Interim Financial Report

June 30, 2023

POWERSOFT Group

Condensed Half-Year Financial Report
at June 30, 2023

Prepared in accordance with the
International Financial Reporting Standards
endorsed by the European Union

PARENT COMPANY OVERVIEW

Registered office	*Via Enrico Conti 5 - Scandicci (FI) 50018*
Tax code and VAT no.	*04644200489*
REA no.	*FI 468275*
Share Capital Euro	*1,235,205.45 - fully paid up*
Legal status	*Joint-stock company*
Website	*www.powersoft.com*

CORPORATE BODIES

Board of Directors

Chairman	CARLO LASTRUCCI
Chief Executive Officer	CLAUDIO LASTRUCCI
Chief Executive Officer	LUCA LASTRUCCI
Chief Executive Officer	ANTONIO PERUCH
Director	LUCA GIORGI
Non-Executive Director	LORENZO LEPRI
Independent Director	PAOLO BLASI

Board of Statutory Auditors

Chairman	LUIGI FAZZINI
Statutory Auditor	MARCELLO BRAGLIA
Statutory Auditor	FEDERICA MENICHETTI
Alternate Auditor	MASSIMILIANO MANFREDI
Alternate Auditor	PAOLO LIMBERTI

Independent Auditors

EY S.p.A.

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Directors' Report on Operations at June 30, 2023

Foreword

This Condensed Consolidated Half-Year Financial Report of Powersoft Group at June 30, 2023 was prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and was prepared in accordance with IAS 34 ("Interim Financial Reporting").

In order to provide a better understanding of the operating and financial performance, figures for the year ended December 31, 2022 for the consolidated statement of financial position, and figures for the six months ended June 30, 2022 for the consolidated statement of profit and the consolidated statement of comprehensive income, consolidated statement of cash flows, and the consolidated statement of changes in equity, were presented as comparative figures as required by IAS 34.

Group Intro

Powersoft S.p.A., established in 1995, headquartered in Scandicci (Florence) and listed on the Euronext Growth Milan market of Borsa Italiana ("Powersoft"), is a global technology leader in audio amplification systems, signal processing and transducer systems for the pro-Audio sector. In recent years, in response to a changing landscape marked by significant macroeconomic uncertainties and a progressively challenging procurement system, the Group has undertaken a strategic repositioning effort. This effort involves transitioning from a Product Company to a Solution Provider, expanding into vertical market segments within the Install sector (such as Hospitality, Retail, Higher Education, Houses of Worship, and Venues). Additionally, the Group is dedicated to enhancing its portfolio of offerings and placing a stronger focus on international expansion.

Powersoft Group operates both domestically and internationally, with over 90% of its sales originating from foreign markets. The Group maintains a direct and indirect presence in 110 countries across the globe. Distribution in the North American (U.S.) market is handled by the wholly-owned subsidiary Powersoft Advanced Technologies Corp., while marketing in other regions (South-America, Asia, Europe and Rest of the World) is managed through a network of multi-brand distributors and through management relationships. As part of the international strategic development plan aimed at reinforcing existing sales channels and expanding into high-growth regions, a representative office was opened in Shenzhen, People's Republic of China in 2021. Subsequently, it was relocated to Beijing. In 2023, the Group also bolstered its presence in Japan by opening a representative office. This expansion aims to accelerate business penetration in Japan, a strategic market identified for its significant growth potential.

Production activities are primarily conducted at company-owned plants in Scandicci, which employ approximately 140 resources. Additionally, partnerships with leading industry players in Bologna, Cortona, Gorizia, Modena, and Vicenza involve over 100 resources. The main activities involving R&D, technical support, marketing, sales, logistics, warehouse and corporate are also carried out in Italy.

Powersoft holds over 40 international patents in the field of audio amplification, registered in more than 30 countries. Its R&D investments exceed Euro 1.5 million, demonstrating its steadfast commitment to innovation and development of new solutions. Ideofarm, a wholly-owned subsidiary of Powersoft established as an incubator for initiatives and an innovative project accelerator, plays a role in fostering innovation.

Powersoft S.p.A. is the parent company and owns 100% of the share capital of the two companies Powersoft Advanced Technologies Corp. and Ideofarm S.r.l. (together "Powersoft Group" or the "Group").

There were no changes in the Group's consolidation scope in the reporting period, allowing for YoY comparisons on an organic basis.

Highlights

The tables below show Powersoft Group's operating and financial highlights for first half 2023 versus the results in the same period of the prior year:

Group income statement

(Euro thousands)	30/06/2023	30/06/2022	Change	% change
Total revenue	33,065	19,685	13,380	68.0%
EBITDA	8,638	3,696	4,942	133.7%
EBIT	7,264	2,531	4,733	187.0%
Total net profit (loss)	5,236	1,402	3,834	273.4%

Group statement of financial position

(Euro thousands)	30/06/2023	31/12/2022	Change	% change
Non-current assets	5,427	4,178	1,250	29.9%
Non-current liabilities	3,959	2,563	1,396	54.5%
Current assets	42,915	44,211	(1,296)	-2.9%
Current liabilities	17,352	14,680	2,672	18.2%
Difference between current assets and current liabilities	25,563	29,531	(3,968)	-13.4%
Equity	27,031	31,146	(4,115)	-13.2%

Group statement of cash flows

(Euro thousands)	30/06/2023	30/06/2022	Change	% change
Cash flow from operations	4,489	3,261	1,228	37.7%
Cash flow from investing activities	(1,288)	(887)	(401)	45.2%
Cash flow from financing activities	(9,334)	(468)	(8,866)	1893.6%
Total cash flow	(6,134)	1,905	(8,039)	-421.9%

Group net financial position

(Euro thousands)	30/06/2023	31/12/2022	Change	% change
Available cash	14,141	20,275	(6,134)	-30.3%
Current financial assets	5,284	5,234	49	0.9%
Current financial debt	(2,600)	(567)	(2,034)	358.7%
Current net financial position	16,824	24,942	(8,118)	-32.5%
Non-current financial debt	(1,857)	(680)	(1,177)	173.0%
Net financial position	14,967	24,261	(9,295)	-38.3%

Share performance

Powersoft's ordinary share has been listed on the Euronext Growth Milan market of Borsa Italiana since December 2018.

At June 30, 2023, the closing price of the Powersoft share stood at Euro 6.80, resulting in a market capitalization of approximately Euro 80.2 million.

The share performance share in the period January - September 2023 is shown below:

Macroeconomic context

Macroeconomic scenario

According to recent IMF forecasts, the global economy is witnessing a gradual uplift, with a GDP growth of +3% for 2023, a slight increase from April's +2.8% estimate.

With the official end of the COVID-19 health crisis, economic activity in the first quarter was resilient, and the labour market was dynamic across various regions. Financial instability, stemming from March's banking turmoil, was mitigated thanks to the measures taken by U.S. and Swiss authorities.

In detail, the GDP growth forecast for 2023 is +0.9% for the Euro area and +1.8% for the United States, both figures upward revisions from April's projections. Specifically, intermediate U.S. GDP trends hit 2.4% in the second quarter, with upcoming months looking even more positive than previously forecasted.

As for China, the official forecast remains steady at +5.2%, although intermediate trends are less positive than expected. Compared to previous forecasts, the driving factors are shifting: while the residential property sector clearly faces challenges and Chinese export volumes experience subdued growth due to the global economic slowdown, the business property sector shows a positive trend alongside moderate increases in domestic consumption.

As for Japan, GDP growth is forecast at 1.4% for the current year, up slightly by 0.1% from the previous forecast.

Nevertheless, global growth remains low compared to historical standards. Even though some negative risks have subsided, there are increasing signs of a loss in momentum, primarily attributable to a monetary policy focused on inflation containment. Major global risks include the ongoing conflict in Ukraine and geopolitical fragmentation, both presenting significant short-term costs and risks.

Industry scenario

It is well acknowledged that the pro-AV sector, and pro-Audio in particular, experienced substantial impacts due to the pandemic: while the global GDP declined by -3.5% in 2020, the pro-AV sector saw a larger contraction of 17.3%. Similarly, the recovery has been rather brisk, showing an estimated double-digit CAGR from 2020 to 2023.

Powersoft's target market reflects the above trend, with a double-digit growth segment expected in the current year. Overall, the sector is anticipated to grow at a rate surpassing general GDP trends, partly driven by the significant technological advancements and innovation typical of our segment, coupled with a demand that consistently outpaces supply capacity.

Within vertical markets, the installation sector, including commercial and performance segments, is seeing positive growth, notably in large venues and stadium projects, with prospects that are solid and expanding. Anticipated to be this year's fastest-growing vertical market, it is buoyed by a fresh interest for in-person events and heightened investments in immersive installations. The live market is also experiencing a major upswing in event demand in many countries.

The launch of the UNICA platform aligns seamlessly with this scenario, targeting the vertical markets currently experiencing the most rapid growth.

Group performance

Group results

To better illustrate the performance in first half 2023, below are the key operating figures of Powersoft Group compared with those of the prior period:

(Euro thousands)	**30/06/2023**	**Percentage on revenue**	**30/06/2022**	**Percentage on revenue**
Revenue	32,545	100.0%	19,262	100.0%
Other revenue	520	1.6%	423	2.2%
Cost of sales	(17,069)	-52.4%	(10,110)	-52.5%
GROSS CONTRIBUTION MARGIN	**15,995**	**49.1%**	**9,574**	**49.7%**
Increases for internal work	683	2.1%	490	2.5%
Business expense	(1,181)	-3.6%	(680)	-3.5%
Personnel	(4,986)	-15.3%	(4,095)	-21.3%
General and administrative expense	(1,874)	-5.8%	(1,593)	-8.3%
EBITDA*	**8,638**	**26.5%**	**3,696**	**19.2%**
Amortization and depreciation	(1,121)	-3.4%	(893)	-4.6%
Allocations	(253)	-0.8%	(272)	-1.4%

EBIT	**7,264**	**22.3%**	**2,531**	**13.1%**
Financial expense	(363)	-1.1%	(830)	-4.3%
Financial income	346	1.1%	325	1.7%
Profit (loss) before tax (EBT)	**7,247**	**22.3%**	**2,026**	**10.5%**
Income tax	(2,011)	-6.2%	(624)	-3.2%
Net profit (loss) from continuing operations	**5,236**	**16.1%**	**1,402**	**7.3%**
Operating assets held for disposal	-	0.0%	-	0.0%
Net profit (loss)	**5,236**	**16.1%**	**1,402**	**7.3%**

(*) **Notes**: In line with ESMA guidelines on alternative performance measures (ESMA Guidelines/2015/1415), mention should be made of the following:

EBITDA is defined as Earnings Before Tax (EBT), as indicated in the consolidated statement of profit/(loss), gross of: (i) financial income and expense, (ii) amortization of intangible assets, (iii) depreciation of tangible assets, and (iv) allocations. Since EBITDA is not recognized as an accounting measure under the IFRSs adopted by the European Union, its quantification may not be straightforward.

EBITDA is a metric identified and utilized by the Group to monitor and assess its operating performance. However, since it is not defined within the IFRS framework, it might not be comparable to similar measures adopted by other groups. Consequently, it should not be used as an alternative metric for evaluating the performance of the Group's operations. The Company regards EBITDA as a crucial metric for evaluating the Group's performance, as it facilitates analysis of the Group's margins by excluding the effects generated by non-recurring income elements.

