FIRST SEMESTER FINANCIAL REPORT 30-06-2020

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ABC arbitrage Group

Contents

Disclaimer

This first semester report and its constituent parts have been translated from the original French versions. For the purposes of interpretation, the French originals will take precedence over the English translation.

1. Business review

Key consolidated figures for the first half of 2020 are presented below:

In EUR million	30/06/2020 IFRS	30/06/2019 IFRS	Change	31/12/2019 IFRS
Advisory revenues	-	-	na	-
Investment Services Fees(1)	11,7	6,6	*75,8%*	14,4
Net gains at fair value through profit or loss	33,1	11,2	*197,2%*	22,6
Net revenues	***44,8***	**17,8**	***151,9%***	**37,0**
Payroll costs	(15,2)	(5,9)	*159,4%*	(12,0)
Occupancy costs	(0,7)	(0,7)	*4,1%*	(1,3)
Other expense	(2,8)	(2,8)	*1,2%*	(5,5)
Other taxes	(0,1)	(0,0)	*660,8%*	(0,1)
Total costs	***(18,8)***	**(9,3)**	***101,3%***	**(18,9)**
Income before tax	**26,0**	**8,4**	***208,0%***	**18,1**
Net income attributable to equity holders	**25,7**	**8,5**	***203,2%***	**18,3**

**Management fees include services invoiced by the Group's management companies to Quartys Limited and ABCA Funds Ireland Plc. In addition, due to the application of IFRS 15 (as of January 1, 2018), management fees do not include performance fees not crystallized - i.e. neither invoiced nor collected - as of June 30. As a result, €5.3 million was not recognized as income for the first half of 2020 (compared to €0.9 million for the first half of 2019).*

In accordance with IFRS standards, consolidated net revenue at 30 June 2020 came to €44.8 million and consolidated net income amounted to €25.7 million, a significant increase (+203%) compared to 1st half 2019.

Net return (ROE) reached 16.4% for the first half of 2020 alone, representing an annualized ROE of about 33%.

In line with the fourth quarter of 2019, the months of January and -in part- February 2020 proved to be particularly calm in terms of our business parameters. The remainder of the first half of 2020 is marked by a little over 3 months of volatility and volumes above their levels of the last 5 years. The evolution of the health crisis generated strong market mismatches, with significant liquidity problems for investors creating large volumes traded on the markets. These parameters considerably influence activity and the Group was able to confirm its expertise in this type of situation despite an exceptional context, particularly in March, exceeding the shocks encountered in 2008.

Sharp changes in volatility regimes are always delicate phases to manage for statistical and systematic strategies. Events since February have not deviated from this standard, forcing us - in parallel with the implementation of teleworking - to switch to management processes developed for this type of situation.
Market risks have - in general - been managed in line with expectations. Only the M&A strategies had a more significant impact than expected and greater than in 2008.

In this context, all of the Group's businesses saw their activity increase:

- ABC arbitrage Asset Management SA and ABC arbitrage Asset Management Asia Pte Ltd pursued their activities in line with the expectations and objectives set by the Group and saw their management fees grow considerably in this favorable market environment.
- ABCA Funds Ireland Plc, an Alternative Investment Fund, had €283 million in assets on 30 June 2020 compared with €291 million on 31 December 2019:
  - ABCA Opportunities fund, designed to be partially disconnected from volatility, performed slightly below expectations in 1st half 2020 without falling to negative levels encountered by the markets. The mutualization effect of the strategies functioned satisfactorily since the beginning of the year and should continue to play this role in the coming months, allowing ABCA Opportunities to achieve a positive annual performance.
  - ABCA Reversion fund, designed to take advantage of volatility, had a very good first quarter with a performance in line with expectations, thanks in particular to intense volatility over the month of March 2020; however, the second quarter was less favorable to performance due to a calmer context accompanied by various announcements of European Central Bank (ECB) stimuli. The difficulty of projection related to the current health

crisis of Covid-19 remains however a reality, it therefore seems important to maintain a certain level of prudence regarding opportunities over the coming months.

- Quartys Limited, a financial instruments trading company, was able to take advantage of these favorable market parameters for its business and ended the half year with a net income of 33 million euros compared to 11 million euros in the first half of 2019.

2. Dividend Policy

On the proposal of the Board of Directors, in line with the implementation of a quarterly distribution policy, ABC arbitrage will pay two interim dividends (one to be paid before October 31, 2020, the other before December 31, 2020) of €0.10 per share each. This decision has been taken in recognition of the fact that this will in no way hinder the group's development needs.

Taking into account the shares comprising the share capital existing on the date of the Board of Directors' meeting called to approve the half-year financial statements, these payments would each represent a maximum aggregate amount of €5,851,205.

The schedule for the first payment is as follows:

- date of detachment: Tuesday, October 6, 2020,
- payment: Thursday, October 8, 2020.

The second payment will take place during December, and the timing and terms of payment will be specified at a later date.

The sum of these two amounts is identical to the payment made at the end of the year for many years. Identified as a high-yield stock, the distributions during the year 2020 will represent a return of nearly 5% based on the share price as of December 31, 2019.

