CARMAT

2023 annual financial statements

THIS IS A FREE TRANSLATION INTO ENGLISH OF THE 2023 FINANCIAL STATEMENTS INCLUDED IN SECTION 3.2 OF CARMAT'S 2023 URD ('DOCUMENT D'ENREGISTEREMENT UNIVERSEL 2023') PUBLISHED IN FRENCH ON APRIL 30,2024.

THIS TRANSLATION IS PROVIDED SOLELY FOR THE CONVINIENCE OF ENGLISH-SPEAKING READERS.

THE 2023 URD ('DOCUMENT D'ENREGISTREMENT UNIVERSEL 2023') IS AVAILABLE ON THE COMPANY'S AND AMF (AUTORITÉ DES MARCHÉS FINNACIERS) WEBSITES.

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1.1. 2023 FINANCIAL STATEMENTS

INCOME STATEMENT

Income statement *(in thousands of euros)*	France	Year ended Dec. 31, 2023 Export	Total	Year ended Dec. 31, 2022 Total
OPERATING INCOME				
Sale of goods for resale	0			7
Production sold – goods (note 1.2.5)	1,327	1,470	2,797	338
Production sold – services	-	-		
NET REVENUE	**1,327**	**1,470**	**2,797**	**345**
Inventoried production			6,001	(3,094)
Capitalized production				
Operating subsidies (note 1.2.5)			1,040	132
Reversals of impairment, depreciation/amortization and provisions, expense transfers			8,707	11,587
Other income			51	27
TOTAL OPERATING INCOME (I)			**18,596**	**8,997**
OPERATING EXPENSES				
Purchases of goods for resale (including customs duties)			1,202	3,148
Change in inventories (goods for resale)			(988)	(2,948)
Purchases of raw materials and other supplies			8,958	7,504
Change in inventories (raw materials and other supplies)			(3,171)	(1,238)
Other purchases and external expenses			27,818	22,353
Taxes, duties and other levies			390	471
Wages and salaries			14,669	14,713
Social security contributions			6,961	6,187
Depreciation/amortization and impairment				
- of non-current assets: depreciation/amortization (note 1.2.4.2)			1,694	1,680
- of non-current assets: impairment				
- of current assets: impairment			11 545	7,786
Additions to provisions for contingencies and losses			1,312	611
Other expenses			726	652
TOTAL OPERATING EXPENSES (II)			**71,116**	**60,919**
1 – NET OPERATING INCOME (EXPENSE) (I-II)			**(52,519)**	**(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			373	
Reversals of impairment and provisions, expense transfers			0	

Foreign exchange gains	3	25
Net income on sales of marketable securities		
TOTAL (V)	**375**	**25**
FINANCIAL EXPENSES		
Depreciation/amortization, impairment and provisions		0
Interest expense	3,421	3,820
Foreign exchange losses	28	52
Net expenses on sales of marketable securities		
TOTAL (VI)	**3,449**	**3,872**
2 – NET FINANCIAL INCOME (EXPENSE) (V-VI)	**(3,074)**	**(3,848)**
3 – RECURRING INCOME (EXPENSE) BEFORE TAX (I-II+III-IV+V-VI)	**(55 593)**	**(55,770)**
Non-recurring income (note 1.2.5)		
Non-recurring income on management transactions	41	92
Non-recurring income on corporate actions	210	142
Reversals of impairment and provisions, expense transfers		
TOTAL (VII)	**251**	**234**
NON-RECURRING EXPENSES (NOTE 1.2.5)		
Non-recurring expenses on management transactions	123	50
Non-recurring expenses on corporate actions	98	90
Depreciation/amortization, impairment and provisions	3	67
TOTAL (VIII)	**225**	**208**
4 – NET NON-RECURRING INCOME (EXPENSE) (VII-VIII)	**26**	**27**
Employee profit-sharing (IX)		
Income tax (X) (note 1.2.5)	(1,698)	(2,062)
TOTAL INCOME (I+III+V+VII)	**19,223**	**9,255**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	**73,092**	**62,937**
5 – NET PROFIT (LOSS) (TOTAL INCOME – TOTAL EXPENSES)	**(53,869)**	**(53,681)**