Consolidated revenue in first half 2023 reached Euro 33.1 million, marking a 68.0% increase from Euro 19.7 million in the first half of the prior year, underscoring the successful implementation of the Group's penetration strategy into target sectors.

Core revenue growth primarily stemmed from the U.S. and Asian markets, reporting increases of 57.2% and 108.5% respectively versus the prior six months. The European market likewise experienced a substantial increase of 68.1% versus first half 2022, propelled by all business lines.

The table below shows the breakdown by geographical area of Group revenue in first half 2023 versus first half 2022:

(Euro thousands)	30/06/2023	Percentage on revenue	30/06/2022	Percentage on revenue	Change	% change
EUROPE	16,749	51.5%	9,962	51.7%	6,787	68.1%
NAM	8,887	27.3%	5,652	29.3%	3,235	57.2%
APAC	5,938	18.2%	2,848	14.8%	3,090	108.5%
MEA	611	1.9%	581	3.0%	30	5.2%
CALA	359	1.1%	220	1.1%	139	63.2%
Revenue from sales	**32,545**	**100.0%**	**19,262**	**100.0%**	**13,283**	**69.0%**

Cost of sales mainly includes goods purchases and inventory changes, direct labour costs, transportation costs, customs duties and other direct costs. At June 30, 2023, this item totaled Euro 17.1 million, up by 68.8% versus the prior year, due mostly to the increase in volumes sold. Mention should be made that the cost of sales at June 30, 2022 was restated to consider the different accounting of Euro 0.4 million in costs for direct personnel and production overhead costs.

At June 30, 2023, the Contribution Margin amounted to Euro 16 million, up by 67.1% versus Euro 9.6 million at June 30, 2022, with the margin as a percentage of revenue rising from 49.7% to 49.1%. This change is basically attributable to the less than proportional increase in other revenue.

Consolidated EBITDA in first half 2023 totaled Euro 8.6 million, up by 133.7%, and accounting for 26.5% of revenue versus Euro 3.7 million in first half 2022. In first half 2023, operating structure costs, personnel-related expense in particular, rose in absolute terms but less than proportionally compared to the prior six months. This increase reflects the ongoing investments in achieving the company's growth targets, specifically boosting sales volumes.

Amortization and depreciation, and provisions for risks, mainly related to the product warranty provision, totaled Euro 1.4 million, up by 17.9% versus the same period of the prior year, underscoring the company's constant commitment to R&D, of which the Group capitalized Euro 0.7 million in the first half of the year, recorded under intangible assets as required by IAS 38.

Consolidated EBIT in the period amounted to Euro 7.3 million, up from Euro 2.5 million in the previous six months, with the EBIT margin increasing from 13.1% to 22.3%, mainly due to the aforementioned increase in EBITDA.

Financials closed at a negative Euro 17 thousand versus a negative Euro 505 thousand in first half 2022, primarily due to the fair-value revaluation of the portfolio securities.

Consolidated Net Profit for the six months ended June 30, 2023 amounted to Euro 5.2 million, up by 273.4% from Euro 1.4 million in the previous six months, representing 16.1% of sales.

Group statement of financial position

Below is Powersoft Group's financial position at June 30, 2023 reclassified according to the allocation criteria of source and utilization and compared with the figures at December 31, 2022:

(Euro thousands)	30/06/2023	31/12/2022	Change	% change
Tangible fixed assets	1,344	1,082	262	24.2%
Assets from rights of use	1,588	758	830	109.6%
Intangible fixed assets	1,543	1,385	158	11.4%
Financial fixed assets	5	5	-	0.0%
Fixed capital	**4,480**	**3,230**	**1,250**	**38.7%**
Inventory	11,403	9,680	1,723	17.8%
Trade receivables	10,142	6,455	3,688	57.1%
Other current assets	1,944	2,567	(623)	-24.3%
Trade payables	(11,432)	(8,963)	(2,470)	27.6%
Other current liabilities	(3,319)	(5,150)	1,831	-35.6%
Net working capital	**8,739**	**4,589**	**4,150**	**90.4%**
Other non-current assets (liabilities)	(1,155)	(935)	(220)	23.5%
Net capital employed	**12,064**	**6,884**	**5,180**	**75.2%**
Cash and cash equivalents	14,141	20,275	(6,134)	-30.3%
Financial assets	5,284	5,234	49	0.9%
Non-current financial liabilities	(659)	(414)	(246)	59.4%
Non-current financial liabilities from rights of use	(1,198)	(267)	(931)	349.1%
Current financial liabilities	(2,193)	(58)	(2,135)	3666.0%
Current financial liabilities from rights of use	(407)	(509)	101	-19.9%
Net financial position	**14,967**	**24,261**	**(9,295)**	**-38.3%**
Share capital	(1,235)	(1,228)	(7)	0.6%
Reserves	(20,560)	(23,570)	3,010	-12.8%
Profit (loss) for the period	(5,236)	(6,347)	1,112	-17.5%
Total equity	**(27,031)**	**(31,146)**	**4,115**	**-13.2%**
Total sources	**(12,064)**	**(6,884)**	**(5,180)**	**75.2%**

Notes: In line with ESMA guidelines on alternative performance measures (ESMA Guidelines/2015/1415), mention should be made of the following:

Fixed assets: the amount of assets with long-term useful life *(tangible, intangible and financial)*.

Other current assets: include tax receivables and other current assets.

Other current liabilities: include tax liabilities and other current liabilities.

Net working capital: the amount of inventory, trade receivables and other current assets less trade payables and other current liabilities.

Other non-current assets (liabilities): the amount of deferred tax assets and other non-current assets net of obligations from post-employment benefits, the amount of provisions for future risks and charges, and deferred tax liabilities.
Net capital employed: total sources of capital resulting from the above assets and liabilities.
Net financial position: a financial metric that represents the Group's solvency level, given by the difference between cash and cash equivalents and current financial assets, and payables to banks and other financial liabilities due within one year, of other non-current financial liabilities and medium- and long-term financial payables.
Equity: the amount of Group equity.

Below are certain considerations regarding significant changes in consolidated assets and liabilities, reclassified for operational purposes.

Net working capital increased by 90.4% versus December 31, 2022 mainly due to: (i) an increase in payables to suppliers, both as a result of the increase in sales volumes and due to the stocking policy implemented by the Group in order to reduce shortage risks; (ii) an increase in trade receivables mainly related to the increase in turnover in the six months; (iii) an increase in inventory, raw materials and semi-finished products in particular, stemming from a business strategy aimed at mitigating the risk of procurement delays and ensuring the availability of goods to meet anticipated customer demand.

The net financial position at June 30, 2023 stood at a positive Euro 15 million (Euro 24.3 million at December 31, 2022). It consists mainly of cash for Euro 14.1 million, portfolio securities for Euro 5.3 million, and debit items for Euro 4.5 million, mostly related to both the accounting of operating lease payables arising from the application of IFRS 16, and subsidized loans taken out with Simest S.p.A. ("Simest").

Below is the net financial position as required by ESMA Guideline 32-382-1138 of March 4, 2021 as referred by CONSOB in Warning Notice no. 5/21 of April 29, 2021:

	30/06/2023	31/12/2022
(A) Bank and postal deposits	14,140	20,274
(B) Cash	1	1
(C) AVAILABLE CASH (A+B)	**14,141**	**20,275**
(D) CURRENT FINANCIAL ASSETS	**5,284**	**5,234**
(E) Current bank payables	-	-
(F) Other current financial liabilities	(2,600)	(567)
(G) CURRENT FINANCIAL DEBT (E+F)	**(2,600)**	**(567)**
(H) NET CURRENT FINANCIAL POSITION (C+D+G)	**16,824**	**24,942**
(I) Non-current bank payables	-	-
(L) Other non-current financial liabilities	(1,857)	(680)
(M) NON-CURRENT FINANCIAL DEBT (I+L)	**(1,857)**	**(680)**
(N) NET FINANCIAL POSITION (H+M)	**14,967**	**24,261**

The Group therefore possesses robust capital strength and financial flexibility to best meet commercial and industrial requirements as well as to support its future growth targets.

Corporate structure

At June 30, 2023, Powersoft Group's headcount totaled 138 resources.

The Group's headcount trend at June 30, 2023 and 2022 and December 31, 2022 is shown below:

Headcount	30/06/2023	31/12/2022	30/06/2022

Executives	3	3	3
Managers	14	13	12
Employees	99	89	79
Workers	16	12	10
Interns	0	1	6
Directors	6	6	6
Total	**138**	**124**	**116**

The headcount trend aligns with the strategy of bolstering the organizational structure to effectively support future development plans.

Research & Development

Powersoft Group has reaffirmed its commitment in 2023 to increasing investments aimed at elevating its levels of excellence, amidst an environment dominated by intensifying global competition.

R&D expenditure in first half 2023 totaled approximately Euro 1.5 million, or 4.5% of consolidated revenue, underscoring the company's commitment to persistently invest in product and process innovation. Out of these costs, Euro 0.7 million represents development costs capitalized under intangible assets as required by IAS 38.

Related party transactions

Under the provisions of the Issuer Regulation - Euronext Growth Milan and the Regulation on Related Party Transactions adopted by CONSOB Resolution no. 17221 of March 12, 2010 as subsequently amended and supplemented, the Company has adopted the "Procedure for the Regulation of Related Party Transactions" (the "RPT Procedure"), last amended on April 29, 2021 and available on the Company website in the "*governance / documenti e procedure*" section, in order to describe and define the process, terms and operating procedures regarding the proper management of related party transactions.

The following are considerations regarding related party transactions, excluding companies within the consolidation scope, conducted by Powersoft in first half 2023.

Powersoft has business dealings with Bluesky Immobiliare S.r.l. as the tenant of a number of business property leases, concluded at normal market conditions. This company is controlled, like Powersoft S.p.A., by Evolve S.r.l..

Additionally, to streamline financial transactions with the parent company Evolve S.r.l. in the current year, it was decided to structure the debt owed by Powersoft S.p.A. to the latter - originating from the tax consolidation scheme - into six installments, with the final installment due on November 30, 2023. The deferment was granted at normal market conditions.

Related party transactions, including intercompany transactions, do not qualify as either atypical or unusual, falling within the normal business of Group companies and are regulated at market conditions, taking account of the characteristics of the goods and services provided. In 2023, the Company's Board of Directors did not approve any major transactions as defined in the RPT Procedure, nor any other minor related party transactions that materially affected the Group's financial position or results.

Please refer to the notes to the consolidated financial statements for details on related party transactions.

Treasury shares

At June 30, 2022, the Company held no treasury shares.

Main risks and uncertainties to which the Group is exposed

Various factors, risks, and uncertainties related to the current situation could affect the activities of Powersoft Group, including:

Exposure to economic trends and adverse macroeconomic scenarios

The Group conducts operations on an international scale, with its performance significantly hinging on macroeconomic trends in Europe and globally, as well as on the economic conditions within its target countries.

Negative global and local economic conditions may impact heavily on the demand for the goods produced by the Group. Indeed, any downturn in the broader economic climate could result in diminished investment and expenditure in the sectors where the Group is active.

