

# **GUILLEMOT CORPORATION**

**A public limited company (*société anonyme*) with capital of €11,617,359.60**

**Headquarters: 2 Rue du Chêne Héleuc, 56910 Carentoir, France**

**Registered company number:**

**414 196 758 Vannes**

## **Interim financial report**

**June 30, 2023**

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## A- Condensed interim consolidated balance sheet

ASSETS		Net	Net
(€k)	Notes	Jun 30, 2023	Dec 31, 2022
Goodwill on acquisitions	7	0	0
Intangible assets	8	24,079	23,276
Property, plant and equipment	8	8,505	8,184
Financial assets	9	617	668
Tax assets	20	351	495
Deferred tax assets	20	5,403	4,267
<b>Non-current assets</b>		<b>38,955</b>	<b>36,890</b>
Inventories	10	50,183	57,203
Trade receivables	11	25,527	34,743
Other receivables	12	4,562	4,079
Financial assets	9	11,488	11,723
Current tax assets	20	3,011	318
Cash and cash equivalents	16	22,453	35,245
<b>Current assets</b>		<b>117,224</b>	<b>143,311</b>
<b>Total assets</b>		<b>156,179</b>	<b>180,201</b>
<b>LIABILITIES AND EQUITY</b>			
(€k)	Notes	Jun 30, 2023	Dec 31, 2022
Capital (1)		11,617	11,771
Premiums (1)		8,077	10,551
Reserves and consolidated income (2)		77,810	81,645
Currency translation adjustments		521	438
<b>Group shareholders' equity</b>	13	<b>98,025</b>	<b>104,405</b>
Minority interests			
<b>Consolidated shareholders' equity</b>		<b>98,025</b>	<b>104,405</b>
Employee benefit liabilities	15	1,683	1,586
Borrowings	16	6,691	8,345
Other liabilities		0	0
Deferred tax liabilities	20	15	14
<b>Non-current liabilities</b>		<b>8,389</b>	<b>9,945</b>
Trade payables		28,933	38,887
Short-term borrowings	16	4,235	5,636
Taxes payable		599	2,437
Other liabilities	17	15,967	18,734
Provisions	14	31	157
<b>Current liabilities</b>		<b>49,765</b>	<b>65,851</b>
<b>Total liabilities and equity</b>		<b>156,179</b>	<b>180,201</b>

(1) Of the consolidating parent.

(2) Of which net loss for the period: €2,916k

The notes presented in section E form an integral part of these condensed interim consolidated financial statements.

## B - Condensed interim consolidated statement of gains and losses recognized directly in equity

- Summary interim consolidated statement of net income

(€k)	Notes	Jun 30, 2023	Jun 30, 2022
<b>Net turnover</b>	6	<b>48,111</b>	<b>98,143</b>
Purchases		-19,996	-51,532
External expenses		-10,960	-14,682
Employee expenses		-8,360	-6,973
Taxes and duties		-299	-473
Additions to amortization and depreciation		-2,978	-2,562
Additions to provisions		-901	-790
Change in inventories		-6,256	10,407
Other income from ordinary activities		146	102
Other expenses from ordinary activities		-2,359	-6,626
<b>Net income from ordinary activities</b>		<b>-3,852</b>	<b>25,014</b>
Other operating income		0	0
Other operating expenses		0	0
<b>Net operating income</b>	18	<b>-3,852</b>	<b>25,014</b>
Income from cash and cash equivalents	19	319	17
Cost of gross financial debt	19	-53	-43
<b>Cost of net financial debt</b>	19	<b>266</b>	<b>-26</b>
Other financial income	19	0	0
Other financial expenses	19	-380	-900
Corporate income tax	20	1,050	-6,020
<b>Net income before minority interests</b>		<b>-2,916</b>	<b>18,068</b>
O/w net income from discontinued operations	21	0	0
Attributable to minority interests		0	0
<b>Net income attributable to equity holders of the parent</b>		<b>-2,916</b>	<b>18,068</b>
Basic earnings per share	22	-0.19 €	1.18 €
Diluted earnings per share	22	-0.19 €	1.17 €

- Statement of comprehensive income

(€k)	Jun 30, 2022	Jun 30, 2021
<b>Net income attributable to equity holders of the parent</b>	<b>-2,916</b>	<b>18,068</b>
<i>Recyclable items of other comprehensive income</i>		
Currency translation adjustments	83	854
Revaluation of hedging derivatives	0	0
Revaluation of available-for-sale financial assets	0	0
<i>Non-recyclable items of other comprehensive income</i>		
Revaluation of fixed assets	0	0
Actuarial gains and losses on defined benefit plans	56	-194
Share of other comprehensive income of equity-accounted associates	0	0
<b>Total other comprehensive income attributable to controlling interests</b>	<b>139</b>	<b>660</b>
Net income and other comprehensive income attributable to controlling interests	-2,777	18,728
Net income and other comprehensive income attributable to minority interests	0	0

The notes presented in section E form an integral part of these condensed interim consolidated financial statements.

## C - Condensed interim consolidated statement of changes in equity

(€k)	Notes	Capital	Premiums	Consolidated reserves	Net income for the period	Currency translation adjustments	Total shareholders' equity
<b>Position at Jan 1, 2022</b>		11,771	10,551	53,704	13,707	693	90,426
Comprehensive income to Jun 30, 2022					18,068	854	18,922
Appropriated income at Dec 31, 2021				13,707	-13,707		0
Stock options				325			325
Shares of the consolidating company				77			77
Gains and losses on treasury shares				-71			-71
Dividends				-3,813			-3,813
Other				-194			-194
<b>Position at Jun 30, 2022</b>		11,771	10,551	63,735	18,068	1,547	105,672
<b>Position at Jan 1, 2023</b>		11,771	10,551	61,293	20,352	438	104,405
Comprehensive income to Jun 30, 2023					-2,916	83	-2,833
Appropriated income at Dec 31, 2022				20,352	-20,352		0
Stock options				265			265
Buybacks of treasury shares		-154	-2475	2629			0
Shares of the consolidating company				-38			-38
Gains and losses on treasury shares				-70			-70
Dividends				-3,761			-3,761
Other				57			57
<b>Position at Jun 30, 2023</b>	13	11,617	8,076	80,727	-2,916	521	98,025

The notes presented in section E form an integral part of these condensed interim consolidated financial statements.