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BALANCE SHEET

Assets *(in thousands of euros)*	Dec. 31, 2023			Dec. 31, 2022
	Gross	Depreciation, amortization and impairment	Net	Net
UNCALLED SUBSCRIBED CAPITAL (TOTAL I)				
Non-current assets				
Intangible assets (notes 1.2.4.1 and 1.2.4.2)				
Start-up costs				
Development costs				
Licenses, patents and similar rights	2,073	2,073	0	
Goodwill[1]				
Intangible assets not yet available for use	72		72	
Advances and downpayments				
Property, plant and equipment (notes 1.2.4.1 and 1.2.4.2)				
Land				
Buildings				
Technical plant, equipment and tooling	13,801	10,275	3,526	3,903
Other property, plant and equipment	4,835	2,203	2,632	1,288
Property, plant and equipment in progress	3,794		3,794	1,508
Advances and downpayments				
Financial assets[2] (notes 1.2.4.1 and 1.2.4.2)				
Equity-accounted investments				
Other equity interests				
Other long-term investments				
Loans				
Other financial assets	613		613	737
TOTAL II	**25,187**	**14,550**	**10,637**	**7,436**
Current assets				
Inventories and work in progress (note 1.2.4.3)				
Raw materials, supplies	9,091	818	8,273	5,562
Work in progress – goods	2,562	878	1,684	307
Semi-finished and finished goods	19,394	10,174	9,220	5,372
Goods for resale	7,182	2,415	4,767	6,195
Advances and downpayments on orders	4,071		4,071	3,994
Receivables[3]				
Trade notes and accounts receivable	1,348		1,348	140
Other receivables (note 1.2.4.5)	3,941	144	3,797	3,520
Share capital subscribed, called and unpaid				
Marketable securities				
Cash instruments				
Cash	8,013		8,013	51,427
Prepaid expenses[3] (note 1.2.4.9)	1,222		1,222	1,248
TOTAL III	**56,823**	**14,429**	**42,394**	**77,764**
ACCRUAL ACCOUNTS				
Deferred loan issuance costs (IV)				
Bond redemption premiums (V)				
Unrealized foreign exchange losses (VI)	38		38	37
GRAND TOTAL (I+II+III+IV+V+VI)	**82,049**	**28,979**	**53,069**	**85,237**
[1] *Including lease rights.*				
[2] *Of which are due in less than one year.*			*115*	*344*
[3] *Of which are due in more than one year.*				

Equity and liabilities *(in thousands of euros)*	**Dec. 31, 2023**	**Dec. 31, 2022**
EQUITY (note 1.2.4.6)		
Share capital (of which paid-up: €991,521)	992	907
Additional paid-in capital	9,038	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 profit (loss) for the year	**(53,869)**	**(53,681)**
Investment subsidies	1,199	154
Tax-driven provisions		0
TOTAL I	**(43,762)**	**1,969**
OTHER EQUITY		
Proceeds from issues of equity securities		0
Conditional advances (note 1.2.4.9)	16,825	14,507
TOTAL II	**16,825**	**14,507**
PROVISIONS		
Provisions for contingencies (note 1.2.4.4)	798	140
Provisions for losses (notes 1.2.4.4 and 1.2.4.9)	1,096	1,029
TOTAL III	**1,894**	**1,168**
LIABILITIES[(1)]		
Debt		
Convertible bonds		
Other bonds		
Bank loans and borrowings	47,709	46,098
Bank overdrafts		0
Sundry loans and borrowings (note 1.2.4.5)	9,940	9,260
Advances and downpayments received on orders in progress		
Accounts payable (note 1.2.4.5)		
Trade notes and accounts payable	9,608	6,526
Tax and social security payables	5,928	5,704
Amounts payable on non-current assets and other		
Other payables	4,908	0
ACCRUAL ACCOUNTS		
Deferred income[(1)]		
TOTAL IV	**78,094**	**67,587**
Unrealized foreign exchange gains	18	6
TOTAL V	**18**	**6**
GRAND TOTAL (I+II+III+IV+V)	**53,069**	**85,237**
[(1)] Liabilities and deferred income due in less than one year.	*37,616*	*14,867*

CASH FLOW STATEMENT

Cash flow statement *(in thousands of euros)*	Year ended Dec. 31, 2023	Year ended Dec. 31, 2022
NET OPERATING EXPENSE	(52,519)	(51,922)
ELIMINATION OF INCOME AND EXPENSES WITH NO CASH IMPACT OR UNRELATED TO OPERATIONS		
Depreciation/amortization and provisions	14,551	10,077
Reversals of depreciation/amortization and provisions	(8,656)	(11,561)
Change in expenses on share-based payment plans		
Gains or losses on disposals of assets		
Operating items included in cash flow from (used in) financing activities	(1,028)	5
OTHER ITEMS WITH AN IMPACT ON CASH OR CASH FLOW FROM OPERATIONS	1,619	2,074
CASH FLOW FROM OPERATIONS BEFORE CHANGE IN WORKING CAPITAL	**(46,033)**	**(51,327)**
CHANGE IN WORKING CAPITAL	**(7,446)**	**(3,047)**
NET CASH USED IN OPERATING ACTIVITIES	**(53,479)**	**(54,375)**
Acquisitions of property, plant and equipment and intangible assets	(5,026)	(1,748)
Proceeds from disposals of property, plant and equipment and intangible assets		
Other changes in non-current assets	110	(242)
NET CASH USED IN INVESTING ACTIVITIES	**(4,915)**	**(1,990)**
Capital increases	6,983	69,046
Increase in repayable advances	2,318	
Repayment of repayable advances (including interest)		
New borrowings		
Repayment of bank loans and borrowings (including interest)	(1,100)	(481)
Subscription of BSA share warrants	110	
Subsidies received	6,340	
Financial income received and financial expenses paid	315	
Purchase/disposal of treasury shares[1]	15	37
NET CASH FROM FINANCING ACTIVITIES	**14,981**	**68,601**
CHANGE IN CASH AND CASH EQUIVALENTS	**(43,414)**	**12,237**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**51,427**	**39,191**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**8,013**	**51,427**

(1) Under the liquidity agreement.

