CARMAT

French joint-stock corporation (*société anonyme*) with share capital of €913,743.76
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

2023 INTERIM FINANCIAL REPORT

SIX MONTHS ENDED JUNE 30, 2023

CONTENTS

1 DECLARATION BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT AT JUNE 30, 2023

I hereby declare that, to the best of my knowledge, the financial statements presented for the six months ended June 30, 2023 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, 2023

	2023	2022	2022
Income statement	**6 months ended**	**12 months ended**	**6 months ended**
(in millions of euros)	**June 30, 2023**	**Dec. 31, 2022**	**June 30, 2022**
Revenue	0.6	0.3	0.0
Net operating expense	(25.9)	(51.9)	(25.1)
Net financial expense	(1.7)	(3.8)	(1.9)
Net non-recurring income	0.0	0.0	0.0
Research and innovation tax credit	1.0	2.1	0.9
Net loss	**(26.7)**	**(53.7)**	**(26.0)**

Balance sheet (in millions of euros)	**June 30, 2023**	**Dec. 31, 2022**	**June 30, 2022**
Total assets	64.5	85.2	81.0
Total equity	(24.5)	2.0	0.2
(Net cash)/Net debt*	32.7	3.9	6.4

Cash flow statement	**6 months ended**	**12 months ended**	**6 months ended**
(in millions of euros)	**June 30, 2023**	**Dec. 31, 2022**	**June 30, 2022**
Cash and cash equivalents at beginning of period	51.4	39.2	39.2
Net cash used in operating activities	(30.7)	(54.4)	(30.5)
Net cash used in investing activities	(1.6)	(2.0)	(1.1)
Net cash from financing activities	4.7	68.6	39.8
Cash and cash equivalents at end of period	**23.8**	**51.4**	**47.4**

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

First-half 2023 earnings

Carmat generated €0.6 million in revenue in the first half of 2023, corresponding to the sale of three Aeson® hearts – two for commercial implants and one for an implant as part of the EFICAS clinical study.

Despite demands arising from hospitals, Aeson® implants were held back by the fact that only a small number of Aeson® artificial hearts were available during the period, due to supply problems which delayed the ramp-up in production initially planned by the Company. The vast majority of these supply difficulties were resolved by the end of June, enabling output to gradually return to normal over the summer.

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

- extending its Bois d'Arcy's manufacturing site, which will enable the Company to increase its production capacity to 500 hearts a year by the end of 2023;
- training more medical centers (25 centers trained to date for commercial implants) and preparing for the launch of Aeson® in eight new countries;
- ramping up for the EFICAS clinical study in France as from the second half of the year;
- continuing discussions with the FDA with a view to ultimately gaining market access for Aeson® in the United States.

Despite the outlay required for the above projects, the Company maintained tight control over its operating expenses, enabling it to keep its operating loss broadly stable at €25.9 million versus €25.1 million in first-half 2022.

After taking into account net financial expense of €1.7 million and €1.0 million in income from the research tax credit, Carmat ended the first half of 2023 with a net loss of €26.7 million (compared with a €26.0 million net loss in the first six months of 2022).

Cash flows and financial structure

Cash and financing

At June 30, 2023, the Company had €23.8 million in cash and cash equivalents, versus €51.4 million at December 31, 2022.

Cash flows from operating and investing activities represented a net cash outflow of €32.3 million, up slightly on the first-half 2022 net outflow of €31.6 million, particularly due to the increase in industrial capital expenditure.

Concerning financing, in the six months ended June 30, 2023, the Company received the following funds:

- €0.7 million corresponding to the second tranche of the total €1.4 million “CAP23” grant[1] awarded to Carmat as a winner of the French government’s “Industrial Recovery Plan – Strategic Sectors” call for projects;
- the first tranche (€1.1 million) of the total €2.5 million grant awarded to Carmat at end-2022 for its winning proposal in the European Union’s “EIC Accelerator” funding program[2];
- the first €3.3 million tranche of the €13.2 million blended financing package[3] awarded to Carmat in April 2023 (see Section 2.1.3) under the “France 2030” plan.

Also in the first half of 2023, as planned, Carmat began to repay its government-guaranteed loans[4], making the first half-yearly repayment in April in an amount of €0.6 million.

Based on the Company’s current business plan and taking into account the amounts required to honor all of its contractual repayment maturities, Carmat’s confirmed financial resources[5] should enable it to fund its business until end-October 2023. The Company is actively working on various financing options to secure in the short term the financial resources it requires to continue as a going concern beyond that date[6].

Net debt

(in thousands of euros) **(Net cash)/Net debt**	**June 30, 2023**
Long-term financial liabilities (>12 months)	39 773
Short-term financial liabilities (<12 months)	16 806
Total financial liabilities [a]	**56 579**
Cash and cash equivalents [b]	**23 846**
(Net cash)/Net debt [a-b]	**32 733**

At June 30, 2023, the Company’s net debt stood at €32.7 million. Short-term financial liabilities include (i) an aggregate €2.0 million payable in the fourth quarter of 2023 (mainly corresponding to repayments due under government-guaranteed loans[7]), and (ii) an aggregate €14.9 million payable in the first half of 2024 (mostly relating to the repayment of the first tranche – drawn down in January 2019 – of the loan taken out with the EIB, as well as repayments due under government-guaranteed loans[8]).

[1] The remaining balance of this grant (€0.3 million) is due in 2024.
[2] The remaining balance of this grant is due in 2024.
[3] The €13.2 million blended financing package consists of a €7.9 million grant and a €5.3 million conditional advance, to be received in four tranches over 2023-2026. The second tranche is due in 2024.
[4] Two government-guaranteed loans representing a principal amount of €5 million each, taken out in the fourth quarter of 2020 with BNP Paribas and Bpifrance.
[5] Including cash and cash equivalents at June 30, 2023 and the €0.9 million balance of the 2022 research tax credit due to be received by the end of October 2023.
[6] See Section 4.2.1 for the factors underlying the going concern principle used by the Board of Directors.
[7] Second half-yearly installment due on the government-guaranteed loan taken out with BNP Paribas, and the first annual installment due on the government-guaranteed loan taken out with Bpifrance.
[8] Third half-yearly installment due on the government-guaranteed loan taken out with BNP Paribas.

