FIRST SEMESTER FINANCIAL REPORT 30-06-2023

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ABC arbitrage Group

ABC arbitrage 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 2023 are presented below:

In EUR million	June. 30, 2023 IFRS	June. 30, 20232 IFRS	Change	Dec. 31, 2022 IFRS
Advisory revenues	-	-	*na*	-
Investment Services Fees*	9.0	14.9	*-39.5%*	27.4
Net gains at fair value through profit or loss	11.2	16.6	*-32.5%*	33.8
Net revenues	20.2	31.5	*-35.8%*	61.2
Payroll costs	(7.4)	(10.6)	*-29.7%*	(22.9)
Occupancy costs	(0.8)	(0.8)	*2.7%*	(1.4)
Other expense	(3.4)	(3.4)	*-2.1%*	(7.2)
Other taxes	0.2	(0.5)	*-143.1%*	(0.7)
Total costs	(11.4)	(15.3)	*-25.3%*	(32.1)
Income before tax	8.8	16.2	*-45.8%*	29.1
Net income attributable to equity holders	8.8	16.2	*-45.6%*	29.2

**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 crystallised*** *- i.e. neither invoiced nor collected - as of June 30. €0.3 million were not recognized as income for the first half of 2023 (No management fees were recognized as income for the first half of 2022).*

In accordance with IFRS standards, consolidated net revenue at 30 June 2023 came to €20.2 million and consolidated net income amounted to €8.8 million, in decrease (-45.6%) compared to 1st half 2022.

Net return (ROE) reached 5.5% for the first half of 2023 alone, representing an annualised ROE of about 11.1%, compared to 20.2% at the end of H1 2022, and 21.65% at the end of H1 2021.

After a 2022 financial year marked by the war in Ukraine and a sharp rise in interest rates and inflation, the first half of 2023 presented, counter intuitively, market parameters significantly below their historical averages. In particular, volatility fell back to the low points of the 2019 financial year, significantly below the volatilities seen over the last 3 financial years. The mergers and acquisitions sector, for its part, has been impacted by the rise in interest rates, leading to doubts about the valuation of these transactions. As a result, market volumes were significantly lower than in previous years.

The first half of 2023 result is broadly in line with the market parameters for this first half. The group faced a number of unusual obstacles, such as the simultaneous low volatility and relatively low levels of M&A activity.
In addition, the alternative funds developed by the Group, aimed solely at professional clients, have shown positive momentum and are continuing to increase their capacity in order to meet the objectives for assets under management set by ABC arbitrage in its 2025 business plan.

- ABC arbitrage Asset Management SA and ABC arbitrage Asset Management Asia Pte Ltd saw their management fees decrease due to the outflows that took place in 2022 and the general decline in performance observed in the first half of 2023.

- ABCA Funds Ireland Plc, an Alternative Investment Fund, had €362 million in assets on 30 June 2023 (compared with €365 million on 31 December 2022 and €510 million on 30 June 2022):

    - The ABCA Opportunities fund, designed to partially disconnect itself from volatility, achieved a positive performance of 3.5% in H1 2023. This performance has been consistent every month since the start of the year thanks to the diversification effect of its strategies, despite an environment that is at times quite calm and presents few opportunities. For example, the performance of hedge fund indices ranged from -2.85% to +4.46% with a general index at +0.70% over the first half of 2023.

- ○ The ABCA Reversion fund, designed to take advantage of volatility, achieved a positive performance of +3.4% in H1. “Mean reversion” strategies, allocated at 87% to the fund, remained generally positive over the half-year. The fund's performance was able to be maintained thanks to its short-term volatility strategies during the end of the second quarter despite a calmer month and a drop in the number of opportunities which slightly weighed on these strategies.

- Quartys Limited, a financial instruments trading company, ended the first half of the year with a net profit of 11 million euro, compared with a net loss of 16 million euro in the first half of 2022. This decrease is directly linked to the less favourable market context, as recalled above.