Consequently, if global conditions deteriorate due to the ongoing COVID-19 pandemic, Eastern European geopolitical situation, or changes in the local regulatory environment, demand for the Group's distributed products may decline, adversely affecting the Group's financial position, results and cash flows.

Dependence on suppliers and procurement risk of semi-finished products

Mention should be made that the Group's transactions with its primary suppliers are governed by annual framework supply agreements, which are tacitly renewed unless a termination notice is provided six months in advance. If a supplier chooses to end its relationship with the Group, or if disagreements emerge over the type or terms of the services provided by the supplier, the Group may pursue the usual legal remedies available under contract.

The Group believes that it alleviates this risk by engaging multiple suppliers for acquiring the mentioned components in its business operations. This approach aims to minimize potential production disruption risks should the relationship with any one of them cease. The Group is additionally making efforts to broaden its network of specialized and selected suppliers for its procurement needs.

Should there be substantial challenges with strategic suppliers to the Group, significant measures and/or investments in inventory and purchases of semi-finished products might be necessary. This approach would compensate with internal production to satisfy the demand for finished products needed for sales.

Group Management acknowledges that short-term replacement is challenging for specific electronic components, including electronic boards, semi-finished products, and high-power electronic components. These components are crucial for the development of its products due to their unique characteristics, employed technologies, and the quality standards set by the Group. Hence, any shortage of these components due to unpredictable external factors, which are challenging to anticipate or manage by the Group, with its current suppliers, or the termination of ongoing contractual relationships, could have adverse implications for the Group's operations. Indeed, while Management believes that it is feasible to identify alternative specialized suppliers to replace the current ones, this transition might occur under different economic conditions, timelines, and technical standards than the current ones. Such changes could potentially result in production delays, which might have adverse effects on the Group's operations.

Specifically, the ongoing shortage situation impacting the entire sector, coupled with resulting inflationary trends, especially concerning components and logistics costs, may put pressure on the production of finished products. This pressure could intensify in the event of a prolonged pandemic or a worsening geopolitical situation in Eastern Europe.

The Group is taking proactive measures to mitigate the potential repercussions of such a scenario. This includes extending the procurement forecast timeline, establishing framework agreements with key suppliers, and increasing inventory levels wherever it is deemed essential and feasible.

Dependence on key individuals

The Group is currently managed by a number of key individuals represented by the Shareholders of the parent company Evolve S.r.l.. These individuals hold positions as Directors with operational powers within the parent company. They boast a proven track record within the industry and have played, and continue to play, instrumental roles in the company's success. If these key individuals were to leave the Group Management, there is no assurance that the Group could swiftly find equally capable and fitting replacements, at least in the short run. This could potentially affect the Group's operations.

Target market and threats from competition

The Group’s market of operation is marked by fierce competition and a high level of specialization. In this context, the Group faces competition from other industry players and pricing pressures.

The entry of new Italian or international competitors into the market could have a negative impact on the Group's operating and financial performance over the medium to long term. Furthermore, the emergence of conglomerates headed by multiple brands, capable of offering comprehensive product solutions and packages, may potentially restrict the market for Powersoft products and curtail their sales. Additionally, it is uncertain whether the competitive landscape in the target market will align with the Group's strategies within the expected timeframe and in the desired manner. Under such circumstances, heightened competition could result in a decline in the Group's market share, leading to decreased transaction volumes and corporate margins.

The Group believes that providing sufficient financial support for product development and innovation, with a focus on maintaining and enhancing the quality of its offerings (the key strength of the Group), can help to mitigate certain competitive threats.

Environmental risks and sustainability

With regard to the strategic risks facing the Group, climate change and public attention to sustainability issues could have significant impacts on the Group in the near future. However, these are difficult to measure at this time.

Management has identified several key focus areas related to climate change. These include:

- Risks in the procurement of certain raw materials along the supply chain. The Group actively monitors climate change-related risks along its supply chain to minimize their impact on its operations. To date, the Group does not report significant impacts of climate change on operational risks;

- Financial risks associated with potential increased costs and investments related to adjusting the production and distribution structure in order to mitigate the impacts that its business could have on climate change. To date, there are no estimates of substantial costs and investments associated with addressing these issues;
- Lastly, concerning compliance risks, sustainability spillovers could result from non-compliance with environmental regulations that may apply to the Group. The Group closely monitors the ongoing developments in the regulatory framework, both at the domestic and international levels, and the potential additional regulations aimed at reducing the environmental impacts of business operations.

Significant events in first half 2023

On **January 25, 2023**, Powersoft strengthened its U.S. organization by appointing Thomas Howie as Business Development Manager. Thomas is a highly regarded professional, and brings over 15 years of experience in developing and managing vertical markets within the large sports installation and theme park industry for top-tier brands. He will develop relationships and explore new opportunities with decision-makers in the AV industry sectors, while also monitoring market and technology trends. Additionally, he will support the sales team with projects and tenders.

On **January 31, 2023**, Powersoft unveiled UNICA, an innovative and groundbreaking amplification platform, at the "Integration System Europe - ISE" trade show held in Barcelona, the major event for audiovisuals and systems integration. UNICA represents Powersoft's third generation of amplification and processing, with Cloud connectivity. Based on 5 new patented innovations that facilitate easy integration with existing systems for end users, UNICA is designed for easy customization and configuration, ultimately reducing operating and maintenance costs. At the same event, Powersoft announced its finalist position for the Inavation Awards, hosted by Inavate magazine and ISE, in the Best Manufacturer category worldwide, an award it subsequently won.

On **February 1, 2023**, Powersoft announced that 10,340 new ordinary shares were granted in the period between January 15, 2023 and January 31, 2023 as a result of the exercise of 10,340 options to service the "2018-2020 Incentive Plan".

On **March 1**, the Company appointed Massimo Ghedini (former Finance & IR Manager) to the new role of Chief Financial Officer. Mr. Ghedini will retain his role as IR Manager.

On **April 3, 2023**, Powersoft announced that 54,340 new ordinary shares were granted in the period between March 29 and 31, 2023 as a result of the exercise of 54,340 options to service the "2018-2020 Incentive Plan".

On **April 27, 2023**, the Ordinary Shareholders' Meeting met and (i) approved the Financial Statements of Powersoft S.p.A. at December 31, 2022, (ii) approved the distribution of an ordinary dividend of Euro 0.48 per share and an extraordinary dividend of Euro 0.34 per share, (iii) appointed the Board of Statutory Auditors for a three-year term, until the date of the Shareholders' Meeting to be called to approve the financial statements for the year ending December 31, 2025, and (iv) appointed EY S.p.A. as the independent auditors for the years 2023-2025.

On **May 16, 2023**, Powersoft announced an agreement with Vega Global, a leading name in Digital Workplace solutions in audiovisual, video conferencing, and collaboration technologies, to supply professional amplifiers to expand and strengthen the audio solutions it offers to end customers. The long-term supply agreement spans 16 regions in the APAC and MEA areas where Vega Global operates. Powersoft will grant direct access to its portfolio of amplifiers, specifically: Duecanali and Quattrocanali Series, Mezzo Series, and the new cloud-based UNICA platform.

On **June 16, 2023**, the Company announced that 3,200 new ordinary shares were granted in the period between June 1 and 15, 2023 as a result of the exercise of 3,200 options to service the "2018-2020 Incentive Plan”.

On **June 27, 2023**, Powersoft announced a partnership with Bose Professional, a global leader in professional audio solutions, to develop the new Bose Professional PowerShareX series of adaptive power amplifiers. The new Bose Professional PowerShareX series of amplifiers, featuring three models with Dante digital audio, deliver 1200, 2400, and 4800 watts of power on four channels. This series evolves from the existing PowerShare range, offering elevated power levels and extra features, including enhanced energy efficiency. This improvement results in power savings and diminished environmental impact.

Significant events after first half 2023

On **July 27, 2023**, Powersoft announced it was bolstering its presence in Japan by opening a representative office. This expansion aims to accelerate business penetration in Japan, a strategic market identified for its significant growth potential. The new Japanese office is based in Tokyo and joins the Italian headquarters in Scandicci, the operations office in the U.S., and the representative office in China.

On **August 7, 2023**, Powersoft announced the reinforcement of its team in China by appointing Miao Wang as Solution Engineer and relocating to the new offices in Beijing. Miao Wang's appointment is aimed at driving the Group's growth in China by exploring the market and establishing new business relationships. Moving the representative office from Shenzhen to Beijing confirms the Group's strategic decision to strengthen its presence in the People's Republic of China, offering a more extensive and timely response to market needs.

On **September 7, 2023**, the Company announced a partnership with Strong Technical Services (STS) and STRONG/MDI Screen Systems, both subsidiaries of Strong Global Entertainment, a prominent international entertainment company. The agreement specifically covers the resale, integration, and installation of Powersoft products within STRONG/MDI's Seismos Immersive product line, a revolutionary interactive flooring system deployed in various attractions worldwide.

Business outlook

The results achieved in first half 2023 show an improvement in key operating and financial metrics, driven by both the Install and pro-Audio sectors in Powersoft Group’s main geographies of operation, with margins currently exceeding pre-pandemic levels.

The Group remains vigilant on the ongoing Russia-Ukraine crisis and its potential new macroeconomic ramifications. However, to date, it believes that these factors have limited direct effects on revenue and financial exposure.

Attention remains high on the procurement of raw materials, electronic components in particular, as well as on production and transportation costs, which continue to pose critical challenges.

Throughout the remainder of the current year, Powersoft will continue its international growth plan, with a specific emphasis on regions with the greatest growth potential. These include the U.S. and Asian markets, where the Group is enhancing its presence and visibility through recent hires, the relocation of the new

Chinese office to Beijing, and the opening of a representative office in Tokyo, Japan. The Group also remains committed to technological innovation through continuous R&D investments, enabling it to effectively meet market demands with innovative, compact, powerful, and energy-efficient products. The recent international agreements with prominent industry leaders highlight this commitment.

Based on the results achieved in the first part of the year and the current indicators of future performance, business is expected to grow also in the latter part of the current year, with full-year results showing strong improvement versus the prior year.

Direction and Coordination Activities

The Parent Company is not subject to any direction and coordination activities.