## D - Condensed interim consolidated statement of cash flows

(€k)	Notes	Jun 30, 2023	Jun 30, 2022
<b>Cash flows from operating activities</b>			
Net income from consolidated companies		-2,916	18,068
+ Additions to amortization, depreciation and provisions (except on current assets)		3,195	397
- Reversals of amortization, depreciation and provisions		-1,399	-24
-/+ Unrealized gains and losses arising from changes in fair value	19	235	519
+/- Expenses and income arising from stock options	13	265	325
-/+ Capital gains and losses on disposals		66	0
Change in deferred taxes	20	-1,135	2,066
<b>Operating cash flow after cost of net financial debt</b>		<b>-1,689</b>	<b>21,351</b>
Cost of net financial debt	19	-266	26
<b>Operating cash flow before cost of net financial debt</b>		<b>-1,955</b>	<b>21,377</b>
Currency translation adjustment on gross cash flow from operations		0	131
Inventories	10	7,020	-10,068
Trade receivables	11	9,216	21,574
Trade payables		-9,953	3,096
Other		-7,341	-2,479
<b>Change in working capital</b>		<b>-1,058</b>	<b>12,123</b>
<b>Net cash flows from operating activities</b>		<b>-2,747</b>	<b>33,605</b>
<b>Cash flows from investing activities</b>			
Acquisitions of intangible assets	8	-2,738	-2,320
Acquisitions of property, plant and equipment	8	-817	-1,327
Disposals of property, plant and equipment and intangible assets		0	19
Acquisitions of non-current financial assets	9	-122	-150
Disposals of non-current financial assets	9	173	8
Net cash from acquisitions and disposals of subsidiaries		0	0
<b>Net cash flows from investing activities</b>		<b>-3,504</b>	<b>-3,770</b>
<b>Cash flows from financing activities</b>			
Increases in capital and cash injections	13	0	0
Dividends paid		-3,761	-3,813
Borrowings		0	0
Repayment of borrowings	16	-3,148	-2,463
Impact of IFRS 16 adoption		436	-274
Other cash flows from financing activities		-108	0
<b>Total cash flows from financing activities</b>		<b>-6,581</b>	<b>-6,550</b>
<b>Impact of foreign currency translation adjustments</b>		<b>51</b>	<b>147</b>
<b>Change in cash</b>		<b>-12,781</b>	<b>23,432</b>
Net cash at the beginning of the period	A and 16	35,225	12,006
Net cash at the end of the period	A and 16	22,444	35,438

The notes presented in section E form an integral part of these condensed interim consolidated financial statements.

## **E - Notes to the condensed interim consolidated financial statements**

(All figures are in thousands of euros unless otherwise stated.)

### **1)            *General information***

The financial statements were signed off by the Board of Directors on September 26, 2023.

Guillemot Corporation designs and manufactures interactive entertainment hardware and accessories. The Group offers a diversified range of products under the Hercules and Thrustmaster brands. Active in this market since 1984, the Guillemot Corporation Group currently operates in 11 countries – France, Germany, Spain, the United Kingdom, the United States, Canada, Italy, Belgium, the Netherlands, Romania and China (Shanghai, Shenzhen and Hong Kong) – and distributes its products in more than 150 countries worldwide. The Group’s mission is to offer high-performance, user-friendly products that maximize enjoyment for end users of digital interactive entertainment solutions.

Guillemot Corporation is a public limited company (*société anonyme*) headquartered at 2 Rue du Chêne Héleuc, 56910 Carentoir, France following a change of registered address on February 1, 2023.

### **2)            *Basis of preparation of condensed interim financial reporting***

This set of condensed interim consolidated financial statements to June 30, 2023 has been prepared in accordance with IAS 34, “Interim financial reporting”. The condensed interim report should be read in conjunction with the 2022 annual financial statements.

### **3)            *Accounting policies***

The accounting policies employed are the same as those used in preparing the annual financial statements for the year ended December 31, 2022, as set out in the annual financial statements for the year ended December 31, 2022.

Amendments to IAS 1, “Disclosure of accounting policies”, IAS 8, “Accounting policies, changes in accounting estimates and errors”, IAS 12, “Deferred tax related to assets and liabilities arising from a single transaction”, and IFRS 17, “Insurance contracts”, applicable at January 1, 2023 had no material impact.

#### 4) *Business review*

Key items from the Guillemot Corporation Group's financial statements to June 30, 2023 are as follows.

<b>First half 2023 (€m)</b> January 1 – June 30, 2023	<b>Jun 30, 2023</b>	<b>Jun 30, 2022</b>
<b>Turnover</b>	<b>48.1</b>	<b>98.1</b>
<b>Net income from ordinary activities</b>	<b>-3.9</b>	<b>25.0</b>
<b>Net operating income</b>	<b>-3.9</b>	<b>25.0</b>
<b>Net financial income*</b>	<b>-0.1</b>	<b>-0.9</b>
<b>Corporate income tax</b>	<b>1.2</b>	<b>-6.0</b>
<b>Consolidated net income</b>	<b>-2.9</b>	<b>18.1</b>
<b>Earnings per share</b>	<b>-€0.19</b>	<b>€1.18</b>

\* Net financial income includes the cost of net financial debt as well as other financial expenses and income.

#### **Business activity and results**

In the first half of 2023, the Group generated turnover of €48.1 million, down 51%.

This very substantial slowdown in the Group's sales was mainly the result of high levels of inventory in distribution networks and at wholesalers and retailers, delaying restocking.

Throughout the first half, the Group strongly supported sales by its customers to end consumers through a highly proactive promotional policy amid a market downturn.

The situation is improving, with distributor inventory steadily decreasing and second-quarter sales up 21% quarter on quarter.

As a result of the sharp decline in sales over the first half of the year, the Group posted a net operating loss of €3.9 million for the six months to June 30, 2023, compared with net operating income of €25.0 million for the six months to June 30, 2022.

