FIRST SEMESTER FINANCIAL REPORT 30-06-2021

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ABC arbitrage Group

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 2021 are presented below:

In EUR million	**30/06/2021 IFRS**	**30/06/2020 IFRS**	**Change**	**31/12/2020 IFRS**
Advisory revenues	-	-	na	-
Investment Services Fees*	46.6	11.7	*299.9%*	22.5
Net gains at fair value through profit or loss**	(11.5)	33.1	*-134.7%*	46.3
Net revenues	***35.1***	**44.8**	***-21.7%***	**68.8**
Payroll costs	(11.1)	(15.2)	*-27.2%*	(25.9)
Occupancy costs	(0.8)	(0.7)	*2.1%*	(1.4)
Other expense	(3.2)	(2.8)	*15.4%*	(5.9)
Other taxes	(0.2)	(0.1)	*213.7%*	(0.1)
Total costs	***(15.2)***	**(18.8)**	***-19.0%***	**(33.4)**
Income before tax	**19.9**	**26.0**	***-23.5%***	**35.4**
Net income attributable to equity holders	**16.8**	**25.7**	**-34.4%**	**35.1**

**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, €0.7 million was not recognized as income for the first half of 2021 (compared to €5.3 million for the first half of 2020).*

*** The group has agreed with the French tax authorities (as stated in the press release of June 4, 2021) to modify the characteristics of its Transfer Pricing Policy ("TPP"). This modification of the TPP has the effect of complicating the comparison of net gains on financial instruments measured at fair value through profit or loss and management fees in the income statement between the first half of 2021 and the first half of 2020. The additional billing for services rendered in the years 2015 to 2020 will increase the Management fees item by €34.6 million and reduce the Net gains on financial instruments measured at fair value through profit or loss by the same amount.*

In accordance with IFRS standards, consolidated net revenue at 30 June 2021 came to €35.1 million and consolidated net income amounted to €16.8 million, in decrease (-34%) compared to 1st half 2020. This basis for comparison, which is historic for the group, was established in a particular context linked to the shock of the COVID 19 pandemic, where volatility and volumes reached historic highs, requiring a necessary step back in the conclusions of the first half of 2021. The observation of an increase of almost 100% compared to H1 2019 and a slightly higher result than H1 2016 despite significantly higher investments show a first half 2021 among the best of the ABC arbitrage group.
Net return (ROE) reached 10.8% for the first half of 2021 alone, representing an annualized ROE of about 21.7%, compared to 33% at the end of H1 2020, and 12% at the end of H1 2019.

Following a 2020 year strongly influenced by the economic consequences of the pandemic, H1[1] 2021 has gradually returned to a central bank paradigm with a significant decline in volatility and volumes throughout the half year. US and European volatility has steadily declined during H1 2020 returning to levels close to H1 2019. This calmer environment has allowed M&A deals to see significant activity after a challenging 2020. The pace of announcements in terms of number of new deals is back to at 2016 highs . The number of Corporate Actions remains at low levels, barely at 30% 2015 levels, confirming the persistent strong influence of "negative" rates on these activities. The half-year ended with record valuations of listed companies, for example as observed through the level of the S&P500 index; records that were again broken during the summer. Concerns about the development of new variants and China's political and financial decisions did not reverse this historic rise, whilst creating local unrest.

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 continued to collect assets under management, although below the targets set by the group, and maintained their management fees at a high level.
- ABCA Funds Ireland Plc, an Alternative Investment Fund, had €332 million in assets on 30 June 2021 compared with €289 million on 31 December 2020:

[1] H1 = First semester

- ABCA Opportunities fund, designed to be partially disconnected from volatility, performed better than expected in 1st half 2021, with a rate of +6.45% over S1 2021. This was mainly due to a favorable environment, with a high rate of new contract announcements and a more stable economic context. The Event Driven strategy was one of the drivers of outperformance in April and May. ABCA Opportunities has delivered a steady performance every month since the beginning of the year thanks to the diversification effect of its strategies.
- ABCA Reversion fund, designed to take advantage of volatility, had a first quarter below expectations. ABCA Reversion had to operate in particularly unfavorable conditions combining low volatility across regions and major decorrelation in Asia. Although ABCA Reversion's performance remained slightly negative over the half year (-2.19%), it was positive in June (+0.49%) in a market context comparable to previous months, which validates the fund's highly defensive profile for downside protection in unfavorable market environments.