Client assets amount to €377 million at September 1, 2023.

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 before October 31, 2023, the other before December 31, 2023) in the amount of 0.10 euro per share. 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 5,960,888 euros. These two distributions will be made from distributable profit (including retained earnings).

The schedule for the first payment is as follows:
- date of detachment: Tuesday, October 10, 2023.
- payment: Thursday, October 12, 2023.

The schedule for the second payment is as follows:
- date of detachment: Tuesday, December 5, 2023,
- payment: Thursday, December 7, 2023.

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 2023 will represent a return of nearly 6.4% based on the share price as of December 31, 2022.

3. Outlook

Volatility continued to decline in the third quarter, with no significant upturn in the M&A sector or in corporate capital transactions. The rhythm of the Group's activity remains consistent with this situation, and is still in line with the 2019 financial year. ABC arbitrage is continuing to implement its Springboard 2025 strategic plan, which was presented last March. This is being achieved by synchronising investments with the rhythm of activity and by developing new strategies and quantitative investment funds for professional clients. The Group's objective therefore remains to significantly increase its profitability in such sluggish conditions as met in 2023. For the coming months, the main leading indicators show that the macroeconomic situation is deteriorating significantly, particularly in Europe, which should restore volatility to at least its historical average, a level that remains favourable to the Group's activities. ABC arbitrage is therefore maintaining the ambitions of its Springboard 2025 plan, ambitions correlated with the opportunities presented by the global financial markets.

Balance sheet - assets

In EUR	Note	June. 30, 2023 IFRS	Dec. 31, 2022 IFRS
Intangible assets	3.1	172	118
Right-of-use assets - IFRS 16	3.1	4,577	4,771
Property and equipment	3.1	1,520	1,236
Non-current financial assets	3.2	364	669
Deferred tax assets		70	79
Total non-current assets		**6,705**	**6,873**
Financial assets at fair value through profit or loss	3.4	150,211	154,175
Other accounts receivable	3.5	9,545	12,051
Current tax assets		0	0
Cash and cash equivalents		16,810	14,226
Total current assets		**176,566**	**180,453**
TOTAL ASSETS		**183,271**	**187,326**

Balance sheet - liabilities

In EUR	Note	June. 30, 2023 IFRS	Dec. 31, 2022 IFRS
Paid-up share capital		954	954
Additional paid-in capital		41,441	41,441
Retained earnings		108,494	101,941
Interim dividend		-	(11,831)
Net income		8,820	29,150
Total equity attributable to equity holders	3.6	**159,709**	**161,655**
Provisions	3.7	-	-
Lease liability - IFRS 16	3.8	4,102	4,400
Non-current financial liabilities		-	-
Deferred tax liabilities		-	-
Non-current liabilities		**4,102**	**4,400**
Financial liabilities at fair value through profit or loss	3.3	1	1
Lease liability - IFRS 16 < 1 Y		1,321	1,301
Other liabilities	3.8	12,702	14,574
Taxes payable		5,436	5,394
Short-term debt		-	-
Current liabilities		**19,460**	**21,271**
TOTAL EQUITY AND LIABILITIES		**183,271**	**187,326**

Statement of income

In EUR	Note	June. 30, 2023 IFRS	June. 30, 2022 IFRS
Net gain/loss on financial instruments at fair value through profit or loss	4.1	11,092	16,028
Investment services fees	4.2	9,019	14,911
Other revenue	4.3	253	619
Administrative expenses	4.4	(3,561)	(3,625)
Taxes and duties		(428)	(1,081)
Payroll costs	4.5	(6,603)	(9,813)
Depreciation and amortisation expense		(397)	(319)
Depreciation and amortisation expense - IFRS 16		(559)	(498)
OPERATING INCOME		**8,815**	**16,222**
Provision expense	4.6	0	0
Interest expense - IFRS 16		(33)	(30)
INCOME BEFORE TAX		**8,782**	**16,192**
Current taxes	4.7	0	(0)
Deferred taxes		38	24
NET INCOME		**8,820**	**16,216**
Attributable to equity holders		8,820	16,216
Attributable to minority interests		-	-
Number of ordinary shares		*59,608,879*	*59,608,879*
Average earnings per ordinary share		*59,282,636*	*59,168,695*
Diluted earnings per ordinary share		*59,541,993*	*59,815,295*
Earnings per ordinary share		*0.15*	*0.27*
Diluted earnings per ordinary share		*0.15*	*0.27*