2.2 SIGNIFICANT EVENTS OF FIRST-HALF 2023 AND RECENT DEVELOPMENTS

2.2.1 IMPLEMENTING THE INDUSTRIAL PLAN

Ramp-up in production

As the vast majority of supply problems were resolved by the end of first-half 2023, the Company's production gradually returned to normal over the summer, allowing CARMAT to hold c.20 prostheses on shelf to date. Production has continued to gain momentum since then, and Carmat now anticipates to manufacture more than ten hearts a month between September and December 2023. The Company therefore expects to reach a total output of 60 to 70 hearts for full-year 2023.

Strengthening the supplier portfolio

Carmat's manufacturing output relies on a large number of suppliers and subcontractors. As it ramps up its production, one of the key factors for the Company's success will be to develop its supplier portfolio in order to work only with highly reliable partners capable of producing the required volumes at a competitive price, and which meet the strict quality requirements specific to the implantable medical devices market. In order to achieve this goal, Carmat has drawn up an ambitious multi-year roadmap, which it began to action in several tangible ways in the first half of 2023. For example, it entered into a new partnership agreement with France-based Vygon for developing the connector conduits of the Aeson® artificial heart and stepped up its partnership with the Swiss company MPS for producing the motor pump. These initiatives enable Carmat to both strengthen its supply continuity and reduce the production cost of the prosthesis.

Increase in production capacity

During the first half of 2023 the Company also began work on expanding its production capacity, in particular by extending its cleanroom and creating additional production facilities at the Bois d'Arcy site. In view of the current progress of the works, the Company is standing by its objective of reaching a production capacity of 500 hearts a year by the end of 2023.That capacity could represent a potential yearly turnover of 100 M€. Carmat's aim is to subsequently double its production capacity again, to 1,000 hearts a year, by 2027.

2.2.2 COMMERCIAL DEVELOPMENT

Hospital training and geographic expansion

During the period, the Company continued to actively train hospitals in order to reach its target of 30 medical centers trained for commercial implants by the end of 2023. To date, an overall 40 centers are trained, including 25 for commercial implants and the other 15 for implants in the EFICAS study in France and the EFS in the United States.

As part of this, Carmat also supports the hospitals in getting appropriate funding for the therapy, and can confirm that it is secured in the vast majority of them.

From the second half of 2023, the Company plans to make the Aeson® artificial heart commercially available in eight more countries – both in Europe (Greece, Slovenia, Croatia, Serbia, Austria and Switzerland) and outside Europe (Israel and Saudi Arabia) – in addition to the two countries in which the device has already been sold for commercial implants (Germany and Italy). Hospitals have been trained in five of these eight new countries so far.

Patient numbers and sales forecasts

In view of a solid base of trained medical centers, where a substantial number of eligible patients have already been identified, and given that production has got back to normal, the Company forecasts sales revenue between €4 million and €6 million in the second half of 2023.

2.2.3 CLINICAL STUDIES AND US MARKET ACCESS

Continuation of the EFICAS clinical study in France

In early January 2023, Carmat announced the first Aeson® implant as part of the EFICAS study. The implant was performed in December 2022 by Professor André Vincentelli and his team at Lille University Hospital, one of the six centers participating in the study.

This study, which is expected to get completed in 2025 will involve a total of 52 patients eligible for a heart transplant in France. It will allow Carmat to collect additional data on the efficacy and safety of its artificial heart, as well as medico-economic data that can be used to support the value proposition and obtain reimbursement of the device.

The study is critical for Aeson®'s future commercial launch and social security reimbursement in France, but also to support Carmat's application for the Premarket Approval ("PMA"), i.e., the authorization to market Aeson® in the United States.

Carmat has received €13 million in funding from the French National Innovation Fund[9] to partially finance this study.During the first half of 2023, the Company continued in-depth discussion with the FDA (Food & Drug Administration).

Optimized US market access strategy

In order to optimize Aeson®'s access to the US market, CARMAT intends to rely on data collected from both EFS[10] and the on-going EFICAS study in France, which could enable CARMAT to avoid conducting a substantial pivotal study in the United States.

Given both EFS and EFICAS' current schedules, and all other elements it is aware of, Carmat anticipates, should both studies be successful, to apply for Premarket Approval ("PMA") by the end of 2026.

Publication of a scientific article on the first U.S. implantation of the Aeson® artificial heart

In March 2023, an article entitled The First Autoregulated Total Artificial Heart Implant in the United States was published in the official journal of the American Society of Thoracic Surgeons. This article describes the implantation of Aeson® performed at Duke University Hospital in the summer of 2021 as part of the Early Feasibility Study.

It shows that the Aeson® heart delivers notable improvements compared with other circulatory support devices. These include enhanced hemocompatibility and autoregulation enabling increased cardiac output in response to higher filling pressures, while avoiding complications such as strokes and hemorrhages. After five months of support on the Aeson® device, the patient was successfully bridged to transplant, and has made a full recovery.

2.2.4 Financial structure

€13.2 million non-dilutive blended financing package obtained under the "France 2030" plan

In April 2023, the Company obtained a €13.2 million blended financing package under the "France 2030" plan, consisting of a €7.9 million grant and a €5.3 million repayable advance. This financing will be used to help drive the increase in annual production capacity of Aeson® artificial hearts to 1,000 per year within five years, and to reduce the production cost of the device.

The package is split into four tranches, with each tranche becoming available over the period from 2023 to 2026 as the project progresses. The first tranche of €3.3 million was received in June and the second is due in 2024.

Carmat is also actively working on various financing options in order to extend in the short term its cash runway beyond October 2023 (see Section 2.1).