- Quartys Limited, a financial instruments trading company, ended the first half of the year with a net loss of 12 million euro, compared with a net profit of 33 million euro in the first half of 2020. This difference is entirely due to the change in transfer pricing policy mentioned in §1, Highlights of the consolidated financial statements (exceptional event) communicated on 4 June by the group. Excluding the exceptional event, Quartys Limited posted a pro forma profit of around €22 million, demonstrating its agility in this market environment.

2. Dividend Policy

On the proposal of the Board of Directors, the General Meeting voted to pay two interim dividends (one to be paid before October 31, 2021, the other before December 31, 2021) of €0.10 per share each, to be taken, in order of priority, from the "retained earnings" account, the "other reserves" account and the "share premium" account. 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 each represent a maximum total sum of 5,932,804 euros. These two distributions will be made from the "share premium" account, which will therefore initially be reduced to an amount of €40,918,230. These payments, which are proposed to be made in cash only, will, due to the deduction from the share premium account, have the fiscal nature of a reimbursement of contributions within the meaning of Article 112 1° of the French General Tax Code.

The schedule for the first payment is as follows:

- date of detachment: Tuesday, October 12, 2021,
- payment: Thursday, October 14, 2021.

The schedule for the second payment is as follows:

- date of detachment: Tuesday, December 7, 2021,
- payment: Thursday, December 9, 2021.

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 2021 will represent a return of nearly 6.6% based on the share price as of December 31, 2020.

3. Outlook

Following on from 2020, the central banks have reassured the markets on numerous occasions in 2021, allowing the main world indices to break records since the last low point in March 2020. The latest speeches by various central bankers confirm the relative sustainability of the programmes underway for the next two years.
This context already experienced by the Group in particular since the end of 2016 has formed an important part of the Group’s strategic planning. In particular, this type of context, favorable to calm periods followed by significant market shocks, confirms the strategic choices of the ABC 2022 plan presented in 2020. The Group is therefore continuing to invest in R&D to develop capacity strategies and to build the resources needed to grow assets under management, without neglecting development in its historical know-how, which is a source of significant gains in turbulent periods. Halfway through its strategic plan, the ABC arbitrage Group continues to structure its ambitions by balancing the development of its equity capital and the pursuit of its distribution policy for the benefit of its shareholders and its medium and long-term projects.

Balance sheet - assets

In EUR thousand	Note	June 30, 2021 IFRS	Dec. 31, 2020 IFRS
Intangible assets	3.1	83	126
Right-of-use assets - IFRS 16	3.1	440	932
Property and equipment	3.1	1,254	1,392
Non-current financial assets	3.2	622	625
Deferred tax assets		88	113
Total non-current assets		**2,487**	**3,188**
Financial assets at fair value through profit or loss	3.4	118,819	150,319
Other accounts receivable	3.6	31,080	10,569
Current tax assets		-	215
Cash and cash equivalents		30,680	8,767
Total current assets		**180,579**	**169,870**
TOTAL ASSETS		**183,066**	**173,057**

Balance sheet - liabilities

In EUR thousand	Note	June 30, 2021 IFRS	Dec. 31, 2020 IFRS
Paid-up share capital		936	936
Additional paid-in capital		46,851	47,517
Retained earnings		90,930	70,484
Interim dividend		-	-
Net income		16,839	35,093
Total equity attributable to equity holders	3.3	**155,555**	**154,031**
Provisions	3.7	-	-
Lease liability - IFRS16		591	1,148
Non-current financial liabilities		-	-
Deferred tax liabilities		-	-
Non-current liabilities		**591**	**1,148**
Financial liabilities at fair value through profit or loss	3.4	1	1
Other liabilities	3.6	24,036	17,878
Taxes payable		2,882	-
Short-term debt		-	-
Total current liabilities		**26,919**	**17,879**
TOTAL EQUITY AND LIABILITIES		**183,066**	**173,057**