1.2. NOTES TO THE 2023 FINANCIAL STATEMENTS

Notes to the balance sheet at December 31, 2023, which shows total assets of €53.069 million, and to the income statement for the year then ended, presented in list form and showing total revenue of €2.797 million and a net loss of €53.869 million.

The financial statements cover the 12-month period to December 31, 2023, and the comparative 12-month period to December 31, 2022.

The notes and tables presented below are an integral part of the financial statements for the year ended December 31, 2023 as approved by the Board of Directors on April 22, 2024. They are presented in thousands of euros unless otherwise stated.

1.2.1 Significant events during the year

Activity

Carmat generated €2.8 million in revenue in 2023, corresponding to the sale of 17 Aeson® artificial hearts – seven for commercial implants in Italy and Germany and ten as part of the EFICAS clinical study in France. Of these 17 sales, 11 were made in the last quarter of 2023, demonstrating solid sales momentum in the latter part of the year.

Note that in the first half of 2023 sales of Aeson® implants were held back by the fact that only a small number of artificial hearts were available during the period due to supply problems, which delayed the ramp-up in production initially planned by the Company. Production levels gradually returned to normal from the summer onwards.

The Company rolled out measures to expand its production capacity, with a second production facility coming on stream at the Bois d'Arcy plant, enabling Carmat to produce 500 hearts a year as from early 2024.

The Company also accelerated enrollment in the EFICAS clinical study conducted in France, with 10 enrollments in 2023, bringing the total number of patients treated in this study to 11 at December 31, 2023 (it should be remembered that a total of 52 patients are planned to be enrolled in the EFICAS study).

Cash and financing

In 2023, the Company received a total of €8.7 million in financing, including (i) €5.8 million in subsidies and repayable advances under the €13.2 million blended financing package awarded during the first half of the year under the "France 2030" plan[1]; (ii) €2.1 million of a €2.5 million subsidy from the European Innovation Council (EIC)[2]; and (iii) €0.7 million under a €1.4 million grant awarded to the Company as part of the "France Relance" stimulus program.

In October, the Company completed €7 million in fundraising (capital increase) through a private placement with three of its major shareholders (Lohas, Sante Holdings and Therabel Invest).

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 its cash position at December 31, 2023 (€8.0 million), before any agreements to reschedule its debt and assuming no new borrowings are taken out, as of the end of 2023 the Company was able to fund its operations up to January 2024 only.

Carmat has since:

- carried out a capital increase by way of a public offering in January 2024 for a gross amount of €16.5 million;
- secured a debt rescheduling agreement in March 2024 with its financial creditors (EIB, BNPP and Bpifrance) for all of its loans.

In view of the above, and according to its current business plan, Carmat's confirmed financial resources should enable it to fund its business operations until mid-May 2024. The Company estimates its financing requirements over the next 12 months at approximately €45 million[3].

Carmat continues to work very actively on other initiatives to strengthen its equity and alleviate its cash constraints in the short term.

Net profit (loss)

The Company reported a €53.9 million net loss for 2023, stable versus 2022 (€53.7 million net loss).

Based on its current business plan, the Company estimates that it could reach break-even in 2027.

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[1] The €13.2 million in financing will be paid in several tranches based on the achievement of milestones over the period 2023-2026.
[2] Subsidy awarded in 2022.

[3] See section 1.2.3 of this report for the factors underlying the going concern principle used by the Board of Directors.

1.2.2 Significant events after the reporting date

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

However, the reader's attention is drawn to the fact that in January 2024, the Company raised gross funds of €16.5 million, and that in March 2024, it secured a debt rescheduling agreement with its financial creditors for all of its bank loans[4].

1.2.3 Significant accounting policies

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*) 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 year ended December 31, 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, subsidies and other types of financing).

Given its cash position at December 31, 2023 (€8 million), before any agreements to reschedule its debt and assuming no new fundings, as of the end of 2023 the Company was able to fund its operations up to January 2024 only.

The Company has since:

- carried out a capital increase by way of a public offering in January 2024 for a gross amount of €16.5 million;
- signed a debt rescheduling agreement for all of its loans with its financial creditors (EIB, BNPP and Bpifrance) in March 2024.

In view of these developments after the end of the reporting period, and according to its current business plan, Carmat's confirmed financial resources should enable it to fund its business operations until mid-May 2024. The Company estimates its financing requirements over the next 12 months at approximately €45 million.· If the Company had no access to any additional financing, it would therefore have a funding shortfall starting in May 2024.

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, it should be able to source the funds it needs to continue as a going concern in the next few months and years. However, the risk of Carmat failing to do so 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.

Accordingly, 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 short term a capital increase which should enable it to strengthen its cash position and continue as a going concern beyond May 2024, and subsequently by launching other complementary initiatives (including one or more further capital increases) enabling it to further extend its cash runway, bearing in mind that the expected growth in the Company's sales should enhance Carmat's attractiveness in the eyes of investors, and thereby help it secure new financing in the coming months and years. The Company will also adopt strict financial discipline, reducing its cash burn for its operating and investing activities by around 20% between 2023 and 2024.