3. Outlook

The launch of Step Up 2019 in 2017 - in line with the previous program - defined objectives that should - during 2018 - partially offset the market situations encountered in recent years. However, the accumulation of negative parameters for our industry continued to weigh on our ROE despite the real progress made by our teams. This situation of results below our ambitions was consistent with the exogenous parameters encountered and with our current know-how. The ROE produced by the group during the "Step-Up 2019" program, although significantly above 10%, remains insufficient in our current compensation and motivation model.

In the first half of the year, the health crisis generated high volatility and significant volumes on the markets.
It is in this context that the ABC 2022 strategic plan was launched at the beginning of 2020. This plan aims to improve the group's earnings capacity in a low-volatility environment, a situation that has been maintained by central banks for many years. Without reducing its efforts on its core businesses, the Group confirms its desire to continue to invest to improve its results in calm environments, symptomatic of the paradigm reinforced in 2020 by central banks and governments to support the economic system. As a direct consequence of their interventions, the markets have in recent months experienced a significant drop in activity and historically high valuations in certain sectors, even taking the S&P500 temporarily to its highs and "intraday"[1] volatility to 2017 lows. On the strength of its performance at the service of its shareholders and clients, ABC arbitrage confirms its distribution policy and the maintenance of the priorities of its "ABC 2022" plan such as the development of its assets under management and the implementation of new areas of arbitrage.

The Board of Directors
September 17, 2020

[1] Movements made by the markets during the course of a day as opposed to the VIX which evaluates potential future turbulence

Balance sheet - assets

In EUR	Note	June 30, 2020 IFRS	Dec. 31, 2019 IFRS
Intangible assets	**3.1**	143,223	174,074
Right-of-use assets - IFRS 16	**1. / 3.1**	1,399,603	1,814,900
Property and equipment	**3.1**	1,265,613	1,056,705
Work in progress	**3.1**	-	-
Non-current financial assets	**3.2**	625,140	619,873
Deferred tax assets		59,220	166,608
Total non-current assets		**3,492,799**	**3,832,161**
Financial assets at fair value through profit or loss	**3.4**	145,455,439	127,363,340
Other accounts receivable	**3.6**	12,094,060	7,155,355
Current tax assets		-	214,375
Cash and cash equivalents		12,983,374	7,788,516
Total current assets		**170,532,873**	**142,521,585**
TOTAL ASSETS		**174,025,672**	**146,353,746**

Balance sheet - liabilities

In EUR	Note	June 30, 2020 IFRS	Dec. 31, 2019 IFRS
Paid-up share capital		936,193	936,193
Additional paid-in capital		47,516,870	47,516,870
Retained earnings		82,405,312	73,109,773
Interim dividend		-	-
Net income		25,678,862	18,339,083
Total equity attributable to equity holders	**3.3**	**156,537,236**	**139,901,919**
Minority interests		-	(180)
Total equity		**156,537,236**	**139,901,739**
Provisions	**3.7**	50,000	50,000
Lease liability - IFRS16	**1.**	1,715,634	2,241,657
Non-current financial liabilities		-	-
Deferred tax liabilities		-	-
Non-current liabilities		**1,765,634**	**2,291,657**
Financial liabilities at fair value through profit or loss	**3.4**	1,306	1,301
Other liabilities	**3.6**	15,553,420	4,158,540
Taxes payable		168,076	-
Short-term debt		-	509
Total current liabilities		**15,722,802**	**4,160,350**
TOTAL EQUITY AND LIABILITIES		**174,025,672**	**146,353,746**

Statement of income

In EUR	Note	June 30, 2020 IFRS	June 30, 2019 IFRS
Net gain/loss on financial instruments at fair value through profit or loss	4.1	33,136,093	11,066,659
Investments service fees	4.2	11,650,030	6,627,142
Other revenues	4.3	176,909	170,224
Administrative expenses	4.4	(2,784,904)	(2,763,349)
Taxes and duties		(409,387)	(312,278)
Payroll costs	4.5	(14,999,217)	(5,623,518)
Depreciation and amortisation expense		(299,592)	(292,189)
Depreciation and amortisation expense - IFRS 16		(466,534)	(453,725)
OPERATING INCOME		**26,003,398**	**8,418,967**
Provision expense	4.6	-	35,000
Interest expense - IFRS 16	1.	(11,761)	(14,020)
INCOME BEFORE TAX		**25,991,638**	**8,439,947**
Current taxes	4.7	(326,076)	-
Deferred taxes		13,300	30,240
NET INCOME		**25,678,862**	**8,470,187**
Attributable to equity holders		25,678,862	8,470,187
Attributable to minority interests		-	-
Number of ordinary shares		*58,512,053*	*58,512,053*
Earnings per ordinary share		*0.44*	*0.14*
Résultat net dilué par action ordinaire		*0.44*	*0.14*

Statement of comprehensive income

In EUR	Note	June 30, 2020 IFRS	June 30, 2019 IFRS
Net income		25,678,862	8,470,187
Change in foreign exchange		-	-
Remeasurement of available-for-sale assets		-	-
Remeasurement of hedging instruments		-	-
Remeasurement of non-current assets		-	-
Actuarial gains and losses on defined benefit plans		-	-
Share of other comprehensive income on equity-accounted affiliates		-	-
Income tax		-	-
Total other comprehensive income		**-**	**-**
NET INCOME AND OTHER COMPREHENSIVE INCOME		25,678,862	8,470,187
Attributable to equity holders		25,678,862	8,470,187
Attributable to minority interests		-	-