Statement of comprehensive income

In EUR	Note	June. 30, 2023 IFRS	June. 30, 2022 IFRS
Net income		8,820	16,216
Change in foreign exchange		0	0
Remeasurement of available-for-sale assets		0	0
Income tax		0	0
Total other comprehensive income		0	0
NET INCOME AND OTHER COMPREHENSIVE INCOME		**8,820**	**16,216**
Attributable to equity holders		8,820	16,216
Attributable to minority interests		0	0

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, 2021	**949**	**39,752**	**(563)**	**119,887**	**160,024**	**160,024**
Issue of shares	4	1,689	-	-	1,693	**1,693**
Elimination of treasury shares	-	-	(3,487)	-	(3,487)	**(3,487)**
Appropriation of 2021 net income	-	-	-	(11,851)	(11,851)	**(11,851)**
2022 interim dividend	-	-	-	-	-	**-**
Share-based payments	-	-	-	(2,110)	(2,110)	**(2,110)**
Net income for the year	-	-	-	16,216	16,216	**16,216**
At June 30, 2022	**954**	**41,441**	**(4,050)**	**122,142**	**160,486**	**160,486**
Issue of shares	-	-	-	-	-	**-**
Elimination of treasury shares	-	-	924	-	924	**924**
Appropriation of 2021 net income	-	-	-	-	-	**-**
2022 interim dividend	-	-	-	(11,831)	(11,831)	**(11,831)**
Share-based payments	-	-	-	(858)	(858)	**(858)**
Net income for the year	-	-	-	12,934	12,934	**12,934**
At December 31, 2022	**954**	**41,441**	**(3,126)**	**122,387**	**161,656**	**161,656**
Issue of shares	-	-	-	-	-	**-**
Elimination of treasury shares	-	-	2,482	-	2,482	**2,482**
Appropriation of 2022 net income	-	-	-	(12,482)	(12,482)	**(12,482)**
2023 interim dividend	-	-	-	-	-	**-**
Share-based payments	-	-	-	(767)	(767)	**(767)**
Net income for the year	-	-	-	8,820	8,820	**8,820**
At June 30, 2023	**954**	**41,441**	**(644)**	**117,958**	**159,709**	**159,709**

ABC arbitrage ■ Consolidated cash flow statements

In EUR thousand	June. 30, 2023 IFRS	Dec. 31, 2022 IFRS	June. 30, 2022 IFRS
Net income	**8,820**	**29,150**	**16,216**
Net allocations to provisions	-	-	-
Net allocations to depreciation and amortisation	397	673	319
Depreciation and amortisation expense - IFRS 16	592	1,083	528
Change in deferred taxes	(38)	(60)	(24)
Share-based payments - IFRS 2	123	204	80
Net cash provided by operations before changes in working capital	**9,894**	**31,051**	**17,119**
Changes in working capital	**4,641**	**(6,648)**	**(3,510)**
Net cash provided by operating activities	**14,535**	**24,403**	**13,609**
Net cash used by investing activities	**(1,108)**	**(956)**	**(645)**
Net cash provided by capital transactions	-	1,694	1,694
Dividends paid	(12,482)	(23,682)	(11,881)
Share-based payments in	2,953	5,710	4,959
Share-based payments out	(1,315)	(11,196)	(10,386)
Net cash used by financing activities	**(10,843)**	**(27,473)**	**(16,133)**
Net change in cash and cash equivalents	**2,584**	**(4,026)**	**(2,651)**
Cash and cash equivalents, beginning of period	14,226	18,252	18,252
Cash and cash equivalents, end of period	16,810	14,226	15,601

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 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union as at 30 June 2023. 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 2021, as presented in the Annual Financial Report filed with the AMF on April 21, 2023.