The gross accounting profit margin came out at 45%, compared with 58% in the first half of 2022, impacted by high customer trade marketing costs and an adverse euro/dollar exchange rate.

Total costs were down 20% and the Group's workforce remained stable over the period.

The net financial expense of €0.1 million included a €0.2 million unrealized loss linked to the decline in the valuation of the portfolio of Ubisoft Entertainment S.A. shares. The Group posted a consolidated net loss of €2.9 million.

## **Key balance sheet items**

(€m)	Jun 30, 2023	Dec 31, 2022
Shareholders' equity	98.0	104.4
Inventories	50.2	57.2
Net debt (excl. AFS securities)*	-11.5	-21.3
Current financial assets (AFS securities portion)	11.5	11.7

\* Available-for-sale (AFS) securities are not taken into account when calculating net debt.

Shareholders' equity stood at €98.0 million at June 30, 2023. The Group's net debt is negative at -€11.5 million excluding available-for-sale securities, the fair value of which stood at €11.5 million at June 30, 2023.

At June 30, 2023 the value of net inventory totaled €50.2 million, 12% lower than at December 31, 2022 as a result of the Group gradually readjusting its inventory in line with sales. Working capital increased by €1.1 million over the first half of the year.

Net capitalized research and development costs over the six months to June 30, 2023 totaled €9.9 million, up €1.6 million.

## **A solid lineup and strong momentum in new products**

Thanks to strong team dynamics and investment in research and development over the past three years, the Group is able to offer a solid lineup of new products for the final part of the year, including the following:

### **Racing**

- *TH8S Shifter Add-On* gear stick (released July)
- Two new racing wheel rims for the *Direct Drive T818* and other bases in the range

### **Flight**

- *Viper TQS Mission Pack* (commercially available since September 23)

### **Farming** (a new segment for Thrustmaster in 2023)

- *SimTask Steering Kit* (available as of October 25)
- *SimTask FarmStick* (available in November)

### **DJing**

- *DJControl Inpulse T7* controller (available since September 12)
- *DJControl Inpulse 200 MK2* controller (released June 20)
- *DJControl Learning Kit* (launch scheduled for September 29)

Other ranges and new products will be announced in the fourth quarter and will help drive the Group's future growth.



## Strengthening distribution networks

The Group has:

- extended its direct shipping agreements with major e-commerce operators to include Asia, and is more efficiently addressing consumer demands;
- expanded its product listings across all U.S. retail channels.

## Outlook

The Group believes that the current and forthcoming crop of racing games will revitalize its markets in the fourth quarter and prompt its customers to finish updating their inventory.

However, inventory levels will continue to affect Group billings in the second half of the year.

Against this backdrop, the Group has revised its sales outlook range to €120-140 million and is forecasting a net operating profit for fiscal year 2023.

Together with the expansion of the Group's distribution networks, the high potential offered by new Hercules and Thrustmaster products means that the outlook is positive for a return to significant growth in 2024.

## **5) Scope of consolidation**

- a) Companies included in the Guillemot Corporation S.A. Group's consolidated financial statements to June 30, 2023

<b>COMPANY</b>	<b>SIREN number</b>	<b>Country</b>	<b>% control</b>	<b>Method</b>
Guillemot Corporation S.A.	414,196,758	France	Parent	Fully consolidated
Guillemot Administration et Logistique SARL	414,215,780	France	99.96%	Fully consolidated
Hercules Thrustmaster SAS	399,595,644	France	99.42%	Fully consolidated
Guillemot Innovation Labs SAS	752,485,334	France	100.00%	Fully consolidated
Guillemot Ltd.		United Kingdom	99.99%	Fully consolidated
Guillemot Inc.		Canada	74.89% (a)	Fully consolidated
Guillemot GmbH		Germany	99.75%	Fully consolidated
Guillemot Corporation (HK) Ltd.		Hong Kong	99.50%	Fully consolidated
Guillemot Recherche et Développement Inc.		Canada	99.99%	Fully consolidated
Guillemot Romania Srl		Romania	100.00%	Fully consolidated
Guillemot Inc.		United States	99.99%	Fully consolidated
Guillemot S.A.		Belgium	99.93%	Fully consolidated
Guillemot Srl		Italy	100.00%	Fully consolidated
Guillemot Electronic Technology (Shanghai) Co. Ltd.		China	100.00%	Fully consolidated
Guillemot Spain SL		Spain	100.00%	Fully consolidated
Guillemot Netherlands B.V.		Netherlands	100.00%	Fully consolidated

(a) Guillemot Inc. (United States) also owns 25.11%.

In view of their non-material nature, minority interests are not calculated.

b) Changes in scope

None.

**6) Segment information**

In accordance with IFRS 8 on operating segments, the Group sets out segment information based on the same segments as those used in internal reports presented to management.

Segment information by business area covers the Hercules and Thrustmaster business segments.

Segment information by geographical region is based on the following geographical segments: European Union and United Kingdom, North America and Other.

**Segment information by business area**

The Hercules business segment includes the following product ranges: DJ controllers, DJ speakers, DJ headphones and DJ software.

The Thrustmaster business segment includes the following gaming accessories for PCs and consoles: racing wheels, gamepads, joysticks and gaming headsets.