ABC arbitrage ■ Statement of changes in equity

In EUR thousand	Paid-up share capital	Equity instruments and related reserves	Elimination of treasury shares	Retained earnings and net income	Total equity attributable to equity holders	Minority interests	Total equity
At December 31, 2018	**936**	**117,695**	**(3,405)**	**31,065**	**146,291**	**nm**	**146,291**
Issue of shares	-	-	-	-	-	-	**-**
Elimination of treasury shares	-	-	2,159	-	2,159	-	**2,159**
BSAA Cancellation	-	-	-	-	-	-	**-**
2018 interim dividend	-	1	-	(13,404)	(13,403)	-	**(13,403)**
2019 interim dividend	-	-	-	(11,660)	(11,660)	-	**(11,660)**
Share-based payments	-	-	-	(1,824)	(1,824)	-	**(1,824)**
Net income for the year 2019	-	-	-	18,339	18,339	-	**18,339**
At December 31, 2019	**936**	**117,696**	**(1,246)**	**22,516**	**139,902**	**nm**	**139,902**
Issue of shares	-	-	-	-	-	-	**-**
Elimination of treasury shares	-	-	(804)	-	(804)	-	**(804)**
BSAA Cancellation	-	-	-	-	-	-	**-**
2019 interim dividend	-	-	-	(7,578)	(7,578)	-	**(7,578)**
2020 interim dividend	-	-	-	-	-	-	**-**
Share-based payments	-	-	-	(662)	(662)	-	**(662)**
Net income for 1st semester 2020	-	-	-	25,679	25,679	-	**25,679**
At June 30, 2020	**936**	**117,696**	**(2,050)**	**39,955**	**156,537**	**nm**	**156,537**

nm: non-material

In EUR thousand	June 30, 2020 IFRS	Dec. 31, 2019 IFRS
Net income	**25,679**	**18,339**
Net allocations to provisions	-	(35)
Net allocations to depreciation and amortisation	300	573
Change in deferred taxes	467	907
Depreciation and amortisation expense - IFRS 16	107	223
Share-based payments - IFRS 2	48	191
Net cash provided by operations before changes in working capital	**26,600**	**20,198**
Changes in working capital	**(11,253)**	**6,692**
Net cash provided by operating activities	**15,346**	**26,890**
Net cash used by investing activities	**(534)**	**(3,382)**
Leases - IFRS 16	(526)	2,242
Net cash provided by capital transactions	-	-
Dividends paid	(7,578)	(25,063)
Share-based payments	(1,513)	144
Net cash used by financing activities	**(9,617)**	**(22,678)**
Net change in cash and cash equivalents	**5,195**	**830**
Cash and cash equivalents, beginning of period	7,788	6,959
Cash and cash equivalents, end of period	12,983	7,788

1. Accounting principles and policies

The condensed half-year consolidated financial statements of the ABC arbitrage Group for the six-month period ended 30 June 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union as at 30 June 2020. In particular, the Group's half-year consolidated financial statements have been prepared and are presented in accordance with the provisions of IAS 34 "Interim Financial Reporting".

In accordance with the above-mentioned provision, only a selection of explanatory notes are included in these condensed financial statements. These condensed half-year consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2019.

The Group has applied the new standards, amendments and interpretations adopted by the European Union that are compulsory as of January 1, 2020.

As a reminder, the standards applied and prescribed since January 1, 2019:

IFRS 16 :

IFRS 16 - Leases was adopted on 9 November 2017 by the European Union and is effective for periods beginning on or after January 1, 2019.

IFRS 16 requires all leases to be recognized in the lessee's balance sheet, as follows:
- In assets: recognition of a right-of-use asset and
- In liabilities: recognition of a lease liability

Therefore, in the statement of income, a depreciation of the leased asset must be recognized separately from the portion of the lease payments corresponding to interest.

The Group has adopted the modified-retrospective approach as at 1 January 2019 and has restated all its eligible leases, but without restating the comparative periods. The income statement and balance sheet have been modified accordingly (amortization of the rights of use of recognized assets and interest expenses relating to rental debts, debts related to rental activities). These rental assets correspond to the premises occupied.
Leases with a term of less than one year and service contracts are not subject to restatements.

As a reminder, as specified in paragraph 6.2 of the consolidated financial statements as at 31 December 2019, ABC arbitrage has entered into a commercial lease as a tenant. This one took effect on 1 January 2016 for a period of 6 years. For the 2019 financial year, the annual rent amounted to 969,000 euros.

The discount rate used to value the rental debt for the years 2019 and 2020 is 1.03%.

The impact of the application of this standard on 1 January 2019 is reflected in an increase in the Group's debt of €1.7 million and an increase in fixed assets of €1.4 million in the first half of 2020.

IFRIC 23 :

The IFRIC 23 interpretation on uncertainty regarding tax treatments was published by the IFRS Foundation on June 7, 2017 and applies as from January 1, 2019. This interpretation (which is part of International Financial Reporting Standards - IFRS) clarifies how income tax is recognised and measured when there is uncertainty about the tax treatment to be applied.