The Group has applied the new standards, amendments and interpretations adopted by the European Union that are compulsory as of January 1, 2023.

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.

The financial statements are presented in thousands of euros (unless otherwise stated), and include the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes.

1.1 Alternative performance indicators

The group follows the alternative performance indicators, defined below, which are not directly defined by the IFRS standards. These indicators provide additional information that is relevant for shareholders in their analysis of the contribution of the group's two main areas of expertise (“investment entities” and asset management companies) to the Group's results, performance and financial position of the Group, as well as prospective revenue potential.
These indicators are used for internal performance analysis as well. Not being defined by IFRS standards, they are therefore not directly comparable with similarly named indicators from other companies. Furthermore, they are not intended to replace or be presented with greater prominence than the IFRS indicators as presented in the financial statements

***Return on Equity* (ROE) :** It is used to calculate the financial return on equity. The net return is obtained according to the following calculation: (net income / closing equity) x 100.

Gross Return : It calculates the level of profitability of invested sums and capital. The gross return is obtained according to the following calculation: (income from current activity / closing equity) x 100.

Gross return and ROE are key indicators representative of the profitability of the investment activity monitored by the Group.

The **group's clients assets**: also called assets under management corresponds to the value of all the financial assets managed by the Group's management companies. It corresponds to the maximum amount of capital that can be mobilised to finance positions held by clients. This indicator, not directly linked to the financial statements, is a forward-looking indicator of the management fees to be received by the Group.

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 2022), ABC arbitrage's interest in ABCA Funds Ireland and Quartys Limited is presented under financial assets at fair value through profit or loss.

As a reminder, ABC arbitrage Asset Management also signed a management mandate with a new professional client for 45 million US dollars in early May 2021. As of June 30, 2023, 41 million euros were thus added to client assets.

The interest percentage is as follows:

Company	Country	% interest	Consolidation method
Quartys Limited	Ireland	100.0%	Fair value based on net asset value
ABCA Opportunities Fund	Ireland	67.41%	
ABCA Reversion Fund	Ireland	21.71%	

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 2023, ABCA Opportunities Fund had €60 million of funds under management.
- At 30 June 2023, ABCA Reversion Fund had €153 million of funds under management.

Due to cross-holdings, ABCA Funds Ireland had total assets of €198 million.

3. Notes to the balance sheet

3.1. Intangible assets and property and equipment

Gross value

In EUR thousand	Gross value Dec. 31, 2022	Acquisitions	Retirements /disposals	Gross value June 30, 2023
Concessions and similar rights	573	152		725
Equipment, fixtures and fittings	1,422	3		1,425
Office and computer equipment, furniture	5,865	581	-	6,446
Total gross value	**7,860**	**736**	**-**	**8,596**

Amortisation and depreciation

In EUR thousand	Dec. 31, 2022	Increases	Decreases	Jun. 30, 2023
Concessions and similar rights	(455)	(98)	-	(553)
Equipment, fixtures and fittings	(1,377)	(10)	-	(1,387)
Office and computer equipment, furniture	(4,673)	(290)	-	(4,963)
Total amortisation and depreciation	**(6,506)**	**(397)**	**-**	**(6,903)**

Net Value

In EUR thousand	Net value Dec. 31, 2022	Acquisitions	Retirements /disposals	Net value June 30, 2023
Concessions and similar rights	118	54	-	172
Equipment, fixtures and fittings	45	(7)	-	38
Office and computer equipment, furniture	1,191	289	-	1,482
Total gross value	**1,354**	**337**	**-**	**1,692**

Right of use - IFRS16

In EUR thousand	Dec. 31, 2022	Increases	Decreases	Jun. 30, 2023
Right-of-use assets - IFRS 16 - Gross value	5,798	365	-	6,163
Right-of-use assets - IFRS 16 - amortisation and depreciation	(1,027)	(559)	-	(1,586)
Right-of-use assets - IFRS 16 - Net value	**4,771**	**(194)**	**-**	**4,577**

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 2023, these consist of the occupied premises. The counterpart of these rights of use is recorded as long-term and short-term financial debt.