- Income statement by business segment:

(€k)	Jun 30, 2023			Jun 30, 2022		
	Total	Hercules	Thrustmaster	Total	Hercules	Thrustmaster
Turnover	48,111	5,809	42,302	98,143	5,599	92,544
Additions to amortization and depreciation	2,978	460	2,518	2,562	383	2,179
Additions to provisions	901	151	750	790	-9	799
Net income from ordinary activities	-3,852	-568	-3,284	25,014	426	24,588
Net operating income	-3,852	-568	-3,284	25,014	426	24,588

- Balance sheet by business segment:

(€k)	Jun 30, 2023			Dec 31, 2022		
	Net Jun 30, 2023	Hercules	Thrustmaster	Net Dec 31, 2022	Hercules	Thrustmaster
Goodwill on acquisitions	-	-	-	-	-	-
Intangible assets	24,079	3,200	20,879	23,276	2,603	20,673
Property, plant & equipt.	8,505	2,867	5,638	8,184	2,632	5,552
Inventories	50,183	4,095	46,088	57,203	4,068	53,135
Trade receivables	25,527	3,300	22,227	34,743	3,700	31,043
Unallocated assets	47,885	-	-	56,795	-	-
<b>TOTAL ASSETS</b>	<b>156,179</b>	<b>13,462</b>	<b>94,832</b>	<b>180,201</b>	<b>13,003</b>	<b>110,403</b>
Shareholders' equity	98,025	-	-	104,405	-	-
Provisions	1,683	841	842	1,586	793	793
Trade payables	28,933	2,030	26,903	38,887	2419	36,468
Unallocated liabilities	27,538	-	-	35,323	-	-
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>156,179</b>	<b>2,871</b>	<b>27,745</b>	<b>180,201</b>	<b>3,212</b>	<b>37,261</b>

Unallocated assets consist of financial assets, income tax assets, deferred tax assets, other receivables and cash.

Unallocated liabilities consist of borrowings, other liabilities, taxes payable and deferred tax liabilities.

### ***Segment information by geographical region***

- Turnover by geographical region:

<b>(€k)</b>	<b>Jun 30, 2023</b>	<b>Jun 30, 2022</b>	<b>Change</b>
European Union and United Kingdom	24,385	46,289	-47%
North America	15,535	29,731	-48%
Other	8,191	22,123	-63%
<b>TOTAL</b>	<b>48,111</b>	<b>98,143</b>	<b>-51%</b>

Turnover in France in the first half of 2023 totaled €6,309k.

- Aggregate value of assets by geographical location:

<b>(€k)</b>	<b>Jun 30, 2023</b>				<b>Dec 31, 2022</b>			
	<b>Net total</b>	<b>EU &amp; UK</b>	<b>North America</b>	<b>Other</b>	<b>Net total</b>	<b>EU &amp; UK</b>	<b>North America</b>	<b>Other</b>
Goodwill on acquisitions	-	-	-	-	-	-	-	-
Property, plant and equipment	8,505	8,346	72	87	8,184	7,932	74	178
Financial assets	12,105	12,038	25	42	12,391	12,323	24	44
Deferred tax assets	5,403	5,402	1	-	4,267	4,267	-	-
Inventories	50,183	12,993	7,920	29,270	57,203	16,143	7,183	33,877
Trade receivables	25,527	13,798	7,589	4,140	34,743	17,889	11,014	5,840
Other receivables	4,562	4,402	108	52	4,079	4,015	4	60
Cash and cash equivalents	22,453	18,321	2,702	1,430	35,245	30,159	3,658	1,428
Tax assets	3,362	2,226	1,132	4	813	679	134	-
Unallocated assets	24,079	-	-	-	23,276	-	-	-
<b>TOTAL ASSETS</b>	<b>156,179</b>	<b>77,526</b>	<b>19,549</b>	<b>35,025</b>	<b>180,201</b>	<b>93,407</b>	<b>22,091</b>	<b>41,427</b>

Unallocated assets consist of intangible assets.

The Group's inventories are mainly located in Asia (€29,270k under "Other" in the above table).

## 7) *Goodwill*

Goodwill at June 30, 2023 is broken down as follows:

(€k)	Goodwill	Gross at Jun 30, 2023	Impairment at Jun 30, 2023
Guillemot Ltd. (United Kingdom)		1	1
Hercules Thrustmaster SAS (France)		1,299	1,299
Guillemot Administration et Logistique SARL (France)		233	233
Guillemot SA (Belgium)		233	233
Guillemot Inc. (USA)		1,034	1,034
Guillemot Corporation S.A. (France)		941	941
Guillemot Inc. (Canada)		16,894	16,894
Guillemot Srl (Italy)		4,392	4,392
<b>Total</b>		<b>25,027</b>	<b>25,027</b>

Goodwill is not amortized under IFRS. In accordance with IAS 36, impairment losses recognized in prior periods are not subsequently reversed.

Goodwill was fully impaired at June 30, 2023.

## 8) *Intangible assets and property, plant and equipment*

### a) Intangible assets

Intangible assets are broken down as follows:

Gross amounts	Dec 31, 2022	Changes in scope	Increases	Decreases	Currency translation adjustments	Jun 30, 2023
Brands	10,842					10,842
Development costs	13,198		1,495	55	0	14,638
Development costs in progress	4,691		2,759	1,627	1	5,824
Licenses	4,727		43	239	-1	4,530
Concessions, patents, etc.	1,233		29		2	1,264
Other intangible assets	2,632		8		1	2,641
<b>TOTAL</b>	<b>37,323</b>	<b>0</b>	<b>4,334</b>	<b>1,921</b>	<b>3</b>	<b>39,739</b>

Amortization and provisions	Dec 31, 2022	Changes in scope	Increases	Decreases	Currency translation adjustments	Jun 30, 2023
Brands	1,000					1,000
Development costs	9,621		960	33		10,548
Licenses	1,051		713	239	1	1,526
Concessions, patents, etc.	1,072		31		0	1,103
Other intangible assets	1,303		179		1	1,483
<b>TOTAL</b>	<b>14,047</b>	<b>0</b>	<b>1,883</b>	<b>272</b>	<b>2</b>	<b>15,660</b>

<b>Net amounts</b>	<b>Dec 31, 2022</b>	<b>Jun 30, 2023</b>
Brands	9,842	9,842
Development costs	3,577	4,090
Development costs in progress	4,691	5,824
Licenses	3,676	3,004
Concessions, patents, etc.	161	161
Other intangible assets	1,329	1,158
<b>TOTAL</b>	<b>23,276</b>	<b>24,079</b>

### Brands

Brands include the Thrustmaster and Hercules acquired brands. These brands are tested for impairment at the end of each fiscal year and are measured taking into account discounted future cash flows. Brands are also tested for impairment whenever there is an indicator of impairment.