Statement of income

In EUR thousand	Note	June 30, 2021 IFRS	June 30, 2020 IFRS
Net gain/loss on financial instruments at fair value through profit or loss	**4.1**	(11,512)	33,136
Investments service fees	**4.2**	46,585	11,650
Other revenues	**4.3**	150	177
Administrative expenses	**4.4**	(3,083)	(2,785)
Taxes and duties		(761)	(409)
Payroll costs	**4.5**	(10,633)	(14,999)
Depreciation and amortisation expense		(358)	(300)
Depreciation and amortisation expense - IFRS 16		(509)	(467)
OPERATING INCOME		**19,878**	**26,003**
Provision expense	**4.6**	-	-
Interest expense - IFRS 16		(6)	(12)
INCOME BEFORE TAX		**19,872**	**25,992**
Current taxes	**4.7**	(3,097)	(326)
Deferred taxes		64	13
NET INCOME		**16,839**	**25,679**
Attributable to equity holders		16,839	25,679
Attributable to minority interests		-	-
Number of ordinary shares		*58,512,053*	*58,512,053*
Earnings per ordinary share		*0.29*	*0.44*
Résultat net dilué par action ordinaire		*0.28*	*0.44*

Statement of comprehensive income

In EUR thousand	Note	June 30, 2021 IFRS	June 30, 2020 IFRS
Net income		16,839	25,679
Change in foreign exchange		-	-
Remeasurement of available-for-sale assets		-	-
Income tax		-	-
Total other comprehensive income		**-**	**-**
NET INCOME AND OTHER COMPREHENSIVE INCOME		16,839	25,679
Attributable to equity holders		16,839	25,679
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	Total equity
At December 31, 2019	**936**	**47,517**	**(1,246)**	**92,695**	**139,902**	**139,902**
Issue of shares	-	-	-	-	-	**-**
Elimination of treasury shares	-	-	(1,298)	-	(1,298)	**(1,298)**
2019 interim dividend	-	-	-	(7,568)	(7,568)	**(7,568)**
2020interim dividend	-	-	-	(11,629)	(11,629)	**(11,629)**
Share-based payments	-	-	-	(469)	(469)	**(469)**
Net income for the year 2020	-	-	-	35,093	35,093	**35,093**
At December 31, 2020	**936**	**47,517**	**(2,544)**	**108,122**	**154,031**	**154,031**
Issue of shares	-	-	-	-	-	**-**
Elimination of treasury shares	-	-	1,718	-	1,718	**1 718**
2020interim dividend	-	(666)	-	(15,702)	(16,368)	**(16 368)**
2021interim dividend	-	-	-	-	-	**-**
Share-based payments	-	-	-	(664)	(664)	**(664)**
Net income for 1st semester 2021	-	-	-	16,839	16,839	**16 839**
At June 30, 2021	**936**	**46,851**	**(826)**	**108,594**	**155,555**	**155,555**

ABC arbitrage ■ Consolidated cash flow statements

In EUR thousand	June 30, 2021 IFRS	Dec. 31, 2020 IFRS
Net income	**16,839**	**35,093**
Net allocations to provisions	-	(50)
Net allocations to depreciation and amortisation	358	635
Depreciation and amortisation expense - IFRS 16	515	1,011
Change in deferred taxes	25	53
Share-based payments - IFRS 2	255	240
Net cash provided by operations before changes in working capital	**17,993**	**36,983**
Changes in working capital	**20,244**	**(12,650)**
Net cash provided by operating activities	**38,237**	**24,333**
Net cash used by investing activities	**(193)**	**(1,028)**
Leases - IFRS 16	(557)	(1,094)
Interest expense on debt related to leasing activities - IFRS 16	(6)	(27)
Net cash provided by capital transactions	(666)	-
Dividends paid	(15,702)	(19,197)
Share-based payments	799	(2,007)
Net cash used by financing activities	**(16,132)**	**(22,325)**
Net change in cash and cash equivalents	**21,913**	**979**
Cash and cash equivalents, beginning of period	8,767	7,788
Cash and cash equivalents, end of period	30,680	8,767

Contents

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 2021 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 2020.