2.2.5 Changes in the Company's governance

The Combined Shareholders' Meeting held on May 11, 2023 ratified the appointment of Thérabel Invest – represented by Laurent Kirsch – as a corporate director of the Company for a three-year term. Laurent Kirsch brings to the Board his extensive experience in the healthcare industry, including at international level, as well as his financial expertise. At the date of this report, the Board of Directors was chaired by Alexandre Conroy and comprised 12 directors, nine of whom are independent.

[9] The funds will be received as and when the implants are performed during the study.

[10] The EFS is a feasibility study with a sample size of 10 patients eligible for a heart transplant. The EFS design provides for two successive cohorts of three and seven patients. The first cohort was completed during the second half of 2021.The initiation of the second cohort is subject to receiving the go-ahead from the FDA. Carmat expects the EFS to resume in the second half of 2024.

2.2.6 Impact of the Covid-19 situation and the conflict in Ukraine

Covid-19 did not have any perceptible direct impact on Carmat's business in the first half of 2023. The same applies to the situation in Ukraine. Barring any significant changes in events relating to Covid and/or Ukraine, Carmat will no longer report on these two situations.

2.3 NEXT STEPS

Strong ramp-up in sales from fourth quarter of 2023

With c. 20 devices available on the shelf and a production output back to normal (in excess of 10 hearts a month), CARMAT has, during the past weeks, encouraged its trained centers to very actively resume their "screening" to identify patients, in view of both commercial implants, and implants in the EFICAS clinical study.

In view of the number of patients eligible to Aeson®, already identified in the active centers, CARMAT anticipates a strong and imminent ramp-up in sales, and revenues of €4 to 6 million in the second half of the year, which will ideally set the Company for a significant sales growth in 2024.

This ramp-up will in the coming months, also be sustained by Aeson® being progressively launched in additional countries, including 8 where the activation process has already started (Greece, Slovenia, Croatia, Serbia, Austria, Switzerland, Israel and Saudi Arabia).

Confirmation of 2023 key objectives

In light of its first-half achievements and recent developments, Carmat reiterates its confidence in reaching the key 2023 objectives from its strategic roadmap:

- successful sales development in Europe;
- annual production capacity of 500 hearts by the end of the year;
- 30 centers trained for commercial implants by the end of the year;
- ramp-up of implants in the EFICAS study in France;
- Apply for US "PMA" by the end of 2026.

In the short term, Carmat also intends to secure financings that will enable it to extend its cash runway beyond the end of October 2023.

2.4 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. 23-0323. To date, the Company is not aware of any significant changes in these risk factors.

The Company would also like to draw the attention of readers to Section 4.2.1 of this report, particularly the assumptions underlying the going concern basis of accounting adopted by the Board of Directors in the preparation of the Company's financial statements for the six months ended June 30, 2023.

3 2023 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, 2023**			**Dec. 31, 2022**
	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	2,073	0	0
Goodwill[1]				
Intangible assets not yet available for use				
Advances and downpayments				
Property, plant and equipment (notes 4.3.1 and 4.3.2)				
Land				
Buildings				
Technical plant, equipment and tooling	13,417	9,588	3,828	3,903
Other property, plant and equipment	3,427	2,267	1,160	1,288
Property, plant and equipment in progress	2,476		2,476	1,508
Advances and downpayments				
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	1,024	0	1,023	737
TOTAL II	**22,417**	**13,929**	**8,488**	**7,436**
Current assets				
Inventories and work in progress (note 4.3.3)				
Raw materials, supplies	7,131	452	6,679	5,562
Work in progress – goods	1,954	760	1,194	307
Semi-finished and finished goods	15,905	9,562	6,343	5,372
Goods for resale	7,045		7,045	6,195
Advances and downpayments on orders	5,318		5,318	3,994
Receivables[3]				
Trade notes and accounts receivable	420		420	140
Other receivables (note 4.3.5)	3,863	98	3,765	3,520
Share capital subscribed, called and unpaid				0
Marketable securities				0
Cash instruments				0
Cash	23,846		23,846	51,427
Prepaid expenses[3] (note 4.3.7.4)	1,355		1,355	1,248
TOTAL III	**66,837**	**10,872**	**55,965**	**77,764**
ACCRUAL ACCOUNTS				
Deferred loan issuance costs (IV)				0
Bond redemption premiums (V)				0
Unrealized foreign exchange losses (VI)	36		36	37
Grand total (I+II+III+IV+V+VI)	**89,290**	**24,801**	**64,489**	**85,237**
[1] *Including lease rights.*				
[2] *Of which are due in less than one year.*			108	344
[3] *Of which are due in more than one year.*				

Equity and liabilities *(in thousands of euros)*	June 30, 2023	Dec. 31, 2022
EQUITY (note 4.3.6)		
Share capital (of which paid-up: €913,744)	914	907
Additional paid-in capital	2,115	69,730
Revaluation adjustments		
Reserves		
Legal reserve		
Statutory or contractual reserves		
Untaxed reserves		
Other reserves	106	87
Retained earnings/(Losses carried forward)	(1,228)	(15,228)
Net loss for the period	**(26,673)**	**(53,681)**
Grants	226	154
Tax-driven provisions		
TOTAL I	**(24,540)**	**1,969**
OTHER EQUITY		
Proceeds from issues of equity securities		
Conditional advances (note 4.3.7.1)	15,825	14,507
TOTAL II	**15,825**	**14,507**
PROVISIONS		
Provisions for contingencies	186	140
Provisions for losses (notes 4.3.4 and 4.3.7.6)	995	1,029
TOTAL III	**1,181**	**1,168**
LIABILITIES[1]		
Debt		
Convertible bonds		
Other bonds		
Bank loans and borrowings	46,670	46,098
Bank overdrafts		
Sundry loans and borrowings (note 4.3.5)	9,909	9,260
Advances and downpayments received on orders in progress		
Accounts payable (note 4.3.5)		
Trade notes and accounts payable	6,665	6,526
Tax and social security payables	5,667	5,704
Amounts payable on non-current assets and other		
Other payables		
ACCRUAL ACCOUNTS		
Prepaid income[1] (note 4.3.7.4)	3,102	
TOTAL IV	**72,013**	**67,587**
Unrealized foreign exchange gains	10	6
TOTAL V	**10**	**6**
Grand total (I+II+III+IV+V)	**64,489**	**85,237**
[1] *Liabilities and prepaid income due in less than one year.*	19,137	14,867