In this regard, 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 that it can also count, to some extent, on the support of some of its main existing shareholders.

Based on these factors, the Board of Directors believes that the going concern basis is appropriate. However, there is no guarantee that the anticipated financing will be available.

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[4] See section 1.2.4.5 for the impact of the rescheduling agreement on the Company's debt.

This gives rise to significant uncertainty, which could jeopardize the Company's ability to continue as a going concern. For example, if the Company is unable to secure the financing it needs, it may not be able to pay its debts and realize its assets in the normal course of business and could be placed in receivership (‘redressement judiciaire’) in the short or medium term.

Additional information

Applied research and development costs

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

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

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 but excluding costs incurred in their acquisition.

The methods and periods of amortization 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

Financial assets

OTHER LONG-TERM INVESTMENTS

Treasury shares acquired through the implementation of the liquidity agreement in force with Société Générale are recorded under financial assets at their purchase price. If necessary, an impairment loss is recognized based on the last official stock market price known prior to the end of the reporting period.

The gains or losses on disposals of treasury shares are recognized in non-recurring income or expense.

OTHER FINANCIAL ASSETS

These comprise:

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

Receivables and payables

Receivables and payables are carried 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.

Revenue

Sales are recognized when ownership is transferred to the customer.

Translation differences and foreign exchange gains and losses

Receivables and payables in foreign currencies are valued at the exchange rate prevailing at the reporting date. 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.

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. A breakdown is provided in note 1.2.4.3.

Cash in euros

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

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.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are defined as being:

- the asset items "Cash instruments" and "Cash and cash equivalents";
- less the "Bank overdrafts" liability item, 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. An analysis of cash according to this definition is provided in the footnote of the cash flow statement.

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".

Subsidies

If subsidies are tied to the achievement of specific milestones or programs, they are included in "Other payables" in the balance sheet when they are received.

1. If subsidies are contractually likely to have to be repaid in full if the subsidized program is not completed, they continue to be recorded under "Other payables" until the final milestone has been achieved, after which they are recorded:
    - either in income for the period as an operating subsidy if they relate to operating activities;
    - or on the liabilities side of the balance sheet as an investment subsidy if they relate to investments; portions of the subsidy will then be recorded as non-recurring income as and when the assets concerned by the subsidy are amortized.

2. Otherwise, when the milestones defined in the relevant contracts are achieved, they are recorded:

    - either in income for the year as an operating subsidy if they relate to operating activities;

- or on the liabilities side of the balance sheet as an investment subsidy if they relate to investments; portions of the subsidy will then be recorded as non-recurring income as and when the assets concerned by the subsidy are amortized.

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 in the balance sheet liabilities.

Provisions for losses

Warranty provision

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 matching principle for income and expenses set out in the French Chart of Accounts. 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.

Provision for social security levies on free shares

The Company periodically grants free shares to certain employees. 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.

Sub-contracting expenses

The progress of third-party sub-contracting agreements 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.

Share issue costs

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

Borrowing costs

Borrowing costs are expensed as incurred.

1.2.4 Additional information on the balance sheet

1.2.4.1 Movements in non-current assets

Non-current assets – gross value *(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			72
TOTAL	**2,073**		**72**
Technical plant, equipment and industrial tooling[2]	12,807	679	314
General plant, sundry fixtures and fittings	2,870	85	1,265
Office and IT equipment, furniture	545		321
Property, plant and equipment in progress	1,508		3,053
TOTAL	**17,730**	**764**	**4,954**
Other financial assets[3]	738		4,440
TOTAL	**738**		**4,440**
GRAND TOTAL	**20,540**	**764**	**9,465**

	Decreases		**Gross value at end of year**	**Revaluation of original value at end of year**
	Line to line transfers	**Disposals**		
Licenses, patents and similar rights[1]			2,073	
Intangible assets not yet available for use			72	
TOTAL			**2,145**	
Technical plant, equipment and industrial tooling[2]			13,801	
General plant, sundry fixtures and fittings		169	4,050	
Office and IT equipment, furniture		82	785	
Property, plant and equipment in progress	764	3	3,794	
TOTAL	**764**	**254**	**22,429**	
Other financial assets[3]		4,565	613	
TOTAL		**4,565**	**613**	
GRAND TOTAL	**764**	**4,819**	**25,187**	

[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 6,474 treasury shares held in connection with the liquidity agreement, valued at €0.041 million, the liquidities not invested in treasury shares at the reporting date under this agreement for €0.074 million, and guarantee deposits relating to Company leases totaling €0.498 million.