The Group has applied the new standards, amendments and interpretations adopted by the European Union that are compulsory as of January 1, 2021.

Preparation of the financial statements requires 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.

Highlights of the first half :

The Group has agreed with the French tax authorities (as specified in the press release of June 4, 2021) to modify the characteristics of its Transfer Pricing Policy ("TPP") in order to secure and consolidate its future development capacities. The tax risk described in paragraph 3.7, "provision for contingencies and losses" in the 2019 and 2020 consolidated financial statements is thus definitively closed.

This change in the PPT results in:

- greater complexity in comparing *Net gains on financial instruments measured at fair value through profit or loss* and *Management fees* in the income statement between the first half of 2021 and the first half of 2020. The additional billing of services for the years 2015 to 2020 will increase the *Management fees* item by €34.6 million and reduce the *Net gains on financial instruments measured at fair value through profit or loss* by the same amount.
- a net impact in accordance with IFRIC 23 to be recognized in current taxes of €3.1 million (as also announced in the June 4 press release).

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.

Company	Country	% interest	Consolidation method
Quartys Limited	Ireland	100,0%	Fair value based on net asset value
ABCA Opportunities Fund	Ireland	65.60%	
ABCA Reversion Fund	Ireland	4.38%	

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 2021, ABCA Opportunities Fund had €99 million of funds under management.
- At 30 June 2021, ABCA Reversion Fund had €268 million of funds under management.

Due to cross-holdings, ABCA Funds Ireland had total assets of €332 million.

ABC arbitrage Asset Management also signed a management mandate with a new professional client for 45 million in early May 2021. As of June 30, 2021, 39 million euros were thus added to client assets.

3. Notes to the balance sheet

3.1. Intangible assets and property and equipment

Gross value

In EUR thousand	Gross Value Dec. 31, 2020	Acquisitions	Retirements/disposals	Gross Value June 30, 2021
Concessions and similar rights	459	39	-	498
Right-of-use assets - IFRS 16	1,945	-	950	995
Equipment, fixtures and fittings	1,393	-	-	1,393
Vehicules	-	-	-	-
Office and computer equipment, furniture	5,046	139	-	5,184
Total Gross Value	**8,843**	**178**	**950**	**8,071**

Amortisation and depreciation

In EUR thousand	31/12/2020	Increases	Decreases	30/06/2021
Concessions and similar rights	(332)	(82)	-	(415)
Right-of-use assets - IFRS 16	(1,013)	458	-	(555)
Equipment, fixtures and fittings	(1,322)	(15)	-	(1,338)
Vehicules	-	-	-	-
Office and computer equipment, furniture	(3,725)	(262)	-	(3,986)
Total	**(6,393)**	**99**	**-**	**(6,294)**

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 2021, 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 2021, this item included €622 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
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	0	22,560
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	0	6,873
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	0	28,482
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
APE-1.1/2020	ABC 2022	17/09/2020	2	40,000	2022	40,000	Pending
APE-1.1/2021	ABC 2022	11/06/2021	2	25,000	2023	25,000	Pending
APE-1.2/2021	ABC 2022	11/06/2021	3	25,000	2024	25,000	Pending
APE-1.3/2021	ABC 2022	11/06/2021	4	25,000	2025	25,000	Pending
APV-2.1/2021	ABC 2022	11/06/2021	2	134,837	2022	134,837	Pending
Total if applicable	**N/A**	**N/A**	**N/A**	**575,337**	**N/A**	**319,837**	**102,335**