Powersoft Group condensed consolidated half-year financial statements at June 30, 2023

- Financial Statements -

Consolidated statement of financial position

Amounts €/000

Assets	Notes	30/06/2023	31/12/2022
Non-current assets			
Property, plant and equipment	3.1	1,344	1,082
Assets from rights of use	3.2	1,588	758
Other intangible assets	3.3	1,543	1,385
Deferred tax assets	3.4	915	915
Other non-current assets	3.5	33	33
Investments	3.6	5	5
Total non-current assets		**5,427**	**4,178**
Current assets			
Inventory	3.7	11,403	9,680
Trade receivables	3.8	10,142	6,455
Income tax receivables	3.9	239	144
Other current assets	3.10	1,705	2,423
Other financial assets	3.11	5,284	5,234
Cash and cash equivalents	3.12	14,141	20,275
Total current assets		**42,915**	**44,211**
Total assets		**48,342**	**48,388**

Equity and liabilities	Notes	30/06/2023	31/12/2022
Share capital and reserves			
Share capital	3.13	1,235	1,228
Reserves	3.13	20,560	23,570
Profit (loss) for the period	3.13	5,236	6,347
Total Group equity		**27,031**	**31,146**
Equity attributable to non-controlling interests		-	
Total equity		**27,031**	**31,146**
Non-current liabilities			
Non-current financial liabilities	3.14	659	414
Non-current financial liabilities from rights of use	3.14	1,198	267
Employee benefits (post-employment benefits)	3.15	1,257	1,163
Provisions for future risks and charges	3.16	767	637
Deferred tax liabilities	3.4	78	83
Total non-current liabilities		**3,959**	**2,563**
Current liabilities			
Current financial liabilities	3.14	2,193	58
Current financial liabilities from rights of use	3.14	407	509
Trade payables	3.17	11,432	8,963
Income tax payables	3.18	334	557
Other current liabilities	3.19	2,985	4,593
Total current liabilities		**17,352**	**14,680**
Total liabilities		**21,311**	**17,243**
Total equity and liabilities		**48,342**	**48,388**

Consolidated statement of profit

Amounts €/000

Income statement	Notes	30/06/2023	30/06/2022
Revenue from contracts with customers	4.1	32,545	19,262
Other revenue	4.2	520	423
Revenue		**33,065**	**19,685**
Cost of sales	4.3	(17,069)	(10,110)
Increases for internal work	4.4	683	490
Business expense	4.5	(1,181)	(680)
Indirect personnel	4.6	(4,986)	(4,095)
General and administrative expense	4.7	(1,874)	(1,593)
EBITDA		**8,638**	**3,696**
Amortization and depreciation	4.8	(1,121)	(893)
Allocations	4.8	(253)	(272)
EBIT		**7,264**	**2,531**
Financial expense	4.9	(363)	(830)
Financial income	4.9	346	325
Profit (loss) before tax		**7,247**	**2,026**
Income tax	4.10	(2,011)	(624)
Profit (loss) for the period		**5,236**	**1,402**
Basic earnings per share		0.44	0.12
Diluted earnings per share		0.43	0.12

Consolidated statement of comprehensive income

Amounts €/000

Statement of comprehensive income	Notes	30/06/2023	30/06/2022
Profit (loss) for the period		**5,236**	**1,402**
Items that will not be reclassified later in profit / (loss) for the period:		**8**	**147**
Gains / (losses) from actuarial benefits		11	194
Tax effect gains/(losses) from actuarial benefits		(3)	(46)
Items that will be reclassified later in profit / (loss) for the period:		**(25)**	**7**
Net translation differences of foreign financial statements		(25)	7
Total profit (loss) for the period		**5,219**	**1,557**

Consolidated Statement of Cash Flows

Amounts €/000

Statement of Cash Flows - Consolidated	30/06/2023	30/06/2022
Cash Flow from Operations		
Profit / (loss) for the year	5,236	1,402
Adjustments to reconcile net profit (loss) for the period to cash flow generated by operations:		
Income tax	2,011	624
Amortization and depreciation	1,121	893
Allocations	-	-
(Capital gain)/loss on disposal of fixed assets	-	-
Allocations/(Utilization) provisions for employee benefit liabilities	83	28
Allocations /(Utilization) provisions for risks and charges	253	272
Change FV financial assets	(49)	678
Interest (receivable) / accrued liabilities	31	10
	-	-
Changes in operating assets and liabilities:	-	-
Inventory	(1,723)	(2,042)
Trade receivables and contract assets	(3,688)	(1,414)
Trade payables	2,470	3,031
Other assets	1,146	324
Other liabilities	(1,280)	(147)
Interest (paid) / collected	(31)	(10)
Tax (paid) / collected	(523)	-
Utilization of provisions for risks and charges	(123)	(216)
Other	(16)	(33)
Net cash flow from operations (A)	**4,917**	**3,401**
Cash Flow from Investing Activities	**-**	**-**
(Purchase) of property, plant and equipment	(498)	(348)
Sale of property, plant and equipment	-	-
(Purchase) of investment property	-	-
Sale of investment property	-	-
(Purchase) of intangible fixed assets	(790)	(539)
Sale of intangible fixed assets	-	-
(Purchase) of financial instruments	-	-
Sale of financial instruments	-	-
(Acquisition) of subsidiaries net of cash acquired	-	-
Net cash flow from investing activities (B)	**(1,288)**	**(887)**
Cash Flow from Financing Activities	**-**	**-**
Paid capital increases	345	1,245
Dividend distribution	(9,671)	(1,756)

Purchase of treasury shares	-	-
Lease repayment	(254)	(211)
New medium- to long-term loans	246	114
(Repayment) medium- to long-term loans	(428)	-
Net cash flow from financing activities (C)	**(9,762)**	**(609)**
Total net cash flow (D=A+B+C)	**(6,134)**	**1,905**
Opening net cash (E)	**20,275**	**15,001**
Total net cash flow	(6,134)	1,905
Closing cash (G=D+E)	**14,141**	**16,906**

Consolidated statement of changes in equity

Amounts €/000	Reserves													
	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Translation reserve	IAS 19 reserve	Stock option reserve	Other reserves	FTA reserve	Retained earnings / (losses carried forward)	Total reserves	Profit / (loss) for the period	Total Group equity	Total equity attributable to non-controlling interests
Balance at January 1, 2022	**1,192**	**232**	**13,708**	**6,170**	**7**	**(76)**	**524**	**951**	**100**	-	**21,121**	**2,263**	**25,060**	-
Allocation of the prior year's result		7	2,256								**2,263**	(2,263)	**0**	-
Dividend distribution			(1,756)								**(1,756)**		**(1,756)**	-
Exercise of stock options	**36**			1,362			(293)				**1,105**		**1,105**	-
Stock option assignment							69				**69**		**69**	-
Other changes/reclassifications			11							40	**51**		**51**	-
Profit / (loss) of the comprehensive income statement:					(14)	147					**133**		**133**	-
Of which: Gains / (losses) from actuarial benefits						147					**147**		**147**	-
Of which: Translation Reserve					14						**14**		**14**	-
Profit / (loss) for the year											-	1,402	**1,402**	-
Balance at 30 June 2022	**1,228**	**238**	**14,219**	**7,532**	**(7)**	**71**	**300**	**951**	**100**	**40**	**22,986**	**1,402**	**26,064**	-

Amounts €/000	Reserves													
	Share capital	Legal reserve	Extraordinary reserve	Share premium reserve	Translation reserve	IAS 19 reserve	Stock option reserve	Other reserves	FTA reserve	Retained earnings / (losses carried forward)	Total reserves	Profit / (loss) for the period	Total Group equity	Total equity attributable to non-controlling interests
Balance at January 1, 2023	**1,228**	**238**	**13,731**	**7,544**	**42**	**79**	**424**	**637**	**100**	**776**	**23,222**	**6,347**	**31,146**	-
Allocation of the prior year's result		7	6,340								**6,347**	(6,347)	**-**	-
Dividend distribution			(9,671)								**(9,671)**		**(9,671)**	-
Exercise of stock options	**7**			272			(58)				**221**		**221**	-
Assignment of stock options							124				**124**		**124**	-
Other changes/reclassifications											**-**		-	-
Profit / (loss) of the comprehensive income statement:					(17)	(8)					**(25)**	-	**(25)**	-
Of which: Gains / (losses) from actuarial benefits						(8)					**(8)**		**(8)**	-
Of which: Translation Reserve					(17)						**(17)**		**(17)**	-
Profit / (loss) for the year											-	5,236	**5,236**	-
Balance at 30 June 2023	**1,235**	**246**	**10,400**	**7,816**	**25**	**71**	**490**	**637**	**100**	**776**	**20,561**	**5,236**	**27,030**	-

Powersoft Group condensed consolidated half-year financial statements at June 30, 2023

- Explanatory Notes -

1. General information

The Group headed by Powersoft S.p.A. (hereafter also the "Company" or "Parent Company"), headquartered in Via E. Conti 5 - Scandicci, specializes in the design and production of compact, high-power and energy-efficient solutions and technologies for the professional audio market.

2. Accounting policies

Basis and scope of consolidation

The condensed consolidated half-year financial statements include the financial statements of Powersoft S.p.A. and the companies over which the Company has the right to exercise control, as envisaged in IFRS 10 - "Consolidated Financial Statements".

Details of the companies included in the consolidation scope are given below:

Name	Registered office	Currency	% of ownership
Powersoft S.p.A.	Scandicci - Italy	Euro	Parent Company
Powersoft Advanced Technologies Corp.	Flanders, New Jersey - USA	Dollars	100%
Ideofarm S.r.l.	Scandicci - Italy	Euro	100%

There were no changes in the consolidation scope in the six months under review from the consolidated financial statements at December 31, 2022.

At the date of preparation of the condensed consolidated half-year financial statements at June 30, 2023, there were no subsidiaries not included in the consolidation scope.

Summary of accounting standards adopted

Statement of compliance with IFRS

Powersoft Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards "IFRS", issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union and in force at the date of the financial statements.

"IFRS" also means the International Accounting Standards ("IAS") still in force today, as well as all interpreted documents issued by the IFRS Interpretation Committee, formerly the International Financial Reporting Interpretation Committee ("IFRIC") and earlier the Standing Interpretations Committee ("SIC").

Preparation criteria

These condensed consolidated half-year financial statements were prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's most recent annual consolidated financial statements for the year ended December 31, 2022 ("most recent financial statements"). While not including all the information required for full financial statement disclosure, specific notes are included to explain events and transactions that are relevant to understanding changes in the Group's financial position and performance since the most recent financial statements.

These condensed consolidated half-year financial statements were authorized to be published by the Board of Directors on September 28, 2023.

Discretionary evaluations, accounting estimates, and significant assumptions

In preparing these condensed consolidated half-year financial statements, Management was called to make evaluations and estimates that affect the application of accounting policies and the amounts of assets, liabilities, expense, and revenue recognized in the financial statements. However, it should be noted that since these are estimates, the results may not necessarily align with the figures presented in these financial statements.

The main assumptions regarding the future and other factors introducing evaluation uncertainties, at the reporting date, which could potentially require adjustments to the carrying amounts, are outlined below. The Group has based its estimates and assumptions on information available at the time the consolidated financial statements were prepared. However, circumstances on future events may change due to changes in the market or events beyond the Group's control.

The main figures being estimated refer to the:

- *Lease discount rate*. To establish the interest rate for discounting future rental payments, the Group identified the rates applicable to loans of a comparable duration, as would be offered by financial institutions.
- *Lease term.* The Group determined the lease contract term by utilizing discretionary evaluations, applying the best estimates, and considering the impacts of renewal options at the end of the non-cancellable period, as well as evaluating industry practices related to property leases.
- *Deferred tax assets.* These are recognized to the extent that it is likely there will be sufficient future taxable profits available to offset the temporary differences or any tax losses. In this regard, Group Management estimates the likely timing and amount of future taxable profits.
- *Provision for inventory obsolescence.* The Group assesses the potential future use of these materials by calculating distinct turnover ratios, each of which is associated with a particular inventory depreciation rate.
- *Allowance for impairment.* The Group uses a matrix to calculate future "expected credit loss”. Provision rates are based on past due days and reported historical default rates. The Group adjusts the matrix to align historical credit loss data with forward-looking factors.
- *Development costs.* The Group capitalizes costs related to new product development projects. Initial capitalization of costs depends on the confirmation of the project's technical and economic feasibility, typically when it has reached a specific stage in the development plan, as assessed by the directors.
- *Employee benefits.* The Group determines amounts based on actuarial estimates, set out in Note 3.16.
- *Useful life of property, plant and equipment, of intangible assets with finite useful life.* The depreciation/amortization of assets with finite useful life, including property, plant, and equipment, right-of-use assets, and intangible assets, involves a discretionary evaluation by the directors. This evaluation is reviewed at each balance sheet date to ensure that the recorded amounts accurately reflect the best estimate of the costs that the Group will ultimately incur. If significant changes are identified, the amounts are revised and updated.
- *Product warranty provision.* The Group determines a liability for the future cost of warranty repairs by considering historical repair rates.