Value in use is the present value of future cash flows expected from an asset – i.e. from its continuing use and removal at the end of its useful life. In the absence of a deep market, this is the method used to measure the Group's brands.

- Hercules:

The Hercules brand is allocated to the Hercules cash-generating unit (CGU).

The Hercules brand has a net balance sheet value of €432k, compared with a purchase cost of €1,432k.

There were no indicators of impairment at June 30, 2023, and no updated impairment test has been carried out since that date.

- Thrustmaster:

The Thrustmaster brand is allocated to the Thrustmaster CGU.

The Thrustmaster brand has a net balance sheet value of €9,410k, the same as its purchase cost. Measurement of the Thrustmaster brand is subject to adjustment in future years should assumptions concerning future cash flows generated by the Thrustmaster business be significantly downgraded.

Thrustmaster has achieved global recognition and is now a key player in PC and console racing wheels, with an installed base that continues to grow.

At June 30, 2023, there were no indicators of impairment suggesting that an updated impairment test needed to be carried out.

The carrying amount of the Thrustmaster brand was unchanged at June 30, 2023.

## Development costs

Development costs on projects meeting the six eligibility criteria laid down in IAS 38 are capitalized.

Assets are transferred from assets under construction to capitalized development costs when released into production. The net value of development costs capitalized over the period totaled €1,646k.

The €1,627k decrease in assets under construction is mainly the result of €1,495k of assets being transferred to development costs.

Net scrappage costs and projects written off totaled €49k in the year.

The following Guillemot Corporation Group companies incur development costs: Hercules Thrustmaster SAS, Guillemot Innovation Labs SAS, Guillemot R&D Inc., Guillemot Romania Srl and Guillemot Corporation (HK) Limited. Capitalized costs relate to all Hercules and Thrustmaster product lines.

## Licenses

The €43k increase in this item was the result of new minimum warranties on assets, with no impact on the 2023 cash position.

The €239k decrease in licenses relates to minimum warranties on expired contracts.

### b) Property, plant and equipment

Property, plant and equipment for use in operations is broken down as follows:

Gross amounts	Dec 31, 2022	Changes in			Currency translation adjustments	Jun 30, 2023
		scope	Increases	Decreases		
Land	399					399
Buildings	10,924		854	1,340	-19	10,419
Plant	7,065		431	27	1	7,470
Other prop., plant & equipt.	2,741		711	78	-3	3,371
Assets under construction	1,150		516	624	1	1,043
<b>TOTAL</b>	<b>22,279</b>	<b>0</b>	<b>2,512</b>	<b>2,069</b>	<b>-20</b>	<b>22,702</b>

Depreciation	Dec 31, 2022	Changes in			Currency translation adjustments	Jun 30, 2023
		scope	Increases	Decreases		
Buildings	7,631		400	932	-15	7,084
Plant	4,912		510	27	1	5,396
Other prop., plant & equipt.	1,552		245	78	-2	1,717
<b>TOTAL</b>	<b>14,095</b>	<b>0</b>	<b>1,155</b>	<b>1,037</b>	<b>-16</b>	<b>14,197</b>

<b>Net amounts</b>	<b>Dec 31, 2022</b>	<b>Change</b>	<b>Jun 30, 2023</b>
Land	399		399
Buildings	3,293	43	3,336
Plant	2,153	-79	2,074
Other prop., plant & equipt.	1,189	464	1,653
Assets under construction	1,150	-107	1,043
<b>TOTAL</b>	<b>8,184</b>	<b>321</b>	<b>8,505</b>

The main buildings are located in Carentoir and Rennes (France).

The €624k decrease in assets under construction corresponds to assets transferred to plant and other property, plant and equipment.

Tangible fixed assets under construction mainly consist of molds and tools used in the production of new products.

Adoption of IFRS 16 resulted in a €3,375k increase in net property, plant and equipment at June 30, 2023 in respect of lease right-of-use assets (€3,043k in buildings and €332k in other property, plant and equipment).

## 9) *Financial assets*

Non-current financial assets are broken down as follows:

<b>Gross amounts</b>	<b>Dec 31, 2022</b>	<b>Changes</b>			<b>Currency translation adjustments</b>	<b>Jun 30, 2023</b>
		<b>in scope</b>	<b>Increases</b>	<b>Decreases</b>		
Other long-term investments	368		0	109		259
Other non-current financial assets	300		122	64		358
<b>TOTAL</b>	<b>668</b>	<b>0</b>	<b>122</b>	<b>173</b>	<b>0</b>	<b>617</b>

Movements in other long-term investments relate to the liquidity agreement currently in force. A total of €300k in cash has been allocated to the liquidity agreement since it was first entered into.

Changes in other non-current financial assets relate to security deposits.

Current financial assets include Ubisoft Entertainment shares:

<b>(€k)</b>	<b>Net Dec 31, 2022</b>	<b>Sales Jun 30, 2023</b>	<b>Purchases Jun 30, 2023</b>	<b>Currency translation adjustments Jun 30, 2023</b>	<b>Gain/loss on revaluation Jun 30, 2023</b>	<b>Net Jun 30, 2023</b>
Number	443,874					443,874
Fair value (€k)	11,723				-235	11,488
<b>Currency derivatives</b>	<b>0</b>					<b>0</b>
<b>Total value</b>	<b>11,723</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-235</b>	<b>11,488</b>

Ubisoft Entertainment shares (listed on an active market) are measured at fair value in accordance with IFRS 9.

At June 30, 2023 the Group held 443,874 Ubisoft Entertainment shares, representing 0.35% of that company's share capital.

The price used at December 31, 2022 was €26.41 per Ubisoft Entertainment share. The price used to measure Ubisoft Entertainment shares at fair value at June 30, 2023 was €25.88 per share. The revaluation loss recognized on Ubisoft Entertainment shares at June 30, 2023 was €235k (see Note 19).