3.2 INCOME STATEMENT

Income statement *(in thousands of euros)*	6 months ended June 30, 2023			6 months ended June 30, 2022	12 months ended Dec. 31, 2022
	France	Export	Total	Total	Total
OPERATING INCOME					
Sale of goods for resale				3	7
Production sold – goods	133	420	553	-	338
Production sold – services	-	-	-	-	-
NET REVENUE	**133**	**420**	**553**	**3**	**345**
Inventoried production			1,905	(1,970)	(3,094)
Capitalized production					
Operating grants			6	123	132
Reversals of impairment, depreciation/amortization and provisions, expense transfers			7,681	9,774	11,587
Other income			25	17	27
TOTAL OPERATING INCOME (I)			**10,169**	**7,947**	**8,997**
OPERATING EXPENSES					
Purchases of goods for resale			901	1,936	3,148
Change in inventories (goods for resale)			(851)	(1,870)	(2,948)
Purchases of raw materials and other supplies			4,010	3,366	7,504
Change in inventories (raw materials and other supplies)			(1,211)	(998)	(1,238)
Other purchases and external expenses			12,389	11,795	22,353
Taxes, duties and other levies			200	247	471
Wages and salaries			8,062	7,541	14,713
Social security contributions			3,668	3,240	6,187
Depreciation/amortization and impairment					
of non-current assets: depreciation/amortization (note 4.3.2)			825	762	1,680
of non-current assets: impairment			-	-	-
of current assets: impairment			7,284	6,566	7,786
Additions to provisions (note 4.3.4)			287	143	611
Other expenses			498	301	652
TOTAL OPERATING EXPENSES (II)			**36,063**	**33,028**	**60,919**
1 – NET OPERATING EXPENSE (I-II)			**(25,894)**	**(25,081)**	**(51,922)**
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			262	-	-
Reversals of impairment and provisions, expense transfers			0	-	-
Foreign exchange gains			1	13	25
Net income on sales of marketable securities			-	-	-
TOTAL (V)			**263**	**13**	**25**
FINANCIAL EXPENSES					
Depreciation/amortization, impairment and provisions			0	1	-
Interest expense			1,990	1,882	3,820
Foreign exchange losses			12	17	52
Net expenses on sales of marketable securities			-	-	-
TOTAL (VI)			**2,003**	**1,900**	**3,872**
2 – Net financial expense (V-VI)			**(1,739)**	**(1,887)**	**(3,848)**
3 – Recurring expense before tax (I-II+III-IV+V-VI)			**(27,633)**	**(26,968)**	**(55,770)**
Non-recurring income (note 4.4.5)					
Non-recurring income on management transactions			42	89	92
Non-recurring income on corporate actions			38	110	142
Reversals of impairment and provisions, expense transfers			-	-	-
TOTAL (VII)			**80**	**200**	**234**
NON-RECURRING EXPENSES (NOTE 4.4.5)					
Non-recurring expenses on management transactions			36	25	50
Non-recurring expenses on corporate actions			38	77	90
Depreciation/amortization, impairment and provisions			0	67	67
TOTAL (VIII)			**74**	**169**	**208**
4 – NET NON-RECURRING INCOME (VII-VIII)			**6**	**30**	**27**
Employee profit-sharing (IX)			-	-	-
Income tax (X) (note 4.4.4)			(954)	(947)	(2,062)
TOTAL INCOME (I+III+V+VII)			**10,512**	**8,160**	**9,255**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)			**37,185**	**34,151**	**62,937**
5 – NET LOSS (TOTAL INCOME – TOTAL EXPENSES)			**(26,673)**	**(25,990)**	**(53,681)**

4 NOTES TO THE 2023 INTERIM FINANCIAL STATEMENTS

The following sections contain notes to the balance sheet at June 30, 2023, which shows total assets of €64.489 million, and to the income statement for the six months then ended, presented in list form and showing €0.6 million in revenue and a net loss of €26.673 million.

The reporting period covers the six months from January 1, 2023 to June 30, 2023.

The notes and tables presented below are an integral part of the financial statements for the six months ended June 30, 2023, as authorized for issue by the Board of Directors on September 21, 2023. They are presented in thousands of euros unless otherwise stated.

4.1 SIGNIFICANT EVENTS DURING THE PERIOD

Activity

Carmat generated €0.6 million in revenue in the first half of 2023, corresponding to the sale of three Aeson® artificial hearts – two for commercial implants in Italy and Germany and one for an implant as part of the EFICAS clinical study in France.

Supply problems slowed down the Company's planned ramp-up in production, resulting in only a very limited number of prostheses being available for implantation during the period. The vast majority of these difficulties were resolved by the end of June, enabling the Company to now forecast an output of 60 to 70 artificial hearts in 2023, and revenue of €4 million to €6 million in the second half of 2023.

During the first half of 2023, the Company also began work on expanding its production capacity, which will enable it to raise its capacity to 500 hearts a year by the end of 2023.

Financing

During the period, the Company received a total of €5.1 million in financing (grants and a repayable advance), including €3.3 million for the first tranche of a €13.2 million blended financing package awarded during the first half of 2023 under the "France 2030" plan. The total €13.2 million in financing will be received in four tranches over 2023-2026.

Also in the first half of 2023, the Company began its repayments of the €5 million government-guaranteed loan taken out in the fourth quarter of 2020 with BNP Paribas.

Based on the Company's current business plan and taking into account the amounts required to honor all of its contractual repayment maturities, Carmat's confirmed financial resources[11] should enable it to fund its business until end-October 2023. The Company is actively working on various financing options in order to secure in the short term the financial resources it requires in order to continue as a going concern beyond that date[12].