1.2.4.2 Movements in depreciation and amortization

Non-current assets – Depreciation and amortization (in thousands of euros)	**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	1,370		10,275
General plant, sundry fixtures and fittings	1,672	248	169	1,751
Office and IT equipment, furniture	455	79	82	452
TOTAL	**11,031**	**1,697**	**251**	**12,477**
GRAND TOTAL	**13,104**	**1,697**	**251**	**14,550**

1.2.4.3 Movements in inventories

Inventories – gross value *(in thousands of euros)*	**Value at start of period**	**Increases**	**Decreases**	**Value at end of period**
Raw materials, supplies	5,920	5,075	1,904	9,091
Work in progress – goods	807	6,198	4,443	2,562
Semi-finished and finished goods	15,147	5,825	1,578	19,394
Goods for resale	6,195	1,200	213	7,182
TOTAL	**28,069**	**18,298**	**8,138**	**38,229**

Inventories – impairment[1] *(in thousands of euros)*	**Value at start of period**	**Additions for the period**	**Decreases Reversals**	**Value at end of period**
Raw materials, supplies	358	601	141	818
Work in progress – goods	500	878	500	878
Semi-finished and finished goods	9,775	7,572	7,174	10,174
Goods for resale	0	2,415		2,415
TOTAL	**10,634**	**11,467**	**7,815**	**14,285**

[1]Impairment in 2023 breaks down as follows by type:

- impairment related to the life cycle of items of inventory (€10.6 million);

- impairment of inventories intended for non-revenue-generating activities (€3.7 million). A 10-point change in the portion of inventories intended for non-revenue-generating activities (clinical trials, training, R&D tests, etc.) would have a €1.4 million impact on the amount of impairment related to estimated intended use.

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1.2.4.4 Movements in provisions

Provisions *(in thousands of euros)*	**Value at start of period**	**Increases Additions**	**Decreases Utilized amounts**	**Decreases Surplus amounts**	**Value at end of period**
Sundry risks[1]	102	679	3	19	759
Foreign exchange losses	37	38	37		38
Pension and similar obligations[2]	336	172		35	473
Social security levies on free shares[3]	693	422	482	10	623
TOTAL	**1,168**	**1,312**	**522**	**64**	**1,894**
Impairment of inventories and work in progress	10,634	**11,467**	1,890	5,925	**14,285**
Impairment of other receivables	319	78	254		144
TOTAL	**10,953**	**11,545**	**2,144**	**5,925**	**14,429**
GRAND TOTAL	**12,121**	**12,857**	**2,666**	**5,989**	**16,323**
Of which operational additions and reversals:		12,857	2,666	5,989	
Of which financial additions and reversals:					

[1] In 2023, this amount essentially comprises:
- employee-related provisions;
- provisions for commercial warranties (see note 1.2.4.9).

[2] See note 1.2.6.

[3] See note 1.2.4.9.

1.2.4.5 Receivables and payables by maturity

Receivables by maturity *(in thousands of euros)*	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
Trade receivables	1,348	1,348	
TOTAL	**1,348**	**1,348**	

Other receivables *(in thousands of euros)*	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
Social security receivables	88	88	
Income tax[1]	1,890	1,890	
Value-added tax	1,860	1,860	
Other taxes, duties and levies			
Sundry receivables	103	31	72
TOTAL	**3,941**	**3,869**	**72**

[1] Income tax receivable corresponds to the research tax credit for 2023 (€1,758 million) and the remaining balance of the research tax credit for 2022 (€0.131 million).

Payables:

Payables by maturity *(in thousands of euros)*	**Gross amount**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**
Bank loans and borrowings(1)	47,706	19,145	28,561	
Interest due on current account	4	4		
Sundry loans and borrowings(2)	9,940		1,881	8,059
Trade notes and accounts payable	9,608	9,608		
Staff and related payables	2,368	2,368		
Social security payables	3,422	3,422		
Value-added tax	2	2		
Other taxes, duties and levies	136	136		
Other payables(3)	4,908	2,932	1,977	
TOTAL	**78,094**	**37,616**	**32,418**	**8,059**

(1) This amount corresponds to bank loans (see details below) and accrued interest payable to banks.
(2) This amount corresponds to the accrued interest on repayable advances from Bpifrance (€9.917 million) and on the repayable advance received under the "France 2030 (Health)" plan (€0.023 million).
(3) This amount mainly includes:
- €2.1 million representing the first two tranches of the €2.5 million subsidy awarded to Carmat at the end of 2022 as a winner of the European Union's "EIC Accelerator" program;
- €2.0 million of the subsidy forming part of the €13.2 million blended financing package awarded to Carmat in April 2023 under the "France 2030" plan.

It should be noted that movements in payables shown above do not take into account the debt rescheduling agreement secured by Carmat in March 2024 with its financial creditors (European Investment Bank [EIB], BNP Paribas and Bpifrance).

Including this agreement signed after the reporting date, movements in payables are as follows:

Movements in payables taking into account the debt rescheduling agreement secured in March 2024 *(in thousands of euros)*	**Gross amount**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**
Bank loans and borrowings(1)	47,706	240	47,466	
Interest due on current account	4	4		
Sundry loans and borrowings(2)	9,940		1,881	8059
Trade notes and accounts payable	9,608	9,608		
Staff and related payables	2,368	2,368		
Social security payables	3,422	3,422		
Value-added tax	2	2		
Other taxes, duties and levies	136	136		
Other payables(3)	4,908	2,932	1,977	
TOTAL	**78,094**	**18,711**	**51,324**	**8,059**

Bank loans and borrowings:

Breakdown of bank loans and borrowings[3] *(in thousands of euros)*	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
EIB loan – principal	30,000	10,000	20,000
EIB loan – accrued interest	8,204	4,720	3,484
BPI government-guaranteed loan – principal	5,000	2,500	2,500
BPI government-guaranteed loan – accrued interest	12	12	
BNP Paribas government-guaranteed loan – principal	4,484	1,907	2,576
BNP Paribas government-guaranteed loan – accrued interest	6	6	
TOTAL	**47,706**	**19,145**	**28,561**

[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.

