2)	*4,054,282*	162,171	38,676,629					38,838,800
Allocation of AGA 2022 free shares			(1,392)	1,392				
Allocation of AGA June 2022 free shares			(12,800)	12,800				
Allocation of AGAP 2022 free preference shares			(18,616)	18,616				
Vesting of AGA 2021-01 free shares*	*39,000*	1,560		(1,560)				
Investment subsidy							242,464	242,464
Portion of investment subsidies transferred to income							(71,090)	(71,090)
At June 30, 2022	***19,709,554***	**788,382**	**40,344,137**	**87,296**	**(15,227,807)**	**(25,990,299)**	**171,374**	**173,083**

** Capital increase.*

(1) Partial allocation of negative retained earnings of €21,735,626 to additional paid-in capital, decided at the Shareholders' Meeting of May 11, 2022.

(2) Net of 2022 fees for an amount of €1,716,020.

4.3.6.3 *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, following the achievement of attendance and/or performance criteria, representing 0.30% of the existing capital as of June 30, 2022, at a price of €20.35 per share, share premium included.

<u>2019 stock options</u>

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, following the achievement of attendance and/or performance criteria, representing 0.30% of the existing capital as of June 30, 2022, at a price of €22.70 per share, share premium included.

4.3.6.4 *Free shares*

Grants made during the period

The free share plan (AGA 2022-01, AGA 2022-02 and AGA 2022-03) of February 14, 2022 provided for the provisional allocation of 34,800 ordinary shares. The vesting dates for these shares are set at February 14, 2023 for the AGA 2022-01, February 14, 2024 for the AGA 2022-02, and February 14, 2025 for the AGA 2022-03.

The free share plan (AGA June 2022-01, AGA June 2022-02 and AGA June 2022-03) of June 27, 2022 provided for the provisional allocation of 319,990 ordinary shares. The vesting dates for these shares are set at June 27, 2023 for the AGA June 2022-01, June 27, 2024 for the AGA June 2022-02, and June 27, 2025 for the AGA June 2022-03.

The preference share plan (AGAP 2022) of June 27, 2022 provided for the provisional allocation of 4,654 preference shares. The vesting date for these preference shares is June 27, 2023.

Summary table of 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	Number of ordinary shares issued	Maximum number of ordinary shares yet to be issued (a)	Net number of new shares that may be created (b)
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	2,230	1,260	116,950	59,400	58,320
AGAP 2018-01 (SM of April 5, 2018)	580		580	200	380	20,000	38,000	37,620
AGAP 2018-02 (SM of April 5, 2018)	11,500	200	11,300	600	10,700	9,000	157,250	146,550
AGAP 2018-03 (SM of April 5, 2018)	740		740		740		55,500	54,760
AGAP 2019-01 (SM of March 28, 2019)	8,000	120	7,260		7,880		78,800	71,540
AGAP 2019-02 (SM of March 28, 2019)	8,000	120	7,660		7,880		78,800	71,140
AGAP 2019-03 (SM of March 28, 2019)	3,600	60	3,505		3,540		12,200	8,695
AGAP 2020-01 (SM of March 30, 2020)	2,360		2,160		2,360		236,000	233,840
AGAP 2020-02 (SM of March 30, 2020)	900		820		900		90,000	89,180
AGA 2021-01 (SM of May 12, 2021)	39,000		39,000	N/A	N/A	39,000	0	0
AGA 2021-02 (SM of May 12, 2021)	58,500		0	N/A	N/A	0	58,500	58,500
AGA 2021-03 (SM of May 12, 2021)	117,500		0	N/A	N/A	0	117,500	117,500
AGA 2022-01 (SM of May 12, 2021)	5,980		0	N/A	N/A	0	5,980	5,980
AGA 2022-02 (SM of May 12, 2021)	8,970		0	N/A	N/A	0	8,970	8,970
AGA 2022-03 (SM of May 12, 2021)	19,850		0	N/A	N/A	0	19,850	19,850
AGAP 2022 (SM of May 11, 2022)	4,654		0	0	4,654	0	465,400	465,400
AGA June 22-01 (SM of May 11, 2022)	97,587			N/A	N/A	0	97,587	97,587
AGA June 22-02 (SM of May 11, 2022)	97,587			N/A	N/A	0	97,587	97,587
AGA June 22-03 (SM of May 11, 2022)	124,816			N/A	N/A	0	124,816	124,816
Total	**615,934**					**256,950**	**1,016,750**	**1,545,432**

(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.*
(b) *Representing a maximum dilution of 7.8% compared to the existing capital.*