## 10) Inventories

Inventories	Gross Dec 31, 2022	Change in inventories (outcome)	Changes in scope	Currency translation adjustments	Gross Jun 30, 2023
Raw materials	18,308	-42		-12	18,254
Finished products	41,156	-6,911		-57	34,188
<b>TOTAL</b>	<b>59,464</b>	<b>-6,953</b>	<b>0</b>	<b>-69</b>	<b>52,442</b>

Accumulated impairment	Dec 31, 2022	Increases	Decreases	Changes in scope	Currency translation adjustments	Jun 30, 2023
Raw materials	730	206	28			908
Finished products	1,531	489	669			1,351
<b>TOTAL</b>	<b>2,261</b>	<b>695</b>	<b>697</b>	<b>0</b>	<b>0</b>	<b>2,259</b>

<b>Total net inventories</b>	<b>57,203</b>					<b>50,183</b>
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Inventories consist of electronic components and sub-assemblies as well as finished products. An impairment loss is recognized whenever the carrying amount of inventory is greater than its probable realizable value. The Group reduced its inventory of finished products over the first half of 2023 in line with the reduction in its sales. As a result, the value of net inventory totaled €50,183k at June 30, 2023, 12% lower than at December 31, 2022.

## 11) Trade receivables

Trade receivables totaled €25,527k at June 30, 2023, compared with €34,743k at December 31, 2022.

Trade receivables were down 27% relative to the position at December 31, 2022, reflecting seasonal variations in the Group's business and reduced turnover. Trade receivables are covered by a credit insurance policy, with receivables from each customer generally 90-95% covered depending on the geographical region.



At June 30, 2023, all trade receivables were covered by this credit insurance policy with the exception of the Group's top customer, a major e-commerce operator, which is deliberately excluded from this cover in certain countries for an amount equivalent to 28% of consolidated first-half 2023 turnover.

The top customer accounts for 43% of the Group's consolidated turnover.

## 12) *Other receivables*

(€k)	Jun 30, 2023	Dec 31, 2022
Advances and progress payments	739	903
VAT receivables	2,429	1,375
Amounts receivable from suppliers	571	0
Other	48	304
Prepaid expenses	775	1,497
<b>TOTAL</b>	<b>4,562</b>	<b>4,079</b>

## 13) *Shareholders' equity*

The share capital consists of 15,087,480 shares with a par value of €0.77 each.

During the first half of the year, the share capital was reduced by 200,000 shares as a result of a share buyback program.

Guillemot Corporation S.A. has 44,928 shares held in treasury, reducing the value of shareholders' equity by €431k.

At June 30, 2023, treasury shares represented 0.30% of the Company's share capital.

Maximum potential number of shares to be created:

Via exercise of options: 167,500

Key characteristics of stock option plans:

	<b>Plan no. 11</b>
Date of Board meeting	<b>Dec 3, 2021</b>
Number of shares	193,950
Par value	0.77 €
Subscription price	14.44 €
Exercise date	Dec 3, 2023 to Dec 3, 2031
Number of shares subscribed	-
O/w during fiscal year 2023	-
Stock options cancelled or lapsed	-
Stock options outstanding	193,950
Options available for exercise at Jun 30, 2023	167,500

The first ten stock option plans have all lapsed.

The Group has put in place compensation plans that pay out in the form of equity instruments (stock options). The fair value of services rendered by employees in return for the granting of

options is recognized in expenses. The total amount expensed over the vesting period is determined by reference to the fair value of the options granted, without taking into account the vesting conditions, which are not market conditions. The vesting conditions, which are not market conditions, are factored into assumptions relating to the number of options that may become available for exercise. At each balance sheet date, the Company reassesses the number of options that may become available for exercise. If necessary, the impact of any revision of such estimates is recognized in income, with a corresponding adjustment to shareholders' equity.

The number of options available for exercise takes into account the terms of exercise of options specific to each plan.

In the first half of fiscal year 2023, the Group recognized €265k in employee expenses.

#### **14) Provisions for liabilities and charges**

Provisions for liabilities and charges are broken down as follows:

(€k)	Increases		Decreases		Currency translation adjustments	Jun 30, 2023
	Dec 31, 2022	Jun 30, 2023	Used Jun 30, 2023	Unused Jun 30, 2023		
Other	157	4	130			31
<b>TOTAL</b>	<b>157</b>	<b>4</b>	<b>130</b>	<b>0</b>	<b>0</b>	<b>31</b>

Provisions for liabilities and charges stood at €31k at June 30, 2023.

#### **15) Employee benefit liabilities**

The Group has no post-employment benefit schemes other than the statutory scheme laid down in collective bargaining agreements covering employees of the Group's French subsidiaries.

Provisions are calculated using the projected unit credit method, based on retirement benefits payable upon retirement according to length of service. (The benefits in question are those paid to employees upon retirement.)

The main actuarial assumptions used are as follows:

- Discount rate: 3.75%
- Use of collective bargaining agreements specific to subsidiaries
- Retrospective calculation method for projected credit units
- Insee 2021 mortality table
- 2023 baseline salary, assuming annual increases of 2.5-3% until retirement
- Employee turnover rate by age bracket

At June 30, 2023, the recognized provision stood at €1,683k.

In accordance with IAS 19, all actuarial gains and losses are recognized in other comprehensive income rather than in profit and loss. The cumulative impact on Group shareholders' equity at June 30, 2023 was €434k.

## 16) Borrowings and cash

Borrowings are broken down as follows:

(€k)	Current (due within 1 year)				Non-current (due within more than 1 year)	Dec 31, 2022
	Jun 30, 2023	0-3 months	3-6 months	6-12 months		
Borrowings from credit institutions	10,896	1,053	1,054	2,112	6,677	13,938
Bank overdrafts & foreign currency advances	9	9				20
Sundry	21	8			13	23
<b>TOTAL</b>	<b>10,926</b>	<b>1,070</b>	<b>1,054</b>	<b>2,112</b>	<b>6,690</b>	<b>13,981</b>

The Group has fixed rate financial liabilities of €10,917k and floating rate financial liabilities of €9k.

At June 30, 2023, bank overdrafts (at floating rates) totaled €5k and there were no foreign currency advances.

The Group repaid €3,148k in bank borrowings over the period.