It is necessary to determine whether it is likely that the tax treatment chosen will be accepted by the competent authorities, on the basis that they will monitor the treatment in question and will have all relevant information at their disposal. If the probability of acceptance of the tax treatment is less than 50%, this uncertainty must be reflected in the amount of tax assets and liabilities, based on a method that reflects the best estimate of the realisation of the uncertainty.

This interpretation has no impact on the Group's shareholders' equity at January 1st 2020 and has not led to a change in the presentation of income tax provisions in the balance sheet since that date.

Preparation of the financial statements required ABC arbitrage Group to make estimates and assumptions, which could have an impact on the amounts at which assets, liabilities, income and expenses are stated. The estimates, and the assumptions underlying them, have been made on the basis of other factors considered to be reasonable in the circumstances. They thus serve as the basis for the judgement made in determining the carrying amounts of assets and liabilities that could not be determined directly from other sources.

The definitive amounts that will be stated in ABC arbitrage Group's future financial statements may be different from the amounts currently estimated. These estimates and assumptions are reviewed on a continuous basis.

As the Group's activities are not seasonal or cyclical in nature, the results for the first half of the year are not affected in this way.

2. Consolidation principles

ABC arbitrage, ABC arbitrage Asset Management and ABC arbitrage Asset Management Asia are fully consolidated.

Company	Country	% interest	Consolidation method
ABC arbitrage	France	Parent company	Fully consolidated
ABC arbitrage Asset Management	France	100,0%	
ABC arbitrage Asset Management Asia	Singapore	100,0%	

ABC arbitrage Asset Management and ABC arbitrage Asset Management Asia are the Group's asset management companies.

In light of the exception to consolidation introduced by IFRS 10 "Consolidated financial statements" (see note 1 of financial statements as at 31 december 2018), ABC arbitrage's interest in ABCA Funds Ireland and Quartys Limited is presented under financial assets at fair value through profit or loss.

The percentage interests are as follows:

Company	Country	% interest	Consolidation method
Quartys Limited	Ireland	100,0%	Fair value based on net asset value
ABCA Opportunities Fund	Ireland	64,21%	
ABCA Reversion Fund	Ireland	5,04%	

Quartys Limited trades in financial instruments.

ABCA Funds Ireland plc was incorporated in Ireland in 2011 and established as an umbrella fund with segregated liability between sub-funds:

- At 30 June 2020, ABCA Opportunities Fund had €94 million of funds under management.
- At 30 June 2020, ABCA Reversion Fund had €230 million of funds under management.

Due to cross-holdings, ABCA Funds Ireland had total assets of €283 million.

3. Notes to the balance sheet

3.1. Intangible assets and property and equipment

Gross value

In EUR thousand	Gross Value Dec. 31, 2019	Acquisitions	Retirements/disposals	Gross Value June 30, 2020
Concessions and similar rights	694	60	-	754
Right-of-use assets - IFRS 16	2,722	52	-	2,774
Equipment, fixtures and fittings	1,415	-	-	1,415
Vehicules	-	-	-	-
Office and computer equipment, furniture	5,265	417	-	5,683
Total Gross Value	**10,096**	**529**	-	**10,625**

Amortisation and depreciation

In EUR thousand	31/12/2019	Increases	Decreases	30/06/2020
Concessions and similar rights	(519)	(92)	-	(610)
Right-of-use assets - IFRS 16	(907)	(467)	-	(1,374)
Equipment, fixtures and fittings	(1,328)	(15)	-	(1,343)
Vehicules	-	-	-	-
Office and computer equipment, furniture	(4,295)	(193)	-	(4,488)
Total	**(7,049)**	**(766)**	**-**	**(7,816)**

Intangible assets are amortised and property and equipment are depreciated over their estimated useful lives. Amortisation and depreciation expense for the year are reported in the income statement under "*Depreciation and amortisation expense*".

The application, as at 1 January 2019, of IFRS 16 using the simplified retrospective method results in the recognition in the balance sheet of user rights attached to leases entered into by the Group. As at 30 June 2020, these consist of the occupied premises. The counterpart of these rights of use is recorded as long-term and short-term financial debt (see Note 5.5).

3.2. Other non-current financial assets

At 30 June 2020, this item included €625 thousand in guaranteed deposits and securities.

3.3. Consolidated equity

3.3.1. Share-based payment – Ambition 2016 and Step-up 2019 incentive program

Performance Share incentive programme :