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	5.1354	0	75,222
05/2016	Ambition 2016	14/06/2016	3	313,000	2019	15-june-2022	5.4658	0	163,760
06/2016	Ambition 2016	14/06/2016	4	313,000	2020	15-june-2022	5.7962	0	153,606
SO-1.1/2017	Step-up 2019	16/06/2017	2	563,333	2018	30-june-2022	5.2262	0	96,875
SO-1.2/2017	Step-up 2019	16/06/2017	3	563,333	2019	30-june-2022	5.4744	0	395,451
SO-1.3/2017	Step-up 2019	16/06/2017	4	563,334	2020	30-june-2022	5.8177	0	278,433
SO-2.1/2017	Step-up 2019	16/06/2017	2	276,000	2019	30-june-2023	5.4744	0	134,089
SO-2.2/2017	Step-up 2019	16/06/2017	3	276,000	2020	30-june-2023	5.8177	0	102,342
SO-2.3/2017	Step-up 2019	16/06/2017	4	276,000	2021	30-june-2023	6.1609	0	152,179
SO-1.1/2018	Step-up 2019	15/06/2018	2	155,000	2020	30-june-2024	6.0926	0	25,746
SO-1.2/2018	Step-up 2019	15/06/2018	3	155,000	2021	30-june-2025	6.2930	0	104,631
SO-1.3/2018	Step-up 2019	15/06/2018	4	155,000	2022	30-june-2026	6.6595	140,000	Pending
Total if applicable	**N/A**	**N/A**	**N/A**	**3,982,000**	**N/A**	**N/A**	**N/A**	**140,000**	**1,682,336**

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	5.4089	0	65,460
08/2016	Ambition 2016	22/09/2016	3	745,870	2019	22-sept.-2022	5.7429	0	49,194
09/2016	Ambition 2016	22/09/2016	4	745,870	2020	22-sept.-2022	6.0770	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	0	0
Total if applicable	**N/A**	**N/A**	**N/A**	**2,738,610**	**N/A**	**N/A**	**N/A**	**0**	**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 €255 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 2021 (compared with €240 thousand in 2020 and €48 thousand in the first half of 2020). 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 2021 amounted to €810 thousand (compared with €603 thousand in 2020 and €586 thousand in the first half of 2020).

3.3.2. Dividends distribution

The Annual Shareholders' Meeting of June 11, 2021 approved a 2019 final dividend of €0.18 per share.
Taking into account the two payments of €0.10 per share each made in October and December 2020, plus an interim dividend paid in April, 2020, the total distribution for fiscal year 2020 therefore amounts to €0.48 per share.

The detachment of 0.18 euro per ordinary share took place on July 13, 2021, with payment on August 3, 2021. 0.16786 of this dividend was treated as a distribution (deducted from the distributable income) and 0.01214 was paid out as a repayment of contributions pursuant to article 112.1° of the French general tax code (Code général des impôts). For 0.08 euro per share of this balance of dividend, shareholders could receive all or part in ABC arbitrage shares issued at a price of 6.35 euros. The other part of the balance of the dividend, i.e. 0.10 euro per share, had to be paid in cash. At the end of the option period, 483,648 shares were created (65% reinvestment rate) and the balance of the dividend ultimately paid in cash amounted to 7.5 million euros.

At June 30, 2021, 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 (no change from December 31, 2020).

3.3.3. Treasury stock

During the first half of 2021, ABC arbitrage sold 43,543 shares under the market-making agreement with Kepler Cheuvreux, at an average price of €7.47. At the same time, 52,330 have been repurchased.

The 356,778 shares held in treasury at December 31, 2020 were used to allocate 57,915 performance shares, 280,520 stock options, 27,021 SARs and 76,233 shares in connection with the possibility of converting the profit-sharing into ABC arbitrage shares within the Group Savings Plan.