Net debt	Jun 30, 2023	Dec 31, 2022
Borrowings	10,926	13,981
Cash at bank and in hand	22,453	35,245
Net debt	<b>-11,527</b>	<b>-21,264</b>

The Group's net debt at June 30, 2023 was negative at -€11,527k.

Adoption of IFRS 16 has increased the Group's net debt by €3,449k.

The Group also has an equity portfolio worth €11.5 million (fair value at June 30, 2023) and undrawn credit lines in place with its partner banks.

## 17) Other liabilities

(€k)	Jun 30, 2023	Dec 31, 2022
Social security liabilities	2,859	2,585
Advances and progress payments	4	209
Prepaid income	1,812	976
Other	11,292	14,964
<b>TOTAL</b>	<b>15,967</b>	<b>18,734</b>

Other liabilities mainly consist of accrued expenses relating to licenses (€2,113k, compared with €2,997k at December 31, 2022), trade payables linked to variable consideration (€6,353k, compared with €7,828k at December 31, 2022) and liabilities in connection with product returns (€2,686k, compared with €4,097k at December 31, 2022).

## 18) *Net operating income*

The Group posted a net operating loss of €3,852k in the six months to June 30, 2023, compared with net operating income of €25,014k in the six months to June 30, 2022, reflecting a sharp drop in sales over the first half of the year as a result of high levels of inventory in distribution networks and little in the way of new products and video games.

The gross accounting profit margin came out at 45%, compared with 58% in the first half of 2022, impacted by high customer marketing costs and an adverse change in the euro/dollar exchange rate. Turnover was down 51%, while total expenses fell 20% (total operating expenses excluding purchases and changes in inventories).

## 19) *Net financial income*

The cost of net financial debt to June 30, 2023 was €266k. This includes interest costs and financial expenses in connection with borrowings, as well as foreign exchange gains and losses arising from the payment of financial liabilities.

Other financial income and expenses are broken down as follows:

(€k)	Jun 30, 2023	Jun 30, 2022
Foreign currency translation adjustments	0	0
Unrealized gain/loss on Ubisoft Entertainment shares	0	0
<b>Total other financial income</b>	<b>0</b>	<b>0</b>
Foreign currency translation adjustments	145	381
Unrealized gain/loss on Ubisoft Entertainment shares	235	519
<b>Total other financial expenses</b>	<b>380</b>	<b>900</b>

### **Foreign exchange effects arising from the translation of subsidiaries' accounts:**

All subsidiaries conduct business in local currency; the impact on shareholders' equity in the first half of 2023 was +€83k.

### **Financial risk:**

In accordance with IFRS 7 on financial instruments, a breakdown of the Group's exposure to the various types of financial risk is as follows.

**Liquidity risk:** at June 30, 2023, the Group's borrowing and bank financing facilities were not fully utilized and net debt was negative at -€11.6 million. At June 30, 2023, the fair value of the Group's portfolio of available-for-sale securities stood at €11.5 million.

**Equity risk:** the Group's earnings are affected by fluctuations in the market price of its shareholdings. A 10% decrease in the price of Ubisoft Entertainment shares over the second half of 2023 (relative to their price at June 30, 2023) would reduce net financial income by €1.1 million.

**Interest rate risk:** based on the Group's outstanding floating-rate financial liabilities at June 30, 2023, a 1% increase in interest rates on an annual basis would have no impact on net financial income.

Foreign exchange risk: a breakdown of the Group's foreign currency assets and liabilities at June 30, 2023 is set out below (unhedged amounts only – i.e. those exposed to exchange rate fluctuations).

Foreign currency amounts exposed to upward or downward exchange rate fluctuations:

<b>(Amounts in thousands)</b>	<b>USD</b>	<b>GBP</b>
Assets	24,746	734
Liabilities	10,299	307
Net position before hedging	14,447	427
Off balance sheet position	0	0
Net position after hedging	14,447	427

Based on foreign currency values exposed to exchange rate fluctuations at June 30, 2023, a 10% annual increase in US dollar exchange rates would increase financial expenses by €1,208k.

Based on foreign currency values exposed to exchange rate fluctuations at June 30, 2023, a 10% annual increase in sterling exchange rates would increase financial expenses by €45k.

Since all major players in the multimedia industry transact in US dollars, no one manufacturer has a competitive advantage that would result in increased market share. Since all industry players index-link their selling prices to cost prices in US dollars, selling prices rise and fall in line with cost prices.

The main currency for purchases of hardware and accessories is the US dollar. The trading currency in the United States, Canada and all other countries outside Europe is also the US dollar. In Europe, the Group mainly sells its products in euros. Rapid currency fluctuations, and in particular declines in the value of the US dollar, may result in lower selling prices for the Group's products, thus impacting the value of inventories. Conversely, given seasonal variations in the Company's business, if the US dollar were to rise sharply during the second half of the year, the Group would not be able to adjust its selling prices to reflect the full extent of such an increase, which could therefore have a temporary adverse impact on the Group's gross margin.

However, to limit the Group's foreign exchange risk, Guillemot Corporation hedges against currency fluctuations by buying spot currency and currency futures and options.

Furthermore, the increased level of export sales has boosted the Group's natural hedging and significantly reduced its foreign exchange risk.

There were no currency futures or options outstanding at June 30, 2023.

Credit risk: credit risk is the risk of financial loss should a customer fail to meet its contractual obligations. The Group manages this risk by taking out credit insurance covering more than 65% of the overall risk while deliberately excluding some accounts associated with the Group's top customer (for an amount equivalent to 28% of consolidated turnover) in light of the strength of that customer's financial position. Since the Group uses wholesalers, it has a limited number of customers. In a few cases, the Group is obliged to grant additional credit where its insurance cover is considered clearly unsuitable.

Risk associated with protectionism:

The Group's products are currently traded all over the world and are subject to moderate customs duties. Protectionist policies could result in high customs duties, adversely affecting the Group's sales in affected countries.

## 20) Corporate income tax

### a) Tax assets

At June 30, 2023, this item consisted of €351k in non-current assets, including €219k in French and Canadian research tax credits.

Research tax credits are offset in the income statement against prior period employee expenses. Current tax assets mainly consist of French and Canadian corporate income tax payments on account totaling €2,794k.