Name of the plan	Plan	Acquisition Date	Acquisition Period	Number of shares allocated at the beginning of the plan	Effective acquisition date for granted shares	Number of shares to be granted	Number of shares definitely granted
01/2014	Ambition 2016	14/05/2014	2	283,333	2016	0	166,928
02/2014	Ambition 2016	14/05/2014	3	283,333	2017	0	183,916
03/2014	Ambition 2016	14/05/2014	4	283,334	2018	0	141,468
01/2015	Ambition 2016	12/05/2015	2	300,000	2017	0	290,000
02/2015	Ambition 2016	12/05/2015	3	300,000	2018	0	186,168
03/2015	Ambition 2016	12/05/2015	4	300,000	2019	0	153,780
01/2016	Ambition 2016	14/06/2016	2	187,000	2018	0	133,466
02/2016	Ambition 2016	14/06/2016	3	187,000	2019	0	95,841
03/2016	Ambition 2016	14/06/2016	4	187,000	2020	0	71,580
APE-3.1/2017	Step-up 2019	16/06/2017	2	68,500	2019	0	23,701
APE-3.2/2017	Step-up 2019	16/06/2017	3	68,500	2020	0	16,196
APE-3.3/2017	Step-up 2019	16/06/2017	4	68,500	2021	48,000	Pending
APE-3.1/2018	Step-up 2019	15/06/2018	2	10,000	2020	0	4,523
APE-3.2/2018	Step-up 2019	15/06/2018	3	10,000	2021	10 000	Pending
APE-3.2/2018	Step-up 2019	15/06/2018	4	10,000	2022	10 000	Pending
APE-3.1/2019	Step-up 2019	14/06/2019	2	30,000	2021	30 000	Pending
APE-3.2/2019	Step-up 2019	14/06/2019	3	30,000	2022	30 000	Pending
APE-3.3/2019	Step-up 2019	14/06/2019	4	30,000	2023	30 000	Pending
Total if applicable	**N/A**	**N/A**	**N/A**	**2,636,500**	**N/A**	**158,000**	**1,467,567**

Stock options subscription programme :

Name of the plan	Plan	Acquisition Date	Acquisition period	Number of shares allocated	Exercise period start date	Options expired Date	Exercise adjusted price	Number of options to be granted	Number of unexercised options
04/2016	Ambition 2016	14/06/2016	2	373,000	2018	15-june-2022	5.4354	0	297,904
05/2016	Ambition 2016	14/06/2016	3	313,000	2019	15-june-2022	5.7658	0	182,687
06/2016	Ambition 2016	14/06/2016	4	313,000	2020	15-june-2022	6.0962	0	153,606
SO-1.1/2017	Step-up 2019	16/06/2017	2	563,333	2018	30-june-2022	5.4311	0	526,207
SO-1.2/2017	Step-up 2019	16/06/2017	3	563,333	2019	30-june-2022	5.7744	0	395,451
SO-1.3/2017	Step-up 2019	16/06/2017	4	563,334	2020	30-june-2022	6.1177	0	278,433
SO-2.1/2017	Step-up 2019	16/06/2017	2	276,000	2019	30-june-2023	5.7744	0	134,089
SO-2.2/2017	Step-up 2019	16/06/2017	3	276,000	2020	30-june-2023	6.1177	0	102,342
SO-2.3/2017	Step-up 2019	16/06/2017	4	276,000	2021	30-june-2023	6.4609	262,318	Pending
SO-1.1/2018	Step-up 2019	15/06/2018	2	155,000	2020	30-june-2024	6.2266	0	69,114
SO-1.2/2018	Step-up 2019	15/06/2018	3	155,000	2021	30-june-2025	6.5930	140,000	Pending
SO-1.3/2018	Step-up 2019	15/06/2018	4	155,000	2022	30-june-2026	6.9595	140,000	Pending
Total if applicable	**N/A**	**N/A**	**N/A**	**3,982,000**	**N/A**	**N/A**	**N/A**	**542,318**	**2,139,835**

Stock Appreciation Rights - SAR :

Name of the plan	Plan	Acquisition date	Acquisition Period	Number of granted options	Exercise period start date	Options expired Date	Exercise adjusted price	Number of options to be granted	Number of unexercised options
07/2016	Ambition 2016	22/09/2016	2	745,870	2018	22-sept.-2022	5.6089	0	65,460
08/2016	Ambition 2016	22/09/2016	3	745,870	2019	22-sept.-2022	5.9429	0	49,194
09/2016	Ambition 2016	22/09/2016	4	745,870	2020	22-sept.-2022	6.2770	0	41,223
SAR-4.1/2017	Step-up 2019	16/06/2017	2	167,000	2019	NA	5.6098	0	0
SAR-4.2/2017	Step-up 2019	16/06/2017	3	167,000	2020	NA	5.2262	0	0
SAR-4.3/2017	Step-up 2019	16/06/2017	4	167,000	2021	NA	5.2262	144,000	Pending
Total if applicable	**N/A**	**N/A**	**N/A**	**2,738,610**	**N/A**	**N/A**	**N/A**	**144,000**	**155,877**

No shares will vest if net income is less than €12 million a year and they will vest progressively thereafter on a linear basis.
For example, if net income is €20 million a year over the entire period, 51% shares will vest and if net income is €25 million a year over the entire period, 66% shares will vest.

The expense related to the plans granted is spread over the vesting period. The corresponding amount recognised in equity is calculated on the basis of the overall plan value determined on the date of grant by the Board of Directors.

In accordance with IFRS 2, an expense of €48 thousand, calculated on the basis of the estimated probable number of shares in the various programs mentioned above, was therefore recognised in the first half of 2020 (compared with €191 thousand in 2019 and €109 thousand in the first half of 2019). This expense is related both to the initiation of new programs and to the progress of existing programs and the results achieved.

The loss realized on share buybacks used during the first half of 2020 amounted to €586 thousand (compared with €1,841 thousand in 2019 and €1,847 thousand in the first half of 2019).