As a reminder, as stated in paragraph 1.1.2 of the consolidated financial statements for the year 2022, ABC arbitrage entered into a new commercial lease as a tenant at the beginning of 2022, concerning the premises located at 18 rue du 4 septembre, 75002 Paris, for a period of 6 years (effective January 1., 2022). An asset corresponding to the IFRS 16 right of use was recognized at the end of 2021 (for €5.2 million) in exchange for a rent liability (the discount rate used to measure the rent liability is 1.03%). Following the increase in rent, an additional asset of €310 thousand was recognised.Amortization of the right of use amounts to €498 thousand for the first half of 2023.

3.2. Other non-current financial assets

At 30 June 2023, this item included €364 thousand in guaranteed deposits and securities.

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

At 30 June 2023, 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 2022 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	1	150,210	0	**150,211**
Financial liabilities at fair value through profit or loss	(1)	0	0	**(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 2022). 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 2023.

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.

3.4. 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 2022.

3.5. Other receivables and payments

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

	Other receivables		Other payables	
In EUR thousands	**Jun. 30, 2023**	**Dec. 31, 2022**	**Jun. 30, 2023**	**Dec. 31, 2022**
Trade receivables/payables	8,398	11,326	(584)	(487)
Accrued income/expenses	485	9	(6,905)	(453)
Accrued taxes and payroll costs	662	716	(5,212)	(13,634)
Total	**9,545**	**12,051**	**(12,702)**	**(14,574)**

Accrued expenses comprise €6.6 million of dividends following the decision of the Annual General Meeting of 9 June 2023.The ex-dividend date is scheduled for July 4 for an effective payment on July 6, 2023.

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

Accrued taxes correspond mainly to performance-based remuneration payable to employees, incentive compensation and amounts due to social security organisations.

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

3.6. Consolidated equity

3.6.1. Share-based payment – Step-up 2019 and Sringboard 2025 incentive program

Performance Share incentive programme :

Name of the plan	Plan :	Acquisition date	Acquisition period	Number of shares	Effective acquisition date for granted shares	Number of shares to be granted	Number of shares definitely granted
APE-3.3/2019	Step-up 2019	14/06/2019	4	30,000	2023	0	24,339
APE-3.1/2021	ABC 2022	11/06/2021	2	25,000	2023	0	22,944
APE-3.2/2021	ABC 2022	11/06/2021	3	25,000	2024	25,000	Pending
APE-3.3/2021	ABC 2022	11/06/2021	4	25,000	2025	25,000	Pending
APE-3.1/2022	ABC 2022	10/06/2022	3	110,000	2025	110,000	Pending
APV-4.1/2022	ABC 2022	10/06/2022	2	10,260	2023	10,260	8,617
APE 3.1/2023	SB 2025	09/06/2023	3	102,000	2025	102,000	Pending
APV 4.1/2023	SB 2025	09/06/2023	2	17,171	2024	17,171	Pending
Total if applicable	**N/A**	**N/A**	**N/A**	**344,431**	**N/A**	**289,431**	**55,901**

* Taking into account the condition of presence and the results achieved during the period, the number of shares that should be definitively allocated by the end of the 3rd quarter of 2023.