The breakdown of loans and borrowings shown above does not take into account the debt rescheduling agreement secured by Carmat in March 2024 with its financial creditors (European Investment Bank [EIB], BNP Paribas and Bpifrance).

Including this agreement signed after the reporting date, the breakdown of loans and borrowings is as follows:

Breakdown of bank loans and borrowings[3] taking into account the debt rescheduling agreement secured in March 2024 *(in thousands of euros)*	**Gross amount**	**Due within 1 year**	**Due beyond 1 year**
EIB loan – principal	30,000	-	30,000
EIB loan – accrued interest	8,204	117	8,087
BPI government-guaranteed loan – principal	5,000	104	4,896
BPI government-guaranteed loan – accrued interest	12	12	
BNP Paribas government-guaranteed loan – principal	4,484	-	4,484
BNP Paribas government-guaranteed loan – accrued interest	6	6	
TOTAL	**47,706**	**240**	**47,466**

1.2.4.6 Share capital

Composition of the share capital

Class of shares	**Par value in euros**	**Number of shares**				
		Opening	**Created**	**Canceled**	**Redeemed**	**Closing**
Ordinary shares	0.04	22,641,279	2,108,509			24,749,788
Preference shares	0.04	34,190	4,258	200		38,248
TOTAL		**22,675,469**	**2,112,767**	**200**		**24,788,036**

The table below summarizes changes in the Company’s share capital in 2023:

	Number of preference shares	**Number of ordinary shares**	**Total number of shares**	**Share capital (€)**
At December 31, 2022	***34,190***	***22,641,279***	**22,675,469**	**907,018.76**
Conversion of AGAP 2019-02 free preference shares	*(200)*	*2,000*	1,800	72.00
Vesting of AGA 2022-01 free shares		*5,980*	5,980	239.20
Vesting of AGA 2021-02 free shares		*58,500*	58,500	2,340.00
Vesting of AGA 2022-01 free shares		*97,587*	97,587	3,903.48
Vesting of AGAP 2022 free preference shares	*4,258*		4,258	170.32
2023 fundraising (October)		*1,944,442*	1,944,442	77,777.68
At December 31, 2023	***38,248***	***24,749,788***	**24,788,036**	**991,521.44**

Changes in equity

	Number of shares	Capital	Additional paid-in capital	Additional paid-in capital expenses	Reserves	Retained earnings (losses carried forward)	Profit (loss)	Investment subsidies	Equity
At December 31, 2022	***22 675 469***	**907 019**	**76 665 645**	**(6 935 501)**	**87 088**	**(15 227 807)**	**(53 681 491)**	**153 677**	**1 968 631**
Allocation of net loss and partial transfer of losses carried forward[1]			(67 681 491)			14 000 000	53 681 491		
Net profit (loss) for the period							(53 869 151)		**(53 869 151)**
Conversion of AGAP 2019-02 into ordinary shares[2]	*1 800*	72			(72)				
Settlement of additional paid-in capital expenses				1 498					**1 498**
Vesting of AGA 2022-01 free shares[2]	*5 980*	239			(239)				
Vesting of AGA 2021-02 free shares[2]	*58 500*	2 340			(2 340)				
Vesting of AGA 2022-01 free shares[2]	*97 587*	3 903			(3 903)				
Vesting of AGAP 2022-2 free preference shares[2]	*4 258*	170			(170)				
Award of AGA June 2023 free shares[2]			(25 478)		25 478				
Award of AGAP 2023 free preference shares[2]			(87)		87				
Subscription of Director BSA share warrants			90 460						**90 460**
CAP23 investment subsidy received								573 494	**573 494**
Portion of CAP23 investment subsidy recognized in income								(97 675)	**(97 675)**
"Plan 2030" investment subsidy received								597 767	**597 767**
Portion of "Plan 2030" investment subsidy recognized in income								(28 153)	**(28 153)**
Therabel Invest BSA share warrant subscription			19 908						**19 908**
Capital increase (October fundraising)	*1 944 442*	77 778	6 922 214	(19 031)					**6 980 960**
At December 31, 2023	***24 788 036***	**991 521**	**15 991 170**	**(6 953 034)**	**105 928**	**(1 227 807)**	**(53 869 151)**	**1 199 110**	**(43 762 262)**

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

[2] *See details in section 5.*

1.2.4.7 Preference shares (AGAP)

Free shares awarded during the period

The free share plans (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.