Net loss

The Company reported a €26.7 million net loss for the first half of 2023, on a par with the €26.0 million net loss recorded for first-half 2022.

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 authorized for issue by the Board of Directors on September 21, 2023.

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.

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[11] Including cash and cash equivalents at June 30, 2023 and the €0.9 million balance of the 2022 research tax credit due to be received by the end of October 2023.
[12] See Section 4.2.1 for the factors underlying the going concern principle used by the Board of Directors.

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, 2023 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

Given its stage of development, Carmat is not yet cashflow positive, and based on its current business plan, does not expect to be self-financing for several years yet. At this stage, it is therefore dependent on external financing (capital increases, borrowings, grants and other types of financing).

Based purely on its current confirmed financial resources, the Company can fund its business activity (on the basis of its updated business plan) until the end of October 2023 without the need for any further financing.

The Company's confirmed financial resources include[13]:

- €23.8 million in cash and cash equivalents at June 30, 2023;
- the €0.9 million balance of the 2022 research tax credit due to be received by October 2023.

Carmat's updated business plan for the second half of 2023 is based on the assumptions that the Company will:

- meet all contractual maturities of its loans, and more generally all maturities of its operating payables;
- face no major disruptions in its production chain, therefore enabling the production and availability of a sufficient number of implantable prostheses to ensure sales levels and the continuation of the planned clinical trials (corresponding to revenues of €4 to €6 million in the second half of 2023).

If the Company is unable to access any additional financing, it would have a funding shortfall starting in November 2023, which could reach between €10 million and €15 million by December 31, 2023, and then grow by around €30 million[14] and €20 million in the first and second quarters of 2024, respectively.

Based on the progress of its project, the results of its clinical trials, the CE marking obtained in December 2020, the volumes of Aeson® sales already achieved, the positive feedback it has received and the interest shown by the medical community for its device, as well as its output potential and all other information in its possession, the Company considers that, as things stand, the probability that it will be unable to source the funds it needs to continue as a going concern is fairly low. However, such a risk cannot be completely ruled out, particularly in view of the current geopolitical, economic and financial context, which could in the short term make it more difficult for Carmat to secure the financing it requires. In addition, securing such financing is partly contingent on the Company successfully rolling out its business plan, especially in terms of sales growth.

The Company has an ongoing active investor relations policy targeting both French and international investors, and is constantly on the lookout for new financing opportunities (equity, government support and other types of financing). It believes it can count on the support of a number of its main existing shareholders, and could, if necessary, temporarily reduce its cash-burn by implementing cost-saving measures. It also believes that as its production levels are now back on track, its sales momentum will gain significant pace as from the fourth quarter of 2023.

The Company expects to be able to gradually extend its cash runway to 12 months. This will take place over several stages: first, by completing in the very short-term transactions on which it is currently working actively and which should enable it to strengthen its equity and therefore continue as a going concern beyond October 2023; and subsequently by launching other complementary initiatives allowing it to extend its cash runway to at least mid-2024. On the basis on the above, the Board of Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of these financial statements. However, it is not certain that the Company will have access to these financings.

This gives rise to significant uncertainty that could cast doubt on the Company's ability to continue as a going concern. Indeed, if the Company is unable to secure the funds it needs, it may not be able to pay its debts and realize its assets in the normal course of its business.

[13] As a winner of the European Union's EIC Accelerator program, in December 2022, the Company was also awarded *optional* equity financing of up to €15 million, subject to an agreement between the two parties. As this amount is *not certain*, it has not been factored in the Company's funding horizon. In view of its discussions with EIC, which are still open, the Company thinks the probability of getting this amount is low.

[14] Including €15 million for repayment of the first tranche drawn down in 2019 on the loan taken out in 2018 with the EIB.

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 acquisition cost, 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

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.

Treasury shares acquired through the implementation of this liquidity agreement are recorded under financial assets. If necessary, an impairment loss is recognized based on Carmat's share price at the end of the reporting period.

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 *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 as operating income or expenses.

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 recognized 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 written down.

When the recoverable amount at the period-end (fair 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 on the assets side of the balance sheet, 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” item on the liabilities side of the balance sheet.

4.2.2.12 *Repayable advances made by public bodies*

Advances received from public bodies to finance the Company’s operations and repayable subject to conditions are shown in liabilities under “Other equity – Conditional advances”. The corresponding interest is shown in balance sheet liabilities under “Sundry loans and borrowings”.

4.2.2.13 *Grants*

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

4.2.2.15 *Provisions for losses*

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 warranty 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 warranty and/or when the warranty is extinguished.

A 20% social security levy on the value of free shares granted is payable by the Company when the shares vest for their beneficiaries. The Company therefore records a provision for losses for this amount prorated over the vesting period (i.e., the period between the grant date and the 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-contracting 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)	12 807	501	108
General plant, sundry fixtures and fittings	2 870		
Office and IT equipment, furniture	545		12
Property, plant and equipment in progress	1 508		1 470
TOTAL	**17 730**	**501**	**1 590**
Other financial assets(3)	738		2 310
TOTAL	**738**		**2 310**
Grand total	**20 540**	**501**	**3 900**

	Decreases		Gross value at end of period	Revaluation of original value at end of period
	Line to line transfers	Disposals - Retirements		
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)			13 416	
General plant, sundry fixtures and fittings			2 870	
Office and IT equipment, furniture			557	
Property, plant and equipment in progress	501		2 477	
TOTAL	**501**		**19 320**	
Other financial assets(3)		2 024	1 024	
TOTAL		**2 024**	**1 024**	
Grand total	**501**	**2 024**	**22 417**	

(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 the commissioning of the clean room at a total cost of €943,582. 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 9,477 treasury shares held in connection with the liquidity agreement, valued at €0.069 million, the liquidities not invested in treasury shares at the end of the period under the liquidity agreement for €0.040 million, and guarantee deposits of €0.916 million, 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	2,073			2,073
TOTAL	**2,073**			**2,073**
Technical plant, equipment and industrial tooling	8,905	684		9,588
General plant, sundry fixtures and fittings	1,672	112		1,784
Office and IT equipment, furniture	455	29		483
TOTAL	**11,031**	**825**		**11,856**
Grand total	**13,104**	**825**		**13,929**