3.3.2. Dividends distribution

The Annual Shareholders' Meeting of June 12, 2020 approved a 2019 final dividend of €0.03 per share.
Taking into account the two payments of €0.10 per share each made in October and December 2019, plus an interim dividend of €0.10 per share paid on April 27, 2020, the total distribution for fiscal year 2019 therefore amounts to €0.33 per share.
The detachment of €0.03 per share, solely in cash, as decided by the Board of Directors, took place on 7 July 2020, with a payment date of 9 July 2020. The final operation is treated as a distribution (deducted from the distributable income pursuant to article 112.1° of the French general tax code (*Code général des impôts*).

The balance of the dividend ultimately paid in cash amounted to €1.7 million.

At June 30, 2020, ABC arbitrage's share capital of €936,192.848 was represented by 58,512,053 fully paid ordinary shares with a par value of €0.016 each.

3.3.3. Treasury stock

During the first half of 2020, ABC arbitrage sold 120,851 shares under the market-making agreement with Kepler Cheuvreux, at an average price of €6.4. At the same time, 123,470 have been repurchased.

Of the stock of treasury shares held at 31 December 2019 (176,960 shares), a part (175,662 shares) was allocated to serve capital gains (mainly free share acquisitions, as well as acquisitions of performance units). This stock had been acquired for an average unit price of €6.20.
At June 30, 2020, ABC arbitrage held 315,469 of its own shares, acquired at a total cost of €2,050 thousand (at December 31, 2019, the company held 199,634 of its own shares, acquired at a total cost of €1,246 thousand).

In accordance with IFRS, treasury stock is deducted from equity.

3.4. Financial assets/liabilities at fair value through profit or loss

At 30 June 2020, the allocation of financial instruments held as assets or liabilities of the Group measured at fair value through the fair value hierarchy as described in Note 1.2 to the financial statements at 31 December 2019 is as follows:

In EUR thousand	Quoted prices in active markets for identical assets or liabilities (Level 1)	Inputs other than quoted prices level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)	Unobservable inputs for the asset or liability (Level 3)	Total
Financial assets at fair value through profit or loss	11	145,444	-	**145,455**
Financial liabilities at fair value through profit or loss	(1)	-	-	**(1)**

Financial assets at fair value through profit or loss classified in Level 2 correspond to the investments in Quartys Limited and the ABCA Funds Ireland Plc sub-funds. These investments are not consolidated, but are measured at fair value through profit or loss, in accordance with IFRS 10 (see Note 1 to the financial statements as at 31 December 2018). These items are classified in Level 2 as the value of the units is not directly observable in an active market, but their net assets comprise exposures to Level 1 financial instruments quoted on active markets, whose prices are directly observable.

There were no transfers between the various levels of the hierarchy during the first semester 2020.

Details of Financial instruments to be received and delivered are provided in note 5 “Risks factors”.
Cash reserves earn interest at variable rates (which may be negative) indexed to benchmark market rates.

3.5. Guarantees given

Most financial instruments recorded under "*Financial assets at fair value through profit or loss*" have been given as collateral to the institutions that provide the financing, as specified in note 5.2 to the financial statements as at 31 December 2019.

3.6. Other receivables and payments

The terms of receivables and payables are presented in Note 5.3 Liquidity risk below.

In EUR thousand	Other receivables	Other payables
Trade receivables / payables	11,240	(986)
Accrued income / expenses	0	(2,168)
Accrued taxes and payroll costs	854	(12,139)
Total at June 30, 2020	**12,094**	**(15,554)**
Total at December 31, 2019	*7,155*	*(4,159)*

Accrued expenses comprise €1.7 million of dividends following the decision of the Annual General Meeting of 12 June 2020.

Tax receivables mainly comprise corporate income tax, withholding tax and dividend tax credits.

Accrued taxes correspond mainly to performance-based remuneration payable to employees and amounts due to social security organizations.

Trade payables are generally payable within thirty days from the end of the month.

3.7. Provisions

In EUR thousand	
Total provisions at December 31, 2019	(50)
Provisions used in 2020	0
Provision reversal in 2020	0
Charge to provisions in 2020	0
Total provisions at June 30, 2020	(50)

ABC arbitrage and ABC arbitrage Asset Management, members of the same tax group, are subject to accounting verification by the "direction générale des finances publiques" (*the French Tax Administration*) in respect of the years 2014 to 2016, and 2015 to 2017.

- ABC arbitrage is subject to accounting verification since September 18, 2017 by the Public Finances Directorate generale. At the end of 2019, the Directorate might consider tax imposition in France for all or part of 2015 and 2016 benefits earned by the irish subsidiary. The company has already given the Directorate its formal objection and observations in this respect. Above its own views, the company drew on the opinions on its legal and tax advisers. In accordance with IFRIC 23, the company identifies an absence of provision for tax charges; the risk being considered unlikely.

- The fiscal administration evaluates that the 2015's accruals of ABC Arbitrage Asset Management (composed of variable compensation, and social contributions related to it) due to the employees for year 2015 and paid the year after, should have been recorded in 2016 and not in 2015. The same holds true for 2016 and 2017. The provision established in 2018 will cover the overdue interests (due to time lag created) related to this reassessment proposal (€50 thousand).