- *Evaluation of the effects of climate change*. The Group closely monitors the effects that climate change might have on financial statement items. Areas that might be affected in the near future include the potential impact on the recoverability and useful life of property, plant, and equipment, the recoverability and bookability of intangible assets with finite useful life, the fair value of financial instruments, and any costs that may be required to set aside provisions for risks and charges. At the date of these financial statements, the Group has determined that there have been no significant impacts on financial statement items attributable to climate change.

Management's significant subjective evaluations in applying the Group's accounting policies and the main sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2022.

New accounting standards, interpretations and amendments adopted by the Group

The accounting standards adopted in the preparation of the condensed consolidated half-year financial statements are the same as those used for the consolidated financial statements at December 31, 2022, with the exception of the adoption of the new standards and amendments effective as of January 1, 2023, as shown below. The Group has not adopted in advance any new standards, interpretations or amendments issued but not yet in force.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts that considers recognition and measurement, presentation, and disclosure. IFRS 17 supersedes IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g., life, non-life, direct insurance, and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features; some exceptions apply with reference to scope. The overall goal of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts for insurers. Unlike the requirements of IFRS 4, which are based largely on maintaining previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-term contracts.

The amendments had no impact on the Group’s condensed consolidated half-year financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. They also clarify how entities use valuation techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s condensed consolidated half-year financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting standards with a requirement to disclose their "material" accounting standards and by adding guidance on how entities apply the concept of materiality when making accounting standard disclosure decisions.

The amendments had no impact on the Group's condensed consolidated half-year financial statements, but they may affect the disclosure of accounting standards in the consolidated annual financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group’s condensed consolidated half-year financial statements.

Transactions denominated in foreign currencies

All amounts are expressed in Euro, the functional currency of the parent company.

Financial statements expressed in foreign currencies were translated into Euro by applying the average exchange rates for the year to the individual items in the Consolidated Statement of Profit/(Loss) and the current exchange rates at the closing date to those in the Statement of Financial Position.

The exchange rates used in the translation (Euro versus currency) were as follows:

	Exchange rate	
Company	June 30, 2023	Average H1 2023
Powersoft Adv. Tech. Corp.	1.0866	1.0811

Segment reporting

Under the provisions of IFRS 8 "Operating Segments”, mention should be made that the Group, as it exists currently, operates within a single operating segment referred to as "audio amplifiers for professional applications”.

Seasonality

The operating performance of Powersoft Group, while not displaying significant seasonal or cyclical variations in overall annual sales, is influenced by the uneven distribution of revenue and costs throughout the year. Due to these reasons, the analysis of the half-year results and the operating and financial metrics cannot be considered fully representative. Therefore, it would be inaccurate to consider the half-year metrics as a proportional share of the full year.

3. Explanatory notes to the items in the consolidated statement of financial position

3.1 Property, plant and equipment

The table below shows the amounts of property, plant and equipment at the beginning and end of the first half of the year, and the changes that took place.

PROPERTY, PLANT AND EQUIPMENT	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other tangible fixed assets	Total property, plant and equipment
Net amount at 31.12.2022	**-**	**68**	**727**	**288**	**1,082**
Increases	0	4	347	241	**593**
Decreases	-	-	-	-	**-**
Depreciation	(0)	(7)	(157)	(63)	**(227)**
Total changes	**(0)**	**(2)**	**191**	**178**	**366**
Historical cost	18	235	3,537	2,292	**6,082**
Depreciation fund	(18)	(171)	(2,620)	(1,929)	**(4,738)**
Net amount at 30.06.2023	**0**	**64**	**917**	**362**	**1,344**

The total net amount of "Property, plant and equipment" is Euro 1,344 thousand, up from December 31, 2022. This change is attributable to:

- expenditure for the purchase of industrial equipment and moulds for the development of new products totaling Euro 347 thousand;
- expenditure mainly related to the purchase of other tangible fixed assets totaling Euro 241 thousand;
- depreciation in the six months of Euro 227 thousand.

It is acknowledged that for all assets under this category:
- the Group did not identify any indicators of impairment;
- there are no commitments to purchase other assets;
- there is no capitalized financial expense.

It should be noted that assets acquired through lease contracts are classified under the "Assets from rights of use" section below.

3.2 Assets from rights of use

At June 30, 2023, the Group had an asset value from rights of use on leased property and cars of Euro 1.6 million.

The following are the changes that took place in the six months.

ASSETS FROM RIGHTS OF USE	Assets from rights of use
Historical cost	2,515
Depreciation fund	(1,757)
Net amount at 31.12.2022	**758**
Increases/decreases	1,084
Depreciation	- 263
Total changes	**822**
Historical cost	3,599
Depreciation fund	- 2,011
Net amount at 30.06.2023	**1,588**

3.3 Other intangible assets

The table below shows other intangible assets at the beginning and end of the first half of the year, and the changes that took place.

OTHER INTANGIBLE ASSETS	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Development costs	Other intangible assets	Total other intangible assets
Net amount at 31.12.2022	**304**	**122**	**952**	**7**	**1,385**
Increases	92	15	683	(0)	**790**
Decreases	-	-	-	-	**-**
Amortization	(80)	(6)	(543)	(4)	**(632)**
Total changes	**12**	**9**	**140**	**(4)**	**158**
Historical cost	3,169	207	7,401	351	**11,128**
Amortization fund	(2,853)	(75)	(6,309)	(347)	**(9,584)**
Net amount at 30.06.2023	**316**	**132**	**1,092**	**4**	**1,543**

Net intangible assets amounted to Euro 1,543 thousand, up versus December 31, 2022. This change is mainly explained by the following reasons:

- capitalization of development costs for Euro 683 thousand;
- increases for industrial patent and intellectual property rights for Euro 92 thousand;
- amortization in the six months for approximately Euro 632 thousand.

Regarding the item "Development costs", at the reporting date, the company did not identify any indicators of impairment in accordance with IAS 36. Therefore, there was no need to conduct an impairment test on this asset.

3.4 Deferred tax assets and deferred tax liabilities

The tables below show the amount of deferred tax assets and deferred tax liabilities, as well as the changes in first half 2023 of deferred taxation recognized for the main temporary differences.

Temporary differences	30.06.2023	31.12.2022	Change
IRES	457	498	(41)
IRAP	62	57	5
Foreign corporate income tax	396	360	36
Total deferred tax assets	**915**	**915**	**(1)**
IRES	7	3	4
IRAP	-	-	-
Foreign corporate income tax	71	80	(9)
Total deferred tax liabilities	**78**	**83**	**(5)**

Deferred tax assets	30.06.2023		31.12.2022	
Temporary differences	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Provision for inventory obsolescence	876	244	876	244
Exchange differences	42	10	244	59
Guarantee Fund - IAS 37	767	214	637	178
Post-employment benefits - IAS 19	159	12	159	9
Unpaid fees to directors	160	38	271	65
Other consolidation entries	801	280	573	201
Foreign corporate income tax		115	-	160

Total deferred tax assets		**915**		**915**

Deferred tax assets are recognized to the extent that it is likely that future taxable profit will be available against which they can be recovered. In determining the estimated recoverable amount, the Parent Company considered the results of the post-COVID-19 business plan.

Deferred tax liabilities	30.06.2023		31.12.2022	
Temporary differences	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Exchange differences	30	7	12	3
Foreign corporate income tax		71		80
Total deferred tax liabilities		**78**		**83**

3.5 Other non-current assets

The table below shows other non-current assets at the beginning and end of the first half of the year, and the changes that took place.

Other non-current assets	30.06.2023	31.12.2022	Change
Security deposits	5	5	0
Other receivables	28	28	-
Total other non-current assets	**33**	**33**	**0**

3.6 Investments

The table below shows the amount at the beginning and end of the six months of investments, and their changes in the year.

Investments	Net amount at 30.06.2023	Net amount at 31.12.2022	Accumulated allowance for impairment	Change in net amount
Associates	5	5	-	-
Total investments	**5**	**5**	**-**	**-**

Euro 5 thousand refers to the investment held by Ideofarm S.r.l. in Cynny S.p.A. (0.01% owned), an SME registered in the special section of innovative start-ups.

Investments	Net amount at 30/06/2023	Changes in the year				Net amount at 31.12.2022	Allowance for impairm.
		Acquisitions/underwritings	Repayments	Write-downs/Write-backs	Other changes		
Investments in associates							
Cynny S.p.A.	5	-	-	-	-	5	-
Total	**5**	**-**	**-**	**-**	**-**	**5**	**-**

3.7 Inventory

Inventory is composed as follows:

Inventory	30.06.2023	31.12.2022	Change
Raw and ancillary materials and consumables	4,791	5,235	(444)
Work in progress and semi-finished products	3,302	3,225	76

Finished products and goods	3,967	1,904	2,064
Total gross inventory	**12,060**	**10,364**	**1,695**
Prov. for inventory obsolescence	(657)	(684)	28
Net inventory	**11,403**	**9,680**	**1,723**

Inventory at June 30, 2023 is mainly attributable to raw materials amounting to Euro 4,791 thousand and finished products amounting to Euro 3,967 thousand. The increase in inventory stems from a business strategy aimed at mitigating the risk of procurement delays and ensuring the availability of goods to meet customer demand.

At June 30, 2023, the Group established a provision of Euro 657 thousand to account for obsolescence and the slow turnover of inventory, considering the potential possibility of a future utilization or realization.

3.8 Trade receivables

Trade receivables	30.06.2023	31.12.2022	Change
Receivables from customers	10,274	7,060	3,214
Receivables from others	576	170	406
Invoices to issue	(18)	(29)	11
Advances	(446)	(496)	50
Total	**10,386**	**6,705**	**3,681**
Allowance for impairment	(243)	(250)	7
Total net allowance for impairment	**10,142**	**6,455**	**3,688**

Trade receivables, net of the allowance for impairment, amounted to Euro 10,142 thousand, an increase of Euro 3,688 thousand versus the end of the prior year, mainly due to the increase in the volume of Group revenue.

These receivables are anticipated to be recoverable within the coming year.

3.9 Income tax receivables

Income tax receivables are detailed as follows:

Income tax receivables	30.06.2023	31.12.2022	Change
IRAP advances	189	138	51
Other	51	7	44
Total	**239**	**144**	**95**

At June 30, 2023, the item amounted to Euro 239 thousand, up from the end of the prior year, mainly due to the increase in IRAP advance payment.

Income tax receivables at June 30, 2022 were restated to consider the different accounting of Euro 2 million in receivables from tax consolidation, VAT receivables and tax receivables.