4.3.6.5 *Share warrants (BSA)*

Summary table of BSA share warrants

	Issued	Subscribed	Expired	Reserve	Exercised	Balance	% of existing share capital	Expiry date
Kepler-Cheuvreux BSA (Sept. 2018 contract – first tranche – SM of April 5, 2018)	400 000	400 000			400 000	0		September 27, 2021
Kepler-Cheuvreux BSA (Sept. 2018 contract – second tranche – SM of March 30, 2020)	650 000	650 000	460 000		190 000	0		March 27, 2022
BSA 2017 (SM of April 27, 2017)	12 000	12 000				12 000	0,06%	May 15, 2027
BSA 2018 (SM of April 5, 2018)	10 000	10 000				10 000	0,05%	June 11, 2028
BSA 2019 (SM of March 28, 2019)	6 000	6 000				6 000	0,03%	June 24, 2029
BSA 2021 (SM of May 12, 2021)	12 000	12 000				12 000	0,06%	June 14, 2031

4.3.6.6 *Company founder share warrants (BCE)*

Summary table of BCE share warrants

	Issued	Subscribed	Expired	Reserve	Exercised	Balance	% of existing share capital	Expiry date
BCE 2012-1 (SM of April 26, 2012)	56 500	56 500	56 500	0	0	0		June 27, 2022
BCE 2012-2 (SM of April 26, 2012)	6 700	6 700	0	0	0	6 700	0,03%	November 8, 2022

4.3.7 OTHER BALANCE SHEET DETAILS

4.3.7.1 *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 4.5.1 below specifies the repayment conditions of these advances.

Conditional advances bear interest at the contracted rate of 5.59%. The interest accrued, calculated using the capitalization method, stood at €8.616 million at the period-end and appears in liabilities under “Sundry loans and borrowings”.

4.3.7.2 *Accrued income*

(in thousands of euros) **Amount of accrued income included in the following balance sheet items**	**Value**
Other receivables	140
Total	**140**

4.3.7.3 *Accrued expenses*

(in thousands of euros) **Amount of accrued expenses included in the following balance sheet items**	**Value**
Royalties	0
Bank loans and borrowings	45 136
Sundry loans and borrowings	8 616
Trade notes and accounts payable	5 584
Tax and Employee-related payables	3 617
Total	**62 953**

4.3.7.4 *Prepaid expenses and deferred income*

(in thousands of euros) **Prepaid expenses**	**Value**
Operating expenses	1 199
Total	**1 199**

Prepaid expenses include the share of rent, software license fees, insurance premiums and other fees for the period after June 30, 2022.

(in thousands of euros) **Deferred income**	**Value**
Operating income	None
Total	**None**

4.3.7.5 *Information on related companies*

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

(in thousands of euros) Trade notes and accounts payable	0

4.3.7.6 *Provisions for charges*

Preference shares

At June 30, 2022, a provision for losses of €0.150 million was recorded for the 20% social security levy due on free shares provisionally granted and not yet fully vested. This levy is payable when the shares vest.

The calculation assumptions used to determine the amount of the provision are as follows:

- determination of an estimated percentage of achievement for each of the performance criteria for the free preference shares (AGAP);

- value of an ordinary share: €10.50 (closing price on June 30, 2022);

- employer contribution rate: 20%.

Commercial warranty

As part of its commercial offer, the Company may grant customers a “commercial warranty” (free replacement of a certain number of replacement components for a given period, under certain limited contractually defined conditions).

The corresponding provision amounts to €0.002 million at June 30, 2022.

4.4 ADDITIONAL INFORMATION ON THE INCOME STATEMENT

4.4.1 SALES

The Company did not record any revenue for the first half of 2022.

4.4.2 OPERATING SUBSIDIES

The Company recognized €0.123 million in income corresponding to:

- the “operating” portion of the CAP 23 grant under the France Relance stimulus program received in the fourth quarter of 2020 by the Company;
- subsidies received in respect of employer apprenticeship programs (€0.016 million).

4.4.3 APPLIED RESEARCH AND DEVELOPMENT COSTS

Research and development expenditure represented €6.729 million in first-half 2022.

4.4.4 RESEARCH TAX CREDIT

The income statement for the first half of 2022 shows a research tax credit for an estimated €0.947 million, calculated using the same methods as the research tax credit for 2021.