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	5 920	3 074	1 862	7,131
Work in progress – goods	807	1 954	807	1,954
Semi-finished and finished goods	15 147	6 106	5 348	15,905
Goods for resale	6 195	919	69	7,045
TOTAL	**28 069**	**12 053**	**8 086**	**32,036**

(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	358	205	111	452
Work in progress – goods	500	760	500	760
Semi-finished and finished goods	9 775	6 287	6 500	9 562
Goods for resale	0			
TOTAL	**10 634**	**7 251**	**7 111**	**10 774**

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

- impairment related to the life cycle of items of inventory (€7.4 million);

- Impairment related to net realizable value (€3.0 million);

- additional impairment related to quality issues identified at the end of 2021 (€0.3 million).

A 10-point change in the portion of inventories intended for non-revenue-generating activities (clinical trials, training, R&D tests) would have a €1.0 million impact on the amount of impairment related to estimated intended use.

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]	102	70	22	150
Foreign exchange losses	37	36	37	36
Pension and similar obligations	336	55		390
Payroll taxes on AGAP free preference shares	693	127	215	605
TOTAL	**1,168**	**288**	**274**	**1,182**
Impairment of inventories and work in progress	10,634	7,251	7,111	10,774
Impairment of other receivables	319	33	254	98
TOTAL	**10,953**	**7,284**	**7,365**	**10,871**
Grand total	**12,121**	**7,572**	**7,640**	**12,053**
Of which operational additions and reversals:		7,572	7,640	

[1] This amount essentially comprises:
- provisions for employee disputes and breach of contract;
- provisions for commercial guarantees (see note 4.3.7.6).

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	420	420	
Total	**420**	**420**	

(in thousands of euros) **Other receivables**	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
Social security receivables	83	83	
Income tax[1]	1,948	994	954
Value-added tax	1,811	1,811	
Other taxes, duties and levies			
Sundry receivables	20	20	
Total	**3,863**	**2,909**	**954**

[1] Income tax receivable corresponds to the research tax credit for the first half of 2023, plus the balance of the 2022 research tax credit that remains due.

(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]	46,670	16,806	29,864	
Sundry loans and borrowings[2]	9,909		495	9,414
Trade notes and accounts payable	6,665	6,665		
Staff and related payables	2,583	2,583		
Social security payables	2,277	2,277		
Value-added tax	78	78		
Other taxes, duties and levies	728	728		
Total	**68,910**	**29,137**	**30,359**	**9,414**

[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 at the year-end on the repayable advances.

(in thousands of euros) **Breakdown of bank loans and borrowings**	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
EIB loan – principal[(1)]	30,000	10,000	20,000
EIB loan – accrued interest	7,115	4,216	2,899
BPI government-guaranteed loan – principal	5,000	1,250	3,750
BPI government-guaranteed loan – accrued interest	66	66	
BNP Paribas government-guaranteed loan – principal	4,484	1,269	3,215
BNP Paribas government-guaranteed loan – accrued interest	6	6	
Total	**46,670**	**16,806**	**29,864**

[(1)] 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

Classes of shares	**Par value in euros**	**Number of shares**				
		Opening	**Created**	**Canceled**	**Redeemed**	**Closing**
Ordinary shares	0.04	22,641,279	164,067			22,805,346
Preference shares	0.04	34,190	4,058	(200)		38,048
Total		**22,675,469**	**168,125**	**(200)**		**22,843,394**

Changes in the Company's share capital in the first half of 2023 are detailed in note 4.3.6.1 below.

4.3.6.1 *Changes in equity*

	Number of shares	Capital (€)	Additional paid-in capital (€)	Expenses (€)	Reserves (€)	Retained earnings/ (Losses carried forward) (€)	Net loss (€)	Investment grants (€)	Equity (€)
At December 31, 2022	***22,675,468***	**907,019**	**76,665,645**	**(6,935,501)**	**87,088**	**(15,227,807)**	**(53,681,491)**	**153,677**	**1,968,631**
Appropriation of net loss and partial transfer of losses carried forward[(1)]			(67,681,491)			14,000,000	53,681,491		
Net loss for the year							(26,673,462)		(26,673,462)
Cancellation of 2019-02 preference shares	*(200)*	(8)			8				
Issue of ordinary shares following conversion of AGAP 2019-02	*2,000*	80			(80)				
Settlement of fundraising expenses				1,498					1,498
Vesting of AGA 2022-01 February	*5,980*	239			(239)				
Vesting of AGA 2021-02	*58,500*	2,340			(2,340)				
Vesting of AGA 2021-01	*97,587*	3,903			(3,903)				
Vesting of AGAP 2022	*4,258*	170			(170)				
Award of AGA 2023 June – reserves			(25,478)		25,478				
Award of AGAP 2023 – reserves			(87)		87				
Subscription of Director BSA share warrants			90,460						90,460
Capital grant								94,061	94,061
Capital grant recognized in income								(21,433)	(21,433)
At June 30, 2023	***22,843,594***	**913,744**	**9,049,049**	**(6,934,003)**	**105,928**	**(1,227,807)**	**(26,673,462)**	**226,305**	**(24,540,245)**

[(1)] *As decided by the Combined Shareholders' Meeting of May 11, 2023.*

4.3.6.2 *Other securities giving access to the share capital – Stock options*

The 46,000 stock options granted on December 3, 2016, and the 46,000 stock options granted on April 1, 2019 (all exercisable for new ordinary shares) were forfeited on March 31, 2023 following the end of the beneficiary's directorship and employment contract. Consequently, there were no longer any outstanding stock options at June 30, 2023.