4. Notes to the statement of income

4.1. Net gains on financial instruments at fair value through profit or loss

Net gains on financial instruments at fair value through profit or loss amounted to €33,136 thousand at June 30, 2020 versus €11,066 thousand at June 30, 2019.

Net gains on financial instruments at fair value through profit or loss include all incomes, expenses and costs directly related to the trading business, namely:

- ➪ dividends and manufactured dividends;
- ➪ gains and losses on disposal of Financial Instruments at fair value through profit or loss;
- ➪ changes in fair value of Financial Instruments held or due;
- ➪ interest income and expenses;
- ➪ Financial Instrument securities carrying or lending costs;
- ➪ foreign exchange gains and losses;
- ➪ the net gains at fair value through profit or loss of Quartys Limited and the ABCA Funds Ireland Plc sub-funds recognised in accordance with IFRS 10; and
- ➪ any other transaction related to revenues or expenses.

4.2. Investment services fees

Investment services fees amounted to €11,650 thousand at June 30, 2020. At June 30, 2019, they amounted to €6,627 thousand.
Investment services fees relate to the services invoiced by the Group's management companies to Quartys Limited and ABCA Funds Ireland Plc. As specified in Note 1. Accounting principles and methods, following the application of IFRS 15 as from 1 January 2018, performance fees cannot be recognised in the half-year financial statements.

4.3. Other revenue

Other revenue comprises revenue from subletting premises and administrative services amounted to €177 thousand versus €170 thousand at June 30, 2019.

4.4. Administrative expenses

Administrative expenses principally comprise data mining and processing costs, together with administrative and communications costs.
This item amounted €2,785 thousand at June 30, 2020 versus €2,763 thousand at June 30, 2019.

4.5. Payroll costs

The Group's average number of employees increased slightly to 79 in the first half of 2020.

Fixed and variable salaries, as well as profit-sharing and incentive schemes, amounted to €10,611 thousand (compared to €4,063 thousand at 30 June 2019), social security contributions decreased to €4,388 thousand (compared to €1,559 thousand at 30 June 2019).
Payroll-based taxes rose to €240 thousand (€190 thousand at 30 June 2019).
For information, in view of the excellent performance achieved this half-year, the amount of performance-based remuneration provisioned for the first half of 2020 amounts to €9.6 million (including social security charges) compared to €1.6 million (including social security charges) in the first half of 2019.

The Group does not provide any post-employment benefits (supplementary pensions or health insurance). Other long-term benefits are provided under defined contribution plans, which do not give rise to a future liability as the Group's only obligation is to make regular contribution payments.

4.6. Provision expense

Provision income is equal to 0 at June 30, 2020 compared with an income of €35 thousand during the first half of 2019. Variation of provision expense is mainly due to a provision reversal to recover tax receivables.

4.7. Corporate income tax

Taking into account the exception to the consolidation principle established by IFRS 10 "Consolidated financial statements", the income tax expense of companies whose consolidation method is the "net asset value at fair value" no longer appears on a specific line but is directly included in the item "Net gains on financial instruments measured at fair value through profit and loss".

5. Risk factors

The Group is exposed to the same risks as those described in the notes to the consolidated financial statements for the year ended 31 December 2019.

Exposures recorded as financial assets and liabilities at fair value through profit or loss break down as follows:

In EUR thousands	a. Gross carrying amount (before netting)	b. Gross amounts netted in the balance sheet	c. Net carrying amount [a-b] at June 30, 2020	Financial assets at June 30, 2020	Financial assets at Dec. 31, 2019
Non-derivative financial instruments	662,753	(296,924)	365,830		
Derivatives	20,042	(10,362)	9,680		
Unlisted Derivatives	419,876	(774,063)	(354,186)		
Financial assets at fair value through profit or loss	73,332	-	73,332		
Total long positions	**1,176,004**	**(1,081,348)**		**145,455**	**127,363**
Cash and margin accounts	41,401	(399,797)	(358,396)		
Currencies derivatives - Listed	10	(2,213)	(2,203)		
Currencies derivatives - Non listed	411,561	(163)	411,398		

In EUR thousands	a. Gross carrying amount (before netting)	b. Gross amounts netted in the balance sheet	c. Net carrying amount [a-b] at June 30, 2020	Financial liabilities at June 30, 2020	Financial liabilities at Dec. 31, 2019
Non-derivative financial instruments	-	-	-		
Derivatives	-	-	-		
Unlisted Derivatives	-	-	-		
Total short positions	**-**	**-**		**(1)**	**(1)**
Cash and margin accounts	-	(1)	(1)		
Currencies derivatives - Listed	-	-	-		
Currencies derivatives - Non listed	-	-	-		

In EUR thousands	a. Gross carrying amount (before netting)	b. Gross amounts netted in the balance sheet	c. Net carrying amount [a-b] at June 30, 2020	Financial assets & liabilities at June 30, 2020	Financial assets & liabilities at Dec. 31, 2019
Non-derivative financial instruments	662,753	(296,924)	365,830		
Derivatives	20,042	(10,362)	9,680		
Unlisted Derivatives	419,876	(774,063)	(354,186)		
Financial assets at fair value through profit or loss	73,332	-	73,332		
Total	**1,176,004**	**(1,081,348)**		**145,454**	**127,362**
Cash and margin accounts	41,401	(399,798)	(358,397)		
Currencies derivatives - Listed	10	(2,213)	(2,203)		
Currencies derivatives - Non listed	411,561	(163)	411,398		

a. Long Trading Exposures means that the Group has acquired an interest in the increase in the price of a Financial Instrument.
b. Short Trading Exposures means that the Group has acquired an interest in the decrease in the price of a Financial Instrument.