4.4.5 NON-RECURRING INCOME AND EXPENSES

(in thousands of euros)	**6 months ended June 30, 2022**	**6 months ended June 30, 2021**	**12 months ended Dec. 31, 2021**
Non-recurring income			
• Various adjustments	90		5
• Portion of investment subsidies transferred to income	71		
• Disposal of assets			
• Disposal of treasury shares	39	16	41
Total	**200**	**16**	**46**
Non-recurring expenses			
• Various adjustments	23		
• Disposal of assets			
• Disposal of treasury shares	77	25	57
• Fines and penalties	2		
• Non-recurring depreciation	67		
Total	**170**	**25**	**57**

4.4.6 Information on related companies

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

(in thousands of euros)	
Other purchases and external expenses	465

The related companies taken into account, which are all part of Airbus Group, are as follows:

- Matra Electronique.

4.5 FINANCIAL COMMITMENTS AND OTHER INFORMATION

4.5.1 Financial commitments

4.5.1.1 *Commitments given*

A repayable advance totaling €14,507,309 was received from Bpifrance. The corresponding accrued interest amounts to €8,616,265 at the reporting date. This amount is repayable to Bpifrance subject to achieving cumulative revenue of at least €38,000,000. The Bpifrance agreement also 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, which was amended on February 5, 2010. 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 to Matra Défense in this way are non-transferable.

At June 30, 2022, as not all of the conditions triggering payment of these royalties had 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, 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 in which Carmat’s cumulative sales amount to €500,000 (in practice, this corresponds to 2021). 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 deemed necessary, demand from the Company 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 agreement to 160% if the event occurs after the eleventh year).

4.5.1.2 *Commitments received*

None.

4.5.1.3 *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, 2022.

The overall amount of the provision was €0.546 million at the end of the period, an increase of €0.071 million on the previous period.

4.5.2 OTHER INFORMATION

4.5.2.1 *Cash flow statement*

(in thousands of euros)	**6 months ended June 30, 2022**	**6 months ended June 30, 2021**	**12 months ended Dec. 31, 2021**
Net profit (loss)	(25,990)	(26,354)	(61,873)
Depreciation/amortization and provisions	7,539	9,884	15,548
Reversals of depreciation/amortization and provisions	(9,774)	(7,542)	(7,110)
Gains or losses on disposals of assets			
Investment subsidies transferred to income	(71)		
Other income and expenses with no cash impact	1,846	1,400	2,964
CASH FLOW FROM OPERATIONS BEFORE CHANGE IN WORKING CAPITAL	**(26,451)**	**(22,612)**	**(50,471)**
Tax and employee related payables	(562)	(138)	765
Trade accounts payables	(1,323)	(442)	386
Other payables			
Deferred income			
Inventories and work in progress	(898)	(5,748)	(9,560)
Advances and down payments on orders	139	(404)	(1,018)
Other receivables	(1,014)	106	616
Trade receivables	200		(464)
Prepaid expenses	(589)	(157)	(422)
CHANGE IN WORKING CAPITAL	**(4,047)**	**(6,783)**	**(9,698)**
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**(30,498)**	**(29,395)**	**(60,169)**
Acquisition of property, plant and equipment	(1,114)	(991)	(1,603)
Acquisition of intangible assets			(160)
Acquisition of financial assets	35	7	13
Proceeds from disposals of financial assets			
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(1,079)**	**(984)**	**(1,750)**
Capital increase	166	95	102
Bonds redeemable in shares/share warrants			
Share premium and reserves	39,344	52,235	54,910
Investment subsidies	242		
Borrowings and conditional advances			10,115
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**39,752**	**52,330**	**65,126**
CHANGE IN CASH AND CASH EQUIVALENTS	**8,176**	**21,952**	**3,207**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**39,192**	**35,984**	**35,984**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**47,368**	**57,936**	**39,192**

4.5.2.2 *Information on executives*

4.5.2.2.1 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.

4.5.2.2.2 Management compensation

Total compensation paid to members of the Board of Directors in their capacity as directors (formerly known as "directors' fees") amounted to €0.188 million 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 €0.428 million for the period and breaks down as follows:

(in thousands of euros) **Management compensation**	**2022 (6 months)**	**2021 (6 months)**
Gross salaries	268	262
Benefits in kind	5	4
Bonuses	155	263
Total compensation	**428**	**528**

4.5.2.3 *Increases and decreases in future tax liabilities*

(in thousands of euros) **Description of temporary differences**	**Value**
Tax loss carryforwards	374 171

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, 2021, in an amount of €307.003 million;
- the tax loss generated in the 2021 financial year in an amount of €67.168 million.

4.5.2.4 *Headcount at the reporting date*

Employees	**June 30, 2022**	**June 30, 2021**
Managers	128	108
Supervisors and technicians	35	23
Administrative employees	8	8
Total[(1)]	**171**	**139**

(1) *Excluding temporary workers.*