4.3.6.3 *Other securities giving access to the share capital – Free shares*

Free shares awarded during the period

The free share plan (AGA June 2023-01, AGA June 2023-02 and AGA June 2023-03) of June 26, 2023 led to the award of 636,962 ordinary shares (including 250,989 under the AGA June 2023-01, 194,463 under the AGA June 2023-02 and 191,330 under the AGA June 2023-03). These shares vest on the following dates: June 26, 2024 for the AGA June 2023-01 shares, which are subject to a two-year lock-up period; June 26, 2025 for the AGA June 2023-02 shares, which are subject to a one-year lock-up period; and June 26, 2024 for the AGA June 2023-03 shares, which are not subject to a lock-up period.

The preference share plan (AGAP 2023) of June 26, 2023 led to the award of 2,171 AGAP 2023 preference shares. Of these shares, 1,995 vest on June 26, 2024 and the remaining 176 vest on June 27, 2026. All of the shares can be converted into a maximum of 100 ordinary shares each as from June 26, 2026, based on the achievement of performance conditions.

Summary table of free shares

	AGAP/AGA shares awarded	AGAP/AGA shares forfeited	AGAP/AGA shares vested	AGAP shares vested and already converted into ordinary shares	AGAP shares 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 2017-03 (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	1,150	10,150	14,500	151,750	141,600
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	7880		7,680	2,000	76,800	69,120
AGAP 2019-03 (SM of March 28, 2019)	3,600	60	3,540		3,540		0	0
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 2021-02 (SM of May 12, 2021)	58,500		58,500	N/A	N/A	58,500	0	0
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		5,980	N/A	N/A	5,980	0	0
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	4,258	4,654	0	465,400	461,142

	AGAP/AGA shares awarded	AGAP/AGA shares forfeited	AGAP/AGA shares vested	AGAP shares vested and already converted into ordinary shares	AGAP shares 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)
AGA June 22-01 (SM of May 11, 2022)	97,587			N/A	N/A	97,587	0	0
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
AGA June 23-01 (SM of May 11, 2023)	250,989	0	0	N/A	N/A		250,989	250,989
AGA June 23-02 (SM of May 11, 2023)	194,643	0	0	N/A	N/A		194,643	194,643
AGA June 23-03 (SM of May 11, 2023)	191,330	0	0	N/A	N/A		191,330	191,330
AGAP 2023 (SM of May 11, 2023)	2,171	0	0	0	0		217,100	217,100
Total	**1,213,747**					**315,517**	**2,474,435**	**2,439,907**

(a) *Assuming that (i) all AGAP shares awarded and not forfeited are converted into ordinary shares, less any ordinary shares already issued, and (ii) all AGA shares awarded vest for their beneficiaries, less those already vested.*

(b) Representing a maximum dilution of 10.7% compared to the existing capital.

4.3.6.4 *Other securities giving access to the share capital – Share warrants (BSA)*

Share warrants awarded during the period

20,000 share warrants were awarded on February 21, 2023 to the Chairman of the Board of Directors, Alexandre Conroy, who subscribed for all of these warrants in June 2023, at a price of €4.523 per warrant.

6,000 share warrants were awarded on June 26, 2023 to Thérabel Invest, an independent corporate director of the Company, which subscribed for all of these warrants after the end of the reporting period, on August 29, 2023, at a price of €3.318 per warrant.

Summary table of BSA share warrants

	Issued	Subscribed	Forfeited	Reserve	Exercised	Balance	% of existing share capital	Expiry date
BSA 2017 (SM of April 27, 2017)	12,000	12,000				12,000	0.05%	May 15, 2027
BSA 2018 (SM of April 5, 2018)	10,000	10,000				10,000	0.04%	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	0.05%	June 14, 2031
BSA Feb. 2023 (SM of May 11, 2022)	20,000	20,000				20,000	0.09%	Feb. 21, 2033
BSA June 2023 (SM of May 11, 2022)	6,000	0				6,000	0.03%	May 11, 2033

4.3.7 OTHER BALANCE SHEET DETAILS

4.3.7.1 *Conditional advances*

The "Conditional advances" line item comprises (i) repayable advances received from Bpifrance, which totaled €14,507,309 at June 30, 2023, with a contractual interest rate of 5.59%, and (ii) the "Plan Santé 2030" repayable advance amounting to €1,317,937, granted in April 2023, with a contractual interest rate of 3.56%.

The interest accrued, calculated using the capitalization method, stood at €9.909 million at the period-end and is recorded 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	81
Total	**81**

4.3.7.3 *Accrued expenses*

(in thousands of euros) **Amount of accrued expenses included in the following balance sheet items**	**Value**
Royalties	8
Bank loans and borrowings	17,096
Sundry loans and borrowings	9,909
Trade notes and accounts payable	3,642
Tax and social security payables	3,764
Total	**34,418**

4.3.7.4 *Prepaid expenses and income*

(in thousands of euros) **Prepaid expenses**	**Value**
Operating expenses	1,355
Total	**1,355**

Prepaid expenses include the portion of rent, software license fees, insurance premiums and other fees already paid but relating to the period after June 30, 2023.

(in thousands of euros) **Prepaid income**	**Value**
Operating income	3 102
Total	**3 102**

Prepaid income includes:

- the first tranche (€1.1 million) of the total €2.5 million grant awarded to Carmat at end-2022 for its winning proposal in the European Union's "EIC Accelerator" funding program;
- the grant part of the first tranche (€2.0 million) of the €13.2 million blended financing package awarded to Carmat in April 2023 under the "France 2030" plan (see Section 2.1.3).

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	14

The related companies taken into account, which are all part of Airbus Group, are as follows:
- Matra Défense;
- Ségula Matra Automotive.

4.3.7.6 *Provisions for losses*

Preference shares

At June 30, 2023, a provision for losses of €0.605 million had been recorded for the 20% social security levy due on free shares awarded but not yet 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: €7.21 (closing price on June 30, 2023);

- 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 amounted to €0.022 million at June 30, 2023.

4.4 ADDITIONAL INFORMATION ON THE INCOME STATEMENT

4.4.1 Sales

The Company recorded €0.553 million in revenue for the first half of 2023, corresponding to the sale of three Aeson® prostheses.