The breakdown of the geographical exposures is detailed as follows:

Fiscal year	30/06/2020	31/12/2019	30/6/2019
Asia	**8%**	**5%**	**5%**
Europe	**50%**	**49%**	**44%**
USA	**35%**	**33%**	**43%**
Other markets	**8%**	**13%**	**8%**
Total	**100%**	**100%**	**100%**

This geographic analysis is determined using the absolute value of the exposures at the reporting date, broken down by financial market, with the latter grouped by geographic area.

5.1. Market risks

The risk is never related to an unfavourable movement in market prices, for example, a stock market crash, but can arise from an unfavourable event related to one of the above operations. By definition, the risks on arbitrage models are not interdependent. The Group hedges risks by spreading them across the greatest possible number of transactions, financial instrument types and geographic areas.

As at 30 June 2020, the aggregate VaR of the Trading Exposures of the Group was €3.3M. The parameters of calculation are a level of confidence of 99%, a “one year historical” methodology and a holding duration of 1 day.

At June 30, 2020, a 2% rise (fall) in the euro against all currencies would, all other things being equal, have increased (decreased) net assets by €522 thousand.

5.2. Credit and counterparty risk

The Group manages this counterparty risk through the use of industry standard master agreements (netting and collateral agreements), by closely monitoring counterparties' credit ratings on a daily basis and a diversification of its banking relationships to spread risk while weighing up the pricing benefits of concentration on larger-scale relationships.

The maximum exposure to credit risk is included in the net amounts for financial instruments (note 5).

5.3. Liquidity risks

The Group's actual Trading Positions, taking into account existing agreements with Counterparties, are constantly monitored to ensure that the Group benefits from considerable flexibility in conducting its business as well as substantial liquid reserves. In addition, given the highly liquid nature of the Trading Positions, the Group can alleviate the need for Collateral by reducing the volume of Trading Positions.

At June 30, 2020, the liquidity position is as follows:

In EUR thousand	Less than one month	One to three months	Three to twelve months	More than twelve months	Total
Financial assets at fair value through profit or loss*	11	145,444	-	-	145,455
Other receivables	442	11,416	237	-	12,095
Deferred tax assets	-	-	-	-	-
Cash and cash equivalents	12,983	-	-	-	12,983
Total current assets	**13,437**	**156,860**	**237**	**-**	**170,534**
Financial liabilities at fair value through profit or loss	(1)	-	-	-	(1)
Other liabilities	(12,159)	(2,615)	(764)	(16)	(15,554)
Current tax liabilities	-	-	(168)	-	(168)
Short-term borrowings	-	-	-	-	-
Total liabilities	**(12,160)**	**(2,615)**	**(932)**	**(16)**	**(15,723)**
Net balance	**1,277**	**154,245**	**(695)**	**(16)**	**154,811**

**Financial assets at fair value through profit or loss classified as between one and three months correspond to the investments in Quartys Limited and the ABCA Funds Ireland Plc sub-funds, which are shown at fair value in accordance with IFRS 10, since ABC arbitrage is unable to recover their value in less than one month. By contrast, the net assets of these companies are mainly composed of exposures to Level 1 financial instruments traded on active markets and convertible into cash in much less than one month.*

5.4. Operational risk

This risk is managed upstream by ensuring that position taking is guided by written procedures and a rigorous internal control process. However, these procedures and controls cannot provide absolute assurance that operational losses will not occur and due care is taken at all times as this is a structural risk in the arbitrage business.

At June 30, 2020, losses due to operational incidents represented 0.15% of revenues (versus 0.3% at 30 June 2019).

DELOITTE & ASSOCIES

ERNST & YOUNG et Autres

This is a translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

ABC arbitrage

Period from January to June 30,2020

Statutory auditors' review report

on the half-yearly financial statements

DELOITTE & ASSOCIES
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ABC arbitrage

Period from January to June 30,2020

Statutory auditors' review report on the half-yearly financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of ABC arbitrage, for the period from January 1 to June 30, 2020;
- the verification of the information presented in the half-year management report.

These half-yearly financial statements were prepared under the responsibility of your Board of Directors on September 17, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to question the compliance of the accompanying condensed half-yearly consolidated financial statements with IAS 34 – IFRS standard, as adopted in the European Union regarding the interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the half-yearly financial statements prepared on September 17, 2020, subject of our review.

We have no matters to report as to its fair presentation and consistency with the half-yearly financial statements.

Paris-La Défense, September 29, 2020

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES — ERNST & YOUNG et Autres

Pascal Colin — François Holzman

ABC arbitrage

Statement by the person responsible for the First-Half Financial Report 2020

I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the past six months have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of ABC arbitrage Group, and that the half-yearly activity report presents a true and fair view of the information referred to in Article 222-6 of the General Regulations of the Autorité des Marchés Financiers.

Dominique CEOLIN
President - Chief Executive Officer