3.10 Other current assets

"Other current assets" is composed as follows:

Other current assets	30.06.2023	31.12.2022	Change
Security deposits	80	58	22
Other receivables from employees	2	2	0
Tax receivables	78	273	(195)
VAT receivables	989	1,169	(180)

Withholding tax	8	-	8
Receivables from Subs. Tax Consolid.	2	577	(575)
Deferred expense	546	327	219
Accrued income	-	18	(18)
Total	**1,705**	**2,423**	**(718)**

Other current assets mainly include VAT receivables for Euro 989 thousand, as well as tax receivables from R&D credit for Euro 78 thousand and prepaid expense for Euro 546 thousand. The latter item comprises future accrued costs, primarily associated with insurance and consulting, for which the Group made advance payments in first half 2023.

Other current assets at June 30, 2022 were restated to consider the different accounting of Euro 2 million in receivables from tax consolidation, VAT receivables and tax receivables.

3.11 Other financial assets

Current financial assets consist of financial securities purchased by the Group as a form of investment of its excess liquidity. Specifically, these are units of funds, SICAVs and ETFs listed on regulated markets. These investments were recognized based on the requirements of IFRS 9 and measured at fair value (lev. 1) with a balancing entry in the income statement. The portfolio at 30/06/2023 amounted to Euro 5,284 thousand.

Other financial assets	30.06.2023	31.12.2022	Change
Portfolio securities	5,284	5,234	49
Total	**5,284**	**5,234**	**49**

The fair value hierarchy is shown below:

	Quoted prices on an active market (Lev. 1)	Significant observable inputs (Lev. 2)	Significant unobservable inputs (Lev. 3)	Total
Portfolio securities	5,284	-	-	5,284
Total	**5,284**	**-**	**-**	**5,284**

3.12 Cash and cash equivalents

The item is broken down as follows:

Cash	30.06.2023	31.12.2022	Change
Bank and postal deposits	14,139	20,273	(6,134)
Cash and cash on hand	2	2	(0)
Total	**14,141**	**20,275**	**(6,134)**

The balance shows Euro 14,141 thousand in cash at 30.06.2023, reflecting the Group's financial health. This ensures adequate flexibility to address business and industrial needs and future investment and growth goals.

3.13 Equity

The items making up Group Equity are shown below:

Equity	Balance at 01/01/23	Alloc. Profit (loss) at 31/12/22	Exercise of stock options	Cancellation of treasury shares	Dividend distribution	Share-based payments (stock options)	Other changes / Reclassif.	Profit (loss) for the period 30/06/23	Equity at 30/06/23
Share Capital	**1,228**	-	7	-	-	-	-	-	**1,235**
Translation reserve	**42**	-	-	-	-	-	(17)	-	**25**
Legal reserve	**238**	7	-	-	-	-	-	-	**246**
Share premium reserve	**7,544**	-	272	-	-		-	-	**7,816**
Extraordinary reserve	**13,731**	6,340	-	-	(9,671)	-		-	**10,400**
FTA reserve	**100**	-	-	-	-	-	-	-	**100**
Reserve for actuarial gains/(losses) from employee benefits	**79**	-	-	-	-	-	(8)	-	**71**
Various other reserves	**637**	-	-	-	-	-	-	-	**637**
Stock options reserve	**424**	-	(58)	-	-	124	-	-	**491**
Retained earnings / (losses carried forward)	**776**	-	-	-	-		-	-	**776**
Profit / (loss) for the year	**6,347**	(6,347)	-	-	-	-	-	5,236	**5,236**
Total equity	**31,146**	**0**	**221**	**-**	**(9,671)**	**124**	**(25)**	**5,236**	**27,031**
Equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-
Total equity	**31,146**	**0**	**221**	**-**	**(9,671)**	**124**	**(25)**	**5,236**	**27,031**

The share capital at June 30, 2023 amounts to Euro 1,235 thousand, fully subscribed and paid up and consists of 11,796,212 shares with no par value.

In first half 2023, following partial execution of the option right serving the "2018-2020 Incentive Plan", the share capital increased from Euro 1,228 thousand to Euro 1,235 thousand. As a result, the free float increased from 19.16%. to 19.64%.

Reserves include:

- the legal reserve of Euro 246 thousand;
- the share premium reserve of Euro 7,816 thousand;
- the extraordinary reserve of Euro 10,400 thousand;
- the negative reserve for actuarial gains/(losses) for employee benefits of Euro 71 thousand, including actuarial gains and losses from the actuarial valuation of post-employment benefits net of the related tax impacts;
- the reserve for the first-time adoption of the international accounting standards of Euro 100 thousand, which incorporates all the effects generated by the transition to IAS/IFRS;
- the stock option reserve under IFRS2 of Euro 490 thousand;
- the reserve for the Euro translation of the financial statements of the U.S. subsidiary of Euro 25 thousand;
- the reserve under L.289/2002 of Euro 966 thousand.

The result for the six months ended June 30, 2023 amounted to Euro 5,236 thousand.

Earnings per share

Basic earnings per share were calculated according to IAS 33; the value of this metric was Euro 0.44 per share. The metric was calculated by dividing the profit attributable to the shareholders of the Parent (Euro 5,236 thousand at June 30, 2023) by the weighted average number of outstanding ordinary shares in the period (11,765,651 shares in first half 2023). Diluted earnings per share amounted to Euro 0.43 per share and is calculated by dividing the profit attributable to the shareholders of the Parent (Euro 5,236 thousand at June 30, 2023) by the weighted average number of outstanding shares, taking account of the effects of all potential ordinary shares with diluted effect (12,160,385 shares in first half 2023).

3.14 Current and non-current financial liabilities

The item is broken down as follows:

Current and non-current financial liabilities	30.06.2023	31.12.2022	Change
Payables to other non-banking financial institutions (Simest)	659	414	246
Non-current financial liabilities from rights of use	1,198	267	931
Total non-current financial liabilities	**1,857**	**681**	**1,176**
Payables to parent companies	2,135	-	2,135
Payables to other non-banking financial institutions (Simest)	58	58	-
Current financial liabilities from rights of use	407	509	(101)
Total current financial liabilities	**2,600**	**567**	**2,034**

The Group applied for subsidized loans through Fund 394/81 and related non-repayable co-financing from Simest. This application is intended to secure access to 4 lines of subsidized loans, as outlined in Law Decree no. 112 of June 25, 2008, article 6, paragraph 2, letters a), b), and c), subsequently converted into Law no. 133 of August 6, 2008. These funds are earmarked for covering expense planned for the years 2021-2023, focusing on market expansion efforts and participation in international trade fairs. The Group also applied to Simest for subsidized loans using funds from the PNRR - NextGenerationEU aimed at supporting SMEs in the processes of international expansion and digital and ecological transition. The specific objective of the project, which the Group submitted to Simest to secure the loans, is to enhance the level of digitization within the company.

At June 30, 2023, five Simest loans, aimed at financing participation in international trade fairs, expanding into foreign markets, and facilitating digital transition, are recorded as payables to non-banking financial institutions. Details are given below:

Payables to SIMEST	Disbursement	Maturity	Annual Rate
SIMEST loan nr. 45392	03/12/2021	26/10/2025	0.055%
SIMEST loan nr. 45396	24/11/2021	26/10/2025	0.055%
SIMEST loan nr. 65797	13/05/2022	17/01/2028	0.055%
SIMEST loan nr. 11305	13/07/2022	28/06/2028	0.051%
SIMEST loan nr. 11218	13/01/2023	25/10/2028	0.065%

Financial liabilities from rights of use, calculated by discounting the value of lease payments due, totaled Euro 1,605 thousand, of which Euro 1,198 thousand classified as non-current liabilities and Euro 407 thousand as current liabilities.

At June 30, 2023, current financial liabilities, in addition to the short-term portion of Simest loans, included a short-term payable due to the parent company Evolve S.r.l.. This payable is the result of the deferral in six tranches with final maturity on November 30, 2023 of the payable to the parent company arising from tax consolidation.

There are no covenants or guarantees.

Changes in "Current and non-current financial liabilities" in the six months under review were as follows:

Current and non-current financial liabilities	31.12.2022	New contracts	Repayments	30.06.2023
Payables to non-banking financial institutions (SIMEST)	472	245	-	717
Financial liabilities from rights of use	776	1,083	(254)	1,605
Payables to parent companies	-	2,563	(426)	2,135
Total current and non-current financial liabilities	**1,248**	**3,891**	**(680)**	**4,457**

Below is the net financial position as required by ESMA Guideline 32-382-1138 of March 4, 2021 as referred by CONSOB in Warning Notice no. 5/21 of April 29, 2021:

	30/06/2023	31/12/2022
(A) Bank and postal deposits	14,140	20,274
(B) Cash	1	1
(C) AVAILABLE CASH (A+B)	**14,141**	**20,275**
(D) CURRENT FINANCIAL ASSETS	**5,284**	**5,234**
(E) Current bank payables	-	-
(F) Other current financial liabilities	(2,600)	(567)
(G) CURRENT FINANCIAL DEBT (E+F)	**(2,600)**	**(567)**
(H) NET CURRENT FINANCIAL POSITION (C+D+G)	**16,824**	**24,942**
(I) Non-current bank payables	-	-
(L) Other non-current financial liabilities	(1,857)	(680)
(M) NON-CURRENT FINANCIAL DEBT (I+L)	**(1,857)**	**(680)**
(N) NET FINANCIAL POSITION (H+M)	**14,967**	**24,261**

3.15 Employee benefits

The post-employment benefits payable amounted to Euro 1,257 thousand.

The actuarial value of the defined benefit plan was estimated by an independent actuary, as required by IAS 19 "Employee Benefits".

The table below shows the changes in the present value of the liability for defined benefit obligations.

Defined benefit obligations	30.06.2023	31.12.2022	Change
Defined benefit obligations at January 1	1,163	1,268	(105)
Service costs	89	182	(93)
Interest cost	22	24	(2)
Actuarial (gains) losses recognized in equity	11	(204)	215
Advances/utilization and other changes	(28)	(107)	79
Total	**1,257**	**1,163**	**94**

Actuarial assumptions

Under IAS 19, the liability to be recognized should be calculated using a specific approach (the Projected Unit Credit Cost). In accordance with this approach, the liability is calculated based on the proportion of the service that has accrued by the balance sheet date in relation to the total service that is expected to be provided.

Additionally, this approach determines the liability without considering the average present value of any expected future contributions.

The evaluation of benefits under IAS 19 consists of the following steps:

- projection based on a set of economic-financial assumptions of the possible future benefits that could be paid to each employee in the event of retirement, death, disability, resignation, request for advancement, etc.. The estimate also includes future annual accruals and future revaluations;
- calculation at the valuation date, based on the annual interest rate adopted and the probability that each benefit has of actually being paid, the average present value of future benefits;
- definition of the liability by identifying the portion of the average present value of future benefits referring to the service already accrued by the employee in the company at the valuation date;
- identification, based on the liability calculated and the reserve set aside, of the recognized reserve in accordance with IAS.