At June 30, 2021, ABC arbitrage held 115,872 of its own shares, acquired at a total cost of €826,278 thousand (at December 31, 2020, the company held 374,886 of its own shares, acquired at a total cost of €2,545 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 2021, 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 2020 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	562	118,267	-	**118,819**
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 2020). 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 2021.

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 2020.

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	30,275	(453)
Accrued income / expenses	140	(11,137)
Accrued taxes and payroll costs	662	(12,447)
Total at June 30, 2021	**31,080**	**(24,036)**
Total at December 31, 2020	*10,569*	*(17,878)*

Accrued expenses comprise €10.5 million of dividends following the decision of the Annual General Meeting of 11 June 2021.The ex-dividend date is scheduled for July 13 for an effective payment on August 3, 2021.

Trade receivables were particularly high at the end of the first half of the year and are essentially linked to the additional invoicing described in §1 Highlights.

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, 2020	0
Provisions used in 2021	0
Provision reversal in 2021	0
Charge to provisions in 2021	0
Total provisions at June 30, 2021	0

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 €-11,512 thousand at June 30, 2021 versus €33,136 thousand at June 30, 2020. (cf. §1. Highlights of the first half).

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 €46,585 thousand at June 30, 2021. On June 30, 2020, they amounted to €11,650 thousand.

Investment services fees relate to the services invoiced by the Group's management companies to Quartys Limited and ABCA Funds Ireland Plc. as well as additional billing related to the TPP amendment for fiscal years 2015 through 2020 (see §1. Highlights of the first half). Furthermore, and as a reminder, in accordance with IFRS 15 - relating to revenue cognition and applicable to financial years beginning on or after January 1, 2018 - performance fees cannot be recognised in the half-year financial statements. Indeed, these performance fees, since they are not crystallized, are subject to various factors such as market volatility which prevent the conclusion that it is highly probable that a cancellation of this income cannot occur.

4.3. Other revenue

Other revenue comprises revenue from subletting premises and administrative services amounted to €150 thousand versus €177 thousand at June 30, 2020.

4.4. Administrative expenses

Administrative expenses principally comprise data mining and processing costs, together with administrative and communications costs.

This amounted €3,083 thousand at June 30, 2021 versus €2,785 thousand at June 30, 2020.

4.5. Payroll costs

The Group's average number of employees increased slightly to 85 in the first half of 2021.

Fixed and variable salaries, as well as profit-sharing and incentive schemes, amounted to €7,987 thousand (compared to €10,611 thousand at 30 June 2020), social security contributions decreased to €2,647 thousand (compared to €4,388 thousand at 30 June 2020).
Payroll-based taxes rose to €467 thousand (€240 thousand at 30 June 2020).
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 €6.2 million (including social security charges) compared to €9.6 million (including social security charges) in the first half of 2020.

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, 2021 (as in the first half of 2020).

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 2020.

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

<table>
<tr><th>In EUR thousands</th><th>a.
Gross carrying amount (before netting)</th><th>b.
Gross amounts netted in the balance sheet</th><th>c.
Net carrying amount [a-b] at June 30, 2020</th><th>Financial assets at June 30, 2021</th><th>Financial assets at Dec. 31, 2020</th></tr>
<tr><td>Non-derivative financial instruments</td><td>436,412</td><td>(406,788)</td><td>29,624</td><td rowspan="8">118,819</td><td rowspan="8">150,319</td></tr>
<tr><td>Derivatives</td><td>5,681</td><td>(21,425)</td><td>(15,745)</td></tr>
<tr><td>Unlisted Derivatives</td><td>525,814</td><td>(533,187)</td><td>(7,373)</td></tr>
<tr><td>Financial assets at fair value through profit or loss</td><td>74,938</td><td>-</td><td>74,938</td></tr>
<tr><td>Total long positions</td><td>1,042,845</td><td>(961,401)</td><td></td></tr>
<tr><td>Cash and margin accounts</td><td>72,645</td><td>(105,212)</td><td>(32,567)</td></tr>
<tr><td>Currencies derivatives - Listed</td><td>26,434</td><td>(0)</td><td>26,433</td></tr>
<tr><td>Currencies derivatives - Non listed</td><td>105,793</td><td>(62,283)</td><td>43,510</td></tr>
</table>