### b) Deferred taxes

Net deferred taxes on the balance sheet at June 30, 2023 totaled €5,403k.

Breakdown of deferred taxes by type:

(€k)	Jun 30, 2023	Dec 31, 2022
Recognition of tax loss carryforwards – Guillemot Corporation	4,636	4,240
Consolidation adjustments	1,947	1,266
Unrealized gains on Ubisoft shares held (deferred tax liability)	-1,180	-1,239
<b>TOTAL</b>	<b>5,403</b>	<b>4,267</b>

Deferred tax assets are only recognized insofar as it is probable that the Group will generate future taxable profits against which they may be applied. The Group's ability to recover deferred tax assets relating to tax loss carryforwards is assessed by senior management at the end of each fiscal year, taking into account forecast future taxable profits over a five-year period.

Given its outlook, at June 30, 2023 the Group recognized the full amount of its French entities' tax loss carryforwards totaling €18,546k, resulting in the recognition of a deferred tax asset of €4,636k. Furthermore, deferred tax assets of €1,180k were recognized due to the existence of deferred tax liabilities with the same maturity, taking into account rules applicable in France limiting the application of tax losses.

### c) Income tax expense

Corporate income tax is broken down as follows:

(€k)	Jun 30, 2023	Jun 30, 2022
Deferred taxes	-1,135	2,066
Current taxes	85	3,954
<b>TOTAL</b>	<b>-1,050</b>	<b>6,020</b>

Current taxes equate to the total amount of income tax payable by all Group companies.

Deferred tax is calculated on temporary differences relating to tax adjustments, consolidation adjustments and tax loss carryforwards.

Income from deferred taxes recognized in the income statement totaled €1,135k in the half-year. Deferred taxes were calculated using a taxation rate of 25%.

## **21) Discontinued operations**

The Group has not discontinued any operations in recent years.

## **22) Earnings per share**

Basic earnings per share	Jun 30, 2023	Jun 30, 2022
Earnings	-2,916	18,068
Average number of shares (thousands)	15,087	15,287
No. of treasury shares (thousands)	-45	-36
Total shares (thousands)	15,042	15,251
Basic earnings per share	-0.19	1.18

Diluted earnings per share	Jun 30, 2023	Jun 30, 2022
Earnings	-2,916	18,068
Average number of shares (thousands)	15,087	15,287
No. of treasury shares (thousands)	-45	-36
Total shares (thousands)	15,042	15,251
Maximum number of shares to be created		
- via conversion of bonds	0	0
- via exercise of options	168	188
- via exercise of subscription rights	0	0
Total shares (thousands)	15,210	15,439
Diluted earnings per share	-0.19	1.17

## **23) Off balance sheet commitments**

Documentary credits: €553k

## **24) Related party transactions**

The parent company is owned by Guillemot Brothers SAS (15.15%), the Guillemot family (53.58%), Guillemot Corporation S.A. (0.30%) and members of the public (30.97%).

The related parties are Guillemot Brothers SAS and members of the Guillemot family controlling the issuer, the members of the Board of Directors, the Group's consolidated subsidiaries (see Note 5, "Scope of consolidation"), and the Ubisoft Entertainment and AMA Corporation plc groups, over which members of the Guillemot family hold significant voting rights and within which they hold executive roles.

Key figures relating to transactions with the Ubisoft Entertainment group are as follows:

<b>(€k)</b>	<b>Ubisoft Entertainment</b>
Trade receivables	5
Trade payables	8
Revenue	35
Expenses	53

### **25)            *Seasonality***

As a rule, the Guillemot Corporation Group generates around 50% of its annual turnover between September and December. The Group uses subcontractors to meet increased production and logistics requirements during this period. The working capital requirement arising from these seasonal variations is financed through short- and medium-term funding.

### **26)            *Subsequent events***

None.



(covering the period from January 1 to June 30, 2023)

To the shareholders

**GUILLEMOT CORPORATION**

2 RUE DU CHÊNE HÉLEUC

56910 CARENTOIR, FRANCE

Pursuant to the engagement entrusted to us at your shareholders' general meeting and in accordance with Article L.451-1-2 III of the French Monetary and Financial Code, we have:

- conducted a limited review of the condensed interim consolidated financial statements of Guillemot Corporation for the period from January 1 to June 30, 2023, as appended to this report;
- verified the information set out in the interim business review.

These summary interim consolidated financial statements were prepared under the authority of the Board of Directors. It is our responsibility to express an opinion on these financial statements on the basis of our limited review.

**I - Opinion on the financial statements**

We have carried out our limited review in accordance with professional standards applicable in France.

A limited review mainly consists of meeting with members of management responsible for accounting and financial matters and applying analytical procedures. These tasks are less comprehensive than those required for an audit carried out in accordance with French professional standards. Consequently, the assurance, following a limited review, that the financial statements taken as a whole contain no material misstatements is a limited assurance that is less certain than that given following a full audit.

On the basis of our limited review, we have identified no material misstatements liable to call into question the compliance of the condensed interim consolidated financial statements with IAS 34, the IFRS standard on interim financial reporting adopted within the European Union.

**II – Specific checks**

We have also checked the information set out in the interim business review commenting on the condensed interim consolidated financial statements upon which our limited review was based.

We have no comments as to the accuracy of this information or its consistency with the summary interim consolidated financial statements.

Nantes and Chantepie, September 28, 2023

The statutory auditors

PricewaterhouseCoopers Audit

Toadenn Audit

Gwenaël Lhuissier

Damien Lepert

## **G - Declaration by the persons responsible for the interim report**

I certify that, to the best of my knowledge, the financial statements set out in this interim financial report have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, financial position and earnings of all companies included within the consolidated Guillemot Corporation Group, and that the interim business review set out in Note 4 constitutes an accurate account of material events having occurred during the first six months of the financial year, their effect on the interim financial statements and the principal transactions between related parties, together with a description of the principal risks and uncertainties over the remaining six months of the financial year.

Rennes, September 28, 2023

Claude Guillemot  
Chairman and Chief Executive Officer