The main assumptions made for the actuarial estimation process are summarized below:

	30.06.2023	31.12.2022
Annual discount rate	3.60%	3.77%
Annual rate of increase in post-employment benefits	3.225%	3.225%
Annual inflation rate	2.30%	2.30%
Annual rate of real wage increase	0.50%	0.50%
Expected rate of employee turnover post-employment benefits		6.00%
Expected rate of advances		1.50%
Probability of death		RG48 mortality tables
Disability		INPS tables by age and gender
Retirement age		100% upon meeting AGO requirements

The results of sensitivity analyses conducted to evaluate the impact on the present value of defined benefit obligation liabilities due to changes in reasonably possible actuarial assumptions are outlined below:

Sensitivity analysis of key evaluation parameters	
Inflation rate +0.25%	1,278
Inflation rate -0.25%	1,237
Discount rate +0.25%	1,231
Discount rate -0.25%	1,284

Turnover rate +1%	1,264
Turnover rate -1%	1,249

The table below provides the average financial duration of the obligation for defined benefit plans and estimated plan disbursements.

Service Cost and Duration	
Service Cost - future	197
Duration of the plan	13.4

Estimated future disbursements	
Disbursement 1st year	124
Disbursement 2nd year	140
Disbursement 3rd year	130
Disbursement 4th year	136
Disbursement 5th year	142

3.16 Provisions for risks and charges

The table below shows the changes in the six months in the provision for risks and charges.

Provisions for risks and charges	31.12.2022	Alloc.	Utilizations	30.06.2023	Of which short	Of which long
Product warranty provision	637	253	(123)	767	280	487
Total	**637**	**253**	**(123)**	**767**	**280**	**487**

Provisions for risks and charges amounted to Euro 767 thousand at June 30, 2023 and mainly refer to the product warranty provision.

The product warranty provision includes the estimated cost of repairs and warranty work on products sold, determined on the basis of historical/statistical data and the warranty coverage period.

The Group companies are not engaged in any civil, administrative, or contractual litigation that could lead to the recognition of contingent liabilities in the financial statements at the closing date.

3.17 Trade payables

The item amounts to Euro 11,246 thousand and is detailed as follows:

Trade payables	30.06.2023	31.12.2022	Change
Payables to suppliers	8,425	7,747	678
Invoices to receive	3,363	1,661	1,703
Advances	(356)	(445)	90
Total	**11,432**	**8,963**	**2,470**

The Group's trade payables increased versus the prior year's figure mainly to support the increase in sales volumes and the stocking policy required to mitigate shortage risks.

3.18 Income tax payables

Income tax payables are broken down as follows:

Income tax payables	30.06.2023	31.12.2022	Change
IRAP payable	332	474	(142)
Foreign corporate income tax	3	84	(81)
Total	**334**	**557**	**(223)**

3.19 Other current liabilities

Other current liabilities	30.06.2023	31.12.2022	Change
Payable to Parent Company for tax consolidation	759	2,283	(1,524)
IRPEF	114	169	(54)
Withholding tax	3	3	0
Accrued expense	618	1,052	(434)
Deferred income	351	262	89
Payables to social security institutions	339	359	(19)
Other payables	800	466	334
Total	**2,985**	**4,593**	**(1,608)**

"Accrued expense" mainly refers to bonuses payable to employees accruing in 2023.
Other payables, amounting to Euro 800 thousand, mainly include payables to employees for work time reduction, holidays, 13th month bonus and the share of the bonus to employees in the form of Flexible Benefits.

4. Explanatory notes to the items in the consolidated income statement

4.1 Revenue from contracts with customers

Below is a breakdown of revenue from contracts by type of service and by revenue recognition method:

Revenue Stream	At point in time/Over time	30.06.2023	30.06.2022	Change
Goods revenue	At point in time	32,335	19,016	13,319
Spare parts revenue	At point in time	87	108	(21)
Services revenue	At point in time	123	138	(15)
Total		**32,545**	**19,262**	**13,283**

Consolidated revenue in first half 2023 reached Euro 32.5 million, marking a 69.0% increase from Euro 19.2 million in the first half of the prior year, underscoring the successful implementation of the Group's penetration strategy into target sectors.

Core revenue growth primarily stemmed from the U.S. and Asian markets, reporting increases of 57.2% and 108.5% respectively versus the prior six months. The European market likewise experienced a substantial increase of 68.1% versus first half 2022, propelled by all business lines.

The breakdown of revenue from contracts with customers by geographical area is shown below:

(Euro thousands)	30.06.2023	30.06.2022	Change
EUROPE	16,749	9,962	6,787
NAM	8,887	5,652	3,235

APAC	5,938	2,848	3,090
MEA	611	581	30
CALA	359	220	139
Revenue from sales	**32,545**	**19,262**	**13,283**

As previously mentioned, within Powersoft Group, aside from the audio and amplifiers for professional applications segment, there are no other operating segments that exceed the significance thresholds defined by IFRS 8. Therefore, disclosures required by this standard are not provided.

4.2 Other revenue

Details of other revenue are shown in the table below:

Other revenue	30.06.2023	30.06.2022	Change
Customer transportation recovery	128	80	49
Contingent assets	81	21	60
Other income	311	322	(11)
Total	**520**	**423**	**97**

Other revenue totaled Euro 520 thousand, an increase of Euro 97 thousand versus the prior year. Other income includes benefits from regional and national subsidized finance instruments.

4.3 Cost of sales

The item is broken down as follows:

Cost of sales	30.06.2023	30.06.2022	Change
Purchases	16,804	10,090	6,714
Services	274	475	(201)
Transportation costs	488	436	51
Customs costs	76	56	20
Other costs	7	137	(130)
Change in inventory	(1,079)	(1,464)	384
Alloc. prov. obsoles.	-	-	-
Utiliz. prov. obsoles.	(26)	-	(26)
Direct structure costs	32	38	(6)
Direct personnel costs	494	341	152
Total	**17,069**	**10,110**	**6,959**

At June 30, 2023, costs of sales totaled Euro 17.1 million, up by 68.8% versus the prior year, due mostly to the increase in volumes sold. Mention should be made that the cost of sales at June 30, 2022 was restated to consider the different accounting of Euro 0.4 million in costs for direct personnel and production overhead costs, included at December 31, 2022 within "Cost of sales”.

4.4 Increases for internal work

Under IAS 38, the item includes capitalized development costs and is composed as follows:

Increases for internal work	30.06.2023	30.06.2022	Change
Increases for internal work	683	490	193
Total	**683**	**490**	**193**

"Increases for internal work" includes capitalized development costs amounting to Euro 683 thousand in first half 2023, up by Euro 193 thousand versus the same period of the prior year.

Development costs are defined as expense incurred by the Parent Company in the six months for the purpose of implementing and applying research findings or other knowledge to a plan or project aimed at creating new or significantly improved materials, devices, processes, systems, or services before commercial production or use commences.

4.5 Business expense

The item is broken down as follows:

Business expense	30.06.2023	30.06.2022	Change
Business consulting	77	93	(16)
Fairs and Exhibitions	230	144	86
Advertising & Marketing	211	85	126
Sales commissions	441	285	156
Other business expense	221	73	148
Total	**1,181**	**680**	**501**

Business expense in first half 2023 amounted to Euro 1,181 thousand, up versus the same period of the prior year, mainly due to:

- the participation in international fairs and exhibitions;
- expenditure in marketing to increase sales volumes;
- increase in sales fees in line with the increase in turnover;
- increased travel and visits to clients.

4.6 Indirect Personnel

Personnel expense is broken down as follows:

Personnel expense	30.06.2023	30.06.2022	Change
Wages and salaries	2,882	2,429	453
Social security expense	721	614	108
Post-employment benefits	145	133	12
Fees to Directors	418	395	23
Travel	290	143	147
Pension expense	113	111	2
Other defined employee benefits	291	202	89
FV stock options	125	69	56
Total	**4,986**	**4,095**	**890**

Indirect personnel expense in first half 2023 amounted to Euro 4,986 thousand, increasing by Euro 890 thousand versus the same period of the prior year, mainly due to the increase in headcount and the resumption of international travel. Personnel expense at June 30, 2022 was restated to consider the different accounting of Euro 0.34 million in costs for direct production personnel, included at December 31, 2022 within "Cost of sales”.

The table below shows the Group's headcount at June 30, 2023 and June 30, 2022, broken down by category:

Headcount	30.06.2023	30.06.2022	Change
Executives	3	3	-
Managers	14	12	2
Employees	99	79	20
Workers	16	10	6
Interns	0	6	(6)
Directors	6	6	-
Total	**138**	**116**	**22**

4.7 General and administrative expense

The balance is shown in the table below:

General and administrative expense	30.06.2023	30.06.2022	Change
Consulting and Fees	808	753	55
Rents and service expense	92	92	(0)
Travel	-	-	-
Repairs and maintenance	100	199	(98)
Consumption expense	70	43	27
Product certification	44	40	4
Cleaning expense	30	40	(10)
Insurance	89	59	30
Training	20	1	19
Fees to Statutory Auditors	18	4	14
Stationery expense	-	2	(2)
Consumables and prototype development	258	177	81
Other expense	345	182	163
Total	**1,874**	**1,593**	**281**

The item mainly relates to:

- Consulting services for Euro 808 thousand mostly related to business consulting, regarding in particular expenditure in R&D, Marketing and IT;
- Consumables and prototype development for Euro 258 thousand;
- Repair and maintenance expense for products under warranty and maintenance fees for Euro 100 thousand;
- Product certification costs of Euro 44 thousand;
- Consumption and utility expense of Euro 70 thousand;
- Other expense mainly related to IT fees and personnel search.

General and Administrative expense at June 30, 2022 was restated to consider the different accounting of Euro 0.03 million in costs for consumption expense regarding the production area.

4.8 Amortization, depreciation and allocations

The amortization and depreciation item is broken down below:

Amortization and depreciation	30.06.2023	30.06.2022	Change
Amortization of intangible fixed assets	632	505	127

Depreciation of tangible fixed assets	236	180	56
Amortization/depreciation from rights of use	254	208	45
Total	**1,121**	**893**	**228**

Amortization of intangible assets mainly refers to Euro 89 thousand for the six-month amortization of software, patents and concessions, and Euro 543 thousand for the amortization of capitalized development costs, for which the company estimated a useful life and amortization period of 3 years. Depreciation for the assets from the rights of use of leased properties amounted to Euro 254 thousand. Depreciation of tangible assets mainly concerns the depreciation of equipment and moulds for Euro 157 thousand.

Allocations at June 30, 2023, consist of the allocation for product warranty in anticipation of any costs required to fulfill contractual warranty commitments regarding goods invoiced at the date of these consolidated half-year financial statements.

Allocations	30.06.2023	30.06.2022	Change
Allocation to the product warranty provision	253	237	16
Allocation to the allowance for impairment	-	36	(36)
Total	**253**	**272**	**(20)**

4.9 Financial income and expense

Details of financial income are shown in the table below:

Financial income	30.06.2023	30.06.2022	Change
Interest income	13	0	13
Exchange rate gains	253	317	(65)
Write-backs of financial assets	80	8	72
Total	**346**	**325**	**21**

Details of financial expense are shown in the table below:

Financial expense	30.06.2023	30.06.2022	Change
Interest expense	16	(6)	22
Interest expense on leases	16	16	-
Exchange rate losses	247	100	147
Sundry financial expense	53	25	29
Write-downs of financial assets	31	695	(664)
Total	**363**	**830**	**(467)**

Financial expense consists mainly of write-downs of financial assets, which includes the fair value measurement of the portfolio securities.