4.4.2 Operating grants

The Company recognized income of €0.006 million in first-half 2023 corresponding to “young-apprentice” grants received.

4.4.3 Applied research and development costs

Research and development expenditure represented €7.512 million in first-half 2023.

4.4.4 Research tax credit

The income statement for the first half of 2023 shows a research tax credit for an estimated €0.954 million, calculated using the same methods as in prior years.

4.4.5 Non-recurring income and expenses

(in thousands of euros) **Description**	**6 months ended June 30, 2023**	**12 months ended Dec. 31, 2022**	**6 months ended June 30, 2022**
Non-recurring income			
• Various adjustments	42	92	90
• Portion of investment grants transferred to income	21		71
• Disposal of assets			
• Disposal of treasury shares	17	142	39
Total	**80**	**234**	**200**
Non-recurring expenses			
• Various adjustments	34	50	23
• Disposal of assets			
• Disposal of treasury shares	38	90	77
• Fines and penalties	1		2
• Non-recurring depreciation/amortization		67	67
Total	**74**	**208**	**170**

4.4.6 Information on related companies

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

(in thousands of euros) **Description**	**6 months ended June 30, 2023**
Other purchases and external expenses	90

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*

The Company has received a €14,507,309 repayable advance under the framework agreement with Bpifrance, on which the accrued interest amounted to €9,908,873 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.

In April 2023, Carmat was granted a €13.2 million blended financing package under the “France 2030” plan, including a €5.3 million advance that is repayable if the project is successful. Out of this €5.3 million, €1.3 million has already been received and was therefore recognized on the liabilities side of the balance sheet at June 30, 2023 (under “Conditional advances”). No interest was recognized for the first half of 2023 as the amount was received on the last day of the six-month reporting period.

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 has undertaken 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.

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). An amount of €8,209 due for first-half 2023 under this royalties agreement was recognized in the period.

4.5.1.2 *Commitments received*

None.

4.5.1.3 *Pension and retirement benefit obligations*

The Company has not signed any specific agreements on retirement benefit obligations. These are therefore limited to the lump-sum payment due on retirement as provided for in the applicable collective bargaining agreement.

In application of the reference method 1 in ANC recommendation 2013-02, the provision for retirement benefit obligations was recognized at June 30, 2022.

The overall amount of the provision was €0.390 million at the reporting date, an increase of €0.055 million in the period.

4.5.2 Other information

4.5.2.1 *Cash flow statement*

(in thousands of euros)	6 months ended June 30, 2023	6 months ended June 30, 2022	12 months ended Dec. 31, 2022
NET OPERATING EXPENSE	(25,894)	(25,081)	(51,922)
ELIMINATION OF INCOME AND EXPENSES WITH NO CASH IMPACT			
Depreciation/amortization and provisions	8,046	7,539	10,077
Reversals of depreciation/amortization and provisions	(7,290)	(9,774)	(11,561)
Gains or losses on disposals of assets			
Operating items with no cash or financial impact	9	(71)	5
NON-OPERATING INCOME WITH AN IMPACT ON CASH OR CASH FLOW FROM OPERATIONS	(2)	1,140	2,074
CASH FLOW FROM OPERATIONS BEFORE CHANGE IN WORKING CAPITAL	**(25,130)**	**(26,247)**	**(51,327)**
Tax and social security payables	37	(562)	876
Trade payables	139	(1,323)	(1,847)
Other payables			14
Prepaid income			0
Inventories and work in progress	(3,967)	(898)	(1,093)
Advances and downpayments paid on orders	(1,324)	139	(328)
Other receivables	(278)	(1,014)	(101)
Trade receivables	(26)	200	70
Prepaid expenses	(107)	(589)	(638)
CHANGE IN WORKING CAPITAL	**(5,526)**	**(4,047)**	**(3,047)**
NET CASH USED IN OPERATING ACTIVITIES	**(30,656)**	**(30,293)**	**(54,375)**
Acquisitions of property, plant and equipment and intangible assets	(1,590)	(1,114)	(1,748)
Proceeds from disposals of property, plant and equipment and intangible assets			
Other changes in non-current assets		35	(242)
NET CASH USED IN INVESTING ACTIVITIES	**(1,590)**	**(1,079)**	**(1,990)**
Capital increase	7	39,510	69,046
Increase in repayable advances	1,318		
Repayment of repayable advances (including interest)			
New borrowings			
Repayment of bank loans and borrowings (including interest)	(771)	(153)	(481)
Subscription of BSA share warrants	90		
Grants received	3,801	242	
Dividends paid			
Purchase/disposal of treasury shares[1]	22	(52)	37
Interest received	198		
NET CASH FROM FINANCING ACTIVITIES	**4,665**	**39,548**	**68,601**
CHANGE IN CASH AND CASH EQUIVALENTS	**(27,581)**	**8,176**	**12,237**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**51,427**	**39,191**	**39,191**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**(23,846)**	**47,367**	**51,427**

(1) Under the liquidity agreement.

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 (disclosure required in accordance with 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 amounted to €0.064 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 €0.628 million for the period and breaks down as follows:

(in thousands of euros) **Management compensation**	**6 months ended June 30, 2023**	**6 months ended June 30, 2022**
Gross salaries	289	268
Benefits in kind	5	5
Bonuses	334	155
Total compensation	**628**	**428**

4.5.2.3 *Increases and decreases in future tax liabilities*

(in thousands of euros) **Description of temporary differences**	**Value**
Tax loss carryforwards	433,159

This amount comprises:

- the tax loss generated in fiscal years prior to 2022, amounting to €374.240 million;
- the tax loss generated in 2022 in an amount of €58.919 million.

It does not include the tax loss recorded for the first half of 2023.

4.5.2.4 *Headcount at the reporting date*

Salaried staff	**June 30, 2023**	**June 30, 2022**
Managers	135	128
Supervisors and technicians	38	35
Administrative employees	4	8
Total[1]	**177**	**171**

[1] *Excluding temporary workers.*