Stock options subscription programme :

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
SO-1.1/2018	Step-up 2019	15/06/2018	2	155,000	2020	30 june 2024	5.9122	0	15,263
SO-1.2/2018	Step-up 2019	15/06/2018	3	155,000	2021	30 june 2024	5.9122	0	49,524
SO-1.3/2018	Step-up 2019	15/06/2018	4	155,000	2022	30 june 2024	5.9122	0	67,847
Total if applicable	**N/A**	**N/A**	**N/A**	**465,000**	**N/A**	**N/A**	**N/A**	**0**	**132,634**

No shares will vest if net income is less than €15 million a year and they will vest progressively thereafter on a linear basis.
For example, for the plan APE-3.1/2022, if earnings were €20 million per year over the entire period, 33% of the capital gains would be allocated definitively, and if earnings were €25 million per year over the entire period, 67% of the capital gains would be allocated definitively.

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 €153 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 2023 (compared with €240 thousand in 2022, €980 thousand in the first half of 2021, €240 thousand in the first half of 2020 and €193 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 realised on share buybacks used during the first half of 2023 amounted to €827 thousand (compared with €2,809 thousand in 2022, €1,272 thousand in the first half of 2021, €603 thousand in the first half of 2020 and €1,841 thousand in the first half of 2019).

3.6.2. Dividends distribution

The Annual Shareholders' Meeting of June 9, 2023 approved a 2022 final dividend of €0.11 per share.
Taking into account the two payments of €0.10 per share each made in October and December 2022, plus an interim dividend paid in April, 2023, the total distribution for fiscal year 2022 therefore amounts to €0.41 per share.

The detachment of 0.11 euro per ordinary share took place on July 4, 2023, with payment on July 6, 2023.
The balance of the dividend was paid in cash only and was taken in full from net income for the year 2022.

As of June 30, 2023, the share capital amounted to 953,742.064 euros divided into 59,608,879 ordinary shares with a par value of €0.016 each.

3.6.3. Treasury stock

During the first half of 2023, ABC arbitrage sold 115,527 shares under the market-making agreement with Kepler Cheuvreux, at an average price of €6.49. At the same time, 125,924 have been repurchased.

The 414,752 shares held in treasury at December 31, 2022 were used in full for share-based payments. At the same time, 84,702 have been repurchased.
During the first half of 2023, 47,444 performance shares were granted and 395,485 stock options were exercised.

At June 30, 2023, ABC arbitrage held 107,935 of its own shares, acquired at a total cost of €644 thousand (at December 31, 2022, the company held 455,765 of its own shares, acquired at a total cost of €563 thousand).

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

3.7. Provisions

The activities carried out by ABC arbitrage Group companies have a very broad international scope, either directly or indirectly on behalf of third parties. As a result, each subsidiary is constantly exposed to the uncertainties and changes in the tax and regulatory environment of the countries where it is domiciled. The Group monitors these risks (in particular those relating to transfer prices, withholding taxes, taxes and duties on transactions) and regularly assesses them at fair value in accordance with current accounting principles. In this respect, no provision has been recorded in the accounts as of June 30, 2023.

3.8 Liabilities representing the lease payment obligation - IFRS16

In EUR million	June 30, 2022 IFRS	Dec. 31, 2022 IFRS
Liabilities representing the lease payment obligation > 1 year - IFRS16	(4,102)	(4,400)
Liabilities representing the lease payment obligation < 1 year - IFRS16	(1,321)	(1,301)
Total	**(5,4231)**	**(5,701)**

Lease liabilities mainly comprise liabilities relating to the Paris premises (see §3.1 IFRS 16 right of use). A new lease with a firm term of 6 years has been signed. The discount rate used to measure the rental liability is 1.03%.

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 +€11,092 thousand at June 30, 2023 versus +€16,028 thousand at June 30, 2022.
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 €9,019 thousand at June 30, 2023. On June 30, 2022, they amounted to €14,911 thousand.