4.10 Tax

Income tax is recognized based on the best estimate of the average expected tax rate for the entire year (IAS 34 par. 30 letter c).
The table below shows the details of income tax:

Tax	30.06.2023	30.06.2022	Change

Current tax:			
IRES	1,659	608	1,051
IRAP	332	149	182
Prior-years' tax	-	-	-
Foreign company tax	22	(2)	24
Deferred tax assets and liabilities:	-	-	-
IRES	49	40	8
IRAP	(5)	(6)	1
Foreign company tax	(46)	(166)	120
Total	**2,011**	**624**	**1,387**

Reconciliation of actual tax rate

Reconciliation of actual tax burden	30.06.2023
Profit (loss) before tax	7,247
Theoretical tax burden (tax rate 27.9%)	**2,022**
Reconciliation:	
Non-deductible expense and non-taxable income	12
Current tax prior years	
Tax on the result of subsidiaries	(23)
Other effects	
Actual tax	**2,011**

5. Explanatory notes to the significant items in the consolidated statement of cash flows

The main factors that impacted cash flow performance in the reviewed periods are outlined below.

Net cash flow generated/(absorbed) from operations increased from a positive Euro 3,261 thousand in first half 2022 to a positive Euro 4,917 thousand in first half 2023.

Investing activities absorbed cash amounting to Euro 1,288 thousand in first half 2023 versus Euro 887 thousand in the same period of 2022. The Group's main requirements included:

- expenditure in intangible assets of Euro 790 thousand mainly for development costs;
- expenditure in tangible assets of Euro 498 thousand, related to the purchase of industrial and commercial equipment and moulds.

Total cash flow absorbed in the six months amounted to Euro 6.1 million. At June 30, 2023, cash amounted to Euro 14,141 thousand, and the NFP stood at a positive Euro 14,967 thousand. This confirms that the Group has a current financial and equity position capable of providing the flexibility needed to effectively address commercial and industrial requirements and to support future investment and growth targets.

6. Other information

Related party transactions

Powersoft S.p.A. has business dealings with Bluesky Immobiliare S.r.l. as the tenant of business property leases, concluded at normal market conditions. Bluesky Immobiliare S.r.l. is subject (with Powersoft S.p.A.) to joint control exercised by Evolve S.r.l..

These leases were accounted for in accordance with IFRS 16 as further described above. The table below shows the amounts of these transactions:

	June 30, 2023					
Related party transactions	**Assets**	**Liabilities**	**Amortization and depreciation**	**Interest**	**Guarantees**	**Commitments**
Other companies						
Bluesky Immobiliare S.r.l.	1,248	(1,255)	212			2,787
Total	**1,248**	**(1,255)**	**212**	**-**	**-**	**2,787**

It should be noted that the Parent Company has certain outstanding commitments towards Bluesky Immobiliare S.r.l. regarding the above lease contracts. Specifically, in the event of default by said company, Powersoft has committed to take over for the lease contracts. At June 30, 2023, total exposure on these guarantees amounted to Euro 2,787 thousand versus Euro 2,959 thousand at December 31, 2022.

Additionally, to streamline financial transactions with the parent company Evolve S.r.l. in the current year, it was decided to structure the debt owed by Powersoft S.p.A. to the latter - originating from the tax consolidation scheme - into six installments, with the final installment due on November 30, 2023. The deferment was granted at normal market conditions.

The above related party transactions do not qualify as either atypical or unusual, falling within the normal business. These transactions were carried out on market conditions, taking account of the goods and services provided.

Stock option plan 21-23

On April 29, 2021, the Parent Company's Ordinary Shareholders' Meeting approved the "2021-2023 Incentive Plan" (the "21-23 Stock Option Plan"), establishing its regulations and defining various aspects, including the following:

- beneficiaries of the plan (Powersoft Group directors, employees and associates);
- option exercise period (in multiple windows following the date of approval of the Company's financial statements for the year ending December 31, 2023), with acceleration provisions applicable under specific conditions arising from certain extraordinary transactions;
- minimum performance target to be achieved to access the incentive is Euro 17,832 thousand in cumulative consolidated EBITDA over the three-year period 2021-2023;
- share subscription price of Euro 3.894 per share corresponding to the average share price over the last 60 open market days prior to the date of approval of the Incentive Plan.

Accordingly, the Board of Directors approved a divisible capital increase to service said plan of a maximum nominal amount of Euro 80 thousand through issuance of up to 764,000 ordinary shares with no par value.

Stock option plan 18-20

On May 30, 2018, the Parent Company's Ordinary Shareholders' Meeting approved the "2018-2020 Incentive Plan" ("Stock Option Plan") for employees, directors and consultants of Powersoft S.p.A..

On November 14, 2018, the Board of Directors established its regulations, defining various aspects, including the following:

- beneficiaries of the plan (Powersoft S.p.A. directors, employees and consultants);
- assignment date;

- option exercise period (in multiple windows starting on January 15 each year following the date of approval of the Company's financial statements for the year ended December 31, 2020);
- minimum performance target to be achieved to access the incentive is Euro 16,271 thousand in consolidated EBITDA over the three-year period 2018-2020;
- share subscription price of Euro 3.25 per share.

For this transaction, the Board of Directors approved a divisible capital increase of Euro 80 thousand through issuance of up to 764,000 shares with no par value, which can be subscribed until December 19, 2024.

The Plan's main goal is to guide directors, employees, and associates towards strategies that seek the Group's medium to long-term results, aligning their interests with shareholders', while attracting and retaining talent in an increasingly competitive labour market. Through this stock option plan, the Company seeks greater beneficiary involvement in Powersoft Group's future economic and strategic development, specifically through share value increase, while making execution contingent upon achieving a minimum plan result.

Guarantees and commitments

No commitments were made to third parties and subsidiaries, excluding those indicated in sect. 8 "Related party transactions". No guarantees were given. All contingent liabilities result from the Statement of Financial Position.

Financial risks

The Group's activities expose it to various types of risks arising from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk, specifically interest rate and exchange rate risk.

This section details the Group's exposure to the listed risks, objectives, policies, and processes for managing these risks, methods used for their assessment, and capital management. These financial statements also include additional quantitative information. The Group's risk management concentrates on financial market volatility, aiming to minimize potential adverse effects on its financial and operational performance.

Credit risk

Credit risk arises mainly from the Group's trade receivables and financial investments.

The Group does not hold financial derivatives for hedging purposes, which could potentially generate credit exposure to counterparties.

The Group manages credit risk assessment by being responsible for risk management and analysis of new significant customers, continuously monitoring financial and business exposure, and overseeing the collection of receivables within agreed contractual timeframes.

Financial and business exposure	30.06.2023	31.12.2022	Change
Other non-current assets	33	33	0
Allowance for impairment	-	-	-
Other non-current assets net of allowance for impairment	**33**	**33**	**0**
Trade receivables	10,386	6,705	3,681
Allowance for impairment	(243)	(250)	7
Trade receivables net of allowance for impairment	**10,143**	**6,455**	**3,688**

Other current assets	1,705	2,423	(718)
Allowance for impairment	-	-	-
Other current assets net of allowance for impairment	**1,705**	**2,423**	**(718)**
Other financial assets	5,284	5,234	49
Allowance for impairment	-	-	-
Other financial assets net of allowance for impairment	**5,284**	**5,234**	**49**
Cash and cash equivalents	**14,141**	**20,275**	**(6,134)**
Total exposure net of allowance for impairment	**31,305**	**34,419**	**(3,114)**

The tables below provide a breakdown of financial assets and trade receivables at June 30, 2023 and December 31, 2022, grouped by due date and shown excluding cash and cash equivalents:

Receivables at 30/06/2023	Book value	By overdue date				
		Not overdue	0-90 d	91-180 d	181-360 d	Over 360 d
Receivables from subsidiaries	-	-	-	-	-	-
Receivables from third parties	10,274	6,165	3,694	20	256	430
Advances	(446)	-	-	-	-	-
Other receivables	558	558	-	-	-	-
Current financial assets	5,284	-	-	-	-	-
Receivables from financial institutions	-	-	-	-	-	-
Other	1,738	1,738	-	-	-	-
Total	**17,407**	**8,460**	**3,694**	**20**	**256**	**430**
Allowance for impairment	**(243)**					**(243)**

Receivables at 31/12/2022	Book value	By overdue date				
		Not overdue	0-90 d	91-180 d	181-360 d	Over 360 d
Receivables from subsidiaries	-	-	-	-	-	-
Receivables from third parties	7,060	3,489	2,830	450	-	292
Advances	(496)	-	-	-	-	-
Other receivables	141	141	-	-	-	-
Current financial assets	5,234	-	-	-	-	-
Receivables from financial institutions	-	-	-	-	-	-
Other	2,456	2,456	-	-	-	-
Total	**14,395**	**6,085**	**2,830**	**450**	**-**	**292**
Allowance for impairment	**(250)**					**(250)**

Liquidity risk

Liquidity risk represents the potential difficulty that an entity may encounter in meeting its obligations associated with financial liabilities to be settled that require the provision of cash or another financial asset. Cash flows, financing requirements, and liquidity for Group companies are typically centrally monitored and managed by the Administration, Finance and Control Department, ensuring the efficient and effective management of financial resources. The Group aims to prudently manage liquidity risk originating from normal operations. This objective entails retaining sufficient liquid assets and convertible securities in the short term.

The contractual maturities of financial liabilities at June 30, 2023 and December 31, 2022, shown before interest payable, are shown in the table below:

Payables and liabilities at 30/06/2023	Book value	Maturity		
		Within one year	2-5 y	Over 5 y
Payables to banks and par. companies (A)	**2,852**	2,193	659	
Financial liabilities from leases (B)	**1,605**	407	659	
Tot. Financial liabilities (A+B)	**4,458**	**2,600**	**1,319**	**-**
Trade payables (C)	**11,432**	**11,432**		
Total (A+B+C)	**15,890**	**14,033**	**1,319**	**-**

Payables and liabilities at 31/12/2022	Book value	Maturity		
		Within one year	2-5 y	Over 5 y
Financial payables to banks (A)	**472**	58	414	
Financial liabilities from leases (B)	**775**	509	267	
Tot. Financial liabilities (A+B)	**1,247**	**567**	**680**	**-**
Trade payables (C)	**8,963**	**8,963**		
Total (A+B+C)	**10,210**	**9,529**	**680**	**-**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, which can result from fluctuations in exchange rates, interest rates, or equity instrument prices. In the course of their operational activities, the Group companies face various market risks. Primarily, they are exposed to the risk of interest rate fluctuations, and to a lesser extent, to the risk of exchange rate fluctuations. Market risk management aims to maintain companies' exposure to market risk within acceptable limits while maximizing investment returns. This risk is further broken down into the following components: interest rate risk and exchange rate risk, as detailed below.

Interest rate risk

The Group has limited exposure to interest rate risk on loans. The management of interest rate risk follows established practices aimed at mitigating risks associated with interest rate fluctuations. Concurrently, it aims to minimize bank expense on deposits.

Exchange rate risk

Due to the Group's international development and current operations, the entity's results are exposed to fluctuations in Euro/Dollar exchange rates. This exposure to foreign exchange risk is generated by sales or purchases in currencies other than the functional currency.

Significant events after first half 2023

There are no subsequent events that impact on the financial statements to disclose.