Free share awards

	AGAP/AGA awarded	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(1)	Net number of new shares that may be created(2)
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	7,880	200	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 2021-03 (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
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		4,258		4,654	0	465,400	461,142

(cont.)	AGAP/AGA shares awarded	AGAP/AGA shares expired	AGAP/AGA shares 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[1]	Net number of new shares that may be created[2]
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 2023-01 (SM of May 11, 2023)	250,989	0	0	N/A	N/A		250,989	250,989
AGA June 2023-02 (SM of May 11, 2023)	194,643	0	0	N/A	N/A		194,643	194,643
AGA June 2023-03 (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**

(1) For AGAP: assuming that all AGAP awarded and not yet expired are converted into ordinary shares, and that all AGAP not yet convertible will meet all performance criteria. For AGA: assuming that all AGA awarded are vested by their beneficiaries. The shares already issued are deducted in both cases.

(2) Representing a maximum dilution of 9.8% compared to the existing capital.

For further details, see the tables in section 5.2.5 of the 2023 Universal Registration Document setting out the AGAP and AGA awarded, expired, vested and yet to vest, as well as the AGAP already converted into ordinary shares, those not yet converted and the maximum number of new ordinary shares that could be issued upon their conversion. The performance conditions associated with each class of AGAP and AGA are also described in that section.

1.2.4.8 Share warrants (BSA)

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 Therabel Invest, an independent corporate director of the Company, which subscribed for all of these warrants on August 29, 2023, at a price of €3.318 per warrant.

Summary table of BSA share warrants

	Issued	Subscribed	Expired	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	0.02%	June 24, 2029
BSA 2021 (SM of May 12, 2021)	12,000	12,000				12,000	0.05%	June 14, 2031
BSA 2023 (SM of May 11, 2022)	20,000	20,000				20,000	0.08%	Feb. 21, 2033
BSA 2023 (SM of May 11, 2023)	6,000	6,000				6,000	0.02%	May 11, 2033

1.2.4.9 Additional information on the balance sheet

Conditional advances

The conditional advances item comprises (i) the repayable advance received from Bpifrance, which totaled €14,507,309 at December 31, 2023 (unchanged from end-2022), and (ii) the repayable advance granted under the "France 2030 (Health)" program for €2,318,047 in 2023.

The advance from Bpifrance bears interest at the contracted rate of 5.59%, while the France 2030 advance bears interest at 3.56%. At December 31, 2023, accrued interest calculated using the capitalization method stood at €9.917 million on the Bpifrance advance and €0.023 million on the France 2030 advance, and is recorded in liabilities under "Sundry loans and borrowings".

Accrued income

Amount of accrued income included in the following balance sheet items *(in thousands of euros)*	**Value**
Trade receivables	13
Other receivables	87
Subsidies receivable	20
Total	**120**

Accrued expenses

Amount of accrued expenses included in the following balance sheet items *(in thousands of euros)*	**Value**
Royalties	42
Bank loans and borrowings	8,222
Sundry loans and borrowings	9,940
Trade notes and accounts payable	3,629
Tax and social security payables	3,431
Other payables	105
Total	**25,369**

Prepaid expenses and deferred income

Prepaid expenses *(in thousands of euros)*	**Value**
Operating expenses	1,222
Total	**1,222**

Prepaid expenses primarily include rent and insurance premiums for the period after December 31, 2023.

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

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 following related company, which is part of Airbus Group, is taken into account:

- Matra Electronique.

Provisions for losses

Social security levy (AGA/AGAP free shares)

A provision of €0.623 million was booked at the reporting date to cover social security levies on free shares.

The calculation assumptions made were as follows:

- determination of an estimated percentage of achievement for each of the performance criteria for the AGAP 2023 plan;
- value of an ordinary share: €6.70 (closing price on December 31, 2023);
- employer contribution rate: 20%.

Commercial warranty

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

The corresponding provision amounts to €0.208 million at December 31, 2023.

1.2.5 Additional information on the income statement

Sales

The Company recorded revenue of €2.797 million in 2023. This corresponds to the commercial sale of seven Aeson® systems in Italy and Germany and to the sale of ten Aeson® systems within the framework of the EFICAS clinical study in France.

Revenue *(in thousands of euros)*	**Value**
Net revenue	2,797
Total	**2,797**

Operating subsidies

In 2023, the Company recognized a total of €1.040 million in operating subsidies in its income statement, corresponding to:

- €0.012 million in subsidies received in respect of employer apprenticeship programs;
- €0.125 million of the €1.4 million "CAP 23" subsidy awarded to Carmat as a winner of the "Industrial Recovery Plan – Strategic Sectors" call for projects. This non-dilutive funding contributes to Carmat's industrialization program, designed to scale up production of the Aeson® heart for its commercial launch;
- €0.902 million of the €13.2 million blended financing package awarded to Carmat in April 2023 under the "France 2030 (Health)" plan.

Investment subsidies

In 2023, the Company recognized a portion of an investment subsidy for €0.126 million under non-recurring income, breaking down as:

- €0.098 million of the €1.4 million "CAP 23" subsidy awarded to Carmat as a winner of the "Industrial Recovery Plan – Strategic Sectors" call for projects;
- €0.028 million of the €13.2 million blended financing package awarded to Carmat in April 2023 under the "France 2030 (Health)" plan.