Investment services fees relate to the services invoiced by the Group's management companies to Quartys Limited and ABCA Funds Ireland Plc. and the management agreement.
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 crystallised, 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 and a reinvoice of IT materials to ABC arbitrage Asset Management Asia a amounted to €252 thousand versus €619 thousand at June 30, 2022 (in 2022 there was a reversal of a provision for depreciation of a receivable).

4.4. Administrative expenses

Administrative expenses principally comprise data mining and processing costs, together with administrative and communications costs.
This amounted €3,561 thousand at June 30, 2023 versus €3,625 thousand at June 30, 2022.

4.5. Payroll costs

The Group's average number of employees increased slightly to 101 (including 5 executive officers) in the first half of 2023.

Fixed and variable salaries, as well as profit-sharing and incentive schemes, amounted to €5,224 thousand (compared to €7,524 thousand at 30 June 2022), social security contributions decreased to €1,381 thousand (compared to €2,290 thousand at 30 June 2022).

Payroll-based taxes rose to €518 thousand (€505 thousand at 30 June 2022).
For information, in view of the excellent performance achieved this half-year, the amount of performance-based remuneration provisioned for the first half of 2023 amounts to €1 million (including social security charges) compared to €4.6 million (including social security charges) in the first half of 2022.

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, 2023 (as in the first half of 2022).

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 2022.

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

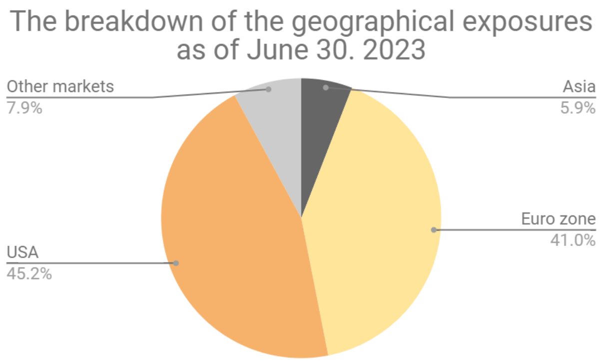
	a.	b.	c.	Financial liabilities at June 30, 2023	Financial liabilities at Dec. 31, 2022
	Gross carrying amount (before netting)	Gross amounts netted in the balance sheet	Net carrying amount [a-b] at June 30, 2023		
Non-derivative financial instruments	769,267	(370,042)	399,225		
Derivatives	29,367	(32,482)	(3,116)		
Unlisted Derivatives	454,753	(843,952)	(389,199)		
Financial assets at fair value through profit or loss	70,233	-	70,233		
Total long positions	**1,323,619**	**(1,246,477)**		**150,211**	**154,175**
Cash and margin accounts	212,016	(769,824)	(557,808)		
Currencies derivatives - Listed	18,609	-	18,609		
Currencies derivatives - Non listed	615,297	(3,031)	612,266		

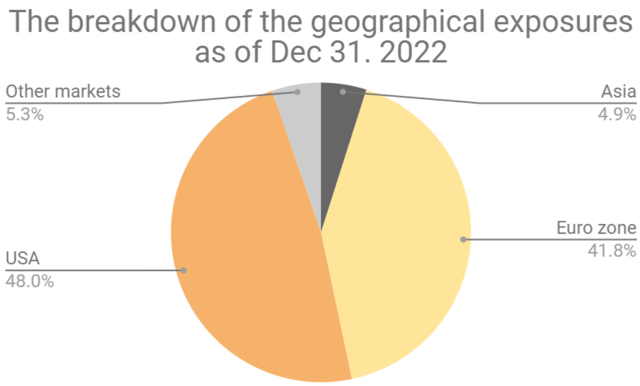
	a.	b.	c.	Financial liabilities at June 30, 2023	Financial liabilities at Dec. 31, 2022
	Gross carrying amount (before netting)	Gross amounts netted in the balance sheet	Net carrying amount [a-b] at June 30, 2023		
Non-derivative financial instruments	-	-	-		
Derivatives	-	-	-		
Unlisted Derivatives	-	-	-		
Total short positions	-	-		**(1)**	**(1)**
Cash and margin accounts	-	(1)	(1)		
Currencies derivatives - Listed	-	-	-		
Currencies derivatives - Non listed	-	-	-		