<table>
<tr><th>In EUR thousands</th><th>a.
Gross carrying amount (before netting)</th><th>b.
Gross amounts netted in the balance sheet</th><th>c.
Net carrying amount [a-b] at June 30, 2020</th><th>Financial liabilities at June 30, 2021</th><th>Financial liabilities at Dec. 31, 2020</th></tr>
<tr><td>Non-derivative financial instruments</td><td>-</td><td>-</td><td>-</td><td rowspan="7">(1)</td><td rowspan="7">(1)</td></tr>
<tr><td>Derivatives</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Unlisted Derivatives</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total short positions</td><td>-</td><td>-</td><td></td></tr>
<tr><td>Cash and margin accounts</td><td>-</td><td>(1)</td><td>(1)</td></tr>
<tr><td>Currencies derivatives - Listed</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Currencies derivatives - Non listed</td><td>-</td><td>-</td><td>-</td></tr>
</table>

<table>
<tr><th>In EUR thousands</th><th>a.
Gross carrying amount (before netting)</th><th>b.
Gross amounts netted in the balance sheet</th><th>c.
Net carrying amount [a-b] at June 30, 2020</th><th>Financial assets & liabilities at June 30, 2021</th><th>Financial assets & liabilities at Dec. 31, 2020</th></tr>
<tr><td>Non-derivative financial instruments</td><td>436,412</td><td>(406,788)</td><td>29,624</td><td rowspan="8">118,818</td><td rowspan="8">150,318</td></tr>
<tr><td>Derivatives</td><td>5,681</td><td>(21,425)</td><td>(15,745)</td></tr>
<tr><td>Unlisted Derivatives</td><td>525,814</td><td>(533,187)</td><td>(7,373)</td></tr>
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</table>

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	30/06/2021	31/12/2020	30/6/2020
Asia	**9%**	**9%**	**5%**
Europe	**45%**	**45%**	**49%**
USA	**38%**	**38%**	**33%**
Other markets	**8%**	**8%**	**13%**
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 2021, the aggregate VaR of the Trading Exposures of the Group was €3 M. 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, 2021, a 2% rise (fall) in the euro against all currencies would, all other things being equal, have increased (decreased) net assets by €173 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, 2021, 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*	562	110,901	-	7,356	118,819
Other receivables	18,064	12,581	434	-	31,080
Deferred tax assets	-	-	-	-	-
Cash and cash equivalents	30,680	-	-	-	30,680
Total current assets	**49,306**	**123,482**	**434**	**7,356**	**180,579**
Financial liabilities at fair value through profit or loss	(1)	-	-	-	(1)
Other liabilities	(19,279)	(3,571)	(1,174)	(12)	(24,036)
Current tax liabilities	-	-	2,882	-	2;882
Short-term borrowings	-	-	-	-	-
Total liabilities	**(19,280)**	**(3,571)**	**1,708**	**(12)**	**(21,156)**
Net balance	**30,026**	**119,911**	**2,142**	**7,344**	**159,423**

**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, 2021, losses due to operational incidents represented 0% of revenues (versus 0.15% at 30 June 2020).

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, 2021

Statutory auditors’ review report

on the half-yearly financial statements

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572 028 041 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
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Tour First
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S.A.S. à capital variable
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles et du Centre

ABC ARBITRAGE

Period from January to June 30,2021

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-yearly consolidated financial statements of ABC arbitrage, for the period from January 1 to June 30, 2021,

- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These half-yearly consolidated financial statements are the responsibility of the Board of Directors. 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 believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-yearly consolidated financial statements.

Paris-La Défense, September 28, 2021

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Pascal Colin	François Holzman

Statement by the person responsible for the First-Half Financial Report 2021

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