Applied research and development costs

Research and development costs are recognized under expenses, and amounted to €16.894 million in 2023.

Research tax credit and innovation tax credit

The income statement for the year shows a tax credit of €1.759 million, corresponding to the amount of the research tax credit calculated for 2023.

Statutory Auditor's fees

The total amount of Statutory Auditor's fees for the year was €0.154 million excluding taxes and out-of-pocket expenses, breaking down as:

Fees excluding taxes *(in thousands of euros)*	**PricewaterhouseCoopers**
Statutory Auditor's fees	**111**
Non-audit services fees	
o Non-audit services required by law	**24**
o Other non-audit services	**19**
Total	**154**

Non-recurring income and expenses

Non-recurring income and expenses *(in thousands of euros)*	Year ended Dec. 31, 2023	Year ended Dec. 31, 2022
Non-recurring income		
• Disposal of treasury shares	84	53
• Portion of investment subsidies transferred to income	126	89
• Reversals of impairment and provisions, expense transfers	0	
• Miscellaneous adjustments	41	92
Total	**251**	**234**
Non-recurring expenses		
• Disposal of treasury shares	98	90
• Non-recurring depreciation/amortization	3	67
• Miscellaneous adjustments and expenses	123	50
Total	**225**	**208**

Information on related companies

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

(in thousands of euros)	
Other purchases and external charges	137

The following related companies, both part of Airbus Group, are taken into account:

- Segula Matra Automotive;
- Matra Electronique.

1.2.6 Financial commitments and other information

Financial commitments

Commitments given

Bpifrance repayable advance

A repayable advance totaling €14.507 million was received from Bpifrance, of which the final €1.451 million tranche was received in June 2019. The corresponding accrued interest amounts to €9.917 million at the end of the reporting period. This amount is repayable subject to achieving cumulative revenue of at least €38.000 million. The Bpifrance agreement provides for supplementary payments if certain conditions are met, so that the total amount repayable could exceed the amount of the advance initially granted, up to a ceiling of €50.000 million.

Royalties agreement with Professor Alain Carpentier and Matra Défense

On June 24, 2008 the Company signed a royalties agreement with Professor Alain Carpentier and Matra Défense, who still held shares at December 31, 2023. 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 SA, 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 million less any royalties already paid under the agreement, with this total sum being shared 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 million 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.

No royalties were paid by the Company or are due in respect of 2023 under this agreement.

Royalties agreement with the European Investment Bank (EIB)

In addition, the Company has signed a royalties agreement with the EIB providing for the payment of additional compensation to the EIB depending on the commercial performance of the Company. This agreement is valid for 13 years from the year during which the cumulative sales of Carmat reach €500,000. The royalty rate varies from 0.25% to 1.50% depending on the Company’s annual sales. 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 €0.042 million due for 2023 under this royalties agreement was recognized in 2023.

Commitments received

None.

Pension and retirement obligations

The Company has not signed a specific agreement on retirement obligations. These are therefore limited to the statutory retirement indemnity, taking into account the cap on entitlement pursuant to the collective bargaining agreement for the metal industry.

In application of the reference method 2 in ANC recommendation 2013-02, the provision for retirement obligations has been booked at December 31, 2023.

The calculation assumptions made were as follows:

- for each employee, the actuarial value of future benefits (AVFB) was allocated evenly over the vesting period. The AVFB is the one-off premium payable at the valuation date which, capitalized at the discount rate used, would allow the future benefit obligations to be paid were the actuarial assumptions to be met;
- retirement on the initiative of the member of staff, at 64 years (non-management) or 67 years (management);
- annual salary increases of between 2.5% and 3.5%, depending on the age group;
- employee turnover depending on the age of the employees;
- discount rate of 3.2% per annum (versus 3.6% used at December 31, 2022).

The overall amount of the provision was €0.473 million at the end of the period, an increase of €0.137 million on the previous period.

Information on executives

ADVANCES AND LOANS TO MANAGEMENT

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

MANAGEMENT COMPENSATION

Total compensation paid to members of the Board of Directors in their capacity as directors (formerly known as “directors’ fees”) amounted to €0.118 million for the year and is shown within “Other expenses” in the income statement.

The total compensation paid to the Chairman of the Board of Directors and the Chief Executive Officer of the Company was €0.922 million for the year and breaks down as follows:

Management compensation *(in thousands of euros)*	**2023**	**2022**
Gross salaries	578	534
Benefits in kind	10	10
Bonuses	334	155
Total compensation	**922**	**699**

Increases and decreases in future tax liabilities

Type of temporary differences *(in thousands of euros)*	**Value**
Tax loss carryforwards	488,604

This amount comprises:

- the tax loss carried forward from previous periods and available at January 1, 2023 in an amount of €433.159 million;
- the tax loss made in the 2023 financial year in the sum of €55.445 million.

Headcount at year-end

Salaried staff *(headcount at year-end)*	**2023**	**2022**
Managers	131	132
Supervisors and technicians	44	36
Administrative employees	7	11
Total	**182**	**179**