	a.	b.	c.	Financial liabilities at June 30, 2023	Financial liabilities at Dec. 31, 2022
In EUR thousands	Gross carrying amount (before netting)	Gross amounts netted in the balance sheet	Net carrying amount [a-b] at June 30, 2023		
Non-derivative financial instruments	769,267	(370,042)	399,225		
Derivatives	29,367	(32,482)	(3,116)		
Unlisted Derivatives	454,753	(843,952)	(389,199)		
Financial assets at fair value through profit or loss	70,233	-	70,233		
Total long positions	**1,323,619**	**(1,246,477)**		**150,210**	**154,174**
Cash and margin accounts	212,016	(769,825)	(557,809)		
Currencies derivatives - Listed	18,609	-	18,609		
Currencies derivatives - Non listed	615,297	(3,031)	612,266		

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:





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 2023, the aggregate VaR of the Trading Exposures of the Group was €2.3 millions. The parameters of calculation are a level of confidence of 99%, a “one year historical” methodology and a holding duration of 1 day.

As at 30 June 2023, a 2% rise (fall) in the euro against all currencies would, all other things being equal, have increased (decreased) net assets by €372 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, 2023, 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*	1	141,642	7,642	926	150,211
Other receivables	852	8,386	307	-	9,545
Cash and cash equivalents	16,810	-	-	-	16,810
Total current assets	**17,663**	**150,027**	**7,949**	**926**	**176,566**
Financial liabilities at fair value through profit or loss	(1)	-	-	-	(1)
Other liabilities	(7,098)	(2,829)	(2,775)	-	(12,702)
Current tax liabilities	-	-	(5,436)	-	(5,436)
Total current liabilities	**(7,100)**	**(2,829)**	**(8,211)**	**-**	**(18,139)**
Net balance	**10,564**	**147,199**	**(262)**	**926**	**158,427**

**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, 2023, losses due to operational incidents represented 0.5% of revenues (versus 1.29% at 30 June 2022).

This is a free 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

Société anonyme

18 RUE DU 4 SEPTEMBRE, PARIS 75002

Statutory auditors’ review report on the half-yearly financial information

For the period from January 1st to June 30th, 2023

BM&A
11, rue de Laborde
75008 Paris
S.A.S au capital de € 1 200 000
348 461 443 R.C.S Paris
Société de Commissariat aux Comptes inscrite à la Compagnie Régionale de Paris

Deloitte & Associés
6, place de la Pyramide
92908 Paris-La Défense Cedex
S.A.S. au capital de 2 188 160 €
572 028 041 RCS Nanterre
Société de Commissariat aux Comptes inscrite à la Compagnie Régionale de Versailles et du Centre

ABC ARBITRAGE

Société anonyme

18 RUE DU 4 SEPTEMBRE, PARIS 75002

Statutory auditors’ review report on the half-yearly financial information

For the period from January 1st to June 30th, 2023

To the Shareholders of ABC ARBITRAGE,

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 01/01/2023 to 30/06/2023.
- the verification of the information presented in the half-yearly management report.

These condensed 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.

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.

Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

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

25/09/2023, Paris and Paris - La Défense

The Statutory Auditors
French original signed by

BM&A	Deloitte & Associés
Pascal RHOUMY	Pascal COLIN

ABC arbitrage ■ Statement by the person responsible for the First-Half Financial Report 2023

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 of significant events occurring during the first six months of the financial year, their impact on the accounts, the main transactions between related parties and that it describes the main risks and the main uncertainties for the remaining six months of the financial year (referred to in Article 222-6 of the General Regulations of the Autorité des Marchés Financiers).

Dominique CEOLIN
President - Chief Executive Officer